Important Notice

THE NOTES ARE BEING OFFERED AND SOLD: (1) WITHIN THE UNITED STATES IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A") ONLY TO PERSONS THAT ARE QUALIFIED INSTITUTIONAL BUYERS (EACH, A "QIB") WITHIN THE MEANING OF RULE 144A ACTING ON THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB AND (2) OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S")) IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("EEA"), A QUALIFIED INVESTOR, WITHIN THE MEANING OF ARTICLE 2(1)(E) OF DIRECTIVE 2003/71/EC, AS AMENDED, AND ANY RELEVANT IMPLEMENTING MEASURE IN EACH MEMBER STATE OF THE EEA (A "QUALIFIED INVESTOR")).

THE ATTACHED OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON UNLESS SUCH PERSON IS A QIB IN ACCORDANCE WITH RULE 144A. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

You must read the following before continuing. The following applies to the offering memorandum attached to this e-mail, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from us as a result of such access.

The offering memorandum has been prepared in connection with the offer and sale of the Notes described therein. The offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE NOTES DESCRIBED IN THE ATTACHED OFFERING MEMORANDUM IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION.

Confirmation of your representation: In order to be eligible to receive the attached offering memorandum or to make an investment decision with respect to the Notes described therein, (1) each prospective investor in respect of the Notes being offered pursuant to Rule 144A must be a QIB, and (2) each prospective investor in respect of the Notes being offered outside the United States in an offshore transaction pursuant to Regulation S must be a person other than a U.S. person. By accepting this e-mail and accessing the offering memorandum, you shall be deemed to have represented to us and each of the Initial Purchasers that (1) in respect of the Notes being offered pursuant to Rule 144A, you are (or the person you represent is) a QIB, and that the e-mail address to which, pursuant to your request, the attached offering memorandum has been delivered by electronic transmission is utilized by a QIB, (2) in respect of the Notes being offered outside of the United States in an offshore transaction pursuant to Regulation S, you are (or the person you represent is) a person other than a U.S. person, and that the e-mail address to which, pursuant to your request, the attached offering memorandum has been delivered by electronic transmission is utilized by a person other than a U.S. person, (3) you are a person to whom the attached offering memorandum may be delivered in accordance with the restrictions set out in "Transfer Restrictions" in the attached offering memorandum, and (4) you consent to the delivery of such offering memorandum by electronic transmission. You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered and you may not, nor are you authorized to, deliver the offering memorandum to any other person or make copies of the offering memorandum.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuer in such jurisdiction. Under no circumstances shall the offering memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The offering memorandum is distributed only to, and is directed only at persons (the "***Relevant Persons***") who (i) have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Financial Promotion Order"), as amended, (ii) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together or caused to be communicated). The offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the offering memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Recipients of this offering memorandum are not permitted to transmit it to any other person. The Notes are not being offered to the public in the United Kingdom.

The offering memorandum has not been approved by an authorized person in the United Kingdom. No person may 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 the securities other than in circumstances in which Section 21(1) of the FSMA does not apply to us.

The offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither (i) the Issuer (as defined herein) or any of its affiliates, nor (ii) the Initial Purchasers named in the offering memorandum or any person who controls any of them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any alterations or changes to the offering memorandum distributed to you in electronic format.

This e-mail and the attached document are intended only for use by the addressee named herein and may contain legally privileged and/or confidential information. If you are not the intended recipient of this e-mail, you are hereby notified that any dissemination, distribution or copying of this e-mail and the attached document is strictly prohibited. If you have received this e-mail in error, please immediately notify the sender by reply e-mail and permanently delete all copies of this e-mail and destroy any printouts of it.

Professional Investors and ECPs Only Target Market

Solely for the purposes of the product approval process of the manufacturers, the target market assessment in respect of the Notes described in the attached offering memorandum has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "***MiFID II***"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such Notes (a "***distributor***") should take into consideration the manufacturers' target market assessment; *however*, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("***EEA***"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "***Insurance Mediation Directive***") or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, "***Prospectus Directive***"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. No key information document required by Regulation (EU) No 1286/2014 (as amended, the "***PRIIPs Regulation***") for offering or selling the Notes, or otherwise making them available, to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Strictly Confidential
Not for General Distribution in the United States

Offering Memorandum

KONGSBERG
AUTOMOTIVE

€275,000,000

Kongsberg Actuation Systems B.V.

5.000% Senior Secured Notes due 2025

Kongsberg Actuation Systems B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands and registered with the commercial register of the Kamer van Koophandel under registration number 34052359 (the "***Issuer***"), is offering €275,000,000 aggregate principal amount of its 5.000% Senior Secured Notes due 2025 (the "***Notes***").

The Notes will mature on July 15, 2025. The Issuer will pay interest on the Notes semi-annually on each January 15 and July 15, commencing on January 15, 2019. Prior to July 15, 2021, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes by paying the relevant applicable premium. Some or all of the Notes may also be redeemed at any time on or after July 15, 2021 at the redemption prices set forth in this offering memorandum (the "***Offering Memorandum***"). In addition, prior to July 15, 2021 the Issuer may redeem at its option up to 40% of the aggregate principal amount of the Notes with the net proceeds from certain equity offerings at the redemption price set forth in this Offering Memorandum, provided that at least 60% of the aggregate principal amount of the Notes remains outstanding. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all of the Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. Additionally, the Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law.

The gross proceeds of the Offering will be on-lent to KA Group AG via the a proceeds loan (the "***Proceeds Loan***"). KA Group AG will in turn use a portion of the proceeds from the Proceeds Loan to make an intercompany loan to the Parent Guarantor (as defined herein). The gross proceeds of the Offering will be used to repay in full all amounts outstanding under the Existing Revolving Credit Facilities (as defined herein), for general corporate purposes and to pay fees and expenses in connection with the Offering (as defined herein) and the entry into the Revolving Credit Facility (as defined herein). See "*Use of Proceeds*".

The Notes will be senior obligations of the Issuer, will rank senior in right of payment to all of the Issuer's existing and future debt that is expressly subordinated in right of payment to the Notes, will rank *pari passu* in right of payment with all of the Issuer's existing and future debt that is not so subordinated, including the Issuer's obligations under the Revolving Credit Facility (as defined herein), will be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Notes, will be effectively senior to all existing and future obligations of the Issuer that are unsecured or secured by liens junior to the liens securing the Notes to the extent of the value of the property and assets securing such indebtedness and will be effectively subordinated to all obligations of the subsidiaries of the Parent Guarantor (other than the Issuer) that do not guarantee the Notes. On the Issue Date, the Notes will be guaranteed on a senior basis (the "***Issue Date Guarantees***") by Kongsberg Automotive ASA (the "***Parent Guarantor***"), the indirect parent of the Issuer, and Kongsberg Automotive Holding 2 AS (the "***Intermediate Parent Guarantor***"), Kongsberg Automotive AS, Kongsberg Holding III, Inc., Kongsberg Actuation Systems II, LLC, Kongsberg Power Products Systems I, LLC, Kongsberg Automotive, Inc., Kongsberg Driveline Systems I, LLC, Kongsberg Interior Systems II, LLC and KA Group AG (collectively, the "***Issue Date Guarantors***"). In addition, within 120 days following the Issue Date, the Notes will also be guaranteed on a senior basis (the "***Post-Issue Date Guarantees***" and, together with the Issue Date Guarantees, the "***Guarantees***") by Kongsberg Inc., Kongsberg Automotive AB, Kongsberg Power Products Systems AB, Kongsberg Driveline Systems SAS, Kongsberg Raufoss Distribution SAS, Kongsberg Actuation Systems Ltd, Kongsberg Automotive s.r.o., Kongsberg Interior Systems Kft. and Kongsberg Automotive Sp. z.o.o. (collectively, the "***Post-Issue Date Guarantors***" and, together with the Issue Date Guarantors, the Parent Guarantor and the Intermediate Parent Guarantor, the "***Guarantors***"). Each of the Guarantees will rank senior in right of payment to the existing and future debt of each Guarantor that is expressly subordinated in right of payment to such Guarantee and will rank *pari passu* in right of payment with such Guarantor's existing and future debt that is not so subordinated, including such Guarantor's obligations under the Revolving Credit Facility.

On the Issue Date, the Notes will be secured by the Issue Date Collateral (as defined herein) and as soon as reasonably practicable after the Issue Date and in any event no later than the earlier of (i) such time as the Revolving Credit Facility receives such security interest and (ii) 120 days after the Issue Date by the Post-Issue Date Collateral (as defined herein, and together with the Issue Date Collateral, the "***Collateral***"). Under the terms of the Intercreditor Agreement (as defined herein), in the event of enforcement of the Collateral, holders of the Notes will receive proceeds from the Collateral only after all the obligations under the Revolving Credit Facility and certain hedging arrangements have been paid in full. The validity and enforceability of the security interests over the Collateral and the Guarantees may be limited by applicable law and will be subject to the Agreed Security Principles and, to the extent granted by the Subsidiary Guarantors, contractual limitations as described under "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*", "*Description of the Notes—Security—Collateral*" and "*Certain Insolvency Law and Local Law Limitations*".

There is currently no public market for the Notes. The Issuer will apply to The International Stock Exchange Authority Limited (the "***Authority***") for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (the "***Exchange***") in the Channel Islands. There can be no assurance that the application will be accepted or that there will be a market for the Notes if the application is accepted. Consummation of the offering of the Notes is not contingent upon obtaining such listing.

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 27.

Price for the Notes: 100.00% plus accrued interest, if any, from the Issue Date.

The Notes will be issued in the form of global notes in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. We expect that the Notes will be delivered in book-entry form through Euroclear Bank SA/NV ("***Euroclear***") and Clearstream Banking, *société anonyme* ("***Clearstream***") on or about July 23, 2018 (the "***Issue Date***").

This Offering Memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, securities in any jurisdiction where such offer or solicitation is unlawful. The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "*Securities Act*"), or the securities laws of any other jurisdiction. The offering of the Notes is being made only in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act ("*Rule 144A*") and outside the United States in offshore transactions in reliance on Regulation S under the Securities Act ("*Regulation S*") to persons other than retail investors in the European Economic Area, each defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "*MiFID II*"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "*Insurance Mediation Directive*"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, "*Prospectus Directive*"). For a description of certain restrictions on the transfer of the Notes, see "*Plan of Distribution*" and "*Transfer Restrictions*".

Sole Global Coordinator and Physical Bookrunner	*Joint Bookrunner*
J.P. Morgan	**Danske Bank**

The date of this Offering Memorandum is July 12, 2018.

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Notice to Investors

We accept responsibility for the information contained in this Offering Memorandum and, to the best of our knowledge (having taken reasonable care to ensure that such is the case), the information is true and accurate in all material respects and contains no omission likely to affect the import of such information. As used in this Offering Memorandum, unless the context otherwise requires, references to the "Issuer" are to Kongsberg Actuation Systems B.V. and references to "we", "us", "our" and the "Group" are to Kongsberg Automotive ASA and its consolidated subsidiaries.

This Offering Memorandum does not constitute a prospectus for the purposes of Section 12(a)(2) of or any other provision of or rule under the U.S. Securities Act.

You should rely only on the information contained in this Offering Memorandum. We have not, and J.P. Morgan Securities plc and Danske Bank A/S (the "***Initial Purchasers***") have not, authorized anyone to provide you with information that is different from the information contained herein. We are not, and the Initial Purchasers are not, making an offer of these securities in any jurisdiction where such offer is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum. This Offering Memorandum is based on information provided by us and other sources believed by us to be reliable.

The Initial Purchasers are not responsible for, and are not making any representation or warranty to you concerning, our future performance or the accuracy or completeness of this Offering Memorandum. To the fullest extent permitted by law, neither the Initial Purchasers nor the trustee or any agent accepts any responsibility for the contents of this Offering Memorandum or for any other statement made or purported to be made by the Issuer in connection with the issuance and Offering (as defined herein). The Initial Purchasers, the trustee and any agent accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this Offering Memorandum or any such statement. The Initial Purchasers do not undertake to review the financial condition or affairs of the Issuer or any Guarantor during the life of the Notes or to advise any investor or potential investor in the Notes of any information coming to the attention of any Initial Purchaser. The Issuer, and not the Initial Purchasers, have ultimate authority over the statements contained in this Offering Memorandum, including the content of those statements and whether and how to communicate them.

This Offering Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this Offering Memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this Offering Memorandum and you must obtain all applicable consents and approvals; neither we nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements. See "*Transfer Restrictions*".

In making an investment decision regarding the Notes offered hereby, you must rely on your own examination of the Issuer and the Guarantors and the terms of this Offering, including the merits and risks involved. You should rely only on the information contained in this Offering Memorandum. We have not, and the Initial Purchasers have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this Offering Memorandum is accurate as of the date on the front cover of this Offering Memorandum only. Our business, financial condition, results of operations and the information set forth in this Offering Memorandum may have changed since that date.

You should not consider any information in this Offering Memorandum to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the Notes. We are not, and the Initial Purchasers are not, making any representation to any offeree or purchaser of the Notes regarding the legality of an investment in the Notes by such offeree or purchaser under appropriate investment or similar laws. This Offering Memorandum is to be used only for the purposes for which it has been published.

By accepting delivery of this Offering Memorandum, you agree to the foregoing restrictions, to make no photocopies of this Offering Memorandum or any documents referred to herein and not to use any information herein for any purpose other than evaluating an investment in the Notes.

We obtained the market data used in this Offering Memorandum from internal surveys, industry sources and currently available public information. Although we believe that our sources are reliable, you should keep in mind that we have not independently verified information we have obtained from industry and governmental sources and that information from our internal surveys has not been verified by any independent sources. See "*Industry*".

Information contained on any website named in this Offering Memorandum, including our own website, is not incorporated by reference in this Offering Memorandum and is not part of this Offering Memorandum.

We or the Initial Purchasers may withdraw this Offering at any time, and we and the Initial Purchasers reserve the right to reject any offer to purchase the Notes in whole or in part and to sell to any prospective investor less than the full amount of the Notes sought by such investor. One or more of the Initial Purchasers or affiliates thereof may acquire a portion of the Notes for their own accounts.

The application we will make to list the Notes on the Official List of the Exchange may not be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this admission to trading.

None of the Initial Purchasers nor any employee or affiliate of the Initial Purchasers has authorized the contents or circulation of this Offering Memorandum, and none of the Initial Purchasers nor any employee of the Initial Purchasers assumes any responsibility for, and no such person will accept any liability for, any loss suffered as a result of, arising out of, or in connection with this document or any of the information or opinions contained in it.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act ("***Regulation S***")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The Notes and the Guarantees are being offered and sold outside the United States in reliance on Regulation S and within the United States to "qualified institutional buyers" ("***QIBs***") in reliance on Rule 144A of the U.S. Securities Act ("***Rule 144A***"). Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of these and certain other restrictions on offers, sales and transfers of the Notes and the distribution of this Offering Memorandum, see "*Transfer Restrictions*".

The Notes and the Guarantees have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "***SEC***"), any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offering of the Notes or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

The Notes and the Guarantees are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable state securities laws pursuant to registration thereunder or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

The information contained under the heading "*Currency Presentation and Exchange Rate Information*" includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarizing the information concerning exchange rate information, we accept no further responsibility in respect of such information.

The information set out in any sections of this Offering Memorandum describing clearing and settlement arrangements, including "*Description of the Notes*" and "*Book-Entry, Delivery and Form*", is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information.

The distribution of this Offering Memorandum and the offer and sale of the Notes may be restricted by law in certain jurisdictions. You must inform yourself about, and observe, any such restrictions. See "*Notice to Certain European Investors*", "*Plan of Distribution*" and "*Transfer Restrictions*" elsewhere in this Offering Memorandum. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Notes or possess or distribute this Offering Memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. We are not, and the Initial Purchasers are not, making an offer to sell the Notes or a solicitation of an offer to buy any of the Notes to any person in any jurisdiction except where such an offer or solicitation is permitted.

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be seven business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act of 1934, as amended, (the "***Exchange Act***")) following the date of pricing of the Notes (this settlement cycle is being referred to as "T+ 7"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the following four business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Stabilization

IN CONNECTION WITH THE OFFERING, J.P. MORGAN SECURITIES PLC (THE "***STABILIZING MANAGER***") (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL. HOWEVER, THERE IS NO OBLIGATION ON THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) TO DO SO. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) IN ACCORDANCE WITH APPLICABLE LAWS AND RULES.

Notice to Certain European Investors

European Economic Area

This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the EEA which has implemented the Prospectus Directive (each, a "***Relevant Member State***") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. The expression "***Prospectus Directive***" means Directive 2003/71/EC on the prospectus to be published when the securities are offered to the public or admitted to trading (as amended, including by Directive 2010/73/EU, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State.

Professional Investors and ECPs Only Target Market

Solely for the purposes of the product approval process of J.P. Morgan Securities plc (the "***Manufacturer***"), the target market assessment in respect of the Notes described in this Offering Memorandum has led to the conclusion that: (i) the target market for such Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of such Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such Notes (a "***distributor***") should take into consideration the Manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the Manufacturer's target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "***Insurance Mediation Directive***"), or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, "***Prospectus Directive***"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. No key information document required by Regulation (EU) No 1286/2014 (as amended, the "***PRIIPs Regulation***") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Denmark

This Offering Memorandum has not been filed with or approved by any authority in the Kingdom of Denmark. The Notes have not been offered or sold and may not be offered, sold or delivered directly or indirectly in the Kingdom of Denmark, unless in compliance with the Danish Capital Markets Act (Act No. 650 of June 8, 2017) and any orders issued thereunder.

Finland

This Offering Memorandum is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Finnish Securities Markets Act (in Finnish: *Arvopaperimarkkinalaki*) nor any other Finnish act or statute. Neither the Finnish Financial Supervisory Authority (in Finnish: *Finanssivalvonta*) nor any other Finnish public body has examined, approved or registered this Offering Memorandum or will examine, approve or register this Offering Memorandum. Accordingly, this Offering Memorandum may not be made available, nor may the Notes otherwise be marketed or offered for sale or subscription, in Finland other than in circumstances that are deemed not to be an offer to the public under the Finnish Securities Markets Act. Any offer or sale of the Notes in Finland must be made pursuant to a private placement exemption as defined under Article 3(2) of the Prospectus Directive, as implemented in the Finnish Securities Markets Act and any regulation made thereunder, as supplemented and amended from time to time.

France

This Offering Memorandum has not been prepared in the context of a public offer of financial securities (*offre au public de titres financiers*) in France within the meaning of Article L.411-1 of the *French Code monétaire et financier* and the *Règlement Général of the Autorité des marchés financiers* (the French financial markets authority, or "***AMF***") and, therefore, has not been approved by, registered or filed with the AMF. Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France, and neither this Offering Memorandum nor any offering or marketing materials relating to the Notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

The Notes may only be offered or sold in France pursuant to Article L. 411-2-II of the French *Code monétaire et financier* to (i) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investors (*investisseurs qualifiés*), acting for their own account, all as defined in and in accordance with Articles L.411-1, L.411-2, D.411-1, D.411-4, D.744-1, D.754-1 and D.764-1 of the French Code *monétaire et financier*. No re-transfer, directly or indirectly, of the Notes in France, other than in compliance with applicable laws and regulations and in particular those relating to a public offering (which are, in particular, embodied in Articles L.411-1, L.411-2, L.412-1 and L.624-8 *et seq.* of the French *Code monétaire et financier*) shall be made.

Germany

The Offering is not a public offering in the Federal Republic of Germany. The Notes may only be offered, sold and acquired in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz*) (the "***Securities Prospectus Act***"), as amended, the Commission

Regulation (EC) No. 809/2004 of April 29, 2004, as amended, and any other applicable German law. No application will be made under German law to permit a public offer of Notes in the Federal Republic of Germany. This Offering Memorandum has not been approved for purposes of a public offer of the Notes and accordingly the Notes may not be, and are not being, offered or advertised publicly or by public promotion in Germany. Therefore, this Offering Memorandum is strictly for private use and the offer is only being made to recipients to whom the document is personally addressed and does not constitute an offer or advertisement to the public. The Notes will only be available to and this Offering Memorandum and any other offering material in relation to the Notes is directed only at persons who are qualified investors (qualifizierte Anleger) within the meaning of Section 2 No. 6 of the Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws. The Company has not, and does not intend to, file a securities prospectus with the German Federal Financial Supervisory Authority (Bundesanstalt fur Finanzdienstleistungsaufsicht) ("***BaFin***") or obtain a notification to the BaFin from another competent authority of a Member State of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17 Para. 3 of the Securities Prospectus Act.

Norway

This Offering Memorandum has not been and will not be filed with or approved by the Norwegian Financial Supervisory Authority, the Oslo Stock Exchange or any other regulatory authority in Norway. The Notes have not been offered or sold and may not be offered, sold or delivered, directly or indirectly, in Norway, unless in compliance with Chapter 7 of the Norwegian Securities Trading Act 2007 and secondary regulations issued pursuant thereto, as amended from time to time (the "***Securities Trading Act***"). Accordingly, this Offering Memorandum may not be made available nor may the Notes otherwise be marketed and offered for sale in Norway other than in circumstances that are deemed not to be a marketing of an offer to the public in Norway in accordance with the Securities Trading Act.

Poland

This Offering Memorandum has not been prepared in the context of a public offer of financial securities (*oferta publiczna*) in Poland within the meaning of Article 3 of the Polish Act on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies and, therefore, has not been approved by, registered or filed with the Polish Financial Supervisory Authority (*Komisja Nadzoru Finansowego*). Additionally, a notice of the intention to conduct the promotional campaign of the Notes (where making the prospectus or other information document available to the public is not required), has not been submitted to the Polish Financial Supervisory Authority and the additional prerequisite conditions to offer the Notes to public in Poland have not been satisfied. Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in Poland, and neither this Offering Memorandum nor any offering or marketing materials relating to the Notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in Poland.

Sweden

This Offering Memorandum does not constitute a prospectus and has not been and will not be registered with the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*). Accordingly, this Offering Memorandum may not be made available, nor may the Notes otherwise be marketed and offered for sale, in Sweden other than in circumstances that are deemed not to be an offer to the public under the Swedish Financial Instruments Trading Act (Sw. lag (1991:980) om handel med finansiella instrument).

Switzerland

The Notes may not be publicly offered or sold, directly or indirectly, in or from Switzerland.

Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Memorandum nor any other offering or marketing material relating to the offering nor the Issuer nor the Notes has been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, *e.g.*, the Swiss Financial Market Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

United Kingdom

This Offering Memorandum is distributed only to, and is directed only at persons (the "***Relevant Persons***") who (i) have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "***Financial Promotion Order***"), as amended, (ii) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together or caused to be communicated.

This Offering Memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Recipients of this Offering Memorandum are not permitted to transmit it to any other person. The Notes are not being offered to the public in the United Kingdom.

Notice to Canadian Investors

The distribution of the Notes in Canada is being made on a private placement basis only and is exempt from the requirement that we prepare and file a prospectus with the relevant Canadian securities regulatory authorities. The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable Canadian securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* ("***NI 33-105***"), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the Offering as the Issuer is relying on an exemption based on U.S. disclosure.

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

Service of Process and Enforceability of Civil Liabilities

The Issuer and the Guarantors are organized under the laws of the Netherlands, Quebec (Canada), France, Poland, Norway, Slovakia, Switzerland, Sweden, the United States, Hungary and the United Kingdom. All of the directors and officers of the Issuer and the Guarantors incorporated outside of the United States are non-residents of the United States, with the exception of the Chairman of the Board of Directors who is a U.S. Citizen and resident in the United States. Although the Issuer and the Guarantors have submitted to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on the directors and officers of the Issuer and the Guarantors to the extent they are not incorporated in the United States.

The Netherlands

Investors in the Notes may have difficulty enforcing their rights against the Issuer and its directors and executive officers.

The Issuer is incorporated under Dutch law and has its registered seat in the Netherlands. We expect none of the directors of the Issuer reside in the United States and a substantial amount of the Issuer's assets are located outside of the United States.

The United States and the Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, would not be enforceable in the Netherlands. In order to obtain a judgment which is enforceable in the Netherlands, the claim must be re-litigated before a competent Dutch court. A Dutch court will, under current practice, generally grant the same judgment without relitigation on the merits if (a) that judgment results from proceedings compatible with the Dutch concept of due process, (b) that judgment does not contravene public policy (*openbare orde*) of the Netherlands, (c) the jurisdiction of the court has been based on an internationally acceptable ground and (d) the judgment by the court is not incompatible with a judgment rendered between the same parties by a Dutch court, or with an earlier judgment rendered between the same parties by a non-Dutch court in a dispute that concerns the same subject and is based on the same cause, provided that the earlier judgment qualifies for recognition in the Netherlands.

Subject to the foregoing and provided that service of process occurs in accordance with applicable treaties, investors may be able to enforce in the Netherlands, judgments in civil and commercial matters obtained from U.S. federal or state courts. However, no assurance can be given that such judgments will be enforceable. In addition, it is doubtful whether a Dutch court would accept jurisdiction and impose civil liability in an original action commenced in the Netherlands and predicated solely upon U.S. federal or state securities laws.

Quebec, Canada

Kongsberg Inc. is incorporated under the laws of the Province of Quebec, Canada. Certain of the directors and officers of Kongsberg Inc. are not residents of the United States, and all or a substantial portion of their assets, and substantially all of the assets of Kongsberg Inc., are located outside the United States. Kongsberg Inc. will agree, in accordance with the terms of the Indenture, to accept service of process in any suit, action or proceeding with respect to the Indenture brought in any federal or state court located in New York City by an agent designated for such purpose, and to submit to the non-exclusive jurisdiction of such courts in connection with such suits, actions or proceedings. However, it may be difficult for holders of the Notes to effect service within the United States upon directors, officers and experts who are not residents of the United States or to realize in the United States upon judgments of courts of the United States predicated upon civil liability under U.S. federal or state securities laws.

Since substantially all of the assets of Kongsberg Inc. are outside the United States, any judgment obtained in the United States against Kongsberg Inc., including judgments with respect to the payment of principal, premium or interest and any redemption price and any purchase price under the Guarantee, may not be collectable within the United States.

Kongsberg Inc. has been informed by Stikeman Elliott LLP, their Canadian counsel that the laws of the Province of Quebec permit an action to be brought before a court of competent jurisdiction in the Province of Quebec (a "***Canadian Court***") to recognize and enforce a final and conclusive judgment *in personam* against the judgment debtor of any federal or state court located in the Borough of Manhattan in The City of New York (a "***New York Court***") that is not impeachable as void or voidable under the laws of the State of New York ("***New York Law***") for a sum certain if: (i) the New York Court rendering such judgment had jurisdiction over the judgment debtor, as recognized by a Canadian Court (and submission by Kongsberg Inc. in the Indenture to the non-exclusive jurisdiction of the New York Court will be sufficient for that purpose); (ii) such judgment was not obtained by fraud or in a manner contrary to natural justice in contravention of the fundamental principles of procedure and the decision and the enforcement thereof would not be manifestly inconsistent with public order as understood in international relations, as the term is understood under the laws of the Province of Quebec; (iii) such judgment is not subject to ordinary remedies and is final and enforceable in the State of New York; (iv) the enforcement of such judgment does not constitute, directly or indirectly, the enforcement of foreign revenue (unless there is reciprocity), expropriatory or penal laws; (v) the action to enforce such judgment is commenced within applicable limitation periods; and (vi) the decision has not been rendered by default unless the plaintiff proves that the act of procedure initiating the proceedings was duly served on the defaulting party in accordance with New York Law and a court of competent jurisdiction in the Province of Quebec may refuse recognition or enforcement of the judgment if the defendant proves that, owing to the circumstances, it was unable to learn the act of procedure or it was not given sufficient time to offer its defense. In any such action brought before a court of competent jurisdiction in the Province of Quebec, the defendant will only be permitted to argue that the conditions set out above were not met.

In addition, under the *Currency Act* (Canada), a Canadian Court may only render judgment for a sum of money in Canadian currency, and in enforcing a foreign judgment for a sum of money in a foreign currency, a Canadian Court will render its decision in the Canadian currency equivalent of such foreign currency.

In the Province of Quebec, a Canadian Court may decline to hear an action to enforce a judgment if it considers that the courts of another jurisdiction are in a better position to decide the dispute. It may also refrain from ruling if another action between the same parties, based on the same facts and having the same object, is pending before a foreign authority; provided that such action can result in a decision which may be recognized in the Province of Quebec, or if such a decision has already been rendered by a foreign authority.

France

Certain of the Subsidiary Guarantors are entities organized under the laws of France with their registered offices or principal places of business in France (the "***French Entities***"). The directors, officers and other executives of the French Entities are neither residents nor citizens of the United States (the "***French Individuals***"). Furthermore, most of the assets of the French Entities or the French Individuals are located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons and entities, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws within the United States. However, it may be possible for investors to effect service of process within France upon those persons or entities, provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

The following is a summary of certain legal aspects of French law regarding the enforcement of civil law claims connected with the Notes against French Entities and/or French Individuals.

The United States and France are not parties to a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, would not directly be recognized or enforceable in France.

A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*) that has exclusive jurisdiction over such matter.

Enforcement in France of such U.S. judgment could be obtained following proper (*i.e.*, *non ex parte*) proceedings if such U.S. Judgment is enforceable in the United States and if the French civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French civil court of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having jurisdiction over the matter because the dispute is clearly connected to the jurisdiction of such court (*i.e.*, there was no international forum shopping), the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter;
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case, including fair trial rights; and
- such U.S. judgment is not tainted with fraud under French law.

In addition to these conditions, it is well established that only final and binding foreign judicial decisions (*i.e.*, those having *a res judicata* effect) can benefit from an exequatur under French law, that such U.S. judgment should not conflict with a French judgment or a foreign judgment that has become effective in France, and there is no proceedings pending before French courts at the time enforcement of the U.S. judgment is sought and having the same or similar subject matter as such U.S. judgment.

If the French civil court is satisfied that such conditions are met, the U.S. judgment will benefit from the *res judicata* effect as of the date of the decision of the French civil court and will thus be declared enforceable in France. However, the decision granting the exequatur is subject to appeal.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68 678 of July 26, 1968, as modified by French law No. 80 538 of July 16, 1980 and French Ordinance No. 2000 916 of September 19, 2000 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action. Pursuant to the regulations above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) or French procedural rules to obtain evidence in France or from French persons.

Similarly, French data protection rules (law No. 78 17 of 6 January 1978 on data processing, data files and individual liberties, as modified) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply foreign law designated by the applicable French rules of conflict (including the law chosen by the parties to govern their contract) if the application of such law (in the case at hand) is deemed to contravene French international public policy (as determined on a case by case basis by French courts). Furthermore, in an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Pursuant to Article 14 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country with French Individuals. Pursuant to Article 15 of the French Civil Code, a French national can be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country with the foreign claimant (Article 15). For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to case law, the French courts' jurisdiction over French nationals is not mandatory to the extent an action has been commenced before a court in a jurisdiction that has sufficient contacts with the dispute and the choice of jurisdiction is not fraudulent. In addition, a French national may waive its rights to benefit from the provisions of Articles 14 and 15 of the French Civil Code, including by way of conduct by voluntarily appearing before the foreign court.

It must be noted that under Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of December 12, 2012, as regards legal actions falling within the scope of said Regulation, the privileges granted to French nationals pursuant to Articles 14 and 15 of the French Civil Code may not be invoked against a person domiciled in an EU Member State. Conversely, pursuant to Article 6.2 of Regulation (EU) No. 1215/2012, the privilege granted by Article 14 of the French Civil Code may be invoked by a claimant domiciled in France, regardless of the claimant's nationality, to sue before French courts a defendant domiciled outside the EU. The French Supreme Court (*Cour de cassation*) has recently held that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid. Accordingly, any provisions to the same effect in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts.

Hungary

In Hungary, the enforcement of foreign regular court judgments (which generally concern payment of money or specific performance) may be carried out: (i) under the provisions of the Brussel I Regulation if the judgment was issued in a Member State of the European Union; (ii) under international agreements, if a relevant bilateral/multilateral treaty provides for such enforcement; or (iii) on the basis of the rules of the Act XXVIII of 2017 on Private International Law ("***Hungarian Act on Private International Law***") if neither (i) nor (ii) above applies.

Currently, there is no treaty in force between the United States and Hungary providing for the reciprocal recognition and enforcement of regular court judgments rendered in civil and commercial matters. Therefore, the rules of the Hungarian Act on Private International Law apply. Accordingly, any final and binding judgment against a Subsidiary Guarantor with its registered office in Hungary rendered by a U.S. court arising out of or in relation to the obligations of the Subsidiary Guarantor, would be recognized *ex lege* and upon such request of the party in Hungary, if (i) jurisdiction of the foreign court is grounded pursuant to the Hungarian Act on Private International Law; and (ii) the judgment became final and binding or has an equivalent effect according to the law of the country in which it was adopted; (iii), unless:

- the recognition of the judgment would be contrary to the public policy of Hungary;
- the defendant has not entered the dispute either in person or by representative, because the writ of summons, statement of claim or other document on the basis of which the proceeding was initiated has not been served at the place of residence or habitual residence of the defendant in a manner enabling the defendant to defend himself;
- proceedings related to the same claim between the same parties had been commenced in Hungary before it was initiated before the U.S. court;
- a final and binding judgment of a Hungarian court or of a non-Hungarian and non U.S. court complying with the terms of recognition was issued in a proceeding relating to the same claim between the same parties.

No special procedure is necessary for recognition of a U.S. judgment according to the Hungarian Act on Private International Law, but anyone who has a legal interest may request a special court procedure for the recognition of the U.S. judgment in Hungary. Nevertheless, the enforcement of U.S. judgments requires that a Hungarian court issues a decision confirming that given judgment of the U.S. court is enforceable (which decision will be issued provided that given judgment is enforceable in the U.S. and all the conditions referred above are met). Once the motion to declare enforceability is considered and approved, the court issues a decision to grant an enforceability clause. Enforcement pursuant to such a decision may be initiated as soon as the decision granting the enforceability clause becomes final and binding.

Norway

A judgment against any Guarantor incorporated under the laws of Norway in the courts of a state which is not, under the terms of the Lugano Convention on the Recognition of Judgments in Civil and Commercial Matters (the "***Lugano Convention***"), a "contracting state" (as defined in the Lugano Convention) or a state with which Norway has entered into a convention on the mutual recognition and enforcement of judgments, would not be recognized or enforceable in Norway as a matter of right unless the jurisdiction of such court has been specifically agreed between the parties in a civil matter in accordance with Section 19-16, cfr. Section 4-6, of the Norwegian Dispute Act (*Tvisteloven*) or the recognition and enforcement of such judgments are otherwise accepted under Norwegian law. However, such judgments may be admissible as evidence in the courts of law, executive or other public authorities of Norway and may in such capacity carry persuasive authority depending on the merits of the judgment without a retrial on its merits.

The foregoing could imply, inter alia, that a judgment by a U.S. court would not be recognized or enforceable in Norway as a matter of right. A judgment against an Issuer or any Guarantor in the courts of a state which is, under the terms of the Lugano Convention, a “contracting state” (as defined in the Lugano Convention) or a state with which Norway has entered into a convention on the mutual recognition and enforcement of judgments, and judgments, rendered by a court whose jurisdiction have been expressly agreed to and accepted by the party, in writing and in a particular civil matter, in accordance with the Norwegian Dispute Act, and such judgments for which the recognition and enforcement is otherwise accepted under Norwegian law, would be recognized and enforceable in Norway, but only insofar as such recognition and enforcement would not be in breach of mandatory law or contrary to public policy in Norway. Only creditors of a claim may have active judicial standing in a Norwegian court; therefore, a security agent or other representative of the creditors may seek enforcement of a claim but such claim may have to be supported by the actual creditors of such claim.

Poland

In Poland, the enforceability of judgments of foreign courts subject to enforcement (which generally represent judgments for the payment of money or specific performance) may be applied for: (i) under the provisions of respective EU laws if the judgment was issued in a Member State of the European Union; (ii) under international agreements, if a relevant bilateral/multilateral treaty provides for such enforcement; or (iii) on the basis of the rules of the Polish Code of Civil Procedure if (i) and (ii) above do not apply. There is currently no treaty between the United States and Poland providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) rendered in civil and commercial matters. Therefore, in such a case, the rules of the Polish Code of Civil Procedure apply. Under that procedure, any final and conclusive judgment against a Guarantor with its registered office in Poland obtained in a court of the United States and arising out of or in relation to the obligations of the Guarantor, would be recognized *ex lege* in Poland, unless:

- the judgment is not final and binding in the United States;
- the judgment was issued on an issue which is within the exclusive jurisdiction of Polish courts (such as matters relating to real property located in Poland);
- the defendant who has not entered the dispute as to the essence of the disputed issue has not been served the complaint in the manner enabling the defendant to defend himself;
- a party was deprived of the ability to defend itself in the course of the proceeding;
- proceedings related to the same claim between the same parties had been commenced in Poland before it was initiated in the U.S. court;
- the judgment is contrary to a previously issued final and binding judgment of a Polish court or of a foreign court judgment fulfilling the prerequisites for its recognition in Poland and was issued in proceedings related to the same claim between the same parties; or
- the recognition of the judgment would be contrary to the fundamental principles of legal order of Poland.

Enforceability of any final and conclusive judgment against a Guarantor with its registered office in Poland obtained in a court of the United States and arising out of or in relation to the obligations of the Guarantor under the Guarantee, further requires that a Polish court issues a decision confirming that given judgment of the U.S. court is enforceable (which decision will be issued provided that given judgment is enforceable in the United States and all the conditions referred to under sections (i) through to (vi) above are met). Any person who has a so-called legal interest may apply to a Polish court with a motion proceeding for such decision.

Once the motion to declare enforceability is considered and approved, the court issues a decision to grant an enforceability clause. Enforcement pursuant to such a decision may be initiated as soon as the decision granting the enforceability clause becomes final and binding.

Finally, it should be noted that the enforcement actions conducted by the court executive officer (bailiff) may be challenged and, therefore, the enforcement of obligations sometimes may not be successful or may be lengthy, even if the U.S. judgment is recognized and enforceable in Poland.

Slovakia

In Slovakia, the enforcement of foreign regular court judgments (which generally concern payment of money of specific performance) may be carried out: (i) under the provisions of respective EU laws if the judgment was issued in a Member State of the European Union; (ii) under international agreements, if a relevant bilateral/multilateral treaty provides for such enforcement or (v) in accordance with the Slovak Act No. 97/1963 Coll., on private international law and rules of procedure as amended (the "***Slovak International Private Law Act***"), if neither (i) nor (ii) above applies.

There is currently no treaty between the United States and Slovakia providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) rendered in civil and commercial matters. Therefore, in such a case, the rules of Slovak International Private Law Act apply. Pursuant to the Slovak International Private Law Act, decisions of authorities of another state, including settlements approved by them, provided that they fall within the courts jurisdiction in Slovakia, shall have legal effect in Slovakia if they have been recognized by Slovak authorities. Any final and conclusive judgment against a Guarantor with its registered office in Slovakia obtained in a court of the United States and arising out of or in relation to the obligations of the Guarantor, shall be recognized and enforced in Slovakia, unless:

- the matter is one within the exclusive competence of the courts of the Slovak Republic pursuant to its laws, or is one beyond the competence of any judicial proceedings of a foreign authority, as determined by the laws of the Slovak Republic; or
- the decision is not final or enforceable (*res iudicata*) in the state where it has been issued; or
- the decision is not a decision on the merits of the matter; or
- the party against whom such judgment is sought to be enforced has been deprived of an opportunity to participate in the foreign proceedings, especially if the summons or notice of the commencement of the foreign proceedings has not been duly served on the party; this exception does not apply if the party has not filed an appeal against the foreign judgment which has been duly served on it or if the party has waived the applicability of this exception; or
- a final decision in the same matter has previously been reached by a court of the Slovak Republic or by a foreign authority if that foreign authority's decision has been, or would be, enforced in the Slovak Republic; or
- recognition of the foreign judgment would be contrary to public policy (*ordre public*) of the Slovak Republic.

A U.S. judgement is recognized in Slovakia subject to the above conditions having been met) by the Slovak court ordering its enforcement or issuing a mandate for its execution. The proceedings on recognition are commenced on basis of an application, which generally may be filed by a person who is referred to as a party to the initial proceedings in the U.S. judgement.

Sweden

Enforceability of a judgment rendered by a foreign court in civil and commercial matters needs an express provision to that effect under Swedish law or a treaty providing for the reciprocal recognition and enforcement of judgments. The United States and Sweden do not have any such treaty for judgments in civil and commercial matters, although the United States and Sweden are both parties to the 1958 New York Convention on the Recogition and Enforcement of Foreign Arbitral Arbitral Awards. This means that a judgment rendered by a U.S. federal or state court based on civil liability would not be directly enforceable in Sweden.

In order to enforce a civil claim in Sweden, civil proceedings — on the merits — must be initiated before a court of competent jurisdiction in Sweden, or an administrative tribunal or executive or other public authority of the Kingdom of Sweden. In such an action, the judgment rendered by the U.S. federal or state court will be regarded as evidence in respect of, for example, factual circumstances or the content of U.S. law. It is, thus, not a matter of recognition but an examination of the case on the merits.

Switzerland

The United States and Switzerland have not entered into a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters, other than in relation to arbitration awards. Therefore, a final judgment by any U.S. federal or state court for payment, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable in Switzerland.

A final judgment by a U.S. federal or state court may however be recognized in Switzerland in an action before a court of competent jurisdiction in accordance with the proceeding set forth by the Swiss Federal Act on International Private Law (*Bundesgesetz über das internationale Privatrecht*) and the Swiss Federal Act on Civil Procedure (*Schweizerische Zivilprozessordnung*). In such an action, a Swiss court would generally not reinvestigate the merits of the original case ruled by a U.S. court.

The recognition and enforcement of a U.S. judgment by a Swiss court would be conditional upon a number of conditions. A number of them are set out in articles 25 et seqq. of the Swiss Federal Act on International Private Law (*Bundesgesetz über das internationale Privatrecht*) and include:

- the U.S. court had jurisdiction over the original proceedings from a Swiss perspective;
- the judgment was final under U.S. federal or state law, and no ordinary legal remedy was available against such judgment;
- the original proceedings have not been conducted under a violation of material principles of Swiss civil proceedings law, in particular the right to be heard;
- the defendant had the chance to defend himself against any unduly or untimely served complaint (except for a defendant having unconditionally consented to the original proceeding before the respective court);
- the case (*Verfahren*) resulted in the judgment of the U.S. court not being consistent with the case (*Verfahren*) pending before a Swiss court, provided such Swiss case was pending before a Swiss court prior to the U.S. court entered its proceedings; and
- the enforcement of the judgment by the U.S. court not being manifestly incompatible with Swiss public policy (*schweizerischer Ordre public*).

Subject to the foregoing, purchasers of the Notes may be able to enforce judgments in civil and commercial matters obtained from U.S. federal or state courts in Switzerland. We cannot, however, assure you that any attempts to enforce judgments in Switzerland will be successful. In particular, it is uncertain whether a Swiss court would recognize the U.S. jurisdiction if the defendant did not enter an appearance before a U.S. court during the substantive proceedings in the sense of art. 6 of the Swiss Federal Act on International Private Law (*Bundesgesetz über das internationale Privatrecht*).

Furthermore, it is probable that a Swiss court, if substantive proceedings were commenced in Switzerland, would not apply U.S. federal or state securities laws as the Notes provide for application of the laws of the state of New York.

In addition, the recognition and enforcement of punitive damages awards might be denied by Swiss courts as incompatible with Swiss public policy (*schweizerischer Ordre public*). Alternatively, a Swiss court may reduce the amount of damages ordered by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

Judicial documents may not be served directly from abroad on a person in Switzerland (see Switzerland's reservation to the Hague Convention on Service Abroad of Judicial or Extra Judicial Documents in Civil and Commercial Matters concluded on 15 November 1965) and service must be effective by way of judicial assistance.

Swiss civil procedure substantially differs from U.S. civil procedure. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the depositions of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. In Switzerland, no such pre-trial discovery process exists.

Instead, a Swiss court would decide upon the claims for which evidence is required from the parties and the related burden of proof.

United Kingdom

The following discussion with respect to the enforceability of certain U.S. court judgments in England and Wales is based upon advice provided to us by our English counsel.

There is currently no treaty between the United States and the United Kingdom providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters (although the United States and the United Kingdom are both parties to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards). As a result, any judgment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities law, would not be automatically recognized or directly enforceable in England and Wales. In order to enforce any such judgment in England and Wales, proceedings must first be initiated by way of an action on the judgment debt before a court of competent jurisdiction in England and Wales. In this type of action, an English court generally will not (subject to the matters identified below) reinvestigate the merits of the original matter decided by a U.S. court if:

- the relevant U.S. court had jurisdiction (under English conflicts of laws principles and rules of private international law) to give the judgment at the time when proceedings were initiated; and
- the judgment is final and conclusive on the merits (in the sense of being final and unalterable in the court which pronounced it) and is for a definite sum of money (not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty or otherwise based on a U.S. law that an English court considers to be a penal, revenue or other public law).

  An English court may refuse to enforce such a judgment, however, if it is established that:

- the enforcement of such judgment would contravene public policy or statute in England and Wales;
- the enforcement of the judgment is prohibited by statute (including, without limitation, if the amount of the judgment has been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damage sustained and not otherwise being a judgment contrary to section 5 of the Protection of Trading Interests Act 1980 or a judgment based on measures designated by the Secretary of State under Section 1 of that act);
- the English proceedings were not commenced within the relevant limitation period;
- before the date on which the U.S. court gave judgment, the issues in question had been the subject of a final judgment of an English court or of a court of another jurisdiction whose judgment is enforceable in England;
- the judgment has been obtained by fraud, or in proceedings in which the principles of natural justice or the principles of the European Convention on Human Rights were breached;
- the bringing of proceedings in the relevant U.S. court was contrary to an agreement under which the dispute in question was to be settled otherwise than by proceedings in that court (to whose jurisdiction the judgment debtor did not submit); or
- an order has been made and remains effective under section 9 of the UK Foreign Judgments (Reciprocal Enforcement) Act 1933 applying that section to U.S. courts including the relevant U.S. court.

If an English court gives judgment for the sum payable under a U.S. judgment, the English judgment will be enforceable by methods generally available for this purpose. These methods generally permit the court discretion to prescribe the manner of enforcement. In addition, it may not be possible to obtain an English judgment or to enforce that judgment if the judgment debtor is subject to any insolvency or similar proceedings, or if the judgment debtor has any set-off or counterclaim against the judgment creditor.

Subject to the foregoing, investors may be able to enforce in England and Wales judgments in civil and commercial matters obtained from U.S. federal or state courts in the manner described above using the methods available for enforcement of a judgment of an English court.

It is, however, uncertain whether an English court would impose liability on us or such persons in an action predicated upon the U.S. federal securities law brought in England and Wales. In addition, we cannot assure you that an English court would accept jurisdiction and impose civil liability if proceedings were commenced in England or Wales in an original action predicated solely upon U.S. federal securities laws or other laws.

Forward-looking Statements

Certain statements in this Offering Memorandum are not historical facts and are "forward-looking" within the meaning of Section 27A of the U.S. Securities Act and Section 21E of the Exchange Act. This document contains certain forward-looking statements in various sections, including under the headings "*Summary*", "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry*" and "*Business*", and in other sections where this Offering Memorandum includes statements about our intentions, beliefs or current expectations regarding our future financial results, plans, liquidity, prospects, growth, strategy and profitability, as well as the general economic conditions of the industry and countries in which we operate. We may from time to time make written or oral forward-looking statements in other communications. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future sales or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy and the trends we anticipate in the industries and the economic, political and legal environment in which we operate and other information that is not historical information.

Words such as "believe", "anticipate", "estimate", "expect", "intend", "predict", "project", "could", "may", "will", "plan" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

In particular, our Booked Business figures reported elsewhere in this Offering Memorandum are based on a number of assumptions and estimates and they may not therefore necessarily be indicative of our actual results of operations for future period. See "*Risk Factors—Risks Related to Our Business Operations—We may not be able to realize revenues represented by our Booked Business*".

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed under "*Risk Factors*", as well as those included elsewhere in this Offering Memorandum. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the performance of the global economy and the performance of the economy in the jurisdictions in which we operate;
- cyclicality of the automotive industry;
- competitiveness and fragmentation of the markets for our products;
- market trends and developments, including increasing trends toward electric mobility;
- the impact of the United Kingdom's vote to leave the EU;
- the imposition of tariffs on automobiles and other goods;
- the ability to successfully implement our improvement program and the potential incurrence of additional costs in connection with this program;
- a disruption in our supply or delivery chain causing one or more of our suppliers or customers to halt production;
- fluctuations in prices of raw materials and components;
- changes in currency exchange rates;
- our ability to recoup start-up costs and to manage our labor and equipment resources effectively in connection with new products or programs;
- our dependency on a limited number of large customers;
- our ability to realize revenues represented by our Booked Business;

- the impact of investigations and increased scrutiny regarding diesel automobiles;
- our dependency on a limited number of key suppliers for certain products;
- our ability to obtain or maintain sufficient financing, including working capital financing, and credit insurance;
- our ability to respond quickly enough to changes in technology, technical standards and consumer preferences;
- our ability to maintain the high quality of our products and processes;
- our ability to obtain and maintain quality and product certifications for certain markets and customers;
- our ability to attract and retain key personnel;
- the impact of strikes and other labor disputes;
- the impact of increasing labor costs in various jurisdictions;
- pension obligations, which may lead to unexpected funding obligations;
- our reliance on complex IT systems and networks and the impact of cyber attacks;
- the impact of property loss and unforeseen business interruption;
- the impact of any acquisitions we make;
- the performance of our global operations;
- our ability to comply with anti-corruption laws and regulations and economic sanction programs;
- our ability to maintain an effective systems of internal controls;
- our ability to maintain adequate insurance; and
- other factors discussed under "*Risk Factors*".

This list of important factors is not exhaustive. You should carefully consider the foregoing factors and other uncertainties and events, especially in light of the regulatory, political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made. Accordingly, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

Industry and Market Data

Market data and certain economic and industry data and forecasts used, and statements regarding our position in the industry made, in this Offering Memorandum were derived or based upon market research, government and other publicly available information, reports prepared by consultants and independent industry publications, including IHS Markit, LMC Automotive and Technavio.

The information in this Offering Memorandum that has been sourced from third parties has been accurately reproduced and, as far as we are aware and able to ascertain from the information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. While we believe the statements included in such third party publications to be reliable, they have not been independently verified, and neither we nor the Initial Purchasers make any representations or warranties as to the accuracy or completeness of such information set forth in this Offering Memorandum. Additionally, industry publications and such reports generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. Neither we nor the Initial Purchasers can therefore assure you of the accuracy and completeness of such information as we have not independently verified such information. Market data and statistics are inherently uncertain 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.

In addition, certain information in this Offering Memorandum regarding our sector of the automotive industry and our market position is not based on published statistical data or information obtained from independent third parties. Such information and statements reflect our estimates based upon information obtained from trade and business organizations and associations and other contacts within the industry in which we compete, internal surveys, competitive bidding processes for new business, our committed share for certain platforms and assumptions we deem reasonable, as well as information published by our competitors. To the extent that information in this Offering Memorandum is identified as being our belief, that information is based on the following: (i) in respect of industry trends, our senior management's general business experience, as well as their experience in our industry and the local markets in which we operate, and (ii) in respect of the performance of our operations, our internal analysis of our audited and unaudited financial and other information. As some of the foregoing information was compiled or provided by our management and is not publicly available, such information accordingly may not be considered to be as independent as that provided by other third party sources.

Tax Considerations

Prospective purchasers of the Notes are advised to consult their own tax advisers as to the consequences of purchasing, holding and disposing of the Notes, including the application of U.S. federal income tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction. See "*Certain Tax Considerations*".

Presentation of Financial and Other Information and Certain Definitions

Financial Information

We do not present in this Offering Memorandum any financial information or financial statements of the Issuer. We have included, and primarily discuss, in this Offering Memorandum financial and other information of the Parent Guarantor and its consolidated subsidiaries on a consolidated basis. The audited consolidated financial statements of the Parent Guarantor as of and for the year ended December 31, 2015 (the "***2015 Audited Consolidated Financial Statements***"), the audited consolidated financial statements of the Parent Guarantor as of and for the year ended December 31, 2016 (the "***2016 Audited Consolidated Financial Statements***"), the audited consolidated financial statements of the Parent Guarantor as of and for the year ended December 31, 2017 (the "***2017 Audited Consolidated Financial Statements***" and together with the 2015 Audited Consolidated Financial Statements and the 2016 Audited Consolidated Financial Statements, the "***Audited Consolidated Financial Statements***") included in this Offering Memorandum have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union ("***IFRS***") and the unaudited interim condensed consolidated financial statements of the Parent Guarantor as of and for the three months ended March 31, 2018 (the "***Unaudited Interim Condensed Consolidated Financial Statements***") included in this Offering Memorandum have been prepared in accordance with IFRS on interim financial reporting (IAS 34). In this Offering Memorandum, financial information has been derived from the Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements.

The Audited Consolidated Financial Statements and the audit opinions of Deloitte AS thereon as well as the Unaudited Interim Condensed Consolidated Financial Statements are included in this Offering Memorandum beginning on page F-1.

Effective January 1, 2017, we changed our organizational structure and reorganized our business into three segments, namely Interior, Powertrain & Chassis and Specialty Products. Prior to January 1, 2017, our business comprised four segments, namely Driveline, Interior, Driver Control and Fluid Transfers. See note 7 of our 2017 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum. In our 2017 Audited Consolidated Financial Statements, we have recasted segment financial information as of and for the year ended December 31, 2016 under these new segments. However, in our 2016 Audited Consolidated Financial Statements and our 2015 Audited Consolidated Financial Statements, we only present our results of operations under the previous segments and as a result no financial information presenting our current segments is available for the year ended December 31, 2015. Therefore, the comparability of the segment information in our Audited Consolidated Financial Statements may be limited.

Until the second quarter of the year ended December 31, 2016, a commercial currency exposure was wrongly recognized as a financial item within the Powertrain & Chassis segment. The error has been corrected and reclassified from financial items to revenues in the 2016 Audited Consolidated Financial Statements and the comparative financial information for the year ended December 31, 2015 has been restated in the 2016 Audited Consolidated Financial Statements. In this Offering Memorandum the restated financial information for the year ended December 31, 2015 from the comparative column of the 2016 Audited Consolidated Financial Statements is presented.

We have adopted IFRS 15: Revenue from Contracts with Customers and IFRS 9: Financial Instruments for the reporting periods beginning on and after January 1, 2018. IFRS 9 has replaced *IAS 39: Financial Instruments: Recognition and Measurement* and sets out new requirements for the accounting of financial instruments including: classification, measurement, impairment and hedge accounting. IFRS 15 has replaced IAS 18: Revenue, IAS 11: Construction Contracts and related interpretation and established a new set of principles applied to reporting information about the nature, amount, timing and uncertainty of revenue and cash flow arising from contracts with customers. In accordance with the transition provisions of the aforementioned standards we have determined and recorded the cumulative impact of adopting IFRS 9 and IFRS 15 as at January 1, 2018. As a result, no comparative information is restated and as such the Audited Consolidated Financial Statements and Unaudited Interim Condensed Consolidated Financial Statements. The Consolidated Financial Statements for the three months ended March 31, 2017 are not comparable to the Unaudited Interim Condensed Consolidated Financial Statements as of for the three months ended March 31, 2018.

The Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements contained in the F-pages to this Offering Memorandum should be read including the relevant notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and U.S. GAAP and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Memorandum and (ii) the impact that future additions to, or amendments of, IFRS may have on our results of operations or financial condition, as well as on the comparability of the prior periods.

In addition, we have included certain non-IFRS financial measures and ratios in this Offering Memorandum. See "*—Non-IFRS Financial Measures*". The non-IFRS financial measures we present may also be defined differently than the corresponding terms under the Indenture (as defined herein).

We present in this Offering Memorandum certain as adjusted financial information for the Parent Guarantor, which is based on the consolidated financial information of the Parent Guarantor on an as adjusted basis to reflect the Offering of the Notes, the issuance and the sale of the New Shares and the use of proceeds therefrom as set out under "*Use of Proceeds*". The as adjusted financial information as of and for the twelve months ended March 31, 2018 contained in this Offering Memorandum has not been prepared on the basis of IFRS or any other generally accepted accounting principles and nor has it been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive or any generally accepted accounting standards. The as adjusted financial information has been derived by applying *pro forma* adjustments to our historical consolidated financial information included elsewhere in this Offering Memorandum and gives effect to the Offering, the establishment of the Revolving Credit Facility (as defined herein), the issuance and sale of the New Shares and the use of proceeds therefrom as described in "*Use of Proceeds*", as if they had occurred on April 1, 2017 for the as adjusted consolidated income statement information and on March 31, 2018 for the as adjusted consolidated statement of financial position information. The adjustments and the as adjusted financial information set forth in this Offering Memorandum are based on available information and certain assumptions and estimates that we believe are reasonable and may differ from actual amounts. The as adjusted financial information is for informational purposes only and does not purport to present what our results would actually have been had these transactions occurred on the dates presented or to project our results of operations or financial position for any future period or our financial condition at any future date.

We define "as adjusted interest-bearing debt" as interest-bearing debt adjusted to give effect to the Offering and the use of proceeds therefrom as set forth in "*Use of Proceeds*" as if they had occurred on March 31, 2018.

We define "as adjusted net interest-bearing debt" as net interest-bearing debt adjusted to give effect to the Offering and the use of proceeds therefrom as set forth in "*Use of Proceeds*" as if they had occurred on March 31, 2018.

We define "as adjusted cash at banks" as cash at banks, as adjusted to give effect to the Offering, the issuance and sale of the New Shares and the use of proceeds therefrom as set forth in "*Use of Proceeds*" as if each had occurred on March 31, 2018.

We define "as adjusted cash interest expense" as cash interest expense, as adjusted to give effect to the Transactions as set forth in "*Use of Proceeds*" as if they had occurred on April 1, 2017.

The financial information marked as "audited" in tables in this Offering Memorandum is extracted from the Audited Consolidated Financial Statements. Financial information marked as "unaudited" in tables in this Offering Memorandum is not extracted from the Audited Consolidated Financial Statements and was either extracted from the Unaudited Interim Condensed Consolidated Financial Statements or is based on calculations of figures derived from the above-mentioned sources.

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting ratios and changes over time periods relating to financial and other data set forth in this Offering Memorandum are calculated using the numerical data in the consolidated financial statements of the Parent Guarantor and not using the numerical data subject to rounding in the narrative description thereof.

The financial information included in this Offering Memorandum is not intended to comply with the applicable accounting requirements of the U.S. Securities Act and the related rules and regulations of the SEC which would apply if the offer and sale of the Notes and Guarantees were being registered with the SEC.

Non-IFRS Financial Measures

We also present unaudited interim condensed consolidated income statement information for the Parent Guarantor for the twelve months ended March 31, 2018, which have been derived by subtracting the comparative financial information for the three months ended March 31, 2017 (derived from the Unaudited Interim Condensed Consolidated Financial Statements) from the financial information for the year ended December 31, 2017 (derived from the 2017 Audited Consolidated Financial Statements), and adding the financial information for the three months ended March 31, 2018 (derived from the Unaudited Interim Condensed Consolidated Financial Statements). The unaudited interim condensed consolidated income statement information and the other financial information presented for the twelve months ended March 31, 2018 have not been prepared on the basis of IFRS or any other generally accepted accounting principles and have been prepared for illustrative purposes only and are not necessarily representative of our results of operations for any future period or our financial condition at any future date.

This Offering Memorandum contains references to certain non-IFRS financial measures and related ratios, including EBIT, EBIT margin, Adjusted EBIT, Adjusted EBIT margin, EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Pro Forma Adjusted EBITDA, Pro Forma Adjusted EBITDA margin, net interest-bearing debt, as adjusted interest-bearing debt, as adjusted net interest-bearing debt, as adjusted cash at banks and as adjusted cash interest expense. We use EBITDA and EBITDA margin as measures to view the Group's operational profitability, excluding the timing impact from depreciation and amortization. We use EBIT and EBIT margin as measures to view the Group's operational profitability. In order to view the Group's running business, we also use Adjusted EBITDA, Adjusted EBITDA margin, Pro Forma Adjusted EBITDA, Pro Forma Adjusted EBITDA margin, Adjusted EBIT and Adjusted EBIT margin excluding restructuring costs and salaries, payroll and other additional operating expenses incurred in connection with our footprint optimization program and the set up of our new headquarters and, in the case of Pro Forma Adjusted EBITDA and Pro Forma Adjusted EBITDA margin, including certain estimated annualized restructuring benefits in connection with our ongoing footprint optimization program. We use net interest-bearing debt to measure the Group's risk of default and financial strength.

We define "EBIT" as profit for the year/period before financial expenses, financial income and income tax. We define "Adjusted EBIT" as profit for the year/period before financial expenses, financial income, income tax, restructuring costs and salaries, payroll and other additional operating expenses incurred in connection with our footprint optimization program and the set up of our new headquarters.

We define "EBIT margin" as EBIT divided by revenue. We define "Adjusted EBIT margin" as Adjusted EBIT divided by revenue.

We define "EBITDA" as profit for the year/period before financial expenses, financial income, income tax, depreciation, amortization and impairment. We define "Adjusted EBITDA" as profit for the year/period before financial expenses, financial income, income tax, depreciation, amortization, impairment, restructuring costs and salaries, payroll and other additional operating expenses incurred in connection with our footprint optimization program and the set up of our new headquarters.

We define "EBITDA margin" as EBITDA divided by revenue. We define "Adjusted EBITDA margin" as Adjusted EBITDA divided by revenue.

"Pro Forma Adjusted EBITDA" is defined as Adjusted EBITDA as further adjusted to include certain estimated annualized restructuring benefits in connection with our ongoing footprint optimization program. We define "Pro Forma Adjusted EBITDA margin" as Pro Forma Adjusted EBITDA divided by revenues.

We define "net interest-bearing debt" as interest-bearing liabilities less cash and cash equivalents.

The non-IFRS financial measures and related ratios contained in this Offering Memorandum should not be considered in isolation and are not measures of our financial performance or liquidity under IFRS and should not be considered as an alternative to revenue, profit for the year/period or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating, investing or financing activities or any other measure of our liquidity derived in accordance with IFRS. Non-IFRS financial measures do not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of our results of operations. In addition, certain non-IFRS financial measures, as we define them, may not be comparable to other similarly titled measures used by other companies. You should exercise caution in comparing the non-IFRS financial measures as reported by us to such measures, similar measures or adjusted variations thereof reported by other companies.

Booked Business

In this Offering Memorandum, we present our estimated booked business, which relate to estimated future revenues from new product nominations, expansions of nominations and recurring product orders over the lifetime of the respective nominations, contract extensions or product orders (“***Booked Business***”). We use Booked Business to monitor our ability to acquire new business, to plan our production capacities and for overall business planning and liquidity management purposes. The value of our Booked Business as of any given date is based on the estimated purchase volumes of our customers as well as the estimated lifetime of a respective nomination, each as determined by our management at the beginning of every new quarter of a financial year. In determining this, our management takes into account several factors including their knowledge of a customer, our historical relationship with such customer and internal and external industry forecasts.

Our customers generally do not provide a commitment regarding minimum volumes of purchase from us and typically have the right to unilaterally terminate our contracts with them with no notice or limited notice. If such contracts are terminated by our customers, our ability to obtain compensation from our customers for such termination is generally limited to the direct out-of-pocket costs that we incurred for materials and work-in-progress and in certain instances undepreciated capital expenditures and tooling. Therefore, our actual sales volumes, and thus the ultimate amount of revenue that we derive from such sales, are not committed. If actual purchase orders from our customers are not consistent with the projections we use in calculating the amount of our Booked Business, we could realize substantially less revenue than the current Booked Business estimate. Other companies in our sector may calculate and report Booked Business or a similar measure using a different methodology, limiting its usefulness as a comparative measure. As a result of the above limitations, the amount of our estimated Booked Business provided herein does not purport to represent what our actual realized revenues will be over any future period and should not be considered in isolation. The value of our Booked Business has not been audited or reviewed and is not required to be included in this Offering Memorandum by, and is not a recognized measure, under IFRS or any other generally accepted accounting principles. You should not place undue reliance on our estimates of Booked Business. See “*Forward-Looking Statements*” and “*Risk Factors—Risks Related to Our Business Operations—We may not be able to realize revenues represented by our Booked Business*”.

Certain Definitions

Unless otherwise specified or the context requires otherwise in this Offering Memorandum:

Booked Business . . . . represents the estimated future revenues from new product nominations, expansions of nominations and recurring product orders over the lifetime of the respective nominations, contract extensions or product orders.

CAGR . . . . means compound annual growth rate.

Clearstream . . . . refers to Clearstream Banking, *société anonyme*.

Corporate Reorganization . . has the meaning assigned to it under “*Corporate and Financing Structure*”.

Couplings . . . . refers to the couplings business unit of our Specialty Products segment.

Direct Subsidiaries . . . . . . means all subsidiaries of the Parent Guarantor (other than the Intermediate Parent Guarantor and its subsidiaries) after giving pro forma effect to the Corporate Reorganization, namely Kongsberg Automotive Private Limited, Kongsberg Driveline System India Ltd, Kongsberg Automotive (Wuxi) Ltd, Kongsberg Automotive Ltd, Kongsberg Automotive Japan KK, Kongsberg Automotive Ltda., CTX Seat Comfort (Holding) Ltd, Kongsberg Automotive Ltd, Kongsberg Automotive SARL and Kongsberg Automotive GmbH.

EUR, euro or € means euro, the currency of the European Union Member States participating in the Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

Euroclear refers to Euroclear Bank SA/NV.

EV refers to electric vehicles.

Existing Revolving Credit Facilities means the USD 172,000,000 and EUR 182,000,000 revolving credit facilities established under the Existing Revolving Credit Facilities Agreement.

Existing Revolving Credit Facilities Agreement means the USD 172,000,000 and EUR 182,000,000 multicurrency revolving credit facilities agreement for Kongsberg Automotive ASA with DNB Bank ASA, Danske Bank A/S, Norwegian Branch and BNP PARIBAS Fortis SA/NV, Norway Branch as original lenders and DNB Bank ASA as agent and security agent dated March 3, 2016, as amended and restated from time to time.

Fluid Transfer Systems refers to the fluid transfer systems business unit of our Specialty Products segment.

Group refers to the Parent Guarantor and its subsidiaries.

Guarantees refers to the Guarantees of the Notes to be issued by each of the Guarantors.

Guarantors refers to each of the Guarantors described under "*Description of the Notes—Notes Guarantees*".

ICE refers to internal combustion engine.

IFRS means the International Financial Reporting Standards as adopted by the European Union.

Indenture means the indenture governing the Notes.

Intercreditor Agreement means the intercreditor agreement dated on or about the Issue Date, by and among, *inter alios*, KA Group AG, the Issuer, the Guarantors, Danske Bank A/S as RCF Agent (as defined therein), the Security Agent and the Trustee, as amended from time to time.

Interior Comfort Systems refers to the interior comfort systems business unit of our Interior segment.

Issue Date refers to the date of the original issuance of the Notes.

Issue Date Guarantees refers to the Issue Date Guarantees of the Notes to be issued by each of the Issue Date Guarantors on the Issue Date.

Issue Date Guarantors refers to the Parent Guarantor, the Intermediate Parent Guarantor, Kongsberg Automotive AS, Kongsberg Holding III, Inc., Kongsberg Actuation Systems II, LLC, Kongsberg Power Products Systems I, LLC, Kongsberg Automotive, Inc., Kongsberg Driveline Systems I, LLC, Kongsberg Interior Systems II, LLC and KA Group AG, each of which will guarantee the Notes on a senior basis on the Issue Date.

Issuer means Kongsberg Actuation Systems B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands and registered with the commercial register of the Kamer van Koophandel under registration number 34052359.

Light Duty Cables refers to the light duty cables business unit of our Interior segment.

New Shares refers to the 40,676,812 new shares of the Parent Guarantors each with a nominal value of NOK 0.50 issued to certain of the Parent Guarantor's shareholders pursuant to a private placement which was settled on July 5, 2018.

OEM means original equipment manufacturers in the automotive industry.

Offering means the offering of the Notes hereby.

Off-Highway refers to the off-highway business unit of our Specialty Products segment.

Parent Guarantor means Kongsberg Automotive ASA, a public limited company listed on the Oslo Stock Exchange and a market capitalization of approximately €450 million as of July 6, 2018.

Post-Issue Date Guarantees refers to the Post-Issue Date Guarantees of the Notes to be issued by each of the Post-Issue Date Guarantors within 120 days following the Issue Date.

Post-Issue Date Guarantors refers to Kongsberg Inc., Kongsberg Automotive AB, Kongsberg Power Products Systems AB, Kongsberg Driveline Systems SAS, Kongsberg Raufoss Distribution SAS, Kongsberg Actuation Systems Ltd, Kongsberg Automotive s.r.o., Kongsberg Interior Systems Kft. and Kongsberg Automotive Sp. z.o.o., each of which will guarantee the Notes on a senior basis within 90 days following the Issue Date.

Proceeds Loan means the loan by the Issuer to KA Group AG to be made on the Issue Date in an amount equal to the gross proceeds of the Offering.

Refinancing means the refinancing, as described under "*Summary—The Transactions*".

Revolving Credit Facility means the revolving credit facility established under the Revolving Credit Facility Agreement.

Revolving Credit Facility Agreement means the revolving credit facility agreement dated on or prior to the Issue Date among, *inter alios*, KA Group AG as the Company, the Issuer, the senior lenders named therein, Danske Bank A/S as agent and the Security Agent, as amended, restated, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time. See "*Description of Certain Financing Arrangements—Revolving Credit Facility*".

Security Documents means the security documents pursuant to which the relevant collateral, as described under "*Description of the Notes—Security*", will be granted.

Subsidiary Guarantor means each of Kongsberg Automotive AS, Kongsberg Automotive AB, Kongsberg Power Products Systems AB, Kongsberg Driveline Systems SAS, Kongsberg Raufoss Distribution SAS, Kongsberg Actuation Systems Ltd, Kongsberg Automotive s.r.o., Kongsberg Interior Systems Kft., Kongsberg Automotive Sp. z.o.o., Kongsberg Inc., Kongsberg Holding III, Inc., Kongsberg Actuation Systems II, LLC, Kongsberg Power Products Systems I, LLC, Kongsberg Automotive, Inc., Kongsberg Driveline Systems I, LLC, Kongsberg Interior Systems II, LLC and KA Group AG.

Tier 1 means an automotive parts supplier that directly supplies OEMs.

Transactions means the transactions, as described under "*Summary—The Transactions*".

U.S. dollar, $ or dollar means the lawful currency of the United States.

U.S. Securities Act means the U.S. Securities Act of 1933, as amended.

VAT means value added tax.

Information contained on any website named in this Offering Memorandum is not incorporated by reference in this Offering Memorandum and is not part of this Offering Memorandum.

Currency Presentation and Exchange Rate Information

In this Offering Memorandum:

- U.S. dollar, dollar or $ refers to the lawful currency of the United States; and
- EUR, euro or € refers to the single currency of the participating member states of the Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

The following tables set forth, for the periods indicated, the period end, period average, high and low Bloomberg Composite Rates expressed in U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The Bloomberg Composite Rate of the euro on July 12, 2018 was $1.1682 per €1.00.

	U.S. dollars per €1.00			
	Period end	Average[1]	High	Low
Year				
2013	1.3789	1.3283	1.3804	1.2772
2014	1.2100	1.3285	1.3925	1.2100
2015	1.0866	1.1100	1.2099	1.0492
2016	1.0547	1.1068	1.1527	1.0384
2017	1.2022	1.1297	1.2026	1.0427

	Period end	Average[2]	High	Low
Month				
January 2018	1.2415	1.2195	1.2492	1.1921
February 2018	1.2209	1.2348	1.2479	1.2209
March 2018	1.2327	1.2336	1.2444	1.2212
April 2018	1.2101	1.2278	1.2390	1.2101
May 2018	1.1671	1.1820	1.2017	1.1546
June 2018	1.1677	1.1678	1.1808	1.1570
July 2018 (through July 12)	1.1682	1.1691	1.1747	1.1600

[1] The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year.

[2] The average rate for each month presented is based on the average Bloomberg Composite Rate for each business day of such month.

The above rates may differ from the actual rates used in the preparation of the Audited Consolidated Financial Statements, Unaudited Interim Condensed Consolidated Financial Statements and other financial information appearing in this Offering Memorandum. Our inclusion of the exchange rates is not meant to suggest that the euro amounts actually represent U.S. dollar amounts or that these amounts could have been converted into U.S. dollars at any particular rate, if at all.

Summary

This summary highlights information contained elsewhere in this Offering Memorandum and does not contain all the information that may be important to prospective investors and it is qualified in its entirety by the remainder of this Offering Memorandum. Prospective investors should carefully read this Offering Memorandum in its entirety, including the Audited Consolidated Financial Statements and Unaudited Interim Condensed Consolidated Financial Statements, included elsewhere in this Offering Memorandum, as well as the "*Description of the Notes*" and the other considerations that are important to their decision to invest in the Notes outlined under "*Risk Factors*" and "*Forward-Looking Statements*".

Overview

We are a leading supplier of components and systems for light duty vehicles, heavy duty vehicles, recreational vehicles, agricultural machinery, construction machinery and other industrial markets, as well as to the aftermarket. Our diversified product offering includes fluid & air handling systems, steering columns, hand controls, powertrain & chassis products, interior comfort products and cable products. With operations in 19 countries and 27 production facilities, we deliver high-quality, innovative products to a range of OEM, Tier 1 and other customers in Europe, the Americas and the Asia-Pacific region. Sales to customers in the original equipment heavy duty and light duty vehicle markets generated approximately 22% and 54% of our revenues in 2017, respectively, with the remainder derived from sales to customers in other end markets and the aftermarket. Within the light duty vehicle market, we are a top 100 global automotive supplier by sales of original equipment. We estimate that approximately one out of five light duty or heavy duty vehicles contains our products. We believe that our diversified portfolio exposes us to attractive growth trends in the markets in which we operate and minimizes our dependency on a single technology or development. For example, only a small amount of our revenues is derived from products that are directly related to internal combustion engines.

By working in close collaboration with our customers, we continuously develop and invest in new and improved products. As of March 31, 2018, we had more than 600 engineering and development staff worldwide, with seven technical centers strategically located in close proximity to our customers in Canada, China, Germany, the Netherlands, Norway, Sweden and the United States. We believe our strong product development capabilities, paired with our customized engineered products, differentiate our portfolio from our competitors. In addition, the deep customization of most of our products makes it costly to replace them within an OEM model cycle. Our portfolio covers a wide range of products, from components to sub-systems to highly sophisticated fully integrated systems across a wide price range. We believe that being a medium-sized automotive supplier enables us to tailor our product solutions to a greater extent than many larger automotive suppliers. Our smaller capacity production lines enable us to be more flexible to our customers' needs, while still having sufficient scale to deliver what they require. Moreover, our global operations provide us with the ability to serve our customers locally, with strategically located production capabilities in the same regions as our customers' facilities. As a result of these factors, we believe that we compete primarily on technical solutions, our ability to customize products and product quality rather than on price alone. Consequently, we enjoy stable and long-standing relationships with our OEM and Tier 1 customers, for whom we often are the single supplier on a platform. We also have strong positions in most of the product and geographical markets in which we are active.

For the twelve months ended March 31, 2018, we generated operating revenues, Pro Forma Adjusted EBITDA and a Pro Forma Adjusted EBITDA margin of €1,064.5 million, €111.1 million and 10.4%, respectively. Our Booked Business, which we define as the estimated future revenues from new product nominations, expansion of nominations and recurring product orders over the lifetime of the respective nominations, contract extension or product orders, amounted to €1,520 million and €1,314 million in 2016 and 2017, respectively. This represents an average ratio of revenues to Booked Business of 1.4x for the two years ended December 31, 2017. Our shares have been listed on the Oslo Stock Exchange since 2005, and, as of July 6, 2018, our market capitalization was approximately €450 million.

We have three business segments, Interior, Powertrain & Chassis and Specialty Products, each of which has a market-leading position in niche markets:

- Our Interior segment serves our customers with interior comfort systems (such as seat ventilation, seat heat, lumbar support or seat massage systems) and light duty cables (such as seat cables, hood/bonnet release cables, trunk/tailgate/boot release cables and handles or interior and exterior door release cables) for the light duty vehicles market. We believe we are one of the only suppliers of fully integrated seat comfort systems.
- Our Powertrain & Chassis segment serves our customers with mechanically and electronically actuated gear shift systems for light and heavy duty vehicles. In addition, this segment delivers vehicle dynamics systems and chassis stabilizers to the heavy duty market. We also have a large aftermarket presence in this segment.
- Our Specialty Products segment operates in highly specialized niche markets. This segment contains three business units: Couplings (air couplings), Fluid Transfer Systems (hoses and tubes) and Off-Highway (steering columns, hand controls, pedals and displays). Our Off-Highway unit operates only in the non-automotive market, while our Couplings unit is exclusively focused on heavy duty vehicles and our Fluid Transfer Systems unit serves the light duty and heavy duty vehicle, industrial, and agricultural and construction machinery markets. We believe we are one of the global top three PTFE hose producers by revenue, among the two top suppliers by revenue in the Couplings business and one of the top three suppliers based on number of products supplied in pedals and electronic controls.

Our broad manufacturing footprint across geographies enables us to serve customers locally through production facilities that are located in the same region as our customers' facilities. We sell our products to our customers across Europe, North America, South America and Asia. In the year ended December 31, 2017, we generated 52.4% of our revenues in Europe, 32.3% in North America, 11.0% in Asia, 2.2% in South America and 2.0% in other regions. We currently have 27 production facilities worldwide. Our largest facilities are located in lower-cost countries such as Poland, Slovakia, Mexico and China. As these are also our manufacturing facilities with the highest growth rates, this is where we focus our growth investments.

We benefit from a well-diversified customer base and supply almost all major European and North American light duty vehicle and heavy duty vehicle OEMs and many Tier 1 suppliers. Our customers include Volvo, Renault Nissan, Bombardier Recreational Products ("BRP"), Fiat Chrysler Automobiles ("FCA"), Volkswagen, Geely, PSA, Ford, PACCAR, Daimler, Tata, BMW, General Motors, Adient, Lear and Magna. In 2017, approximately 60% of our revenues were generated from our top ten customers, with no single customer group representing more than 10% of our revenues.

Our Competitive Strengths

We believe a number of key factors give us a competitive advantage, including the following:

Well positioned to capitalize on growth trends in our end markets

Our product portfolio positions us well to capitalize on growth trends in our end markets, such as the increasing premiumization of light duty vehicles, the trickling down and adoption of premium comfort features in mass market vehicles and sector trends in the end markets for our Specialty Products segment.

- *Premiumization*: In our Interior segment, increasing customer demand for more comfort features in cars is a major driver for growth. OEMs consider seat comfort features to be an important differentiator. This leads to solid underlying growth in this market and provides growth opportunities for us as a global leader in the development, design and manufacture of seat comfort systems such as heating, ventilation, lumbar support and massage systems. In recent years, seat comfort systems have become more complex and sophisticated, for example by increasing the area of the seat covered by seat heating or enabling more flexible seat adjustment and sophisticated massage systems; we expect this trend to continue in the future as a result of increased requirements for more powerful and quieter solutions. We believe that this trend is favorable for us as we are one of the few suppliers able to deliver fully integrated seat comfort systems, comprised of heating, ventilation, lumbar support and massage solutions.

As demand for electric vehicles is expected to increase, we may benefit from this as the content per vehicle for our Interior segment is higher in electric vehicles compared to vehicles with an internal combustion engine. Unlike an internal combustion engine, an electric motor does not produce surplus heat that can be used to heat a vehicle's interior. As a result of this, electric vehicles require an alternative heating system, such as advanced and more powerful seat heating or heated panels in the doors and possibly in the floor. This may also lead to seat heating potentially becoming a standard configuration in electric vehicles. Moreover, as vehicles become more autonomous, we expect OEMs to focus increasingly on interior comfort and flexibility further increasing vehicle seat comfort content.

- *Adoption of premium comfort features in mass market vehicles*: Seat comfort and climate content in vehicles is not only increasing but also trickling down. In 2015, seat heat systems were primarily used in the premium segment, *e.g.* BMW 5 series (E-Segment of the IHS definition), which represented approximately 7% of global light duty vehicles sales in 2017 according to IHS. Between 2017 and 2020, we expect the highest growth rate in seat heat fitment rates for the lower class segment, *e.g.* Volkswagen Polo (B-Segment of the IHS definition), which represented approximately 19% of global light duty vehicles sales in 2017 according to IHS. The increasing adoption of seat heat and other seat comfort systems in mass market vehicles presents us with a significant opportunity for growth.
- *Shift from mechanical to electronic actuation:* Within the Powertrain & Chassis segment we are seeing growth from our customizable standard design for shift-by-wire, particularly succesful in the local Chinese market. These systems contain a shift-by-wire shifter and a rotary actuator with a feature function and price combination which is very attractive for certain high volume moderate price light duty vehicles and which can very easily be adapted to each OEM's specifications.
- *Adoption of Automated Manual Transmissions in heavy duty vehicles*: In the heavy duty vehicle market, we expect the shift from manual transmissions to automated manual transmission ("AMT") in North America to further gain traction. We also expect the heavy duty vehicle market in China to increasingly adopt AMT in the short term. We are well positioned to benefit from this market trend, both for complete AMT control units and AMT relevant components, which should help us to diversify and increase the percentage of sales generated from heavy duty vehicles (which have longer product cycles and higher margins).
- *Attractive sector trends in our Specialty Products segment:* Our Specialty Products segment supplies niche products to diverse end markets that are characterized by a number of favorable trends.

  Demand in our Couplings business is primarily driven by performance and quality. Higher safety requirements for air brake systems, demand for products with less complexity through modularity, increased durability requirements, serviceability and stricter emissions legislation are contributing to a trend for lighter air brakes and market growth in this area. We expect to further grow beyond our traditional European premium truck OEM customer base into OEMs in China and North America, which can benefit from what we believe is a superior performing product compared to alternative solutions.

  Our Off-Highway business serves the power sports, agriculture and construction markets. Key sector trends in the Off-Highway business include: migration from mechanical controls to electronic or electronically-assisted controls (as required for autonomous driving agriculture vehicles, for example), stricter emissions legislation, increasing focus on vehicle safety and improved driver control and comfort. As a market leader in pedals, hand-controls and electrical power steering columns based on number of products supplied, we believe that we are well positioned in these markets. Compared to many competitors we are able to serve our customers worldwide with local production and have full electronics design, development and manufacturing competence in-house. In addition, we offer our customers flexible and tailored solutions combined with the infrastructure of a global automotive supplier.

  Key sector trends in the Fluid Transfer Systems business include: demand for high performance materials for harsh applications (light weight and high temperature resistance), advanced multilayer hoses and tubes, robust and safety critical designs, tighter packaging, increasing coolant/heating lines and subsystems per vehicle and the need for agility and service. Thanks to our leading position in PTFE hoses with scale, global footprint, quality and technical service, we believe we are well-placed to address and take advantage of the key sector trends in the Fluid Transfer Systems business.

Broad end market, geographic, customer and channel diversification

We are diversified by end market, geography, customers and channel. We cover a broad array of end markets and offer products for light duty vehicles, heavy duty vehicles (trucks and buses), heavy equipment (agricultural and construction) and recreational vehicles. In 2017, we generated approximately 22% of our revenues in the original equipment heavy duty vehicles market, approximately 54% in the original equipment light duty vehicles market, approximately 6% in the aftermarket, approximately 7% in the powersports market, approximately 3% in the heavy equipment market and approximately 8% in other markets.

We believe that this diversification makes us more resilient against cyclical downturns in specific end markets. For example, demand for light duty vehicles and heavy duty vehicles is influenced by different factors; therefore, a downturn in one market may not coincide with a downturn in the other. We also have significant sales to non-automotive customers, in particular in our Specialty Products segment, which help to further insulate us from automotive cyclical fluctuations in demand for light duty vehicles and heavy duty vehicles.

Moreover, revenues from aftermarket sales tend to be more stable through economic cycles and feature higher margins compared to revenues from sales to the original equipment market, thereby providing us with a steady revenue and profit stream which we plan to increase further. We have a well-established aftermarket sales platform in Europe with dedicated sales teams and processes.

Our sales are also diversified across regions. In recent years, we have increased our revenues from Asia and are now well established in this key geography. In the year ended December 31, 2017, we generated 52.4% of our revenues in Europe, 32.3% in North America, 11.0% in Asia, 2.2% in South America and 2.0% in other regions. We aim to further diversify by increasing the percentage of revenues generated in the Americas and Asia.

We also benefit from a well-diversified customer base and are not overly dependent on any single customer. We supply virtually all major European and North American OEMs, and also supply our products to virtually all luxury and premium OEMs, which is rare in our industry. Our customers include Volvo, Renault Nissan, BRP, FCA, Volkswagen, Geely, PSA, Ford, PACCAR, Daimler, Tata, BMW, General Motors, Adient, Lear and Magna. In 2017, approximately 60% of our revenues were generated from our top ten customers, with no individual customer representing more than 10% of our revenues. We generally enjoy stable and long-standing relationships with our OEM and Tier 1 customers, including, for example, Volvo, which we have supplied since 1955.

We believe that our diversification by end market, geography, customers and business models has been instrumental in securing Booked Business. Our Booked Business amounted to €1,520 million and €1,314 million in 2016 and 2017, respectively. This represents an average ratio of revenues to Booked Business of 1.4x for the two years ended December 31, 2017.

Leadership positions in niche applications

We hold market leading positions in a number of highly specialized product categories with unique product offerings. Our scale and flexibility allow us to provide differentiated and customized products, solutions and modules which we consider to be a key competitive advantage. Being a mid-size automotive supplier provides us with sufficient scale in these niche markets.

In our Interior segment, we are a global leader in the development, design and manufacture of seat comfort systems, *i.e.*, systems comprising seat heat, lumbar support and massage functions through our Interior Comfort Systems business. We consider ourselves to be a technology leader in the integration of seat functionalities and believe that we are one of the only suppliers capable of supplying fully integrated seat comfort systems. In the Light Duty Cables business, our diversified product portfolio, global footprint and reliability as a high-quality supplier are key to our business model. We have optimized production processes through investing in and implementing semi-automated assembly processes and take advantage of our actuator competencies from other segments as light duty cable applications move towards electronically actuated solutions.

In our Powertrain & Chassis segment, we benefit from our design and application expertise. Recently we developed a number of new products which we expect will contribute to our revenues in the Powertrain &

Chassis segment, such as an actuation control unit which we developed for a major North American transmission supplier. We believe that our broad product portfolio in the Powertrain & Chassis segment covers largely all powertrain options. The market for heavy duty vehicles is attractive to us as it is often characterized by higher margins and longer product cycles compared to the light duty vehicles market. We therefore intend to increase our share of revenues from the commercial market to further improve our profitability and revenue visibility. This diversifies our exposure to end markets.

In our Specialty Products segment, we maintain top three positions within all our business units. We are among the two top suppliers by revenue in the Couplings business. We are a technology leader with a growing market share and are well-positioned for growth particularly in North America and Asia. In the Fluid Transfer Systems business, we are one of the global top three producers by revenue of PTFE hoses. We offer differentiated products, supplying OEMs and Tier 1 customers with semi-finished products with upward potential through structural cost improvements. In addition, we differentiate ourselves from competitors by providing customer training and technical support as well as customized product solutions. In the Off-Highway business, we believe we are one of the top three suppliers based on the volume of pedals and electronic controls produced. We have strong positions with many key customers such as BRP, a powersports market leader. Due to our ability to develop products specifically for off-highway applications and to offer strong electronics engineering and manufacturing capabilities. Our products offer superior driver control and comfort experience and a reduced reliance on mechanical controls. We also assist our customers in the development phase and offer customized product solutions, which we consider to be key competitive advantages.

Focused and significant investments in engineering ensuring product innovation and highly visible growth

We have a strong track record of developing and successfully commercializing new products, and our customers value our ability to develop tailored solutions and products in response to their specific requirements. We have a worldwide product development presence strategically located close to our customers, which includes seven technical centers located in Canada, China, Germany, the Netherlands, Norway, Sweden and the United States. As of March 31, 2018, we employed more than 600 engineering & development staff, held more than 350 patent families and had more than 600 patent applications pending. In the year ended December 31, 2017, our engineering spend amounted to €67.3 million, representing 6.4% of our revenues.

Our key product innovations include: (i) an actuation control unit, which is an automated mechanical mechatronic transmission module with superior pneumatic gear shift and clutch actuation performance, high reliability and serviceability and stable performance over the lifetime of a vehicle, which we developed at the request of a major North American transmission supplier in only three years instead of the typical five to seven years; (ii) *new shape memory alloy ("SMA") seat massage valves*, which are valves for seat massage systems with superior product features in weight, size, power consumption and low noise; (iii) *Actuary Rotary Compact*, an electromechanical rotary actuator, which is compact, light and cost-efficient with few parts and low complexity; (iv) *Fluoro-comp®*, a PTFE fuel hose, which is resistent to harsh environments such as aggressive fuels, hot oils and critical applications; and (v) *nylon hoses*, which are high performance multilayer, corrugated and flexible single layer nylon tube assemblies for both the high temperature coolant circuit in hybrid vehicles as well as for the lower temperature coolant circuit in full electric vehicles.

We believe that our product development capabilities have been instrumental in securing Booked Business, thereby presenting us with opportunities for further growth and high revenue visibility. Our steady flow of innovative products helps to provide high revenue visibility due to the high percentage of our revenues that is comprised of existing and Booked Business, which generally accounts for over 90% of our revenues for any succeeding two-year period. We were recently awarded our first contract for battery coolant hoses in an electric vehicle application, thereby securing future revenue growth. Moreover, the actuation control unit for a major North American transmission supplier is enjoying significantly increased volumes compared to the initial estimates due to superior overall product performance.

Reorganization delivering increased profitability

Since we announced our improvement program in 2016, we have successfully executed a number of footprint optimization and centralization measures and started to implement a more efficient "Principal Model". As part of our footprint optimization, we ceased production at five sub-scale, high-cost manufacturing sites in the Powertrain & Chassis and Specialty Products segments and transferred or are in the process of transferring the production to larger and more efficient facilities in lower-cost countries. We are targeting annual EBITDA improvements of approximately €27 million compared to the 2016 cost base following completion of all planned site closures and estimate that we had already realized an annualized EBITDA improvement of approximately €13 million as of March 31, 2018. We believe that our lower cost base will increase our resilience to cyclical downturns and provide us with the flexibility to execute our growth initiatives.

Through the restructuring of our former group and business unit management team and the set-up of a new operational headquarters in Switzerland, we have also streamlined and centralized various processes and systems as well as increased the collaboration between segments and functions. In particular, we implemented new controls designed to safeguard reasonable project performance. In 2017, we estimate that we realized approximately €3 million in cost savings through these measures compared to the prior year.

Our new Swiss headquarters is also instrumental in implementing our "Principal Model", which has already resulted in a significantly lower effective tax rate and is expected to lead to further tax benefits in the future. As a result, our effective tax rate (calculated as the ratio of profit before income taxes to income taxes) decreased from an average of more than 75% for the years 2010 to 2016 to 38.9% in the three months ended March 31, 2018. In the medium term, our target is to achieve an effective income tax rate of approximately 25%.

As part of our improvement program, we have also divested certain businesses which we considered to be no longer financially or strategically attractive, including our North American headrest and armrest business and our ePower division.

For further details regarding our improvement program, see "*—Improvement Program*".

Strong management team and conservative financial policies

We believe the experience of our management team gives us a competitive advantage and positions us favorably for future growth and profitability. Our management team has extensive experience in the automotive and industrial sectors and a proven track record of successfully managing global businesses. It has an average of over 22 years of experience with us and other leading automotive and engineering companies, providing them with an in-depth knowledge of our and our customers' businesses. Our Chief Executive Officer and Chief Financial Officer were appointed in June 2016 and January 2017, respectively, and have been instrumental in developing and executing our improvement programs, which have already resulted in significant benefits and which are expected to lay the foundation for our future growth strategy. For five consecutive quarters since January 2017, we have achieved year-over-year revenue and Adjusted EBITDA improvements and we estimate this trend continued in the three months ended June 30, 2018. As part of our management improvement program, we have implemented significant changes to our senior management and its structure to ensure that we have the right management team to continue to execute our restructuring and growth initiatives.

We maintain a clear and conservative financial policy focused on making investments in our most attractive segments and supported by deleveraging through our improvement program. We have a medium-term leverage target of 1.5x net debt/EBITDA and an equity ratio target exceeding 35%.

Our Strategy

Our long-term strategic goals are to become a world class automotive supplier with a flexible cost structure, benchmark EBIT and net income performances and attractive cash conversion rates, while generating sustainable and profitable growth. We plan to achieve these goals through a number of strategic initiatives.

Continue to deliver on our improvement program and enhance our operational model

We plan to enhance our operational model by executing the improvement program announced in 2016. We are in the process of further ramping-up our production at our new manufacturing sites and improving their operational efficiencies with a view to realizing our full improvement potential. With regard to our manufacturing footprint, we have identified two further manufacturing sites for possible closures and transfers of the related production to newer, more modern facilities in lower-cost countries. These closures would present us with a future opportunity to further reduce our cost base. Our long-term goal is to achieve a best-in-class cost structure that is flexible and makes us more resilient against cyclical downturns in our end markets. In addition, we will continue to closely monitor our cost base in order to identify further potential for cost savings.

In addition to lowering our cost base, we will continue to implement the "Principal Model" with a target of reducing our effective income tax rate to 25% in the medium term and making organizational changes to better align our segments and business units with the opportunities and challenges they face.

We believe that our operational model and our engineering efficiency can be improved by strengthening our engineering capabilities in emerging markets and being closer to our new customers. To this end, we may increase our engineering staff in emerging markets, in particular China. We believe that this will enable us to develop technical solutions specifically tailored to the needs of our local customers more efficiently and quickly.

Successfully commercialize new products and continue to be an innovation partner to OEMs

We are focused on launching our recent product innovations and maintaining and strengthening our close technology partnerships with key OEM and Tier 1 customers through the continued development of innovative products, a strong customer focus that meets customers' expectations regarding technical requirements for innovation, flexibility and responsiveness to the trends in our underlying end markets. We have successfully built a strong foundation for innovation partnerships in various emerging markets, which we believe positions us to benefit from the expected growth in these markets. We intend to grow our most attractive businesses through our product offering, with a particular focus on attractive niche markets. As a mid-sized automotive supplier we believe we can benefit from bringing automotive scale and efficiency these niche markets, including, in particular, the power sports and industrial markets.

We believe we have a portfolio of new products responsive to significant trends in our end markets and that presents an attractive growth opportunity. These trends include premiumization and higher penetration rates for comfort features that are currently mainly present in premium light duty vehicles for our Interior segment; a trend towards AMT systems in heavy duty vehicles for our Powertrain & Chassis segment; and stricter regulation, increasing demand for more flexible or high performance solutions and migration from mechanical controls to electronic or electronically-assisted controls in our Specialty Products segment.

In the Interior segment, we intend to participate in these trends by continuing to develop advanced products that can meet increasing customer requirements, as well as by developing comfort solutions that are more suitable for use in mass-market light duty vehicles.

In our Powertrain & Chassis segment, we intend to capture growth in the commercial and light duty vehicles markets. For example, our newly developed actuation control unit for a major North American transmission supplier is well positioned to address increasing demand for automated manual transmission solutions in the North American and Chinese heavy duty vehicle markets, which has already resulted in our customer significantly increasing its expected order volume. In the light duty vehicles market, we intend to serve increasing demand for shift-by-wire applications, in particular in China, by our advanced product offering.

In our Specialty Products segment, we plan to strongly participate in the need for more high performance hoses. On the one hand, the trend to downsizing internal combustion engines leads to smaller engine compartments. Smaller engine compartments in turn results in a harsher environment in the engine compartment (including, in particular higher temperatures), thus driving demand for flexible and durable fuel and other hoses. On the other hand, an increased trend to electric mobility could drive demand for battery coolant systems, a new application for our high performance tube solutions. We believe this strategy is supported by the recent win of our first battery coolant hoses contract for a European premium OEM.

Grow in selected markets and through expansion of our product, competence and technology portfolio

We believe there is an opportunity to grow our business by increasing our presence in selected geographic markets (such as China), increasing our aftermarket sales, selectively complementing our product, competence and technology portfolio and strengthening our position in the industrial market.

Our revenues from sales to customers in Asia increased from 8.6% of our total revenues for the year ended December 31, 2015 to 11.8% for the three months ended March 31, 2018, and we target to further grow the share of our revenues from Asian customers, in particular in China. We plan to selectively expand our capacity in China and win new business from Asian, European and North American OEMs and Tier 1 suppliers in the region. We believe that our focus on tailored solutions, flexible production and local footprint positions us well to execute on these plans.

