PROSPECTUS

KONGSBERG GRUPPEN ASA

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

Rights Issue and listing on Oslo Børs of 59,990,065 Offer Shares at a Subscription Price of NOK 83.30 per Offer Share with Subscription Rights for Existing Shareholders

Subscription Period for the Rights Issue: From 09:00 hours (CET) on 7 November 2018 to 16:30 hours (CET) on 21 November 2018

Trading in Subscription Rights: From 09:00 hours (CET) on 7 November 2018 to 16:30 hours (CET) on 19 November 2018

The information in this prospectus (the "**Prospectus**") relates to the underwritten rights issue (the "**Rights Issue**") by Kongsberg Gruppen ASA (the "**Company**" or "**Kongsberg Gruppen**"), a public limited liability company incorporated under the laws of Norway (together with its consolidated subsidiaries, the "**Group**" or "**Kongsberg**") and the listing on Oslo Børs, a stock exchange operated by Oslo Børs ASA (the "**Oslo Stock Exchange**"), of 59,990,065 new shares in the Company with a nominal value of NOK 1.25 each (the "**Offer Shares**") to be issued at a subscription price of NOK 83.30 per Offer Share (the "**Subscription Price**").

The shareholders of the Company as of 2 November 2018 (and being registered as such in the Norwegian Central Securities Depository (the "**VPS**") as at the expiry of 6 November 2018 pursuant to the two days' settlement procedure (the "**Record Date**")) (the "**Existing Shareholders**"), will be granted subscription rights (the "**Subscription Rights**") in the Rights Issue that, subject to applicable law, provide preferential rights to subscribe for, and be allocated, Offer Shares at the Subscription Price. The Subscription Rights will be registered on each Existing Shareholder's VPS account. Subscription Rights will not be issued in respect of any existing shares held in treasury by the Company. The Subscription Rights will be listed and tradable on the Oslo Stock Exchange from 09:00 hours Central European Time ("**CET**") on 7 November 2018 to 16:30 hours (CET) on 19 November 2018 under the ticker code "KOG T".

Each Existing Shareholder will be granted one (1) Subscription Right for every second (2) existing share registered as held by such Existing Shareholder as of the Record Date, rounded down to the nearest whole Subscription Right. Subscription Rights acquired during the trading period for the Subscription Rights as set out above carry the same rights as the Subscription Rights held by Existing Shareholders. Each Subscription Right will, subject to applicable law, give the right to subscribe for, and be allocated, one Offer Share. Over-subscription and subscription without Subscription Rights is permitted. The subscription period will commence at 09:00 hours (CET) on 7 November 2018 and expire at 16:30 hours CET on 21 November 2018 (the "**Subscription Period**").

Subscription Rights that are not used to subscribe for Offer Shares before the expiry of the Subscription Period or sold before 16:30 hours (CET) on 19 November 2018 will have no value and will lapse without compensation to the holder.

The Company's largest shareholder, the Norwegian Government, represented by the Ministry of Trade, Industry and Fisheries, has approved that it will participate in the Rights Issue on a pro rata basis (50.001%), while the remaining part of the Rights Issue is underwritten by Danske Bank A/S, Norwegian Branch and DNB Markets, a part of DNB Bank ASA (the "**Bank Underwriters**") and certain pre-committing shareholders.

The Company's existing shares are, and the Offer Shares will be, listed on the Oslo Stock Exchange under the ticker code "KOG". Except where the context requires otherwise, references in this Prospectus to "**Shares**" will be deemed to include the existing Shares and the Offer Shares. All of the existing Shares are, and the Offer Shares will be, registered in the VPS in book-entry form. All of the issued Shares rank pari passu with one another and each carry one vote.

Investing in the Subscription Rights or the Shares, including the Offer Shares, involves a high degree of risk. Prospective investors should read the entire document and, in particular, consider Section 2 "Risk factors" beginning on page 19 when considering an investment in the Company.

The Subscription Rights and the Offer Shares are being offered only in those jurisdictions in which, and only to those persons to whom, offers and sales of the Offer Shares and Subscription Rights may lawfully be made and, for jurisdictions other than Norway, would not require any filing, registration or similar action.

The Subscription Rights and the Offer Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or with any securities regulatory authority of any state or other jurisdiction in the United States, and are being offered and sold: (i) in the United States only to "qualified institutional buyers" ("QIBs") as defined in Rule 144A under the U.S. Securities Act ("Rule 144A") in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act; and (ii) outside the United States in "offshore transactions" as defined in, and in compliance with, Regulation S under the U.S. Securities Act ("Regulation S"). The distribution of this Prospectus and the offer and sale of the Subscription Rights and the Offer Shares in certain jurisdictions may be restricted by law.

For more information regarding restrictions in relation to the Rights Issue, see Section 19 "Selling and transfer restrictions".

The due date for the payment of the Offer Shares is expected to be on or about 26 November 2018. Delivery of the Offer Shares is expected to take place on or about 28 November 2018 through the facilities of the VPS. Trading in the Offer Shares on the Oslo Stock Exchange is expected to commence on or about 29 November 2018.

Joint Global Coordinators

Arctic Securities AS | Danske Bank A/S, Norwegian Branch | DNB Markets, a part of DNB Bank ASA

The date of this Prospectus is 6 November 2018

IMPORTANT INFORMATION

This Prospectus has been prepared in connection with the Rights Issue and the listing of the Offer Shares on the Oslo Stock Exchange. As this Rights Issue is addressed to the Company's existing shareholders, the level of disclosure in this Prospectus is proportionate to this type of issue cf. EC Commission Regulation EC/809/2004 article 26a (3). This Prospectus has therefore been prepared in accordance with Annex XXIII and Annex XXIV applicable to rights issues.

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75 (the "**Norwegian Securities Trading Act**") and related secondary legislation, including the Commission Regulation (EC) no. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in prospectuses, as amended, and as implemented in Norway (the "**EU Prospectus Directive**"). This Prospectus has been prepared solely in the English language. The Financial Supervisory Authority of Norway (Nw.: *Finanstilsynet*) (the "**Norwegian FSA**") has reviewed and approved this Prospectus in accordance with Sections 7-7 and 7-8 of the Norwegian Securities Trading Act on 6 November 2018. The Norwegian FSA has not controlled or approved the accuracy or completeness of the information included in this Prospectus. The approval by the Norwegian FSA only relates to the information included in accordance with pre-defined disclosure requirements. The Norwegian FSA has not made any form of control or approval relating to corporate matters described in or referred to in this Prospectus.

For definitions of certain other terms used throughout this Prospectus, see Section 21 "Definitions and glossary".

The Company has engaged Arctic Securities AS ("**Arctic**"), Danske Bank A/S, Norwegian branch ("**Danske Bank**") and DNB Markets, a part of DNB Bank ASA ("**DNB Markets**") as Joint Global Coordinators (collectively referred to as the "**Managers**").

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, material mistakes or inaccuracies relating to the information included in this Prospectus, which are capable of affecting the assessment by investors of the Offer Shares between the time of approval of this Prospectus by the Norwegian FSA and the listing of the Offer Shares on the Oslo Stock Exchange, will be included in a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus, nor the granting of any Subscription Rights nor the sale of any Offer Share, 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 authorised to give information or to make any representation concerning the Group or in connection with the Rights Issue or the sale of the Offer Shares or the Subscription Rights other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Company or the Managers or by any of the affiliates, representatives, advisors or selling agents of any of the foregoing.

The distribution of this Prospectus and the offer and sale of the Offer Shares and the granting or use of the Subscription Rights in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares or use the Subscription Rights to subscribe for Offer Shares in any jurisdiction in which such offer, sale or subscription would be unlawful. Neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that is in compliance with applicable laws and regulations. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. In addition, the Shares and the Subscription Rights are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. See Section 19 "Selling and transfer restrictions".

This Prospectus and the terms and conditions of the Rights Issue as set out herein, and any sale and purchase of Offer Shares and the granting and use of the Subscription Rights hereunder, shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue or this Prospectus.

In making an investment decision, prospective investors must rely on their own examination, and analysis of, and enquiry into the Group and the terms of the Rights Issue, including the merits and risks involved. None of the Company or the Managers, or any of their respective representatives or advisers, is making any representation to any offeree or purchaser of the Offer Shares or holder of Subscription Rights regarding the legality of an investment in the Offer Shares or the Subscription Rights by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares or the use of the Subscription Rights to subscribe for Offer Shares.

All Sections of the Prospectus should be read in context with the information included in Section 4 "General information".

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO INVESTORS IN THE UNITED STATES

Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Offer Shares or the Subscription Rights. The Offer Shares and the Subscription Rights have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws. All offers and sales in the United States will be made only to QIBs in reliance on Rule 144A or pursuant to another exemption from, on in transactions not subject to, the registration requirements of the U.S. Securities Act. All offers and sales outside the United States will be made in "offshore transactions" as defined in, and in reliance on, Regulation S. Prospective purchasers are hereby notified that sellers of Offer Shares or Subscription Rights may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. See Section 19.2 "United States".

Any Offer Shares or Subscription Rights offered or sold in the United States will be subject to certain transfer restrictions and each purchaser will be deemed to have made acknowledgements, representations and agreements, as set forth under Section 19.2 "United States".

Neither the Offer Shares nor the Subscription Rights have been recommended by any United States federal or state securities commission or regulatory authority. Further, the foregoing authorities have not passed upon the merits of the Rights Issue or confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offense under the laws of the United States.

In the United States, this Prospectus is being furnished on a confidential basis solely for the purposes of enabling a prospective investor to consider purchasing the Offer Shares or the Subscription Rights. The information contained in this Prospectus has been provided by the Company and other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised and any disclosure of its contents, without prior written consent of the Company, is prohibited. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase Offer Shares or Subscription Rights or subscribe for or otherwise acquire the Offer Shares or Subscription Rights.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom (the "**UK**") or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**Relevant Persons**"). The Subscription Rights and the Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

The Managers have represented, warranted and agreed (i) that it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Offer Shares and Subscription Rights in circumstances in which section 21(1) of the FSMA does not apply to the Company and (ii) that it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares and the Subscription Rights in, from or otherwise involving the UK.

NOTICE TO INVESTORS IN THE EEA

In any member state of the European Economic Area (the "**EEA**") that has implemented the EU Prospectus Directive, other than Norway (each, a "**Relevant Member State**"), this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the EU Prospectus Directive. The Prospectus has been prepared on the basis that all offers of Subscription Rights and Offer Shares outside Norway will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus for offer of securities. Accordingly, any person making or intending to make any offer within the EEA of Offer Shares or Subscription Rights which is the subject of the Rights Issue contemplated in this Prospectus within any EEA member state (other than Norway) should only do so in circumstances in which no obligation arises for the Company or the Managers to publish a prospectus or a supplement to a prospectus under the EU Prospectus Directive for such offer. Neither the Company nor the Managers have authorised, nor do they authorise, the making of any offer of Shares or Subscription Rights through any financial intermediary.

Each person in a Relevant Member State other than, in the case of paragraph (a), persons receiving offers contemplated in this Prospectus in Norway, who receives any communication in respect of, or who acquires any Offer Shares or Subscription Rights under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with the Managers and the Company that:

a. it is a qualified investor as defined in the EU Prospectus Directive; and
b. in the case of any Offer Shares or Subscription Rights acquired by it as a financial intermediary, as that term is used in Article 3(2) of the EU Prospectus Directive, (i) such Offer Shares or Subscription Rights acquired by it in the Rights Issue have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the EU Prospectus Directive, or in circumstances in which the prior consent of the Managers have been given to the offer or resale; or (ii) where such Offer Shares or Subscription Rights have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares or Subscription Rights to it is not treated under the EU Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer to the public" in relation to any of the Offer Shares and the Subscription Rights in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any securities to be offered so as to enable an investor to decide to purchase any of the Offer Shares or Subscription Rights, as the same may be varied in that Relevant Member State by any measure implementing the EU Prospectus Directive in that Relevant Member State, and the expression "EU Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

See Section 19 "Selling and transfer restrictions" for certain other notices to investors.

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, which any "manufacturer" (for the purposes of the Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that they each are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II (the "**Positive Target Market**"); and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Appropriate Channels for Distribution**"). Distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Conversely, an investment in the Shares is not compatible with investors looking for full capital protection or full repayment of the amount invested or having no risk tolerance, or investors requiring a fully guaranteed income or fully predictable return profile (the "**Negative Target Market**", and, together with the Positive Target Market, the "**Target Market Assessment**").

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Rights Issue.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is a public limited company incorporated under the laws of Norway. As a result, the rights of holders of the Shares will be governed by Norwegian law and the Company's articles of association (the "**Articles of Association**"). The rights of shareholders under Norwegian law may differ from the rights of shareholders of companies incorporated in other jurisdictions. The members of the Company's board of directors (the "**Board Members**" and the "**Board of Directors**", respectively) and the members of the Group's senior management (the "**Management**") are not residents of the United States, and a substantial portion of the Company's assets are located outside the United States. As a result, it may be difficult for investors in the United States to effect service of process on the Company or its Board Members and members of Management in the United States or to enforce in the United States judgments obtained in U.S. courts against the Company or those persons, including judgments based on the civil liability provisions of the securities laws of the United States or any State or territory within the United States. Uncertainty exists as to whether courts in Norway will enforce judgments obtained in other jurisdictions, including the United States, against the Company or its Board Members or members of Management under the securities laws of those jurisdictions or entertain actions in Norway against the Company or its Board Members or members of Management under the securities laws of other jurisdictions. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Norway. The United States does not currently have a treaty providing for reciprocal recognition and enforcement of judgements (other than arbitral awards) in civil and commercial matters with Norway.

AVAILABLE INFORMATION

The Company has agreed that, for so long as any of the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, it will during any period in which it is neither subject to Sections 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, provide to any holder or beneficial owners of Shares, or to any prospective purchaser designated by any such registered holder, upon the request of such holder, beneficial owner or prospective owner, the information required to be delivered pursuant to Rule 144A(d)(4) of the U.S. Securities Act.

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APPENDICES

1 SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A– E (A.1 – E.7) below. This summary contains all the Elements required to be included in a summary for this type of securities and the Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and Warnings

A1	**Warning**	This summary should be read as introduction to the Prospectus; any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor; where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A2	**Resale or final placement of securities by financial intermediaries**	Not applicable. No consent is granted by the Company for the use of the Prospectus for subsequent resale or final placement of the Shares or the Subscription Rights.

Section B – Issuer

B.1	**Legal and commercial name**	Kongsberg Gruppen ASA.
B.2	**Domicile and legal form, legislation and country of incorporation**	The Company is a public limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Public Limited Companies Act. The Company was incorporated in Norway on 19 June 1987, and the Company's registration number in the Norwegian Register of Business Enterprises is 943 753 709.
B.3	**Current operations, principal activities and markets**	The Group is an international technology group that delivers advanced and reliable solutions that improve safety, security and performance in complex operations and under extreme conditions. Kongsberg 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 operations", consisting of Kongsberg Digital, property and the corporate center. The Company is headquartered in Kongsberg, Norway, where the group management is based. *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 comprises the Integrated Defence Systems division, the Space & Surveillance division, the Missile Systems division, the Aerostructure division, the Defence Communications division, the

	Protech Systems division and Patria (Finland's provider of technology solutions and life-cycle support services within defence, security and aviation). *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. *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.
B.4a Significant recent trends	Since the oil price bottomed at around USD 30/bbl in early 2016, it has been steadily improving to levels around USD 60-65/bbl at the end of 2017. Since year end 2017 and through the first three quarters of 2018, the oil price has further improved to levels between USD 70-80/bbl, and although there is still volatility, the underlying trend is positive based on shrinking inventories and a prolonged period with reserve replacement at unsustainable levels. This oil price improvement has together with industry efficiency improvements led to a significant improvement in free cash flow for the oil companies which is expected to translate into increased E&P spending and increased activity within the offshore market. There is no strong turnaround, but throughout the first half of 2018 several companies in the offshore market have reported on increased activity and improved outlook. However, with the high number of drilling rigs and offshore vessels in lay-up newbuild activity is not expected to pick up in the near term, while activity within the services aftermarket is seen to increase somewhat as stacked rigs and vessels are brought back into operation. Within the merchant market newbuild activity has seen a steady growth over the last year driven by worldwide GDP growth and continued growth in seaborn trade. This trend has continued also into the first half of 2018. The Company has seen that the activity level for Kongsberg Maritime has somewhat improved in the global customer support segment. The first nine months of 2018 have also showed increased order intake within certain traditional merchant segments, such as bulk and LNG. After a period with market decline, Kongsberg Maritime experiences that the offshore and maritime segment has stabilized the last quarters. The high focus on cost and project efficiency during the downturn has been crucial to maintain margins, and strengthen the competitiveness. As communicated in the stock exchange announcement dated 10 August 2018, excess costs of NOK 50 million in a single project delivery in Kongsberg Maritime have incurred. This project is an ongoing integrated solution project that is in line with Kongsberg Maritime's "triangle strategy", and the excess costs

		refer to delays in the project in addition to higher customization and development costs than expected. Within the global defence market, the current global defence procurement predictions show modest growth for the coming years after several years of negative or low growth, with the Eastern nations growing more aggressively than the Western nations. Growing global instability on both political and military fronts, with Russia and China having increased their military spending significantly while also demonstrating willingness to use military means to achieve political goals – e.g. in Russia's case in Ukraine and Syria, has resulted in defence budgets moderately increasing also in Western nations. The United States of America ("**U.S.**") defence budgets again see growth after multi-year declines following troop pullbacks from the wars in Afghanistan and Iraq. The U.S. has recently put an increased pressure on other NATO nations to increase their defence budgets as a share of GDP. Even though the general growth rates in Kongsberg Defence & Aerospace's accessible defence markets are moderate, there is increased demand in certain segments that match its portfolio very well. Kongsberg Defence & Aerospace's home market in Norway is very important for product development and as reference for export sales, while the international markets for its products are significantly larger. Due to long budget processes for military programs in most countries, however, the timelines from identified requirements to delivery contracts will in most cases be significant. Kongsberg Defence & Aerospace actively seeks to develop market access for its products in other countries through cooperation with the defence industry in the respective countries, particularly through requirements from the Norwegian government for industrial offset or reciprocal purchases when Norway purchases defence products from foreign companies.
B.5	**Description of the Group**	Kongsberg consists of Kongsberg Gruppen ASA (which is an operating entity) and its 85 subsidiaries in 28 countries (as per 31 December 2017), as well as Kongsberg's investments in associates and jointly controlled entities. Subsidiaries are all entities over which Kongsberg has control.
B.6	**Interests in the Company and voting rights**	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 1 November 2018, the Company had 11,194 shareholders. The Company's 20 largest shareholders as of 1 November 2018 are set out in the table below.

#	Shareholders	Number of Shares	Percent
1	Nærings- og fiskeridepartementet	60,001,600	50.00%
2	Folketrygdfondet JPMBL SA Oslo Lend	7,838,890	6.53%
3	Must Invest AS	2,862,429	2.39%
4	State Street Bank an A/C Client Omnibus F	2,764,342	2.30%
5	Ulfoss Invest AS	2,567,803	2.14%
6	MP Pensjon PK	2,282,109	1.90%
7	Danske Invest Norske c/o Danske Capital A	1,891,009	1.58%
8	Snefonn AS	1,772,889	1.48%
9	Odin Norge	1,699,597	1.42%
10	Nordea Nordic Small	1,248,780	1.04%
11	Societe Generale Par Lis BSE Nordea Oslo	1,000,430	0.83%
12	Arctic Funds Plc BNY Mellon SA/NV	998,351	0.83%
13	Vanguard Internation A/C BBH Intl Explore	963,831	0.80%
14	Danske Invest Norske	947,421	0.79%
15	Havfonn AS	770,132	0.64%
16	Vanguard Total Inter A/C Vanguard BBH Len	745,251	0.62%
17	Highclere Internatio Non-Treaty Account	716,084	0.60%
18	State Street Bank an S/A SSB Client Omni	682,734	0.57%

19	JP Morgan Securities BNY Mellon SA/NV	631,271	0.53%
20	State Street Bank an A/C Client Fund Numb	610,706	0.51%
	Other	27,004,341	22.50%
	Total	**120,000,000**	**100.00%**

Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Securities Trading Act of 29 June 2007 no. 75 (Nw. Verdipapirhandelloven), as amended (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. The Shares have not been subject to any public takeover bids.

B.7 Selected historical key financial information

The Company incorporates by reference the Group's unaudited consolidated interim financial statements as of and for the nine month periods ended 30 September 2018 and 2017 (the Interim Financial Statements) and the Group's audited consolidated financial statements as of and for the year ended 31 December 2017 (the Financial Statements), as well as certain other documents set out below. The Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"), while the Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU ("**IAS 34**"). The Financial Statements have been audited by Ernst & Young AS ("**EY**"), as set forth in their report included therein. The Interim Financial Statements have not been audited.

In NOK million	**Nine months ended 30 September**		**Year ended 31 December**
	2018 *(unaudited)*	**2017** *(unaudited)*	**2017**[1]
Condensed income statement			
Operating revenues	10,223	10,733	14,490
Operating expenses	(9,449)	(10,027)	(13,398)
Share of net income from joint arrangements and associated companies	90	114	187
EBITDA	**874**	**820**	**1,279**
Depreciation	(263)	(263)	(353)
Impairment	-	-	(40)
EBITA	**611**	**557**	**886**
Amortisation	(72)	(84)	(114)
EBIT	**539**	**473**	**772**
Net financial items	(86)	(85)	(118)
Earnings before tax (EBT)	**453**	**388**	**654**
Income tax expense	(93)	(99)	(95)

Earnings after tax	360	289	559
Attributable to:			
Equity holders of the parent	361	289	554
Non-controlling interests	(1)	-	5
Earnings per share (EPS)/EPS diluted in NOK	3.01	2.41	4.62
Earnings after tax	360	289	559
Condensed statement of comprehensive income			
Comprehensive income for the period:			
Items to be reclassified to profit or loss in subsequent period:			
Change in fair value, financial instruments:			
- Cash flow hedges (currency futures and interest rate swaps)	35	457	509
Tax effect cash flow hedges (currency futures and interest rate swaps)	(8)	(110)	(124)
Translation differences and hedge of net investments (currency)	(142)	11	211
Total items to be reclassified to profit or loss in subsequent periods	**(115)**	**358**	**596**
Items not to be reclassified to profit or loss:			
Actuarial gains/losses pensions	-	-	(76)
Income tax on items remaining in equity	-	-	18
Total items not to be reclassified to profit or loss	-	-	**(58)**
Comprehensive income for the period	**245**	**647**	**1,097**
In NOK million	**As at 30 September**		**As at 31 December**
	2018 *(unaudited)*	**2017** *(unaudited)*	**2017[1]**
Condensed statement of financial status			
Property, plant and equipment	2,525	2,646	2,658
Intangible assets	2,849	2,779	2,803
Shares in joint arrangements and associated companies	3,207	3,183	3,358
Other non-current assets	195	234	204
Total non-current assets	**8,776**	**8,842**	**9,023**
Inventories	2,180	4,808	3,961
Trade receivables	2,745	1,930	2,672
Construction contracts in progress, asset	2,979	2,247	2,018
Derivatives	-	-	213
Other current assets	533	1,111	-
Cash and cash equivalents	2,990	1,639	2,956
Total current assets	**11,427**	**11,735**	**11,820**
Total assets	**20,203**	**20,577**	**20,843**
Issued capital	982	982	982
Other reserves	-	-	435
Retained earnings	6,239	6,066	5,914
Fair value of financial instruments	(97)	(162)	-
Non-controlling interests	40	32	34
Total equity	**7,164**	**6,918**	**7,365**
Long-term interest-bearing loans	3,019	3,330	3,340
Other non-current liabilities and provisions	2,026	1,915	2,080
Total non-current liabilities and provisions	**5,045**	**5,245**	**5,420**
Construction contracts in progress, liabilities	4,519	3,402	3,389
Short-term interest-bearing loans	307	300	-
Other current liabilities and provisions	3,168	4,712	4,669
Total current liabilities and provisions	**7,994**	**8,414**	**8,058**
Total equity, liabilities and provisions	**20,203**	**20,577**	**20,843**
Equity ratio (%)	35.5	33.6	35.4
Net interest-bearing liabilities	336	1,991	384

1 In relation with implementation of the accounting standard, IFRS 15 Revenues from customer contracts in Q1 2018, the balance sheet per 31 December 2017 was restated.

Condensed statement of changes in equity

In NOK million	Nine months ended 30 September		Year ended 31 December
	2018 *(unaudited)*	**2017** *(unaudited)*	**2017**
Equity opening balance	7,365	6,725	6,725
Comprehensive income accumulated	245	647	1,097
Dividends	(450)	(450)	(450)
Treasury shares	(3)	(2)	(2)
Dividends non-controlling interests	(5)	-	(3)
Change in non-controlling interests	12	(2)	(2)
Equity, closing balance	**7,164**	**6,918**	**7,365**

In NOK million	Nine months ended 30 September		Year ended 31 December
	2018 *(unaudited)*	**2017** *(unaudited)*	**2017**
Condensed cash flow statement			
Earnings before interest, tax, depreciation and amortisation	874	820	1,279
Change in net current assets and other operating related items	(9)	330	1,620
Net cash flow from operating activities	**865**	**1,150**	**2,899**
Acquisition/disposal of property, plant and equipment	(153)	(223)	(339)
Acquisition/disposal of subsidiaries and joint arrangement and associated companies	(10)	-	-
Net payment for the acquisition/disposal of available-for-sale-shares	-	(6)	(11)
Other investing activities including capitalised Self-financed development	(96)	(148)	(189)
Net cash flow from investing activities	**(259)**	**(377)**	**(528)**
Net change in interest bearing loans	(8)	(453)	(740)
Net interests received (paid)	(64)	(82)	(110)
Net payments for the acquisition/disposal of treasury shares	(20)	(18)	(18)
Transactions with non-controlling interests	(5)	-	(3)
Dividends paid to equity holders of the parent	(450)	(450)	(450)
- of which dividends from treasury shares	2	2	2
Net cash flow from financing activities	**(545)**	**(1,001)**	**(1,319)**
Effect of changes in exchange rates on cash and cash equivalents	(27)	(21)	16
Net change in cash and cash equivalents	**34**	**(249)**	**1,068**
Cash and cash equivalents opening balance	**2,956**	**1,888**	**1,888**
Cash and cash equivalents closing balance	**2,990**	**1,639**	**2,956**

B.8	**Selected key pro forma financial information**	The following tables set out unaudited pro forma financial information for the Group as of and for the year ended 31 December 2017, and is prepared under the assumption that the Transaction will be completed as described in Section 6 "The Transaction". It should be noted that the unaudited pro forma financial information reflects the effects of the Transaction as well as the effects of the financing of the Transaction, i.e. the Rights Issue and the Bond Issue (or the Bridge Loan), as described in Section 6.10 "Financing of the Transaction". For the purpose of Section 13 "Unaudited pro forma financial information", the term "Transaction" shall be read as to include the financing of the Transaction.

The table below sets out the unaudited pro forma income statement for the year ended 31 December 2017, as if the acquisition had occurred on 1 January 2017.

NOK million	**Company IFRS**	**RRCM IFRS (unaudited)**	**IFRS adjustments (unaudited)**	**Note**	**Pro forma adjustments (unaudited)**	**Note**	**Company Pro forma (unaudited)**
Revenues	14,490	8,744					23,234

Material cost	(4,417)	(4,954)			(24)	1	(9,395)
Personnel expenses	(5,788)	(3,062)					(8,850)
Other operating expenses	(3,193)	(1,138)	128	A	(52)	1	(4,256)
Share of net income from joint arrangements and associated companies	187	0					187
Operating profit before depreciation and amortisation (EBITDA)	**1,279**	**(410)**	**128**		**(76)**		**920**
Depreciation	(353)	(131)					(484)
Impairment of property, plant and equipment	(40)	(53)					(93)
Operating profit before amortisation (EBITA)	**886**	**(593)**	**128**		**(76)**	**-**	**344**
Amortisation	(114)	(65)			(138)	1	(318)
Operating profit (EBIT)	**772**	**(659)**	**128**	**-**	**(215)**		**26**
Financial income	47	135	(135)	A			47
Financial expenses	(165)	(17)	7	A	(25)	2	(199)
Profit before tax	**654**	**(541)**	**-**		**(239)**	**2**	**(126)**
Income tax expense	(95)	(39)			44	3	(90)
Profit for the year	**559**	**(579)**	**-**	**-**	**(195)**		**(216)**

The table below sets out the unaudited pro forma statement of financial position as of 31 December 2017, as if the acquisition had occurred on 31 December 2017.

NOK million	**Company IFRS**	**RRCM IFRS (unaudited)**	**IFRS adjustments (unaudited)**	**Note**	**Pro forma adjustments (unaudited)**	**Note**	**Company Pro forma (unaudited)**
Assets							
Fixed assets							
Property, plant and equipment	2,658	1,382					4,040
Goodwill	1,981	-			1,754	1	3,735
Other intangible assets	822	169			1,268	1	2,260
Shares in joint arrangements and associated companies	3,358	-					3,358
Available-for-sale shares	29	-					29
Other non-current assets	175	1,242					1,417
Total non-current assets	**9,023**	**2,794**	**-**	**-**	**3,022**		**14,839**
Current assets							
Inventories	3,961	1,948			25	1	5,934
Receivables	2,672	1,815					4,487
Construction contracts in progress, asset	2,018	21					2,039
Derivatives	213	-					213
Cash and cash equivalents	2,956	1,832					4,788
Total current assets	**11,820**	**5,616**	**-**	**-**	**25**		**17,460**
Total assets	**20,843**	**8,410**	**-**	**-**	**3,047**		**32,300**
Equity, liabilities and provisions							
Issued capital	982	6,655			(1,747)	23	5,890
Other reserves	435	(4,895)			4,895	3	435
Retained earnings	5,914	1,017			(1,017)	3	5,914
Equity attributable to owners of the parent	**7,331**	**2,777**	**-**	**-**	**2,131**		**12,239**
Non-controlling interest	34	18			(18)	3	34

Total equity	**7,365**	**2,795**	**-**	**-**	**2,113**		**12,273**
Non-current liabilities and provisions							
Long-term-interest-bearing loans	3,340	-			1,129	2	4,469
Pension liabilities	647	274					921
Provisions	140	-					140
Deferred tax liabilities	1,272	(66)			(287)	4	919
Other non-current liabilities	21	138					159
Total non-current liabilities and provisions	**5,420**	**346**	**-**	**-**	**842**		**6,607**
Current liabilities and provisions							
Construction contracts in progress, liability	3,389	-					3,389
Derivatives	645	32					677
Provisions	543	523					1,066
Short-term interest-bearing loans	-	327					327
Other current liabilities	3,481	4,387			92	5	7,960
Total current liabilities and provisions	**8,058**	**5,269**	**-**	**-**	**92**		**13,419**
Total liabilities and provisions	**13,478**	**5,615**	**-**	**-**	**934**		**20,027**
Total equity, liabilities and provisions	**20,843**	**8,410**	**-**	**-**	**3,047**		**32,300**

B.9	**Profit forecast or estimate**	Not applicable. No profit forecasts or estimates are made.
B.10	**Audit report qualifications**	Not applicable. There are no qualifications in the audit reports.
B.11	**Insufficient working capital**	The Transaction entails that Kongsberg does not have sufficient working capital for its present requirements. In order to finance the purchase price for Rolls-Royce Commercial Marine as set out in Section 6.5 "Total consideration and transaction costs", the Company is dependent on both new equity and debt, and more specifically on a successful completion of the Rights Issue and Bond Issue as described in Section 6.10 "Financing of the Transaction".

Section C – Securities

C.1	**Type and class of securities admitted to trading and identification number**	The Company has one class of Shares in issue and all Shares in that class provide equal rights in the Company. The Shares carries one vote. All the Shares have been created under the Norwegian Public Limited Companies Act are registered in the VPS under ISIN NO 0003043309.
C.2	**Currency of issue**	The Shares are issued in NOK.
C.3	**Number of shares in issue and par value**	As of the date of this Prospectus, the Company's share capital is NOK 150,000,000 divided into 120,000,000 Shares, each with a par value of NOK 1.25.
C.4	**Rights attaching to the securities**	The Company has one class of Shares in issue, and in accordance with the Norwegian Public Limited Companies Act, all Shares in that class provide equal rights in the Company. Each of the Shares carries one vote. The rights attaching to the Shares are described in Section 15.10 "Certain aspects of Norwegian law".
C.5	**Restrictions on transfer**	The Articles of Association do not provide for any restrictions on the transfer of Shares, or a right of first refusal for the Company. Share

	transfers are not subject to approval by the Board of Directors. See also Section 19 "Selling and transfer restrictions".
C.6 Admission to trading	The Shares are, and the Offer Shares will be, admitted to trading on the Oslo Stock Exchange. The Company currently expects commencement of trading in the Offer Shares on the Oslo Stock Exchange on or around 29 November 2018. The Company has not applied for admission to trading of the Shares on any other stock exchange or regulated market.
C.7 Dividend policy	The Company's current dividend policy was decided by the Board in 2013. Dividends over time shall constitute between 40 and 50 per cent of the Company's annual profit after tax. In determining the size of dividends, the expected future capital requirements shall be considered. The General Meeting approves the annual dividend, based on the Board of Director's recommendation. The proposal is the ceiling for what the General Meeting can approve. For the accounting years 2015, 2016 and 2017, a dividend of NOK 4.25, NOK 3.75 and NOK 3.75 per share, respectively, was paid.

Section D – Risks

D.1 Key risks specific to the Company or its industry	The following is a summary of key risks that relate to the Group, the Group's industry and operations, laws, regulation and litigation and financing and market risks. **Risks related to the industry in which Kongsberg operates** • The Group is exposed to risks related to the various markets in which it operates (primarily the offshore market, the merchant marine market, the subsea market and the defence market), such as *inter alia* the demand for energy and oil price development which impacts the willingness to invest in the offshore market, lower shipbuilding activity which has led to increased competition and lower prices, and involves a risk for loss of market positions, reduced demand for seaborne transportation, and strict security requirements and protection of various countries' own defence industry • The Group is exposed to cyclical fluctuations in the general economic and market conditions in the countries and regions where it operates • The Group is exposed to risk related to competition, and 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 • Kongsberg's world-wide operations are subject to a variety of country, regulatory and political risks, such as price controls, regulatory changes, currency fluctuations, punitive or unpredictable taxation, trade barriers, export duties and quotas and other restrictive government actions **Risks related to Kongsberg** • Kongsberg's future business performance depends on its ability to renew and extend existing contracts, and to win new contracts • The Groups is exposed to risk related to early termination of its contracts • Unforeseen or unanticipated risks, costs or timing when bidding on or managing contracts

	• The Group is exposed to risks related to project management, such as failure to manage projects in a satisfactory manner • Any failure in a customer's infrastructure or applications as a result, or alleged result, of the Group's service or solution's failure could result in a claim for substantial damages against the Group and/or result in significant reputational harm • 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 • Disruptions of deliveries by Kongsberg's suppliers could increase operating costs, decrease revenues and adversely impact Kongsberg's operations • 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 • Kongsberg conducts a portion of its operations through joint ventures and strategical co-operations, exposing it to risks and uncertainties, many of which are outside its control • 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 may not be able to successfully implement its strategies, which 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 • Damage to Kongsberg's reputation and business relationships may have an adverse effect beyond any monetary liability • 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 • The Group may not be able to keep pace with a significant step change in technological development **Risks related to the Transaction** • The unaudited pro forma financial information included in this Prospectus has been prepared solely to show what the effects of the Transaction might have been had the Transaction occurred at an earlier date and does not purport to present the results of operations or financial condition of Kongsberg, nor should it be used as the basis of projections of the results of operations or financial condition of Kongsberg for any future period or date • 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 • 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 the integration

	• Kongsberg may not achieve the expected synergies and other benefits from the Transaction • Kongsberg is acquiring an ongoing business with a number of exposures relating to the period prior to Completion. Pre-Completion liabilities and other exposures may 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, which could have a material adverse effect the business, results of operations, cash flows, financial condition and/or prospects of Kongsberg • There is a risk that one or more of the agreements that the Kongsberg and Rolls-Royce intend to enter into as part of the Transaction 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 **Risks related to laws, regulations 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 • Technology disputes involving Kongsberg, Kongsberg's suppliers or sub-suppliers could impact Kongsberg's operations • 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 • Laws and regulations could hinder or delay Kongsberg's operations, increase Kongsberg's operating costs and reduce demand for its systems and solutions **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 • 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 • 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 • Kongsberg may not be able to meet its liabilities as they fall due, and such liquidity risk may have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects • Kongsberg's transactions involve a level of credit risk, which may increase and have a materially adverse effect on the business, results of operations, cash flows, financial condition and/or prospects of Kongsberg • Since Kongsberg has a significant share of its revenues outside Norway, currency fluctuations could have a material adverse effect

		on its business, results of operations, cash flows, financial condition and/or prospects • If the Rights Issue and the Bond Issue are completed, and the Transaction is not completed, then the Company will have raised financing 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 **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 • 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 **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 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 has an ongoing cost cutting program, Ship Shape, which it will continue to carry out prior to completion of the Transaction. There are no guarantees that the program will achieve the savings effects previously communicated and outlined by Rolls-Royce • 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. 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
D.3	**Key risks specific to the securities**	The following is a summary of key risks that relate to the Shares and the Rights Issue **Risks related to the Shares** • The Norwegian Ministry of Trade, Industry and Fisheries is the controlling shareholder of the Company and has significant voting power and the ability to influence matters requiring shareholder approval • The price of the Shares may fluctuate significantly, which could cause investors to lose a significant part or all of their investment • Future sales, or the possibility for future sales, of substantial numbers of Shares may affect the Shares' market price • Future issuances of Shares or other securities may dilute the holdings of shareholders and could materially affect the price of the Shares • Exchange rate fluctuations could adversely affect the value of the Shares and any dividends paid on the Shares for an investor whose principal currency is not NOK • Investors may not be able to exercise their voting rights for Shares registered in a nominee account

	• The transfer of Shares is subject to restrictions under the securities laws of the United States and other jurisdictions • The Company may be unwilling or unable to pay any dividends in the future **Risks related to the Rights Issue** • Existing Shareholders who do not participate in the Rights Issue may experience significant dilution in their shareholding • An active trading market in Subscription Rights may not develop on the Oslo Stock Exchange and/or the market value of the Subscription Rights may fluctuate • The sale of Subscription Rights by or on behalf of Existing Shareholders may result in a reduction in the market price of the Subscription Rights and increased volatility in the Shares • If the Rights Issue is withdrawn, the Subscription Rights will no longer be of value.

Section E - Offer

E.1	**Net proceeds and estimated expenses**	The net proceeds from the Rights Issue are estimated to be approximately NOK 4.938 billion, assuming that expenses related to the Rights Issue charged to the Company will be in the amount of approximately NOK 59 million.
E.2a	**Reasons for the Rights Issue and use of proceeds**	The net proceeds will be used to finance the Company's acquisition and integration of Rolls-Royce Commercial Marine, see Section 6 "The Transaction".
E.3	**Terms and conditions of the Rights Issue**	The Rights Issue consists of an offer by the Company to issue 59,990,065 Offer Shares at a Subscription Price of NOK 83.30 per Offer Share, thereby raising gross proceeds of approximately NOK 4.997 billion. The Offer Shares have a nominal value of NOK 1.25 each. Existing Shareholders will be granted tradable Subscription Rights that, subject to applicable law, provide preferential rights to subscribe for, and be allocated, Offer Shares at the Subscription Price in the Rights Issue. Over-subscription and subscription without Subscription Rights is permitted; however, there can be no assurance that Offer Shares will be allocated for such subscriptions. The Subscription Period will commence at 09:00 hours (CET) on 7 November 2018 and end at 16:30 hours (CET) on 21 November 2018. The subscription period may not be shortened, but the board of directors may extend the subscription period if this is required by law due to the publication of a supplement to the prospectus. The Subscription Rights will be tradable and listed on the Oslo Stock Exchange with ticker code "KOG T" from 09:00 hours (CET) on 7 November 2018 to 16:30 hours (CET) on 19 November 2018. The payment for Offer Shares allocated to a subscriber falls due on the Payment Date (26 November 2018). Subject to timely payment of the entire subscription amount in the Rights Issue, the Company expects that the share capital increase pertaining to the Rights Issue will be registered with the Norwegian Register of Business Enterprises on or about 28 November 2018 and that the Offer Shares will be delivered to the VPS accounts of the subscribers to whom they are allocated on or about the same day.

		The Offer Shares allocated in the Rights Issue are expected to be traded on the Oslo Stock Exchange from and including 29 November 2018.
E.4	**Material and conflicting interests**	The Managers or their affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers, their employees and any affiliate may currently own Shares in the Company. Further, in connection with the Rights Issue, the Managers, their employees and any affiliate acting as an investor for its own account may receive Subscription Rights (if they are Existing Shareholders) and may exercise its right to take up such Subscription Rights and acquire Offer Shares, and, in that capacity, may retain, purchase or sell Offer Shares or Subscription Rights and any other securities of the Company or other investments for its own account and may offer or sell such securities (or other investments) otherwise than in connection with the Rights Issue. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so. Further, the Managers will receive fees in connection with the Rights Issue and, as such, have an interest in the Rights Issue. See Section 18.22 "Net proceeds and expenses related to the Rights Issue", for information on the fees to the Managers.
E.5	**Selling shareholders and lock-up agreements**	Not applicable. There are no selling shareholders and lock-up agreements.
E.6	**Dilution resulting from the Scheme**	The Rights Issue will result in an immediate dilution of approximately 33.33% for Existing Shareholders who do not participate in the Rights Issue.
E.7	**Estimated expenses charged to investor**	Not applicable. The expenses related to the Rights Issue will be paid by the Company.

2 RISK FACTORS

An investment in the Offer Shares and/or the Subscription Rights 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 2 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 Offer Shares and/or the Subscription Rights. An investment in the Offer Shares and/or the Subscription Rights 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 Offer Shares and/or the Subscription Rights. If any of the following risks were to materialise, individually or together with other circumstances, they could have a material adverse effect on the Group and/or its business, results of operations, cash flows, financial condition and/or prospects, which may cause a decline in the value and trading price of the Offer Shares and/or the Subscription Rights, resulting in the loss of all or part of an investment in the same.

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 2 is as of the date of this Prospectus.

2.1 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.

2.2 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 a 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 strategical 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, (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. 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 30 September 2018, the Group had 6,761 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.

2.3 Risks related to the Transaction

The unaudited pro forma financial information included in this Prospectus has been prepared solely to show what the effects of the Transaction might have been had the Transaction occurred at an earlier date and does not purport to present the results of operations or financial condition of Kongsberg, nor should it be used as the basis of projections of the results of operations or financial condition of Kongsberg for any future period or date

This Prospectus includes unaudited pro forma condensed consolidated financial information for Kongsberg as of and for the year ended 31 December 2017. Although the unaudited pro forma financial information is based on estimates and assumptions based on current circumstances believed to be reasonable, actual results could have materially differed from those presented herein. There is a greater degree of uncertainty associated with pro forma figures than with actual reported results. The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not purport to present the results of operations of Kongsberg as if the Transaction had occurred at the commencement of the period being presented, or the financial condition of Kongsberg as of the date being presented, nor should it be used as the basis of projections of the results of operations for Kongsberg for any future period or the financial condition of Kongsberg for any date in the future.

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 6.1 "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 6.7 "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 6.11 "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 Rights Issue and Bond Issue (as defined in Section 6.10 "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 (see Section 6.6 "Warranties of the Sellers" for further details). 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 (see Section 6.9 "Ancillary 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.

2.4 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.

2.5 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 30 September 2018, the book value of Kongsberg's current and non-current borrowings was NOK 3,326 million, representing 16.5% of its total equities and liabilities. See Section 12.5 "Borrowings and other contractual obligations". 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. See Section 12.5 "Borrowings and other contractual obligations" for further information on any restrictive covenants pertaining to Kongsberg's existing debt arrangements. 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 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 claused 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

The Rights Issue and the Bond Issue (as defined in Section 6.10 "Financing of the Transaction" are not conditional upon the completion of the Transaction. If the Rights Issue and the Bond Issue are completed, and the Transaction is not completed, then the Company will have raised financing 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.

2.6 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.

2.7 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 2.1 "Risks relating to the industry in which Kongsberg and Rolls-Royce Commercial Marine operate", Section 2.2 "Risks relating to Kongsberg" and Section 2.4 "Risks relating 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.

2.8 Risks related to the Shares

The Norwegian Ministry of Trade, Industry and Fisheries is the controlling shareholder of the Company and has significant voting power and the ability to influence matters requiring shareholder approval

The Norwegian Ministry of Trade, Industry and Fisheries (Nw. *Nærings- og Fiskeridepartementet*) is the majority shareholder of Kongsberg, has the majority of the votes in the general meetings of the Company and is expected to continue such ownership following the Rights Issue. The ministry has by its shareholding the ability to significantly influence the outcome of matters submitted for the vote of the Company's general meeting, including the election of members of the Board of Directors, and the interests of the Norwegian Ministry of Trade, Industry and Fisheries as a shareholder in the Company and those of Kongsberg and its other shareholders may not always be aligned. Although it is expected that the Norwegian Ministry of Trade, Industry and Fisheries will remain the major shareholder of the Company, no assurance can be given that this will continue on a permanent basis. If the Norwegian Ministry of Trade, Industry and Fisheries were to reduce its ownership, or if it were to use its influence in the general meeting to pursue interests other than those of the Group, this could have a material adverse effect on the market value of the Shares.

The price of the Shares may fluctuate significantly, which could cause investors to lose a significant part or all of their investment

The trading price of the Shares could fluctuate significantly in response to a number of factors beyond Kongsberg's control, including, but not limited to, quarterly variations in operating results, adverse business developments, changes in financial estimates and investment recommendations or ratings by securities analysts, or any other risk discussed herein materialising or the anticipation of such risk materialising.

In recent years, the global stock markets have experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies. Those changes may occur without regard to the operating performance of these companies. The price of the Shares may therefore fluctuate based upon factors that have little or nothing to do with Kongsberg, and these fluctuations may materially affect the price of the Shares.

Future sales, or the possibility for future sales, of substantial numbers of Shares may affect the Shares' market price

The Company cannot predict what effect, if any, future sales of the Shares, or the availability of Shares for future sales, will have on the market prices. Sales of substantial amounts of the Shares in the public market, including by the Norwegian Ministry of Trade, Industry and Fisheries, or the perception that such sales could occur, may adversely affect the market price of the Shares, making it more difficult for holders to sell their Shares at a time and price that they deem appropriate.

Future issuances of Shares or other securities may dilute the holdings of shareholders and could materially affect the price of the Shares

It is possible that the Company may in the future decide to offer additional shares or other securities in order to finance new capital-intensive projects, in connection with unanticipated liabilities or expenses or for any other purposes. See Section 2.5 "Risks relating financing and market risk". There can be no assurance that the Company will not decide to conduct further offerings of securities in the future. Depending on the structure of any future offering, certain existing shareholders may not be able to purchase additional equity securities. If the Company raises additional funds by issuing additional equity securities, holdings of existing shareholders may be diluted.

Exchange rate fluctuations could adversely affect the value of the Shares and any dividends paid on the Shares for an investor whose principal currency is not NOK

The Shares are priced and traded in NOK on the Oslo Stock Exchange, and any future payments of dividends on the Shares will be denominated in the currency of the bank account of the relevant shareholder, and will be paid to the shareholders through DNB Bank ASA ("**DNB**"), being the Company's VPS registrar (the "**VPS Registrar**"). Shareholders registered in the "**VPS**" (an abbreviation of Norwegian Central Securities Depository (Nw. *Verdipapirsentralen*)) who have not supplied their VPS account operator with details of their bank account, will not receive payment of dividends unless they register their bank account details of their VPS account, and thereafter inform the VPS Registrar about said account. The exchange rate(s) that is applied when denominating any future payments of dividends to the relevant shareholder's currency will be the VPS Registrar's exchange rate on the payment date. Exchange rate movements of NOK will therefore affect the value of these dividends and distributions for investors whose principal currency is not NOK. Further, the market value of the Shares as expressed in foreign currencies will fluctuate in part as a result of foreign exchange fluctuations. This could affect the value of the Shares and of any dividends paid on the Shares for an investor whose principal currency is not NOK.

Investors may not be able to exercise their voting rights for Shares registered in a nominee account

Beneficial owners of the Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote such shares unless their ownership is re-registered in their names with the VPS prior to the general meetings. Kongsberg can provide no assurances that beneficial owners of the shares will receive the notice of a general meeting in time to instruct their nominees to either effect a re-registration of their shares or otherwise vote their shares in the manner desired by such beneficial owners.

The transfer of Shares is subject to restrictions under the securities laws of the United States and other jurisdictions

The Shares have not been registered under the United States Securities Act of 1933, as amended ("**U.S. Securities Act**") or any U.S. state securities laws or any other jurisdiction outside Norway and are not expected to be registered in the future. As such, the Shares may not be offered or sold except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable securities laws. In addition, there can be no assurance that shareholders residing or domiciled in the United States will be able to participate in future capital increases or rights offerings.

The Company may be unwilling or unable to pay any dividends in the future

Pursuant to the Company's dividend policy, the dividend shall over time constitute between 40 and 50 per cent of the Company's ordinary profit after tax. In deciding the size of the dividend, the expected future capital requirements will be considered. However, the Company may choose not, or may be unable, to pay dividends in future years. The amount of dividends paid by the Company, if any, for a given financial period, will depend on, among other things, the Company's future operating results, cash flows, financial position, capital requirements, the sufficiency of its distributable reserves, the ability of the Company's subsidiaries to pay dividends to the Company, credit terms, general economic conditions and other factors that the Company may deem to be significant from time to time.

Pre-emptive rights to secure and pay for Shares in any additional issuance may be unavailable to U.S. or other shareholders

Under Norwegian law, unless otherwise resolved at a general meeting, existing shareholders have pre-emptive rights to participate on the basis of their existing ownership of Shares in the issuance of any new shares for cash consideration. Shareholders in the United States, however, may be unable to exercise any such rights to subscribe for new shares unless a registration statement under the U.S. Securities Act is in effect in respect of such rights and shares or pursuant to an exemption from, or in transactions not subject to, the registration requirements of the U.S.

Securities Act and other applicable securities laws. Shareholders in other jurisdictions outside Norway may be similarly affected if the rights and the new shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. The Company has not filed a registration statement under the U.S. Securities Act in connection with the Rights Issue or sought approvals under the laws of any other jurisdiction outside Norway in respect of any pre-emptive rights or the Shares, does not intend to do so and doing so in the future may be impractical and costly. To the extent that the Company's shareholders are not able to exercise their rights to subscribe for new shares, their proportional interests in the Company will be reduced.

Investors may be unable to recover losses in civil proceedings in jurisdictions other than Norway

The Company is a public limited company organised under the laws of Norway. All of the Board Members and the members of the Management reside in Norway. As a result, it may not be possible for investors to effect service of process in other jurisdictions upon such persons or the Company, to enforce against such persons or the Company judgments obtained in non-Norwegian courts, or to enforce judgments on such persons or the Company in other jurisdictions.

Norwegian law may limit shareholders' ability to bring an action against the Company

The rights of holders of the Shares and the Subscription Rights are governed by Norwegian law and by the Articles of Association. These rights may differ from the rights of shareholders in other jurisdictions. In particular, Norwegian law limits the circumstances under which shareholders of Norwegian companies may bring derivative actions. For instance, under Norwegian law, any action brought by the Company in respect of wrongful acts committed against the Company will be prioritised over actions brought by shareholders claiming compensation in respect of such acts. In addition, it may be difficult to prevail in a claim against the Company under, or to enforce liabilities predicated upon, securities laws in other jurisdictions.

2.9 Risks related to the Rights Issue

Existing Shareholders who do not participate in the Rights Issue may experience significant dilution in their shareholding

Subscription Rights that are not sold before 16:30 CET on 19 November 2018 or exercised by the end of the Subscription Period will have no value and will automatically lapse without compensation to the holder. To the extent that an Existing Shareholder does not sell its Subscription Rights before 16:30 CET on 19 November 2018 or exercise its Subscription Rights prior to the expiry of the Subscription Period, whether by choice or due to a failure to comply with procedures set forth in Section 18 "The Terms of the Rights Issue", or to the extent that an Existing Shareholder is not permitted to subscribe for Offer Shares as further described in Section 19 "Selling and transfer restrictions", such Existing Shareholder's proportionate ownership and voting interests in the Company after the completion of the Rights Issue will be diluted. Even if an Existing Shareholder elects to sell its unexercised Subscription Rights, or such Subscription Rights are sold on its behalf, the consideration it receives in the trading market for the Subscription Rights may not reflect the immediate dilution in its shareholding as a result of the completion of the Rights Issue.

