



# Prospectus

## Securities Note

for

**3.20 per cent Kongsberg Gruppen ASA Senior Unsecured Open Bond  
Issue 2016/2026**

Joint Lead Managers:



Kongsberg, 8 November 2016

**Important information\***

The Securities Note has been prepared in connection with listing of the securities at Oslo Børs. The Norwegian FSA (“Finanstilsynet”) has controlled and approved the Securities Note pursuant to Section 7-7 of the Norwegian Securities Trading Act. Finanstilsynet has not controlled and approved the accuracy or completeness of the information given in the Securities Note. The control and approval performed by the Norwegian FSA relates solely to descriptions included by the Company according to a pre-defined list of content requirements. The Norwegian FSA has not undertaken any form of control or approval of corporate matters described in or otherwise covered by the Securities Note.

New information that is significant for the Borrower or its subsidiaries may be disclosed after the Securities Note has been made public, but prior to listing of the Loan. Such information will be published as a supplement to the Securities Note pursuant to Section 7-15 of the Norwegian Securities Trading Act. On no account must the publication or the disclosure of the Securities Note give the impression that the information herein is complete or correct on a given date after the date on the Securities Note, or that the business activities of the Borrower or its subsidiaries may not have been changed.

Only the Borrower and the Joint Lead Managers are entitled to procure information about conditions described in the Securities Note. Information procured by any other person is of no relevance in relation to the Securities Note and cannot be relied on.

Unless otherwise stated, the Securities Note is subject to Norwegian law. In the event of any dispute regarding the Securities Note, Norwegian law will apply.

In certain jurisdictions, the distribution of the Securities Note may be limited by law, for example in the United States of America or in the United Kingdom. Approval of the Securities Note by the Norwegian FSA implies that the Note may be used in any EEA country. No other measures have been taken to obtain authorisation to distribute the Securities Note in any jurisdiction where such action is required. Persons that receive the Securities Note are ordered by the Borrower and the Joint Lead Managers to obtain information on and comply with such restrictions.

This Securities Note is not an offer to sell or a request to buy bonds.

The Securities Note together with the Registration Document constitutes the Prospectus.

The content of the Securities Note does not constitute legal, financial or tax advice and bond owners should seek legal, financial and/or tax advice.

Contact the Borrower or the Joint Lead Managers to receive copies of the Securities Note.

**Factors which are material for the purpose of assessing the market risks associated with Bond:**

The Bonds may not be a suitable investment for all investors. Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Securities Note and/or Registration Document or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of the financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

**Modification and Waiver**

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

The conditions of the Bonds also provide that the Bond Trustee may:

except as provided for in Bond Agreement clause 17.1.5, reach decisions binding for all Bondholders concerning the Bond Agreement, including amendments to the Bond Agreement and waivers or modifications of certain provisions, which in the opinion of the Bond Trustee, do not have a Material Adverse Effect on the rights or interests of the Bondholders pursuant to the Bond Agreement.

except as provided for in the Bond Agreement clause 17.1.5, reach decisions binding for all Bondholders in circumstances other than those mentioned in the Bond Agreement clause 17.1.3 provided prior notification has been made to the Bondholders. The Bond Trustee may not reach a decision binding for all Bondholders in the event that any Bondholder submits a written protest against the proposal within a deadline set forth in the Bondholder notification.

not reach decisions pursuant to the Bond Agreement clauses 17.1.3 or 17.1.4 for matters set forth in the Bond Agreement clause 16.3.5 except to rectify obvious incorrectness, vagueness or incompleteness.

not adopt resolutions which may give certain Bondholders or others an unreasonable advantage at the expense of other Bondholders.

\*The capitalised words in the section "Important Information" are defined in Chapter 3: "Detailed information about the securities".