We also intend to expand our current aftermarkets sales in particular in North America. To achieve this, we plan to establish a dedicated aftermarket sales team in North America. In addition, increasing original equipment sales should result in growth of our aftermarket sales opportunities in the future.

We are seeking to complement our manufacturing processes and our existing product portfolio, for example by insourcing certain production processes that are critical to most of our business units. We believe this will enable us to secure a competitive advantage and attractive pricing for our products. We have also witnessed a trend of electric and electronic systems becoming more important for the products we offer and increasingly becoming a competitive factor. We may therefore consider expanding our value chain, including by targeted add-on acquisitions, to cover the design and manufacture of such components ourselves rather than relying on third-party suppliers. Any acquisition would have to be opportunistic and accretive, allowing us to benefit from meaningful synergies and further enhance our profitability, as well as being achievable within the framework of our leverage target.

Information about the Issuer

The Issuer is a private limited liability company (*besloten vennootschap met beperkte aansprakelijheid*) and was incorporated under the laws of the Netherlands on September 8, 1981. The Issuer is registered with the commercial register of the *Kamer van Koophandel* under registration number 34052359. Its registered office is at Noord Esmarkerrondweg 419, 7533 BL Enschede, Netherlands, and its telephone number is +31 534861234. The issued share capital of the Issuer comprises 213 ordinary shares representing an aggregate nominal value of €96,702. The Issuer is indirectly wholly owned by the Parent Guarantor. The Issuer's financial year ends on December 31.

Information about the Parent Guarantor

The Parent Guarantor is a public limited company listed on the Oslo Stock Exchange, with business enterprise no. 942 593 821. The registered office of the Parent Guarantor is Dyrmyrgata 48, NO-3601 Kongsberg, Norway. As of the date of this Offering Memorandum, the share capital of the Parent Guarantor was NOK 223,722,471.50, comprising 447,444,943 ordinary shares with a par value of NOK 0.50. As of March 31, 2018, the Parent Guarantor held 1,849,212 shares as treasury shares.

Improvement Program

In 2016, we announced a comprehensive improvement program aimed at improving our operating model in order to secure our financial strength and enhance our strategic flexibility. The three pillars of our improvement program are (i) optimizing our manufacturing footprint, (ii) establishing our new headquarters and centralizing our administrative and operational structure and (iii) implementing a "Principal Model" to transfer all entrepreneurial functions to our headquarters in order to benefit from a significantly reduced effective tax rate. Compared to our 2016 cost base, we are targeting annual EBITDA improvements of approximately €27 million through our improvement program by the end of 2019. As of March 31, 2018, we had already realized annualized cost savings of approximately €13 million compared to our 2016 cost base.

Footprint optimization

As part of our improvement program, we announced the intention to close seven manufacturing sites by the end of 2019, including three Powertrain & Chassis segment sites located in Europe and two Specialty Products segment sites in the United Kingdom and the United States. We have also identified two further sites for closure, but have postponed these measures while we focus on completing the pending site closures if implemented. We also announced the transfer of our Pruszkow heat-seat manufacturing to a new site in Brześć. We are targeting an annual EBITDA improvement of approximately €24 million compared to 2016 through the five executed closures by the end of 2019, with further cost savings anticipated from the two postponed site closures. In 2017, we estimate that our footprint optimization program had a positive impact on EBITDA of approximately €8 million and we believe we are on track to achieving the targeted annual EBITDA improvement of approximately €24 million by the end of 2019.

As of the date of this Offering Memorandum, we have substantially completed five of the announced site closures. We closed our Powertrain & Chassis production sites in Basildon, United Kingdom and Heiligenhaus, Germany in 2017. In the first quarter of 2018, we also closed our Powertrain & Chassis production site in Rollag, Norway which produced anti roll-bars and v-stays for our Powertrain & Chassis segment. The production was transferred to our plant in Koluszki, Poland and we expect to realize cost savings due to lower wage levels and reduced manufacturing overhead costs.

In the second quarter of 2018, we also ceased production at our site in Easley, United States. We have already relocated the production to a new manufacturing site in Ramos Arizpe, Mexico and we are currently in the process of stabilizing the new production processes in this site. In addition, we target cost savings due to lower wage levels and reduced manufacturing overhead costs.

We are also in the process of closing our manufacturing site in Burton, United Kingdom. Production at the site ceased in the second quarter of 2018 and the site warehouse with some remaining inventory is expected to close in the third quarter of 2018. Our Burton site was part of the Specialty Products segment and we are in the process of moving the production to our new production site in Brześć, Poland. We expect to realize cost savings due to lower wage levels and reduced manufacturing overhead costs. In addition, Jaguar Land Rover opened a new plant in nearby Slovakia and we were able to realize a substantial new business win as a result of the Brześć production site being in Eastern Europe in proximity to Jaguar Land Rover's new plant. We are also further consolidating our seat heat manufacturing capabilities in Brześć by transferring production of seat heat systems from our site in Pruszkow to Brześć.

In addition to cost savings through the closure of less efficient manufacturing sites, we are also looking to increase the efficiency of our corporate overhead, for example by streamlining and centralizing previously fragmented services.

New headquarters and increased centralization of administrative and operational structure

We are in the process of establishing new headquarters in Switzerland in order to more efficiently manage our business and reduce overhead costs, implementing a new delegation of authority and centralizing our corporate and business management functions, which we estimate will result in cost savings of approximately €3 million per annum by the end of 2018. As of December 31, 2017, we employed approximately 25 employees in our new headquarters and we are planning to further increase this number in the future. By the end of 2018, we are looking to employ approximately 40 employees in our new headquarters and to realize synergies from better collaboration in a true headquarters and improved overall process workflows. As part of our improvement program, we have also implemented significant changes to our senior management to ensure that we have the right management team to continue to execute our restructuring and growth initiatives.

Effective January 1, 2017, we reduced the number of operating segments from four to three, by merging our previous Driveline segment and on-highway driver control business into the new Powertrain & Chassis segment and by merging our air couplings, hose & tubes and off-highway business into the new Specialty Products segment. The reorganization of our segments was designed to better align our organizational structure with the challenges of our business and to grant more entrepreneurial freedom to our niche businesses by bundling them into the Specialty Products segment. In addition, we have implemented controls and systems aimed to ensure minimum profitability targets for all new business quotations and investments to customers. As part of our improvement program, we reviewed our portfolio of businesses and decided to divest of certain businesses, which we considered to be no longer financially or strategically attractive. Our goal is to allocate capital more efficiently by specifically targeting projects that are forecasted to yield an attractive return on capital employed. We implemented our divestiture strategy by selling our North American headrest and armrest business in 2017 and our ePower business in the three months ended March 31, 2018. We currently do not plan to divest any other parts of our portfolio. Also as part of our portfolio review, we decided not to sell our Light Duty Cables business unit, electing instead to further invest in this business with the aim of improving its profitability.

Principal Model

We have begun to implement a "Principal Model" under which our new Swiss headquarters will become the central entrepreneurial company of our Group and the other members of our Group will primarily engage in toll manufacturing for, and providing services to, the new central entrepreneurial entity. We started using the "Principal Model" in 2017 and plan to gradually increase its use by 2020, at which time we expect to implement the next phase, a contract manufacturing model within the European plants and the principal entity in Switzerland. The implementation of the "Principal Model" has already contributed to a significantly lower effective tax rate (calculated as the ratio of profit before taxes to income taxes) of 38.9% for the three months ended March 31, 2018, compared to more than 75% on average for the years from 2010 to 2016. We expect that the "Principal Model" will further reduce our effective tax rate in the medium-term, thereby contributing to improved profitability and cash flows. We are targeting a tax rate reduction from an average of approximately 75% for the years 2010 to 2016 to approximately 25% by the end of 2020.

The Transactions

The gross proceeds from the Offering will be used:

- to repay in full all amounts outstanding under the Existing Revolving Credit Facilities, including any premiums, prepayment fees, breakage costs as well as accrued and unpaid interest (together, the "***Refinancing***");
- to pay costs, fees and expenses related to the Transactions (as defined below); and
- for general corporate purposes.

In connection with the Refinancing, we will enter into a new revolving credit facility (the "***Revolving Credit Facility Agreement***" and the facility thereunder, the "***Revolving Credit Facility***") on or prior to the Issue Date with, among others, certain affiliates of the Initial Purchasers as mandated lead arrangers (the entering into the Revolving Credit Facility Agreement together with the Offering and the use of proceeds therefrom, including the Refinancing, the "***Transactions***"). The Revolving Credit Facility will have a total commitment of €50.0 million. As of the Issue Date, we expect the Revolving Credit Facility to be undrawn. See "*Capitalization*".

Trading Update

Based on preliminary internal consolidated management accounts for the three months ended June 30, 2018, we estimate our revenues to be between €283 million and €288 million compared to €268 million for the three months ended June 30, 2017. We estimate that our Adjusted EBITDA was between €27 million and €28 million for the three months ended June 30, 2018 compared to €24 million for the three months ended June 30, 2017.

The foregoing financial information is not prepared in accordance with IFRS or any other generally accepted accounting principles and is based on preliminary internal consolidated management accounts for the three months ended June 30, 2018. This financial information has not been audited, reviewed, compiled or been the subject of any procedures by our independent auditors or any other audit firm and no opinion or any form of assurance is expressed with respect thereto. The foregoing financial information is inherently subject to modification during the preparation of our consolidated financial statements as of, and for the six months ended, June 30, 2018. Those results are currently expected to be released on or around July 27, 2018. The financial information presented is not representative for any three months or twelve months period and should not be regarded as an indication, forecast or representation by us or any other person regarding our financial performance for the six months ended June 30, 2018 or the year ending December 31, 2018. See "*Forward-Looking Statements*" and "*Risk Factors*" for a more complete discussion of certain factors that could affect our future performance and results of operations.

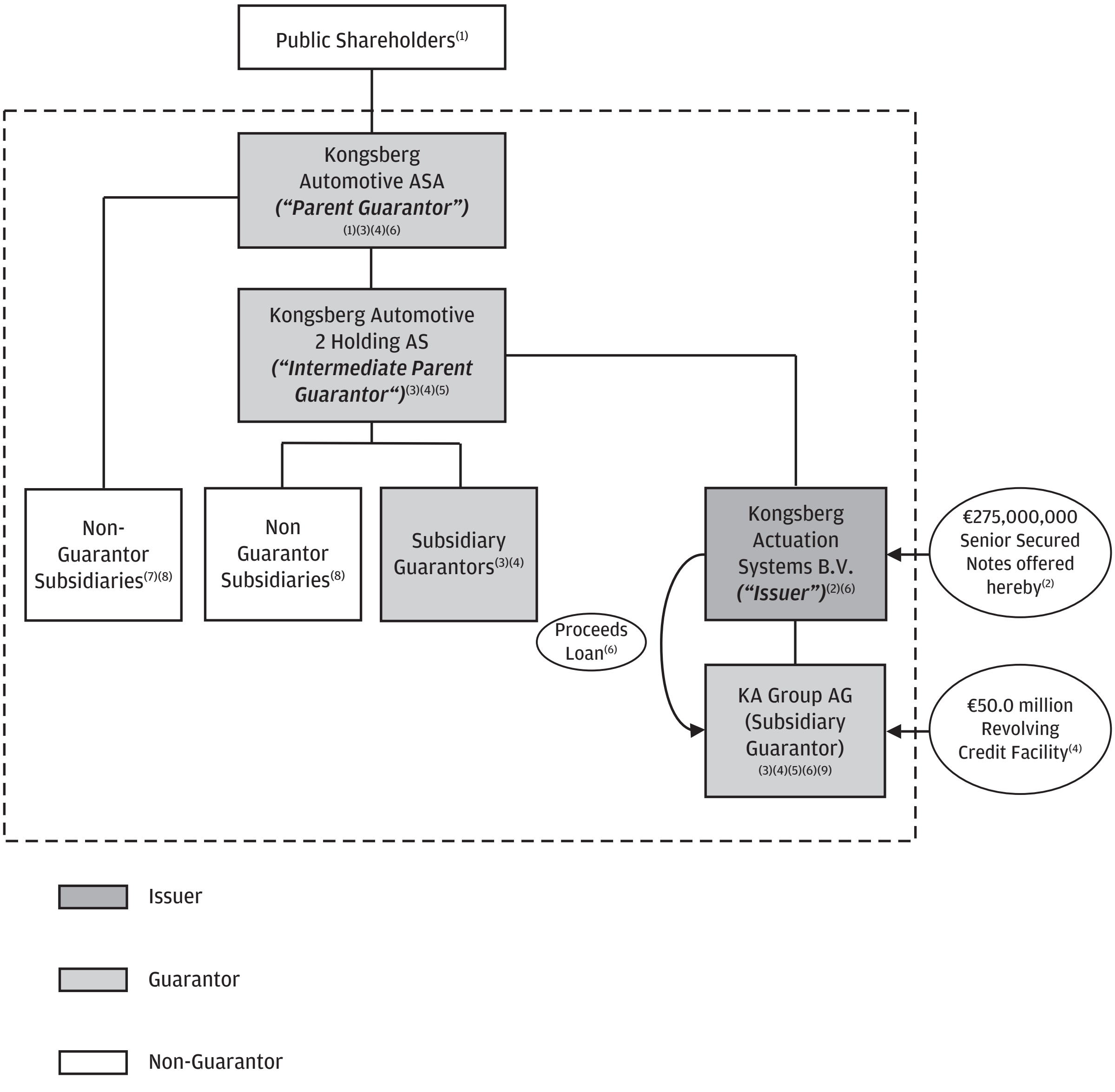
Recent Developments

In June 2018, we won our first nomination as a supplier for battery coolant hoses for an electric vehicle by a European premium OEM.

On June 27, 2018, we completed a private placement of the Parent Guarantor's shares raising approximately €40.7 million in gross proceeds through the subscription of 40,676,812 new shares (the "***New Shares***") corresponding about 10% of the Parent Guarantor's outstanding number of shares prior to the private placement. The New Shares have been subscribed by a limited group of existing shareholders. The share capital increase underlying the New Shares was registered in the Norwegian Register of Business Enterprises on July 4, 2018 and the New Shares are fully paid in. Following the issuance of the New Shares, the Parent Guarantor's share capital is NOK 223,722,471.50 divided into 447,444,943 shares and the Parent Guarantor's market capitalization was approximately €450 million as of July 6, 2018.

Corporate and Financing Structure

Following the Offering, we intend to complete a corporate reorganization to streamline our corporate structure (the "***Corporate Reorganization***"). As part of the Corporate Reorganization, we intend to transfer the shares in certain Subsidiary Guarantors which are currently directly held by the Parent Guarantor to the Intermediate Parent Guarantor or any of its wholly owned subsidiaries. The Revolving Credit Facility Agreement will require us to use reasonable commercial efforts to implement the Corporate Reorganization, subject to there being no adverse tax consequences, no disproportionate cost and no third party consents. Accordingly there can be no assurance that the Corporate Reorganization will be implemented. The following diagram depicts, in simplified form, our corporate and financing structure after giving *pro forma* effect to the Corporate Reorganization, the Offering and the use of proceeds therefrom as set forth under "*Use of Proceeds*". For a summary of the material financing arrangements identified in this diagram, see "*Description of Certain Financing Arrangements*" and "*Description of the Notes*".



Public Shareholders(1)
Kongsberg Automotive ASA (“Parent Guarantor”) (1)(3)(4)(6)
Kongsberg Automotive 2 Holding AS (“Intermediate Parent Guarantor“)(3)(4)(5)
Non-Guarantor Subsidiaries(7)(8)
Non Guarantor Subsidiaries(8)
Subsidiary Guarantors(3)(4)
Kongsberg Actuation Systems B.V. (“Issuer”)(2)(6)
€275,000,000 Senior Secured Notes offered hereby(2)
Proceeds Loan(6)
KA Group AG (Subsidiary Guarantor) (3)(4)(5)(6)(9)
€50.0 million Revolving Credit Facility(4)
Issuer
Guarantor
Non-Guarantor

[1] Konsgberg Automotve ASA is a public limited company listed on the Oslo Stock Exchange and had a market capitalization of approximately €450 million as of July 6, 2018. See "*Principal Shareholders and Related Party Transactions*". The shares in the Parent Guarantor will not be pledged.

[2] The Issuer is offering €275.0 million aggregate principal amount of Notes. The Notes will be general senior obligations of the Issuer. The Issuer does not have independent business operations and will be dependent on payments under the Proceeds Loan (as defined herein) and, potentially in the future, on distributions and other payments made by its subsidiaries and other members of the Group, to service its payment obligation under the Notes. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Issuer, the Parent Guarantor, the*

Intermediate Parent Guarantor and certain of the Subsidiary Guarantors do not have independent business operations and are dependent upon cash flow from the operating subsidiaries of the Group to meet their respective obligations on the Notes and the Guarantees".

(3) On the Issue Date, the Notes will be guaranteed on a senior basis by the Parent Guarantor and the Intermediate Parent Guarantor, Kongsberg Automotive AS, Kongsberg Holding III, Inc., Kongsberg Actuation Systems II, LLC, Kongsberg Power Products Systems I, LLC, Kongsberg Automotive, Inc., Kongsberg Driveline Systems I, LLC, Kongsberg Interior Systems II, LLC and KA Group AG (the "***Issue Date Guarantors***"). In addition, within 120 days following the Issue Date, the Notes will also be guaranteed on a senior basis by Kongsberg Inc., Kongsberg Automotive AB, Kongsberg Power Products Systems AB, Kongsberg Driveline Systems SAS, Kongsberg Raufoss Distribution SAS, Kongsberg Actuation Systems Ltd, Kongsberg Automotive s.r.o., Kongsberg Interior Systems Kft. and Kongsberg Automotive Sp. z.o.o. (the "***Post-Issue Date Guarantors***" and, together with the Issue Date Guarantors, the "***Subsidiary Guarantors***" and, the Subsidiary Guarantors together with the Intermediate Parent Guarantor and the Parent Guarantor, the "***Guarantors***"). The aggregated unconsolidated Adjusted EBITDA of the Guarantors represented 85.0% of the Group's Adjusted EBITDA for the twelve months ended March 31, 2018 (without removing the effect of intra-group transactions) and the aggregated unconsolidated total assets of the Guarantors represented 91.7% of the Group's total assets (without removing intra-group assets and liabilities). The Guarantees will be subject to certain significant contractual and legal limitations or subject to certain defenses under applicable law. See "*Certain Insolvency and Local Law Limitations*". The Guarantees may also be released without consent of the noteholders in certain circumstances. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—There are circumstances other than a repayment or discharge of the Notes under which the Collateral and the Guarantees will be released automatically without your consent or the consent of the Trustee*".

(4) On or prior to the Issue Date, KA Group AG and the Parent Guarantor as borrowers and the Issuer and the other Subsidiary Guarantors as guarantors, will enter into the Revolving Credit Facility Agreement. The Revolving Credit Facility Agreement will provide for €50.0 million of borrowings. On the Issue Date, the Revolving Credit Facility is expected to be undrawn. The Revolving Credit Facility Agreement will be secured by first-ranking security interests over the same assets that also secure the Notes. Under the terms of the Intercreditor Agreement (as defined herein), in the event of an enforcement of the Collateral (as defined herein), holders of the Notes will receive proceeds from the Collateral only after all obligations under the Revolving Credit Facility and certain hedging agreements have been repaid in full. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Your ability to recover under the Collateral may be limited. Before any amounts are available to repay the Notes, lenders under the Revolving Credit Facility and counterparties to certain hedging obligations will have a right to be repaid with the proceeds realized following the enforcement of all or part of the Collateral*".

(5) On or about the Issue Date, the Notes and the Guarantees will be secured by first-ranking security interests over (i) 100% of the outstanding shares of the Issuer, the Intermediate Parent Guarantor and the Issue Date Guarantors and (ii) certain intercompany loan receivables of the Issuer and the Issue Date Guarantors (including the Proceeds Loan) (collectively, the "***Issue Date Collateral***"). As soon as reasonably practicable after the Issue Date and in any event no later than the earlier of (i) such time as the Revolving Credit Facility receives such security interest and (ii) 120 days after the Issue Date the Notes and the Guarantees will be secured by first-ranking security interests over (i) 100% of the outstanding shares of the Post-Issue Date Guarantors and (ii) certain intercompany loan receivables of the Post-Issue Date Guarantors (including the Proceeds Loan) (collectively, the "***Post-Issue Date Collateral***" and, together with the Issue Date Collateral, the "***Collateral***"). See "*Description of the Notes—General—Security; Release of Collateral*". The validity and enforceability of the security interests over the Collateral will be limited by applicable law and subject to agreed security principles and, to the extent granted by the Subsidiary Guarantors, contractual limitations. See "*Certain Insolvency Law and Local Law Limitations*". The security interests over the Collateral may also be released without consent of the noteholders in certain circumstances. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—There are circumstances other than a repayment or discharge of the Notes under which the Collateral and the Guarantees will be released automatically without your consent or the consent of the Trustee*" and "*Description of the Notes—Security—Release of Liens*".

(6) On the Issue Date, the Issuer will on-lend the gross proceeds from the Offering to KA Group AG pursuant to a proceeds loan (the "***Proceeds Loan***"). KA Group AG will in turn use a portion of the proceeds from the Proceeds Loan to make an intercompany loan to the Parent Guarantor and the Parent Guarantor will use the proceeds therefrom to repay the Existing Revolving Credit Facilities in full. See "*Use of Proceeds*".

(7) The aggregated unconsolidated Adjusted EBITDA of the Direct Subsidiaries of the Parent Guarantor, *i.e.*, the Subsidiaries of the Parent Guarantor (other than the Intermediate Parent Guarantor and its subsidiaries) that will be directly owned by the Parent Guarantor pro forma for the Corporate Reorganization represented 3.6% of the Group's Adjusted EBITDA for the twelve months ended March 31, 2018 (without removing the effect of intra-group transactions) and the aggregated unconsolidated total assets of the Direct Subsidiaries of the Parent Guarantor (other than the Intermediate Parent Guarantor and its subsidiaries) that will be directly owned by the Parent Guarantor pro forma for the Corporate Reorganization represented 4.0% of the Group's total assets (without removing intra-group assets and liabilities). These include certain of our Indian and Chinese operations.

(8) The aggregated unconsolidated Adjusted EBITDA of the Parent Guarantor's subsidiaries that are not the Guarantors represented 15.0% of the Group's Adjusted EBITDA for the twelve months ended March 31, 2018 (without removing the effect of intra-group transactions) and the aggregated unconsolidated total assets of the Parent Guarantor's subsidiaries that are not the Guarantors represented 8.2% of the Group's total assets (without removing intra-group assets and liabilities).

(9) Under our new "Principal Model" KA Group AG will become the central entrepreneurial company of our Group and the other members of our Group will primarily engage in toll manufacturing for, and provide services to KA Group AG. In addition, KA Group AG will become the cash pooling entity of our Group. See "*Description of Certain Financing Arrangements—Liquidity Mangagement*".

The Offering

The following is a brief summary of certain terms of the Offering. It may not contain all the information that is important to you. For additional information regarding the Notes and the Guarantees, see "Description of the Notes" and "Description of Certain Financing Arrangements".

Issuer Kongsberg Actuation Systems B.V. a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands and registered with the commercial register of the Kamer van Koophandel under registration number 34052359.

Notes Offered €275,000,000 aggregate principal amount of senior secured notes due 2025 (the "Notes").

Issue Date July 23, 2018.

Issue Price 100.00%, plus accrued interest, if any, from the Issue Date.

Maturity Date July 15, 2025.

Interest Rate 5.000%

Interest Payment Date Interest on the Notes will be payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2019.

Denominations The Notes will be issued in denominations of €100,000 and will be transferable only in minimum aggregate principal amounts of €100,000 and integral multiples of €1,000 in excess thereof.

Ranking of the Notes The Notes will:

- rank *pari passu* in right of payment with all of the Issuer's existing and future obligations that are not subordinated in right of payment to the Notes, including the Issuer's obligations under the Revolving Credit Facility;
- be general, senior obligations of the Issuer and will be secured by the Collateral along with obligations under the Revolving Credit Facility and certain hedging obligations (provided that holders of the Notes will receive proceeds from an enforcement of the Collateral only after all the obligations under the Revolving Credit Facility and certain hedging arrangements have been paid in full);
- rank senior in right of payment to any existing and future subordinated indebtedness of the Issuer;
- be effectively subordinated to the Issuer's existing and future secured indebtedness that is secured by property or assets that do not secure the Notes, to the extent of the value of such property and assets securing such indebtedness; and
- be structurally subordinated to all existing and future obligations of the Parent Guarantor's subsidiaries that are not Guarantors.

Guarantees On the Issue Date, the Notes will be guaranteed on a senior basis by the Parent Guarantor, the Intermediate Parent Guarantor, Kongsberg Automotive AS, Kongsberg Holding III, Inc., Kongsberg Actuation Systems II, LLC, Kongsberg Power Products Systems I, LLC, Kongsberg Automotive, Inc., Kongsberg Driveline Systems I, LLC, Kongsberg Interior Systems II, LLC and KA Group AG. In addition, within 120 days following the Issue Date, the Notes will also be guaranteed on a senior basis by Kongsberg Inc., Kongsberg Automotive AB, Kongsberg Power Products Systems AB, Kongsberg Driveline Systems SAS, Kongsberg Raufoss Distribution SAS, Kongsberg Actuation Systems Ltd, Kongsberg Automotive s.r.o., Kongsberg Interior Systems Kft. and Kongsberg Automotive Sp. z.o.o. See "*Description of the Notes—Notes Guarantees*".

The aggregated unconsolidated Adjusted EBITDA of the Guarantors represented 85.0% of the Group's Adjusted EBITDA for the twelve months ended March 31, 2018 (without removing the effect of intra-group transactions) and the aggregated unconsolidated total assets of the Guarantors represented 91.7% of the Group's total assets (without removing intra-group assets and liabilities). See "*Certain Insolvency and Local Law Limitations*".

The Guarantees may be released under certain circumstances. See "*Description of the Notes—Notes Guarantees—Notes Guarantee Release*".

Ranking of the Guarantees . . . . Each Guarantee will be a direct, unconditional and irrevocable senior obligation of the relevant Guarantor, and will:

- rank equally in right of payment with all of such Guarantor's existing and future obligations that are not subordinated in right of payment to the relevant Guarantee, including obligations under the Revolving Credit Facility and certain hedging obligations;
- be secured by the Collateral along with obligations under the Revolving Credit Facility and certain hedging obligations (provided that holders of the Notes will receive proceeds from an enforcement of the Collateral only after all the obligations under the Revolving Credit Facility and certain hedging arrangements have been paid in full);
- rank senior in right of payment to any existing and future subordinated indebtedness of the relevant Guarantor;
- effectively rank senior in right of payment to any existing or future unsecured obligations of the relevant Guarantor, to the extent of the value of the Collateral that is available to satisfy the obligations of the relevant Guarantor under the applicable Guarantee; and
- be effectively subordinated to such Guarantor's existing and future secured indebtedness that is secured by property or assets that do not secure the Guarantee of such Guarantor, to the extent of the value of such property and assets securing such indebtedness.

Intercreditor Agreement . . Each Holder of a Note, by accepting a Note, will be deemed to have agreed to, and be bound by, the terms of the Intercreditor Agreement. The Indenture will be subject to the terms of the Intercreditor Agreement, and the rights and benefits of the Holders of the Notes will be limited accordingly and subject to the terms of the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

Security . . . . On or about the Issue Date, the Notes will be secured by pledges over 100% of the outstanding shares of the Issuer, the Intermediate Parent Guarantor and the Issue Date Guarantors and a security assignment by the Issuer and the Issue Date Guarantors of certain intercompany loan receivables. As soon as reasonably practicable after the Issue Date and in any event no later than after the Issue Date and in any event no later than the earlier of (i) such time as the

Revolving Credit Facility receives such security interest and (ii) 120 days after the Issue Date, the Notes will be secured by pledges over 100% of the outstanding shares of the Post-Issue Date Guarantors and a security assignment by the Post-Issue Date Guarantors of certain intercompany loan receivables. See "*Description of the Notes—Security—Release of Liens*".

In the event of enforcement of the Collateral, the Holders of the Notes will receive proceeds from such Collateral only after lenders under the Revolving Credit Facility and counterparties to certain hedging obligations have been paid in full.

The security interests over the Collateral or the enforcement thereof may be subject to certain significant contractual and legal limitations or subject to certain defenses under applicable law. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*" and "*Certain Insolvency and Local Law Limitations*".

The security interests may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—There are circumstances other than a repayment or discharge of the Notes under which the Collateral and the Guarantees will be released automatically without your consent or the consent of the Trustee*", "*Description of Certain Financing Arrangements—Intercreditor Agreement" and "Description of the Notes—Security—Release of Liens*".

Use of Proceeds . . . . The Issuer will use the gross proceeds from the Offering to repay in full all amounts outstanding under the Existing Revolving Credit Facilities, for general corporate purposes and to pay fees and expenses in connection with the Offering and the entry into the Revolving Credit Facility, as set forth in "*Use of Proceeds*".

Optional Redemption . . . . . The Issuer may redeem all or part of the Notes at any time on or after July 15, 2021 at the redemption prices described under "*Description of the Notes—Optional Redemption*".

At any time prior to July 15, 2021, the Issuer may redeem on any one or more occasions all or part of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, plus the Applicable Premium, as described under "*Description of the Notes—Optional Redemption*".

At any time prior to July 15, 2021, the Issuer may redeem at its option up to 40% of the aggregate principal amount of the Notes (including the original principal amount of any Additional Notes) with the net proceeds from certain equity offerings at a redemption price of 105.000% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, provided that at least 60% of the aggregate principal amount of the Notes (including the original principal amount of any Additional Notes) remains outstanding.

In connection with any tender offer or other offer to purchase all of the Notes, if holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer, the Issuer will have the right to redeem all Notes that remain outstanding.

See "*Description of the Notes—Optional Redemption*".

Additional Amounts; Tax Redemption . . . . Any payments made by or on behalf of the Issuer or any Guarantor under or with respect to the Notes or the Guarantees will be made without withholding or deduction for or on account of any taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if the Issuer or the applicable Guarantor or paying agent is required by law to withhold or deduct such taxes with respect to a payment on any Note or Guarantee, the Issuer or the applicable Guarantor will pay the Additional Amounts necessary so that the net amount received by each holder after such withholding or deduction is not less than the amount that would have been received by such holder in the absence of the withholding or deduction. See "*Description of the Notes—Payment of Additional Amounts*".

If certain changes in the law of any relevant taxing jurisdiction become effective after the issuance of the Notes that would require the Issuer or any Guarantor to pay Additional Amounts (as described in "*Description of the Notes—Payment of Additional Amounts*"), the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to the date of redemption. See "*Description of the Notes—Redemption for Taxation Reasons*".

Change of Control . . . . If the Issuer experiences a Change of Control, the Holders of the Notes will have the right to require the Issuer to offer to repurchase the Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of repurchase. See "*Description of the Notes—Change of Control*".

Certain Covenants . . . . The Issuer will issue the Notes under the Indenture. The Indenture will include certain covenants that, among other things, will limit the ability of the Parent Guarantor and its Restricted Subsidiaries to:

- incur or guarantee additional indebtedness or issue certain preferred stock;
- pay dividends, redeem capital stock and make other distributions;
- make certain other restricted payments or restricted investments;
- prepay or redeem subordinated debt or equity;
- create or permit to exist certain liens;
- impose restrictions on the ability of the Restricted Subsidiaries to pay dividends;
- transfer or sell certain assets;
- merge or consolidate with other entities;
- engage in certain transactions with affiliates; and
- impair the security interests for the benefit of the Holders of the Notes.

Certain of the covenants will be suspended if and for as long as we achieve investment grade ratings. See "*Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*". Each of the covenants in the Indenture will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*".

Transfer Restrictions . . . . . The Notes and the Guarantees have not been, and will not be, registered under U.S. federal or state or any foreign securities laws and are subject to restrictions on transferability and resale. See "*Transfer Restrictions*". We are under no obligation to, nor do we intend to, register the Notes or the Guarantees in the United States.

Absence of a Public Market for the Notes . . . . The Notes will be new securities for which there is no established trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure you as to the development or liquidity of any market for the Notes. Furthermore, the Notes will not have registration rights under the U.S. Securities Act.

Risk Factors . . . . Investing in the Notes involves substantial risks. You should consider carefully all the information in this Offering Memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section before making a decision whether to invest in the Notes.

Listing . . . . Application will be made to The International Stock Exchange Authority Limited for the listing of and permission to deal in the Notes on the Official List of The International Stock Exchange (the "***Exchange***"). There is no assurance that the Notes will be listed on the Exchange or that such listing will be maintained.

Governing Law . . . . The Indenture, the Notes and the Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. The Intercreditor Agreement and the Revolving Credit Facility will be governed by English law. The Security Documents will be governed by applicable local law.

Security Agent . . . . The Law Debenture Trust Corporation p.l.c.

Trustee . . . . The Law Debenture Trust Corporation p.l.c.

Paying Agent . . . . The Bank of New York Mellon, London Branch.

Registrar and Transfer Agent . . . . The Bank of New York Mellon SA/NV, Luxembourg Branch.

Listing Agent . . . . Carey Olsen Corporate Finance Limited.

Summary Financial and Other Data

The following tables set forth summary historical consolidated information of the Parent Guarantor as of and for the years ended December 31, 2015, 2016 and 2017 as derived from the Audited Consolidated Financial Statements, which are included elsewhere in this Offering Memorandum and summary historical consolidated information of the Parent Guarantor as of March 31, 2018 and for the three months ended March 31, 2017 and 2018 as derived from the Unaudited Interim Condensed Consolidated Financial Statements, which are included elsewhere in this Offering Memorandum.

We have adopted IFRS 15: Revenue from Contracts with Customers and IFRS 9: Financial Instruments for the reporting periods beginning on and after January 1, 2018. IFRS 9 has replaced *IAS 39: Financial Instruments: Recognition and Measurement* and sets out new requirements for the accounting of financial instruments including: classification, measurement, impairment and hedge accounting. IFRS 15 has replaced IAS 18: Revenue, IAS 11: Construction Contracts and related interpretation and established a new set of principles applied to reporting information about the nature, amount, timing and uncertainty of revenue and cash flow arising from contracts with customers. In accordance with the transition provisions of the aforementioned standards we have determined and recorded the cumulative impact of adopting IFRS 9 and IFRS 15 as at January 1, 2018. As a result, no comparative information is restated and as such the Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2017 are not comparable to the Unaudited Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2018.

Effective January 1, 2017, we changed our organizational structure and reorganized our business into three segments, namely Interior, Powertrain & Chassis and Specialty Products. Prior to January 1, 2017, our business comprised four segments, namely Driveline, Interior, Driver Control and Fluid Transfers. See note 7 of our 2017 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum. In our 2017 Audited Consolidated Financial Statements, we have recasted segment financial information as of and for the year ended December 31, 2016 under these new segments. However, in our 2016 Audited Consolidated Financial Statements and our 2015 Audited Consolidated Financial Statements, we only present our results of operations under the previous segments and as a result no financial information presenting our current segments is available for the year ended December 31, 2015. Therefore, the comparability of the segment information in our Audited Consolidated Financial Statements may be limited.

Until the second quarter of the year ended December 31, 2016, a commercial currency exposure was wrongly recognized as a financial item within the Powertrain & Chassis segment. The error has been corrected and reclassified from financial items to revenues in the 2016 Audited Consolidated Financial Statements and the comparative financial information for the year ended December 31, 2015 has been restated in the 2016 Audited Consolidated Financial Statements. In this Offering Memorandum the restated financial information for the year ended December 31, 2015 from the comparative column of the 2016 Audited Consolidated Financial Statements is presented.

The following tables also set forth certain as adjusted consolidated financial information as of and for the twelve months ended March 31, 2018, after giving effect to the Offering, the application of the proceeds as set forth under "*Use of Proceeds*" and the issuance and sale of the New Shares.

The financial information marked as "audited" in tables in this Offering Memorandum is extracted from the Audited Consolidated Financial Statements. Financial information marked as "unaudited" in tables in this Offering Memorandum is not extracted from the Audited Consolidated Financial Statements but was either extracted from the Unaudited Interim Condensed Consolidated Financial Statements or is based on calculations of figures of the abovementioned sources.

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting ratios and changes over time periods relating to financial and other data set forth in this Offering Memorandum are calculated using the numerical data in the consolidated financial statements of the Parent Guarantor and not using the numerical data subject to rounding in the narrative description thereof.

The following tables also set forth certain historical operating data, such as Booked Business, of the Parent Guarantor and its subsidiaries as of and for the years ended December 31, 2015, 2016 and 2017 and as of and for the twelve months ended March 31, 2018.

This section contains references to certain Non-IFRS financial measures and related ratios, including EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Pro Forma Adjusted EBITDA, Pro Forma Adjusted EBITDA margin, EBIT, EBIT margin, Adjusted EBIT, Adjusted EBIT margin, net interest-bearing debt, as adjusted interest-bearing debt, as adjusted net interest-bearing debt, as adjusted cash at banks and as adjusted cash interest expense. The Non-IFRS Financial Measures are not measurements of performance or liquidity under IFRS or any other generally accepted accounting principles. In order to view the Group's running business, we also use Adjusted EBITDA, Adjusted EBITDA margin, Pro Forma Adjusted EBITDA, Pro Forma Adjusted EBITDA margin, Adjusted EBIT and Adjusted EBIT margin excluding restructuring costs and salaries, payroll and other additional operating expenses incurred in connection with our footprint optimization program and the set up of our new headquarters and, in the case of Pro Forma Adjusted EBITDA and Pro Forma Adjusted EBITDA margin, including certain estimated annualized restructuring benefits in connection with our ongoing footprint optimization program. We use net interest-bearing debt to measure the Group's risk of default and financial strength. Investors should not place undue reliance on these Non-IFRS Financial Measures and should not consider these measures as: (i) an alternative to operating income or net profit (loss) as determined in accordance with generally accepted accounting principles, or as measures of operating performance; (ii) an alternative to cash flows from operating, investing or financing activities, as determined in accordance with generally accepted accounting principles, or a measure of our ability to meet cash needs; or (iii) an alternative to any other measures of performance under generally accepted accounting principles. These measures are not indicative of our historical operating results, nor are they meant to be predictive of future results. These measures are used by our management to monitor the underlying performance of the business and the operations. Since not all companies calculate these measures in an identical manner, our presentation may not be consistent with similar measures used by other companies.

We also present the unaudited interim condensed consolidated income statement for the Parent Guarantor for the twelve months ended March 31, 2018, which have been derived by subtracting the comparative financial information for the three months ended March 31, 2017 (derived from the Unaudited Interim Condensed Consolidated Financial Statements) from the financial information for the year ended December 31, 2017 (derived from the 2017 Audited Consolidated Financial Statements), and adding the financial information for the three months ended March 31, 2018 (derived from the Unaudited Interim Condensed Consolidated Financial Statements). The unaudited interim condensed consolidated income statement information and the other financial information presented for the twelve months ended March 31, 2018 have not been prepared on the basis of IFRS or any other generally accepted accounting principles and have been prepared for illustrative purposes only and are not necessarily representative of our results of operations for any future period or our financial condition at any future date.

You should read the information set forth below in conjunction with the sections "Presentation of Financial and Other Information and Certain *Definitions*", "*Use of Proceeds*", "*Capitalization*", "*Selected Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the consolidated financial statements, including the notes thereto, included elsewhere in this Offering Memorandum.

Summary Consolidated Income Statement Data

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2015	2016	2017	2017	2018	2018
	(€ in million)					
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)
Operating revenues	**1,016.0**	**985.7**	**1,056.6**	**280.4**	**288.3***	**1,064.5***
Raw material expenses	(444.6)	(418.8)	(478.7)	(129.2)	(128.6)	(478.1)
Change in inventories	3.7	(2.0)	26.1	9.1	2.0	19.0
Salaries and social expenses	(292.5)	(293.7)	(304.8)	(83.8)	(79.5)	(300.5)
Other operating expenses	(184.2)	(207.9)	(230.1)	(57.3)	(57.2)	(230)
Depreciation and impairment	(29.6)	(30.4)	(30.9)	(7.3)	(9.0)	(32.6)
Amortization and impairment	(36.5)	(14.7)	(14.5)	(3.8)	(1.2)	(11.9)
Total operating expenses	**(983.6)**	**(967.4)**	**(1,032.8)**	**(272.4)**	**(273.5)**	**(1,033.9)**
Operating (loss) / profit	**32.4**	**18.3**	**23.8**	**8.0**	**14.8**	**30.6***
Financial items						
Financial income	1.1	9.0	0.2	0.4	3.7	3.5
Financial expenses	(29.8)	(8.0)	(17.6)	(3.1)	(2.7)	(17.2)
Net financial items	**(28.7)**	**1.0**	**(17.4)**	**(2.6)**	**1.0**	**(13.8)**
(Loss) / profit before income tax	**3.7**	**19.3**	**6.4**	**5.3**	**15.7***	**16.8***
Income tax	(12.0)	(17.9)	(14.4)	(5.1)	(6.1)*	(15.4)*
(Loss) / profit for the year/ period**	**(8.3)**	**1.3**	**(8.0)**	**0.2**	**9.7***	**1.5***

* The unaudited interim condensed consolidated income statement information for the three months ended March 31, 2018 and the twelve months ended March 31, 2018 is affected by the adoption of IFRS 15: Revenue from Contracts with Customers with effect from January 1, 2018. In accordance with the transition provisions of IFRS 15 we have determined and recorded the cumulative impact of adopting IFRS 15 as of January 1, 2018 of €2.5 million to retained earnings. As a result, no comparative information is restated and as such the Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2017 are not comparable to the Unaudited Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2018. For the three months ended March 31, 2018, the adoption of IFRS 15 had an impact on operating revenues and operating profit of €0.3 million, profit before income tax of €0.3 million, income tax of €0.1 million and profit for the period of €0.2 million. See note 1 to the Unaudited Interim Condensed Consolidated Financial Statements included elsewhere in this Offering Memorandum.

** Our profit margin (defined as (loss)/profit for the year/period divided by revenue) for the years ended December 31, 2015, 2016 and 2017, for the three months ended March 31, 2017 and 2018 and for the twelve months ended March 31, 2018 amounted to (0.0)%, 0.0%, (0.0)%, 0.0% and 0.3%, respectively.

Summary Consolidated Statement of Financial Position Data

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(€ in million)			
	(audited)	(audited)	(audited)	(unaudited)
Assets				
Non-current assets				
Deferred tax assets	41.8	32.4	23.7	28.4**
Intangible assets including goodwill	193.5	182.3	162.0	159.8
Property, plant and equipment	143.3	160.2	169.7	167.5
Investments in subsidiaries	0.0	0.0	0.0	0.0
Loans to subsidiaries and other non-current assets	1.1	1.1	3.5	4.9
Total non-current assets	**379.7**	**376.0**	**358.9**	**360.7***
Current assets				
Inventories	80.5	78.6	104.7	106.7
Trade and other receivables	184.0	202.5	218.9	248.0
Cash and cash equivalents	39.9	34.6	39.5	40.4
Total current assets	**304.4**	**315.6**	**363.1**	**395.1***
Total assets	**684.1**	**691.6**	**721.9**	**755.8***
Equity and liabilities				
Equity				
Share capital	21.2	22.4	20.7	21.0
Treasury shares	(0.2)	(0.1)	(0.1)	(0.1)
Share premium	175.6	185.6	171.4	174.2
Other reserves	54.0	35.9	42.1	34.6
Retained earnings	(40.2)	(38.9)	(46.9)	(37.2)**
Attributable to equity holders	**210.3**	**204.9**	**187.1**	**192.5***
Non-controlling interests	3.9	3.8	3.6	3.6
Total equity	**214.2**	**208.6**	**190.7**	**196.1**
Non-current liabilities				
Deferred tax liabilities	30.8	27.1	19.5	22.9
Retirement benefit obligations	17.9	18.1	17.1	17.0
Interest-bearing liabilities	253.9	238.4	257.8	273.6**
Other non-current interest-free liabilities	0.0	2.6	2.4	2.4
Total non-current liabilities	**302.5**	**286.2**	**296.8**	**315.9***
Current liabilities				
Bank overdraft	0.0	0.0	(0.0)	0.0
Other current interest-bearing liabilities	0.0	0.0	0.1	0.1
Current income tax liabilities	2.3	5.9	3.0	7.5
Trade and other payables	165.0	190.8	231.4	236.1
Total current liabilities	**167.3**	**196.8**	**234.5**	**243.8***
Total liabilities	**469.8**	**483.0**	**531.2**	**559.8***
Total equity and liabilities	**684.1**	**691.6**	**721.9**	**755.8***

* The unaudited consolidated statement of financial position data as of March 31, 2018 is affected by the adoption of IFRS 15: Revenue from Contracts with Customers with effect from January 1, 2018. In accordance with the transition provisions of IFRS 15 we have determined and recorded the cumulative impact of adopting IFRS 15 as of January 1, 2018 of €2.5 million to retained earnings. As a result, no comparative information is restated and as such the Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2017 are not comparable to the Unaudited Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2018. As of March 31, 2018, the adoption of IFRS 15, had an impact on total non-current assets of €2.3 million, total current assets of €0.7 million, total assets of €3.0 million, total equity of €2.2 million, total non-current liabilities of €0.4 million, total current liabilities of €0.4 million, total liabilities of €0.8 million and total equity and liabilities of €3.0 million. See note 1 to the Unaudited Interim Condensed Consolidated Financial Statements included elsewhere in this Offering Memorandum.

** The unaudited consolidated statement of financial position data as of March 31, 2018 is affected by the adoption of IFRS 9: Financial Instruments with effect from January 1, 2018. The impact of IFRS 9: Financial Instruments as of March 31, 2018 was an increase in deferred tax assets of €0.5 million and an increase in non-current interest bearing liabilities of €2.3 million. As a result, retained earnings and total equity decreased by €1.8 million. See note 1 to the Unaudited Interim Condensed Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Summary Consolidated Statement of Cash Flows Data

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	(€ in million)				
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Cash flow from operating activities	73.5	70.8	38.3	6.4	(4.0)
Cash flow from investing activities	(43.5)	(50.5)	(49.3)	(7.9)	(8.1)
Cash flow from financing activities	(26.3)	(26.4)	18.1	(0.6)	13.7
Currency effects on cash	1.5	0.8	(2.3)	(0.3)	(0.6)
Net change in cash	5.2	(5.3)	4.9	(2.4)	1.0
Net cash at 31 December	**39.9**	**34.6**	**39.5**	**32.2**	**40.4**

Other Financial and Operating Data

Other Financial Data

	As of or for the year ended December 31,			As of or for the three months ended March 31,		As of or for the twelve months ended March 31,
	2015	2016	2017	2017	2018	2018
	(€ in million, unless indicated otherwise)					
EBIT[1]	32.4	18.3	23.8	8.0	14.8	30.6
EBIT margin (in %)[2]	3.2	1.9	2.3	2.9	5.1	2.9
Adjusted EBIT[1]	32.4	28.3	49.8	15.2	20.1	54.7
Adjusted EBIT margin (in %)[2]	3.2	2.9	4.7	5.4	7.0	5.1
EBITDA[3]	98.5	63.4	69.2	19.1	25.0	75.1
EBITDA margin (in %)[2]	9.7	6.4	6.5	6.8	8.7	7.1
Adjusted EBITDA[3]	98.5	73.0	92.4	26.0	30.3	96.7
Adjusted EBITDA margin (in %)[2]	9.7	7.4	8.7	9.3	10.5	9.1
Pro Forma Adjusted EBITDA[4]	–	–	–	–	–	111.1
Pro Forma Adjusted EBITDA margin (in %)[5]	–	–	–	–	–	10.4
Net interest-bearing debt[6]	214.0	203.9	218.4	206.1	233.3	233.3
Booked Business[7]	N/A	1,520	1,314	139	323	1,498

(1) We define EBIT as profit for the year/period before financial expenses, financial income and income tax. We define Adjusted EBIT as profit for the year/period before financial expenses, financial income, income tax, restructuring costs, salaries, payroll and other additional operating expenses incurred in connection with our footprint optimization program and the set up of our new headquarters. We use EBIT as a measure to view the Group's operational profitability. In order to evaluate the Group's running business, we also use Adjusted EBIT excluding restructuring costs, salaries, payroll and other additional operating expenses incurred in connection with our footprint optimization program and the set up of our new headquarters.

The following is a calculation of EBIT and Adjusted EBIT:

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2015	2016	2017	2017	2018	2018
			(€ in million)			
Profit/(loss) for the year/period	**(8.3)**	**1.3**	**(8.0)**	**0.2**	**9.7**	**1.5**
Financial expenses	29.8	8.0	17.6	3.1	2.7	17.2
Financial income	(1.1)	(9.0)	(0.2)	(0.4)	(3.7)	(3.5)
Income tax	12.0	17.9	14.4	5.1	6.1	15.4
EBIT	**32.4**	**18.3**	**23.8**	**8.0**	**14.8**	**30.6**
Restructuring costs[a]	0.0	8.8	15.7	7.2	0.3	8.8
Additional salaries and social expenses[b]	0.0	1.0	2.1	0.0	1.3	3.4
Other additional operating expenses[c]	0.0	0.2	8.2	0.0	3.7	11.9
Adjusted EBIT	**32.4**	**28.3**	**49.8**	**15.2**	**20.1**	**54.7**

(a) Represents expenditures (including impairment losses) directly incurred in connection with the closure of our production sites in Basildon, Burton, Easley, Heiligenhaus and Rollag that are accruable as a restructuring provision in accordance with IAS 37. These costs include redundancy costs, the costs of terminating certain leases for the closed production sites and costs incurred with closing down the respective production facilities.

(b) Represents additional salaries and payroll related expenses incurred as a result of temporary overlaps during the relocation of production to new manufacturing sites and during the set-up phase for our new headquarters which are not accruable as a restructuring provision in accordance with IAS 37.

(c) Represents additional operating expenses such as consumables (€ 1.0 million and €0.3 million in the year ended December 31, 2017 and three months ended March 31, 2018, respectively), freight costs (€ 0.5 million and €0.3 million in the year ended December 31, 2017 and three months ended March 31, 2018, respectively), travel costs (€0.5 million and €0.1 million in the year ended December 31, 2017 and three months ended March 31, 2018, respectively), transport and installation costs related to the transfer of production to Koluszki (€0.4 million in the year ended December 31, 2017) and other costs (€0.2 million, € 2.9 million and €1.0 million in the years ended December 31, 2016 and 2017 and three months ended March 31, 2018, respectively) in each case incurred in connection with the relocation of production to new manufacturing sites and consulting expenses incurred in connection with the implementation of the "Principal Model" (€ 3.0 million and €2.0 million in the year ended December 31, 2017 and three months ended March 31, 2018, respectively).

(2) We define EBIT margin, Adjusted EBIT margin, EBITDA margin and Adjusted EBITDA margin as EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA, respectively, divided by revenues. The nearest IFRS measure to EBIT margin, Adjusted EBIT margin, EBITDA margin and Adjusted EBITDA margin is profit margin. See "*—Summary Consolidated Income Statement Data*".

(3) We define EBITDA as profit for the year/period before financial expenses, financial income, income tax, depreciation, amortization and impairment. We define Adjusted EBITDA as profit for the year/period before financial expenses, financial income, income tax, depreciation, amortization, impairment, restructuring costs, salaries, payroll and other additional operating expenses incurred in connection with our footprint optimization program and the set up of our new headquarters. We use EBITDA as a measure to view our operational profitability, excluding the timing impact from depreciations and amortizations. In order to view the Group's running business, we also use Adjusted EBITDA excluding restructuring costs, salaries, payroll and other additional operating expenses incurred in connection with our footprint optimization program and the set up of our new headquarters.

The following is a calculation of EBITDA and Adjusted EBITDA:

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2015	2016	2017	2017	2018	2018
			(€ in million)			
Profit/loss for the year/period	**(8.3)**	**1.3**	**(8.0)**	**0.2**	**9.7**	**1.5**
Financial expenses	29.8	8.0	17.6	3.1	2.7	17.2
Financial income	(1.1)	(9.0)	(0.2)	(0.4)	(3.7)	(3.5)
Income tax	12.0	17.9	14.4	5.1	6.1	15.4
EBIT	**32.4**	**18.3**	**23.8**	**8.0**	**14.8**	**30.6**
Depreciation and impairment	29.6	30.4	30.9	7.3	9.0	32.6
Amortization/impairment loss	36.5	14.7	14.5	3.8	1.2	11.9
EBITDA	**98.5**	**63.4**	**69.2**	**19.1**	**25.0**	**75.1**
Restructuring costs[a]	0.0	8.4[b]	12.9[b]	6.9[b]	0.3	6.3
Additional salaries and social expenses[c]	0.0	1.0	2.1	0.0	1.3	3.4
Other additional operating expenses[d]	0.0	0.2	8.2	0.0	3.7	11.9
Adjusted EBITDA	**98.5**	**73.0**	**92.4**	**26.0**	**30.3**	**96.7**

The following is a calculation of EBITDA and Adjusted EBITDA on a segment basis for the year ended December 31, 2017:

	Year ended December 31, 2017				
	(€ in million)				
	(audited, unless indicated otherwise)				
	Group	Interior	Powertrain & Chassis	Specialty Products	Eliminations & other
Profit for the year/period	**(8.0)**	**–**	**–**	**–**	**–**
Financial expenses	17.6	–	–	–	–
Financial income	(0.2)	–	–	–	–
Income tax	14.4	–	–	–	–
EBIT*	**23.8**	**8.6**	**(11.5)**	**42.4**	**(15.7)**
Depreciation and impairment	30.9	7.9	14.0	8.5	0.5
Amortization/impairment loss	14.5	2.4	4.6	7.0	0.4
EBITDA*	69.2	18.9	7.0	57.9	(14.7)
Restructuring costs*[(a)]	12.9[(b)]	0.7	6.0	6.0	0.2
Additional salaries and social expenses*[(c)]	2.1	0.3	1.3	0.4	0.2
Other additional operating expenses*[(d)]	8.2	0.5	4.3	1.2	2.2
Adjusted EBITDA*	**92.4**	**20.4**	**18.6**	**65.5**	**(12.1)**

* unaudited

(a) Represents expenditures directly incurred in connection with the closure of our production sites in Basildon, Burton, Easley, Heiligenhaus and Rollag that are accruable as a restructuring provision in accordance with IAS 37. These costs include redundancy costs, the costs of terminating certain leases for the closed production sites and costs incurred with closing down the respective production facilities. Refer to note 22 of the Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum for details of restructuring costs.

(b) Does not include any impairment losses in connection with the restructuring.

(c) Represents additional salaries and social expenses incurred as a result of temporary overlaps during the relocation of production to new manufacturing sites and during the set-up phase for our new headquarters which are not accruable as a restructuring provision in accordance with IAS 37.

(d) Represents additional operating expenses such as consumables (€ 1.0 million and €0.3 million in the year ended December 31, 2017 and three months ended March 31, 2018, respectively), freight costs (€ 0.5 million and €0.3 million in the year ended December 31, 2017 and three months ended March 31, 2018, respectively), travel costs (€0.5 million and €0.1 million in the year ended December 31, 2017 and three months ended March 31, 2018, respectively), transport and installation costs related to the transfer of production to Koluszki (€0.4 million in the year ended December 31, 2017) and other costs (€0.2 million, € 2.9 million and €1.0 million in the years ended December 31, 2016 and 2017 and three months ended March 31, 2018, respectively) in each case incurred in connection with the relocation of production to new manufacturing sites and consulting expenses incurred in connection with the implementation of the "Principal Model" (€ 3.0 million and €2.0 million in the year ended December 31, 2017 and three months ended March 31, 2018, respectively).

(4) Pro Forma Adjusted EBITDA includes an estimated annualized restructuring benefit of €14.7 million in connection with our ongoing footprint optimization program and the centralization of our administration and operational structure. We estimate that our footprint optimization program and the centralization of our administration and operational structure will result in annual restructuring benefits of €27.3 million by the end of 2019 once all ongoing restructuring improvements and centralization initiatives have been completed, of which we estimate we had realized €12.6 million as of March 31, 2018. The restructuring benefits relate to the cost savings associated with the closure of our facilities in Rollag, Norway; Basildon, United Kingdom; Heiligenhaus, Germany; Burton, United Kingdom and Easley, United States. Our production sites in Basildon, United Kingdom and Heiligenhaus, Germany, were closed in 2017 and the related production was transferred to Cluses in France and Vráble in Slovakia. In the first quarter of 2018, we closed our production site in Rollag, Norway. The production was transferred to our plant in Koluszki, Poland. We have also ceased production at our site in Burton, United Kingdom and the site is expected to close in the third quarter of 2018. In the second quarter of 2018, we also closed our production sites in Easley, United States and are moving production to a new production site in Ramos Arizpe, Mexico. We estimate that we will need to incur an additional €5.9 million of costs to achieve our targeted EBITDA improvement from the footprint optimization. In each of these new facilities, we expect to realize cost savings due to lower wage levels and reduced manufacturing overhead costs. For more detail see "*Summary—Improvement Plan*".

In evaluating Pro Forma Adjusted EBITDA, you should be aware that, as an analytical tool, it is subject to certain limitations. The Pro Forma Adjusted EBITDA includes projected financial information reflecting adjustments for scenarios that are not based on historical events or actual transactions. As a result, this adjusted financial information is not solely based on historical accounting records or actual events. In particular, run rate cost savings are based on management estimates and assumptions and are forward looking in nature. As such, this information is inherently subject to risks and uncertainties. If one or more of our underlying assumptions regarding these items proved to have been incorrect, these efforts could lead to substantially higher costs than planned and we may not be able to realize fully, or realize in the anticipated time frame, the expected benefits from our improvement program. Pro Forma Adjusted EBITDA may not give an accurate or complete picture of the financial impact or results of these actions and initiatives for the periods presented and may not be comparable with our consolidated financial statements or the other financial information included in this Offering Memorandum, and should not be relied upon when making an investment decision. Pro Forma Adjusted EBITDA has been prepared for illustrative purposes only and does not represent what our actual results would have been had the restructuring benefits presented therein been realized and fully reflected in our results for the twelve months ended March 31, 2018, nor does it purport to estimate, project or guarantee our results of operations at any future date. Moreover, prospective investors should note that the increase in Adjusted EBITDA reflected in Pro Forma Adjusted EBITDA may be offset, to a degree that may vary with the circumstances, by a number of factors, including the costs associated with implementing our improvement program. We cannot assure you that we will be able to realize, fully or at all, any of these restructuring benefits, and the costs we incur in trying to realize these restructuring benefits may be substantially higher than our current estimates and may outweigh the benefits. Pro Forma Adjusted EBITDA as included in this Offering Memorandum has not been prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information nor in accordance with Regulation S-X under the Exchange Act, the Prospectus Directive, IFRS or any generally accepted accounting standards. Neither the assumptions underlying the run-rate adjustments nor the resulting Pro Forma Adjusted EBITDA have been audited in accordance with IFRS or any generally accepted accounting standards. In evaluating the Pro Forma Adjusted EBITDA, you should carefully consider our audited historical consolidated financial statements included elsewhere in this Offering Memorandum. Although certain of this data has been extracted or derived from our consolidated financial statements contained in this Offering Memorandum, this data has not been audited or reviewed by our independent accountants nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with Pro Forma Adjusted EBITDA.

(5) We define Pro Forma Adjusted EBITDA margin as Pro Forma Adjusted EBITDA divided by revenues.

(6) We define net interest-bearing debt as the sum of interest-bearing liabilities, other short-term liabilities, interest bearing and bank overdrafts less cash and cash equivalents. We use net interest-bearing debt to measure our risk of default and financial strength.

	As of December 31,			As of March 31,	
	2015	2016	2017	2017	2018
	(€ in million)				
Interest-bearing loans and borrowings	253.9	238.4	257.8	237.4	273.6[(a)]
Other short-term liabilities, interest bearing	0.0	0.0	0.1	0.1	0.1
Bank overdraft	0.0	0.0	0.0	0.9	0.0
Cash and cash equivalents	(39.9)	(34.6)	(39.5)	(32.2)	(40.4)
Net interest-bearing debt*	214.0	203.9	218.4	206.1	233.3

* unaudited

(a) Shown at carrying amount and converted into euro at an exchange rate of $1.2318 per euro.

(7) We define Booked Business for each period presented above as the estimated future revenues from new product nominations, expansion of nominations and recurring product orders over the lifetime of the respective nominations, contract extension or product order.

As adjusted financial information

	As of and for the twelve months ended March 31, 2018
	(€ in million, unless indicated otherwise)
As adjusted cash at banks[(1)]	82.2
As adjusted cash interest expense[(2)]	14.1
As adjusted interest-bearing debt[(3)]	276.1
As adjusted net interest-bearing debt[(4)]	193.9
Ratio of as adjusted interest-bearing debt to Pro Forma Adjusted EBITDA	2.5X
Ratio of as adjusted net interest-bearing debt to Pro Forma Adjusted EBITDA	1.7X
Ratio of Pro Forma Adjusted EBITDA to as adjusted cash interest expense	7.9x

(1) As adjusted cash at banks of €82.2 million reflects our cash at banks, adjusted for the effects of the Offering and the use of proceeds therefrom as well as the issuance and the sale of the New Shares as if each had occurred on March 31, 2018. See "*Capitalization*" and "*Use of proceeds*".

(2) As adjusted cash interest expense is comprised of the cash interest expense in connection with the Notes, interest on other local loans and commitment fees on the undrawn Revolving Credit Facility as if the entry into the Revolving Credit Facility, the Offering and the use of proceeds therefrom had occurred on April 1, 2017. As adjusted cash interest expense does not include any charges related to the debt issuance costs in connection with the Offering or the entry into the Revolving Credit Facility Agreement. As adjusted net interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the issue of the Notes occurred on the date assumed, nor does it purport to project our interest expenses for any period or our financial condition at any future date.

(3) As adjusted interest-bearing debt reflects our interest-bearing liabilities, adjusted for the effects of the Offering and the use of proceeds therefrom as if they had occurred on March 31, 2018. See "*Capitalization*" and "*Use of proceeds*".

(4) As adjusted net interest-bearing debt reflects our as adjusted interest-bearing liabilities less as adjusted cash at banks.

Risk Factors

An investment in the Notes to be issued in the Offering involves a high degree of risk. In addition to the other information contained in this Offering Memorandum, you should carefully consider the following risk factors before purchasing the Notes. If any of the events described in the risk factors below occur, our business, financial condition and results of operations could be materially and adversely affected, which in turn could adversely affect our ability to repay the Notes. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, results of operations or prospects. In any such case, we may not be able to pay interest or principal on the Notes when due and you may lose all or part of your investment in the Notes.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum. See "Forward-Looking Statements".

Risks Related to The Markets in Which We Operate

We are exposed to substantial risks associated with the performance of the global economy, political uncertainty and the performance of the economy in the jurisdictions in which we operate.

As a consequence of our global presence, we are exposed to substantial risks associated with the performance of the global economy. In general, demand for automotive products and services is directly related to the strength of the global economy. Therefore, our income and results of operations have been influenced, and will continue to be influenced by the general state and performance of the global economy. Our headquarters are located in Norway and Switzerland, and a significant portion of our business comes from European markets. The deterioration of the sovereign debt of several countries of the Eurozone in recent years, including Cyprus, Greece, Italy, Ireland, Spain and Portugal, together with the risk that these sovereign debt crises negatively affect more stable countries, particularly France and Germany, have raised uncertainty regarding the stability and overall standing of the Economic and Monetary Union. Recently, this instability has increased due to the appointment of a new coalition government in Italy comprised of two Eurosceptic parties. The current political instability in Italy may exacerbate the uncertainties relating to the economic and financial crisis, which could diminish the trust international financial markets have in Italy with further consequences on the rating of its sovereign debt and its economic recovery prospects. Concerns that the Eurozone sovereign debt crisis could worsen may lead to the reintroduction of national currencies in one or more Eurozone countries or, in particularly dire circumstances, the abandonment of the euro.

During the first half of 2018, the United States announced a series of potential measures relating to international trade, which individually or in aggregate could have a material adverse impact on the global economy, international trade or the automotive industry. In January 2018, President Trump began to impose tariffs on certain products, which were later expanded to include a 25% tariff on imports of steel and a 10% tariff on imports of aluminum in June 2018. The Trump administration also initiated a review of the North American Free Trade Agreement. Retaliatory tariffs have been announced by many of the U.S. trading partners including China, Canada, India and the European Union. These and any additional changes in U.S. trade policy could trigger additional retaliatory action by affected countries, resulting in "trade wars", increased costs for goods imported into the United States, which may reduce customer demand for these products if the parties having to pay those tariffs increase their prices, or in trading partners limiting their trade with the United States. These trade related policies and tariffs, together with any retaliatory actions, could escalate and result in a significant negative impact on the global economy.

Furthermore, on June 23, 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum and on March 27, 2017 the UK government formally initiated the withdrawal process, which has given rise to calls from populist movements for the governments of other European Union member states to consider withdrawal. See "*—There may be an extended period of uncertainty and financial market volatility as a result of the United Kingdom's vote to leave the EU and our business may be adversely affected by that or by the economic consequences of it*". This has created substantial political uncertainty within the EU, uncertainty in international financial markets and reduced economic growth. The resulting political and economic uncertainty could also lead to a departure, or heighten the risk of departure, from the Economic and Monetary Union by one or more Eurozone countries and/or the abandonment of the euro as a currency. This heightened uncertainty may have a negative effect on consumer confidence, thereby reducing demand for automobiles.

Although the global economy has recovered to a certain extent from the downturn in 2008 and 2009, there can be no assurance that such recovery is sustainable or that there will be no recurrence of the global financial and economic crisis or similar adverse market conditions.

A renewed downturn in the global and European economies or increased financial instability in credit and other financial markets could, among other things:

- cause demand in our related market segments to decline which would have a material adverse effect on our business, financial condition and results of operations; or

- make it more difficult or costly for us to obtain financing for our operations or investments or to refinance our debt in the future.

Any material future deterioration in economic conditions could have a material and adverse effect on our business, financial condition and results of operations, which could in turn (in particular in the event of a significant and sudden decline of our revenues) adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We operate in a cyclical industry.

Substantially all of our business is directly related to vehicle sales and production by our customers, which consist primarily of large OEMs and other automotive suppliers, and demand for our products is largely dependent on the industrial output of the automotive industry. Our operations and performance are directly related to the levels of global vehicle production, particularly the light duty vehicle market, and are therefore affected by factors that generally affect the automotive industry. The automotive industry is sensitive to factors such as consumer demand, consumer confidence, disposable income levels, availability of credit, fuel prices and general economic conditions. Given the variety of economic parameters influencing global automotive demand, the volume of automotive production has historically been, and will continue to be, characterized by a certain level of fluctuation, making it difficult for us to accurately predict demand levels for our products. Furthermore, in some markets, automotive production and demand are subject to seasonal cyclicality, which may influence the demand for our products. For example, European OEMs generally scale back or halt vehicle production during the summer holidays, and Christmas holidays in Europe and the Americas can impact demand for our products during December.

Since our business is characterized by high fixed costs, we risk underutilization of our facilities or having insufficient capacity to meet customer demand if the markets in which we are active either decline or grow faster than we have anticipated. In addition, OEMs generally do not commit to purchasing minimum quantities from their suppliers. In particular, start-up costs relating to new products or programs may have a particularly negative effect in a down-cycle, as we may not recoup investment if orders do not meet the expectations for the new products or programs. See also "*—Start-up costs and inefficiencies related to new products or programs can adversely affect our operating results and such costs may not be fully recoverable if new programs are cancelled*". An underutilization of our facilities could result in idle capacity costs, write-offs of inventories and losses on products due to falling average sale prices. Furthermore, falling production volumes cause declines in revenue and earnings.

The risks related to the cyclical nature of the industry in which we operate could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfil our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We operate in a competitive industry.

The markets for our products are highly competitive and fragmented. We compete in respect of price, delivery performance, quality, innovation, product design, engineering capability and service. We face significant competition within each of our major product categories. Some OEMs have begun to substantially reduce the number of vendors in their supply base in an effort to simplify their value chain and focus their relationships with financially strong and reliable vendors.

The automotive supply industry has been characterized by rapid technological change, high capital expenditures (which includes additions of property, plant, equipment and intangible assets), intense pricing pressure from major OEM and Tier 1 customers, periods of oversupply and continuous advancements in process technologies and manufacturing facilities. In particular, customers have requested, and will continue to request, that we reduce our prices as part of our initial business quotations and over the life of contracts we have been awarded. We cannot ensure that we will be able to generate cost savings and operational improvements sufficient to offset price reductions requested by customers and to make us profitable and position us to win additional business.

As consolidation continues in the automotive components sector, we are increasingly likely to compete against larger competitors who benefit from economies of scale and who may have greater financial and other resources or a more complete global footprint than we do. In addition, suppliers that do not currently compete with us could expand their product portfolios to include products that compete directly with ours. Changes in the product focus of larger suppliers could also result in such suppliers establishing relationships with our customers that reduce or entirely replace our business with those customers.

The realization of any of these risks could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We are exposed to risks associated with market trends and developments, including increasing trends toward electric mobility.

Our future success depends on our ability to recognize market trends and technological changes and to develop and bring to the market new and improved products in a timely manner. The industrial market is characterized by megatrends, such as energy efficiency, renewable energies and mechatronic systems and electric mobility. The automotive market, in particular, is characterized by progressive development towards higher performance and simultaneously more fuel-efficient, less polluting and quieter engines, growing demands by customers and stricter regulations with respect to engine efficiency and emissions, as well as towards medium range cars and hybrid and electric vehicles. Therefore, car manufacturers are increasingly forced to implement environmentally friendly technologies aimed at lower fuel consumption and a reduction of carbon dioxide emissions, as well as cost-effective technologies for medium range cars previously used only in luxury vehicles. For example, our Powertrain & Chassis segment could be negatively affected by the trend towards electric mobility. In this segment we produce gear shifters, shift cables and gear clutch control systems which are only needed if a vehicle has a powertrain. Currently, electric cars do not have a powertrain and an increase in the market share for electric cars could therefore reduce demand for these products.

There can be no assurance that (i) we will be successful in developing new products or systems or in bringing them to market in a timely manner, or at all, (ii) products or technologies developed by others will not render our offerings obsolete or non-competitive, (iii) our customers will not substitute our products with competing products or alternate technology, (iv) the market will accept our innovations, (v) our competitors will not be able to produce our non-patented products more inexpensively from other sources and (vi) we will be able to adjust our cost structure in the event of contraction of demand. Should we fail to develop appropriate strategies as a response to these or similar market trends and should we fail to enhance existing products, develop new products or keep pace with developing technology, growth opportunities could be lost or we could lose existing customers. Furthermore, if we devote resources to the pursuit of new technologies and products that fail to be accepted in the marketplace or that fail to be commercially viable, all or part of these engineering and development expenses may be lost and our business may suffer.

Any of such risks could have a material and adverse effect on our revenue and profit margins and, therefore, our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

There may be an extended period of uncertainty and financial market volatility as a result of the United Kingdom's vote to leave the EU and our business may be adversely affected by that or by the economic consequences of it.

On June 23, 2016, the United Kingdom held an in-or-out referendum in which a majority of voters elected to withdraw from the European Union and on March 27, 2017 the UK government formally initiated the withdrawal process (“Brexit”). The terms of the withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiates the withdrawal process. The pending withdrawal has created significant uncertainty about the future relationship between the United Kingdom and the European Union.

The impact of a “no-deal” Brexit could have a material adverse effect on the automotive industry in the United Kingdom and the European Union. In particular, the imposition of tariffs could disrupt cross-border supply chains making it difficult for automotive manufacturers in the United Kingdom together with automotive part manufacturers in the European Union to continue to operate their businesses, as currently conducted. For example Jaguar Land Rover, BMW and other auto manufacturers have recently announced that a “no-deal” Brexit could, materially disrupt their supply chains and force them to relocate operations outside the United Kingdom. The imposition of tariffs could also increase the costs of, and decrease the demand for, automobiles in the United Kingdom.

It is not possible to say with any certainty when, or the terms on which, the withdrawal might take place or the likely effect that the eventual outcome of the withdrawal process may have either on the United Kingdom or on other economies or markets. However, the announcement of the referendum result itself did result in increased volatility in global financial and foreign exchange markets and in a sharp fall in the value of sterling against the dollar and certain other currencies, including the euro. Periods of further volatility and declines in financial and foreign exchange markets may occur as the withdrawal process develops and there may also be declines in economic activity in the United Kingdom and elsewhere as well as increased political tensions within the European Union generally or the Eurozone in particular.

Lack of clarity about future United Kingdom laws and regulations as the United Kingdom determines and negotiates with the European Union regarding which European Union laws will be replaced or replicated after the withdrawal, including financial laws and regulations, tax and free trade agreements, intellectual property rights, environmental, health and safety laws and regulations, immigration laws and employment laws, could create uncertainty as regards our business, increase our costs, depress economic activity and restrict our access to capital. The withdrawal of the United Kingdom from the European Union Single Market is likely to subject us and the OEMs who are our customers to additional export expenses and increased trade barriers, and any increased costs may be difficult to pass through to end customers. These factors could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

The imposition of tariffs on automobiles and other goods could have a material adverse effect on us.

During the first half of 2018, the United States, announced a series of potential measures relating to international trade, which individually or in aggregate could have a material adverse impact on the global economy, international trade or the automotive industry. In January 2018, President Trump began to impose tariffs on certain products, which were later expanded to include a 25% tariff on imports of steel and a 10% tariff on imports of aluminum in June 2018. The Trump administration has also initiated a review of the North American Free Trade Agreement between the United States, Canada and Mexico and is seeking to impose additional restrictions on imports of goods, in particular light duty vehicles and automotive parts, into the United States. We have substantial operations in Mexico, which we intend to further expand, and the imposition of additional import restrictions could adversely affect our ability to supply customers in the United States. In addition, new import restrictions and/or tariffs could result in higher prices for light duty and heavy duty vehicles, which could in turn have a negative impact on the demand for our products. In particular, U.S. steel tariffs could have an impact on raw material costs for steel and increase steel prices for our U.S. operations. In addition, our results of operations could also be affected by retaliatory measures from Europe and China imposing tariffs on the United States.

On May 23, 2018, the Trump administration announced that it is had opened a national security probe into light duty vehicle imports that could result in the imposition of new import tariffs. Such import tariffs, if imposed, could have a material adverse effect on the demand for non-U.S. light duty vehicles in the United States. Through our European operations, and in particular our Interior segment, we, directly and indirectly, supply a number of OEMs that currently export a large number of light duty vehicles into the U.S. market. A significant decrease in demand for these cars in the U.S. market would therefore materially and adversely affect demand for our products. Any such decrease in demand could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Higher tariffs, or the imposition of tariffs, as a result of the termination of the North American Trade Agreement and or a "no-deal" Brexit, could materially and adversely affect complex supply chains in the automotive industry. The automotive industry supply chain has developed over decades and relies on existing trade arrangements to provide for cross-border supplies of raw materials, automotive parts and other components. The impact of terminating existing trade arrangements could be materially disruptive to the supply chains resulting in immediate shortages of critical parts and components necessary to manufacture automobiles and other vehicles. This could have a material adverse effect on the automotive industry as a whole and our business in particular.

Risks Related to Our Business Operations

We may be unable to successfully implement our improvement program and may incur additional costs in connection with this program.

In 2016, we announced a comprehensive improvement program aimed at realigning our segments, centralizing certain shared functions and closing certain manufacturing sites in Germany, Norway, the United Kingdom and the United States and transferring the manufacturing to different sites. In the year ended December 31, 2017, we incurred restructuring costs, salaries, payroll and other additional operating expenses incurred in connection with our footprint optimization program and the set up of our new headquarters in an aggregate amount of €26.0 million in connection with these initiatives. We expect to incur an additional €5.9 million in costs in connection with our footprint optimization program, including costs relating to terminating leases or other transition costs. However, our actual costs may be significantly higher due to a number of factors, some of which are beyond our control. In addition, there can be no assurance that we will be able to implement the planned restructuring measures on time. For example, the closure of our manufacturing site in Rollag, Norway was significantly delayed and we are currently behind schedule with respect to the closure of our site in Easley, United States and the transfer of production to our new site in Ramos Arizpe, Mexico.

We have also identified two additional manufacturing sites for closure in the future, which we have currently postponed. If we were to implement these closures, we would incur additional costs, which may be significant and higer than we estimate.

In addition, even if we are able to implement the planned site closures as planned, there can be no assurance that such measures result in the efficiency gains or cost savings currently anticipated by us. We may, for example, experience delays in ramping up production at our new sites or such sites may not be as efficient as anticipated due to factors such as availability and skills of the local workforce and the need to use new suppliers. Furthermore, a reduction of our labor force in Germany, Norway, the United Kingdom and the United States could adversely affect our business, *e.g.*, through strikes, lawsuits, business interruptions or reputational damage.

Tax authorities could also challenge the tax treatment of the "Principal Model" through a new, centralized operational headquarters in Switzerland and we could fail to significantly reduce our tax rate as anticipated. The introduction of the Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting may also impact our effective rate of tax in future periods. The proposed actions have a very broad scope including, but not limited to, neutralizing the effects of hybrid mismatch arrangements, limiting base erosion involving interest deductions and other financial payments, countering harmful tax practices, preventing the granting of treaty benefits in inappropriate circumstances, and mandatory disclosure rules.

The materialization of any of the risks described above could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

A disruption in our supply or delivery chain could cause one or more of our suppliers or customers to halt production.

Our suppliers, our customers and we rely on complex supply and delivery chains with short lead times and frequent deliveries, which make the logistics supply chain in our industry very vulnerable to disruptions. These disruptions may result from many reasons, including closures of supplier facilities or critical manufacturing lines due to strikes, mechanical breakdowns, electrical outages, fire, explosions, as well as logistical complications resulting from weather or other natural disasters, mechanical failures and delayed customs processing. In addition, as we expand our global manufacturing footprint, we will need to rely on suppliers in local markets that have not yet proven their ability to meet our requirements. The lack of even a small single subcomponent necessary to manufacture one of our products, for whatever reason, could force us to cease production, even for a prolonged period. Similarly, a potential quality issue could force us to halt deliveries while we validate our products. Even where products are ready to be shipped, or have been shipped, delays may arise before they reach our customer. When we cease timely deliveries, we have to absorb our own costs for identifying and solving the cause of the problem, as well as expeditiously producing and shipping replacement products.

If we are unable to deliver our products to our customers in a timely manner, our customers may be forced to cease production and may seek to recoup losses from us, which could be significant. Thus, any supply chain disruption could cause the complete shutdown of an assembly line of one of our customers, which could expose us to material claims for compensation and have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We are exposed to fluctuations in prices of raw materials and components.

Prices of certain raw materials and components we rely on are linked to commodity markets and thus subject to fluctuation. For the year ended December 31, 2017, our raw material expenses amounted to €478.7 million, an increase of 14.3% compared to the year ended December 31, 2016. The primary raw materials used in many of our products are steel, brass (zinc and copper), aluminum and polymer resin. The prices of such raw materials have fluctuated significantly in recent years, but have generally trended upwards during 2017 and early 2018. Such volatility in the prices of these products could increase the costs of manufacturing our products and providing our services. In addition, supply shortages or delays in delivery of raw materials or components can also result in increased costs. For example, we are currently experiencing a shortage of electronic components with the supplier being unable to fully fill our orders which resulted in increased costs.

We do not actively hedge against the risk of rising prices of raw materials we purchase by using derivative financial instruments. In most cases, we cannot increase prices under existing programs and contracts. If we are not able to compensate for or pass on our cost increases to customers, such price increases could have a material adverse impact on our financial results. Even to the extent that we are successful in compensating for or passing on our increased costs to our customers by increasing prices, the positive effects of such price increases may not occur in the periods in which the additional expenses have been incurred, but only with a certain time lag, which typically is approximately three to six months. In that event, the price increases will not have a compensating effect for the periods in which the costs increased. If costs of raw materials continue to rise, and if we are not able to undertake cost saving measures elsewhere in our operations or increase the selling prices of our products, we may not be able to absorb such cost increases, which could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We are exposed to risks associated with changes in currency exchange rates.

We operate worldwide and are therefore exposed to financial risks that arise from changes in exchange rates. Our primary exposure is to the euro/U.S. dollar exchange rate and to a lower degree to the exchange rate of the euro to the Norwegian kroner, the Swedish krona, the Polish zloty, the Hungarian forint, the Canadian dollar, the Mexican peso and the Chinese renminbi. Currency exchange fluctuations could cause losses if assets denominated in currencies with a falling exchange rate lose value, while at the same time liabilities denominated in currencies with a rising exchange rate appreciate. In addition, fluctuations in foreign exchange rates could enhance or minimize fluctuations in the prices of materials, since we purchase a part of the raw materials which we source with foreign currencies. As a result of these factors, fluctuations in exchange rates could affect our results of operations.

External and internal transactions involving the delivery of products and services to and/or by third parties result in cash inflows and outflows which are denominated in currencies other than the euro or the functional currency of the respective subsidiary dealing with such cash flow. To the extent that cash outflows are not offset by cash inflows resulting from operational business in such currency, the remaining net foreign currency exposure is not hedged. In addition, we are exposed to foreign exchange risks arising from external and internal loan agreements, which result from cash inflows and outflows in currencies other than the functional currency of our respective group member.

Our net foreign investments are not hedged against exchange rate fluctuations. In addition, a number of our consolidated companies report their results in currencies other than the euro, which requires us to convert the relevant items into euro when preparing our consolidated financial statements. We do not currently hedge any of our foreign exchange risks.

Although we may enter into certain hedging arrangements in the future, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. In addition, if we were to use any hedging transactions in the future in the form of derivative financial instruments, such transactions may result in market-to-market losses.

The realization of any of these risks could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Start-up costs and inefficiencies related to new products or programs can adversely affect our operating results and such costs may not be fully recoverable if new programs are cancelled.

New programs that customers award us often entail material start-up costs with respect to the design, development and testing of the products to match the customer's specifications, as well as establishing additional production lines or new facilities where required. If we are unable to recoup start-up costs, manage our labor and equipment resources effectively in connection with the establishment of new programs and new customer relationships, or to correctly estimate required resources, our gross margins and results of operations could be adversely affected. These factors are particularly evident in the early stages of the life cycle of new products and new programs and in the opening of new facilities. These factors also affect our ability to efficiently use labor and equipment. For example, we are currently experiencing, and expect to continue to experience in the coming months, increased scrap rates of up to 20% in the production of a new valve used in our seat massage systems as a result of the introduction of new production technologies. In addition, if any of these new programs or new customer relationships were terminated, our operating results could be adversely affected, particularly in the short term. We may not be able to adequately recover these start-up costs or replace anticipated revenues from any such new products or programs.

The realization of any of these risks could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We generate a significant amount of our revenues from a limited number of large customers.

Although we supply our products to several leading OEMs and Tier 1 suppliers, we depend on certain large value customers for a significant proportion of our revenues. For example, for the year ended December 31, 2017, Adient, Volvo, Renault-Nissan, Bombardier Recreational Products and Fiat Chrysler Automobiles ("***FCA***") represented 10%, 9%, 7%, 6% and 6% of our revenue, respectively, and our top ten customers represented 59% of our revenue in aggregate. In addition, in the year ended December 31, 2017, approximately 5% of our revenues were generated from Lear, approximately 5% from Volkswagen, approximately 4% from Geely, approximately 4% from PSA, approximately 3% from Magna, approximately 3% from Ford, approximately 2% from PACCAR, approximately 2% from Daimler, approximately 2% from TATA and approximately 2% from GM, respectively.

The loss of all or a substantial portion of our sales to any of our large volume customers could have a material adverse impact on our business, financial condition and results of operations. We may make fewer sales to these customers for a number of reasons, including, but not limited to:

- reduced demand for our customers' products, including, in particular, as a result of cyclical downturns that disproportionately affect the automotive industry;

- loss of awarded business;
- strikes or other work stoppages affecting production by our customers;
- reduced or delayed customer requirements; or
- bankruptcy or insolvency of a customer.

Furthermore, our customers may consolidate or merge from time to time. Consolidation among our customers could result in an increasingly concentrated client base of large customers which could, among others, increase the bargaining power of our current and future customers. Mergers of our customers with entities that are not our customers could also materially impact our financial position and results of operations. Any significant changes in the ownership or operation of our customers, as a result of consolidation, merger or otherwise, could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We may not be able to realize revenues represented by our Booked Business.

We present Booked Business as an operational key performance indicator in this Offering Memorandum. The realization of future revenues from Booked Business is inherently subject to a number of important risks and uncertainties, including the number of vehicles that our customers will actually produce and the timing of that production.

Typically the terms and conditions of the agreements with our customers do not include a commitment regarding minimum volumes of purchase from us. Thus, there can be no assurance that we will continue to supply our customers in the future with a volume of our products we have supplied to them in the past or at all. In addition, such customers typically provide that customers have the contractual right to unilaterally terminate our contracts with them with no notice or limited notice. If such contracts are terminated by our customers, our ability to obtain compensation from our customers for such termination is generally limited to the direct out-of-pocket costs that we incurred for materials and work-in-progress and in certain instances undepreciated capital expenditures and tooling. Further, there is no guarantee that our customers will renew their purchase orders with us. If we do not realize all of the sales expected from booked business, our profitability and cash flows would be adversely affected, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

A number of OEMs have been the subject of investigations and increased scrutiny regarding diesel automobiles which could indirectly affect our business.

In recent years, authorities in the United States and Europe have alleged that certain OEMs intentionally programmed automobiles with diesel engines to restrict emissions during regulatory emissions testing to pass applicable requirements. It is alleged that certain software installed in such engines detected when the vehicle was being subject to an emissions compliance test and that such software functions as a “defeat device” and allows vehicles to meet the emissions standards for nitrogen oxide in a laboratory or testing situation but during normal operations, results in increased nitrogen oxide emissions above the applicable standards. A number of OEMs, including Volkswagen, Volvo, Renault-Nissan, FCA and Daimler, have been subject to negative press coverage and/or criminal investigations and/or civil actions in multiple jurisdictions, in some cases leading to product recalls and substantial fines. Regulators in the United States and the European Union have announced or indicated that more stringent testing standards for diesel vehicles may be developed in response. Additionally, certain groups and initiatives have announced voluntary or local-level restrictions on the circulation of diesel automobiles, even if they are compliant with applicable standards, including the mayors of Paris, Mexico City, Madrid and Athens. We do not produce software for engines and demand for our products is largely independent on the propulsion system of the vehicle. However, to the extent that our significant OEM customers curtail their production, investment in new models or discontinue models that incorporate our products, our business may suffer, or we could realize a lower amount of our estimated Booked Business, the occurrence of which could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We depend on a limited number of key suppliers for certain products.

We require substantial amounts of raw materials, including steel, brass (zinc and copper), aluminum, polymer resins and electric power. We are subject to the risk that any or all of these materials may be unavailable or unavailable at affordable costs. Although our general policy is to source materials from multiple suppliers for each raw material and we have started developing oil-free products to limit our dependence on oil derivatives, reliance on a single supplier cannot always be avoided and, consequently, we are dependent on certain suppliers. Furthermore, our suppliers or procurement teams may experience supply delays, cancellations, strikes, insufficient quantities or inadequate quality which could result in interruptions in production and, therefore, have a negative impact on our production capacity and lead to under-utilization of our production sites, which in turn may cause delays in the delivery of products to our customers in these areas. If any one of our suppliers becomes unable to meet our delivery requirements for any reason (for example, due to insolvency, destruction of production facilities or refusal to perform following a change in control), we may be unable to source input products from other suppliers upon short notice and/or at the required volume. Any such delay or failure of delivery by our suppliers could result in delaying our customers' production schedule, which could result in loss of business and reputational damage to us.

In addition, many of our OEM customers have approval rights with respect to the suppliers (and processes) used by us, limiting our ability to source input products from other suppliers upon short notice if the relevant OEM customer has not already approved such other suppliers.

Any of these risks could lead to order cancellations or even claims for damages and could harm our long-term relationships with OEM customers, who may choose to select another supplier. The realization of any of these risks could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We, our suppliers or our customers may be unable to obtain or maintain sufficient financing, including working capital financing, and credit insurance.

Our working capital requirements can vary significantly, depending in part on the level, variability and timing of our customers' vehicle production and the payment terms with our customers and suppliers. For example, our working capital requirements have recently increased as a result of a higher share of our revenues coming from China, where payment targets are substantially longer than in other markets. Our liquidity could also be adversely impacted if our suppliers were to suspend normal trade credit terms and require payment in advance or on delivery. If our available cash flows from operating activities are not sufficient to fund our ongoing cash needs, we would have be required to look to our cash balances and availability for borrowings, including under the Revolving Credit Facility, to satisfy those needs, as well as potential additional sources of capital, which may not be available on satisfactory terms, in sufficient amount or at all. There can be no assurance that we, our suppliers or our customers will continue to have such ability. This may increase the risk that we cannot produce our products or will have to pay higher prices for our inputs. These higher prices may not be recovered in our selling prices.

Our suppliers typically seek to obtain credit insurances for deliveries of raw materials and components to us. If for any reason our suppliers were not able to obtain such credit insurance, or not at commercial terms, they may not be able to offer us the same payment terms that we have historically received.

Any significant change in the availability of working capital financing or credit insurance may have a material adverse effect on our liquidity, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We may not be able to respond quickly enough to changes in technology, technical standards and consumer preferences.

The markets for the products that we offer are characterized by rapidly changing technology, evolving technical standards, changes in customer preferences and the frequent introduction of new products. Our competitiveness in the future will depend, at least in part, on our ability to (i) keep pace with rapid technological developments, (ii) develop and manufacture innovative products in a timely and cost-effective manner, (iii) attract and retain highly capable technical and engineering personnel and (iv) accurately assess the demand for, and perceived market acceptance of, new products that we develop.

Changes in competitive technologies may render certain of our products obsolete or less attractive, and to compete effectively we must be able to develop and produce new products or enhanced versions of existing products to meet our customers' demands in a timely manner. Our ability to anticipate changes in technology and regulatory standards and to successfully develop and introduce new and enhanced products on a timely basis is a significant factor in our ability to remain competitive. If there is a shift away from technologies in which we are investing, our costs may not be fully recovered and any decrease in our engineering & development expenditure may adversely affect our ability to remain technologically competitive.

We could also face severe competition for potential future revenue streams if our competitors are able to patent certain innovations before we can do so. We may have to procure a license for the technology, which may not be available on reasonable terms, if at all, and may significantly increase our operating expenses or may require us to restrict our business activities in one or more respects. As a result, we may also be required to develop alternative non-infringing technology, which could require significant effort and expense. If we fail to develop sufficient revenue streams covered by adequately robust intellectual property rights, we could lose market share and revenues to competitors.

The realization of any of these risks could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Our future business success depends on our ability to maintain the high quality of our products and processes.

For customers, one of the determining factors in purchasing our components and systems is the high quality of our products and manufacturing processes. A decrease in the actual or perceived quality of our products and processes could damage our image and reputation and also the image and reputation of one or more of our brands. In addition, defective products could result in loss of sales, loss of customers and loss of market acceptance or could damage our reputation and market perception, which in turn could have an adverse effect on our sales and results of operations. See "*Legal, Taxation and Environmental Risks—We are exposed to warranty and product liability claims*".

The realization of any of these risks could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We are required to obtain and maintain quality and product certifications for certain markets and customers.

In some countries, certain certifications for products with regard to specifications and quality standards are necessary or preferred in order for these products to be accepted by customers and markets. As such, we need to be able to obtain and maintain the relevant certifications so that our customers are able to sell products which include components that are manufactured by us in such countries. In addition, some customers also require us to maintain certain standards and conduct inspections at regular intervals to ensure we maintain these standards. Any failure to meet or maintain the requirements needed to secure or renew such certifications could result in a material adverse effect on our business, financial conditions and results of operations which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We depend on our ability to attract and retain qualified executives, key employees and skilled and unskilled personnel.

Our success depends on attracting and retaining directors, executive officers, senior management, key employees and other skilled and unskilled personnel. In particular, our Chief Excutive Officer and Chief Financial Officer have been instrumental in developing and executing our improvement plan and losing our Chief Executive Officer or Chief Financial Officer could jeopardize our ability to further implement our improvement program and execute our strategy. More generally, the loss of directors, executives, key employees and other skilled personnel could have a material adverse effect on our market position. Due to intense competition within the industry, there is a risk of losing qualified employees to competitors or being unable to find a sufficient number of appropriate new employees. Considerable expertise could be lost or access thereto gained by competitors.

There is no assurance that we will be successful in retaining our executives and the employees in key positions or in attracting new employees with corresponding qualifications. Although we try to retain the commitment of our qualified executives and key employees through performance-based remuneration systems, there is a risk that any such individuals will leave us, including as a result of negotiations of collective bargaining agreement on terms that may be regarded as below market standard by employees.

The success of our operations and growth strategy will also depend on attracting and retaining skilled and unskilled personnel (including the need to identify, recruit, train and integrate additional employees) maintaining our high quality standards and implementing our standardized process and quality management globally. The labor markets for production staff in some of the regions in which we are active, such as the region in which our new Vráble plant is located, are characterized by very low unemployment rates and strong employment growth, resulting in intense competition for qualified personnel and an increased turnover rate.

The realization of any of these risks could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Our business could be adversely impacted by strikes and other labor disputes.

Over the past several years, our industry and the industries in which our customers operate have experienced strikes, lockouts, refusals to work or plant seizures. Although in the recent past we have not and at present we are not experiencing any major labor disputes, our relationships with our employees and our unions at our various locations could deteriorate in the future and we could experience strikes, unionization efforts or other types of conflicts with labor unions or our employees. In connection with our cost savings initiatives, we could experience friction with labor unions or our employees. In addition, many of our customers and our suppliers also have unionized workforces. Refusals to work or work downtime experienced by our customers or our other suppliers could result in delays, decreased productivity or closures of assembly facilities where our products are needed for assembly. This could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Increasing labor costs in various jurisdictions in which we operate may adversely affect us.

Increasing labor costs in certain lower-cost countries in which we operate such as Slovakia, China, and Mexico may erode our profit margins and compromise our price competitiveness. Historically, the low cost of labor in Brazil, China, Hungary, Mexico, Poland and Slovakia had a positive impact on our margins, but recent wage increases have increased average wage expenses per employee. Although we undertake various incentive programs to improve the productivity of our employees, as well as low-cost automation initiatives designed to reduce labor costs, these measures may be insufficient to offset increases in overhead costs and we may be unable to effectively manage these increases in the future. As a consequence, our business, financial condition and results of operations may be adversely affected, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We are exposed to risks in connection with our pension obligations, which may lead to unexpected funding obligations.

We provide defined benefit pension plans in Norway, Germany, France and Switzerland. As of December 31, 2017, our defined benefit pension obligations (defined as our projected benefit obligations less the fair value of pension assets) amounted to €16.5 million. The fair value of our pension assets are subject to market fluctuations that are beyond our control. Unfavorable market conditions could result in a substantial increase of our defined benefit obligations. We are also subject to risks associated with longevity, changes in interest rates and salary increases in connection with our defined benefit pension plans as increases in life expectancy, lower than expected increase rates or higher than expected salary increases would increase our benefit obligations. Any such increase in our benefit obligations could have a material adverse effect on our financial condition and liquidity, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Our operations rely on complex IT systems and networks.

We rely heavily on centralized, standardized information technology ("***IT***") systems and networks to support business processes, as well as internal and external communications. We are currently in the process of finalizing the standardization of our IT systems by replacing our few remaining non-SAP based enterprise resource planning software with SAP systems. Any delay in the implementation of these changes or failure in the operation of these IT systems could result in a material adverse consequences, including disruption of operations, loss of information or an unanticipated increase in costs.

In addition, our ability to keep our business operating depends on the proper and efficient operating and functioning of various IT systems which are susceptible to malfunctions and interruptions (including due to equipment failure, power outages, computer viruses, cyber attacks such as internal and external security breaches and a range of other hardware, software or network problems). A significant or large-scale malfunction or interruption of one or more of our IT systems could adversely affect our ability to keep our operations running efficiently or at all and affect product availability. In addition, it is possible that a malfunction of our data security measures or a cyber attack could enable unauthorized persons access to sensitive business or personal data, including information to our intellectual property or business strategy or those of our customers. Such failure could cause economic loss for which we could be liable and may expose us to governmental investigations, disciplinary actions and fines. A failure of our IT systems could also cause damage to our reputation which could harm our business.

The realization of any risks related to our IT system and network disruptions could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We could be adversely affected by property loss and unforeseen business interruption.

Damage and loss caused by fire, accidents, natural disasters, terrorism, political unrest, enhanced national security measures, conflicts, strained international relations, severe weather or other disruptions of our production process at our facilities or within our supply chain, with respect to customers and with suppliers, can be severe. Such risks arising from business interruption and loss of production are insured at levels considered economically reasonable by us, but our insurance coverage could prove insufficient in individual cases. Furthermore, such events could injure or result in the death of individuals or damage or destroy third party property or the environment, which could, among other things, lead to considerable financial costs for us. In addition, our manufacturing processes are dependent on critical pieces of manufacturing equipment that may, on occasion, be out of service as a result of unanticipated failures, which may result in production bottlenecks and breakdowns.