An active trading market in Subscription Rights may not develop on the Oslo Stock Exchange and/or the market value of the Subscription Rights may fluctuate

An active trading market in the Subscription Rights may not develop on the Oslo Stock Exchange. In addition, because the trading price of the Subscription Rights depends on the trading price of the Shares, the price of the Subscription Rights may be volatile and subject to the same risks as described for the Shares in Section 2.8 "Risks related to the Shares".

The sale of Subscription Rights by or on behalf of Existing Shareholders may result in a reduction in the market price of the Subscription Rights and increased volatility in the Shares

Certain Existing Shareholders may be unable to take up and exercise their Subscription Rights as a matter of applicable law. The Subscription Rights of such Existing Shareholders, with the exception of Subscription Rights held through financial intermediaries, may be sold on their behalf in the market by the Managers pursuant to instructions from the Company, as further described in Section 18.8 "Subscription Rights", but no assurance can be given as to whether such sales may actually take place or as to the price that may be achieved. Other holders of Subscription Rights may also choose not to exercise their Subscription Rights and therefore sell them in the market. The sale of Subscription Rights by or on behalf of holders of such rights could cause significant downward pressure on, and may result in a substantial reduction in, the price of the Subscription Rights and the Shares.

If the Rights Issue is withdrawn, the Subscription Rights will no longer be of value

If the Rights Issue is withdrawn, all Subscription Rights will lapse without value, subscriptions for, and allocations of, Offer Shares that have been made will be disregarded and any subscription payments made will be returned without interest or any other compensation.

3 RESPONSIBILITY FOR THE PROSPECTUS

This Prospectus has been prepared in connection with the Rights Issue described herein and the listing of the Offer Shares on the Oslo Stock Exchange.

The Board of Directors of Kongsberg Gruppen ASA accepts responsibility for the information contained in this Prospectus. The members of the Board of Directors confirm 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 their knowledge, in accordance with the facts and contains no omission likely to affect its import.

6 November 2018

The Board of Directors of Kongsberg Gruppen ASA

____________________	____________________
Eivind Kristofer Reiten	Irene Waage Basili
____________________	____________________
Morten Henriksen	Anne Grete Hjelle Strøm-Erichsen
____________________	____________________
Helge Lintvedt	Elisabeth Fossan
____________________	____________________
Martha Kold Bakkevig	Sigmund Ivar Bakke

4 GENERAL INFORMATION

4.1 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 offeree or purchaser of the Offer Shares or holder of the Subscription Rights regarding the legality of an investment in the Offer Shares or the Subscription Rights. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares and the use of the Subscription Rights to subscribe for Offer Shares and the Subscription Rights.

Investing in the Offer Shares and the Subscription Rights involves a high degree of risk. See Section 2 "Risk factors".

4.2 Presentation of financial and other information

4.2.1 Financial information

The Company's audited consolidated financial statements as of and for the year ended 31 December 2017 (the "**Financial Statements**") and the Company's unaudited consolidated interim financial statements as of and for the nine month periods ended 30 September 2018 and 2017 (the "**Interim Financial Statements**") have been incorporated by reference hereto, see Section 20.3 "Incorporation by reference".

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"), while the Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU ("**IAS 34**"). The Financial Statements have been audited by Ernst & Young AS ("**EY**"), as set forth in their report included therein. The Interim Financial Statements have not been audited.

The Group has three operating segments: KM (Kongsberg Maritime), KDA (Kongsberg Defence & Aerospace) and Kongsberg Digital (KDI), whereas KDI is reported as part of other activities. Other activities consist of real estate, group functions and eliminations between the business areas in addition to KDI.

4.2.2 Non-IFRS financial measures

In this Prospectus, and in Section 12 "Selected Financial Information for Kongsberg" specifically, the Company presents certain non-IFRS financial measures. EBITDA is an abbreviation of "Earnings Before Interest, Taxes, Depreciation and Amortisation". Kongsberg uses EBITDA in the income statement as a summation line for other accounting lines. These accounting lines are defined in Kongsberg's accounting principles, which are part of the consolidated financial statements for 2017 incorporated in this Prospectus by reference, see Section 20.3 "Incorporation by reference". The same applies for EBITA (which is an abbreviation of "Earnings Before Interest, Taxes and Amortization") and EBIT (which is an abbreviation of "Earnings Before Interest and Tax).

The non-IFRS financial measures presented herein are not recognized measurements of financial performance or liquidity under the IFRS, but are used by the Company to monitor and analyse the underlying performance of Kongsberg's business and operations. In particular, non-IFRS financial measures should not be viewed as substitutes for profit/loss for the period, profit/loss before tax from continuing operations, operating income, cash and cash equivalents at a period end or other income statement or cash flow items computed in accordance with IFRS. The non-IFRS financial measures do not necessarily indicate whether cash flow is sufficient or available to meet Kongsberg's cash requirements and may not be indicative of the Group's historical operating results, nor are such measures meant to be predictive of the Group's future results.

The Company has presented these non-IFRS financial measures in this Prospectus because it considers them to be important supplemental measures of the Group's performance and believes that they are widely used by investors in comparing performance between companies. Because companies calculate the non-IFRS financial measures presented herein differently, the non-IFRS financial measures presented herein may not be comparable to similarly defined terms or measures used by other companies. The non-IFRS financial measures presented herein are also classified as alternative performance measures under the guidelines of the European Securities and Markets Authority.

4.2.3 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.

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 2 "Risk factors" and elsewhere in this Prospectus.

4.2.4 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, 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.

4.2.5 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.

4.3 Cautionary note regarding forward-looking statements

This Prospectus includes forward-looking statements that reflect the Company's current views with respect to future events and financial and operational performance. These forward-looking statements may be identified by the use of forward-looking terminology, such as the terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "should", "projects", "will", "would" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements as a general matter are all statements other than statements as to historic facts or present facts and circumstances. They appear in the following Sections in this Prospectus, Section 8 "The Group following the Transaction", Section 10 "Industry and market overview", Section 5 "Business of the Group" and Section 12 "Financial and other information", and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, financial strength and position of the Group, operating results, liquidity, prospects, growth, the implementation of strategic initiatives, as well as other statements relating to the Group's future business development and financial performance, and the industry in which the Group operates.

Prospective investors in the Shares are cautioned that forward-looking statements are not guarantees of future performance and that the Group's actual financial position, operating results and liquidity, and the development of the industry and potential market in which the Group may operate in the future, may differ materially from those made in, or suggested by, the forward-looking statements contained in this Prospectus. The Company cannot guarantee that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur.

By their nature, forward-looking statements involve, and are subject to, known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the forward-looking statements. Important factors that could cause those differences include, but are not limited to:

- the effect of changes in demand, pricing and competition for the Group's existing and future products and services;
- the competitive nature of the business the Group operates in and the competitive pressure and changes to the competitive environment in general;
- earnings, cash flows, dividends and other expected financial results and conditions;
- the state of the Group's relationships with major clients, suppliers and joint venture partners;
- delays or cost overruns in the Group's projects;
- cancelation of contracts with the Group;
- technological changes and new products and services introduced into the Group's market and industry;
- fluctuations of interest and exchange rates;
- changes in general economic and industry conditions, including changes to tax rates and regimes;
- political, governmental, social, legal and regulatory changes;
- export restrictions;
- dependence on and changes in management and failure to retain and attract a sufficient number of skilled personnel;
- access to funding;
- legal proceedings;
- operating costs and other expenses;
- environmental and climatological conditions;

- consequences of consolidation in the industry, resulting in fewer but stronger competitors;
- acquisitions and integration of acquired business; and
- other factors described in Section 2 "Risk factors".

The risks that are currently known to the Company and which could affect the Group's future results and could cause results to differ materially from those expressed in the forward-looking statements are discussed in Section 2 "Risk factors".

The information contained in this Prospectus, including the information set out under Section 2 "Risk factors", identifies additional factors that could affect the Group's financial position, operating results, liquidity and performance. Prospective investors in the Shares and/or the Subscription Rights are urged to read all Sections of this Prospectus and, in particular, Section 2 "Risk factors" for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates when considering an investment in the Company.

These forward-looking statements speak only as at the date on which they are made. The Company undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

5 BUSINESS OF THE GROUP

5.1 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 Shares.

5.2 Competitive strengths

Kongsberg believes it has a number of competitive strengths that differentiate it from its competitors. Below is an overview of some of the Group's key competitive strengths:

- **Unique and complex portfolio of products and solutions**[1]: Kongsberg develops internationally competitive products and high-technology solutions for the international market. Kongsberg's modern and up to date products are based on high technological expertise and applied understanding of processes.

- **International distribution and service network**: Over many years, Kongsberg has built up a world-wide, efficient customer support network. This applies in particular to the maritime industry.

- **Highly competent employees**: Knowledge and expertise are Kongsberg's most important competitive parameters. 64% of Kongsberg's employees have college or university level education. A large part of KONGSBERG's value added is derived from the Group's high-level capabilities in technology as well as marketing and comprehensive insight into customers' needs have ensured competitive solutions.

- **Strong management team**: The Group has a highly skilled and experienced management team with several years of experience from both Kongsberg and other industrial and financial businesses.

- **Culture**: Kongsberg has an unique and strong culture[2] that has been developed over many years. The culture is supported by the four core values determined, innovative, collaborative, reliable.

- **Solid and diversified customer base**: Kongsberg provides products and services to customers within several sectors (global defence, maritime, oil and gas, fisheries and aerospace).

- **Innovative and dynamic company**: A significant portion of the value created by Kongsberg consists of developing high-tech solutions for domestic and international markets. KONGSBERG are known for providing leading technological solutions[3] to the customers. Kongsberg continuously invests in product development, both internally financed and through customer-funded programmes.

- **Technology platform**: Kongsberg's technology platform has been systematically built up through many years and is an important factor for the competitiveness. Kongsberg's advanced technology base are being utilized across the Business Areas to support the customers with high-tech products and services.

- **Global footprint and market access**: Kongsberg is a global company with employees and customers located throughout the world.

[1] Company estimate.
[2] Company estimate.
[3] Company estimate.

- **Ownership structure**: The Norwegian State, represented by the Ministry of Trade, Industry and Fisheries, is the largest shareholder, providing a stable long-term owner.
- **Well-established and recognized player**: Kongsberg is a well-known and established brand in the relevant markets and has a good reputation as a reliable supplier.

5.3 Strategy

Kongsberg's objective is to secure and increase stakeholders' values through profitable and growth-oriented industrial development with a long-term, sustainable and international perspective. For Kongsberg to be successful, a good balance between operations, market positioning and new initiatives is important. Kongsberg's strategic and business-related decisions are based on a culture that promotes high ethical standards and sustainable development.

Kongsberg's focus is to ensure increased competitiveness while also laying the foundation for profitable growth through a combination of organic growth and acquisitions. Organic growth is based on development and expansion of existing products, services and market positions as well as developing or putting together new products for new markets. Kongsberg is continuously investing in product development and aims to maintain a leading position[4] with regards to innovation and technology development within the Group's core areas. Acquisitions will be a means to supplement the Group's deliveries, but also to expand the extent of deliveries and further develop the industrial portfolio within the main segments.

Kongsberg has world leading[5] products and systems in the international defence marketand is well prepared to meet future demands and developments in this market. Missiles, air defence systems, remote-controlled weapon stations and other command and control systems receive international attention. The main focus within the defence organizations is to achieve growth in selected geographical areas both through its own activity, and together with partners, in order to strengthen its presence. Kongsberg has a successful and long cooperation with the Norwegian Armed Forces. This is important for continued international success.

Kongsberg has leading positions[6] in the marine market. The strategy within this area is to expand deliveries and after-market activities through continued innovation and acquisitions. The recent years has been a period with extensive restructurings and reorganizations of the value chain within the offshore and merchant marine markets. Kongsberg has a large product portfolio and continuous investments are made both in accordance to maintain and further develop and modernize the product portfolio. The marine market is changing and four key areas are identified: (i) integrated solutions, (ii) digitalization, (iii) remote services and (iv) autonomy.

There are significant opportunities in the current technology shift, both in Norway and internationally. Kongsberg Digital was established as part of the group's strategy for next-generation digitalized products and services. Kongsberg Digital is well positioned to become a key player within the digital transformation. Kongsberg Digital is a center of expertise for development of digital products and solutions. The digital cloud-based platform Kognifai and important application areas such as digital twins, production optimization, condition monitoring and lifecycle optimization will secure new positions and strengthen existing ones relating to digitalization within core areas such as oil and gas, renewable energy and marine operations.

The Group's growth shall generate satisfactory return for the company as well as for the owners, and the targeted corporate EBITA margin is above ten per cent. The Group and the business areas have a continuous focus on improvements and will seek to adjust cost levels to the current market situations. Special areas of focus are process innovation, sourcing and sharing of "best practices" internally. Kongsberg's returns on capital employed have been on a high level historically. The Group has had a continuous focus on increasing returns on capital through improved results relative to the capital employed within all main segments. All new initiatives and investments in the Group are assessed against set goals for return on average capital employed (RoACE). RoACE is targeted to lie between 10–15 per cent for the Group.

[4] Company estimate.
[5] Company estimate.
[6] Company estimate.

5.4 History and important events

The below table sets out certain key events in the history of the Company:

1814	The Company was founded under the name Kongsberg Vaabenfabrik
1892	International breakthrough with a new type of rifle ("the Krag")
1918	The Company commenced production of civilian products such as civil weapons, tools, and parts for the shipping industry and the whaling fleet
1921	Kongsberg launched its first civil products
1953	The Norwegian Parliament adopted a large-scale modernization and expansion of the Company with an aim to build a national high-tech defence industry that met the needs of the Norwegian Armed Forces as well as those of NATO
1957	After an agreement with Volvo, the production of automobile parts became a considerable business for Kongsberg
	The history of KM began with founding of Autronica
1960-1987	Having had a national focus in the post-war period, Kongsberg again directed its attention and expertise towards the international market. The years from 1960 to the end of the 80s were a time of innovation, development and rapid growth for Kongsberg. Kongsberg's focus on the maritime industry began in the early 1970s and coincided with the discovery of oil in the North Sea. The 1970s also became the decade when Kongsberg positioned itself towards the petroleum sector
1987	The Company went through a restructuring process. The civil division was sold out, while the defence division continued under the name Norwegian Defence Technology (NFT) from 19 June 1987 to 1995
1990	The Company launched its own aerospace division
1993	The Company was listed on the Oslo Stock Exchange
1994	Commencement of the first development of NASAMS (Norwegian Advanced Surface-to-Air Missile System) to the Norwegian Army. Further developments of the system have proven this to be one of the world's leading air defence systems and is currently in use by nine countries. In addition, four countries are using the NASAMS command and control system. The system is offered in a partnership between Raytheon and Kongsberg.
1995	The Company changed its name to Kongsberg Gruppen and the current logo was established. Then followed a long series of acquisitions, including buying back the maritime division
1996	Kongsberg acquired the listed company Simrad, which still is an important and profitable segment
1997	Kongsberg gathered its operations in the subsidiaries Kongsberg Maritime and Kongsberg Defence & Aerospace
2000	Kongsberg signed an important contract for delivering weapon control systems to the US Army
2007	The first large contract for delivery of NSM was concluded with the Norwegian Army after several years of development
	Kongsberg concluded a joint marketing agreement with Lockheed Martin for Joint Strike Missile to be adapted for deployment on the Joint Strike Fighter
	Kongsberg was awarded a framework contract to supply weapon stations to the Common Remotely Operated Weapon Station (CROWS) programme.
2008-2015	Kongsberg Maritime continued to increase by acquiring several minor companies and establish new operations in China.
	Kongsberg moved the mechanical production and composite operations into completely new production premises in a new industrial estate, which is one of the largest investments in Kongsberg's history (approximately MNOK 800).
2014	Kongsberg celebrated the Company's 200th anniversary
2015	Kongsberg signed an agreement with Avinor for delivery of complete solutions for remote control towers for Norwegian Airports
2016	Kongsberg completed the purchase of 49.9% of the shares in the Finnish defence group Patria
	Kongsberg Digital was established as an important step in the development of the next generation of digital products and services
2017	Organisational restructuring to further increase competitiveness, and Kongsberg Defence Systems and Kongsberg Protech Systems were merged to Kongsberg Defence & Aerospace (KDA)
	Joint venture, kta Naval Systems, established with thyssenkrupp Marine Systems and Atlas Elektronikk to provide Submarine Combat System
	Kongsberg's Naval Strike Missile (NSM) was selected by the German Navy. The first contract was signed in 2018
	Partnership agreement with Yara to build "Yara Birkeland", the world's first autonomous zero emission containership
	Launch of the digital platform "Kognifai"

2017/2018	Kongsberg entered into a partnership agreement on 20 February 2017 with Barzan Holdings OSTP-LLC in Qatar on long term technology development programs The U.S. Navy selected the Naval Strike Missile, offered by Raytheon and Kongsberg, to meet its over-the-horizon requirement for littoral combat ships and future frigates

5.5 Overview of the Group's business areas

5.5.1 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 20.3 "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.

5.5.2 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 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 Elektronikk for exclusive deliveries of combat systems to tkMS submarines. See Section 5.10 "Agreements concerning Kongsberg's most important joint ventures and holding interests" for further information.

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[7] 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 the world's leading maritime organisations, most successful port and coastal authorities, and safest offshore operators.

Kongsberg Spacetec AS is a world leading[8] 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[9] 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 unrivalled. See Section 5.10 "Agreements concerning Kongsberg's most important joint ventures and holding interests" for further information.

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 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

[7] Company estimate.
[8] Company estimate.
[9] Company estimate.

Penguin missile became the first anti-ship cruise missile developed in the western world and 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. See Section 5.10 "Agreements concerning Kongsberg's most important joint ventures and holding interests" for further information.

5.5.3 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 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 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. Kongsberg Maritime's strong digital connectivity, sensing solutions, measurement devices and instrumentation are 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.

5.5.4 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. During 2018, they will become available as applications on Kognifai. 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.

5.6 Principal factors affecting the markets in which the Group operates

Kongsberg Maritime

KM operates in a market that is characterized by changing industries both in the cyclic wave of growth and technology transformations. On-going industry consolidation will intensify competition in the maritime industry worldwide for taking future positions. The offshore sector is assumed to recover from the horrendous market condition it is in, with improved global oil balances amid healthy demand and oil & gas prices. The industry players have also in this period adopted to optimize the operations and OPEX cuts to sustain the lower projected oil prices.

Amidst the transformational shift in the whole industry in the last years in adapting to new novel solutions, conventional debt and equity financing in the western markets remain tight. What has emerged is alternative financing, the providers of which are often Chinese of Japanese, but with a higher price tag. At the same time, a series of international regulations will kick in. Meeting these rules will require investments and owners willing to pay for advanced technologies could benefit this time by reduced OPEX and harnessing digital transition in the next decade.

The authorities and International Maritime Organization (IMO) are pushing new environmental requirements for reduced emission of CO2, NOx, Sox and particles in general and especially within defined Emission Control Areas (ECA) currently defined for North Sea, Baltic Sea, North America coasts and the Caribbean, which has raised interest for low and zero emission solutions. LNG as energy source solves NOx, SOx and PM, but not necessary the CO2 issue. LNG as fuel, hybrid with batteries and similar solutions, are assumed to be the violable alternative to scrubbers.

The maritime markets are cyclical by nature and the different segments will often move independent of each other. The marine robotics-market has changed in the past 4 to 5 years with regards to development. Previously. the defence sector drove technological requirements in the marine robotics-market, whereas now Kongsberg see that its commercial clients are far more demanding when it comes to development. That said, naval customers are more willing to accept advanced autonomy, even though the commercial sector seems to think it is beneficial to their operations. The naval users see autonomy as a way to maximize and optimize their fleet. Commercial users see autonomy as a way to make their data more effective and therefore increase their margins.

Kongsberg Defence & Aerospace

The defence market is a political, protectionistic market with stringent regulations and safety- and security requirements. The defence market encompasses products and systems for land-based, air-based, sea-based and cyber defence. This is a political and protectionistic market that is not subject to international free trade agreements. Most countries choose national suppliers if possible, or require offset/industry participation agreements if contracts are awarded to suppliers from other countries. The market is bureaucratic, with strict regulations and safety standards. Defence products are usually the result of long-term advanced technological development projects, and they usually have a long useful economic life.

The defence market includes equipment and systems designed for a traditional defence against invasion, a defence based more on international military operations, homeland defence against terrorist acts and environmental offences, and towards monitoring domestic natural resources. In this context, Kongsberg also sees requirements for equipment and systems that can be integrated into joint military operations. This requires that different countries' military programs can communicate with each other; interoperability is essential. This is also true between the different branches of the Armed Forces. Land-, air- and sea-based defences are all used in joint military operations, meaning they must have compatible communications and other means to support a Joint Situational Awareness.

Regarding macro drivers and trends, countries' defence spending is related to the global balance of power. Conflict situations internationally can boost defence spending. Norway's NATO membership has an impact on the procurements of materiel for the Norwegian Armed Forces. For the long term, having stable, predictable operating conditions within Norway and when pursuing the export opportunities are important, as is the understanding of the changes underway in the European market. Kongsberg is seeing a clear trend where several countries combine not only their defence acquisitions but also integrate their armed forces on permanent basis. The result of these trends will be more standardized equipment across national borders. These bi-lateral or multi-lateral cooperation initiatives are further strengthened through the establishment of European Defence Fund (EDF) and Permanent Structured Cooperation (PESCO) as a central means for deepening the defence cooperation in EU. This may also impact on the EU relationship with NATO and the USA. As the world's most advanced user of defence materiel, the US often sets the standard for what will be used in other countries.

There are few major international players with substantial market influence. Many countries want a domestic defence industry, meaning they support it. There is a trend towards fewer and larger competitors. Major international players join alliances or buy into national defence activities. It is traditional for most countries to award development and production contracts to their domestic defence industry. This often makes it possible to export competitive products once development is completed, although this would not have been possible through self-financed funding. The Armed Forces has a positive attitude to this since several users then share the cost of upgrading and maintenance. Suppliers to the Armed Forces retain the right to commercialize the technology; a decisive factor for export opportunities. To conclude, active support from government is required including a predictable framework for defence business, to be able to compete internationally, including national development contracts to secure product development in selected technology areas of national importance.

The above-mentioned principal factors affecting the market in which the Group operates have in turn an impact on the Group's business. For a description of the markets in which the Group operates, see Section 10 "Industry and market overview".

Kongsberg Digital

Kongsberg Digital's focus is industrial digitalization within oil & gas, renewables utilities and maritime. Towards the energy sector Kongsberg Digital delivers high fidelity- and dynamic digital twins for insight, increased efficiency and predictive maintenance. Kongsberg's digital twins build upon Kongsberg Digital's advanced simulators for oil & gas. Kongsberg Digital's starting position in oil & gas was drilling- and production software.

For the maritime industry, Kongsberg's digital platform Kongifai provides solutions for connecting vessels to retrieve data and offer applications. Kongsberg Digital's maritime simulators are providing seafarers with the training for safe and efficient operations of vessels.

Key initiatives are based on a high degree of innovation and new technologies and therefore typically requires a high degree of involvement from the clients.

5.7 Competition

Kongsberg Maritime is exposed to vessel related markets ranging from systems to merchant vessels such as for example bulkers and container vessels, as well as traditional offshore vessels such as for example OSV's and floating drilling units. Kongsberg Maritime is also exposed to areas such as marine robotics, fishery- and research vessels. Kongsberg Maritime enjoys a strong position within the automation and control side of the vessel-market, being the supplier with the highest market share. The largest players after Kongsberg Maritime are considered to be Wârtzila, ABB and Siemens. When it comes to the electrical side, the largest suppliers are the same three companies, but with both Rolls-Royce and GE considered to currently have larger exposure than Kongsberg Maritime . Within marine robotics, the market is growing almost daily with new manufacturers appearing all the time. Currently, there are essentially six companies that produce AUVs that potentially compete with Kongsberg's technologies: ECA HYTEC, ISE, General Dynamics / Bluefin, Teledyne Gavia, Kraken and Atlas as part of TKMS.

Most of **Kongsberg Defence & Aerospace's** competitors are larger defence companies from USA, France and other countries: Lockheed Martin, Boeing, Northrop Grumman, MBDA, Rafael, Diehl, Thales, Naval Group, ELBIT, CMI, Saab. Due to size and positions in their home markets these companies have several advantages compared to KDA:

- Their size makes them more credible for major defence deliveries;
- They have support from a home country that could represent a more attractive political ally for a foreign buyer, and they wield a stronger political influence;
- They have greater sources of product development contracts from their home countries;
- Often, they have an established relationship with platform owners (aircraft, ships, etc); and
- They have a larger, established global presence.

The disadvantages they have include:

- Their size makes them less flexible and adaptive to changes in the marketplace or to customer requests;
- Product changes and adjustments are slow and costly due to a high degree of bureaucracy;
- Often they are made up of several companies that have been acquired over time – creating internal frictions and intra-company cultural challenges; and
- Furthermore, several of them have poor track records of delivering as expected by the customer, i.e. within cost, time and quality, as well as fulfilling offset obligations and involvement of local industry.

KDA is countering the competition through:

- KDAs main products are highly advanced and Kongsberg often considers them the best technical proposition in the market place. KDA's products are supporting very high performance demands and are of strategic importance to key customers;
- A close cooperation with Norwegian Authorities in the marketplace;
- Strong industrial relationships and alliances with major international companies such as Raytheon and ThyssenKrupp gives us market access and credibility;
- An established organisation with the know-how, experience and strategic approach for addressing international industrial participation that outperforms its competitors (create and secure local jobs); and
- Known reputation for being responsive, flexible and agile with a strong track record of executing programs as promised.

Kongsberg Digital is well positioned within its core focus areas, with eg. a majority of the large international oil companies on its customer list. Certain established products have clear direct competitors, such as Transas on training simulators for the maritime industry and Schlumberger on various software solutions for the oil & gas industry. Some of the more innovative solutions, however, have a less clear competitive landscape since the approach is principally different from existing offerings in the market. This applies to eg. the digital platform where GE and Siemens have similar initiatives, but where the short term competition to a larger extent is constituted by existing traditional software packages and the customers' internal IT departments.

5.8 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.

5.9 Material contracts

Other than the Purchase Agreement which is described in Section 6 "The Transaction", 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.

Below is an overview of the main categories of contracts entered into by the Group in the ordinary course of business:

- Engineering, development, delivery, manufacturing and sales contracts regulating the various products, services and development for the various part of the Group.
- Mergers, acquisition and divestments that are performed as part of Kongsberg's ordinary course of business.
- Kongsberg Defence & Aerospace typically enter into contracts regulating sale of defence systems, remote weapon systems, missiles and services, training and development related to such contracts.
- Kongsberg Maritime delivers a wide range of equipment, services and engineering to the maritime industry, and other contracts related to such deliveries, such as training, development, studies and aftermarket and support.

- Kongsberg Digital typically enters into contracts relating to development and supply of digital platform solutions, digital twins, process simulation and other digital and computer program-related services, studies and training.

- The Company and other Group Companies as part of their normal business also enter into financing agreements, loan agreements, guarantee agreements with third party relating to the ordinary course and performance of Kongsberg's activities. For a description of the Group's material borrowings, see Section 12.5.1 "Material borrowings".

- The Group is party to shareholders' agreements and joint venture agreements. For a description of the Group's joint ventures and holding interests, see Section 5.10 "Agreements concerning Kongsberg's most important joint ventures and holding interests".

5.10 Agreements concerning Kongsberg's most important joint ventures and holding interests

Below is a description of the agreements concerning the most important long-term joint ventures and holding interests of Kongsberg.

- **Kongsberg Satellite Services AS** ("**KSAT**"): KSAT is a joint venture established in 2002 between Kongsberg Defence & Aerospace AS (50%) and Space Norway AS (previously Norsk Romsenter AS, 50%), a state-owned enterprise of the Norwegian Ministry of Trade, Industry and Fisheries. KSAT is a provider of ground station services for polar orbiting satellites from its uniquely located global ground network, and provides advanced monitoring services with rapid delivery based on multiple satellite missions. Kongsberg has entered into a shareholders' agreement with Space Norway AS regarding its 50/50 ownership in KSAT. The shareholders' agreement contains provisions regarding, inter alia, corporate governance, composition of and procedures for the board of directors, restrictions on transfer of shares/lock-up, right of first refusal, matters which require the consent of both shareholders, mechanisms in case a resolution cannot be reached by the shareholders, and termination/exit of the joint venture.

- **Patria Oyj** ("**Patria**"): In 2016, Kongsberg acquired 49.9% of the shares in Patria. The remaining 50.1% of the shares are owned by the State of Finland. Patria is Finland's premier provider of technology solutions and life-cycle support services within defence, security and aviation. Besides various wholly- and partly owned "Patria" subsidiaries, Patria owns (i) 50% of the shares in the Norwegian private limited liability company Nammo AS, including indirectly various wholly- and partly owned "Nammo" subsidiaries (the remaining 50% of the shares in Nammo AS are owned by the Norwegian Government) and (ii) 61.8% of the shares in the Finnish private limited liability company Millog Oy, including indirectly two wholly-owned "Millog" subsidiaries. The agreement entered into between the parties comprises the establishment of a Missile Competence Center in Finland, Open Tactical Framework (OTF), core technologies and system architecture software for missile programs in Finland and international opportunities linked to these capabilities. The shareholders' agreement further contains provisions regarding, inter alia, business cooperation, corporate governance, composition of and procedures for the board of directors, restrictions on transfer of shares/lock-up, right of first refusal, matters which require the consent of both shareholders, and termination/exit of the joint venture.

- **kta Naval Systems AS** ("**kta**"): kta is a joint venture established in 2017 between Kongsberg Defence & Aerospace AS (50%), tkMS (16.67%) and Atlas Elektronikk GmbH (33.33%) to provide submarine combat systems on all future submarines from tkMS (exclusively). The shareholders' agreement contains provisions regarding, inter alia, financing, corporate governance, composition of and procedures for the board of directors, restrictions on transfer of shares/lock-up, right of first refusal, matters which require the consent of either two-thirds or all of the shareholders, mechanisms in case a resolution cannot be reached by the shareholders and termination/exit of the joint venture. The establishment of KTA form part of a larger cooperation agreed in a Teaming Agreement between the parties (signed in March 2017). The Teaming Agreement contains a provision giving the parties right to unilaterally terminate the cooperation (resulting in liquidation of KTA) in the event that the Norwegian authorities have not awarded tkMS the contract for delivery of the new Norwegian submarines by 2021.

- **BK Systems QSTP-LLC** ("**BKS**"): BKS is a joint venture established in 2017 between Kongsberg (49%) and Barzan Holdings QSTP-LLC ("Barzan") (51%). Barzan is wholly owned by Qatar Ministry of Defence. The purpose of the joint venture is to form a strategic partnership where Kongsberg transfers technology to BKS, which in turn will strengthen Qatar's high-technology industry and Kongsberg's market position in the country and the MENA region. The shareholders' agreement contains provisions regarding, inter alia, financing, corporate governance, compliance with applicable laws, regulations and international conventions, implementation of a compliance system, composition of and procedures for the board of directors, restrictions on transfer of shares/lock-up, right of first refusal, matters which require the consent of both shareholders, mechanisms in case a resolution cannot be reached by the shareholders, and termination/exit of the joint venture.

5.11 Dependency on contracts, patents, licenses etc.

Kongsberg has a broad intellectual property portfolio protecting its technology and innovation, but is not dependent on any patents or licenses, industrial, commercial or financial contracts or new manufacturing processes.

6 THE TRANSACTION

This section provides information on the background and reasons for the Transaction (as defined below) as well as a discussion of certain related arrangements and agreements entered into or to be entered into in conjunction with the Transaction.

6.1 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.

6.2 The Parties to the Transaction

The Purchase Agreement was entered into by and between Rolls-Royce plc, an English public limited liability company incorporated in England and Wales with organisation number 01003142 and whose registered office is at 62 Buckingham Gate, London SW1E 6AT, England (Rolls-Royce) as seller and the Company as purchaser.

Pursuant to the Purchase Agreement, Rolls-Royce has undertaken to sell and to procure that its relevant group companies at Completion sell the shares and/or assets and transfer the liabilities that constitute Rolls-Royce Commercial Marine. The Company shall prior to Completion nominate group companies as designated purchasers for Rolls-Royce Commercial Marine, and the Company has undertaken to procure that such designated purchasers at Completion acquire the shares and/or assets and assume the liabilities that constitute Rolls-Royce Commercial Marine.

6.3 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[10] 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[11] 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.[12]

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,

[10] Company estimate.
[11] Company estimate.
[12] Company estimate.

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[13] with a considerable aftermarket presence. The Transaction will also strengthen Kongsberg's ownership in the world leading Norwegian maritime cluster.[14] 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.[15]

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.

6.4 The business comprised by the Transaction

The Transaction is structured as an acquisition by the Company of the marine products, systems and aftermarket services business carried out by the Target Companies (as defined below) and the Business Sellers (as defined below) on and from defined real properties, and by the employees that are defined as a part of the business at sites other than such real properties as constituted immediately prior to completion of the Transaction (Rolls-Royce Commercial Marine), including the Target Companies and the Business Assets and Liabilities (as defined below), excluding certain assets and liabilities. The Transaction does not include Bergen Engines or Rolls-Royce's Naval Business.

The "Target Companies" include Rolls-Royce Marine AS, Rolls-Royce Oy AB, Rolls-Royce AB, Rolls-Royce Namibia Ltd, Rolls-Royce International LLC, Rolls-Royce Marine France SARL and Rolls-Royce Italia SRL. The Target Companies have the following subsidiaries wholly or partly owned by subsidiaries are: Ulstein Holding AS, Ulstein Maritime Ltd, Rolls-Royce Poland Sp z.o.o., Rolls-Royce Marine India PVt Ltd, Rolls-Royce Marine Benelux BV, Rolls-Royce Marine A/S, Rolls-Royce Marine Deutschland GmbH, Rolls-Royce Marine Espania SA, Rolls-Royce Marine Hellas SA, Rolls-Royce Asia Ltd., Rolls-Royce Marine Manufacturing (Shanghai) Ltd., Rolls-Royce Korea Ltd., Scandinavian Electric Gdansk SP z.o.o, Navis Consult d.o.o. and Rolls-Royce Vietnam Limited. Further, the Target Companies and their subsidiaries have minority shareholdings in the following companies: Hovden Klubbhus AS, Runde Miljøbygg AS, Sunmøre Golf AS, Stadt Towing Tank AS, Solnor Guard Golfbane AS (under liquidation), Offshore Simulator Centre AS, Ålesund Kunnskapspark AS and DIMECC OY.

The "Business Assets and Liabilities" include:

(i) all the property, title, undertakings and rights in the assets of the Business Sellers (as hereinafter defined) to the extent that they relate to Rolls-Royce Commercial Marine, including but not limited to defined properties (the "**Business Properties**"), the benefit of all rights arising under or in relation to defined contracts, any accounts receivable, accrued income and other receivables or prepayments of Rolls-Royce Commercial Marine, defined transferable permits, entitlements, approvals, registration, orders etc. held by any of the Business Seller that is used in the operation of Rolls-Royce Commercial Marine immediately prior to completion ("**Business Licenses**"), defined IT systems and IT systems data, copies of the books and records to the extent these relate to Rolls-Royce Commercial Marine, the inventory of Rolls-Royce Commercial Marine and owned IPR, excluding in each case certain excluded assets; and

(ii) all liabilities (or parts thereof) of the Business Sellers to the extent that they relate to Rolls-Royce Commercial Marine, including (without limitation), the burden of all liabilities arising under or in relation to defined contracts, any liabilities arising under or in relation to transferable Business Licenses, all liabilities in relation to employees of Rolls-Royce Commercial Marine, all liabilities regarding amounts payable at completion to

[13] Company estimate.
[14] Company estimate.
[15] Company estimate.

creditors if and to the extent they relate to Rolls-Royce Commercial Marine of any of the Business Sellers and all liabilities of the Business sellers relating to the Business Properties.

The "Business Sellers" are Rolls-Royce and the following of its subsidiaries: Rolls-Royce Power Engineering plc, Rolls-Royce Canada Ltd, Rolls-Royce Brasil Ltda, Rolls-Royce Australia Services Pty, Rolls-Royce Singapore Pte Ltd, Rolls-Royce Marine North America Inc., Rolls-Royce Japan Co. Ltd., Bergen Engines S.L., Rolls-Royce Turkey Power Solutions Industry, and Trade LLC, Rolls-Royce Marine Chile SA, Rolls-Royce Saudi Arabia Limited, Rolls-Royce Marine Power Operations Limited, Rolls-Royce Malaysia Sdn Bhd, Rolls-Royce International Limited and Brown Brothers & Company Limited.

6.5 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. In addition, the Company will incur costs relating to the Completion of the Transaction, the Rights Issue and the Bond Issue (see Section 6.10 "Financing of the Transaction"). The costs related to the Rights Issue are expected to amount to approximately NOK 59 million.

6.6 Warranties of the Sellers

The Purchase Agreement contains warranties to the benefit of the Company customary for a transaction of this size and nature. These warranties include certain fundamental warranties (i.e. with respect to inter alia the seller's authorisation to enter into the Purchase Agreement, ownership to shares and assets to be sold under the agreement, and certain corporate information), and warranties related to accounting matters, information on external borrowing, insurance, tax, permits, trade control laws, sanctions and anti-trust laws, anti-corruption law, material contracts, litigations and investigations, products and services, data protection, environmental, health and safety matters, assets, real property, employment, retirement and benefit arrangements, intellectual property rights, transferring IT systems and related party contracts.

The scope of the warranties is limited, and the warranties are qualified by matters disclosed to Kongsberg and its advisors. Rolls-Royce's liability under the warranties is limited by certain agreed deminimis and basket thresholds and certain maximum amounts. Further, the warranties are subject to agreed time limitations.

6.7 Condition for completion of the Transaction

The Completion of the Transaction is only subject to regulatory clearances being duly obtained (the "**Condition**"). The Transaction will trigger merger filing requirements in Norway, several EU countries and countries outside of EU/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.

6.8 The Rolls-Royce Reorganisation and conduct of business

Prior to Completion, Rolls-Royce shall procure that certain assets and liabilities that are not a part of the Transaction are transferred from the Target Companies and their subsidiaries to other companies in the Rolls-Royce group prior to Completion (the "**Rolls-Royce Reorganisation**").

Beyond the Rolls-Royce Reorganisation, the Purchase Agreement provides for certain restrictions on Rolls-Royce's conduct of business of Rolls-Royce Commercial Marine in the period until Completion.

6.9 Ancillary agreements

Pursuant to the Purchase Agreement, certain ancillary agreements shall be entered into in connection with Completion:

(i) a transitional services agreement shall be entered into between Rolls-Royce and the Company pursuant to which Rolls-Royce and its subsidiaries will provide certain services to Rolls-Royce Commercial Marine for a period of up to 12 months from Completion. The agreement comprises the main service categories finance, IT, HR, engineering and digital services. Rolls-Royce and the Company shall in the period prior to Completion cooperate and negotiate in good faith to determine and agree on the scope, term and charges that shall apply for the various services within these categories to be provided in the transitional period.

(ii) one or more teaming agreements shall be entered into between Bergen Engines AS and Rolls-Royce Marine AS, governing the overall trading relationship between those parties for the supply of engines and spares, original equipment, workshop services and products and field services and products. The terms of the teaming agreement(s), including the duration and the commercial conditions, shall be negotiated by the parties in the period prior to Completion.

(iii) a framework supply agreement shall be entered into between Rolls-Royce and/or relevant companies in the Rolls-Royce group and the Group, governing the performance of existing orders and agreements in the naval market, ongoing collaboration between the parties thereto and the provision of aftermarket services in the naval market. The terms of the framework supply agreement, including the duration of the agreement and the commercial conditions, shall be negotiated by the parties in the period prior to Completion.

(iv) a license agreement shall be entered into between Rolls-Royce and the Company, pursuant to which certain intellectual property rights used by the target companies or embodied in the business assets and which will remain the property of Rolls-Royce, shall be licensed to Kongsberg Maritime AS. The license shall be royalty-free, worldwide, non-assignable (with certain exceptions), perpetual and irrevocable, and (with certain exceptions) without the right to sub-license. The subject matter of the license relates to (i) Rolls-Royce's waterjet technology which is licensed to Kongsberg Maritime AS for the Commercial Marine Market (as this term is defined therein) and (ii) Rolls-Royce's ship intelligence technology which is licensed to Kongsberg Maritime AS for the Commercial Marine Market and the Naval Market (as these terms are defined therein.

(v) a license agreement shall be entered into between Rolls-Royce and the target companies, pursuant to which certain of the intellectual property rights which remain the property of the target companies shall be licensed back to Rolls-Royce. The license shall be royalty-free, worldwide, non-assignable (with certain exceptions), perpetual, irrevocable license, with the right to sub-license (on certain conditions). The subject matter of the license relates to the target companies' (i) Ship Intelligence technology for use with Prime – mover Systems within the Commercial Marine Market and Naval Marine Market and in all non-marine applications, (ii) Waterjet technology for the Naval Marine Market, (iii) Battery and Energy Storage technology in relation to all applications, (iv) Evaluation Tool technology in relation to all applications, (v) Next Generation drive technology for use with Prime – mover Systems within the Commercial Marine Market and all applications within the Naval Marine Market and all non-marine applications, and (vi) the SmartMotor technology for use within; the Aerospace Market; with Prime – mover Systems within the Commercial Marine Market; for all applications within the Naval Marine Market, Missile market, Land market and all non-marine applications, and (vii) the Existing Naval Ship Designs in relation to all applications.

(vi) a 10 year trading agreement relating to the SmartMotor technology shall be entered into between Rolls-Royce and the target companies, pursuant to which the target companies for the first three years after Completion undertakes to purchase services from the business unit within Rolls-Royce that has developed the SmartMotor technology equal to an annual load of eight full time man-year equivalents. Intellectual property developed by this SmartMotor business unit within Rolls-Royce during the first three year period after Completion shall be transferred to the target companies and licensed back to Rolls-Royce. After the first three years and for the remaining seven years, the target companies shall continue to be entitled to purchase services but shall have minimum purchase obligation. Intellectual property created by the SmartMotor team within Rolls-Royce during this seven year period shall be transferred to the target companies and licensed back to Rolls-Royce only to the extent such Intellectual Property rights are developed when the SmartMotor team performs services for the target companies.

(vii) local sale and purchase agreements in order to procure the sale and purchase of the assets and liabilities comprised by the Transaction. These agreements will be entered into between the relevant selling companies in the Rolls-Royce group and purchasers designated by Kongsberg Gruppen.

6.10 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 will be raised through the Rights Issue. The Company is planning to raise the new debt by issuing one or more new bond loans of up to NOK 2 billion (the "**Bond Issue**"), and Nordea Bank Abp, filial i Norge has undertaken to provide a bridge loan of up to NOK 2 billion (the "**Bridge Loan**") in the event that the Bond Issue has not been completed prior to Completion.

Arctic Securities AS and Nordea Bank Abp, filial i Norge are acting as joint global coordinators for the Bond Issue, while Nordic Trustee AS will act as trustee. The bond agreement for the Bond Issue will be based on the Company's existing bond agreement. The Bond Issue will be a senior unsecured open bond issue with a coupon rate of NIBOR 3 months plus a margin. The Bond Issue will be subject to customary provisions regarding negative pledge and change of control. The Bond Issue is expected to take place by the end of 2018. An application will be made for the bond(s) issued in the Bond Issue to be listed on the Oslo Stock Exchange.

If the Bond Issue has not been completed prior to Completion, a final loan agreement for the Bridge Loan will be entered into prior to Completion. The Bridge Loan will have a term of 12 months from the date the final loan agreement is entered into. Nordea Bank Abp, filial i Norge will have the ability to syndicate part of the loan to other banks and financial institutions. No more than 60 days and no less than 30 days prior to maturity, the Company may request a 12 months extension, and each bank in the syndicate may choose to accept or deny such request for extension. The Bridge Loan may be drawn in the period from the date the final loan agreement is entered into to 6 October 2019. The interest will be NIBOR plus a margin that will start at 0.50% and gradually increase to 1.70% after 18 months.

On 9 October 2018, the Parliament gave its approval to the participation of the Norwegian Government, represented by the Ministry of Trade, Industry and Fisheries, in the Rights Issue on a pro rata basis (50.001%), and on 2 November 2018 the extraordinary general meeting of the Company (the "**EGM**") voted in favour of the share capital increase pertaining to the Rights Issue with the required majority (see Section 18.3 "Resolution to issue the Offer Shares").

The 50% of the Rights Issue that does not relate to shares owned by the Norwegian Government is underwritten by a syndicate consisting of DNB and Danske Bank (together the "**Bank Underwriters**") and the following pre-committing shareholders (the "**Pre-committing Shareholders**"):

Bank Underwriters and Pre-committing Shareholders	Amount (NOK)	% of the Rights Issue
DNB Markets, a part of DNB Bank ASA	751,144,130.45	15.03%
Danske Bank A/S, Norwegian Branch	751,144,130.45	15.03%
Folketrygdfondet	326,489,768.50	6.53%
Danske Capital Norge	154,782,145.70	3.10%
MP Pensjon	153,359,839.85	3.07%
Must Invest AS and affiliated shareholders	138,828,446.40	2.78%
Ulfoss Invest AS	106,948,994.95	2.14%
Odin Norge AS and Odin Energi AS	73,758,318.20	1.48%
Intertrade Shipping AS and Fløtemarken AS	41,650,000.00	0.83%
Total	**2,498,105,774.50**	**49.99%**

The underwriting obligation of the Bank Underwriters is subject inter alia to subscription by the Ministry of Trade, Industry and Fisheries and the Pre-committing Shareholders' for their respective parts of the Rights Issue, and that no material adverse event that is not disclosed in the Prospectus or otherwise shall have occurred. See further information in Section 18.21 "The Underwriting".

As further described in Section 6.5 "Total consideration and transaction costs", Kongsberg has entered into a currency hedge covering the purchase price of GBP 500 million.

6.11 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).

6.12 Timeline to Completion

The filing process required for fulfilment of the Condition is expected to take four to six months from the relevant filings are made. The Transaction is thus expected to be completed during the course of the first quarter or early in the second quarter of 2019. The expected timeline to Completion is as follows:

	Date
Preparations for merger filings	July - December 2018
Submission of merger filings to the relevant competition authorities	October 2018 – January 2019
The Condition for Completion being fulfilled	December 2018 – April 2019
Completion of the Transaction	First or early second quarter 2019

6.13 Agreements entered into for the benefit of the management or directors

No agreements have been entered into by the Company in connection with the Transaction for the benefit of any board members or senior employees in the Company, or for the benefit of any senior employees in Rolls-Royce Commercial Marine.

7 PRESENTATION OF ROLLS-ROYCE COMMERCIAL MARINE

This Section provides an overview of Rolls-Royce Commercial Marine as of the date of this Prospectus. This Section should be read in conjunction with the other parts of this Prospectus, in particular Section 2 "Risk Factors" and Section 8 "The Group Following Completion of the Transaction".

7.1 Introduction

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.

7.2 Industry and business overview

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:

[1] 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.

Rolls-Royce Commercial Marine has an ongoing investment with total spend year-to-date of EUR 14 million related to a transformation project at Rauma, Finland. Rauma is the centre of excellence for azimuthing thrusters. Rauma faced risks to business continuity due to life expired equipment (leases, cranes, offices etc.) and potentially non-compliant (HSE) major infrastructure that needed to be addressed. The footprint was spread across two main facilities, multiple warehouses and office locations across the town of Rauma in Finland. The ongoing Rauma project aims to transform Rauma into one site, and to renew and expand infrastructure enabling more efficient delivery of current and future products. The method of financing for the project is 100% internal.

7.3 Board of directors and management

Rolls-Royce Commercial Marine does not have a separate board of directors. The Management of Rolls-Royce Commercial Marine consists of the following persons:

- Mikael Makinen, President
- Rick Curtis, CFO
- Alistair Mackenzie, Director Services, Operations and Transformation
- Asbjørn Skaro, Director Deck Machinery & Systems
- Gary Nutter, Director Customer Propulsion & Engines
- Kevin Daffey, Director Engineering, Technology & Ship Intelligence
- Kim Kersey, Director Human Resources

7.4 Employees

Rolls-Royce Commercial Marine had as of August 2018 approximately 3,600 employees in 33 countries.

7.5 Material contracts

Rolls-Royce Commercial Marine has not entered into any material contracts outside the ordinary course of business for the two years immediately preceding the date of this Prospectus, and Rolls-Royce Commercial Marine has not entered into any contracts outside the ordinary course of business containing obligations or entitlements that are, or may be, material to the issuer as of the date of this Prospectus.

7.6 Key financial figures

The following tables present selected unaudited financial information for Rolls-Royce Commercial Marine. The selected financial information for the years ended 31 December 2017, 2016 and 2015 has been extracted from the underlying accounting records reported as part of the audited consolidated financial statements of Rolls-Royce, while the selected financial information for the six months ended 30 June 2018 and 2017 has been extracted from the underlying accounting records reported as part of the unaudited consolidated financial statements of Rolls-Royce.

7.6.1 *Unaudited profit and loss items*

The table below sets out unaudited profit and loss items for Rolls-Royce Commercial Marine as of the years ended 31 December 2017, 2016 and 2015, as well as for the six months ended 30 June 2018 and 2017.

	Six months ended 30 June *(unaudited)*		**Year ended 31 December** *(unaudited)*		
GBP million	**2018**	**2017**	**2017**	**2016**	**2015**
Revenue	343	396	819	889	1 096
Cost of goods sold	(275)	(334)	(653)	(719)	(906)
Operating expenses	(94)	(93)	(196)	(200)	(196)
EBITDA	**(26)**	**(31)**	**(30)**	**(30)**	**(5)**

7.6.2 *Unaudited balance sheet items*

The table below sets out unaudited balance sheet items for Rolls-Royce Commercial Marine as at 31 December 2017, 2016 and 2015.

	As of 31 December *(unaudited)*		
GBP million	**2017**	**2016**	**2015**
Fixed assets	155	140	173
Reported working capital (excl. cash)	57	81	76
Other liabilities	-123	-169	-262
Cash	167	204	165
Net assets	**254**	**256**	**153**

7.7 Legal proceedings

From time to time, Rolls-Royce Commercial Marine is involved in litigation, disputes and other legal proceedings arising in the normal course of its business. However, Rolls-Royce Commercial Marine is not, nor have during the course of the last 12 months, been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), which may have, or have had in the recent past significant effects on the Company and/or the Group's financial position or profitability.

8 THE GROUP FOLLOWING THE TRANSACTION

This Section provides information about the prospects of the results of the Transaction and its expected implications on the Group following Completion and should be read in conjunction with other parts of the Prospectus, in particular Section 7 "Presentation of Rolls-Royce Commercial Marine" and Section 13 "Unaudited Pro Forma Financial Information". The following discussion contains Forward-looking Statements that reflect the Company's plans and estimates. Factors that could cause or contribute to differences for these Forward-Looking Statements include, but are not limited to, those discussed in Section 2 "Risk Factors" and Section 4.3 "Cautionary note regarding forward-looking statements".

8.1 The Group following Completion of the Transaction

Rolls-Royce Commercial Marine will be acquired by Kongsberg Gruppen and Rolls-Royce Commercial Marine will be integrated into Kongsberg's maritime operations. The Transaction will accordingly not materially affect the Group's other business areas, Kongsberg Defence & Aerospace and Kongsberg Digital. See Section 5.5.2 "Kongsberg Defence & Aerospace" and 5.5.4 "Kongsberg Digital" for a description of these business areas.

Kongsberg and Rolls-Royce Commercial Marine have, to a large degree, complementary products, solutions and competence, and the acquisition is in line with Kongsberg's ambition to be a world leading technology supplier. The Transaction is expected to strengthen Kongsberg's competitive power in the global maritime industry and will further strengthen Kongsberg's global presence. See further information in Section 8.3 "Strengths and strategies following Completion of the Transaction" below.

8.2 Legal structure following completion of the Transaction

Detailed plans for the integration and organization of the new maritime unit of Kongsberg will be developed through a carve-out and integration project, in close co-operation with Rolls-Royce, prior to Completion of the Transaction which is expected to take place in the first quarter or early in the second quarter of 2019.