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## 1 Risk Factors

Investing in bonds issued by Kongsberg Gruppen ASA (the “Issuer”) involves inherent risks. Prospective investors should consider, among other things, the risk factors set out in the Prospectus, including those related to the Issuer as set out in the Registration Document, before making an investment decision. The risks and uncertainties described in the Prospectus, including those set out in the Registration Document, are risks of which the Issuer is aware and that the Issuer considers to be material to its business. If any of these risks were to occur, the Issuer’s business, financial position, operating results or cash flows could be materially adversely affected, and the Issuer could be unable to pay interest, principal or other amounts on or in connection with the bonds. Prospective investors should also read the detailed information set out in the Registration Document dated 8 November 2016 and reach their own views prior to making any investment decision.

### **Risk related to the market in general**

All investments in interest bearing securities have risk associated with such investment. The risk is related to the general volatility in the market for such securities, varying liquidity in a single bond issue as well as company specific risk factors. There are three main risk factors that sum up the investors’ total risk exposure when investing in interest bearing securities with a fixed interest rate: liquidity risk, settlement risk and market risk (both in general and issuer specific).

Liquidity risk is the risk that a party interested in trading bonds cannot do it because nobody in the market wants to trade the bonds. Missing demand for the bonds may result in a loss for the bondholder.

The price of a single bond issue will fluctuate in accordance with the interest rate and credit markets in general, the market view of the credit risk of that particular bond issue, and the liquidity of this bond issue in the market. In spite of an underlying positive development in the Issuers business activities, the price of a bond may fall independent of this fact.

The Loan has been established at a fixed rate, and consequently the coupon doesn’t vary with changes in interest rate levels. Investment in bond loans bearing interest at a fixed rate involves the risk that subsequent changes in market interest rates may adversely affect the value of the Loan.

Settlement risk is the risk that the settlement of bonds does not take place as agreed. The settlement risk consists of the failure to pay or the failure to deliver the bonds.

Market risk is the risk that the value of the bonds will decrease due to the change in value of the market risk factors. The price of a single bond issue will fluctuate in accordance with the interest rate and credit markets in general, the market view of the credit risk of that particular bond issue, and the liquidity of this bond issue in the market. In spite of an underlying positive development in the Issuers business activities, the price of a bond may fall independent of this fact. Bond issues with a relatively short tenor and a floating rate coupon rate do however in general carry a lower price risk compared to bonds with a longer tenor and/or with a fixed coupon rate.

No market-maker agreement is entered into in relation to this bond issue, and the liquidity of bonds will at all times depend on the market participants view of the credit quality of the Issuer as well as established and available credit lines.

## **2 Persons Responsible**

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

Persons responsible for the information given in the Securities Note are:

Kongsberg Gruppen ASA, P.O. Box 1000, 3601 Kongsberg, Norway

### ***2.2 Declaration by persons responsible***

**Responsibility statement:**

Kongsberg Gruppen ASA confirms, having taken all reasonable care to ensure that such is the case, that the information contained in the prospectus is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Kongsberg, 8 November 2016