The realization of any of these risks could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Any acquisitions we make could disrupt and materially harm our business.

We may make investments or acquisitions in the future that we believe present opportunities for growth and strengthening of our business, including by adding technological capabilities, improving our operational efficiencies including through the reorganization of our group, increasing the extent of our vertical integration or enhancing our geographical presence or customer relationships. Such investments and acquisitions involve a number of risks, including:

- difficulties in the integration of the acquired businesses;
- the diversion of our management's attention from other business concerns;
- uncertainties in assessing the value, strengths and potential profitability of, and identifying the extent of all weaknesses of, acquisition candidates;
- the assumption of unknown liabilities, including environmental, tax, pension and litigation liabilities, and undisclosed risks impacting the target;

- adverse effects on existing customer and supplier relationships;
- incurrence of substantial indebtedness;
- integration of internal controls;
- entry into markets, including, potentially, emerging markets, in which we have little or no direct prior experience;
- the potential loss of key customers, management and employees of an acquired business;
- potential integration or restructuring costs;
- the ability to achieve operating and financial synergies; and
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying our rationale for pursuing the acquisition.

We cannot ensure that we will be able to successfully integrate acquisitions that we undertake or that such acquisitions will perform as planned or prove to be beneficial to our business and results of operations. The occurrence of any one or more of these factors could cause us not to realize the benefits anticipated to result from an acquisition and could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We are subject to risks related to our global operations.

Our global operations include manufacturing facilities in Brazil, Canada, China, France, Hungary, India, Mexico, Norway, Poland, Slovakia, South Korea, Spain, Sweden, the United Kingdom and the United States. Our future revenue growth depends upon the successful operation of our manufacturing facilities, the efficiency of our delivery and distribution system and the successful management of our sales, marketing, support and service teams through direct and indirect channels in various countries around the world where our current or potential customers are located. The expansion of our business has required, and we expect will continue to require, that we establish new offices, manufacturing facilities, hire new personnel and manage businesses in widely disparate locations with different economies, legal systems, languages and cultures.

Our global operations are subject to various risks that could have a material adverse effect on those operations and our business as a whole, including:

- exposure to local economic conditions;
- exposure to local political conditions, including political disputes, coups, requirements to expend a portion of funds locally, expropriation and nationalization by a government;
- increased risk of fraud and political corruption;
- transport availability and costs;
- changes in tax law;
- unexpected changes in regulatory requirements;
- changes to existing free trade agreements and the imposition of export and import restrictions (such as antidumping duties, tariffs and embargoes).
- exposure to liabilities under the U.S. Foreign Corrupt Practices Act, the UK Bribery Act 2010 or similar regulations;
- compliance with U.S. Department of Commerce export controls or export control provisions of other jurisdictions, including the European Union and China;
- government imposed investment and other restrictions or requirements;
- exposure to local social unrest, including any resultant acts of war, terrorism or similar events;

- exposure to local public health issues and the resultant impact on economic and political conditions;
- currency exchange rate and interest rate fluctuations;
- hyperinflation in certain countries;
- increased reliance on local suppliers that have not proven their ability to meet our requirements;
- the risk of government-sponsored competition;
- increased risk of uncontrollable accounts and longer collection cycles (particularly in China);
- difficulty enforcing agreements and collecting receivables through certain legal systems;
- variations in protection of intellectual property and other legal rights;
- social plans that prohibit or make cost-prohibitive certain restructuring actions; and
- controls on the repatriation of cash (particularly in China), including the imposition or increase of withholding and other taxes on remittances and other payments by non-U.S. subsidiaries.

Any of these factors could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We are exposed to risks in relation to compliance with anti-corruption laws and regulations and economic sanction programs.

Doing business on a worldwide basis requires us to comply with the laws and regulations of various jurisdictions. Our international operations are subject to applicable anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act of 1977 and the United Kingdom Bribery Act of 2010, and regulations and economic sanction programs, including, without limitation, those administered by the United Nations, the European Union and the Office of Foreign Asset Control in the United States (collectively, "***Sanctions***"). Economic sanctions programs may restrict our business dealings with certain sanctioned countries. As a result of doing business in foreign countries, we are exposed to a risk of violating anti-corruption laws and Sanctions regulations applicable in those countries where we, our partners or agents operate. Our continued expansion and worldwide operations, including the employment by us of local agents in the countries in which we operate increase the risk of violations of anti-corruption laws or similar laws. Some of the countries in which we operate lack as developed a legal system as other locations and are perceived to have high levels of corruption.

Violations of anti-corruption laws and Sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licenses, as well as criminal fines and imprisonment. In addition, any major violations could have a significant material adverse impact on our reputation and consequently on our ability to win future business and on our business, financial condition or results of operations.

While we have policies and procedures in place that are designed to promote compliance with applicable anti-corruption laws and Sanctions, there can be no assurance that our policies and procedures will be followed at all times or effectively detect and prevent violations of the applicable laws by one or more of our employees, consultants, agents or partners and, as a result, we could be subject to penalties and material adverse consequences on our business, financial condition or results of operations if we failed to prevent any such violations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

If we fail to maintain an effective systems of internal controls, we may be unable to accurately report financial results or prevent fraud.

Our international operations require complex administrative, financial and operational processes at entities with different levels of maturity in terms of internal controls, evolving in a variety of legal environments and running different information systems. In this context, we face risks related to our internal controls, which could lead to inaccurate and/or inappropriate transactions or operations being carried out, or could lead to us being the victim of fraud, theft or embezzlement. Any such event could have a material and adverse effect on our financial condition, results of operations and reputation, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We may not be adequately insured.

We currently have insurance arrangements in place for products and public liability, property damage, business interruption (including for sudden and unexpected environmental damage). These insurance policies may not, however, cover any losses or damages resulting from the materialization of any of the risks we are subject to. Further, significant increases in insurance premiums could reduce our cash flow. It is also possible in the future that insurance providers may no longer wish to insure businesses in our industry against certain environmental occurrences. Any such event could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Legal, Taxation and Environmental Risks

We are exposed to warranty and product liability claims.

As a manufacturer, we are subject to product liability lawsuits and other proceedings alleging violations of due care, violation of warranty obligations (implied and expressed), treatment errors, safety provisions and claims arising from breaches of contract, recall actions or fines imposed by government or regulatory authorities. In view of the large amounts of products manufactured and distributed to a variety of customers in the automotive sector, we are from time to time faced with liability claims related to actual or potentially deficient charges of our products and may therefore be held liable in cases of death, bodily injury or damage to property caused by a defective product manufactured by us. Any such lawsuits, proceedings and other claims could result in increased costs for us. In addition, defective products could result in loss of revenue, loss of customers, and loss of market acceptance and reputation, of our customers' end-product, and could lead to cost of repair and replacement. The risks arising from such warranty and product liability lawsuits, proceedings and other claims are insured up to levels we consider economically reasonable, but the insurance coverage could prove insufficient in individual cases.

Furthermore, we manufacture many products pursuant to customer specifications and quality requirements. If the products manufactured and delivered by us do not meet the requirements stipulated by our customers at the agreed date of delivery, production of the relevant products is generally discontinued until the cause of the product defect has been identified and remedied. Furthermore, our customers could potentially bring claims for damages on the basis of breach of contract, even if the cause of the defect is remedied at a later point in time. In addition, failure to perform with respect to quality requirements could negatively affect the market acceptance of our other products and our market reputation in various market segments.

The realization of any of these risks could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline. See "*Business—Environment, Compliance, Insurance and Legal—Litigation and administrative proceedings*".

We are subject to risks from legal, administrative and arbitration proceedings.

Our Group companies are involved in legal, administrative and arbitration proceedings and could become involved in additional legal, administrative and arbitration proceedings. These proceedings or potential proceedings could involve, in particular in the United States, substantial claims for damages or other payments. Based on a judgment or a settlement agreement, we could be obligated to pay substantial damages. Our litigation costs and those of third parties could also be significant. Any adverse legal, administrative or arbitration proceedings could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline. See "*Business—Environment, Compliance, Insurance and Legal—Litigation and administrative proceedings*".

We could be held liable for soil, surface water or groundwater contamination or for risks related to hazardous wastes, substances and/or materials, including clean up obligations and third party claims (e.g., for bodily injury or property damage).

Many of the sites at which we operate have been used for industrial purposes for many years, leading to risks of contamination and resulting site restoration obligations for us. In addition, under federal and state environmental laws and regulations (including state property transfer laws), we could be held responsible for the remediation of offsite areas impacted by our sites and operations, natural resource damages, and/or third party claims (*e.g.*, for bodily injury or property damage). Regulatory authorities could assert claims against us, as the current or former owner or tenant (operator) of the affected sites or as the party that caused or contributed to the contamination, for the investigation or remediation or containment of such soil or groundwater contamination or other environmental media (*e.g.*, surface waters), including related to our use of non-owned treatment, storage and disposal sites or order us to dispose of or treat contaminated soil excavated or water encountered in the course of construction. For example, Norwegian authorities are currently investigating a contamination of the soil with oil in Raufoss, which was caused by a previous owner of the site, but subjects us to the risk that the competent authorities conclude that we are liable as the current user of the site. We could also be liable to the owners or occupants of sites leased by us, sites we sell, or other impacted properties. Costs typically incurred in connection with such claims are generally difficult to predict. Also, if any contamination were to become a subject of public discussion, there is a risk that our reputation or relations with our customers could be harmed.

Several of the chemicals we use are or may be classified as substances of very high concern and are or could become subject to restrictions on use or become prohibited. If chemicals we use become subject to further restrictions on use or prohibited, we must replace these substances, which may have a financial impact on our business operations.

The realization of any of these risks could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Our operations are subject to stringent applicable environmental laws and regulations, which are subject to change.

The nature of our business subjects us to significant government regulation, including, but not limited to, increasingly stringent environmental laws and regulations in most jurisdictions where we operate. Such laws and regulations also require permits, licenses and/or authorizations to be obtained and reports and forms to be completed and delivered, *inter alia*, to the competent authorities in connection with the operations of our business. This regulatory framework imposes on us significant day-to-day compliance burdens, costs and risks.

In particular, violation of such laws and regulations (including, but not limited to, failure to timely renew our licenses or comply with the conditions imposed by environmental authorities for the licenses to be valid and effective) may give rise to significant liability, including, but not limited to, fines and penalties, monetary and reputational damages, third party liabilities, limitations on our business operations and site closures, and there can be no assurance that we have been and will be in material compliance with all applicable laws and regulations governing the protection of the environment and human health, including but not limited to laws and regulations concerning occupational and employee health and safety.

The realization of any of these risks could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We may face risks relating to climate change that could have an adverse impact on our business.

Greenhouse gas emissions have increasingly become the subject of substantial international, national, regional, state and local attention. Greenhouse gas emission laws and regulations have been promulgated in certain of the jurisdictions in which we operate, and additional greenhouse gas requirements are in various stages of development. For example, the United States Congress has considered legislation that would establish a nationwide limit on greenhouse gases. In addition, the U.S. Environmental Protection Agency ("***EPA***") has issued regulations limiting greenhouse gas emissions from mobile and stationary sources pursuant to the U.S. Clean Air Act. The final Carbon Pollution Standards for New, Modified and Reconstructed Power Plants reflect the degree of emission limitation achievable through the application of the best system of emission reduction that the EPA has determined has been adequately demonstrated for each type of unit. When effective, such measures could require us to modify existing or obtain new permits, implement additional pollution control technology, curtail operations or increase our operating costs. In addition, our customers may seek price reductions from us to account for their increased costs resulting from greenhouse gas requirements. Further, growing pressure to reduce greenhouse gas emissions from mobile sources could reduce automobile sales, thereby reducing demand for our products and ultimately our revenues. Thus, any additional regulation of greenhouse gas emissions, including through a cap-and-trade system, technology mandate, emissions tax, reporting requirement or other program, could adversely affect our business, results of operations, financial condition, reputation, product demand and liquidity, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Our operations subject us to the risk of health and safety liabilities.

The nature of our operations subjects us to various statutory and regulatory compliance and litigation risks under health, safety and employment ("***HSE***") laws. There can be no assurance that there will be no accidents or incidents suffered by our employees, contractors or other third parties on our sites. If any accidents or incidents occur, we could be subject to prosecution and litigation, which could result in fines, penalties and other sanctions imposed on us and could cause damage to our reputation. The realization of any of these risks could have a material adverse effect on our business, results of operations, financial condition, reputation, product demand and liquidity, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We could become subject to additional burdensome environmental, health and safety or other requirements and additional regulation could adversely affect demand for our products and services.

We must comply with different regulatory regimes across the world that change frequently and are continuously evolving and becoming more stringent, in particular with respect to environmental regulations, chemicals and hazardous materials, as well as health and safety regulations. This applies also to air, water and soil pollution regulations and to waste legislation and regulation, all of which have recently become more stringent through new laws, in particular, but not limited to, in the EU and the United States. In addition, for our sites and operations, we require various permits and we have to comply with the requirements specified therein. In the past, adjusting to new requirements has required significant investments and we assume that further significant investments in this regard will be required in the future.

Furthermore, any additional requirements restricting or limiting car traffic with an aim at reducing greenhouse gas or other emissions could lead to a material decrease in car sales and consequently adversely affect demand for our products and services.

The realization of any of these risks could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We could be unsuccessful in adequately protecting our intellectual property and technical expertise.

Our products and services are highly dependent upon our technological know-how and the scope and limitations of our proprietary rights therein. We regularly apply for and have been granted intellectual property rights with respect to our innovations. The process of seeking patent protection can be lengthy and expensive. Furthermore, patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide us with meaningful protection or a commercial advantage. In addition, while there is a presumption that patents are valid, the granting of a patent does not necessarily imply that it is effective or that possible patent claims can be enforced to the degree necessary or desired. Further, our competitors, suppliers, customers and other third parties also submit a large number of intellectual property protection applications. Such other parties could hold effective and enforceable intellectual property rights to certain processes, methods or applications and consequently could assert infringement claims (including illegitimate ones) against us.

A part of our know-how and industrial secrets is not patented and cannot be protected through intellectual property rights. Consequently, there is a risk that third parties, in particular competitors, will copy our know-how without incurring any expenses of their own.

The realization of any of these risks could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

There is a risk that we infringe intellectual property rights of third parties.

Our competitors, suppliers and customers also submit a large number of inventions for intellectual property protection. It is not always possible to determine with certainty whether there are effective and enforceable third party intellectual property rights to certain processes, methods or applications. For example, one of our competitors in the Interior segment recently alleged that our new advanced seat massage systems valve valves infringe on a patent owned by such competitor. While no legal proceedings are currently pending, we are in negotiations regarding a potential settlement of the alleged infringement. In addition, where we incorporate an individual customer's input to create a product that responds to a particular need, we face the risk that such customer will claim ownership rights in the associated intellectual property.

Therefore, third parties could assert infringement claims (including illegitimate ones) against us. As a result, we could be required to cease manufacturing, using or marketing the relevant technologies or products in certain countries or be forced to make changes to manufacturing processes or products. In addition, we could be liable to pay compensation for infringements or could be forced to purchase licenses to make use of technology from third parties. This could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

The international scope of our operations and our corporate and financing structure may expose us to potentially adverse tax consequences.

We are subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions as a result of the international scope of our operations and our corporate and financing structure. We are also subject to intercompany pricing laws, including those relating to the flow of funds among our companies pursuant to, for example, purchase agreements, licensing agreements or other arrangements. Adverse developments in these laws or regulations, or any change in position by the relevant authority regarding the application, administration or interpretation of these laws or regulations in any applicable jurisdiction, could adversely affect our business, results of operations and financial condition or our ability to service or otherwise make payments on the Notes and our other indebtedness.

In addition, the tax authorities in any applicable jurisdiction may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions, including the tax treatment or characterization of our indebtedness, including the Notes, existing and future intercompany loans and guarantees or the deduction of interest expenses. We could also fail, whether inadvertently or through reasons beyond our control, to comply with tax laws and regulations relating to the tax treatment of various of our financing arrangements, which could result in unfavorable tax treatment for such arrangements. If any applicable tax authorities were to successfully challenge the tax treatment or characterization of any of our intercompany loans or transactions, it could result in the disallowance of deductions, a limitation on our ability to deduct interest expenses, the imposition of withholding taxes, the application of significant penalties and accrued interest on intercompany loans or internal deemed transfers, the application of significant penalties and accrued interest or other consequences that could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We could be subject to tax risks attributable to previous tax assessment periods.

We could accrue unanticipated tax expenses in relation to previous tax assessment periods which have not yet been subject to a tax audit or are currently subject to a tax audit.

As of December 31, 2017 our consolidated finance statements did provide for a reserve of €0.9 million to address risks in respect of tax audit at Kongsberg Automotive s.r.o. We have not been made aware by a tax auditor of any significant findings which would not be covered by the tax provisions and liabilities for which we have accounted. Nevertheless, it cannot be ruled out that ongoing and/or future tax audits may lead to an additional tax expense and/or payment, which could have a material and adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

The value of our deferred tax assets could become impaired or we could be unable to utilize tax losses.

As of March 31, 2018, we had €28.4 million in deferred tax assets. These deferred tax assets include net operating losses carry forwards that can be utilized to offset taxable income in future periods and reduce income tax payable in those future periods. We periodically assess the probability of the realization of deferred tax assets, using significant estimates and judgments with respect to, among other things, market developments, the success of our customers and timing of future profits. If we determine that in the future there is not sufficient positive evidence to support the valuation of our deferred tax assets, we may be required to write-off all or a part of these assets. We may also be materially and adversely affected by any changes in the applicable tax laws, leading to future limitations on our capacity to carry forward losses. For example, in the fiscal year ended December 31, 2017, a significant write-off of deferred tax assets in the United States was booked due to the change to the U.S. corporate tax systems as of January 1, 2018. The realization of any of these risks may have a material adverse effect on our results of operation and financial condition, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Changes in accounting standards may materially impact the reporting of our financial condition and results of operations.

Accounting principles as per IFRS and related accounting pronouncements, implementation guidelines and interpretations for many aspects of our business are complex and involve subjective judgments. Changes in these rules or their interpretation many significantly change or add significant volatility to our reported financial condition or results of operations. In particular, the International Accounting Standards Board released IFRS 16 "Leases", which requires a lessee to recognize assets and liabilities for most leases. The new standard will be applicable for annual periods beginning on or after January 1, 2019. We are in the early phase of evaluating the impact of IFRS 16 and the potential effects have not yet been quantified. However, we lease a number of buildings for office space and production facilities and we therefore expect a significant increase in non-current assets and liabilities upon the implementation of IFRS 16.

Risks Related to our Financial Profile

Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Guarantees.

We are highly leveraged and will have significant debt service obligations. As of March 31, 2018, on an as adjusted basis after giving effect to the Transactions, we would have had third party indebtedness of €276.1 million including indebtedness under the Notes. See "*Capitalization*".

The degree to which we will be leveraged following consummation of the Offering and the use of proceeds therefrom could have important consequences to holders of the Notes offered hereby, including:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- making us vulnerable to, and reducing our flexibility in planning for, or reacting to, changes in our business and the competitive environment, the industry in which we operate and general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow, working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes;
- limiting our flexibility;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes.

Despite our substantial leverage, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our business.

The terms of the Indenture will permit the Parent Guarantor and its restricted subsidiaries to incur substantial additional indebtedness, including in respect of committed borrowings of up to €50.0 million under the Revolving Credit Facility Agreement and additional Notes by the Issuer. The new debt that we incur in the future, including, for example, in connection with acquisitions, may rank *pari passu* with, be structurally senior to, or be secured by assets that do not form part of the Collateral for, the Notes and the Guarantees. If any of our subsidiaries that will not guarantee the Notes incurs additional debt or if we incur debt that is secured by assets that do not also secure the Notes, the holders of that debt will be entitled to share ahead of the noteholders in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of such non-guarantor or in any proceeds from any enforcement of the security created over such collateral. Any additional indebtedness could also mature prior to the Notes. Although the Indenture will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. In addition, the Revolving Credit Facility Agreement and the Indenture will not prevent us from incurring obligations that do not constitute indebtedness under those agreements. Furthermore, if we are able to designate some of our restricted subsidiaries under the Indenture as unrestricted subsidiaries, those unrestricted subsidiaries would be permitted to borrow beyond the limitations specified in the Indenture and engage in other activities in which Restricted Subsidiaries may not engage. See "*Description of the Notes*" and *"Description of Certain Financing Arrangements—Revolving Credit Facility"*. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase.

We are subject to restrictive debt covenants that may limit our ability to finance future operations and capital needs and to pursue business opportunities and activities.

The Indenture will restrict, among other things, our ability to:

- make certain loans or investments;
- incur or guarantee additional indebtedness;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of such entity;
- agree to limitations on the ability of the Parent Guarantor's subsidiaries to pay dividends or make other distributions;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities; and
- impair the security interests for the benefit of the holders of the Notes.

All of these limitations will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*". Despite these exceptions and qualifications, the covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.
In addition, we are subject to the affirmative and negative covenants in the Revolving Credit Facility Agreement, which negative covenants are substantially similar to the covenants that will be included in the Indenture.

A breach of any of those covenants or the occurrence of certain specified events will, subject to applicable cure periods and other limitations, result in an event of default under the Revolving Credit Facility Agreement. We have in the past experienced problems with complying with the financial covenants contained in our Existing Revolving Credit Facility Agreement and required a waiver from the requirement to comply with certain of the financial covenants set forth in the Existing Revolving Credit Facilities at the end of 2016.

Upon the occurrence of any event of default under the Revolving Credit Facility Agreement, the Majority Lenders (being, subject to certain limitations, lenders under the Revolving Credit Facility Agreement whose commitments thereunder aggregate at least 66 $^{2}/_{3}$% of the total commitments thereunder) could, while such event of default remains unremedied or unwaived, cancel the availability of the Revolving Credit Facility Agreement and elect to declare all amounts outstanding under the Revolving Credit Facility Agreement, together with accrued interest, immediately due and payable. In addition, a default or event of default under the Revolving Credit Facility Agreement could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indenture. If our creditors, including the creditors under the Revolving Credit Facility Agreement, accelerate the payment of amounts owing to them under such other debt instruments, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any security interests granted to them to secure repayment of those amounts.

Our inability to comply with our financial covenant could result in a default by the Issuer.

The terms of the Revolving Credit Facility will contain a financial covenant which will require KA Group AG as the borrower thereunder to ensure that the Consolidated Net Leverage Ratio (as defined in the Revolving Credit Facility) does not exceed a certain level for any period for which it is required to be tested. If this covenant is breached, including as a result of conditions outside of our control, such as a decline in our financial performance due to general economic conditions, it may result in an event of default which, if not cured or waived, could result in the enforcement of the Security Documents and/or the acceleration of the Revolving Credit Facility, which may result in an event of default under the Notes.

We may not be able to generate sufficient cash to service our indebtedness and may be forced to take other actions to meet our obligations under our indebtedness, which may not be successful.

We have, and after the Offering and the use of proceeds therefrom, we will have significant debt service obligations. Our ability to make principal or interest payments when due on our indebtedness, including our drawings under the Revolving Credit Facility Agreement and our obligations under the Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, many of which are beyond our control. See "*Risk Factors—Risks Related to the Markets in Which We Operate*", "*—Risks Related to Our Business Operations*" and "*—Legal, Taxation and Environmental Risks*".

The Revolving Credit Facility Agreement and the Notes will mature in 2023 and 2025, respectively. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes*". At the maturity of loans outstanding under the Revolving Credit Facility Agreement and of the obligations under the Notes and any other debt which we incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to refinance our indebtedness. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business obligations, activities or capital expenditures, sell assets, raise additional debt or equity financing in amounts that could be substantial, or restructure or refinance all or a portion of our debt, including the Notes, on or before maturity. We cannot guarantee that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all, or that those actions would secure sufficient funds to meet our obligations under our indebtedness.

In particular, our ability to restructure or refinance our debt will depend in part on our financial condition at such time as well as on many factors outside of our control, including then prevailing conditions in the international credit and capital markets. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more onerous covenants. The terms of existing or future debt instruments and the Indenture and the Revolving Credit Facility Agreement may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness.

In the absence of operating results and resources sufficient to service our indebtedness we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our indebtedness, including the terms of the Indenture and the Revolving Credit Facility Agreement, will restrict our ability to transfer or sell assets and the use of proceeds from any such disposal. We may not be able to carry out certain disposals or to obtain the funds that we could have realized from the proceeds of such dispositions, and any proceeds we do realize from asset dispositions may not be adequate to meet any of our debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our debt service obligations.

Drawings under the Revolving Credit Facility Agreement will bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

The drawings under the Revolving Credit Facility Agreement will, and future indebtedness that we may incur could, bear interest at floating rates of interest per annum equal to EURIBOR as adjusted periodically, plus a spread. These interest rates could rise significantly in the future. Although we may enter into certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. To the extent that interest rates or any drawings were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

An impairment of our substantial goodwill could result in a reduction of our net income and equity.

Goodwill represents the excess of the cost of an acquisition of a business over the fair value of the net assets acquired and is initially recorded in our statement of financial position at cost established at the date of the acquisition of the business. IFRS requires that goodwill be periodically evaluated for impairment based on the fair value of the cash-generating unit. Declines in our profitability or the value of comparable companies may impact the fair value of our cash generating units, which could result in write-off of goodwill and a reduction in our profit attributable to equity holders. As of March 31, 2018, we had €143.8 million of goodwill recorded in our statement of financial position, representing 19% of our total assets that could be subject to impairment. In addition, if we acquire further businesses in the future we may recognize additional goodwill which may be significant. Any future impairment charge on our goodwill could have a material adverse effect on our results of operations and financial position.

Risks Related to the Notes, the Guarantees and the Collateral

Holders of the Notes will not control certain decisions regarding the Collateral.

On the Issue Date, the Notes will be secured by first-ranking (to the extent possible) pledges over the shares of the Issuer, the Intermediate Parent Guarantor and the Subsidiary Guarantors as well as an assignment of certain intercompany loan receivables by the Issuer and the Guarantors. In addition, under the terms of the Indenture, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral.

The Intercreditor Agreement provides that, with respect to the Collateral, the Security Agent will serve as the security agent for the secured parties under the Notes, the Revolving Credit Facility, certain hedging obligations permitted by the Indenture to be secured by the Collateral and any additional debt secured by the Collateral permitted to be incurred by the Indenture. The Security Agent will act with respect to such Collateral only as provided for in the Intercreditor Agreement. The holders of the Notes will not have separate rights to enforce the Collateral. In addition, the holders of the Notes will not be able to instruct the Security Agent, force a sale of Collateral or otherwise independently pursue the remedies of a secured creditor under the relevant Security Documents, unless it comprises an instructing group which for the Notes is holders of a majority of the principal amounts of the Notes and any other debt permitted to rank *pari passu* with the Notes ("***Majority Senior Secured Creditors***"). An instructing group otherwise being holders of two-thirds of the principal amount of liabilities under the Revolving Credit Facility and certain hedging obligations ("***Majority Super Senior Creditors***" such liabilities, the "***Super Priority Liabilities***") have separate rights in respect of voting and enforcement actions under the Intercreditor Agreement.

Following acceleration by either the Majority Senior Secured Creditors or the Majority Super Senior Creditors, either the Majority Senior Secured Creditors or the Majority Super Senior Creditors, acting through their respective representatives, can commence the enforcement process by giving notice to the Security Agent in accordance with the Intercreditor Agreement. If the Majority Senior Secured Creditors provide such notice to the Security Agent, they will be entitled to give instructions for the enforcement on the Collateral. If (i) the Super Priority Liabilities are not repaid and discharged in full in cash from the proceeds of enforcement or otherwise within six months of the date of the enforcement notice, (ii) the Majority Senior Secured Creditors have not taken enforcement action within three months of the date of the enforcement notice or (iii) certain insolvency events have occurred and no enforcement action has been commenced, the Majority Super Priority Creditors will be entitled to give instructions for the enforcement on the Collateral. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

These arrangements could be disadvantageous to the holders of Notes in a number of respects and may permit the lenders under the Revolving Credit Facility or counterparties to certain hedging obligations to control enforcement in circumstances in which their interests are different from those of the holders of Notes. Disputes may occur between the holders of the Notes and creditors under our Revolving Credit Facility, the counterparties to the certain hedging obligations or holders of any permitted additional indebtedness as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the Collateral securing such obligations. In such an event, the holders of the Notes will be bound by any decisions of the instructing group, which may result in enforcement action in respect of the relevant Collateral, whether or not such action is approved by the holders of the Notes or may be adverse to such noteholders. The Intercreditor Agreement also provides that the enforcement sale of any Collateral will be subject to, as a condition to the release of any claims of any other indebtedness secured by such collateral under the Intercreditor Agreement, certain protections intended to maximize the recovery from an enforcement sale. The creditors under the Revolving Credit Facility, the counterparties to certain hedging obligations or the holders of any permitted additional indebtedness may have interests that are different from the interest of holders of the Notes and they may elect to pursue their remedies under the relevant Security Documents at a time when it would otherwise be disadvantageous for the holders of the Notes to do so. Other creditors not party to the Intercreditor Agreement could commence enforcement action on us during the consultation period, we or one or more of our subsidiaries could seek protection under applicable bankruptcy laws, or the value of certain Collateral could otherwise be impaired or reduced in value. In addition, if we incur substantial additional indebtedness which may be secured by security interests in the Collateral, the holders of the Notes may not comprise the requisite majority of the senior secured creditors for the purposes of instructing the Security Agent. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

In addition, if the Security Agent sells Collateral comprising the shares of any of our subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the Guarantees and the liens over any other assets securing the Notes or such Guarantees may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement", "Description of the Notes—Security*" and "*Description of the Notes—Notes Guarantees—Notes Guarantees Release*".

Certain Collateral will not initially secure the Notes and certain guarantees will not be provided until after the Issue Date

On the Issue Date, the Notes will only be secured by pledges over the shares in the Issuer and the Issue Date Guarantors (other than the Parent Guarantor) and a security assignment by the Issuer and the Issue Date Guarantors of certain intercompany loan receivables. At the earlier of such time as the Revolving Credit Facility receives such security interest and 120 days after the Issue Date, the Notes will also be secured by pledges over the shares in the Post-Issue Date Guarantors and a security assignment by the Post-Issue Date Guarantors of certain intercompany loan receivables.

In addition, within 120 days following the Issue Date, the Notes will also be guaranteed on a senior basis by the Post–Issue Date Guarantors.

The Parent Guarantor may not be successful in procuring such liens or Guarantees within the time periods specified and the Liens over the Collateral and the Guarantees will be subject to certain agreed security principles that could relieve certain Guarantors or other subsidiaries of the obligation to grant security interests in shares or intercompany loan receivables otherwise expected to form part of the Collateral or the obligation to provide a Guarantee which could have a material adverse effect on the credit support available to you in connection with your investment in the Notes.

The Collateral may not be sufficient to secure the obligations under the Notes.

The Notes and the Guarantees will be secured by security interests in the Collateral described in this Offering Memorandum, which Collateral will also secure the obligations under the Revolving Credit Facility and may secure certain hedging obligations. In addition, the Indenture and the Intercreditor Agreement will permit us to incur further debt in certain circumstances that will receive proceeds from the enforcement of security granted over the Collateral prior to or *pari passu* with the holders of the Notes. Your rights to the Collateral may be reduced by any increase in the debt secured by the Collateral or a reduction of the Collateral. To the extent that other first-priority security interests, pre-existing liens, liens permitted under the Indenture and other rights encumber the Collateral securing the Notes, those parties may have or may exercise rights and remedies with respect to the Collateral that could adversely affect the value of the security and the ability of the Security Agent to realize or foreclose on the security.

No appraisal of the fair market value of the Collateral has been made in connection with this offering of Notes. The value of the Collateral and the amount to be received upon an enforcement sale of such Collateral will be subject to fluctuation and will depend upon many factors, including, among others, our ability to implement our business strategy, the ability to sell the Collateral in an orderly sale, the condition of the economies in which operations are located or sales take place, and the availability of buyers. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value.

Likewise, we cannot assure you that there will be a market for the sale of the Collateral or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, the share pledges of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding.

It may be difficult to realize the value of the Collateral and the ability of the Security Agent to enforce certain of the Collateral may be restricted.

The Collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture and Intercreditor Agreement and accepted by other creditors that have the benefit of security interests in the Collateral from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Notes, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under the laws of certain jurisdictions.

The ability of the Security Agent to enforce on the Collateral located in a particular jurisdiction or governed by the law of a particular jurisdiction is subject to mandatory provisions of the law of such jurisdiction. Enforcement of the Collateral may also be subject to certain statutory limitations and defenses or to limitations contained in the terms of the Security Documents designed to ensure compliance with applicable statutory requirements.

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests in collateral. For example, under the laws in certain of the jurisdictions where the Collateral may be located, the enforcement of share pledges, whether by means of a sale or an appropriation, is subject to certain specific requirements. See "*Certain Insolvency Law and Local Law Limitations*". The Security Agent may also be required to obtain the cooperation or consent of a third party to obtain or enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consents. We also cannot assure you that the cooperation or consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

Your ability to recover under the Collateral may be limited. Before any amounts are available to repay the Notes, lenders under our Revolving Credit Facility and counterparties to certain hedging obligations will have a right to be repaid with the proceeds realized following the enforcement of all or part of the Collateral.

The obligations under the Notes and the Guarantees are secured by security interests over Collateral granted to secure obligations under the Revolving Credit Facility. Additionally, pursuant to the terms of the Indenture and the Intercreditor Agreement, certain hedging obligations will also be secured by security interests over the

Collateral. Pursuant to the Intercreditor Agreement, the lenders under the Revolving Credit Facility and certain priority hedging arrangements entered into pursuant to the Intercreditor Agreement will have priority over the holders of the Notes with respect to the proceeds of enforcement or a distressed disposal. As such, you may not be able to recover on the Collateral if the claims of the lenders under the Revolving Credit Facility and certain hedging obligations are greater than the proceeds realized from any enforcement sale or distressed disposal of the Collateral. In addition, the Collateral will also secure certain future indebtedness on a *pari passu* basis and certain future indebtedness permitted by the Indenture. Any proceeds from an enforcement sale or distressed disposal of the Collateral by any creditor will, after all obligations under the Revolving Credit Facility and certain hedging obligations in relation thereto, if any, have been paid from such recoveries, be applied pro rata in repayment of the Notes, other *pari passu* debt and any other such secured obligations. Subject to certain conditions, any security interest in the Collateral may be released at the time of an enforcement sale or distressed disposal of the pledged entity or of the assets or shares of any direct or indirect parent entity of such subsidiary. Following such an enforcement sale or distressed disposal, the Trustee (on behalf of the holders of Notes) and the holders of Notes will have no claims in relation to such entity and its direct and indirect subsidiaries under the Notes or any Guarantee.

The Notes and each of the Guarantees will be structurally subordinated to the liabilities and preference shares (if any) of any future non-Guarantor subsidiaries.

The aggregated unconsolidated Adjusted EBITDA of the Guarantors represented 85.0% of the Group's Adjusted EBITDA for the twelve months ended March 31, 2018 (without removing the effect of intra-group transactions) and the aggregated unconsolidated total assets of the Guarantors represented 91.7% of the Group's total assets (without removing intra-group assets and liabilities). Hence, not all of our subsidiaries will guarantee the Notes. Generally, holders of debt of, and trade creditors of, non-Guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payment of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Issuer or any Guarantor, as a direct or indirect shareholder of any such subsidiary. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-Guarantor subsidiaries:

- the creditors of the Issuer (including the holders of the Notes) will have no right to proceed against the assets of such non-Guarantor subsidiary; and
- holders of their indebtedness, their trade creditors and preference shareholders (if any) of such subsidiary will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity.

As such, the Notes and each of the Guarantees will be structurally subordinated to the creditors (including trade creditors) and any holders of preference shares of the non-Guarantor subsidiaries.

The Indenture will permit us to incur additional debt at subsidiaries which do not guarantee the Notes in the future, as a result of which the percentage of our EBITDA, revenues or total assets attributable to such non-Guarantor subsidiaries could increase. Our non-guarantor subsidiaries may not have sufficient funds to pay all of their respective creditors and you may not receive any payment on the Notes or receive less, rateably, than the holders of debt of our subsidiaries.

We may not be able to complete the Corporate Reorganization

Following the Offering we intend to complete a corporate reorganization pursuant to which we would transfer the shares in (i) Kongsberg Automotive AS, (ii) Kongsberg Automotive Sp. zoo., (iii) Kongsberg Raufoss Distribution SAS and (iv) Kongsberg Automotive AB, which are currently held directly by the Parent Guarantor to the Intermediate Parent Guarantor or any of its wholly owned subsidiaries (the "***Corporate Reorganization***"). Under the Revolving Credit Facility Agreement, we have untertaken to use our reasonable best efforts to implement the Corporate Reorganization subject to no material adverse tax impact, no diproportionate cost and no adverse third party rights or third party consents). Accordingly, there can be no assurance that the Corporate Reorganization will be implemented in a timely manner or at all. As a result, these Subsidiary Guarantors would not be part of the single point of enforcement over the pledge in the shares in the Intermediate Parent Guarantor and any holders of the Notes would have to enforce the share pledges over the shares in such Subsidiary Guarantors separately.

The aggregated unconsolidated Adjusted EBITDA of the Direct Subsidiaries of the Parent Guarantor *i.e.*, the subsidiaries of the Parent Guarantor (other than the Intermediate Parent Guarantor and its subsidiaries) that will be directly owned by the Parent Guarantor pro forma for the Corporate Reorganization represented 3.6% of the Group's Adjusted EBITDA for the twelve months ended March 31, 2018 (without removing the effect of intra-group transactions) and the aggregated unconsolidated total assets of the Direct Subsidiaries of the Parent Guarantor (other than the Intermediate Parent Guarantor and its subsidiaries) that will be directly owned by the Parent Guarantor pro forma for the Corporate Reorganization represented 4.0% of the Group's total assets (without removing intra-group assets and liabilities). These subsidiaries include certain of our Indian and Chinese operations, which we intend to grow in the future and the Indenture will not limit our ability to transfer assets to these subsidiaries.

There are circumstances other than repayment or discharge of the Notes under which the Collateral and the Guarantees will be released automatically without your consent or the consent of the Trustee.

Under various circumstances, the Collateral will be released automatically, including:

- in connection with any sale, assignment, transfer, conveyance or other disposition of Collateral to a person that is not the Issuer or a restricted subsidiary (but excluding any transaction subject to the provisions of *"Description of the Notes—Certain Covenants—Merger and Consolidation"* and excluding the share capital of the Parent Guarantor or the Issuer and any receivables on amounts owing by the Issuer to the Parent Guarantor or any parent of the Issuer), if such sale or other disposition does not violate the covenant described under "*Description of the Notes—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or is otherwise permitted in accordance with the Indenture;
- in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and capital stock, of such Guarantor;
- as described under "*Description of the Notes—Amendments and Waivers*" and "*Description of the Notes—Certain Covenants—Limitation on Liens*";
- upon payment in full of principal, interest and all other obligations on the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*Description of the Notes—Defeasance*" and "*Description of the Notes—Satisfaction and Discharge*";
- if the lien granted in favor of lenders under the Revolving Credit Facility or such other indebtedness that gave rise to the obligation to grant the lien over such Collateral is released (other than pursuant to the repayment and discharge thereof);
- if the Issuer designates any restricted subsidiary to be an unrestricted subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and capital stock, of such unrestricted subsidiary;
- in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;
- upon the full and final payment and performance of all financial obligations of the Issuer under the Indenture and the Notes;
- as permitted by the covenant described under "*Description of the Notes—Certain Covenants—Impairment of Security Interest*"; or
- as otherwise permitted in accordance with the Indenture.

The creditors under the Revolving Credit Facility and counterparties to certain hedging obligations may ultimately control enforcement actions with respect to the Collateral through the Security Agent, whether or not the holders of the Notes agree or disagree with those actions. See *"—Holders of the Notes will not control certain decisions regarding the Collateral*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

Under various circumstances, a Guarantee of a Guarantor will be released:

- upon a sale or other disposition (including by way of consolidation or merger) of the capital stock of the relevant Guarantor (other than the Parent Guarantor) (whether by direct sale or sale of a holding company as a result of which such Guarantor would no longer be a restricted subsidiary) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Parent Guarantor or a restricted subsidiary), otherwise permitted under the Indenture;

- upon the designation in accordance with the Indenture of the Guarantor as an unrestricted subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Notes in accordance with the Indenture, as provided for in "*Description of the Notes—Defeasance*" and "*Description of the Notes—Satisfaction and Discharge*" or upon full payment of the Notes and performance of all obligations of the Issuer and the Guarantors under the Indenture and the Notes;
- in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement, including upon an enforcement action;
- as described under "*Description of the Notes—Amendments and Waivers*";
- as described in "*Description of the Notes—Certain Covenants—Additional Guarantees*";
- to the extent that such Guarantor is not a Significant Subsidiary (as defined in the Indenture) and is released from its guarantee of the Revolving Credit Facility or from such other guarantee that gave rise to the requirement to guarantee the Notes under the covenant described under the caption "*Description of the Notes—Cretain Covenants—Additional Guarantees*"; provided that no other indebtedness is at that time guaranteed by the relevant Guarantor that would give rise to a requirement to guarantee payment of the Notes pursuant to the same covenant (see "*Description of the Notes—Notes Guarantees—Notes Guarantee Release*");
- as a result of any transaction permitted by the provisions of "*Description of the Notes—Certain Covenants—Merger and Consolidation*"; or

as otherwise permitted in accordance with the terms of the Indenture.

In addition, the Guarantees and Collateral will be subject to release as contemplated under the Intercreditor Agreement and the Indenture. See "*Description of the Notes—Notes Guarantees—Notes Guarantee Releases*", "*Description of the Notes—Security—Release of Liens*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

Upon any release of a Guarantee by a Guarantor in connection with an enforcement sale as described above, the creditors of such Guarantor would be entitled to be paid in full before any payment may be made to the holders of the equity of such Guarantor, if at all. In addition, the Collateral available to secure the Notes could be reduced in connection with the sales of assets or otherwise, subject to the requirements of the Indenture and the other financing documents.

Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The liens on the Collateral may not be perfected with respect to the claims of the Notes if we or the Security Agent fail or are unable to take the actions required to perfect any of these liens. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest can only be perfected at or promptly following the time such property and rights are acquired and identified.

The Security Agent may not monitor, or we may not comply with our obligations to inform the Security Agent of, any future acquisition of property and rights by us, and the necessary action may not be taken to properly perfect the security interest in such after-acquired property or rights. Neither the Security Agent nor the Trustee will have any obligation to monitor, and we may not comply with our obligation to inform the Trustee or Security Agent of, the acquisition, of additional property or rights that should constitute Collateral or the creation or perfection of any security interest. The failure to create or perfect such additional security interests may result in the invalidity of the relevant security interest or the holder of the security interest having difficulty enforcing such holder's rights in the Collateral with regard to third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral.

We will have control over the Collateral securing the Notes, and the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents may allow us to retain exclusive control over, and collect, invest and dispose of any income from the Collateral securing the Notes. So long as no default or event of default under the Indenture would result therefrom, we may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring, abandoning or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness.

The Issuer, the Parent Guarantor, the Intermediate Parent Guarantor and certain of the Subsidiary Guarantors do not have independent business operations and are dependent upon cash flow from the operating subsidiaries of the Group to meet their respective obligations on the Notes and the Guarantees.

The Issuer has no independent business operations. In addition, the Parent Guarantor, the Intermediate Parent Guarantor and certain of the Subsidiary Guarantors are holding companies without operating assets. As a result, the Issuer will be dependent on payments under the Proceeds Loan and, potentially in the future, on distributions and other payments made by its subsidiaries and other members of the Group, to service its payment obligation under the Notes. The Parent Guarantor, the Intermediate Parent Guarantor and the relevant Subsidiary Guarantors will depend upon the receipt of sufficient funds from our operating subsidiaries to meet their obligations. Following the Issue Date, the Parent Guarantor intends to make, and cause certain of its subsidiaries to make, payments on intercompany loans to provide funds to KA Group AG to make payments of interest and principal under the Proceeds Loan the Issuer in order to meet the obligations on the Notes and the Guarantees. The obligations under intercompany loans (including the Proceeds Loans) will be junior obligations and will be subordinated in right of payment to all existing and future senior and senior subordinated indebtedness of the Issuer, including obligations under, or guarantees of obligations under, the Revolving Credit Facility Agreement, the Notes and certain hedging obligations.

The amounts of dividends and distributions available to the Issuer, the Parent Guarantor and the non-operating Subsidiary Guarantors as well as their ability to make payments on intercompany loans (including the Proceeds Loan) will depend on the profitability and cash flow of the Group's operating subsidiaries and the ability of those subsidiaries to issue dividends under applicable law. The relevant subsidiaries, however, may not be able to, or may not be permitted under applicable law to, make distributions, advance or make payments on intercompany loans (including the Proceeds Loan) to the Issuer, the Parent Guarantor or the other non-operating Subsidiary Guarantors to make payments in respect of their respective indebtedness, including the Notes and the Guarantees. In particular, the ability of our operating subsidiaries to pay dividends to the Issuer, the Parent Guarantor or the other non-operating Subsidiary Guarantors will generally be limited to the amount of distributable reserves available to them. The subsidiaries of the Issuer from time to time that do not guarantee the Notes have no obligation to make payments with respect to the Notes.

Additionally, various agreements governing our debt may restrict, and in some cases, may actually prevent the ability of the subsidiaries to move cash within their restricted group. Such restrictions include those created by the Revolving Credit Facility Agreement and the Intercreditor Agreement, which limits payments of principal on the Notes prior to their stated maturity. See "*Description of Certain Financing Arrangements—Revolving Credit Facility*" and *"Description of Certain Financing Arrangements—Intercreditor Agreement*". Applicable tax laws may also subject such payments to further taxation. Applicable law may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments.

The inability to transfer cash among entities within their respective consolidated groups may mean that, even though the entities, in aggregate, may have sufficient resources to meet their obligations, they may not be permitted to make the necessary transfers from one entity in their restricted group to another entity in their restricted group in order to make payments to the entity owing the obligations.

The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.

The security interests in the Collateral that will secure the Issuer's obligations under the Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent. The Trustee will enter into the Intercreditor Agreement with among others, the Security Agent and representatives of the other indebtedness secured by the Collateral, including the Revolving Credit Facility and counterparties to certain hedging obligations. Other creditors may become parties to the Intercreditor Agreement in the future. Among other things, the Intercreditor Agreement governs the enforcement of the Security Documents, and will provide that, to the extent permitted by applicable law, only the Security Agent has the right to enforce the Security Documents relating to the Collateral on behalf of the Trustees and the holders of the Notes, the sharing in any recoveries from such enforcement and the release of the Collateral by the Security Agent. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Security Agent, who will follow instructions as set forth in the Intercreditor Agreement. To the extent that the security interests in the Collateral created for the benefit of the Trustee and the holders of the Notes are successfully challenged by other parties, holders of the Notes will not be entitled to receive on this basis any proceeds from an enforcement of the security interests in the Collateral. In addition, the holders of the Notes bear the risks associated with the possible insolvency or bankruptcy of the Security Agent. For more information, see "*Description of Certain Financing Arrangements—Intercreditor Agreement—Security Enforcement*" and "*Certain Insolvency Law and Local Law Limitations*".

The Collateral is limited to certain categories of assets.

The Collateral will be limited to pledges over the shares in the Issuer, the Intermediate Parent Guarantor and the Subsidiary Guarantors and the security assignment of certain intercompany receivables. See "*Description of the Notes—Security*". The Security Agent, and therefore indirectly the holders of the Notes, will only have an unsecured claim against any of our or the Guarantors' assets that do not constitute Collateral.

Enforcement of the Collateral across multiple jurisdictions may be difficult.

The Collateral will be governed by the laws of multiple jurisdictions. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions. The rights under the Collateral will thus be subject to the laws of the respective jurisdiction, and it may be difficult to effectively enforce such rights in multiple bankruptcies, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect the ability to enforce the security and to realize any recovery under the Notes and the Guarantees. A summary description of certain aspects of the insolvency laws of the Netherlands, Norway, Quebec (Canada), France, Hungary, Poland, Slovakia, Sweden, Switzerland, the United Kingdom and the United States are set out in "*Certain Insolvency Law and Local Law Limitations*".

Each Guarantee and Security Document will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.

The Guarantors will guarantee the payment of the Notes on a senior basis. Each Guarantee will provide the relevant holders of the Notes with a direct claim against the relevant Guarantor. In addition, the Guarantors will secure the payment of the Notes by granting security under the relevant Security Documents. However, the Indenture will provide that each Guarantee of a Guarantor and each security interest granted by it under a Security Document will be limited to the maximum amount that can be guaranteed or secured by the relevant Guarantor or security provider without rendering the relevant Guarantee or security interest voidable or otherwise ineffective under applicable law, and enforcement of each Guarantee or Security Document would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, related third party transactions, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

If one or more of these laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its Guarantee depending on the amounts of its other obligations and applicable law. Limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could limit the enforceability of any Guarantee against any Guarantor.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, a court could (i) subordinate or avoid or invalidate all or a portion of the obligations under any Guarantee of a Guarantor or the security interest granted by it under the Security Documents, (ii) if payment had already been made under a Guarantee or enforcement proceeds applied under a Security Document, require that the recipient (and possibly, subsequent transferees thereof) return the payment to the relevant Guarantor or security provider or (iii) take other action that is detrimental to you, if the court found, *inter alia*, that:

- the amount paid or payable under the relevant Guarantee or the enforcement proceeds under the relevant Security Document was in excess of the maximum amount permitted under applicable law;

- the relevant Guarantee or security interest under a Security Document was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the Guarantor or security provider or, in certain jurisdictions, when the granting of the Guarantee/security interest has the effect of giving a creditor a preference or even when the recipient was simply aware that the Guarantor or security provider was insolvent when it granted the relevant Guarantee or security interest;
- the grant of the Guarantee/security interest is, having regard to the risk accepted by the holders of the Notes, on terms which are, or were, such as to require grossly exorbitant payments to be made (whether conditionally or in certain contingencies) in respect of the subscription for the Notes or otherwise grossly contravenes ordinary principles of fair dealing;
- the Guarantor or security provider did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee or security interest and the Guarantor or security provider was:
(i) insolvent or rendered insolvent because of the relevant Guarantee or security interest;
(ii) undercapitalized or became undercapitalized because of the relevant Guarantee or Security Document; or
(iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Guarantee/security interest was not validly established or authorized or otherwise contravenes the relevant Guarantor or security provider's articles of association; or
- the relevant Guarantees/Security Documents were held to exceed the corporate objectives of the Guarantor or security provider or not to be in the best interests or for the corporate benefit of the Guarantor or security provider.

We cannot assure you which standard a court would apply in determining whether a Guarantor was "insolvent" at the relevant time or that, regardless of the method of the valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its Guarantee was issued, that payments to holders of the Notes constituted preferences, transactions at an undervalue, fraudulent transfers or conveyances on other grounds.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon applicable governing law. Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, is greater than the fair value of all its assets;
- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its existing debts and liabilities, including contingent and prospective liabilities, as they become due; or
- it cannot pay its debts as they become due.

The liability of each Guarantor under its Guarantee will be limited to the amount that will result in such Guarantee not constituting a preference, transaction at an undervalue, fraudulent conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurance as to what standard a court will apply in making a determination of the maximum liability of each Guarantor. There is a possibility that the entire Guarantee may be set aside, in which case the entire liability may be extinguished. If a court decided that a Guarantee was a preference, transaction at an undervalue, fraudulent transfer or conveyance and voided such Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor under the relevant Guarantee that has not been declared void. In the event that any Guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Guarantee obligations apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor, and if we cannot satisfy our obligations under the Notes or any Guarantee is found to be a preference, transaction at an undervalue, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes. See "*Certain Insolvency Law and Local Law Limitations*".

The insolvency laws of the Netherlands, Norway, Quebec (Canada), France, Hungary, Poland, Slovakia, Sweden, Switzerland and the United Kingdom may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar and may preclude you from recovering payments due on the Notes.

The Issuer's obligations under the Notes will be initially guaranteed by the Guarantors. The Issuer and the Guarantors are organized under the laws of the Netherlands, Norway, Quebec (Canada), France, Hungary, Poland, Slovakia, Sweden, Switzerland, the United Kingdom and the United States. In addition, the Notes will be secured by security interests over the shares in the Issuer, the Intermediate Parent Guarantor and the Subsidiary Guarantors and a security assignment of certain intercompany loan receivables of the Issuer and the Guarantors. In the event of a bankruptcy, insolvency or similar event, it is not possible to predict with certainty in which jurisdictions the insolvency or similar proceedings would first be commenced or how these proceedings would be resolved. Proceedings could be initiated in the Netherlands, Norway, Quebec (Canada), France, Hungary, Poland, Slovakia, Sweden, Switzerland, the United Kingdom and the United States, or any other relevant jurisdiction and your rights under the Notes, the Guarantees and the Collateral will be subject to the insolvency and administrative laws of the Netherlands, Norway, Quebec (Canada), France, Hungary, Poland, Slovakia, Sweden, Switzerland, the United Kingdom and the United States, as well as any other applicable jurisdiction.

Moreover, pursuant to Council Regulation (EC) no. 878/2015 on insolvency proceedings (the "***EU Insolvency Regulation***"), if a company conducts business in more than one Member State of the European Union, the insolvency laws of the Member State (other than Denmark) in which such company's center of main interests is found may apply, which could be the laws of a Member State different from the jurisdiction of incorporation.

There are a number of factors that are taken into account to ascertain the center of main interests, which should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The point at which this issue will be determined is at the time when the relevant insolvency proceedings are opened. The determination of where the Issuer or a Guarantor has their center of main interests would be a question of fact on which the courts of the different EU Member States may have differing and even conflicting views. It should also be noted that no final decisions have been taken in cases that have been brought before the European Court of Justice in relation to questions of interpretation or the effects of the EU Insolvency Regulation throughout the European Union. Furthermore, center of main interests is not a static concept and may change from time to time.

The insolvency laws of these jurisdictions may not be as favorable to your interests as creditors as the bankruptcy laws of United States, or certain other jurisdictions and there can be no assurance that you will be able to enforce your rights effectively in such complex, multiple bankruptcy, insolvency or other proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of the Issuer's and of the Guarantors' jurisdictions of organization or incorporation may be materially different from, or in conflict with, each other and those of the United States, including in the areas of the rights of creditors, the priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of the proceeding.

The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law should apply, adversely affect your ability to enforce your rights under the Notes and Guarantees in these jurisdictions or limit any amounts that you may receive. See "*Certain Insolvency Law and Local Law Limitations*" with respect to certain of the jurisdictions listed above.

Under certain circumstances, following a tender offer or offer to purchase the Notes, the Issuer may, at its option, redeem the Notes of non-tendering holders.

If, pursuant to any tender offer or other offer to purchase all of the Notes, holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not withdraw such Notes, the Indenture will permit the Issuer, at its option, to redeem the remaining outstanding Notes at a price equivalent to that paid pursuant to such purchase or tender offer (excluding any early tender premium). As a consequence, you may be required to surrender the Notes against your will at a price equivalent to the lowest price paid to tendering holders, including if such price is below par, and may not receive the return you expect to receive on the Notes. See "*Description of the Notes—Post-Tender Redemption*".

We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture.

Upon the occurrence of certain events constituting a "Change of Control", as defined in the Indenture, the Issuer would be required to offer to repurchase all outstanding Notes, in each case, at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest and additional amounts to the date of purchase, if any. See "*Description of the Notes—Change of control*". If a Change of Control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes or that the restrictions in the Revolving Credit Facility, the Indenture, the Intercreditor Agreement or its other existing contractual obligations, would allow us to make such required repurchases. A Change of Control may result in an event of default and/or mandatory prepayment under, or acceleration of, the Revolving Credit Facility and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. In addition, we expect that we would require third-party financing to make an offer to repurchase the Notes upon a Change of Control. We cannot assure you that it would be able to obtain such financing. Any failure by the Issuer to offer to purchase the Notes would constitute a default under each of the Indenture, which would, in turn, constitute a default under the Revolving Credit Facility and certain other indebtedness. See "*Description of the Notes—Change of control*".

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the Indenture. Except as described under "*Description of the Notes—Change of control*", the Indenture will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "Change of Control" in the Indenture will include a disposition of all or substantially all of the assets of the Parent Guarantor and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" the Parent Guarantor's assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.

The Notes are new securities for which there is currently no market. We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities.

Historically, the market for non-investment-grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors, which may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although application will be made to the Authority for listing of and permission to deal in the Notes on the Official List of the Exchange, we cannot assure you that the Notes will become or remain listed. Although no assurance can be made as to the liquidity of the Notes as a result of the admission to trading on the Official List of the Exchange, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes from the Exchange may have a material effect on a holder's ability to resell the Notes in the secondary market.

Although the Initial Purchasers have advised us that they currently intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the Securities Act and other applicable laws and regulations. Accordingly, we cannot assure you as to the development or liquidity of any market for the Notes.

The Notes may become subject to Dutch Withholding Tax

Under current law, payments under the Notes are not subject to withholding tax in the Netherlands. In 2017, the Dutch coalition government announced its intention to introduce an interest withholding tax in respect of interest payments to "low tax jurisdictions" and in situations which are considered "abusive". On February 23, 2018, the Dutch State Secretary of Finance published a letter addressing, among other matters, the previously announced introduction of an interest withholding tax. Although the exact scope of the legislation to be proposed is not yet known, an important clarification in that letter is that it is the intention that the new withholding tax will only apply to intra-group payments. Payments of interest on, for instance, publicly held listed securities should therefore fall outside of the scope of this new withholding tax. The new withholding tax is expected to be effective as from January 1, 2021.

Investors may face foreign exchange risks by investing in the Notes.

The Notes will be denominated and payable in euro. If investors measure their investment returns by reference to a currency other than euro, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the values of the euro relative to the currency by reference to which investors measure the return on their investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which the investors measure the return on their investments. There may be tax consequences for you as a result of any foreign exchange gains or losses from any investment in the Notes. See "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*" if you are a U.S. holder whose functional currency is the U.S. dollar.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities, and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Notes and the Guarantees have not been registered under, and we are not obligated to register the Notes or the Guarantees under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, they may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See "*Transfer Restrictions*". We have not agreed to or otherwise undertaken to register the Notes or the Guarantees, and do not have any intention of doing so.

The Notes will be initially held in book-entry form and therefore you must rely on the procedures of the relevant clearing system to exercise any rights and remedies.

Unless and until Notes in definitive registered form, or definitive registered notes are issued in exchange for book-entry interests (which may occur only in very limited circumstances), owners of book-entry interests will not be considered owners or holders of Notes. The nominee of the common depository for Euroclear and Clearstream will be the sole registered holder of the global notes with respect to the Notes. Payments of principal, interest and other amounts owing on or in respect of the relevant global notes representing the Notes will be made to The Bank of New York Mellon, London Branch, as principal paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests.

Accordingly, if you own a book-entry interest in the Notes, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and/or Clearstream on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters or on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until the relevant definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. We cannot assure you that the procedures to be implemented through Euroclear and Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

Certain covenants may be suspended upon the occurrence of a change in the Notes' ratings.

The Indenture will provide that, if at any time following the date of the Indenture, the Notes are rated as Baa3 or better by Moody's and BBB- or better from Standard & Poor's and no default or event of default has occurred and is continuing, then beginning that day certain covenants will cease to be applicable to such Notes. These covenants include: "*Description of the Notes—Certain Covenants—Limitation on Indebtedness*", "*Description of the Notes—Certain Covenants—Limitation on Restricted Payments*", "*Description of the Notes—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*", "*Description of the Notes—Certain Covenants—Limitation on Affiliate Transactions*", "*Description of the Notes—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*", "*Description of the Notes—Certain Covenants—Additional Guarantees*", the provisions of clause (3) of the first paragraph of the covenant described under "*Description of the Notes—Certain Covenants—Merger and Consolidation—The Issuer*" and the provisions of clause (3) of the first paragraph of the covenant described under "*Description of the Notes—Certain Covenants—Merger and Consolidation—The Parent Guarantors*". Notwithstanding the foregoing, if the rating assigned by any such rating agency to such Notes should subsequently decline to below Baa3 and BBB—respectively, the foregoing covenants will be reinstituted as at and from the date of such rating decline.

If these covenants were to be suspended, we would be able to incur additional debt or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

You may be unable to recover in civil proceedings for U.S. securities laws violations.

The Issuer, the Parent Guarantor, the Intermediate Parent Guarantor and certain of the Subsidiary Guarantors and their respective subsidiaries are organized outside of the United States. It is anticipated that nearly all of the directors and executive officers of the Issuer and the Guarantors will be non-residents of the United States and that a majority of their assets will be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, the Guarantors or their respective directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with non-U.S. There is therefore doubt as to the enforceability of civil liabilities based upon U.S. federal securities laws in an action to enforce a U.S. judgment in the Netherlands, Norway, Quebec (Canada), France, Hungary, Poland, Slovakia, Sweden, Switzerland and the United Kingdom. See "*Service of Process and Enforceability of Civil Liabilities*".

Use of Proceeds

We expect the gross proceeds from this offering of the Notes to be €275,000,000. Upon consummation of the Offering, we intend to use the gross proceeds from the offering of the Notes (i) to repay in full all amounts outstanding under the Existing Revolving Credit Facilities, (ii) for general corporate purposes and (iii) to pay fees and expenses in connection with the Transactions.

The estimated sources and uses of the Offering and the use of proceeds therefrom are set forth below. The actual amounts set forth in the table are subject to adjustment and may differ at the time of the consummation of the Offering, depending on several factors, including differences from our estimate of fees and expenses.

The following table illustrates the estimated sources and uses of funds.The actual amounts set forth in the table and in the accompanying footnotes are subject to adjustment and may differ at the time of consummation of the Offering depending on several factors, including differences from our estimate of costs, fees and expenses. You should read the table below in conjunction with the information contained elsewhere in this Offering Memorandum, particularly under the headings "*Capitalization*" and "*Description of Certain Financing Arrangements*".

Sources		Uses	
	(€ in millions)		(€ in millions)
Notes offered hereby[1]	275.0	Repayment of Existing Revolving Credit Facilities	
		USD Facility[2]	104.6
		EUR Facility[3]	162.0
		General corporate purposes	1.4
		Estimated transaction costs[4]	7.0
Total	275.0	Total	275.0

[1] Represents the gross proceeds from the issuance of €275.0 million aggregate principal amount of the Notes.

[2] Represents the aggregate outstanding principal amount of $122.5 million under facility A of the Existing Revolving Credit Facility Agreement (excluding accrued and unpaid interest and breakage costs of approximately €0.4 million). For presentational purposes, such amount has been converted into euro at an assumed exchange rate of $1.1709 per euro. This exchange rate is different from the exchange rate on March 31, 2018. Actual amounts may differ.

[3] Represents the aggregate outstanding amount of €162.0 million under facility B of the Existing Revolving Credit Facility Agreement (excluding accrued and unpaid interest and breakage costs of approximately €0.4 million). Actual amounts may differ.

[4] Represents estimated underwriting and commitment fees, legal and other professional fees and other costs and expenses related to the Transactions. Actual fees and expenses may differ.

Capitalization

The following table sets forth our total cash and our capitalization as of March 31, 2018, on a historical basis, as adjusted to give effect to the issuance and sale of 40,676,812 new shares (the "***New Shares***") in June 2018 and as further adjusted to give effect to the Transactions, as if each had occurred on March 31, 2018. The historical consolidated financial information has been derived from our Unaudited Interim Condensed Consolidated Financial Statements included elsewhere in this Offering Memorandum. The as adjusted information below is illustrative only and does not purport to be indicative of our capitalization following the completion of the Transactions.

This table should be read in conjunction with "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Description of the Notes*" and the consolidated financial statements and accompanying notes included elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since March 31, 2018.

	As of March 31, 2018		
	Actual	As adjusted for the Issuance of the New Shares	As further adjusted for the Transaction
		(€ in millions) (unaudited)	
Total cash and cash equivalents	40.4	80.8[1]	82.2[2]
Existing Revolving Credit Facilities[3]	277.3	277.3	–
Notes offered hereby[4]	–	–	275.0
Revolving Credit Facility[5]	–	–	–
Other local loans	1.1	1.1	1.1
Interest-bearing debt	278.4	278.4	276.1
Total equity	196.1[6]	236.5[7]	237.4[8]
Total capitalization[9]	474.5	514.9	513.4

[1] Represents the amount of total cash and cash equivalent as adjusted for the gross proceeds from the issuance and sale of the New Shares of NOK 386.4 million less transaction costs incurred in connection therewith. For presentational purposes only, the gross proceeds have been converted into euro at an assumed exchange rate of NOK 9.46 per euro.

[2] Represents the amount of total cash and cash equivalent, assuming the issuance and sale of the New Shares and the Transactions had occurred on March 31, 2018. Total cash and cash equivalents at the time of the completion of the Offering will be different because of, among other reasons, payment of accrued but unpaid interest on the Existing Revolving Credit Facility Agreement.

[3] Represents the aggregate outstanding principal amount under our Existing Revolving Credit Facilities as of March 31, 2018 and does not include any repayments after such date. As of March 31, 2018, €162.0 million and $135.0 million, respectively, were drawn under our Existing Revolving Credit Facilities. For presentational purposes, the U.S. dollar amount has been converted into euro using an assumed exchange rate of $1.1709 per euro. This exchange rate is different from the exchange rate on March 31, 2018. The carrying amount of our obligations under the Existing Revolving Credit Facilities as of March 31, 2018 was €272.5 million which was comprised of an aggregate outstanding principal amount of €271.6 million less unamortized capitalized transactions costs of €1.2 million and the impact of the first time adoption of IFRS 9 of negative €2.1 million. See note 4 to the Unaudited Interim Condensed Consolidated Financial Statements included elsewhere in this Offering Memorandum.

[4] Represents the aggregate principal amount of Notes to be issued in the Offering.

[5] Represents the €50.0 million Revolving Credit Facility, expected to be entered into on or about the Issue Date; it is expected that the Revolving Credit Facility will be undrawn as of the Issue Date. See "*Description of Certain Financing Arrangements—Revolving Credit Facility*".

[6] Represents total equity at carrying amount as shown in the Unaudited Interim Condensed Consolidated Financial Statements.

[7] Represents total equity at carrying amount as shown in the Unaudited Interim Condensed Consolidated Financial Statements as adjusted to reflect the impact of the issuance and sale of the New Shares less transaction costs incurred in connection therewith.

[8] Represents total equity as adjusted for the issuance of the New Shares as further adjusted to reflect the expenses from the write-off of unamortized capitalized issuance costs of €1.2 million in connection with the repayment of the Existing Revolving Credit Facilities, the reversal of a negative impact of €2.1 million in connection with the first time adoption of IFRS 9 related to the Existing Revolving Credit Facilities and assuming that any fees and expenses incurred in connection with the Transactions are capitalized, not considering any tax effects.

[9] Represents the sum of interest-bearing debt and total equity, each calculated as described above.

Selected Financial Information

The following tables set forth summary selected historical consolidated information of the Parent Guarantor as of and for the years ended December 31, 2015, 2016 and 2017 and as of March 31, 2018 and for the three months ended March 31, 2017 and, as derived from the Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements, which are included elsewhere in this Offering Memorandum. See "Presentation of Financial and Other Information and Certain Definitions—Financial Information".

Effective January 1, 2017, we changed our organizational structure and reorganized our business into three segments, namely Interior, Powertrain & Chassis and Specialty Products. Prior to January 1, 2017, our business comprised four segments, namely Driveline, Interior, Driver Control and Fluid Transfers. See note 7 of our 2017 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum. In our 2017 Audited Consolidated Financial Statements, we have recasted segment financial information as of and for the year ended December 31, 2016 under these new segments. However, in our 2016 Audited Consolidated Financial Statements and our 2015 Audited Consolidated Financial Statements, we only present our results of operations under the previous segments and as a result no financial information presenting our current segments is available for the year ended December 31, 2015. Therefore, the comparability of the segment information in our Audited Consolidated Financial Statements may be limited.

Until the second quarter of the year ended December 31, 2016, a commercial currency exposure was wrongly recognized as a financial item within the Powertrain & Chassis segment. The error has been corrected and reclassified from financial items to revenues in the 2016 Audited Consolidated Financial Statements and the comparative financial information for the year ended December 31, 2015 has been restated in the 2016 Audited Consolidated Financial Statements. In this Offering Memorandum the restated financial information for the year ended December 31, 2015 from the comparative column of the 2016 Audited Consolidated Financial Statements is presented.

We have adopted IFRS 15: Revenue from Contracts with Customers and IFRS 9: Financial Instruments for the reporting periods beginning on and after January 1, 2018. IFRS 9 has replaced *IAS 39: Financial Instruments: Recognition and Measurement* and sets out new requirements for the accounting of financial instruments including: classification, measurement, impairment and hedge accounting. IFRS 15 has replaced IAS 18: Revenue, IAS 11: Construction Contracts and related interpretation and established a new set of principles applied to reporting information about the nature, amount, timing and uncertainty of revenue and cash flow arising from contracts with customers. In accordance with the transition provisions of the aforementioned standards we have determined and recorded the cumulative impact of adopting IFRS 9 and IFRS 15 as at January 1, 2018. As a result, no comparative information is restated and as such the Audited Consolidated Financial Statements and Unaudited Interim Condensed. The Consolidated Financial Statements for the three months ended March 31, 2017 are not comparable to the Unaudited Interim Condensed Consolidated Financial Statements as of for the three months ended March 31, 2018.

The financial information marked as "audited" in tables in this Offering Memorandum is extracted from the Audited Consolidated Financial Statements. Financial information marked as "unaudited" in tables in this Offering Memorandum is not extracted from the Audited Consolidated Financial Statements and was either extracted from the Unaudited Interim Condensed Consolidated Financial Statements or is based on calculations of figures derived from the above-mentioned sources.

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting ratios and changes over time periods relating to financial and other data set forth in this Offering Memorandum are calculated using the numerical data in the consolidated financial statements of the Parent Guarantor and not using the numerical data subject to rounding in the narrative description thereof.

You should read the information set forth below in conjunction with the sections "Presentation of Financial and Other Information and Certain Definitions", "Summary—Summary Financial and Other Data", "Use of Proceeds", "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, including the notes thereto, included elsewhere in this Offering Memorandum.

Summary Consolidated Income Statement Data

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
			(€ in million)		
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Operating revenues	**1,016.0**	**985.7**	**1,056.6**	**280.4**	**288.3**
Raw material expenses	(444.6)	(418.8)	(478.7)	(129.2)	(128.6)
Change in inventories	3.7	(2.0)	26.1	9.1	2.0
Salaries and social expenses	(292.5)	(293.7)	(304.8)	(83.8)	(79.5)
Other operating expenses	(184.2)	(207.9)	(230.1)	(57.3)	(57.2)
Depreciation and impairment	(29.6)	(30.4)	(30.9)	(7.3)	(9.0)
Amortization and impairment	(36.5)	(14.7)	(14.5)	(3.8)	(1.2)
Total operating expenses	**(983.6)**	**(967.4)**	**(1,032.8)**	**(272.4)**	**(273.5)**
Operating (loss) / profit	**32.4**	**18.3**	**23.8**	**8.0**	**14.8**
Financial items					
Financial income	1.1	9.0	0.2	0.4	3.7
Financial expenses	(29.8)	(8.0)	(17.6)	(3.1)	(2.7)
Net financial items	**(28.7)**	**1.0**	**(17.4)**	**(2.6)**	**1.0**
(Loss) / profit before income tax	**3.7**	**19.3**	**6.4**	**5.3**	**15.7***
Income tax	(12.0)	(17.9)	(14.4)	(5.1)	(6.1)*
(Loss) / profit for the year/period	**(8.3)**	**1.3**	**(8.0)**	**0.2**	**9.7***

* The unaudited interim condensed consolidated income statement information for the three months ended March 31, 2018 and the twelve months ended March 31, 2018 is affected by the adoption of IFRS 15: Revenue from Contracts with Customers with effect from January 1, 2018. In accordance with the transition provisions of IFRS 15 we have determined and recorded the cumulative impact of adopting IFRS 15 as of January 1, 2018 of €2.5 million to retained earnings. As a result, no comparative information is restated and as such the Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2017 are not comparable to the Unaudited Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2018. For the three months ended March 31, 2018, the adoption of IFRS 15 had an impact on operating revenues and operating profit of €0.3 million, profit before income tax of €0.3 million, income tax of €0.1 million and profit for the period of €0.2 million. See note 1 to the Unaudited Interim Condensed Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Summary Consolidated Statement of Financial Position Data

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(€ in million)			
	(audited)	(audited)	(audited)	(unaudited)
Assets				
Non-current assets				
Deferred tax assets	41.8	32.4	23.7	28.4**
Intangible assets including goodwill	193.5	182.3	162.0	159.8
Property, plant and equipment	143.3	160.2	169.7	167.5
Investments in subsidiaries	0.0	0.0	0.0	0.0
Loans to subsidiaries and other non-current assets	1.1	1.1	3.5	4.9
Total non-current assets	**379.7**	**376.0**	**358.9**	**360.7***
Current assets				
Inventories	80.5	78.6	104.7	106.7
Trade and other receivables	184.0	202.5	218.9	248.0
Cash and cash equivalents	39.9	34.6	39.5	40.4
Total current assets	**304.4**	**315.6**	**363.1**	**395.1***
Total assets	**684.1**	**691.6**	**721.9**	**755.8***
Equity and liabilities				
Equity				
Share capital	21.2	22.4	20.7	21.0
Treasury shares	(0.2)	(0.1)	(0.1)	(0.1)
Share premium	175.6	185.6	171.4	174.2
Other reserves	54.0	35.9	42.1	34.6
Retained earnings	(40.2)	(38.9)	(46.9)	(37.2)**
Attributable to equity holders	**210.3**	**204.9**	**187.1**	**192.5***
Non-controlling interests	3.9	3.8	3.6	3.6
Total equity	**214.2**	**208.6**	**190.7**	**196.1**
Non-current liabilities				
Deferred tax liabilities	30.8	27.1	19.5	22.9
Retirement benefit obligations	17.9	18.1	17.1	17.0
Interest-bearing liabilities	253.9	238.4	257.8	273.6**
Other non-current interest-free liabilities	0.0	2.6	2.4	2.4
Total non-current liabilities	**302.5**	**286.2**	**296.8**	**315.9***
Current liabilities				
Bank overdraft	0.0	0.0	(0.0)	0.0
Other current interest-bearing liabilities	0.0	0.0	0.1	0.1
Current income tax liabilities	2.3	5.9	3.0	7.5
Trade and other payables	165.0	190.8	231.4	236.1
Total current liabilities	**167.3**	**196.8**	**234.5**	**243.8***
Total liabilities	**469.8**	**483.0**	**531.2**	**559.8***
Total equity and liabilities	**684.1**	**691.6**	**721.9**	**755.8***

* The unaudited consolidated statement of financial position data as of March 31, 2018 is affected by the adoption of IFRS 15: Revenue from Contracts with Customers with effect from January 1, 2018. In accordance with the transition provisions of IFRS 15 we have determined and recorded the cumulative impact of adopting IFRS 15 as of January 1, 2018 of €2.5 million to retained earnings. As a result, no comparative information is restated and as such the Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2017 are not comparable to the Unaudited Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2018. As of March 31, 2018, the adoption of IFRS 15, had an impact on total non-current assets of €2.3 million, total current assets of €0.7 million, total assets of €3.0 million, total equity of €2.2 million, total non-current liabilities of €0.4 million, total current liabilities of €0.4 million, total liabilities of 0.8 million and total equity and liabilities of €3.0 million. See note 1 to the Unaudited Interim Condensed Consolidated Financial Statements included elsewhere in this Offering Memorandum.

** The unaudited consolidated statement of financial position data as of March 31, 2018 is affected by the adoption of IFRS 9: Financial Instruments with effect from January 1, 2018. The impact of IFRS 9: Financial Instruments as of March 31, 2018 was an increase in deferred tax assets of €0.5 million and an increase in non-current interest bearing liabilities of €2.3 million. As a result, retained earnings and total equity decreased by €1.8 million. See note 1 to the Unaudited Interim Condensed Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Summary Consolidated Statement of Cash Flows Data

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
			(€ in million)		
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Cash flow from operating activities	73.5	70.8	38.3	6.4	(4.0)
Cash flow from investing activities	(43.5)	(50.5)	(49.3)	(7.9)	(8.1)
Cash flow from financing activities	(26.3)	(26.4)	18.1	(0.6)	13.7
Currency effects on cash	1.5	0.8	(2.3)	(0.3)	(0.6)
Net change in cash	5.2	(5.3)	4.9	(2.4)	1.0
Net cash at 31 December	**39.9**	**34.6**	**39.5**	**32.2**	**40.4**

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion and analysis of our financial condition and results of operations as of and for the years ended December 31, 2015, 2016 and 2017, and for the three months ended March 31, 2017 and 2018, as derived from our Audited Consolidated Financial Statements and Unaudited Interim Condensed Consolidated Financial Statements, which are included elsewhere in this Offering Memorandum.

The financial information marked as "audited" in tables in this Offering Memorandum is extracted from the Audited Consolidated Financial Statements. Financial information marked as "unaudited" in tables in this Offering Memorandum is not extracted from the Audited Consolidated Financial Statements but was either extracted from the Unaudited Interim Condensed Consolidated Financial Statements.

Certain numerical figures set out in this discussion, including financial data presented in millions or thousands and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this discussion may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting ratios or changes over time periods relating to financial and other data set forth in this discussion are calculated using the numerical data in the consolidated financial statements of the Parent Guarantor and not using the numerical data subject to rounding in the narrative description thereof.

You should read this discussion in conjunction with the sections entitled "Presentation of Financial and Other Information and Certain Definitions", "Selected Financial Information" and "Capitalization", which are included elsewhere in this Offering Memorandum. This discussion includes forward-looking statements, which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. See "Forward-Looking Statements" and, for a discussion of the risks and uncertainties which we face, "Risk Factors".

Overview

We are a leading supplier of components and systems for light duty vehicles, heavy duty vehicles, recreational vehicles, agricultural machinery, construction machinery and other industrial markets, as well as to the aftermarket. Our diversified product offering includes fluid & air handling systems, steering columns, hand controls, powertrain & chassis products, interior comfort products and cable products. With operations in 19 countries and 27 production facilities, we deliver high-quality, innovative products to a range of OEM, Tier 1 and other customers in Europe, the Americas and the Asia-Pacific region. Sales to customers in the original equipment heavy duty and light duty vehicle markets generated approximately 22% and 54% of our revenues in 2017, respectively, with the remainder derived from sales to customers in other end markets and the aftermarket. Within the light duty vehicle market, we are a top 100 global automotive supplier by sales of original equipment. We estimate that approximately one out of five light duty or heavy duty vehicles contains our products. We believe that our diversified portfolio exposes us to attractive growth trends in the markets in which we operate and minimizes our dependency on a single technology or development. For example, only a small amount of our revenues is derived from products that are directly related to internal combustion engines.

By working in close collaboration with our customers, we continuously develop and invest in new and improved products. As of March 31, 2018, we had more than 600 engineering and development staff worldwide, with seven technical centers strategically located in close proximity to our customers in Canada, China, Germany, the Netherlands, Norway, Sweden and the United States. We believe our strong product development capabilities, paired with our customized engineered products, differentiate our portfolio from our competitors. In addition, the deep customization of most of our products makes it costly to replace them within an OEM model cycle. Our portfolio covers a wide range of products, from components to sub-systems to highly sophisticated fully integrated systems across a wide price range. We believe that being a medium-sized automotive supplier enables us to tailor our product solutions to a greater extent than many larger automotive suppliers. Our smaller capacity production lines enable us to be more flexible to our customers' needs, while still having sufficient scale to deliver what they require. Moreover, our global operations provide us with the ability to serve our customers locally, with strategically located production capabilities in the same regions as our customers' facilities. As a result of these factors, we believe that we compete primarily on technical solutions, our ability to customize products and product quality rather than on price alone. Consequently, we enjoy stable and long-standing relationships with our

OEM and Tier 1 customers, for whom we often are the single supplier on a platform. We also have strong positions in most of the product and geographical markets in which we are active.

For the twelve months ended March 31, 2018, we generated operating revenues, Pro Forma Adjusted EBITDA and a Pro Forma Adjusted EBITDA margin of €1,064.5 million, €111.1 million and 10.4%, respectively. Our Booked Business, which we define as the estimated future revenues from new product nominations, expansion of nominations and recurring product orders over the lifetime of the respective nominations, contract extension or product orders, amounted to €1,520 million and €1,314 million in 2016 and 2017, respectively. This represents an average ratio of revenues to Booked Business of 1.4x for the two years ended December 31, 2017. Our shares have been listed on the Oslo Stock Exchange since 2005, and, as of July 6, 2018, our market capitalization was approximately €450 million.

We have three business segments, Interior, Powertrain & Chassis and Specialty Products, each of which has a market-leading position in niche markets:

- Our Interior segment serves our customers with interior comfort systems (such as seat ventilation, seat heat, lumbar support or seat massage systems) and light duty cables (such as seat cables, hood/bonnet release cables, trunk/tailgate/boot release cables and handles or interior and exterior door release cables) for the light duty vehicles market. We believe we are one of the only suppliers of fully integrated seat comfort systems.

- Our Powertrain & Chassis segment serves our customers with mechanically and electronically actuated gear shift systems for light and heavy duty vehicles. In addition, this segment delivers vehicle dynamics systems and chassis stabilizers to the heavy duty market. We also have a large aftermarket presence in this segment.

- Our Specialty Products segment operates in highly specialized niche markets. This segment contains three business units: Couplings (air couplings), Fluid Transfer Systems (hoses and tubes) and Off-Highway (steering columns, hand controls, pedals and displays). Our Off-Highway unit operates only in the non-automotive market, while our Couplings unit is exclusively focused on heavy duty vehicles and our Fluid Transfer Systems unit serves the light duty and heavy duty vehicle, industrial, and agricultural and construction machinery markets. We believe we are one of the global top three PTFE hose producers by revenue, among the two top suppliers by revenue in the Couplings business and one of the top three suppliers based on number of products supplied in pedals and electronic controls.

Our broad manufacturing footprint across geographies enables us to serve customers locally through production facilities that are located in the same region as our customers' facilities. We sell our products to our customers across Europe, North America, South America and Asia. In the year ended December 31, 2017, we generated 52.4% of our revenues in Europe, 32.3% in North America, 11.0% in Asia, 2.2% in South America and 2.0% in other regions. We currently have 27 production facilities worldwide. Our largest facilities are located in lower-cost countries such as Poland, Slovakia, Mexico and China. As these are also our manufacturing facilities with the highest growth rates, this is where we focus our growth investments.

We benefit from a well-diversified customer base and supply almost all major European and North American light duty vehicle and heavy duty vehicle OEMs and many Tier 1 suppliers. Our customers include Volvo, Renault Nissan, Bombardier Recreational Products ("BRP"), Fiat Chrysler Automobiles ("FCA"), Volkswagen, Geely, PSA, Ford, PACCAR, Daimler, Tata, BMW, General Motors, Adient, Lear and Magna. In 2017, approximately 60% of our revenues were generated from our top ten customers, with no single customer group representing more than 10% of our revenues.

Factors Affecting Our Results of Operations

Our results of operations are affected by the following factors, among others:

Global automotive market production and general macroeconomic conditions

We operate within the global automotive equipment industry and our business is significantly influenced by trends in the global markets for light duty and heavy duty vehicles. The demand for vehicles and production by OEMs depends to a large extent on the general economic conditions in the countries, regions and localities in which the OEMs which we directly or indirectly supply operate, as well as the economic conditions that affect the ultimate consumer of the vehicles. During periods of strong economic growth, the ultimate consumers of vehicles tend to have more disposable income (in the case of light duty vehicles) and are more willing to invest (in the case of heavy duty vehicles) and are therefore more likely to purchase new vehicles. Other key macroeconomic factors that have historically influenced demand for light duty and heavy duty vehicles are urbanization, the growth of the middle class (in particular in emerging markets), availability of consumer credit, consumer and business confidence and interest and inflation rate levels.

Global vehicle production levels have grown moderately between 2012 and 2017, with substantial growth being registered in Western Europe and China, which was partially offset by lower vehicle production in Japan and South America. Going forward, according to IHS, global light duty vehicle sales are forecasted to increase moderately with a 2.0% CAGR between 2018 and 2023 with particularly strong growth in South America, China and the Asia Pacific region (without China), partially offset by lower expected growth rates in North America and Europe. The global truck market is forecasted to grow with a CAGR of 1.6% between 2018 and 2023 with strong growth in South America and Europe being partially offset by lower growth rates in China and North America.

Raw material costs

Purchases of raw materials for use in the manufacture of our products accounted for the largest portion of our operating costs. For the years ended December 31, 2015, 2016 and 2017, our raw material expenses represented 43.8%, 42.5% and 45.3% of our revenues, respectively. The primary raw materials used in many of our products are Steel, brass (zinc and copper), aluminum and polymer resin. The prices for these raw materials are influenced by macroeconomic factors as well as other factors including supply and demand dynamics and industry cycles. After a period of price decreases, prices for these raw materials have increased significantly since 2016 and have reached long-term highs. In addition, prices for these raw materials have fluctuated significantly in response to relative minor changes in supply and demand as well as other factors, including government regulation, beyond our control.

Generally, our supply agreements in the light duty vehicle industry do not allow us to pass on increased raw material prices to customers. However, a substantial part of our products based on steel and brass (zinc and copper) is sold to truck manufacturers. Business practice in the truck industry allows us to some extent to pass increases in raw material prices with a time lag of between three and six months.

Exchange rate fluctuations

We are a global company operating in 19 countries worldwide. Therefore revenues and, to a lower degree, our results of operations are affected by exchange rate fluctuations. We are primarily exposed to the euro/U.S. dollar exchange rate and to a lower degree to the exchange rate of the euro to the Norwegian kroner, the Swedish krona, the Polish zloty, the Hungarian forint, the Canadian dollar, the Mexican peso and the Chinese renminbi.

Our foreign exchange rate exposure arises from transaction effects, *i.e.*, effects from commercial transactions, and translation effects, *i.e.*, effects in connection with changes in the fair value of assets, liabilities and investments denominated in a currency other than euro. In relation to transaction effects, our costs are predominantly incurred in the same currency as the relevant revenue stream, which enables us to largely hedge against currency fluctuations. Although changes in foreign exchange rates have in the past and will in the future affect the amount of revenues and costs we recognize, we believe that we are partially hedged against such fluctuations because the effects of revenues and costs in foreign currencies usually offset each other to a degree. We prepare our consolidated financial statements in euro, while the financial statements of each of our subsidiaries are prepared in their functional currencies. Therefore we are subject to exchange rate fluctuation risks through the translation of foreign currency financial statements into euro for consolidation. See also "*—Quantitative and Qualitative Disclosures about Market Risk—Foreign Exchange Risk*".

Improvement plan

Our results of operations have in the past been, and will continue to be, affected by the implementation of our improvement program. Since the year ended December 31, 2016, we have incurred significant expenses in connection with our improvement program which had a negative effect on our results of operations and, while we expect that the majority of the restructuring costs had been recognized as of March 31, 2018, we will continue to incur some expenses in the coming years. These expenses mainly comprise plant closure costs (including severance and redundancy payments), costs for the transfer of production to new sites, temporary supply-chain transition costs, consulting costs and the costs for the set-up of our new operational headquarters in Switzerland.

At the same time, the implementation of our improvement program has had, and we expect will continue to have, a positive impact on our results of operations through a lower manufacturing cost base, increased efficiency and a lower tax rate going forward. We started to realize the first benefits of our improvement program in the year ended December 31, 2017 and the three months ended March 31, 2018. We expect the benefits from our improvement program to further increase over the coming years and to realize significant annual cost savings by 2019. See also "*Summary—Improvement Plan*".

Seasonality

Our business is to a certain extent seasonal. Our working capital requirements typically increase during the first and third quarters of the year and reduce towards the end of the year. This is due to the following factors. OEMs typically slow down vehicle production during certain periods of the year. For example, European OEMs generally scale back or halt vehicle production during the summer holidays, and Christmas holidays in Europe and the Americas can impact demand for our products during December, when they often also conduct maintenance work and adjustments to their inventories.

Factors Affecting Comparability

Effective January 1, 2017, we changed our organizational structure and reorganized our business into three segments, namely Interior, Powertrain & Chassis and Specialty Products. Prior to January 1, 2017, our business comprised four segments, namely Driveline, Interior, Driver Control and Fluid Transfers. In our 2017 Audited Consolidated Financial Statements, we present our results of operations for the year ended December 31, 2016 under these new segments. However, in our 2016 Audited Consolidated Financial Statements and our 2015 Audited Consolidated Financial Statements, we only present our results of operations under the previous segments. Therefore, the comparability of our results by segment as reflected in our Audited Consolidated Financial Statements may be limited.

We have adopted IFRS 15: Revenue from Contracts with Customers and IFRS 9: Financial Instruments for the reporting periods beginning on and after January 1, 2018. IFRS 9 has replaced *IAS 39: Financial Instruments: Recognition and Measurement* and sets out new requirements for the accounting of financial instruments including: classification, measurement, impairment and hedge accounting. IFRS 15 has replaced IAS 18: Revenue, IAS 11: Construction Contracts and related interpretation and established a new set of principles applied to reporting information about the nature, amount, timing and uncertainty of revenue and cash flow arising from contracts with customers. In accordance with the transition provisions of the aforementioned standards we have determined and recorded the cumulative impact of adopting IFRS 9 and IFRS 15 as at January 1, 2018. As a result, no comparative information is restated and as such the Audited Consolidated Financial Statements Unaudited Interim Condensed and Consolidated Financial Statements for the three months ended March 31, 2017 are not comparable to the Unaudited Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2018.

Description of Key Income Statement Line Items

Below is a summary description of our key income statement line items:

Operating Revenues

Our revenues are mainly derived from the sale of our products to OEM, Tier 1 and other customers. Refer to notes 3 and 5 in the Audited Financial Statements for accounting policies related to revenue recognition.

Raw material expenses

Raw material expenses include purchases of raw materials net of volume discounts, discounts for prompt payments, purchase returns and similar expenses. The main raw materials we use in our manufacturing processes are steel, brass (zinc and copper), aluminum and polymer material.

Change in inventories

Change in inventories represents the variation of raw material, work in progress and finished products stocks over the period.

Salaries and social expenses

Salaries and social expenses comprise of wages and salaries, social security costs, pension costs for our defined benefit and defined contribution pension plans and other employee-related expenses such as bonus costs. Restructuring personnel costs are recognized within salaries and social expenses.

Other operating expenses

Other operating expenses include operating and administrative expenses such as freight costs, facility costs, purchases of consumables, repair and maintenance costs, service costs, leasehold expenses and travel costs. Restructuring costs (other than personnel costs) and costs of loss making contracts are also recognized within other operating expenses with the exception of restructuring personnel costs.

Depreciation and impairment

Depreciation and impairment relates to the depreciation of our property, plant and equipment. These assets are depreciated over their useful economic lives using the straight-line method. The useful economic life is usually between approximately three and thirty-three years, depending on the type of property, plant or equipment.

Property, plant and equipment is recognized at cost, which include duties, taxes, installation and commissioning costs relating to making the non-current asset available for use. Subsequent costs, such as repair and maintenance costs, are expensed when incurred unless an increased future benefit arises as a result of such repair and maintenance work. Such costs are recognized as additions to non-current assets.

Carrying amounts of tangible assets are reviewed at the end of each fiscal year to determine whether there is an indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash-generating unit to which the asset belongs.
See also notes 3 and 4 to our 2017 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Amortization and impairment

Amortization and impairment relates to the amortization of intangible assets other than goodwill and the impairment of intangible assets including goodwill. Intangible assets are amortized on a straight-line basis over their useful economic lives, which is three years for software, five years for internally generated intangible assets, twenty-one years for patents and ten years for acquired customer relationships.

Carrying amounts of intangible assets are reviewed at the end of each fiscal year, or more frequently in the case of goodwill, to determine whether there is an indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash-generating unit to which the asset belongs.

See also notes 3, 4 and 12 to our 2017 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Financial income

Financial income primarily consists of foreign currency realized and unrealized gains, increases in the fair value of financial derivatives and interest income.

Financial expenses

Financial expenses primarily consists of interest expenses, realized and unrealized foreign currency losses, decreases in the fair value of financial derivatives and other items such as arrangement or factoring fees.

Income tax

Income tax represents current taxes on profits for the years and adjustments in respect of prior years as well as changes in deferred tax assets.

Results of Operations

The following table provides an overview of our consolidated results of operations for the years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2017 and 2018:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	(€ in million)				
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Operating revenues	**1,016.0**	**985.7**	**1,056.6**	**280.4**	**288.3**
Raw material expenses	(444.6)	(418.8)	(478.7)	(129.2)	(128.6)
Change in inventories	3.7	(2.0)	26.1	9.1	2.0
Salaries and social expenses	(292.5)	(293.7)	(304.8)	(83.8)	(79.5)
Other operating expenses	(184.2)	(207.9)	(230.1)	(57.3)	(57.2)
Depreciation and impairment	(29.6)	(30.4)	(30.9)	(7.3)	(9.0)
Amortization and impairment	(36.5)	(14.7)	(14.5)	(3.8)	(1.2)
Total operating expenses	**(983.6)**	**(967.4)**	**(1,032.8)**	**(272.4)**	**(273.5)**
Operating (loss) / profit	**32.4**	**18.3**	**23.8**	**8.0**	**14.8**
Financial items:					
Financial income	1.1	9.0	0.2	0.4	3.7
Financial expenses	(29.8)	(8.0)	(17.6)	(3.1)	(2.7)
Net financial items	**(28.7)**	**1.0**	**(17.4)**	**(2.6)**	**1.0**
(Loss) / profit before income tax	**3.7**	**19.3**	**6.4**	**5.3**	**15.7**
Income tax	(12.0)	(17.9)	(14.4)	(5.1)	(6.1)
(Loss) / profit for the year	**(8.3)**	**1.3**	**(8.0)**	**0.2**	**9.7**

Three months ended March 31, 2017 compared to three months ended March 31, 2018

The following table sets forth our results of operations for the three months ended March 31, 2017 and 2018:

	Three months ended March 31,		Change
	2017	2018	in %
	(€ in million)		
	(unaudited)	(unaudited)	
Operating revenues	**280.4**	**288.3**	**2.8**
Raw material expenses	(129.2)	(128.6)	(0.5)
Change in inventories	9.1	2.0	(78.0)
Salaries and social expenses	(83.8)	(79.5)	(5.1)
Other operating expenses	(57.3)	(57.2)	(0.2)
Depreciation and impairment	(7.3)	(9.0)	23.3
Amortization and impairment	(3.8)	(1.2)	(68.4)
Total operating expenses	**(272.4)**	**(273.5)**	**0.4**
Operating (loss) / profit	**8.0**	**14.8**	**85.0**
Financial items			
Financial income	0.4	3.7	–*
Financial expenses	(3.1)	(2.7)	(12.9)
Net financial items	**(2.6)**	**1.0**	**–***
(Loss) / profit before income tax	**5.3**	**15.7**	**196.2**
Income tax	(5.1)	(6.1)	19.6
(Loss) / profit for the year	**0.2**	**9.7**	**–***

* not meaningful

Operating Revenues

Operating revenues increased by €7.9 million, or 2.8%, from €280.4 million for the three months ended March 31, 2017 to €288.3 million for the three months ended March 31, 2018. The increase was due primarily to higher sales of our Powertrain & Chassis and Specialty Products segments, partially offset by negative currency translation effects of €18.7 million and lower sales in our Interior segment.

Interior: Operating revenues generated by our Interior segment decreased by €5.6 million, or 7.4%, from €75.8 million for the three months ended March 31, 2017 to €70.2 million for the three months ended March 31, 2018. The decrease was due primarily to negative currency effects of €2.4 million. The decrease in revenues also reflected the sale of our North American headrest and armrest business, which we completed in the first quarter of 2017. The decrease was offset in part by increased sales in the segment's Interior Comfort Systems business unit in China and Europe.

Powertrain & Chassis: Operating revenues generated by our Powertrain & Chassis segment increased by €6.2 million, or 6.1%, from €102.3 million for the three months ended March 31, 2017 to €108.5 million for the three months ended March 31, 2018. The increase was due primarily to new customers and products as well as higher demand for existing products from heavy duty vehicle customers in North America and increased demand in Brazil as a result of an improving economy. This increase was offset in part by negative currency translation effects in an amount of €7.2 million.

Specialty Products: Operating revenues generated by our Specialty Products segment increased by €6.4 million, or 6.2%, from €103.0 million for the three months ended March 31, 2017 to €109.4 million for the three months ended March 31, 2018. The increase was driven by all business units within the Specialty Products Segment and in particular growing sales in China and Europe of our Couplings business. This effect was only partially offset by negative currency translation effects in an amount of €9.1 million.