8.3 Strengths and strategies following Completion of the Transaction

The maritime industry is changing and currently, several key players are considering their position in the industry. This is expected to change the competitive landscape going forward. Some traditional competitors are expected to leave the industry and new competitors are expected to emerge. The industry change is driven by a combination of (i) an intensified focus on cost and operational efficiency and (ii) an accelerated pace of technology development and adaption. These changes are driven by a historically weak market where "survival" has been more important than "performance" in several key market segments. At the same time, innovations are being pushed to the industry by general technology break-throughs and by a stronger environmental focus. This is moving focus from products to complete value chain offerings, new technologies in smart electrification and a "fit to purpose" approach for cost effective solutions.

It appears increasingly clear that the future winning maritime solutions require investments in integrated solutions – "bridge to propulsion", electrification, digitalization, remote services; and autonomy in the longer term. However, the market has currently limited willingness and financial capacity to pay for such new developments. Hence, the maritime supplier companies need to assess whether to make investments in taking future leading positions, in a time when many are not profitable, or to fall back and let others take the lead. This is expected to open significant opportunities for companies that take their positions and will change the competitive landscape.

Recent developments in the market place have been challenging. Over the last four years, the market has dropped and Kongsberg Maritime's ship volume has declined by some 40%. Several cost reduction programs have been executed, reducing costs substantially. Still, Kongsberg sees that profit margins are under pressure and in such circumstances additional scale through adding the operations of Kongsberg Maritime and Rolls-Royce Commercial Marine is expected to improve Kongsberg's ability over time to simultaneously maintain:

- a strong global sales and service network;
- investments in future competitive technologies and products; and
- a healthy profitable operation.

Hence, the Transaction is expected to give Kongsberg scale and additions to its world leading global sales and service network. Furthermore, the Transaction will also give Kongsberg a complementary range of world leading core maritime products and technologies in propulsion and deck machinery equipment. A prioritized strategic initiative for the Group has been the "Triangle Initiative", which aims to expand the Kongsberg Maritime product portfolio and develop integrated solutions across operations (Operational), deck machinery (Handling) and power distribution (Energy). This is expected to make advanced ship operations more efficient, productive and operable. The Triangle Initiative includes vessel based Concepts and Solutions which Kongsberg sees as key to take the future leading positions within the maritime market. The acquisition of Rolls-Royce Commercial Marine fits very well into the strategic Triangle Initiative. Rolls-Royce Commercial Marine will substantially strengthen Kongsberg's portfolio with their complementary world leading products in propulsion, power and deck machinery solutions. Furthermore, their leading capabilities within ship design, integration of complex maritime systems and ship intelligence solutions will give further strength to Kongsberg's combined integrated solutions.

On this basis, Kongsberg expects to provide the customers with better integrated and more efficient solutions following the Transaction. This is in turn expected to give Kongsberg a significantly increased customer value. Kongsberg's ambition is to become the global leader of delivering the most modern and advanced portfolio across most vessel segments, and expects to be the natural point of contact for customers seeking new and better vessel solutions.

Both Kongsberg and Rolls-Royce Commercial Marine are recognized with high quality technology and product ranges. They have strong brand positions and a strong dedication to service their customers. Their core competency is mostly located in Norway and Northern Europe, and represents a good cultural and geographic match.

8.4 The Transaction's significance for the earnings, assets and liabilities of Kongsberg

The Transaction and the effects of the Transaction-related financing, including the Rights Issue and the Bond Issue (or the Bridge Loan), as described in Section 6.10 "Financing of the Transaction", are expected to have a significant impact on the Group's earnings, assets and liabilities.

On a pro forma basis, revenue would have increased from NOK 14,490 million historically to NOK 23,234 million on a pro forma basis and profit for the year of NOK 559 million for the year ended 31 December 2017 historically would have been a pro forma loss of NOK 216 million for the same period, after adjustment for the impact of the acquired business and related pro forma adjustments, including increased amortization charges and, financing and acquisition expenses.

With respect to the balance sheet, the Transaction and the Transaction-related financing is expected to considerably increase Kongsberg's total assets, total equity, and, total liabilities and provisions. As of 31 December 2017, the Company’s total assets were NOK 20,843 million, total equity was NOK 7,365 million, and total liabilities and provisions was NOK 13,478 million, which on a pro forma basis would have increased to NOK 32,300 million, NOK 12,273 million and NOK 20,027 million, respectively.

For a further description of the pro forma figures and the basis for such figures, see Section 13 "Unaudited pro forma financial information".

The financing of the Transaction will be achieved through the Rights Issue of NOK 5,000 million and the remaining through up to a NOK 2,000 million loan (Bond Issue or the Bridge Loan) which will have a corresponding impact on the balance sheet and the capital structure of the Group.

8.5 Synergies and earnings improvement following the Transaction

As described in Section 8.3 "Strengths and strategies following Completion of the Transaction" and Section 8.4 "The Transaction's significance for the earnings, assets and liabilities of Kongsberg", the Group will increase its scale and position as a technology leader in the maritime industry through the Transaction. Moreover, the Transaction is expected to over time enhance the Group's profitability.

Hence, the Group estimates that the annual full-year cost improvements and synergies following the transaction will be in excess of NOK 500 million. However, the factors provided for in Kongsberg's business case may change and the cost-improvements and synergies actually achieved by Kongsberg may significantly differ from this estimate.

The cost improvements and synergy effects are expected to mainly come from three different areas:

- Optimization of global footprint, estimated to approximately NOK 200 million – including site co-locations and streamlining of production.
- Optimization of R&D spending, estimated to approximately NOK 100 million – including consolidation of overlapping R&D spending and prioritization of total R&D efforts according to future market potential
- SG&A streamlining, estimated to approximately NOK 200 million – including realization of synergies within the sales, general and administrative functions, as well as indirect procurement.

The actual split of the total estimated synergy potential is subject to change following the completion of the Transaction.

The cost improvements and synergies are expected to reach full run-rate by 2022, and approximately ¾ of the run-rate effects are expected by end of 2020.

In addition to cost improvements and synergies, there is a potential for revenue synergies from product offering complementarity. This includes cross-sales and sale of more integrated packages within the newbuild segment; and cross-sales and taking on a broader scope within the aftermarket segment. At the same time, it cannot be excluded that certain customers prefer niche suppliers and will react negatively to Kongsberg becoming and even larger supplier.

Implementation and integration costs is expected to amount to approximately NOK 450 million. Most of these costs will accrue in 2018, 2019 and 2020.

Post completion of the Transaction, information about effect realization and integration costs will be communicated on a quarterly basis.

9 DIVIDENDS AND DIVIDEND POLICY

9.1 Dividend policy

The Company's current dividend policy was decided by the Board in 2013. Dividends over time shall constitute between 40 and 50 per cent of the Company's annual profit after tax. In determining the size of dividends, the expected future capital requirements shall be considered. The Company's general meeting (the "**General Meeting**") approves the annual dividend, based on the Board of Director's recommendation. The proposal is the ceiling for what the General Meeting can approve.

For the accounting years 2015, 2016 and 2017, a dividend of NOK 4.25, NOK 3.75 and NOK 3.75 per share, respectively, was paid.

9.2 Legal constraints on the distribution of dividends

Dividends may be paid in cash, or in some instances, in kind. The Norwegian Public Limited Companies Act of 13 June 1997 no. 45 (the "**Norwegian Public Companies Act**") provides the following constraints on the distribution of dividends applicable to the Company:

- Section 8-1 of the Norwegian Public Limited Companies Act provides that the Company may distribute dividends to the extent that the Company's net assets, following the distribution covers (i) the share capital, (ii) the reserve for valuation variances and (iii) the reserve for unrealised gains. The amount of any receivable held by the Company which is secured by a pledge over Shares in the Company, as well as the aggregate amount of credit and security which, pursuant to Section 8–7 to 8-10 of the Norwegian Public Limited Companies Act fall within the limits of distributable equity, shall be deducted from the distributable amount.

- The calculation of the distributable equity shall be made on the basis of the balance sheet included in the approved annual accounts for the last financial year, provided, however, that the registered share capital as of the date of the resolution to distribute dividends shall be applied. Following the approval of the annual accounts for the last financial year, the General Meeting may also authorise the Board of Directors to declare dividends on the basis of the Company's audited annual accounts. Dividends may also be resolved by the General Meeting based on an interim balance sheet which has been prepared and audited in accordance with the provisions applying to the annual accounts and with a balance sheet date not further into the past than six months before the date of the General Meeting's resolution.

- Dividends can only be distributed to the extent that the Company's equity and liquidity following the distribution is considered sound by the Board of Directors, acting prudently.

In deciding whether to propose a dividend and in determining the dividend amount, the Board of Directors will take into account legal restrictions, as set out in the Norwegian Public Limited Companies Act, the Company's capital requirements, including capital expenditure requirements, its financial condition, general business conditions and any restrictions that its contractual arrangements in place at the time of the dividend may place on its ability to pay dividends and the maintaining of appropriate financial flexibility. For a description of restrictions on payment of dividends in the Group's credit facilities and bond agreements, see Section 12.5.1 "Material borrowings". Except in certain specific and limited circumstances set out in the Norwegian Public Limited Companies Act, the amount of dividends paid may not exceed the amount recommended by the Board of Directors.

The Norwegian Public Limited Companies Act does not provide for any time limit after which entitlement to dividends lapses. Subject to various exceptions, Norwegian law provides a limitation period of three years from the date on which an obligation is due. There are no dividend restrictions or specific procedures for non-Norwegian resident shareholders to claim dividends. For a description of withholding tax on dividends applicable to non-Norwegian residents, see Section 17 "Taxation".

9.3 Manner of dividend payments

Any future payments of dividends on the Shares will be denominated in the currency of the bank account of the relevant shareholder, and will be paid to the shareholders through the VPS. Shareholders registered in the VPS who have not supplied the VPS with details of their bank account, will not receive payment of dividends unless they register their bank account details with the VPS Registrar. The exchange rate(s) that is applied when denominating any future payments of dividends to the relevant shareholder's currency will be the VPS Registrar's exchange rate on the payment date. Dividends will be credited automatically to the VPS registered shareholders' accounts, or in lieu of such registered account, at the time when the shareholder has provided the VPS Registrar with their bank account details, without the need for shareholders to present documentation proving their ownership of the Shares. Shareholders' right to payment of dividend will lapse three years following the resolved payment date for those shareholders who have not registered their bank account details with the VPS Registrar within such date. Following the expiry of such date, the remaining, not distributed dividend will be returned from the VPS Registrar to the Company.

10 INDUSTRY AND MARKET OVERVIEW

This Section discusses the industry and markets in which Kongsberg operates. Certain of the information in this Section relating to market environment, market developments, growth rates, market trends, industry trends, competition and similar information are estimates based on data compiled by professional organisations, consultants and analysts in addition to market data from other external and publicly available sources, and the Company's knowledge of the markets. There are different views related to market developments reflecting the overall uncertainties. Any forecast information and other Forward-looking Statements in this Section are not guarantees of future outcomes and these future outcomes could differ materially from current expectations. Numerous factors could cause or contribute to such differences, see Section 2 "Risk Factors" for further details.

10.1 Introduction

Kongsberg is an international, knowledge-based group delivering high technology systems and solutions to customers within the oil and gas industry, merchant marine, defence and aerospace.

10.2 Offshore market

10.2.1 Oil supply and demand

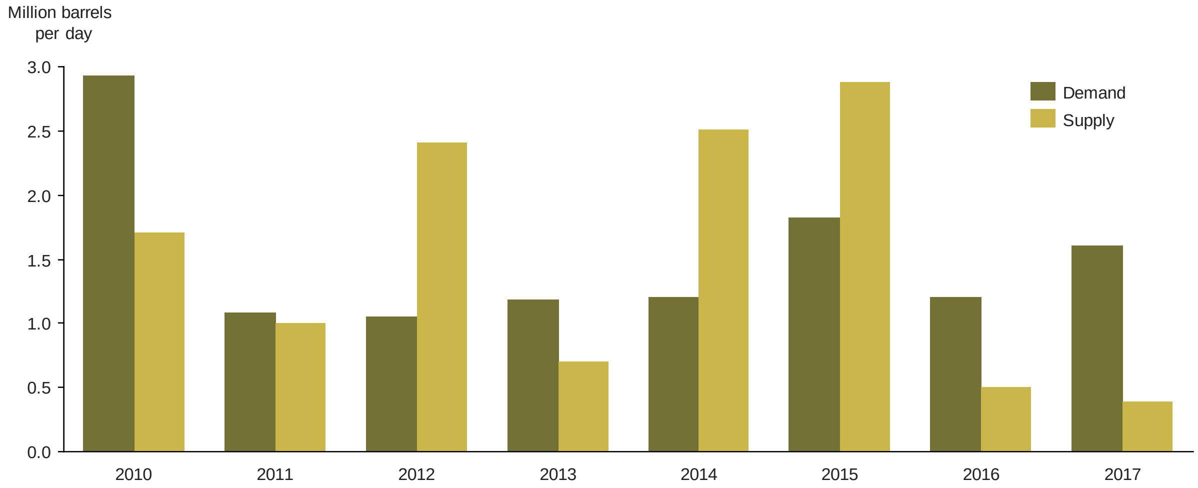
The oil price plunged from levels around USD 110 per barrel to below USD 30 per barrel at the beginning of 2016. The reasons for this change were twofold with weak demand in many countries due to declining economic growth, coupled with surging U.S. oil production. U.S. oil import demand reduced significantly because of increased domestic production and the shale industry. China's economic slowdown and deflation in Japan and European countries, which signified slowdown, reduced oil import. Global oil exporting countries maintained previous supply levels, which led to a supply surplus.

2017 was a turning point for the oil market. Oil demand strengthened markedly while supply growth lagged, as the Organisation of the Petroleum Exporting Countries ("**OPEC**") and Russia cut supplies. The result was the first quarterly back-to-back draws in inventories since 2011, and the inventory surplus was cut by some 60% since the beginning of 2017.

So far in 2018, oil price expectations have shifted markedly. The market has demonstrated the sensitivity of oil demand to economic activity, while OPEC has been over-complying with its own oil supply deal, helped by lower output from Venezuela and Iran.

The International Energy Agency ("**IEA**") estimates that the global oil demand will grow by 1.3 and 1.4 million barrels per day in 2018 and 2019, respectively. A solid economic backdrop and an assumption of more stable prices are key factors. Risks include possibly higher prices and trade disruptions.

Figure 1 - Annual change in oil market fundamentals



Source: Arctic Securities' Research, based on data from IEA (July 2018). Data from IEA database is not freely available, and can only be accessed through a valid account.

10.2.2 Offshore segments

Kongsberg Maritime delivers products and services to various offshore vessels serving the exploration, production and field development services. The offshore exploration and production vessels include floating drilling units, FPSOs, FPUs, FLNG vessels and similar vessels. The offshore service vessel market can be divided into three main categories: supply vessels ("**OSV**"), subsea vessels and seismic vessels. OSVs are further divided into Platform Supply Vessels ("**PSV**") and Anchor Handling Tug Supply Vessels ("**AHTS**").

10.2.3 Subsea vessels

Subsea vessels are used for installation, maintenance and inspection of subsea equipment, as well as related offshore structures, e.g. platforms and buoys. Subsea vessels perform work related to installation of mooring systems, laying of pipe and construction of offshore structures as well as removal of such equipment. The subsea vessels are also engaged in work related to other offshore installations such as electrical cables and offshore windmills.

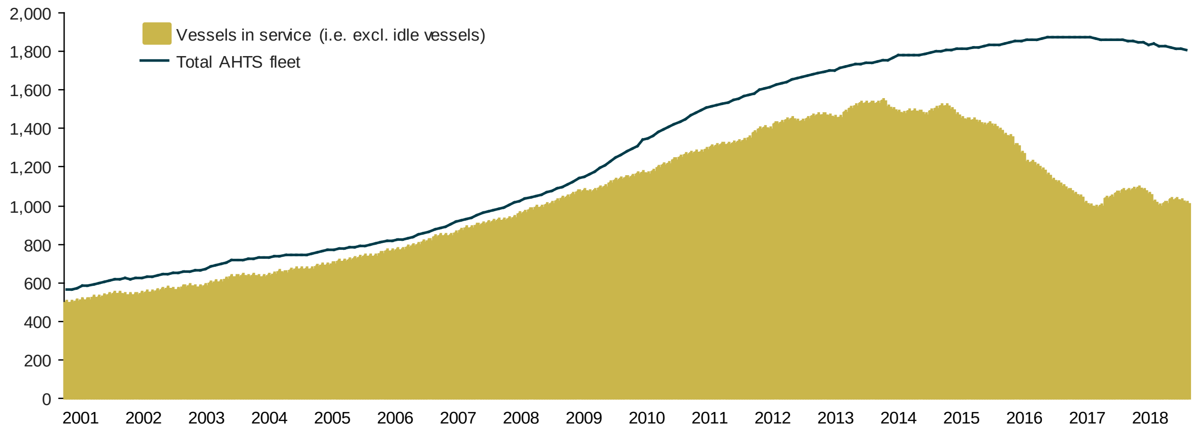
The global fleet of subsea vessels consist of approximately 500 vessels. Following the drop in oil prices over the last two years, ship newbuilding activity has decreased. The subsea vessel order book consists of approximately 30 vessels which are expected to be delivered over the next years.[16]

10.2.4 Anchor Handling Tug Supply Vessels

AHTS vessels are specially designed vessels for anchor handling and towing offshore platforms, barges and production modules/vessels. Furthermore, AHTS vessels are often equipped for firefighting, rescue operations and oil recovery. The vessels also have supply capacities like the PSVs but with less capacity, e.g. in terms of free deck space and number of tanks.

The figure below summarizes the development in the global AHTS fleet. The total AHTS fleet consists of approximately 1,800 vessels, of which approximately 750 vessels are idle.

Figure 2 - Development in size of global AHTS fleet



Source: Arctic Securities' Research, based on data from IHS Petrodata (September 2018). Data from IHS Petrodata database is not freely available, and can only be accessed through a valid account.

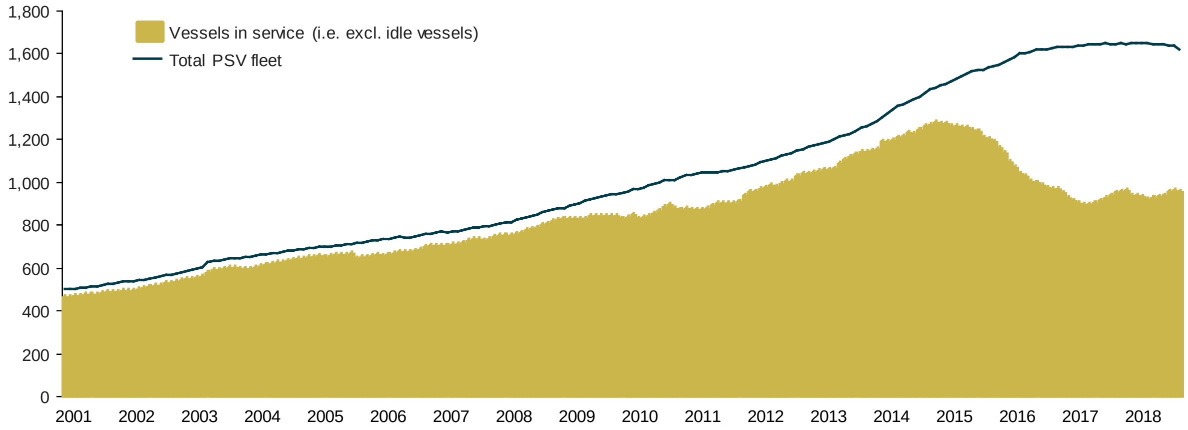
10.2.5 Platform Supply Vessels

PSVs are specially designed for transport of supplies to and from offshore installations. On deck the vessels carry containers, equipment and pipes (the latter applies mostly for larger PSVs). Under deck the vessels transport a variety of different fluids in separate tanks, like mud & brine, cements or other dry bulk, water, fuel and drill-cut. Furthermore, some vessels have tanks for special fluids like methanol as well.

[16] Source: Arctic Securities' Research, based on data from IHS Petrodata (September 2018). Data from IHS Petrodata database is not freely available, and can only be accessed through a valid account.

The figure below summarizes the development in the global PSV fleet. The total PSV fleet consists of approximately 1,700 vessels, of which approximately 650 vessels are idle.

Figure 3 - Development in size of global PSV fleet



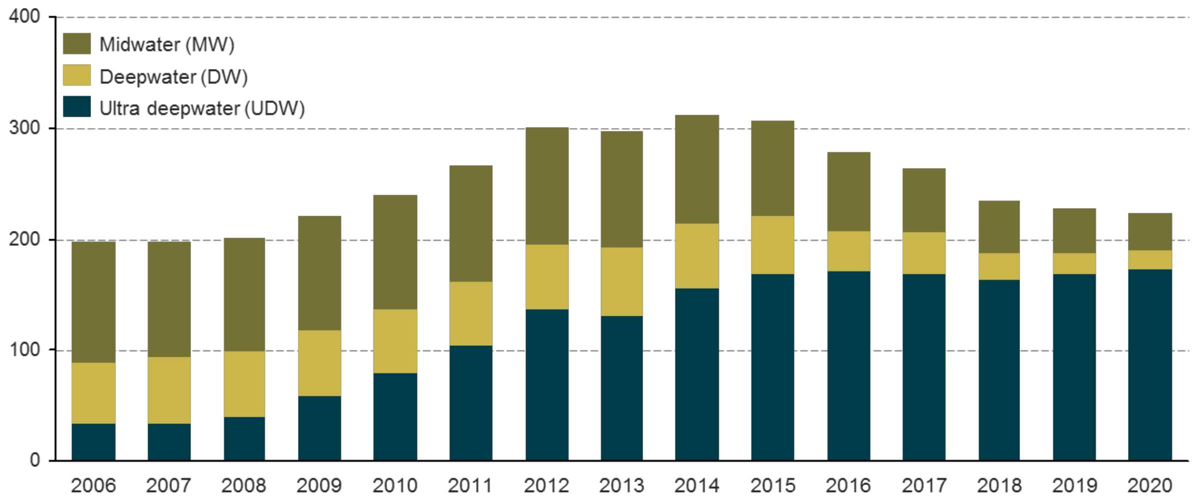
Source: Arctic Securities' Research, based on data from IHS Petrodata (September 2018). Data from IHS Petrodata database is not freely available, and can only be accessed through a valid account.

10.2.6 Floater rigs

Mobile offshore drilling units are used for drilling offshore exploration and development wells. Main categories of offshore rigs include bottom-supported units (jack-ups) and floating units (semisubmersibles and drillships), of which the latter category is relevant to KM. Semisubmersibles are suitable for drilling in rough waters due to their stability, and can be used in water depths up to 10,000 feet. Drillships are purpose-built seagoing vessels that drill in waters as deep as 12,000 feet, and are especially useful for drilling exploratory wells due to their mobility and cargo-carrying capacity.

The figure below summarizes the development in the global floater fleet. It is expected that the total fleet will consist of approximately 220 rigs at the end of 2020, decreasing from approximately 250 rigs as of year-end 2017.

Figure 4 - Development in global floater fleet



Source: Arctic Securities' Research, based on data from IHS Petrodata (October 2018). Data from IHS Petrodata database is not freely available, and can only be accessed through a valid account.

10.2.7 Market cycles and current sentiment

Offshore markets are cyclical by nature. Following cost improvements and recent increase in the oil price, the offshore segment is now showing firm signs of recovery after the downturn. The activity level has started to increase, exemplified by an increase in floater rig utilization. However, offshore newbuild contracting levels are still low, as the vessel overcapacity continues to be significant.

10.2.8 Underlying market drivers

Underlying drivers in the offshore market are favourable, with consensus on continued oil demand growth to 2030, improvements in offshore breakeven economics relative to shale and significant scrapping of cold stacked vessels. Most analysts therefore expect continued growth in activity level across offshore vessel segments. The range of views is nevertheless wide, and reflects uncertainty related to both underlying offshore oil and gas supply need and vessel efficiency.

Despite an expected healthy vessel demand growth, a significant newbuild need will take time to materialise given current overcapacity, reactivation of some of the cold stacked vessels and deliveries of some of the vessels still in order book. While the number of cold stacked vessels is significant, it is expected that only a share of these will be reactivated given old age, lack of competitiveness and high reactivation costs. Using OSVs as an example, the number of cold stacked vessels is ~1,400 (~40% of total fleet), and 500-700 are unlikely to be reactivated towards 2021. Similarly, while the remaining OSV order book is ~210 vessels, only ~50 are expected to be delivered. In summary, reactivations will hamper the newbuild need towards 2020, but the majority of cold stacked vessels are expected to be scrapped.

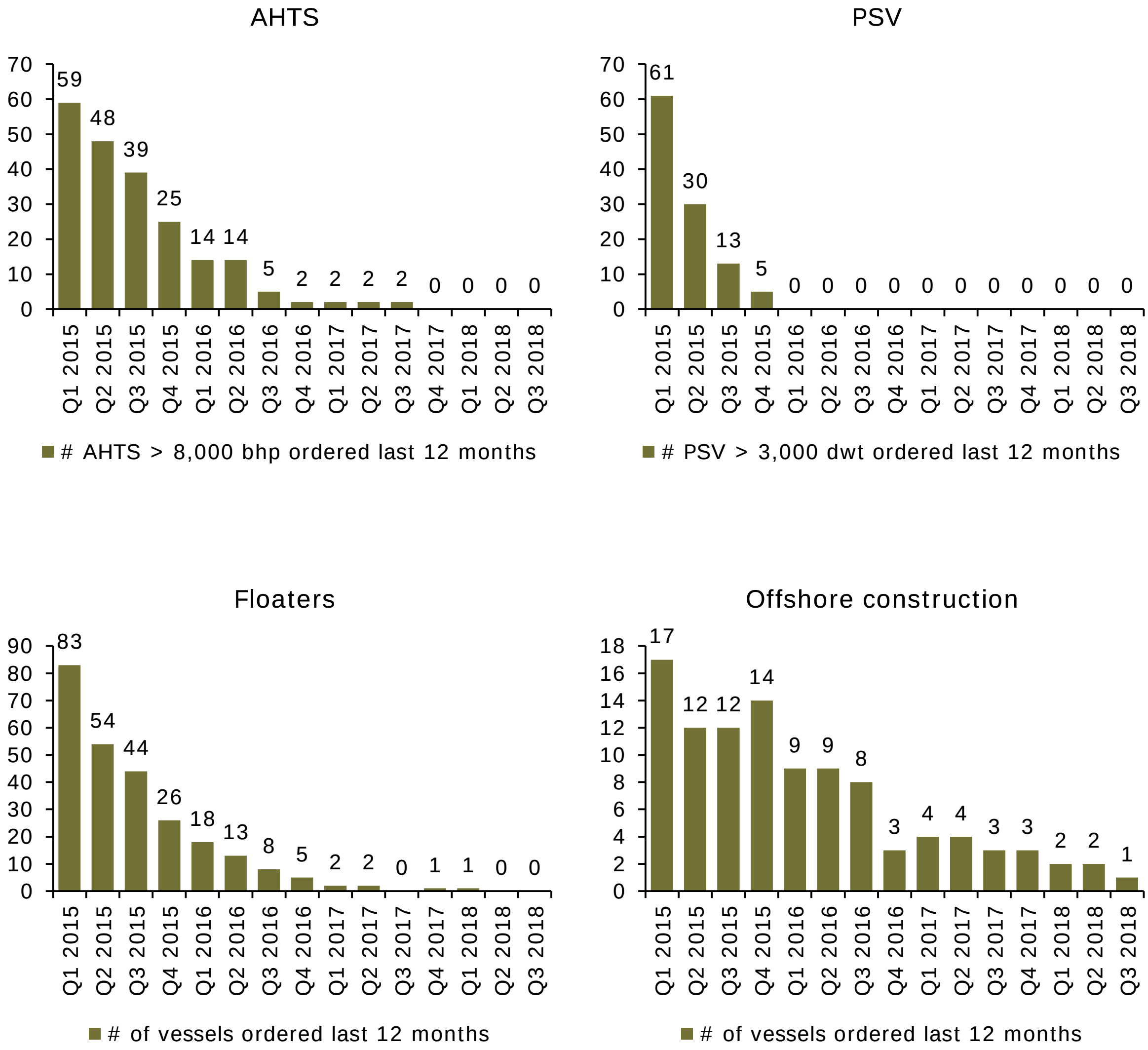
Given growing demand and net fleet reduction through scrapping of cold stacked vessels, the offshore vessel utilization is forecasted to increase. Utilization is expected to reach levels supporting significant newbuild ordering activity around 2021-23 (i.e. ~80-85% utilization), with variations dependent on vessel segment and demand growth assumptions. Before this newbuild cycle materialize, order levels will be lower, and typically represent more specialized vessels such as fit-for-purpose floater rigs.

10.2.9 Future newbuild activity

The offshore newbuild market has not yet recovered from the downturn. However, the newbuild activity should eventually converge towards a long term, steady state level. Essentially, this will be the combination of natural replacement to compensate for ageing vessels leaving the fleet and net fleet additions required due to demand growth. Historical newbuild activity will also serve as a reference for long term steady state levels.

Below is a summary of the newbuild activity in relevant segments during the last twelve months.

Figure 5 - Rolling newbuild orders last twelve months



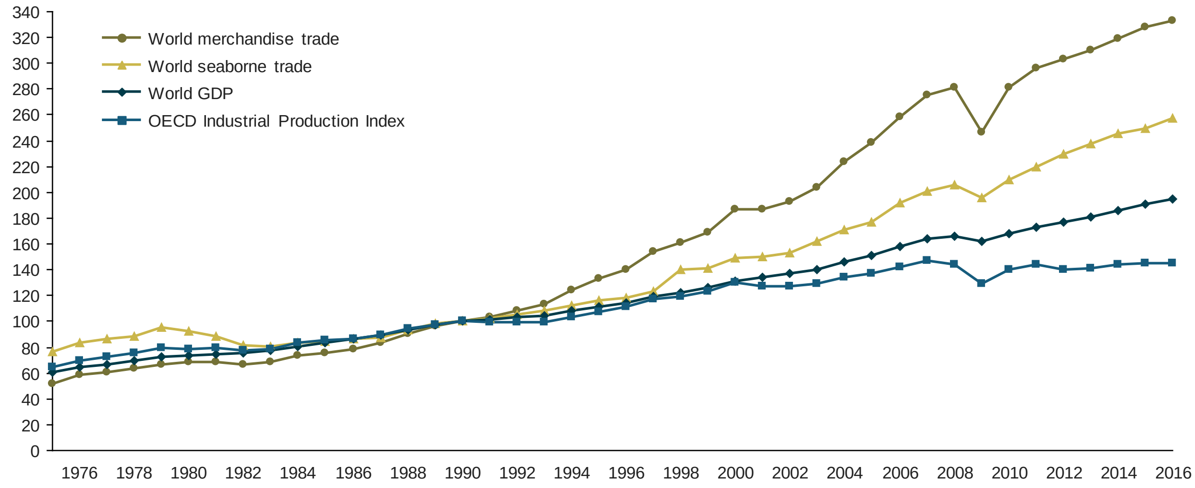
Source: Clarksons and Lloyds (subscriptions required)

10.3 Merchant marine market

10.3.1 Introduction

Ocean shipping is the most important transport mode for international merchandise trade. More than 80% of global trade by volume and more than 70% of its value are being transported by ships and handled by seaports worldwide. World seaborne trade growth is therefore heavily dependent on the performance of the world economy. As shown in Figure 6 below, industrial activity, economic output, merchandise trade and seaborne trade shipments are positively correlated.

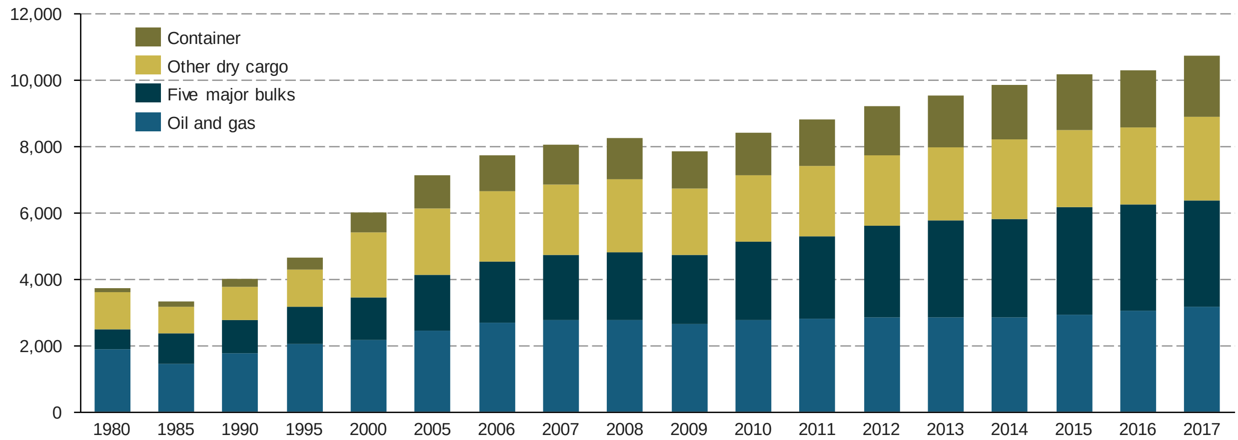
Figure 6 - OECD development index of industrial production and world indices: Gross domestic product, merchandise trade and seaborne shipments, 1975–2016 (1990 = 100)



Source: Review of Maritime Transport 2017 (available at: http://unctad.org/en/PublicationsLibrary/rmt2017_en.pdf)
Note: Index calculations are based on Gross Domestic Product ("**GDP**") and merchandise trade in dollars, and seaborne trade in metric tons

Demand for shipping services has in recent years, in line with the world economy, experienced a moderate growth. However, in 2017 international seaborne trade gathered momentum, with volumes expanding by 4%, the highest growth rate in five years. Historically, growth has been slightly higher with historical average of 3% recorded over the past four decades. In 2017, volumes reached 10.7 billion tons, of which oil and gas and the five major bulks (iron ore, coal, grain, bauxite/alumina and phosphate rock) both represented around 30% each of total volume. Other dry cargo and containerized trade represented 18% and 17% respectively of total volume. Tanker trade shipment accounted for 29% of total seaborne trade in 2017.

Figure 7 - International seaborne trade, selected years (millions of tons loaded)



Source: Review of Maritime Transport 2018 (available at: https://unctad.org/en/PublicationsLibrary/rmt2018_en.pdf)

10.3.2 Marine segments

The merchant vessel market can be divided into two main categories, cargo vessels and passenger vessels, with cargo vessels as the by far largest category in terms of number of vessels. Cargo vessels can be grouped in four:

- **Tank vessels:** Tankers are ships that primarily carry huge quantities of liquid. They can carry a wide range of liquids such as oil and lots of different chemicals that need transporting. Tankers come in many different sizes but some of the larger vessels have the capacity to carry several hundred thousand tons.

- **Dry bulk vessels:** For dry cargoes with a high weight to cost ratio such as coal, grain and ore, economies of scale have produced the modern bulk carrier. These usually large vessels are divided up into several separate holds covered by hatches.

- **Other cargo vessels:** This group includes all vessels that transport dry cargo that are not transported in bulk carriers or containerized. Vessels can be further categorized into groups such as breakbulk vessels (e.g. bagged or palletised cargo), ro-ro vessels (wheeled cargo like cars, buses, trucks) and reefer vessels which are used for the carriage of frozen cargoes or temperature controlled cargoes like fruits, meat and fish.

- **Container:** Containers have become the main way of transporting manufactured goods around the world. Containers can accommodate anything from foodstuffs to electrical equipment to automobiles. Standard containers are measured as "**TEUs**" (Twenty-foot Equivalent Units), with the biggest container ships carrying as much as over 15,000 -16,000 TEUs. Because of such high capacities, some of the largest ships in the world are container ships.

Passenger vessels can in general be divided in two:

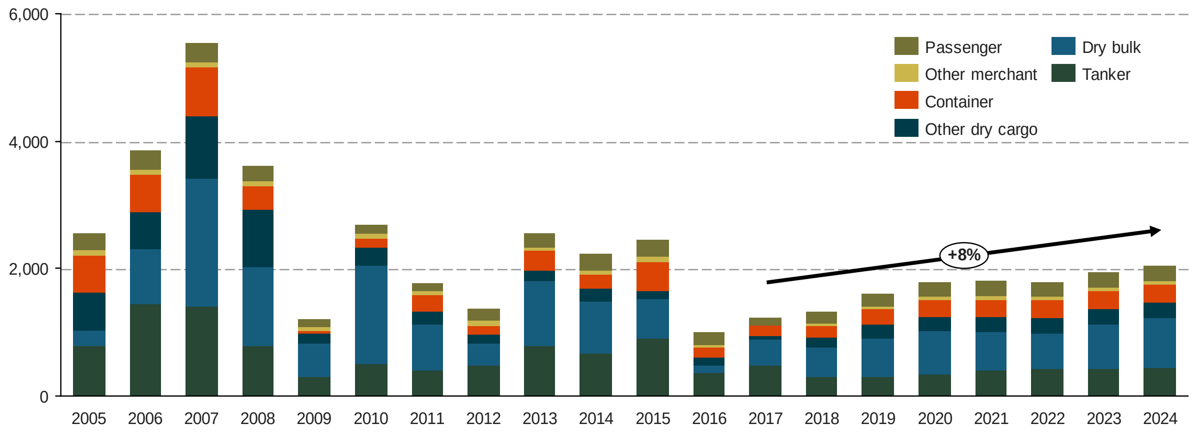
- **Cruise:** The primary purpose of cruise vessels is the entertainment and transport of passengers. Cruise vessels are basically floating hotels with some of the largest vessels having a capacity of more than 6,000 passengers. The size of the vessels and the stringent demands for comfort, e.g. in terms of noise, vibration level aboard as well as the motions of the ship during transit or anchorage makes cruise vessels the most costly vessels to build. The largest cruise vessels to day cost more than USD 1 billion to build.

- **Other passenger vessels:** This group primarily includes ferries but also includes yachts and ocean liners. Most ferries operate regular return services on relatively short distances. Therefore ferries are in the forefront when it comes to replacing fossil fuel with e.g. electrification.

10.3.3 Newbuild activity

Contracting of new vessels decreased significantly from 2015 to 2016 across all segments, primarily due to an oversupply of vessels, accompanied by low freight rates. Thus, vessel owners were not eager to invest in newbuildings during 2016.

Figure 8 - Number of vessels contracted per year



Source: Lloyds (subscription required)

While 2016 turned out to be a challenging year with the freefall in newbuilding prices and record-low newbuilding orders, 2017 brought some breathing space to the shipping community. Newbuild contracting again increased as newbuilding prices came down in order for yards to fill their capacity. Lloyds, the global provider of classification, compliance and consultancy services expects a further increase in vessel contracting towards 2024.

10.4 Defence market

10.4.1 Introduction

The defence industry has evolved significantly over the last decades, and trade in equipment is now a vital component of many countries' national security policy. Maintaining a domestic defence national base with capabilities in all the appropriate national areas is expensive, and since the cold war ended, social, political and economic pressures have been building to reduce public spending. These factors have led governments to respond in three ways: i) reducing the cost of maintaining a domestic industry, generally through privatization; ii) actively engaging in the international trade in defence equipment; iii) forming alliances and pooling resources with like-minded nations.

Off-the-shelf imports are typically cheaper than a domestic program, while the acquisition cost can be offset by securing related or even unrelated work packages from the exporter for domestic industry. Offset, or reciprocal trade, is now therefore a significant element of trade in defence products. The result is an interconnected and global market, where private companies and governments work across borders on the research, development and trade for a number of different types of defence equipment and systems.

The volume of international transfers of major weapons in 2013 to 2017 was estimated to be 10% higher than in the period 2008 to 2012. This is a continuation of the upwards trend that began in the early 2000s. The five largest exporters in 2013 to 2017 were the United States, Russia, France, Germany and China, while the five largest importers were India, Saudi Arabia, Egypt, the United Arab Emirates and China. The flow of arms to the Middle East, Asia and Oceania increased between 2008 to 2012 and 2013 to 2017, while there was a decrease in the flow to the Americas, Africa and Europe.[17]

10.4.2 Main segments

The market for military equipment and systems can be broken down into several categories.

- **Aircrafts, helicopters and UAVs:** Despite the rapid increase in unmanned aerial vehicles ("**UAVs**") numbers worldwide and future plans for unmanned combat aerial vehicles ("**UCAVs**"), the fighter market is anticipated to grow at a steady rate over the coming years. Overall, an estimated 4,000 fighters, valued at around USD 260 billion, are forecast to be procured over the next 15 years. Key national fighter programmes are planned to continue well into the 2020s, including those of the United States, Russia, China, India and Sweden. The largest fighter program is the F-35 Joint Strike Fighter, with over 3,000 planes currently planned to be acquired by 12 countries.[18] Plans for a sixth-generation fighter are also reportedly progressing in the United States, Japan, Russia and China, with an emphasis on automation, hypersonic weapon systems and new approaches to stealth. On the back of combat experience in recent conflicts, the market for unmanned aircrafts is expected to continue its rapid growth (both armed and unarmed). Though the military UAV sector is expected to become increasingly international, the United States remains the largest spender, both in terms of research and development ("**R&D**") and procurement.

- **Military vehicles:** The market for armoured vehicles has seen significant technological advancements and a rise in the use and utility of unmanned ground vehicles, artificial intelligence, virtual training and survivability equipment. Active protection systems are being developed in lighter, cheaper and more accurate forms, and are expected to be a major part of the future battlespace, especially with the threat of further enhancements to improvised explosive devices ("**IEDs**") and small ballistic arms. Meanwhile, the deployment of main battle tanks is still seen as a necessity by most countries, in spite of climbing demand for light protected mobility.

- **Naval vessels and warships:** Global naval defence budgets have historically become more and more constrained, which has put pressure on navies around the world to build-up and replace their fleets to remain powerful at sea. However, technological development and new operational concepts, together with recent world events, have led to increased focus on future fleet expansion and upgrades. China has been building up its navy over the last 20 years and expanded its presence in the South China Sea, while naval support has been crucial during many of the recent campaigns in the Middle East. The United States plans to revitalize its fleet and expand it to 355 ships by 2050, including a mix of aircraft carriers, submarines, destroyers and

[17] Source: Stockholm International Peace Research Institute (https://www.sipri.org/sites/default/files/2018-03/fssipri_at2017_0.pdf)
[18] Source: Defence iQ (subscription needed)

other vessel types. Other countries are also undertaking significant fleet programs, including Australia and Canada.

- **Missiles:** The missile market encompasses several sub-categories, including missile defence systems, surface-to-surface, surface-to-air, air-to-surface, anti-ship and anti-tank. Missile defence systems is expected to account for the largest share of spending, with China looking to close the military capabilities gap with the United States, the United States formulating long-term programs for defence systems, as well as increased tensions in the Middle East and Eastern Europe. The use of guided missiles is also steadily increasing after a period of decline, with air defence continuing to be of strategic importance, more frequent use of air strike campaigns and a recovery in anti-ship missile programs.

- **Artillery, small arms and ammunition:** The demand for artillery and systems is primarily driven by the anticipated procurement of major defence spending countries that are currently involved in conflicts or undergoing renewal programs, and emerging economies involved in territorial disputes and countering insurgencies. In addition, the need to maintain a sufficient inventory of second line of fire artillery systems for militaries across the world and the increasing demand for training systems is also anticipated to have a positive impact on demand. For small arms, overall defence spending and technological advancements are expected to drive future growth, as countries seek to deploy more modern, reliable and accurate arms to their military.

- **Electronics, gear and other equipment:** Spending on military electronics, gear and other types of equipment is closely linked to the global level of overall expenditure. Electronic systems are expected to experience strong growth, as the modern battlefield moves towards a technology-based warfare approach with network-centric capabilities.

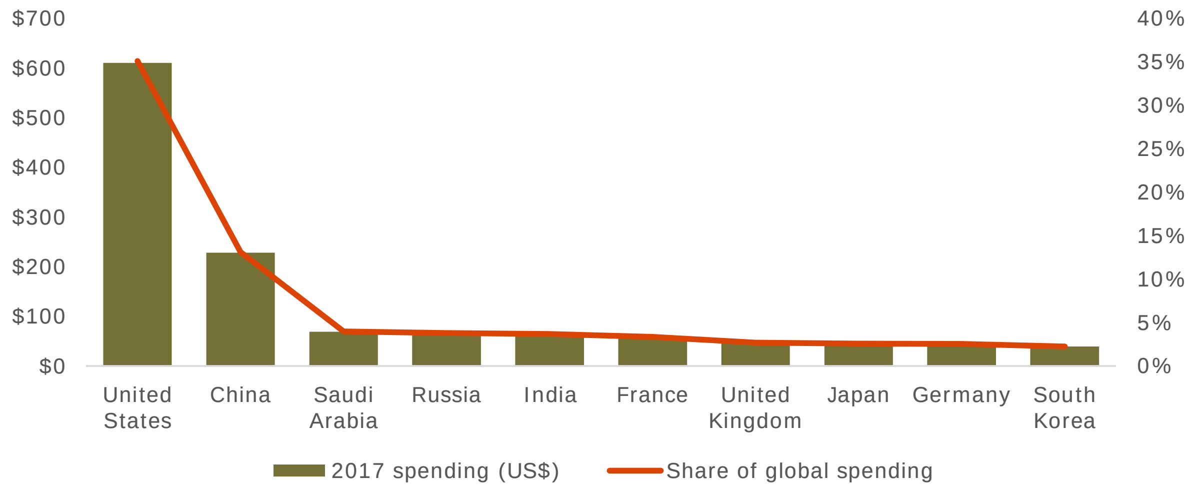
- **Space equipment and services:** If a military engages in surveillance, launching missile strikes or cyber warfare, a space defence strategy is key. Advanced militaries have a strong appetite for satellite capabilities and rely on them to provide communications, reconnaissance information, navigation, weather data and other services. This need has led to large space budgets, especially in the United States, however, other countries such as China and Russia are also ramping up their spending. Many of the modern military technologies, such as UAVs, require large amounts of satellite bandwidth, and the continued development of these is expected to drive further growth in spending on space equipment and services.

- **Services and infrastructure:** Military services, infrastructure and logistics are essential elements for armed forces, and timely delivery and supply of materials such as ration, equipment, arms and ammunition to the military bases for their sustained operation are vital factors. The global defence industry is investing significantly into research and development to ensure effective military operations around the world, and significant infrastructure spending has been undertaken by countries such as the United States, Russia, China and India to construct overseas and domestic bases.

10.4.3 Defence expenditure

World military expenditure is estimated to have reached USD 1,739 billion in 2017, the highest level since the end of the cold war. Total global expenditure was marginally higher compared to 2016, up by 1.1% in real terms. The United States remained by far the biggest spender with USD 610 billion (35% of the global total), followed by China (USD 228 billion), Saudi Arabia (USD 69 billion) and Russia (USD 66 billion). Overall, military spending is concentrated, with the top 10 countries (United States, China, Saudi Arabia, Russia, India, France, United Kingdom, Japan, Germany and South Korea) accounting for 73% of the global total. Among the 10 largest spenders, Saudi Arabia had the highest share of GDP with 10.3%, followed by Russia (4.3%) and the United States (3.1%).

Figure 9 - 2017 defence spending and percentage of global spending

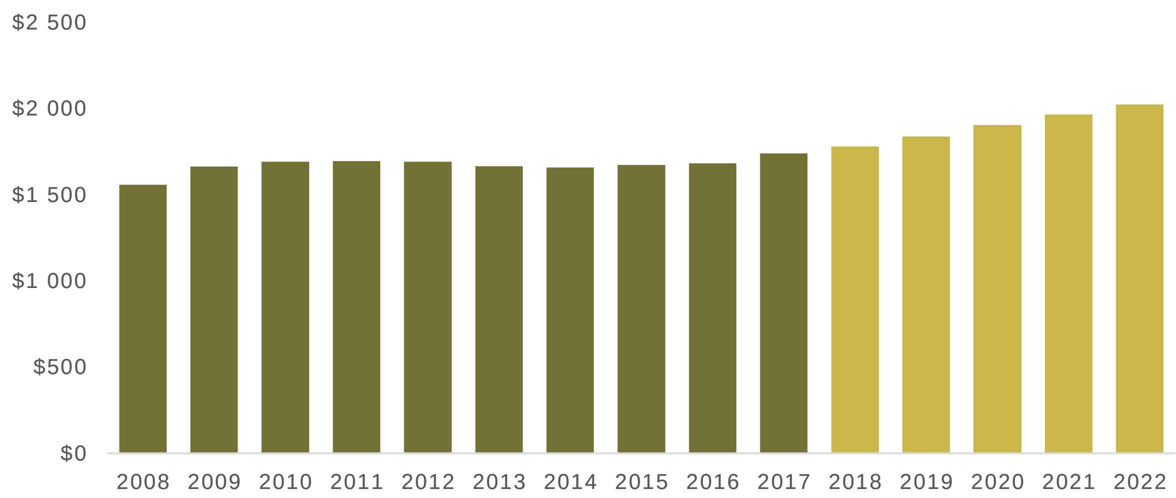


Source: Stockholm International Peace Research Institute (https://www.sipri.org/databases/milex)

Spending in North America fell for the seventh consecutive year, down by 0.2% compared to 2016. The trend of falling expenditure in the United States (down 22% from the peak in 2010) has slowed down, and in late 2017, the United States Senate approved a new military budget for 2018 of USD 700 billion, which is a substantial increase over 2017. China increased its spending by 5.6% in 2017, which is the lowest increase since 2010 but in line with GDP growth plus inflation. Saudi Arabia became the world's third largest spender in 2017 with an increase of 9.2%, however, the increase comes after a significant drop in 2016 due to low oil prices. In contrast, Russia's military spending fell by 20% in 2017 to the lowest level since 2012.

Going forward, heightened global security threats, recovery in the United States defence budgets, pressure on European countries to increase their budgets, as well as higher spending from other major regional powers such as India, China and Japan are expected to drive global sector revenue growth in 2018 and beyond. As a result, it is estimated that global military spending will reach USD 2,000 billion by 2022.

Figure 10 - Historical and forecast global defence spending



Source: Stockholm International Peace Research Institute (https://www.sipri.org/databases/milex), Deloitte (https://www2.deloitte.com/global/en/pages/manufacturing/articles/global-a-and-d-outlook.html).

11 CAPITALISATION AND INDEBTEDNESS

The information presented below should be read in conjunction with the other parts of this Prospectus, in particular Section 12 "Financial and other information", and the Financial Statements and the Interim Financial Statements and related notes, incorporated by reference hereto, see Section 20.3 "Incorporation by reference".

11.1 Introduction

This Section provides information about the Group's unaudited capitalisation and net financial indebtedness on an actual basis as at 30 September 2018 and, in the "As adjusted 30 September 2018" columns, the Group's unaudited capitalisation and net financial indebtedness as at 30 September 2018 on an adjusted basis to give effect to the Transaction as well as the effects of the financing of the Transaction, i.e. the Rights Issue and the Bond Issue (or the Bridge Loan), as described in Section 6 "The Transaction". For the purpose of this Section 11 "Capitalisation and indebtedness ", the term "Transaction" shall be read as to include the financing of the Transaction.

Consistent with Section 13 "Unaudited pro forma financial information", the Company estimates that the financing of the Transaction will be achieved through the NOK 5,000 million Rights Issue and the remaining through use of NOK 1,129 million from the Bridge Loan.

Other than the Transaction, there has been no material change to the Group's capitalisation and net financial indebtedness since 30 September 2018. For further details regarding the Rights Issue, see Section 18 "The terms of the Rights Issue".

11.2 Capitalisation

In NOK million	**As of 30 September 2018** *(unaudited)*	**Adjustment for the Transaction[1]** *(unaudited)*	**As adjusted** *(unaudited)*
Indebtedness			
Total current debt:			
Guaranteed and secured	-	-	-
Guaranteed but unsecured	-	-	-
Secured but unguaranteed	-	-	-
Unguaranteed and unsecured	2,980	4,838	7,818
Total current debt	**2,980**	**4,838**	**7,818**
Total non-current debt:			
Guaranteed and secured	-		-
Guaranteed but unsecured	-	-	-
Secured but unguaranteed	-	-	-
Unguaranteed and unsecured	3,019	1,129	4,148
Total non-current debt	**3,019**	**1,129**	**4,148**
Total indebtedness[2]	**5,999**	**5,967**	**11,966**
Shareholders' equity			
Share capital	150	50	200
Other contributed capital	832	4,890	5,722
Accumulated other comprehensive loss	(97)	-	(97)
Retained earnings (deficit)	6,279	(32)	6,247
Total shareholders' equity	**7,164**	**4,908**	**12,072**
Total capitalisation	**13,163**	**10,875**	**24,038**

1 The adjustment to the Group's capitalisation reflects the acquired current debt of NOK 4,838 million; the issuance of the NOK 1,129 million in anticipated debt financing, and the planned equity raising of NOK 5,000 million net of expenses totalling NOK 92 million.