Kongsberg Gruppen ASA

### 3 Detailed information about the securities

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| ISIN code:                             | NO 0010766512   |
| The Loan/The Reference Name/The Bonds: | "3.20 per cent Kongsberg Gruppen ASA Senior Unsecured Open Bond Issue 2016/2026".   |
| Borrower/Issuer/Company:               | Kongsberg Gruppen ASA, a Norwegian public limited liability company existing under the laws of Norway, with company registration number 943 753 709.  |
| Group:                                 | the Company and its subsidiaries from time to time  |
| Security Type:                         | Bond issue with fixed rate.   |
| Borrowing Limit – Tap Issue:           | NOK 1,500,000,000   |
| Borrowing Amount/ First Tranche:       | NOK 1,000,000,000   |
| Denomination – Each Bond:              | NOK 1,000,000 - each and ranking pari passu among themselves  |
| Securities Form:                       | The Bonds are electronic registered in book-entry form with the Securities Depository.  |
| Disbursement/Settlement/Issue Date:    | 2 June 2016.  |
| Interest Bearing From and Including:   | Disbursement/Settlement/Issue Date.   |
| Interest Bearing To:                   | Maturity Date.  |
| Maturity Date:                         | 2 June 2026.  |
| Coupon Rate:                           | 3.20 per cent p.a..   |
| Day Count Fraction - Coupon:           | 30/360 – in arrears.  |
| Business Day Convention:               | Unadjusted.<br>No adjustment will be made, notwithstanding the period end date occurs on a day that is not a Business Day, and if such date is not a Business Day, payments of interest will be made on the first following day that is a Business Day (No Adjustments of Business Day).  |
| Interest Payment Date:                 | Each 2 June in each year. The first being 2 June 2017.  |
| #Days first term:                      | 360 days.   |
| Issue Price:                           | 100 % (par value).  |
| Yield:                                 | Dependent on the market price. On 10 November 2016 the yield is indicated to 2.98 % p.a.  |
| Business Day:                          | Any day on which Norwegian commercial banks are open for general business, and when Norwegian banks can settle foreign currency transactions.   |
| Bondholder:                            | Means a holder of Bond(s), as registered in the Securities Register, from time to time  |
| Put/Call options:                      | Upon the occurrence of a Change of Control Event and/or a De-listing each Bondholder shall have a right of pre-payment of its Bonds (a "Put Option") at a price of 101 % of par plus accrued and unpaid interest.<br><br>The Put Option must be exercised within 60 days after the Issuer |

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|                          | has given notification to the Bond Trustee of a Change of Control Event and/or a De-listing. Such notification shall be given as soon as possible after a Change of Control Event and/or De-listing has taken place.   |
|                          | The Put Option may be exercised by the Bondholder by giving written notice of the request to its account manager. The account manager shall notify the Paying Agent of the pre-payment request. The settlement date of the Put Option shall be 25 Business Days following the date when the Paying Agent received the repayment request.   |
|                          | On the settlement date of the Put Option, the Issuer shall pay to each of the Bondholders holding Bonds to be pre-paid, the principal amount of each such Bond and any unpaid interest accrued up to (but not including) the settlement date.  |
| Change of Control Event: | Means an event where any investor or group of investors (other than the Kingdom of Norway), affiliated with each other or should be consolidated under the terms of the Norwegian Limited Liabilities Act § 1-3, is or becomes the owner, directly or indirectly, of more than 50 % of the voting shares of the Issuer   |
| De-listing:              | Means that the Issuer ceases to be a publicly listed company on Oslo Børs (or any other Exchange).   |
| Amortisation:            | The bonds will run without installments and be repaid in full at Maturity Date at par.   |
| Redemption:              | Matured interest and matured principal will be credited each Bondholder directly from the Securities Registry. Claims for interest and principal shall be limited in time pursuant the Norwegian Act relating to the Limitation Period Claims of May 18 1979 no 18, p.t. 3 years for interest rates and 10 years for principal.  |
| Status of the Loan:      | The Bonds shall rank at least pari passu with all other senior obligations of the Issuer other than obligations which are mandatorily preferred by law. The Bonds shall rank at least ahead of subordinated capital.   |
| Finance Document:        | Means (i) the Bond Agreement, (ii) the agreement between the Bond Trustee and the Issuer referred to in the Bond Agreement clause 14.2, and (iii) any other document (whether creating a security interest or not) which is executed at any time by the Issuer or any other party in relation to any amount payable under the Bond Agreement.  |
| Undertakings:            | The Issuer undertakes from the date of the Bond Agreement and until such time that no amounts are outstanding under the Bond Agreement or any other Finance Document, to comply with the covenants in accordance with the Bond agreement clause 13.2, 13.3 and 13.4, including but not limited to: <p><b>1. General covenants</b></p> <p><i>(a) Pari passu ranking</i><br/>The Issuer's obligations under the Bond Agreement and any other Finance Document shall at all times rank at least pari passu as set out in the Bond Agreement clause 8.1.</p> <p><i>(b) Material adverse change</i><br/>The Issuer undertakes not to, and procure that no Group Member will (either in one action or as several actions, voluntarily or involuntarily):</p> |

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

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

## **2. Corporate and operational matters**

### *(a) Intra-group transactions*

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

### *(b) Corporate status*

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

### *(c) Compliance with laws*

The Issuer shall carry on its business in accordance with acknowledged, careful and sound practices in all material aspects and comply in all material respects with all laws and regulations it or they may be subject to from time to time (including environmental laws and regulations).