Sales to customers by geographic region: The following table provides an overview of our sales to customers by geographic region:

	Three months ended March 31, 2017		Three months ended March 31, 2018	
	(€ in million) (unaudited)	%	(€ in million) (unaudited)	%
Europe	144.9	51.7	153.4	53.2
North America	100.8	36.0	93.2	32.3
South America	5.3	1.9	6.6	2.3
Asia	27.6	9.9	34.1	11.8
Other	1.7	0.6	0.9	0.3
Total operating revenues	**280.4**		**288.3**	

Sales to customers in Europe, South America and Asia all increased, partially offset by a decrease in sales to customers in North America and other regions. Sales to customers in Europe increased by €8.5 million, or 5.9%, from €144.9 million for the three months ended March 31, 2017 to €153.4 million for the three months ended March 31, 2018. The increase was primarily due to our Interior Comfort Systems business unit.

Sales to customers in North America decreased by €7.6 million, or 7.5%, from €100.8 million for the three months ended March 31, 2017 to €93.2 million for the three months ended March 31, 2018. The decrease was due primarily to the sale of our North American headrest and armrest business in the three months ended March 31, 2017.

Sales to customers in South America increased by €1.3 million, or 24.5%, from €5.3 million for the three months ended March 31, 2017 to €6.6 million for the three months ended March 31, 2018. The increase was primarily due to higher sales of our Powertrain & Chassis segment in Brazil as a result of an improving economy.

Sales to customers in Asia increased by €6.5 million, or 23.6%, from €27.6 million for the three months ended March 31, 2017 to €34.1 million for the three months ended March 31, 2018. The increase was primarily due to sales in China which was mainly driven by sales of our Couplings business unit.

Raw material expenses

Raw material expenses decreased by €0.6 million, or 0.5%, from €129.2 million for the three months ended March 31, 2017 to €128.6 million for the three months ended March 31, 2018. The decrease was in line with the decreasing change in inventory, which was partially offset by an increase in product sales.

Change in inventories

Change in inventories decreased by €7.1 million, or 78.0%, from €9.1 million for the three months ended March 31, 2017 to €2.0 million for the three months ended March 31, 2018. The decrease was primarily due to inventory build-ups linked to restructuring activities during the three months ended March 31, 2017.

Salaries and social expenses

Salaries and social expenses decreased by €4.3 million, or 5.1%, from €83.8 million for the three months ended March 31, 2017 to €79.5 million for the three months ended March 31, 2018. The decrease was primarily due to higher restructuring costs accounted for in the first quarter of 2017.

Other operating expenses

Other operating expenses remained stable with €57.3 million for the three months ended March 31, 2017 compared to €57.2 million for the three months ended March 31, 2018.

Depreciation and impairment

Depreciation and impairment increased by €1.7 million, or 23.3%, from €7.3 million for the three months ended March 31, 2017 to €9.0 million for the three months ended March 31, 2018. The increase was primarily due to impairment of a production line due to underutilization.

Amortization and impairment

Amortization and impairment decreased by €2.6 million, or 68.4%, from €3.8 million for the three months ended March 31, 2017 to €1.2 million for the three months ended March 31, 2018. The decrease was primarily due to the full amortization of intangible assets from the TELEFLEX purchase in 2008 as of December 31, 2017.

Financial income

Financial income increased by €3.3 million from €0.4 million for the three months ended March 31, 2017 to €3.7 million for the three months ended March 31, 2018. The increase was primarily due to unrealized and realized foreign exchange gains amounting to €3.7 million for the three months ended March 31, 2018 in comparison to €0.4 million for the three months ended March 31, 2017.

Financial expenses

Financial expenses decreased by €0.4 million, or 12.9%, from €3.1 million for the three months ended March 31, 2017 to €2.7 million for the three months ended March 31, 2018. The decrease was primarily due to one-off effects in the three months ended March 31, 2017.

Income tax

Income tax increased by €1.0 million, or 19.6 %, from €5.1 million for the three months ended March 31, 2017 to €6.1 million for the three months ended March 31, 2018. The increase was due primarily to higher profit before tax.

Year ended December 31, 2016 compared to the year ended December 31, 2017

The following table sets forth our results of operations for the years ended December 31, 2016 and 2017:

	Year ended December 31,		
	2016	2017	Change in %
	(€ in million)		
	(audited)	(audited)	
Operating revenues	**985.7**	**1,056.6**	**7.2**
Raw material expenses	(418.8)	(478.7)	14.3
Change in inventories	(2.0)	26.1	–*
Salaries and social expenses	(293.7)	(304.8)	3.8
Other operating expenses	(207.9)	(230.1)	10.7
Depreciation and impairment	(30.4)	(30.9)	1.6
Amortization and impairment	(14.7)	(14.5)	(1.4)
Total operating expenses	**(967.4)**	**(1,032.8)**	6.8
Operating (loss) / profit	**18.3**	**23.8**	30.1
Financial items			
Financial income	9.0	0.2	(97.8)
Financial expenses	(8.0)	(17.6)	120
Net financial items	**1.0**	**(17.4)**	–*
(Loss) / profit before income tax	**19.3**	**6.4**	(66.8)
Income tax	(17.9)	(14.4)	(19.6)
(Loss) / profit for the year	**1.3**	**(8.0)**	–*

* not meaningful

Operating Revenues

Operating revenues increased by €70.9 million, or 7.2%, from €985.7 million for the year ended December 31, 2016 to €1,056.6 million for the year ended December 31, 2017. The increase was due primarily to higher operating revenues generated by our Powertrain & Chassis and Specialty Products segments, offset in part by lower sales of our Interior segment.

Interior: Operating revenues generated by our Interior segment decreased by €13.9 million, or 5.0%, from €277.8 million for the year ended December 31, 2016 to €263.9 million for the year ended December 31, 2017. The decrease was due primarily to the sale of our North American headrest and armrest business, which we completed in the first quarter of 2017. The decrease was offset in part by positive currency effects in an amount of €1.1 million and higher sales of our Interior Comfort Systems business unit in China and Europe.

Powertrain & Chassis: Operating revenues generated by our Powertrain & Chassis segment increased by €57.0 million, or 16.3%, from €350.4 million for the year ended December 31, 2016 to €407.4 million for the year ended December 31, 2017. The increase was due primarily to higher sales of gear shift systems for light duty vehicles in China, Europe and North America, which was partially offset by negative currency effects in an amount of €3.9 million.

Specialty Products: Operating revenues generated by our Specialty Products segment increased by €27.8 million, or 7.8%, from €357.5 million for the year ended December 31, 2016 to €385.3 million for the year ended December 31, 2017. The increase was due primarily to higher sales of Couplings products, specifically in China and Europe, and increased demand for the segment's products for heavy duty vehicles in Europe. The increase was offset in part by negative currency effects in an amount of €5.8 million.

Sales to customers by geographic region: The following table provides an overview of our sales to customers by geographic region:

	Year ended December 31, 2016		Year ended December 31, 2017	
	(€ in million) (audited)	%	(€ in million) (audited)	%
Europe	485.8	49.3	554.1	52.4
North America	385.3	39.1	341.6	32.3
South America	16.5	1.7	22.9	2.2
Asia	89.7	9.1	116.7	11.0
Other	8.3	0.8	21.3	2.0
Total operating revenues	**985.7**	**100.0**	**1,056.6**	**100.0**

Sales to customers in Europe, South America, Asia and other regions all increased, partially offset by a decrease in sales to customers in North America. Sales to customers in Europe increased by €68.3 million, or 14.1%, from €485.8 million for the year ended December 31, 2016 to €554.1 million for the year ended December 31, 2017. The increase was primarily due to higher sales of gear shift systems for light duty vehicles and higher sales of the Interior Comfort Systems business unit.

Sales to customers in North America decreased by €43.8 million, or 11.4%, from €385.3 million for the year ended December 31, 2016 to €341.6 million for the year ended December 31, 2017. The decrease was primarily due to the sale of our North American headrest and armrest business in the three months ended March 31, 2017.

Sales to customers in South America increased by €6.4 million, or 38.8%, from €16.5 million for the year ended December 31, 2016 to €22.9 million for the year ended December 31, 2017. The increase was primarily due to higher sales of our Powertrain & Chassis segment in the Brazilian market.

Sales to customers in Asia increased by €27.0 million, or 30.1%, from €89.7 million for the year ended December 31, 2016 to €116.7 million for the year ended December 31, 2017. The increase was primarily due to higher sales of gearshift systems for light duty vehicles but also due to higher sales of Coupling, Off-Highway and Interior Comfort Systems products in the Chinese market.

Raw material expenses

Raw material expenses increased by €59.9 million, or 14.3%, from €418.8 million for the year ended December 31, 2016 to €478.7 million for the year ended December 31, 2017. The increase was due primarily to higher costs of raw materials.

Change in inventories

Change in inventories changed from negative €2.0 million for the year ended December 31, 2016 to positive €26.1 million for the year ended December 31, 2017. The change was due primarily to an increase in revenues but also to inventory build-ups linked to restructuring activities in the year ended December 31, 2017.

Salaries and social expenses

Salaries and social expenses increased by €11.1 million, or 3.8%, from €293.7 million for the year ended December 31, 2016 to €304.8 million for the year ended December 31, 2017. The increase was due primarily to personnel restructuring costs incurred during the year ended December 31, 2017.

Other operating expenses

Other operating expenses increased by €22.2 million, or 10.7%, from €207.9 million for the year ended December 31, 2016 to €230.1 million for the year ended December 31, 2017. The increase was due primarily to other restructuring costs and higher freight expenses.

Depreciation and impairment

Depreciation and impairment increased by €0.5 million, or 1.6%, from €30.4 million for the year ended December 31, 2016 to €30.9 million for the year ended December 31, 2017. Depreciation was in line with the year ended December 31, 2016 and no significant impairment occurred in the year ended December 31, 2017.

Amortization and impairment

Amortization and impairment decreased by €0.2 million, or 1.4%, from €14.7 million for the year ended December 31, 2016 to €14.5 million for the year ended December 31, 2017. Amortization was in line with the year ended December 31, 2016 and no significant impairment occurred in the year ended December 31, 2017.

Financial income

Financial income decreased by €8.8 million, or 97.8%, from €9.0 million for the year ended December 31, 2016 to €0.2 million for the year ended December 31, 2017. The decrease was due primarily to foreign exchange and derivatives gains in the year ended December 31, 2016 of €8.8 million while being negative in the year ended December 31, 2017.

Financial expenses

Financial expenses increased by €9.6 million, or 120.0%, from €8.0 million for the year ended December 31, 2016 to €17.6 million for the year ended December 31, 2017. The increase was due primarily to foreign exchange losses and changes in derivatives amounting to negative €6.0 million in the year ended December 31, 2017. Interest expenses also increased by €3.2 million to €10.1 million in the year ended December 31, 2017 because of an increased amount of debt, increased interest rates due to the bank waiver granted in December 2016 and higher Libor rates for the U.S. dollar tranche of the Existing Revolving Credit Facilities Agreement.

Income tax

Income tax decreased by €3.5 million, or 19.6%, from €17.9 million for the year ended December 31, 2016 to €14.4 million for the year ended December 31, 2017. The decrease was despite significant write-offs of existing US deferred tax assets due to the new United States tax legislation which became effective as of January 1, 2018.

Year ended December 31, 2015 compared to the year ended December 31, 2016

The following table sets forth our results of operations for the years ended December 31, 2015 and 2016:

	Year ended December 31,		
	2015	2016	Change in %
	(€ in million)		
	(audited)	(audited)	
Operating revenues	**1,016.0**	**985.7**	**(3.0)**
Raw material expenses	(444.6)	(418.8)	(5.8)
Change in inventories	3.7	(2.0)	–*
Salaries and social expenses	(292.5)	(293.7)	0.4
Other operating expenses	(184.2)	(207.9)	12.9
Depreciation and impairment	(29.6)	(30.4)	2.7
Amortization and impairment	(36.5)	(14.7)	(59.7)
Total operating expenses	**(983.6)**	**(967.4)**	**(1.7)**
Operating (loss) / profit	**32.4**	**18.3**	**(43.5)**
Financial items			
Financial income	1.1	9.0	718.2
Financial expenses	(29.8)	(8.0)	(73.2)
Net financial items	**(28.7)**	**1.0**	**–***
(Loss) / profit before income tax	**3.7**	**19.3**	**421.62**
Income tax	**(12.0)**	(17.9)	49.2
(Loss) / profit for the year	**(8.3)**	**1.3**	**–***

* not meaningful

Operating Revenues

Operating revenues decreased by €30.3 million, or 3.0%, from €1,016.0 million for the year ended December 31, 2015 to €985.7 million for the year ended December 31, 2016. The decrease was due primarily to lower product sales in most of our segments and negative currency effects in an amount of €22.6 million. The decrease was offset in part by higher non-product revenues, including engineering and tooling services.

Product sales were negatively impacted by lower sales of gearshift systems for light duty vehicles, the phasing out of programs, in particular in our headrest and off-highway businesses and weakness in the industrial and automotive markets for fluid transfer systems (including hoses) in North America. These effects were partially offset by higher sales of gearshift systems for heavy duty vehicles in China and air couplings in Europe.

Sales to customers by geographic region: The following table provides an overview of our sales to customers by geographic region:

	Year ended December 31, 2015		Year ended December 31, 2016	
	(€ in million)	%	(€ in million)	%
	(audited)		(audited)	
Europe	502.2	49.4	485.8	49.3
North America	405.6	39.9	385.3	39.1
South America	13.6	1.3	16.5	1.7
Asia	87.2	8.6	89.7	9.1
Other	7.3	0.7	8.3	0.8
Total operating revenues	**1,016.0**	**100.0**	**985.7**	**100.0**

Sales to customers in Europe and North America decreased, partially offset by an increase in sales to customers in South America, Asia and other regions. Sales to customers in Europe decreased by €16.4 million, or 3.3%, from €502.2 million for the year ended December 31, 2015 to €485.8 million for the year ended December 31, 2015. The decrease was due primarily to our Couplings business.

Sales to customers in North America decreased by €20.3 million, or 5.0%, from €405.6 million for the year ended December 31, 2015 to €385.3 million for the year ended December 31, 2016. The decrease was primarily due to our fluid transfer business which was mainly driven by the weakness in the industrial business and the automotive business as well as by the phasing out of programs in our driveline and headrest businesses.

Sales to customers in South America increased by €2.9 million, or 21.3%, from €13.6 million for the year ended December 31, 2015 to €16.5 million for the year ended December 31, 2016. The increase was primarily due to sales of our driveline business in the Brazilian market.

Sales to customers in Asia increased by €2.5 million, or 2.9%, from €87.2 million for the year ended December 31, 2015 to €89.7 million for the year ended December 31, 2016. The increase was primarily due to sales of our driveline business.

Raw material expenses

Raw material expenses decreased by €25.8 million, or 5.8%, from €444.6 million for the year ended December 31, 2015 to €418.8 million for the year ended December 31, 2016. The decrease was due primarily to lower product sales, offset in part by higher raw material prices.

Change in inventories

Change in inventories changed from positive €3.7 million for the year ended December 31, 2015 to negative €2.0 million for the year ended December 31, 2016. The change was primarily due to an inventories decrease in line with lower product sales.

Salaries and social expenses

Salaries and social expenses increased by €1.2 million, or 0.4%, from €292.5 million for the year ended December 31, 2015 to €293.7 million for the year ended December 31, 2016. The increase was primarily due to personnel restructuring provisions booked during the fourth quarter of 2016.

Other operating expenses

Other operating expenses increased by €23.7 million, or 12.9%, from €184.2 million for the year ended December 31, 2015 to €207.9 million for the year ended December 31, 2016. The increase was primarily due to restructuring provisions and accruals accounted for during the fourth quarter of 2016.

Depreciation and impairment

Depreciation and impairment increased by €0.8 million, or 2.7%, from €29.6 million for the year ended December 31, 2015 to €30.4 million for the year ended December 31, 2016. Depreciation expenses were in line with equipment investments during 2015 and 2016, respectively.

Amortization and impairment

Amortization and impairment decreased by €21.8 million, or 59.7%, from €36.5 million for the year ended December 31, 2015 to €14.7 million for the year ended December 31, 2016. The decrease was primarily due to the goodwill impairment of €21.5 million accounted for in the year ended December 31, 2015 following our decision to sell the North American headrest and armrest business.

Financial income

Financial income increased by €7.9 million from €1.1 million for the year ended December 31, 2015 to €9.0 million for the year ended December 31, 2016. The increase was primarily due to a foreign exchange gains of €5.4 million in the year ended December 31, 2016 compared to a loss in the year ended December 31, 2015. Changes in the value of financial derivatives also contributed €2.4 million to the overall increase.

Financial expenses

Financial expenses decreased by €21.8 million, or 73.2%, from €29.8 million for the year ended December 31, 2015 to €8.0 million for the year ended December 31, 2016. The decrease was due primarily to a foreign exchange loss of €18.3 million in the year ended December 31, 2015.

Income tax

Income tax increased by €5.9 million, or 49.2%, from €12.0 million for the year ended December 31, 2015 to €17.9 million for the year ended December 31, 2016. The increase was primarily due to higher profit before taxes. The positive development in net financial items was partly offset by lower operating profits, but also by the de-recognition of historical capitalized net operating losses.

Liquidity and Capital Resources

Our principal sources of funds have been cash generated from our operating activities and borrowings under the Existing Revolving Credit Facilities (following the issuance of the Notes and the repayment of the Existing Revolving Credit Facilities, our indebtedness will consist of the Notes and the Revolving Credit Facility). Our principal uses of cash are funding debt service obligations, working capital and capital expenditures. We expect to meet our debt service, working capital and capital expenditure requirements for the next twelve months primarily through cash flows from operating activities. We may also, from time to time, seek other sources of funding, which may include debt or equity financings, including loans from commercial banks, depending on our financing needs and market conditions. Although we believe that our expected cash flows from operating activities will be adequate to meet our anticipated liquidity needs and debt service obligations, there can be no assurance that our business will generate sufficient cash flows from operating activities to meet these needs or that future debt financing will be available to us in an amount sufficient to enable us to fund our liquidity needs. Our ability to arrange financing and our cost of capital depended on numerous factors, including general economic conditions, the availability of credit from banks, other financial institutions and the capital markets, restrictions on instruments governing our debt and our general financial performance. See "*Risk Factors*".

Cash flows

The following table sets forth the principal components of our consolidated cash flows for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
			(€ in million)		
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Cash flow from operating activities	73.5	70.8	38.3	6.4	(4.0)
Cash flow from investing activities	(43.5)	(50.5)	(49.3)	(7.9)	(8.1)
Cash flow from financing activities	(26.3)	(26.4)	18.1	(0.6)	13.7
Currency effects on cash	1.5	0.8	(2.3)	(0.3)	(0.6)
Net change in cash	5.2	(5.3)	4.9	(2.4)	1.0
Net cash at 31 December	**39.9**	**34.6**	**39.5**	**32.2**	**40.4**

Cash flows from operating activities

Comparison of the three months ended March 31, 2017 and 2018

Cash flows from operating activities decreased by €10.4 million from a cash inflow of €6.4 million in the three months ended March 31, 2017 to a cash outflow €4.0 million in the three months ended March 31, 2018. This decrease was primarily due to restructuring costs and an increase in our working capital as a result of higher trade receivables. The increase in trade receivables mainly reflects higher sales in China, where payment terms are longer than in other markets in which we operate.

Comparison of the years ended December 31, 2016 and 2017

Cash flows from operating activities decreased by €32.5 million from a cash inflow of €70.8 million in the year ended December 31, 2016 to a cash inflow of €38.3 million in the year ended December 31, 2017. This increase was primarily due to the lower profit before taxes and higher taxes paid in the year ended December 31, 2017 compared to the year ended December 31, 2016. In addition, our working capital was negatively impacted by higher trade receivables and an increase in inventories. The amount of trade receivables increased primarily as a result of higher sales in China where payment terms are longer than in other markets in which we operate. The increase in our inventories predominantly reflects our higher sales and higher inventory build linked to restructuring activities during the year ended December 31, 2017.

Comparison of the years ended December 31, 2015 and 2016

Cash flows from operating activities decreased by €2.7 million from a cash inflow of €73.5 million in the year ended December 31, 2015 to a cash inflow of €70.8 million in the year ended December 31, 2016. Cash flows from operating activities decreased in the year ended December 31, 2016 despite higher profit before taxes mainly as a result of a lower EBITDA partially offset by a favorable change in net working capital and a decrease in taxes paid. Our working capital was positively impacted by an increase in trade payables and lower inventories, which effects were partially offset by an increase in trade receivables.

Cash flow from investing activities

Comparison of the three months ended March 31, 2017 and 2018

Cash flows from investing activities decreased by €0.2 million from a cash outflow of €7.9 million in the three months ended March 31, 2017 to a cash outflow of €8.1 million in the three months ended March 31, 2018. Our cash flow from investing activities in both periods was mainly driven by investments in tangible assets, partially offset by the proceeds from sales of fixed assets and subsidiaries.

Comparison of the years ended December 31, 2016 and 2017

Cash flows from investing activities increased by €1.2 million from a cash outflow of €50.5 million in the year ended December 31, 2016 to a cash outflow of €49.3 million in the year ended December 31, 2017. Our cash flows used in investing activities were primarily driven by capital expenditures, which represented €51.3 million in the year ended December 31, 2016 and €52.7 million in the year ended December 31, 2017. These cash outflows were partially offset by the proceeds from the sale of fixed assets.

Comparison of the years ended December 31, 2015 and 2016

Cash flows from investing activities decreased by €7.0 million from a cash outflow of €43.5 million in the year ended December 31, 2015 to a cash outflow of €50.5 million in the year ended December 31, 2016. Our cash flow from investing activities in both periods was mainly driven by capital expenditures, partially offset by the proceeds from sales of fixed assets and the capital stock of certain divested subsidiaries.

Cash flow from financing activities

Comparison of the three months ended March 31, 2017 and 2018

Cash flows from financing activities increased by €14.3 million from a cash outflow of €0.6 million in the three months ended March 31, 2017 to a cash inflow €13.7 million in the three months ended March 31, 2018. This increase was primarily due to higher drawings under our Existing Revolving Credit Facilities in the three months ended March 31, 2018. Interest paid remained relatively stable at €2.3 million for the three months ended March 31, 2017 compared to €2.6 million for the three months ended March 31, 2018.

Comparison of the years ended December 31, 2016 and 2017

Cash flows from financing activities changed from a from a cash outflow of €26.4 million in the year ended December 31, 2016 to a cash inflow of €18.1 million in the year ended December 31, 2017. This change was primarily due to higher drawings under our Existing Revolving Credit Facilities in the year ended December 31, 2017, partially offset by higher interest paid which increased from €6.9 million in the year ended December 31, 2016 to €9.9 million in the year ended December 31, 2017, reflecting the increased utilization of our Existing Revolving Credit Facilities and an increase in the applicable margins thereunder as a result of us obtaining a waiver to comply with certain financial covenants in December 2016.

Comparison of the years ended December 31, 2015 and 2016

Cash flows from financing activities remained relatively stable at a cash outflow of €26.3 million in the year ended December 31, 2015 compared to a cash outflow of €26.4 million in the year ended December 31, 2016. The cash outflows in the years ended December 31, 2015 and 2016, respectively, mainly resulted from repayments of external debt and interest paid.

Capital expenditures

Our capital expenditures for the three months ended March 31, 2018 were €10.8 million (of which €10.3 million were tangible assets) and mainly related to continuing investments in capacity expansions in our Powertrain & Chassis and Interior Segments as well as maintenance investments.

Capital expenditures for the year ended December 31, 2017 were €52.7 million (of which €47.4 million were tangible assets) and mainly related to investments in capacity expansions in our production facilities in Pruszkow (Poland) and Wuxi (China) and maintenance investments.

Capital expenditures for the year ended December 31, 2016 were €51.3 million (of which €48.1 million were tangible assets) and mainly related to investments in production facilities in Pruszkow (Poland) and Nuevo Laredo (Mexico) and tooling as well as equipment related to the launch of new business mainly linked to contracts won over the previous periods. Also, our engineering spend was higher due to external development costs related to ePower and advanced seat massage systems valve development cost in our Interio segment.

Capital expenditures for the year ended December 31, 2015 were €43.9 million (of which €41 million were tangible assets) and mainly related to new orders and investments in production facilities in Pruszkow (Poland) and Mullsjö (Sweden), including upgrade and expansion to accommodate expected growth in our Interior segment. Also, our engineering spend increased due to external development costs related to ePower and advanced seat massage systems valve development cost in our Interio segment.

As indicated above, our capital expenditures during 2015, 2016 and 2017 were impacted by investments in production facilities, tooling and equipment relating to the launch of new business.

Management estimates that maintenance capital expenditures, excluding investments related to the launch of new business, would be approximately €35 million in any given year.

Interest-bearing loans and borrowings/corporate bonds and finance lease liabilities

As of December 31, 2017 our interest-bearing loans and borrowings consisted of drawings under the Existing Revolving Credit Facilities. The following table sets forth our total interest-bearing liabilities as of December 31, 2017:

	Within 1 year	Within 2-5 years	More than 5 years	Total
		(€ in million) (audited)		
Existing Revolving Credit Facilities	–	259.2	–	259.2

As adjusted for the Offering of the Notes and the use of proceeds therefrom as described under "*Use of Proceeds*", our total interest-bearing liabilities would consist of the Notes offered hereby.

Contractual obligations and commitments

We are party to lease agreements classified as operating leases. The total Group cost for operating leases was €15.0 million in the year ended December 31, 2017. Operating leases are mostly used for the rental of office space, production buildings and office equipment. The below table sets forth the maturity schedule for our operational leases:

	Within 1 year	Within 2-5 years	More than 5 years	Total
		(€ in million) (audited)		
Operating lease obligations	15.3	53.5	41.2	110.0

Pension obligations

We provide defined benefit pension plans in Norway, Germany, France and Switzerland. We provide defined contribution pension plans for employees in Sweden, the United Kingdom and the United States.

As of December 31, 2017, our projected benefit pension obligation amounted to €18.6 million. As of December 31, 2017, our net pension liability for defined benefit scheme amounted to €16.5 million.

Liquidity Management

To manage our liquidity, we currently operate a notional cash pool at Kongsberg Automotive ASA which includes some of our subsidiaries in Europe and North America and is supported by an ancillary facility under our Existing Revolving Credit Facilities Agreement. In addition, liquidity needs within our Group are managed through intercompany loans and capital contributions. We will to centralize our treasury operations and replace our existing notional cash pool with a global, zero balancing cash pool at KA Group AG which we intend to complement with an In House bank that would allow us to better manage the liquidity needs across our Group. The new cash pool will be designed to ensure that our regional operations maintain a sufficient level of liquidity in local currency while at the same time optimizing our cash levels on group-level.

Off-balance sheet arrangements

We have issued guarantees towards suppliers of subsidiaries for a total amount of €88.7 million to support lease and other contractual obligations of such subsidiaries in the ordinary course of business.

Other than as described above, we do not have any material off-balance sheet arrangements that have or are reasonably likely to have an effect on our operating results, financial position or cash flows.

Quantitative and Qualitative Disclosures about Market Risk

In the ordinary course of business, we are exposed to a variety of market risks including interest rate risk, credit risk and liquidity risk. We monitor and manage these risks as a part of our overall risk management. The following section discusses the significant financial risks to which we are exposed. This discussion does not address other risks to which we are exposed in the ordinary course of business, such as operational risks. See "*Risk Factors*" and note 21 to our 2017 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Foreign exchange risk

We operate internationally in a number of countries and are exposed to foreign exchange risk arising from various currency exposures. The primary exposures are euro and U.S. dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. As our financial reporting currency is euro, changes in the relative strength of the euro to the currencies in which we conduct business can adversely affect our financial results.

Sensitivity

At December 31, 2017, if the U.S. dollar had weakened/strengthened by 5% against the euro with all other variables held constant, revenues would vary by around +/– 1.4% or +/– €15 million. Operating profit would not have been significantly changed. A change in euro and U.S. dollar of +/– 5% versus the Norwegian kroner would have influenced the conversion of the long term debt and hence influenced the financial items by approximately +/– €13 million. These changes would also have generated changes in currency conversion in the equity, hence the equity change would have been less significant.

Interest rate risk

Our interest rate risk arises from long-term borrowings, primarily under our Existing Revolving Credit Facilities Agreement. Our debt is drawn in euro and U.S. dollar with the corresponding interest rates. We analyze our interest rate exposure on a running basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. We expect our exposure to interest rate risk to decrease following the consummation of the Offering and the use of proceeds therefrom as described under "*Use of Proceeds*" as a result of the repayment of our Existing Revolving Credit Facilities Agreement.

Credit risk

Credit risk is managed on group and entity level. Credit risk arises mainly from trade with customers and outstanding receivables. The level of receivables overdue are monitored on a weekly basis. Historically we have had limited loss on receivables. In some countries, we also participate in some factoring agreements which reduces some of the credit risk and improves the working capital. See also note 15 to our 2017 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

The automotive industry consists of a limited number of vehicle manufacturers, hence the five biggest customers represented approximately 35% of our total sales for the year ended December 31, 2017. Notwithstanding some customer concentration with our top five customers, we otherwise have a diversified customer base, with no individual customer representing more than 10% of our revenues.

Funding and liquidity risk

Cash-flow forecasting is performed by each of our operating entities on a weekly basis for the succeeding twelve weeks. We keep track of our liquidity requirements and monitor to ensure there is sufficient cash to meet both operational needs while maintaining sufficient headroom on our undrawn committed borrowing facilities at all times so that we do not breach borrowing limits or covenants on any of our borrowing facilities. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury.

Commodity risk

The primary raw materials used in many of our products are steel, brass (zinc and copper), aluminum and polymer resin. The prices of such raw materials have fluctuated significantly in recent years, but have generally trended upwards during 2017 and early 2018. Such volatility in the prices of these products could increase the costs of manufacturing our products. Generally, our supply agreements in the light duty vehicle industry do not allow us to pass on increased raw material prices to customers. However, a substantial part of our products based on steel and brass (zinc and copper) is sold to truck manufacturers. Business practice in the truck industry allows us to some extent to pass increases in raw material prices with a time lag of between three and six months.

Critical Accounting Policies

Our Audited Consolidated Financial Statements and the accompanying notes contain information that is pertinent to the discussion and analysis of our results of operations and financial condition set forth above. For a detailed description of our significant accounting policies, see Note 3 of our 2017 Audited Consolidated Financial Statements.

In application of our accounting policies we are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities which are not readily available from other sources. The estimates and judgments are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that we have made in the process of applying our accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Discount rate used to determine the carrying amount of our defined benefit obligation

The Projected Benefit Pension Obligation for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. A number of actuarial and financial parameters are used as bases for these calculations. The most important financial parameter is the discount rate. Other parameters such as assumptions as to salary increases and inflation are determined based on the expected long-term development.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires us to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Our cash-generating units are the business units (Interior segment: Light duty cables and Comfort systems. Powertrain and Chassis segment: Driveline and On Highway / Europe, Asia and Americas. Specialty Products segment: Hose & Tubes, Couplings, Off Highway and MRF). The forecasts of future cash flows are based on our best estimates of future revenues and expenses for the cash-generating units to which goodwill has been allocated. A number of assumptions and estimates can have significant effects on these calculations and include parameters such as macroeconomic assumptions, market growth, business volumes, margins and cost effectiveness. Changes to any of these parameters, following changes in the market conditions, competition, strategy or other factors, affect the forecasted cash flows and may result in impairment of goodwill.

The carrying amount of goodwill at December 31, 2017 was €146.2 million (2016: €155.0 million). No impairment losses were recognized in the years ended December 31, 2017 or 2016, respectively. In the year ended December 31, 2015, we recognized an impairment loss of goodwill in an amount of €21.5 million as a result of our decision to phase out headrest manufacturing. Details of the impairment loss calculation are set out in note 12 to our 2017 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Recoverability of internally generated intangible assets—research and development expenditure

Significant investments are made towards product improvements and innovation to secure our position in the market. Estimates and judgments used when deciding how the costs should be accounted (charged to profit or loss or capitalized as an asset) will have a significant effect on the statement of comprehensive income and statement of financial position. Internally generated intangible assets are subject to impairment reviews as described in note 3 to our 2017 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

The carrying amount of internally generated intangible assets for patents and development expenditure at December 31, 2017 was €9.7 million (2016: €8.0 million).

Refer to notes 3 and 12 to our 2017 Audited Consolidated Financial Statements for further information included elsewhere in this Offering Memorandum.

Deferred tax asset

Deferred income tax assets are recognized for tax losses carried forward only to the extent that realization of the related benefit is probable. Several subsidiaries have losses carried forward on which they have recognized deferred tax assets. The probability of their realization is determined by applying a professional judgment to forecast cash flows. These cash flows are based on assumptions and estimates and, accordingly, changes to the forecasts may result in changes to deferred tax assets and tax positions.

See note 11 to our 2017 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Industry

Introduction

Methodology and sources used

Unless stated otherwise, the statements on markets and competition provided below are based on the Company's beliefs and estimates, some of which were, in turn, derived from various sources it believes to be reliable, including industry publications or studies conducted by third party sources, including IHS LMC and Technavio. The Company compiled its projections for the market and competitive data beyond in part on the basis of such historical data and in part on the basis of assumptions and methodologies which it believes to be reasonable, as well as various sources it believes to be reliable.

Company description

We are a leading supplier of components and systems for light duty vehicles, heavy duty vehicles, recreational vehicles, agricultural machinery, construction machinery and other industrial markets, as well as to the aftermarket. Our diversified product offering includes fluid & air handling systems, steering columns, hand controls, powertrain & chassis products, interior comfort products and cable products. With operations in 19 countries and 27 production facilities, we deliver high-quality, innovative products to a range of OEM, Tier 1 and other customers in Europe, the Americas and the Asia-Pacific region. Sales to customers in the original equipment heavy duty and light duty vehicle markets generated approximately 22% and 54% of our revenues in 2017, respectively, with the remainder derived from sales to customers in other end markets and the aftermarket. Within the light duty vehicle market, we are a top 100 global automotive supplier by sales of original equipment. We estimate that approximately one out of five light duty or heavy duty vehicles contains our products. We believe that our diversified portfolio exposes us to attractive growth trends in the markets in which we operate and minimizes our dependency on a single technology or development. For example, only a small amount of our revenues is derived from products that are directly related to internal combustion engines.

By working in close collaboration with our customers, we continuously develop and invest in new and improved products. As of March 31, 2018, we had more than 600 engineering and development staff worldwide, with seven technical centers strategically located in close proximity to our customers in Canada, China, Germany, the Netherlands, Norway, Sweden and the United States. We believe our strong product development capabilities, paired with our customized engineered products, differentiate our portfolio more from our competitors. In addition, the deep customization of most of our products makes it costly to replace them within an OEM model cycle. Our portfolio covers a wide range of products, from components to sub-systems to highly sophisticated fully integrated systems across a wide price range. We believe that being a medium-sized automotive supplier enables us to tailor our product solutions to a greater extent than many larger automotive suppliers. Our smaller capacity production lines enable us to be more flexible to our customers' needs, while still having sufficient scale to deliver what they require. Moreover, our global operations provide us with the ability to serve our customers locally, with strategically located production capabilities in the same regions as our customers' facilities. As a result of these factors, we believe that we compete primarily on technical solutions, our ability to customize products and product quality rather than on price alone. Consequently, we enjoy stable and long-standing relationships with our OEM and Tier 1 customers, for whom we often are the single supplier on a platform. We also have strong positions in most of the product and geographical markets in which we are active.

For the twelve months ended March 31, 2018, we generated operating revenues, Pro Forma Adjusted EBITDA and a Pro Forma Adjusted EBITDA margin of €1,064.5 million, €111.1 million and 10.4%, respectively. Our Booked Business, which we define as the estimated future revenues from new product nominations, expansion of nominations and recurring product orders over the lifetime of the respective nominations, contract extension or product orders, amounted to €1,520 million and €1,314 million in 2016 and 2017, respectively. This represents an average ratio of revenues to Booked Business of 1.4x for the two years ended December 31, 2017. Our shares have been listed on the Oslo Stock Exchange since 2005, and, as of July 6, 2018, our market capitalization was approximately €450 million.

We have three business segments, Interior, Powertrain & Chassis and Specialty Products, each of which has a market-leading position in niche markets:

- Our Interior segment serves our customers with interior comfort systems (such as seat ventilation, seat heat, lumbar support or seat massage systems) and light duty cables (such as seat cables, hood/bonnet release cables, trunk/tailgate/boot release cables and handles or interior and exterior door release cables) for the light duty vehicles market. We believe we are one of the only suppliers of fully integrated seat comfort systems.
- Our Powertrain & Chassis segment serves our customers with mechanically and electronically actuated gear shift systems for light and heavy duty vehicles. In addition, this segment delivers vehicle dynamics systems and chassis stabilizers to the heavy duty market. We also have a large aftermarket presence in this segment.
- Our Specialty Products segment operates in highly specialized niche markets. This segment contains three business units: Couplings (air couplings), Fluid Transfer Systems (hoses and tubes) and Off-Highway (steering columns, hand controls, pedals and displays). Our Off-Highway unit operates only in the non-automotive market, while our Couplings unit is exclusively focused on heavy duty vehicles and our Fluid Transfer Systems unit serves the light duty and heavy duty vehicle, industrial, and agricultural and construction machinery markets. We believe we are one of the global top three PTFE hose producers by revenue, among the two top suppliers by revenue in the Couplings business and one of the top three suppliers based on number of products supplied in pedals and electronic controls.

Our broad manufacturing footprint across geographies enables us to serve customers locally through production facilities that are located in the same region as our customers' facilities. We sell our products to our customers across Europe, North America, South America and Asia. In the year ended December 31, 2017, we generated 52.4% of our revenues in Europe, 32.3% in North America, 11.0% in Asia, 2.2% in South America and 2.0% in other regions. We currently have 27 production facilities worldwide. Our largest facilities are located in lower-cost countries such as Poland, Slovakia, Mexico and China. As these are also our manufacturing facilities with the highest growth rates, this is where we focus our growth investments.

We benefit from a well-diversified customer base and supply almost all major European and North American light duty vehicle and heavy duty vehicle OEMs and many Tier 1 suppliers. Our customers include Volvo, Renault Nissan, BRP, FCA, Volkswagen, Geely, PSA, Ford, PACCAR, Daimler, Tata, BMW, General Motors, Adient, Lear and Magna. In 2017, approximately 60% of our revenues were generated from our top ten customers, with no single customer group representing more than 10% of our revenues.

Kongsberg Automotive's position in the automotive industry

We are a mid-sized flexible, agile supplier that competes on technology, engineering content and our ability to customize rather than on price alone, across three segments: Specialty Products, Interior and Powertrain & Chassis. We offer products for light duty, heavy duty, industrial, agricultural, construction and power sport vehicles and increasingly focus on utilizing our existing aftermarket position to grow selectively. As a consequence of our diversified product offerings, our exposure to pure internal combustion engines for light duty vehicles is limited.

Industry overview

Structure of the automotive industry

The global automotive industry designs, develops, manufactures, sells and services light duty vehicles and heavy duty vehicles. The light vehicle segment consists of light duty vehicles, vans and light trucks (all weighing less than six tons), while the heavy duty vehicle segment is generally defined as the market for vehicles with a weight of more than six tons.

The automotive production value chain is broken down into OEMs, such as Daimler, Ford, Toyota and Volkswagen, and automotive part suppliers, such as Kongsberg Automotive. The automotive part supplier market can be further segmented into three different tiers. Tier 1 automotive suppliers sell their products directly to OEMs. Tier 2 suppliers sell products to Tier 1 suppliers, and in turn are supplied by Tier 3 suppliers. In general, suppliers develop components and systems on the basis of agreements with OEMs to meet their technological and regulatory requirements. A clear delineation of the suppliers as Tier 1, Tier 2 or Tier 3 is not always possible because suppliers often manufacture and sell numerous products or product groups.

In addition to sales to OEMs, some components are sold directly to the aftermarket, representing a smaller but typically more profitable and stable revenue source for many automotive suppliers. The term “aftermarket” refers to the market of spare parts that are used in the maintenance and repair of light duty vehicles and heavy duty vehicles. The same products supplied to OEMs are generally also distributed in the aftermarket sector.

Other (powersports, heavy equipment, industrial)

The powersports segment includes snowmobiles, watercrafts, on- and off-road vehicles and other applications. It is expected to experience strong growth benefiting from lifestyle trends and increasing disposable income. This segment offers highly attractive opportunities for automotive suppliers like Kongsberg Automotive as products can be sold at a premium to prices typically seen in the automotive market while suppliers benefit from their efficient cost structures.

Markets for which we supply parts in the industrial segment include chemicals, oil, pharmaceutical and others. We expect to see growth in this sector for products such as fluid transfer systems. We believe that especially the high end segment offers attractive opportunities and that we can leverage our scale and automotive quality mindset.

Heavy equipment, such as diggers, are used in various fields including construction and agriculture. We may benefit from increased demand in this sector due to general rebound in relevant end markets and commodity prices as well as replacement needs due to an ageing fleet.

Key trends and growth drivers

Macroeconomic factors

Economic

The cycles of the global automotive industry are correlated with general global macroeconomic conditions. Our OEM customers’ production requirements generally move along with the global economy and consequently so do the volume of purchases of our products by our OEM customers. The economic environment is generally the most significant factor determining automotive industry growth, with regulations and government policies (such as increasingly strict standards for CO2 emissions) also having an impact. The development and production of more fuel-efficient vehicles is a key growth trend in the automotive sector driven by consumers’ preference to save money on fuel (particularly given uncertainty around oil prices). In addition, we believe that rising gross domestic product and increasing industrialization, especially in emerging markets, will contribute to the growth of our relevant end markets and segments.

Demographic trends

Factors that can influence automotive production also include changing demographics (*e.g.*, population growth, increase of median age, urbanization), consumer preferences (*e.g.*, low cost cars for basic transportation), levels of disposable income, replacement rates of old vehicles and affordability of new vehicles. We believe that long-term population growth and urbanization will support the growth of our relevant end markets and segments.

Automotive megatrends driving end market growth and technology change

CASE (Connectivity, Autonomous, Sharing, Electric)

Connectivity: the connection of cars with devices, networks and services outside the car, is an increasingly important field with relevance for applications, such as safety, navigation, infotainment and diagnostics. We do not expect to see any material impact from this trend on our business since we do not compete in the sale or manufacture of these devices.

Major OEMs and Tier 1 suppliers have committed significant resources to the production of autonomous cars. The technology for advanced driver assistance systems, such as parking, automated highway driving and emergency breaking is already commercially available (though the future regulatory framework over their use remains uncertain). While autonomous driving technology may lead to the emergence of new providers who focus on "soft" areas of vehicles, we believe the impact on our business will be limited.

OEMs are increasingly considering new mobility concepts such as ride sharing programs, which offer consumers the use of a vehicle without many of the expenses associated with purchasing, maintaining and storing a personal car. Even as ride sharing businesses grows, we believe that the effect on automotive production would be limited, as it would tend to shorten the replacement cycle of the car parc in the future. Furthermore, autonomous cars could replace certain means of traditional public transportation, which could increase overall car purchases.

Consumers are becoming increasingly environmentally conscious, which in turn is affecting their vehicle purchase choices. Additionally, regulators have set stringent targets that require a certain degree of engine electrification. This is leading to an increase in demand for both hybrid vehicles and EVs. For example, major OEMs such as Volkswagen or BMW have announced their plans to increase their EV portfolio. This shift is likely to have only a limited relative impact on our business as we only have minimal exposure to pure ICE. While we may see a negative impact in some areas (mechanical gear shifts, fuel hoses), this is expected to be compensated by gains in other product areas (shift by wire, hoses for battery coolants).

Premiumization

OEMs are constantly looking for ways to enhance the driving experience, comfort and convenience of their vehicles through new technologies. An example of this are increasing seat heat fitment rates across segments. While in the past seat comfort systems were a feature typically only found in premium vehicles, they are becoming increasingly common in mass market models as well. Suppliers that provide solutions to enable OEMs to address these trends and meet regulatory standards are well positioned to experience above-average growth and establish themselves as key future partners for OEMs. This is particularly true in emerging markets, such as China, where we believe significant catch-up potential exists in this respect.

Automotive OEM outsourcing

We believe OEMs are increasingly outsourcing the engineering and production of modules and systems to their suppliers, offering growth opportunities for automotive suppliers. The development costs are initially and primarily borne by Tier 1 suppliers, who aim to subsequently recover these costs over the components' lifecycle. Larger automotive suppliers like Kongsberg Automotive tend to be better placed to act as system providers and component integrators, as they have a larger capital base.

Need for global platforms

Many OEMs are standardizing vehicle platforms globally in an effort to reduce costs and become more competitive. By maximizing the number of nameplates that can be produced on each platform and minimizing differences in platforms between regions, OEMs can reduce design and development costs. To support this strategy, OEMs require suppliers to match the scale and global footprint of these platforms. The trend towards common platforms with a global footprint provides automotive suppliers like us with a global footprint and manufacturing and technological expertise with increased opportunities to benefit from such platform-sharing and to respond efficiently to our customers' local needs.

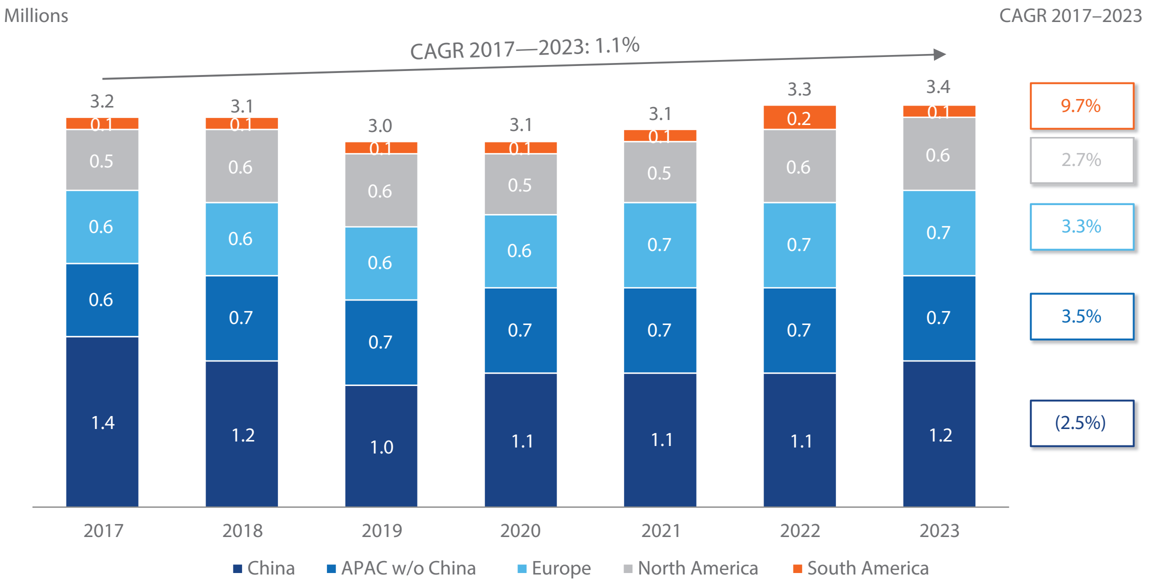
OEMs are also increasingly seeking suppliers that have a global manufacturing footprint and the flexibility to adapt to regional variations as OEMs increase the number of single-source components globally. Generally, OEMs pay for the cost of transporting products from the Tier 1 supplier to their production facilities. These transportation costs are typically lower if the supplier has production facilities that are close to the OEM's production facilities. By having manufacturing facilities close to an OEM's production facilities in every region, a supplier can provide stronger service capabilities and reduced costs compared to competitors that have to establish new facilities and a local supply base or manufacture products from more distant manufacturing facilities.

Development of vehicle production trends

The key driver of the automotive supply industry is the overall vehicle production volume, driven in turn by vehicle sales volumes. Although suppliers have contracts for particular vehicle platforms, which typically have an average life of five to seven years, the actual production volume is rarely fixed and may vary depending on macro and other contingent factors.

The following chart shows historical and forecast heavy duty vehicle production across regions for the 2017 to 2023 period, as well as compound annual growth rates ("***CAGR***") in production for 2017 to 2023.

Global heavy duty vehicle production 2017 to 2023



Source: LMC

There is variability within markets. However, overall production figures are fairly stable with South America experiencing strong recovery, while the EU continues at a 3% to 4% pace.

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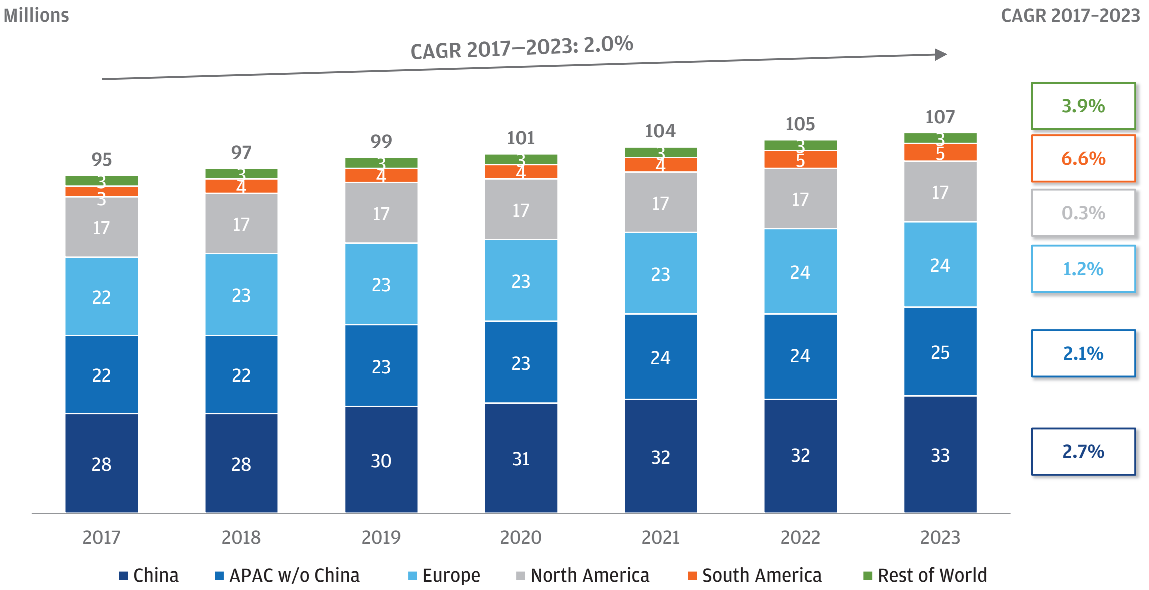
Global light duty vehicle production 2017 to 2023



Source: IHS

Mature markets are forecasted to remain stable, growing slightly at levels below 1%, while China is expected to see growth rates of around 3% and South America is expected to experience strong recovery.

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Automotive suppliers

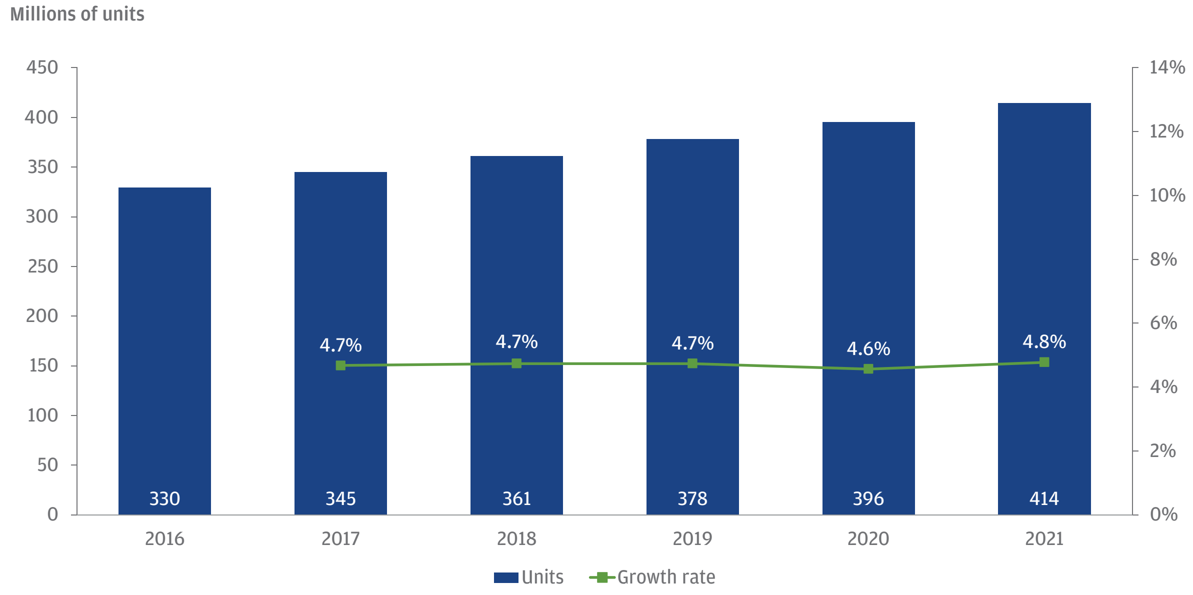
Seating

Market Definition

The seating market includes automotive seats and seat-related products offered to different vehicle types, such as light duty vehicles and heavy duty vehicles. The seating market can also be categorized based on different technologies: standard seats, powered seats and heated seats. The seats provide a wide range of comfort options and integrated technologies, such as cooling, heating and massage features. Seating products offered by Kongsberg Automotive include seat support and climate systems as well as massage systems.

In terms of volume, the global automotive seating market was 330 million units in 2016 and is expected to reach 414 million units in 2021 according to Technavio, representing a 4.7% CAGR between 2017 to 2021.

Global automotive seats market 2016 to 2021



Source: Technavio

The Asia-Pacific region which is the largest market for light duty vehicles, is also the largest market for automotive seating. According to Technavio the seating market in APAC is expected to grow by a CAGR 5.7% between 2017 and 2021 due to an increase in purchasing power and the growing preference for higher social recognition. The automotive seats market in the Americas is expected to grow at a CAGR 4.5% during the period. EMEA has a market share of approximately 20% of the global seating market with a slower expected growth rate of 2.9% during 2017 to 2021. This is mainly due to lower volumes of light duty and heavy duty vehicles compared to the Asia-Pacific region and the Americas.

With a 4.7% 2017 to 2021 CAGR growth in the seats market is expected to exceed growth in vehicle production, which is expected to stay fairly flat over that period.

Customers / end markets

Key customers include OEMs and Tier 1 suppliers. OEMs are expected to have long-term collaborations with the automotive suppliers as the quality and design of the interior materials are unique to each supplier and these are crucial factors in managing the costs for OEMs. In addition, some components are sold directly to the independent automotive aftermarket.

Key trends and growth drivers

Increasing use of lightweight materials in automotive seat system

Fuel emission regulators in Europe and North America have put pressure on OEMs to lower fuel consumption, therefore OEMs are starting to reduce the vehicle weight to meet the emission requirements. Vehicle seating systems account for approximately 6% of the total weight of a vehicle and about 5% of the overall cost. Thus, there is a growing need for sophisticated suppliers that can produce large numbers of lightweight seating systems and components made out of lightweight materials, such as composites, magnesium and aluminum.

Growing adoption of premium automotive seats in the mass market

There has been an increase in the market penetration of premium seat features in mass market cars. Consumers are demanding higher comfort levels for vehicles and there is an increasing demand for fold-down rear seats, power lumbar support, heated seats and height-adjustable seat belts.

Increasing demand for premium seating systems

There is a growing demand from consumers for more comfortable seats with integrated technologies. Consumers are looking for more comfort, larger occupant space and improved interior styling features. For instance, heated seats which help to reduce stress on the spine and relax tense muscles, have seen increased demand. OEMs are reacting to this trend by increasingly adopting premium features across their product offerings. This has resulted in heated seats being installed in vehicles not considered part of the premium offering of OEMs.

Attractive vehicle sales growth rates in emerging economies, such as China and India

The overall automotive industry is expected to experience significant growth in emerging economies. This is due to an increase in disposable income and better availability of car financing at competitive rates in emerging economies, which we expect will lead to higher car penetration levels. This is expected to strengthen the growth of the seating market in emerging markets. Among others, the production and sales of SUVs are expected to increase in China due to the desire to represent a higher social status by driving a larger car. There is an increasing demand for vehicles with larger space, higher seating and more stable performance across different environments.

Competitive environment and market positioning

The global automotive seating market is competitive with a number of well established vendors as well as many small-scale market participants. Major seat producers include Adient, Faurecia, and Lear. Major players offer a wide range of automotive seating products, which can be customized based on customer needs. Competitors in the seat markets are growing their customer base and are increasing investments in research & development. Advances in technology and government regulations are expected to further intensify the competitive environment. Suppliers to those seat producers include Kongsberg Automotive, Gentherm, Alfmeier and Leggett & Platt.

Powertrain & Chassis

Powertrain

Market definition

The powertrain market can be broadly categorized based on technologies: internal combustion engine powertrains versus electric vehicle powertrains. Powertrain-related products relevant for Kongsberg Automotive include Automated Manual Transmission actuators and “PRND” actuators, clutch actuation modules, shift-by-wire shifters and manual gear shifters as well as shift cables. Expected vehicle production growth is an indicator of powertrain market growth. Powertrain products offered by us include gear shifters, shift cables and towers, gear and clutch control systems as well as actuators.

Heavy duty and light duty production growth is expected to result in growth for the powertrain market.

Customers / end markets

Key customers include OEMs and Tier 1 suppliers. OEMs generally view powertrain development as one of their core capabilities and only source powertrain components from suppliers.

Impact of key trends / growth drivers

Gasoline engines replacing diesels

With legislation and regulations increasingly aiming to limit the use of diesel, a rising number of buyers are deciding against using this kind of powertrain. Confusion over OEMs compliance with norms and the increased number of turbo gasoline engines are accelerating this shift. OEMs have announced or are expected to announce alternative powertrain strategies in order to comply with existing or expected relevant legislation or regulations.

Attractive growth in compact and mid-size SUV market

Manufacturers tend to realize better margins on SUVs compared to other types of vehicles and buyers continue to prefer SUVs and crossover vehicles to smaller vehicles. The potential decrease in diesel vehicle sales as a result of increased regulation might be accompanied by increased sales of turbo petrol engines, which are necessary to meet the higher demand for power and the driving style of SUVs.

Shift towards EV architectures

The level of EV penetration is expected to increase as a result of stricter regulations and increasing environmental awareness of drivers. As a result, gear shift systems may become obsolete and shift-by-wire, which is relevant for hybrids and EVs, may see attractive growth. This trend is expected to primarily impact light duty vehicles. We do not expect this trend to have a negative impact on us. Some of our products, such as park lock systems, will still be relevant for hybrid and electric vehicles, and new products like shift by wire systems will gain importance as the car parc shifts to hybrids and EVs.

Competitive environment

The global automotive powertrain market is competitive. Major powertrain auto suppliers besides Kongsberg Automotive include Wabco, Knorr-Bremse and ZF among others.

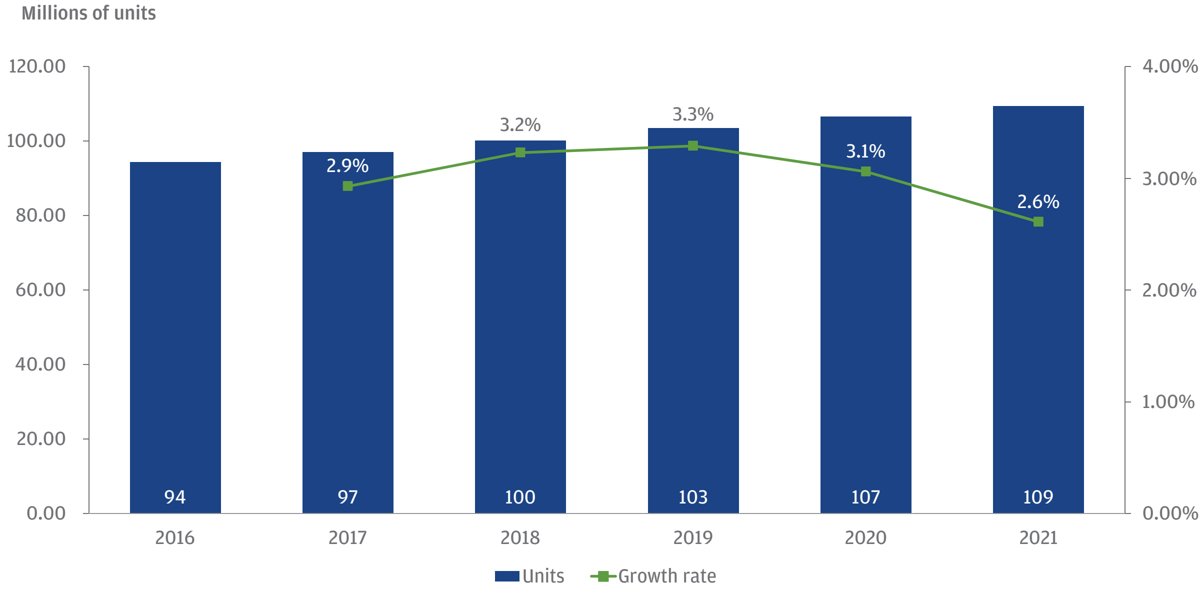
Chassis

Market definition

The market for automotive chassis includes different types of vehicle chassis (ladder chassis, backbone chassis and monocoque chassis) as well as chassis components such as brakes, cradles and axles. Chassis manufactures and suppliers offer chassis solutions for light duty vehicles, heavy duty vehicles and heavy equipment. Chassis products offered by Kongsberg Automotive include chassis stabilizers, v-stays and cabin anti-roll bars.

In terms of volume, the global automotive chassis market accounted for 94 million units in 2016 and is expected to reach 109 million units in 2022 according to Technavio representing a 2017 to 2021 CAGR of 3.0% due to increased sales of automotive vehicles across the world. The chassis market can be segmented into three categories: Ladder chassis (mainly used in full framed cars, such as SUVs), monocoque chassis and backbone chassis (mainly used in small racing sports cars). Monocoque chassis accounted for 61% of the total automotive chassis market and are expected to stay relatively stable between 2017 to 2021. The ladder chassis segment accounted for 37% of total chassis market in 2016 and is expected to grow at a CAGR of 7.3% from 2017 to 2021 due to expected increase in sales for SUVs. The backbone chassis segment is expected to grow at a rate of 9.4% from 2017 to 2021 due to increasing demand for racing and sports vehicles.

Global automotive chassis market 2016 to 2021



Source: Technavio

The chassis market is dominated by the Asia-Pacific region with a market share of 54% in 2016. The chassis market in the Asia-Pacific region is expected to grow at a CAGR of 3.9% during 2017 to 2021. EMEA has a share of 24% of the global chassis market with an expected CAGR of 2.2% during 2017 to 2021. The Americas are expected to grow at a CAGR of 1.8% from 2017 to 2021.

Key trends and growth drivers

Increasing use of alternative materials for chassis

The automotive industry is increasingly using new technology and materials to reduce emission levels, increase fuel efficiency and improve driving dynamics. New materials include aluminum, magnesium, carbon fiber and glass composites. Aluminum has become the predominant replacement material for steel as it weighs half as much and thus enables cars to be more fuel-efficient. In addition, the use of carbon fibre in automotive applications is expected to contribute further to weight reduction by 40% to 50% and increase fuel efficiency by 30% to 35%. The demand for carbon fiber has especially increased in the premium vehicle segment because it is suitable for complex contours and designs and allows for better acceleration performance due to the lower overall vehicle weight. Another new material used for chassis building is titanium. Titanium chassis can reduce the weight of the vehicle by up to 8%. However, the high cost of the metal has hindered the use of titanium in chassis building in recent years. The use of titanium chassis is expected to increase in the future, especially in the premium and high-performance sports cars segments.

Production shifted to low cost countries

U.S. and European chassis manufactures are facing pricing pressure due to rising manufacturing costs. The manufacturers are increasingly shifting their production and outsourcing to low cost countries in the Asia-Pacific region, such as China and India. This shift has created cost competitiveness in the chassis market for the global manufacturers.

Stricter passenger safety regulations

Governments and crash test rating agencies worldwide are imposing stern safety norms for automobiles because of growing concerns about passenger safety. Additionally, governments disclose the crash test ratings of automobiles for the benefit of automobile manufacturers, customers, and vendors. This increasing emphasis on safety systems results in increased efforts by automotive chassis designs to comply with global safety standards.

Competitive environment and market positioning

The global automotive chassis market is competitive with a number of well-established manufacturers and suppliers of chassis systems and components. The market is characterized by technological innovations and there is increasing demand for innovative designs in terms of chassis size and weight. The major players in the global chassis market include Kongsberg Automotive, Continental, Magna, ZF and Bosch. As the market has become increasingly competitive, market participants are gaining competitive advantage by differentiating their products and innovating new chassis systems and components.

Specialty Products

Market definition

Specialty products relevant for Kongsberg Automotive include airbrake couplings, fluid transfer systems as well as off-highway applications.

With regards to airbrake couplings, Kongsberg Automotive primarily produces applications for heavy duty vehicles.

Fluid transfer systems comprise a diverse group of components and sub-systems required for the storage, delivery and carrying of different automotive fluids throughout a vehicle, including brake fluid, fuel, oil, refrigerants, glycol, steering fluid, transmission fluid and other fluids. Kongsberg Automotive develops advanced fluid transfer systems (hoses, tubes and assemblies) for light duty and heavy duty vehicles producers. This allows our customers to differentiate their vehicles from their competition and more effectively meet regulatory requirements for performance, fuel economy and reduced emissions.

Kongsberg Automotive's off-highway portfolio includes off-highway human machine interface applications, such as steering columns, displays, pedals and hand controls.

Customers / end markets and competitive environment

Given the niche nature of specialty markets there are no leading market participants across all categories and the markets remain fragmented. For instance in the Fluid Transfer System markets segment there is increasing competition in the assembly market. End markets for Specialty Products include both automotive and industrial products. Generally, product differentiation and scale benefits are value drivers in the respective markets. Due to the performance-critical nature of brake and fuel products and the increasing standardization of global automotive platform production, OEMs prefer to establish long-term relationships with reliable and proven global suppliers of these fluid transfer systems. Additionally, OEMs tend to source these systems from a single supplier for the entire production cycle of a vehicle platform (approximately seven years) and OEMs typically do not switch to another supplier mid-production cycle.

Key competitors in our Specialty Products segment include Voss, Suprajit, Coram, Curtiss-Wright and KYP.

Impact of key trends / growth drivers

The key themes below drive growth in the relevant Specialty Product segments. Overall Specialty Products is not adversely impacted by the transitions towards ICE. In fact, some product innovations like battery coolants may benefit from the migration towards EV.

Factors impacting the fluid transfer systems segment include:

Demand for high performance materials (light weight and high temperature resistance) and robust and safety critical designs

The engine downsizing trend results in increased harshness and temperatures in engine compartments. Therefore, more resistant materials and designs will be required benefiting producers of high quality hoses, such as Kongsberg Automotive.

Increasing demand for battery coolants

The gradual migration towards hybrid and pure electric vehicles will lead to an increasing demand for battery coolants, such as the nylon hose electric vehicles battery coolant that we recently introduced.

Overall economic environment

OEM demand for automotive fluid systems generally corresponds to overall global vehicle production volumes that, in turn, are largely driven by macroeconomic conditions.

Factors impacting the off-highway segment include:

Migration from mechanical controls to electronic or electronically assisted controls

The general trend towards electrification and increasing comfort requirements translate into the migration from mechanical controls to electronic or electronically assisted controls.

Increasing focus on vehicle safety regulation

The increasing emphasis on safety systems and need to comply with global safety standards are expected to favour producers of high quality off-highway steering systems.

Other factors impacting off-highway include stricter emissions legislation and regulation catch up in India and China, as well as improved driver control and comfort requirements.

Factors impacting the airbrakes couplings segment include:

Reduced complexity through modularity and higher durability requirements

OEMs and automotive suppliers are continuously focused on cost optimization. Reduced complexity and modularization as well as higher durability offer cost saving potential.

Higher safety requirements requiring safety features to be built in

Safety has become a major focus area as a result of stricter regulations and standards. The increasing emphasis on safety systems and need to comply with global safety standards are expected to favour producers of high quality off-highway airbrake couplings.

Stricter emissions legislation

Regulators in Europe and North America have put pressure on OEMs to lower fuel consumption. This results in an increasing need for OEMs to reduce the vehicle weight to meet emission requirements. Therefore, there is an growing need for lighter components.

Aftermarket

The automotive aftermarket industry includes the independent aftermarket and the original equipment services segments.

Key trends affecting the aftermarket industry include an increase in the average age of the car parc, an increase in the share of premium systems, and higher product refresh rates. The aftermarket industry comprises a number of large market participants who act as competitors. These market participants include OEMs with aftermarket exposure, non-original producers, wholesalers and other intermediaries. Kongsberg Automotive has dedicated teams, processes and channels to offer aftermarket support in Europe and sees potential upside from replication in other markets outside of Europe.

Business

Overview

We are a leading supplier of components and systems for light duty vehicles, heavy duty vehicles, recreational vehicles, agricultural machinery, construction machinery and other industrial markets, as well as to the aftermarket. Our diversified product offering includes fluid & air handling systems, steering columns, hand controls, powertrain & chassis products, interior comfort products and cable products. With operations in 19 countries and 27 production facilities, we deliver high-quality, innovative products to a range of OEM, Tier 1 and other customers in Europe, the Americas and the Asia-Pacific region. Sales to customers in the original equipment heavy duty and light duty vehicle markets generated approximately 22% and 54% of our revenues in 2017, respectively, with the remainder derived from sales to customers in other end markets and the aftermarket. Within the light duty vehicle market, we are a top 100 global automotive supplier by sales of original equipment. We estimate that approximately one out of five light duty or heavy duty vehicles contains our products. We believe that our diversified portfolio exposes us to attractive growth trends in the markets in which we operate and minimizes our dependency on a single technology or development. For example, only a small amount of our revenues is derived from products that are directly related to internal combustion engines.

By working in close collaboration with our customers, we continuously develop and invest in new and improved products. As of March 31, 2018, we had more than 600 engineering and development staff worldwide, with seven technical centers strategically located in close proximity to our customers in Canada, China, Germany, the Netherlands, Norway, Sweden and the United States. We believe our strong product development capabilities, paired with our customized engineered products, differentiate our portfolio from our competitors. In addition, the deep customization of most of our products makes it costly to replace them within an OEM model cycle. Our portfolio covers a wide range of products, from components to sub-systems to highly sophisticated fully integrated systems across a wide price range. We believe that being a medium-sized automotive supplier enables us to tailor our product solutions to a greater extent than many larger automotive suppliers. Our smaller capacity production lines enable us to be more flexible to our customers' needs, while still having sufficient scale to deliver what they require. Moreover, our global operations provide us with the ability to serve our customers locally, with strategically located production capabilities in the same regions as our customers' facilities. As a result of these factors, we believe that we compete primarily on technical solutions, our ability to customize products and product quality rather than on price alone. Consequently, we enjoy stable and long-standing relationships with our OEM and Tier 1 customers, for whom we often are the single supplier on a platform. We also have strong positions in most of the product and geographical markets in which we are active.

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- Our Specialty Products segment operates in highly specialized niche markets. This segment contains three business units: Couplings (air couplings), Fluid Transfer Systems (hoses and tubes) and Off-Highway (steering columns, hand controls, pedals and displays). Our Off-Highway unit operates only in the non-automotive market, while our Couplings unit is exclusively focused on heavy duty vehicles and our Fluid Transfer Systems unit serves the light duty and heavy duty vehicle, industrial, and agricultural and construction machinery markets. We believe we are one of the global top three PTFE hose producers by revenue, among the two top suppliers by revenue in the Couplings business and one of the top three suppliers based on number of products supplied in pedals and electronic controls.

Our broad manufacturing footprint across geographies enables us to serve customers locally through production facilities that are located in the same region as our customers' facilities. We sell our products to our customers across Europe, North America, South America and Asia. In the year ended December 31, 2017, we generated 52.4% of our revenues in Europe, 32.3% in North America, 11.0% in Asia, 2.2% in South America and 2.0% in other regions. We currently have 27 production facilities worldwide. Our largest facilities are located in lower-cost countries such as Poland, Slovakia, Mexico and China. As these are also our manufacturing facilities with the highest growth rates, this is where we focus our growth investments.

We benefit from a well-diversified customer base and supply almost all major European and North American light duty vehicle and heavy duty vehicle OEMs and many Tier 1 suppliers. Our customers include Volvo, Renault Nissan, BRP, FCA, Volkswagen, Geely, PSA, Ford, PACCAR, Daimler, Tata, BMW, General Motors, Adient, Lear and Magna. In 2017, approximately 60% of our revenues were generated from our top ten customers, with no single customer group representing more than 10% of our revenues.

Our Competitive Strengths

We believe a number of key factors give us a competitive advantage, including the following:

Well positioned to capitalize on growth trends in our end markets

Our product portfolio positions us well to capitalize on growth trends in our end markets, such as the increasing premiumization of light duty vehicles, the trickling down and adoption of premium comfort features in mass market vehicles and sector trends in the end markets for our Specialty Products segment.

- *Premiumization:* In our Interior segment, increasing customer demand for more comfort features in cars is a major driver for growth. OEMs consider seat comfort features to be an important differentiator. This leads to solid underlying growth in this market and provides growth opportunities for us as a global leader in the development, design and manufacture of seat comfort systems such as heating, ventilation, lumbar support and massage systems. In recent years, seat comfort systems have become more complex and sophisticated, for example by increasing the area of the seat covered by seat heating or enabling more flexible seat adjustment and sophisticated massage systems; we expect this trend to continue in the future as a result of increased requirements for more powerful and quieter solutions. We believe that this trend is favorable for us as we are one of the few suppliers able to deliver fully integrated seat comfort systems, comprised of heating, ventilation, lumbar support and massage solutions.

  As demand for electric vehicles is expected to increase, we may benefit from this as the content per vehicle for our Interior segment is higher in electric vehicles compared to vehicles with an internal combustion engine. Unlike an internal combustion engine, an electric motor does not produce surplus heat that can be used to heat a vehicle's interior. As a result of this, electric vehicles require an alternative heating system, such as advanced and more powerful seat heating or heated panels in the doors and possibly in the floor. This may also lead to seat heating potentially becoming a standard configuration in electric vehicles. Moreover, as vehicles become more autonomous, we expect OEMs to focus increasingly on interior comfort and flexibility further increasing vehicle seat comfort content.

- *Adoption of premium comfort features in mass market vehicles:* Seat comfort and climate content in vehicles is not only increasing but also trickling down. In 2015, seat heat systems were primarily used in the premium segment, *e.g.* BMW 5 series (E-Segment of the IHS definition), which represented approximately 7% of global light duty vehicles sales in 2017 according to IHS. Between 2017 and 2020, we expect the highest growth rate in seat heat fitment rates for the lower class segment, *e.g.* Volkswagen Polo (B-Segment of the IHS definition), which represented approximately 19% of global light duty vehicles sales in 2017 according to IHS. The increasing adoption of seat heat and other seat comfort systems in mass market vehicles presents us with a significant opportunity for growth.

- *Shift from mechanical to electronic actuation:* Within the Powertrain & Chassis segment we are seeing growth from our customizable standard design for shift-by-wire, particularly succesful in the local Chinese market. These systems contain a shift-by-wire shifter and a rotary actuator with a feature function and price combination which is very attractive for certain high volume moderate price light duty vehicles and which can very easily be adapted to each OEM's specifications.

- *Adoption of Automated Manual Transmissions in heavy duty vehicles:* In the heavy duty vehicle market, we expect the shift from manual transmissions to automated manual transmission ("AMT") in North America to further gain traction. We also expect the heavy duty vehicle market in China to increasingly adopt AMT in the short term. We are well positioned to benefit from this market trend, both for complete AMT control units and AMT relevant components, which should help us to diversify and increase the percentage of sales generated from heavy duty vehicles (which have longer product cycles and higher margins).

- *Attractive sector trends in our Specialty Products segment:* Our Specialty Products segment supplies niche products to diverse end markets that are characterized by a number of favorable trends.

  Demand in our Couplings business is primarily driven by performance and quality. Higher safety requirements for air brake systems, demand for products with less complexity through modularity, increased durability requirements, serviceability and stricter emissions legislation are contributing to a trend for lighter air brakes and market growth in this area. We expect to further grow beyond our traditional European premium truck OEM customer base into OEMs in China and North America, which can benefit from what we believe is a superior performing product compared to alternative solutions.

  Our Off-Highway business serves the power sports, agriculture and construction markets. Key sector trends in the Off-Highway business include: migration from mechanical controls to electronic or electronically-assisted controls (as required for autonomous driving agriculture vehicles, for example), stricter emissions legislation, increasing focus on vehicle safety and improved driver control and comfort. As a market leader in pedals, hand-controls and electrical power steering columns based on number of products supplied, we believe that we are well positioned in these markets. Compared to many competitors we are able to serve our customers worldwide with local production and have full electronics design, development and manufacturing competence in-house. In addition, we offer our customers flexible and tailored solutions combined with the infrastructure of a global automotive supplier.

  Key sector trends in the Fluid Transfer Systems business include: demand for high performance materials for harsh applications (light weight and high temperature resistance), advanced multilayer hoses and tubes, robust and safety critical designs, tighter packaging, increasing coolant/heating lines and subsystems per vehicle and the need for agility and service. Thanks to our leading position in PTFE hoses with scale, global footprint, quality and technical service, we believe we are well-placed to address and take advantage of the key sector trends in the Fluid Transfer Systems business.

Broad end market, geographic, customer and channel diversification

We are diversified by end market, geography, customers and channel. We cover a broad array of end markets and offer products for light duty vehicles, heavy duty vehicles (trucks and buses), heavy equipment (agricultural and construction) and recreational vehicles. In 2017, we generated approximately 22% of our revenues in the original equipment heavy duty vehicles market, approximately 54% in the original equipment light duty vehicles market, approximately 6% in the aftermarket, approximately 7% in the powersports market, approximately 3% in the heavy equipment market and approximately 8% in other markets.

We believe that this diversification makes us more resilient against cyclical downturns in specific end markets. For example, demand for light duty vehicles and heavy duty vehicles is influenced by different factors; therefore, a downturn in one market may not coincide with a downturn in the other. We also have significant sales to non-automotive customers, in particular in our Specialty Products segment, which help to further insulate us from automotive cyclical fluctuations in demand for light duty vehicles and heavy duty vehicles.

Moreover, revenues from aftermarket sales tend to be more stable through economic cycles and feature higher margins compared to revenues from sales to the original equipment market, thereby providing us with a steady revenue and profit stream which we plan to increase further. We have a well-established aftermarket sales platform in Europe with dedicated sales teams and processes.

Our sales are also diversified across regions. In recent years, we have increased our revenues from Asia and are now well established in this key geography. In the year ended December 31, 2017, we generated 52.4% of our revenues in Europe, 32.3% in North America, 11.0% in Asia, 2.2% in South America and 2.0% in other regions. We aim to further diversify by increasing the percentage of revenues generated in the Americas and Asia.

We also benefit from a well-diversified customer base and are not overly dependent on any single customer. We supply virtually all major European and North American OEMs, and also supply our products to virtually all luxury and premium OEMs, which is rare in our industry. Our customers include Volvo, Renault Nissan, BRP, FCA, Volkswagen, Geely, PSA, Ford, PACCAR, Daimler, Tata, BMW, General Motors, Adient, Lear and Magna. In 2017, approximately 60% of our revenues were generated from our top ten customers, with no individual customer representing more than 10% of our revenues. We generally enjoy stable and long-standing relationships with our OEM and Tier 1 customers, including, for example, Volvo, which we have supplied since 1955.

We believe that our diversification by end market, geography, customers and business-models has been instrumental in securing Booked Business. Our Booked Business amounted to €1,520 million and €1,314 million in 2016 and 2017. This represents an average ratio of revenues to Booked Business of 1.4x for the two years ended December 31, 2017.

Leadership positions in niche applications

We hold market leading positions in a number of highly specialized product categories with unique product offerings. Our scale and flexibility allow us to provide differentiated and customized products, solutions and modules which we consider to be a key competitive advantage. Being a mid-size automotive supplier provides us with sufficient scale in these niche markets.

In our Interior segment, we are a global leader in the development, design and manufacture of seat comfort systems, *i.e.*, systems comprising seat heat, lumbar support and massage functions through our Interior Comfort Systems business. We consider ourselves to be a technology leader in the integration of seat functionalities and believe that we are one of the only suppliers capable of supplying fully integrated seat comfort systems. In the Light Duty Cables business, our diversified product portfolio, global footprint and reliability as a high-quality supplier are key to our business model. We have optimized production processes through investing in and implementing semi-automated assembly processes and take advantage of our actuator competencies from other segments as light duty cable applications move towards electronically actuated solutions.

In our Powertrain & Chassis segment, we benefit from our design and application expertise. Recently we developed a number of new products which we expect will contribute to our revenues in the Powertrain & Chassis segment, such as an actuation control unit which we developed for a major North American transmission supplier. We believe that our broad product portfolio in the Powertrain & Chassis segment covers largely all powertrain options. The market for heavy duty vehicles is attractive to us as it is often characterized by higher margins and longer product cycles compared to the light duty vehicles market. We therefore intend to increase our share of revenues from the commercial market to further improve our profitability and revenue visibility. This diversifies our exposure to end markets.

In our Specialty Products segment, we maintain top three positions within all our business units. We are among the two top suppliers by revenue in the Couplings business. We are a technology leader with a growing market share and are well-positioned for growth particularly in North America and Asia. In the Fluid Transfer Systems business, we are one of the global top three producers by revenue of PTFE hoses. We offer differentiated products, supplying OEMs and Tier 1 customers with semi-finished products with upward potential through structural cost improvements. In addition, we differentiate ourselves from competitors by providing customer training and technical support as well as customized product solutions. In the Off-Highway business, we believe we are one of the top three suppliers based on the volume of pedals and electronic controls produced. We have strong positions with many key customers such as BRP, a powersports market leader. Due to our ability to develop products specifically for off-highway applications and to offer strong electronics engineering and manufacturing capabilities. Our products offer superior driver control and comfort experience and a reduced reliance on mechanical controls. We also assist our customers in the development phase and offer customized product solutions, which we consider to be key competitive advantages.

Focused and significant investments in engineering ensuring product innovation and highly visible growth

We have a strong track record of developing and successfully commercializing new products, and our customers value our ability to develop tailored solutions and products in response to their specific requirements. We have a worldwide product development presence strategically located close to our customers, which includes seven technical centers located in Canada, China, Germany, the Netherlands, Norway, Sweden and the United States. As of March 31, 2018, we employed more than 600 engineering & development staff, held more than 350 patent families and had more than 600 patent applications pending. In the year ended December 31, 2017, our engineering spend amounted to €67.3 million, representing 6.4% of our revenues.

Our key product innovations include: (i) an actuation control unit, which is an automated mechanical mechatronic transmission module with superior pneumatic gear shift and clutch actuation performance, high reliability and serviceability and stable performance over the lifetime of a vehicle, which we developed at the request of a major North American transmission supplier in only three years instead of the typical five to seven years; (ii) *new shape memory alloy ("SMA") seat massage valves*, which are valves for seat massage systems with superior product features in weight, size, power consumption and low noise; (iii) *Actuary Rotary Compact*, an electromechanical rotary actuator, which is compact, light and cost-efficient with few parts and low complexity; (iv) *Fluoro-comp®*, a PTFE fuel hose, which is resistent to harsh environments such as aggressive fuels, hot oils and critical applications; and (v) *nylon hoses*, which are high performance multilayer, corrugated and flexible single layer nylon tube assemblies for both the high temperature coolant circuit in hybrid vehicles as well as for the lower temperature coolant circuit in full electric vehicles.

We believe that our product development capabilities have been instrumental in securing Booked Business, thereby presenting us with opportunities for further growth and high revenue visibility. Our steady flow of innovative products helps to provide high revenue visibility due to the high percentage of our revenues that is comprised of existing and Booked Business, which generally accounts for over 90% of our revenues for any succeeding two-year period. We were recently awarded our first contract for battery coolant hoses in an electric vehicle application, thereby securing future revenue growth. Moreover, the actuation control unit for a major North American transmission supplier is enjoying significantly increased volumes compared to the initial estimates due to superior overall product performance.

Reorganization delivering increased profitability

Since we announced our improvement program in 2016, we have successfully executed a number of footprint optimization and centralization measures and started to implement a more efficient "Principal Model". As part of our footprint optimization, we ceased production at five sub-scale, high-cost manufacturing sites in the Powertrain & Chassis and Specialty Products segments and transferred or are in the process of transferring the production to larger and more efficient facilities in lower-cost countries. We are targeting annual EBITDA improvements of approximately €27 million compared to the 2016 cost base following completion of all planned site closures and estimate that we had already realized an annualized EBITDA improvement of approximately €13 million as of March 31, 2018. We believe that our lower cost base will increase our resilience to cyclical downturns and provide us with the flexibility to execute our growth initiatives.

Through the restructuring of our former group and business unit management team and the set-up of a new operational headquarter in Switzerland, we have also streamlined and centralized various processes and systems as well as increased the collaboration between segments and functions. In particular, we implemented new controls designed to safeguard reasonable project performance. In 2017, we estimate that we realized approximately €3 million in cost savings through these measures compared to the prior year.

Our new Swiss headquarters is also instrumental in implementing our "Principal Model", which has already resulted in a significantly lower effective tax rate and is expected to lead to further tax benefits in the future. As a result, our effective tax rate (calculated as the ratio of profit for the period before taxes to income taxes) decreased from an average of more than 75% for the years 2010 to 2016 to 38.9% in the three months ended March 31, 2018. In the medium term, our target is to achieve an effective income tax rate of approximately 25%.

As part of our improvement program, we have also divested certain businesses which we considered to be no longer financially or strategically attractive, including our North American headrest and armrest business and our ePower division.

For further details regarding our improvement program, see "*Summary—Improvement Program*".

Strong management team and conservative financial policies

We believe the experience of our management team gives us a competitive advantage and positions us favorably for future growth and profitability. Our management team has extensive experience in the automotive and industrial sectors and a proven track record of successfully managing global businesses. It has an average of over 22 years of experience with us and other leading automotive and engineering companies, providing them with an in-depth knowledge of our and our customers' businesses. Our Chief Executive Officer and Chief Financial Officer were appointed in June 2016 and January 2017, respectively, and have been instrumental in developing and executing our improvement programs, which have already resulted in significant benefits and which are expected to lay the foundation for our future growth strategy. For five consecutive quarters since January 2017, we have achieved year-over-year revenue and Adjusted EBITDA improvements and we estimate this trend continued in the three months ended June 30, 2018. As part of our management improvement program, we have implemented significant changes to our senior management and its structure to ensure that we have the right management team to continue to execute our restructuring and growth initiatives.

We maintain a clear and conservative financial policy focused on making investments in our most attractive segments and supported by deleveraging through our improvement program. We have a medium-term leverage target of 1.5x net debt/EBITDA and an equity ratio target exceeding 35%.

Our Strategy

Our long term strategic goals are to become a world class automotive supplier with a flexible cost structure, benchmark EBIT and net income performances and attractive cash conversion rates, while generating sustainable and profitable growth. We plan to achieve these goals through a number of strategic initiatives.

Continue to deliver on our improvement program and enhance our operational model

We plan to enhance our operational model by executing the improvement program announced in 2016. We are in the process of further ramping-up our production at our new manufacturing sites and improving their operational efficiencies with a view to realizing our full improvement potential. With regard to our manufacturing footprint, we have identified two further manufacturing sites for possible closures and transfers of the related production to newer, more modern facilities in lower-cost countries. These closures would present us with a future opportunity to further reduce our cost base. Our long-term goal is to achieve a best-in-class cost structure that is flexible and makes us more resilient against cyclical downturns in our end markets. In addition, we will continue to closely monitor our cost base in order to identify further potential for cost savings.

In addition to lowering our cost base, we will continue to implement the "Principal Model" with a target of reducing our effective income tax rate to 25% in the medium term and making organizational changes to better align our segments and business units with the opportunities and challenges they face.

We believe that our operational model and our engineering efficiency can be improved by strengthening our engineering capabilities in emerging markets and being closer to our new customers. To this end, we may increase our engineering staff in emerging markets, in particular China. We believe that this will enable us to develop technical solutions specifically tailored to the needs of our local customers more efficiently and quickly.

Successfully commercialize new products and continue to be an innovation partner to OEMs

We are focused on launching our recent product innovations and maintaining and strengthening our close technology partnerships with key OEM and Tier 1 customers through the continued development of innovative products, a strong customer focus that meets customers' expectations regarding technical requirements for innovation, flexibility and responsiveness to the trends in our underlying end markets. We have successfully built a strong foundation for innovation partnerships in various emerging markets, which we believe positions us to benefit from the expected growth in these markets. We intend to grow our most attractive businesses through our product offering, with a particular focus on attractive niche markets. As a mid-sized automotive supplier we believe we can benefit from bringing automotive scale and efficiency these niche markets, including, in particular, the power sports and industrial markets.

We believe we have a portfolio of new products responsive to significant trends in our end markets and that presents an attractive growth opportunity. These trends include premiumization and higher penetration rates for comfort features that are currently mainly present in premium light duty vehicles for our Interior segment; a trend towards AMT systems in heavy duty vehicles for our Powertrain & Chassis segment; and stricter regulation, increasing demand for more flexible or high performance solutions and migration from mechanical controls to electronic or electronically-assisted controls in our Specialty Products segment.

In the Interior segment, we intend to participate in these trends by continuing to develop advanced products that can meet increasing customer requirements, as well as by developing comfort solutions that are more suitable for use in mass-market light duty vehicles.

In our Powertrain & Chassis segment, we intend to capture growth in the commercial and light duty vehicles markets. For example, our newly developed actuation control unit for a major North American transmission supplier is well positioned to address increasing demand for automated manual transmission solutions in the North American and Chinese heavy duty vehicle markets, which has already resulted in our customer significantly increasing its expected order volume. In the light duty vehicles market, we intend to serve increasing demand for shift-by-wire applications, in particular in China, by our advanced product offering.

In our Specialty Products segment, we plan to strongly participate in the need for more high performance hoses. On the one hand, the trend to downsizing internal combustion engines leads to smaller engine compartments. Smaller engine compartments, in turn results in a harsher environment in the engine compartment (including, in particular higher temperatures), thus driving demand for flexible and durable fuel and other hoses. On the other hand, an increased trend to electric mobility could drive demand for battery coolant systems, a new application for our high performance tube solutions. We believe this strategy is supported by the recent win of our first battery coolant hoses contract for a European premium OEM.

Grow in selected markets and through expansion of our product, competence and technology portfolio

We believe there is an opportunity to grow our business by increasing our presence in selected geographic markets (such as China), increasing our aftermarket sales, selectively complementing our product, competence and technology portfolio and strengthening our position in the industrial market.

Our revenues from sales to customers in Asia increased from 8.6% of our total revenues for the year ended December 31, 2015 to 11.8% for the three months ended March 31, 2018, and we target to further grow the share of our revenues from Asian customers, in particular in China. We plan to selectively expand our capacity in China and win new business from Asian, European and North American OEMs and Tier 1 suppliers in the region. We believe that our focus on tailored solutions, flexible production and local footprint positions us well to execute on these plans.

We also intend to expand our current aftermarkets sales in particular in North America. To achieve this, we plan to establish a dedicated aftermarket sales team in North America. In addition, increasing original equipment sales should result in growth of our aftermarket sales opportunities in the future.

We are seeking to complement our manufacturing processes and our existing product portfolio, for example by insourcing certain production processes that are critical to most of our business units. We believe this will enable us to secure a competitive advantage and attractive pricing for our products. We have also witnessed a trend of electric and electronic systems becoming more important for the products we offer and increasingly becoming a competitive factor. We may therefore consider expanding our value chain, including by targeted add-on acquisitions, to cover the design and manufacture of such components ourselves rather than relying on third-party suppliers. Any acquisition would have to be opportunistic and accretive, allowing us to benefit from meaningful synergies and further enhance our profitability, as well as being achievable within the framework of our leverage target.

Group History

Kongsberg Automotive has its origins in Kongsberg Våpenfabrikk, a defense and weaponry company, which began producing brakes and driveshafts for Volvo in the late 1950s. Since then Kongsberg Automotive has developed from a Scandinavian automotive parts supplier to become a global leader in the automotive industry. In 1958, Kongsberg Våpenfabrikk split into divisions and the automotive division was established. In 1987, Kongsberg Automotive was established. In 1999, Kongsberg Automotive began production of seat heating in Mexico. In 2000, a technology center for gearshifts in the United States as well as production in Poland were established. In 2001, Kongsberg Automotive acquired Jung Ang, a producer of clutch servos in Korea. In 2004, Kongsberg Automotive acquired couplings producer Raufoss United and established production in China. Kongsberg Automotive acquired Milan Seating Systems and listed on the Oslo stock exchange in 2005. In 2008, Kongsberg Automotive acquired Teleflex GMS which manufactured systems for gear shift, seat comfort and fluid systems. In 2009, Kongsberg Automotive sold its aviation business and in 2012, established an electronic center of excellence in Canada. An improvement program and a new management team were established in 2016. In 2017, Kongsberg Automotive sold its North American headrest and armrest business and moved its operational headquarters to Zurich.

Our Segments

In order to better align the organizational structure with the opportunities and challenges of our business units, we reorganized our four business areas, Interior, Driveline, Driver Control and Fluid Transfer, into three segments as of January 1, 2017. We now operate our business through the following three segments, the Interior, the Powertrain & Chassis and the Specialty Products segments.

In the year ended December 31, 2017, we generated approximately 55% of our revenues in the light duty vehicle market, approximately 26% in the commercial vehicle market, approximately 7% in the recreational vehicle market, approximately 3% in the heavy equipment market and approximately 9% in industrial and other markets.

Interior

Our Interior segment is a global leader in the development, design and manufacture of seat comfort systems and mechanical and electro-mechanical light duty motion controls to Tier 1 and OEM customers. Our product range includes seat adjuster cables and other cabling systems, lumbar support and side bolsters, and seat heating, ventilation and massage systems. We believe we supplied the first serially produced seat heating system in 1973 and were the first to market with pneumatic lumbar support systems. Since then we have continually developed and enhanced our products.

Our Interior segment consists of the operations of our Interior Comfort Systems and Light Duty Cables business units, which focus exclusively on the light duty vehicle market.

In the year ended December 31, 2017, our Interior segment generated revenues of €263.9 million, representing 25% of our revenues for the same period and Adjusted EBITDA of €20.4 million. Our Interior Comfort Systems business unit generated revenues of €183.7 million, representing 17.3% of our revenues for the same period. Our Light Duty Cables business unit generated revenues of €65.4 million, representing 6% of our revenues for the same period.

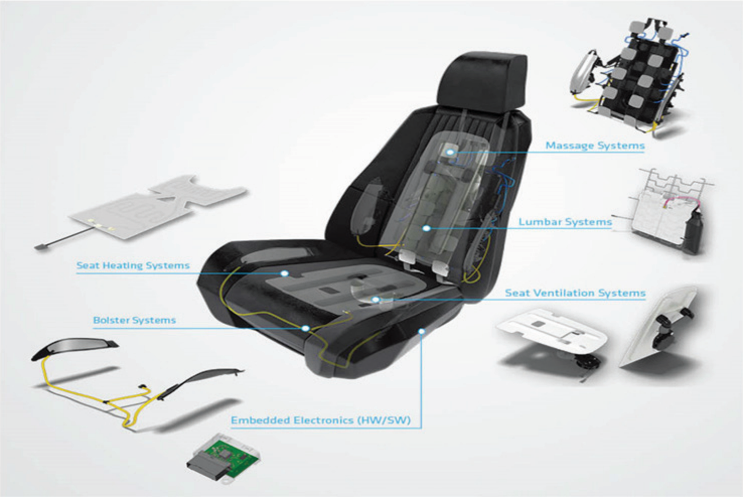
Sales to customers in the original equipment light duty vehicle market, the original heavy duty vehicle market and industrial and other markets generated approximately 97%, 1%, and 2% of our Interior segment revenues in 2017, respectively.

Key Product Offerings

Interior Comfort Systems

Our Interior Comfort Systems business unit offers comfort and safety related products for vehicle interiors. The product offering of our Interior Comfort Systems business unit comprises seat heating, seat ventilation, lumbar support and massage system products. We believe we are one of the technology leaders in the integration of various seat functionalities with strong market growth. In offering a complete package of interior seat comfort products, we believe we are also one of the few suppliers offering a one-stop shop for seat comfort systems integration. We have the ability to offer full models or individual products. We also offer low-cost seat support valves for entry-level vehicles.