2 The definition of financial assets and liabilities provided by IAS 32 has been applied. Accordingly, amounts relating to income tax, provisions and other constructive obligations, and amounts relating to long term contract accounting are not included in the amounts included in the table above. Total indebtedness of NOK 5,999 million is: the total of long-term interest bearing loans of NOK 3,019 million; short-term interest bearing loans of NOK 307 million; and other current liabilities and provision of NOK 3,168 million, after deduction of NOK 495 million of provisions.

11.3 Net financial indebtedness

In NOK million	As of 30 September 2018 (*unaudited*)	Adjustment for the Transaction[1] (*unaudited*)	As adjusted (*unaudited*)
(A) Cash	2,990	1,832	4,822
(B) Cash equivalents	-	-	-
(C) Trading securities	-	-	-
(D) Liquidity (A)+(B)+(C)	**2,990**	**1,832**	**4,822**
(E) Current financial receivables	2,745	1,815	4,560
(F) Current bank debt	53	327	380
(G) Current portion of non-current debt	254	-	254
(H) Other current financial debt	2,673	4,511	7,184
(I) Current financial debt (F)+(G)+(H)	**2,980**	**4,838**	**7,818**
(J) Net current financial indebtedness (I)-(E)-(D)	**(2,755)**	**1,192**	**(1,563)**
(K) Non-current bank loans	-	-	-
(L) Bonds issued	3,000	1,129	4,129
(M) Other non-current loans	19	-	19
(N) Non-current financial indebtedness (K)+(L)+(M)	**3,019**	**1,129**	**4,148**
(O) Net financial indebtedness (J)+(N)[2]	**264**	**2,321**	**2,585**

1 The adjustment to the Group's financial indebtedness reflects the acquired current assets and debt of NOK 4,838 million and the issuance of the NOK 1,129 million in anticipated debt financing.

2 The definition of financial assets and liabilities provided by IAS 32 has been applied. Accordingly, amounts relating to income tax, provisions and other constructive obligations, and amounts relating to long term contract accounting are not included in the amounts included in the table above.

11.4 Working capital statement

The Transaction entails that Kongsberg does not have sufficient working capital for its present requirements. In order to finance the purchase price for Rolls-Royce Commercial Marine of approximately NOK 5.4 billion, as further described in Section 6.5 "Total consideration and transaction costs", which becomes payable upon completion of the Transaction in the first quarter or early in the second quarter of 2019, the Company is dependent on both new equity and debt, and more specifically on a successful completion of the Rights Issue and Bond Issue as described in Section 6.10 "Financing of the Transaction".

As further described in Section 6.10 "Financing of the Transaction", the Parliament has approved the pro rata participation of the Norwegian Government, represented by the Ministry of Trade, Industry and Fisheries, in the Rights Issue. The 50% of the Rights Issue that does not relate to shares owned by the Norwegian Government is underwritten by the Bank Underwriters and the Pre-committing Shareholders. On this basis, the Company is confident of a successful completion of the Rights Issue which will result in gross proceeds for the Company in the amount of approximately NOK 4.997 billion.

As Nordea Bank Abp, filial i Norge has undertaken to provide the Bridge Loan of up to NOK 2 billion in the event that the Bond Issue has not been completed prior to Completion, the Company is confident that it will have both sufficient equity and debt in place in order to finance the purchase price for Rolls-Royce Commercial Marine upon Completion, as further described in Section 6.12 "Timeline to Completion".

11.5 Contingent and indirect indebtedness

As of 30 September 2018 and as of the date of the Prospectus, the Group did not have any contingent or indirect indebtedness at such date.

12 FINANCIAL AND OTHER INFORMATION

12.1 Financial Statements and Interim Financial Statements

The Interim Financial Statements and the Financial Statements have been incorporated by reference hereto, see Section 20.3 "Incorporation by reference". The Financial Statements have been audited by EY, as set forth in their report included therein. The Interim Financial Statements have not been audited.

12.2 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 20.3 "Incorporation by reference". EY has issued an independent assurance report on the unaudited pro forma financial information (attached hereto as Appendix B). EY has not audited, reviewed or produced any report on any other information provided in this Prospectus.

12.3 Recent developments and trends

Since the oil price bottomed at around USD 30/bbl in early 2016, it has been steadily improving to levels around USD 60-65/bbl at the end of 2017. Since year end 2017 and through the first three quarters of of 2018, the oil price has further improved to levels between USD 70-80 /bbl, and although there is still volatility, the underlying trend is positive based on shrinking inventories and a prolonged period with reserve replacement at unsustainable levels. This oil price improvement has together with industry efficiency improvements led to a significant improvement in free cash flow for the oil companies which is expected to translate into increased E&P spending and increased activity within the offshore market. There is no strong turnaround, but throughout the first half of 2018 several companies in the offshore market have reported on increased activity and improved outlook. However, with the high number of drilling rigs and offshore vessels in lay-up newbuild activity is not expected to pick up in the near term, while activity within the services aftermarket is seen to increase somewhat as stacked rigs and vessels are brought back into operation. Within the merchant market newbuild activity has seen a steady growth over the last year driven by worldwide GDP growth and continued growth in seaborn trade. This trend has continued also into the first half of 2018. The Company has seen that the activity level for Kongsberg Maritime has somewhat improved in the global customer support segment. The first nine months of 2018 have also showed increased order intake within certain traditional merchant segments, such as bulk and LNG. After a period with market decline, Kongsberg Maritime experiences that the offshore and maritime segment has stabilized the last quarters. The high focus on cost and project efficiency during the downturn has been crucial to maintain margins, and strengthen the competitiveness. As communicated in the stock exchange announcement dated 10 August 2018, excess costs of NOK 50 million in a single project delivery in Kongsberg Maritime have incurred. In total NOK 87 million has been charged as an expense for this project in 2017 and 2018. This project is an ongoing integrated solution project that is in line with Kongsberg Maritime's "triangle strategy", and the excess costs refer to delays in the project in addition to higher customization and development costs than expected.

Within the global defence market, the current global defence procurement predictions show modest growth for the coming years after several years of negative or low growth, with the Eastern nations growing more aggressively than the Western nations. Growing global instability on both political and military fronts, with Russia and China having increased their military spending significantly while also demonstrating willingness to use military means to achieve political goals – e.g. in Russia's case in Ukraine and Syria, has resulted in defence budgets moderately increasing also in Western nations. The U.S. defence budgets again see growth after multi-year declines following troop pullbacks from the wars in Afghanistan and Iraq. The U.S. has recently put an increased pressure on other NATO nations to increase their defence budgets as a share of GDP. Even though the general growth rates in Kongsberg Defence & Aerospace's accessible defence markets are moderate, there is increased demand in certain segments that match its portfolio very well. Kongsberg Defence & Aerospace's home market in Norway is very important for product development and as reference for export sales, while the international markets for its products are significantly larger. Due to long budget processes for military programs in most countries, however, the timelines from identified requirements to delivery contracts will in most cases be significant. Kongsberg Defence & Aerospace actively seeks to develop market access for its products in other countries through cooperation with the defence industry in the respective countries, particularly through requirements from the Norwegian government for industrial offset or reciprocal purchases when Norway purchases defence products from foreign companies.

See Section 10 "Industry and market overview" for further information on the markets in which the Group operates.

12.4 Investments

12.4.1 Principal historical investments

The table below shows the principal historical capital expenditures and investments of the Group for the nine months period ended 30 September 2018.

In NOK million	**Nine months ended 30 September** **2018** *(unaudited)*
Buildings[1]	13
Machinery[2]	65
Equipment and vehicles[3]	92
Capitalized development of intangible assets by the Group[4]	87
Purchase of intangible assets	9
Investment in associated company (49%) in Qatar	10
Total	**276**

1 Investments in buildings includes acquisitions of buildings and investments in building related equipment.

2 Machinery are investments in production machines related to Kongsberg's production and assembly sites.

3 Equipment and vehicles includes office equipment, IT equipment, production equipment, cars and other industrial vehicles.

4 Capitalized development of intangible assets by the Group includes investments by Kongsberg Digital of NOK 51 million which are mainly related to development of a digital platform (Kognifai).

There has been no principal capital expenditures or investments since the date of the Interim Financial Statements for the nine months ended 30 September 2018 and to the date of this Prospectus. The capital expenditures reflected in the table above have been financed through cash from operations.

12.4.2 Principal investments in progress and planned principal investments

The table below sets forth information on the Group's principal investments in progress and planned principal investments committed for the period from 30 September 2018 to 31 December 2018 and the capital expenditure commitments for the other periods indicated:

In NOK million (unaudited)	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Acquisition of RRCM	-	6,129	-	-	-	6,129
Committed R&D[1]	7.5	15.2	-	-	-	22.7
Property, plant and equipment[2]	27	35	-	-	-	62
Total	**34.5**	**6,179.2**	**-**	**-**	**-**	**6,219.7**

1 Developed by the Group

2 Helicopter Test Bench and High Speed Aluminium Machine.

See Section 6 "The Transaction" for a further description of the acquisition of RRCM. The acquisition of RRCM will be financed through the Rights Issue and the Bond Issue, see Section 6.10 "Financing of the Transaction". The other investments reflected above will be financed through cash from operations.

Other than as described above, the Group has no significant committed future investments as of the date of this Prospectus.

12.5 Borrowings and other contractual obligations

12.5.1 Material borrowings

Total loan balances of Kongsberg as of 30 September 2018 were as follows:

Amounts in NOK million	**30 September 2018**
Mortgages/Bank loans	72
Bonds	3,254
Total interest-bearing debt	**3,326**

The maturity profile for the interest-bearing debt as of 30 September 2018 was as follows:

Amounts in NOK million	**30 September 2018**
Due in year 1	308
Due in year 2	550
Due in year 3	1,000
Due in year 4	0
Due in year 5 and later	1,468
Total interest-bearing debt	**3,326**

12.5.1.1 Credit facilities

Kongsberg has an undrawn revolving credit facility with Danske Bank, Norwegian Branch, DNB Markets, a part of DNB Bank ASA, J.P. Morgan Limited, Nordea Bank Abp, filial i Norge and Investment Banking, Skandinaviska Enskilda Banken (Publ) of NOK 2.3 billion (the "**RCF**") which matures on 15 March 2023, with an extension option of one year. The facility is for general business purposes. The interest rate is NIBOR + a margin that depends on the ratio between net interest-bearing debt/EBITDA and can vary from 0.55% to 2.00%. The RCF agreement requires that net-interest-bearing liabilities shall not exceed four times the EBITDA, but can go up to 4.5 times the EBITDA for four quarters at the most, of which three may be consecutive quarters. The RCF agreement further contains covenants which provide that pledge assets cannot exceed 5% of the tangible assets of the Group, that sale of real estate cannot exceed NOK 1 billion, that the financial indebtedness in subsidiaries not exceeds NOK 600 million or NOK 1 billion related to real estate, that financial support to third parties does not exceed 2.5% of tangible assets of the Group, that the Group not can dispose of assets exceeding NOK 1 billion or enter into mergers which will be regarded as creating a material adverse effect on the Group.

Kongsberg Gruppen also established a one year cash credit of NOK 500 million in 2017 with Danske Bank. As of 30 September 2018, this credit facility was undrawn.

12.5.1.2 Bonds

As of 30 September 2018, the Company had four long-term and one short-term interest-bearing bond loans (KOG07, KOG08, KOG09, KOG10 and KOG11) with a total outstanding amount of NOK 3,250 million maturing in the period between September 2019 and June 2026. All bonds are issued in NOK and listed on the Oslo Stock Exchange. The interest rate terms on loans with floating rates are 3-month NIBOR with a margin of + 1.25% for KOG08 and 0.9% for KOG10. The fixed interest rate is 4.8% for KOG07, 3.20% for KOG09 and 2.9% for KOG11. KOG07 matures in the third quarter of 2019. All bond loans are unsecured. All bonds include cross default clauses.

12.5.2 Off-balance sheet arrangements

Companies within the Group have provided guarantees for prepayments and completion in connection with projects. The guarantees are issued by Norwegian and foreign banks and insurance companies and by the Company. The Company is responsible for all guarantees.

Amounts in NOK	**30 September 2018**
Guarantees issued by banks and insurance companies	1,980,135,214.39
Guarantees issued by the Company	5,662,256,559.36
Total	**7,642,391,773.75**

Except from the above, the Group does not have any off-balance sheet arrangements.

12.6 Related party transactions

The Norwegian State, represented by the Ministry of Trade, Industry and Fisheries, is Kongsberg's largest shareholder (50.001%). The Norwegian State is an important customer for the Group. Sales to the Armed Forces are regulated by the EEA agreement and the Procurement Regulations for the Armed Forces, which guarantee equal treatment for all vendors. At 30 September 2018, Kongsberg had an outstanding balance from state-owned customers of NOK 300,271,000, while other liability items in respect of state suppliers amounted to NOK 1,805,000 on the same date. During the nine months period ended 30 September 2018, Kongsberg issued invoices to state customers for a total of 985,965,000. Goods and services purchased from state suppliers in the same period amounted to NOK 30,819,000.

At 30 September 2018, Kongsberg had trade receivables for associated companies for NOK 26,000, while trade payable amounted to NOK 209,000 on the same date. In the nine months period ending on 30 September 2018, Kongsberg issued invoices to associated companies for a total of NOK 7,925,000. Goods and services purchased from state suppliers in the same period amounted to NOK 1,369,000.

12.7 Significant changes

There has been no significant changes in the financial or trading position of the Group since the date of the Interim Financial Statements for the nine months ended 30 September 2018, which have been incorporated by reference into the Prospectus, see Section 20.3 "Incorporation by reference".

13 UNAUDITED PRO FORMA FINANCIAL INFORMATION

13.1 The Transaction

On 6 July 2018, the Company announced that it had entered into the Purchase Agreement with Rolls-Royce plc in relation to the acquisition of Rolls-Royce Commercial Marine (the Transaction). For further details, see Section 6 "The Transaction". The Completion of the Transaction is subject to the Condition as described in Section 6.7 "Condition for completion of the Transaction".

The following tables set out unaudited pro forma financial information for the Group as of and for the year ended 31 December 2017, and is prepared under the assumption that the Transaction will be completed as described in Section 6 "The Transaction". It should be noted that the unaudited pro forma financial information reflects the effects of the Transaction as well as the effects of the financing of the Transaction, i.e. the Rights Issue and the Bond Issue (or the Bridge Loan), as described in Section 6.10 "Financing of the Transaction". For the purpose of this Section 13 "Unaudited pro forma financial information", the term "Transaction" shall be read as to include the financing of the Transaction.

13.2 Cautionary note regarding Unaudited Pro Forma Financial Information

The unaudited pro forma financial information has been prepared solely for illustrative purposes to show how the Transaction might have affected the Group's consolidated income statement for the year ended 31 December 2017, had the Transaction occurred on 1 January 2017, and the consolidated statement of financial position as of 31 December 2017, had the Transaction occurred on 31 December 2017.

The unaudited pro forma financial information is based on certain management assumptions and adjustments made to illustrate what the financial results of the Group might have been, had the Company completed the Transaction at an earlier point in time.

Because of its nature, the unaudited pro forma financial information addresses a hypothetical situation, and therefore, does not represent the Group's actual financial position or results if the Transaction had in fact occurred on those dates, and is not representative of the results of operations for any future periods. It should be noted that greater uncertainty is attached to the unaudited pro forma financial information than historical financial information. Investors are cautioned against placing undue reliance on this unaudited pro forma financial information.

The assumptions underlying IFRS adjustments applied to the historical financial information of Rolls-Royce Commercial Marine and the pro forma adjustments are described in the notes to the unaudited pro forma financial information. Neither these adjustments nor the resulting unaudited pro forma financial information have been audited in accordance with Norwegian or United States generally accepted auditing standards. In evaluating the unaudited pro forma financial information, each reader should carefully consider the historical financial statements of the Group and the notes thereto and the notes to the unaudited pro forma financial information.

13.3 Basis for preparation

The unaudited pro forma income statements are prepared in a manner consistent with the accounting policies of the Company (IFRS as adopted by EU) applied in 2017. The Company will not adopt any new policies in 2018 as a result of the acquisition or otherwise, with the exception of IFRS 15, Revenue from Contracts with Customers, and IFRS 9, Financial Instruments, which were adopted 1 January 2018. Please refer to note 2 and 3 of the financial statements for the year ended 31 December 2017 for a description of the accounting policies.

The Transaction is accounted for as an acquisition under IFRS 3, Business Combinations.

The unaudited pro forma income statement and balance sheet for the year ended 31 December 2017 has been compiled based on the audited consolidated financial statements of the Group for the year ended 31 December 2017 which were prepared in accordance with IFRS as adopted by EU.

Furthermore, for the purpose of compiling the unaudited pro forma financial information the historical IFRS financial information of Rolls-Royce Commercial Marine has been extracted from the underlying accounting records reported as part of the audited consolidated financial statements for the year ended 31 December 2017 of Rolls-Royce Holdings plc prepared under IFRS as adopted by EU. The source for the RRCM numbers in the "RRCM" columns is the management reporting system/accounting records of Rolls Royce Holdings plc, as provided to the Company. Rolls-

Royce Holdings plc has reclassified the items in the income statement from function to nature, in order to comply with the Company's income statement presentation, for purposes of the Company's preparation of the unaudited pro forma income statement.

Rolls-Royce Commercial Marine ("**RRCM**") was previously reported within the "Marine" segment as presented in Note 2 "Segmental Analysis" in the Rolls-Royce Holding plc financial statements, and has been extracted from the "Marine" segment after making adjustments to remove those parts of the "Marine" segment not comprising part of Rolls-Royce Commercial Marine. These financial statements were prepared in pound sterling (GBP). Reference is made to the information under "Foreign exchange rates" in Section 13.7 "Additional notes to the Pro Forma Financial Information" for information on how these amounts have been converted to NOK.

The unaudited pro forma financial information does not include all information required for financial statements under IFRS and should be read in connection with the historical financial information of the Company. The unaudited pro forma financial information has been prepared under the assumption of going concern.

Although the pro forma financial information is based on estimates and assumptions based on current circumstances believed to be reasonable, actual results could materially differ from those presented herein. There is a greater degree of uncertainty associated with pro forma financial information than with historical financial information. Because of its nature, the unaudited pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results if the Transaction had in fact occurred on those dates and is not representative of the results of operations for any future periods. Investors are cautioned not to place undue reliance on this unaudited pro forma financial information.

The unaudited pro forma financial information has been compiled to comply with the requirements set forth in Section 3.5.2.6 of the Continuing Obligations by reference to Annex II of Commission Regulation (EC) 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

It should be noted that the unaudited pro forma financial information was not prepared in connection with an offering registered with the U.S. Securities and Exchange Commission ("**SEC**") under the U.S. Securities Act and consequently is not compliant with the SEC's rules on presentation of pro forma financial information (SEC Regulation S-X) and had the securities been registered under the U.S. Securities Act of 1933, this unaudited pro forma financial information, including the report by the auditor, would have been amended and / or removed from the Prospectus. As such, an U.S. investor should not place reliance on the unaudited pro forma financial information included in this Prospectus.

13.4 Independent Practitioner's Assurance Report on the compilation of Pro Form Financial Information included in an Prospectus

With respect to the unaudited pro forma financial information included in this Prospectus, EY applied assurance procedures in accordance with ISAE 3420 "Assurance Engagement to Report Compilation of Pro Forma Financial Information Included in a Prospectus" in order to express an opinion as to whether the unaudited pro forma financial information has been properly compiled on the basis stated, and that such basis is consistent with the accounting policies of the Company. EY has issued an independent assurance report on the unaudited pro forma financial information included as Appendix B to this Prospectus. There are no qualifications to this assurance report.

13.5 Unaudited pro forma income statement

The table below sets out the unaudited pro forma income statement for the year ended 31 December 2017, as if the acquisition had occurred on 1 January 2017.

NOK million	Company IFRS	RRCM IFRS (unaudited)	IFRS adjustments (unaudited)	Note	Pro forma adjustments (unaudited)	Note	Company Pro forma (unaudited)
Revenues	14,490	8,744					23,234
Material cost	(4,417)	(4,954)			(24)	1a	(9,395)
Personnel expenses	(5,788)	(3,062)					(8,850)
Other operating expenses	(3,193)	(1,121)	111	A	(52)	1b, 1c	(4,256)

NOK million	Company IFRS	RRCM IFRS (unaudited)	IFRS adjustments (unaudited)	Note	Pro forma adjustments (unaudited)	Note	Company Pro forma (unaudited)
Share of net income from joint arrangements and associated companies	187	0					187
Operating profit before depreciation and amortisation (EBITDA)	**1,279**	**(393)**	**111**		**(76)**		**920**
Depreciation	(353)	(131)					(484)
Impairment of property, plant and equipment	(40)	(53)					(93)
Operating profit before amortisation (EBITA)	**886**	**(576)**	**111**		**(76)**	**-**	**344**
Amortisation	(114)	(65)			(138)	1d	(318)
Operating profit (EBIT)	**772**	**(642)**	**111**		**(215)**		**26**
Financial income	47	135	(135)	A			47
Financial expenses	(165)	(17)	7	A	(25)	2	(199)
Profit before tax	**654**	**(524)**	**(17)**		**(239)**	**2**	**(126)**
Income tax expense	(95)	(39)	-		44	3	(90)
Profit for the year	**559**	**(562)**	**(17)**		**(195)**		**(216)**

In connection with the preparation of the pro forma income statement, the following pro forma adjustments have been made:

Pro forma P&L adjustment 1a - Amortising of of inventory

The inventory step up has been allocated as material expense, with a one year economic life, providing a NOK 24 million material cost pro forma adjustment, with no contuing impact.

Pro forma P&L adjustment 1b - Amortising of order backlog

The order backlog amortisation, assuming a five economic year, is NOK 20 million, having a continuing impact to other operating expenses of NOK 20 million.

Pro forma P&L adjustment 1c - Acquisition costs

The estimated acquisition costs of NOK 32 million, having no continuing impact, give a pro forma adjustment to other operating expenses of NOK 32 million.

Pro forma P&L adjustment 1d - Amortising of fair value adjustments

The customer relationships, the acquired brands and the technology related assets have been amortised over their respective remaining useful economic lives of seven years, ten years and ten years, giving pro forma adjustments of NOK 80 million, NOK 6 millon and NOK 52 million, respectively, totalling an amortisation expense of NOK 138 million, having a continuing impact.

Pro forma P&L adjustment 2 - Financing

The Company estimates that the financing of the Transaction will be achieved through the NOK 5,000 million Rights Issue and the remaining through use of NOK 1,129 million from the Bridge Loan. The Bridge Loan will have an expected interest rate of 1.64%, and this interest cost together with related other transaction costs gives a pro forma expense totaling NOK 25 million. This adjustment is expected to have a continuing impact.

Pro forma P&L adjustment 3 - Tax

The Company has estimated an effective tax rate for Rolls-Royce Commercial Marine of 18.4% which it has applied to the pro forma P&L adjustments in the P&L at that effective rate, giving an adjustment of NOK 44 million. The adjustments having a continuing impact are estimated to impact the income tax expense at the same effective rate.

IFRS adjustment A - Classification of financial costs and income

Rolls-Royce Commercial Marine has in accordance with IFRS recorded the effect of certain fair value adjustments of derivative instruments in its P&L for 2017; whereby Rolls-Royce Commercial Marine has elected to include these adjustments totaling net NOK 128 million within financial income and expence. The Company has as an IFRS accounting policy to include such amounts as an operating expense. This adjustment therefore reclassifies these amounts to confirm to the Company's presentation. In addition, the Company has adjusted for other minor IFRS differences relating to treatment of other operating expense totalling NOK 17 million.

13.6 Unaudited pro forma statement of financial position

The table below sets out the unaudited pro forma statement of financial position as of 31 December 2017, as if the acquisition had occurred on 31 December 2017.

NOK million	**Company IFRS**	**RRCM IFRS (unaudited)**	**IFRS adjustments (unaudited)**	**Note**	**Pro forma adjustments (unaudited)**	**Note**	**Company Pro forma (unaudited)**
Assets							
Fixed assets							
Property, plant and equipment	2,658	1,382					4,040
Goodwill	1,981	-			1,754	1a	3,735
Other intangible assets	822	169			1,268	1b	2,260
Shares in joint arrangements and associated companies	3,358	-					3,358
Available-for-sale shares	29	-					29
Other non-current assets	175	1,242					1,417
Total non-current assets	**9,023**	**2,794**	**-**	**-**	**3,022**		**14,839**
Current assets							
Inventories	3,961	1,948			25	1c	5,934
Receivables	2,672	1,815					4,487
Construction contracts in progress, asset	2,018	21					2,039
Derivatives	213	-					213
Cash and cash equivalents	2,956	1,832					4,788
Total current assets	**11,820**	**5,616**	**-**	**-**	**25**		**17,460**
Total assets	**20,843**	**8,410**	**-**	**-**	**3,047**		**32,300**
Equity, liabilities and provisions							
Issued capital	982	6,655			(1,747)	2a, 3a	5,890
Other reserves	435	(4,895)			4,895	3b	435
Retained earnings	5,914	1,017			(1,017)	3c	5,914
Equity attributable to owners of the parent	**7,331**	**2,777**	**-**	**-**	**2,131**		**12,239**
Non-controlling interest	34	18			(18)	3d	34
Total equity	**7,365**	**2,795**	**-**	**-**	**2,113**		**12,273**
Non-current liabilities and provisions							
Long-term-interest-bearing loans	3,340	-			1,129	2b	4,469
Pension liabilities	647	274					921
Provisions	140	-					140
Deferred tax liabilities	1,272	(66)			(287)	4	919
Other non-current liabilities	21	138					159
Total non-current liabilities and provisions	**5,420**	**346**	**-**	**-**	**842**		**6,607**
Current liabilities and provisions							

NOK million	Company IFRS	RRCM IFRS (unaudited)	IFRS adjustments (unaudited)	Note	Pro forma adjustments (unaudited)	Note	Company Pro forma (unaudited)
Construction contracts in progress, liability	3,389	-					3,389
Derivatives	645	32					677
Provisions	543	523					1,066
Short-term interest-bearing loans	-	327					327
Other current liabilities	3,481	4,387			92	5	7,960
Total current liabilities and provisions	**8,058**	**5,269**	**-**	**-**	**92**		**13,419**
Total liabilities and provisions	**13,478**	**5,615**	**-**	**-**	**934**		**20,027**
Total equity, liabilities and provisions	**20,843**	**8,410**	**-**	**-**	**3,047**		**32,300**

In connection with the preparation of the pro forma statement of financial position, the following pro forma adjustments have been made:

Pro forma balance sheet adjustment 1a - Allocation of fair value adjustments, goodwill

In connection with the acquisition, the Company has identified and recognised intangible assets, and after allocation the identified values of the underlying assets and liabilities the acquisition gives rise to goodwill totalling NOK 1,754 million.

Pro forma balance sheet adjustment 1b - Allocation of fair value adjustments, other intangibles

In connection with the acquisition, the Company has identified and recognised intangible assets with an acquisition date fair value totalling NOK 1,268 million for customer relationships, brand, technology and order backlog (as shown below in Section 13.7 "Additional notes to the Pro Forma Financial Information").

Pro forma balance sheet adjustment 1c - Allocation of fair value adjustments, inventories

In connection with the acquisition, the Company has identified and recognised an inventory related fair value adjustment totalling NOK 25 million.

Pro forma balance sheet adjustment 2a – Financing, equity

The Company estimates that the financing of the Transaction will be achieved through the NOK 5,000 million Rights Issue and the remaining through use of NOK 1,129 million from the Bridge Loan. The Rights Issue is adjusted for the expected net issuance and underwriting expenses totalling NOK 60 million.

Pro forma balance sheet adjustment 2b – Financing, bridge loan

The Company estimates that the financing of the Transaction will be achieved through the approximately NOK 4.997 billion Rights Issue and the remaining through use of NOK 1,129 million from the Bridge Loan. The Bridge Loan will have an expected rate of 1.64%, and this interest cost together with related other transaction costs gives a pro forma expense totalling NOK 25 million. Whilst the Company has assumed for purposes of preparing the unaudited pro forma financial information that the Bridge Loan will be utilised for the entire pro forma period, the Bridge Loan may be refinanced or replaced by use of a Bond Issue within that period on terms different to those assumed.

Pro forma balance sheet adjustment 3a - Consolidation adjustment, issued capital

The Company will account for the Transaction as an acquisition. The existing issued capital of Rolls-Royce Commercial Marine will therefore no longer appear in the consolidated results of the group following the acquisition and are reversed out in the unaudited pro forma financial information.

Pro forma balance sheet adjustment 3b - Consolidation adjustment, other reserves

The Company will account for the Transaction as an acquisition. The existing Other Reserves of Rolls-Royce Commercial Marine will therefore no longer appear in the consolidated results of the group following the acquisition and are reversed out as the balancing adjustments against the financing of the acquisition, the identified fair values and the existing net assets of Rolls-Royce Commercial Marine as of 31 December 2017 in the unaudited pro forma financial information.

Pro forma balance sheet adjustment 3c - Consolidation adjustment, retained earnings

The Company will account for the Transaction as an acquisition. The existing retained earnings reserve of Rolls-Royce Commercial Marine will therefore no longer appear in the consolidated results of the group following the acquisition and are reversed out as the balancing adjustments against the financing of the acquisition, the identified fair values and the existing net assets of Rolls-Royce Commercial Marine as of 31 December 2017 in the unaudited pro forma financial information.

Pro forma balance sheet adjustment 3d - Consolidation adjustment, minority interests

The Company will account for the Transaction as an acquisition, and existing minority interest of Rolls-Royce Commercial Marine will no longer appear in the consolidated results of the group following the acquisition and are reversed out in the unaudited pro forma financial information.

Pro forma balance sheet adjustment 4 - Tax

The net deferred tax asset adjustment of NOK 287 million comprises a deferred tax asset valued at NOK 585 million, arising from losses carried forward in Rolls-Royce Commercial Marine, and a net deferred asset liability of NOK 298 million, arising from the value of temporary differences in connection with the fair value acquisition-related adjustments.

Pro forma balance sheet adjustment 5 - Accrued expenses

The adjustment for accrued expenses totalling NOK 92 million comprises the expected net issuance and underwriting expenses totalling NOK 60 million, and the estimated acquisition costs of NOK 32 million, giving a pro forma adjustment to other current liabilities of NOK 92 million.

13.7 Additional notes to the unaudited Pro Forma Financial Information

The notes to the unaudited pro forma financial information form an integral part of the unaudited pro forma statement information.

Foreign exchange rates

For purposes of converting the Pound Sterling (GBP) information relating to the Commercial Marine Business to the Company's reporting currency of Norwegian Kroner (NOK) the Company has extracted the following rates from the Norwegian National Bank's (Norges Bank): for the year ended 31 December 2017: 10.6386; and as of 31 December 2017: 10.9887. Since the Company has entered into a currency hedge at a rate of 10.8705 covering the agreed purchase price as described in Section 6.5 "Total consideration and transaction costs", for purposes of converting the agreed purchase price and accompanying pro forma balance sheet fair value adjustments a rate of 10.8705 was applied.

Purchase price allocation

The Company has for the purposes of the pro forma financial information performed a preliminary purchase price allocation incorporating all relevant information currently available. This allocation has formed the basis for the amortization and depreciation charges in the pro forma income statement and the presentation in the pro forma balance sheet. The calculation of the final purchase price is also subject to certain adjustment (as discussed in Section 6 "The Transaction"), and at the same time the Company has hedged the foreign exchange risk for the expected GBP denominated purchase price. The final allocation which will be performed at closing (reference is made to Section 6 "The Transaction" for more information) may significantly differ from this allocation and this could materially have affected the depreciation and amortization of excess values in the pro forma income statement and the presentation in the pro forma balance sheet.

The purchase price allocation including the remaining useful economic life (UEL) and annual amortisation is presented in the table below:

GBP in millions	**Balance sheet (GBP)**	**UEL (Years)**	**Annual amortisation (GBP)**
Value adjustments			
Customer Relationships	53,3	7,0	7,6
Brand	5,2	10,0	0,5
Technology	48,7	10,0	4,9
Order backlog	9,5	5,0	1,9
Inventory	2,3	1,0	2,3
Deferred tax assets	53,8	n.a.	n.a.
Net deferred tax	(27,4)	n.a.	n.a.
Net of above	**145,4**		
Goodwill[1]	164,1	n.a.	n.a.
Total value adjustment	**309,5**		

1 Goodwill is the residual amount after deduction of the net book assets and the related fair value adjustments from the purchase price.

And upon conversion at the exchange rates shown above the NOK amounts used for purposes of the unaudited pro forma information are shown below:

RRCM identified assets	**Balance sheet (GBP)**	**Profit & loss (GBP)**	**Balance sheet (NOK)**	**Profit & loss (NOK)**
RRCM net book asset	254,3		2,795	-
Customer Relationships	53,3	7,6	579	81
Brand	5,2	0,5	57	6
Technology	48,7	4,9	529	52
Order backlog	9,5	1,9	103	20
Inventory	2,3	2,3	25	24
Deferred tax asset	53,8	n.a	585	-
Net deferred tax asset	(27,4)	n.a	(298)	-
Goodwill[1]	164,1	n.a	1,754	-
Purchase price	563,8	17	6,129	183
Financing				
Equity	-	-	5,000	-
Loan	-	-	1,129	25
Acquisition costs	-	-	-	32
			6,129	239

1 Goodwill is the residual amount after deduction of the net book assets and the related fair value adjustments from the purchase price.

14 BOARD OF DIRECTORS, MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE

14.1 Introduction

The General Meeting is the highest authority of the Company. All shareholders of the Company are entitled to attend and vote at General Meetings of the Company and to table draft resolutions for items to be included on the agenda for a General Meeting.

The overall management of the Company is vested in the Company's Board of Directors and the Company's Management. In accordance with Norwegian law, the Board of Directors is responsible for, among other things, supervising the general and day-to-day management of the Company's business ensuring proper organisation, preparing plans and budgets for its activities, ensuring that the Company's activities, accounts and assets management are subject to adequate controls and undertaking investigations necessary to perform its duties.

The Board of Directors has appointed an audit committee and a remuneration committee. In addition, the Company's Articles of Association provides for a nomination committee.

The Management is responsible for the day-to-day management of the Company's operations in accordance with Norwegian law and instructions set out by the Board of Directors. Among other responsibilities, the Company's chief executive officer (the "**CEO**"), is responsible for keeping the Company's accounts in accordance with existing Norwegian legislation and regulations and for managing the Company's assets in a responsible manner. In addition, the CEO must according to Norwegian law, brief the Board of Directors about the Company's activities, financial position and operating results at a minimum of one time per month.

14.2 Board of Directors

14.2.1 Overview

The Articles of Association provide that the Board of Directors shall consist of five to eight board members. Up to five board members and up to two deputy board members shall be elected by the general meeting. According to regulations laid down in the Norwegian Public Companies Act regarding employee representation, three board members and their deputies shall be elected by and among the employees of the Group. The current Board of Directors consist of eight Board Members, as listed in the table in Section 14.2.2 "The Board of Directors" below.

Pursuant to the Norwegian Code of Practice for Corporate Governance, last updated 30 October 2014 (the "**Norwegian Corporate Governance Code**"), (i) the majority of the shareholder-elected members of the Board of Directors should be independent of the Company's executive management and material business contacts, (ii) at least two of the shareholder-elected members of the Board of Directors should be independent of the Company's main shareholders (shareholders holding more than 10% of the Shares in the Company), and (iii) no members of the Company's executive management should be on the Board of Directors.

All board members are independent of the majority shareholder and all board members are independent of the Company's executive management ("**Managemen**t").

As at the date of this Prospectus, none of the members of the Board of Directors hold any options or other rights to acquire Shares.

14.2.2 The Board of Directors

The names and positions and current term of office of the board members, 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	Served since	Term expires	Shares
Eivind Kristofer Reiten[1]	Chairman	2017	2019	1,900
Irene Waage Basili............	Deputy chair	2011	2019	-
Morten Henriksen	Board member	2013	2019	2,000
Anne Grete Hjelle Strøm-Erichsen	Board member	2015	2019	-
Martha Kold Bakkevig[2]	Board member	2017	2019	1,400
Helge Lintvedt..................	Board member (employee representative)	2009	2019	-
Elisabeth Fossan	Board member (employee representative)	2017	2019	3,240
Sigmund Ivar Bakke	Board member (employee representative)	2017	2019	3,078

1 Shares held through Mocca Invest AS, owned 100% by Eivind Kristoffer Reiten.
2 Shares held through Kold Invest AS, owned 50% by Martha Kold Bakkevig.

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

14.2.3 Brief biographies of the Board Members

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

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 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.

Current directorships and senior management positions outside the Group	*Anaxo Capital AS (chairman), Mocca Invest AS (chairman and CEO), Anaxo forvaltning AS (chairman), AS Backe (chairman), EDS Group AS (chairman), BSG Norway Holding AS (chairman), EDS and T&T Holdings AS (chairman), Enchanced Drillings Holding AS (chairman), Hardangervidda Senteret AS (board member), AS Værdalsbruket (board member), Acatos Consulting AS (deputy board member), SISP LLP (partner and chairman) and Globerg LTD (director).*
Previous directorships and senior management positions last five years outside the Group	*Klavenes AS (chairman) and Norske Skog (chairman).*

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 Shearewater 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.

Current directorships and senior management positions outside the Group	*Jofi AS (chairman and CEO), Polar Ship Invest IV AS (chairman), Shearwater Geoservices Assets II AS (chairman), Armada Seismic Invest II AS (chairman), Shearwater Geoservices Assets AS (chairman), Shearwater Geoservices Norway AS (chairman), Sameiet Kalvedalsveien 45 (board member), Wilh. Wilhelmsen Holding ASA (board member), Pacific Basin Shipping Limited (board member), Shearwater GeoServices Holding AS (CEO), Shearwater Geoservices AS (CEO) and Vanguard Invest AS (deputy board member).*
Previous directorships and senior management positions last five years outside the Group	*GC Rieber Shipping ASA (CEO).*

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 Fossekompani 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.

Current directorships and senior management positions outside the Group	*Arendals Vassdrags Brugseierforening (board member), Markedskraft AS (chairman), Wattsight AS (chairman), Tekna Plasma Systems (chairman), Powel AS (board member), Flumill AS (board member), Arendals Fossekompani ASA (technical director), Arendal Industrier AS (board member), Bedriftsveien 17 (board member) and FutureMat AS (board member).*
Previous directorships and senior management positions last five years outside the Group	*SIVA - Selskapet for industrivekst SF (board member).*

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.

Current directorships and senior management positions outside the Group	*Dips Holding AS (chairman), Dips AS (chairman), Carte Blanche AS (board member), Bergen og Omland Havn AS (board member), AGSE Consulting AS (board member and CEO), Arbeidssavirkenes Landsfoening (chairman), Den Norske Atlanterhavskomite (chairman), Samhallsbyggnadsbolaget i Norden AB (board member) and Rud Pedersen Public Affairs Company (advisor).*
Previous directorships and senior management positions last five years outside the Group	*Rud Pedersen Public Affairs Company (managing partner), Nord Hordland Helsehus (board member) and Norwegian Brain Counsil (chairman).*

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.

Current directorships and senior management positions outside the Group	*BW LPG Limited (board member), Haugesunds Handelskammer (chairman), Steinsvik Rental AS (chairman and CEO), Kolbeinsvik Kai AS (chairman), Steinsvik AS (chairman and CEO), Steinsvik Chile (CEO), MKOLD Martha Kold Bakkevig (chairman), Kold Invest AS (chairman), Steinsvik Group AS (CEO) and Steinsvig Diamond AS (chairman and CEO).*
Previous directorships and senior management positions last five years outside the Group	*Deepwell AS (CEO), Incus Investor ASA (deputy chairman), Haugaland Kraft AS (board member). Reach Subsea ASA (board member), Borregaard ASA (board member), Mento AS (board member), Otech Group AS (chairman) and Innovation Norway (board member).*

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.

Current directorships and senior management positions outside the Group	*Helge Lintvedt (chairman) and NITO – Norges Ingeniør- og teknologiorganisasjon Buskerud (board member).*
Previous directorships and senior management positions last five years outside the Group	*N/A.*

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.

Current directorships and senior management positions outside the Group	*Bilsenteret SA (board member), Haukeli Vann- og Avløpsselskap AS (deputy board member), Blefjellhytter.no Ltd (chairman and CEO) and Kongsberg Teknologipark (deputy board member).*
Previous directorships and senior management positions last five years outside the Group	*N/A.*

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 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.

Current directorships and senior management positions outside the Group	*Bridgeklubben Junior (board member).*
Previous directorships and senior management positions last five years outside the Group	*N/A.*

14.3 Management

14.3.1 Overview

The Company's senior management team 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:

Name	Current position within Kongsberg	Employed with Kongsberg since	Shares
Geir Håøy	President & Chief Executive Officer	1993	15,882
Gyrid Skalleberg Ingerø	Group Executive Vice President and Chief Financial Officer	2017	4,393
Egil Haugsdal	Executive Vice President. President, Kongsberg Maritime	1996	20,371
Eirik Lie	Executive Vice President. President, Kongsberg Defence & Aerospace	1990	3,824
Hege Skryseth	Executive Vice President. President Kongsberg Digital	2013	6,473
Even Aas	Group Executive Vice President Public Affairs	1998	17,794
Harald Aarø	Group Executive Vice President Business Development and Strategy	2010	5,075
Hans Petter Blokkum	Group Executive Vice President, Chief HR and Security Officer	2010	1,050

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.

14.3.2 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.

Current directorships and senior management positions outside the Group	*N/A.*
Previous directorships and senior management positions last five years outside the Group	*Patria Oyj. (board member)*

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 Komplett 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.

Current directorships and senior management positions outside the Group	*Patria Oyj. (board member), Itera ASA (board member), Digitale Medier 1881 AS (board member), Opplysningen 1881 AS (board member), Sporveien AS (board member) Flytoget AS (board member), Lakeside AS (deputy board member), Prinsessealléen 4 AS (chairman) and Ingerø Investment AS (board member).*
Previous directorships and senior management positions last five years outside the Group	*Storebrand ASA (board member), Telenor Digital Businesses (CFO), Telenor Norge AS (CFO), Telenor Eiendom AS (chairman), Telenor Global Shared Services AS (board member), Unison Forsikring AS (board member), Pearl Consulting AS (chairman) and NEAS ASA (board member).*

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.

Current directorships and senior management positions outside the Group	*N/A.*
Previous directorships and senior management positions last five years outside the Group	*N/A.*

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.

Current directorships and senior management positions outside the Group	*Patria Oyj. (board member), Capena AS (deputy chairman).*
Previous directorships and senior management positions last five years outside the Group	*N/A.*

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.

Current directorships and senior management positions outside the Group	*Næringslivets Hovedorganisasjon (board member) and Analyse AS (chairman).*
Previous directorships and senior management positions last five years outside the Group	*Microsoft Norge AS (CEO and board member), Dagens Næringsliv AS (board member), Abelia (board member), Norconsult (board member), FuturGroup (board member), e-Smart Systems (board member) and Microsoft Research Center .*

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.

Current directorships and senior management positions outside the Group	*Norsk Industri (board member), Stiftelsen Maritimt Forum (chairman), FAFO Institutt for Arbeidsliv– og Velferdsforskning AS (board member), Forskningsstiftelsen FAFO (board member), Toppindustrisenteret AS (board member) and Digital Norway (board member).*
Previous directorships and senior management positions last five years outside the Group	*Brasilians- Norsk Handelskammer (board member)*

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.

Current directorships and senior management positions outside the Group	*N/A.*
Previous directorships and senior management positions last five years outside the Group	*N/A.*

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.

Current directorships and senior management positions outside the Group	*N/A.*
Previous directorships and senior management positions last five years outside the Group	*Kongsberg Chamber of Commerce (board member).*

14.4 Arrangements for involving the employees in the capital of the Company

14.4.1 Long-term incentive (LTI)

In 2012, the Board of Directors decided to introduce an LTI scheme as part of the regular remuneration for the CEO and other members of the Management. The programme was changed to a variable performance system in 2016. Criteria were introduced for achievement, and the framework for remuneration was revised upwards to 30% of the annual base salary for the CEO and 20-25% for the other members of the Management. Further information is included in Note 27 to the financial statements for the Group for the year ended 31 December 2017, incorporated by reference hereto.

14.4.2 Share programme for employees

The Board of Directors believes that employee share ownership is positive and has therefore implemented a share purchase programme for all employees. The shares included in the Group's share purchasing programme are offered to all employees at a discount (20 per cent), and they are subject to a one-year lock-in period from the date of acquisition.

14.5 Lock-up

Shares acquired pursuant to the share programme for employees are subject to a one-year lock-up period from the date of the acquisition, while shares purchased under the LTI scheme are subject to a lock-up period of three years. Participants in the LTI scheme who leave the Company of their own volition will, for shares that do not meet the three-year requirement, have to pay back an amount equal to the share value after tax at the time of resignation.

The following members of the Board of Directors and Management hold shares that are subject to lock-up:

Name and position	LTI shares subject to three years lock-up	Employee programme shares subject to one-year lock-up[1]
Elisabeth Fossan, board member	-	216 Shares
Sigmund Ivar Bakke, board member	-	216 Shares
Geir Håøy, President & Chief Executive Officer	3,158 Shares (lock-up expires in April 2021) 2,979 Shares (lock-up expires in April 2020) 2,010 Shares (lock-up expires in April 2019)	216 Shares
Gyrid Skalleberg Ingerø, Group Executive Vice President and Chief Financial Officer	177 Shares (lock-up expires in April 2021)	216 Shares
Egil Haugsdal, Executive Vice President. President, Kongsberg Maritime	1,417 Shares (lock-up expires in April 2021) 1,603 Shares (lock-up expires in April 2020) 1,485 Shares (lock-up expires in April 2019)	216 Shares
Eirik Lie, Executive Vice President. President, Kongsberg Defence & Aerospace	1,474 Shares (lock-up expires in April 2021)	216 Shares
Hege Skryseth, Executive Vice President. President Kongsberg Digital	1,180 Shares (lock-up expires in April 2021) 1,474 Shares (lock-up expires in April 2020) 1,366 Shares (lock-up expires in April 2019)	216 Shares
Even Aas, Group Executive Vice President Public Affairs	678 Shares (lock-up expires in April 2021) 835 Shares (lock-up expires in April 2020) 967 Shares (lock-up expires in April 2019)	216 Shares
Harald Aarø, Group Executive Vice President Business Development and Strategy	945 Shares (lock-up expires in April 2021) 1,020 Shares (lock-up expires in April 2020) 295 Shares (lock-up expires in April 2019)	216 Shares
Hans Petter Blokkum, Group Executive Vice President, Chief HR and Security Officer	-	216 Shares

1 All lock ups expires in June 2019

14.6 Conflicts of interests etc.

No Board Member or member of the Management has, or had, as applicable, during the last five years preceding the date of the Prospectus:

- any convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or was disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his or her capacity as a founder, member of the administrative body or supervisory body, director or senior manager of a company.

Morten Henriksen is Executive Director of Technology in Arendals Fossekompani ASA, which owned 7.96% of the shares in the Company until May 2018. Other than this, no board members has been selected as a member of the administrative, management of supervisory bodies or member of senior management of the Company's major shareholders, customers, suppliers or others.

There are no actual or potential conflicts of interest between 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.

15 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.

15.1 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 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. The content of www.kongsberg.com is not incorporated by reference into and does not otherwise form part of this Prospectus.

15.2 Legal structure

Kongsberg consists of Kongsberg Gruppen ASA (which is an operating entity) and its 85 subsidiaries in 28 countries (as per 31 December 2017), as well as Kongsberg's investments in associates and jointly controlled entities. Subsidiaries are all entities over which Kongsberg has control.

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
Kongsberg Norspace AS	Norway	100
Simrad Spain S.L.	Spain	100
Kongsberg Mesotech Ltd	Canada	100
Kongsberg Maritime S.R.L	Italy	100
Kongsberg Evotec AS	Norway	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 Spacetec AS	Norway	100
Kongsberg Maritime Middle East DMCCO	UAE	70
Kongsberg Geospetial Ltd	Canada	100
Kongsberg Norcontrol AS	Norway	100
Kongsberg Norcontrol Ltd	Great Britain	100
Kongsberg Digital Inc	USA	100

Company name	Country of incorporation	Ownership percentage (%)
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.

A chart setting out Kongsberg's legal group structure at the date of this Prospectus is attached to this Prospectus as Appendix C. Legal entities within the Group without any current activity have not been included in the legal structure chart.

15.3 Share capital and share capital history

At the date of this Prospectus, the Company's share capital is NOK 150,000,000 divided into 120,000,000 shares, each with a par value of NOK 1.25. Other than a 1:4 share split in 2009, there has been no change to the Company's share capital since 1999. All the Shares have been created under the Norwegian Public Companies Act and are validly issued and fully paid. The Shares are registered in the VPS under ISIN NO 0003043309. The Shares have been listed on the Oslo Stock Exchange since 1993.

The Company has one class of shares. There are no share options or other rights to subscribe for or acquire Shares from the Company.

15.4 Listing on the Oslo Stock Exchange

The Shares are, and the Offer Shares will be, admitted to trading on the Oslo Stock Exchange. The Company currently expects commencement of trading in the Offer Shares on the Oslo Stock Exchange on or around 29 November 2018. The Company has not applied for admission to trading of the Shares on any other stock exchange or regulated market.

15.5 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 1 November 2018, the Company had 11,194 shareholders. The Company's 20 largest shareholders as of 1 November 2018 are set out in the table below:

No	Name of shareholder	Type of account	Number of Shares	Percentage of Shares
1	Nærings- og Fiskeridepartementet		60,001,600	50.00%
2	Folketrygdfondet JPMBL SA Oslo Lend		7,838,890	6.53%
3	Must Invest AS		2,862,429	2.39%
4	State Street Bank an A/C Client Omnibus F.........	NOM	2,764,342	2.30%
5	Ulfoss Invest AS		2,567,803	2.14%
6	MP Pensjon PK		2,282,109	1.90%
7	Danske Invest Norske c/o Danske Capital A		1,891,009	1.58%
8	Snefonn AS..		1,772,889	1.48%
9	Odin Norge		1,699,597	1.42%
10	Nordea Nordic Small		1,248,780	1.04%
11	Societe Generale Par Lis BSE Nordea Oslo...........		1,000,430	0.83%
12	Arctic Funds Plc BNY Mellon SA/NV		998,351	0.83%
13	Vanguard Internation A/C BBH Intl Explore.........		963,831	0.80%
14	Danske Invest Norske		947,421	0.79%
15	Havfonn AS..		770,132	0.64%
16	Vanguard Total Inter A/C Vanguard BBH Len.......		745,251	0.62%
17	Highclere Internatio Non-Treaty Account		716,084	0.60%
18	State Street Bank an S/A SSB Client Omni..........	NOM	682,734	0.57%
19	JP Morgan Securities BNY Mellon SA/NV		631,271	0.53%
20	State Street Bank an A/C Client Fund Numb........	NOM	610,706	0.51%
	Top 20 shareholders		92,995,659	77.50%
	Other		27,004,341	22.50%
	Total		**120,000,000**	**100.00**

Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Securities Trading Act of 29 June 2007 no. 75 (Nw. *Verdipapirhandelloven*), as amended (the "**Norwegian Securities Trading Act**"). The Norwegian Ministry of Trade, Industry and Fisheries and Folketrygdfondet JPMBL SA Oslo Lend 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. 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.

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 Limited Companies Act and the Norwegian Securities Act. See Section 15.10 "Certain aspects of Norwegian law".

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

15.6 Authorisation to increase the share capital and issue Shares

As at the date of this Prospectus, the Board of Directors has not been authorised to increase the share capital or to issue Shares.

15.7 Authorisation to acquire treasury shares

As of 30 October 2018, 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.

15.8 Other financial instruments

Neither the Company nor any of its subsidiaries has issued any options, warrants, convertible loans or other instruments that would entitle a holder of any such instrument to subscribe for any shares in the Company or its subsidiaries.