### *(d) Negative pledge*

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

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

- vii. Any Encumbrance entered into in connection with ordinary treasury activities in connection with entering into hedging arrangements or in respect of exchange requirements.
- viii. Any Encumbrance not covered by paragraphs (i), (ii), (iii), (iv), (v) and (vii) above, provided that the aggregate amount of indebtedness secured by all encumbrances under this paragraph (viii.) does not, at any time, exceed 10% of Total Consolidated Assets.
- ix. Any Encumbrance consented to in writing by the Trustee (or by simple majority at the bondholders meeting).

**Definitions:**

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

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

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

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

**Material Subsidiaries** means each Subsidiary, whose assets have an aggregate book value which exceeds ten per cent (10%) of the Total Consolidated Assets of the Group and/or whose aggregate revenues exceed ten per cent (10%) of the consolidated revenues of the Group.

See Bond Agreement clause 1 for a complete set of definitions.

**Listing:**

At Oslo Børs.

Listing will take place as soon as possible after the prospectus has been approved by the Norwegian FSA.

**Purpose:**

The net proceeds of the Bonds shall be employed for general corporate purposes, herunder partly refinancing of existing debt and acquisitions.

**Approvals:**

The Bonds were issued in accordance with the Issuer's Board approval dated 25 May 2016.

The prospectus is approved by the Norwegian FSA.

The prospectus is controlled by Oslo Børs ASA in relation to the listing application of the bonds.

**Bond Agreement:**

The Bond Agreement has been entered into by the Borrower and the Bond Trustee. The Bond Agreement regulates the Bondholder's rights and obligations with respect to the bonds. The Bond Trustee enters into the Bond Agreement on behalf of the Bondholders and is granted authority to act on behalf of the

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|   | <p>Bondholders to the extent provided for in the Bond Agreement. When bonds are subscribed / purchased, the Bondholder has accepted the Bond Agreement and is bound by the terms of the Bond Agreement.</p> <p>The Bond Agreement is attached as Appendix 1 to this Securities Note. The Bond Agreement is available through the Bond Trustee, the Joint Lead Managers or from the Borrower.</p>   |
| Bondholders' meeting:                     | <p>At the Bondholders' meeting each Bondholder may cast one vote for each voting bond owned at close of business on the day prior to the date of the Bondholders' meeting in the records registered in the Securities Depository.</p> <p>In order to form a quorum, at least half (1/2) of the voting bonds must be represented at the Bondholders' meeting. See also clause 16.4 in the Bond agreement.</p> <p>Resolutions shall be passed by simple majority of the votes at the Bondholders' Meeting, however, a majority of at least 2/3 of the voting bonds represented at the Bondholders' Meeting is required for any waiver or amendment of any terms of the Bond Agreement.</p> <p>(For more details, see also Bond agreement clause 16)</p>  |
| Availability of the Documentation:        | <p><a href="https://www.dnb.no/bedrift/markets/dcm/emisjon/2016.html">https://www.dnb.no/bedrift/markets/dcm/emisjon/2016.html</a></p>   |
| Bond Trustee:                             | <p>Nordic Trustee ASA, P.O. Box 1470 Vika, 0116 Oslo, Norway.</p> <p>The Bond Trustee shall monitor the compliance by the Issuer of its obligations under the Bond agreement and applicable laws and regulations which are relevant to the terms of the Bond Agreement, including supervision of timely and correct payment of principal or interest, (however, this shall not restrict the Bond Trustee from discussing matters of confidentiality with the Issuer), arrange Bondholders' meetings, and make the decisions and implement the measures resolved pursuant to the Bond Agreement. The Bond Trustee is not obligated to assess the Issuer's financial situation beyond what is directly set forth in the Bond Agreement.</p> <p>(For more details, see also Bond agreement clause 17)</p> |
| Joint Lead Managers:                      | <p>Danske Bank A/S, Søndre Gate 13-15, N-7466 Trondheim, Norway, and<br/>DNB Bank ASA, Dronning Eufemias gate 30, N-0191 Oslo, Norway</p>  |
| Paying Agent:                             | <p>DNB Bank ASA, Dronning Eufemias gate 30, N-0191 Oslo, Norway. The Paying Agent is in charge of keeping the records in the Securities Depository.</p>  |
| Securities Depository:                    | <p>The Securities depository in which the bonds are registered, in accordance with the Norwegian Act of 2002 no. 64 regarding Securities depository.</p> <p>On Disbursement Date the Securities Depository is the Norwegian Central Securities Depository ("VPS"), P.O. Box 4, 0051 Oslo.</p>  |
| Restrictions on the free transferability: | <p>The Bonds are freely transferable and may be pledged, subject to the following:</p> <p>(i) bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which a bondholder may be subject (due e.g. to its nationality, its residency, its registered</p>  |