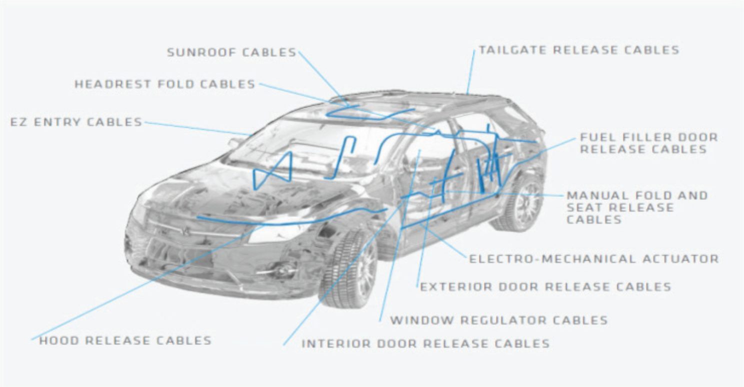
We are developing products that both meet customer requirements and are simple to integrate. Our seat heating solutions offer seat heaters in different shapes and design which are targeted to fit any type of seat. Our seat heating solutions are suitable for different types of customer requirements relating to performance, durability and quality and are very accurate in temperature control. Our seat ventilation solutions remove the heat that can get trapped between the body and the seat in a warm vehicle and can be integrated with any type of seat comfort system including seat heating. We offer both powered and manually adjustable lumbar support systems that we custom build for any type of standard or compact seat. Our mechanical lumbar systems are designed to provide support to the occupant by focusing loading within a specific target zone on the seat back. We also offer pneumatic lumbar support systems for all vehicles segments. The systems range from one to three air bladders and the desired apex travel can be achieved whilst at the same time saving space and system weight. Our massage systems integrate with the other products in our portfolio such as seat heating, seat ventilation or seat support systems. The massage system is based on a series of small air bladders that alternately inflate and deflate and can be fitted to any type of seat whether it is in the front or the rear of the car.



Light Duty Cables

Our Light Duty Cables business unit comprises a range of products including hood/bonnet release cables and handles, trunk/tailgate/boot release cables and handles, interior and exterior door release cables, window regulator cables and sunroof opening and closing cables. We have taken the cable and plastic moulding technology developed for seating cables and applied this to the range of cables and handles for body closure applications. Through our expertise in cable and conduit design, we can offer solutions for the longest cables found in vehicles. We have also developed a range of products which offer corrosion resistance and continued functionality in harsh outdoor environments and meet vehicle security specifications. Light Duty Cables represents a core competence across multiple of our business units and we have a strong product technology and knowledge base. Some traditional Light Duty Cables are moving towards actuators and we are able to use actuator competencies from other business units in this area.

Our manual release cabling systems and handles which consist of hood/bonnet, truck/tailgate/boot, door and window systems offer multiple input options customized to provide comfort, styling and mechanical advantage while being placed in virtually any position in the vehicle’s interior or exterior to provide efficient motion control and a flexible means of transmitting force. Through our range of electromechanically actuated release systems, we offer push button communication that allows for easy remote operation of the fold and/or tumble functions of second and/or third row seats and easy fore-aft and recline adjustment for the first row seat.


SUNROOF CABLES
TAILGATE RELEASE CABLES
HEADREST FOLD CABLES
EZ ENTRY CABLES
FUEL FILLER DOOR RELEASE CABLES
MANUAL FOLD AND SEAT RELEASE CABLES
ELECTRO-MECHANICAL ACTUATOR
EXTERIOR DOOR RELEASE CABLES
WINDOW REGULATOR CABLES
HOOD RELEASE CABLES
INTERIOR DOOR RELEASE CABLES

Customers

Our Interior segment addresses the light duty vehicle market, with a focus on premium car platforms in Europe and North America. The product penetration for products such as seat heating, seat ventilation and massage systems are especially high in medium to higher end cars, while light duty cables are found in all ranges of cars. Customers include all major European and North American car and seat manufacturers and large OEMs such as Adient, Magna, Faurecia, Lear, Jaguar, Land Rover, Audi, Volvo Cars, Daimler and BMW. We believe we are one of the only suppliers to have almost all main luxury and premium OEMs as customers. While we regularly contract with Tier 1 suppliers, sourcing decisions, product specifications and pricing in the European market are often driven by OEMs.

Competition

The market in which our Light Duty Cables business unit operates is highly fragmented with no dominant market participants. Our competitors include Leggett & Platt, Hilex, Grand Rapids Control, Toyoflex Corporation, Suprajit, Ficosa, Dura and Ningbo Gaofa Automotive Control System. In contrast, the market for seat comfort systems is more concentrated and characterized by a smaller number of mostly international participants. For seat heating and seat ventilation systems, our primary competitors are Gentherm, with a strong market share in particular in North America, Kurabe (seat heating systems only) and IGB. In the lumbar support markets, we mainly compete with Alfmeier and Continental AG. Our main competitors for seat massage systems are Alfmeier and Leggett & Platt.

Powertrain & Chassis

Our Powertrain & Chassis segment is a global Tier 1 supplier of driver control and driveline products into the light duty and heavy duty vehicle automotive markets.

In the year ended December 31, 2017, our Powertrain & Chassis segment generated revenues of €407.4 million, representing 38.5% of our revenues for the same period, and Adjusted EBITDA of €18.6 million. Our Transmission Control business unit generated revenues of €351.1 million, representing 33.2% of our revenues for the same period and our Vehicle Dynamics business unit generated revenues of €43.7 million, representing 4% of our revenues for the same period.

Sales to customers in the original equipment light duty vehicle market, the original heavy duty vehicle market, the aftermarket and industrial and other markets generated approximately 61%, 26%, 12% and 2% of our Powertrain & Chassis revenues in 2017, respectively.

Key Product Offerings

Our Powertrain & Chassis segment develops and manufactures a comprehensive range of powertrain systems and chassis related products for heavy duty vehicles and light duty vehicles. It comprises products within transmission control, mechatronic actuation and vehicle dynamics. Our product range within transmission control consists of Automated Manual Transmission ("***AMT***") actuators, clutch actuation modules (*e.g.*, pumps supporting the movement of the clutch pedal), shift-by-wire shifters, "PRND" actuators, shift cables and manual gear shifters.

The electrification trend in the automotive industry has changed the products within our Powertrain & Chassis segment. From being a major supplier of conventional mechanical automatic transmission gear shift systems we started our transition to electrical gear shifter systems and shift-by-wire shifters. In order to continue supplying full gear shifter systems, we developed an electromechanical actuator that can be bolted on transmissions for converting and adapting to electrified gear shift systems within transmission control. Our focus is on profitable growth regarding new technology as well as maintaining a share in conventional mechanical systems.

We have also been working on a range of AMT related products for the heavy duty vehicle market, which combine manual and automatic transmission. Vehicles equipped with an AMT have a gear shift and a clutch, but the shifts are completed automatically without the need for a clutch pedal. AMT products increase comfort and lower emissions. Our solutions combine the fuel economy and performance of manual transmission with the driving comfort of an automatic transmission. Key features and benefits of our AMT solutions include: computer operated clutch and gearing with no clutch pedal, higher fuel efficiency than with manual transmission, increased driver comfort and safety as well as improved driveline durability which results in lower maintenance cost. Our transmission actuation technology can be developed for any Medium Duty and Heavy Duty transmission application and can also be used in combination with hybrid systems.

Our product range within vehicle dynamics consists of three categories: chassis stabilizers, v-stays, which are metal braces to stabilize the chassis and cabin anti-roll bars on which truck cabins are being mounted. Our long design and manufacturing experience provides competitive and robust products. All our products within vehicle dynamics are tailor-made to suit the specific application of each truck. Within chassis stabilizers we deliver v-stays and reaction rods that reduce component size and weight and provide a considerable range of angular motion. We deliver advanced rear axle anti-roll bars. We offer tailor made solutions which allow truck manufacturers to meet challenging packaging constraints and freedom in designing suspension geometry, and thus improving vehicle handling. Our cabin anti-roll bars offer, amongst others, induction hardening on highly loaded torsion bars as well as an advanced torsion tube forming process to meet increasing weight targets.

Customers

Our Powertrain & Chassis segment serves both the light duty and the heavy duty vehicle market, with particularly strong positions in Europe and the Americas and high growth prospects in Asia. With a global footprint, our Powertrain & Chassis segment serves as a strategic partner to leading heavy duty vehicle customers and is able to support customers worldwide. Our primary customers include FCA, Volvo, PSA, Renault-Nissan, Ford, Geely, ChanAn, DongFeng, General Motors, Scania, PACCAR/DAF and Eaton-Cummins JV.

Competition

The Powertrain & Chassis market is highly fragmented with no dominant market participants. Our primary competitors in the Powertrain & Chassis segment in the light duty vehicle market include ZF, Kostal, Ficosa, Denso, Ningbo GaoFa, Dura, Aolian, Jopp, Kuster, PREH, Tram. Our primary competitors in the Powertrain & Chassis segment in the truck market include Knorr-Bremse, ZF, WABCO, Dafeng, Jinhua, Aolian, Yili, SORL, XZN, VIE and Meichen.

Specialty Products

Our Specialty Products segment provides driver control and fluid handling systems for heavy duty vehicles and light duty vehicles, as well as innovation products and software. Our Specialty Products segment consists of the operations of our Couplings, Fluid Transfer Systems and Off-Highway business units which focus on specialized niche products.

In the year ended December 31, 2017, our Specialty Products segment generated revenues of €385.3 million, representing 36.5% of our revenues for the same period, and Adjusted EBITDA of €65.5 million. Our Couplings business unit generated revenues of €90.9 million, representing 8.6% of our revenues for the same period. Our Fluid Transfer Systems business unit generated revenues of €136.5 million, representing 12.9% of our revenues for the same period. Our Off-Highway business unit generated revenues of €156.5 million, representing 14.8% of our revenues for the same period.

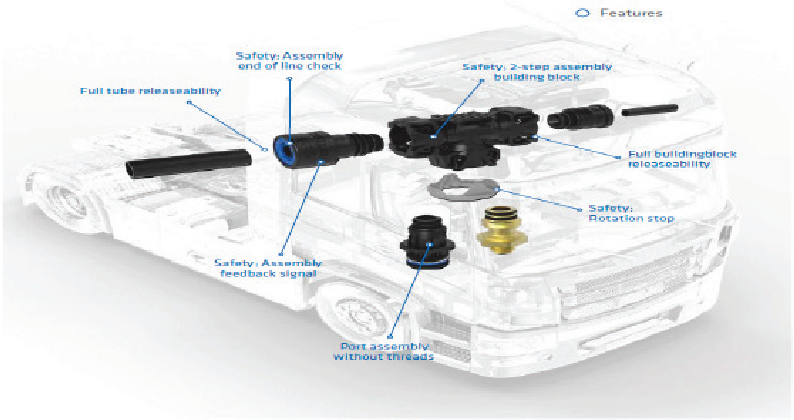
Sales to customers in the original equipment light duty vehicle market, the original heavy duty vehicle market, the aftermarket and industrial and other markets generated approximately 17%, 32%, 3% and 47% of our Specialty Products revenues in 2017, respectively.

Couplings

Key Product Offerings

Our Couplings business unit is exclusively focused on compressed air applications for trucks, buses, trailers and off-highway, namely couplings which are required to connect tubes in compressed air systems. We believe we are a technology leader with a growing market share and the potential for growth in North America and Asia.

We offer premium priced products due to advantageous design leading to lower total cost of ownership and savings to OEMs through simplified assembly processes. One of our key products includes the Raufoss ABC™ system. We have, in co-operation with various heavy duty vehicle manufacturers, developed a new air coupling system based on composite material and brass for use with plastic tubing for the compressed air circuits used on heavy duty vehicles. Features and benefits of our Raufoss ABC™ system include design flexibility, full releasability, integrated safety, system cost reduction, one global system and 83% weight reduction. The system consists of the following elements: push-in couplings, ABC™ Swivels, ABC™ Building Blocks, Bulkhead couplings, test points, hose nipples and accessories. New composite materials reduce system cost, weight, article numbers and increase design flexibility, while brass components secure structural integrity in highly stressed areas. Unlike traditional air coupling systems, which are typically pre-assembled, our Raufoss ABC™ system allows for compressed air systems to be assembled and installed at the customer's manufacturing plant thereby increasing flexibility. The Raufoss ABC™ system also allows for easier repair as the defective part can be disconnected and replaced without the need to replace the complete compressed air system.


Features
Safety: Assembly end of line check
Safety: 2-step assembly building block
Full tube releaseability
Full buildingblock releaseability
Safety: Rotation stop
Safety: Assembly feedback signal
Port assembly without threads

Customers

Our Couplings business unit serves the heavy duty vehicles market, with a particularly strong position in Europe. We are currently expanding our footprint to North America and China. Our primary customers include truck manufacturers such as Scania and Volvo Trucks/Group, manufacturers of trailers such as Schmitz Cargobull and manufacturers of passenger buses such as Iveco, Volvo, Scania and Van Hool.

Competition

The market for compressed air applications is rather concentrated and characterized by a small number of participants. Our primary competitor within the Couplings business unit is Voss. Other competitors within Europe include Sirit and WIRA. Within the United States our competitors include SMC, Parker and Norgren and within Asia Nitta and other various local competitors.

Fluid Transfer Systems

Key Product Offerings

We believe we are a technology leader within certain fields and certain sub-segments of the Fluid Transfer Systems market. Our Fluid Transfer Systems business unit provides fluid handling and high performance tube and hose products for light duty vehicles, trucks and buses and industrial markets (including factories and refineries). The product range of our Fluid Transfer Systems business unit includes specialty hose, tubes and assemblies for harsh and critical applications (used for light duty vehicles, trucks/buses and industrial markets) as well as agility and tailor made products for tight packaging and weight savings. We offer a solid product line with upwards potential through structural cost improvement and vertical integration. We believe we are one of the global top three FTPE hose producers by revenue and a leader in Fluoro-Comp® manufacturing. We also offer a broad portfolio of advanced forming technologies and processes as well as a broad range of advanced assembly methods and processes.

Tubes, hoses and other fluid transfer systems may represent only a small percentage of the overall costs of a vehicle, but are critical for the operation of a vehicle. Customers therefore tend to opt for solutions they are familiar with and are hesitant to switch.

Customers

Our Fluid Transfer Systems business unit serves the light duty vehicles, heavy duty vehicles and the industrial market, with particularly strong positions in North America and Europe. Our primary customers include Jaguar Land Rover, Ford, Volvo group and TI as well as an industrial customer base.

Competition

The Fluid Transfer Systems market is partly fragmented with many market participants and applications. Our primary competitors include Voss, Norma, Reflex Allen, Imperial Auto, Cooper Standard, Contitech, Titeflex, Aflex and Polyhose.

Off-Highway

Key Product Offerings

Our Off-Highway business is a highly specialized unit focused on a variety of end-markets with various products and technologies. It provides off-road products for various industries including steering columns, electronic power steering units, electronic foot and hand controls, control modules and mechanical cables. Our Off-Highway business unit develops driver control systems for powersports and recreation vehicles, motorcycles, construction machinery, agricultural machinery as well as for the outdoor power equipment industry. Off-Highway vehicle markets are migrating from mechanical controls to electronic controls or electronically assisted controls. Our target is to become the largest supplier of steering system products for the power sports, agriculture and construction markets. In the Off-Highway business, we believe we are one of the top three suppliers based on number of products supplied in pedals and electronic controls.

Our Off-Highway business portfolio consists of four product areas:

- Steering systems, which include both mechanical steering columns and electronic power steering units. These products are sold to the powersports and recreation vehicles, construction machinery and agricultural machinery market segments.
- Electronic foot and hand controls, which include throttle pedals, pedal groups (both throttle and brake), clutch pedals, thumb throttles and hand throttles. These products are sold to the powersports and recreation vehicles, construction machinery and agricultural machinery market segments.
- Human machine interface/electronics, which include control modules, keypads, actuators, “Smart” keys and displays. These products are sold to the powersports and recreation vehicles market segment.
- Mechanical cables and controls, which include mechanical cables, throttle pedals, brake pedals, gear shifters. These products are sold to the motorcycle, construction machinery, agricultural machinery, and outdoor power equipment market segments.

Customers

Our Off-Highway business unit serves various industries, including the powersports and recreation vehicles, motorcycles, construction machinery, agricultural machinery as well as outdoor power equipment industry, with particularly strong positions in North America and Europe. Our primary customers include Bombardier Recreational Products, Textron Specialized Vehicles and Club Car for powersports and recreation vehicles; CNH, AGCO and John Deere for agricultural machinery; CAT, JCB, and Volvo CE for construction; Husqvarna, Stiga and Stihl for outdoor power equipment; Honda and Yamaha for motorcycle.

Competition

The Off-Highway market is highly fragmented. Our primary competitors include Cobo and Coram for steering columns; Curtiss Wright and MCS for electronic foot and hand controls; Globe and KYB for electronic power steering; and Suprajit/Wescon for mechanical cables.

Joint Ventures

We conduct a part of our operations in China through Shanghai Kongsberg Automotive Dong Feng Morse Co. ("***SKADFM***"), a joint venture together with Dongfeng Electronic Technology Co., Ltd, a Chinese automotive supplier. We hold 75% of the shares in SKADFM. SKADFM was established in 1995 and employees approximately 200 employees in its facilities near Shanghai. SKADFM focuses on products for trucks, buses, agricultural machines and construction vehicles. It produces a range of products, including gear shifter systems, throttle pedals, clutch servos and steering columns.

Engineering & development

During the fiscal years ended December 31, 2017, 2016 and 2015, we had gross engineering and development expenses of €67.3 million, €81.0 million and €70.5 million, respectively. Our gross engineering & development expenses in the fiscal years ended December 31, 2017, 2016 and 2015 totalled 6.4%, 8.2% and 6.9% of sales, respectively.

As of March 31, 2018, we employed more than 600 engineering & development staff worldwide. Our engineering & development organization provides local engineering support close to the customer from seven global innovation centers. Our engineering & development engineers develop engineering solutions for customers who come to us with specific assignments. The innovation centers are located in Canada, China, Germany, the Netherlands, Norway, Sweden, and the United States. This strategy enables us to maintain resources near key customers and at the same time have scale benefits in the competency and end-market-based innovation centers by having concentrated competence in specific locations through our engineering & development engineers.

Engineering & development relating to Interior Comfort Systems and Light Duty Cables

In 2017, our engineering & development efforts in the Interior Comfort Systems and Light Duty Cables business units focused on improving all aspects of seat comfort, thermal (heat/vent), support and massage with embedded hardware/software electronics, as well as light duty cable applications for mechanical or electrical actuation of the seats, hood, doors, and windows.

We believe we are in a strong position to offer solutions for comfort needs due to our broad product portfolio supported by a highly skilled engineering team with fundamental understanding of comfort in terms of product know-how, ergonomics, human factors and biomechanics using a broad range of analytical, simulation and testing methodologies.

In 2017, our Interior Comfort Systems business unit successfully launched a number of new products and technologies with several premium vehicle manufacturers in Europe and North America, which will be extended to Asia in 2018. In addition to the premium segments, as technology flows down segments, we also launched products that are designed to meet the needs of more volume-oriented vehicles. These new products and technologies contain proprietary climate solutions with increased efficiency, novel light weight seat support with low energy valve technology and pump technologies and actuation systems that are lighter, smaller, quieter and faster than traditional products in the market today.

Our Light Duty Cables business unit developed an electronically activated seat actuation system that is lighter, smaller and quieter than current products. This system allows for track release, fold and/or tumble of the seat for all vehicle segments and can be used in other applications that require the release of a lock or latch.

Engineering & development relating to Powertrain & Chassis

In 2017, our engineering & development efforts in the Powertrain & Chassis segment focused on chosen AMT actuation systems for heavy duty vehicles and shift-by-wire systems for light duty vehicles.

In 2017, our Powertrain & Chassis segment successfully launched its first AMT actuation unit for both clutch and gearshift actuation within heavy duty vehicles. We believe that the unit has advantages in terms of serviceability and clutch actuation performance. The first electromechanical actuator for shift- and park-lock actuation was launched for shift-by-wire systems. The proprietary system, developed with Eaton-Cummins JV, has a best-in-class shift feel, fuel consumption and durability.

Manual Transmission (MT) systems for gearshift and clutch actuation as well as cables continue to be important for both light duty vehicles and heavy duty vehicles. We are working on new innovations within steering, hybridization, anti-vibration systems.

Engineering & development relating to Specialty Products

Couplings

In 2017, our engineering & development efforts in the Couplings business unit have been focused on the continued development of next generation of air couplings, ABC XE™. The ABC system was successfully launched in Asia with large truck OEM customers.

Fluid Transfer Systems

Our Fluid Transfer Systems business unit continued to extend its high temperature hose portfolio and is planning to launch new products in the industrial segment during 2018 as well as introducing respectively expanding new materials (combination) for existing applications. This included using new high performing plastic materials (or combinations) to improve performance of existing hose and tube assemblies and using new high performing plastic material to replace existing steel tube assemblies to reduce weight on vehicles, which is important for fuel reductions and electric vehicles.

Off-Highway

In 2017, our engineering & development efforts in the Off-Highway business unit focused on three strategic areas: steering systems, electronic foot and hand controls and electronic controls. We also expanded the product portfolio with several new products including compact steering column, thumb throttles, and compact electronic power steering.

Quality

Our quality management system develops programs and requirements for improving and standardizing quality management across the Group from development through manufacturing and the complete supplier chain.

The quality of our products is of critical importance to our business. All of our products undergo rigorous internal qualification processes to ensure that high quality products are being provided to customers. Our comprehensive quality management system defines regulations and prescribed processes applicable group-wide in compliance with the requirements of the worldwide automotive standard IATF16949. Compliance with and monitoring of these requirements are monitored through audits and reviews, which are designed to ensure a uniform global level of quality. In addition, each segment has managers specifically responsible for quality or other quality experts working closely with the relevant management in order to ensure that the quality management system in the manufacturing facilities and locations is continuously improved. Furthermore, OEMs and other customers regularly audit our manufacturing procedures to verify if they comply with the customer's production standards.

We also require our suppliers to undergo a qualification or certification process to ensure the quality of material supplied to us. We measure individual and departmental quality metrics. We collaborate with key customers to evaluate and improve existing arrangements, secure key partnerships and confirm the compliance of our manufacturing processes with the customer's quality standards. In addition, we regularly monitor and analyse customer satisfaction feedback.

Manufacturing

We operate manufacturing facilities located in the Americas, Europe and Asia. As of December 31, 2017, Mexico had the highest number of employees, with around 2,770 employees in three manufacturing sites. Our two main European manufacturing sites are in Pruzków, Poland and Vráble, Slovakia, with 1,815 and 993 employees, respectively, as of December 31, 2017. In Asia, as of December 31, 2017, we had five manufacturing sites and 1,253 employees, of which three manufacturing sites and 1,086 employees were located in China.

We are currently seeking to optimize our manufacturing footprint to drive productivity and reduce complexity by consolidating various manufacturing sites. The closure of relatively small, sub-scale facilities and the transfer into larger manufacturing sites is aimed at improving economies of scale and the relative weight of lower-cost manufacturing locations such as Mexico, Poland, Slovakia, Hungary and China, in the Group. In our improvement program, announced in 2016, we included the closure of six manufacturing facilities in addition to one that was announced earlier. We have substantially completed five out of the seven closure projects. In 2017, two plant closures and production transfers were completed: Basildon in the United Kingdom and Heiligenhaus in Germany, whose production was transferred to the existing factory in Slovakia. The closure of Rollag was completed at the end of the first quarter of 2018. Two additional plant closures were announced in the second half of 2017: Burton, United Kingdom and Easley, United States. The closure of our production site in Easley, United States was completed in the second quarter of 2018 and production is currently moved to a new production site in Ramos Arizpe, Mexico. We are also in the process of closing our production site in Burton, United Kingdom. The site is expected to close in the third quarter of 2018 and we are in the process of moving the production to our new production site in Brześć, Poland. See also "*Summary—Improvement Program*".

Property, Plant and Equipment

Our operational headquarters are located in Zurich, Switzerland. As of March 31, 2018, we operated 33 manufacturing facilities, the vast majority of which are leased by us.

The following table provides an overview of our principal manufacturing facilities, as of March 31, 2018, including location, business, size and whether the property is owned or leased.

Location	Business	Building space (in thousand sqm)	Owned/Leased
Shawinigan, Canada	Powertrain & Chassis	9,600	Leased
Wuxi, China	Interior Comfort Systems / Powertrain & Chassis / Fluid Transfer Systems / Couplings	17,561	Leased
Cluses, France	Powertrain & Chassis	10,500	Owned
Matamoros, Mexico	Light Duty Cables / Off-Highway	16,816	Leased
Nuevo Laredo, Mexico	Powertrain & Chassis	30,681	Leased
Reynosa, Mexico	Interior Comfort Systems	17,000	Leased
Huitingfoss, Norway	Powertrain & Chassis	11,000	Owned
Raufoss, Norway	Couplings	12,258	Leased
Brześć, Poland	Interior Comfort Systems / Fluid Transfer Systems	15,918	Leased
Koluszki, Poland	Powertrain & Chassis	16,981	Leased
Pruszkow, Poland	Interior Comfort Systems	16,715	Leased
Mullsjö, Sweden	Powertrain & Chassis / Interior Comfort Systems	19,267	Owned
Vráble, Slovakia	Powertrain & Chassis / Off-Highway	25,931	Leased
Willis, United States	Off-Highway / Powertrain & Chassis / Couplings	34,285	Owned

Suppliers of raw and prefabricated materials and components

In the year ended December 31, 2017, raw material expenses amounted to €478.7 million. Steel, brass (zinc and copper), aluminum and polymer resin are the principal raw materials used in many of our products. Other important production materials include electronics, plastic (PET/PU/PE), Nickel and Chrome. We obtain raw and prefabricated materials and components from a variety of sources and in general from more than one supplier. We purchase raw materials from global suppliers with whom we work closely to assure quality of the materials purchased. All of our raw and prefabricated materials and components purchased are subject to category management ("***CM***") on global or regional level. CM is at the center of our purchasing activities, which has been given the mandate to consolidate volume and commit agreements globally or regionally for all categories on behalf of our work where it provides leverage or is otherwise assessed beneficial for us. The general principle is to source regionally/locally with preferable global suppliers. Our top five and top 100 suppliers accounted for 23% and 69%, respectively, of total purchases in the three months ended March 31, 2018.

Prices and supplies of raw and prefabricated materials are subject to change or curtailment due to, among other things, new laws or regulations, changes in demand levels, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and prevailing price levels.

We do not actively hedge against the risk of rising prices of raw and prefabricated materials by using derivative financial instruments. Instead, we generally enter into long-term purchasing contracts relating to raw and prefabricated materials on an opportunistic basis. The general principle is to base raw material agreements on relevant index development to ensure participation in price reductions.

IT systems

The IT infrastructure employed by us is characterized by a high level of standardization. Our IT systems and application landscapes rely heavily on SAP software and we are in the process of finalizing the replacement of our few remaining non-SAP software with SAP systems.

We have centralized most of our IT applications and standardized our business processes in order to meet our customers' needs and to implement efficiency. In addition, to this end, we rely on competent IT personnel, who train our systems user employees and design and support our business processes.

Intellectual Property

We have obtained patents and licenses to protect our products, their design and our manufacturing processes and are continuously seeking to secure further patents on our developments. As of March 31, 2018, we held around 350 patent families registered worldwide, with around 400 patent applications pending, with 30 new patents registered in the year ended December 31, 2017. We consider our intellectual property a competitive advantage of our business. We devote significant resources to the filing and monitoring of our patents and other intellectual property rights, to the prosecution of infringements thereof and to the protection of our proprietary information. We have an in-house team of intellectual property specialists, tightly connected to our global business teams. Our intellectual property specialists work closely with engineering & development activities and processes in order to maximize the ability to identify and protect our inventive efforts.

Employees

The table below sets forth the number of employees (by headcount and full-time equivalent) we employed as of the dates indicated for each of our business segments:

	December 31,			March 31,
	2015	2016	2017*	2018
Powertrain & Chassis	–	–	3,938	4,366
Interior	4,586	4,457	4,605	4,947
Specialty Products	–	–	1,723	1,430
Other/Corporate	242	284	216	204
Driveline	2,488	2,494	–	–
Driver Control Systems	1,426	1,416	–	–
Fluid Transfer	1,262	1,412	–	–
Total	10,004	9,791	10,482	10,947

* We reorganized our four business areas, Interior, Driveline, Driver Control and Fluid Transfer, into three segments, Interior, Powertrain & Chassis and Specialty Products as of January 1, 2017.

The table below sets forth the number of employees (by headcount and full-time equivalent) we employed as of the dates indicated for each of the regions in which we operate.

	December 31,			March 31,
	2015	2016	2017	2018
Europe	4,524	4,541	5,276	5,583
North America	1,291	1,163	1,079	1,045
South America	3,124	2,960	2,875	3,044
Asia	1,066	1,128	1,253	1,276
Total	10,004	9,791	10,482	10,947

72% of our employees are located in low cost countries and 28% of our employees are located in high cost countries.

Relationship with unions and works councils

We aim to build long term constructive relationships with local trade unions and work councils in many of the countries in which we operate. This on one hand gives us credibility in negotiating with labor counterparts, and on the other hand makes counterparts more responsible for the medium to long-term future of the Group. We cooperate with local trade unions and work councils in many countries where trade unions and/or work councils are active. In these jurisdictions we normally have framework agreements in place, which are agreed through discussions with the works councils and under considerations of local labor laws. There have been no material labor disputes in the past five years between us and our employees.

Pensions

We have defined benefit and defined contribution pension plans for our employees.

We provide defined benefit pension plans in Norway, Germany, France and Switzerland. We provide defined contribution pension plans for employees in Sweden, the United Kingdom and the United States.

As of December 31, 2017, our projected benefit pension obligations amounted to €18.6 million. As of December 31, 2017, our net pension liability for defined benefit scheme amounted to €16.5 million.

Environment, Compliance, Insurance and Legal

Health, safety and environment

We give the highest priority to the health, safety and well-being of our employees. In addition, we seek to minimize environmental impact in the manufacture of our products. The Health & Safety Policy and the Environmental Policy are well established; these policies articulate the key actions necessary to achieve industry standards in health, safety and environment ("***HSE***") performance and our business objectives. These commitments are communicated throughout the organization.

The authorities in the countries where we operate set HSE standards in the form of legislation, regulations and specific requirements. We set targets for all units, require improved performance and regular assessment of progress. In the Health & Safety area, all manufacturing facilities are aligning their safety management systems to the new ISO 45001 standard. Moreover, all manufacturing locations implement certified environmental management systems in accordance with the ISO 14001 standard; this standard is designed to assure that units consider the environmental impact of their work and set appropriate targets for improved performance.

All manufacturing units collected energy consumption data for electricity and the burning of fossil fuels used for production. Their target for 2017 was to decrease yearly energy consumption by 1.0% relative to total product sales; which is "Energy Intensity". We reported positive performance in 2017. The Energy Intensity decreased by 3% or to 127 kilowatt-hours used in production for every euro of total product sales in 2017 from 131 kilowatt-hours used in production for every euro of total product sales in 2016.

We reported no fires resulting in significant property damage or causing interruption to normal business in 2017. Additionally, no unauthorized releases to the environment requiring disclosure to legal authorities occurred.

Compliance

Our Code of Conduct provides guidelines designed to ensure that all employees carry out their activities in compliance with applicable laws and ethical standards. All personnel are required to comply with the Code of Conduct in performance of their work and in all situations where they represent the Group. Employees are also expected to report concerns about suspected breaches of the Code of Conduct. The compliance reporting procedure is promoted throughout the Group and on our public webpage. Employees are also provided with training and guidance, including descriptions of the types of activities that should be reported. Training focuses on relevant ethical dilemmas and is available in classroom style training and through a Code of Conduct e-learning program.

For suppliers the Supplier Declaration and the Supplier Sustainability Manual outline the commitment to ethical and socially responsible sourcing. The supplier assessment process vets new suppliers and assures that existing suppliers meet requirements consistent with a responsible organization. In addition, the Purchasing organization has access to training in supplier sustainability topics as part of their standard development.

Insurance coverage

We believe that we have economically reasonable and industry-standard insurance coverage with respect to product and environmental liability, property insurance, business interruption insurance and other insurance (*e.g.*, automobile, credit and freight insurance). Furthermore, we consider the insurance coverage level relating to our directors and officers (D&O insurance) to be economically reasonable.

Litigation and administrative proceedings

We are routinely involved in litigation, claims and disputes incidental to our business, which at times involve claims for significant monetary amounts, some of which may not be covered by insurance.

Although we aim to address any product related risks prospectively through a careful product development procedure and thorough quality management systems, we are from time to time subject to claims of customers alleging violations of warranty obligations and to claims arising from product liability, recall or service campaigns.

Notwithstanding the above and other than as described below, we are not currently involved in any material litigation which would, individually or in the aggregate, adversely affect our business, results of operations or financial condition. In addition, other than as described below, we are not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware), during the past three years, which may have, or have had in the recent past, significant effects on our financial position of profitability.

Below is a description of the status of the material litigation we are currently involved in:

Kenneth Tolman et al v BRP USA et al

Kongsberg, Inc. is named in a case arising out of an accident where a vehicle designed and manufactured by BRP, the “Can-Am Spyder”, has been involved and where the driver died and a young passenger suffered personal injuries. The claimant has alleged that the design of the vehicle in several respects, including the steering, was defective. The steering gear for the Can-Am Spyder was supplied by Kongsberg Inc. to BRP. Kongsberg, Inc. is of the opinion that the claim is covered by its insurance.

Bombardier Recreational Products Inc. v. Kongsberg Inc. (Canada)

In addition to the direct claim in the Tolman case, BRP has claimed that Kongsberg Inc. is obligated to indemnify BRP from the above claims as it follows from BRP’s purchasing conditions that Kongsberg Inc. as a supplier shall indemnify BRP from product liability claims. BRP has also indicated that it may pursue indemnity from Kongsberg, Inc. in two additional Can-Am Spyder product liability cases, both of which have been settled by BRP for undisclosed amounts. Kongsberg, Inc. is of the opinion that these claims are covered by its insurance.

Republic Services of New Jersey v Kongsberg Actuation Systems II, LLC et al

Kongsberg Actuation Systems II, LLC (“***KAS***”) is a defendant in a lawsuit arising out of an incident in which a garbage truck owned by Republic Services of New Jersey (“***Republic***”) exploded and caught fire, injuring one person and causing property damage to buildings and vehicles. Republic alleges that the cause of the fire was a rupture in the stainless steel braided CNG fuel line manufactured by KAS. KAS has not yet confirmed that it provided the CNG fuel line in question nor has the cause of the rupture been determined. KAS has filed a motion to dismiss the suit on jurisdictional grounds. The court’s ruling not to dismiss the case has been appealed. KAS is of the opinion that the claim is covered by its insurance.

Moreno vs. Kongsberg Actuation Systems II, LLC et al.

The plaintiff suffered bodily injury by accident when using welding equipment, oxygen, tank, wedding torch and a braided hose. The plaintiff alleges that the welding equipment was defective in, amongst others, design manufacture. We have been alleged to be the supplier of the braided hose and have been included as defendant. A settlement of the legal proceedings is currently being negotiated but there can be no assurance that this will proceed.

Management

The Issuer

The Issuer is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under Dutch law, and was incorporated on September 8, 1981. The authorized share capital of the Issuer comprises 500 ordinary shares with a par value of €454 per share, representing a total of €227,000. The issued share capital of the Issuer comprises 213 ordinary shares representing €96,702. The sole shareholder of the Issuer is Kongsberg Automotive Holding 2 AS, a wholly owned subsidiary of the Parent Guarantor.

The statutory seat of the Issuer is in Enschede, the Netherlands and the registered office of the Issuer is at Noord Esmarkerrondweg 419, 7533 BL Enschede, Netherlands. The Issuer is registered with the Trade Register of the Chamber of Commerce (*Kamer van Koophandel*) in the Netherlands under number 34052359.

Business

The principal objects of the Issuer are set forth in article 2 of its articles of association and permit the Issuer, *inter alia,* to conduct all acts of commercial, financial and industrial nature.

Management

On the basis of its articles of association, the Issuer has a board of directors that consists of at least one board member. The general meeting determines the number of board members and appoints the board members.

As at the date of this Offering Memorandum, the board of directors of the Issuer is as follows:

Name	Position
Adriaan Johan Willem Schippers	Board member
Norbert Loers	Board member
Paulus Theodorus Klaassen	Board member
Jon Gerard Munthe	Board member

The board of directors of the Issuer as well as two or more board members acting jointly are authorized to represent the Issuer.

The Parent Guarantor

Overview

The Parent Guarantor is a public limited company listed on the Oslo Stock Exchange, with business enterprise no. 942 593 821. The registered address of the Parent Guarantor is Dyrmyrgata 48, NO-3601 Kongsberg, Norway. The Parent Guarantor serves as the holding company of the Group.

Board of Directors

The Parent Guarantor is supervised by the board of directors (the "***Board of Directors***"). The Board of Directors shall according to the articles of association (the "***Articles of Association***") of the Parent Guarantor consist of three to nine members of whom up to five members shall be elected by the general meeting (the "***General Meeting***").

All directors of the Board of Directors elected by the General Meeting are elected for periods of up to two years and are eligible for re-election. All board elections are based on a simple majority. The Board directors are independent of the executive management and material business contacts of the Parent Guarantor.

The Board of Directors holds the ultimate responsibility for managing the Group and for monitoring the day-to-day management and the Group's business activities. The Board of Directors is also responsible for the establishing of control systems for the Group. The Board of Director's responsibilities further include the development and adoption of the Group's strategies.

As at the date of this Offering Memorandum, the Board of Directors of the Parent Guarantor is as follows:

Name	Age	Position
Bruce E. Taylor	64	Chairman
Ellen M. Hanetho	53	Board member
Thomas Falck	52	Board member
Gunilla Nordstrom	59	Board member
Ernst F. Kellermann	61	Board member
Jon-Ivar Jørnby	54	Employee elected
Kari Brænden Aaslund	53	Employee elected
Bjørn Ivan Ødegaard	36	Employee elected

Bruce E. Taylor. Chairman. Mr. Taylor holds a BSBA from the American University, Washington D.C., United States and an MBA from Harvard Business School, Boston, United States. From 1985 to 2001, Mr. Taylor held various senior management positions with Eaton Corporation in the United States and Strasbourg, France. From 2001 to 2007, he was Senior Managing Director and Partner in private equity firm Cortec Group Inc., New York, United States. From 2008 to 2014, Mr. Taylor was President and Non-executive Chairman of Global Thermoelectric, Inc., Calgary, Alberta, Canada. From 2011 to 2015, Mr. Taylor served on the Board of SecuReach Systems. Since 2011, Mr. Taylor has been the Chairman of Amacs Process Tower Internals of Houston, Texas, United States and from 2012 to 2015, he was CEO of Amacs Process Tower Internals. Since 2015, Mr. Taylor has also been serving on the Board of AMS Holdco. From 2016 to 2017, Mr. Taylor served on the Board of F Cubed LLC. Mr. Taylor was elected as a director of the Board of the Parent Guarantor in 2016.

Ellen M. Hanetho. Board member. Mrs. Hanetho holds a BSBA from Boston University, Boston, United States and an MBA from Solvay Business School, Brussels, Belgium in addition to receiving executive education at Insead, France and Harvard Business School, Boston, United States. She has held positions at Brussels Stock Exchange and Citibank, Brussels, Belgium; Goldman Sachs Investment Banking Division, London, United Kingdom; Credo Partners and Credo Kapital, Oslo, Norway and has since 2013 been the CEO of Frigaard Invest, Oslo, Norway. Mrs. Hanetho has served on the Boards of ScanArc ASA, Crudecorp ASA, Agasti Holding ASA and is currently also serving on the Boards of Fearnley Securities AS, Fearnley Pensjonskasse AS, Fearnley Project Finance AS, NextGenTel Holding ASA and Stokke Industri AS. Mrs. Hanetho was elected as a director of the Board of the Parent Guarantor in 2016.

Thomas Falck. Board member. Mr. Falck was educated at the Royal Norwegian Naval Academy and holds an MBA from Darden School of Business Administration, University of Virginia, United States. Until 2007, he was one of five equal owners of Verdane Capital, formerly Four Seasons Venture. Before that, he acted as CEO of Visma Marine ASA and Chairman of Making Waves, Filmparken AS and Sølen/Agende Capital AS. From 2013 to 2014, he was Deputy Chairman and from 2014 to 2015, he was CEO of Q Fraa ASA. Mr. Falck has served on the Boards of EON Reality Norway AS, Q Free ASA, Vizrt Ltd, Making Waves AS, Sonitor Techonologies AS, Filmparken AS, OsloTech AS, MindEx AS, Varslerinstituttet AS, Auda Global Private Equity AS, Global Infrastructur AS, Global Private Equity AS, CatalystOne Solutions and Making View AS. He is currently serving on the Boards of Investinor AS, CatalystOne Solutions AS, Webcruiter AS, Redpill Linpro AB, Aims Innovation, Inzpire.me AS, Celerway Communications AS, Agenda Capital AS, Sølen AS, Making View AS and Conoptica AS. Mr. Falck was elected as a Director of the Board of the Parent Guarantor in 2010.

Gunilla Nordstrom. Board member. Mrs. Nordstrom holds a Master of Science in Electronics, Industrial Marketing Management, Linkoping University, Institute of Technology (LiTH), Sweden. She was further educated at Columbia University and Insead, France. From 1983 to 2007, she held senior management positions with Ericsson and Sony Ericsson in Europe, Latin America and Asia. From 2007 to 2015, she was President and CEO of Eletrolux Asia/Pacific and Executive Vice President of Electrolux AB, Sweden. Mrs. Nordstrom is currently serving on the Board of Bombardier Transportation, United Kingdom. Mrs. Nordstrom also has extensive board experience, earlier including Atlas Copco AB, Sweden, Wartsila Corporation Oy, Finland and the Swedish Business Association. Mrs. Nordstrom was elected as a Director of the Board of the Parent Guarantor in 2017.

Ernst F. Kellermann. Board member. Mr. Kellermann holds a Bachelor of Science in Mechanical Engineering from the University of Aalen, Germany. From 1983 to 1986, he worked as laboratory engineer for ITT Automotive-SWF, Bietigheim-Bissingen, Germany and in 1987 he acted as assistant to the CEO of the same company. From 1987 to 1995, he worked at ITT Automotive-SWF Division, Michigan, United States, first as technical liaison manager and subsequently as engineering manager as well as project manager in the same company in Wemding, Germany. From 1995 to 1999, he worked as engineering manager for Eaton VSED Division, Langenlonsheim, Germany and from 1999 to 2002 as plant manager for the same company. From 2002 to 2015, he served as Managing Director of Marquardt GmbH, Rietheim-Weiheim, Germany and from 2015 to 2016 as COO. Mr. Kellermann was elected as a director of the Board of the Parent Guarantor in 2017.

Jon-Ivar Jørnby. Board member. Mr. Jørnby is an electrician at the Parent Guarantor. He was first elected to the Board of Directors by the Parent Guarantor's employees in 2014.

Kari Brænden Aaslund. Board member. Mrs. Aaslund is a production planner at the Parent Guarantor. She was first elected to the Board of Directors by the Parent Guarantor's employees in 2014.

Bjørn Ivan Ødegaard. Board member. Mr. Ødegaard is an industrial mechanic at the Parent Guarantor. He was first elected to the Board of Directors by the Parent Guarantor's employees in 2017.

Board Committees

The Board of Directors has appointed a Compensation Committee and an Audit Committee. The members of those committees are independent of the executive management. The authority of the committees is to make recommendations to the Board of Directors.

Compensation Committee

The Board of Directors has appointed a Compensation Committee that is headed by the Chairman of the Board of Directors. The Compensation Committee monitors decisions on matters regarding remuneration and terms for executives.

The CEO's remuneration package and any adjustments thereof, are first reviewed by the Compensation Committee and then approved by the Board of Directors. The Board of Directors considers the compensation of the CEO annually. The remuneration packages for the other executives, including adjustments of these, are agreed between the CEO and the respective manager.

The Compensation Committee is currently composed of three members of the Board of Directors, each of whom is appointed by the Board of Directors. On the date of this Offering Memorandum, the members of the committee are: Bruce Taylor (chairman), Gunilla Nordstrom and Thomas Falck.

Audit Committee

The Audit Committee oversees the Parent Guarantor's auditing, accounting, financial reporting and internal control functions and issues recommendations with regard to, among other things, the appointment of an approved independent auditor and the approval of its services to the Board of Directors.

The Audit Committee is currently composed of three members of the Board of Directors, each of whom is appointed by the Board of Directors. On the date of this Offering Memorandum, the members of the committee are: Thomas Falck, Ellen M. Hanetho and Ernst F. Kellermann.

Nomination Committee

The duties of the Nomination Committee are to propose candidates to the Board of Directors and to propose remuneration to be paid to the directors and members of the board committees.

On the date of this Offering Memorandum, the members of the Nomination Committee are: Tor Himberg-Larsen (chairman), Heidi Finskas and Hans Trogen.

- It follows from the Articles of Association for the Parent Guarantor that the Parent Guarantor shall have a Nomination Committee consisting of three members elected by the General Meeting for three years at a time, unless the General Meeting resolves otherwise. To ensure continuity, one member of the committee will normally be elected at each ordinary General Meeting. The members of the Nomination Committee are independent of the board directors and the management and may not have other functions in the Parent Guarantor. The General Meeting has adopted an instruction for the Nomination Committee, which is available on the Parent Guarantor's web pages. The Nomination Committee's nominations and recommendations shall be enclosed with the summons for the General Meeting and also be available on the Parent Guarantor's web pages. The Nomination Committee stays in contact with major shareholders, board directors and management.
- The Nomination Committee's recommendation to the General Meeting includes reasons for its recommendation and relevant background information for the nominated candidates and current directors and furthermore an assessment of how the candidates meet the Parent Guarantor's needs for expertise, capacity and diversity.

Senior Management

The Board of Directors appointed Henning Jensen as Chief Executive Officer and Norbert Loers as Chief Financial Officer of the Parent Guarantor on June 10, 2016. Norbert Loers was appointed as Chief Financial Officer on January 2,, 2017 with an effective start date on January 16, 2017.

Name	Age	Position
Henning Jensen	57	Chief Executive Officer
Norbert Loers	57	Chief Financial Officer

Henning Jensen. Chief Executive Officer. Mr.Henning holds a BA and MBA from the University of San Francisco, United States and completed doctoral studies at Hochschule St. Gallen, Switzerland. From 1995 to 2001, he held various managerial and executive positions at General Motors, including Director of Finance Europe for Delphi Delco Electronics and Saginaw Steering Systems. From 2001 to 2009, he was Divisional Head, CFO, and held other senior level management positions at TE Connectivity/Tyco Electronics Ltd. From 2010 to 2011, he was CEO, CFO and Chairman of the Management Board of RHI AG; Vienna, Austria. From 2011 to 2015, he held positions at Kistefos AS, most of the time as CEO and Managing Director.

Norbert Loers. Chief Financial Officer. Mr. Loers holds a degree in economics (*Diplom-Volkswirt*) from University of Bonn, Germany. He held senior management positions at Ingersoll Rand from 1996 to 2007 in Belgium, Ireland, the Czech Republic and Germany. Before joining Ingersoll Rand, Mr. Loers worked for MAN, the heavy duty vehicle manufacturer. From 2007 to 2013, he held the position of CFO of Neumayer Tekfor, a global automotive supplier. From 2013 to 2016, he was CFO of the Hay Group. Mr. Loers has served on the Boards of Johann Hay GmbH & Co. KG, Hay Speed GmbH, Metallumform GmbH and Amtek Tekfor Holding GmbH.

Compensation

For the years ended December 31, 2017, 2016 and 2015, the total remuneration payable to the Board of Directors of the Parent Guarantor was €0.3 million, €0.2 million and €0.2 million, respectively.

For the years ended December 31, 2017, 2016 and 2015, the total remuneration payable to management other than the CEO was €4.2 million, €3.7 million and €2.4 million respectively.

Variable compensation and incentive schemes

Short-term incentive (STI)

The Management Incentive Plan (MIP) is a short-term incentive with a timeframe of one year. Executives receive variable salaries based on EBIT performance, awarded programs and restructuring progress.

Long-term incentive (LTI)

The Board of Directors has established share option programs for leading employees that have been approved by shareholders in the Annual General Meeting.

The Board of Directors can offer share options to leading employees when shareholders have given authority to run options programs:

- The exercise price of the options shall be the average trading price of the Parent Guarantor's shares the first ten days after presentation of the second quarter results.
- One-third of options granted can be exercised at the earliest after one, two, and three years respectively. The exercise period shall typically be seven years.
- Any calendar year, each optionee's aggregated gross profit from exercise of options under all share option programs shall not exceed three years' gross base salary.
- To be granted options and to maintain options, the employee must at any time hold a number of the Parent Guarantor's shares at least equivalent to 10% of the number of options.
- If an optionee leaves the Parent Guarantor, the non-vested options will forfeit. Outstanding options exercisable at the date of such termination shall be exercisable no later than the first exercise period thereafter.

The Board of Directors did not offer stock options to eligible employees in 2017. As a one-time compensation management was offered an alternative LTI.

Principal Shareholders and Related Party Transactions

The Issuer

The Issuer is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under Dutch law and is registered with the Trade Register of the Chamber of Commerce (*Kamer van Koophandel*) in the Netherlands under number 34052359. The authorized share capital of the Issuer comprises 500 ordinary shares with a par value of €454 per share, representing a total of €227,000. The issued share capital of the Issuer comprises 213 ordinary shares representing a nominal value of €96,702. The sole shareholder of the Issuer is Kongsberg Automotive Holding 2 AS, a wholly owned subsidiary of the Parent Guarantor.

The Parent Guarantor

The Parent Guarantor is a public limited company listed on the Oslo Stock Exchange, with business enterprise no. 942 593 821. The registered office of the Parent Guarantor is Dyrmyrgata 48, NO-3601 Kongsberg, Norway. As of the date of this Offering Memorandum, the share capital of the Parent Guarantor was NOK 223,722,471.50, comprising 447,444,943 ordinary shares with a par value of NOK 0.50. As of March 31, 2018, the Parent Guarantor held 1,849,212 shares as treasury shares.

Shareholders*	Percentage holdings
Teleios Capital Partners	17.48
Nordea Asset Management	10.79
KLP	7.54
Makuria Investment Management	6.32
Dimensional Fund Advisors.	4.49
RWC Partners	3.90
Ennismore Fund Management	3.74
Folketrygdfondet	3.03

* As of March 31, 2018.

Related Party Transactions

The Group has no material transactions with related parties.

Description of Certain Financing Arrangements

The following contains a summary of the material terms of our principal financing arrangements in addition to the Indenture after giving effect to the Offering and the use of proceeds therefrom. The following summaries are not complete and are subject to the full text of the documents described below. Capitalized terms used in the following summaries and not otherwise defined in this Offering Memorandum have the meanings ascribed to them in their respective agreements.

New Revolving Credit Facility

The Group expects to enter into a new revolving credit facility (the "***Revolving Credit Facility Agreement***" and the facility thereunder, the "***Revolving Credit Facility***") on or prior to the Issue Date with, among others, the Initial Purchasers as mandated lead arrangers. The Revolving Credit Facility will have a total commitment of €50.0 million and will mature on the earlier of the date falling 5 years after the Closing Date subject to an 18 month extension option (the "***Extension Option***") and the date falling 6 months prior to the maturity of the Notes. Borrowings under the Revolving Credit Facility will be available to fund, among other things, the Group's general corporate and working capital purposes (including acquisitions) and may be drawn in euros, U.S. dollars or pounds sterling.

Repayments and prepayments

Repayments of loans drawn under the Revolving Credit Facility and related interest payments will be due and payable at the end of the applicable interest period for each loan. The applicable interest period is selected in the relevant utilization request and will either be one, two, three or six months. There is no clean down requirement.

If it becomes unlawful in any jurisdiction for a lender to perform its obligations under the Revolving Credit Facility (or becomes unlawful for any affiliate of a lender for that lender to do so), such lender under the Revolving Credit Facility will have the right to cancel its commitments and declare all outstanding amounts owed to it immediately due and payable.

On a change of control or sale of all or substantially all of the assets of the Group (pursuant to the terms of the Revolving Credit Facility Agreement), a lender may request, by not less than twenty business days' notice to KA Group AG, cancellation of its commitments and declare all outstanding amounts owed to it due and payable provided that such request is made within 30 days of receiving notice of the occurrence of the applicable event.

Additionally, if any member of the Group prepays, purchases, defeases, redeems, acquires or retires (the "***Notes Repurchase***") any Notes and certain other replacement debt ("***Notes Repurchase Debt***") other than to the extent funded with new equity or subordinated shareholder loans, the proceeds of any listing, cash overfunding, any permitted refinancing or amounts which would otherwise be permitted to be returned to investors and, as a result of such Notes Repurchase (the "***Specified Notes Repurchase***") when taken together with any other Notes Repurchase previously effected or which will be effected on the same date as such Specified Notes Repurchase, the aggregate principal amount of the Notes Repurchase Debt outstanding immediately following such Specified Notes Repurchase is less than the agreed prepayment threshold of the original aggregate principal amount of the Notes Repurchase Debt such Specified Notes Repurchase shall be matched by a prepayment and cancellation of outstanding loans under the Revolving Credit Facility (so that the commitments are reduced by the same proportion as that by which the outstanding Notes Repurchase Debt are reduced by such Specified Notes Repurchase).

Interest

Loans under the Revolving Credit Facility will bear interest at a rate equal to the aggregate of LIBOR (subject to a zero per cent floor) or EURIBOR (subject to a zero per cent floor) (as applicable) plus an applicable margin which in each case will be subject to a decreasing margin ratchet based on the ratio of consolidated senior secured net debt to consolidated pro forma EBITDA (as defined in the Revolving Credit Facility Agreement).

Incremental facilities

The Revolving Credit Facility Agreement includes (in addition to other permissions under the limitation on indebtedness covenant), the ability to incur one or more additional incremental uncommitted revolving facilities ("***Incremental Facilities***") within the Revolving Credit Facility Agreement and/or additional notes and/or other facilities or notes documented outside the Revolving Credit Facility Agreement in a maximum aggregate amount not to exceed the amount able to be incurred under clause (1) of the second paragraph of the covenant described under "*Description of the Notes—Certain Covenants—Limitation on Indebtedness*" and subject to certain customary conditions thereof including the amount of prepayments.

The availability, maturity, pricing and other terms of any Incremental Facility will be those agreed between the Company and the relevant lenders of that Incremental Facility, provided that (i) from the signing date of the Revolving Credit Facility Agreement up to the first 18 months after the Closing Date and, if the Extension Option is exercised, from the date the maturity of the Revolving Facility is extended up to the first 12 months thereafter, the margin for any Incremental Facility shall be no more than the margin on the Closing Date for the Revolving Credit Facility plus an agreed percentage per annum (the "***MFN Rate***"), unless the margin for the Revolving Credit Facility is increased by an amount equal to the amount by which the margin for such Incremental Facility exceeds the MFN Rate; and (ii) no Incremental Facility may have a maturity date that is earlier than the maturity date of the Revolving Credit Facility (as such maturity date may be extended pursuant to exercise of the Extension Option) provided that any Incremental Facility entered into prior to the exercise of the Extension Option may have a maturity date no earlier than the initial maturity date of the Revolving Facility.

Guarantees and security

The Revolving Credit Facility will be guaranteed by each Guarantor on a joint and several basis.

The Revolving Credit Facility is secured by the same security interests as for the Notes as set forth under "*Description of the Notes—Security*".

Subject to certain adjustments and the agreed security principles that apply to the Revolving Credit Facility Agreement, KA Group AG is required to ensure that members of the Group that generate at least 75% of Consolidated EBITDA (as defined in the section entitled ''Description of the Notes'') and consolidated gross assets (subject to certain exceptions) become guarantors of the Revolving Credit Facility Agreement (i) within 120 days following the Closing Date; and (ii) thereafter within 120 days of delivery of the annual financial statements for the relevant financial year required to be delivered by KA Group AG to the agent in connection with the Revolving Credit Facility Agreement.

The Revolving Credit Facility Agreement requires that (subject to the agreed security principles) each subsidiary of the Company that is, or becomes, a Material Company (which definition includes, among other things, any member of the Group that has earnings before interest, tax, depreciation and amortization representing 5% or more of Consolidated EBITDA of the Group or gross assets representing 5% or more of the consolidated gross assets of the Group) following the Closing Date will, in accordance with the terms of the Revolving Credit Facility Agreement, be required to become a guarantor under the Revolving Credit Facility Agreement and (subject to the agreed security principles) and in connection with becoming a guarantor, grant certain security interests.

The provision and the terms of the security and guarantees set forth above will in all cases be subject to certain limitations and are at all times and in all cases subject to the requirements of applicable law and the other matters set forth in the Revolving Credit Facility Agreement.

Representations and warranties

The Revolving Credit Facility Agreement contains certain customary representations and warranties, subject to certain customary materiality, actual knowledge and other qualifications and exceptions, and with certain representations and warranties being repeated, including, among others: (i) status; (ii) binding obligations; (iii) no conflict; (iv) power and authority; (v) validity and admissibility in evidence; (vi) governing law and enforcement; (vii) accuracy of financial statements; (viii) ranking; (ix) no insolvency; (x) legal and beneficial ownership; (xi) no filing or stamp taxes; (xii) no default; (xiii) intellectual property; (xiv) insurance; (xv) group structure chart; (xvi) COMI; (xvii) sanctions and anti-money laundering; and (xviii) anti-corruption.

Covenants

The Revolving Credit Facility Agreement contains certain of the same incurrence covenants and related definitions (with certain adjustments) that apply to the Notes, including with respect to restricted payments. In addition, the Revolving Credit Facility Agreement also contains certain affirmative and negative covenants. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

Affirmative covenants

The affirmative covenants include, among others: (i) providing certain financial information, including annual audited and quarterly financial statements and compliance certificates; (ii) authorizations, (iii) compliance with laws; (iv) holding companies; (v) taxation; (vi) pari passu ranking (vii) COMI; (viii) funding of pension schemes; (ix) guarantor coverage test including granting of additional guarantees and security in prescribed circumstances; (x) anti-corruption law; (xi) use of proceeds; (xii) further assurance provisions; and (xiii) compliance with Swiss non-bank rules.

Negative covenants

The negative covenants in the Revolving Credit Facility Agreement are substantially the same as the negative covenants in the Indenture.

Financial covenant

The Revolving Credit Facility Agreement contains a springing total net leverage covenant of 3.50:1, tested quarterly if cash utilisations under the Revolving Credit Facility (including cash drawings under ancillary facilities and letters of credit drawn to support cash drawings under third party facilities) exceed 40% of the total commitments under the Revolving Credit Facility Agreement on the applicable quarter date.

Events of default

The Revolving Credit Facility Agreement provides for substantially the same events of default as under the Notes. In addition, the Revolving Credit Facility Agreement provides for additional events of default, the occurrence of which would allow a majority of the lenders to cancel their commitments, accelerate all outstanding loans, accrued interest and other amounts and declare them immediately due and payable and to enforce the lenders' rights under the Revolving Credit Facility and certain other related documents. The events of default in the Revolving Credit Facility Agreement are subject to customary materiality qualifications, thresholds and/or other qualifications and grace periods and include (i) non-payment; (ii) other obligations; (iii) misrepresentation; (iv) breach of the financial covenant; (v) unlawfulness and invalidity; (vi) material failure to comply with the Intercreditor Agreement; (vii) cross-default; (viii) cessation of business; (ix) expropriation; and (x) repudiation and rescission of agreements.

Governing law

The Revolving Credit Facility Agreement will be governed by English law provided that the negative covenants following the equivalent covenants in the Indenture shall be interpreted in accordance with New York law.

Intercreditor Agreement

To establish the relative rights of certain of the Group's creditors under the Group's financing arrangements, the Issuer, the Guarantors, and any obligor in respect of the Revolving Credit Facility, any Other Credit Facility Debt, any Future Pari passu Debt and any Future Senior Subordinated Debt (each as defined below) (collectively, the "***Debtors***"), third party chargors (collectively, the "***Third Party Chargors***"), the lenders under the Revolving Credit Facility, Danske Bank A/S as agent for the Revolving Credit Facility (the "***Senior Agent***"), The Law Debenture Trust Corporation p.l.c. as security agent for the Revolving Credit Facility and the Notes and certain hedging arrangements (the "***Security Agent***"), and the Trustee, among others, will on the Issue Date enter into an intercreditor agreement (the "***Intercreditor Agreement***"), to govern the relationships and relative priorities among: (i) the lenders under the Revolving Credit Facility and any Other Credit Facility Debt which is permitted under the terms of the Revolving Credit Facility, certain Other Credit Facility Debt and the Notes to share in the proceeds of enforcement of Security on a super senior basis to the Notes; (ii) the holders of senior secured notes that may be issued from time to time, including the Notes, and those party to any indentures or other documents governing such senior secured notes; (iii) the lenders or other creditors under any other loan, credit or debt facility, notes, indentures or other debt instrument which are permitted under the terms of the Revolving Credit Facility, certain Other Credit Facility Debt and the Notes to share in the Security on a pari passu basis with the Notes; (iv) the hedge counterparties to the Group's hedging arrangements (each a "***Hedging Bank***"); (v) the lenders or other creditors under any loan, credit or debt facility, notes, indentures or other debt instrument which are permitted under the terms of the Revolving Credit Facility, certain Other Credit Facility Debt and the Notes to share in certain of the Security on a senior subordinated basis to the Notes; and (vi) the creditors of certain subordinated shareholder debt and certain intragroup debt. The lenders, noteholders, hedge counterparties and other creditors referred to in (i) to (iv) above being the "***Priority Creditors***" and the indebtedness owing to those Priority Creditors under the documents referred to in (i) to (iv) above, being the "**Priority Debt**" and the lenders, holders, hedge counterparties and other creditors referred to in (ii) to (iv) (inclusive) (in the case of (iv), only to the extent such hedging arrangements (x) do not constitute Super Senior Hedging Liabilities (as defined below) or, (y) following the full and final discharge of all Super Senior Lending Liabilities (as defined below), are being taken into account for the purpose of determining the relevant creditor instructing group (as detailed in "***Security Enforcement***" below)) being the "***Senior Secured Creditors***," and the indebtedness owing to those Senior Secured Creditors being the "***Senior Secured Debt***."

General

By accepting a Note, the holder thereof will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement. The following description is a summary of certain provisions, among others, contained in the Intercreditor Agreement that relate to the rights and obligations of the holders of the Notes and the other creditors party thereto. It does not restate the Intercreditor Agreement in its entirety nor does it describe provisions relating to all classes of debt. As such, you are urged to read the Intercreditor Agreement because it, and not the discussion that follows, defines certain rights of the holders of the Notes and certain other creditors. In this discussion, capitalized terms have the meaning given to them in the Intercreditor Agreement unless the contrary is otherwise stated or the context otherwise requires.

Ranking and priority

The Intercreditor Agreement provides that the Group's liabilities under the Group's indebtedness shall rank in right and priority of payment in the following order:

- first, liabilities under and in respect of (i) the Revolving Credit Facility (the "***RCF Liabilities***"); (ii) any other super senior credit facility or hedging (the "***Other Credit Facility Liabilities***" or the "***Other Credit Facility Debt***" and together with the RCF Liabilities, the "***Super Senior Lending Liabilities***"); (iii) the Group's senior secured notes (including the Notes) (the "***Senior Secured Notes Liabilities***" or the "**Senior Secured Notes**"); (iv) any pari passu loan, credit or debt facility, notes, indentures or other debt instrument (the "***Future Pari passu Liabilities***" or the "***Future Pari passu Debt***"); (v) hedging arrangements (the "***Hedging Liabilities***"); and (vi) amounts owing to the Trustee (the "***Trustee Liabilities***"), pari passu without any preference among them (collectively, the "***Priority Liabilities***");

- second, liabilities under and in respect of any senior subordinated loan, credit or debt facility, notes, indentures or other debt instrument, including any guarantee provided by the Group, with respect to any such liabilities the proceeds of which are down-streamed to a member of the Group ("***Future Senior Subordinated Liabilities***" or "***Future Senior Subordinated Debt***" and together with the Priority Liabilities, the "***Secured Debt***");

- third, liabilities under and in respect of certain intragroup debt (the "***Intra-Group Liabilities***"); and

- fourth, liabilities under and in respect of certain shareholder debt (the "***Shareholder Liabilities***").

Under the Intercreditor Agreement, certain Hedging Liabilities will be treated on a super senior basis upon the distribution of proceeds arising from the enforcement of any Transaction Security, as defined below, (the

"***Super Senior Hedging Liabilities***" and together with the Super Senior Lending Liabilities, the "***Super Senior Liabilities***").

The Intercreditor Agreement provides that Transaction Security created pursuant to the Transaction Security Documents (as defined below) will rank and secure (to the extent Transaction Security is expressed to secure such liabilities):

- first, the Priority Liabilities pari passu and without any preference between them; and
- second, the Future Senior Subordinated Liabilities pari passu and without any preference between them.

The Intra-Group Liabilities and the Shareholder Liabilities are and will remain unguaranteed and unsecured.

Permitted payments

The Intercreditor Agreement provides that prior to a Secured Acceleration Event that is continuing (as defined below), the members of the Group and Third Party Chargors, as applicable, may make payments in relation to the Super Senior Lending Liabilities, the Senior Secured Notes Liabilities and any Future Pari passu Liabilities, in each case in accordance with their respective governing documents and subject to, in the case of payments of the Senior Secured Notes Liabilities in accordance with the Revolving Credit Facility and in the case of payments of Future Pari passu Liabilities, any restrictions contained in the documents governing the Super Senior Lending Liabilities and the Senior Secured Notes Liabilities. Following the occurrence of an acceleration event with respect to the Super Senior Lending Liabilities, the Senior Secured Notes Liabilities or the Future Pari passu Liabilities (a "***Secured Acceleration Event***" and together with the occurrence of an acceleration event with respect to the Future Senior Subordinated Liabilities, an "***Acceleration Event***"), no Debtor, Third Party Chargor or any member of the Group may, subject to certain exceptions, make any payment in respect of Super Senior Lending Liabilities, Senior Secured Notes Liabilities or Future Pari passu Liabilities except from enforcement proceeds or recoveries distributed in accordance with the payment waterfall described in "Application of Amounts Recovered" below. The restriction in the foregoing sentence shall not apply where: (a) the Majority Super Senior Creditors and the Majority Senior Secured Creditors agree otherwise or (b) the relevant distribution or dividend is out of any Debtor or Third Party Chargor's unsecured assets (pro rata to each unsecured creditor's claim) and made by a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer appointed in respect of any Debtor or Third Party Chargor or any of its assets.

Prior to a Secured Acceleration Event members of the Group and Third Party Chargors may make payments in respect of the Hedging Liabilities, as agreed under the governing documents of those arrangements, so long as certain defaults or termination events have not occurred and those payments are not otherwise prohibited by the Intercreditor Agreement. Following the occurrence of a Secured Acceleration Event no Third Party Chargor, Debtor or any member of the Group may, subject to certain exceptions, make any payment in respect of Hedging Liabilities except from enforcement proceeds or recoveries distributed in accordance with the payment waterfall described in "Application of Amounts Recovered" below. The restriction in the foregoing sentence shall not apply where: (a) the Majority Super Senior Creditors and the Majority Senior Secured Creditors agree otherwise or (b) the relevant distribution or dividend is out of any Debtor or Third Party Chargor's unsecured assets (pro rata to each unsecured creditor's claim) and made by a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer appointed in respect of any Debtor or Third Party Chargor or any of its assets.

Members of the Group may make payments in respect of certain Intra-Group Liabilities, as agreed under the governing documents of the relevant Intra-Group Liabilities, so long as no Secured Acceleration Event has occurred and is continuing and those payments are not otherwise prohibited by the Intercreditor Agreement.

Members of the Group may make payments in respect of certain Shareholder Liabilities, as agreed under the governing documents of the relevant Shareholder Liabilities, so long as: (i) the payment is not prohibited by the terms of any document governing the Super Senior Lending Liabilities, the Senior Secured Notes Liabilities, the Future Pari passu Liabilities or the Future Senior Subordinated Liabilities; or (ii) the relevant creditor instructing group at that time (or following the discharge of all the Super Senior Liabilities and the Senior Secured Debt, a majority of the Future Senior Subordinated Creditors) has given written consent to the payment being made.

Prior to the discharge of all the Super Senior Liabilities and the Senior Secured Debt, neither the Issuer nor any Debtor or Third Party Chargor may make payments in respect of the Future Senior Subordinated Debt Liabilities without the consent of the Majority Super Senior Secured Creditors (as defined below) and Majority Senior Secured Creditors (as defined below) except for the following:

1) if:

  (a) the payment is:

  - any of the principal or capitalized interest of the Future Senior Subordinated Liabilities which is not prohibited from being paid by the Revolving Credit Facility or any other super senior credit facility, the Indenture or any Future Pari passu Debt finance document; or

  - any other amount which is not an amount of principal or capitalized interest accrued and payable, additional amounts payable as a result of the tax gross up provisions relating to the Future Senior Subordinated Debt Liabilities or amounts in respect of currency indemnities in the relevant debt documents for the Future Senior Subordinated Debt;

  (b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Future Senior Subordinated Debt Liabilities (a "***Payment Blockage Notice***") is outstanding; and

  (c) no payment default under the Revolving Credit Facility and no payment default of €300,000 or more in respect of the Senior Secured Notes Liabilities and no payment default of €300,000 or more in respect of the Future Pari passu Liabilities is continuing (a "***Senior Payment Default***");

2) costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Future Senior Subordinated Debt documents (including in relation to any reporting or listing requirements under the Future Senior Subordinated debt documents);

3) costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Future Senior Subordinated Debt in compliance with the Intercreditor Agreement, the Revolving Credit Facility, the Indenture and any Future Pari passu Debt document;

4) in respect of any Future Senior Subordinated Debt issued in the form of notes, certain customary costs and expenses payable to the Future Senior Subordinated Representative; or

5) Trustee Liabilities.

Prior to the discharge of all the Super Senior Liabilities and the Senior Secured Debt, if a Senior Payment Default has occurred and is continuing, all payments in respect of the Future Senior Subordinated Debt Liabilities (other than certain very limited exceptions) are suspended.

Prior to the discharge of all the Super Senior Liabilities and the Senior Secured Debt, if an event of default (other than a Senior Payment Default) under the finance documents in respect of any of the Super Senior Liabilities, the Senior Secured Notes Liabilities or the Future Pari passu Liabilities (a "***Senior Default***") has occurred and is continuing and the Future Senior Subordinated Representative (as defined below) has received a Payment Blockage Notice from either the Senior Agent, the Trustee or the representative of the creditors of the Future Pari passu Debt (as the case may be) (the "***Relevant Representative***") confirming that it is a Senior Default and specifying the relevant Senior Default; all payments in respect of the Future Senior Subordinated Liabilities (other than those consented to by the Majority Super Senior Creditors (as defined below) and Majority Senior Secured Creditors (as defined below) and certain specified exceptions) are suspended until the earliest of:

  (i) the date on which there is a waiver, remedy or cure of such Senior Default in accordance with the relevant finance documents;

  (ii) the date on which a default under the Future Senior Subordinated Debt occurs for failure to pay principal at the original scheduled maturity of the Future Senior Subordinated Debt;

  (iii) the first business day 179 days after the receipt by the Future Senior Subordinated Representative of the Payment Blockage Notice;

(iv) the repayment and discharge of all obligations in respect of the Super Senior Liabilities and the Senior Secured Debt;

(v) the date on which the Relevant Representative which issued the Payment Blockage Notice (and, if at such time an event of default is continuing in relation to the Senior Secured Debt (other than the Senior Secured Debt in respect of which the notice was given), the Relevant Representative(s) in respect of that other Senior Secured Debt) notify/ies the Future Senior Subordinated Debt Representative that the Payment Blockage Notice is cancelled;

(vi) the date on which the Security Agent or Future Senior Subordinated Representative takes any Enforcement Action against a member of the Group which it is permitted to take in accordance with the Intercreditor Agreement;

(vii) the date on which the relevant event of default is no longer continuing and if the Senior Secured Debt has been accelerated such acceleration has been rescinded (and if such acceleration consisted solely of declaring the relevant debt payable on demand such rescission can be effected by the relevant majority creditors in respect of the relevant debt); or

(viii) if a Standstill Period (as defined below) is in effect at any time after delivery, of a Payment Blockage Notice, the date on which the Standstill Period expires.

No Payment Blockage Notice may be served by a Relevant Representative unless 360 days have elapsed since the immediately prior Payment Blockage Notice. No Payment Blockage Notice may be served in respect of a Senior Default more than 60 days after the date that the Relevant Representative received notice of that Senior Default.

If a Payment Blockage Notice ceases to be outstanding or the relevant Senior Default or Senior Payment Default has ceased to be continuing (by being waived by the relevant creditors/creditor's representative or remedied) the relevant Debtor or Third Party Chargor may then make those payments it would have otherwise been entitled to pay under the Future Senior Subordinated Debt and if it does so promptly any event of default under the Future Senior Subordinated Debt caused by such delayed payment shall be waived and any notice commencing a Standstill Period which may has been issued as a result of such non-payment shall be waived. A Senior Payment Default is remedied by the payment of all amounts then due.

Following the discharge of all the Super Senior Liabilities and the Senior Secured Debt, payments in respect of Future Senior Subordinated Liabilities may be made in accordance with their terms.

Hedging

Pursuant to the Intercreditor Agreement, persons entering into any hedging transaction with certain members of the Group will be entitled to share in the Transaction Security provided that they have acceded to the Intercreditor Agreement as a hedge counterparty.

Non-security enforcement

No creditor of Shareholder Liabilities shall take any enforcement action until after the date on which all Priority Liabilities and Future Senior Subordinated Liabilities have been fully discharged and there is no obligation to provide further financial accommodation to any Debtor (the "**Final Discharge Date**") unless it is following the occurrence of an insolvency event in relation to any Debtor or a Third Party Chargor and such enforcement action is permitted by the Intercreditor Agreement.

No creditor of Intra-Group Liabilities shall take any enforcement action (other than rights of set off to enable permitted intra-group payments) prior to the Final Discharge Date unless it is following the occurrence of an insolvency event in relation to any Debtor or Third Party Chargor and such enforcement action is permitted by the Intercreditor Agreement.

With respect to Hedging Liabilities, the Intercreditor Agreement provides that a hedge counterparty may, to the extent is able to under the relevant hedging agreement, terminate, reduce or close-out hedging prior to its stated maturity in certain circumstances which include if any of the following has occurred: (i) any of the Secured Debt (other than the Hedging Liabilities and the Trustee Liabilities) has been accelerated or the Transaction Security has been enforced;

(ii) an illegality, tax event, tax event upon merger or force majeure event; (iii) occurrence of an insolvency event that is continuing in relation to any Debtor or Third Party Chargor that is party to a hedging agreement; (iv) a certain majority of other creditors of the Priority Liabilities (other than the Hedging Liabilities) give their prior written consent; (v) if the hedge counterparty and the relevant Debtor agree and no default is continuing under any document governing the Secured Debt (other than the Hedging Liabilities); (vi) if the hedge counterparties cease to be secured under the Transaction Security without their consent; or (vii) a payment default has been continuing under the relevant hedging agreement for a specified period of time.

Security enforcement

The Intercreditor Agreement provides that the Security Agent may refrain from enforcing the Transaction Security unless the Security Agent receives enforcement instructions from the relevant creditor instructing group. Any instructions provided by a relevant creditor instructing group must be in accordance with the security enforcement principles provided in the Intercreditor Agreement.

Instructions in relation to the enforcement of the Transaction Security may be delivered to the Security Agent by any of (i) the creditors representing in aggregate more than 66⅔% of the aggregate super senior credit participations of the creditors of the Super Senior Liabilities (the "***Majority Super Senior Creditors***"), or (ii) the creditors representing more than 50% of (A) the aggregate senior secured credit participations of the creditors of the Senior Secured Notes Liabilities and the Future Pari passu Liabilities and (B) the aggregate senior secured credit participations of the creditors of the Hedging Liabilities that are not Super Senior Hedging Liabilities (the "***Majority Senior Secured Creditors***"). If the Majority Super Senior Creditors or the Majority Senior Secured Creditors wish to instruct the Security Agent to commence enforcement of any Transaction Security, the creditor representative(s) (each a "Creditor Representative") of the relevant creditor instructing group shall notify the Security Agent and the creditor representative of each other creditor of the Priority Liabilities.

Following delivery of proposed enforcement instructions, the Creditor Representatives of the Majority Super Senior Creditors and the Majority Senior Secured Creditors will consult with each other in good faith as to the manner of enforcement for a period of five business days with a view to coordinating the instructions to be given by the relevant creditor instructing group and agreeing the strategy for enforcement unless: (i) the Majority Super Senior Creditors and the Majority Senior Secured Creditors otherwise agree; (ii) there is an absence of conflicting enforcement instructions; (iii) an insolvency event has occurred in relation to any Third Party Chargor, Debtor or other member of the Group and the Transaction Security has become enforceable as a result; (iv) one of the relevant Creditor Representatives acting on the instructions of the requisite majority of creditors it represents determines in good faith that no consultation period or, as the case may be, a shorter consultation period is necessary in order to avoid impairing the value which would be realized on enforcement of the Transaction Security to an extent that would (A) prevent the discharge of the Super Senior Liabilities in full; or (B) have a material adverse effect on the Security Agent's ability to enforce the Transaction Security (the "***Consultation Period***"). In circumstances where (iv)(A) applies, any instructions delivered by a Creditor Representative must be limited to those necessary to protect or preserve the interests of the relevant creditor instructing group on behalf of which it acts as a Creditor Representative and the Security Agent will act in accordance with the instructions first received.

After the expiry of the Consultation Period:

- If the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors have agreed on an enforcement strategy, the Security Agent shall be instructed to implement the same.
- If the Security Agent has received conflicting security enforcement instructions, the Security Agent, subject to certain exceptions, will act on the instructions of the Majority Senior Secured Creditors provided that those instructions are in accordance with the security enforcement principles.
- If the Security Agent is required to act on the instructions of the Majority Senior Secured Creditors and either (i) enforcement has not commenced within three months of the end of the Consultation Period; (ii) the Super Senior Liabilities have not been irrevocably repaid in full in cash within six months of the end of the Consultation Period; or (iii) at any time (whether before or after the expiry of the Consultation Period) an insolvency event has occurred in relation to any Third Party Chargor, Debtor or other member of the Group and the Security Agent has not commenced enforcement of the Transaction Security, then the Security Agent shall act on the enforcement instructions of the Majority Super Senior Creditors provided that such instructions are consistent with the security enforcement principles.

If the Majority Super Senior Creditors or Majority Senior Secured Creditors (acting reasonably) consider at any time that the Security Agent is enforcing the Transaction Security in a manner which is not consistent with the security enforcement principles, the Creditor Representatives of the other Super Senior Creditors and Senior Secured Creditors shall consult with the Security Agent for a period of 10 days (or such lesser period as the relevant Creditor Representatives may agree) with a view to agreeing the manner of enforcement, provided that the Creditor Representatives are not obliged to consult in this circumstance more than once in relation to each enforcement.

Restrictions on enforcement by the future senior subordinated debt; standstill

Prior to the discharge of all the Super Senior Liabilities and the Senior Secured Debt, neither the creditors of any Future Senior Subordinated Debt (the "***Future Senior Subordinated Creditors***") nor the creditor representative of the Future Senior Subordinated Creditors (the "***Future Senior Subordinated Debt Representative***") may take enforcement action with respect to the Future Senior Subordinated Debt (including any action against the issuer or the guarantors of the Future Senior Subordinated Debt (if any)) or direct the Security Agent to enforce or otherwise require the enforcement of any relevant Transaction Security document without the prior consent of or as required by the relevant creditor instructing group (as detailed in "*—Security Enforcement*" above), except if (1) an event of default has occurred under the Future Senior Subordinated Debt resulting from failure to pay principal at its original scheduled maturity or (2):

(a) an event of default under the debt documents for the Future Senior Subordinated Debt is continuing;

(b) the Senior Agent, the Trustee and the other representatives of the Senior Secured Debt have received notice of the specified event of default from the Future Senior Subordinated Debt Representative;

(c) a Standstill Period (as defined below) has expired; and

(d) the relevant event of default is continuing at the end of the Standstill Period,

provided that in the case of (2) only, no such action may be taken if the Security Agent is acting in accordance with the instructions of the relevant creditor instructing group (as detailed in "—Security Enforcement" above) to take steps for enforcement and such action might reasonably likely adversely affect such enforcement.

A "***Standstill Period***" shall mean the period starting on the date that the Future Senior Subordinated Debt Representative serves an enforcement notice on the Senior Agent, the Trustee and the Future Senior Subordinated Debt Representative and the representative of any Future Pari passu Debt until the earliest of:

(a) the first business day 179 days after such date;

(b) the date on which the instructing group of creditors take enforcement action (including the enforcement of any Transaction Security permitted to be enforced under the terms of the Intercreditor Agreement), provided that the Future Senior Subordinated Debt Representative and holders of Future Senior Subordinated Debt may only take the same enforcement action against the same entity as is taken by the instructing group of creditors and may not take any other action against any other member of the Group;

(c) the date on which an insolvency event occurs in respect of any Debtor or Third Party Chargor owing Future Senior Subordinated Liabilities against whom enforcement action is to be taken (other than as a result of any action taken by a Future Senior Subordinated Creditor);

(d) the date on which a default under the Future Senior Subordinated Debt occurs for failure to pay principal at the original scheduled maturity of the Future Senior Subordinated Debt; and

(e) the expiration of any other Standstill Period which was outstanding at the date that the current Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

If an Event of Default ceases to be continuing then (provided the relevant parties are made aware of such fact) any relevant enforcement process (including any requirement of consultation relating to enforcement) relying solely on that Event of Default shall cease to continue.

Security enforcement principles

- The Intercreditor Agreement includes security enforcement principles with the aim of maximizing, so far as is consistent with prompt and expeditious realization of value from enforcement of the Transaction Security, the recovery by the creditors of the Priority Liabilities and (to the extent the Transaction Security is expressed to secure the same) the Future Senior Subordinated Liabilities (the "***Security Enforcement Objective***").
- The Transaction Security will be enforced and other action as to enforcement will be taken such that either:
  - all proceeds of enforcement are received by the Security Agent in cash or cash equivalent investments (or substantially all in cash or cash investments); or
  - sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the order of application set forth below under "*—Application of Amounts Recovered*", the Super Senior Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise).

Enforcement must be prompt and expeditious and, subject to the terms of the Intercreditor Agreement, the time frame for the realization of value from the enforcement of the Transaction Security will be determined by the relevant creditor instructing group provided that it is consistent with the Security Enforcement Objective.

- Where proposed enforcement of Transaction Security is:
  - over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds a certain monetary threshold (or its equivalent); or
  - over some or all of the shares in a member of the Group over which Transaction Security exists,

the Security Agent shall if instructed by the Majority Super Senior Creditors or the Majority Senior Secured Creditors obtain an opinion from a reputable internationally-recognized investment bank or international accounting firm or other reputable and independent professional services firm which is regularly engaged in providing valuations of businesses or assets similar or comparable to those charged under the Transaction Security to be enforced to opine as expert: (1) on the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Objective and maximize the recovery of any such enforcement; (2) that the proceeds received from any such enforcement represent fair value from a financial point of view after taking into account all relevant circumstances; and (3) that such sale is otherwise in accordance with the Security Enforcement Objective. Such opinion will be conclusive evidence that the Security Enforcement Objective has been met.

The Security Enforcement Principals may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors, the Majority Senior Secured Creditors and the Security Agent.

Turnover

The Intercreditor Agreement provides that if any Primary Creditor (as defined below) receives or recovers or otherwise realizes the proceeds of any enforcement of any Transaction Security or any other amounts which should otherwise be received, recovered or realized by the Security Agent pursuant to the payment waterfall described in "Application of Amounts Recovered" below and in addition if any creditor of Future Senior Subordinated Debt receives or recovers any payment or distribution not permitted under the Intercreditor Agreement or applied other than in accordance with the "*—Application of Amounts Recovered*" described below that it shall (subject to certain prior actual knowledge qualifications in the case of the notes trustees):

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold that amount on trust for the Security Agent and separate from other assets, property or funds and promptly pay that amount or an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Application of amounts recovered

Subject to the rights of creditors mandatorily preferred by law applying to companies generally, proceeds of enforcement, all recoveries by the Security Agent or all other amounts paid to the Security Agent pursuant to the Intercreditor Agreement shall be applied in the following order of application:

- first, in or towards payment of (i) *pari passu* and *pro rata* any sum owing to the Security Agent, any receiver, any delegate and the Trustee and then (ii) *pari passu* and *pro rata* any costs and expenses owing to each Creditor Representative (other than a Creditor Representative that is a Hedging Bank) and any receiver, attorney or agent appointed by such Creditor Representative, as between themselves;
- second, *pari passu* and *pro rata* as between themselves in or towards payment of all costs and expenses incurred by or on behalf of creditors of the Super Senior Liabilities in connection with the realization or enforcement of the Transaction Security or any action taken at the request of the Security Agent,;
- third, *pari passu* and *pro rata* as between themselves in or towards payment of the Super Senior Liabilities;
- fourth, *pari passu* and *pro rata* as between themselves in or towards payment of all costs and expenses incurred by or on behalf of creditors of the Senior Secured Notes Liabilities and the Future Pari passu Liabilities in connection with the realization or enforcement of the Transaction Security or any action taken at the request of the Security Agent;
- fifth, *pari passu* and *pro rata* as between themselves in or towards payment of the Senior Secured Notes Liabilities, the Future Pari passu Liabilities and any Hedging Liabilities that are not Super Senior Hedging Liabilities;
- sixth, *pari passu* and *pro rata* as between themselves in or towards payment of all costs and expenses incurred by or on behalf of creditors of the Future Senior Subordinated Liabilities in connection with the realization or enforcement of the Transaction Security or any action taken at the request of the Security Agent;
- seventh, *pari passu* and *pro rata* as between themselves in or towards payment of the Future Senior Subordinated Liabilities; and
- eighth, after the Final Discharge Date, in payment of the surplus (if any) to the relevant Debtor, Third Party Chargor or other person entitled to it.

Non-Distressed Disposal

In circumstances where a disposal or certain other specified transactions are not being effected pursuant to a Distress Event (as defined below) (a disposal effected pursuant to a Distress Event being a "***Distressed Disposal***") and are otherwise permitted by the terms of the Indenture and the debt documents for the Future Pari passu Debt and the Future Senior Subordinated Debt and the finance documents for the Revolving Credit Facility and any Other Credit Facility Debt, the Intercreditor Agreement will provide that the Security Agent is authorized and instructed (i) to release the Transaction Security or any other claim in respect of the liabilities secured by the Transaction Security; (ii) if the relevant asset consists of shares in the capital of a Debtor, to release the Transaction Security or any other claim in respect of the liabilities secured by the Transaction Security over the assets of that Debtor and the shares in and assets of any of its subsidiaries and (iii) execute and deliver or enter into any release of the Transaction Security or any claim described in paragraphs (i) and (ii) and issue any certificates of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable.

Distressed Disposal

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will provide that the Security Agent is authorized: (i) to release the Transaction Security, or any other claim over that asset; (ii) if the asset which is disposed of consists of shares in the capital of a Debtor or Third Party Chargor, to release (a) that Debtor, Third Party Chargor and any subsidiary of that Debtor or Third Party Chargor (as applicable) from all or any part of its liabilities to the creditors of the Super Senior Liabilities and the Senior Secured Creditors or Future Senior Subordinated Creditors or others or otherwise in connection with the Transactions ("***Primary Liabilities***") or other liabilities it may have to a creditor of Shareholder Liabilities (a "***Shareholder Lender***"), a creditor of Intra-Group Liabilities (an "***Intra-group Lender***") or other Debtors and Third Party Chargors; (b) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and (c) any other claim of a Shareholder Lender, Intragroup Lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor; (iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release (a) that holding company and any subsidiary of that holding company from all or any part of its Primary Liabilities and Other Liabilities; (b) any Transaction Security granted by any subsidiary of that holding company over any of its assets; and (c) any other claim of a Shareholder Lender, Intragroup Lender or another Debtor over the assets of any subsidiary of that holding company; and (iv) if the asset which is disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor, to provide, for (1) the transfer of liabilities to another Debtor and/or (2) at the discretion of the Security Agent (provided that it is acting in accordance with the Security Enforcement Principles) the disposal, to third parties, of creditor's claims against that Debtor or holding company (which may include claims against the Issuer).

Where borrowing liabilities in respect of any Super Senior Liabilities and the Senior Secured Debt would otherwise be released pursuant to the terms of the Intercreditor Agreement (including as stated above), the primary creditor concerned may elect to have those borrowing liabilities transferred to the Parent, in which case the Security Agent will be irrevocably authorized (at the cost of the relevant Debtor or the Company (or its immediate holding company after the relevant Distressed Disposal) and without any consent, sanction, authority or further confirmation from any creditor under the Intercreditor Agreement, Debtor or Third Party Chargor to executed such documents as are required to so transfer those borrowing liabilities.

If a Distressed Disposal is being effected such that the claims of the holders of the Future Senior Subordinated Debt against the issuer of such debt, any guarantees in respect of the Future Senior Subordinated Debt and/or Transaction Security securing the Future Senior Subordinated Debt will be released, it is a condition to the release that either:

(i) the Future Senior Subordinated Representative has approved the release on the instructions of the Future Senior Subordinated Debt Required Holders (as defined below); or

(ii) each of the following conditions are satisfied:

  (a) the proceeds of such sale or disposal are in cash or cash equivalent investments (or substantially in cash or cash equivalent investments);

  (b) all present or future obligations owed to the secured parties under the Super Senior Liabilities and the Senior Secured Debt documents by a member of the Group all of whose shares pledged under the Transaction Security are sold or disposed of pursuant to such enforcement action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale; and

  (c) such sale or disposal (including any sale or disposal of any claim) is made:

    (1) pursuant to a public auction in accordance with the terms of the Intercreditor Agreement; or

    (2) where an internationally recognized investment bank or an internationally recognized firm of accountants selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances (although there shall be no obligation to postpone any such sale, disposal or transfer in order to achieve a higher price) including the method of enforcement and the circumstances giving rise to such sale, provided that the liability of such investment bank or internationally recognized firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

Application of Proceeds of a Distressed Disposal

The net proceeds of a Distressed Disposal (and the net proceeds of any disposal of liabilities) shall be paid to the Security Agent (as the case may be) for application in accordance with the provisions set forth under "—*Application of Amounts Recovered*" above as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred, as if the disposal of liabilities had not occurred.

Option to purchase

Following:

(a) an Acceleration Event; or

(b) the enforcement of any Transaction Security (a "***Distress Event***"),

the holders of the Senior Secured Notes and Future Pari passu Debt shall have an option to purchase all (but not part) of the commitments of the Lenders under the Revolving Credit Facility (or their affiliates) and the Super Senior Liabilities at par plus accrued interest and all other amounts owing under the Revolving Credit Facility and in respect of the other Super Senior Liabilities, with such purchase to occur all at the same time.

Following a Distress Event, the holders of the Future Senior Subordinated Debt shall have an option to purchase all (but not part) of the Super Senior Liabilities and Senior Secured Debt at par plus accrued interest and all other amounts owing in respect of such Super Senior Liabilities and Senior Secured Debt, with such purchase to occur all at the same time.

Voting and amendments

Voting in respect of the Revolving Credit Facility, the Senior Secured Notes and/or Future Pari passu Debt will be in accordance with the relevant documents.

Except (i) for amendments of a minor, technical or administrative nature which may be effected by the Security Agent (ii) amendments and waivers to the security enforcement principles, which may be effected as described above in "Security Enforcement Principles" and subject to the paragraph below, amendments to or waivers and consents under the Intercreditor Agreement shall require the written agreement of:

(a) the Majority Super Senior Creditors;

(b) the Senior Secured Notes Required Holders and the Future Pari passu Debt Required Holders (each defined below);

(c) the Future Senior Subordinated Creditors whose aggregate senior subordinated secured credit participations represent more than 50% of the aggregate senior subordinated secured credit participations of all such creditors;

(d) the Security Agent; and

(e) the Company,

provided that to the extent an amendment, waiver or consent only affects one class of secured party, and such amendment, waiver or consent could not reasonably be expected to materially and adversely affect the interests of the other classes of secured party, only written agreement from the affected class shall be required. Notwithstanding the paragraph immediately above, an amendment or waiver relating to provisions dealing with (i) ranking and priority or subordination, (ii) turnover of Receipts, (iii) redistribution, (iv) enforcement of Transaction Security, (v) disposal proceeds, (vi) application of proceeds, (vii) amendments, (viii) certain provisions relating to the instructions to and exercise of discretion by the Security Agent and (ix) governing law and jurisdiction, shall not be made without the written consent of each of:

(a) the lenders under the Revolving Credit Facility and the lenders under any other super senior credit facility;

(b) the Trustee;

(c) the representative of the holders of Future Pari passu Debt;

(d) each Hedging Bank (to the extent that the amendment or waiver would adversely affect such Hedging Bank);

(e) the Future Senior Subordinated Representative; and

(f) the Company.

Prior to the discharge of all the Super Senior Liabilities and the Senior Secured Debt, the Future Senior Subordinated Representative may not without the consent of the Majority Super Senior Creditors and Majority Senior Secured Creditors amend or waive the terms of the debt documents of the Future Senior Subordinated Debt to the extent that it would result in them being inconsistent with the agreed major terms for such Future Senior Subordinated Debt.

Definitions

The Intercreditor Agreement shall provide that:

(a) "***Future Senior Subordinated Debt Required Holders***" means, in respect of any direction, approval, consent or waiver, the holders of Future Senior Subordinated Debt holding in aggregate a principal amount of Future Senior Subordinated Debt which is not less than the principal amount of Future Senior Subordinated Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Future Senior Subordinated Debt;

(b) "***Future Pari passu Debt Required Holders***" means, in respect of any direction, approval, consent or waiver, the Pari passu Creditors holding in aggregate a principal amount of Future Pari passu Debt which is not less than the principal amount of Future Pari passu Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Future Pari passu Debt;

(c) "***Primary Creditors***" means the creditors with respect to Super Senior Liabilities, the creditors with respect to Senior Secured Notes Liabilities, the creditors with respect to Future Pari passu Liabilities and the Future Senior Subordinated Creditors;

(d) "***Senior Secured Notes Required Holders***" means, in respect of any direction, approval, consent or waiver, the holders of the Senior Secured Notes holding in aggregate a principal amount of Senior Secured Notes which is not less than the principal amount of Senior Secured Notes required to vote in favor of such direction, consent or waiver under the terms of the Senior Secured Notes Indenture or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Senior Secured Notes (as applicable);

(e) "***Transaction Security***" means the security created or expressed to be created in favor of the Security Agent under or pursuant to the Transaction Security Documents; and

(f) "***Transaction Security Documents***" means: (i) as defined (or equivalent term) in the Revolving Credit Facility, any other super senior credit facility and/or a document governing any Future Pari passu Debt; (ii) any other document entered into at any time by any member of the Group creating any security in favor of any of the secured parties as security for any of the secured obligations; and (iii) any security granted under any covenant for further assurance in any of the documents set out in paragraphs (i) and (ii) above, which in each case, to the extent legally possible and subject to the Agreed Security Principles, is created in favor of (A) the Security Agent as trustee for the relevant secured parties in respect of their liabilities; or (B) in the case of any jurisdiction in which effective security cannot be granted in favor of the Security Agent as trustee for the secured parties, the relevant Secured Parties in respect of their Liabilities or the Security Agent under a parallel debt structure for the benefit of the relevant Secured Parties.

Governing law

The Intercreditor Agreement is governed by English law.

Proceeds Loans

The Proceeds Loan will be made under a loan agreement to be dated on or about the Issue Date and made between the Issuer as lender and KA Group AG as borrower (the "***Proceeds Loan Agreement***"). Pursuant to the Proceeds Loan Agreement, the Issuer will lend to KA Group AG the gross proceeds from the Offering.

The Proceeds Loan will be denominated in euro and bear interest at a rate per annum that is at least equal to the interest rate of the Notes. Interest on the Proceeds loan will be payable in cash semi-annually on or prior to the relevant interest payment date for the Notes. The maturity date of the Proceeds Loan will be same as the maturity date of the Loan. The Proceeds Loan will be unsecured.

Except as otherwise required by law, the Proceeds Loan Agreement will provide that all payments under the Proceeds Loan will be made without deduction or withholding for, or on account of, any applicable tax. In the event that KA Group AG is required to make such deduction or withholding, it shall pay such additional amounts to the Issuer as may be necessary to ensure that the Issuer receives and retains, in the aggregate, a net payment equal to the payment which it would have received under the Proceeds Loan Agreeement had no such deduction been made.