15.9 Shareholder rights

The Company has only one class of Shares in issue, and in accordance with the Norwegian Public Companies Act, all Shares in that class provide/will provide equal rights in the Company, including the rights to any dividend. Each of the Shares carries one vote. The shares are freely transferable.

15.10 Certain aspects of Norwegian law

15.10.1 General meetings

Through the general meeting, shareholders exercise supreme authority in a Norwegian company. In accordance with Norwegian law, the annual general meeting of shareholders is required to be held each year on or prior to 30 June. Norwegian law requires that written notice of annual general meetings setting forth the time of, the venue for and the agenda of the meeting be sent to all shareholders with a known address no later than 21 days before the annual general meeting of a Norwegian public limited company listed on a stock exchange or a regulated market shall be held, unless the articles of association stipulate a longer deadline, which is not currently the case for the Company.

A shareholder may vote at the general meeting either in person or by proxy appointed at their own discretion. Although Norwegian law does not require the Company to send proxy forms to its shareholders for General Meetings, the Company plans to include a proxy form with notices of General Meetings. All of the Company's shareholders who are registered in the register of shareholders maintained with the VPS as of the date of the General Meeting, or who have otherwise reported and documented ownership to Shares, are entitled to participate at General Meetings.

Apart from the annual general meeting, extraordinary general meetings of shareholders may be held if the Board of Directors considers it necessary. An extraordinary general meeting of shareholders must also be convened if, in order to discuss a specified matter, the auditor or shareholders representing at least 5% of the share capital demands this in writing. The requirements for notice and admission to the annual general meeting also apply to extraordinary general meetings. However, the annual general meeting of a Norwegian public limited company may with a majority of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting resolve that extraordinary general meetings may be convened with a 14 day notice period until the next annual general meeting provided the Company has procedures in place allowing shareholders to vote electronically.

15.10.2 Voting rights – amendments to the Articles of Association

Each of the Shares carries one vote. In general, decisions that shareholders are entitled to make under Norwegian law or the Articles of Association may be made by a simple majority of the votes cast. In the case of elections or appointments, the person(s) who receive(s) the greatest number of votes cast are elected. However, as required under Norwegian law, certain decisions, including resolutions to waive preferential rights to subscribe in connection with any share issue in the Company, to approve a merger or demerger of the Company, to amend the Articles of Association, to authorise an increase or reduction in the share capital, to authorise an issuance of convertible loans or warrants by the Company or to authorise the Board of Directors to purchase Shares and hold them as treasury shares or to dissolve the Company, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting. Norwegian law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval by the holders of such shares or class of shares as well as the majority required for amending the Articles of Association.

Decisions that (i) would reduce the rights of some or all of the Company's shareholders in respect of dividend payments or other rights to assets or (ii) restrict the transferability of the Shares, require that at least 90% of the share capital represented at the general meeting in question vote in favour of the resolution, as well as the majority required for amending the Articles of Association.

In general, only a shareholder registered in the VPS is entitled to vote for such Shares. Beneficial owners of the Shares that are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor is any person who is designated in the VPS register as the holder of such Shares as nominees. Investors should note that there are varying opinions as to the interpretation of the right to vote on nominee registered shares. In the Company's view, a nominee may not meet or vote for Shares registered on a nominee account ("**NOM-account**"). A shareholders who hold their shares in a nominee account in the VPS and who would like to cast votes for such shares, must transfer the shares to a VPS account in their own name and ensure that this is registered in the VPS to be able to cast votes for such shares at the General Meeting.

There are no quorum requirements that apply to the general meetings.

15.10.3 Additional issuances and preferential rights

If the Company issues any new Shares, including bonus share issues, the Articles of Association must be amended, which requires the same vote as other amendments to the Articles of Association. In addition, under Norwegian law, the Company's shareholders have a preferential right to subscribe for new Shares issued by the Company. Preferential rights may be derogated from by resolution in a General Meeting passed by the same vote required to amend the Articles of Association. A derogation of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding Shares.

The General Meeting may, by the same vote as is required for amending the Articles of Association, authorise the Board of Directors to issue new Shares, and to derogate from the preferential rights of shareholders in connection with such issuances. Such authorisation may be effective for a maximum of two years, and the nominal value of the Shares to be issued may not exceed 50% of the registered par share capital when the authorisation is registered with the Norwegian Register of Business Enterprises.

Under Norwegian law, the Company may increase its share capital by a bonus share issue, subject to approval by the Company's shareholders, by transfer from the Company's distributable equity or from the Company's share premium reserve and thus the share capital increase does not require any payment of a subscription price by the shareholders. Any bonus issues may be affected either by issuing new shares to the Company's existing shareholders or by increasing the nominal value of the Company's outstanding Shares.

Issuance of new Shares to shareholders who are citizens or residents of the United States upon the exercise of preferential rights may require the Company to file a registration statement in the United States under United States securities laws. Should the Company in such a situation decide not to file a registration statement, the Company's U.S. shareholders may not be able to exercise their preferential rights. If a U.S. shareholder is ineligible to participate in a rights offering, such shareholder would not receive the rights at all and the rights would be sold on the shareholder's behalf by the Company.

15.10.4 Minority rights

Norwegian law sets forth a number of protections for minority shareholders of the Company, including, but not limited to, those described in this paragraph and the description of General Meetings as set out above. Any of the Company's shareholders may petition Norwegian courts to have a decision of the Board of Directors or the Company's shareholders made at the General Meeting declared invalid on the grounds that it unreasonably favours certain shareholders or third parties to the detriment of other shareholders or the Company itself. The Company's shareholders may also petition the courts to dissolve the Company as a result of such decisions to the extent particularly strong reasons are considered by the court to make necessary dissolution of the Company.

Minority shareholders holding 5% or more of the Company's share capital have a right to demand in writing that the Company's Board of Directors convene an extraordinary general meeting to discuss or resolve specific matters. In addition, any of the Company's shareholders may in writing demand that the Company place an item on the agenda for any General Meeting as long as the Company is notified in time for such item to be included in the notice of the meeting. If the notice has been issued when such a written demand is presented, a renewed notice must be issued if the deadline for issuing notice of the General Meeting has not expired.

15.10.5 Rights of redemption and repurchase of Shares

The share capital of the Company may be reduced by reducing the nominal value of the Shares or by cancelling Shares. Such a decision requires the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at a General Meeting. Redemption of individual Shares requires the consent of the holders of the Shares to be redeemed.

The Company may purchase its own Shares provided that the Board of Directors has been granted an authorization to do so by a General Meeting with the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at the meeting. The aggregate nominal value of treasury shares so acquired, and held by the Company must not exceed 10% of the Company's share capital, and treasury shares may only be acquired if the Company's distributable equity, according to the latest adopted balance sheet, exceeds the consideration to be paid for the shares. The authorisation by the General Meeting of the Company's shareholders cannot be granted for a period exceeding 2 years.

15.10.6 Shareholder vote on certain reorganisations

A decision of the Company's shareholders to merge with another company or to demerge requires a resolution by the General Meeting passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the General Meeting. A merger plan, or demerger plan signed by the Board of Directors along with certain other required documentation, would have to be sent to all the Company's shareholders, or if the Articles of Association stipulate that, made available to the shareholders on the Company's website, at least one month prior to the General Meeting to pass upon the matter.

15.10.7 Liability of members of the Board of Directors

Board Members owe a fiduciary duty to the Company and its shareholders. Such fiduciary duty requires that the Board Members act in the best interests of the Company when exercising their functions and exercise a general duty of loyalty and care towards the Company. Their principal task is to safeguard the interests of the Company.

Board Members may each be held liable for any damage they negligently or wilfully cause the Company. Norwegian law permits the General Meeting to discharge any such person from liability, but such discharge is not binding on the Company if substantially correct and complete information was not provided at the General Meeting passing upon the matter. If a resolution to discharge the Company's Board Members from liability or not to pursue claims against such a person has been passed by a General Meeting with a smaller majority than that required to amend the Articles of Association, shareholders representing more than 10% of the share capital or, if there are more than 100 shareholders, more than 10% of the shareholders may pursue the claim on the Company's behalf and in its name. The cost of any such action is not the Company's responsibility but can be recovered from any proceeds the Company receives as a result of the action. If the decision to discharge any of the Company's Board Members from liability or not to pursue claims against the Company's Board Members is made by such a majority as is necessary to amend the Articles of Association, the minority shareholders of the Company cannot pursue such claim in the Company's name.

15.10.8 Indemnification of Board Members

Neither Norwegian law nor the Articles of Association contains any provision concerning indemnification by the Company of the Board of Directors. The Company is permitted to purchase insurance for the Board Members against certain liabilities that they may incur in their capacity as such.

15.10.9 Distribution of assets on liquidation

Under Norwegian law, the Company may be wound-up by a resolution of the Company's shareholders at the General Meeting passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the meeting. In the event of liquidation, the Shares rank equally in the event of a return on capital.

15.11 Shareholders' agreement

To the knowledge of the Company, there are no shareholders' agreements related to the Shares.

16 SECURITIES TRADING IN NORWAY

Set out below is a summary of certain aspects of securities trading in Norway. The summary is based on the rules and regulations in force in Norway as at the date of this Prospectus, which may be subject to changes occurring after such date. The summary does not purport to be a comprehensive description of securities trading in Norway. Shareholders who wish to clarify the aspects of securities trading in Norway should consult with and rely upon their own advisors.

16.1 Introduction

The Oslo Stock Exchange was established in 1819 and is the principal market in which shares, bonds and other financial instruments are traded in Norway. As of 31 December 2017, the total capitalization of companies listed on the Oslo Stock Exchange amounted to approximately NOK 2,512 billion. Shareholdings of non-Norwegian investors as a percentage of total market capitalization as at 31 December 2017 amounted to approximately 38.3%.

The Oslo Stock Exchange has entered into a strategic cooperation with the London Stock Exchange group with regards to, inter alia, trading systems for equities, fixed income and derivatives.

16.2 Trading and settlement

Trading of equities on the Oslo Stock Exchange is carried out in the electronic trading system Millennium Exchange. This trading system is in use by all markets operated by the London Stock Exchange, including the Borsa Italiana, as well as by the Johannesburg Stock Exchange.

Official trading on the Oslo Stock Exchange takes place between 09:00 hours (CET) and 16:20 hours (CET) each trading day, with pre-trade period between 08:15 hours (CET) and 09:00 hours (CET), closing auction from 16:20 hours (CET) to 16:25 hours (CET) and a post-trade period from 16:25 hours (CET) to 17:30 hours (CET). Reporting of after exchange trades can be done until 17:30 hours (CET).

The settlement period for trading on the Oslo Stock Exchange is two trading days (T+2). This means that securities will be settled on the investor's account in the VPS two days after the transaction, and that the seller will receive payment after two days.

Oslo Clearing ASA, a wholly-owned subsidiary of SIX x-clear AG, a company in the SIX group, has a license from the Norwegian FSA to act as a central clearing service, and has from 18 June 2010 offered clearing and counterparty services for equity trading on the Oslo Stock Exchange.

Investment services in Norway may only be provided by Norwegian investment firms holding a license under the Norwegian Securities Trading Act, branches of investment firms from an EEA member state or investment firms from outside the EEA that have been licensed to operate in Norway. Investment firms in an EEA member state may also provide cross-border investment services into Norway.

It is possible for investment firms to undertake market-making activities in shares listed in Norway if they have a license to this effect under the Norwegian Securities Trading Act, or in the case of investment firms in an EEA member state, a license to carry out market-making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Norwegian Securities Trading Act relating to brokers' trading for their own account. However, such market-making activities do not as such require notification to the Norwegian FSA or the Oslo Stock Exchange except for the general obligation of investment firms that are members of the Oslo Stock Exchange to report all trades in stock exchange listed securities.

16.3 Information, control and surveillance

Under Norwegian law, the Oslo Stock Exchange is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of the Oslo Stock Exchange monitors all market activity on a continuous basis. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The Norwegian FSA controls the issuance of securities in both the equity and bond markets in Norway and evaluates whether the issuance documentation contains the required information and whether it would otherwise be unlawful to carry out the issuance.

Under Norwegian law, a company that is listed on a Norwegian regulated market, or has applied for listing on such market, must promptly release any inside information directly concerning the company. Inside information means precise information about financial instruments, the issuer thereof or other matters which are likely to have a significant effect on the price of the relevant financial instruments or related financial instruments, and which are not publicly available or commonly known in the market. A company may, however, delay the release of such information in order not to prejudice its legitimate interests, provided that it is able to ensure the confidentiality of the information and that the delayed release would not be likely to mislead the public. The Oslo Stock Exchange may levy fines on companies violating these requirements.

16.4 The VPS and transfer of Shares

The Company's principal share register is operated through the VPS. The VPS is the Norwegian paperless centralised securities register. It is a computerised book-keeping system in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. The VPS and the Oslo Stock Exchange are both wholly-owned by Oslo Børs VPS Holding ASA.

All transactions relating to securities registered with the VPS are made through computerised book entries. No physical share certificates are, or may be, issued. The VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To give effect to such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, Norges Bank (being, Norway's central bank), authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

As a matter of Norwegian law, the entry of a transaction in the VPS is prima facie evidence in determining the legal rights of parties as against the issuing company or any third party claiming an interest in the given security. A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition, and the acquisition is not prevented by law, the relevant company's articles of association or otherwise.

The VPS is liable for any loss suffered as a result of faulty registration or an amendment to, or deletion of, rights in respect of registered securities unless the error is caused by matters outside the VPS' control which the VPS could not reasonably be expected to avoid or overcome the consequences of. Damages payable by the VPS may, however, be reduced in the event of contributory negligence by the aggrieved party.

The VPS must provide information to the Norwegian FSA on an ongoing basis, as well as any information that the Norwegian FSA requests. Further, Norwegian tax authorities may require certain information from the VPS regarding any individual's holdings of securities, including information about dividends and interest payments.

16.5 Shareholder register

Under Norwegian law, shares are registered in the name of the beneficial owner of the shares. As a general rule, there are no arrangements for nominee registration and Norwegian shareholders are not allowed to register their shares in the VPS through a nominee. However, foreign shareholders may register their shares in the VPS in the name of a nominee (bank or other nominee) approved by the Norwegian FSA. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions, but cannot vote in general meetings on behalf of the beneficial owners.

16.6 Foreign investment in shares listed in Norway

Foreign investors may trade shares listed on the Oslo Stock Exchange through any broker that is a member of the Oslo Stock Exchange, whether Norwegian or foreign.

16.7 Disclosure obligations

If a person's, entity's or consolidated group's proportion of the total issued shares and/or rights to shares in a company listed on a regulated market in Norway (with Norway as its home state, which will be the case for the Company) reaches, exceeds or falls below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or the voting rights of that company, the person, entity or group in question has an obligation under the Norwegian Securities Trading Act to notify the Oslo Stock Exchange and the issuer immediately. The same applies if the disclosure thresholds are passed due to other circumstances, such as a change in the company's share capital.

16.8 Insider trading

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement to such dispositions, must not be undertaken by anyone who has inside information, as defined in Section 3-2 of the Norwegian Securities Trading Act. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions.

16.9 Mandatory offer requirement

The Norwegian Securities Trading Act requires any person, entity or consolidated group that becomes the owner of shares representing more than one-third of the voting rights of a company listed on a Norwegian regulated market (with the exception of certain foreign companies not including the Company) to, within four weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party's own shareholding, represent more than one-third of the voting rights in the company and the Oslo Stock Exchange decides that this is regarded as an effective acquisition of the shares in question.

The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

When a mandatory offer obligation is triggered, the person subject to the obligation is required to immediately notify the Oslo Stock Exchange and the company in question accordingly. The notification is required to state whether an offer will be made to acquire the remaining shares in the company or whether a sale will take place. As a rule, a notification to the effect that an offer will be made cannot be retracted. The offer and the offer document required are subject to approval by the Oslo Stock Exchange before the offer is submitted to the shareholders or made public.

The offer price per share must be at least as high as the highest price paid or agreed by the offeror for the shares in the six-month period prior to the date the threshold was exceeded. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered.

In case of failure to make a mandatory offer or to sell the portion of the shares that exceeds the relevant threshold within four weeks, the Oslo Stock Exchange may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, a shareholder who fails to make an offer may not, as long as the mandatory offer obligation remains in force, exercise rights in the company, such as voting in a general meeting, without the consent of a majority of the remaining shareholders. The shareholder may, however, exercise his/her/its rights to dividends and pre-emption rights in the event of a share capital increase. If the shareholder neglects his/her/its duty to make a mandatory offer, the Oslo Stock Exchange may impose a cumulative daily fine that runs until the circumstance has been rectified.

Any person, entity or consolidated group that owns shares representing more than one-third of the votes in a company listed on a Norwegian regulated market (with the exception of certain foreign companies not including the Company) is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) if the person, entity or consolidated group through acquisition becomes the owner of shares representing 40%, or more of the votes in the company. The same applies correspondingly if the person, entity or consolidated group through acquisition becomes the owner of shares representing 50% or more of the votes in the company. The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

Any person, entity or consolidated group that has passed any of the above mentioned thresholds in such a way as not to trigger the mandatory bid obligation, and has therefore not previously made an offer for the remaining shares in the company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the company.

16.10 Compulsory acquisition

Pursuant to the Norwegian Public Limited Companies Act and the Norwegian Securities Trading Act, a shareholder who, directly or through subsidiaries, acquires shares representing 90% or more of the total number of issued shares in a Norwegian public limited liability company, as well as 90% or more of the total voting rights, has a right, and each remaining minority shareholder of the company has a right to require such majority shareholder, to effect a compulsory acquisition for cash of the shares not already owned by such majority shareholder. Through such compulsory acquisition the majority shareholder becomes the owner of the remaining shares with immediate effect.

If a shareholder acquires shares representing more than 90% of the total number of issued shares, as well as more than 90% of the total voting rights, through a voluntary offer in accordance with the Securities Trading Act, a compulsory acquisition can, subject to the following conditions, be carried out without such shareholder being obliged to make a mandatory offer: (i) the compulsory acquisition is commenced no later than four weeks after the acquisition of shares through the voluntary offer, (ii) the price offered per share is equal to or higher than what the offer price would have been in a mandatory offer, and (iii) the settlement is guaranteed by a financial institution authorised to provide such guarantees in Norway.

A majority shareholder who effects a compulsory acquisition is required to offer the minority shareholders a specific price per share, the determination of which is at the discretion of the majority shareholder. However, where the offeror, after making a mandatory or voluntary offer, has acquired more than 90% of the voting shares of a company and a corresponding proportion of the votes that can be cast at the general meeting, and the offeror pursuant to Section 4-25 of the Norwegian Public Limited Companies Act completes a compulsory acquisition of the remaining shares within three months after the expiry of the offer period, it follows from the Norwegian Securities Trading Act that the redemption price shall be determined on the basis of the offer price for the mandatory/voluntary offer unless specific reasons indicate another price.

Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified deadline of not less than two months, request that the price be set by a Norwegian court. The cost of such court procedure will, as a general rule, be the responsibility of the majority shareholder, and the relevant court will have full discretion in determining the consideration to be paid to the minority shareholder as a result of the compulsory acquisition.

Absent a request for a Norwegian court to set the price or any other objection to the price being offered, the minority shareholders would be deemed to have accepted the offered price after the expiry of the specified deadline.

16.11 Foreign exchange controls

There are currently no foreign exchange control restrictions in Norway that would potentially restrict the payment of dividends to a shareholder outside Norway, and there are currently no restrictions that would affect the right of shareholders of a company that has its shares registered with the VPS who are not residents in Norway to dispose of their shares and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transactions into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the National Insurance Administration and the Norwegian FSA have electronic access to the data in this register.

17 TAXATION

Set out below is a summary of certain Norwegian tax matters related to an investment in the Company. The summary regarding Norwegian taxation is based on the laws in force in Norway as of the date of this Prospectus, which may be subject to any changes in law occurring after such date. Such changes could possibly be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the shares in the Company. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisors. Shareholders resident in jurisdictions other than Norway and shareholders who cease to be resident in Norway for tax purposes (due to domestic tax law or tax treaty) should specifically consult with and rely upon their own tax advisors with respect to the tax position in their country of residence and the tax consequences related to ceasing to be resident in Norway for tax purposes.

Please note that for the purpose of the summary below, a reference to a Norwegian or non-Norwegian shareholder refers to the tax residency rather than the nationality of the shareholder.

17.1 Norwegian taxation

17.1.1 Taxation of dividends

Norwegian Personal Shareholders

Dividends distributed by the Company to shareholders who are individuals residing in Norway for tax purposes (“**Norwegian Personal Shareholders**") are taxable as ordinary income in Norway for such shareholders currently at an effective tax rate of 30.59% to the extent the dividend exceeds a tax-free allowance; i.e. dividends received, less the tax free allowance, shall be multiplied by 1.33 which are then included as ordinary income taxable at a flat rate of 23%, increasing the effective tax rate on dividends received by Norwegian Personal Shareholders to 30.59%.

The allowance is calculated on a share-by-share basis. The allowance for each share is equal to the cost price of the share multiplied by a determined risk free interest rate based on the effective rate of interest on treasury bills (Nw.: *statskasseveksler*) with three months maturity plus 0.5 percentage points, after tax. The allowance is calculated for each calendar year, and is allocated solely to Norwegian Personal Shareholders holding shares at the expiration of the relevant calendar year.

Norwegian Personal Shareholders who transfer shares will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated allowance one year exceeding the dividend distributed on the share ("excess allowance") may be carried forward and set off against future dividends received on, or gains upon realization, of the same share.

On 8 October 2018, the Norwegian Government proposed to reduce the tax rate on ordinary income from 23% to 22% as of 1 January 2019. In order to compensate for some of this reduction, it is also proposed that the taxation of dividends received by Norwegian Personal Shareholders is increased as of 1 January 2019. According to the proposal, the received dividend shall be multiplied by 1.44, which will then be taxed at the rate of 22%, increasing the effective tax rate on dividends from 30.59% to 31.68%.

Norwegian Personal Shareholders may hold the Shares through a Norwegian share saving account (Nw.: *aksjesparekonto*). The Norwegian Government has proposed to extend the Norwegian share saving account scheme to also include dividend payments, so that dividends received on shares held through a share saving account will be exempt from Norwegian taxation. Withdrawal of funds from the share saving account exceeding the paid in deposit, will be regarded as taxable income, regardless of whether the funds are derived from gains or dividends related to the shares held in the account. Norwegian Personal Shareholders will still be entitled to a calculated tax-free allowance. Please refer to section 17.1.2 "Taxation of capital gains on realisation of shares – Norwegian Personal Shareholders" for further information in respect of share saving accounts.

Norwegian Corporate Shareholders

Dividends distributed by the Company to shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes ("**Norwegian Corporate Shareholders**"), are effectively taxed at a rate of currently 0.69% (3% of dividend income from such shares is included in the calculation of ordinary income for Norwegian Corporate Shareholders and ordinary income is subject to tax at a flat rate of currently 23%, which has been proposed to be reduced to 22% as of 1 January 2019, reducing the effective tax rate to 0.66%).

Non-Norwegian Personal Shareholders

Dividends distributed by the Company to shareholders who are individuals not residing in Norway for tax purposes ("**Non-Norwegian Personal Shareholders**"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident. The withholding obligation lies with the company distributing the dividends and the Company assumes this obligation.

Non-Norwegian Personal Shareholders residing within the EEA for tax purposes may apply individually to Norwegian tax authorities for a refund of an amount corresponding to the calculated tax-free allowance on each individual share (please see "Taxation of dividends – Norwegian Personal Shareholders" above). However, the deduction of the tax-free allowance does not apply in the event that the withholding tax rate, pursuant to an applicable tax treaty, leads to a lower taxation of the dividends than the withholding tax rate of 25% less the tax-free allowance.

If a Non-Norwegian Personal Shareholder is carrying on business activities in Norway and the shares are effectively connected with such activities, the shareholder will be subject to the same taxation of dividends as a Norwegian Personal Shareholder, as described above.

Non-Norwegian Personal Shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

Non-Norwegian Personal Shareholders should consult their own advisers regarding the availability of treaty benefits in respect of dividend payments, including the possibility of effectively claiming a refund of withholding tax.

Please also note that the Norwegian Government has proposed to make the Norwegian share saving account scheme available for Non-Norwegian Personal Shareholders resident in the EEA for tax purposes. Dividends received on and gains derived upon the realization of Shares held through a share saving account by a Non-Norwegian Personal Shareholder resident in the EEA will be exempt from Norwegian taxation and losses will not be tax deductible. Withdrawal of funds from the share saving account exceeding the Non-Norwegian Personal Shareholder's paid in deposit, will be subject to withholding tax at a rate of 25% (unless reduced pursuant to an applicable tax treaty). Capital gains realised upon realisation of shares held through the share saving account are proposed regarded as paid in deposits, which may be withdrawn without taxation. Losses will correspondingly be deducted from the paid in deposit, reducing the amount which can be withdrawn without withholding tax. The Government has announced that the proposed rules may be subject to changes.

Non-Norwegian Corporate Shareholders

Dividends distributed to shareholders who are limited liability companies (and certain other entities) domiciled outside of Norway for tax purposes ("**Non-Norwegian Corporate Shareholders**"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident.

Dividends distributed to Non-Norwegian Corporate Shareholders domiciled within the EEA for tax purposes are exempt from Norwegian withholding tax provided that the shareholder is the beneficial owner of the shares and that the shareholder is genuinely established and performs genuine economic business activities within the relevant EEA jurisdiction.

If a Non-Norwegian Corporate Shareholder is carrying on business activities in Norway and the shares are effectively connected with such activities, the shareholder will be subject to the same taxation of dividends as a Norwegian Corporate Shareholder, as described above.

Non-Norwegian Corporate Shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted. The same will apply to Non-Norwegian Corporate Shareholders who have suffered withholding tax although qualifying for the Norwegian participation exemption.

Nominee registered shares will be subject to withholding tax at a rate of 25% unless the nominee has obtained approval from the Norwegian Tax Directorate for the dividend to be subject to a lower withholding tax rate. To obtain such approval the nominee is required to file a summary to the tax authorities including all beneficial owners that are subject to withholding tax at a reduced rate.

From 1 January 2019, new rules will apply with respect to the documentation of the applicability of reduced withholding tax rates. Inter alia, all Non-Norwegian Corporate Shareholders must document their entitlement to a reduced withholding tax rate by either (i) presenting an approved withholding tax refund application or (ii) present an approval from the Norwegian tax authorities confirming that the recipient is entitled to a reduced withholding tax rate. Such documentation must be provided to either the nominee or the account operator (VPS).

The withholding obligation in respect of dividends distributed to Non-Norwegian Corporate Shareholders and on nominee registered shares lies with the company distributing the dividends and the Company assumes this obligation.

Non-Norwegian Corporate Shareholders should consult their own advisers regarding the availability of treaty benefits in respect of dividend payments, including the possibility of effectively claiming a refund of withholding tax.

17.1.2 Taxation of capital gains on realisation of shares

Norwegian Personal Shareholders

Sale, redemption or other disposal of shares is considered a realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholder through a disposal of shares is taxable or tax deductible in Norway. The effective tax rate on gain or loss related to shares realized by Norwegian Personal Shareholders is currently 30.59%; i.e. capital gains (less the tax free allowance) and losses shall be multiplied by 1.33 which are then included in or deducted from the Norwegian Personal Shareholder's ordinary income in the year of disposal. Ordinary income is taxable at a flat rate of 23%, increasing the effective tax rate on gains/losses realized by Norwegian Personal Shareholders to 30.59%.

Please note that the Norwegian Government has proposed to increase the effective tax rate on capital gains realised by Norwegian Personal Shareholder from 30.59% to 31.68%, cf. Section 17.1.1 "Taxation of dividends – Norwegian Personal Shareholders" above. If the proposal is adopted by the Norwegian Parliament, the amendments will be effective as of 1 January 2019.

The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

The taxable gain/deductible loss is calculated per share as the difference between the consideration for the share and the Norwegian Personal Shareholder's cost price of the share, including costs incurred in relation to the acquisition or realization of the share. From this capital gain, Norwegian Personal Shareholders are entitled to deduct a calculated allowance provided that such allowance has not already been used to reduce taxable dividend income. Please refer to Section 17.1.1 "Taxation of dividends" above for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain, and cannot increase or produce a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realization of a share will be annulled. Unused allowance may not be set off against gains form realisation of other shares.

If the Norwegian Personal Shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

Special rules apply for Norwegian Personal Shareholders that cease to be tax-resident in Norway.

Gains derived upon the realization of Shares held through a share saving account will be exempt from Norwegian taxation and losses will not be tax deductible. Withdrawal of funds from the share saving account exceeding the Norwegian Personal Shareholder's paid in deposit, will be regarded as taxable income, subject to tax at an effective tax rate of 30.59% (proposed increased to 31.68% by 2019). Norwegian Personal Shareholders will be entitled to a calculated tax-free allowance provided that such allowance has not already been used to reduce taxable dividend income (please see "Taxation of dividends – Norwegian Personal Shareholders" above). The tax-free allowance is calculated based on the lowest paid in deposit in the account during the income year, plus any unused tax-free allowance from previous years. The tax-free allowance can only be deducted in order to reduce taxable income, and cannot increase or produce a deductible loss. Any excess allowance may be carried forward and set off against future withdrawals from the account or future dividends received on shares held through the account.

Please note that the Norwegian Government has proposed that Norwegian Personal Shareholders holding shares through more than one share saving account may transfer their shares or securities between the share saving accounts without incurring Norwegian taxation.

Norwegian Corporate Shareholders

Norwegian Corporate Shareholders are exempt from tax on capital gains derived from the realization of shares qualifying for participation exemption, including shares in the Company. Losses upon the realization and costs incurred in connection with the purchase and realization of such shares are not deductible for tax purpose.

Special rules apply for Norwegian Corporate Shareholders that cease to be tax-resident in Norway.

Non-Norwegian Personal Shareholders

Gains from the sale or other disposal of shares by a Non-Norwegian Personal Shareholder will not be subject to taxation in Norway unless the Non-Norwegian Personal Shareholder holds the shares in connection with business activities carried out or managed from Norway.

Non-Norwegian Corporate Shareholders

Capital gains derived by the sale or other realization of shares by Non-Norwegian Corporate Shareholders are not subject to taxation in Norway unless the shareholding is effectively connected to the conduct of trade or business in Norway. Please refer to Section 17.1.1 "Taxation of dividends – Non-Norwegian Personal Shareholders" above for a description of the availability of a Norwegian share saving accounts.

17.1.3 Taxation of subscription rights

Norwegian Personal Shareholders

A Norwegian Personal Shareholder's subscription for shares pursuant to a subscription right is not subject to taxation in Norway. Costs related to the subscription for the shares, including the purchase price for any purchased subscription rights, will be added to the cost price of the shares.

Sale and other transfer of subscription rights are considered a realisation for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholders through a realisation of subscription rights is taxable or tax deductible in Norway and subject to the same taxation as a capital gain or loss generated through realisation of shares, please refer "Taxation of capital gains on realisation of shares — Norwegian Personal Shareholders" above. Please note that capital gains related to subscription rights will not be comprised by the Norwegian share saving account as described in section 17.1.2 "Taxation of capital gains on realisation of shares – Norwegian Personal Shareholders" above.

Norwegian Corporate shareholders

A Norwegian Corporate Shareholder's subscription for shares pursuant to a subscription right is not subject to taxation in Norway. Costs related to the subscription for the shares will be added to the cost price of the shares.

Sale and other transfer of subscription rights are considered a realisation for Norwegian tax purposes. Norwegian Corporate Shareholders are exempt from tax on capital gains derived from the realisation of subscription rights qualifying for the Norwegian participation exemption. Losses upon the realisation and costs incurred in connection with the purchase and realisation of such subscription rights are not deductible for tax purposes.

Non-Norwegian Shareholders

A Non-Norwegian (Personal or Corporate) Shareholder's subscription for shares pursuant to a subscription right is not subject to taxation in Norway.

Capital gains derived by the sale or other transfer of subscription rights by Non-Norwegian Shareholders are not subject to taxation in Norway unless the Non-Norwegian Shareholder holds the subscription rights in connection with business activities carried out or managed from Norway. Such taxation may be limited according to an applicable tax treaty or other specific regulations.

Please note that capital gains related to subscription rights are not comprised by the Norwegian Government's proposal with respect to the availability of the Norwegian share saving account scheme for Non-Norwegian Personal Shareholders resident within the EEA as further described above in Section 17.1.1 "Taxation of dividends – Non-Norwegian Personal Shareholders".

17.1.4 Net wealth tax

The value of shares is included in the basis for the computation of net wealth tax imposed on Norwegian Personal Shareholders. Currently, the marginal net wealth tax rate is 0.85% of the value assessed. The value for assessment purposes for listed shares is equal to 80% of the listed value as of 1 January in the year of assessment (i.e. the year following the relevant fiscal year). The value of debt allocated to the listed shares for Norwegian wealth tax purposes is reduced correspondingly (i.e. to 80%).

Please note that the Norwegian Government has proposed that only 75% of the listed value of the shares is included in the basis for the computation of net wealth tax imposed on Norwegian Personal Shareholders. It is further proposed that the value for assessment purposes for debt allocated to the shares shall be reduced correspondingly. If the proposals are adopted by the Norwegian Parliament, the amendments will be effective as of 1 January 2019.

Norwegian Corporate Shareholders are not subject to net wealth tax.

Non-Norwegian (Personal and Corporate) Shareholders are generally not subject to Norwegian net wealth tax. Non-Norwegian Personal Shareholders can, however, be taxable if the shareholding is effectively connected to the conduct of trade or business in Norway.

17.1.5 VAT and transfer taxes

No VAT, stamp or similar duties are currently imposed in Norway on the transfer or issuance of shares.

17.1.6 Inheritance tax

A transfer of shares through inheritance or as a gift does not give rise to inheritance or gift tax in Norway.

18 THE TERMS OF THE RIGHTS ISSUE

18.1 Overview

The Rights Issue consists of an offer by the Company of 59,990,065 Offer Shares at a Subscription Price of NOK 83.30 per Offer Share, thereby raising gross proceeds of approximately NOK 4.997 billion. The Offer Shares have a nominal value of NOK 1.25 each.

Existing Shareholders will be granted tradable Subscription Rights that, subject to applicable law, provide preferential right to subscribe for, and be allocated, Offer Shares at the Subscription Price in the Rights Issue. Over-subscription and subscription without Subscription Rights is permitted; however, there can be no assurance that Offer Shares will be allocated for such subscriptions.

The Norwegian Parliament has approved that the Norwegian Government, represented by the Ministry of Trade, Industry and Fisheries, participates in the Rights Issue on a pro rata basis (50.001%). The approximately 50% of the Rights Issue that does not relate to shares owned by the Norwegian Government is underwritten by the Bank Underwriters and the Pre-committing Shareholders. See Section 18.21 "The Underwriting" for further information.

The Offer Shares allocated in the Rights Issue are expected to be traded on the Oslo Stock Exchange from and including 29 November 2018.

The Subscription Rights and the Offer Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and are being offered and sold: (i) in the United States only to QIBs as defined in Rule 144A pursuant to transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act; and (ii) outside the United States in "offshore transactions" as defined in, and in compliance with, Regulation S.

This Prospectus does not constitute an offer of, or an invitation to purchase or subscribe, the Offer Shares and/or the use of the Subscription Rights to subscribe for Offer Shares in any jurisdiction in which such offer or sale would be unlawful. For further details, see "Important information" and Section 19 "Selling and transfer restrictions".

18.2 Use of proceeds

The net proceeds from the Rights Issue are estimated to be approximately NOK 4.938 billion, assuming that expenses related to the Rights Issue charged to the Company will be in the amount of approximately NOK 59 million. The net proceeds will be used to finance the Company's acquisition and integration of Rolls-Royce Commercial Marine, see Section 6 "The Transaction".

18.3 Resolution to issue the Offer Shares

On 2 November 2018, an extraordinary general meeting of the Company passed the following resolution to increase the share capital of the Company an issue the Offer Shares in connection with the Rights Issue (translated from Norwegian):

i. *The share capital is increased with NOK 74,987,581.25 by issuance of 59,990,065 new shares, each with a nominal value of NOK 1.25, raising gross proceeds of approximately NOK 4.997 billion.*

ii. *The subscription price is NOK 83.30 per share.*

iii. *Shareholders of the Company as of 2 November 2018 as registered as such in the Company's shareholders' register in Norwegian Central Securities Depository (the "VPS") on 6 November 2018 (the "Record Date") (pursuant to the two days' settlement procedure of VPS) shall have preferential right to subscribe for and be allocated the new shares in proportion to their shareholding in the Company, cf. Section 10-4 (1) of the Norwegian Public Limited Liability Companies Act.*

iv. *Tradeable subscription rights will be issued and the subscription rights shall be registered in the Norwegian Central Securities Depository (VPS). Subscription rights will not be issued for shares held in treasury by the Company. The subscription rights shall be tradable from commencement of the subscription period and until 16:30 (Oslo time) two trading days prior to the end of the subscription period. Over-subscription and subscription without subscription rights is permitted.*

v. *The Company shall prepare a prospectus that shall be approved by the Norwegian Financial Supervisory Authority in connection with the rights issue. Unless the Board of Directors decides otherwise, the prospectus shall not be registered with or approved by any foreign prospectus authority. The new shares may not be subscribed for by investors in jurisdictions where such subscription is not permitted or to whom the new shares cannot lawfully be offered. The Company, or anyone appointed or instructed by the Company, shall have the right (but no obligation), for shareholders who in the Company's opinion are not entitled to subscribe for new shares due to limitations set out in law or other regulations in the jurisdiction where the shareholder is resident or a citizen, to sell the relevant shareholder's subscription rights against transfer of the net proceeds from the sale to the shareholder.*

vi. *The subscription period shall commence on 7 November 2018 and expire at 16:30 hours (CET) on 21 November 2018. The subscription period may not be shortened, but the board of directors may extend the subscription period if this is required by law due to the publication of a supplement to the prospectus. If the prospectus is not approved in time to uphold this subscription period, the subscription period shall commence on the third trading day on the Oslo Stock Exchange following the approval and expire at 16:30 hours (CET) two weeks thereafter. Subscription for shares shall be made on a separate subscription form prior to the expiry of the subscription period.*

vii. *The subscription amount shall be paid in cash. Payment for the new shares shall be made on or prior to 26 November 2018, or the fourth trading day on the Oslo Stock Exchange after the expiry of the subscription period if the subscription period is postponed according to subparagraph (vi) above. Subscribers who have a Norwegian bank account must, and will by signing the subscription form, provide a one-time irrevocable authorisation to debit a specified Norwegian bank account for the amount payable for the shares which are allocated to the subscriber. The allocated amount will be debited from the specified bank account on or around the payment date. Subscribers who do not have a Norwegian bank account must ensure that payment with cleared funds for the new shares allocated to them is received on or before the payment date.*

viii. *The new shares shall be allocated by the Board. The following allocation criteria shall apply:*

a) *Allocation of shares to subscribers will be made in accordance with granted and acquired subscription rights which have been validly exercised during the subscription period. Each subscription right will give the right to subscribe for and be allocated one (1) new share.*

b) *If not all subscription rights are validly exercised, subscribers having exercised their subscription rights and who have over-subscribed, will be allocated additional new shares on a pro rata basis based on the number of subscription rights exercised by each such subscriber. To the extent that pro rata allocation is not possible, the Company will determine the allocation by the drawing of lots.*

c) *New shares not allocated pursuant to a) and b) above will be allocated to subscribers not holding subscription rights. Allocation will be sought made on a pro rata basis based on the relevant subscription amounts.*

ix. *The new shares will carry rights in the Company, including the right to dividend, from the time of registration of the share capital increase with the Norwegian Register of Business Enterprises.*

x. *Section 4 of the Company's Articles of Association is amended to reflect the new share capital and the new number of shares following the share capital increase.*

xi. *Shares which have not been subscribed by and allocated to other subscribers in the rights issue at the end of the subscription period shall be allocated pro rata to DNB Markets, a part of DNB Bank ASA and Danske Bank A/S, Norwegian Branch (together the Bank Underwriters), who have committed themselves to subscribe for shares for an aggregate amount of up to NOK 1,502,288,260.90, subject to (i) subscription by the Ministry of Trade, Industry and Fisheries of at least the number of offer shares covered by the subscription rights allocated to it based on its 50.001% shareholding, and subscription by the Pre-committing Shareholders for at least NOK 995,817,513.60, (ii) the absence of a material adverse change that is not disclosed by the Company on or prior to the date of the prospectus and (iii) other customary conditions. Such shares shall be subscribed by said underwriters within four trading days after expiry of the subscription period. The Bank Underwriters have a pro rata liability (50/50), and each Bank Underwriter's liability is limited to NOK 751,144,130.45.*

xii. *The costs payable by the Company in connection with the share capital increase are provisionally estimated to be between NOK 55 million and NOK 65 million, including a commission of 1.2% of the underwritten and pre-committed amounts***.**

18.4 Timetable

The timetable set out below provides certain indicative key dates for the Rights Issue:

	Date
Last day of trading in the Shares including Subscription Rights	2 November 2018
First day of trading in the Shares excluding Subscription Rights	5 November 2018
Record Date	6 November 2018
Subscription Period commences	7 November 2018
Trading in Subscription Rights commences on the Oslo Stock Exchange	7 November 2018
Trading in Subscription Rights ends	19 November 2018 at 16:30 hours (CET)
Subscription Period ends	21 November 2018 at 16:30 hours (CET)
Allocation of the Offer Shares	Expected on or about 21 November 2018
Distribution of allocation letters	Expected on or about 22 November 2018
Payment Date	Expected on or about 26 November 2018
Delivery of the Offer Shares	Expected on or about 28 November 2018
Listing and commencement of trading in the Offer Shares on the Oslo Stock Exchange	Expected on or about 29 November 2018

18.5 Subscription Price

The Subscription Price in the Rights Issue is NOK 83.30 per Offer Share.

The Subscription Price represents a discount of approximately 30.7% to the theoretical share price exclusive of the Subscription Rights (TERP) based on the Company's closing share price of NOK 138.60 on 31 October 2018.

18.6 Subscription Period

The Subscription Period will commence at 09:00 hours (CET) on 7 November 2018 and end at 16:30 hours (CET) on 21 November 2018. The Subscription Period may not be shortened, but the board of directors may extend the subscription period if this is required by law due to the publication of a supplement to the prospectus.

18.7 Record Date for Existing Shareholders

Existing Shareholders who are registered in the Company's shareholder register in the VPS as of expiry of the Record Date (6 November 2018) will receive Subscription Rights.

Provided that the delivery of traded Shares was made with ordinary T+2 settlement in the VPS, Shares that were acquired until and including 2 November 2018 will give the right to receive Subscription Rights, whereas Shares that were acquired from and including 5 November 2018 will not give the right to receive Subscription Rights.

18.8 Subscription Rights

Existing Shareholders will be granted tradable Subscription Rights giving a preferential right to subscribe for, and be allocated, Offer Shares in the Rights Issue. Each Existing Shareholder will be granted one Subscription Right for every second existing Share registered as held by such Existing Shareholder on the Record Date. The number of Subscription Rights granted to each Existing Shareholder will be rounded down to the nearest whole Subscription Right. Each Subscription Right will, subject to applicable securities laws, give the right to subscribe for, and be allocated, one Offer Share in the Rights Issue. Subscription Rights will not be issued in respect of any existing Shares held in treasury by the Company.

The Subscription Rights will be credited to and registered on each Existing Shareholder's VPS account on or about 7 November 2018 under ISIN NO0010835549. The Subscription Rights will be distributed free of charge to Existing Shareholders.

The Subscription Rights, including acquired Subscription Rights, must be used to subscribe for Offer Shares before the end of the Subscription Period (i.e. 21 November 2018 at 16:30 hours (CET)) or sold before 19 November 2018 at 16:30 hours (CET). Subscription Rights that are not sold before 19 November 2018 at 16:30 hours (CET) or exercised before 21 November 2018 at 16:30 hours (CET)

will have no value and will lapse without compensation to the holder. Holders of Subscription Rights (whether granted or acquired) should note that subscriptions for Offer Shares must be made in accordance with the procedures set out in this Prospectus and that the acquisition of Subscription Rights does not in itself constitute a subscription for Offer Shares.

Subscription Rights of Existing Shareholders resident in jurisdictions where the Prospectus may not be distributed and/or with legislation that, according to the Company's assessment, prohibits or otherwise restricts subscription for Offer Shares and Existing Shareholders located in the United States who the Company does not reasonably believe to be a QIB (the "**Ineligible Shareholders**") will initially be credited to such Ineligible Shareholders' VPS accounts. Such crediting specifically does not constitute an offer to Ineligible Shareholders. The Company will instruct the Managers to, as far as possible, withdraw the Subscription Rights from such Ineligible Shareholders' VPS accounts, and may sell them in the period from and including 13 November 2018 to 16:30 hours (CET) on 19 November 2018 for the account and risk of such Ineligible Shareholders, unless the relevant Subscription Rights are held through a financial intermediary. See Section 18.12 "Financial intermediaries" below for a description of the procedures applicable to Subscription Rights held by Ineligible Shareholders through financial intermediaries.

The Managers will use commercially reasonable efforts to procure that the Subscription Rights withdrawn from the VPS accounts of Ineligible Shareholders (and that are not held through financial intermediaries) are sold on behalf of, and for the benefit of, such Ineligible Shareholders during the above period, provided that (i) the Managers are able to sell the Subscription Rights at a price at least equal to the anticipated costs related to the sale of such Subscription Rights, and (ii) the relevant Ineligible Shareholder has not by 16:30 hours (CET) on 12 November 2018 documented to the Company through the Managers the right to receive the Subscription Rights withdrawn from its VPS account, in which case the Managers shall re-credit the withdrawn Subscription Rights to the VPS account of the relevant Ineligible Shareholder. The proceeds from the sale of the Subscription Rights (if any), after deduction of customary sales expenses, will be credited to the Ineligible Shareholder's bank account registered in the VPS for payment of dividends, provided that the net proceeds attributable to such Ineligible Shareholder amount to or exceed NOK 100. If an Ineligible Shareholder does not have a bank account registered in the VPS, the Ineligible Shareholder must contact the Managers to claim the proceeds. If the net proceeds attributable to an Ineligible Shareholder are less than NOK 100, such amount will be retained for the benefit of the Company. There can be no assurance that the Managers will be able to withdraw and/or sell the Subscription Rights at a profit or at all. Other than as explicitly stated above, neither the Company nor the Managers will conduct any sale of Subscription Rights not sold before 16:30 hours (CET) on 19 November 2018 or utilised before the end of the Subscription Period.

18.9 Trading in Subscription Rights

The Subscription Rights will be tradable and listed on the Oslo Stock Exchange with ticker code "KOG T" from and including 09:00 hours (CET) on 7 November 2018 to 16:30 hours (CET) on 19 November 2018.

The Subscription Rights will hence only be tradable during part of the Subscription Period.

Persons intending to trade in Subscription Rights should be aware that the trading in, and exercise of, Subscription Rights by holders who are located in jurisdictions outside Norway may be restricted or prohibited by applicable securities laws. See Section 19 "Selling and transfer restrictions" for a description of such restrictions and prohibitions.

18.10 Subscription procedures

Subscriptions for Offer Shares must be made by submitting a correctly completed subscription form included in Appendix D "Subscription form for the Rights Issue" (the "**Subscription Form**") to one of the Managers during the Subscription Period, or may, for Norwegian residents with a Norwegian personal identification number (Nw.: *personnummer*), be made online as further described below.

Subscriptions for Offer Shares by subscribers who are not Existing Shareholders must also be made on a Subscription Form in the form included in Appendix D "Subscription form for the Rights Issue".

Correctly completed Subscription Forms must be received by one of the Managers at the following address or email address, or in the case of online subscriptions be registered, by 16:30 hours (CET) on 21 November 2018:

Arctic Securities AS	Danske Bank A/S, Norwegian branch	DNB Markets, Registrar Department
Haakon VIIs gate 5	Bryggetorget 4	Dronning Eufemias gate 30
P.O. Box 1833 Vika	P.O. Box 1170 Sentrum	P.O. Box 1600 Sentrum
N-0123 Oslo	N-0107 Oslo	N-0021 Oslo
Norway	Norway	Norway
Tel: +47 21 01 30 40	Tel: +47 85 40 55 00	Tel: +47 23 26 80 20
E-mail: subscription@arctic.com	E-mail: emisjoner@danskebank.com	E-mail: retail@dnb.no

Subscribers who are Norwegian residents with a Norwegian personal identification number (Nw.: *personnummer*) are encouraged to subscribe for Offer Shares through the VPS online subscription system (or by following the link on www.arctic.com/secno, www.danskebank.no/kog or www.dnb.no/emisjoner which will redirect the subscriber to the VPS online subscription system). The VPS online subscription system is only available for individual persons and is not available for legal entities; legal entities must thus submit a Subscription Form in order to subscribe for Offer Shares.

None of the Company or the Managers may be held responsible for postal delays, unavailable internet lines or servers or other logistical or technical problems that may result in subscriptions not being received in time or at all by one of the Managers. Subscription Forms received after the end of the Subscription Period and/or incomplete or incorrect Subscription Forms and any subscription that may be unlawful may be disregarded at the sole discretion of the Company and/or the Managers without notice to the subscriber.

Subscriptions are binding and irrevocable, and cannot be withdrawn, cancelled or modified by the subscriber after having been received by one of the Managers or, in the case of subscriptions through the VPS online subscription system, upon registration of the subscription. The subscriber is responsible for the correctness of the information filled into the Subscription Form or, in the case of subscriptions through the VPS online subscription system, the online subscription registration. By signing and submitting a Subscription Form, or by registration of a subscription in the VPS online subscription system, the subscribers confirm and warrant that they have read this Prospectus and are eligible to subscribe for Offer Shares under the terms set forth herein.

There is no minimum subscription amount for which subscriptions in the Rights Issue must be made. Over-subscription (i.e. subscription for more Offer Shares than the number of Subscription Rights held by the subscriber) and subscription without Subscription Rights is permitted. However, in each case, there can be no assurance that Offer Shares will be allocated for such subscriptions.

Multiple subscriptions (i.e. subscriptions on more than one Subscription Form) are allowed. Please note, however, that two separate Subscription Forms submitted by the same subscriber with the same number of Offer Shares subscribed for on both Subscription Forms will only be counted once unless otherwise explicitly stated in one of the Subscription Forms. In the case of multiple subscriptions through the VPS online subscription system or subscriptions made both on a Subscription Form and through the VPS online subscription system, all subscriptions will be counted.

All subscriptions in the Rights Issue will be treated in the same manner regardless of whether the subscription is made by delivery of a Subscription Form to one of the Managers or through the VPS online subscription system.

18.11 Mandatory Anti-Money Laundering Procedures

The Rights Issue is subject to the Norwegian Money Laundering Act of 1 June 2018 No. 23 and the Norwegian Money Laundering Regulations of 14 September 2018 No. 1324 (collectively, the "**Anti-Money Laundering Legislation**").

Subscribers who are not registered as existing customers of one of the Managers must verify their identity to the Manager in accordance with the requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Subscribers who have designated an existing Norwegian bank account and an existing VPS account on the Subscription Form are exempted, unless verification of identity is requested by the Manger. Subscribers who have not completed the required verification of identity prior to the expiry of the Subscription Period will not be allocated Offer Shares.

Furthermore, participation in the Rights Issue is conditional upon the subscriber holding a VPS account. The VPS account number must be stated in the Subscription Form. VPS accounts can be established with authorised VPS registrars, who can be Norwegian banks, authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. However, non-Norwegian investors may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the NFSA. Establishment of a VPS account requires verification of identification to the VPS registrar in accordance with the Anti-Money Laundering Legislation.

18.12 Financial intermediaries

All persons or entities holding Shares or Subscription Rights through financial intermediaries (i.e. brokers, custodians and nominees) should read this Section 18.12 "Financial intermediaries". All questions concerning the timeliness, validity and form of instructions to a financial intermediary in relation to the exercise of Subscription Rights should be determined by the financial intermediary in accordance with its usual customer relations procedure or as it otherwise notifies each beneficial shareholder.

The Company is not liable for any action or failure to act by a financial intermediary through which Shares are held.

18.12.1 Subscription Rights

If an Existing Shareholder holds Shares registered through a financial intermediary on the Record Date, the financial intermediary will customarily give the Existing Shareholder details of the aggregate number of Subscription Rights to which it will be entitled. The relevant financial intermediary will customarily supply each Existing Shareholder with this information in accordance with its usual customer relations procedures. Existing Shareholders holding Shares through a financial intermediary should contact the financial intermediary if they have received no information with respect to the Rights Issue.