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|   | <p>address, its place(s) for doing business). Each bondholder must ensure compliance with local laws and regulations applicable at own cost and expense.</p> <p>(ii) notwithstanding the above, a bondholder which has purchased the Bonds in contradiction to mandatory restrictions applicable may nevertheless utilize its voting rights under the Bond Agreement.</p> |
| Market-Making:  | There is no market-making agreement entered into in connection with the Bond Issue.   |
| Estimate of total expenses related to the admission to trading: | Prospectus fee (NFSA) Registration Document NOK 60,000<br>Prospectus fee (NFSA) Securities Note NOK 15,600<br>Listing fee 2016 (Oslo Børs): NOK 10,150<br>Registration fee (Oslo Børs): NOK 5,500<br>Prospectus fee (DNB Bank ASA) NOK 65,000   |
| Legislation under which the Securities have been created:       | Norwegian law.  |
| Fees and Expenses:  | The Borrower shall pay any stamp duty and other public fees in connection with the loan. Any public fees or taxes on sales of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise decided by law or regulation. The Borrower is responsible for withholding any withholding tax imposed by Norwegian law.                                    |
| Prospectus:   | The Registration Document dated 8 November 2016 and this Securities Note dated 8 November 2016.   |
| Registration Document:  | Document describing the Borrower.   |

## 4 Additional Information

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

The Issuer has mandated Danske Bank A/S and DNB Bank ASA, the Joint Lead Managers, for the issuance of the Loan. The Joint Lead Managers have acted as advisors to the Issuer in relation to the pricing of the Loan.

### Statement from the Joint Lead Managers:

Danske Bank A/S and DNB Bank ASA, the Joint Lead Managers, have assisted the Borrower in preparing the prospectus. Danske Bank A/S and DNB Bank ASA, the Joint Lead Managers, have not verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made, and the Joint Lead Managers expressly disclaim any legal or financial liability as to the accuracy or completeness of the information contained in this prospectus or any other information supplied in connection with bonds issued by the Borrower or their distribution. The statements made in this paragraph are without prejudice to the responsibility of the Borrower. Each person receiving this prospectus acknowledges that such person has not relied on the Joint Lead Managers nor on any person affiliated with them in connection with its investigation of the accuracy of such information or its investment decision.

Trondheim / Oslo, 8 November 2016

Danske Bank A/S  
([www.danskebank.no](http://www.danskebank.no))

DNB Bank ASA  
([www.dnb.no](http://www.dnb.no))

### Listing of the Loan:

The Prospectus will be published in Norway. An application for listing at Oslo Børs will be sent as soon as possible after the Issue Date.

## **Appendix 1: Bond agreement**