The Proceeds Loan Agreement will provide that, subject to the Intercreditor Agreement, KA Group AG shall repay the Proceeds Loan in such amounts and on such days as to ensure that the Issuer can make payments in respect of repayments, redemptions, defeasances, satisfacions and discharges or repurchases of the Notes. The Proceeds Loan Agreement will further provide that, subject to the Intercreditor Agreement, KA Group AG shall pay the Issuer on demand any amounts under the Proceeds Loan required to allow the Issuer to pay additional amounts due under the Indenture.

The Proceeds Loan will be assigned by way of security to the Security Agent for the benefit of the holders of the Notes and the lenders under the Revolving Credit Facility as described under "*Description of the Notes—Security*".

Liquidity Management

We currently operate a notional cash pool at Kongsberg Automotive ASA which includes some of our subsidiaries in Europe and North America and is supported by an ancillary facility under our Existing Revolving Credit Facility Agreement. In addition, liquidity needs within our Group are managed through intercompany loans and capital contributions. We will centralize our treasury operations and replace our existing notional cash pool with a global, zero balancing cash pool at KA Group AG which we intend to complement with an In House bank that would allow us to better manage the liquidity needs across our Group. The new cash pool will be designed to ensure that our regional operations maintain a sufficient level of liquidity in local currency while at the same time optimizing our cash levels on group-level.

Description of the Notes

You will find definitions of certain capitalized terms used in this "*Description of the Notes*" under the heading "*Certain Definitions*". For purposes of this "*Description of the Notes*," references to the "***Issuer***" refer only to Kongsberg Actuation Systems B.V., references to the "***Intermediate Parent Guarantor***" refer only to Kongsberg Automotive Holding 2 AS and not to any of its Subsidiaries, references to the "***Company***" refer only to Kongsberg Automotive ASA and not to any of its Subsidiaries. References to the "***Parent Guarantors***" refer to the Intermediate Parent Guarantor and the Company, and references to the "***Group***" refer to the Company and its Subsidiaries on a consolidated basis.

The Issuer will issue €275 million aggregate principal amount of 5.000% Senior Secured Notes due 2025 (the "***Notes***") under an indenture (the "***Indenture***"), between, *inter alios*, the Issuer, the Guarantors, The Law Debenture Trust Corporation p.l.c., as trustee (the "***Trustee***"), The Law Debenture Trust Corporation p.l.c., as security agent (the "***Security Agent***"), and The Bank of New York Mellon, London Branch, as Paying Agent (as defined herein), in a private transaction that is not subject to the registration requirements of the Securities Act. The Indenture will not be qualified under nor will it incorporate, or be subject to, any of the provisions of the U.S. Trust Indenture Act of 1939, as amended (the "***TIA***").

The proceeds of this offering of the Notes sold on the Issue Date will be used to repay in full all amounts outstanding under the Existing Revolving Credit Facilities, for general corporate purposes and to pay costs, fees and expenses incurred in connection with the Transactions as set forth in this Offering Memorandum under the caption "*Use of Proceeds*".

The Indenture will be unlimited in aggregate principal amount. The Issuer will issue €275 million in aggregate principal amount of Notes on the Issue Date. We may, subject to applicable law, corporate authorizations and existing arrangements, issue an unlimited principal amount of additional Notes ("***Additional Notes***"). We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenants restricting the Incurrence of Indebtedness and the Incurrence of Liens (as described below under "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Limitation on Liens*"). The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Indenture and provided that any Additional Notes that are not fungible with the Notes for U.S. federal income tax purposes will have a separate CUSIP, ISIN or other identifying number from the Notes. Unless the context otherwise requires, in this "*Description of the Notes*", references to the "***Notes***" include the Notes and any Additional Notes that are actually issued under the Indenture.

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined herein). The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Liens on the Collateral securing the Notes. Please see "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of the material terms of the Intercreditor Agreement.

The following description is a summary of the material provisions of the Indenture and the Notes and refers to the Intercreditor Agreement and the Security Documents. This description does not restate those agreements in their entirety. We urge you to read the Indenture, the Notes, the Intercreditor Agreement and the Security Documents because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture, the form of Notes, the Intercreditor Agreement and the Security Documents are available from us as set forth under "*Where Prospective Investors Can Find More Information*".

The registered Holder of a Note will be treated as the owner of it for all purposes. Generally, only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the Securities Act and are subject to certain transfer restrictions.

General

The Notes

The Notes will be senior secured Indebtedness of the Issuer and will be guaranteed by the Guarantors. The Notes will:

- be general senior obligations of the Issuer;
- from the Issue Date, be secured by the Issue Date Collateral, and, within 90 days following the Issue Date, secured by the Post-Issue Date Collateral, on a first-priority basis along with the obligations under the Revolving Credit Facility Agreement and certain priority Hedging Obligations (*provided* that the proceeds from any recovery from the enforcement of any security interest will be applied to satisfy the obligations under the Revolving Credit Facility Agreement and certain priority Hedging Obligations before being applied to satisfy obligations to holders under the Notes and the Indenture);
- be effectively subordinated to any existing and future obligations (including obligations to trade creditors) of the Company and its Subsidiaries that are secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such obligations;
- rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes;
- rank senior in right of payment to all existing and future Indebtedness of the Issuer that is subordinated in right of payment to the Notes, if any;
- be guaranteed by the Guarantors; and
- be structurally subordinated to any existing and future obligations (including obligations to trade creditors) of the Company's Subsidiaries that are not Guarantors.

The Notes Guarantees

The Notes will be guaranteed by the Guarantors. As of the Issue Date, the Notes will be guaranteed by Kongsberg Automotive ASA, Kongsberg Automotive Holding 2 AS, Kongsberg Automotive AS, Kongsberg Holding III, Inc., Kongsberg Actuation Systems II, Inc., Kongsberg Power Products Systems I, Inc., Kongsberg Automotive, Inc., Kongsberg Driveline Systems I, Inc., Kongsberg Interior Systems II, Inc. and KA Group AG, (each an "***Issue Date Guarantor***" and such entities collectively, the "***Issue Date Guarantors***"). The Issuer and the Company will cause Kongsberg Automotive AB, Kongsberg Power Products Systems AB, Kongsberg Driveline Systems SAS, Kongsberg Raufoss Distribution SAS, Kongsberg Actuation Systems Ltd, Kongsberg Automotive s.r.o., Kongsberg Interior Systems Kft., Kongsberg Inc. and Kongsberg Automotive Sp. z.o.o. (each a "***Post-Issue Date Guarantor***" and such entities collectively, the "***Post-Issue Date Guarantors***") to become a Guarantor no later than the date that is 120 days after the Issue Date.

In addition, if required by the covenant described under "*—Certain Covenants—Additional Guarantees*," certain other Restricted Subsidiaries may provide a Notes Guarantee in the future.

The Notes Guarantee of each Guarantor will:

- be a general senior obligation of that Guarantor;
- be secured by the Collateral held by that Guarantor on a first-priority basis along with its obligations under the Revolving Credit Facility Agreement and certain priority Hedging Obligations (*provided* that the proceeds from any recovery from the enforcement of any security interest will be applied to satisfy the obligations under the Revolving Credit Facility Agreement and certain priority Hedging Obligations before being applied to satisfy obligations to holders under the Notes and the Indenture);
- be effectively subordinated to any existing and future Indebtedness (including obligations to trade creditors) of such Guarantor that are secured by property or assets that do not secure such Notes Guarantee, to the extent of the value of the property and assets securing such obligations;
- rank *pari passu* in right of payment with all existing and future Indebtedness of such Guarantor that is not subordinated in right of payment to such Notes Guarantee;

- rank senior in right of payment to all existing and future Indebtedness of such Guarantor that is subordinated in right of payment to such Notes Guarantee; and
- be structurally subordinated to any existing and future obligations (including obligations to trade creditors) of the Guarantor's Subsidiaries that are not Guarantors or the Issuer.

Not all of the Company's subsidiaries will be required to guarantee the Notes and not all of the Company's Subsidiaries may actually guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any non-guarantor Subsidiaries, any such non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to meet the obligations of the Issuer. The Notes and the Notes Guarantees will be effectively subordinated to all Indebtedness and other liabilities and commitments, trade payables and lease obligations of any of the Company's future Subsidiaries that are not Guarantors. Any right of the Company to receive assets of any of such Subsidiaries upon such Subsidiary's liquidation or reorganization (and the consequent right of the Holders of the Notes to participate in those assets) will be effectively subordinated to the claims of such Subsidiary's creditors.

The obligations of a Guarantor under its Notes Guarantee will be limited as necessary to prevent the relevant Notes Guarantee from constituting a fraudulent conveyance or unlawful financial assistance under applicable law, or otherwise to reflect limitations under applicable law. By virtue of these limitations, a Guarantor's obligation under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Each Guarantee/Security Document will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The insolvency laws of the Netherlands, Norway, Quebec (Canada), France, Hungary, Poland, Slovakia, Sweden, Switzerland and the United Kingdom may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar and may preclude you from recovering payments due on the Notes.*" The validity and enforceability of the Notes Guarantees and the liability of each Guarantor will be subject to the limitations described in *"Certain Insolvency Law and Local Law Limitations*".

In addition, there are certain circumstances where the Notes Guarantees may not be granted pursuant to the Agreed Security Principles. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Notes under which the Collateral and the Guarantees will be released automatically without your consent or the consent of the Trustee*" and "*Description of Certain Financing Arrangements—Revolving Credit Facility*".

Although the Indenture will contain limitations on the amount of additional Indebtedness that the Company and its Restricted Subsidiaries may Incur, the amount of such additional Indebtedness could be substantial.

The Company is a holding company whose only significant assets will be the Capital Stock of its Subsidiaries. The Company's operations are conducted through its Subsidiaries and, therefore, the Company primarily depends on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Intercompany Loan (as defined below).

As of March 31, 2018, after adjusting for the *pro forma* effects of the Offering and the use of proceeds therefrom:

- the Company would have had no outstanding Indebtedness other than its obligations under the Revolving Credit Facility Agreement, the Intercompany Loan and its Parent Guarantee;
- the Company's senior financial debt would have consisted of the Notes; and
- the Restricted Subsidiaries of the Company, other than the Guarantors and the Issuer, would have had no interest-bearing liabilities to third parties.

As of the Issue Date, the Issuer and each of the Company's other Subsidiaries will be "***Restricted Subsidiaries***" for the purposes of the Indenture. However, under the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*", we will be permitted to designate certain of our Subsidiaries as "*Unrestricted Subsidiaries*." Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture and will not guarantee the Notes.

Principal, Maturity and Interest

On the Issue Date, the Issuer will issue €275 million in aggregate principal amount of Notes. The Notes will mature on July 15, 2025. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest on the Notes will accrue at the rate of 5.000% per annum. Interest on the Notes will be payable in cash semi-annually in arrear on January 15 and July 15 commencing on January 15, 2019.

The Issuer will make each interest payment to the Holders of record of the Notes on the immediately preceding January 1 and July 1. If a particular interest payment date is not a Business Day, then the payment date will move to the next Business Day at the place at which such payment is to be made.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months (and, in the case of an incomplete month, the number of days actually elapsed). Interest on overdue principal and interest on the Notes, including Additional Amounts (as defined below), if any, will accrue at a rate that is 1.0% higher than the interest rate on the Notes. In no event will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law.

Methods of Receiving Payments on the Notes

Principal, interest and premium and Additional Amounts, if any, on the Global Notes (as defined below) will be made by one or more Paying Agents by wire transfer of immediately available funds to the account specified by the registered Holder thereof (being the common depositary or its nominee).

Principal, interest and premium, and Additional Amounts, if any, on any certificated securities with respect to the Notes ("***Definitive Registered Notes***") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in the City of London. In addition, interest on the Definitive Registered Notes may be paid, at the option of the Issuer, by check mailed to the address of the Holder entitled thereto as shown on the register of Holders of Notes for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Notes*" below.

The rights of Holders to receive the payments of interest on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents for the Notes (each, a "***Paying Agent***") in the City of London. The initial Paying Agent will be The Bank of New York Mellon, London Branch.

The Issuer will also maintain one or more registrars (each a "***Registrar***") and one or more transfer agents (each a "***Transfer Agent***"). The initial Registrar and the initial Transfer Agent will be The Bank of New York Mellon SA/NV, Luxembourg Branch. The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and, together with the Transfer Agent, will facilitate transfers of the Notes on behalf of the Issuer.

The Issuer may change any Paying Agent, Registrar or Transfer Agent without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Official List of the Exchange and if and to the extent the rules of the Exchange so require, the Issuer will notify the Exchange of any change of Paying Agent, Registrar or Transfer Agent. The Company or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Transfer and Exchange

The Notes will be initially issued in the form of multiple registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "***144A Global Notes***"). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream; and
- Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "***Regulation S Global Notes***" and, together with the 144A Global Notes, the "**Global Notes**"). The Regulation S Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("***Book-Entry Interests***") will be limited to persons that have accounts with Euroclear and Clearstream with or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*". In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the "***144A Book-Entry Interests***") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**") only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor to the Registrar of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors*."

Subject to the restrictions on transfer referred to above, Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof.

In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder, among other things, to furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Registrar and the Transfer Agent are not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Note as the owner thereof for all purposes.

The Proceeds Loan

On the Issue Date, the Issuer will loan the gross proceeds of the Offering to its subsidiary, KA Group AG, via a proceeds loan (the "***Proceeds Loan***") and KA Group AG will on-loan a portion of the gross proceeds of the Offering to the Company via an intercompany loan (the "***Intercompany Loan***"), which the Company will then apply (i) to repay in full all amounts outstanding under the Existing Revolving Credit Facilities (including any premiums, prepayment fees, breakage costs as well as accrued and unpaid interest) (ii) for general corporate purposes and (iii) to pay certain costs, fees and expenses incurred in connection with the Transactions. See "*Use of Proceeds*".

The Proceeds Loan will bear interest at a rate at least equal to the interest rate of the Notes. Interest on the Proceeds Loan will be payable semi-annually in arrear on or prior to the corresponding dates for the payment of interest on the Notes.

The agreements governing the Proceeds Loan (the "***Proceeds Loan Agreement***") will provide that the Issuer will pay interest and principal due and payable on the applicable Notes and any Applicable Premium, Additional Amounts and other amounts due thereunder. The maturity date of the Proceeds Loan will be the same as the maturity date of the Notes and, except as otherwise required by law, all payments under the Proceeds Loan Agreement will be made without deduction or withholding for, or on account of, any applicable tax. In the event that KA Group AG is required to make any such deduction or withholding in respect of a payment, they shall gross-up such payment to the Issuer to ensure that the Issuer receives and retains a net payment equal to the payment which it would have received had no such deduction or withholding been made.

An assignment of the Issuer's rights under the Proceeds Loan Agreement will be granted in favor of the Security Agent as part of the Collateral, as described below under "*—Security*".

The Proceeds Loan will provide that KA Group AG will make all payments pursuant thereto on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture, taking into account the administrative and timing requirements under the Indenture with respect to amounts payable on the Notes. The Indenture will contain restrictions on the ability of the Issuer or KA Group AG to amend the terms of the Proceeds Loan, including with respect to the scheduled maturity date and the rate of interest payable thereunder.

Notes Guarantees

General

The obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control, will be guaranteed on a senior secured basis by the Guarantors (the "***Notes Guarantees***").

Each Notes Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Each Guarantee/Security Document will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The insolvency laws of the Netherlands, Norway, Quebec (Canada), France, Hungary, Poland, Slovakia, Sweden, Switzerland and the United Kingdom may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar and may preclude you from recovering payments due on the Notes*".

All or substantially all of the operations of the Company will be conducted through its Restricted Subsidiaries. Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Notes Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Company (other than the Issuer and the other Guarantors) and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries other than the Issuer (if any). The aggregated unconsolidated Adjusted EBITDA of the Guarantors represented 85.0% of the Group's Adjusted EBITDA for the twelve months ended March 31, 2018 (without removing the effect of intra-group transactions) and the aggregated unconsolidated total assets of the Guarantors represented 91.7% of the Group's total assets (without removing intra-group assets and liabilities). See "*Corporate and Financing Structure*".

Although the Indenture will limit the Incurrence of Indebtedness and issue of Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness*".

In addition, as described below under "*—Certain Covenants—Additional Guarantees*" and subject to the Intercreditor Agreement, each Restricted Subsidiary that guarantees the Revolving Credit Facility Agreement or certain other indebtedness shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

Notes Guarantees Release

The Notes Guarantee of a Guarantor will terminate and be released:

(1) other than the Notes Guarantees of the Parent Guarantors, upon a sale or other disposition (including by way of consolidation or merger) of any Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company), if as a result of such sale or other disposition such Guarantor would no longer be a Restricted Subsidiary, or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Company or a Restricted Subsidiary), otherwise permitted by the Indenture;

(2) other than the Notes Guarantees of the Parent Guarantors, upon the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;

(3) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Notes in accordance with the Indenture, as provided in "—*Defeasance*" and "—*Satisfaction and Discharge*" or upon full payment of the Notes and performance of all obligations of the Issuer and the Guarantors under the Indenture and the Notes;

(4) as described under "—*Amendments and Waivers*";

(5) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;

(6) as described in the third paragraph of the covenant described below under "—*Certain Covenants—Additional Guarantees*";

(7) other than the Notes Guarantees of the Parent Guarantors or any Restricted Subsidiary that is a parent entity of the Issuer or with respect to the Note Guarantee of a Significant Guarantor so long as no Event of Default has occurred and is continuing or would be caused thereby, to the extent that such Guarantor is released from its guarantee of the Revolving Credit Facility Agreement or from such other guarantee that gave rise to the requirement to guarantee the Notes under the covenant described below under the caption "—*Certain Covenants—Additional Guarantees;" provided* that no other Indebtedness is at that time guaranteed by the relevant Guarantor that would give rise to a requirement to guarantee payment of the Notes pursuant to the same covenant (it being understood that a release subject to contingent reinstatement is still a release);

(8) as a result of a transaction permitted by "—*Certain Covenants—Merger and Consolidation*"; or

(9) as otherwise permitted in accordance with the terms of the Indenture.

Upon the Issuer's written request, the Trustee shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee without the consent of the Holders or any other action or consent on the part of the Trustee. Neither the Trustee nor the Issuer will be required to make a notation on the Notes to reflect any such release, termination or discharge.

Security

General

On the Issue Date, the Notes will be senior secured Indebtedness of the Issuer, secured by first priority security interests in (1) the entire issued share capital of the Issuer, the Intermediate Parent Guarantor and the Issue Date Guarantors (other than the Parent Guarantor); and (2) intercompany receivables and proceeds loan receivables owed to the Issuer and the Issue Date Guarantors (including the Proceeds Loan) (the "***Issue Date Collateral***").

In addition, as soon as reasonably practicable after the Issue Date and in any event no later than the earlier of (i) such time as the Revolving Credit Facility Agreement receives such security interest and (ii) 120 days after the Issue Date, the Notes will also be secured by (1) the entire issued share capital of the Post-Issue Date Guarantors; and (2) certain intercompany receivables of the Post-Issue Date Guarantors (the "***Post-Issue Date Collateral***" and together with the Issue Date Collateral, the "***Collateral***")

The Collateral also include any additional security interest that may in the future be granted to secure obligations under the Notes and the Notes Guarantees.

Each holder of the Notes, by accepting a Note, shall be deemed (1) to have authorized the Trustee to enter into the Intercreditor Agreement and the Security Agent to enter into the Security Documents and the Intercreditor Agreement and (2) to be bound thereby. Each holder of Notes, by accepting a Note, appoints the Trustee or the Security Agent, as the case may be, as its agent under the Security Documents or the Intercreditor Agreement, and authorizes each to act as such.

Under the Indenture, the Company and the Restricted Subsidiaries will be permitted to Incur certain additional Indebtedness in the future that may share in the Collateral, including additional Permitted Collateral Liens securing Indebtedness (including Additional Notes) on a *pari passu* basis with the Notes, including Indebtedness under the Revolving Credit Facility Agreement and certain priority Hedging Obligations (*provided* that the proceeds from any recovery from the enforcement of any security interest will be applied to satisfy the obligations under the Revolving Credit Facility Agreement and certain priority Hedging Obligations before being applied to satisfy obligations to holders under the Notes and the Indenture). The amount of such Permitted Collateral Liens will be limited by the covenants described under the captions "*—Certain Covenants—Limitation on Liens*" and "*—Certain Covenants—Limitation on Indebtedness*". Under certain circumstances, the amount of such additional Indebtedness secured by Permitted Collateral Liens could be significant.

The security interests in the Collateral will be granted pursuant to the Security Documents to the Security Agent on behalf of the Holders of the Notes and holders of the other secured obligations that are secured by the Collateral. Any other security interests that may in the future be granted to secure obligations under the Notes, any Notes Guarantees and the Indenture would also constitute "Collateral." See "*Risk Factors—Risks Related to the Notes*, *the Guarantees and the Collateral—The Collateral may not be sufficient to secure the obligations under the Notes*".

Subject to the terms of the Indenture, the Security Documents and the Intercreditor Agreement, the Issuer, the Guarantors, or the relevant security provider, as the case may be, will be entitled to exercise any and all voting rights and to receive and retain any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares of stock resulting from stock splits or reclassifications, rights issue, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of the shares that are part of the Collateral until the occurrence of certain events described herein.

The Liens on the Collateral will be limited pursuant to the Agreed Security Principles, including as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see "*Certain Insolvency Law and Local Law Limitations*." In addition, there are certain circumstances where the Notes may not be secured by the Collateral pursuant to the Agreed Security Principles. See "*Risk Factors—Risks Related to the Notes*, *the Guarantees and the Collateral—Certain Collateral will not initially secure the Notes*" and "*Description of Certain Financing Arrangements—Revolving Credit Facility*".

The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the Holders of the Notes. No appraisals of the Collateral have been made in connection with this offering of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks Related to the Notes*, *the Guarantees and the Collateral—The Collateral may not be sufficient to secure the obligations under the Notes*".

Security Documents

Under the Security Documents, security will be granted over the Collateral to secure the payment when due of the Issuer's payment obligations under the Notes and the Indenture, and each Guarantor's payment obligations under its Notes Guarantee and the Indenture. The Security Documents will be entered into by the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent will act in its own name, but for the benefit of the secured parties (including itself, the Trustee and the Holders of Notes from time to time).

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by applicable law, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the Holders of the Notes. As a consequence of such contractual provisions, Holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent. Under the Intercreditor Agreement, the Security Agent will also act on behalf of lenders under the Revolving

Credit Facility Agreement and the counterparties under certain Hedging Obligations in relation to the Security Interest in favor of such parties. If circumstances were to arise entitling the Security Agent to exercise its right to enforce the pledge over Capital Stock of Kongsberg Automotive Holding 2 AS and/or the Issuer, such enforcement action could constitute a change of control under the Revolving Credit Facility Agreement or certain of our other existing contractual arrangements, the occurrence of which could trigger a mandatory prepayment event and/or require us to notify certain counterparties of the change of control to avoid certain other adverse consequences such as permitted the counterparty to terminate the agreement. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law*", "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Certain Collateral will not initially secure the Notes*".

The Indenture will provide that, subject to the terms thereof and of the Intercreditor Agreement and the Security Documents, the Notes and the Indenture, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged. However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under "*—Release of Liens*". See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Notes under which the Collateral and the Guarantees will be released automatically without your consent or the consent of the Trustee*".

The Security Documents will be governed by English law or applicable local law in each relevant jurisdiction and provide that the rights with respect to the Notes and the Indenture must be exercised by the Security Agent and in respect of the entire outstanding amount of the Notes.

In the event that any provider of Collateral enters into insolvency, bankruptcy or similar proceedings, the Security Interests created under the applicable Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement were to be successful, the Holders may not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*".

Enforcement of Security Interest

The Indenture and the Intercreditor Agreement will restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the Security Agent on behalf of the lenders under the Revolving Credit Facility Agreement. These limitations are described under "*Description of Certain Financing Arrangements—Intercreditor Agreement*". The ability to enforce may also be restricted to similar arrangements in relation to future indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement.

The creditors under the Revolving Credit Facility Agreement, the counterparties to certain Hedging Obligations and the Trustee have, and, by accepting a Note, each Holder of Notes will be deemed to have appointed the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents. The creditors under the Revolving Credit Facility Agreement, the counterparties to certain Hedging Obligations and the Trustee have, and, by accepting a Note, each Holder of Notes will be deemed to have, authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Release of Liens

The Issuer, the Guarantors and any provider of Collateral will be entitled to release the Liens over the property and other assets constituting Collateral under any one or more of the following circumstances:

(1) other than with respect to Liens granted over the share capital of Kongsberg Automotive Holding or the Issuer and any receivables on amounts owing to the Issuer, the Parent Guarantors or any Parent Holdco of the Company (if any), in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets to a Person that is not the Company or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or is otherwise permitted in accordance with the Indenture;

(2) in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "*—Amendments and Waivers*" and "*—Certain Covenants—Limitation on Liens*";

(4) upon payment in full of principal, interest and all other obligations on the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*" or upon full payment of the Notes and performance of all obligations of the Issuer and the Guarantors under the Indenture and the Notes;

(5) as provided for under the Intercreditor Agreement, including in accordance with certain enforcement actions taken by the creditors under certain of our secured Indebtedness in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;

(6) if the Company designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(7) to the extent permitted in accordance with the covenant described under "*—Certain Covenants—Impairment of Security Interest*";

(8) in connection with a Permitted Reorganization; or

(9) as otherwise permitted in accordance with the terms of the Indenture.

The Security Agent and the Trustee (but only if required) will take all action reasonably requested by the Issuer in writing to effectuate any release of Collateral securing the Notes and the Notes Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Optional Redemption

Except as described below and except as described under "*—Redemption for Taxation Reasons*", the Notes are not redeemable until July 15, 2021. On and after July 15, 2021 the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' written notice, at the following redemption prices (expressed as a percentage of principal amount) *plus* accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on July 15 of the years indicated below:

Year	Redemption Price
2021	102.500%
2022	101.250%
2023 and thereafter	100.000%

Prior to July 15, 2021, the Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the Notes issued under the Indenture (including the original principal amount of any Additional Notes), upon not less than 10 nor more than 60 days' written notice, with funds in an aggregate amount not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 105.000% of the principal amount of the Notes so redeemed, *plus* accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 60% of the original principal amount of the Notes (including the original principal amount of any Additional Notes) issued under the Indenture remain outstanding immediately after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

In addition, prior to July 15, 2021, the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' written notice at a redemption price equal to 100% of the principal amount of the Notes, *plus* the Applicable Premium *plus* accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

General

We may repurchase the Notes at any time and from time to time in the open market or otherwise.

Notice of redemption will be provided as set forth under "*—Selection and Notice*" below.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Official List of the Exchange and the rules of the Exchange so require, inform the Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date. If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

Post-Tender Redemption

In connection with any tender offer for the Notes at a price no less than the open market trading price of the Notes on the date such tender offer commences (as determined in good faith by the Issuer), *plus* accrued and unpaid interest thereon to, but excluding the applicable tender settlement date, if Holders of Notes of not less than 90% in aggregate principal amount of the outstanding Notes validly tendered and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not withdrawn by such Holders, all of the holders of the Notes will be deemed to have consented to such tender or other offer and accordingly, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior written notice, given not more than 30 days following such tender offer expiration date, to redeem the applicable Notes of such series that remain outstanding in whole, but not in part, following such purchase, at a price equal to the price offered to each other Holder of Notes in such tender offer, *plus*, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding such redemption date.

Mandatory Redemption

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of the Notes is to be redeemed at any time, any Paying Agent will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream or Euroclear or Clearstream, prescribes no method of selection, based upon a method that most nearly approximates a *pro rata* selection as any Paying Agent deems fair and appropriate unless otherwise required by law or applicable stock exchange requirements; *provided*, *however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. Neither a Paying Agent, nor the Registrar nor the Trustee will be liable for any selections made in accordance with this paragraph.

For so long as the Notes are listed on the Official List of the Exchange and the rules of the Exchange so require, the Issuer shall publish any notice of redemption as required by the Exchange, not less than 10 nor more than 60 days prior to the redemption date, and mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar.

If any Note, is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Any redemption of the Notes (including with the proceeds from an Equity Offering) may, in the Issuer's discretion, be subject to one or more conditions precedent. In addition, if such redemption or notice is subject to the satisfaction of one or more conditions precedent, such notice may state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (*provided*, *however*, that in any case such redemption date shall be no more than 60 days from the date on which such notice is first given), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed. Notwithstanding anything else in the Indenture or the Notes to the contrary, redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

Redemption for Taxation Reasons

The Issuer may redeem a series of the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior written notice to the Holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "***Tax Redemption Date***") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "*—Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in an official application, administration or written interpretation of such laws, treaties, regulations or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) (each of the foregoing in clauses (1) and (2), a "***Change in Tax Law***"),

a Payor (as defined below) is, or on the next date on which any amount would be payable in respect of the Notes or any Notes Guarantee would be, required to pay Additional Amounts with respect to such series of

Notes and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable, and, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or a Guarantor who can make such payment without the obligation to pay Additional Amounts, where this would be reasonable). Such Change in Tax Law must be officially announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date).

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts were a payment then due. Prior to the publication or mailing of any notice of redemption of Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (with a copy to the Paying Agent) (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it (in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made, where reasonable to do so, by the Issuer or a Guarantor who can make such payment without the obligation to pay Additional Amounts) and (b) a written opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (including, in each case, any successor entity) (each, a "***Payor***") in respect of the Notes or with respect to any Notes Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) The Netherlands or any political subdivision or governmental authority thereof or therein having the power to tax;

(2) any jurisdiction from or through which payment on any such Note or Notes Guarantee is made or any political subdivision or governmental authority thereof or therein having the power to tax (including the jurisdiction of any Paying Agent); or

(3) any other jurisdiction in which a Payor is incorporated or organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "***Relevant Taxing Jurisdiction***"),

will at any time be required to be made from any payments made by or on behalf of the Payor with respect to any Note or any Notes Guarantee, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "***Additional Amounts***") as may be necessary in order that the net amounts received by a Holder or beneficial owner, as applicable in respect of such payments, after such withholding or deduction (including any such withholding or deduction from such Additional Amounts), will not be less than the amounts which would have been received by such Holder or beneficial owner, as applicable in respect of such payments on any such Note or Notes Guarantee in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or beneficial owner, as applicable (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant

Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation), and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or Notes Guarantee or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Notes Guarantee;

(2) any Taxes that are imposed or withheld by reason of the failure by the Holder or the beneficial owner, as applicable, of the Note to comply with a reasonable written request of the Payor addressed to the Holder, after reasonable notice (at least 60 days before any such withholding or deduction would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax but only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes that are imposed as a result of the presentation of the Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment in respect of the Notes or with respect to any Notes Guarantee;

(5) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes; or

(6) any combination of the items (1) through (5) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Notes directly.

Notwithstanding anything to the contrary herein, the Issuer and each Guarantor shall be permitted to withhold or deduct any amounts required by Sections 1471 to 1474 ("***FATCA***") of the U.S. Internal Revenue Code of 1986, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Issuer, a Guarantor, a Paying Agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing, in each case, implementing FATCA and none of the Issuer, a Guarantor, any Paying Agent or any other person shall be required to pay any additional amounts with respect to any FATCA withholding or deduction imposed on or with respect to any Note.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Payor will provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Tax authority Jurisdiction imposing such Taxes, or if such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon reasonable request.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate (with a copy to the Paying Agent) stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable a Paying Agent to pay Additional Amounts on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "Description of the Notes" there is mentioned, in any context:

(1) the payment of principal;

(2) interest; or

(3) any other amount payable on or with respect to any of the Notes or any Notes Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay, and indemnify the applicable Holder or beneficial owner, as applicable for, any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction (or, in the case of enforcement, any jurisdiction) from the execution, delivery, registration, enforcement of, or receipt of payments with respect to any Notes, any Notes Guarantee, the Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer after the initial sale by the Initial Purchasers of the Notes).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is incorporated or organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes (or any Notes Guarantee) is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*—Change of Control*," each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof; *provided* that Notes of €100,000 or less may only be redeemed in whole and not in part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes repurchased, *plus* accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obligated to repurchase Notes as described under this heading "*—Change of Control*," in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes of such series and given notice of redemption as described under "*—Optional Redemption*" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under "*—Optional Redemption*" and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "***Change of Control Offer***") to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101 % of the principal amount of such Notes *plus* accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "***Change of Control Payment***");

(2) stating the repurchase date (which shall be no earlier than 10 days from the date such notice is mailed and no later than the later of (x) 60 days from the date such notice is mailed and (y) the date of completion of the Change of Control) and the record date (the "***Change of Control Payment Date***");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased (including that Holders will be entitled to withdraw their election if a Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have such Notes purchased); and

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with a Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Trustee (or an authenticating agent) the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the Registrar or Paying Agent for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, a Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Definitive Registered Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Notes are listed on the Official List of the Exchange and the rules of such exchange so require, the Issuer will publish notices relating to the Change of Control Offer to the extent and in the manner permitted by such rules.

If Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer and the Issuer, or any third party making a Change of Control Offer in lieu of the Issuer as described below, purchases all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right, upon not less than 10 nor more than 60 days' prior notice, given not more than 10 days following such purchase pursuant to such Change of Control Offer, to redeem all the Notes that remain outstanding following such purchase at a price in cash equal to 101% of the principal amount thereof *plus* accrued and unpaid interest to but excluding the date of such redemption (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Except as described above with respect to a Change of Control, the Indenture will not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Company or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control could require a mandatory prepayment of other Indebtedness of the Company or its Subsidiaries. In addition, certain events that may constitute a change of control under the Revolving Credit Facility Agreement and other future Indebtedness of the Company or its Subsidiaries and require a mandatory prepayment of Indebtedness under such agreements may not constitute a Change of Control under the Indenture. Future Indebtedness of the Company or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repaid or repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repayment or repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Related to the Notes*, the Guarantees and the Collateral—*The Issuer, the Parent Guarantor, the Intermediate Parent Guarantor and certain of the Subsidiary Guarantors do not have independent business operations and are dependent upon cash flows from the operating subsidiaries of the Group to meet their respective payment obligations on the Notes and Guarantors*".

The definition of "Change of Control" includes a disposition, in one or a series of related transactions, of all or substantially all of the property and assets of the Company and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property and assets of the Company and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that the Company and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence, after giving *pro forma* effect to the Incurrence of such Indebtedness (including *pro forma* application of the proceeds thereof):

(1) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries would have been at least 2.0 to 1.0; and

(2) if the Indebtedness to be Incurred is Senior Secured Indebtedness, the Consolidated Senior Secured Leverage Ratio for the Company and its Restricted Subsidiaries would have been less than 2.75 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness ("***Permitted Debt***"):

(1) Indebtedness Incurred by the Issuer or any Guarantor pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (a) the greater of (i) €80 million and (ii) 72% of Consolidated EBITDA, *plus* (b) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted to be Incurred by another provision of this covenant; *provided* that, if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Notes Guarantee, then the guarantee must be subordinated to or *pari passu* with the Notes or such Notes Guarantee to the same extent as the Indebtedness being guaranteed; and

(b) without limiting the covenant described under "*—Limitation on Liens*", Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; *provided, however*, that:

(a) if the Issuer or a Guarantor is the obligor on any such Indebtedness and the obligee is not the Issuer or a Guarantor, such Indebtedness is unsecured and, if the aggregate principal amount of such Indebtedness of the Issuer or such Guarantor exceeds €3 million (the Company and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness), it is to the extent legally permitted expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes, in the case of the Issuer, or the applicable Notes Guarantee, in the case of a Guarantor; and

(b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Company or a Restricted Subsidiary and any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Company or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Notes (other than any Additional Notes) and the related Notes Guarantees Incurred on the Issue Date and any "parallel debt" obligations under the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents;

(b) any Indebtedness (other than Indebtedness Incurred under the Revolving Credit Facility Agreement and Indebtedness described in clause (3) of this paragraph) of the Company and its Restricted Subsidiaries outstanding on the Issue Date after giving *pro forma* effect to the Offering and the use of proceeds therefrom (as described under "*Use of Proceeds*" in this Offering Memorandum);

(c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clauses (4)(a), (4)(b), (4)(c) and (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant; and

(d) Management Advances;

(5) Indebtedness (a) Incurred by the Issuer or any Guarantor and used to finance an acquisition of assets and assumption of related liabilities (if any) or (b) of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any of its Restricted Subsidiaries; *provided*, *however*, with respect to this clause (5) if, at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be Incurred, (x) the Company would have been able to Incur €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test in the first paragraph of this covenant after giving *pro forma* effect to the Incurrence of such Indebtedness pursuant to this clause (5), or (y) the Fixed Charge Coverage Ratio of the Company would not be less than it was immediately prior to giving *pro forma* effect to the Incurrence of such Indebtedness; *provided* that the only obligors with respect to such Indebtedness shall be those Persons who were obligors of such Indebtedness prior to such acquisition, merger or consolidation;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors of the Company);

(7) Indebtedness consisting of (a) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (b) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of (x) €25 million and (y) 23% of Consolidated EBITDA; *provided* that the Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 180 days thereafter;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax (including interest and penalties with respect thereto) or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement, *provided*, *however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 Business Days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 Business Days to banks and other financial institutions Incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries; and

(d) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business;

(11) Indebtedness of the Issuer or any Guarantor (other than Senior Secured Indebtedness unless such Disqualified Stock was issued in compliance with the Consolidated Senior Secured Leverage Ratio pursuant to the first paragraph above) issuable upon the conversion or exchange of shares of Disqualified Stock issued in accordance with the first paragraph above, and any Refinancing Indebtedness with respect thereto; *provided* that any such Indebtedness issuable upon the conversion or exchange of shares of Disqualified Stock and any Refinancing Indebtedness with respect thereto shall not exceed the principal component of all obligations, or liquidation preference with respect to, such Disqualified Stock;

(12) Indebtedness Incurred by the Company or any Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed the greater of (x) €30 million and (y) 27% of Consolidated EBITDA; and

(13) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing.

Notwithstanding the foregoing, the Company's Restricted Subsidiaries that are not the Issuer or a Guarantor may not Incur Indebtedness pursuant to the first paragraph of this covenant or clause (12) of the second paragraph of this covenant or clause 4(c) of the second paragraph of this covenant, to the extent such Refinancing Indebtedness relates to Indebtedness originally Incurred pursuant to the first paragraph of this covenant, unless on the date of such Incurrence and on a pro forma basis (including pro forma application of the proceeds therefrom) the aggregate principal amount of such Indebtedness does not exceed the greater of €40 million and 36% of Consolidated EBITDA (as measured on the date such Indebtedness was Incurred).

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, all or a portion of such item of Indebtedness in more than one of the clauses of the first or second paragraphs of this covenant for which such Indebtedness meets the criteria;

(2) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (5), (7) or (12) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(4) the principal amount of any Disqualified Stock of the Company or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(5) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness and, for the avoidance of doubt certain types of obligations (for example Qualified Receivables Financings) may not qualify as Indebtedness to the extent such obligations are excluded from the definition of Indebtedness;

(6) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS; and

(7) accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Limitation on Indebtedness*". The amount of any Indebtedness outstanding as of any date shall be the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness*," the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any Euro-denominated restriction on the Incurrence of Indebtedness, the Euro equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower Euro equivalent); *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than Euro, and such refinancing would cause the applicable Euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such Euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of "*Refinancing Indebtedness*"*;* and (b) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to Euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in Euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

No Layering of Indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Notes Guarantee, if any, on substantially identical terms; *provided*, *however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

Limitation on Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Company's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except:

(a) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Company or in Subordinated Shareholder Funding; and

(b) dividends or distributions payable to the Company or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Company or a Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company or any direct or indirect Parent of the Company held by Persons other than the Company or a Restricted Subsidiary (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*")*;*

(4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) make any Restricted Investment in any Person,

(each such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) is referred to herein as a "***Restricted Payment***"), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the Fixed Charge Coverage Ratio test in the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (10), and (16) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (or, in the case such Consolidated Net Income is a deficit, *minus* 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company subsequent to the Issue Date (other than (v) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Company, (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary and (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1), (6) or (14) of the second succeeding paragraph;

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (*plus* the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities received by the Company or any Restricted Subsidiary upon such conversion or exchange) but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Company, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1), (6) or (14) of the second succeeding paragraph, and (y) the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities distributed or paid by the Company or any Restricted Subsidiary upon such conversion or exchange;

(iv) 100% of the aggregate Net Available Cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) from the disposition of any Unrestricted Subsidiary, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clauses (10) or (12) of the definition of "Permitted Investment," or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date;

(v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Company or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Company or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value (as determined in accordance with the next succeeding paragraph) of any property or marketable securities received by the Company or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clauses (10) or (12) of the definition of "Permitted Investment"; and

(vi) 100% of any dividends or distributions received by the Company or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Company for such purpose, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clauses (10) or (12) of the definition of "Permitted Investment" and excluding any amount that replenishes the amounts available pursuant to such clauses;

provided, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding sub-clause (i) to the extent that it is (at the Issuer's option) included in the foregoing sub-clauses (iv), (v) or (vi).

The fair market value of property or assets other than cash covered by the preceding paragraph shall be the fair market value thereof as determined in good faith by an Officer of the Company, or, if such fair market value exceeds €20 million, by the Board of Directors of the Company.

The foregoing provisions will not prohibit any of the following (collectively, "***Permitted Payments***"):

(1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (14) of this paragraph and will not be considered Net Cash Proceeds from an Equity Offering for the purposes of the provisions described under "*—Optional Redemption*";

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*";

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Company or Preferred Stock of a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Company or Preferred Stock of a Restricted Subsidiary that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" and that, in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness other than Subordinated Shareholder Funding:

(a) (i) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*", but only if the Company shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest;

(b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Company shall have first complied with the terms described under "*—Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest; or

(c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (ii) otherwise in connection with or contemplation of such transaction or series of transactions) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest and any premium required by the terms of such Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Company, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Company to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Company, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Company, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from members of management, directors, employees or consultants of the Company, or any Parent or Restricted Subsidiaries; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (x) €2 million, *plus* €1 million *multiplied by* the number of calendar years that have commenced since the Issue Date per calendar year, *plus* (y) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company from, the issuance or sale to members of management, directors, employees or consultants of the Company, or any Parent or Restricted Subsidiaries of Capital Stock (including any options, warrants or other rights in respect thereof) *plus* (z) the net cash proceeds of key man life insurance policies, to the extent such amounts in (y) and (z) are not included in any calculation under clause (5) (c)(ii) of the first paragraph describing this covenant; *provided*, *further*, that cancellation of Indebtedness owing to the Company or any Restricted Subsidiary from members of management, directors, employees or consultants of the Company, or any Parent or Restricted Subsidiaries in connection with a repurchase of Capital Stock of the Company or any Parent will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Limitation on Indebtedness*"*;*

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) payments by the Company or any Restricted Subsidiary to the extent specified in clauses (2), (3), (5) or (7) of the second paragraph under "*—Limitation on Affiliate Transactions;*"

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Company of dividends on the common stock or common equity interests of the Company in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Company from a Public Offering (other than through the issuance of Disqualified Stock or Designated Preference Shares) and (b) 3% of the Market Capitalization, *provided* that, with respect to the foregoing clause (b), after giving *pro forma* effect to such dividends, the Consolidated Leverage Ratio shall be equal to or less than 2.75 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of (x) €20 million and (y) 18% of Consolidated EBITDA;

(12) payments by the Company to holders of Capital Stock of the Company in lieu of the issuance of fractional shares of such Capital Stock; *provided*, *however*, that any such payment, loan, advance,

dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors of the Company);

(13) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(14) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Issue Date; *provided* that, the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Company from the issuance or sale of such Designated Preference Shares;

(15) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(16) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any dividend, distribution, loan or other payment in respect of Capital Stock of the Company; *provided* that, on the date of any such dividend, distribution, loan or other payment, the Consolidated Leverage Ratio for the Company and its Restricted Subsidiaries does not exceed 1.75 to 1.0 on a *pro forma* basis after giving effect thereto; and

(17) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Company or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares); *provided*, *however*, that the total aggregate amount of Restricted Payments made under this clause (17) does not exceed €2 million at any time outstanding.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Company acting in good faith.

Limitation on Liens

The Company will not, and the Company will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "***Initial Lien***"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the obligations under the Notes and the Indenture are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured and (b) in the case of any property or asset that constitutes Collateral, such Lien is a Permitted Collateral Lien.

Any such Lien created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates (*provided* there is no other Indebtedness secured by a Lien on such property and assets that would result in the requirement for the Notes and/or the Notes Guarantees to be secured on such property or assets pursuant to the preceding paragraph), and (ii) otherwise as set forth under "*—Security—Release of Liens*".

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of (i) the obligors thereunder to make payments on any Proceeds Loan; and (ii) any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Company or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any other Restricted Subsidiary;

(B) make any loans or advances to the Company or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Company or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility or (b) any other agreement or instrument, in each case described in (a) or (b), in effect at or entered into on the Issue Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Company or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Issuer or a Successor Guarantor (each as defined under "*—Merger and Consolidation*"), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Issuer or a Successor Guarantor;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "***Initial Agreement***") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors of the Company);

(4) any encumbrance or restriction:

   (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

   (b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of sub-clause (c) of the preceding paragraph, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than is customary in comparable financings (as determined in good faith by the Board of Directors of the Company);

(12) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors of the Company, are necessary or advisable to effect such Qualified Receivables Financing; or

(13) any encumbrance or restriction existing by reason of any Lien permitted under "*—Limitation on Liens*".

Limitation on Sales of Assets and Subsidiary Stock

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Company or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the Capital Stock, property or other assets subject to such Asset Disposition (as determined by the Company's Board of Directors); and

(2) at least 75% of the consideration the Company or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

(a) cash (including any Net Available Cash received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);

(b) Cash Equivalents;

(c) the assumption by the purchaser of (x) any liabilities recorded on the Company's or such Restricted Subsidiary's balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness or Indebtedness owed to the Company or any Restricted Subsidiary), as a result of which neither the Company nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness and Indebtedness owed to the Company or any Restricted Subsidiary) that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Company and each Restricted Subsidiary is released from any guarantee of such Indebtedness as a result of such Asset Disposition;

(d) Replacement Assets;

(e) any Capital Stock or assets of the kind referred to in clauses (4) or (6) in the second paragraph of this covenant;

(f) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Company or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor, and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

(g) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of (x) €20 million and (y) 18% of Consolidated EBITDA (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(h) a combination of the consideration specified in sub-clauses (a) through (g) of this clause (2).

If the Company or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 365 days of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, may be used by the Company or such Restricted Subsidiary to (*provided*, that, to the extent the Company elects to use such Net Available Cash pursuant to clauses (3), (4), (5) or (6) below, such use may occur at any time from the date of execution of a definitive agreement in relation to such Asset Disposition):

(1) (i) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*"*; provided*, *however*, that, in connection with any prepayment, repayment, purchase or redemption of Indebtedness pursuant to this clause (1), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchase or redeemed; (ii) unless included in the preceding clause (1)(i), prepay, repay, purchase or redeem Notes or Indebtedness of the Company or any Restricted Subsidiary that is secured by a Lien on the Collateral that is not subordinated in right of payment to the Notes at a price of no more than 100% of the principal amount of the Notes or such applicable Indebtedness, *plus* accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; or (iii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness of the Company or any Restricted Subsidiary that is secured by Liens on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Company or any Restricted Subsidiary); *provided* that the Company or Restricted Subsidiary shall prepay, repay, purchase or redeem Indebtedness (other than the Notes) pursuant to sub-clause (ii) or (iii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum total aggregate principal amount of the Notes outstanding *plus* the total aggregate principal amount outstanding of such Indebtedness (other than the Notes);

(2) (i) purchase Notes pursuant to an offer to all Holders of the Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, *plus* accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) or (ii) redeem the Notes pursuant to the redemption provisions of the Indenture;

(3) invest in any Replacement Assets;

(4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(5) make a capital expenditure;

(6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(7) consummate any combination of the foregoing; or

(8) enter into a binding commitment to apply the Net Available Cash pursuant to clause (1), (3), (4), (5) or (6) of this paragraph or a combination thereof, *provided* that, a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such investment is consummated, (y) the 180th day following the expiration of the aforementioned 365 day period, if the investment has not been consummated by that date.

The amount of such Net Available Cash not so used as set forth in the preceding paragraph constitutes "***Excess Proceeds***." Pending the final application of any such Net Available Cash, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Available Cash in any manner that is not prohibited by the terms of the Indenture.

On the 366th day after an Asset Disposition, or at such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds €20 million, the Issuer will be required within ten (10) Business Days thereof to make an offer ("***Asset Disposition Offer***") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, *plus* accrued and unpaid interest thereon and Additional Amounts, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof (*provided* that Notes of €100,000 or less may be redeemed in whole but not in part); *provided*, *however* that the Company or a Restricted Subsidiary, as the case may be, may make an Asset Disposition Offer prior to the 365 day period.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Company or the relevant Restricted Subsidiary may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in Euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro equivalent determined as of a date selected by the Company or the relevant Restricted Subsidiary that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Company or the relevant Restricted Subsidiary upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for not less than the period required by Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture (the "***Asset Disposition Offer Period***"). No later than five (5) Business Days after the termination of the Asset Disposition Offer Period (the "***Asset Disposition Purchase Date***"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "***Asset Disposition Offer Amount***") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or a Paying Agent, as the case may be, will promptly (but in any case not later than five (5) Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

Limitation on Affiliate Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (any such transaction or series of related transactions being an "***Affiliate Transaction***") involving aggregate value in excess of €5 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction on an arm's-length basis with a Person who is not such an Affiliate;

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €15 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the disinterested members of the Board of Directors of the Company resolving that such transaction complies with clause (1) above; and

(3) in the event such Affiliate Transaction involves an aggregate value in excess of €30 million, a written opinion of an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert of international standing with experience appraising the terms and

conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is (i) fair from a financial point of view taking into account all relevant circumstances or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*," any Permitted Payments (other than pursuant to clause (9) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2), (10), (12), (15) and (16) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among any combination of the Company and any Restricted Subsidiary (or an entity that becomes a Restricted Subsidiary as a result of such transaction);

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Company, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (a) the entry into and performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (b) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement or payment pursuant to which the Company and its Restricted Subsidiaries and other Persons with which the Company or any of its Restricted Subsidiaries is required or permitted to file a consolidated or combined tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case, in the ordinary course of business, which are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Company or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate (other than an Unrestricted Subsidiary) of the Company or an Associate or

similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Company in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) any transactions which the Company or a Restricted Subsidiary delivers to the Trustee a written opinion from an Independent Financial Advisor stating that such transaction is

(a) fair to the Company or such Restricted Subsidiary from a financial point of view or

(b) on terms not less favorable that might have been obtained in a comparable transaction at such time on an arm's-length basis from a Person who is not an Affiliate;

(12) pledges of Capital Stock of Unrestricted Subsidiaries;

(13) any transaction effected as part of a Qualified Receivables Financing; and

(14) any participation in a public tender or exchange offer for securities or debt instruments issued by the Company or any of its Subsidiaries that are conducted on arm's length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer.

Limitations on Amendments of the Proceeds Loan

The Issuer will not (1) change the Stated Maturity of the principal of, or any installment of interest on, the Proceeds Loan; (2) reduce the rate of interest on the Proceeds Loan; (3) change the currency for payment of any amount under the Proceeds Loan; (4) prepay or otherwise reduce or permit the prepayment or reduction of the Proceeds Loan (save to facilitate a corresponding payment or repurchase of principal on the Notes); (5) assign or novate the Proceeds Loan or any rights or obligations under the Proceeds Loan Agreement (other than to secure the Notes and the Notes Guarantee or other Permitted Collateral Lien or in connection with a transaction that is subject to the covenants described under the caption "—Merger and Consolidation" and is completed in compliance therewith); or (6) amend, modify or alter the Proceeds Loan and/or Proceeds Loan Agreement in any manner adverse to the holders of the Notes in any material respect. Notwithstanding the foregoing, the Proceeds Loan may be prepaid or reduced to facilitate or otherwise accommodate or reflect a repayment, redemption or repurchase of outstanding Notes.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Company's fiscal year beginning with the fiscal year ended after the Issue Date, annual reports containing: (a) information with a level and type of detail that is substantially comparable in all material respects to information in the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*" in this Offering Memorandum; (b) unaudited *pro forma* income statement and balance sheet information of the Company (or for any period beginning prior to the formation of the Company, for any predecessor entity or entities), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Company will provide, in the case of a material acquisition,

acquired company financials; (c) the audited consolidated balance sheet of the Company as at the end of the most recent two fiscal years (or for any date prior to the formation of the Company, for any predecessor entity or entities) and audited consolidated income statements and statements of cash flow of the Company for the most recent two fiscal years (or for any period beginning prior to the formation of the Company, for any predecessor entity or entities), including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (d) a description of the senior management and principal shareholders of the Company, all material affiliate transactions and a description of all material debt instruments; (e) a description of material risk factors and material subsequent events (unless such subsequent events have been described previously in a report pursuant to clause (2) or (3) below); and (f) the consolidated EBITDA of the Company and its Restricted Subsidiaries; *provided* that the information described in clauses (d), (e) and (f) may be provided in the footnotes to the audited financial statements;

(2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Company, beginning with the quarter ended after the Issue Date, quarterly financial statements containing the following information: (a) the Company's unaudited condensed consolidated balance sheet as at the end of such quarter (or for any date prior to the formation of the Company, for any predecessor entity) and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period (or for any period beginning prior to the formation of the Company, for any predecessor entity), together with condensed footnote disclosure; (b) unaudited *pro forma* income statement and balance sheet information of the Company (or for any period beginning prior to the formation of the Company, for any predecessor entity), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates; *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Company will provide, in the case of a material acquisition, acquired company financials; (c) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, the consolidated EBITDA of the Company and its Restricted Subsidiaries and material changes in liquidity and capital resources of the Company; (d) a discussion of material changes in material debt instruments since the most recent report; and (e) material subsequent events; *provided* that the information described in clauses (d) and (e) may be provided in the footnotes to the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Company or the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Company and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Company or a change in auditors of the Company or the Issuer, a report containing a description of such event.

In addition, to the extent not satisfied by the foregoing, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

The Issuer shall also make available to Holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Issuer's website and if and so long as the Notes are listed on the Official List of the Exchange and to the extent that the rules and regulations of the Exchange so require, copies of such reports furnished to the Trustee will also be made available at the specified office of the listing agent in London, UK.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. Other than as provided in the next succeeding paragraph, no report need include separate financial statements for any Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to US GAAP.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Company's (a) total revenue or Consolidated EBITDA for the most recent four quarters for which annual or quarterly financial reports have been delivered to the Trustee or (b) consolidated assets as of the last day of the most recent quarter for which annual or quarterly financial reports have been delivered to the Trustee.

At any time that any of the Company's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Company, then the quarterly and annual financial information required by the first paragraph of this "*Reports*" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

In the event that (i) the Company becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Company elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of US GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Company will make available to the Trustee such annual reports, information, documents and other reports that the Company is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d) of the Exchange Act.

Merger and Consolidation

The Parent Guarantors

The Parent Guarantors will not, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) either (a) the applicable Parent Guarantor is the surviving Person or (b) the resulting, surviving or transferee Person (the "***Successor Company***") will be a Person organized and existing under the laws of any member state of the European Union (including, for the avoidance of doubt, the United Kingdom), or the United States of America, Jersey, Guernsey, the Isle of Man, the British Virgin Islands, the Cayman Islands, any state of the United States or the District of Columbia, Canada or any province of Canada or Switzerland and the Successor Company (if not the applicable Parent Guarantor) will expressly assume, (i) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of applicable Parent Guarantor under the Guarantees and the Indenture and (ii) all obligations of the applicable Parent Guarantor under the Proceeds Loan Agreement, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) either the applicable Parent Guarantor or the Successor Company, as the case may be, would be able to Incur at least an additional €1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "—*Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio (of the Company or the Successor Company, as the case may be, immediately preceding the date on which the transaction is completed) would not be less than it was immediately prior to giving effect to such transaction; and

(4) the applicable Parent Guarantor shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the applicable Parent Guarantor, which properties and assets, if held by the applicable Parent Guarantor instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the applicable Parent Guarantor on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the applicable Parent Guarantor.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the applicable Parent Guarantor under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor Person will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this "*—Merger and Consolidation—The Company*" covenant) shall not apply the creation of a new subsidiary as a Restricted Subsidiary.

The Issuer

The Issuer will not, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) either (a) the Issuer is the surviving Person or (b) the resulting, surviving or transferee Person (the "***Successor Issuer***") will be a Person organized and existing under the laws of any member state of the European Union (including, for the avoidance of doubt, the United Kingdom), or the United States of America, Jersey, Guernsey, the Isle of Man, the British Virgin Islands, the Cayman Islands, any state of the United States or the District of Columbia, Canada or any province of Canada or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume, (i) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (ii) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) either the Issuer or the Successor Issuer, as the case may be, would be able to Incur at least an additional €1.00 of unsecured Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio of the Issuer or the Successor Issuer, as the case may be, would not be less than the Fixed Charge Coverage Ratio of the Issuer immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Issuer (in each case, in form and substance reasonably satisfactory

to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact and may include customary qualifications and reservations.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor Person will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The Subsidiary Guarantors

No Subsidiary Guarantor (other than a Subsidiary Guarantor whose Notes Guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition) may:

(1) consolidate with or merge with or into any Person (whether or not such Subsidiary Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it, unless:

(a) the other Person is the Company or any Restricted Subsidiary that is a Subsidiary Guarantor or becomes a Subsidiary Guarantor substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition;

(b) (1) either (x) the Subsidiary Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Subsidiary Guarantor under its Notes Guarantee, the Security Documents (if applicable) and the Indenture (pursuant to a supplemental indenture, accession agreement and appropriate security documents executed and delivered in a form reasonably satisfactory to the Trustee and the Security Agent); and
(2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(c) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of a Subsidiary Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture,

General

The provisions set forth in this "*—Merger and Consolidation*" covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not the Issuer or a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not the Issuer or a Guarantor; (ii) any Subsidiary Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Company, the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading "*—The Issuer*" shall apply to such transaction; and (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided*, *however*, that clauses (1), (2) and (4) under the heading "*—The Issuer*" or the "*—The Company*" or clause (3) under the heading "*—The Subsidiary Guarantors*", as the case may be, shall apply to any such transaction.

Impairment of Security Interest

A security provider shall not, and the Company shall not, and shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral for the benefit of the Trustee and the Holders, and a security provider shall not, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) the Company and its Restricted Subsidiaries may Incur Permitted Collateral Liens, (ii) the Company and its Restricted Subsidiaries may undertake a Permitted Reorganization, (iii) the Collateral may be discharged and released in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement, (iv) the applicable Security Documents may be amended from time to time (a) to cure any ambiguity, mistake, omission, defect, error or inconsistency therein, (b) to comply with the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, (c) to add Collateral, (d) to evidence the succession of another Person to Kongsberg Automotive Holding, the Issuer, the Company or any security provider and the assumption of such successor of the obligations under the Indenture, the Notes, the Intercreditor Agreement and/or the Security Documents, in each case, including in accordance with the terms under "*—Merger and Consolidation*," (e) to evidence and provide for the acceptance of the appointment of a successor Trustee or Security Agent and (f) in any manner that does not adversely affect holders of the Notes in any material respect; *provided*, *however*, that in each case of sub-clause (a) through (d) above, except with respect to any discharge or release in accordance with the Indenture, or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the relevant Person and its Subsidiaries, taken as a whole, or to the extent the action relates to a Security Interest on the assets of a security provider, the relevant security provider and its Subsidiaries taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person, which confirms the solvency of the Person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions, qualifications and assumptions), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Company or any Restricted Subsidiary complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications and each of the Trustee and the Security Agent being indemnified and secured to its satisfaction, including by way of prefunding) consent to such amendments without the need for instructions from the Holders.

Additional Guarantees

Notwithstanding anything to the contrary herein, no Restricted Subsidiary shall Guarantee the Indebtedness of the Issuer or a Guarantor under any Credit Facility (including under the Revolving Credit Facility Agreement) unless such Restricted Subsidiary (a) is the Issuer or a Guarantor or (b) becomes a Guarantor on the date on which the Guarantee of such Indebtedness is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee, which Notes Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness; *provided*, *however*, that such Restricted Subsidiary shall not be obligated to become a Guarantor to the extent and for so long as the Incurrence of such Notes Guarantee may reasonably be expected to or could give rise to or result in:

(1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction;

(2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or

(3) any cost, expense, liability or obligation (including with respect to any Taxes) to the extent such cost, expense, liability or obligation are disproportionate to the benefit obtained by the Holders with respect to the receipt of the guarantee (as determined in good faith by the Company); *provided* that this clause (3) shall not be applicable to reasonable out of pocket expenses;

provided, that the Company will procure that the relevant Restricted Subsidiary becomes a Guarantor at such time as such restriction would no longer apply to the providing of the Notes Guarantee or no longer would prohibit such Restricted Subsidiary from becoming a Guarantor (or prevent the Company from causing such Restricted Subsidiary to become a Guarantor).

At the option of the Issuer, any Notes Guarantee may contain limitations on guarantor liability in accordance with the Agreed Security Principles, including to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Notes Guarantees granted pursuant to this provision shall be released as set forth under "*—Notes Guarantees Release*." A Notes Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Notes Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Each Guarantee/Security Document will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.*"

Post-Issue Date Guarantors and Post-Issue Date Collateral

The Company will cause each Post-Issue Date Guarantor to become a Guarantor no later than the date that is 120 days after the Issue Date.

In addition, the Company shall cause as soon as reasonably practicable after the Issue Date and in any event no later than the earlier of (i) such time as the Revolving Credit Facility receives such security interest and (ii) 120 days after the Issue Date, a Lien (subject to any Permitted Collateral Liens) over the Post-Issue Date Collateral to be granted to the Security Agent on behalf of, and for the benefit of, the Holders to secure the Notes and the Guarantees.

Notwithstanding anything to the contrary set forth herein, the guarantees and security contemplated by this covenant will be limited as set forth in the Agreed Security Principles.

Maintenance of Listing

The Company will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the Exchange for so long as the Notes are outstanding; *provided* that if the Company is unable to obtain admission to listing of the Notes on the Exchange or if at any time the Company determines that it will not maintain such listing, it will use its commercially reasonable efforts to obtain and maintain a listing of such Notes on another "recognised stock exchange" as defined in Section 1005 of the Income Tax Act of 2007 of the United Kingdom (in which case, references in this covenant to the Exchange will be deemed to refer to such other "recognised stock exchange"). In no event will this covenant require the Company to obtain or maintain the listing of the Notes on any exchange that requires financial reporting for any fiscal period in addition to the fiscal periods required by the caption "*—Reports*".

Further Assurances

The Company will, and will procure that each of its Subsidiaries will, at its own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (1) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents; and (2) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Company will, and will procure that each of its Subsidiaries will, execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may request.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "**Suspension Event**"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "**Reversion Date**"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "*—Limitation on Indebtedness*";

(2) "*—Limitation on Restricted Payments*";

(3) "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

(4) "*—Limitation on Affiliate Transactions*";

(5) "*—Limitation on Sales of Assets and Subsidiary Stock*";

(6) "*—Additional Guarantees*"; and

(7) the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Issuer*" and the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Parent Guarantors*";

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "*—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*." In addition, the Indenture will also permit, without causing a Default or Event of Default, the Company or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption has been satisfied; *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. The Trustee shall be under no obligation to notify the Holders that the conditions set forth in the first paragraph have been satisfied. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Financial Calculations for Limited Condition Acquisitions and Irrevocable Repayment

When calculating the availability under any basket or ratio under the Indenture, in each case in connection with a Limited Condition Acquisition or an Irrevocable Repayment, the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be the date the definitive agreements or actions for such Limited Condition Acquisition or Irrevocable Repayment are entered into or taken, and such baskets or ratios shall be calculated with such *pro forma* adjustments as are appropriate and consistent with the *pro forma* provisions set forth in the definition of Fixed Charge Coverage Ratio after giving effect to such Limited Condition Acquisition or Irrevocable Repayment and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable period for purposes of determining the ability to consummate any such Limited Condition Acquisition or Irrevocable Repayment (and not for purposes of any subsequent availability of any basket or ratio), and, for the avoidance of doubt, (1) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the Consolidated EBITDA of the Company or the target company) subsequent to such date of determination and at or prior to the consummation of the relevant Limited Condition Acquisition or Irrevocable Repayment, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the Limited Condition Acquisition or Irrevocable Repayment is permitted hereunder and (2) such baskets or ratios shall not be tested at the time of consummation of such Limited Condition Acquisition, Irrevocable Repayment or related transactions; *provided*, *further*, that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement or action, any such transactions (including any Incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements or action are entered or taken and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement or action and before the consummation of such Limited Condition Acquisition or Irrevocable Repayment.

Events of Default

Each of the following is an "***Event of Default***" under the Indenture:

(1) default in any payment of interest on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Company or any of its Restricted Subsidiaries to comply for 60 continuous days after notice by the Trustee or the Holders of at least 30% in principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which Indebtedness is Guaranteed by the Company or any of its Restricted Subsidiaries) other than Indebtedness owed to the Company or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

(a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("***payment default***"); or

(b) results in the acceleration of such Indebtedness prior to its maturity (the "**cross acceleration provision**"),

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €20 million or more;

(5) certain events of bankruptcy, insolvency or court protection of the Company, the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "***bankruptcy provisions***");

(6) failure by the Company, the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €20 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "***judgment default provision***");

(7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) with respect to Collateral having a fair market value in excess of €10 million for any reason other than the satisfaction in full of all obligations under the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the release of any such security interest in accordance with the terms of the Indenture or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Company or any Restricted Subsidiary or security provider shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days; and

(8) any Notes Guarantee of the Company or a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Notes Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Notes Guarantee and any such Default continues for 10 days.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs, and is continuing, the Trustee by notice to the Issuer or the Holders of at least 30% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under "*—Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except non-payment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to non-payment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security satisfactory (including by way of prefunding) to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 30% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security and/or indemnity (including by way of prefunding) satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such security or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security (including by way of prefunding) satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified in writing by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a report or a required certificate in connection with another default (an "**Initial Default**"), then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*—Certain Covenants—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured (including by way of prefunding) to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided* that, if any amendment, waiver or other modification will only amend one series of the Notes, only the consent of a majority in principal amount of the then outstanding aggregate principal amount of Notes of such series shall be required.

However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Notes affected, or if any amendment, waiver or other modification will only amend, waive or modify one series of the Notes, without the consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of Notes of such series amended, waived or modified, an amendment or waiver may not, with respect to any such series of the Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of, or extend the Stated Maturity of, any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described under "—*Optional Redemption*";

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right to institute suit for the enforcement of payment of principal of, or premium, if any, or interest when due, on or with respect to such Holder's Notes;

(7) make any change in the provision of the Indenture described under "—*Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Intercreditor Agreement, any applicable Additional Intercreditor Agreement, the Indenture or the applicable Security Documents;

(9) waive a Default or Event of Default with respect to the non-payment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) release any Guarantor from any of its obligations under its Notes Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

For the avoidance of doubt, no amendment to or deletion of, or actions taken in compliance with, the covenants described under "—*Certain Covenants*," shall be deemed to impair or affect any rights of holders of the Notes to receive payment of principal of, or premium, if any, or interest on, the Notes when due.

Notwithstanding the foregoing, without the consent of any Holder, a security provider, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Company or any Restricted Subsidiary under any Notes Document;

(3) add to the covenants or provide for a Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Company or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Board of Directors of the Company or any of its Subsidiaries) for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) to provide for any Restricted Subsidiary to provide a Notes Guarantee in accordance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or "*—Certain Covenants—Additional Guarantees*," to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Notes Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Security Documents or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document; or

(9) as provided under "*—Additional Intercreditor Agreements*" or "*—Certain Covenants—Impairment of Security Interest*".

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems appropriate, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Company or its Restricted Subsidiaries of any Indebtedness, the Company, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement or a restatement, amendment or other modification of the existing Intercreditor Agreement (an "***Additional Intercreditor Agreement***") on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Notes Guarantees and priority and release of Security Interests; *provided* that (1) such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or, in the opinion of the Trustee, adversely affect the rights, duties, liabilities, indemnities or immunities of the Trustee under the Indenture or the Intercreditor Agreement and (2) if more than one such intercreditor agreement is outstanding at any one time, the collective terms of such intercreditor agreements must not conflict.

The Indenture also will provide that, at the written direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement or any Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement; (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Company or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes); (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement; (4) further secure the Notes (including Additional Notes); (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes; (6) implement any Permitted Collateral Liens; (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Company and its Restricted Subsidiaries shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement or an Additional Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted under "*—Amendments and Waivers*", and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee or the Security Agent, as applicable, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture will also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, prior to the taking of any Enforcement Action (as defined in the Intercreditor Agreement) the Trustee shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*".

The Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement will be made available for inspection during normal business hours on any Business Day upon prior written request at our offices or at the offices of the Listing Agent in Jersey.

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Company or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Company will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and each Guarantor under the Notes and the Indenture ("***legal defeasance***") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the

Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors' obligations under the covenants described under "*—Certain Covenants*" (other than clauses (1), (2) and (4) under "*—Certain Covenants—Merger and Consolidation—The Issuer*" and clauses (1), (2) and (4) under "*—Certain Covenants—Merger and Consolidation—The Company*") and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Significant Subsidiaries (other than the Issuer), the judgment default provision, the guarantee provision and the security default provision described under "*—Events of Default*" ("***covenant defeasance***").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1), (2) and (4) of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Issuer*") and clauses (1), (2) and (4) under "*—Certain Covenants—Merger and Consolidation—The Company*"), (4), (5) (other than with respect to the Issuer), (6), (7) or (8) under "*—Events of Default*."

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "***defeasance trust***") with the Trustee (or another entity designated (or appointed (as agent)) by the Trustee for this purpose) in Euros or Euro-denominated European Government Obligations or a combination thereof sufficient (without reinvestment), in the opinion of the Issuer, acting in good faith, for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders and beneficial owners of the relevant Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law occurring after the Issue Date);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer and the Guarantors;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act; and

(5) the Issuer delivers to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to a Paying Agent or Registrar for cancellation; or (b) all Notes not previously delivered to a Paying Agent or

Registrar for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated (or appointed (as agent)) by the Trustee for this purpose) money or Euro-denominated European Government Obligations, or a combination thereof, as applicable, to be held in trust in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to a Paying Agent or Registrar for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)); and (5) the Issuer has delivered irrevocable instructions to the Paying Agent (copied to the Trustee) to apply the deposited money towards the payment of the Notes at maturity or on the redemption date, as the case may be. If requested by the Issuer in writing, the Trustee or Paying Agent may distribute any amount deposited in trust to the Holders prior to the Stated Maturity or the redemption date, as the case may be.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Company or the Issuer, or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

The Law Debenture Trust Corporation p.l.c. is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee is informed in writing, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Trustee, the Security Agent, the Paying Agents or any other such Agent will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries. If the Trustee, the Security Agent or any Agent becomes the Holder, beneficial owner or pledgee of any Notes, it may deal with the Issuer with the same rights it would have if it were not the Trustee, Security Agent or any other such Agent.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability or expenses incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

If and for so long as any of the Notes are listed on the Official List of the Exchange and if and to the extent the rules of the Exchange so require, the Issuer will notify the Exchange of any notice to the Holders of the Notes and, in connection with any redemption, the Issuer will notify the Exchange of any change in the principal amount of the Notes outstanding. In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream.

Each such notice shall be deemed to have been given on the date of such publication or; if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

Euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors, if any, under or in connection with the Notes and the relevant Notes Guarantees, if any, including damages (the "**Required Currency**"). Any amount received or recovered in a currency other than the Required Currency, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the Required Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Required Currency amount is less than the Required Currency amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Notes Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any Euro-denominated restriction herein, the Euro equivalent amount for purposes hereof that is denominated in a non-Euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-Euro amount is Incurred or made, as the case may be.

Listing

Application will be made to list the Notes on the Official List of the Exchange and for permission to be granted to deal in the Notes on the Official List of the Exchange. There can be no assurance that the application to list the Notes on the Official List of the Exchange or that permission to deal in the Notes thereon will be granted, and settlement of the Notes is not conditioned on obtaining this listing or permission.

Enforceability of Judgments

Since substantially all the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer and the Guarantors will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Indenture will provide that the Issuer and each Guarantor will appoint an agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder, shall be governed by and construed in accordance with the laws of the State of New York. The Security Documents will be governed by the law of the location of the relevant asset that is part of the Collateral. The Proceeds Loan shall be governed by and construed in accordance with English law.

Certain Definitions

"**Acquired Indebtedness**" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with an acquisition of assets from such Person, whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Company or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agent**" means the Paying Agents, Registrar and the Transfer Agent.

"**Applicable Premium**" means, with respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the Note; or

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the Note at July 15, 2021 (such redemption price being set forth in the table appearing above under the caption "—Optional redemption") plus (ii) all required interest payments due on the Note through July 15, 2021 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over

(b) the principal amount of the Note; as calculated by the Issuer. For the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee or the Paying Agent.

The calculation of the Applicable Premium shall be performed by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee or any Paying Agent.

"**Asset Disposition**" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory (including receivables), trading stock, office equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors of the Company) of less than the greater of (x) €5 million and (y) 5% of Consolidated EBITDA;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment;

(9) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain Covenants—Limitation on Liens*"*;*

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings (other than factoring or similar arrangements) or any sale of assets received by the Company or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Company or any Restricted Subsidiary;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable or other loans arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and, in each case, comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person; *provided*, *however*, that the Board of Directors of the Company shall certify that in the opinion of the Board of Directors of the Company, the outsourcing transaction will be economically beneficial to the Company and its Restricted Subsidiaries (considered as a whole);

(19) an issuance or sale by a Restricted Subsidiary of Preferred Stock that is permitted by the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*"*;*

(20) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" covenant; and

(21) any disposition with respect to property built, owned or otherwise acquired by the Company or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture.

"**Associate**" means (1) any Person engaged in a Similar Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (2) any joint venture entered into by the Company or any Restricted Subsidiary.

"**Board of Directors**" means (1) with respect to the Company or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; (3) with respect to a limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and (4) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"**Bund Rate**" means, as of any redemption date, the rate per annum equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "*Comparable German Bund Issue*" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to July 15, 2021, and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of Euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to July 15, 2021; provided, however, that, if the period from such redemption date to July 15, 2021, is less than one year, a fixed maturity of one year shall be used;

(2) "*Comparable German Bund Price*" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "*Reference German Bund Dealer*" means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and

(4) "*Reference German Bund Dealer Quotations*" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt am Main, Germany time on the third Business Day preceding the relevant date.

"**Business Day**" means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, Jersey or a place of payment under the Indenture are authorized or required by law to close.

"**Capital Stock**" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"**Capitalized Lease Obligations**" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS (as in effect on the Issue Date for purposes of determining whether a lease is a capitalized lease and, for the avoidance of doubt, excluding lease arrangements in relation to the rental of office space, production facilities or other real property in the ordinary course of business). The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"**Cash Equivalents**" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a member state of the European Union, Switzerland or Norway whose long-term debt is rated "A-1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another internationally recognized rating agency or, in each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any member of the European Union, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

"**Change of Control**" means the occurrence of any of the following:

(1) the Company becoming aware (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) that any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company;

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary; or

(3) the first day on which the Company shall fail to directly or indirectly own 100% of the issued and outstanding Voting Stock and Capital Stock of the Issuer or otherwise ceases to control the Issuer (unless the Company otherwise becomes the Issuer in accordance with "*—Certain Covenants—Merger and Consolidation*").

"**Clearstream**" means Clearstream Banking, *société anonyme*, or any successor thereof.

"**Collateral**" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Notes Guarantee.

"**Commodity Hedging Agreements**" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"**Company**" means Kongsberg Automotive ASA, and its successors and assigns.

"**Consolidated EBITDA**" for any period means, without duplication, the Consolidated Net Income for such period, *plus* the following to the extent deducted in calculating such Consolidated Net Income:

(1) Fixed Charges;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization or impairment expense (excluding amortization of a prepaid cash charge or expense that was paid in a prior period);

(5) any expenses, charges or other costs related to any actual, proposed or contemplated issuance of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization, Restricted Payment or the Incurrence or registration (actual or proposed) of any Indebtedness (including a refinancing thereof) permitted by the Indenture (whether or not successful) including (i) any such fees, expenses or charges related to the implementation of any Credit Facility or establishment of any Qualified Receivables Financing, and (ii) any amendment, waiver or other modification of the Notes, any Credit Facility, any Qualified Receivables Financing, any other Indebtedness or any offering of Capital Stock, in each case, whether or not consummated, as determined in good faith by the Board of Directors of the Company;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, except to the extent of dividends declared or paid on, or other cash payments in respect of, equity interests held by such third parties;

(7) the amount of any restructuring charges or reserves, equity-based or non-cash compensation charges or one-off and non-recurring expenses including any such charges or expenses arising from grants of stock appreciation or similar rights, stock options, restricted stock or other rights, retention charges (including charges or expenses in respect of incentive plans), start-up or initial costs for any project or new production line, division or new line of business or other business optimization expenses or reserves including, without limitation, one-time costs or reserves associated with improvements to IT and accounting functions, integration and facilities opening costs or any one-time costs incurred in connection with acquisitions and Investments and costs related to the closure and/or consolidation of facilities;

(8) the amount of "run rate" cost savings, operating expense reductions and cost synergies related to mergers and other business combinations, acquisitions, divestitures, restructurings, cost savings initiatives and other similar initiatives consummated or implemented after the Issue Date that are reasonably identifiable and factually supportable and projected by the Company in good faith to result from actions that have been taken, formally initiated or implemented and that are expected to be realized (in the good faith determination of the Company) within 24 months after a merger or other business combination, acquisition, divestiture, restructuring, cost savings initiative or other initiative is consummated or implemented, net the amount of actual benefits realized during such period from such actions;

(9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income (to the extent such amounts are not duplicative with any special, extraordinary, exceptional, unusual or nonrecurring item relating to the same event which has not been excluded);

(10) payments received or that become receivable with respect to, expenses that are covered by the indemnification provisions in, any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income (to the extent such amounts are not duplicative with any special, extraordinary, exceptional, unusual or nonrecurring item relating to the same event has not been excluded); and

(11) all expenses incurred directly in connection with any early extinguishment of Indebtedness.

For the purposes of calculating Consolidated EBITDA in connection with determining baskets, such Consolidated EBITDA will be calculated for the most recently ended four fiscal quarters for which internal financial statement are available. In addition, such calculations will be as determined in good faith by a responsible financial or accounting officer of the Company (including in respect of cost savings, operating expense reductions and cost synergies (as calculated in good faith by a reasonable financial or accounting officer of the Company consistent with clause (8) of this definition)), (i) without double counting, with such *pro forma* adjustments as are appropriate and consistent with the pro forma provisions set forth in the definition of Fixed Charge Coverage

Ratio as if they occurred at the beginning of the applicable period and (ii) as though the full effect of cost savings, operating expense reductions and cost synergies to be realized within 24 months after implementation (as calculated in good faith by a reasonable financial or accounting officer of the Company consistent with clause (8) of this definition) were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or accounting officer of the Company consistent with clause (8) of this definition) of cost savings programs that have been initiated by the Company or its Restricted Subsidiaries as though such cost savings programs had been fully implemented on the first day of the relevant period.

"**Consolidated Income Taxes**" means Taxes or other payments, including deferred taxes, based on income or profits of any of the Company and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"**Consolidated Interest Expense**" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income (expense) of the Company and its Restricted Subsidiaries, whether paid or accrued, *plus* or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses);

(3) non-cash interest expense;

(4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Company and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a Subsidiary of the Company, *multiplied by* (b) a fraction, the numerator of which is one and the denominator of which is one *minus* the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Company;

(6) the consolidated interest expense that was capitalized during such period (but excluding any interest capitalized, accrued, accreted or paid in respect of Subordinated Shareholder Funding); and

(7) interest actually paid by the Company or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person,

minus (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, and (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS.

"**Consolidated Leverage**" means the sum of the aggregate outstanding Indebtedness of the Company and its Restricted Subsidiaries (excluding Hedging Obligations entered into for *bona fide* hedging purposes and not for speculative purposes (as determined in good faith by the Board of Directors of the Company)), as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"**Consolidated Leverage Ratio**" means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available.

In addition, for purposes of calculating the Consolidated Leverage Ratio:

(1) acquisitions and Investments (each, a "**Purchase**") that have been made by the Company or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Company or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of

Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Company consistent with clause (8) of the definition of "*Consolidated EBITDA*" and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the reference period; provided that, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving pro forma effect to such Purchase (including all reasonably anticipated cost synergies and cost savings as calculated in good faith by a reasonable financial or accounting officer of the Company consistent with clause (8) of the definition of "*Consolidated EBITDA*") as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated expense and cost reduction synergies resulting from any such disposal, as determined in good faith by a responsible accounting or financial officer of the Company);

(3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period; and

(5) if any indebtedness is not denominated in the Company's functional currency, that indebtedness for purposes of the calculation of Consolidated Leverage shall be treated in accordance with IFRS.

For the purposes of the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income calculations will be determined in accordance with the terms set forth above.

"**Consolidated Net Income**" means, for any period, the net income (loss) of the Company and its Restricted Subsidiaries (subject to the proviso in the definition of Limited Condition Acquisition) determined on a consolidated basis on the basis of IFRS; *provided*, *however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Company's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below); *provided* that, for the purposes of sub-clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," such dividend, other distribution or return on investment does not reduce the amount of Investments outstanding under clauses (10) or (12) of the definition of "Permitted Investments";

(2) solely for the purpose of determining the amount available for Restricted Payments under sub-clauses (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," any net income (but not loss) of any Restricted Subsidiary (other than a Guarantor) if such Restricted Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Company (or any Guarantor that holds the equity interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the

Notes or the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions specified in clause (11) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," except that the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor), to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale/ leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Company);

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the Transactions or any investments), acquisition costs, business optimization, information technology implementation or development costs, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*"*;*

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness and any amortization of deferred financing costs related to any Qualified Receivables Financing;

(8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary;

(11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions or any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Company or any of its Subsidiaries;

(12) any goodwill or other intangible asset amortization charge, impairment charge or write-off or write-down; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"**Consolidated Senior Secured Leverage**" means the aggregate outstanding Senior Secured Indebtedness of the Company and its Restricted Subsidiaries (excluding Hedging Obligations not for speculative purposes), as of the relevant date of calculation on a consolidated basis in accordance with IFRS.

"**Consolidated Senior Secured Leverage Ratio**" means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available, in each case calculated with such *pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Leverage Ratio; *provided*, *however*, that the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" (other than for purposes of clause (5) of the definition of "*Permitted Collateral Lien*") and (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*".

"**Contingent Obligations**" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("**primary obligations**") of any other Person (the "**primary obligor**"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation.

"**continuing**" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"**Credit Facility**" means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including any commercial paper facilities and/or overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"**Currency Agreement**" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Designated Non-Cash Consideration**" means the fair market value (as determined in good faith by the Board of Directors of the Company) of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, *less* the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*".

"**Designated Preference Shares**" means, with respect to the Company or any Parent, Preferred Stock (other than Disqualified Stock) (1) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (2) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in sub-clause (c)(ii) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*".

"**Disqualified Stock**" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (1) the Stated Maturity of the Notes or (2) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described under the caption "*—Certain Covenants—Limitation on Restricted Payments*." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"**Equity Offering**" means (1) a sale of Capital Stock of the Company (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (2) the sale of Capital Stock or other securities by any Person, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company or any of its Restricted Subsidiaries.

"**Euroclear**" means Euroclear Bank SA/NV or any successor thereof.

"**European Government Obligations**" means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union on the date of the Indenture whose long-term debt is rated ''Aa2'' or higher by Moody's or ''AA'' or higher by S&P or the equivalent rating category of another internationally recognized rating agency, for the payment of which the full faith and credit of such country is pledged; or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country, the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"**European Union**" means all members of the European Union as of January 1, 2004.

"**Exchange**" means The International Stock Exchange.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"**fair market value**" wherever such term is used in this "*Description of the Notes*" or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this "*Description of the Notes*" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Company setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"**Fixed Charge Coverage Ratio**" means, as of any date of determination with respect to any specified Person, the ratio of (1) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements are available to (2) the Fixed Charges of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "**Calculation Date**"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person consistent with clause (8) of the definition of "*Consolidated EBITDA*"), including in respect of anticipated expense and cost reductions and cost synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided*, *however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*".

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions or Investments that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person consistent with clause (8) of the definition of "*Consolidated EBITDA*"), including in respect of anticipated expense and cost reductions and cost synergies, as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;

(6) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness); and

(7) Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

"**Fixed Charges**" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) Consolidated Interest Expense and Receivables Fees of such Person for such period; *plus*

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Company or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on Capital Stock payable to the Company or a Restricted Subsidiary.

Notwithstanding the foregoing, any fees and expenses with respect to the repayment, repurchase, prepayment or redemption of Indebtedness will not be deemed Fixed Charges.

"**IFRS**" means International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union as in effect from time to time.

"**Guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided, however, that the term "Guarantee" will not include (i) endorsements for collection or deposit in the ordinary course of business, (ii) any liability pursuant to or in connection with a declaration of joint and several liability as referred to in section 2:403 Dutch Civil Code (and any residual liability under such declaration, as referred to in section 2:404 (2) of the Dutch Civil Code), and (iii) any joint and several liability or any netting or set off arrangement arising in each case by operation of law as a result of the existence or establishment of a fiscal unity (*fiscale eenheid*) for Dutch corporate income tax or value added tax purposes or any analogous arrangement in any other jurisdiction of which the Issuer, the Company or any Restricted Subsidiary is or becomes a member. The term "Guarantee" used as a verb has a corresponding meaning.

"**Guarantors**" means the Company, the Intermediate Holding Company, the Subsidiary Guarantors and any other Person that Guarantees the Notes from the date on which such Notes Guarantee is provided and until the date on which such Notes Guarantee is released in accordance with the Indenture.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"**Holder**" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"**Holding Company**" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"**Incur**" means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"**Indebtedness**" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors of the Company) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Subordinated Shareholder Funding;

(2) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date;

(3) prepayments of deposits received from clients or customers in the ordinary course of business;

(4) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business;

(5) Contingent Obligations Incurred in the ordinary course of business and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(6) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(7) obligations under or in respect of a Qualified Receivables Financing;

(8) any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes or under any Tax Sharing Agreement;

(9) obligations arising in connection with the payment of any annual insurance premium or software licenses by installments;

(10) Indebtedness arising from any liability pursuant to or in connection with a declaration of joint and several liability as referred to in section 2:403 Dutch Civil Code (and any residual liability under such declaration, as referred to in section 2:404 (2) of the Dutch Civil Code); and

(11) Indebtedness arising from any joint and several liability or any netting or set off arrangement arising in each case by operation of law as a result of the existence or establishment of a fiscal unity (*fiscale eenheid*) for Dutch corporate income tax or value added tax purposes or any analogous arrangement in any other jurisdiction of which the Company or a Restricted Subsidiary is or becomes a member.

"**Independent Financial Advisor**" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Company.

"**Intercreditor Agreement**" means the intercreditor agreement dated on or about the Issue Date as amended from time to time, between, among others, the Company, the Issuer, the Guarantors, the Security Agent and the Trustee.

"**Interest Rate Agreement**" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"**Investment**" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described under the caption "*—Certain Covenants—Limitation on Restricted Payments*".

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*"*:*

(1) "Investment" will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Company.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Company's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"**Investment Grade Securities**" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member of the European Union, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB-" or higher from S&P or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"**Investment Grade Status**" shall occur when all of the Notes receive both of the following:

(1) a rating of "BBB-" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization.

"**Irrevocable Repayment**" means any repayment, repurchase or refinancing of Indebtedness with respect to which an irrevocable notice of repayment (or similar irrevocable notice) has been delivered.

"**Issue Date**" means the first date on which Notes are issued.

"**Issuer**" means Kongsberg Actuation Systems B.V., and its successors and assigns.

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"**Limited Condition Acquisition**" means any acquisition, including by way of merger, amalgamation or consolidation, by the Company or one or more of its Restricted Subsidiaries whose consummation is not conditioned upon the availability of, or on obtaining, third party financing; *provided* that the Consolidated Net Income (and any other financial term derived therefrom), other than for purposes of calculating any ratios in connection with the Limited Condition Acquisition, shall not include any Consolidated Net Income of or attributable to the target company or assets associated with any such Limited Condition Acquisition unless and until the closing of such Limited Condition Acquisition shall have actually occurred.

"**Management Advances**" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Company or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €1 million in the aggregate outstanding at any time.

"**Market Capitalization**" means an amount equal to (1) the total number of issued and outstanding shares of common stock or common equity interests of the Company on the date of the declaration of the relevant dividend *multiplied by* (2) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"**Moody's**" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Nationally Recognized Statistical Rating Organization**" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

"**Net Available Cash**" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"**Net Cash Proceeds**" means, with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"**New York Uniform Commercial Code**" means the New York Uniform Commercial Code.

"**Notes Documents**" means the Notes (including any Additional Notes), the Notes Guarantees, the Indenture, the Security Documents, the Proceeds Loan, the Intercreditor Agreement and any Additional Intercreditor Agreement.

"**Offering Memorandum**" means this offering memorandum in relation to the Notes.

"**Officer**" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"**Officer's Certificate**" means, with respect to any Person, a certificate signed by one Officer of such Person.

"**Opinion of Counsel**" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

"**Parent**" means any Person of which the Company at any time is or becomes a Subsidiary on or after the Issue Date and any holding companies established for purposes of holding its investment in any Parent.

"**Parent Holdco**" means any Person (other than a natural person) which legally and beneficially owns more than 50% of the Voting Stock and/or Capital Stock of another Person, either directly or through one or more Subsidiaries.

"**Pari Passu Indebtedness**" means Indebtedness of the Issuer or any Guarantor which does not constitute Subordinated Indebtedness.

"**Paying Agent**" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"**Permitted Collateral Liens**" means:

(1) Liens on the Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (13), (14), (18), (20), (21), (23), (24) and (31) of the definition of "Permitted Liens" and that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(2) Liens on the Collateral to secure the Notes (other than any Additional Notes) or the related Notes Guarantees;

(3) Liens on the Collateral to secure any Indebtedness (including Additional Notes) that is permitted to be Incurred under (a) clause (1) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*," or (b) clauses (2) (to the extent such Guarantees relate to Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Lien), and (12) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"*;*

(4) Liens on the Collateral to secure Indebtedness permitted to be Incurred under clause (2) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(5) Liens on the Collateral to secure Indebtedness that is permitted to be Incurred under clause (5) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"*; provided* that, at the time of the acquisition or other transaction pursuant to which such Indebtedness was Incurred and after giving effect to the Incurrence of such Indebtedness on a pro forma basis, (a) the Company would have been able to Incur €1.00 of additional Senior Secured Indebtedness pursuant to clause (2) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (b) the Consolidated Senior Secured Leverage Ratio for the Company and its Restricted Subsidiaries would not be greater than it was immediately prior to giving *pro forma* effect to such acquisition or other transaction and to the Incurrence of such Indebtedness;

(6) Liens on the Collateral to secure the Issuer's or a Guarantor's Hedging Obligations permitted to be Incurred pursuant to clause (6) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"*;* and

(7) Liens on the Collateral to secure Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace or discharge, any Indebtedness secured by a Lien on the Collateral pursuant to the preceding clauses (2), (4), (5) or this clause (7),

provided that, in the case of each of the preceding clauses (2) through (7), all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes and the Notes Guarantees on a senior or *pari passu* basis (or senior basis if such Indebtedness is subordinated to the Notes or Notes Guarantees); *provided*, *further*, that any Indebtedness secured by a Permitted Collateral Lien pursuant to the preceding clauses (3)(a) and (6) (in the case of clause (6), to the extent such Hedging Obligation relates to Interest Rate Agreements or Currency Agreements in respect of (a) Indebtedness that is secured by a Permitted Collateral Lien pursuant to any one of the preceding clauses (2) through (7) or (b) otherwise to the extent the Counterparties to such Hedging Obligations are the Original Lenders (as defined in the Revolving Credit Facility Agreement)) may receive priority as to any proceeds from distressed disposals or enforcement over the Collateral on terms not materially less favorable to the Holders than that accorded to the Revolving Credit Facility Agreement on the Issue Date pursuant to the Intercreditor Agreement; *provided, further*, with respect to Indebtedness secured pursuant to the preceding clauses (2) through (7), that each of the creditors thereto (or their respective representative) will have entered into the Intercreditor Agreement or any Additional Intercreditor Agreement.

A Lien shall be deemed to rank equally with another Lien notwithstanding (i) any different preference or hardening period applicable thereto, (ii) any other difference in priority so long as an "assignment of ranking" or other sharing arrangement has been entered into by or for the benefit of beneficiaries of each such Lien, or (iii) any difference in validity or enforceability.

For purposes of determining compliance with this definition, (w) a Lien need not be Incurred solely by reference to one category of Permitted Collateral Liens described in this definition, but may be Incurred under any combination of such categories (including in part under one such category and in part under any other such category), (x) in the event that a Lien (or any portion thereof meets the criteria of one or more of such categories of Permitted Collateral Liens, the Issuer shall, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition, (y) the principal amount of Indebtedness secured by a Lien outstanding under any category of Permitted Collateral Liens shall be determined after giving effect to the application of proceeds of any such Indebtedness to refinance any such other Indebtedness, and (z) any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness shall also be permitted to secure any increase in the amount of such Indebtedness in connection with the accrual of interest, the accretion of accreted value, the payment of interest in the form of additional Indebtedness and the payment of dividends on Capital Stock constituting Indebtedness in the form of additional shares of the same class of Capital Stock.

"**Permitted Investment**" means (in each case, by the Company or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) (a) Management Advances and (b) any advances or loans not to exceed €1 million per calendar year (with any unused amounts in any calendar year being carried over in the two next succeeding calendar years) to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock (other than Disqualified Stock) of the Company or a Parent of the Company;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*"*;*

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (a) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(10) Investments in Associates or Unrestricted Subsidiaries in an aggregate amount when taken together with all other Investments made pursuant to this clause (10) that are at the time outstanding not to exceed the greater of (x) €15 million and (y) 14% of Consolidated EBITDA;

(11) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*";

(12) Investments, taken together with all other Investments made pursuant to this clause (12) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any cash distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of (x) €25 million and (y) 23% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(13) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*"*;*

(14) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(15) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8) and (9) of that paragraph);

(16) Guarantees of Indebtedness permitted to be Incurred by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(17) Investments in loans under the Revolving Credit Facility, the Notes and any Additional Notes;

(18) any Investment in connection with a Qualified Receivables Financing;

(19) Investments acquired after the Issue Date as a result of the acquisition by the Company or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Company or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Certain Covenants—Merger and Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation; and

(20) Investments in licenses, concessions, authorizations, franchises, permits or similar arrangements that are related to the Company or any of its Subsidiaries' businesses.

"**Permitted Liens**" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not the Issuer or a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or a Guarantor permitted by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(7) Liens on assets or property of the Company or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Indenture relating to Indebtedness permitted to be Incurred under the Indenture and which is secured by a Lien on the same assets or property that secures such Indebtedness;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the second paragraph of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" and (b) any such Lien may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from New York Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Company or any Restricted Subsidiary); *provided*, that such Liens are limited to all or part of the same property, other assets or stock (*plus* improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Company or another Restricted Subsidiary, or Liens in favor of the Issuer or any Guarantor;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture (other than Liens initially Incurred pursuant to clause (30) of this definition); *provided* that any such Lien is limited to all or part of the same property or assets (*plus* improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;

(22) Liens on (a) escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) on cash set aside at the time of the Incurrence of any Indebtedness or (c) government securities purchased with such cash, in either case of clauses (b) or (c) only, to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities (for the avoidance of doubt, this includes any security interest or right of set-off which arise from general banking conditions (*algemene bankvoorwaarden*);

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business (including, without limitation, any such arrangements entered into on a success basis);

(25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(26) any security granted over any marketable securities described in the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(27) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(28) Liens created for the benefit of or to secure, directly or indirectly, the Notes;

(29) Liens on rights under any proceeds loan that are assigned to the third party creditors of the Indebtedness Incurred by the Company to finance such proceeds loan and Incurred in compliance with the Indenture and securing that Indebtedness;

(30) Other Liens; *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (30) does not exceed the greater of (x) €20 million and (y) 18% of Consolidated EBITDA; and

(31) Liens over cash paid into an escrow account (a) pursuant to any purchase price retention arrangement as part of any permitted disposal by the Company or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal; (b) to fund an acquisition or pay related fees and expenses pending the closing of such acquisition by the Company or any Restricted Subsidiary; and (c) pursuant to any purchase price retention arrangement or deferred consideration in connection with any acquisition by the Company or any Restricted Subsidiary.