Subject to applicable law, Existing Shareholders holding Shares through a financial intermediary may instruct the financial intermediary to sell some or all of their Subscription Rights, or to purchase additional Subscription Rights on their behalf. See Section 19 "Selling and transfer restrictions" for a description of certain restrictions and prohibitions applicable to the sale and purchase of Subscription Rights in certain jurisdictions outside Norway.

Existing Shareholders who hold their Shares through a financial intermediary and who are Ineligible Shareholders will not be entitled to exercise their Subscription Rights but may, subject to applicable law, instruct their financial intermediary to sell their Subscription Rights transferred to the financial intermediary. As described in Section 18.8 "Subscription Rights", neither the Company nor the Managers will sell any Subscription Rights registered in the name of financial intermediaries.

18.12.2 Subscription Period and period for trading in Subscription Rights

The time by which notification of exercise instructions for subscription of Offer Shares must validly be given to a financial intermediary may be earlier than the expiry of the Subscription Period. The same applies for instructions pertaining to trading in Subscription Rights and the last day of trading in such rights (which accordingly will be a deadline earlier than 19 November 2018 at 16:30 hours (CET)). Such deadlines will depend on the financial intermediary. Existing Shareholders who hold their Shares through a financial intermediary should contact their financial intermediary if they are in any doubt with respect to deadlines.

18.12.3 Subscription

Any Existing Shareholder who is not an Ineligible Shareholder and who holds its Subscription Rights through a financial intermediary and wishes to exercise its Subscription Rights, should instruct its financial intermediary in accordance with the instructions received from such financial intermediary. The financial intermediary will be responsible for collecting exercise instructions from the Existing Shareholders and for informing one of the Managers of their exercise instructions.

A person or entity who has acquired Subscription Rights that are held through a financial intermediary should contact the relevant financial intermediary for instructions on how to exercise the Subscription Rights.

See Section 19 "Selling and transfer restrictions" below for a description of certain restrictions and prohibitions applicable to the exercise of Subscription Rights in certain jurisdictions.

18.12.4 Method of payments

Any Existing Shareholder who holds its Subscription Rights through a financial intermediary should pay the Subscription Price for the Offer Shares that are allocated to it in accordance with the instructions received from the financial intermediary. The financial intermediary must pay the Subscription Price in accordance with the instructions in the Prospectus. Payment by the financial intermediary for the Offer Shares must be made to one of the Managers no later than the Payment Date. Accordingly, financial intermediaries may require payment to be provided to them prior to the Payment Date.

18.13 Allocation of the Offer Shares

Allocation of the Offer Shares will take place on or about 21 November 2018 in accordance with the following criteria:

(i) Allocation of Offer Shares to subscribers will be made in accordance with granted and acquired Subscription Rights which have been validly exercised during the Subscription Period. Each Subscription Right will give the right to subscribe for and be allocated one Offer Share in the Rights Issue.

(ii) If not all Subscription Rights are validly exercised during the Subscription Period, subscribers having exercised their Subscription Rights and who have over-subscribed, will be allocated additional Offer Shares on a pro rata basis based on the number of Subscription Rights exercised by each such subscriber. To the extent that pro rata allocation is not possible, the Company will determine the allocation by the drawing of lots.

(iii) Offer Shares not allocated pursuant to (i) and (ii) above will be allocated to subscribers not holding Subscription Rights. Allocation will be sought made on a pro rata basis based on the relevant subscription amounts.

No fractional Offer Shares will be allocated. The Company reserves the right to reject or reduce any subscription for Offer Shares not covered by Subscription Rights.

Allocation of fewer Offer Shares than subscribed for by a subscriber will not impact on the subscriber's obligation to pay for the number of Offer Shares allocated.

Any Offer Shares that are unsubscribed by the end of the Subscription Period, will be subscribed by the Bank Underwriters pursuant to the Underwriting Agreement, see Section 18.21 "The underwriting".

The result of the Rights Issue is expected to be published on or about 21 November 2018 in the form of a stock exchange notification from the Company through the Oslo Stock Exchange information system and at the Company's website (www.kongsberg.com). Notifications of allocated Offer Shares and the corresponding subscription amount to be paid by each subscriber are expected to be distributed in a letter from VPS on or about 22 November 2018. Subscribers having access to investor services through their VPS account manager will be able to check the number of Offer Shares allocated to them from 09:00 hours (CET) on 22 November 2018. Subscribers who do not have access to investor services through their VPS account manager may contact one of the Managers (Arctic on telephone number +47 21 01 30 40, Danske Bank on telephone number +47 85 40 55 00 or DNB Markets on telephone number +47 23 26 81 01) from 09:00 hours (CET) on 22 November 2018 to obtain information about the number of Offer Shares allocated to them.

18.14 Payment for the Offer Shares

The payment for Offer Shares allocated to a subscriber falls due on 26 November 2018 (the "**Payment Date**"). Payment must be made in accordance with the requirements set out in Sections 18.14.1 "Subscribers who have a Norwegian bank account" or 18.14.2 "Subscribers who do not have a Norwegian bank account".

18.14.1 Subscribers who have a Norwegian bank account

Subscribers who have a Norwegian bank account must, and will by signing the Subscription Form or by the online subscription registration for subscriptions through the VPS online subscription system, provide DNB Markets (the "**Settlement Agent**") with a one-time irrevocable authorisation to debit a specified Norwegian bank account for the amount payable for the Offer Shares which are allocated to the subscriber.

The specified bank account is expected to be debited on or after the Payment Date. The Settlement Agent is only authorised to debit such account once, but reserves the right to make up to three debit attempts, and the authorisation will be valid for up to seven working days after the Payment Date.

The subscriber furthermore authorises the Settlement Agent to obtain confirmation from the subscriber's bank that the subscriber has the right to dispose over the specified account and that there are sufficient funds in the account to cover the payment.

If there are insufficient funds in a subscriber's bank account or if it for other reasons is impossible to debit such bank account when a debit attempt is made pursuant to the authorisation from the subscriber, the subscriber's obligation to pay for the Offer Shares will be deemed overdue.

Payment by direct debiting is a service that banks in Norway provide in cooperation. In the relationship between the subscriber and the subscriber's bank, the standard terms and conditions for "Payment by Direct Debiting – Securities Trading", which are set out on page 2 of the Subscription Form, will apply

18.14.2 Subscribers who do not have a Norwegian bank account

Subscribers who do not have a Norwegian bank account must ensure that payment with cleared funds for the Offer Shares allocated to them is made on or before the Payment Date.

Prior to any such payment being made, the subscriber must contact the Settlement Agent (DNB Markets) on telephone number +47 23 26 80 20 for further details and instructions.

18.14.3 Overdue payments

Overdue payments will be charged with interest at the applicable rate from time to time under the Norwegian Act on Interest on Overdue Payment of 17 December 1976 No. 100, currently 8.50% per annum as of the date of this Prospectus. If a subscriber fails to comply with the terms of payment, the Offer Shares will, subject to the restrictions in the Norwegian Public Limited Companies Act, not be delivered to such subscriber.

In order to enable timely registration of the share capital increase pertaining to the Rights Issue with the Norwegian Register of Business Enterprises, the Company has entered into a payment guarantee agreement with DNB and Danske Bank (the "**Payment Guarantors**") pursuant to which the Payment Guarantors have undertaken to pay for any Offer Shares for which payment has not been received on or prior to the Payment Date, excluding (i) the Offer Shares not subscribed for by the expiry of the Subscription Period (which, if any, shall be subscribed and paid for in accordance with the terms and conditions of the Underwriting Agreement) and (ii) the Offer Shares subscribed for by the Norwegian Government and the Pre-committing Shareholders. The Payment Guarantors' obligations under the payment guarantee agreement are several (and not joint and several) and limited to an amount of NOK 751,144,130.45 for each Payment Guarantor (NOK 1,501,288,260.90 in total).

Pursuant to such payment guarantee agreement, the Payment Guarantors will pay any subscription amounts not paid by subscribers when due, limited upwards to the guaranteed amount. The non-paying subscribers will remain fully liable for the subscription amount payable for the Offer Shares allocated to them, irrespective of such payment by the Payment Guarantors. The Offer Shares allocated to such subscribers will be transferred to a VPS account operated by the Settlement Agent on behalf of the Payment Guarantors and will be transferred to the non-paying subscriber when payment of the subscription amount for the relevant Offer Shares is received. However, the Payment Guarantors reserve the right to sell on behalf of the subscriber (on the subscribers account and risk) or assume ownership of the Offer Shares from and including the fourth day after the Payment Date without further notice to the subscriber in question in accordance with section 10-12 (4) of the Norwegian Public Limited Liability Companies Act if payment has not been received within the third day after the Payment Date. If the Offer Shares are sold on behalf of the subscriber, the subscriber will remain liable for payment of the subscription amount, together with any interest, loss, costs, charges and expenses suffered or incurred by the Company and/or the Payment Guarantors as a result of or in connection with such sales. The Company and/or the Payment Guarantors may enforce payment for any amount outstanding in accordance with Norwegian law.

If the Payment Guarantors decide not to assume ownership to the unpaid Offer Shares, the Settlement Agent, on behalf of the Company, reserves the right, at the risk and cost of the subscriber to, at any time from and including the fourth day after the Payment Date, cancel the subscription and to reallocate or otherwise dispose of allocated

Offer Shares for which payment is overdue, on such terms and in such manner as the Settlement Agent may decide in accordance with Norwegian law. The subscriber will remain liable for payment of the subscription amount, together with any interest, loss, costs, charges and expenses accrued and the Settlement Agent, on behalf of the Company, may enforce payment for any such amount outstanding in accordance with Norwegian law.

18.15 Delivery of the Offer Shares

Subject to timely payment of the entire subscription amount in the Rights Issue, the Company expects that the share capital increase pertaining to the Rights Issue will be registered with the Norwegian Register of Business Enterprises on or about 28 November 2018 and that the Offer Shares will be delivered to the VPS accounts of the subscribers to whom they are allocated on or about the same day. The final deadline for registration of the share capital increase pertaining to the Rights Issue with the Norwegian Register of Business Enterprises, and hence for the subsequent delivery of the Offer Shares, is, pursuant to the Norwegian Public Limited Companies Act, three months from the expiry of the Subscription Period, i.e. on 21 February 2019.

18.16 Listing of the Offer Shares

The Shares are listed on the Oslo Stock Exchange under ISIN NO0003043309 and ticker code "KOG".

The Offer Shares will be listed on the Oslo Stock Exchange as soon as the share capital increase pertaining to the Rights Issue has been registered with the Norwegian Register of Business Enterprises and the Offer Shares have been registered in the VPS. The listing is expected to take place on or about 29 November 2018.

The Offer Shares may not be transferred or traded before they are fully paid, the share capital increase pertaining to the Rights Issue has been registered with the Norwegian Register of Business Enterprises, and the Offer Shares have been registered in the VPS.

18.17 The rights conferred by the Offer Shares

The Offer Shares issued in the Rights Issue will be ordinary Shares in the Company each having a nominal value of NOK 1.25. The Offer Shares will be issued electronically in registered form in accordance with the Norwegian Public Limited Companies Act.

The Offer Shares will rank pari passu in all respects with the existing Shares and will carry full shareholder rights in the Company from the time of registration of the share capital increase pertaining to the Rights Issue with the Norwegian Register of Business Enterprises. The Offer Shares will be eligible for any dividends that the Company may declare after such registration. All Shares, including the Offer Shares, will have voting rights and other rights and obligations which are standard under the Norwegian Public Limited Companies Act, and are governed by Norwegian law. See Section 15 "Corporate information and description of the share capital" for a more detailed description of the Shares.

18.18 LEI number

Legal Entity Identifier ("**LEI**") is a mandatory number for all companies investing in the financial market from January 2018. A LEI is a 20-character identifier that identifies distinct legal entities that engage in financial transactions. The Global Legal Identifier Foundation ("**GLEIF**") is not directly issuing LEIs, but instead it delegates this responsibility to Local Operating Units ("**LOUs**").

Norwegian companies can apply for a LEI number through the website https://www.dnb.no/bedrift/markets/vilkar-avtaler/mifid/leilogon.html. The application can be submitted through an online form and signed electronically with BankID. It normally takes one to two working days to process the application.

Non-Norwegian companies can find a complete list of LOUs on the website https://www.gleif.org/en/about-lei/get-an-lei-find-lei-issuing-organizations.

18.19 VPS registration

The Subscription Rights will be registered in the VPS under ISIN NO 0010835549. The Offer Shares will be registered in the VPS with the same ISIN as the existing Shares, i.e. ISIN NO0003043309.

The Company's registrar with the VPS is DNB Bank ASA (the VPS Registrar), Dronning Eufemias gate 30, P.O. Box 1600 Sentrum, N-0021 Oslo, Norway, telephone number +47 23 26 80 20.

18.20 Dilution

The Rights Issue will result in an immediate dilution of approximately 33.33% for Existing Shareholders who do not participate in the Rights Issue.

18.21 The underwriting

The Norwegian Parliament has approved that the Norwegian Government, represented by the Ministry of Trade, Industry and Fisheries, participates in the Rights Issue on a pro rata basis (50.001%). The approximately 50% of the Rights Issue that does not relate to Shares owned by the Norwegian Government is underwritten by the Bank Underwriters and the Pre-committing Shareholders:

Bank Underwriters and Pre-committing Shareholders	Address	Amount (NOK)	% of the Rights Issue
DNB	Dronning Eufemias gate 30, N-0021 Oslo, Norway	751,144,130.45	15.03%
Danske Bank	Bryggetorget 4, P.O. Box 1170 Sentrum, N-0107 Oslo, Norway	751,144,130.45	15.03%
Folketrygdfondet	Haakon VII's gate 2, 0161 OSLO, Norway	326,489,768.50	6.53%
Danske Capital Norge	Bryggetorget 4, P.O. Box 1170 Sentrum, N-0107 Oslo, Norway	154,782,145.70	3.10%
MP Pensjon	Lakkegata 23, 0187 Oslo Norway	153,359,839.85	3.07%
Must Invest AS and affiliated shareholders	Haakon VIIs gate 2, 0161 Oslo, Norway	138,828,446.40	2.78%
Ulfoss Invest AS	Månesigden 2, 1337 Sandvika, Norway	106,948,994.95	2.14%
Odin Norge AS and Odin Energi AS	Fjordalléen 16, 0250 Oslo, Norway	73,758,318.20	1.48%
Intertrade Shipping AS and Fløtemarken AS	Hoffsveien 1C, 0275 Oslo, Norway	41,650,000.00	0.83%
Total		**2,498,105,774.50**	**49.99%**

The underwriting is governed by an underwriting agreement dated 5 July 2018, as amended by a pricing supplemented dated 1 November 2018 (the "**Underwriting Agreement**").

Pursuant to the Underwriting Agreement, the Rights Issue is underwritten, severally and not jointly, by the Bank Underwriters. The Bank Underwriters have according agreed, on the terms and conditions set out in the Underwriting Agreement, to underwrite an aggregate amount of NOK 1,502,288,260.90 in the Rights Issue (the "**Total Underwriting Commitment**"), which is equal to the gross proceeds of the Rights Issue, less (i) the portion of the Rights Issue to be subscribed for by the Norwegian Government, represented by the Ministry of Trade, Industry and Fisheries which equals its current pro rata ownership interest in the Company (i.e. 50.001%) and (ii) the portion of the Rights Issue the Pre-committing Shareholders have agreed to subscribe for.

Each Bank Underwriter's obligation to subscribe and pay for the unsubscribed Shares hereunder is subject to the satisfaction or waiver of inter alia the following conditions:

(i) The Ministry of Trade, Industry and Fisheries shall have subscribed at least the number of Offer Shares covered by the Subscription Rights allocated to it in the Rights Issue based on its 50.001% shareholding, and the Pre-committing Shareholders shall have subscribed for at least NOK 995,817,513.60 of the Rights Issue before the expiry of the Subscription Period.

(ii) No underwriting commitments shall have been rightfully withdrawn.

(iii) Save as disclosed by the Company on or prior to the date of this Prospectus, no change, event, effect, or condition shall have occurred that has or would have, individually or in the aggregate, an effect on the current or future business, assets, liabilities, liquidity, solvency or funding position or condition (financial or otherwise) or results of the Company and its subsidiaries taken as a whole, which in the good faith opinion of the Bank Underwriters is so material and adverse as to make it impracticable or inadvisable to proceed with the Rights Issue or the delivery of the Offer Shares on the terms and in the manner contemplated in this Prospectus.

(iv) No event shall have occurred giving the Bank Underwriters or Pre-committing Shareholders a right to terminate the Underwriting Agreement.

Prior to the subscription for the unsubscribed Shares under the Underwriting Agreement, the Bank Underwriters may jointly terminate the Underwriting Agreement in the event that:

(i) the Company is in material breach of the Underwriting Agreement; or

(ii) (a) any withdrawal of admission to listing of the Offer Shares or any suspension of, or limitation on prices for, trading in the existing Shares of the Company on the Oslo Stock Exchange, or in equity securities generally on the Oslo Stock Exchange or on the London Stock Exchange or the New York Stock Exchange; (b) any declaration of a banking moratorium or suspension of payments in respect of banks generally in Norway, New York or the United Kingdom or with the respect to the European Central Bank; (c) any change or developments involving a prospective change in the international financial markets, or in the financial markets of or in financial, political, monetary or economic conditions in Norway, the United Kingdom or the United States, or any outbreak or escalation of hostilities or any other calamity or crisis; (d) any material change in currency exchange rates or foreign exchange controls, or a disruption of settlement systems or commercial banking in Norway, the United Kingdom or the United States; or (e) there has occurred a change or development involving a change in taxation affecting the Company, the Offer Shares or the transfer thereof, and the effect of any of the events described in (a) to (e), in the good faith opinion of the Bank Underwriters, is material and makes it impracticable or inadvisable to proceed with the Rights Issue or the underwriting of the Offer Shares or materially and adversely affects dealings in the Offer Shares following the Payment Date; or

(iii) there is information contained in this Prospectus (and/or in any other publication or announcement issued or to be issued by the Company on or after the date of the Underwriting Agreement but prior to or at the same time as publication of the Prospectus) that relates to facts or circumstances existing prior to or at the date of the Underwriting Agreement that was not contained in the public disclosure prior to that date, and which in the good faith opinion of the Bank Underwriters is (singly or in aggregate) so material in the context of the Rights Issue or the underwriting of the Offer Shares as to make it impracticable or inadvisable to proceed with the Rights Issue or the underwriting of the Offer Shares.

Pursuant to the Underwriting Agreement, each Bank Underwriter shall receive from the Company an underwriting commission equal to 1.2% of the amount of the respective Bank Underwriter's underwriting obligation, and the Pre-committing Shareholders shall as compensation receive from the Company a fee equal to 1.2% of their respective pre-committed subscription amount.

18.22 Lock–up

The Company has in the Underwriting Agreement undertaken for a period of six months from the Payment Date not to issue any Shares other than (i) the Offer Shares, (ii) as consideration for options, subscription rights and similar rights already issued, (iii) as part of incentive schemes for employees, or (iv) following the prior written consent of the Bank Underwriters.

18.23 Net proceeds and expenses related to the Rights Issue

The Managers will receive a fee equal to 0.25% of the gross proceeds of the Rights Issue, and such fee will be split equally between the Managers. In addition, the Company may at its sole discretion pay an additional success fee of up to 0.1% of the gross proceeds of the Rights Issue. Each Bank Underwriter shall receive from the Company an underwriting commission equal to 1.2% of the amount of the respective Bank Underwriter's underwriting obligation, and the Pre-committing Shareholders shall as compensation receive from the Company a fee equal to 1.2% of their respective pre-committed subscription amount as described in Section 18.21 "The underwriting" above. The total costs and expenses of, and incidental to, the Rights Issue are estimated to amount to approximately NOK 59 million. No expenses or taxes will be charged by the Company or the Managers to the subscribers in the Rights Issue.

Total net proceeds from the Rights Issue are estimated to be approximately NOK 4.938 billion. For a description of the use of such proceeds, see Section 18.2 "Use of proceeds".

18.24 Interest of natural and legal persons involved in the Rights Issue

The Managers or their affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers, their employees and any affiliate may currently own Shares in the Company. Further, in connection with the Rights Issue, the Managers, their employees and any affiliate acting as an investor for its own account may receive Subscription Rights (if they are Existing Shareholders) and may exercise its right to take up such Subscription Rights and acquire Offer Shares, and, in that capacity, may retain, purchase or sell Offer Shares or Subscription Rights and any other securities of the Company or other investments for its own account and may offer or sell such securities (or other investments) otherwise than in connection with the Rights Issue. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Further, the Managers will receive fees in connection with the Rights Issue and, as such, have an interest in the Rights Issue. See Section 18.23 "Net proceeds and expenses related to the Rights Issue", for information on the fees to the Managers.

18.25 Participation of major Existing Shareholders and members of the Company's Management, supervisory and administrative bodies in the Rights issue

The overview below shows the members of the Board of Directors and the Management, including their close associates, who have given each of Arctic Securities AS and DNB Markets an irrevocable power of attorney to, on their behalf, to (i) subscribe for Offer Shares at a Subscription Price of NOK 83.30, (ii) sell Subscription Rights, or (iii) a combination of (i) and (ii), on the first day of the subscription period:

Name	Position	Number of Subscription Rights allocated	Number of Subscription Rights to be sold	Number of Offer Shares subscribed based on Subscription Rights	Number of Offer Shares over-subscribed
Eivind Kristofer Reiten[1]	Chairman	950	0	950	0
Morten Henriksen	Board member	1,000	0	1,000	2,000
Martha Kold Bakkevig[2]	Board member	700	0	700	6,000
Elisabeth Fossan	Board member (employee representative)	1,620	0	1,620	100
Sigmund Ivar Bakke	Board member (employee representative)	1,539	1,539	0	0
Geir Håøy	President & Chief Executive Officer	7,941	0	7,941	1,500
Gyrid Skalleberg Ingerø	Group Executive Vice President and Chief Financial Officer	2,196	0	2,196	6,000
Egil Haugsdal	Executive Vice President. President, Kongsberg Maritime	10,185	0	10,185	2,000
Eirik Lie	Executive Vice President. President, Kongsberg Defence & Aerospace	1,912	0	1,912	1,000
Hege Skryseth	Executive Vice President. President Kongsberg Digital	3,236	0	3,236	2,000
Even Aas	Group Executive Vice President Public Affairs	8,897	2,897	6,000	500
Harald Aarø	Group Executive Vice President Business Development and Strategy	2,537	0	2,537	1,000

Name	Position	Number of Subscription Rights allocated	Number of Subscription Rights to be sold	Number of Offer Shares subscribed based on Subscription Rights	Number of Offer Shares over-subscribed
Hans Petter Blokkum	Group Executive Vice President, Chief HR and Security Officer	525	0	525	400

1 Shares held through Mocca Invest AS, owned 100% by Eivind Kristoffer Reiten.
2 Shares held through Kold Invest AS, owned 50% by Martha Kold Bakkevig.

Except for this and the participation in the Rights Issue by the Norwegian Government, represented by the Ministry of Trade, Industry and Fisheries, and the Pre-committing Shareholders, the Company is not aware of whether any major shareholders of the Company or members of the Company's management, supervisory or administrative bodies intend to subscribe for Offer Shares in the Rights Issue, or whether any person intends to subscribe for more than 5% of the Rights Issue.

18.26 Publication of information relating to the Rights Issue

In addition to press releases which will be posted on the Company's website, the Company will use the Oslo Stock Exchange information system to publish information relating to the Rights Issue.

18.27 Product Governance

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (MiFID II); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the MiFID II Product Governance Requirements), and disclaiming all and any liability, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that they each are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the Target Market Assessment).

Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Shares and determining appropriate distribution channels.

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

18.28 Governing law and jurisdiction

This Prospectus, the Subscription Forms and the terms and conditions of the Rights Issue shall be governed by, and construed in accordance with, and the Offer Shares will be issued pursuant to, Norwegian law. Any dispute arising out of, or in connection with, the Subscription Forms or the Rights Issue shall be subject to the exclusive jurisdiction of the courts of Norway, with Oslo District Court as legal venue.

19 SELLING AND TRANSFER RESTRICTIONS

This Prospectus does not constitute an offer or grant of, or an invitation to purchase any of, the Subscription Rights or the Offer Shares in any jurisdiction in which such offer or sale would be unlawful. No one has taken any action that would permit a public offering of Subscription Rights or Offer Shares to occur outside of Norway. Accordingly, neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. The Company and the Managers require persons in possession of this Prospectus to inform themselves about and to observe any such restrictions. The Subscription Rights and Offer Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

19.1 General

The grant of Subscription Rights and issue of Offer Shares upon exercise of Subscription Rights and the offer of unsubscribed Offer Shares to persons resident in, or who are citizens of countries other than Norway, may be affected by the laws of the relevant jurisdiction. Investors should consult their professional advisors as to whether they require any governmental or other consents or need to observe any other formalities to enable them to exercise Subscription Rights or purchase Offer Shares.

The Subscription Rights and Offer Shares being granted and offered, respectively, in the Rights Issue have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not and will not be offered, sold, exercised, pledged, resold, granted, delivered, allocated, taken up, transferred or delivered, directly or indirectly, within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act and in compliance with the applicable securities laws of any state or jurisdiction of the United States. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus is for information only and should not be copied or redistributed. Except as otherwise disclosed in this Prospectus, if an investor receives a copy of this Prospectus in any territory other than Norway, such investor may not treat this Prospectus as constituting an invitation or offer to it, or a grant of, nor should the investor in any event deal in Subscription Rights or Offer Shares (as the case may be), unless, in the relevant jurisdiction, such an invitation, offer or grant could lawfully be made to that investor, or the Subscription Rights or Offer Shares, as applicable, could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if an investor receives a copy of this Prospectus, the investor should not distribute or send the same, or transfer the Subscription Rights or Offer Shares to any person or in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If the investor forwards this Prospectus into any such territories (whether under a contractual or legal obligation or otherwise), the investor should direct the recipient's attention to the contents of this Section 19 "Selling and Transfer Restrictions".

Except as otherwise noted in this Prospectus and subject to certain exceptions: (i) the Subscription Rights and Offer Shares being granted and offered, respectively, in the Rights Issue may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into, any jurisdiction in which it would not be permissible to grant the Subscription Rights or offer the Offer Shares, as applicable; (ii) this Prospectus may not be sent to any person in any jurisdiction in which it would not be permissible to offer the Offer Shares; and (iii) the crediting of Subscription Rights to an account of an holder or other person who is a resident of any jurisdiction in which it would not be permissible to offer the Offer Shares does not constitute an offer to such persons of the Offer Shares. Holders of Subscription Rights who are resident in any jurisdiction in which it would not be permissible to offer the Offer Shares may not exercise Subscription Rights.

If an investor exercises Subscription Rights to subscribe for Offer Shares, or purchases Offer Shares, either from the Company directly or from the Underwriters, unless the Company in its sole discretion determines otherwise on a case-by-case basis, that investor will be deemed to have made or, in some cases, be required to make, the following representations and warranties to the Company and any person acting on the Company's or its behalf:

(a) the investor is not located or residing in a jurisdiction in which it would not be permissible to offer the Offer Shares;

(b) the investor is not a person to which the Rights Issue cannot be unlawfully made;

(c) the investor is not acting, and has not acted, for the account or benefit of an a person to which the Rights Issue cannot be unlawfully made;

(d) the investor is either a "qualified institutional buyer" as defined in Rule 144A under the U.S. Securities Act (a "QIB"), or acquiring the Offer Shares in an "offshore transaction" outside the United States within the meaning of, and pursuant to, Regulation S;

(e) the investor understands that the Subscription Rights and the Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged, resold, granted, delivered, allocated, taken up or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, registration under the U.S. Securities Act;

(f) the investor acknowledges that the Company is not taking any action to permit a public offering of the Offer Shares (pursuant to the exercise of the Subscription Rights or otherwise) in any jurisdiction other than Norway; and

(g) the investor may lawfully be offered, take up, subscribe for and receive Subscription Rights and Offer Shares in the jurisdiction in which it resides or is currently located.

The Company, the Managers and their affiliates and others will rely upon the truth and accuracy of the above acknowledgements, agreements and representations, and agree that, if any of the acknowledgements, agreements or representations deemed to have been made by its purchase of Offer Shares is no longer accurate, it will promptly notify the Company and the Managers. Any provision of false information or subsequent breach of these representations and warranties may subject the investor to liability.

If a person is acting on behalf of a holder of Subscription Rights (including, without limitation, as a nominee, custodian or trustee), that person will be required to provide the foregoing representations and warranties to the Company with respect to the exercise of Subscription Rights on behalf of the holder. If such person cannot or is unable to provide the foregoing representations and warranties, the Company will not be bound to authorize the allocation of any of the Subscription Rights and Offer Shares to that person or the person on whose behalf the other is acting. Subject to the specific restrictions described below, if an investor (including, without limitation, its nominees and trustees) is located outside Norway and wishes to exercise or otherwise deal in or subscribe for Offer Shares, the investor must satisfy itself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

The information set out in this Section 19 "Selling and Transfer Restrictions" is intended as a general guide only. If the investor is in any doubt as to whether it is eligible to exercise its Subscription Rights and subscribe for the Offer Shares, such investor should consult its professional advisor without delay.

The Company reserves the right to reject any exercise (or revocation of such exercise) in the name of any person who provides an address in a jurisdiction in which the Rights Issue cannot be lawfully made, or who is unable to represent or warrant that such person is not located or residing in such jurisdiction. Furthermore, the Company reserves the right, with sole and absolute discretion, to treat as invalid any exercise or purported exercise of Subscription Rights which appears to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws or regulations of any jurisdiction.

Notwithstanding any other provision of this Prospectus, the Company reserves the right to permit a holder to exercise its Subscription Rights if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the laws or regulations giving rise to the restrictions in question. Applicable exemptions in certain jurisdictions are described further below. In any such case, the Company does not accept any liability for any actions that a holder takes or for any consequences that it may suffer as a result of the Company accepting the holder's exercise of Subscription Rights.

Neither the Company nor the Managers, nor any of their respective representatives, is making any representation to any offeree, subscriber or purchaser of Offer Shares regarding the legality of an investment in the Offer Shares by such offeree, subscriber or purchaser under the laws applicable to such offeree, subscriber or purchaser. Each investor should consult its own advisors before subscribing for Offer Shares.

A further description of certain restrictions in relation to the Subscription Rights and the Offer Shares in certain jurisdictions is set out below.

19.2 United States

The Subscription Rights and/or Offer Shares, as applicable, have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered, sold, pledged or otherwise transferred in or into the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws. The Offer Shares are being offered (i) within the United States only to QIBs, as defined in Rule 144A of the U.S. Securities Act, pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and (ii) outside the United States in "offshore transactions" as defined in, and in reliance on, Regulation S under the U.S. Securities Act, in each case, in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Prospective purchasers of the Offer Shares are hereby notified that sellers of the Offer Shares may be relying on the exemption from registration provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

Except as set out below under "Sales within the United States" (i) neither this Prospectus nor the crediting of Subscription Rights to a stock account constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Offer Shares in the United States, and this Prospectus will not be sent to any Existing Shareholder with a registered address in the United States and (ii) exercising Subscription Rights or renunciations thereof sent from or post-marked in the United States will be deemed to be invalid and all persons acquiring Offer Shares and wishing to hold such Offer Shares in registered form must provide an address for registration of the Offer Shares, issued upon exercise thereof outside the United States.

Until the expiration of 40 days as from the later of (a) the commencement of the Rights Issue, and (b) the commencement of any offering by underwriters of new shares underlying unexercised preferential subscription rights, an offer, sale or transfer of the Offer Shares or preferential subscription rights within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

In making an investment decision with respect to the Offer Shares, investors must rely on their own examination of the Company and the terms of the Rights Issue, including the merits and risks involved. The Subscription Rights and the Offer Shares have not been recommended, approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Subscription Rights and the Offer Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

Sales within the Unites States

Notwithstanding the foregoing, the Offer Shares may be offered to and the Subscription Rights may be exercised by or on behalf of, persons in the United States reasonably believed to be QIBs, in offerings exempt from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, provided such persons satisfy to the Company that they are eligible to participate on such basis. Persons in the United States exercising Subscription Rights to acquire Offer Shares will be required to execute an investor letter in a form acceptable to the Company and the Managers.

Each person exercising Subscription Rights and each purchaser of Offer Shares, either from the Company directly or from the Underwriters, within the United States pursuant to an exemption from the registration requirements of the U.S. Securities Act, by accepting delivery of this Prospectus, will be deemed to have represented, warranted, agreed and acknowledged that:

(a) It is (i) a QIB and (ii) exercising such Subscription Rights or acquiring such Offer Shares for its own account or for the account of a QIB as to which it has full investment discretion, in each case for investment purposes, and not with a view to any distribution (within the meaning of the U.S. federal securities laws) of the Shares.

(b) It understands that such Offer Shares are being offered for sale in a transaction not involving any public offering in the United States and the Subscription Rights and Offer Shares have not been and will not be registered under the U.S. Securities Act or any U.S. securities laws or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered, sold, pledged or otherwise transferred except (i)(A) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (B) in an "offshore transaction" as defined in and in accordance with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act, (C) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder (if available), (D) pursuant to any other available exemption from registration under the U.S. Securities Act or (E) pursuant to an effective registration statement under the U.S. Securities Act, and (ii) in accordance with all applicable federal and state securities laws of the United States.

(c) It understands that such Offer Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) IN ACCORDANCE WITH RULE 144A UNDER THE U.S. SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QIB WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (4) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, AND (B) IN ACCORDANCE WITH ALL APPLICABLE FEDERAL AND STATE SECURITIES LAWS OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR RESALES OF THIS SECURITY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THIS SECURITY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF SECURITIES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK.

(d) The Company, the Mnagers, and any selling agents and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is exercising any Subscription Rights or acquiring any Offer Shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(e) The Offer Shares have not been offered to it by means of any "general solicitation" or "general advertising" as such terms are used in Regulation D under the U.S. Securities Act.

(f) The Company shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions.

No representation has been, or will be, made by the Company or the Managers as to the availability of Rule 144 under the U.S. Securities Act or any other exemption under the U.S. Securities Act or any state securities laws for the re-offer, sale, pledge or transfer of the Offer Shares for so long as the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act.

Any person in the United States into whose possession this Prospectus comes should inform itself about and observe any applicable legal restrictions; any such person in the United States who is not a QIB is required to disregard this Prospectus. A person in the United States who is not a QIB is an Ineligible Shareholder (as defined in Section 18.8

"Subscription Rights"). Subscription Rights granted to an Ineligible Shareholder will be sold in accordance with the procedures set forth in Section 18.8 "Subscription Rights".

Prospective purchasers are hereby notified that sellers of the Offer Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

Sales outside the United States

Each person that at the time of exercise of Subscription Rights or purchase of Offer Shares, either from the Company directly or from the Underwriters, was outside the United States, by accepting delivery of this Prospectus, will be deemed to have represented, warranted, agreed and acknowledged that:

(a) It (i) is not within the United States; (ii) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Offer Shares; (iii) is not exercising for the account of any person who is located in the United States, unless: (A) the instruction to exercise was received from a person outside the United States and (B) the person giving such instruction has confirmed that (x) it has the authority to give such instruction, and (y) either (a) has investment discretion over such account or (b) is an investment manager or investment company that is acquiring the Offer Shares in an "offshore transaction" within the meaning of Regulation S under the U.S. Securities Act; and (iv) is not acquiring the Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Offer Shares into the United States.

(b) It understands that such Subscription Rights and Offer Shares have not been and will not be registered under the U.S. Securities Act or any U.S. securities laws or with any securities regulatory authority of any state or other jurisdiction in the United States and that it will not offer, sell, pledge or otherwise transfer such Subscription Rights or Offer Shares except (i) in accordance with Rule 144A under the U.S. Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (ii) in an offshore transaction as defined in and in accordance with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act, in each case in accordance with any applicable securities laws of any State of the United States.

(c) It understands that such Offer Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER, OR IN A TRANSACTION NOT SUBJECT TO, THE U.S. SECURITIES ACT.

(d) It is aware of the restrictions on the offer and sale of the Offer Shares pursuant to Regulation S described in this Prospectus.

(e) The Offer Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S.

(f) The Company, the Managers, any selling gents and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

(g) The Company shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above restrictions.

The Company is not required to file periodic reports under Section 13 or 15 of the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). For as long as any of the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, and the Company is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, the Company will upon written request furnish to any holder or beneficial owner of the Offer Shares, or to any prospective purchaser designated by such holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act.

19.3 United Kingdom

Each Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Offer Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to everything done by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom.

19.4 European Economic Area

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), an offer to the public of any Offer Shares may not be made in that Relevant Member State, other than the offers contemplated by this Prospectus in Norway once this Prospectus has been approved by the Norwegian FSA and published in accordance with the Prospectus Directive as implemented in Norway, except that an offer to the public of any Offer Shares in a Relevant Member State may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in the Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100, or if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

Further, each person in a Relevant Member State other than, in the case of paragraph (a) below, persons receiving offers contemplated in this Prospectus in Norway who receives any communication in respect of, or who acquires any Offer Shares under, the offer contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with the Managers and the Company that:

(a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) such Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Managers has been given to the offer or resale; or (ii) where such Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer" in relation to any of the Offer Shares or Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares or Shares to be offered so as to enable an investor to decide to purchase or subscribe for such Offer Shares or Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

19.5 Switzerland

This Prospectus is not being publicly distributed in Switzerland. Each copy of this Prospectus is addressed to a specifically named recipient and may not be passed on to third parties. The Subscription Rights or Offer Shares are not being offered to the public in or from Switzerland, and neither this Prospectus, nor any other offering material in relation to the Subscription Rights or Offer Shares may be distributed in connection with any such public offering.

19.6 Additional Jurisdictions

The Subscription Rights or Offer Shares may not be offered, sold, exercised, pledged, resold, granted, allocated, taken up, transferred or delivered, directly or indirectly, in or into, Canada, Japan, Australia, Hong Kong or any other jurisdiction in which it would not be permissible to offer the Subscription Rights or the Offer Shares.

20 ADDITIONAL INFORMATION

20.1 Auditor and advisors

The Company's independent auditor is Ernst & Young AS (EY) with registration number 976 389 387, and business address Dronning Eufemias gate 6, N-0191 Oslo, Norway. EY is a member of Den Norske Revisorforening (The Norwegian Institute of Public Accountants).

Arctic Securities AS (Haakon VII's gate 5, N-0161 Oslo, Norway), Danske Bank A/S, Norwegian branch (Bryggetorget 4, P.O. Box 1170 Sentrum, N-0107 Oslo, Norway) and DNB Markets, a part of DNB Bank ASA (Dronning Eufemias gate 30, N-0021 Oslo, Norway) are acting as Joint Global Coordinators in connection with the Rights Issue.

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

20.2 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 certificate of incorporation 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; and
- this Prospectus.

20.3 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 unaudited consolidated interim financial statements as of and for the three month periods ended 30 September 2018 and 2017 (the Interim Financial Statements) and the Group's audited consolidated financial statements as of and for the year ended 31 December 2017 (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 9	Audited historical financial information (Annex XXIII, Section 15.1 and 15.3)	**Financial Statements 2017:** https://newsweb.oslobors.no/message/447517	P 106 - 160
Section 9	Audit report (Annex XXIII, Section 15.4)	**Auditor's report 2017:** https://newsweb.oslobors.no/message/447517	P 175 - 179
Section 8 and 9	Interim financial information (Annex XXIII, section 15.6)	**Interim Financial Statements Q3 2018:** https://newsweb.oslobors.no/message/462122	P 15 - 27
		Interim Financial Statements Q3 2017: https://newsweb.oslobors.no/message/437172	P 17 - 23

21 NORWEGIAN SUMMARY (NORSK SAMMENDRAG)

Sammendraget består av informasjon som skal gis i form av "Elementer". Elementene er nummerert i punktene A–E (A.1 – E.7) nedenfor. Dette sammendraget inneholder alle Elementer som skal være inkludert i et sammendrag for denne type verdipapir og utsteder. Som følge av at enkelte Elementer ikke må beskrives, kan det være huller i nummereringen av Elementene. Selv om man kan være pålagt å innta et Element i sammendraget på grunn av typen verdipapir og utsteder, er det mulig at det ikke kan gis relevant informasjon knyttet til Elementet. I så fall er det inntatt en kort beskrivelse av Elementet i sammendraget sammen med benevnelsen "ikke aktuelt".

I dette norske sammendraget skal definerte ord og uttrykk (angitt med stor forbokstav) som er oversatt til norsk forstås i samsvar med tilsvarende engelskspråklige ord eller uttrykk slik disse er definert i det engelskspråklige Prospektet. Noen eksempler på slike engelskspråklige motstykker til definerte ord og uttrykk som er oversatt til norsk er som følger: Med "Prospektet" forstås "Prospectus", med "Konsernet" forstås "Group", med "Selskapet" forstås "Company", med "Tilbudet" forstås "Offering", med "Aksjene" forstås "Shares", med "Tilbudsaksjene" forstås "Offer Shares" og med "Tegningsrettene" forstås "Subscription Rights".

Punkt A – Introduksjon og Advarsel

A.1	**Advarsel**	Dette sammendraget bør leses som introduksjon til Prospektet; enhver beslutning om å investere i verdipapirene bør være basert på investorens vurdering av Prospektet i sin helhet; dersom et krav knyttet til informasjonen i Prospektet fremsettes for en domstol, kan saksøkende investor, i henhold til nasjonal lovgivning i sitt Medlemsland, bli pålagt å dekke kostnadene med å oversette Prospektet før rettsforhandlingene igangsettes; og kun de personer som har satt opp sammendraget, herunder oversatt dette, kan pådra seg sivilrettslig ansvar, men kun dersom sammendraget er misvisende, ikke korrekt eller usammenhengende når det leses i sammenheng med andre deler av Prospektet eller dersom sammendraget, når det leses sammen med andre deler av Prospektet, ikke gir nøkkelinformasjon som investorene behøver når de vurderer om de skal investere i slike verdipapirer.
A.2	**Videresalg og endelig plassering av verdipapirer av finansielle mellommenn**	Ikke aktuelt. Selskapet har ikke gitt samtykke til at Prospektet kan brukes i videresalg eller brukes ved endelig plassering av Aksjene eller Tegningsrettene.

Punkt B – Utsteder

B.1	**Foretaksnavn**	Kongsberg Gruppen ASA.
B.2	**Hjemstat og rettslig organisering, lovgivning og stiftelsesland**	Selskapet er et allmennaksjeselskap, organisert og underlagt norsk lovgivning i henhold til allmennaksjeloven. Selskapet ble stiftet i Norge den 19. juni 1987, og Selskapets organisasjonsnummer i Foretaksregisteret er 943 753 709.
B.3	**Eksisterende virksomhet, hovedaktivitet og markeder**	Konsernet er et internasjonalt teknologikonsern som leverer avanserte og pålitelige teknologiske løsninger som bidrar til sikkerhet, trygghet og effektivitet i komplekse operasjoner under ekstreme forhold. Kongsberg samarbeider med globale kunder innenfor forsvars-, maritim-, olje- og gass-, fiskeri- og romfartsindustrien. Konsernets virksomhet rapporteres som to forretningsområder, Kongsberg Maritime og Kongsberg Defence & Aerospace, i tillegg til "øvrig virksomhet" som består av Kongsberg Digital, eiendomsvirksomhet og konsernstab. Selskapet har hovedkontor i Kongsberg, Norge, hvor Konsernest ledelse holder til.

	Kongsberg Defence & Aerospace er en leverandør av forsvarsprodukter og -systemer for kommando og kontroll, overvåkning, romfart, taktisk kommunikasjon, fjernstyrte våpenstasjoner og missiler, samt avanserte kompositt- og mekanikkprodukter for fly og helikopter. Produktene og systemene benyttes under vann, på overflaten, på land, i luften og i verdensrommet. Hovedavdelingene og produktene til Kongsberg Defence & Aerospace består av Integrated Defence Systems, Space & Surveillance, Missile Systems, Aerostructure, Defence Communications, Protech Systems og Patria (Finlands leverandør av teknologiløsninger og støttetjenester innen forsvar, sikkerhet og luftfart, 49,9 % eid av Kongsberg Defence & Aerospace). *Kongsberg Maritime* utvikler og leverer integrerte fartøyskonsepter til tradisjonelle handelsfartøy og fiskerfartøy så vel som offshore- og forskningsfartøyer og offshore installasjoner. Kongsberg Maritime leverer produkter og systemer for avansert havbunnskartlegging, sonarer, undervannskommunikasjon og marin robotikk (Unmanned Surface Vessel (USV) og Autonomous Underwater Vehicle (AUV)) og undervannskameraer til blant annet forsknings-, fiskeri- og forsvarsfartøy, samt havbruksinstallasjoner. Kongsberg Maritime har et stort nettverk av globale kunder, og har installasjoner på over 18.000 fartøy. *Kongsberg Digital* leverer software og digitale løsninger til kunder i maritim sektor, olje og gass, fornybar energi og kraftforsyningsbransjen. Kongsberg har ekspertise innenfor tingenes internett, smart data, kunstig intelligens, digitale tvillinger og andre områder som støtter økt automatisering og autonome operasjoner. I Kongsberg Digital møter lang og bred industrierfaring den nyskapende digitale kompetansen. "Kognifai" er Kongsbergs sky-baserte digitale plattform. Den er bygget på åpne standarder og legger til rette for fleksibilitet og skalering. I et åpent økosystem gir Kongsberg eksterne og interne utviklere tilgang til utviklingsrammeverk for å utvikle applikasjoner på plattformen.
B.4a Vesentlig aktuelle trender	Siden oljeprisen sank til rundt USD 30 per fat tidlig i 2016, har den økt jevnlig til et nivå på rundt USD 60-65 per fat i slutten av 2017. Siden utgangen av 2017 og gjennom de første tre kvartalene i 2018, har oljeprisen økt ytterligere til et nivå på rundt USD 70-80 per fat, og selv om det fortsatt er svingninger, er den underliggende trenden positiv, basert på en nedgang i lagerbeholdningen og en forlenget periode med reserveutskiftning på ikke-bærekraftige nivåer. Økningen i oljeprisen har, sammen med effektivisering av industrien, ført til en betydelig økning i fri kontantstrøm for oljeselskapene, noe som forventes å føre til økt aktivitet innen leting og produksjon og økt aktivitet innenfor offshoremarkedet. Det er ingen sterke endringer, men i løpet av første halvdel av 2018 har flere selskaper i offshoreindustrien rapportert om økt aktivitet og forbedrede utsikter. Med det høye antallet borerigger og offshorefartøy i opplag, forventes likevel ikke nybyggingsaktiviteten å ta seg opp i nærmeste fremtid, mens aktiviteten innen ettermarkedstjenester ser ut til å øke noe etter hvert som rigger og fartøy bringes tilbake i drift. I handelsflåten har nybyggingsaktiviteten hatt en jevn vekst i løpet av det siste året, drevet av en verdensomspennende BNP-vekst og fortsatt vekst i sjøtransporten. Denne trenden har også fortsatt i første halvdel av 2018. Selskapet har sett at aktivitetsnivået til Kongsberg Maritime til en viss grad har forbedret seg innenfor det globale kundestøttesegmentet. I de første ni månedene av 2018 har det også vært økt ordreinngang innen visse tradisjonelle segmenter i handelsflåten, som for eksempel bulk og LNG.

		Etter en periode med nedgang i markedet, opplever Kongsberg Maritime at offshore- og merkantilsegmentet har stabilisert seg i de siste kvartalene. Det høye fokuset på kostnads- og prosjekteffektivitet i nedgangsperiodene har vært avgjørende for å opprettholde marginene og styrke konkurranseevnen. Som det fremgår av børsmeldingen datert 10. august 2018, har det oppstått merkostnader på NOK 50 millioner i én enkelt prosjektleveranse i Kongsberg Maritime. Dette prosjektet er et pågående prosjekt innen integrerte løsninger som er i tråd med Kongsberg Maritimes "triangelstrategi", og de kostnadsoverskridelsene knytter seg til forsinkelser i prosjektet i tillegg til høyere tilpasnings- og utviklingskostnader enn forventet. Innenfor det globale forsvarsmarkedet viser gjeldende globale innkjøpsprognoser en moderat vekst for de kommende årene etter flere år med negativ eller lav vekst, hvor de østlige nasjonene har hatt en mer aggressiv vekst enn de vestlige. Økende global ustabilitet på både det politiske og militære området, hvor Russland og Kina har økt sine militærutgifter betydelig, samtidig som de har vist vilje til å bruke militære midler for å oppnå politiske mål – for eksempel, i Russlands tilfelle, i Ukraina og Syria, har resultert i at forsvarsbudsjettene øker moderat også i vestlige land. Det amerikanske forsvarsbudsjettet ser igjen vekst etter flerårig nedgang som følge av at de har trukket styrkene tilbake fra krigene i Afghanistan og Irak. USA har nylig lagt økt press på andre NATO-land for at de skal øke sine forsvarsbudsjetters andel av BNP. Selv om den generelle veksten i Kongsberg Defence & Aerospaces tilgjengelige forsvarsmarkeder er moderat, er det økt etterspørsel i enkelte segmenter som passer godt med porteføljen. Kongsberg Defence & Aerospace sitt hjemmemarked i Norge er svært viktig for produktutvikling og som referanse for eksportsalg, mens det internasjonale markedet for produktene er betydelig større. På grunn av lange budsjettprosesser for militære programmer i de fleste land, vil imidlertid tidslinjen fra identifiseringen av behovene og til inngåelse av leveransekontrakteri de fleste tilfeller være betydelig. Kongsberg Defence & Aerospace søker aktivt å utvide markedstilgangen for sine produkter i andre land gjennom samarbeid med forsvarsindustrien i de respektive landene, særlig gjennom krav fra den norske regjeringen knyttet til gjenkjøp når Norge kjøper forsvarsprodukter fra utenlandske selskaper.
B.5	**Beskrivelse av Konsernet**	Kongsberg består av Kongsberg Gruppen ASA (som er en operativ enhet) og dets 85 datterselskaper i 28 land (per 31. desember 2017), samt Kongsbergs investeringer i tilknyttede- og felleskontrollerte selskaper. Datterselskaper er alle enheter som Kongsberg har kontroll over.
B.6	**Interesser i utsteder og stemmerett**	Den norske staten, representert ved Nærings- og fiskeridepartementet, er den største aksjonæren med 50,001 % av Aksjene. Per 1. november 2018 hadde Selskapet 11 194 aksjonærer. Selskapets 20 største aksjonærer per 1. november 2018 er listet opp i tabellen nedenfor.

#	Aksjonærer	Antall aksjer	Prosent
1	Nærings- og fiskeridepartementet	60 001 600	50,00%
2	Folketrygdfondet JPMBL SA Oslo Lend	7 838 890	6,53%
3	Must Invest AS	2 862 429	2,39%
4	State Street Bank an A/C Client Omnibus F	2 764 342	2,30%
5	Ulfoss Invest AS	2 567 803	2,14%
6	MP Pensjon PK	2 282 109	1,90%
7	Danske Invest Norske c/o Danske Capital A	1 891 009	1,58%
8	Snefonn AS	1 772 889	1,48%
9	Odin Norge	1 699 597	1,42%
10	Nordea Nordic Small	1 248 780	1,04%

11	Societe Generale Par Lis BSE Nordea Oslo	1 000 430	0,83%
12	Arctic Funds Plc BNY Mellon SA/NV	998 351	0,83%
13	Vanguard Internation A/C BBH Intl Explore	963 831	0,80%
14	Danske Invest Norske	947 421	0,79%
15	Havfonn AS	770 132	0,64%
16	Vanguard Total Inter A/C Vanguard BBH Len	745 251	0,62%
17	Highclere Internatio Non-Treaty Account	716 084	0,60%
18	State Street Bank an S/A SSB Client Omni	682 734	0,57%
19	JP Morgan Securities BNY Mellon SA/NV	631 271	0,53%
20	State Street Bank an A/C Client Fund Numb	610 706	0,51%
	Andre	27 004 341	22,50%
	Totalt	**120 000 000**	**100,00 %**

Aksjonærer som eier 5 % eller mer av Aksjene har et eierskap i Selskapets som er meldepliktig etter lov av 29. juni 2007 nr. 75 om verdipapirhandel (verdipapirhandelloven). Nærings- og fiskeridepartementet og Folketrygdfondet vil dermed ha en meldepliktig eierandel og mulighet til betydelig å påvirke utfallet i saker som det skal stemmes over av Selskapets aksjeeiere. Foruten dette er Selskapet ikke kjent med noen personer eller enheter som vil ha en aksjepost i Selskapet som er meldepliktig etter verdipapirhandelloven.