"**Permitted Reorganization**" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Company or any of its Restricted Subsidiaries (a "**Reorganization**") that is made on a solvent basis; *provided* that:

(a) any payments or assets distributed in connection with such Reorganization remain within the Company and its Restricted Subsidiaries; and

(b) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"**Preferred Stock**," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"**Public Offering**" means any offering of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"**Purchase Money Obligations**" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"**Qualified Receivables Financing**" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors of the Company shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value, and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Company) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Company or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"**rating agencies**" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Notes, any other "Nationally Recognized Statistical Rating Organization" selected by the Issuer as a replacement agency.

"**Receivables Assets**" means any assets that are or will be the subject of a Qualified Receivables Financing.

"**Receivables Fees**" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"**Receivables Financing**" means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to (1) a Receivables Subsidiary (in the case of a transfer by the Company or any of its Subsidiaries), or (2) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable, the bank account in which the proceeds of such receivable are collected, and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Company or any such Subsidiary in connection with such accounts receivable.

"**Receivables Repurchase Obligation**" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"**Receivables Subsidiary**" means a Wholly-Owned Subsidiary of the Company (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Company in which the Company or any Subsidiary of the Company makes an Investment and to which the Company or any Subsidiary of the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Company and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Company (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (a) is guaranteed by the Company or any Restricted Subsidiary (excluding guarantees of obligations (other

than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (b) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Company or any Restricted Subsidiary, (c) is recourse to or obligates the Company or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (d) subjects any property or asset of the Company or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Company nor any Restricted Subsidiary has any material contract, agreement, arrangement or understanding other than on terms which the Company reasonably believes to be no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company; and

(3) to which neither the Company nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"**Refinance**" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"**Refinancing Indebtedness**" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Stated Maturity of the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (*plus*, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes, such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, *further*, that Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"**Replacement Assets**" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Company's business or in that of the Restricted Subsidiaries as of the Issue Date or any and all other businesses that in the good faith judgment of the Board of Directors of the Company are reasonably related thereto.

“**Representative**” means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

“**Restricted Investment**” means any Investment other than a Permitted Investment.

“**Restricted Subsidiary**” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“**Revolving Credit Facility Agreement**” means the Revolving Credit Facility Agreement, dated on or prior to the Issue Date, between, among others, KA Group AG, the Issuer, the senior lenders (as named therein), Danske Bank A/S as agent and The Law Debenture Trust Corporation p.l.c. as security agent, as such agreement may be amended, supplemented, waived or otherwise modified from time to time or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original administrative agent and lenders or other agents and lenders or otherwise, and whether provided under the original Revolving Credit Facility Agreement or other credit agreements or otherwise).

“**S&P**” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“**SEC**” means the U.S. Securities and Exchange Commission.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended and the rules and regulations of the SEC promulgated thereunder, as amended.

“**Security Interests**” means the Liens on the Collateral.

“**Security Documents**” means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

“**Senior Secured Indebtedness**” means, with respect to any Person as of any date of determination, any Indebtedness that is secured by Permitted Collateral Liens pursuant to clauses (2), (3), (4), (5) or (7) of the definition thereof and not contractually subordinated to obligations under the Notes or any Notes Guarantee.

“**Significant Guarantor**” means any Guarantor with respect to which the Company’s and its Restricted Subsidiaries’ proportionate share of the Consolidated EBITDA of the Guarantor exceeds 10% of the Consolidated EBITDA of the Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year or with respect to which the Company’s and its Restricted Subsidiaries’ proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year.

“**Significant Subsidiary**” means any Restricted Subsidiary that meets any of the following conditions:

(1) the Company’s and its Restricted Subsidiaries’ investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Company’s and its Restricted Subsidiaries’ proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Company’s and its Restricted Subsidiaries’ proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

“**Similar Business**” means (1) any businesses, services or activities engaged in by the Group as of the Issue Date and (2) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"**Standard Securitization Undertakings**" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Company or any Subsidiary of the Company which the Company has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"**Stated Maturity**" means, with respect to any Indebtedness, the date specified in such Indebtedness as the fixed date on which the payment of principal of such Indebtedness is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "*—Change of Control*" and the covenant under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*", to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Indebtedness**" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or any Guarantee of the Notes pursuant to a written agreement, including any Subordinated Shareholder Funding.

"**Subordinated Shareholder Funding**" means, collectively, any funds provided to the Company by any Parent or any Affiliate of any Parent, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the date that is six months after the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition) or the making of any such payment prior to the date that is six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the date that is six months after the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the date that is six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control, asset sale or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six months after the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the date that is six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries;

(5) pursuant to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Shareholder Liabilities" (as defined therein);

(6) is not guaranteed by any Subsidiary of the Company; and

(7) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes, a Notes Guarantee or compliance by the Issuer or any Guarantor with its obligations under the Notes, the Indenture or the Security Documents,

provided, *however*, that if any event or circumstance results in such Indebtedness ceasing to qualify as Subordinated Shareholder Funding, such Indebtedness shall constitute an Incurrence of such Indebtedness by the Company as of the date of such event or circumstance, and any and all Restricted Payments made through the use of the net proceeds from the Incurrence of such Indebtedness since the date of the original Incurrence of such Subordinated Shareholder Funding shall constitute new Restricted Payments that are deemed to have been made after the date of the original Incurrence of such Subordinated Shareholder Funding.

"**Subsidiary**" means, with respect to any Person:

(1) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

(a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"**Subsidiary Guarantors**" means any Subsidiary of the Company that Guarantees the Notes from the date on which such Notes Guarantee is provided and until the date on which such Guarantee is released in accordance with the Indenture.

"**Tax Sharing Agreement**" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture, and any arrangements or transactions made between the Company and/or any of its Subsidiaries and any Parent in order to satisfy the obligations arising under any such Tax Sharing Agreement (including, for the avoidance of doubt, distributions for purposes of compensating accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any Parent to enable a Parent to compensate the Company or such Subsidiary for losses incurred which may need to be compensated by a Parent under any profit and loss pooling agreement).

"**Taxes**" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"**Temporary Cash Investments**" means any of the following:

(1) any investment in:

(a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state whose long-term debt is rated "A-1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another internationally recognized rating agency, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization); or

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or

(b) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940.

"**Transactions**" shall have the meaning given assigned to such term in this Offering Memorandum under the caption "*Summary—The Transactions*".

"**Unrestricted Subsidiary**" means:

(1) any Subsidiary of the Company (other than the Issuer or any Parent Holdco of the Issuer) that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Company in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary of the Company other than the Issuer or any Parent Holdco of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Company or any Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Company in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*".

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2) (x) the Company could Incur at least €1.00 of additional Indebtedness under the Fixed Charge Coverage Ratio test in the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"**US GAAP**" means generally accepted accounting principles in the United States of America as in effect from time to time.

"**Voting Stock**" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"**Wholly-Owned Subsidiary**" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Company or another Wholly-Owned Subsidiary) is owned by the Company or another Wholly-Owned Subsidiary or a Parent of the Company, as the case may be.

Book-Entry, Delivery and Form

General

Certain defined terms used but not defined in this section have the meanings assigned to them in the Indenture, as described in "Description of the Notes".

Notes sold to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("***Rule 144A***")) in reliance on Rule 144A will be represented by one or more global notes in registered form without interest coupons attached (the "***144A Global Notes***"). Notes sold to persons other than "U.S. persons" (as defined in Regulation S under the U.S. Securities Act ("***Regulation S***")) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S will be represented by one or more global notes in registered form without interest coupons attached (the "***Regulation S Global Notes***" and, together with the 144A Global Notes, the "***Global Notes***").

The Global Notes will be deposited with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary. The Global Notes will not be eligible for clearance with The Depository Trust Company.

Ownership of beneficial interests in the 144A Global Notes (the "***Restricted Book-Entry Interests***") and the Regulation S Global Notes (the "***Regulation S Book-Entry Interests***" and, together with the Restricted Book-Entry Interests, the "***Book-Entry Interests***") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants or otherwise, and will be required to be effected in accordance with applicable transfer restrictions set out in the Notes, the Indenture and in any applicable securities laws of any state of the United States or of any other jurisdiction, as described under "*Notice to Investors*" and under "*Transfer Restrictions*".

The Book-Entry Interests will be held by Euroclear and Clearstream on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive definitive Notes in registered form (the "***Definitive Registered Notes***"). The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of Notes take physical possession of such Notes in definitive form. The foregoing limitations may impair your ability to own, transfer, pledge or grant any other security interest in Book-Entry Interests.

So long as the Global Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Global Notes for any purpose. So long as the Global Notes are held in global form, the common depositary for Euroclear and/or Clearstream, or their respective nominees, as applicable, will be considered the sole holders of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests to transfer their interests in or to exercise any rights of holders under the Indenture. You can find information about certain other restrictions on the transferability of the Notes under "*—Definitive Registered Notes*".

Neither we nor the Trustee will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or holders thereof under the Indenture for any purpose.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holder of the Global Notes (*e.g.*, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrar, the Transfer Agent, the Paying Agent and any of their respective agents have and will not have any responsibility or liability:

2. for any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to Book-Entry Interests, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream

or any participant or indirect participant relating to Book-Entry Interests, or for payments made by Euroclear, Clearstream or any participant or indirect participant relating to Book-Entry Interests; or

3. for Euroclear, Clearstream or any participant or indirect participant.

The Notes will be issued in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in jurisdictions that require physical delivery of securities or to pledge such Notes, such holder must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set out in the Indenture.

The Global Note for Restricted Book-Entry Interests will have a legend to the effect set out under "*Transfer Restrictions*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*" and "*Notice to Investors*".

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Restricted Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Restricted Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures, which rules and operating procedures may change from time to time. Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Paying Agent or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive Definitive Registered Notes only in the following circumstances:

1. if either Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days;

2. if the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream following an Event of Default which results in action by the Trustee pursuant to the enforcement provisions under the Indenture.

In any such events described in clause (1) or (2), the registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and certain certification requirements and based upon directions received from participants reflecting the beneficial ownership of the Book-Entry Interests). The Definitive Registered Notes will bear a restrictive legend with respect to certain transfer restrictions, unless that legend is not required by the Indenture or by applicable law.

In the case of the issue of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Definitive Registered Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of one Definitive Registered Note, a new Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note will be issued to the transferor or the holder, as applicable in respect of the balance of the holding not transferred or redeemed, provided that a Definitive Registered Note will only be issued in denominations of €100,000 or in integral multiples of €1,000 in excess thereof.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of the Transfer Agent, we will issue and the Trustee (or an authenticating agent appointed by the Trustee) will authenticate a replacement Definitive Registered Note if the Trustee’s and our requirements are met. We or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and us to protect us, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. We may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the Indenture governing the Notes, we in our discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests only in accordance with the Indenture and, if required, only after the transferor first delivers to the transfer agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See “*Transfer Restrictions*”.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof.

The Issuer will not impose any fees or other charges in respect of the Notes; however, holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream, or their respective nominees, as applicable, will distribute the amount received by them in respect of the Global Note so redeemed to the holders of the Book-Entry Interests from the amount received by it in respect of the redemption of such Global Note. The aggregate price payable to the holders of such Book-Entry Interests will be equal to the amount received by Euroclear and/or Clearstream, as applicable, in connection with the redemption of such Global Note, or any portion thereof. The Issuer understands that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants’ accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate, provided, however, that no Book-Entry Interest of €100,000 may be redeemed in part.

Payments on Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and additional amounts) will be made by the Issuer in euros to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depositary or its nominee for Euroclear and/or Clearstream. The common depositary or its nominee will in turn distribute such payments to participants in accordance with its procedures.

We expect that payments by participants to owners of Book-Entry Interests held through such participants will be governed by standing customer instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name". Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name".

In order to tender Book-Entry Interests in a change of control offer or asset sale offer, the holder of the applicable Global Note must, within the time period specified in such offer, give notice of such tender to the paying agents and specify the principal amount of Book-Entry Interests to be tendered.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder (including the presentation of Notes for exchange as described above) only at the direction of the participant to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion to the aggregate principal amount of Notes as to which such participant has given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Indenture, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to its participants, as described in the subsection "*—Definitive Registered Notes*".

Global Clearance, Settlement and Trading under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the Official List of the Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with the respective rules and operating procedures.

The following description of the operations and procedures of Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the relevant settlement systems and are subject to changes by them. None of us, the Initial Purchasers, the Trustee, or the Paying Agent takes any responsibility for these operations and procedures and urge investors to contact the systems or their participants directly to discuss these matters.

The Issuer understands as follows with respect to Euroclear and Clearstream:

Initial Settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear or Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Euroclear and/or Clearstream on the same business day as in the United States. Certain investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Brussels if Euroclear is used, or Luxembourg if Clearstream is used.

Clearing Information

We expect that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common code numbers for the Notes are set out under "*Listing and General Information*".

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. Because Euroclear and Clearstream can only act on behalf of participants, who in turn can act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Certain Tax Considerations

Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations related to the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is limited to consequences relevant to a U.S. holder (as defined below) except for the discussion of FATCA (as defined under "*—Foreign Account Tax Compliance Act*"), and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the "***Code***"), Treasury regulations issued thereunder (the "***Treasury Regulations***"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service (the "***IRS***") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, individual retirement accounts, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, persons liable for alternative minimum tax, U.S. holders that are resident in or have a permanent establishment in a jurisdiction outside the United States, persons holding the Notes as part of a "straddle", "hedge", "conversion transaction" or other integrated transaction, and persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (*i.e.*, the first price at which a substantial amount of the Notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code (generally for investment).

For purposes of this discussion, a "***U.S. holder***" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Payments of Stated Interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the euro interest payment (translated at the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such interest, but may recognize exchange gain or loss attributable to the actual disposition of the euro so received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes (or who otherwise is required to accrue interest prior to receipt) will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in euro that has accrued with respect to its Notes during an accrual period. The U.S. dollar value of such euro denominated accrued interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis U.S. holder may elect, however, to translate such accrued interest income into U.S. dollars at the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder that has made the election described in the prior sentence may translate such interest at the spot rate of exchange on the date of receipt of the interest. The above election will apply to other debt instruments held by an electing U.S. holder and may not be changed without the consent of the IRS. A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (translated at the spot rate of exchange on the date such interest is received) in respect of such accrual period and the U.S. dollar value of the interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Foreign Tax Credit

Stated interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by or on behalf of a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations (including holding period and at risk rules). There are significant complex limitations on a U.S. holder's ability to claim foreign tax credits. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as interest income as discussed above to the extent not previously included in income by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note.

A U.S. holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder. The cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the foreign currency purchase price translated at the spot rate on the date of purchase. If the applicable Note is treated as traded on an established securities market and the relevant U.S. holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described below, such U.S. holder will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

If a U.S. holder receives foreign currency on such a sale, exchange, retirement, redemption or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such foreign currency translated at the spot rate of exchange on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the purchase or disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

Gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Such gain or loss generally will equal the difference, if any, between the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date principal is received from the Issuer or the U.S. holder disposes of the Note, and the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date the U.S. holder purchased such Note. In addition, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder may recognize foreign currency exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest which will be treated as discussed above under "*—Payments of Stated Interest*". However, upon a sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder will recognize any foreign currency exchange gain or loss (including with respect to accrued stated interest) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note in excess of foreign currency exchange gain or loss attributable to such disposition generally will be U.S. source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

U.S. holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a correct taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Tax Return Disclosure Requirements

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

U.S. holders who are individuals and who own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a U.S. holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "***FATCA***"), a "foreign financial institution" may be required to withhold U.S. tax on certain "foreign passthru payments" made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after applicable final regulations defining foreign passthru payments are filed generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

Certain Dutch Tax Considerations

This summary solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of Notes and does not purport to describe every aspect of taxation that may be relevant to a particular holder. Tax matters are complex, and the tax consequences of the Offering to a particular holder of Notes will depend in part on such holder's circumstances. Accordingly, a holder is urged to consult his own tax advisor for a full understanding of the tax consequences of the Offering to him, including the applicability and effect of Dutch tax laws.

Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this summary the terms "the Netherlands" and "Dutch" are used, these refer solely to the European part of the Kingdom of the Netherlands. This summary assumes that the Issuer is organized, and that its business will be conducted, in the manner outlined in this Offering Memorandum. A change to such organizational structure or to the manner in which the Issuer conducts its business may invalidate the contents of this summary, which will not be updated to reflect any such change.

This summary is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this Offering Memorandum. The tax law upon which this summary is based, is subject to changes, possibly with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

The summary in this Dutch Tax Considerations paragraph does not address the Dutch tax consequences for a holder of Notes who:

(i) is a person who may be deemed an owner of Notes for Dutch tax purposes pursuant to specific statutory attribution rules in Dutch tax law;

(ii) is, although in principle subject to Dutch corporation tax, in whole or in part, specifically exempt from that tax in connection with income from Notes;

(iii) is an investment institution as defined in the Dutch Corporation Tax Act 1969;

(iv) owns Notes in connection with a membership of a management board or a supervisory board, an employment relationship, a deemed employment relationship or management role;

(v) has a substantial interest in the Issuer or a deemed substantial interest in the Issuer for Dutch tax purposes. Generally, a person holds a substantial interest if (a) such person—either alone or, in the case of an individual, together with his partner or any of his relatives by blood or by marriage in the direct line (including foster-children) or of those of his partner for Dutch tax purposes—owns or is deemed to own, directly or indirectly, 5% or more of the shares or of any class of shares of the Issuer, or rights to acquire, directly or indirectly, such an interest in the shares of the Issuer or profit participating certificates relating to 5% or more of the annual profits or to 5% or more of the liquidation proceeds of the Issuer, or (b) such person's shares, rights to acquire shares or profit participating certificates in the Issuer are held by him following the application of a non-recognition provision; or

(vi) is a corporate entity or taxable as a corporate entity and who is resident or deemed to be resident of Aruba, Curaçao or Sint Maarten for tax purposes.

Withholding tax

All payments under the Notes may be made free from withholding or deduction of or for any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority of or in the Netherlands.

Taxes on income and capital gains

Resident holders of Notes

A holder of Notes who is resident or deemed to be resident in the Netherlands for Dutch tax purposes is fully subject to Dutch income tax if he is an individual or fully subject to Dutch corporation tax if it is a corporate entity, or an entity, including an association, a partnership and a mutual fund, taxable as a corporate entity, as described in the summary below.

Individuals deriving profits or deemed to be deriving profits from an enterprise

Any benefits derived or deemed to be derived from or in connection with Notes that are attributable to an enterprise from which an individual derives profits, whether as an entrepreneur or pursuant to a co-entitlement to the net value of an enterprise, other than as a shareholder, are generally subject to Dutch income tax at progressive rates up to 51.95%.

Individuals deriving benefits from miscellaneous activities

Any benefits derived or deemed to be derived from or in connection with Notes that constitute benefits from miscellaneous activities by an individual are generally subject to Dutch income tax at progressive rates up to 51.95%.

An individual may, inter alia, derive or be deemed to derive benefits from or in connection with Notes that are taxable as benefits from miscellaneous activities if his investment activities go beyond regular active portfolio management.

Other individuals

If a holder of Notes is an individual whose situation has not been discussed before in this section "Certain Dutch Tax Considerations—Taxes on income and capital gains—Resident holders of Notes", the value of his Notes forms part of the yield basis for purposes of tax on benefits from savings and investments. A deemed benefit, which is determined on the basis of progressive effective rates starting from 2.02% up to 5.38% per annum of this yield basis, is taxed at the rate of 30%, to the extent that such yield basis exceeds the "exempt net asset amount" (*heffingvrij vermogen*) for the relevant year (€30,000 for 2018). Actual benefits derived from or in connection with his Notes are not subject to Dutch income tax.

Corporate entities

Any benefits derived or deemed to be derived from or in connection with Notes that are held by a corporate entity, or an entity, including an association, a partnership and a mutual fund, taxable as a corporate entity, are generally subject to Dutch corporation tax.

General

A holder of Notes will not be deemed to be resident in the Netherlands for Dutch tax purposes by reason only of the execution and/or enforcement of the documents relating to the issue of Notes or the performance by the Issuer of its obligations under such documents or under the Notes.

Non-resident Holders of Notes

Individuals

If a holder of Notes is an individual who is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch income tax, he will not be subject to Dutch income tax in respect of any benefits derived or deemed to be derived from or in connection with Notes, except if:

(i) he derives profits from an enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, and such enterprise is carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and his Notes are attributable to such permanent establishment or permanent representative; or

(ii) he derives benefits or is deemed to derive benefits from or in connection with Notes that are taxable as benefits from miscellaneous activities performed in the Netherlands.

Corporate entities

If a holder of Notes is a corporate entity, or an entity, including an association, a partnership and a mutual fund, taxable as a corporate entity, which is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch corporation tax, it will not be subject to Dutch corporation tax in respect of any benefits derived or deemed to be derived from or in connection with Notes, except if:

(i) it derives profits from an enterprise directly which is carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and to which permanent establishment or permanent representative its Notes are attributable; or

(ii) it derives profits pursuant to a co-entitlement to the net value of an enterprise which is managed in the Netherlands, other than as a holder of securities, and to which enterprise its Notes are attributable.

General

If a holder of Notes is neither resident nor deemed to be resident in the Netherlands, such holder will for Dutch tax purposes not carry on or be deemed to carry on an enterprise, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands by reason only of the execution and/or enforcement of the documents relating to the issue of Notes or the performance by the Issuer of its obligations under such documents or under the Notes.

Gift and Inheritance Tax

No Dutch gift tax or Dutch inheritance tax will arise with respect to an acquisition or deemed acquisition of Notes by way of gift by, or upon the death of, a holder of Notes who is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax except if, in the event of a gift whilst not being a resident nor being a deemed resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, the holder of Notes becomes a resident or a deemed resident in the Netherlands and dies within 180 days after the date of the gift.

For purposes of Dutch gift tax and Dutch inheritance tax, a gift of Notes made under a condition precedent is deemed to be made at the time the condition precedent is satisfied.

Registration Taxes and Duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands in respect of or in connection with the execution and/or enforcement (including by legal proceedings and including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of Notes, the performance by the Issuer of its obligations under such documents or under Notes, or the transfer of Notes, except that Dutch real property transfer tax may be due upon an acquisition, in connection with Notes, of real property situated in the Netherlands, (an interest in) an asset that qualifies as real property situated in the Netherlands, or (an interest in) a right over real property situated in the Netherlands, for the purposes of Dutch real property transfer tax.

Certain Swiss Tax Considerations

The tax discussion set forth below is intended only as a descriptive summary and does not purpose to be a complete analysis or listing of all potential tax effects that may be relevant. The statements on taxes set forth below are based on the laws and regulations in force as of the date of this Offering Memorandum and may be subject to change possible with retroactive effect. Such change could be due to modifications in law, or from any tax treaty to which Switzerland is a party. The tax discussion set forth below is of a general nature. It is not a substitute for a legal or tax advice sought by interested parties. Prospective purchasers of Notes are advised to consult with their own tax advisors concerning the overall tax consequences of their purchase, ownership and sale of the Notes.

Swiss Withholding Tax (*Verrechnungssteuer*)

Payments by the Issuer of interest on, and repayment of principal of, the Notes, will not be subject to Swiss federal withholding tax, provided that the Issuer is at all times resident and managed outside Switzerland for Swiss tax purposes and a tax ruling with the Swiss Federal Tax Administration confirms that the planned use of proceeds in Switzerland is not considered as harmful use of proceeds in accordance with the practice of the Swiss Federal Tax Administration.

On November 4, 2015 the Swiss Federal Council announced a mandate to the Swiss Federal Finance Department to institute a group of experts tasked with the preparation of a new proposal for a reform of the Swiss withholding tax system. The new proposal is expected to include in respect of interest payments the replacement of the existing debtor-based regime by a paying agent-based regime for Swiss withholding tax similar to the one published on December 17, 2014 by the Swiss Federal Council and repealed on June 24, 2015 following the negative outcome of the legislative consultation with Swiss official and private bodies. Under such a new paying agent-based regime, if enacted, a paying agent in Switzerland may be required to deduct Swiss withholding tax on any payments or any securing of payments of interest in respect of a Note for the benefit of the beneficial owner of the payment unless certain procedures are complied with to establish that the owner of the Note is not an individual resident in Switzerland.

Swiss Federal Stamp Taxes

The issue and redemption of Notes by the Issuer are not subject to Swiss federal stamp duty on the issue of securities or Swiss federal transfer stamp duty.

Purchases or sales of Notes with a maturity in excess of twelve months where a Swiss or Liechtenstein domestic bank or a Swiss or Liechtenstein domestic securities dealer (as defined in the Swiss federal stamp duty act) is a party, or acts as an intermediary, to the transaction may be subject to Swiss federal stamp duty on dealings in securities at a rate of up to 0.3 per cent. of the purchase price of the Notes if no specific exemption applies.

Automatic Exchange of Information

On November 19, 2014, Switzerland signed the Multilateral Competent Authority Agreement (the "***MCAA***"). The MCAA is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of Automatic Exchange of Information (the "***AEOI***"). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the "***AEOI Act***") entered into force on January 1, 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of specialty (*i.e.*, the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection.

Switzerland has concluded a multilateral AEOI agreement with the EU (replacing the EU savings tax agreement) and has concluded bilateral AEOI agreements with several non-EU countries.

Based on such multilateral or bilateral agreements and the implementing laws of Switzerland, Switzerland has begun to collect data in respect of financial assets, including, as the case may be, Notes, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in a treaty state from, depending on the effectiveness date of the agreement, 2017 or 2018, as the case may be, and begin to exchange it from 2018 or 2019.

Swiss Facilitation of the Implementation of the U.S. Foreign Account Tax Compliance Act

Switzerland has concluded an intergovernmental agreement with the U.S. to facilitate the implementation of FATCA. The agreement ensures that the accounts held by U.S. persons with Swiss financial institutions are disclosed to the U.S. tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance. Information will not be transferred automatically in the absence of consent, and instead will be exchanged only within the scope of administrative assistance on the basis of the double taxation agreement between the U.S. and Switzerland. On October 8, 2014, the Swiss Federal Council approved a mandate for negotiations with the U.S. on changing the current direct-notification-based regime to a regime where the relevant information is sent to the Swiss Federal Tax Administration, which in turn provides the information to the U.S. tax authorities.

U.S. Foreign Account Tax Compliance Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Switzerland) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Holders of Notes should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

Certain ERISA Considerations

The following is a summary of certain considerations associated with the purchase and holding of the Notes by employee benefit plans that are subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("***ERISA***"), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code, and entities whose underlying assets are considered to include "plan assets" of such employee benefit plans, plans, accounts or arrangements (pursuant to Section 3(42) of ERISA and regulations promulgated under ERISA by the U.S. Department of Labor) (each, an "***ERISA Plan***"). Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code; however, such plans may be subject to non-U.S., federal, state, or local laws or regulations that are substantially similar to Title I of ERISA or Section 4975 of the Code ("***Similar Laws***") or which otherwise affect their ability to invest in the Notes. Any fiduciary of such a governmental, church or non-U.S. plan considering an investment in the Notes (together with ERISA Plans, "***Plans***") should determine the need for, and, if necessary, the availability of, any exemptive relief under such laws or regulations.

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of an ERISA Plan and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation with respect to the assets of such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes, a Plan fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Each ERISA Plan should consider the fact that none of the Issuer, the Guarantors, the Initial Purchasers, and the Trustee and their respective affiliates (collectively, the "***Transaction Parties***") is acting, or will act, as a fiduciary to any ERISA Plan with respect to the decision to purchase or hold the notes. The Transaction Parties are not undertaking to provide impartial investment advice or advice based on any particular investment need, or to give advice in a fiduciary capacity, with respect to the decision to purchase or hold the Notes. All communications, correspondence and materials from the Transaction Parties with respect to the Notes are intended to be general in nature and are not directed at any specific purchaser of the notes, and do not constitute advice regarding the advisability of investment in the notes for any specific purchaser. The decision to purchase and hold the Notes must be made solely by each prospective ERISA Plan purchaser on an arm's length basis. The Transaction Parties have a financial interest in an ERISA Plan's purchase and holding of the Notes, which interests may conflict with the interest of such ERISA Plan, as more fully described in this Offering Memorandum.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption is available. Such transactions are referred to as "prohibited transactions" and include, without limitation, (1) a direct or indirect extension of credit to a party in interest or to a disqualified person, (2) the sale or exchange of any property between an ERISA Plan and a party in interest or a disqualified person, or (3) the transfer to, or use by or for the benefit of, a party in interest or a disqualified person, of any plan assets.

A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the

ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition, holding and/or disposition of Notes by an ERISA Plan with respect to which we, the Initial Purchasers, the Trustee, the agents and our and their respective affiliates are considered a party in interest or disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption.

Similar Laws governing the investment and management of the assets of governmental plans, certain church plans and non-U.S. plans which are not subject to ERISA and the Code may contain fiduciary responsibility and prohibited transaction requirements similar to those under Title I of ERISA and Section 4975 of the Code. Accordingly, fiduciaries of such Plans, in consultation with their counsel, should consider the impact of Similar Laws on investments in the Notes and the considerations discussed above, to the extent applicable.

Because of the foregoing, the Notes should not be purchased or held by any person investing "plan assets" of any Plan, unless such acquisition, holding and subsequent disposition will not constitute a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws. Accordingly, by acceptance of a Note, each purchaser and subsequent transferee will be deemed to have represented and agreed that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes or an interest therein constitutes assets of any Plan or (ii) the acquisition, holding and disposition by such purchaser or transferee of the Notes or an interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

> In addition, each purchaser and subsequent transferee of a Note that is an ERISA Plan will be deemed to represent that (a) none of the Transaction Parties has acted as the Plan's fiduciary, or has been relied upon for any advice, with respect to the Plan's decision to acquire a note and none of the Transaction Parties will at any time be relied upon as the Plan's fiduciary with respect to any decision to acquire, continue to hold or transfer a Note and (b) the decision to acquire and hold a Note has been made be a duly authorized fiduciary who (i) is independent (as that term is used in U.S. Code of Federal Regulations 29 C.F.R. Section 2510.3-21(c)(1), as amended from time to time) of the Transaction Parties, (ii) is a (a) bank as defined in Section 202 of the Investment Advisers Act of 1940, as amended (the "***Advisers Act***") or similar institution that is regulated and supervised and subject to periodic examination by a state or federal agency of the United States, (b) insurance carrier which is qualified under the laws of more than one state of the United States to perform the services of managing, acquiring or disposing of assets of such a Plan, (c) an investment adviser registered under the Advisers Act or, if not registered an as investment adviser under the advisers act by reason of paragraph (1) of section 203a of the Advisers Act, is registered as an investment adviser under the laws of the state (referred to in such paragraph (1)) in which it maintains its principal office and place of business, (d) broker-dealer registered under the Securities Exchange Act of 1934, as amended or (e) an "independent fiduciary" within the meaning of U.S. Code of Federal Regulations 29 C.F.R. Section 2510.3-21(c), as amended from time to time, that holds or has at least $50 million of assets under management or control, (iii) in the case of a Plan that is an individual retirement account ("***IRA***"), is not the IRA owner, beneficiary of the IRA or relative of the IRA owner or beneficiary, (iv) is capable of evaluating investment risks independently, both in general and with regard to the prospective investment in a Note, (v) is a fiduciary under ERISA or the Code, or both, with respect to the decision to acquire a Note, (vi) has exercised independent judgment in evaluating whether to invest the assets of the Plan in a Note, (vii) understands and has been fairly informed of the existence and the nature of the financial interests of the Transaction Parties in connection with the Plan's acquisition of a Note, as more fully described in this Offering Memorandum (viii) understands that the Transaction Parties are not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity to the Plan, in connection with the Plan's acquisition of a Note and (ix) confirms that no fee or other compensation will be paid directly to any of the Transaction Parties by the Plan, or any fiduciary, participant or beneficiary of the Plan, for the provision of investment advice (as opposed to other services) in connection with the Plan's acquisition of a Note. The foregoing representations are intended to comply 29 C.F.R. Sec. 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997). To the extent that these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.

The foregoing discussion is necessarily general in nature, is not intended to be all-inclusive, and should not be construed as legal advice or a legal opinion. Further, no assurance can be given that future legislation, administrative rulings, court decisions or regulatory action will not modify the conclusions set forth in this discussion. Any such changes may be retroactive and thereby apply to transactions entered into prior to the date of their enactment or release. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Notes (and holding the Notes) on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such transactions and whether an exemption would be applicable.

Certain Insolvency Law and Local Law Limitations

The following is a summary of certain insolvency law considerations regarding the European Union. The Netherlands, Canada, England and Wales, France, Hungary, Norway, Poland, Slovakia, Sweden, Switzerland and the United States. The descriptions below are only a summary and do not purport to be complete or to discuss all insolvency law considerations that may affect the enforceability of the obligations of the Issuer. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*".

European Union

On June 5, 2015, Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (the "***EU Insolvency Regulation***") was published in the Official Gazette of the European Union.

The EU Insolvency Regulation is applicable to insolvency proceedings opened after June 26, 2017 (subject to certain exceptions). Insolvency proceedings opened before June 26, 2017 are subject to Regulation (EC) 1346/2000 of May 29, 2000 on insolvency proceedings, last amended by Implementing Regulation (EU) No 1792/2016 of September 29, 2016.

Main insolvency proceedings

Pursuant to Article 3(1) of the EU Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the member state of the European Union (the "***Member State***") (other than Denmark) within which the center of a debtor's main interests is situated. The "center of main interests" is defined as "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties". Pursuant to Article 3(1) of the EU Insolvency Regulation, the center of main interests of a company or legal person is presumed to be located in the Member State of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another Member State within a three-month period prior to the request for the opening of insolvency proceedings. Specifically, it should be possible to rebut this presumption where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State. In this regard, special consideration should be given to creditors and their perception as to where a debtor conducts the administration of its interests. In the event of a shift in the center of main interests, this may require informing the creditors of the new location from which the debtor is carrying out its activities in due course (*e.g.*, by drawing attention to the change of address in commercial correspondence or otherwise making the new location public through other appropriate means).

If the "center of main interests" of a company at the time an insolvency application is made, is located in a Member State (other than Denmark), the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation.

Furthermore, pursuant to Article 6 of the EU Insolvency Regulation, the courts of the Member State within the territory of which insolvency proceedings have been opened in accordance with Article 3 shall have jurisdiction for any action that derives directly from the insolvency proceedings and is closely linked with them, such as avoidance actions.

Secondary insolvency proceedings

Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in other Member States. If the "center of main interests" of a debtor is in one Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "secondary" or "territorial" insolvency proceedings only in the event that such debtor has an "establishment" in the territory of such other Member State. Secondary proceedings may be any insolvency proceeding listed in Annex A of the EU Insolvency Regulation and for the avoidance of doubt, are not limited to winding up proceedings. Territorial proceedings are, in effect, secondary proceedings which are commenced prior to the opening of main insolvency proceedings and which will usually convert to secondary proceedings on the opening of the main proceedings. “Establishment” is defined as any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State.

Pursuant to Article 3(4) of the EU Insolvency Regulation, where main proceedings in the Member State in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another Member State where the company has an establishment and either: (a) insolvency proceedings cannot be opened in the Member State in which the company’s center of main interests is situated under that Member State’s law; or (b) the territorial insolvency proceedings are opened at the request of a creditor whose claim arises from or in connection with the operation of such establishment or a public authority, which has the right to request such opening under the respective Member State’s law, requests the opening of such proceedings. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will, subject to certain exemptions, be governed by the *lex fori concursus*; that is, the local insolvency law of the court that has assumed jurisdiction for the respective main, territorial or secondary insolvency proceedings, as the case may be, of the company.

Pursuant to Article 21 of the EU Insolvency Regulation, the insolvency officeholder appointed by the court of the main proceedings may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State), subject to certain limitations, so long as no insolvency proceedings have been opened in that other Member State or any preservation measure has been taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

However, under Article 36 of the EU Insolvency Regulation, the insolvency practitioner in the main insolvency proceedings may prevent the opening of secondary insolvency proceedings in another Member State by giving a unilateral undertaking in respect of the assets located in the Member State in which secondary insolvency proceedings could be opened. For this purpose, the insolvency practitioner must undertake to comply with the distribution and priority rights under the relevant national law from which the local creditors would benefit if the insolvency proceedings was opened in the Member State where the assets are located. Such undertaking must be made in writing and is subject to approval by a qualified majority of known local creditors, determined in accordance with applicable local laws. If approved, the undertaking is binding on the insolvency estate and if a court is requested to open secondary insolvency proceedings, it should, at the request of the insolvency practitioner in the main insolvency proceedings, refuse to open such proceeding if it is satisfied that the undertaking adequately protects the general interests of local creditors.

Additionally, under Article 38 of the EU Insolvency Regulation, where a temporary stay of individual enforcement proceedings has been granted in order to allow for negotiations between a company and its creditors, the court, at the request of the insolvency practitioner in the main insolvency proceedings, may stay the opening of secondary insolvency proceedings for a period not exceeding three months, provided that suitable measures are in place to protect the interests of local creditors.

Under Article 46 of the EU Insolvency Regulation, the court which opened the secondary insolvency proceedings will also stay the process of realization of assets in whole or in part on receipt of a request from the insolvency practitioner in the main insolvency proceedings, for a renewable period of up to three months, unless such a request is manifestly of no interest to the creditors in the main insolvency proceedings. Such stay may be continued or renewed for similar periods. Where the court stays the process of realization of the assets, the court may require the insolvency practitioner in the main insolvency proceedings to take any suitable measure to guarantee the interests of the creditors in the secondary insolvency proceedings and of individual classes of creditors.

Pursuant to Article 4 of the EU Insolvency Regulation, a court requested to open insolvency proceedings will be required to examine whether it has jurisdiction pursuant to Article 3; such decision may be challenged by the debtor or any creditor on grounds of international jurisdiction.

Insolvency proceedings involving members of a group of companies

The EU Insolvency Regulation provides for a cooperation and communication mechanism in the event that insolvency proceedings concerning two or more members of a group of companies are opened. Insolvency practitioners appointed in proceedings concerning a member of the group shall cooperate with any insolvency practitioner appointed in proceedings concerning another member of the group to the extent that such cooperation is appropriate. Similarly, the court which has opened proceedings shall also cooperate with any other court before which a request is made to open proceedings concerning another member of the group to the extent that cooperation is appropriate to facilitate the effective administration of the proceedings, is not incompatible with the rules applicable to them and does not entail any conflict of interest. In this respect, the courts may, where appropriate, appoint a third party, provided that this is not incompatible with the rules applicable to them.

The Netherlands

Insolvency

In the event of insolvency of a Dutch company or a provider of security interests having its center of main interests in the Netherlands (the "***Dutch Provider***"), any insolvency proceedings relating to the Dutch Provider would likely be based on Dutch insolvency law. Under certain circumstances, secondary or territorial bankruptcy proceedings may be opened in the Netherlands in accordance with Dutch law against companies that are not established under Dutch law provided that such company has an establishment in the Netherlands.

The following is a brief description of certain aspects of Dutch insolvency law.

There are two primary insolvency regimes under Dutch law: the first, suspension of payments (*surseance van betaling*), is intended to facilitate the reorganization of a debtor's indebtedness and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors. Both insolvency regimes are set forth in the Dutch Bankruptcy Act. A general description of the principles of both insolvency regimes is set out below.

Suspension of payments

An application for a suspension of payments can only be made by the debtor itself. Once the request for a suspension of payments is filed, a court will immediately (*dadelijk*) grant a provisional suspension of payments and appoint an administrator (*bewindvoerder*) and often also a supervisory judge (*rechter-commissaris*). A meeting of creditors is required to decide on the definitive suspension. If a draft composition (*ontwerpakkoord*) is filed simultaneously with the application for suspension of payments, a court can order that the composition will be processed before a decision about a definitive suspension of payments. If the composition is accepted and subsequently confirmed by a court (*gehomologeerd*), the provisional suspension ends as soon as a court's decision becomes final. If no composition is offered simultaneously with the application for suspension of payments, the court will set a date and a place for a creditors' meeting, during which the definitive suspension will generally be granted unless a qualified minority (more than one-quarter in amount of claims held by creditors represented at the creditors' meeting or more than one-third in number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent. The suspension of payments is only effective with regard to unsecured non-preferential creditors. Secured and preferential creditors (including tax and social security authorities) may enforce their rights against assets of the company in a suspension of payments to satisfy their claims as if there were no suspension of payments. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. However, pursuant to article 241a Dutch Bankruptcy Act a court may order a "cooling-off period" (*afkoelingsperiode*) for a maximum period of two months (and potentially an additional two months) during which enforcement actions by secured or preferential creditors are barred unless such creditors have obtained leave for enforcement from the supervisory judge (or the court if no supervisory judge is appointed). Also in a definitive suspension of payments, a composition (*akkoord*) may be offered to creditors. A composition will generally be binding on all unsecured and non-preferential creditors if it is (i) approved by a simple majority of the recognized and of the admitted creditors present or represented at the meeting representing at least 50% of the amount of the recognized and of the admitted claims, and (ii) subsequently ratified (*gehomologeerd*) by a court. Under certain conditions, a court or supervisory judge (*rechter-commissaris*) (as the case may be) may derogate from this procedure. Consequently, Dutch insolvency law could preclude or inhibit the ability of the holders of the Notes to effect a restructuring. Interest payments that fall due after the date on which a suspension of payments is granted cannot be claimed in a composition.

Bankruptcy

Bankruptcy can be applied for either by the debtor itself or by a creditor if the debtor has ceased to pay its debts as they fall due. This is deemed to be the case if the debtor has at least two creditors (at least one of which has a claim that is due and payable and remains unpaid). There is no legal duty for a debtor to file for its own bankruptcy. However, if the managing board of a company realizes that the company is or will be unable to pay its debts when they come due, it is required to take appropriate measures, which could include the cessation of trading, notification of creditors and the filing for either bankruptcy or a suspension of payments (as described above).

Under Dutch bankruptcy proceedings, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors in accordance with the respective rank and priority of their claims. Simultaneously with the opening of the bankruptcy, a Dutch bankruptcy trustee (*curator*) and a supervisory judge (*rechter-commissaris*) are appointed. The bankruptcy trustee is charged with the administration and liquidation of the bankruptcy estate and acts under the supervision of the supervisory judge. Under Dutch law, as soon as a debtor is declared bankrupt, all pending executions of judgments against such debtor will be terminated by operation of law and all attachments on the debtor's assets will be released by operation of law.

Lawsuits by and against the debtor can only be brought by and against the bankruptcy trustee, unless they involve a personal non-monetary obligation of the debtor. Claims for payment of a debt must be submitted with the bankruptcy trustee for claims admission in the bankruptcy. If litigation to that effect is pending it will be suspended pending the outcome of the claims admission meeting. In other pending matters where the debtor is defendant, the claimant should request the bankruptcy trustee to appear in court and request him to decide whether he will assume the debtor's position. If the bankruptcy trustee does so, any cost award against him must be paid firstly from the bankruptcy estate as debts of the bankruptcy estate, unless the bankruptcy trustee immediately admits the claim. During pending litigation in which the debtor is claimant, the defendant may request an adjournment. Thus he will be able to request the bankruptcy trustee to appear in court. If the bankruptcy trustee does not respond, the defendant may either continue the litigation without effect to the debtor's estate, or ask the court to have the case stricken from the court list.

The basic principle of Dutch bankruptcy law is the so-called *paritas creditorum* (principle of equal treatment) which means that all creditors have an equal right to payment and that the proceeds of bankruptcy proceedings shall be distributed in proportion to the size of their claims. However, creditors with collateral security (*zakelijk zekerheidsrecht*) over assets in a bankruptcy estate are able to exercise their rights as if no formal insolvency procedure has occurred. Furthermore, certain preferred creditors (such as, but without limitation, the tax and social security authorities) will have special rights that take priority over the rights of other creditors. Each of these claims, except for secured claims, will have to be submitted to the bankruptcy trustee to be verified (*claims admission*). "Verification" under Dutch law means that the bankruptcy trustee determines the value of the claim and whether and to what extent it will be admitted in the bankruptcy proceedings for the purpose of the distribution of the proceeds. The claim of a creditor may be limited depending on the date the claim becomes due and payable in accordance with its terms. Generally, claims of the noteholders that are due and payable by their terms within one year of the date of the bankruptcy of the Dutch Provider or security grantor will be accelerated and become due and payable as of that date. The valuation of claims that would not have been payable within one year from the date of the bankruptcy may be based on a net present value analysis. Interest payments that fall due after the date of the bankruptcy cannot be verified. The existence, value and ranking of any claims submitted by the noteholders may be challenged in the Dutch bankruptcy proceedings. Contractual subordination may to a certain extent be given effect in Dutch insolvency proceedings. The actual effect depends largely on the way such subordination is construed. Generally, in a creditors' meeting (*verificatie vergadering*), the bankruptcy trustee, the insolvent debtor and all provisionally verified creditors may dispute the verification of claims of other creditors. Creditors whose claims or value thereof are disputed in the creditors' meeting may be referred to separate court proceedings (*renvooi procedure*). Such separate court proceedings could also cause payments to the holders of the Notes to be delayed compared with holders of undisputed claims.

If it is likely that there will be insufficient assets in the bankruptcy estate to distribute to the unsecured creditors, the bankruptcy judge may decide, at the request of the bankruptcy trustee, that it will not be necessary to deal with the unsecured claims and that there will not be a meeting at which claims are admitted or rejected. If the bankruptcy estate is sufficient to make a distribution to unsecured non-preferential creditors, remaining amounts after satisfaction of the secured and the preferential creditors are distributed among the positively verified unsecured non-preferential creditors, who will be satisfied on a pro rata basis. Pursuant to article 138 Dutch Bankruptcy Act a composition may be offered to creditors, which shall in general be binding on unsecured non-preferential creditors if (i) it is approved by a simple majority of the unsecured non-preferential creditors present or represented at the meeting, with admitted and provisionally admitted claims representing at least 50% of the total amount of the admitted and provisionally admitted unsecured non preferential claims, and (ii) subsequently ratified (gehomologeerd) by the court. Under certain conditions, the supervisory judge (*rechter-commissaris*) may derogate from this procedure. The Dutch Bankruptcy Act does not in itself recognize the concept of classes of creditors. Foreign creditors are, in general, not treated differently from creditors that are incorporated or residing in the Netherlands.

As mentioned above, secured creditors which have a right in rem (*goederenrechtelijke rechten*) may enforce their rights against assets of the debtor to satisfy their claims under a Dutch bankruptcy as if there is no bankruptcy. As in suspension of payments proceedings, the court may order a "cooling-off period" (*afkoelingsperiode*) on the basis of article 63a Dutch Bankruptcy Act for a maximum of two months during (and potentially an additional two months) which enforcement actions by secured creditors are barred unless such creditors have obtained leave for enforcement from the supervisory judge. Furthermore the bankruptcy trustee may force a secured creditor to realize its security right by giving the creditor notice to do so within a reasonable time. A failure to take recourse by the creditor will result in the creditor forfeiting its rights to enforce its security rights, albeit that its claim shall continue to be preferred. However, in such an event the creditor must contribute to costs of the bankruptcy which may be considerable. Any excess proceeds of enforcement and for which there is no valid security right must be returned to the bankruptcy estate and may not be off set to any unsecured claims against the debtor.

Moreover, to the extent that Dutch law applies, a legal act performed by a debtor (including, without limitation, the provision of security or an agreement pursuant to which it guarantees the performance of the obligations of a third party and any other legal act having a similar effect) may—outside an insolvency proceeding—be challenged and nullified by any of the debtor's creditors. In an insolvency proceeding such act can be nullified by the bankruptcy trustee only. This can occur if (i) the insolvent debtor performed such acts without an obligation to do so (*onverplicht*), (ii) generally the creditor concerned or, in the case of its bankruptcy, any creditor was prejudiced as a consequence of the act, and (iii) at the time the act was performed both the insolvent debtor and (unless the act was for no consideration (*om niet*)) the party with or towards which it acted, knew or should have known that one or more of its creditors (existing or future) would be prejudiced. In addition the bankruptcy trustee may nullify the debtor's performance of any due and payable obligation (including (without limitation) an obligation to provide security for any of its or a third party's obligations) if (i) the payee (*hij die betaling ontving*) knew that a request for bankruptcy had been filed at the moment of payment, or (ii) the performance of the obligation was the result of a collusion between the debtor and the payee with a view to give preference to the latter over the debtor's other creditors.

The liability of the Dutch Provider under the relevant security documents, will be limited to the amount that will result in such security interest not constituting a fraudulent preference or conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurances as to what standard a court will apply in making a determination of the maximum liability of the Dutch Provider. There is a possibility that the entire security interest may be set aside, in which case the entire liability may be extinguished.

If a court were to find that the granting of the security, was a fraudulent preference or conveyance or unenforceable for any other reason, the court could hold that the payment obligations under such security documents are ineffective, could void the security over the collateral, or could require the holders of the Notes to repay any enforcement proceeds received from enforcement of the security. In the event of a finding that a fraudulent preference or conveyance occurred, you may cease to have any claim in respect of the Dutch Provider and would be a creditor solely of any other guarantor or security provider, if applicable, under any Guarantee or Security Documents that have not been declared void.

Limitations on Validity and Enforceability of the Security Interests and Corporate Benefit

Pursuant to Dutch law, payment under a security document may be withheld under the doctrines of reasonableness and fairness (*redelijkheid en billijkheid*), force majeure (*niet toerekenbare tekortkoming*) and unforeseen circumstances (*onvoorziene omstandigheden*) and other defences afforded by Netherlands law to obligors generally. Other general defences include claims that a guarantee or security interest should be avoided because it was entered into through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or error (*dwaling*); furthermore, under Netherlands law, a party to an agreement may under certain circumstances suspend performance of its obligations under such agreement pursuant to the *exceptio non-adimpleti contractus* or otherwise.

A Dutch security interest can only serve as security for monetary claims (*geldvorderingen*) and be enforced upon default (*verzuim*) of the obligations secured thereby. Foreclosure on pledged property must be carried out in accordance with applicable provisions and limitations in the Netherlands Civil Code (*Burgerlijk Wetboek*) and the Netherlands Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*).

Under Dutch law, receipt of any payment made by a Dutch Provider under a security interest may be adversely affected by specific or general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of such security interest. The validity and enforceability of a security interest granted by or in, a Dutch Provider may also be successfully contested by such Dutch Provider (or their bankruptcy trustee in bankruptcy) on the basis of an ultra vires claim. The validity and enforceability of the obligations of the Dutch subsidiaries under a security interest may also be successfully contested by any creditor, or by the subsidiaries' respective bankruptcy trustee in bankruptcy when the subsidiary is in bankruptcy proceedings, if such obligation is prejudicial to the interests of any other creditor and the other requirements for voidable preference under the Netherlands Civil Code and Netherlands Bankruptcy Act are met. As a result, the value of the security interests provided by a Dutch Provider may be limited.

Pursuant to Article 2:7 of the Netherlands Civil Code (*Burgerlijk Wetboek*), any transaction entered into by a legal entity may be nullified by the legal entity itself or its bankruptcy trustee in bankruptcy if the objects of that entity were transgressed by the transaction and the other party to the transaction knew or should have known this without independent investigation (*wist of zonder eigen onderzoek moest weten*). The Dutch Supreme Court (*Hoge Raad der Nederlanden*) has ruled that in determining whether the objects of a legal entity are transgressed, not only the description of the objects in that legal entity's articles of association (*statuten*) is decisive, but all (relevant) circumstances must be taken into account, in particular whether the transaction is in the company's corporate interests (*vennootschappelijk belang*) and to its benefit; and whether the subsistence of the company is jeopardized by the transaction.

As of October 1, 2012, the prohibition on financial assistance for a Dutch private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) was removed from Dutch law. In connection with such removal the legislator noted that the granting of security with a view to the acquisition (or the refinancing thereof) by any party of shares in the company's share capital or the shares of its (direct or indirect) parent company could, depending on the further circumstances, constitute an ultra vires act. At present, there is no Dutch case law on this subject.

Pursuant to Dutch law it is uncertain as to whether security interests can be granted to a party other than the creditor of the claim purported to be secured by such security interests. For that reason, the security documents pursuant to which a security interest will be granted in the assets of the Dutch subsidiaries could use a parallel debt structure, whereby the Dutch subsidiaries, as separate and independent obligations, undertake to pay to the Security Agent on behalf of the holders of the Notes offered hereby amounts equal to the amounts due by it to the other creditors. Such parallel debt structure therefore creates a separate and independent claim of the Security Agent on behalf of the holders of the Notes offered hereby which can be secured by a security interest. Consequently, the security interests are granted to the Security Agent on behalf of the holders of the Notes offered hereby in its own capacity as creditor acting in its own name pursuant to the parallel debt, and not as a representative (*vertegenwoordiger*) of the creditors. It is expressly agreed in such a parallel debt provision that the obligations of the debtor to the Security Agent on behalf of the holders of the Notes offered hereby shall be decreased to the extent that the corresponding principal obligations to the creditors are reduced (and vice versa). However, such a parallel debt structure has never been tested before a Dutch court and we cannot assure that it will mitigate or eliminate the risk of unenforceability posed by Dutch law.

Canada

Kongsberg Inc. is a corporation formed or constituted under the laws of the province of Quebec (Canada). This summary highlights certain aspects of (i) the laws of the province of Quebec relating to Guarantees granted by corporations and limited partnerships and (ii) the federal and provincial laws in effect in Canada in respect of bankruptcy, insolvency and restructuring and receiverships in respect of the business and assets of debtors, in each case in force on the date of this Offering Memorandum.

Guarantees

Under the laws of the province of Quebec, there are no financial assistance rules that would restrict the giving of upstream guarantees by corporations or limited partnerships. Under the laws of the province of Quebec (and the federal laws of Canada applicable therein), a guarantee or some of its provisions may be unenforceable against the guarantor if they constitute (i) a penalty or (ii) a breach of law or public policy (*e.g.*, a clause providing for a rate of interest exceeding the statutory maximum under the Canadian Criminal Code would be illegal). A guarantee may also be unenforceable if the underlying guaranteed obligation has been changed without the consent of the guarantor or is unenforceable against the principal debtor. This latter result may be avoided if the guarantee also includes appropriate language that causes it to be properly characterized as an indemnity in that an indemnity should remain enforceable notwithstanding any invalidity or defect in the underlying obligation unless it would be contrary to public policy to provide indemnification for the underlying obligation. However, there can be no assurance that an agreement characterized by the parties as an indemnity will not be recharacterized as a guarantee by the court. While a guarantee may also provide that a guarantor will be liable as principal debtor for any amount not recoverable on the basis of a guarantee, the enforceability or effect of such a clause is questionable and in certain circumstances such a clause may provide the guarantor with an additional defence to enforcement. Guarantees typically contain waivers of defences available to the guarantor as a matter of law. Broad, non-specific waivers of any defences that may be available to guarantors may be unenforceable if the court finds that they are too vague or uncertain or if they contravene mandatory provisions of law. The giving of a guarantee by a corporate entity may also be subject to an oppression claim at corporate law.

Preferences and transfers at undervalue

In the context of insolvency proceedings, a trustee in bankruptcy, monitor or proposal trustee is required to review asset transfers and transactions undertaken by the bankrupt or insolvent debtor within specified time periods prior to the commencement of such proceedings to determine if the debtor was engaged in any preferential transactions or transfers at undervalue. In the case of “transfers at under value”, the review period is one year (or up to five years for parties not dealing at arm’s length, depending on the circumstances) whereas “preferences” are subject to review if they occurred within three months (or twelve months for parties not dealing at arm’s length). Provincial laws regarding fraudulent preferences, transfers at undervalue and fraudulent conveyances may also apply.

For example, a Guarantee given to a creditor dealing at arm’s length with the insolvent debtor could be voided on the basis that it constitutes a preference if the insolvent debtor issued the applicable Guarantee with a view to giving such creditor a preference (if the Guarantee has the effect of bestowing a preference, intent will be presumed in the absence of evidence to the contrary). Also, a Guarantee issued by the insolvent debtor may also be voided on the basis that it constitutes a transfer at undervalue if (1) the consideration received by the insolvent debtor in exchange for the Guarantee was conspicuously less than the fair market value of the property so transferred; (2) the insolvent debtor was insolvent at the time when the Guarantee was given or was rendered insolvent by reason of the issuance of the applicable Guarantee, and (3) the insolvent debtor intended to defraud, defeat or delay a creditor. If such Guarantee is issued to a party *not* dealing at arm’s length with the insolvent debtor during the period that is one year prior to the initial insolvency event, the determination of whether (1) the insolvent debtor was insolvent at the time when the applicable Guarantee was issued or was rendered insolvent by it, or whether (2) the insolvent debtor intended to defraud, defeat or delay a creditor will not be relevant in the determination of whether or not the issuance of the applicable Guarantee could be considered as a transfer at undervalue.

If a court were to find that the issuance of a Guarantee was a preference or transfer at undervalue, the court could void the payment obligations under such Guarantee, and/or require the holders of the Notes to repay any amounts received with respect to such Guarantee. In the event of a finding that a preference or transfer at undervalue occurred, you may not receive any repayment on the Notes.

We cannot be certain that the issuance of the Guarantees would not be subordinated to any of the Guarantors' other debt or determined by a court to be void.

Insolvency

In Canada, insolvency proceedings are governed principally by two federal statutes (with a third applying mainly to federal financial institutions). The federal insolvency laws in Canada apply across the country and allow for either a liquidation type proceeding (which is similar to a Chapter 7 type liquidation under the U.S. Bankruptcy Code) or a restructuring type proceeding (which is similar to a Chapter 11 type proceeding under the U.S. Bankruptcy Code). In addition, under federal insolvency laws and most provincial laws, secured creditors may seek the appointment by a court of what is known as a "receiver" over the collateral of the debtor, in order to sell the debtor's assets or manage the debtor's business or otherwise realise on collateral. In addition, secured creditors may have recourse to self-help remedies, including the appointment, in some provinces, of a private receiver under their security documents, remedies available to an hypothecary creditor under Quebec law, or other court supervised proceedings. Notwithstanding that insolvency proceedings in Canada are generally governed by federal statute, in certain circumstances provincial and territorial laws will affect the conduct and/or outcome of those proceedings (*e.g.*, security laws, landlord rights, receiverships, etc.) and it is also possible to restructure an enterprise under the reorganisation or arrangement provisions of the applicable federal or provincial corporate statute.

As a result of these laws, among other things, secured creditors could be prohibited from enforcing upon their security after the commencement of such proceedings or retaining security enforced upon prior to the commencement of such proceedings. Moreover, in such proceedings but subject to court oversight, the debtor (or its trustee in bankruptcy, receiver or similar representative) may be permitted to continue to use collateral, including cash collateral, even though the debtor is in default under the applicable debt instruments.

The rights of the Trustee who represents the holders of the Notes to enforce remedies could be delayed by the restructuring provisions of applicable Canadian federal bankruptcy, insolvency and other restructuring legislation and orders made with respect to Canadian law if the benefit of such law is sought with respect to the Issuer or any Guarantors organised under Canadian law. The powers of the court under the Canadian federal and provincial insolvency and reorganisation law have been interpreted and exercised broadly so as to protect a restructuring entity from actions taken by creditors and other parties. Moreover, certain provisions of the Intercreditor Agreement may limit the holders of the Notes' voting rights on a plan of compromise or arrangement, a plan of arrangement or a proposal put forward by the debtor and may limit the Trustee who represents the holders of the Notes' ability to seek other protection for the holders of the Notes. See "*Description of certain financing arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens*".

Accordingly, we cannot predict whether payments under the Notes or the Guarantees would be made during any bankruptcy, insolvency or other restructuring proceedings, whether or when the Trustee could exercise its rights under the Guarantees or whether and to what extent holders of the Notes would be compensated for any delays in payment, if any, of principal, interest and costs, including the fees and disbursements of the Trustee.

Liquidation

Bankruptcy proceedings in Canada can be either voluntarily commenced by a debtor or commenced against the debtor by any creditor or creditors of such debtor where the unsecured claims of the applicant creditors equals C$1,000 or more. In order for a bankruptcy filing to be valid, the debtor must meet one of the tests for bankruptcy set out in the Bankruptcy and Insolvency Act (the "***BIA***"), with the most common test being the inability or failure to meet obligations generally as they become due. Upon a bankruptcy occurring, all of the assets of the bankrupt (with a few limited exceptions) vest in a trustee in bankruptcy, with the proceedings being subject to the oversight of both the Superintendent of Bankruptcy and the relevant court. Typically, a trustee in bankruptcy proceeds to liquidate the assets of the bankrupt and distribute the proceeds to creditors in accordance with their legal priorities.

The BIA and certain other federal and provincial statutes in Canada provide super priority status to claims such as payroll deductions for employee income taxes, government operated pension plans and employment insurance, as well as, in certain circumstance, for certain private pension contributions (if any), unpaid wages and employee disbursements (accrued in the six months prior to the bankruptcy, up to C$2,000 for wages and C$1,000 for disbursements, per employee) and, in some circumstances, collected and unremitted Goods and Services Tax and Harmonized Sales Tax. These super priority status claims are secured on certain assets of the debtor and such security may rank in priority to the security interests of other secured creditors. After the claims subject to statutory super priorities are paid, the BIA provides that secured creditors are to be paid prior to unsecured creditors. While the general rule is that unsecured creditors share any remaining proceeds *pari passu*, the BIA does provide that certain "preferred" claims are to be paid prior to the general body of unsecured creditors, including the fees and expenses of the trustee in bankruptcy and its counsel, remaining unpaid wages and employee disbursements accrued in the six months prior to the bankruptcy in the amount noted above that were not paid from the assets to which the super priority security interest attaches, certain landlord claims, and certain other claims.

Upon the occurrence of a bankruptcy order or a voluntary assignment in bankruptcy, the BIA imposes a stay of proceedings on unsecured creditors and leave is required to proceed, or continue, with any actions against the bankrupt entity. In a bankruptcy scenario, the stay of proceedings generally does not apply to secured creditors, such that secured creditors are free to continue to enforce their security against the assets of the bankrupt, subject to satisfying the trustee in bankruptcy that they have valid and perfected security over the same.

As stated above, where applicable under federal or provincial law, a secured creditor may appoint a "receiver" or "receiver-manager" over the assets of a debtor or may seek court appointment of a receiver or receiver and manager. The receiver is not typically appointed to restructure a business. A receivership is intended as a mechanism for realising on collateral through a liquidation or a going-concern sale. The receiver will proceed to sell the debtor's assets, manage the debtor's business or otherwise realise on the collateral, with the proceeds from its activities payable in accordance with the established priorities. A receiver can be court-appointed or, in most Canadian provinces, privately appointed—the advantages and disadvantages of each vary. In the case of a court-appointed receivership, the powers of the receiver are in the discretion of the court. The appointment order typically includes a stay of proceedings and super-priority security interests or charges (which could be in priority to the security of existing secured creditors) on the assets of the debtor to secure the payment of amounts owing in respect of the receiver's fees and costs and, in certain circumstances, to secure the payment of any amounts to be borrowed by the receiver to facilitate the receivership. In the case of a private receiver, the receiver's powers are prescribed by contract (*i.e.*, between the creditor and the debtor). In each case, the receivership remains subject to many of the considerations in a bankruptcy, including super-priorities, reporting obligations, etc. although certain priorities will be different where no bankruptcy is involved. A receiver is often appointed where only the secured creditors are likely to be paid out of the realisations or there is an opportunity to realise higher returns through a going-concern sale of the business than a piecemeal liquidation. Ultimately, however, the effect is the same: the realisation on the debtor's assets in favour of those creditors legally entitled to the proceeds.

Restructuring

Generally, restructuring proceedings of insolvent entities are commenced under one of two statutes in Canada and it is also possible to restructure an enterprise under the reorganisation or arrangement provisions of the applicable federal or provincial corporate statute. Any such restructuring can involve a stay of proceedings with respect to creditors' rights and remedies and a compromise of the debt, including secured debt, owing by the restructuring entity.

For large or complex restructurings, the most commonly used statute is the Companies' Creditors Arrangement Act (the "***CCAA***"). In order to seek relief under the CCAA, the debtor must have at least C$5.0 million in outstanding claims against it. The granting of an order for relief under the CCAA is in the discretion of the court, but if granted, a CCAA order typically involves a broad stay of proceedings (applying to secured and unsecured creditors), protection from the termination of contracts by third parties, authority to disclaim or repudiate unfavourable contracts and, in certain cases, the granting of super-priority security interests or charges (which could be in priority to the security of existing secured creditors) on the assets of the applicant debtor company to secure the payment of any amounts to be borrowed from debtor-in-possession lenders to facilitate the restructuring, any amounts owing for the fees and costs of professionals involved in the restructuring, obligations of directors of the company with respect to their statutory liabilities and sometimes other amounts. An initial stay of proceedings under the CCAA cannot exceed 30 days, but the applicant debtor company is entitled to seek extensions of the stay thereafter. There is no time limit under the CCAA on the duration of an extension to the stay of proceedings under the CCAA or on the duration of the entirety of the proceeding itself.

CCAA proceedings are supervised by the court and upon the making of an order under the CCAA, the court must appoint a licenced trustee in bankruptcy to act as the "monitor" of the applicant company. The monitor is given certain powers under the CCAA and additional powers may be granted by court order. The monitor does not take possession of, or have any control over, the assets of the applicant company unless otherwise ordered by the court. The monitor is required to oversee certain filings made by the applicant company and provide its views with respect to same. The monitor also has a statutory duty to advise the court of any material adverse change in the status of the applicant company.

Under the CCAA, a company may, inter alia, proceed to file a plan of compromise or arrangement, or seek court approval of a sale of some or all of its assets. In the case of a plan of compromise or arrangement, it is necessary for the applicant company to obtain the requisite level of approval from affected creditors (approval must be obtained from creditors representing 662/3% in value of the debt and more than 50% in number of the creditors who cast votes in each affected class of creditors) and approval of the court. Secured creditors may be included in the plan, or may be dealt with outside of the plan. Upon requisite creditor and court approvals being obtained, the restructuring plan is binding on all affected creditors whether or not they voted in favour of the plan. CCAA plans may be combined with plans of reorganisation or arrangement under Canada's federal and provincial corporate statutes, allowing Canadian corporate entities to change their share capital, including cancelling existing shares and/or converting existing debt to new shares, in the context of a plan. If the proceeding includes an asset sale, any sale out of the ordinary course is subject to approval of the court (but with no creditor vote) and the court is authorised to make an order transferring assets to a purchaser free and clear of all liens, claims and encumbrances. During the course of a CCAA proceeding, creditors and contractual counterparties are not entitled to exercise any rights or remedies without leave of the court except for certain statutory exceptions (*e.g.*, proven claims of set-off, termination and enforcement rights under certain types of derivative agreements and certain regulatory investigations).

The court may not approve an asset sale or sanction a restructuring plan in the context of a CCAA proceeding unless any existing super priority employee wage claims and pension contribution claims are satisfied or provided for to the satisfaction of the court.

Debtors in Canada may also proceed with a restructuring under the proposal provisions of the BIA. The proposal provisions of the BIA (the "***Proposal Provisions***") provide for a process that is generally similar to, but less flexible than, restructuring proceedings under the CCAA. A restructuring under the BIA is typically undertaken where the proposed restructuring is small or relatively simple; or, where the applicant debtor simply does not qualify for the CCAA because its aggregate debt is less than C$5.0 million. There is no minimum amount of outstanding debt required to use the Proposal Provisions.

Upon filing a proposal (or a notice of intention to make a proposal ("***NOI***")) with the official receiver employed by the Office of the Superintendent of Bankruptcy, the BIA provides an automatic stay of proceedings. There is no need to apply to the court for the initial stay. The nature and term of the stay varies, depending on whether the debtor commences the proceedings by filing a proposal or by filing an NOI. In the context of a proposal, the stay applies to unsecured creditors but will only apply to secured creditors if the proposal includes an offer to secured creditors. Such stay will remain in place until the trustee administering the proposal proceedings is discharged (*e.g.*, the proposal is implemented and the proceedings concluded) or the debtor becomes bankrupt (*e.g.*, via a failed proposal, as discussed below). In the context of an NOI filing, the initial stay is for a period of 30 days and will apply to unsecured creditors as well as secured creditors subject to the caveats set forth below. However, if the debtor has not filed its proposal within the initial 30-day period, it may apply to the court for an extension of such period. The Proposal Provisions limit the duration of initial 30-day period and any extensions thereto to an aggregate of six months from the date of the filing of the notice of intention. Failure to file a proposal within this period will result in a deemed bankruptcy. The stay does not prevent a secured creditor from (i) dealing with the assets of the insolvent person if it took possession of the secured assets for the purpose of realisation before the filing of the proposal or notice of intention to file a proposal and (ii) enforcing its security against the debtor if the secured creditor gave the required notice under the BIA more than ten days before the filing of the proposal or notice of intention to file a proposal or if the debtor consents to the enforcement by the secured creditor in accordance with the BIA. In the case of any proceedings under the Proposal Provisions, the applicant debtor is protected from the termination of most contracts by third parties.

The Proposal Provisions allow for the granting of super priority charges (similar to the CCAA), repudiation or disclaimer of contracts (similar to the CCAA), and the appointment of a proposal trustee (which may have a similar role and powers as a monitor under the CCAA). A proposal is ultimately put to a creditor vote, with secured creditors (if any) voting in a separate class (or classes). In the event that the debtor's proposal to its creditors is either rejected by any class of unsecured creditors at a meeting held to approve such proposal (with the same voting thresholds as the CCAA noted above) or by the court when the proposal is put before the court for approval, the debtor is deemed bankrupt. Notably, if a proposal is rejected by a class of secured creditors but accepted by each class of unsecured creditors, the proposal does not automatically fail. The secured class rejecting the proposal is left to pursue rights and remedies in respect of their security, while the proposal is submitted to the court for approval.

The court may not approve an asset sale in the context of proposal proceedings or sanction a proposal unless any existing super priority employee wage claims and pension contribution claims are satisfied or provided for to the satisfaction of the court.

In the event of a foreign insolvency proceeding, both the CCAA and the BIA allow a representative, authorized in a foreign proceeding in respect of a debtor, to seek recognition of the foreign insolvency proceeding in Canada (which is similar to a Chapter 15 type proceeding under the U.S. Bankruptcy Code). The CCAA and the BIA each provide for a modified version of the UNCITRAL model insolvency law (collectively, the "***Recognition Provisions***"). The Recognition Provisions allow an authorised representative to apply for recognition of the foreign insolvency proceeding as either a "foreign main proceeding" or a "foreign non-main proceeding". The determination of the type of proceeding is based upon the centre of main interest ("***COMI***") of the debtor. If the court determines that the foreign proceeding is a "foreign main proceeding", the court must grant a stay of proceedings in Canada must prohibit the debtor from selling or otherwise disposing of any of its property in Canada outside the ordinary course of its business, and may grant additional relief permitted under the CCAA/ BIA, including the recognition of relief granted in the foreign jurisdiction which may differ materially from the relief normally available in Canada. If the court determines that the foreign proceeding is a "foreign non-main" proceeding, the court may, but is not required to, grant a stay of proceedings in Canada prohibit the debtor from selling any of its property in Canada outside the ordinary course of business, and grant any other relief permitted under the CCAA/BIA, including the recognition of relief granted in the foreign jurisdiction which may differ materially from the relief normally available in Canada. In the event that the foreign proceeding results in the approval of a restructuring plan, the Canadian court may grant an order providing that such plan shall be recognized and have full force and effect in Canada.

England and Wales

Certain of the Guarantors are companies incorporated under the laws of England and Wales (the "***English Obligors***"). Therefore, any insolvency proceedings with respect to the English Obligors would likely proceed under, and be governed by, English insolvency laws. However, pursuant to the EU Insolvency Regulation, where a company incorporated under English law has its COMI (as defined in the EU Insolvency Regulation) in a member state of the European Union other than the United Kingdom, then the main insolvency proceedings for that company will, subject to certain exceptions, be opened in the member state in which its COMI is located and be subject to the laws of that member state. In addition, the Cross Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross Border Insolvency in England and Wales, provide that a foreign (*i.e.,* non European) court may have jurisdiction where any English company has a COMI in such foreign jurisdiction or where it has an "establishment" (being any place of operations where the debtor carries out a non-transitory economic activity with human means and assets or services).

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar. In the event that an English Obligor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. The obligations under the Notes are secured by security interests over the collateral. English insolvency laws and other limitations could limit the enforceability of a Guarantee against an English Obligor and the enforceability of security interests over the collateral.

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on guarantees governed by English law and the security interests that may be granted over collateral. The application of these laws could adversely affect investors, their ability to enforce their rights under the English Guarantees and/or the collateral securing the Notes and the English Guarantees and therefore may limit the amounts that investors may receive in an insolvency of an English Obligor.

Administration

The Insolvency Act 1986, as amended by the Enterprise Act 2002, and as amended from time to time (the "***Insolvency Act***") empower English courts to make an administration order in respect of a company registered in England and Wales or a company with its COMI in England and Wales in certain circumstances. Without limitation and subject to specific conditions, an administration order can be made if the court is satisfied that the relevant company is or is likely to become "unable to pay its debts" and that the administration order is reasonably likely to achieve the stated purpose of the administration. A company is unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due) or if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities). Such insolvency is presumed if, among other matters, the company fails either to satisfy a creditor's statutory demand for a debt exceeding £750 or to satisfy in full or in part a judgment debt (or similar court order). Without limitation and subject to specific conditions, an English company, the directors of such company or the holder of a qualifying floating charge (see "Administrative Receivership" below as to what constitutes a qualifying floating charge) where the floating charge has become enforceable, may also appoint an administrator via an out of court process, and different procedures apply according to the identity of the appointor. The purpose of an administration must come under one of three objectives prescribed by statute and which must be looked at successively: rescuing the company as a going concern or, if that is not reasonably practicable, achieving a better result for the company's creditors as a whole than would be likely upon immediate liquidation or, if neither of those objectives is reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby, realising property to make a distribution to one or more secured or preferential creditors. The order of priority which applies to any distribution to creditors is set out below (see "Priority on insolvency").

Certain rights of creditors, including secured creditors, are curtailed in an administration pursuant to the statutory moratorium imposed under the Insolvency Act. Upon the appointment of an administrator, no step may be taken to enforce security over the company's property except with the consent of the administrator or permission of the court. The same requirements for consent or permission apply to the institution or continuation of legal process (including legal proceedings, execution, distress and diligence) against the company or property of the company. In either case, a court will consider a range of discretionary factors in determining any application for leave in light of the hierarchy of statutory objectives of administration described above.

Accordingly, if any of the Guarantors or the providers of collateral were to enter into administration, the Notes, the Guarantees and the collateral, as applicable, could not be enforced while the relevant company was in administration without the permission of the court or consent of the administrator. There can be no assurance that the security agent would obtain such permission of the court or consent of the administrator.

In addition, while an administrator is in office, the powers of the board of directors of the company (save those that do not interfere with the exercise of that administrators' powers, and those permitted by the administrator) are suspended, and an administrator is given wide powers to conduct the business and, subject to certain requirements under the Insolvency Act, dispose of the property of a company in administration (including property subject to a floating charge).

However, certain creditors of a company in administration may, in certain defined circumstances, be able to realise their security over certain of that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a "security financial collateral arrangement" (generally, a charge over cash or financial instruments, such as shares, bonds or tradeable capital market debt instruments and credit claims) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended) (the "***Financial Collateral Regulations***"). If an English company were to enter administration, it is possible that, to the extent such security is not a financial collateral arrangement, the security granted by it or the guarantee granted by it would not be able to be enforced while it is in administration without leave of the court or consent of the administrators (although a demand for payment could be made under a guarantee granted by it).

Administrative receivership

If a company grants a "qualifying floating charge" to a party for the purposes of English insolvency law, that party may be able to appoint an administrative receiver provided the qualifying floating charge pre-dates September 15, 2003 or falls within one of the exceptions under the Insolvency Act to the prohibition on the appointment of administrative receivers. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which: (a) states that the relevant statutory provision applies to it; (b) purports to empower the holder to appoint an administrator of the company; or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the Insolvency Act. A party will be the holder of a qualifying floating charge if he holds one or more debentures of the company secured: (a) by a qualifying floating charge which related to the whole or substantially the whole of the company's property; (b) by a number of qualifying floating charges which together related to the whole or substantially the whole of the company's property; or (c) by charges and other forms of security which together relate to the whole or substantially the whole of the company's property and at least one of which is a qualifying floating charge. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the Insolvency Act), which may apply if the issue of the Notes creates a debt of at least £50.0 million for the relevant English company during the life of the arrangement and the arrangement involves the issue of a "capital market investment" (which is defined in the Insolvency Act, and includes rated, listed or traded debt instruments, and debt instruments designed to be rated, listed or traded).

If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a qualifying floating charge using the out of court procedure) and then only if the person who appointed the administrative receiver consents or the court considers that the security pursuant to which the administrative receiver was appointed is capable of challenge as a transaction at an undervalue, a preference or an invalid floating charge. If an administrator is appointed, any administrative receiver will vacate office, and any receiver appointed over part of the company's property must resign if required to do so by the administrator.

Liquidation/winding-up

Liquidation is a company dissolution procedure under which the assets of a company are realised and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act (see "Priority on insolvency" below). Once the liquidator has completed this task, the company is dissolved and removed from the register of companies. There are two forms of winding-up: (a) compulsory liquidation, by order of the court; and (b) voluntary liquidation, by resolution of the company's members, and which is in turn divided into members' voluntary liquidation ("***MVL")*** and creditors' voluntary liquidation ("***CVL***"). The most common grounds for the compulsory winding-up of a company is that it is either unable to pay its debts (as defined in Section 123 of the Insolvency Act) or the court is of the opinion that it is just and equitable for the company to be wound up.

The effect of a compulsory liquidation differs in a number of respects from that of a voluntary liquidation. In a compulsory liquidation, under Section 127 of the Insolvency Act, any disposition of the relevant company's property made after the commencement of the winding up is, unless sanctioned by the court, void. Subject to certain exceptions, when an order is made for the winding-up of a company by the court, it is deemed to have commenced from the time of the presentation of the winding up petition. Once a winding up order is made by the court, a stay of all proceedings against the company will be imposed. No legal action may be continued or commenced against the company without permission of the court.

In the context of a voluntary liquidation however, there is no equivalent to the retrospective effect of a winding-up order; the winding-up commences on the passing of the members' resolution to wind up. As a result, there is no equivalent of Section 127 of the Insolvency Act. There is also no automatic stay in the case of a voluntary liquidation – it is for the liquidator, or any creditor or contributory of the company, to apply for a stay. This is important because, in the absence of a stay being obtained, it means secured creditors for example can go ahead and enforce their security.

A MVL is a solvent liquidation that is controlled by the shareholders. It commences when the shareholders pass a special resolution to place the company into liquidation and there is no involvement by the court. Not more than five weeks prior to the making of the winding up resolution, the directors must swear a statutory declaration of solvency stating that, after having made full enquiry into the company's affairs, they have formed the opinion that it will be able to pay its debts, including interest and the costs of the MVL process, within a stated period not exceeding 12 months from the start of the liquidation.

A CVL is also commenced by the shareholders resolving to place the company into liquidation and has no court involvement. In contrast to a MVL, however, the directors do not swear a statutory declaration of solvency for a CVL (meaning the company can be solvent or insolvent). If the creditors choose a different person to act as liquidator from the shareholders, the creditors' choice will prevail.

A liquidator has, among other things, the power to bring or defend legal proceedings on behalf of the company, to carry on the business of the company as far as it is necessary for its beneficial winding up, to sell the company's property and execute documents in the name of the company and to challenge antecedent transactions.

Priority on insolvency

With the exception of the Prescribed Part (as defined below), distributions generally cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been paid in full. Unless creditors have agreed otherwise, distributions are made on a pari passu basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

The general priority on insolvency is as follows (in descending order of priority):

- First ranking: holders of fixed charge security but only to the extent the value of the secured assets covers that indebtedness and creditors with a proprietary interest in specific assets in the possession (but not full legal and beneficial ownership) of the debtor but only with respect to the assets in which they have a proprietary interest;
- Second ranking: expenses of the insolvent estate (there are statutory provisions setting out the order of priority in which expenses are paid);
- Third ranking: preferential creditors. Ordinary preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (a) contributions to occupational and state pension schemes; (b) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; (c) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the date of insolvency; and (d) bank and building deposits eligible for compensation under the Financial Services Compensation Scheme ("***FSCS***") up to the statutory limit. As between one another, ordinary preferential debts rank equally. Secondary preferential debts include bank and building deposits eligible for compensation under the FSCS to the extent that claims exceed the statutory limit, and rank for payment after the discharge of the ordinary preferential debts. As between one another, secondary preferential debts rank equally;
- Fourth ranking: holders of floating charge security, according to the priority of their security. This would include any floating charge that was stated to be a fixed charge in the document that created it but which, on a proper interpretation, was rendered a floating charge. However, before distributing asset realisations to the holders of any floating charges, the Prescribed Part (as defined below) must, subject to certain exceptions, be set aside for distribution to unsecured creditors;
- Fifth ranking:
  - firstly, provable debts of unsecured creditors (save where such creditors are deferred under section 74(2(f)) of the Insolvency Act) and any secured creditor to the extent of any unsecured shortfall,

in each case including accrued and unpaid interest on those debts up to the date of commencement of the relevant insolvency proceedings. In the case of any unsecured shortfall for secured creditors, the insolvency officeholder is not permitted to make a distribution from the Prescribed Part to such secured creditors unless the Prescribed Part is sufficient to first pay out all unsecured creditors;

  - secondly, interest on the company's debts (at the higher of the applicable contractual rate and the official rate) in respect of any period after the commencement of liquidation, or after the commencement of any administration which had been converted into a distributing administration. However, in the case of interest accruing on amounts due under the Notes or the Guarantees, such interest due to the holders of the Notes may, if there are sufficient realisations from the secured assets, be discharged out of such security recoveries; and
  - thirdly, non-provable liabilities, being liabilities that do not fall within any of the categories above and therefore are only recovered in the (unusual) event that all categories above are fully paid. This however does not include "currency conversion" claims following the English Supreme Court Lehman Brothers ruling dated 17 May 2017; and

- Sixth ranking: shareholders. if after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Subject to the above order of priority, subordinated creditors are ranked according to the terms of the subordination language in the relevant documentation (and provided that such terms do not contravene the Insolvency Act).

An insolvency practitioner of the company (*e.g.*, administrator, administrative receiver or liquidator) will generally be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (after making full provision for preferential creditors and expenses out of floating charge realisations) (the "***Prescribed Part***"). Under current law, this ring-fence applies to 50% of the first £10,000 of floating charge realisations and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000. The Prescribed Part must be made available to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefit to creditors.

Avoidance of transactions

There are circumstances under English insolvency law in which the granting by an English company of security and/or guarantees can be challenged. In most cases, this will only arise if the company is placed into administration or liquidation within a specified period after the granting of the security and/or guarantee. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, the administrator or liquidator may challenge the validity of the security or guarantee given by such company. The Issuer cannot be certain that, in the event that the onset of an English company's insolvency (as described below) is within any of the requisite time periods, the grant of a security interest and/or guarantee in respect of the relevant Notes would not be challenged or that a court would uphold the transaction as valid.

Onset of insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges (as discussed below), depends on the insolvency procedure in question.

In administration, the onset of insolvency is the date on which: (a) the court application for an administration order is issued; (b) the notice of intention to appoint an administrator is filed at court; or (c) otherwise, the date on which the appointment of an administrator takes effect.

In a compulsory liquidation the onset of insolvency is the date the winding-up petition is presented to court, whereas in a voluntary liquidation it is the date the company passes a winding-up resolution. Where liquidation follows administration, the onset of insolvency will be the same as the initial administration.

Connected persons

If the given transaction at an undervalue, preference, or invalid floating charge has been entered into by the company with a "connected person", then particular specified time periods and presumptions will apply to any challenge by an administrator or liquidator (as set out below).

A “connected person” of a company granting a security interest or guarantee for the purposes of transactions at an undervalue, preferences or invalid floating charges is a party who is: (a) a director of the company; (b) a shadow director; (c) an associate of such director or shadow director; or (d) an associate of the relevant company.

A party is associated with an individual if they are: (a) a relative of the individual; (b) the individual’s husband, wife or civil partner; (c) a relative of the individual’s husband, wife or civil partner; or (d) the husband, wife or civil partner of a relative of the individual.

A party is associated with a company if they are employed by that company.

A company is associated with another company if the same person has control of both companies, or a person has control of one and persons who are his associates, or he and persons who are his associates, have control of the other, or if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

The potential grounds for challenge available under the English insolvency legislation that may apply to any security interest or guarantee granted by an English company include, without limitation, the following described below.

Transactions at an undervalue

Under the Insolvency Act, a liquidator or administrator of a company could apply to the court for an order to set aside the creation of a security interest or a guarantee (or grant other relief) where the creation of such security interest or guarantee constituted a transaction at an undervalue. It will only be a transaction at an undervalue if at the time of the transaction or in consequence of the transaction, the company is unable to pay its debts or becomes unable to pay its debts (as defined in Section 123 of the Insolvency Act). The transaction can be challenged if the onset of the company’s insolvency is within a period of two years from the date the company grants the security interest or the guarantee. A transaction may be set aside as a transaction at an undervalue if the company made a gift to a person, if the company received no consideration or if the company received consideration of significantly less value, in money or money’s worth, than the consideration given by such company.

However, a court will generally not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the company to the position it would have been in had it not entered into the transaction (which could include reducing payments under guarantees or setting aside any security interests or guarantees granted). In any proceedings, it is for the administrator or liquidator to demonstrate that the company was unable to pay its debts unless a beneficiary of the transaction was a connected person (see “Connected persons” above), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the company in such proceedings. An order by the court for a transaction at an undervalue may affect the property of, or impose any obligation on, any person whether or not he is the person with whom the company entered into the transaction, but such an order will not prejudice any interest in property which was acquired from a person other than the company in good faith and for value, or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the transaction in good faith and for value to pay a sum to the liquidator or administrator of the company, except where that person was a party to the transaction.

Preference

Under the Insolvency Act, a liquidator or administrator of an company could apply to the court for an order to set aside the creation of a security interest or a guarantee (or grant other relief) where the creation of such security interest or such guarantee constituted a preference. It will only be a preference if at the time of the transaction or in consequence of the transaction the company is unable to pay its debts or becomes unable to pay its debts (as defined in Section 123 of the Insolvency Act). The transaction can be challenged if the company enters into insolvency within a period of six months (if the beneficiary of the security or the guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date the company grants the security interest or the guarantee ending with the onset of insolvency. A transaction may constitute a preference if it has the effect of putting a creditor of the company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. However, for the court to determine a preference, it must be shown that the company was influenced by a desire to produce that result. If the court determines that the transaction was a preference, the court can make such order as it thinks fit to restore the company to the position it would have been in had it not entered into the transaction.

In any proceedings, it is for the administrator or liquidator to demonstrate that the company was unable to pay its debts at the relevant time and that there was such desire to prefer the relevant creditor, unless the beneficiary of the transaction was a connected person, in which case it is presumed that the company intended to put that person in a better position and the connected person must demonstrate that there was, in fact, no such desire, on the part of the company, to prefer them. An order by the court for a preference may affect the property of, or impose any obligation on, any person whether or not he is the person to whom the preference was given, but such an order will not prejudice any interest in property which was acquired from a person other than the company in good faith and for value, or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the preference in good faith and for value to pay a sum to the liquidator or administrator of the company, except where the payment is to be in respect of a preference given to that person at a time when he was a creditor of the company.

The desire to prefer requires a ''positive wish to improve the creditor's position in the event of the company's insolvent liquidation'' (Re Fairway Magazines Ltd 1993 BCLC 643). A preferential effect for a creditor may be foreseen by the company without being desired. Where a company is influenced by ''proper commercial considerations'' there will be no desire to prefer and therefore no voidable preference (Re MC Bacon Ltd (No. 1) 1990 BCLC 324).

Voidable floating charges

Under the Insolvency Act, a floating charge created by a company over its property may be invalid if it was created in the relevant time. Where the transaction is with a connected person, this means within a period of 2 years before the onset of insolvency. In all other cases, this means within a period of 12 months before the onset of insolvency when the company was at the time of the transaction, or became as a result of the transaction, unable to pay its debts (as defined in the Insolvency Act).

This is the only requirement for setting aside the floating charge and, if met, the security is automatically invalid except to the extent of the aggregate of the value of so much of the consideration for the creation of the charge (as consists of money paid, goods or services supplied or debts discharged and interest thereon) supplied to the company at the time of, or after the creation of, the charge. No court action is required, save for where there is a foreign officeholder recognised under the Cross Border Insolvency Regulations 2006 who wishes to challenge the validity of a floating charge under article 23 of the Cross Border Insolvency Regulations 2006.

This does not apply to a floating charge that has been created under a financial collateral arrangement within the meaning of the Financial Collateral Regulations.

Transactions defrauding creditors

Under the Insolvency Act, where it can be shown that a transaction was at an undervalue and was made for the substantial purpose of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim which that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a "victim" of the transaction (with the leave of the court if the company is in liquidation or administration) and is not therefore limited to liquidators or administrators and, subject to certain conditions, the UK Financial Conduct Authority and the UK Pensions Regulator. There is no statutory time limit under English insolvency legislation within which the challenge must be made (subject to the normal statutory limitation periods) and the relevant company does not need to be insolvent at the time of, or as a result of, the transaction.

If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a person other than the debtor company in good faith, for value and without notice of the relevant circumstances, and will not require a person who received a benefit from such transaction in good faith, for value and without notice of the relevant circumstances to pay any sum unless such person was a party to the transaction.

Extortionate credit transaction

An administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions entered into by an English Obligor up to three years before the day on which the English Obligor entered into administration or liquidation. A transaction is “extortionate” if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing.

Disclaimer

A liquidator has the power to disclaim onerous property, which is any unprofitable contract or other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act, by serving the prescribed notice on the relevant party. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on a company that may be detrimental to creditors. A contract will not be unprofitable merely because it is financially disadvantageous, or because the company could have made, or could make, a better bargain. However, this power does not apply to an executed contract, nor can it disturb accrued rights and liabilities.

Limitation on enforcement

The grant of a Guarantee or collateral by any of the English Obligors in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company’s memorandum and articles of association. To the extent that these documents do not allow such an action, there is the risk that the grant of the guarantee and the subsequent security can be found to be void and the respective creditor’s rights unenforceable. Some comfort may be obtained for third parties if they are dealing with an English Obligor in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for each English Obligor in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director of a company must act in the way that he considers, in good faith, would be most likely to promote the success of that company for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Security over shares

Security over shares granted by an English Obligor or over shares of the English Obligor are, under English law, equitable charges, not legal charges. An equitable charge arises where a chargor creates an encumbrance over the property in favour of the chargee but the chargor retains legal title to the shares. Remedies in relation to equitable charges may be subject to equitable considerations or are otherwise at the discretion of the court.

Foreign currency

Under the Insolvency Act, where creditors are asked to submit formal proofs of claim for their debts, the office-holder will convert all foreign currency denominated proofs of debt into sterling at a single rate for each currency determined by the office-holder by reference to the exchange rates prevailing on the relevant date. If a creditor considers the rate to be unreasonable, they may apply to the court.

Scheme of arrangement

Although it is not an insolvency proceeding, pursuant to Part 26 of the Companies Act 2006, the English courts have jurisdiction to sanction a scheme of arrangement that effects a compromise of a company's liabilities between a company and its creditors (or any class of its creditors). An English Obligor may be able to pursue a scheme in respect of its financial liabilities. In addition, a foreign guarantor which is liable to be wound up under the Insolvency Act and has a "sufficient connection" to England and Wales could also pursue a scheme. In practice, a foreign company is likely to satisfy the first limb of this test and the second limb has been found to be satisfied where, amongst other things, the company's COMI is in England, the company's finance documents are English law-governed, or the company's finance documents have been amended in accordance with their terms to be governed by English law. Ultimately, each case will be considered on its particular facts and circumstances so previous cases will not necessarily determine whether or not any of the grounds of the second limb are satisfied in the present case.

Before the court considers the sanction of a scheme of arrangement at a hearing where the fairness and reasonableness of the scheme will be considered, affected creditors will vote on the proposed compromise or arrangement in respect of their claims in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed scheme and any new rights that such creditors are given under the scheme. Such compromise can be proposed by the company or its creditors. If a majority in number representing 75% or more by value of those creditors present and voting at the meeting(s) of each class of creditors vote in favour of the proposed scheme, irrespective of the terms and approval thresholds contained in the finance documents, then that scheme will (subject to the sanction of the court) be binding on all affected creditors, including those affected creditors who did not participate in the vote and those who voted against the scheme. The scheme then needs to be sanctioned by the court at a sanction hearing where the court will review the fairness of the scheme and consider whether it is reasonable. The court has the discretion as to whether to sanction the scheme as approved, make an order conditional upon modifications being made or reject the scheme.

France

Insolvency

We conduct part of our business activity in France and, to the extent that the registered office of any of the Guarantors is deemed to be in France, they could be subject to French court-assisted proceedings affecting creditors, *i.e.*, *mandat ad hoc* or *conciliation* proceedings (which do not fall within the scope of the EU Insolvency Regulation). In addition, to the extent that their COMI or, in cases where the EU Insolvency Regulation does not apply, their main centre of interests within the meaning of article R. 600-1 of the French Commercial Code, is deemed to be in France or they have an establishment in France, they could also be subject to French court-administered proceedings affecting creditors, *i.e.*, either safeguard proceedings, accelerated safeguard proceedings or accelerated financial safeguard proceedings (*sauvegarde*, *sauvegarde accélérée* or *sauvegarde financière accélérée*), judicial reorganization proceedings (*redressement judiciaire*) or judicial liquidation proceedings (*liquidation judiciaire*).

Specialized courts exist for (i) conciliation or insolvency proceedings with respect to debtors that meet or exceed (on a stand-alone basis or together with the companies under their control) (x) 20 million euros in turnover and 250 employees or (y) 40 million euros in turnover, (ii) commencement of proceedings with respect to which the court's international jurisdiction results from the application of the EU Insolvency Regulation or (iii) in cases where the EU Regulation does not apply, from the debtor having its main center of interests within the jurisdiction of such specialized courts.

In addition, the French court that commences insolvency proceedings with respect to the member of a corporate group has jurisdiction over all the other members of the group (subject to French courts having international jurisdiction with respect to such entities, in accordance with the rules outlined above and to specific control thresholds); accordingly, a court can supervise the insolvency proceedings of the whole group and may, for this purpose, appoint the same administrator and creditors' representative (*mandataire judiciaire*) for all proceedings in respect of members of the group.

In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit your ability to enforce your rights under the Notes and/or the Notes Guarantees granted by the French Guarantors and corresponding security interests in the Collateral.

Annex A of the EU Insolvency Regulation lists safeguard, accelerated safeguard, accelerated financial safeguard, judicial reorganization and judicial liquidation proceedings as insolvency proceedings within the meaning of the EU Insolvency Regulation. Any company of our group having its COMI in France would be subject to French main insolvency proceedings and any company of our group having an establishment in France and its COMI in another EU Member State (other than Denmark) could be subject to French secondary insolvency proceedings.

The following is a general discussion of insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the Notes.

Grace periods

In addition to insolvency laws discussed below, you could, like any other creditors, be subject to Article 1343-5 of the French Civil Code (*Code civil*).

Pursuant to the provisions of this article, French courts may, in any civil or commercial proceedings involving the debtor, whether initiated by the debtor or the creditor, taking into account the debtor's financial position and the creditor's needs, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the legal rate, as published semi-annually by the French government) or that payments made shall first be allocated to repayment of principal. A court order made under Article 1343-5 of the French Civil Code will suspend any pending enforcement measures, and any contractual default interest or penalty for late payment will not accrue or be due during the grace periods ordered by the relevant judge.

If the debtor is engaged in conciliation proceedings or has reached a conciliation agreement that is in the course of being executed, special rules apply to the grant of grace periods (see *"Court-assisted Proceedings*" below).

Insolvency test

Under French law, a debtor is considered to be insolvent (*en état de cessation des paiements*) when it is unable to pay its due debts with its immediately available assets (*actif disponible*) taking into account available credit lines, existing debt rescheduling agreements and moratoria.

The date of insolvency (*état de cessation des paiements*) is generally deemed to be the date of the court ruling commencing the judicial reorganization or judicial liquidation proceedings, unless the court sets an earlier date, which may be carried back up to 18 months before the date of such court ruling. Except for fraud, the date of insolvency may not be fixed at an earlier date than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings. The date of insolvency marks the beginning of the hardening period (see below).

Court-assisted Proceedings

A French debtor facing difficulties may in certain conditions request the commencement of court-assisted proceedings (*mandat ad hoc* or *conciliation*), the aim of which is to reach an agreement with the debtor's main creditors and stakeholders *e.g.*, an agreement to reduce or reschedule its indebtedness.