Siden Nærings- og fiskeridepartementet eier 50,001 % av aksjene og stemmene i Selskapet, har Nærings- og fiskeridepartementet mulighet til kontrollere og betydelig påvirke generalforsamlingsbeslutninger i Selskapet. Foruten dette er Selskapet ikke kjent med andre personer eller foretak som, direkte eller indirekte, sammen eller individuelt, utøver eller kan utøve kontroll over Kongsberg Gruppen. Selskapet kjenner ikke til noen forhold som på et senere tidspunkt vil føre til kontrollskifte i Selskapet. Aksjene har ikke vært gjenstand for noe offentlig overtakelsestilbud.

B.7	**Utvalgt historisk finansiell nøkkelinformasjon**	Selskapet inkorporerer ved referanse Konsernets ureviderte konsoliderte delårsregnskap for nimånedersperiodene som endte 30. september 2018 og 2017 (Kvartalsregnskapene) og Konsernets reviderte konsoliderte regnskap for året som endte 31. desember 2017 (Årsregnskapet), samt visse andre dokumenter som er beskrevet nedenfor. Årsregnskapet er utarbeidet i samsvar med IFRS, mens Kvartalsregnskapene er utarbeidet i samsvar med IAS 34. Årsregnskapet er revidert av EY, slik det fremgår av deres rapport som er inkludert i Årsregnskapet. Kvartalsregnskapene er ikke revidert.

I NOK millioner	**Nimånedersperioden avsluttet 30. september**		**Året avsluttet 31. desember**
	2018 *(urevidert)*	**2017** *(urevidert)*	**2017**
Sammendratt resultatregnskap			
Driftsinntekter	10 223	10 733	14 490
Driftskostnader	(9 449)	(10 027)	(13 398)
Resultatandel felleskontrollerte ordninger og tilknyttede selskaper	90	114	187
EBITDA	**874**	**820**	**1 279**
Avskrivninger	(263)	(263)	(353)
Nedskrivninger	-	-	(40)
EBITA	**611**	**557**	**886**
Amortisering	(72)	(84)	(114)
EBIT	**539**	**473**	**772**
Netto finansposter	(86)	(85)	(118)
Resultat før skatt	**453**	**388**	**654**
Skattekostnad	(93)	(99)	(95)

Resultat etter skatt	360	289	559
Henførbart til:			
Aksjonærene i morselskapet	361	289	554
Ikke-kontrollerende interesser	(1)	-	5
Resultat pr. aksje/resultat pr. aksje, utvannet, i NOK	3,01	2,41	4,62
Resultat etter skatt	360	289	559
Sammendratt oppstilling over totalresultatet for perioden			
Totalresultat for perioden:			
Poster som vil bli reklassifisert over resultatet i etterfølgende perioder:			
Endring i virkelig verdi finansielle instrumenter			
- Kontantstrømsikringer (valutaterminer og rentebytteavtaler)	35	457	509
Skatteeffekt kontantstrømsikringer (valutaterminer og rentebytteavtaler)	(8)	(110)	(124)
Omregningsdifferanser og sikring av nettoinvestering, valuta	(142)	11	211
Sum poster som vil bli reklassifisert over resultatet i etterfølgende perioder	**(115)**	**358**	**596**
Poster som ikke vil bli reklassifisert over resultatet:			
Estimatavvik pensjoner	-	-	(76)
Skatt på poster som forblir på egenkapitalen	-	-	18
Sum poster som ikke vil bli reklassifisert over resultatet	-	-	**(58)**
Totalresultat for perioden	**245**	**647**	**1 097**

I NOK millioner	**Per 30. september**		**Per 31. desember**
	2018 (*urevidert*)	**2017** (*urevidert*)	**2017**[1]
Sammendratt oppstilling over finansiell stilling			
Eiendom, anlegg og utstyr	2 525	2 646	2 658
Immaterielle eiendeler	2 849	2 779	2 803
Andeler i felleskontrollert virkeomhet og tilknyttede selskaper	3 207	3 183	3 358
Andre langsiktige eiendeler	195	234	204
Sum anleggsmidler	**8 776**	**8 842**	**9 023**
Varelager	2 180	4 808	3 961
Kundefordringer	2 745	1 930	2 672
Anleggskontrakter under utførelse, eiendel	2 979	2 247	2 018
Derivater	-	-	213
Andre omløpsmidler	533	1 111	-
Betalingsmidler	2 990	1 639	2 956
Sum omløpsmidler	**11 427**	**11 735**	**11 820**
Sum eiendeler	**20 203**	**20 577**	**20 843**
Innskutt egenkapital	982	982	982
Andre reserver	-	-	435
Opptjent egenkapital	6 239	6 066	5 914
Virkelig verdi finansielle instrumenter	(97)	(162)	-
Ikke-kontrollerende interesser	40	32	34
Sum egenkapital	**7 164**	**6 918**	**7 365**
Langsiktige rentebærende lån	3 019	3 330	3 340
Andre langsiktige forpliktelser og avsetninger	2 026	1 915	2 080
Sum langsiktige forpliktelser og avsetninger	**5 045**	**5 245**	**5 420**
Anleggskontrakter under utførelse, gjeld	4 519	3 402	3 389
Kortsiktige rentebærende lån	307	300	-
Andre kortsiktige forpliktelser og avsetninger	3 168	4 712	4 669
Sum kortsiktige forpliktelser og avsetninger	7 994	8 414	8 058
Sum egenkapital, forpliktelser og avsetninger	**20 203**	**20 577**	**20 843**
Egenkapitalandel (%)	35,5	33,6	35,4
Netto rentebærende lån	336	1 991	384

1 I forbindelse med implementeringen av regnskapsstandarden, IFRS 15 Inntekter fra kundekontrakter i første kvartal 2018, ble ble balansen per 31. desember 2017 omarbeidet.

Sammendratt oppstilling over endring i egenkapital

I NOK millioner	Nimånedersperioden avsluttet 30. september		Året avsluttet 31. desember
	2018 *(urevidert)*	**2017** *(urevidert)*	**2017**
Egenkapital IB	7 365	6 725	6 725
Totalresultat akkumulert	245	647	1 097
Utbytte	(450)	(450)	(450)
Egne aksjer	(3)	(2)	(2)
Utbytte ikke-kontrollerende interesser	(5)	-	(3)
Endring ikke-kontrollerende interesser	12	(2)	(2)
Egenkapital UB	**7 164**	**6 918**	**7 365**

I NOK millioner	Nimånedersperioden avsluttet 30. september		Året avsluttet 31. desember
	2018 *(urevidert)*	**2017** *(urevidert)*	**2017**
Sammendratt kontantstrømoppstilling			
Driftsresultat før renter, skatt, avskrivninger og amortiseringer	874	820	1 279
Endring i netto omløpsmidler og andre driftsrelaterte poster	(9)	330	1 620
Netto kontantstrøm fra driftsaktiviteter	**865**	**1 150**	**2 899**
Kjøp/salg av eiendom, anlegg og utstyr	(153)	(223)	(328)
Oppgjør kjøp/salg av datterselskap, felleskontrollert virksomhet og tilknyttede selskaper	(10)	-	-
Netto betaling kjøp/salg av aksjer tilgjenglig for salg	-	(6)	(11)
Andre investeringsaktiviteter inkludert aktivert egenutvikling av immateriale eiendeler	(96)	(148)	(189)
Netto kontantstrøm fra investeringsaktiviteter	**(259)**	**(377)**	**(528)**
Netto endring rentebærende lån	(8)	(453)	(740)
Betalte renter	(64)	(82)	(110)
Netto utbetaling ved kjøp/salg av egne aksjer	(20)	(18)	(18)
Transaksjoner med ikke-kontrollerende interesser	(5)	-	(3)
Utbytte betalt til aksjonærene i morselskapet	(450)	(450)	(450)
- herav utbytte egne aksjer	2	2	2
Netto kontantstrøm fra finansieringsaktiviteter	**(545)**	**(1 001)**	**(1 319)**
Effekt av valutakursendringer på betalingsmidler	(27)	(21)	16
Netto endring betalingsmidler	**34**	**(249)**	**1 068**
Betalingsmidler IB	**2 956**	**1 888**	**1 888**
Betalingsmidler UB	**2 990**	**1 639**	**2 956**

B.8	**Utvalgt pro forma finansiell nøkkelinformasjon**	Tabellene nedenfor angir urevidert pro forma finansiell informasjon for Gruppen for året som endte 31. desember 2017, og er utarbeidet under forutsetning om at Transaksjonen vil bli gjennomført som beskrevet i Kapittel 6 "The Transaction". Det bemerkes at den ureviderte pro forma finansielle informasjonen gjenspeiler virkningene av Transaksjonen samt virkningene av finansieringen av Transaksjonen, det vil si Fortrinnsrettsemisjonen og Obligasjonsutstedelsen (eller Brolånet), som beskrevet i Kapittel 6.10 "Financing of the Transaction". Begrepet "Transaksjon" (eng: "Transaction") skal for kapittel 13 "Unaudited pro forma financial information" leses som at det også inkluderer finansieringen av Transaksjonen.

Tabellen nedenfor viser det ureviderte pro forma resultatregnskap for året som ble avsluttet 31. desember 2017, som om oppkjøpet hadde skjedd 1. januar 2017.

NOK millioner	**Selskap IFRS**	**RRCM IFRS (urevidert)**	**IFRS tilpasninger (urevidert)**	**Noter**	**Pro forma tilpasninger (urevidert)**	**Noter**	**Selskapets pro forma tall (urevidert)**
Driftsinntekter	14 490	8 744					23 234
Varekostnader	(4 417)	(4 954)			(24)	1	(9 395)
Personalkostnader	(5 788)	(3 062)					(8 850)
Andre driftskostnader	(3 193)	(1 138)	128	A	(52)	1	(4 256)
Resultatandel felleskontrollerte ordninger og tilknyttede selskaper	187	0					187
Driftsresultat før avskrivninger og amortiseringer (EBITDA)	**1 279**	**(410)**	**128**		**(76)**		**920**
Avskrivninger	(353)	(131)					(484)
Nedskrivninger eiendom, anlegg og utstyr	(40)	(53)					(93)
Driftsresultat før amortiseringer (EBITA)	**886**	**(593)**	**128**		**(76)**	**-**	**344**
Amortiseringer	(114)	(65)			(138)	1	(318)
Driftsresultat (EBIT)	**772**	**(659)**	**128**	**-**	**(215)**		**26**
Finansinntekter	47	135	(135)	A			47
Finanskostnader	(165)	(17)	7	A	(17)	2	(191)
Resultat før skatt	**654**	**(541)**	**-**		**(231)**	**2**	**(118)**
Skattekostnad	(95)	(39)			43	3	(91)
Årsresultat	**559**	**(579)**	**-**	**-**	**(189)**		**(209)**

Tabellen nedenfor viser det ureviderte pro forma regnskap over den finansielle posisjonen per 31. desember 2017, som om oppkjøpet hadde skjedd 31. desember 2017.

NOK million	**Selskap IFRS**	**RRCM IFRS (urevidert)**	**IFRS tilpasninger (urevidert)**	**Noter**	**Pro forma tilpasninger (urevidert)**	**Noter**	**Selskapets pro forma tall (urevidert)**
Eiendom							
Anleggsmidler							
Eiendeler, anlegg og utstyr	2 658	1 382					4 040
Goodwill	1 981	-			1 253	1	3 234
Andre immaterielle eiendeler	822	169			1 282	1	2 273
Andeler i felleskontrollert virksomhet og tilknyttede selskaper	3 358	-					3 358
Aksjer tilgjengelig for salg	29	-					29
Andre langsiktige eiendeler	175	1 242					1 417
Sum anleggsmidler	**9 023**	**2 794**	**-**	**-**	**2 535**		**14 352**
Omløpsmidler							
Varelager	3 961	1 948			25	1	5 934
Fordringer	2 672	1 815					4 487
Anleggskontrakter under utførelse, eiendeler	2 018	21					2 039
Derivater	213	-					213
Betalingsmidler	2 956	1 832					4 788

Sum omløpsmidler	**11 820**	**5 616**	**-**	**-**	**25**		**17 461**
Sum eiendeler	**20 843**	**8 410**	**-**	**-**	**2 560**		**31 813**
Egenkapital, forpliktelser og avsetninger							
Innskutt kapital	982	6 655			(1 741)	23	5 897
Andre reserver	435	(4 895)			4 895	3	435
Opptjent egenkapital	5 914	1,017			(1 017)	3	5 914
Egenkapital henførbart til aksjonærer i morselskapet	**7 331**	**2 777**	**-**	**-**	**2 138**		**12 246**
Ikke-kontrollerende interesser	34	18			(18)	3	34
Sum egenkapital	**7 365**	**2 795**	**-**	**-**	**2 120**		**12 280**
Langsiktige forpliktelser og avsetninger							
Langsiktige rentebærende lån	3 340	-			645	2	3 985
Pensjonsforpliktelse	647	274					921
Avsetninger	140	-					140
Utsatt skatt	1 272	(66)			(290)	4	916
Andre langsiktige forpliktelser	21	138					159
Sum langsiktige forpliktelser og avsetninger	**5 420**	**346**	**-**	**-**	**355**		**6 120**
Kortsiktige forpliktelser og avsetninger							
Anleggskontrakter under utførelse, gjeld	3 389	-					3 389
Derivater	645	32					677
Avsetninger	543	523					1 066
Kortsiktige rentebærende lån	-	327					327
Andre kortsiktige forpliktelser	3 481	4 387			85	5	7 953
Sum kortsiktige forpliktelser og avsetninger	**8 058**	**5 269**	**-**	**-**	**85**		**13 412**
Sum forpliktelser og avsetninger	**13 478**	**5 615**	**-**	**-**	**440**		**19 533**
Sum egenkapital, forpliktelser og avsetninger	**20 843**	**8 410**	**-**	**-**	**2 560**		**31 813**

B.9	**Resultatprognose eller estimat**	Ikke aktuelt. Det er ikke utarbeidet noen resultatprognose eller estimat.
B.10	**Forbehold i revisjonsrapport**	Ikke aktuelt. Det er ingen forbehold i revisjonsrapportene.
B.11	**Utilstrekkelig arbeidskapital**	Transaksjonen innebærer at Kongsberg ikke har tilstrekkelig arbeidskapital for sine nåværende forpliktelser. For å finansiere kjøpesummen for Rolls-Royce Commercial Marine som angitt i Kapittel 6.5 "Total consideration and transaction costs", er Selskapet avhengig av både ny egenkapital og ny gjeld, og nærmere bestemt av vellykket gjennomføring av Fortrinnsrettsemisjonen og Obligasjonsutstedelsen som beskrevet i Kapittel 6.10 "Financing of the Transaction".

Punkt C – Verdipapirene

C.1	**Type og klasse verdipapir tatt opp til notering og identifikasjonsnummer**	Selskapet har én aksjeklasse, og i samsvar med allmennaksjeloven gir samtlige Aksjer i denne klassen like rettigheter i Selskapet. Hver Aksje har én stemme. Aksjene er utstedt i henhold til allmennaksjeloven og er registrert i VPS under ISIN NO 0003043309.
C.2	**Valuta på utstedelse**	Aksjene er utstedt i NOK.
C.3	**Antall aksjer utstedt og pålydende verdi**	Per datoen for dette prospektet er Selskapets aksjekapital NOK 150.000.000 fordelt på 120.000.000 Aksjer, hver pålydende NOK 1,25.
C.4	**Rettigheter knyttet til verdipapirene**	Selskapet har én aksjeklasse, og i samsvar med allmennaksjeloven gir samtlige Aksjer i denne klassen like rettigheter i Selskapet. Hver Aksje har én stemme. Rettighetene som er tilknyttet Aksjene er beskrevet i Kapittel 15.10 "Certain aspects of Norwegian law".
C.5	**Begrensninger i verdipapirenes omsetning**	Selskapets vedtekter setter ingen restriksjoner på Aksjenes omsettelighet og inneholder heller ikke bestemmelser om forkjøpsrett. Aksjenes omsettelighet er ikke betinget av styrets samtykke. Se Kapittel 19 "Selling and transfer restrictions".
C.6	**Opptak til notering**	Aksjene er, og Tilbudsaksjene vil bli, opptatt til handel på Oslo Børs. Selskapet forventer at handel i Tilbudsaksjene på Oslo Børs vil starte på eller rundt 29. november 2018. Selskapet har ikke søkt om notering av Aksjene på noen annen børs eller noe annet regulert marked.
C.7	**Utbyttepolitikk**	Selskapets nåværende utbyttepolitikk ble vedtatt av styret i 2013. Over tid skal utbyttet utgjøre mellom 40 og 50 prosent av Selskapets årsresultat etter skatt. Ved fastsettelsen av størrelsen på utbyttet, skal fremtidige kapitalbehov hensyntas. Generalforsamlingen godkjenner det årlige utbyttet basert på styrets anbefaling. Forslaget utgjør en øvre grense for hva generalforsamlingen kan godkjenne. For regnskapsårene 2015, 2016 og 2017 ble det betalt et utbytte på henholdsvis NOK 4,25, NOK 3,75 og NOK 3,75 per aksje.

Punkt D – Risiko

D.1	**Vesentlig risiko knyttet til Selskapet eller dets bransje**	Nedenfor følger et sammendrag av vesentlige risikoer knyttet til Konsernet, bransjene Konsernet opererer i, virksomheten, lover, reguleringer, rettstvister, finansiell risiko og markedsrisiko. **Risikoer knyttet til bransjen Kongsberg opererer i** • Konsernet er eksponert for risiko knyttet til de ulike markedene det opererer i (hovedsakelig offshoremarkedet, handelsflåtemarkedet, undervannsmarkedet og forsvarsmarkedet), som blant annet etterspørselen etter energi og oljeprisutviklingen, som påvirker viljen til å investere i offshoremarkedet, lavere skipsbyggingsaktivitet som har ført til økt konkurranse og lavere priser, og som medfører en risiko for tap av markedsposisjoner, redusert etterspørsel etter sjøtransport, og strenge sikkerhetskrav og beskyttelse av ulike lands egen forsvarsindustri • Konsernet er eksponert for konjunktursvingninger i de generelle økonomiske og markedsmessige forholdene i landene og regionene hvor det opererer • Konsernet er eksponert for risiko relatert til konkurranse, og økt konkurranse i markedene som Kongsberg opererer i kan føre til redusert lønnsomhet og/eller ekspansjonsmuligheter, og

	Konsernets markedsandeler og konkurranseposisjon i disse markedene kan bli svekket i fremtiden • Kongsbergs verdensomspennende virksomhet er underlagt en rekke risikoer knyttet til land, regulering og politikk, som prisregulering, regulatoriske endringer, valutasvingninger, straffebeskatning og uforutsigbar beskatning, handelsbarrierer, eksportavgifter og kvoter og andre restriktive statlige tiltak **Risikoer knyttet til Kongsberg** • Kongsbergs fremtidige presentasjon avhenger av dets evne til å fornye og forlenge eksisterende kontrakter og til å vinne nye kontrakter • Konsernet er utsatt for risiko knyttet til tidlig opphør av dets kontrakter • Konsernet er utsatt for uforutsette eller uventede risikoer, kostnader eller tidsberegning ved budgivning på eller håndteringen av kontrakter • Konsernet er utsatt for risiko knyttet til prosjektledelse, som blant annet manglende evne til å håndtere prosjekter på en tilfredsstillende måte • Enhver feil i en kundes infrastruktur eller applikasjoner som er en direkte eller påstått følge av feil ved Konsernets tjenester eller løsninger kan resultere i vesentlige erstatningskrav mot Konsernet og/eller det kan føre til betydelig omdømmesvekkelse • Uoppdagede feil eller mangler i Konsernets produkter, systemer eller løsninger kan påvirke Konsernets ytelse negativt og redusere etterspørselen etter dets produkter og tjenester • Avbrutt levering fra Kongsbergs leverandører kan øke driftskostnadene, redusere inntektene og påvirke Kongsbergs virksomhet negativt • Kongsbergs inntjening og virksomhet er utsatt for risiko forårsaket av kontraktsmotparter, og feil og mangler hos disse motpartene som gjør at det ikke oppfyller sine forpliktelser kan medføre tap for Kongsberg • Kongsberg utfører en del av virksomheten gjennom joint ventures og strategiske samarbeid, noe som utsetter Kongsberg for risiko og usikkerhet utenfor dets kontroll • Kongsberg er avhengig av tredjeparter, inkludert underentreprenører, for å fullføre noen deler at sine prosjekter og kan påvirkes negativt av tredjepartenes mangelfulle ytelse eller manglende ytelse • Kongsberg kan være ute av stand til å gjennomføre sine strategier, noe som kan ha en negativ innvirkning på Kongsbergs virksomhet, driftsresultat, kontantstrømmer, økonomiske forhold og/eller utsikter • Tap av nøkkelpersoner, eller manglende evne til å sikre seg og beholde høyt kvalifisert personell, kan ha betydelig negativ innvirkning på Kongsbergs virksomhet • Skade på Kongsbergs omdømme og forretningsforbindelser kan ha en negativ innvirkning utover et økonomisk ansvar • Kongsberg er avhengig av systemer innenfor informasjonsteknologi for å drive sin virksomhet, og forstyrrelser, feil eller sikkerhetsbrudd på disse systemene kan påvirke virksomheten og resultatene negativt

	• Konsernet vil ikke nødvendigvis være i stand til å holde tritt med betydelige endringer i teknologisk utvikling **Risikoer knyttet til Transaksjonen** • Den ureviderte pro forma finansielle informasjonen som inngår i dette Prospektet er utelukkende utarbeidet for å vise hvilke virkninger Transaksjonen kunne hatt hvis Transaksjonen hadde skjedd på et tidligere tidspunkt, og har ikke som formål å presentere Kongsbergs driftsresultat eller finansielle stilling, og den skal heller ikke brukes som grunnlag for prognoser for Kongsbergs driftsresultat eller finansielle stilling for noen fremtidig periode eller dato • Gjennomføring av Transaksjonen er betinget av regulatoriske godkjennelser i en rekke jurisdiksjoner og Transaksjonen kan derfor bli forsinket eller ikke gjennomført i det hele tatt. En forsinkelse eller kansellering av Transaksjonen kan påvirke Kongsbergs virksomhet, driftsresultat og finansielle stilling • Utskillelsen av Rolls-Royce Commercial Marine fra Rolls-Royce og den etterfølgende integreringen av den ervervede virksomheten inn i Kongsberg er en omfattende og kompleks oppgave, og Kongsberg vil ikke nødvendigvis lykkes med integreringen • Kongsberg vil ikke nødvendigvis oppnå forventede synergier og andre fordeler fra Transaksjonen • Kongsberg kjøper en løpende virksomhet med en rekke forpliktelser of annen eksponering knyttet til perioden før gjennomføringen. Slike forpliktelser og annen eksponering knyttet til virksomheten før gjennomføringen kan ha en vesentlig negativ innvirkning på Kongsbergs virksomhet, driftsresultat, kontantstrøm, finansiell stilling og/eller framtidsutsikter • Konsernet vil pådra seg kostnader i forbindelse med Transaksjonen, noe som vil kunne ha vesentlig negativ påvirkning på Kongsbergs virksomhet, driftsresultat, kontantstrøm, finansielle stilling og/eller framtidsutsikter • Det er risiko for at en eller flere av avtalene som Kongsberg og Rolls-Royce har som intensjon å inngå som en del av Transaksjonen ikke vil materialisere seg eller at slike avtaler vil bli inngått på vilkår og med betingelser som er mindre gunstige for Kongsberg enn det for øyeblikket er forventet av Selskapet **Risikoer knyttet til lover, reguleringer og rettstvister** • Kongsberg kan bli involvert i rettslige prosesser eller undersøkelser som kan ha vesentlig negativ innvirkning på Kongsbergs virksomhet, driftsresultat, kontantstrøm, finansielle stilling og/eller framtidsutsikter • Teknologirelaterte tvister som involverer Kongsberg, Kongsbergs leverandører eller underleverandører kan påvirke Kongsbergs virksomhet • Tap i en stor skattesak eller en utfordring av eksempelvis Kongsbergs skattemessige driftsstruktur eller Kongsbergs skattebetalinger, kan føre til høyere skattesats på Kongsbergs inntekter, som kan ha vesentlig negativ påvirkning på Kongsbergs inntekter og kontantstrøm • Lover og regler kan hindre eller forsinke Kongsbergs virksomhet, øke Kongsbergs driftskostnader og redusere etterspørselen etter dets systemer eller løsninger

	Risikoer knyttet til finansiell- og markedsrisiko • For å gjennomføre Kongsbergs vekststrategi, kan Kongsberg få behov for ytterligere kapital i fremtiden, noe som kan vise seg å ikke være tilgjengelig • Kongsbergs eksisterende eller fremtidige kredittfasiliteter kan begrense Kongsbergs likviditet og fleksibilitet i forbindelse med etablering av ytterligere finansiering, forfølging av andre forretningsmuligheter eller selskapsaktiviteter, eller Selskapets evne til å utdele utbytte til aksjonærene • Hvis Kongsberg ikke er i stand til å overholde restriksjoner og finansielle vilkår i sine låneavtaler, kan dette resultere i mislighold av disse avtalene, noe som kan føre til et fremskyndet forfall av lånene • Kongsberg vil ikke nødvendigvis være i stand til å oppfylle sine forpliktelser når de forfaller, og slik likviditetsrisiko kan ha en vesentlig negativ påvirkning på Kongsbergs virksomhet, driftsresultat, kontantstrøm, finansielle stilling og/eller framtidsutsikter • Kongsbergs transaksjoner innebærer kredittrisiko, noe som kan øke og kan ha en vesentlig negativ innvirkning på Kongsbergs virksomhet, driftsresultat, kontantstrøm, finansielle stilling og/eller framtidsutsikter • Siden Kongsberg har en betydelig andel av sine inntekter utenfor Norge, kan valutasvingninger ha en vesentlig negativ innvirkning på virksomheten, driftsresultat, kontantstrømmer, økonomiske stilling og/eller framtidsutsikter • Dersom Fortrinnsrettsemisjonen og Obligasjonsutstedelsen gjennomføres og Transaksjonen ikke gjennomføres, vil Selskapet ha innhentet kapital uten at det er behov for dette, og Selskapet kan på grunn av dette få en lavere avkastning på kapitalen enn det ellers ville hatt **Risikoer knyttet til Kongsbergs konsernstruktur** • Selskapet er avhengig av kontantstrøm fra datterselskaper for å oppfylle sine forpliktelser og for å betale utbytte til sine aksjonærer • Kongsbergs finansielle stilling kan bli vesentlig negativt påvirket hvis Kongsberg ikke lykkes med å integrere ervervede eiendeler eller virksomheter, eller hvis Kongsberg ikke klarer å skaffe seg finansiering for oppkjøp på akseptable vilkår **Risikoer knyttet til Rolls-Royce Commercial Marine** • Rolls-Royce Commercial Marine er gjenstand for en rekke operasjonelle- og markedsrisikoer • Rolls-Royce Commercial Marine kan bli gjenstand for krav eller rettstvister som kan ha vesentlig negativ påvirkning på Konsernets virksomhet, driftsresultat, kontantstrøm, finansielle stilling og/eller framtidsutsikter • Rolls-Royce Commercial Marine har et pågående kostnadsbesparingsprogram, kalt "Ship Shape", som det vil fortsette å gjennomføre i forkant av Transaksjonen. Det er ingen garantier for at programmet vil gi de besparingseffekter som tidligere er kommunisert og skissert av Rolls-Royce • I likhet med Kongsberg har Rolls-Royce Commercial Marine investert og planlagt å investere betydelig kapital og ressurser i utvikling av ny maritim teknologi. Det er ingen garantier for at de

		vil bli akseptert av markedet eller at Kongsberg og Rolls-Royce Commercial Marine vil lykkes med å utvikle dem
D.3	**Vesentlig risiko knyttet til verdipapirene**	Nedenfor følger et sammendrag av vesentlige risikoer knyttet til Aksjene og Fortrinnsrettsemisjonen **Risikoer knyttet til Aksjene** • Det norske Nærings- og fiskeridepartementet er kontrollerende aksjonærer i Selskapet og har en betydelig stemmkraft og evne til å påvirke saker som krever godkjennelse av aksjonærene • Aksjenes markedsverdi kan svinge betydelig, hvilket kan føre til at investorene taper en vesentlig del av eller hele sin investering • Fremtidige salg, eller muligheten for fremtidige salg, av et betydelig antall Aksjer kan påvirke Aksjenes markedspris • Fremtidige utstedelser av Aksjer eller andre verdipapirer kan utvanne aksjonærenes aksjeposter og påvirke aksjekursen betydelig • Valutasvingninger kan ha en negativ innvirkning på Aksjenes verdi og verdien av utbyttet for investorer med en annen hovedvaluta enn NOK • Investorene kan være ute av stand til å utøve sine stemmerettigheter for Aksjer registrert på en forvalterkonto • Aksjeoverføringer er underlagt restriksjoner etter verdipapirloven i USA og andre jurisdiksjoner • Selskapet kan være uvillig eller ute av stand til å betale utbytte i fremtiden **Risiko knyttet til Fortrinnsrettsemisjonen** • Eksisterende aksjonærer som ikke deltar i Fortrinnsrettsemisjonen kan oppleve betydelig utvanning av deres aksjebeholdning • Et aktivt marked for handel i Tegningsrettene vil ikke nødvendigvis utvikle seg på Oslo Børs og/eller markedsverdien på Tegningsrettene vil kunne svinge • Salg av Tegningsrettene gjort av eller på vegne av Eksisterende Aksjonærer kan føre til en reduksjon i Tegningsrettenes markedspris eller økte svingninger i Aksjene • Hvis Fortrinnsrettsemisjonen blir trukket tilbake, vil ikke Tegningsrettene lenger være av verdi

Punkt E - Tilbudet

E.1	**Nettoproveny og estimerte kostnader**	Nettoprovenyet i forbindelse med Fortrinnsrettsemisjonen er estimert til ca. NOK 4,938 milliarder, forutsatt at Selskapets kostnader knyttet til Fortrinnsrettsemisjonen vil være omtrent NOK 59 millioner.
E.2a	**Bakgrunnen for Fortrinnsrettsemisjonen og bruk av provenyet**	Nettoprovenyet vil bli brukt til å finansiere Selskapets oppkjøp og integrering av Rolls-Royce Commercial Marine, se Kapittel 6 "The Transaction".
E.3	**Vilkår for Fortrinnsrettsemisjonen**	Fortrinnsrettsemisjonen består av et tilbud fra Selskapet om utstedelse av 59 990 065 Tilbudsaksjer til en Tegningskurs på NOK 83,30 per Tilbudsaksje, og dermed resultere i et bruttoproveny på omtrent NOK 4,997 milliarder. Tilbudsaksjene har en pålydende verdi på NOK 1,25. Eksisterende aksjonærer vil bli tildelt omsettelige Tegningsretter som, etter gjeldende lov, gir fortrinnsrett til å tegne og bli tildelt Tilbudsaksjer til Tegningskursen i Fortrinnsrettsemisjonen. Overtegning og tegning

		uten Tegningsretter er tillatt, men det kan ikke garanteres at Tilbudsaksjer vil bli tildelt for slike tegninger. Tegningsperioden starter 7. November 2018 og ender kl. 16:30 norsk tid den 21. november 2018. Tegningsperioden kan ikke forkortes, men styret kan forlenge tegningsperioden hvis det er lovpålagt eller som følge av offentliggjøring av tilleggsprospekt. Tegningsrettene vil være omsettelige og notert på Oslo Børs med tickerkode "KOG T" fra kl. 09:00 den 7. november 2018 til kl. 16:30 den 19. november 2018. Betaling for Tilbudsaksjene som er tildelt til en tegner, forfaller på Betalingsdagen (26. november 2018). Med forbehold om rettidig betaling av hele tegningsbeløpet i Fortrinnsrettsemisjonen, forventer Selskapet at kapitalforhøyelsen knyttet til Fortrinnsrettsemisjonen vil bli registrert i Foretaksregisteret rundt 28. november 2018, og at Tilbudsaksjene vil bli levert til tegnernes VPS-kontoer på eller omtrent på samme dag. Tilbudsaksjene tildelt i Fortrinnsrettsemisjonen forventes å handles på Oslo Børs fra og med 29. november 2018.
E.4	**Vesentlige og motstridende interesser**	Tilretteleggerne eller deres nærstående har fra tid til annet ytet, og kan i fremtiden yte investeringstjenester og kommersielle banktjenester til Selskapet og dets nærstående som ledd i sin ordinære virksomhet. For slike tjenester kan de ha mottatt og vil kunne fortsette å motta vanlige honorarer og provisjoner. Tilretteleggerne og deres ansatte og andre nærstående kan for tiden være eiere av Aksjer i Selskapet. Videre, i tilknytning til Fortrinnsrettsemisjonen, kan Tilretteleggere, deres ansatte og andre nærstående som opptrer som investorer for egen regning, motta Tegningsretter (hvis de er Eksisterende Aksjonærer) og kan utøve sin rett til å tegne Tilbudsaksjer, og kan, i denne egenskap, beholde, kjøpe eller selge de Tilbudsaksjene eller Tegningsrettene og andre verdipapirer i Selskapet eller andre investeringer for egen regning og kan tilby eller selge slike verdipapirer (eller andre investeringer) på annen måte enn i forbindelse med Fortrinnsrettsemisjonen. Tilretteleggerne har ikke til hensikt å angi omfanget av slike investeringer eller transaksjoner med mindre de er juridisk eller regulatorisk forpliktet til dette. Videre vil Tilretteleggerne motta et honorar i forbindelse med Fortrinnsrettsemisjonen og de vil som følge av dette ha en interesse i Fortrinnsrettsemisjonen. Se Kapittel 18.21 "Net proceeds and expenses related to the Rights Issue", for informasjon om honorar til Tilretteleggerne.
E.5	**Selgende aksjonær og bindingsavtaler**	Ikke relevant. Det er ingen selgende aksjonærer og lock-up avtaler.
E.6	**Utvanning som følge av Tilbudet**	Fortrinnsrettsemisjonen vil medføre en umiddelbar utvanning på omtrent 33,33 % for Eksisterende Aksjonærer som ikke deltar i Fortrinnsrettsemisjonen.
E.7	**Estimerte kostnader som vil kreves fra investorene**	Ikke aktuelt. Kostnadene knyttet til Fortrinnsrettsemisjonen vil bli betalt av Selskapet.

22 DEFINITIONS AND GLOSSARY

2010 PD Amending Directive	Directive 2010/73/EU amending the EU Prospectus Directive.
AHTS...	Anchor Handling Tug Supply Vessel.
Anti-Money Laundering Legislation ...	Norwegian Money Laundering Act of 1 June 2018 No. 23 and the Norwegian Money Laundering Regulations of 14 September 2018 No. 1324, collectively.
Appropriate Channels for Distribution	Has the meaning ascribed to such term on page III.
Arctic	Arctic Securities AS.
Articles of Association...................	The Company's articles of association attached as Appendix A of this Prospectus.
Bank Underwriters	Danske Bank A/S, Norwegian Branch and DNB Markets, a part of DNB Bank ASA.
Barzan.......................................	Barzan Holdings QSTP-LLC.
BKS...	BK Systems QSTP-LLC.
Board of Directors or Board	The Board of Directors of the Company.
Board Members	The members of the Company's Board of Directors.
Bond Issue.................................	One or more new bond loans of up to NOK 2 billion.
Bridge Loan................................	The bridge loan of up to NOK 2 billion of which Nordea Bank Abp, filial i Norge has undertaken to provide in the event that the Bond Issue has not been completed prior to Completion.
Business Assets and Liabilities	Has the meaning ascribed to such term in Section 6.4 "The business comprised by the Transaction".
Business Licenses	Has the meaning ascribed to such term in Section 6.4 "The business comprised by the Transaction".
Business Properties	Has the meaning ascribed to such term in Section 6.4 "The business comprised by the Transaction".
Business Sellers..........................	Has the meaning ascribed to such term in Section 6.4 "The business comprised by the Transaction".
CEO	Chief executive officer.
CET...	Central European Time.
Company	Kongsberg Gruppen ASA.
Completion	Completion of the Transaction.
Condition	Has the meaning ascribed to such term in Section 6.7 "Condition for completion of the Transaction".
Danske Bank	Danske Bank A/S, Norwegian Branch.
DNB	DNB Bank ASA.
DNB Markets	DNB Markets, a part of DNB Bank ASA.
EBIT..	Earnings Before Interest and Tax.
EBITA..	Earnings Before Interest, Taxes and Amortization.
EBITDA......................................	Earnings Before Interest, Taxes, Depreciation and Amortisation.
EEA...	The European Economic Area.
EGM	The general meeting of the Company that shall vote on the share capital increase pertaining to the Rights Issue.
Existing Shareholders..................	The shareholders of the company as of 2 November 2018 (and being registered as such in VPS on the Record Date).
EU	The European Union.
Euro or EUR	The lawful currency of the participating member states in the European Union.
EU Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State.
EY...	Ernst & Young AS.
Financial Statements....................	The Company's audited consolidated financial statements as of and for the year ended 31 December 2017.
FSMA...	The UK Financial Services and Markets Act 2000.
GBP...	British pound, the lawful currency of the United Kingdom.
GDP	Gross Domestic Product.

General Meeting	The Company's general meeting of shareholders.
GLEIF	The Global Legal Identifier Foundation.
Group	The Company taken together with its consolidated subsidiaries (at the relevant point in time).
IAS 34	International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU.
IEA	The International Energy Agency.
IEDs	Improvised explosive devices.
IFRS	International Financial Reporting Standards as adopted by the EU.
Ineligible Shareholders	Existing Shareholders resident in jurisdictions where the Prospectus may not be distributed and/or with legislation that, according to the Company's assessment, prohibits or otherwise restricts subscription for Offer Shares and Existing Shareholders located in the United States who the Company does not reasonably believe to be a QIB.
Interim Financial Statements	The Company's unaudited consolidated interim financial statements as of and for the three month periods ended 30 September 2018 and 2017.
ISAE 3420	Assurance Engagement to Report Compilation of Pro Forma Financial Information Included in a Prospectus.
IT	Information technology.
Joint Global Coordinators or Managers	Arctic, Danske Bank and DNB Markets.
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.
kta	kta Naval Systems AS.
LEI	Legal Entity Identifier.
Long Stop Date	Has the meaning ascribed to such term in Section 6.11 "Termination of the Purchase Agreement".
LOUs	Local Operating Units.
Management	The senior management team of the Company.
MiFID II	EU Directive 2014/65/EU on markets in financial instruments, as amended.
MiFID II Product Governance Requirements	MiFID II, Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing measures.
NASAMS	National Advanced Surface-to-Air Missile System.
Negative Target Market	Has the meaning ascribed to such term on page III.
NOK	Norwegian Kroner, the lawful currency of Norway.
NOM-Account	A nominee account.
Non-Norwegian Corporate Shareholders	Shareholders who are limited liability companies and certain other entities domiciled outside of Norway for tax purposes.
Non-Norwegian Personal Shareholders	Shareholders who are individuals not resident in Norway for tax purposes.
Norwegian Corporate Governance Code	The Norwegian Code of Practice for Corporate Governance, last updated 30 October 2014.
Norwegian Corporate Shareholders	Shareholders who are limited liability companies and certain similar corporate entities resident in Norway for tax purposes.
Norwegian FSA	The Financial Supervisory Authority of Norway (*Nw.: Finanstilsynet*).
Norwegian Personal Shareholders ..	Shareholders who are individuals resident in Norway for tax purposes.
Norwegian Public Companies Act....	Norwegian Public Limited Companies Act of 13 June 1997 No 45 (*Nw.: allmennaksjeloven*).
Norwegian Securities Trading Act ...	The Norwegian Securities Trading Act of 28 June 2007 No 75 (*Nw.: verdipapirhandelloven*).
Offer Shares	59,990,065 new shares in the Company to be issued in connection with the Rights Issue.
OPEC	Organisation of the Petroleum Exporting Countries.
Order	The UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended.

Oslo Stock Exchange	Oslo Børs ASA, or, as the context may require, Oslo Børs, a Norwegian regulated stock exchange operated by Oslo Børs ASA.
OSV	Supply vessel.
Patria	Patria Oyj.
Pre-committing Shareholders	Has the meaning ascribed to such term in Section 6.10 "Financing of the Transaction".
Payment Date.............................	26 November 2018.
Payment Guarantors	DNB and Danske Bank.
Positive Target Market	Has the meaning ascribed to such term on page III.
Prospectus	This Prospectus dated 6 November 2018.
PSV...	Platform Supply Vessels.
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.
QIBs	Qualified institutional buyers as defined in Rule 144A.
RCF...	Kongsberg's undrawn revolving credit facility with Danske Bank, Norwegian Branch, DNB Markets, a part of DNB Bank ASA, J.P. Morgan Limited, Nordea Bank Apb, filial i Norge and Investment Banking, Skandinaviska Enskilda Banken (Publ) of NOK 2.3 billion.
Record Date	6 November 2018.
Regulation S	Regulation S under the U.S. Securities Act.
Relevant Member State	Each Member State of the European Economic Area which has implemented the EU Prospectus Directive.
Relevant Persons	Persons in the United Kingdom that are (i) investment professionals falling within Article 19(5) of the Order or (ii) high net worth entities, and other persons to whom the Prospectus may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order.
Rights Issue	The offering of 59,990,065 Offer Shares at a Subscription Price of NOK 83.30 per Offer Share with Subscription Rights for Existing Shareholders, as further described in Section 18 "The terms of the Rights Issue".
Rolls-Royce	Rolls-Royce plc.
Rolls-Royce Commercial Marine	Rolls-Royce's commercial marine business.
Rolls-Royce Reorganisation	Has the meaning ascribed to such term in Section 6.8 "The Rolls-Royce Reorganisation and conduct of business".
Rule 144A	Rule 144A under the U.S. Securities Act.
R&D	Research and development.
SEC...	The U.S. Securities and Exchange Commission.
Settlement Agent.........................	DNB Markets, acting as settlement agent in the Rights Issue.
Share(s)	Means the shares of the Company, each with a nominal value of NOK 1.25, or any one of them, including the Offer Shares.
Subscription Form	The form for subscription of Offer Shares attached hereto as Appendix D.
Subscription Period	From 09:00 hours (CET) on 7 November 2018 to 16:30 hours (CET) on 21 November 2018.
Subscription Price	The subscription price for the Offer Shares, being NOK 83.30.
Subscription Rights	Subscription rights that, subject to applicable law, provide preferential rights to subscribe for and to be allocated Offer Shares at the Subscription Price.
Target Companies........................	Has the meaning ascribed to such term in Section 6.4 "The business comprised by the Transaction".
Target Market Assessment	Has the meaning ascribed to such term on page III.
TEUs	Twenty-foot Equivalent Units.
tkMS	thyssenkrupp Marine Systems.
Total Underwriting Commitment	Has the meaning ascribed to such term in Section 18.21 "The underwriting".
Transaction	The acquisition of 100% of Rolls-Royce Commercial Marine by Kongsberg.
UAVs	Unmanned Aerial Vehicles.
UK	The United Kingdom.
Underwriting Agreement	The underwriting agreement dated 5 July 2018, as amended by a pricing supplemented dated 1 November 2018.

U.S. or United States....................	The United States of America.
U.S. Exchange Act	The United States Exchange Act of 1934, as amended.
U.S. Securities Act	The United States Securities Act of 1933, as amended.
U.S. Dollars or USD......................	United States Dollars, the lawful currency of the United States of America.
VPS..	The Norwegian Central Securities Depository (*Nw.: Verdipapirsentralen*).
VPS Registrar	DNB Bank ASA, acting as the Company's VPS registrar in the Rights Issue.

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 9 May 2016

§ 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 150 000 000, divided among 120 000 000 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

INDEPENDENT ASSURANCE REPORT ON PRO FORMA FINANCIAL INFORMATION

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax:
www.ey.no
Medlemmer av Den norske revisorforening

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To the Board of Directors of Kongsberg Gruppen ASA

Independent Practitioners' Assurance Report on the compilation of unaudited pro forma financial information included in a prospectus

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Kongsberg Gruppen ASA (the "Company") by the Board of Directors and Management of the Company. The unaudited condensed pro forma financial information consists of the unaudited condensed pro forma statement of financial position as at 31 December 2017, the unaudited condensed pro forma income statement for the year ended 31 December 2017 and related notes as set out in section 13 of the prospectus dated 6 November 2018 issued by the Company (the "Prospectus"). The applicable criteria on the basis of which the Board of Directors and Management of the Company have compiled the pro forma financial information are specified in Commission Regulation (EC) no. 809/2004 as incorporated in the Securities Trading Act section 7-13 and described in section 13 of the Prospectus (the "applicable criteria"). The historical financial information of Rolls-Royce Commercial Marine (the acquired entity) for the year ended 31 December 2017 used in the compilation of the Pro Forma Financial Information is unaudited and accordingly we do not accept any responsibility for that information.

The pro forma financial information has been compiled by the Board of Directors and Management to illustrate the impact of the transaction set out in section 13 of the Prospectus on the Company's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the year ended 31 December 2017 as if the transaction had taken place at 31 December 2017 and 1 January 2017 respectively. As part of this process, information about the Company's consolidated financial position and financial performance has been extracted by the Board of Directors and Management from the Company's audited consolidated financial statements for the year ended 31 December 2017. Information about the acquired entity's financial position and financial performance has been extracted by the Board of Directors and Management from the underlying accounting records reported as a part of the audited consolidated financial statements of Roll-Royce Holdings plc prepared under IFRS as adopted by EU for the year ended 31 December 2017. The auditor's report on the Company's financial statements for the year ended 31 December 2017 has been incorporated by reference in section 12 of the Prospectus.

The Board of Directors' and Management's Responsibility for the Pro Forma Financial Information

The Board of Directors and Management are responsible for compiling the pro forma financial information on the basis of the applicable criteria.

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Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibilities

Our responsibility is to express an opinion, as required by Annex II item 7 of EU Regulation No 809/2004 about whether the pro forma financial information has been compiled by the Board of Directors and Management on the basis of the applicable criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner plans and performs procedures to obtain reasonable assurance about whether the Board of Directors and Management have compiled the pro forma financial information on the basis of the applicable criteria and whether this basis is consistent with the accounting policies of the Company. Our work primarily consisted of comparing the unadjusted financial information with the source documents as described in section 13 of the Prospectus, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with Management of the Company.

The aforementioned opinion does not require an audit of historical unadjusted financial information, the adjustments to conform the accounting policies of Rolls-Royce Commercial Marine to the accounting policies of the Company, or the assumptions summarized in section 13 of the Prospectus. For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of the transaction on unadjusted financial information of the Company as if the transaction occurred or had been undertaken at an earlier date selected for purposes of the illustration. Because of its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or performance. Accordingly, we do not provide any assurance that the actual outcome of the transaction at 31 December 2017 or for the year ended 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled on the basis stated involves performing procedures to assess whether the

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applicable criteria used by the Board of Directors and Management in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria;
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information; and
- The pro forma financial information has been compiled on a basis consistent with the accounting policies of the Company.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated in section 13 of the Prospectus; and
b) that basis is consistent with the accounting policies of the Company

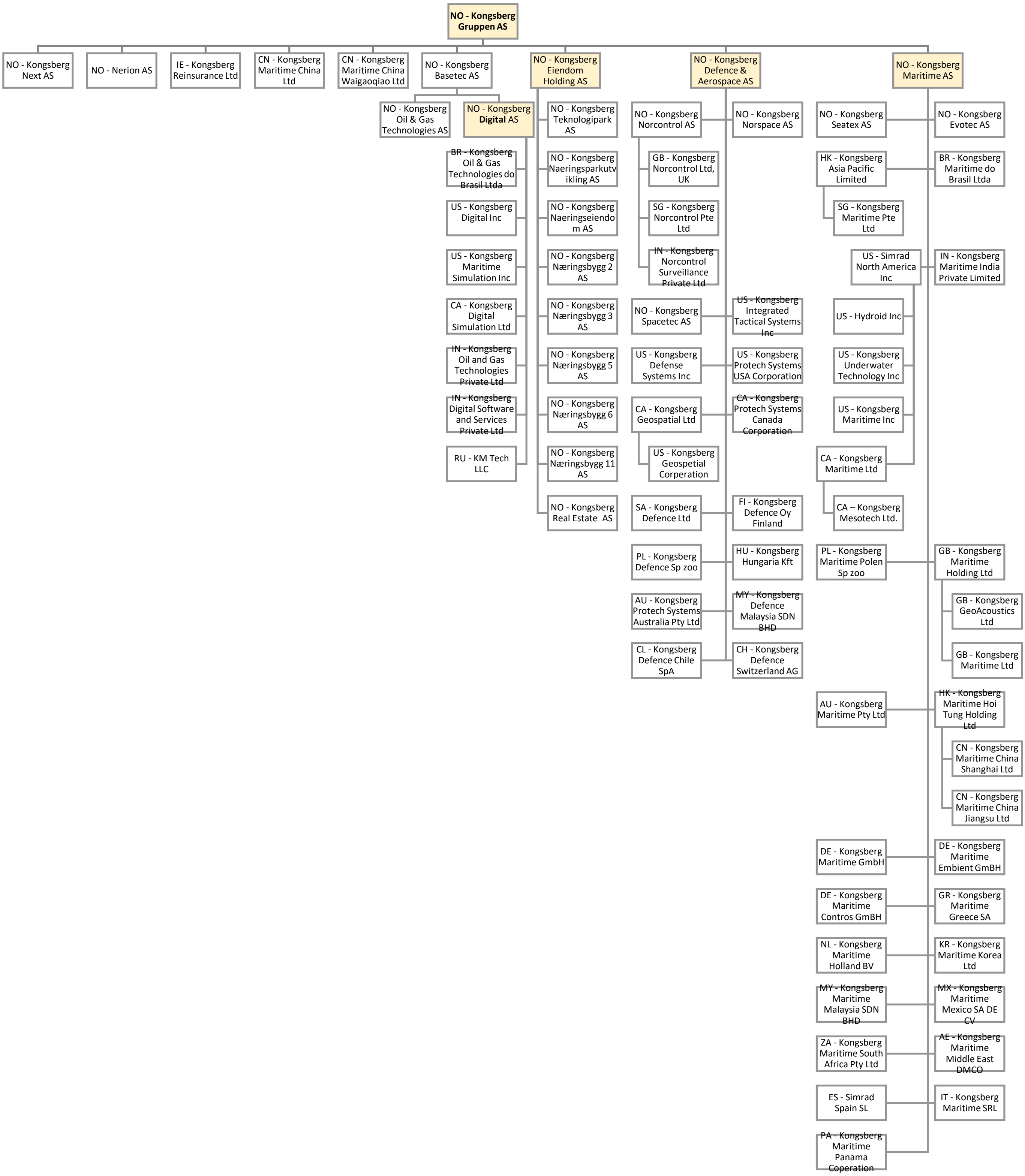
This report is issued for the sole purpose of offering of shares and the admission of shares on Oslo Stock Exchange, and other regulated markets in the European Union or European Economic Area as set out in the Prospectus approved by the Financial Supervisory Authority of Norway. Our work has not been carried out in accordance with auditing, assurance or other standards and practices generally accepted in the United States and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the listing and issuance of shares described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than the listing of the shares on Oslo Stock Exchange and other regulated markets in the European Union or European Economic Area, as set out in the Prospectus approved by the Financial Supervisory Authority of Norway.

Oslo, 6 November 2018
ERNST & YOUNG AS

Finn Espen Sellæg
State Authorized Public Accountant (Norway)

APPENDIX C

KONGSBERG'S LEGAL GROUP STRUCTURE CHART



NO - Kongsberg Gruppen AS
NO - Kongsberg Next AS
NO - Nerion AS
IE - Kongsberg Reinsurance Ltd
CN - Kongsberg Maritime China Ltd
CN - Kongsberg Maritime China Waigaoqiao Ltd
NO - Kongsberg Basetec AS
NO - Kongsberg Oil & Gas Technologies AS
NO - Kongsberg Digital AS
BR - Kongsberg Oil & Gas Technologies do Brasil Ltda
US - Kongsberg Digital Inc
US - Kongsberg Maritime Simulation Inc
CA - Kongsberg Digital Simulation Ltd
IN - Kongsberg Oil and Gas Technologies Private Ltd
IN - Kongsberg Digital Software and Services Private Ltd
RU - KM Tech LLC
NO - Kongsberg Eiendom Holding AS
NO - Kongsberg Teknologipark AS
NO - Kongsberg Naeringsparkutvikling AS
NO - Kongsberg Naeringseiendom AS
NO - Kongsberg Næringsbygg 2 AS
NO - Kongsberg Næringsbygg 3 AS
NO - Kongsberg Næringsbygg 5 AS
NO - Kongsberg Næringsbygg 6 AS
NO - Kongsberg Næringsbygg 11 AS
NO - Kongsberg Real Estate AS
NO - Kongsberg Defence & Aerospace AS
NO - Kongsberg Norcontrol AS
GB - Kongsberg Norcontrol Ltd, UK
SG - Kongsberg Norcontrol Pte Ltd
IN - Kongsberg Norcontrol Surveillance Private Ltd
NO - Kongsberg Norspace AS
NO - Kongsberg Spacetec AS
US - Kongsberg Integrated Tactical Systems Inc
US - Kongsberg Defense Systems Inc
US - Kongsberg Protech Systems USA Corporation
CA - Kongsberg Geospatial Ltd
US - Kongsberg Geospetial Corperation
CA - Kongsberg Protech Systems Canada Corporation
SA - Kongsberg Defence Ltd
FI - Kongsberg Defence Oy Finland
PL - Kongsberg Defence Sp zoo
HU - Kongsberg Hungaria Kft
AU - Kongsberg Protech Systems Australia Pty Ltd
MY - Kongsberg Defence Malaysia SDN BHD
CL - Kongsberg Defence Chile SpA
CH - Kongsberg Defence Switzerland AG
NO - Kongsberg Maritime AS
NO - Kongsberg Seatex AS
NO - Kongsberg Evotec AS
HK - Kongsberg Asia Pacific Limited
SG - Kongsberg Maritime Pte Ltd
BR - Kongsberg Maritime do Brasil Ltda
US - Simrad North America Inc
IN - Kongsberg Maritime India Private Limited
US - Hydroid Inc
US - Kongsberg Underwater Technology Inc
US - Kongsberg Maritime Inc
CA - Kongsberg Maritime Ltd
CA – Kongsberg Mesotech Ltd.
PL - Kongsberg Maritime Polen Sp zoo
GB - Kongsberg Maritime Holding Ltd
GB - Kongsberg GeoAcoustics Ltd
GB - Kongsberg Maritime Ltd
AU - Kongsberg Maritime Pty Ltd
HK - Kongsberg Maritime Hoi Tung Holding Ltd
CN - Kongsberg Maritime China Shanghai Ltd
CN - Kongsberg Maritime China Jiangsu Ltd
DE - Kongsberg Maritime GmbH
DE - Kongsberg Maritime Embient GmBH
DE - Kongsberg Maritime Contros GmBH
GR - Kongsberg Maritime Greece SA
NL - Kongsberg Maritime Holland BV
KR - Kongsberg Maritime Korea Ltd
MY - Kongsberg Maritime Malaysia SDN BHD
MX - Kongsberg Maritime Mexico SA DE CV
ZA - Kongsberg Maritime South Africa Pty Ltd
AE - Kongsberg Maritime Middle East DMCO
ES - Simrad Spain SL
IT - Kongsberg Maritime SRL
PA - Kongsberg Maritime Panama Coperation

APPENDIX D

SUBSCRIPTION FORM FOR THE RIGHTS ISSUE IN ENGLISH

KONGSBERG GRUPPEN ASA
RIGHTS ISSUE

SUBSCRIPTION FORM
Securities number: ISIN NO0003043309

General information: The terms and conditions of the Rights Issue of 59,990,065 new shares (the "**Offer Shares**") in Kongsberg Gruppen ASA (the "**Company**") pursuant to a resolution by the Company's extraordinary general meeting held on 2 November 2018, are set out in the prospectus dated 6 November 2018 (the "**Prospectus**"). Terms defined in the Prospectus shall have the same meaning in this subscription form (the "**Subscription Form**"). The notice of, and the minutes from, the extraordinary general meeting (with enclosures), the Company's articles of association and the annual accounts and directors' reports for the last two years are available at the Company's registered office at Kirkegårdsveien 45, 3616 Kongsberg, Norway.

Subscription procedure: The subscription period is from and including 7 November 2018 to 21 November 2018 at 16:30 hours (CET) (the "**Subscription Period**"). Correctly completed Subscription Forms must be received by one of the Managers no later than 21 November 2018 at 16:30 hours (CET) at one of the following addresses or email addresses: Arctic Securities AS: P.O. Box 1833 Vika, N-0123 Oslo, Norway or email: subscription@arctic.com, Danske Bank A/S, Norwegian branch: P.O. Box 1170 Sentrum, N-0107 Oslo, Norway or email: emisjoner@danskebank.com or DNB Markets, Registrar Department, P.O. Box 1600 Sentrum, N-0021 Oslo, Norway or email: retail@dnb.no. The subscriber is responsible for the correctness of the information included in the Subscription Form. Subscription Forms received after the end of the Subscription Period and/or incomplete or incorrect Subscription Forms and any subscription that may be unlawful may be disregarded at the sole discretion of the Company and/or the Managers without notice to the subscriber.

Subscribers who are Norwegian residents with a Norwegian personal identity number (*Nw.: personnummer*) are encouraged to subscribe for Offer Shares through the VPS online subscription system (or by following the link on www.arctic.com/secno, www.danskebank.no/kog or www.dnb.no/emisjoner which will redirect the subscriber to the VPS online subscription system). Subscriptions made through the VPS online subscription system must be duly registered before the expiry of the Subscription Period.

Neither the Company nor the Managers may be held responsible for postal delays, unavailable internet lines or servers or other logistical or technical problems that may result in subscriptions not being received in time or at all by one of the Managers. Subscriptions are binding and irrevocable, and cannot be withdrawn, cancelled or modified by the subscriber after being received by one of the Managers or, in the case of subscriptions through the VPS online subscription system, the online subscription registration. By signing and submitting this Subscription Form, or registering a subscription through the VPS online subscription system, the subscriber confirms and warrants to have read the Prospectus and to be eligible to subscribe for Offer Shares under the terms set forth therein.

Subscription Price: The subscription price in the Rights Issue is NOK 83.30 per Offer Share (the "**Subscription Price**").

Subscription Rights: The shareholders of the Company as of 2 November 2018 (and being registered as such in the VPS at the expiry of 6 November 2018 pursuant to the two days' settlement procedure (the "**Record Date**")) will be granted subscription rights (the "**Subscription Rights**") in the Rights Issue that, subject to applicable law, provide preferential right to subscribe for, and be allocated, Offer Shares at the Subscription Price. The Subscription Rights will be listed and tradable on the Oslo Stock Exchange from 7 November to 16:30 hours (CET) on 19 November 2018 under the ticker code "KOG T". **The subscription rights will hence only be tradable during part of the Subscription Period.** Existing Shareholders will be granted one (1) Subscription Right for every two (2) Shares registered as held by such Existing Shareholder as of the Record Date, rounded down to the nearest whole Subscription Right. Subscription Rights will not be issued in respect of the existing shares held in treasury by the Company. Subscription Rights acquired during the Subscription Period carry the same right to subscription as the Subscription Rights held by Existing Shareholders. Each Subscription Right will, subject to applicable securities laws, give the right to subscribe for, and be allocated, one Offer Share. Over-subscription and subscription without Subscription Rights is permitted. **Subscription Rights that are not used to subscribe for Offer Shares before the expiry of the Subscription Period (i.e. 21 November 2018 at 16:30 hours (CET)) or sold before 19 November 2018 at 16:30 hours (CET) will have no value and will lapse without compensation to the holder.**

Allocation of Offer Shares: The Offer Shares will be allocated to the subscribers based on the allocation criteria set out in the Prospectus. The Company reserves the right to reject or reduce any subscription for Offer Shares not covered by Subscription Rights. No fractional Offer Shares will be allocated. Allocation of fewer Offer Shares than subscribed for by a subscriber will not impact on the subscriber's obligation to pay for the number of Offer Shares allocated. Notification of allocated Offer Shares and the corresponding subscription amount to be paid by each subscriber are expected to be distributed in a letter from the VPS on or about 22 November 2018.

Payment: The payment for Offer Shares allocated to a subscriber falls due on 26 November 2018 (the "**Payment Date**"). By signing this Subscription Form, subscribers having a Norwegian bank account irrevocably authorise DNB Markets (the "**Settlement Agent**") to debit the bank account specified below for the subscription amount payable for the Offer Shares allocated to the subscriber. The Settlement Agent is only authorised to debit such account once, but reserves the right to make up to three debit attempts, and the authorisation will be valid for up to seven working days after the Payment Date. The subscriber furthermore authorises the Settlement Agent to obtain confirmation from the subscriber's bank that the subscriber has the right to dispose over the specified account and that there are sufficient funds in the account to cover the payment. If there are insufficient funds in a subscriber's bank account or if it for other reasons is impossible to debit such bank account when a debit attempt is made pursuant to the authorisation from the subscriber, the subscriber's obligation to pay for the Offer Shares will be deemed overdue. Subscribers who do not have a Norwegian bank account must ensure that payment with cleared funds for the Offer Shares allocated to them is made on or before the Payment Date. Prior to any such payment being made, the subscriber must contact the Settlement Agent (DNB Markets) on telephone number +47 23 26 8 20 for further details and instructions.

PLEASE SEE PAGE 2 OF THIS SUBSCRIPTION FORM FOR OTHER PROVISIONS THAT ALSO APPLY TO THE SUBSCRIPTION

DETAILS OF THE SUBSCRIPTION

Subscriber's VPS account	Subscriber's LEI code (20 digits):	Number of Subscription Rights	Number of Offer Shares subscribed (incl. over-subscription)	(For broker: Consecutive no.)

SUBSCRIPTION RIGHTS' SECURITIES NUMBER: ISIN NO 0010835549	Subscription Price per Offer Share	Subscription amount to pay
	X NOK 83.30	= NOK ___________________

IRREVOCABLE AUTHORISATION TO DEBIT ACCOUNT (MUST BE COMPLETED BY SUBSCRIBERS WITH A NORWEGIAN BANK ACCOUNT)

Norwegian bank account to be debited for the payment for Offer Shares allocated (number of Offer Shares allocated x NOK 83.30).	(Norwegian bank account no.)

In accordance with the terms and conditions set out in the Prospectus and this Subscription Form, I/we hereby irrevocably subscribe for the number of Offer Shares specified above and grant the Settlement Agent authorisation to debit (by direct debiting or manually as described above) the specified bank account for the payment of the Offer Shares allocated to me/us. By signing this Subscription Form, subscribers subject to direct debiting accept the terms and conditions for "Payment by Direct Debiting – Securities Trading" set out on page 2 of this Subscription Form.

Place and date Must be dated in the Subscription Period	**Binding signature.** The subscriber must have legal capacity. When signed on behalf of a company or pursuant to an authorisation, documentation in the form of a company certificate or power of attorney should be attached.

INFORMATION ON THE SUBSCRIBER

First name:	
Surname/company:	
Street address:	
Post code/district/ Country:	
Personal ID number/ Organisation number:	
Nationality:	
E-mail address:	
Daytime telephone number:	

ADDITIONAL GUIDELINES FOR THE SUBSCRIBER

Regulatory Issues: In accordance with the Markets in Financial Instruments Directive (MiFID II) of the European Union, Norwegian law imposes requirements in relation to business investments. In this respect the Managers must categorise all new clients in one of three categories: eligible counterparties, professional and non-professional clients. All subscribers in the Rights Issue who are not existing clients of the Managers will be categorised as non-professional clients. Subscribers can by written request to one of the Managers ask to be categorised as a professional client if the subscriber fulfils the applicable requirements of the Norwegian Securities Trading Act. For further information about the categorisation, the subscriber may contact one of the Managers. **The subscriber represents that he/she/it is capable of evaluating the merits and risks of an investment decision to invest in the Company by subscribing for Offer Shares, and is able to bear the economic risk, and to withstand a complete loss, of an investment in the Offer Shares.**

The Managers will receive a consideration from the Company and will in conducting its work have to take into consideration the requirements of the Company and the interests of the investors subscribing under the Rights Issue and the rules regarding inducements pursuant to the requirements of the Norwegian MiFID II Regulations (implementing the European Directive for Markets in Financial Instruments (MiFID II)).

Selling and Transfer Restrictions: The attention of persons who wish to subscribe for Offer Shares is drawn to Section 19 of the Prospectus "Selling and transfer restrictions". The making or acceptance of the Rights Issue to persons who have registered addresses outside Norway, or who are resident in, or citizens of, countries outside Norway, may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to subscribe for Offer Shares. It is the responsibility of any person outside Norway wishing to subscribe for Offer Shares under the Rights Issue to satisfy himself/herself/itself as to the full observance of the laws of any relevant jurisdiction in connection therewith, including obtaining any governmental or other consent which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The Subscription Rights and the Offer Shares have not been registered and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or under the securities law of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, delivered or transferred, directly or indirectly, within the United States, except pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Subscription Rights and Offer Shares in the United States. Notwithstanding the foregoing, the Offer Shares may be offered to and the Subscription Rights may be exercised by or on behalf of, persons in the United States reasonably believed to be "qualified institutional buyers" (QIBs) as defined by the U.S. Securities Act, in offerings exempt from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, provided such persons satisfy the Company that they are eligible to participate on such basis. Persons in the United States exercising Subscription Rights to acquire Offer Shares will be required to execute an investor letter in a form acceptable to the Company and the Managers. The Subscription Rights and the Offer Shares have not been and will not be registered under the applicable securities laws of Australia, Canada, the Hong Kong Special Administrative Region of the People's Republic of China, South Africa or Japan and may not be offered, sold, resold or delivered, directly or indirectly, in or into Australia, Canada, the Hong Kong Special Administrative Region of the People's Republic of China, South Africa or Japan except pursuant to an applicable exemption from applicable securities laws. This Subscription Form does not constitute an offer to sell or a solicitation of an offer to buy Offer Shares in any jurisdiction in which such offer or solicitation is unlawful. Subject to certain exceptions, the Prospectus will not be distributed in the United States, Australia, Canada, the Hong Kong Special Administrative Region of the People's Republic of China, South Africa or Japan. Except as otherwise provided in the Prospectus, the Subscription Rights and the Offer Shares may not be transferred, sold or delivered in the United States, Australia, Canada, the Hong Kong Special Administrative Region of the People's Republic of China, South Africa or Japan. A notification of exercise of Subscription Rights and subscription of Offer Shares in contravention of the above restrictions may be deemed to be invalid.

Execution Only: The Managers will treat the Subscription Form as an execution-only instruction. None of the Managers are required to determine whether an investment in the Offer Shares is appropriate or not for the subscriber. Hence, the subscriber will not benefit from the protection of the relevant conduct of business rules in accordance with the Norwegian Securities Trading Act.

Information Exchange: The subscriber acknowledges that, under the Norwegian Securities Trading Act and the Norwegian Financial Undertakings Act and foreign legislation applicable to the Managers there is a duty of secrecy between the different units of each of the Managers, as well as between the Managers and other entities in the Managers' respective groups. This may entail that other employees of the Managers or the Managers' respective groups may have information that may be relevant to the subscriber, but which the Managers will not have access to in their capacity as Managers for the Rights Issue.

Information Barriers: The Managers are securities firms that offer a broad range of investment services. In order to ensure that assignments undertaken in the Managers' respective corporate finance departments are kept confidential, the Mangers' other activities, including analysis and stock broking, are separated from the Managers' corporate finance departments by information walls. The subscriber acknowledges that the Managers' respective analysis and stock broking activity may conflict with the subscriber's interests with regard to transactions of the Shares, including the Offer Shares, as a consequence of such information walls.

VPS Account and Mandatory Anti-Money Laundering Procedures: The Rights Issue is subject to the Norwegian Money Laundering Act No. 23 of June 1, 2018 and the Norwegian Money Laundering Regulations No. 1324 of September 14, 2018 (collectively, the "**Anti-Money Laundering Legislation**"). Subscribers who are not registered as existing customers with one of the Managers must verify their identity to one of the Managers in accordance with the requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Subscribers who have designated an existing Norwegian bank account and an existing VPS account on the Subscription Form are exempted, unless verification of identity is requested by one of the Managers. The verification of identity must be completed prior to the end of the Subscription Period. Subscribers that have not completed the required verification of identity may not be allocated Offer Shares. Further, in participating in the Rights Issue, each subscriber must have a VPS account. The VPS account number must be stated on the Subscription Form. VPS accounts can be established with authorised VPS registrars, which can be Norwegian banks, authorised securities brokers in Norway and Norwegian branches of credit institutions established within the European Economic Area (the "**EEA**"). Non-Norwegian investors may, however, use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Financial Supervisory Authority of Norway. Establishment of a VPS account requires verification of identity to the VPS registrar in accordance with the Anti-Money Laundering Legislation.

Personal data: The applicant confirms that it has been provided information regarding the Managers' processing of personal data, and that it is informed that the Managers will process the applicant's personal data in order to manage and carry out the Offering and the application from the applicant, and to comply with statutory requirements.

The data controllers who are responsible for the processing of personal data are the Managers. The processing of personal data is necessary in order to fulfil the application and to meet legal obligations. The Norwegian Securities Trading Act and the Anti-Money Laundering Legislation require that the Managers process and store information about clients and trades, and control and document activities. The applicant's data will be processed confidentially, but if it is necessary in relation to the purposes, the personal data may be shared between the Managers, the company(ies) participating in the offering, with companies within the Managers' groups, VPS, stock exchanges and/or public authorities. The personal data will be processed as long as necessary for the purposes, and will subsequently be deleted unless there is a statutory duty to keep it.

If the Managers transfer personal data to countries outside the EEA, that have not been approved by the EU Commission, the Managers will make sure the transfer takes place in accordance with the legal mechanisms protecting the personal data, for example the EU Standard Contractual Clauses.

As a data subject, the applicants have several legal rights. This includes i.e. the right to access its personal data, and a right to request that incorrect information is corrected. In certain instances, the applicants will have the right to impose restrictions on the processing or demand that the information is deleted. The applicants may also complain to a supervisory authority if they find that the Managers' processing is in breach of the law. Supplementary information on processing of personal data and the applicants' rights can be found at the Managers' websites.

Terms and Conditions for Payment by Direct Debiting - Securities Trading: Payment by direct debiting is a service the banks in Norway provide in cooperation. In the relationship between the payer and the payer's bank the following standard terms and conditions will apply:

a) The service "Payment by direct debiting – securities trading" is supplemented by the account agreement between the payer and the payer's bank, in particular Section C of the account agreement, General terms and conditions for deposit and payment instructions.

b) Costs related to the use of "Payment by direct debiting – securities trading" appear from the bank's prevailing price list, account information and/or information given by other appropriate manner. The bank will charge the indicated account for costs incurred.

c) The authorisation for direct debiting is signed by the payer and delivered to the beneficiary. The beneficiary will deliver the instructions to its bank who in turn will charge the payer's bank account.

d) In case of withdrawal of the authorisation for direct debiting the payer shall address this issue with the beneficiary. Pursuant to the Norwegian Financial Contracts Act, the payer's bank shall assist if the payer withdraws a payment instruction that has not been completed. Such withdrawal may be regarded as a breach of the agreement between the payer and the beneficiary.

e) The payer cannot authorise payment of a higher amount than the funds available on the payer's account at the time of payment. The payer's bank will normally perform a verification of available funds prior to the account being charged. If the account has been charged with an amount higher than the funds available, the difference shall immediately be covered by the payer.

f) The payer's account will be charged on the indicated date of payment. If the date of payment has not been indicated in the authorisation for direct debiting, the account will be charged as soon as possible after the beneficiary has delivered the instructions to its bank. The charge will not, however, take place after the authorisation has expired as indicated above. Payment will normally be credited the beneficiary's account between one and three working days after the indicated date of payment/delivery.

g) If the payer's account is wrongfully charged after direct debiting, the payer's right to repayment of the charged amount will be governed by the account agreement and the Norwegian Financial Contracts Act.

Overdue Payment: Overdue payments will be charged with interest at the applicable rate from time to time under the Norwegian Act on Interest on Overdue Payment of 17 December 1976 No. 100, currently 8.50% per annum as of the date of the Prospectus. If a subscriber fails to comply with the terms of payment, the Offer Shares will, subject to the restrictions in the Norwegian Public Limited Companies Act, not be delivered to such subscriber. In order to enable timely registration of the share capital increase pertaining to the Rights Issue with the Norwegian Register of Business Enterprises, the Company has entered into a payment guarantee agreement with DNB and Danske Bank (the "**Payment Guarantors**") pursuant to which the Payment Guarantors have undertaken to pay for any Offer Shares for which payment has not been received on or prior to the Payment Date, excluding (i) the Offer Shares not subscribed for by the expiry of the Subscription Period (which, if any, shall be subscribed and paid for in accordance with the terms and conditions of the Underwriting Agreement) and (ii) the Offer Shares subscribed for by the Norwegian Government and the Pre-committing Shareholders. The Payment

Guarantors' obligations under the payment guarantee agreement are several (and not joint and several) and limited to an amount of NOK 751,144,130.45 for each Payment Guarantor (NOK 1,502,288,260.90 in total). Pursuant to such payment guarantee agreement, the Payment Guarantors will pay any subscription amounts not paid by subscribers when due, limited upwards to the guaranteed amount. The non-paying subscribers will remain fully liable for the subscription amount payable for the Offer Shares allocated to them, irrespective of such payment by the Payment Guarantors. The Offer Shares allocated to such subscribers will be transferred to a VPS account operated by the Settlement Agent on behalf of the Payment Guarantors and will be transferred to the non-paying subscriber when payment of the subscription amount for the relevant Offer Shares is received. However, the Payment Guarantors reserve the right to sell on behalf of the subscriber or assume ownership of the Offer Shares from and including the fourth day after the Payment Date without further notice to the subscriber in question in accordance with section 10-12 (4) of the Norwegian Public Limited Liability Companies Act if payment has not been received within the third day after the Payment Date. If the Offer Shares are sold on behalf of the subscriber, the subscriber will remain liable for payment of the subscription amount, together with any interest, loss, costs, charges and expenses suffered or incurred by the Company and/or the Payment Guarantors as a result of or in connection with such sales. The Company and/or the Payment Guarantors may enforce payment for any amount outstanding in accordance with Norwegian law. If the Payment Guarantors decide not to assume ownership to the unpaid Offer Shares, the Settlement Agent, on behalf of the Company, reserves the right, at the risk and cost of the subscriber to, at any time from and including the fourth day after the Payment Date, cancel the subscription and to reallocate or otherwise dispose of allocated Offer Shares for which payment is overdue, on such terms and in such manner as the Settlement Agent may decide in accordance with Norwegian law. The subscriber will remain liable for payment of the subscription amount, together with any interest, loss, costs, charges and expenses accrued and the Settlement Agent, on behalf of the Company, may enforce payment for any such amount outstanding in accordance with Norwegian law. For further information of overdue and late payments, see section 18.14 "Payment for the Offer Shares" of the Prospectus.

National Client Identifier and Legal Entity Identifier: In order to participate in the Rights Issue, subscribers will need a global identification code. Physical persons will need a so-called National Client Identifier ("**NCI**") and legal entities will need a so-called Legal Entity Identifier ("**LEI"**).
NCI code for physical persons: As of 3 January 2018, physical persons will need a NCI code to participate in a financial market transaction, i.e. a global identification code for physical persons. For physical persons with only a Norwegian citizenship, the NCI code is the 11 digit personal ID (Nw:_"*fødselsnummer*"). If the person in question has multiple citizenships or another citizenship than Norwegian, another relevant NCI code can be used. Subscribers are encouraged to contact their bank for further information.
LEI code for legal entities: As of 3 January 2018, legal entities will need a LEI code to participate in a financial market transaction. A LEI code must be obtained from an authorized LEI issuer, and obtaining the code can take some time. Subscribers should obtain a LEI code in time for the subscription. For more information visit www.gleif.org. Further information is also included in Section 18.18 ("LEI number") of the Prospectus.

APPENDIX E

SUBSCRIPTION FORM FOR THE RIGHTS ISSUE IN NORWEGIAN

KONGSBERG GRUPPEN ASA
FORTRINNSRETTSEMISJON

TEGNINGSBLANKETT
Verdipapirnummer. ISIN NO0003043309

Generell informasjon: Vilkårene og betingelsene for Fortrinnsrettsemisjonen, der det utstedes 59 990 065 nye aksjer ("**Tilbudsaksjer**") i Kongsberg Gruppen ASA ("**Selskapet**") i henhold til beslutning på ekstraordinær generalforsamling i Selskapet den 2. november 2018, fremgår av prospektet datert 6. november ("**Prospektet**"). Begrep definert i Prospektet skal ha samme betydning i denne tegningsblanketten ("**Tegningsblanketten**"). Innkalling til, og protokoll fra, den ekstraordinære generalforsamling (med vedlegg), Selskapets vedtekter, årsregnskap, og styrets beretninger for de to siste år er tilgjengelig på Selskapets registrerte forretningsadresse i Kirkegårdsveien 45, 3616 Kongsberg, Norge.

Tegningsprosedyre: Tegningsperioden er fra og med den 7. november 2018 til kl. 16:30 den 21. november 2018 ("**Tegningsperioden**"). Korrekt utfylt Tegningsblankett må være mottatt av en av Tilretteleggerne før 21. november 2018 kl. 16:30 på en av følgende adresser: Arctic Securities AS: Postboks 1833 Vika, 0123 Oslo, Norge eller e-post: subscription@arctic.com, Danske Bank A/S, Norsk Filial: Postboks 1170 Sentrum, 0107 Oslo, Norge eller e-post: emisjoner@danskebank.com eller DNB Markets, Verdipapirservice, Postboks 1600 Sentrum, 0021 Oslo, Norge eller e-post: retail@dnb.no. Tegneren er ansvarlig for riktigheten av den informasjon som er fylt inn i Tegningsblanketten. Feilaktig eller ufullstendig utfylte Tegningsblanketter, og/eller tegningsblanketter som er mottatt etter utløpet av Tegningsperioden, samt enhver tegning som kan være ulovlig, kan etter Selskapets og/eller Tilretteleggernes nærmere skjønn bli avvist uten at tegneren varsles på forhånd.

Tegnere som er bosatt i Norge og som har norsk personnummer, oppfordres til å tegne Tilbudsaksjer gjennom VPS' nettbaserte tegningssystem (eller ved å følge lenken på en av følgende nettsider: www.arctic.com/secno, www.danskebank.no/kog eller www.dnb.no/emisjoner, som vil omdirigere tegneren til VPS' nettbaserte tegningssystem). Tegninger gjort gjennom VPS' nettbasert tegningssystem må være registrert før utløpet av Tegningsperioden.

Hverken Selskapet eller noen av Tilretteleggerne kan holdes ansvarlig for forsinket postgang, utilgjengelige internettlinjer eller servere eller andre logistiske eller tekniske problemer som kan resultere i at tegninger ikke blir mottatt i tide eller i det hele tatt av Tilretteleggerne. Tegninger er ugjenkallelige og bindende ved mottak og kan ikke tilbakekalles, kanselleres eller endres av tegneren etter at den er mottatt av en av Tilretteleggerne eller, for tegninger gjort gjennom VPS' nettbaserte tegningssystem, når tegningen er registrert. Ved å signere og sende inn denne Tegningsblanketten, eller ved å registrere tegning gjennom VPS' nettbaserte tegningssystem, bekrefter og garanterer tegneren at vedkommende har lest Prospektet og er berettiget til å tegne Tilbudsaksjer under de vilkår som er angitt der.

Tegningskurs: Tegningskursen i Fortrinnsrettsemisjonen er NOK 83,30 per Tilbudsaksje ("**Tegningskursen"**).

Tegningsretter: Aksjeeiere i Selskapet per 2. november 2018 (og som er innført som aksjeeiere i VPS ved utløpet av 6. november 2018 i henhold til prosedyren om to-dagers oppgjør ("**Registreringsdatoen**")) vil bli tildelt tegningsretter ("**Tegningsretter**") i Fortrinnsrettsemisjonen som, med de begrensninger som følger av gjeldende rett, gir fortrinnsrett til tegning og tildeling av Tilbudsaksjer til Tegningskursen. Tegningsrettene vil bli notert og være omsettelige på Oslo Børs fra 7. november 2018 til kl. 16:30 den 19. november 2018 under tickerkode "KOG T". Tegningsrettene vil således kun være omsettelige i deler av Tegningsperioden. Eksisterende Aksjeeiere vil bli tildelt én (1) Tegningsrett for hver andre (2) Aksje den Eksisterende Aksjeeieren var registrert som eier av på Registreringsdatoen, rundet ned til nærmeste hele Tegningsrett. Det vil ikke bli tildelt tegningsretter for Selskapets egne aksjer. Tegningsretter ervervet i Tegningsperioden gir samme rett til tegning som Tegningsretter holdt av Eksisterende Aksjonærer. Hver Tegningsrett vil, med de begrensninger som følger av gjeldende verdipapirlovgivning, gi rett til å tegne og bli tildelt én Tilbudsaksje i Fortrinnsrettsemisjonen. Overtegning og tegning uten Tegningsretter er tillatt. **Tegningsretter som ikke er benyttet til å tegne Tilbudsaksjer innen utløpet av Tegningsperioden (dvs. 21. november 2019 kl. 16:30) eller solgt før 19. november 2018 kl. 16:30 vil falle bort uten noen kompensasjon til eieren og vil følgelig være uten verdi fra dette tidspunkt.**

Tildeling av Tilbudsaksjer: Tilbudsaksjene vil tildeles tegnerne basert på tildelingsprinsippene som fremgår av Prospektet. Selskapet forbeholder seg retten til å avvise eller redusere enhver tegning som ikke er gjort på grunnlag av Tegningsretter. Selskapet vil ikke tildele brøkdelsaksjer. Tildeling av færre Tilbudsaksjer enn det man har tegnet for endrer ikke betalingsforpliktelsen for Tilbudsaksjene man blir tildelt. Underretning om antall tildelte Tilbudsaksjer og tilhørende tegningsbeløp til betaling for den enkelte tegner forventes distribuert per post fra VPS på eller rundt 22. november 2018.

Betaling: Betalingen for Tilbudsaksjer som er tildelt en tegner forfaller den 26. november 2018 ("**Betalingsdatoen**"). Ved å fylle ut Tegningsblanketten, har tegnere med en norsk bankkonto gitt DNB Markets ("**Oppgjørsagenten**") en ugjenkallelig fullmakt til å belaste bankkontoen for det totale tegningsbeløpet som skal betales for de Tilbudsaksjene som tildeles tegneren. Oppgjørsagenten er kun berettiget til å belaste den enkelte konto én gang, men forbeholder seg retten til å gjennomføre inntil tre forsøk på belastninger, og denne autorisasjonen vil være gyldig opp til syv arbeidsdager etter Betalingsdatoen. Tegneren autoriserer også at Oppgjørsagenten innhenter bekreftelse fra tegnerens bank på at tegneren har rett til å disponere over den angitte kontoen og at det er tilstrekkelige midler i kontoen for å dekke betalingen. Hvis det ikke er nok penger på en tegnerens bankkonto, eller hvis det av andre grunner er umulig å belaste en slik bankkonto når et belastningsforsøk er gjort i henhold til fullmakten fra tegneren, vil tegnerens forpliktelse til å betale for de tildelte Tilbudsaksjene bli ansett som misligholdt. Tegnere som ikke har en norsk bankkonto må selv sørge for at betaling for de tildelte Tilbudsaksjene er gjennomført på eller før Betalingsdatoen. Før en slik betaling gjøres, må tegneren kontakte Oppgjørsagenten (DNB Markets) på telefonnummer +47 23 26 80 20 for ytterligere detaljer og instruksjoner.

SE SIDE 2 AV DENNE TEGNINGSBLANKETTEN FOR YTTERLIGERE VILKÅR SOM OGSÅ GJELDER FOR TEGNINGEN

DETALJER FOR TEGNINGEN

Tegnerens VPS-konto:	**Tegnerens LEI kode (20 siffer):**	**Antall Tegningsretter:**	**Antall** Tilbudsaksjer **som tegnes (inkl. overtegning):**	**(For megler: consecutive no.):**

TEGNINGSRETTENES VERDIPAPIRNUMMER: ISIN NO 0010835549

Tegningskurs per Tilbudsaksje**:**	**Tegningsbeløp til betaling:**
X NOK 83,30	**= NOK ___________________**

UGJENKALLELIG FULLMAKT TIL Å BELASTE KONTO (MÅ FYLLES UT AV TEGNERE MED NORSK BANKKONTO)

Norsk bankkonto som skal belastes for betalingen for tildelte Tilbudsaksjer (antall tildelte Tilbudsaksjer x NOK 83,30).	______________________________ (Norsk bankkontonummer)

På de vilkår og betingelser som fremgår av Prospektet og denne Tegningsblanketten, gir jeg/vi herved min/vår ugjenkallelige forpliktelse til tegning av det antallet Tilbudsaksjer som er spesifisert over og gir Oppgjørsagenten fullmakt til å belaste (direkte eller manuelt, slik beskrevet over) den spesifikke bankkontoen for betaling for de Tilbudsaksjene som er tildelt meg/oss. Ved å signere denne Tegningsblanketten, aksepterer tegnere som er underlagt engangsfullmakt vilkårene og betingelsene for "Betaling med engangsfullmakt – Verdipapirhandel" som fremgår av side 2 av denne Tegningsblanketten.

Sted og dato	**Bindende signatur**
Må være datert i Tegningsperioden	Den som signerer må være berettiget til dette. Dersom det signeres på vegne av et selskap eller i henhold til fullmakt, må dokumentasjon i form av firmaattest eller fullmakt vedlegges.

INFORMASJON OM TEGNEREN – ALLE FELTER MÅ FYLLES UT

Fornavn:	
Etternavn/selskapsnavn:	
Gateadresse:	
Postnummer/poststed/land:	
Fødselsnummer (11 siffer)/ organisasjonsummer:	
Nasjonalitet:	
E-postadresse:	
Telefonnummer på dagtid:	

YTTERLIGERE VILKÅR FOR TEGNEREN

Regulatoriske forhold: I henhold til Markets in Financial Instruments Directive (MiFID II) for den Europeiske Union, inneholder norsk rett enkelte vilkår knyttet til investeringer. I denne anledning er Tilretteleggerne pålagt å kategorisere alle nye kunder i én av tre kategorier: kvalifiserte motparter, profesjonelle kunder og ikke-profesjonelle kunder. Alle tegnere i Fortrinnsrettsemisjonen som ikke er eksisterende kunder av én av Tilretteleggerne vil bli kategorisert som ikke-profesjonelle kunder. Tegneren kan, ved skriftlig henvendelse til én av Tilretteleggerne, be om å bli kategorisert som profesjonell kunde dersom tegneren oppfyller gjeldende vilkår i lov 29. juni 2007 nr. 75 om verdipapir (verdipapirhandelloven). For ytterligere informasjon om kundekategorisering kan tegneren kontakte en av Tilretteleggerne. **Tegneren garanterer at vedkommende er i stand til å evaluere omstendighetene og risikoene knyttet til en investering i Selskapet ved å tegne Tilbudsaksjer, og er i stand til å bære den økonomiske risiko, inkludert et fullstendig tap, knyttet til investeringen i Tilbudsaksjene.**

Tilretteleggerne vil motta et vederlag fra Selskapet og vil i sitt arbeide måtte ta hensyn til Selskapets krav og interessene til investorene som tegner i Fortrinnsrettsemisjonen og regler om vederlag til verdipapirforetak fra tredjeparter i henhold til kravene i norske MiFID II reguleringer (som implementerer det europeiske direktivet som regulerer markeder i finansielle instrumenter (MiFID II)).

Restriksjoner på salg og overføring: Enhver tegning er underlagt de betingelser og restriksjoner for tegning og tildeling som fremgår av Prospektets kapittel 19 "Selling and transfer restrictions". Adgangen til å fremsette tilbud om Tilbudsaksjer til, og gyldigheten av tegninger fra personer som har registrert adresse utenfor Norge, eller som er bosatt i, eller statsborgere i, land utenfor Norge, kan bli påvirket av lovene i den aktuelle jurisdiksjonen. Slike personer bør kontakte sine profesjonelle rådgivere for råd om hvorvidt de har behov for myndighets- eller annen godkjennelse eller må overholde andre formaliteter for at de skal kunne tegne Tilbudsaksjer. Enhver person utenfor Norge som ønsker å tegne Tilbudsaksjer i Fortrinnsrettsemisjonen har selv det fulle ansvar for etterlevelse av samtlige rettsregler i relevante jurisdiksjoner i denne anledning, herunder å anskaffe enhver myndighets- eller annen godkjennelse som måtte kreves, etterlevelse av andre nødvendige formaliteter samt betaling av enhver utstedelses-, overdragelses- eller annen skatt eller avgift som matte påløpe i slike jurisdiksjoner. Tegningsrettene og Tilbudsaksjene er ikke og vil ikke bli registrert i henhold til United States Securities Act of 1933, slik denne er til enhver tid, ("**U.S. Securities Act**") eller av verdipapirhandellovgivning innenfor en stat eller annen jurisdiksjon i USA, og kan ikke tilbys, selges, utøves, leveres eller overføres, direkte eller indirekte, innenfor USA, unntatt i henhold til et gjeldende unntak fra registreringskravene i U.S. Securities Act og i samsvar med verdipapirlovgivningen i den aktuelle stat eller annen jurisdiksjon i USA. Det vil ikke bli fremsatt et offentlig tilbud om Tegningsretter eller Tilbudsaksjer i USA. Til tross for det foregående kan Tilbudsaksjer tilbys til, og Tegningsretter kan bli utøvd av eller på vegne av, personer i USA som med rimelighet er antatt å være "qualified institutional buyers" (eller QIBer) slik dette er definert i U.S. Securities Act, i tilbud som er unntatt fra, eller transaksjoner som ikke er underlagt, registreringskrav i henhold til U.S. Securities Act, forutsatt at slike personer tilfredsstiller til Selskapet at de er berettiget til å delta på slikt grunnlag. Personer i USA som utøver Tegningsretter for å tegne Tilbudsaksjer vil bli pålagt å undertegne et investorbrev i en form som er akseptabel for Selskapet og Tilretteleggerne. Tegningsrettene og Tilbudsaksjene er ikke og vil ikke bli registrert i henhold til gjeldende verdipapirlovgivning i Australia, Canada, Hong Kong, Sør-Afrika eller Japan og kan ikke tilbys, selges, videreselges eller leveres, direkte eller indirekte, i eller inn til Australia, Canada, Hong Kong, Sør-Afrika eller Japan, med mindre annet følger av relevant verdipapirlovgivning. Denne Tegningsblanketten er ikke et tilbud om salg eller fremsettelse av et tilbud om erverv av Tilbudsaksjer i noen jurisdiksjoner hvor slike tilbud eller fremsettelse er ulovlige. Med visse unntak vil Prospektet ikke bli distribuert i USA, Australia, Canada, Hong Kong, Sør-Afrika eller Japan. Med mindre annet fremgår av Prospektet, vil Tegningsrettene og Tilbudsaksjene ikke bli overført, solgt eller levert til USA, Australia, Canada, Hong Kong, Sør-Afrika eller Japan. En melding om utøvelse av Tegningsretter og tegning av Tilbudsaksjer i strid med restriksjonene ovenfor vil kunne regnes som ugyldig.

Kun gjennomføring: Tilretteleggerne vil håndtere Tegningsblanketten utelukkende som en spesifikk instruksjon om gjennomføring. Tilretteleggerne er ikke pålagt å vurdere hvorvidt en investering i Tilbudsaksjene er hensiktsmessig eller ikke for tegneren. Tegneren vil med dette ikke ha fordel av de relevante bestemmelser knyttet til verdipapirforetaks virksomhet i verdipapirhandelloven.

Utveksling av informasjon: Tegneren erkjenner at det i henhold til verdipapirhandelloven og finansforetaksloven samt eventuelle utenlandske lover med betydning for Tilretteleggerne, eksisterer en konfidensialitetsplikt mellom de forskjellige enhetene av den enkelte Tilretteleggeren så vel som mellom Tilretteleggerne og de øvrige enhetene i Tilretteleggernes konsern. Dette kan innebære at øvrige ansatte av Tilretteleggerne eller Tilretteleggernes konsernselskaper kan ha informasjon som er relevant for tegneren, men som Tilretteleggerne ikke har tilgang til i sin rolle som Tilretteleggere for Fortrinnsrettsemisjonen.

Informasjonssperrer: Tilretteleggerne er verdipapirforetak som tilbyr en rekke investortjenester. For å sikre at oppdrag Tilretteleggernes corporate finance-avdeling har påtatt seg holdes konfidensielle, er Tilretteleggernes øvrige aktiviteter, herunder analyse og aksjemegling, adskilt fra den respektive Tilretteleggerens corporate finance-avdeling ved informasjonsbarrierer. Tegneren erkjenner følgelig at Tilretteleggernes analyse- og aksjehandelsaktivitet kan komme i konflikt med tegnerens interesse i Aksjene, inkludert Tilbudsaksjene, som er en følge av slike informasjonsbarrierer.

VPS-konto og pålagte hvitvaskingsprosedyrer: Fortrinnsrettsemisjonen er underlagt lov 1. juni 2018 nr. 23 om tiltak mot hvitvasking og terrorfinansiering mv. (hvitvaskingsloven) og forskrift 14. september 2018 nr. 1324 om tiltak mot hvitvasking og terrorfinansiering mv. (hvitvaskingsforskriften) (samlet "**Hvitvaskingsreglene**"). Tegnere som ikke er registrert som eksisterende kunder hos en av Tilretteleggerne må bekrefte sin identitet til en av Tilretteleggerne i henhold til kravene i Hvitvaskingsreglene, med mindre et unntak gjør seg gjeldende. Tegnere som har oppgitt en eksisterende norsk bankkonto og eksisterende VPS-konto på Tegningsblanketten er unntatt, med mindre bekreftelse på tegnerens identitet blir krevd av en av Tilretteleggerne. Bekreftelsen av identiteten må gis før utløpet av Tegningsperioden. Tegnere som ikke har gjennomført påkrevd bekreftelse av sin identitet før utløpet av Tegningsperioden vil ikke bli tildelt Tilbudsaksjer. Deltakelse i Fortrinnsrettsemisjonen er videre betinget av at tegneren har en VPS konto. VPS-kontonummeret må være angitt i Tegningsblanketten. En VPS-konto kan etableres ved en autorisert VPS-kontofører, som kan være norsk bank, autorisert verdipapirforetak i Norge og norske avdelinger av finansinstitusjoner i EØS. Utenlandske investorer kan imidlertid benytte en forvalterkonto registrert i VPS i forvalterens navn. Forvalteren må være autorisert av Finanstilsynet. Etablering av en VPS-konto krever bekreftelse på identitet til kontoføreren i henhold til Hvitvaskingsreglene.

Personopplysninger: Bestilleren bekrefter å ha mottatt informasjon om Tilretteleggernes behandling av personopplysninger, og å være innforstått med at Tilretteleggerne behandler bestillerens personopplysninger for å administrere og gjennomføre Tilbudet og bestillingen, samt for å oppfylle lovpålagte plikter.

Behandlingsansvarlig for behandlingen av personopplysninger er Tilretteleggerne. Behandlingen av personopplysninger er nødvendig for å oppfylle bestillingen og for å oppfylle lovpålagte plikter. Verdipapirhandelloven og Hvitvaskingsreglene krever at Tilretteleggerne behandler og oppbevarer informasjon om kunder og handler, samt kontrollerer og dokumenterer sin virksomhet. Bestillerens personopplysninger vil bli behandlet konfidensielt, men i den grad det er nødvendig for formålene, vil personopplysningene kunne bli delt mellom Tilretteleggerne, selskap(ene) som deltar i Tilbudet, med selskaper internt i Tilretteleggernes gruppe, VPS, regulerte markeder og/eller offentlige myndigheter. Personopplysningene vil bli behandlet så lenge det er nødvendig av hensyn til formålene, og vil deretter slettes med mindre det foreligger en lovpålagt oppbevaringsplikt.

Dersom Tilretteleggerne overfører personopplysninger til land utenfor EØS som ikke er godkjent av EU-kommisjonen, vil Tilretteleggerne sørge for at overføringen skjer i henhold til lovlige mekanismer som ivaretar personopplysningene, for eksempel EU Standard Contractual Clauses.

Bestillere har flere rettigheter i henhold til lovverket. Dette omfatter blant annet retten til innsyn i bestillers egne personopplysninger, og en rett til å be om at uriktige opplysninger blir rettet. I visse tilfeller har bestillere rett til å kreve at behandlingen begrenses eller at opplysningene slettes. Bestillere har også rett til å klage til en tilsynsmyndighet dersom de mener at Tilretteleggernes behandling er i strid med lov. Utfyllende opplysninger om behandling av personopplysninger og bestilleres rettigheter fremgår av Tilretteleggernes hjemmesider.

Vilkår og betingelser for betaling med engangsfullmakt – Verdipapirhandel: Betaling med engangsfullmakt er en tjeneste bankene i Norge tilbyr i fellesskap. I forholdet mellom betaler og betalers bank gjelder følgende standardvilkår og betingelser:

a) Tjenesten "Betaling ved engangsfullmakt – Verdipapirhandel" suppleres av kontoavtalen mellom betaler og betalers bank, særlig kontoavtalens del C, Generelle vilkår og betingelser for innskudd og betalingsoppdrag.

b) Kostnader i forbindelse med bruk av "Betaling med engangsfullmakt – Verdipapirhandel" fremgår av bankens gjeldende prisliste, kontoinformasjon og/eller opplyses på annen egnet måte. Banken vil belaste den angitte konto for påløpte kostnader.

c) Engangsfullmakten signeres av betaler og leveres til betalingsmottaker. Betalingsmottaker vil levere betalingsinstruksjonen til betalingsmottakers bank, som igjen vil belaste betalers bank.

d) Ved et eventuelt tilbakekall av engangsfullmakten skal betaler først ta forholdet opp med betalingsmottaker. I henhold til lov 25. juni 1999 nr. 46 om finansavtaler og finansoppdrag (finansavtaleloven) skal betalers bank medvirke dersom betaler tilbakekaller en betalingsinstruksjon som ikke er gjennomført. Slikt tilbakekall kan imidlertid komme til å bli ansett som brudd på avtalen mellom betaler og betalingsmottaker.

e) Betaler kan ikke angi et høyere beløp enn det som på belastningstidspunktet er disponibelt på betalers konto. Betalers bank vil normalt gjennomføre dekningskontroll før belastning. Belastning utover disponibelt beløp skal umiddelbart dekkes av betaler.

f) Betalers konto vil bli belastet på angitt belastningsdag. Dersom belastningsdag ikke er angitt i engangsfullmakten, vil kontobelastning skje snarest mulig etter at betalingsmottaker har levert betalingsinstruksjon til sin bank. Belastningen vil likevel ikke skje etter utløpet av fullmaktens gyldighetsperiode som angitt ovenfor. Betaling vil normalt være godskrevet betalingsmottaker mellom én og tre virkedager etter angitt belastningsdag/innleveringsdag.

g) Dersom betalers konto blir urettmessig belastet på grunnlag av en engangsfullmakt, reguleres betalers rett til tilbakeføring av det debiterte beløp av kontoavtalen og finansavtaleloven.

Forsinket betaling: Forsinket betaling vil medføre at det løper forsinkelsesrente etter den til enhver tid gjeldende rente i henhold til lov 17. desember 1976 nr. 100 (forsinkelsesrenteloven), 8,50 % per år på datoen for Prospektet. Dersom tegneren ikke oppfyller sine forpliktelser knyttet til betaling, vil Tilbudsaksjene, i henhold til lov 13. juni 1997 nr. 45 om allmennaksjeselskaper (allmennaksjeloven), ikke bli levert til tegneren. For å sikre at aksjekapitalforhøyelsen som følger av Fortrinnsrettsemisjonen registreres rettidig i Foretaksregisteret, har Selskapet inngått en betalingsgarantiavtale med DNB og Danske Bank ("**Garantistene**") der Garantistene har forpliktet seg til å betale for eventuelle Tilbudsaksjer som ikke har blitt betalt for på eller før Betalingsdagen, bortsett fra i) Tilbudsaksjer som ikke tegnes ved utløpet av Tegningsperioden (som eventuelt skal tegnes og betales i samsvar med vilkårene i betalingsgarantiavtalen) og ii) Tilbudsaksjene som er tegnet av den norske stat og Forhåndstegnede Aksjonærer. Garantistenes forpliktelser i henhold til betalingsgarantiavtalen er proratarisk (og ikke solidarisk), og begrenset til et beløp på NOK 751 144 130,45, for hver Garantist (totalt NOK 1 502 288 260,90). I henhold til betalingsgarantiavtalen skal Garantistene betale eventuelle tegningsbeløp som ikke er betalt av tegnerne ved forfall, oppad begrenset til det garanterte beløp. De ikke-betalende tegnerne forblir fullt ansvarlige for tegningsbeløpet som skal betales for Tilbudsaksjene som er tildelt dem, uavhengig av hvorvidt en slik betaling er foretatt av Garantistene. Tilbudsaksjer som er tildelt disse tegnerne vil bli overført til en VPS-konto som forvaltes av Oppgjørsagenten på vegne av Garantistene, og vil bli overført til vedkommende tegner som ikke har betalt når tegningsbeløpet for de aktuelle Tilbudsaksjene er mottatt. I henhold til allmennaksjeloven § 10-12 (4) forbeholder Garantistene seg imidlertid retten til å selge eller overta eierskapet til Tilbudsaksjene, uten nærmere varsel, fra og med den fjerde dagen etter Betalingsdagen hvis betaling ikke er mottatt den tredje dagen etter Betalingsdagen. Dersom Tilbudsaksjene er solgt på vegne av tegneren, vil tegneren være ansvarlig for eventuelle tap, kostnader, avgifter eller utgifter som Selskapet og/eller Garantistene har blitt påført eller pådratt seg som følge av eller i forbindelse med et slikt salg. Selskapet og/eller Garantistene kan håndheve betaling for utestående beløp i samsvar med norsk lov. Dersom Garantistene velger ikke å overta eierskapet til de ubetalte Tilbudsaksjene, vil Oppgjørsagenten, på vegne av Selskapet, forbeholde seg retten til, for tegnernes regning og risiko, når som helst fra og med den fjerde dagen etter Betalingsdagen, å kansellere tegningen og omfordele eller på annen måte disponere over Tilbudsaksjene hvor betalingen er forfalt, i samsvar med vilkårene og på en slik måte som Oppgjørsagenten har bestemt i henhold til norsk lov. Tegneren vil fortsatt være ansvarlig for betaling av Tegningsbeløpet i tillegg til eventuelle påløpte renter, tap, kostnader, utgifter eller avgifter, og Oppgjørsagenten kan på vegne av Selskapet innkreve betaling for utestående beløp i henhold til norsk lov. For ytterligere opplysninger om forsinket betaling, se Kapittel 18.14 "Payment for the Offer Shares" i Prospektet.

National Client Identifier og Legal Entity Identifier: For å kunne delta i Fortrinnsrettsemisjonen trenger tegnere en global identifikasjonskode. Fysiske personer trenger en såkalt National Client Identifier ("**NCI-nummer**"), og juridiske personer trenger en såkalt Legal Entity Identifier ("**LEI-kode**").
NCI-nummer for fysiske personer: Fra 3. januar 2018 trenger fysiske personer et NCI-nummer for å delta i en finansmarkedstransaksjon, det vil si en global identifikasjonskode for fysiske personer. For fysiske personer som kun har norsk statsborgerskap er NCI-nummeret det 11-sifrede personnummeret. Dersom personen har flere statsborgerskap eller annet statsborgerskap enn norsk, kan et annet relevant NCI-nummer brukes. Tegnere oppfordres til å kontakte sin bank for nærmere informasjon.
LEI-kode for juridiske personer: Fra 3. januar 2018 vil juridiske personer trenge en LEI-kode for å delta i en finansmarkedstransaksjon. En LEI-kode må hentes hos en autorisert LEI-utsteder, og det kan ta noe tid å skaffe koden. Tegnere bør skaffe seg en LEI-kode i tide for tegningen. For mer informasjon besøk www.gleif.org. Ytterligere informasjon er også inkludert i avsnitt 18.18 ("LEI Number") i Prospektet.

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(as to Norwegian law)

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