Mandat ad hoc proceedings may only be initiated by the debtor itself, in its sole discretion. In practice, *mandat ad hoc* proceedings are used by debtors that are facing any type of difficulties but are not insolvent (see *"Insolvency test"* above). The proceedings are informal and confidential by law (save for the disclosure of the court decision appointing the *mandataire ad hoc* to the statutory auditors, if any). They are carried out under the aegis of a court-appointed officer (*mandataire ad hoc*), whose name may be suggested by the debtor itself, under the supervision of the president of the court. The proceedings are not limited in time. The duties of the *mandataire ad hoc* are determined by the competent court (usually the commercial court) that appoints him or her, usually to facilitate negotiations with creditors. Any agreement between the debtor and its creditors will be negotiated on a purely consensual and voluntary basis: those creditors not willing to take part cannot be bound by the agreement nor forced to accept it. *Mandat ad hoc* proceedings do not automatically stay any pending proceedings and creditors are not barred from taking legal action against the debtor to recover their claims but those that have accepted to take part in the proceedings usually accept not to do so for their duration. In any event, the debtor retains the right to petition the relevant judge for a grace period under Article 1343-5 of the French Civil Code (see "*Grace periods*" above). The agreement reached is reported to the president of the court but is not formally approved by it.

Conciliation proceedings may only be initiated by the debtor itself if it faces actual or foreseeable difficulties of a legal, economic or financial nature and is not insolvent (see *"Insolvency test"* above) or has not been insolvent for more than 45 calendar days. The proceedings are confidential by law (save for the disclosure of the court decision commencing the proceedings to the statutory auditors, if any). They are carried out under the aegis of a court-appointed conciliator (*conciliateur*), whose name may be suggested by the debtor itself, under the supervision of the president of the court. The proceedings may last up to five months (with the *conciliateur* being able to request an extension in the event that the court first decided on less than five months). The duties of the *conciliateur* are to assist the debtor in negotiating an agreement with all or part of its creditors and/or trade partners that puts an end to its difficulties, *e.g.*, providing for the restructuring of its indebtedness. Any agreement between the debtor and its creditors will be negotiated on a purely consensual and voluntary basis: those creditors not willing to take part cannot be bound by the agreement nor forced to accept it. *Conciliation* proceedings do not automatically stay any pending proceedings and creditors are not barred from taking legal action against the debtor to recover their claims but those that have accepted to take part in the proceedings usually accept not to do so for their duration and creditors may not request the opening of insolvency proceedings (*redressement judiciaire* or *liquidation judiciaire*) against the debtor. Pursuant to article L. 611-7 of the French Commercial Code, during the proceedings, the debtor retains the right to petition the judge that commenced them for a grace period in accordance with Article 1343-5 of the French Civil Code (see "*Grace periods*" above) provided that a creditor has formally put the debtor on notice to pay, or is suing for payment; the judge will take its decision after having heard the conciliator and may condition the duration of the measures it orders to reaching an agreement in the conciliation proceedings.

Additionally, pursuant to Article L. 611-10-1 of the French Commercial Code, the judge having commenced conciliation proceedings may, during the execution period of a conciliation agreement (whether it is acknowledged or approved as described below), impose grace periods on creditors who were asked to participate in the conciliation proceedings (other than the tax and social security administrations) and have formally put the debtor on notice to pay or are suing for payment of claims that were not dealt with in the conciliation agreement, such decision being taken after hearing the *conciliateur* if he/she has been appointed to monitor the implementation of the agreement.

The conciliation agreement reached between the parties may be acknowledged (*constaté*) by the president of the Commercial Court at the request of the parties, which makes the agreement binding upon them (in particular, performance of the conciliation agreement prevents any action by the creditors party thereto against the debtor to obtain payment of claims governed by the conciliation agreement) and enforceable without further recourse to a judge (*force exécutoire)*, but the conciliation proceedings remain confidential.

Alternatively, the conciliation agreement may be approved (*homologué*) by the Commercial Court at the request of the debtor following a hearing held for that purpose which will have to be attended by the works council or employee representatives, as the case may be, if (i) the debtor is not insolvent or the conciliation agreement has the effect of putting an end to the debtor's insolvency, (ii) the conciliation agreement effectively ensures that the company will survive as a going concern and (iii) the conciliation agreement does not impair the rights of the non-signatory creditors. Such approval will have the same effect as its acknowledgement (*constatation*) as described above and, in addition:

- the decision of approval by the relevant Civil or Commercial Court, which should only disclose the amount of any New Money Lien and the guarantees and security interests granted to secure the same, will be public but the agreement itself should otherwise remain confidential except vis-à-vis the works council or employee representatives that are informed of the content of the conciliation agreement and may have access to the full conciliation agreement at the clerk's office (*greffe*) of the Court;

- creditors that, in the context of the conciliation proceedings, provide new money, goods or services designed to ensure the continuation of the business of the debtor (other than shareholders providing new equity in the context of a capital increase) will enjoy a priority of payment over all pre-commencement and post-commencement claims (except with respect to certain pre-commencement employment claims and procedural costs) (the "***New Money Lien***"), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings;
- in the event of subsequent safeguard proceedings, judicial reorganization or judicial liquidation proceedings, the claims benefiting from the New Money Lien may not, without their holders' consent, be written off and their payment date may not be rescheduled to a date later than the date on which the safeguard or reorganization plan is adopted, not even by the creditors' committees (the powers of the bondholders general meeting in this respect are the subject of debate);
- when the debtor is submitted to statutory auditing, the conciliation agreement is communicated to its statutory auditors; and
- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of insolvency (see *"Insolvency test"* above), and therefore the starting date of the hardening period (as defined below—see The *"hardening period (période suspecte) in judicial reorganization and liquidation proceedings"*), cannot be set by the court as of a date earlier than the date of the approval (*homologation*) of the agreement by the court (except in case of fraud).

Whether the conciliation agreement is acknowledged or approved, the court may, at the request of the debtor, appoint the *conciliateur* to monitor the implementation of the agreement (*mandataire à l'exécution de l'accord*) during its execution and, while the agreement is in force:

- interest accruing on the claims that are the subject to the conciliation agreement may not be compounded;
- the debtor retains the right to petition the judge that commenced the conciliation proceedings for a grace period in accordance with Article L. 611-10-1 of the French Commercial Code as explained above; and
- a third party which had previously granted credit support (a guarantee or security interest) with respect to the debtor's obligations may benefit from the provisions of the conciliation agreement as well as from grace periods granted in the context of conciliation proceedings.

If the debtor breaches the terms of the conciliation agreement, any party to it may petition the president of the court or the court (depending on whether the agreement was acknowledged or approved) for its termination. If such termination is granted, grace periods granted in relation to the conciliation proceedings may be revoked. Conversely, provided the conciliation agreement is duly performed, any individual proceedings by creditors with respect to obtaining payment of the claims dealt with by the conciliation agreement are suspended and/or prohibited. The commencement of subsequent insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims (decreased by the payments already received) and pre-existing security interests or guarantees.

Conciliation proceedings in which a draft plan is supported by a large majority of creditors which is likely to meet the threshold requirements for creditors' consent in safeguard is a mandatory preliminary step of accelerated safeguard proceedings or accelerated financial safeguard proceedings, as described below.

At the request of the debtor and after the creditors taking part in the proceedings have been consulted on the matter, *mandat ad hoc* and conciliation proceedings may also be used to organize the partial or total sale of the debtor, in particular through a "plan for the disposal of the business" (*plan de cession*) which could be implemented in the context of subsequent safeguard, judicial reorganization or liquidation proceedings. Provided that they comply with certain requirements, any offers received in this context by the *mandataire ad hoc* or the conciliateur may be directly considered by the court in the context of safeguard, reorganization or liquidation proceedings after consultation of the State prosecutor.

As a matter of law, any contractual provision that (i) modifies the conditions for the continuation of an ongoing contract by reducing the debtors' rights or increasing its obligations simply by reason of the designation of a *mandataire ad hoc* or of the commencement of conciliation proceedings or of a request submitted to this end or (ii) requires the debtor to bear, by reason only of the appointment of a *mandataire ad hoc* or of the commencement of conciliation proceedings, more than three-quarters of the fees of the professional advisers retained by creditors in connection with these proceedings, is deemed null and void.

Where the maximum time period allotted to court-assisted proceedings expires without an agreement being reached, the proceedings will end. The termination of such proceedings does not, in and of itself entail any specific legal consequences for the debtor, in particular it does not result in the automatic commencement of insolvency proceedings. New conciliation proceedings cannot be commenced before 3 months have elapsed as from the end of the previous ones.

Court-administered Proceedings—Safeguard

A debtor which experiences difficulties that it is not able to overcome may, in its sole discretion, initiate safeguard proceedings (*procédure de sauvegarde*) with respect to itself, *provided* that it is not insolvent (see *"Insolvency test" above). Creditors of the debtor are not notified of, nor invited to attend the hearing before the court at which the commencement of safeguard proceedings is requested. Following the commencement of safeguard proceedings, a court-appointed administrator (administrateur judiciaire) is appointed (except for small companies where the court considers that such appointment is not necessary) to investigate the business of the debtor during an "observation period" (being the period starting on the date of the court decision commencing the proceedings and ending on the date on which the court takes a decision on the outcome of the proceedings), which may last up to 18 months. The role of the court-appointed administrator is also to assist the debtor in preparing a draft safeguard plan (projet de plan de sauvegarde) that it will circularize to its creditors. Creditors do not have effective control over the proceedings, which remain in the hands of the debtor assisted by the court-appointed administrator. The court-appointed administrator will, in accordance with the terms of the judgment appointing him or her, exercise ex post facto control over decisions made by the debtor (mission de surveillance) or assist the debtor to make all or some of the management decisions (mission d'assistance), all under the supervision of the court.*

If, after commencement of the proceedings, it appears that the debtor was insolvent (*en état de cessation des paiements*) before their commencement, at the request of the debtor, the administrator, the creditors' representative or the Public Prosecutor but, in any event, after having heard the debtor, the court may convert the safeguard proceedings into judicial reorganization proceedings.

In addition, the court may convert safeguard proceedings into (i) judicial reorganization proceedings (a) at any time during the observation period if the debtor is insolvent or (b) in case no plan has been adopted by the relevant creditors' committee and, if any, the bondholders' general meeting (as described below), if the approval of a safeguard plan is manifestly impossible and if the company would shortly become insolvent should safeguard proceedings end or (ii) judicial liquidation proceedings at any time during the observation period if the debtor is insolvent and its recovery is manifestly impossible. In all such cases:

(i) the court may decide at the request of the debtor, the court-appointed administrator, the creditors' representative or the Public Prosecutor and in all such cases with the exception of (i) (b) above, the court may act upon its own initiative ; and

(ii) the court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the State prosecutor and the workers' representatives (if any).

As soon as safeguard proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

During the safeguard proceedings, payment by the debtor of any debts incurred (i) prior to the commencement of the proceedings or (ii) after the commencement of the proceedings if not incurred for the purposes of the proceedings or the observation period or in consideration of services rendered/goods delivered to the debtor, is prohibited, subject to very limited exceptions. For example, the court can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the debtor's business or to recover goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*).

Creditors must be consulted on the manner in which the debtor's liabilities will be settled under the safeguard plan (debt forgiveness, payment terms or debt-for-equity-swaps) prior to the plan being approved by the court. The rules governing consultation will vary depending on the size of the business.

Standard consultation: this applies in respect of debtors whose accounts are not certified by a statutory auditor or prepared by a chartered accountant or, if they are, who have 150 employees or less or a turnover of €20 million or less.

In such case, the administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who seeks the agreement of each creditor who filed a claim, regarding the debt remissions and payment schedules proposed. Creditors are consulted individually or collectively.

French law does not state whether the debt settlement proposals can vary according to the creditor and whether the principle of equal treatment of creditors is applicable at this consultation stage. According to legal commentaries and established practice, differing treatment as between creditors is possible, *provided* that it is justified by the difference in situation of the creditors and approved by the court-appointed creditors' representative. In practice, it is also possible at the consultation stage to make a proposal for a partial payment of claims over a shorter time period instead of a full payment of such claims over the length of the plan (ten years maximum except for agricultural businesses operated by individuals where the maximum is fifteen years).

Creditors whose payment terms are not affected by the plan or who are paid in cash in full as soon as the plan is approved are not required to be consulted.

Creditors that do not respond within 30 days of their receipt of the debt settlement proposal (other than debt-for-equity-swap) made to them are deemed to have accepted it. The creditors' representative keeps a list of the responses from creditors, which is notified to the debtor, the court-appointed administrator and the controllers.

Within the framework of a standard consultation, the court that approves the safeguard plan (*plan de sauvegarde*) can impose a uniform rescheduling of the claims of creditors having refused the proposals that were submitted to them (subject to specific regimes such as the one applicable to claims benefiting from the New Money Lien) over a maximum period of ten years (except for agricultural businesses operated by individuals where the maximum is fifteen years and for claims with maturity dates of more than the deferral period set by the court, in which case the maturity date shall remain the same), but no waiver of any claim or debt-for-equity swap may be imposed without the relevant creditor's individual acceptance.

Following a court imposed rescheduling, the first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual instalment must be of at least 5% of the amount of each debt claim (except for agricultural businesses operated by individuals)) or on the first payment date following the initial maturity of the claim if it is later than the first payment date provided for by the plan, in which case the amount of such first payment is equal to what the creditor would have received had he been paid in accordance with the uniform payment rescheduling applying to the other creditors.

Committee-based consultation: This applies to large companies, whose accounts are certified by a statutory auditor (*commissaire aux comptes)* or established by a chartered-accountant (*expert-comptable)* and with more than 150 employees or a turnover greater than €20 million), or upon the debtor's or the administrator's request and with the consent of the court in the case of debtors that do not meet the aforementioned thresholds.

The consultation involves the submission of a proposed safeguard plan for consideration by two creditors' committees which are established by the court-appointed administrator on the basis of the claims that arose prior to the judgment commencing the proceedings:

- one for credit institutions or assimilated institutions and entities having granted credit or advances in favor of the debtor (the "credit institutions committee"); and
- the other one for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers and other suppliers invited to participate in such committee by the court-appointed administrator (the "major suppliers committee").

If there are any outstanding debt securities in the form of *obligations* (such as bonds or notes and including capital market debt instruments such as the Notes), a single general meeting of all holders of such debt securities will be established (the "bondholders general meeting"), in which all such holders are to take part irrespective of whether or not there are different issuances or of the governing law(s) of those *obligations*.

As a general matter, only the legal owner of the debt claim will be invited onto the committee or general meeting. Accordingly, a person holding only an economic interest therein will not itself be a member of the committee or general meeting.

The proposed plan:

- must "take into account" subordination agreements entered into by the creditors before the commencement of the proceedings;
- may treat creditors differently if it is justified by their differences in situation; and
- may, *inter alia*, include a rescheduling or cancellation of debts (subject to the specific regime of claims benefiting from the New Money Lien), and/or debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent).

If the plan provides for a share capital increase, the shareholders may subscribe to such share capital increase by way of a set-off against their claims against the debtor (as reduced according to the provisions of the plan, where applicable).

Creditors that are members of the credit institutions committee or of the major suppliers committee may also prepare alternative safeguard plans in accordance with the above principles that will also be put to the vote of the committees and of the general bondholders meeting, it being specified that approval of any such alternative plan is subject to the same two-thirds majority vote in each committee and in the bondholders general meeting and gives rise to a report by the court-appointed administrator (*administrateur judiciaire*). Bondholders are not permitted to present their own alternative plan.

The committees must approve or reject the safeguard plan within 20 to 30 days of its submission. The period may be extended or shortened but may never be shorter than 15 days. The plan must be approved by a majority vote of each committee (two-thirds of the outstanding claims of the creditors casting a vote).

Each member of a creditors committee or of the bondholders general meeting must, if applicable, inform the court-appointed administrator of the existence of any agreement relating to (i) the exercise of its vote or (ii) the full or total payment of its claim by a third party as well as of any subordination agreement. The court-appointed administrator shall then submit to such person a proposal for the computation of its voting rights in the creditors committee/bondholders general meeting. In the event of disagreement, the matter may be ruled upon by the president of the Commercial Court in summary proceedings at the request of the creditor or of the court-appointed administrator.

The amounts of claims secured by a trust (*fiducie*) granted by the debtor do not give rise to voting rights. In addition, creditors whose repayment schedule is not modified by the plan, or for which the plan provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted, do not need to be consulted on the plan nor take part in the vote.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the bondholders general meeting at the same two-thirds majority vote. Following approval by the creditors' committees and the bondholders general meeting, and determination of the rescheduling of the claims of creditors that are not members of the committees or bondholders in accordance with the standard consultation process referred to above, the plan has to be approved (*arrêté*) by the court. The court must verify that the interests of all creditors are "sufficiently protected" and that required shareholder consent (if applicable) has been obtained. Once so approved by the relevant court, the safeguard plan will be binding on all the members of the committees and all bondholders (including those who did not vote or voted against the adoption of the plan).

If the debtor's proposed plan is not approved by both committees and the bondholders general meeting within the first six months of the observation period (either because they do not vote on the plan or because they reject it), this six month period may be extended by the court at the request of the court-appointed administrator for a period not exceeding the duration of the observation period, in order for the plan to be approved through the committee-based consultation process. Absent such extension, the court can still adopt a safeguard plan within the time remaining until the end of the observation period. In such a case, the rules are the same as the ones applicable for the standard consultation process described above.

If the draft plan provides for a modification of the share capital or the by-laws, the court may decide that the shareholders general meeting and, as the case may be, the general meetings of the holders of securities giving access to the share capital of the company shall vote, the first time the relevant meeting is convened, at a simple majority of the votes of the shareholders attending, or represented at, the meeting, provided that they hold at least half of the shares with voting rights. The second time the meeting is convened, the usual provisions relating to quorum and majority shall apply.

If no proposed safeguard plan whatsoever is adopted by the committees and, if applicable, the general bondholders meeting, at the request of the debtor, the court-appointed administrator, the *mandataire judiciaire* or the State prosecutor, the court may convert the safeguard proceedings into judicial reorganization proceedings if it appears that the adoption of a safeguard plan is impossible and if the end of the safeguard proceedings would certainly lead to the debtor shortly becoming insolvent.

Specific case—Creditors that are public institutions: public creditors (financial administrations, social security and unemployment insurance organizations) may agree to grant debt remissions under conditions that are similar to those that would be granted under normal market conditions by a private economic operator placed in a similar position. Public creditors may also decide to enter into subordination agreements for liens or mortgages, or relinquish these security interests. Public creditors examine possible remissions within the framework of a local administrative committee (*Commission des Chefs de Services Financiers*). The tax administrations may grant relief from all direct taxes. As regards indirect taxes, relief may only be granted from default interest, adjustments, penalties or fines.

Court-administered Proceedings—Accelerated Safeguard and Accelerated Financial Safeguard

A debtor that is engaged in conciliation proceedings may request the commencement of accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) or accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*).

The accelerated safeguard proceedings and accelerated financial safeguard proceedings have been designed to "fast-track" difficulties faced by large companies, *i.e.*, those:

- that publish consolidated accounts in accordance with Article L. 233-16 of the French Commercial Code; or
- whose accounts are certified by a statutory auditor or established by a certified public accountant and who have (i) more than 20 employees or (ii) a turnover greater than €3 million (excluding VAT) or (iii) whose total balance sheet exceeds €1.5 million.

If the debtor does not exceed the thresholds provided for to constitute creditors' committee (see above), the court shall authorize such constitution in the opening decision.

To be eligible to accelerated safeguard proceedings or accelerated financial safeguard proceedings, the debtor must fulfil the following conditions:

- the debtor must not have been insolvent for more than 45 days when it initially applies for commencement of conciliation proceedings;
- the debtor must be subject to ongoing conciliation proceedings when it applies for the commencement of the proceedings;
- as is the case for regular safeguard proceedings, the debtor must face difficulties which it is not in a position to overcome; and
- the debtor must have prepared a draft safeguard plan ensuring the continuation of its business as a going concern which is supported by enough of its creditors involved in the proceedings to render likely its adoption by the relevant committees (credit institutions' committee only for financial accelerated safeguard proceedings) and bondholders general meeting, if any, within a maximum of three months following the commencement of accelerated safeguard proceedings, or within a maximum of two months following the commencement of accelerated financial safeguard proceedings.

While accelerated safeguard proceedings apply to all creditors (except employees), accelerated financial safeguard proceedings apply only to "financial creditors" (*i.e.*, creditors that belong to the credit institutions committee and bondholders general meeting), the payment of whose debt is suspended until adoption of a plan through accelerated financial safeguard proceedings. The debtor will be prohibited from paying, to any creditor to whom the accelerated safeguard or accelerated financial safeguard proceedings (as the case may be) apply, any amounts (including interest) in respect of debts incurred (i) prior to the commencement of the proceedings or (ii) after the commencement of the proceedings if not incurred for the purposes of the proceedings or the observation period or in consideration of services rendered/goods delivered to the debtor (post-commencement non-privileged debts). Such amounts may be paid only after the judgment of the court approving the safeguard plan and in accordance with its terms. Creditors other than financial creditors (such as public creditors, the tax or social security administration and suppliers) are not directly impacted by accelerated financial safeguard proceedings. Their debts will continue to be due and payable in the ordinary course of business according to their contractual or legal terms.

The regime applicable to standard safeguard proceedings is broadly applicable to accelerated safeguard or accelerated financial safeguard proceedings (for example, creditors will be consulted by way of a committee-based consultation on, as the case may be, a draft accelerated safeguard plan (*projet de plan de sauvegarde accélérée*) or a draft accelerated financial safeguard plan (*projet de plan de sauvegarde financière accélérée*) and creditors that are members of the credit institutions committee or the major suppliers committee, but not bondholders, may also prepare alternative draft plans as described above (see "*committee-based consultation*")), to the extent compatible with the accelerated timing, since the maximum duration of accelerated safeguard proceedings is three months and the maximum duration of accelerated financial safeguard proceedings is two months (provided the court has decided to extend the initial one month period). However, certain provisions relating to ongoing contracts and to the recovery of assets by their owners do not apply in accelerated safeguard or accelerated financial safeguard proceedings.

In particular, the creditors committees and the bondholders general meeting are required to vote on the proposed safeguard plan within a minimum period of 15 days of its being notified to them in the case of accelerated safeguard proceedings, or within eight days in the case of accelerated financial safeguard proceedings.

The plan in the context of accelerated safeguard proceedings or accelerated financial safeguard proceedings is adopted following the same majority rules as in standard safeguard proceedings and may notably provide for rescheduling, debt cancellation and conversion of debt into equity capital of the debtor (debt-for-equity swaps requiring relevant shareholder consent). No debt rescheduling or cancellation may be imposed, without their consent, on creditors that do not belong to one of the committees or are not bondholders.

If a plan is not adopted by the creditors and approved by the court within the applicable deadline, the court shall terminate the proceedings. The court cannot reschedule amounts owed to the creditors outside of the committee process.

The list of claims of creditors party to the conciliation proceedings certified by the statutory auditor shall be deemed to constitute the filing of such claims for the purpose of accelerated safeguard proceedings or, as applicable, accelerated financial safeguard proceedings (see below) unless the creditors otherwise elect to make such a filing (see below).

Court-administered Proceedings—Judicial Reorganization or Liquidation Proceedings

Judicial reorganization (*redressement judiciaire*) or liquidation (*liquidation judiciaire*) proceedings may be initiated against or by a debtor only if it is insolvent and, in the case of liquidation proceedings only, if the debtor's recovery is manifestly impossible. The debtor is required to petition for judicial reorganization or liquidation proceedings, within 45 days of becoming insolvent if it does not file for conciliation proceedings (as discussed above); *de jure* managers (including directors) and, as the case may be, *de facto* managers that would have deliberately failed to file such a petition within the deadline are exposed to civil liability in the event that judicial liquidation proceedings should be subsequently commenced against the debtor.

Where the debtor requested the commencement of judicial reorganization proceedings and the court, after having heard the debtor, considers that judicial liquidation proceedings would be more appropriate, it may order the commencement of the proceedings which it determines to be most appropriate. The same would apply if the debtor requested the commencement of judicial liquidation proceedings and the court considered that judicial reorganization proceedings would be more appropriate. In addition, at any time during the observation period, upon request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*), a controller, the State prosecutor or upon its own initiative, the court may convert the judicial reorganization proceedings into judicial liquidation proceedings if it appears that the debtor's recovery is manifestly impossible. The court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the controllers, the State prosecutor and the workers' representatives (if any).

The objectives of judicial reorganization proceedings are the sustainability of the business, the preservation of employment and the payment of creditors, in that order.

As soon as judicial reorganization or judicial liquidation proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

In the event of judicial reorganization proceedings, an administrator (*administrateur judiciaire*) is usually appointed by the court to investigate the business of the debtor during an observation period, which may last up to 18 months, and make proposals either for the reorganization of the debtor (by helping the debtor to elaborate a draft judicial reorganization plan, which is similar to a draft safeguard plan), or the sale of the business or the liquidation of the debtor. The court-appointed administrator will assist the debtor in making management decisions (*mission d'assistance*) or may be empowered by the court to take over the management and control of the debtor (*mission d'administration*). Judicial reorganization proceedings broadly take place in a manner that is similar to safeguard proceedings (see above), subject to certain specificities.

In particular, the rules relating to creditor consultation, especially the powers of the court adopting the judicial reorganization plan (*plan de redressement)* in the event of rejection by the creditors of proposals made to them, are the same (see above). At any time during the observation period, the court can, at the request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*), the State prosecutor or at its own initiative, order the partial stop of the activity (*cessation partielle de l'activité*) or order the liquidation of the debtor if its recovery is manifestly impossible. At the end of the observation period, the outcome of the proceedings is decided by the court.

In judicial reorganization proceedings, in case a shareholders' meeting needs to vote to bring the shareholders' equity to a level equal to at least one half of the share capital as required by Article L. 626-3 of the French Commercial Code, the administrator may appoint a trustee (*mandataire de justice*) to convene a shareholders' meeting and to vote on behalf of the shareholders that refuse to vote in favour of such a resolution if the draft restructuring plan provides for a modification of the equity to the benefit of a third party(ies) undertaking to comply with the reorganization plan.

If the proposed reorganization plans are manifestly not likely to ensure that the debtor will recover or if no reorganization plan is proposed, the court, upon the request of the court-appointed administrator, can order the total or partial transfer of the business as described below. Any third party (as construed under French insolvency law) can present a bid on all or part of the debtor's business.

In judicial reorganization proceedings if (i) the company has at least 150 employees, or if it controls (within the meaning of the French Labor Code) one or more companies having together at least 150 employees, (ii) the disappearance of the company is likely to cause serious harm to the national or regional economy and to local employment, (iii) the modification of the company's share capital appears to be the only credible way to avoid harm to the national or regional economy and to allow the continued operation of the business as a going concern, then, at the request of the court-appointed administrator or of the State prosecutor (x) after the review of the options for a total or partial sale of the business and (y) if at least 3 months have elapsed as from the court decision commencing the proceedings, provided that the shareholders meetings required to approve the modification of the company's share capital required for adoption of the reorganization plan have refused such modification, the insolvency court may either:

- appoint a court officer (*mandataire*) in order to convene the shareholders meeting and vote the share capital increase in lieu of the shareholders having refused to do so, up to the amount provided for in the reorganization plan; or
- order, in favor of the persons who have undertaken to perform the reorganization plan, the sale of all or part of the share capital held by the shareholders having refused the share capital modification and holding,

directly or indirectly a portion of the share capital providing them with a majority of the voting rights (including as a result of an agreement with other shareholders) or a blocking minority in the company's shareholder meetings, any consent clause being deemed unwritten; the other shareholders have the right to withdraw from the company and request that their shares be purchased simultaneously by the transferees.

In the event of a sale ordered by the court, the price of the shares shall, failing agreement between the parties, be set by an expert designated by the court in summary proceedings.

In either of the above cases, the reorganization plan shall be subject to the undertaking of the new shareholders to hold their shares for a certain time period set by the court which may not exceed the duration of the reorganization plan.

If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator, which is generally the former creditors' representative (*mandataire judiciaire*). There is no observation period in judicial liquidation proceedings nor does the law limit their duration. The liquidator is vested with the power to represent the debtor and perform the liquidation operations (mainly liquidate the assets and settle the liabilities to the extent the proceeds from the liquidated assets are sufficient, in accordance with the creditors' priority order of payment). The liquidator will take over the management and control of the debtor and the managers of the debtor are no longer in charge of its management.

Concerning the liquidation of the assets of the debtor, there are two possible outcomes:

- a sale of the business (*cession d'entreprise*) (in which case a court-appointed administrator (*administrateur judiciaire*) will usually be appointed to manage the debtor during a temporary period of continuation of the business operations ordered by the court (three months, renewable once) and organize such sale of the business as a going-concern via an asset sale, a.k.a. a "sale plan" (*plan de cession*)), any third party (as construed under French insolvency law) being entitled to present a bid on all or part of the debtor's business; or
- a sale of the individual assets of the debtor, in which case the liquidator may decide to:
    - launch auction sales (*vente aux enchères* (or *adjudication amiable* for real estate assets only));
    - sell on an amicable basis (*vente de gré à gré*) each asset for which spontaneous purchase offers have been received, (the formal authorization of the bankruptcy judge being necessary to conclude the sale agreement with the bidder); or
    - request, under the supervision of the bankruptcy judge, all potential interested purchasers to bid on each asset, as the case may be, by way of a private competitive process whereby the bidders submit their offers only at the hearing without the proposed prices being disclosed before such hearing (*procédure des plis cachetés*). However, the possibility to implement such process is questioned by certain legal authors and case-law in this respect has varied.

If the court adopts a sale plan, it can set a time-period during which the assets that it deems to be essential to the continuation of the business of the debtor may not be sold without its consent.

The court will end the proceedings when either no due liabilities remain, the liquidator has sufficient funds to pay off the creditors (*extinction du passif*), or continuation of the liquidation process becomes impossible due to insufficiency of assets (*insuffisance d'actif*).

The court may also terminate the proceedings:

- when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty of selling the assets;
- in the event where there are insufficient funds to pay off the creditors, by appointing a *mandataire* in charge of continuing ongoing lawsuits and allocating the amounts received from these lawsuits between the remaining creditors.

The "hardening period" (période suspecte) in judicial reorganization and judicial liquidation proceedings

The date of insolvency (*cessation des paiements*) of a debtor is deemed to be the date of the court order commencing the proceedings, unless the court sets an earlier date, which may be no earlier than 18 months before the date of such court order. Also, except in the case of fraud, the insolvency date may not be set at a date earlier than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings (see above). The insolvency date is important because it marks the beginning of the hardening period (*période suspecte*), being the period from the insolvency date of the debtor to the court decision commencing the judicial reorganization or liquidation proceedings affecting it.

Certain transactions entered into during the hardening period are automatically void or voidable by the court.

- Automatically void transactions include transactions or payments entered into during the hardening period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration or for a nominal consideration, contracts under which the obligations of the debtor significantly exceed the reciprocal obligations of the other party, payments of debts not due at the time of payment, payments of debts that are due made in a manner which is not commonly used in the ordinary course of business and security granted for debts previously incurred, provisional attachment or seizure measures (*mesures conservatoires*) (unless the attachment or seizure predates the date of insolvency), operations relating to stock options, the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless such transfer is made as security for a debt simultaneously incurred), any amendment to a trust arrangement (*fiducie*) that affects assets or rights already transferred in the trust as security for debt incurred prior to such amendment, and notarized declarations of exemption of assets from seizure (*déclaration d'insaisissabilité*).
- Transactions which are voidable by the court include payments made on debts that are due, transactions for consideration and notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the hardening period, in each case if the court determines that the party dealing with the debtor knew that the debtor was insolvent at the relevant time. Transactions relating to the transfer of assets for no consideration are also voidable when entered into during the six-month period prior to the beginning of the hardening period.

There is no hardening period prior to the opening of safeguard, accelerated safeguard or accelerated financial safeguard proceedings.

Status of Creditors during Safeguard, Accelerated Safeguard, Accelerated Financial Safeguard, Judicial Reorganization or Judicial Liquidation Proceedings

Contractual provisions pursuant to which the commencement of the proceedings triggers the acceleration of the debt (except with respect to judicial liquidation proceedings in which the court does not order the continued operation of the business) or the termination or cancellation of an ongoing contract are not enforceable against the debtor. Nor are "*contractual provisions modifying the conditions of continuation of an ongoing contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of judicial reorganization proceedings*" (in accordance with a decision of the French Supreme Court dated January 14, 2014, n° 12-22.909, which case law is likely to be extended to safeguard, accelerated safeguard or accelerated financial safeguard proceedings). However, the court-appointed administrator can unilaterally decide to terminate ongoing contracts (*contrats en cours*) which it believes the debtor will not be able to continue to perform. Conversely, the court-appointed administrator can require that other parties to a contract continue to perform their obligations even though the debtor may have been in default, but on the condition that the debtor fully performs its post-commencement contractual obligations (and provided that, in the case of judicial reorganization or judicial liquidation proceedings, absent consent to other terms of payment, the debtor pays cash on delivery). The commencement of liquidation proceedings, however, automatically accelerates the maturity of all of a debtor's obligations unless the court orders the continued operation of the business with a view to the adoption of a sale plan (*plan de cession*) as described above; in such case, the acceleration of the obligations will only occur on the date of the court decision adopting the sale plan (*plan de cession*), as described above, or on the date on which the continued operation of the business ends.

As from the court decision commencing the proceedings:

- accrual of interest is suspended, except in respect of loans for a term of at least one year, or of contracts providing for a payment which is deferred by at least one year (however, accrued interest can no longer be compounded);

- the debtor is prohibited from paying debts incurred prior to the commencement of the proceedings, subject to specified exceptions (which essentially cover the set-off of related (*connexes*) debts and payments authorized by the insolvency judge (*juge commissaire*) to recover assets required by the continued operation of the business);
- the debtor is prohibited from paying debts having arisen after the commencement of the proceedings unless they were incurred for the purposes of the proceedings or of the observation period or in consideration of services rendered/goods provided to the debtor;
- debts duly arising after the commencement of the proceedings and which were incurred for the purposes of the proceedings or of the observation period, or in consideration of services rendered/goods provided to the debtor during this period, must be paid as and when they fall due and, if not, will be given priority over debts incurred prior to the commencement of the proceedings (with certain limited exceptions, such as claims secured by a New Money Lien), provided that they are duly filed within one year of the end of the observation period;
- creditors may not initiate or pursue any individual legal action against the debtor (or a guarantor of the debtor where such guarantor is a natural person and the proceedings are safeguard, accelerated safeguard or accelerated financial safeguard proceedings) with respect to any claim arising prior to the court decision commencing the proceedings, if the objective of such legal action is:
    - to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due in order to file a proof of claim, as described below);
    - to terminate a contract for non-payment of amounts owed by the creditor; or
    - to enforce the creditor's rights against any assets of the debtor except (i) in judicial liquidation proceedings, by way of the applicable specific process for judicial foreclosure (*attribution judiciaire*) of the pledged assets or (ii) where such asset- whether tangible or intangible, movable or immovable is located in another Member State within the European Union, in which case the rights *in rem* of creditors thereon would not be affected by the insolvency proceedings commenced in France, in accordance with the terms of Article 8 of the EU Insolvency Regulation;
- in the context of reorganization or liquidation proceedings only, absent consent to other terms of payment, immediate cash payment for services rendered pursuant to an ongoing contract (*contrat en cours*), will be required.

In accelerated financial safeguard proceedings, the above rules only apply to the creditors that fall within the scope of the proceedings (see above). Debts owed to other creditors, such as suppliers, continue to be payable in the ordinary course of business.

As a general rule, creditors domiciled in metropolitan France whose debts arose prior to the commencement of proceedings must file a claim with the court-appointed creditors' representative within two months of the publication of the court decision in an official gazette (*Bulletin Officiel des annonces civiles et commerciales*); this period is extended to four months for creditors domiciled outside metropolitan France. Creditors must also file a claim for the post-commencement non-privileged debts, with respect to which the two or four month period referred to above starts to run as from their maturity date. Creditors whose claims have not been submitted during the relevant period are, except for limited exceptions, barred from receiving distributions made in connection with the proceedings. Employees are not subject to such limitations and are preferred creditors under French law.

At the beginning of the proceedings, the debtor must provide the court-appointed administrator and the creditors' representative with the list of all its creditors and all of their claims. Where the debtor has informed the creditors' representative of the existence of a claim, the claim as reported by the debtor is deemed to be a filing of the claim with the creditors' representative on behalf of the creditor. Creditors are allowed to ratify or amend a proof of claim so made on their behalf until the insolvency judge rules on the admissibility of the claim. They may also file their own proof of claim within the deadlines described above.

In accelerated safeguard and accelerated financial safeguard proceedings however, the debtor draws a list of the claims of its creditors having taken part in the conciliation proceedings, which is certified by its statutory auditors or accountant. Although such creditors may file proofs of claim as part of the regular process, they may also avail themselves of this simplified alternative and merely adjust if necessary the amounts of their claims as set forth in the list prepared by the debtor (within the above two or four months' time limit). Creditors that did not take part in the conciliation proceedings must file their proofs of claim within the aforementioned deadlines.

If the court adopts a safeguard plan, accelerated safeguard plan, accelerated financial safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan.

If the court adopts a sale plan (*plan de cession*) of the debtor in judicial reorganization or judicial liquidation proceedings (see above), the proceeds of the sale will be allocated towards the repayment of its creditors according to the ranking of the claims. If the court decides to order the judicial liquidation of the debtor, the liquidator appointed by the court will be in charge of settling the debtor's debts in accordance with their ranking.

French insolvency law assigns priority to the payment of certain preferred creditors, including employees, post-commencement legal costs (essentially, court officials fees), creditors who benefit from a New Money Lien (see above), post-commencement privileged creditors and the French State (taxes and social charges). In the event of judicial liquidation proceedings only, certain pre-commencement secured creditors whose claim is secured by real estate are paid prior to post-commencement privileged creditors. This order of priority does not apply to all creditors, for example it does not apply to creditors benefiting from a retention right over assets with respect to their claim related to such asset.

Creditors' Liability

Pursuant to Article L. 650-1 of the French Commercial Code (as interpreted by case law), where safeguard, judicial reorganization or judicial liquidation proceedings have been commenced, creditors may only be held liable for the losses suffered as a result of facilities granted to the debtor, if the granting of such facilities was wrongful and if the relevant creditor (i) committed a fraud, or (ii) interfered with the management of the debtor or (iii) obtained security or guarantees which are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court.

Limitations on Guarantees

The liabilities and obligations of each French Guarantor are subject to:

- certain exceptions, including to the extent of any obligations which would constitute prohibited financial assistance within the meaning of Article L. 225-216 of the French Commercial Code or infringement of the provisions of Articles L. 241-3, L. 242-6 or L. 244-1 of the French Commercial Code; and
- French corporate benefit rules.

Under French financial assistance rules, a company is prohibited from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of the acquisition of the shares of the first mentioned company.

Under French corporate benefit rules, a guarantor must receive an actual and adequate benefit from the transaction involving the granting by it of the guarantee, taken as a whole. A court could declare any guarantee unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient returns the payment to the relevant guarantor, if it found that these criteria were not fulfilled. The existence of a real and adequate benefit to the guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

Accordingly, each of the guarantees by the French Guarantors and the amounts recoverable thereunder will be limited, at any time, to an amount equal to the aggregate of the proceeds of the Notes to the extent directly or indirectly on-lent by the Issuer, or used to refinance any indebtedness previously directly or indirectly on-lent, to that French Guarantor or any of its subsidiaries under intercompany loans or similar arrangements and outstanding on the date a payment is requested to be made by such French Guarantor under its Notes

Guarantees. Any payment made by such French Guarantor under its Notes Guarantees in respect of the obligations of any other obligor shall reduce *pro tanto* the outstanding amount of the intercompany loans or the above mentioned similar arrangements due by such French Guarantor or its subsidiaries under the intercompany loan arrangements or the similar arrangements referred to above. By virtue of this limitation, a French Guarantor's obligation under the Notes Guarantees could be significantly less than amounts payable with respect to the Notes, or a French Guarantor may have effectively no obligation under its Notes Guarantees.

Rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under French law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these liens. Furthermore, it should be noted that neither the Trustee nor the Security Agent shall have any obligation to take any steps or action to perfect any of these liens. In particular, pledges over the securities of French subsidiaries in the form a stock company (*société par actions*) that are governed by French law consist of pledges over a securities account (*nantissement de compte de titres*) in which the relevant securities are registered. The securities account pledges will be validly established after execution of a statement of pledge (*déclaration de nantissement de compte titres financiers*) by each security provider in favor of the Security Agent. Each statement of pledge will have to be registered in the relevant shareholder's account (*compte d'actionnaire*) and shares registry (*registre de mouvement de titres*) of each French Guarantor. In France, no lien searches are available for security interests which are not publicly registered, with the result that no assurance can be given on the priority of a security interest if it is not publicly registered.

Limitations on enforcement of security interests and cash amount ("soulte")

Security interests governed by French law may only secure a creditor up to the secured amount that is due and unpaid to it. Pledges over securities whether in the form of a pledge over securities account or in the form of a pledge over shareholding interests (*parts sociales*)) may generally be enforced at the option of the secured creditors either (i) by way of a sale of the pledged securities in a public auction (the proceeds of the sale being paid to the secured creditors) or (ii) by way of judicial foreclosure (*attribution judiciaire*) or contractual foreclosure (*pacte commissoire*) of the pledged securities to the secured creditors, following which the secured creditors become the legal owners of the pledged securities. If the secured creditors choose to enforce by way of foreclosure (whether a judicial foreclosure or contractual foreclosure), the secured liabilities would be deemed extinguished up to the value of the foreclosed securities. Such value is determined either by the court in the context of a judicial attribution or by a pre-contractually agreed expert in the context of a contractual foreclosure. If the value of the Collateral exceeds the amount of secured debt, the secured creditors may be required to pay the pledgor a cash amount (*soulte*) equal to the difference between the value of the securities as so determined and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditors from a subsequent on-sale of the Collateral.

If the value of such securities is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such securities, and the remaining amount owed to such creditors will be unsecured in that respect.

An enforcement of the pledged securities could be undertaken through a public auction in accordance with applicable law. If enforcement is implemented through a public auction procedure, it is possible that the sale price received in any such auction might not reflect the value of the securities since the latter will not be sold pursuant to a competitive bid process and/or a private sale organized by an investment bank and controlled by the vendor on the basis of a value determined pursuant to the methods usually used for the purpose of the acquisition of companies or groups of companies.

Security Agent

Ordinance n°2017-748 dated 4 May 2017 clarifies and modernizes the status of the French security agent (*security agent*) by repealing former Article 2328-1 of the French Civil Code and by creating a new regime for the agent specifically designated for the purpose of taking, managing and enforcing security interest and personal guarantees in the context of financing arrangements. New Articles 2488-6 to 2488-12 of the French Civil Code allow the creation of security interests and personal guarantees for the direct benefit of a security agent, which will hold such rights separately from its own estate. As a result, the rights of secured creditors under security interests and personal guarantees will be ring fenced if the security agent is the subject of insolvency proceedings (except in cases of fraud or in cases of the exercise of a right of pursuit (*droit de suite*) of a creditor). The security agent will remain liable for negligence and misconduct (*faute*) in the performance of its duties. The security agent can take all legal actions to protect the secured creditor's interests and file a receivable on behalf of one or several creditors in a debtor's insolvency proceeding. The security agent must be appointed pursuant to a written agreement specifying its quality, its duties, the duration of its duties and its powers.

Trust

The Trustee has certain assigned duties and rights under the Indenture that become particularly important following Defaults or Events of Default, and acts as trustee in a fiduciary capacity in the best interests of the holders of the Notes.

The concept of "*trust*" has been recognized by the French Tax Code and the French Supreme Court (*Cour de cassation*), which has held, in the same published decision referred to above (Cass. com. September 13, 2011 n°10-25533 Belvedere) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings commenced in France. However, while substantial comfort may be derived from the above, France has not ratified the Hague Convention of July 1, 1985 on the law applicable to trusts and on their recognition, so that the concept of "trust" has not been generally recognized under French law.

Fraudulent conveyance

French law contains specific, "*action paulienne*" provisions dealing with fraudulent conveyance both in and outside insolvency proceedings. The *action paulienne* offers creditors protection against a decrease in their means of recovery. A legal act performed by a debtor (including, without limitation, an agreement pursuant to which such debtor guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of such debtor's or a third party's obligations, enters into additional agreements benefiting from existing security or any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant debtor by the creditors' representative (*mandataire judiciaire*) or the commissioner of the safeguard or reorganization plan (*commissaire à l'exécution du plan*), or by any of the creditors of the relevant debtor outside the insolvency proceedings or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings. Any such legal act may be declared unenforceable against third parties if: (i) the debtor performed such act without an obligation to do so; (ii) the relevant creditor or (in the case of the debtor's insolvency proceedings) any creditor was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the legal act was performed, both the debtor and the counterparty to the transaction knew or should have known that one or more of such debtor's creditors (existing or future) would be prejudiced in their means of recovery (where the legal act was entered into for no consideration (*à titre gratuit*), no such knowledge of the counterparty is necessary). If a court found that the issuance of the Notes, the grant of the security interests in the Collateral, or the granting of a Notes Guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes, the granting of the security interests in the Collateral or the granting of such Notes Guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the Notes may not enjoy the benefit of the Notes, the Notes Guarantees or the security interests in the Collateral and the value of any consideration that holders of the Notes received with respect to the Notes, the security interests in the Collateral or the Notes Guarantees could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the Guarantors as a result of the fraudulent conveyance.

Recognition of intercreditor arrangements by French courts

There is no law or published decision of the French courts of appeal or of the French Supreme Court (*Cour de cassation*) on the validity or enforceability of the obligations of an agreement such as the Intercreditor Agreement, except for Articles L. 626-30-2 and L. 631-19 of the French Commercial Code pursuant to which, in the context of safeguard or judicial reorganization proceedings, the safeguard or reorganization plan which is put to the vote of the creditors' committees takes into consideration (*prend en compte*) the provisions of subordination agreements between creditors which were entered into prior to the commencement of the safeguard, or judicial reorganization, proceedings. As a consequence, except to the extent referred to above (which, as at the date of this Offering Memorandum, has received no judicial interpretation), we cannot rule out that a French court would not give effect to certain provisions of the Intercreditor Agreement.

Assumptions as to the enforceability of second ranking bank accounts pledges over the bank accounts

The pledges over the bank accounts are governed by French law. In France, no lien searches are available for security interests which are not registered, such as pledges over bank accounts. As a result, no assurance can be given on the priority of the pledges over the relevant bank accounts of a company.

Although French law does not expressly prohibit the grantor of a pledge over a bank account from granting a second ranking pledge over the same bank account, this structure has not been tested before the French courts and no assurances can be given that such second ranking pledges would be upheld if tested.

Hungary

Insolvency—general

In the event of insolvency (*fizetésképtelenség*) of a Subsidiary Guarantor or a provider of Collateral organized under the laws of Hungary and/or having its center of main interests in Hungary (each a "***Hungarian Provider***"), any main insolvency proceedings shall be initiated in Hungary before the county court (*törvényszék*) of competence based on the registered seat of the Hungarian debtor as of the date of submission of the insolvency petition. Hungarian law would then govern those proceedings. The insolvency proceedings cover two main proceedings: the bankruptcy proceeding (*csődeljárás*) and the liquidation proceeding (*felszámolási eljárás*). The bankruptcy proceeding has the aim of reorganizing business associations facing insolvency by way of composition with the creditors. The liquidation proceeding aims to provide possible satisfaction (payment) to the creditors upon the dissolution and termination of the insolvent debtor. The insolvency laws of Hungary are mainly covered by the provisions of Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings ("***Hungarian Bankruptcy Act***").

The following is a brief description of certain aspects of the insolvency laws of Hungary.

Bankruptcy proceeding

Under Hungarian insolvency law, a bankruptcy proceeding may be initiated by the debtor company at the competent court. Legal representation of the debtor company is mandatory regarding the submission of the petition for bankruptcy proceeding. The prior consent of the members' (shareholders') meeting of the debtor company to the initiation of bankruptcy proceedings is required.

In the framework of the bankruptcy proceeding, the debtor receives a payment moratorium the objective of which is to preserve the assets under bankruptcy protection with a view to reaching a composition with creditors, during which period the debtor, the administrator (*vagyonfelügyelő*), the financial institutions maintaining the accounts of the debtor and creditors must refrain from taking any measure contradictory to the objective of the payment moratorium. During the payment moratorium (i) no claims may be set off against the debtor company (save for a claim submitted for the purpose of set-off until the commencement date of the bankruptcy proceeding in a lawsuit initiated by the debtor), (ii) no payment order can be processed on the accounts of the debtor company (save for certain exceptions, *e.g.*, salaries, social security taxes, utility charges, costs of the administrator, which claims are generally exempted from the moratorium), (iii) no enforcement of payment obligations can be made, (iv) no satisfaction may be provided in connection with any pledge existing on the debtor's asset and no security that existed before the time of the opening of bankruptcy proceedings can be enforced, (v) the debtor must not make any payment for claims that existed before the time of the opening of bankruptcy proceedings save for certain exceptions, (vi) the debtor company may undertake new obligations and make payments only with the prior approval of the administrator, and (vii) the counterparty of an agreement entered into with the debtor may not rescind or cancel the given agreement with reference to the debtor company's payment default during the moratorium or with reference to the commencement of bankruptcy proceeding by the debtor company. As an exception to the freeze on security interests, the satisfaction from security deposit (*óvadék*) provided before the opening of bankruptcy proceedings and the application of close-out netting is permitted if either party is (a) a public sector body (within the meaning of EC Directive 2002/47), (b) the central bank of an EEA state, the European Central Bank or the Bank for International Settlements and international financial institutions set forth in Annex 1 of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, (c) a credit institution, (d) an investment enterprise, (e) a financial enterprise, (f) an insurance company, (g) an undertaking for collective investment in transferable securities (within the meaning of EC Directive 85/611) or a company that manages the undertaking, or (h) a central counterparty, settlement agent or clearing house (within the meaning of EC Directive 2002/47), provided that entities listed in points (c)-(h) have their registered seat in an EEA state.

Liquidation proceeding

Under Hungarian insolvency law, a liquidation proceeding may be initiated (i) upon request by the debtor, the creditor or the receiver (*végelszámoló*), or (ii) *ex officio* (a) if the court of registration initiated the liquidation of the company, or (b) on the basis of a notification by the criminal court (if the enforcement procedure for the collection of a fine imposed upon a legal person has failed), or (c) if the parties did not manage to reach a composition during the preceding bankruptcy proceedings or the composition is not in line with the laws of Hungary. Legal representation of the debtor, creditor or receiver is mandatory regarding the submission of the petition for liquidation proceeding. The debtor may only request the opening of liquidation proceedings if it is (i) unable (*e.g.*, creditors' claims existed at the opening of, or arose during, a former bankruptcy proceeding have not been fully satisfied yet), or (ii) unwilling, to enter into bankruptcy proceedings.

The liquidation proceedings are controlled by the competent regional court having jurisdiction based on the registered seat of the Hungarian debtor. The court monitors the due performance of the proceedings. The creditor may, simultaneously with the submission of the liquidation petition or any time before the commencement of the liquidation, request the court to appoint a temporary administrator (*ideiglenes vagyonfelügyelő*) as a preliminary protective measure to secure the property of the debtor. The court must appoint the temporary administrator without delay if the creditor (i) is able to provide plausible grounds that the satisfaction of its claims at a later date is in jeopardy, (ii) can evidence the existence, the amount and the expiry of its claim in the form of a public deed (*közokirat*) or a private deed with full probative force (*teljes bizonyító erejű magánokirat*), and (iii) has advanced the fee of the temporary administrator. The duty of the temporary administrator is, in particular, to safeguard and to preserve the debtor's property and assets. Following the temporary administrator taking office, the prior consent of the temporary administrator is required for the debtor to enter into (i) any contract considered to be in excess of the scope of normal business operations, in connection with the company's assets, or (ii)any other commitment, including where the debtor is compelled to performance under an existing contract.

The court will, within 60 days of receipt of the petition for the liquidation proceedings, order the liquidation of the debtor by decree if it finds that the debtor is insolvent. (The court only examines the insolvency in the case of a proceeding initiated by the debtor, the creditor or the receiver. In other cases, insolvency is assumed.) The court declares that the debtor is insolvent (i) if the debtor had failed to settle or contest its previously uncontested and acknowledged contractual debt within twenty days of the due date and thereafter fails to satisfy such debt upon receipt of the creditor's written payment notice, or (ii) the debtor fails to settle its debt within the deadline specified in a final court decision and in an order for payment, or (iii) if the enforcement procedure (to collect the debt) against the debtor was unsuccessful, or (iv) if the debtor did not fulfill its payment obligation as set forth in the composition agreement concluded either in the bankruptcy or in the liquidation proceeding, or (v) if the preceding bankruptcy proceedings were terminated because no composition agreement was reached, or (vi) if in an insolvency proceeding initiated by the debtor or by the receiver the debtor's liabilities exceeded the debtor's assets, or the debtor was unable or presumably will not be able to settle its debt (debts) on the due date, and the members (shareholders) of the debtor fail to provide a statement of commitment—following due notice—to guarantee the funds necessary to cover such debts when due. A petition for liquidation may only be submitted based on grounds mentioned in points (i) and (ii) above if the principal amount of the debt is more than HUF200,000 (approximately €670).

The liquidator (*felszámoló*) is appointed by the court using a random, electronic selection system, after the order on the opening of liquidation proceeding became final and binding. The formal commencement date of the liquidation proceeding is the day when the final and binding court order is published in the Company Gazette. Upon such commencement date: (i) the right to manage and dispose over the business and assets of the debtor passes to the liquidator, who has full administrative and disposal authority over the debtor's assets, and who is only authorized to make any legal statements in connection with the assets of the debtor; and (ii) all debts of the debtor company are deemed payable (due).

All creditors wishing to assert claims against the debtor need to participate in the liquidation proceedings. Hungarian liquidation proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in proceedings, other than the liquidation proceedings, separately, but can instead only enforce them in compliance with the restrictions of the Hungarian Bankruptcy Act.

Accordingly, creditors need to report their claims in the liquidation proceedings to the liquidator for purposes of registration within 40 days from the publication of the opening of liquidation proceedings. The liquidator also registers the claims against the debtor, which are reported after the 40 days' deadline, but within 180 days of the publication of the opening of liquidation proceedings. These claims will only be satisfied if there are sufficient funds remaining following the settlement of the privileged debts. If a creditor reports its claim after the elapse of 180 days, this will not be registered and the creditor loses its right to enforce such claim in any proceeding.

Pursuant to the provisions of the Hungarian Bankruptcy Act, the liquidator disposes of the debtor's assets through a public tender or auction at the highest market price. As a main rule, the liquidator is to start the sale within 100 days from the commencement date of the liquidation proceedings. The liquidator, the administrator, the temporary administrator, the owner (member, shareholder, founder), the executive officer (*vezető tisztségviselő*), director (*cégvezetõ*), supervisory board member, auditor, any employee of the liquidator, the administrator, the temporary administrator, their close relatives and companies in which any of the aforementioned have a majority influence (as set forth in Act V of 2013 on the Hungarian Civil Code) may not acquire any ownership or any other rights of value (*vagyoni értékű jog*) in the above-specified sale procedure. Furthermore, the acquirer may not set off its claim against the debtor with the purchase price in the public sale procedure (subject to some exceptions).

Under special circumstances set forth in the Hungarian Bankruptcy Act, the Hungarian government may qualify a debtor as a company of strategic importance. In this case, a state-owned administrator or liquidator will be appointed and special rules will apply, which mostly affect the liquidation sale of the assets.

Limitation on enforcement

If there are liquidation proceedings in progress against the Hungarian Providers, the guarantee or any security interest provided by that entity could be subject to potential challenges by the liquidator and/or any creditor of that entity in accordance with the below rules of the Hungarian Bankruptcy Act.

The creditor, and on behalf of the debtor, the liquidator may file for legal action before the court within 120 days from the time of gaining knowledge but within a one year deadline from the commencement date to challenge contracts concluded by the debtor or the debtor's other commitments:

- if such contract or commitment was concluded within 5 years preceding the date when the court received the petition for opening liquidation proceedings (or concluded thereafter) and with the intent to conceal the debtor's assets or to defraud any creditor or the creditors, and the other party had or should have had knowledge of such intent; or

- if such contract or commitment was concluded within 3 years preceding the date when the court received the petition for opening liquidation proceedings (or concluded thereafter) and with the intent to transfer the debtor's assets without any compensation (including any security interest over the debtor's assets without any compensation), or if the stipulated consideration constituted unreasonable and extensive benefits to a third party; or

- if such contract or commitment was concluded within 90 days preceding the date when the court received the petition for opening liquidation proceedings (or concluded thereafter) and with the intent to give preference and privilege(s) to a specific creditor, for instance, the amendment of an existing contract to the benefit of a creditor, or to provide financial security to a previously unsecured creditor; or
- if such contract or commitment was concluded within 3 years preceding the date when the court received the petition for opening liquidation proceedings (or concluded thereafter) and such contract or commitment includes a transfer of ownership (including the transfer of rights and receivables) for collateral purposes or a call option right for collateral purposes, but based on such contract the entitled party (i) has not or has not duly fulfilled its settlement obligations towards the obligor or (ii) has not given to the obligor the amount which exceeds the secured claim. If the transfer of ownership for collateral purposes or the call option right for collateral purposes had not been registered with the relevant registry, the challengeable nature of the given transaction is assumed.

Furthermore, the liquidator, on behalf of the debtor, is entitled to reclaim within 120 days from the time of gaining knowledge but within a one year deadline from the commencement date, any service the debtor has provided within a 60 day period preceding the date when the court received the petition for opening liquidation proceedings (or provided thereafter) if it was provided to give preference to a specific creditor and if such service is not usually provided in the normal course of business. Prepayment of a debt is, in particular, considered as giving preference or privilege(s) to a creditor.

If any of the Subsidiary Guarantees or Collateral provided by the Hungarian Providers were to be successfully challenged or ordered unenforceable for any reason, a Note Holder would cease to have any claim or benefit in respect thereof. Any amounts received from as a result of, for instance, an enforced Subsidiary Guarantee or enforced Collateral, that was successfully challenged or ordered unenforceable afterwards would have to be repaid to the insolvent Hungarian Provider.

Security Agent

The Hungarian Civil Code (Act V of 2013) sets out the structure of the Hungarian security or collateral agent (in Hungarian: "*zálogjogosulti bizományos*") by creating a regime for the agent specifically designated for the purpose of taking, managing and enforcing security interests in the context of multi-lender financing arrangements. Such provisions of the Hungarian Civil Code allow the creation of security interests for the direct benefit of a security agent, which will hold such rights separately from its own estate and thus the indirect benefit of the ultimate creditors (lending banks or noteholders). As a result, the rights of secured creditors under security interests will be ringfenced if the security agent is the subject of insolvency proceedings (except in cases of fraud). The security agent must be appointed pursuant to a written agreement specifying its quality and thus the the parties to the Intercreditor Agreement agrees that the Security Agent is appointed as collateral agent (in Hungarian: "*zálogjogosulti bizományos*") pursuant to Article 5:96 (6) of Act V of 2013 on the Civil Code for the purposes of the security interests related to Hungary.

Norway

Limitations on guarantees and security—financial assistance

A Norwegian private or public limited liability company's legal capacity or ability to provide financial assistance (including placing funds at disposal, granting loans, or providing security or guarantees) may be limited by applicable law, including, but not limited to the mandatory provisions of sections 8-7 and 8-10 of the Norwegian Private Limited Companies Act of 1997 No. 44 / Norwegian Public Limited Companies Act of 1997 No. 45 (Aksjeloven and Allmennaksjeloven) (respectively and together, the "***Acts***," and each an "***Act***").

Section 8-7 of the Acts restricts a Norwegian private or public limited liability company's ability to grant credit to, guarantee or provide security for the obligations of its (direct or indirect) shareholders beyond its distributable reserves (free equity) and then further provided that satisfactory security for repayment/recovery has been established.

The above restriction does not, however, apply to providing credit to or guaranteeing or providing security for the obligations of a parent company or another company within the same "group." This exemption must be read in conjunction with the group definition in Section 1-3 of the Acts which, broadly speaking, includes Norwegian limited liability companies.

Moreover, there is an exemption for providing credit to or guaranteeing or providing security for the obligations of any legal entity which has "decisive influence" over the company (*i.e.*, holding or otherwise controlling at least a majority of the voting shares in the company or having the right to elect or discharge a majority of the members of the board of directors of such company) provided that the credit, security or guarantee is granted in order to benefit the financial interest of the group of companies. This exception will be applicable to a Norwegian wholly owned subsidiary of a foreign company provided that the credit, security and/or guarantee is established in order to benefit the financial interest of the group of companies.

In addition to the restrictions with regard to, among others, upstream and cross-stream guarantees and security as outlined above, Section 8-10 of the Acts prohibits a Norwegian private or public limited liability company from providing financial assistance (including putting assets at disposal, granting loans or providing security or guarantees) in connection with the acquisition of its shares or in connection with the acquisition of shares in a parent company (including any intermediate parent company) unless the value of such financial assistance is within the company's distributable reserves and, provided further, that satisfactory security for repayment has been established, the financial assistance is provided on ordinary business terms and principles and that the acquisition is of fully paid shares. Furthermore, before such assistance is granted, certain procedural rules must be complied with. The board of directors shall ensure that the beneficiary parties are subject to a credit assessment and the board will be required to prepare a statement which, inter alia, describes the background for and the terms and consequences of the financial assistance. Such statement will have to be presented to the general meeting of the company, which in turn must approve the financial assistance.

The principle of corporate benefit also exists in Norway and may, inter alia, impose a restriction on a Norwegian company's ability to offer a guarantee and provide security to or in favour of shareholders or parties related to a shareholder in addition to the restrictions on financial assistance and upstream/cross-stream guarantees and security described above.

The practical restriction in respect of financial assistance referred to above applies irrespective of whether such parent company is a Norwegian or a foreign company, and there are no general exemptions available except for special cases of real property financing and employee share purchase programs. The restriction applies not only to the granting of loans, guarantees and security, but also to making assets available and other transfers that are not lawful distributions in accordance with the Acts. The assistance is restricted if made in connection with the acquisition of shares, which may also cover financial assistance after completion of the acquisition (such as the refinancing of an acquisition loan facility or the subsequent merger of the target company and the acquiring entity). This means that in practice a Norwegian guarantor cannot give credit, guarantee or provide security for any loans which have been used to finance the acquisition of the shares of the Issuer, a parent company (including any intermediate parent company) or the Norwegian guarantor.

As a consequence of these restrictions, the value of the Notes Guarantees and any security provided by a Norwegian guarantor may be reduced to zero to the extent it secures obligations relating to the acquisition of shares in itself or its parent company. In addition, the Notes Guarantees or security interest infringing the limitations set forth in Section 8-10 of the Acts will be void, and any funds paid out will have to be repaid. Finally, an illegal arrangement of this kind may give rise to directors' liability issues. The Notes Guarantees and the security interests provided by Norwegian companies are subject to limitation language substantially in the form as follows:

> "The obligations and liabilities of each Guarantor incorporated in Norway (each, a "***Norwegian Guarantor***") for the Issuer's obligations under the Notes Guarantees, shall be deemed to have been given only to the extent such guarantee does not violate Section 8-7 and/or 8-10 of the Norwegian Limited Companies Act of June 13, 1997 No. 44 or the Norwegian Public Limited Liability Companies Act of June 13, 1997 No. 45 (as the case may be) (the "***Norwegian Companies Act***"), regarding unlawful financial assistance and the liability of each Norwegian Guarantor will only apply to the extent permitted by such provision of the Norwegian Companies Act. Such limitations on the liabilities and obligations of any Norwegian Guarantor may have the effect of reducing the amount of obligations or liabilities assumed and/or the amount guaranteed or secured to zero, to the extent to which any proceeds under the Senior Secured Notes are used in connection with the acquisition of shares in the Norwegian Guarantor or its parent.
>
> The limitations set forth in these sections will apply mutatis mutandis to any security created by a Norwegian Guarantor over the Collateral and to any guarantee, indemnity, any similar obligation resulting in a payment obligation and payment, including, but not limited to, set-off and made by any Norwegian Guarantor."

Foreign Currency

Norwegian courts may award judgment in currencies other than Norwegian kroner, but the debtor is nevertheless in relation to such judgment entitled to make payment in Norwegian kroner at the rate of exchange prevailing at the date of such payment in less the payor is subject to insolvency proceedings in which case the exchange rate prevailining on the date of initiating or opening of such proceedings will be applicable.

Brief and high level description of creation and perfection of security / Enforcement of security in Norway

The validity and enforceability of any guarantee or security interest provided by a Norwegian company will be subject to any Norwegian laws from time to time in effect relating to bankruptcy, liquidation, insolvency, reorganisation, administration, moratorium or dissolution and any other laws or legal procedures affecting creditors' rights in general, and to any provision generally applicable under Norwegian law with regard to the invalidation or revision of contracts and/or unfair contract terms. Enforcement of a security interest created under Norwegian law may only take place in a manner authorised by Norwegian law.

Norwegian law requires a statutory basis for establishing a security interest. The Norwegian Liens Act of 8 February, 1980 No 2 (*panteloven*) (the "***Liens Act***") is the legal basis for most types of security which can be established pursuant to Norwegian law. It is a general condition for establishing a security interest that the assets to be pledged are freely transferable. The security will only be enforceable against third parties if appropriate steps to perfect the security interest have been taken. The procedure for perfecting a security interest varies depending on the type of asset being subject to the security interest. Any security interest in respect of which legal protection has not been obtained without undue delay following the creation of the debt in respect of which such security interest was granted, will be held invalid in the event i) that a petition for the bankruptcy or debt negotiations in respect of the pledgor/assignor has been filed within three months of the obtaining of legal protection for such security and the pledgor/assignor is declared bankrupt or debt negotiations are initiated as a consequence of such petition, or ii) that it is found that the obtaining of legally protected security interest at the time of such obtaining represents an act of ill faith on the part of the relevant creditor in relation to the other creditors of the pledgor/assignor. Moreover, if the relevant security interest is not perfected, the holder of the security interest may have difficulty enforcing or be entirely unable to enforce such holder's rights in the relevant assets in competition with third parties, including an administrator in bankruptcy and other creditors who claim a security interest in the same assets. Under Norwegian law, the ranking of security interests is determined by the date on which they were perfected. A security interest created on a later date over the same assets, but which was perfected at an earlier time generally has priority.

As a main rule, a secured creditor does not have a general step-in right to security assets in an enforcement situation and agreements on enforcement cannot be validly entered into prior to the occurrence of an event of default. Instead, enforcement must be sought through the Norwegian courts or the Norwegian enforcement authorities.

Also, for specific security assets, and under certain circumstances, a creditor may take possession or directly enforce its rights upon enforcement. This is the case for security established over receivables (such as trade receivables or bank account claims) whereby the secured party may instruct the relevant debtor to pay the outstanding amounts directly to the secured party instead of the chargor.

The concept of a security trustee, as understood under U.S. law, does not exist under Norwegian law. In Norway a security trustee would be considered to be acting as a security agent. In practice in Norway, in an arrangement with a security agent acting on behalf of the secured parties, as these exist from time to time, it is generally recognized under Norwegian law that the security agent will be able to enforce the security on behalf of the secured parties and apply any proceeds to the secured parties. In order to commence any legal action regarding a claim (for enforcement purposes or otherwise) against the debtor the security agent may be required to disclose to the court the identity of the creditors and have the creditors join in or participate as claimants in the proceedings. It has been established by the Norwegian Supreme Court that a bond trustee for an undisclosed number of noteholders can, based on the provisions in the relevant bond agreement or indenture, take legal action against the issuer on behalf of and in lieu of the holders of the Notes without having to disclose the identity of the holders of the Notes. However, the relevant Norwegian court would have to examine the relevant indenture together with the other relevant agreements relating to the Notes and this Offering to determine whether the trustee would be able to act in such capacity.

Limitations on guarantees and security—other limitations

The security granted by a Norwegian company might be subject to defects, encumbrances, liens and other imperfections which could adversely affect the value of the security and the ability to enforce or realize the security. Furthermore, the ranking of security interest can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterisation under the laws of certain jurisdictions. There can be no assurance that the assets over which a Norwegian company grants a security are, or will be, free and clear from third-party prior ranking security rights or other interests arising by operation of law.

According to the Norwegian Enforcement Act (*tvangsfullbyrdelsesloven*), enforcement of claims is contingent upon the existence of an enforceable basis for execution, which may require a relevant party to obtain a court judgment, arbitral award or similar decisions. Obtaining such awards may be a lengthy and costly process. A Norwegian court may reject a mere technical or minor default under an agreement without a payment default as a proper basis for execution, unless the relevant event of default is held to be material. Enforcement of rights under Norwegian law may furthermore be or become limited by prescription, lapse of time or barred under the Norwegian Limitation Act, and claims under a document may become subject to set-off, counterclaim or other defences.

The Financial Agreements Act (*finansavtaleloven*) places various restrictions on the ability of a company incorporated in Norway to grant security and guarantees in favour of third parties and, inter alia, requires that a maximum amount is specified in respect of each security interest and guarantee. Limitations on a company's ability to grant security may also be restricted by the relevant company's constitutional documents and, in the case of a share pledge, the articles of association of the company's whose shares are subject to security.

Insolvency

The primary legislation on insolvency and bankruptcy in Norway is found in the Norwegian Act on Debt Arrangement and Bankruptcy of June 8, 1984 No. 58 (konkursloven) (the "***Bankruptcy Act***") and the Norwegian Act on Creditors' Recovery of June 8, 1984 No. 59 (dekningsloven) (the "***Recovery Act***").

The key features of the Norwegian bankruptcy proceedings are (i) the seizure and subsequent disposal of the debtor's assets, (ii) the assessment and ranking of claims, (iii) the testing and revocation of transactions (including the securing of existing claims) made prior to bankruptcy, (iv) the handling of the debtor's contractual relationships and (v) the distribution of funds (if any) in accordance with the priority rules. If the business operations of the bankrupt company are continued, they are formally continued at the risk of the bankruptcy estate, but in practice at the risk of, and only to the extent guaranteed by, the creditors.

Bankruptcy proceedings may be opened provided that the company (or person) is insolvent, meaning that the debtor is both illiquid (*i.e.*, the company is unable to pay its obligations as they become due (the "cash flow test")) and in "deficit" (the company's debts must exceed the sum of its assets and revenue, based on real, not book, values) (the "balance sheet test").

During bankruptcy proceedings the debtor's assets are seized and controlled by the court-appointed liquidator (usually a lawyer), on behalf of the bankruptcy estate. The main task of the liquidator is to turn all the debtor's assets into cash in the manner assumed to be most profitable for the estate (the creditors), and then distribute the available cash to the rightful creditors.

All of the debtor's assets will in practice be seized by the bankruptcy estate, and the debtor may not dispose of the seized assets in any way while the bankruptcy proceedings are ongoing. The bankruptcy estate may also seize assets held by third parties, if these assets are acquired from the debtor in an unlawful manner, or if the acquisition lacks legal protection, or if the transaction can be reversed according to the Recovery Act. The bankruptcy estate is a separate legal entity, which is authorized to exercise all ownership interests and rights with respect to the seized assets, including, but not limited to, the realization of assets.

Secured creditors are, in principle, not deemed to be part of the bankruptcy proceedings to the extent the value of the security is sufficient to cover the underlying obligations of the debtor. The secured creditors may, in principle, realize the security, and cover their claims; however, keeping in mind that the realization of a number of categories of security during the first six months after the opening of a bankruptcy will be subject to the approval of the bankruptcy estate (the same principles apply to official debt negotiations). The bankruptcy estate has the right, subject to certain conditions being fulfilled, to realize the security and divide the proceeds between the secured creditors and other holding legal rights in the assets.

Furthermore, the bankruptcy estate has a statutory first lien of up to 5% of the estimated value or sales value of all assets secured by the debtor for its own debt or by a third party for the debtor's indebtedness (limited to the Norwegian Court Fee (presently being in the amount of NOK 1130) multiplied by 700 for each such asset registered in an asset register). Such statutory lien is not applicable to financial security (cash deposits and financial instruments) established pursuant to the Norwegian Financial Collateral Act of 26 March, 2004 No. 17 (the "***Financial Collateral Act***") or the Liens Act section 6-4(9).

Any under-secured amount (any amount exceeding the value of the secured assets) will be deemed an ordinary (unsecured) trade claim. In a Norwegian bankruptcy, the creditors will be paid according to the following priority:

- secured claims (valid and perfected security covered up to the value of the secured asset–either after the realization by the secured creditor itself or after realization undertaken by the bankruptcy estate);
- super-priority claims (claims that arise during the bankruptcy proceedings, liquidator's costs and obligations of the estate);
- salary claims (within certain limitations);
- tax claims (such as withholding tax and value-added tax within certain limitations);
- ordinary unsecured claims (all other claims unless subordinated, including unsecured debt, trade creditors and indemnity claims); and
- subordinated claims (including interest incurred after the opening of bankruptcy proceedings, claims subordinated by agreement, liquidated damages and penalty claims).

Pursuant to the Recovery Act, the bankruptcy estate may be entitled to set aside or reverse transactions carried out in the three- to twelve-month period (and, in respect of transactions in favor of related parties, up to two years) before the opening of the bankruptcy proceedings, such as extraordinary payments of certain creditors, security established for existing debt and transactions at an undervalue. The bankruptcy estate may also, under certain circumstances, be entitled to set aside or reverse transactions made in bad faith or negligently which in an improper manner increase the debtor's debt, favor one or more creditors at the expense of others or deprive the debtor of assets which may otherwise have served to cover the creditors' claims, in which case the time limit for challenges by the estate is increased to ten years.

Solvent Enforcement

Enforcement of security normally requires that the pledgee or chargee file an application to the enforcement authorities for the enforcement of the security. Certain types of security may, however, be enforced without the involvement of the enforcement authority or a court, typically security established pursuant to the Financial Collateral Act and charges over monetary claims. A provision granting the secured party such right of enforcement is typically included in any security agreement between the pledgor/chargor and the secured party.

Enforcement of a guarantee claim against a solvent guarantor will in principal require a final, legally binding judgment by a court (unless the guarantee is made as an enforceable promissory note). Thereafter the creditor may apply to the enforcement authorities for enforcement of his or her claim.

Poland

Overview

Kongsberg Automotive Sp. z o.o. (the "***Polish Guarantor***"), being a Polish limited liability company (Polish: *spółka z ograniczoną odpowiedzialnością, sp. z o.o.*) is incorporated and existing under the laws of Poland. Comments made below are relevant for the Polish limited liability company.

In the event of insolvency of the Polish Guarantor, insolvency proceedings may be initiated in Poland. Note, however, that if the center of main interest of the Polish Guarantor is situated in another European Union member state, the courts of that state shall have jurisdiction and the insolvency laws of that state shall apply pursuant to the Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015, on insolvency proceedings (Official Journal No. L 141 of June 5, 2015).

If the centre of main interest of the Polish Guarantor is situated in Poland, the insolvency proceedings would be governed by the Bankruptcy Law (Polish: *Prawo Upadłościowe*) of February 28, 2003 (consolidated text: Journal of Laws of 2017, item 2344, as amended) (the "***Bankruptcy Law***"), and a new restructuring law (Polish: *Prawo Restrukturyzacyjne*) of May 15, 2015 (consolidated text: Journal of Laws of 2017, item 1508, as amended) (the "***Restructuring Law***").

Please find below the general and non-exhaustive description of certain provisions of the Bankruptcy Law and the Restructuring Law.

Note that the Bankruptcy Law and the Restructuring Law may not be as favorable to your interests as creditors as the insolvency laws of other jurisdictions, including in respect of priority of creditors, the ability to obtain interest after the commencement of insolvency proceedings and the duration of the insolvency proceedings, and hence may limit your ability to recover payments due on the Notes and the Guarantees to an extent exceeding the limitations arising under other insolvency laws.

Insolvent debtor

Bankruptcy proceedings under Polish law may be initiated against insolvent debtors.

The debtor is deemed insolvent if it loses the ability to settle its due and payable financial liabilities (which will be presumed to be the case if a delay in payment exceeds three months).

Under the balance sheet test (for a debtor being a legal person, *e.g.*, a limited liability company), the debtor will be deemed insolvent if according to its balance sheet, its financial obligations (except for future liabilities, including liabilities subject to a suspensory condition, and shareholder loans or other legal act having the similar effects) exceed the value of their assets and this "negative surplus" continues to exist for longer than twenty four consecutive months. Note that even if the above conditions are met, the court may reject a bankruptcy petition, provided that there is no threat to the debtor's ability to perform its due and payable obligations in a short term.

Bankruptcy petition

Bankruptcy proceedings are initiated upon submitting a bankruptcy petition. Such a petition may be submitted by either the debtor or its personal creditors.

According to the Bankruptcy Law, the catalogue of persons authorized and obliged to submit a bankruptcy petition for the debtor has been determined, *inter alia*, as all persons who on the basis of the law, articles of association/statute of the company have the right to conduct the company's affairs and to represent it (*e.g.* each member of the management board is individually authorized and obliged to submit a bankruptcy petition). The deadline for submitting the bankruptcy petition is thirty days from the date on which the reason for bankruptcy occurred.

Note that persons obliged to submit the bankruptcy petition (*e.g.* management board members) may be held liable for damages resulting from a delay in submitting the petition to the court.

The court is obliged to refuse to initiate bankruptcy proceedings if the debtor's assets are insufficient to cover the cost of the proceedings or, additionally if the debtor's assets are sufficient to cover only the cost of the proceedings. The court may also reject the petition to declare bankruptcy if the debtor's assets are encumbered with a mortgage, pledge, registered pledge, treasury pledge or maritime mortgage to such a degree that the debtor's remaining assets are not sufficient to cover the cost of the proceedings.

Safeguard procedure before the bankruptcy proceedings

Upon receiving a bankruptcy petition, the court can, *ex officio* or upon a motion, secure the debtor's assets.

The court may also secure the debtor's assets, *inter alia*, through the appointment of an interim court supervisor (Polish: *tymczasowy nadzorca sądowy*) or a mandatory administrator (Polish: *zarządca przymusowy*), and suspend the execution proceedings against the debtor (and additionally the court may revoke seizure of a bank account).

Bankruptcy proceedings

Pursuant to the Bankruptcy Law, there is one uniform bankruptcy proceedings, *i.e.*, liquidation bankruptcy proceedings.

Upon acceptance of the bankruptcy petition, the court decides whether to initiate the bankruptcy proceedings. This decision shall be made within two months of submitting the bankruptcy petition, however this deadline is only of instructive nature.

The date of the bankruptcy is the date on which the bankruptcy order is issued by the court.

As a rule, upon the court declaring liquidation bankruptcy, the debtor loses its right to manage its assets and a bankruptcy receiver (Polish: *syndyk masy upadłości*) is appointed. The financial liabilities of the debtor that have not yet become due and payable, become due and payable on the day the bankruptcy order is issued. The debtor's assets become the bankruptcy estate to be used to settle the debtor's creditors. The bankruptcy estate is managed by a bankruptcy receiver appointed by the court. Consent of the creditors' committee (Polish: *zgromadzenie wierzycieli*) or the bankruptcy receiver responsible for administering the bankruptcy is required for specified decisions made in relation to some matters connected with the bankruptcy process.

As a rule, the preferred type of liquidation under the Bankruptcy Law is the sale of the bankrupt's business as a whole.

Creditors have the right to submit their claims within thirty days from the announcement of the bankruptcy order; claims may be submitted also after the lapse of the set deadline, however, all actions undertaken in the bankruptcy proceedings until that date are valid towards the creditor. If a claim is not included in the list prepared by a court receiver, the creditor has the right to appeal. The procedural requirements for submitting claims are very formal.

Prepared liquidation (so called "pre-pack")

The Bankruptcy Law provides for an institution called prepared liquidation (Polish: *przygotowana likwidacja*), also called "pre-pack".

In the pre-pack procedure, the bankruptcy petition may be accompanied by an application for approval of the terms of sale of a debtor's enterprise, its organized part or assets representing a major part of its enterprise. Nevertheless, it may not include assets secured with registered pledge if the registered pledge agreement provides for foreclosure of the assets or their sale to satisfy a pledgee's claims (unless a pledgee gives its consent).

Such application for approval of terms of sale must specify at least the sale price and a potential purchaser, and be accompanied by a valuation report prepared by a certified court expert.

It is possible to request that the debtor's enterprise will be handed over to the purchaser on the bankruptcy declaration day, in which case the full price will have to be paid in advance to the court's deposit account. Note that the sale to an affiliated company of the debtor is permissible only at a price not lower than the price indicated in the valuation report.

The court is obliged to accept the application if the offered price is higher than the estimated liquidation proceeds that could be raised in "standard" bankruptcy proceedings, less the estimated costs of the proceedings. If the offered price is lower than (but still close to) the estimated net liquidation proceeds, the court will still be in a position to approve the sale if it is supported by an "important social interest" or if it allows the distressed enterprise to be preserved.

Each creditor will be entitled to appeal against the court's decision approving a pre-packed sale within a week of its publication (whereas only the petitioner may appeal against a negative decision).

Ineffectiveness of some legal acts with respect to the bankruptcy estate

Following the declaration of bankruptcy, the bankrupt's assets become the bankruptcy estate, which serves to satisfy the claims of the bankrupt's creditors. The bankruptcy estate covers, subject to exceptions, the assets belonging to the insolvent debtor on the date of the bankruptcy or acquired by it during the bankruptcy proceedings. Bankruptcy Law lists assets that are excluded from the bankruptcy estate by virtue of law, while other assets of the debtor can be excluded from the bankruptcy estate by a resolution of the creditors' committee or through the proceedings reviewed by the judge-commissioner (Polish: *sędzia-komisarz*).

Under the Bankruptcy Law, contractual provisions which provide for a change or termination of a legal relationship, to which the bankrupt is a party to, due to the declaration of bankruptcy (or in the case of filling a petition for bankruptcy), are null and void. Furthermore, contractual provisions, which make it impossible or difficult to achieve the objective of the bankruptcy proceedings, are ineffective towards the bankruptcy estate.

Legal transactions are ineffective towards the bankruptcy estate if concluded by the bankrupt within one year preceding the day, on which the bankruptcy petition was submitted and resulting in the bankrupt disposing of its assets: (i) without any reciprocal consideration for the bankrupt or (ii) bankrupt's consideration significantly exceeds the value of the consideration received by the bankrupt or reserved for the bankrupt or a third party.

Also ineffective towards the bankruptcy estate is granting of collateral for an undue debt and the payment of such debt effected by the insolvent debtor in six months preceding the day, on which the bankruptcy petition was submitted. The beneficiaries of such actions may, however, aim to have these transactions considered effective, if they have not been aware of grounds for the declaration of bankruptcy while receiving payment or being granted the collateral.

Moreover, in relation to non-gratuitous legal transactions concluded by an insolvent legal person with its shareholders, representatives (including their spouses), as well as affiliated companies, their shareholders or representatives (including their spouses) executed within six months before the day on which the bankruptcy petition was submitted, the judge-commissioner (Polish: *sędzia-komisarz*) is entitled to declare them ineffective (*ex officio* or upon a motion) unless the party to such legal transaction demonstrates that such transaction was not to the creditors' detriment.

In addition, a transfer of future receivable is ineffective towards the bankruptcy estate if such receivable arises after the declaration of bankruptcy, unless the agreement on the transfer of receivable was concluded in writing with a certified date (Polish: *forma pisemna z datą pewną*) at least six months before the day on which the bankruptcy petition was submitted.

Mortgages, pledges, registered pledges or maritime mortgages established by the bankrupt within one year preceding the day on which the bankruptcy petition was submitted may be challenged in one of the following situations: (i) the bankrupt was not the personal debtor of the creditor (*e.g.*, if the debtor was a guarantor) and the bankrupt did not receive any consideration in connection with such security, (ii) the consideration received was substantially lower than the value of the security, or (iii) the security interests was established for the benefit of its shareholders, representatives (including their spouses), as well as affiliated companies, their shareholders or representatives (including their spouses). The judge-commissioner, acting upon a motion, is competent to decide on the ineffectiveness of the established security towards the bankruptcy estate, however in case described in point (iii) above it is obliged to decide on such ineffectiveness unless the party to such legal transaction demonstrates that it was not to the creditors' detriment.

Pursuant to the Bankruptcy Law, the judge-commissioner, is authorized to deem ineffective towards the bankruptcy estate any contractual penalty (reserved for non-performance or improper performance of obligations) if the obligation was already performed to a large extent or the contractual penalty is excessive.

The transfer of the ownership title to a thing, claim or other right to the creditor (Polish: *przewłaszczenie na zabezpieczenie*) is effective towards the bankruptcy estate if such agreement has been made in writing with a certified date.

A credit agreement expires on the date bankruptcy is declared if prior to that date the lender did not disburse the funds to the bankrupt. The lender may pursue a claim in the bankruptcy proceedings for compensation by filing the claim with the judge-commissioner. If only a portion of the funds was disbursed to the bankrupt prior to the date of declaring bankruptcy, the bankrupt loses the right to request the disbursement of the remaining balance.

A declaration of bankruptcy does not affect the bankrupt's bank account agreement, securities account agreement, account agreement for derivatives, clearing account or collective account agreement.

Other selected consequences of bankruptcy

After the declaration of bankruptcy, the bankruptcy estate, as a general rule, cannot be encumbered with a mortgage, pledge, registered pledge, treasury pledge or a maritime mortgage in order to secure a liability incurred before the declaration of bankruptcy. Additionally it is forbidden to encumber the bankruptcy estate with a compulsory mortgage or a treasury pledge in order to secure a liability that arises after the declaration of bankruptcy.

Declaration of bankruptcy proceedings affects current court or administrative proceedings and debt collection proceedings. After declaration of the bankruptcy order, courts and administrative proceedings related to the bankruptcy estate may be opened and continued only by the a bankruptcy receiver or against him. Enforcement proceeding concerning a claim subject to filing to the bankruptcy estate, opened before the bankruptcy has been declared, shall be stayed by the virtue of law as at the date bankruptcy is declared. Enforcement proceeding shall be discontinued by the virtue of law after the decision declaring bankruptcy becomes final.

Satisfaction of claims in bankruptcy proceedings

In the case of bankruptcy, settling the creditors' claims is usually only possible upon the registration of the claims by the bankruptcy receiver. The claims are satisfied according to certain priorities. The costs of bankruptcy proceedings are covered by separate legal provision, which sets out that costs of bankruptcy proceedings shall be satisfied on an on-going basis during the process of liquidation, with priority over the first category claims. Claims described in the below categories are settled only after all costs of the bankruptcy proceedings, debts of bankruptcy estate have been settled.

Unsecured creditors' claims are settled in the following order (as far as a legal person is concerned):

- first category—this category, inter alia, covers claims arising out of an employment relationship falling due and payable before the bankruptcy was declared, with certain exceptions, certain contributions to the social security insurance system, certain claims which arise during restructuring proceedings, claims arising from credit, loans, bonds, guarantees or letters of credit or other financing arrangement provided in the approved restructuring proceedings and granted in connection with the performance of such arrangement (if the bankruptcy was declared as a recognition of a bankruptcy petition submitted not later than three months after the final repeal of such restructuring arrangement).

- second category—covers claims not covered in other categories including claims payable to private creditors as well as tax liabilities, other public levies and contributions to the social security insurance system. Thus, private creditors are treated equally with tax authorities.

- third category—covers subordinated interest on claims included in the senior categories in the order, in which they are paid on the capital, as well as judicial and administrative fines and claims arising under donations and legacies.

- fourth category—covers shareholders' claims arising from loan agreements as well as other legal transactions with similar effects, which were executed within five years before the bankruptcy announcement was made (with some exceptions such as loans granted within the frame of the restructuring proceedings or loans granted by the shareholders), shareholders under this category are also entitled to interest on described transactions.

Settling claims from one of these categories is only possible after fully settling claims of the creditors from a more senior category. If settling all debts included in the same category is not possible due to lack of assets, the debts should be settled proportionally.

The liquidation of the bankruptcy estate is performed by selling the bankrupt's enterprise as a whole or by organized parts, by selling all immovable and movable property, by enforcing claims against the debtors of the bankrupt, and by exercising other proprietary rights included in the bankruptcy estate or by alienation thereof.

The Bankruptcy Law distinguishes between three types of sale (*i.e*, at an arms length basis, at an auction or at a tender). The sale (transfer) of receivables is permissible. As stated above, as a rule, the bankrupt's enterprise should be sold as a whole.

Proceeds obtained from the liquidation of assets, liabilities and rights encumbered with a mortgage, a pledge or security transfer of title, registered pledge, treasury pledge, maritime mortgages are allocated to settle creditors' claims that are secured by such assets, liabilities or rights (subject to certain exceptions). Proceeds remaining after settling those creditors' claims are included in the bankruptcy estate and satisfied in accordance with categories of claims specified above.

The proceedings will be closed by the court once all the proceeds are distributed. The court shall also close the insolvency proceeding in the event of lack of assets or inability to fully settle the creditors' claims. In some cases, liquidation may be avoided through arrangement with creditors and the company can continue to operate.

Debts currency and interest due in the bankruptcy proceedings

Any debt payable in a currency other than Polish zloty (such as euro), if being put on the list of debts, must be converted into Polish zloty at the National Bank of Poland's average exchange rate for the date the bankruptcy court issues a decision on the debtor's bankruptcy (and regardless of whether the debt has fallen due or not). Nevertheless, an inclusion of a debt payable in currency other than Polish zloty in the list of bankruptcy claims does not result in conversion of such claim into claim denominated in Polish zloty.

Furthermore, in case of unsecured claims, interest is satisfied from the assets of the bankruptcy estate only for the time period until the date the bankruptcy is declared.

Restructuring proceedings

In order to enable insolvent or threatened with insolvency debtors to recover their ability to overcome financial difficulties, rather than declare bankruptcy, four types of restructuring proceedings are provided by the Restructuring Law:

- proceedings for approval of an arrangement (Polish: *postępowanie o zatwierdzenie układu*),
- accelerated arrangement proceedings (Polish: *przyspieszone postępowanie układowe*),
- arrangement proceedings (Polish: *postępowanie układowe*),
- remedial proceedings (Polish: *postępowanie sanacyjne*).

The above proceedings are aimed at the debtor concluding an arrangement with its creditors (including partial arrangements), which enable the debtor to satisfy the creditors' claims and operate further. The difference in the said proceedings is in the scope of the debtor's rights to manage its assets, and the scope of the debtors' protection against the creditors. Proceedings, subject to certain exceptions, may be initiated by the debtor only (however also a personal creditor is entitled to file a petition for the commencement of remedial proceedings in relation to an insolvent legal person).

The creditors may vote in single or separate groups. If creditors vote in a single group, the arrangement is concluded if it is accepted by the majority of voting creditors who hold in aggregate at least two thirds of the total sum of claims held by the voting creditors (except for the proceedings for approval of an arrangement, where the debtor collects the votes in writing itself and the required majority is measured by reference to the total amount of claims held by creditors entitled to vote and not by reference to the amount of claims held by voting creditors).

The creditors may be split into separate groups (classes) based on the criteria of "common category of interests". In such case, the arrangement is concluded if it is accepted in each group by a majority of voting creditors in the group whose claims amount to (in aggregate) at least two thirds of the total sum of claims held by the voting group members (with respective modification of calculating the majority in case of proceedings for approval of an arrangement described above). Even if there is no required majority in one or more of the groups of creditors, the arrangement will still be deemed concluded if: (i) the creditors representing in aggregate at least two thirds of the total sum of claims held by the voting creditors have voted in favor of the arrangement (with respective modification of calculating the majority in case of proceedings for approval of an arrangement described above), and (ii) the creditors from the dissenting group/groups are satisfied through the arrangement to an extent which is not less favorable than in the case of liquidation of the debtor.

An arrangement accepted by the required majority of creditors is subject to an approval by the court. The court rejects the arrangement if: (i) it violates the law or (ii) it is obvious that the arrangement will not be performed. The court is also entitled to reject the arrangement if it is obviously detrimental to creditors who voted against it and raised objections. The accepted arrangement is binding on all creditors, whose receivables are, under the law, covered by the arrangement, which may include claims not specified on the creditor's list.

In case of conflicting petitions for bankruptcy and for restructuring, the court withholds the bankruptcy petition and the restructuring petition should be considered first (if the restructuring petition is accepted, it will not be possible to declare bankruptcy as long as restructuring proceedings are pending). Exceptionally, if the withholding of the bankruptcy petition should be contrary to the interest of all creditors, the bankruptcy court may decide to consider both petitions at the same time.

As a general rule, the arrangement covers, subject to some exceptions, all personal claims against the debtor originated prior to the commencement of the restructuring proceedings (the day of issuing a court's decision on the opening of accelerated arrangement proceedings, arrangement proceedings and/or remedial proceedings further referred to as "***commencement date***", in case of proceedings for approval of an arrangement the consequences of commencing the restructuring proceedings take effect from the arrangement day), together with interest accruing from the commencement date, as well as conditional claims, if the condition fulfils when the arrangement is being performed. Above relates both to financial and non-financial claims (except for *inter alia* certain social insurance contributions, claims under employment agreements or claims for the handover of property). If a creditor objects to the restructuring of its non-financial claim (or if due the nature of a non-financial claim, it is not possible to restructure it), the relevant claim will be converted to a financial one (with effect from the commencement date). In addition, claims under reciprocal agreements (Polish: *umowy wzajemne*) are covered by the arrangement only if: (i) the counterparty's performance is divisible and (ii) only to the extent that the counterparty has performed the agreement prior to the commencement date of the restructuring proceedings and has not received a reciprocal consideration from the debtor.

"Partial" arrangements

The debtor may enter into a "partial" arrangement (Polish: *układ częściowy*) only with selected classes of creditors (*e.g.*, secured creditors or significant suppliers), however, it is permitted only in (i) an arrangement approval proceedings and (ii) accelerated arrangement proceedings. It should allow the debtor to reach an arrangement in a faster and more discreet way. However, the selection of creditors for that purpose must be compliant with statutory tests (*i.e.*, it must be based on objective, unambiguous and economically justified criteria) and must not be only aimed at eliminating dissenting creditors from relevant voting classes.

Impact of restructuring proceedings on certain agreements

Contractual provisions, according to which termination or modification of legal relationship is triggered by submitting a petition for the commencement of restructuring proceedings or commencement of such proceedings are void by virtue of law. Also, the terms of agreements with the debtor which make it impossible or difficult to achieve the purposes of restructuring proceedings (except for arrangement approval proceedings), are ineffective against the debtor's estate.

In principle, upon the commencement of restructuring proceedings (other than arrangement approval proceedings), it is prohibited to terminate certain agreements which constitute source of incomes for the debtor (unless the board of creditors agrees for the termination), such as tenancy or lease agreements relating to the premises in which the debtor's enterprise is operated, property insurances, facility agreements (but only in relation to funds made available to the debtor before the commencement date), leasing agreements, bank account agreements, suretyships, licences granted to the debtor, guarantees and letters of credit issued before the commencement date.

Preservation of security interests in restructuring proceedings

As a rule, it is not possible to establish new security interests to secure a claim not covered by the arrangement (unless the board of creditors agrees otherwise) once the restructuring proceedings have commenced. However, if an application to register a mortgage, pledge, registered pledge, treasury pledge or maritime mortgage is filed more than six months before submitting a petition to commence restructuring proceedings, the mortgage or pledge will be registered (in accelerated arrangement, arrangement and remedial proceedings).

Also, according to a general rule, *in rem* security interests (*e.g.*, mortgage, pledge, registered pledge, security assignment) securing a claim not covered by the arrangement survive the restructuring proceedings and the claims secured by any of such security interests are not affected by the arrangement. Hence, the arrangement covers secured claims to the extent such claims are not covered by the value of collateral, or the relevant secured creditors agree to be covered by the arrangement. Secured creditors consenting to the arrangement may be assigned to a separate group (class) of creditors and be afforded different treatment in the arrangements from the one of unsecured creditors.

In relation to partial arrangements, if the proposed arrangement offers the relevant secured creditor full satisfaction (on a date specified in the arrangement) or partial satisfaction, but to the extent not lower than the one, which is expected in the case of enforcement of security interest, the relevant secured claim will be covered by the arrangement even without the creditor's consent.

Proceedings for approval of an arrangement

These proceedings are available if the sum of disputed claims does not exceed fifteen per cent of the total claims held by creditors entitled to vote. Although, the debtor continues to manage its assets, it is required to appoint a licensed supervisor (Polish: *nadzorca układu*), who will: (i) prepare a restructuring plan, (ii) cooperate with the debtor in preparing the arrangement proposals, (iii) prepare a list of claims and a list of disputed claims, (iv) assist the debtor in proper collecting the votes of creditors in favor of the arrangement, and (v) prepare a feasibility assessment of the arrangement in a form of a report.

The debtor determines an arrangement day (Polish: *dzień układowy*). Claims arising after the arrangement day are not subject to the arrangement. The debtor presents a restructuring plan to its creditors and collects their votes on the arrangement. Once the approving votes of the required regulatory majority have been obtained, the debtor files a petition with the court (within three months from giving the votes) in order to accept and approve the arrangement. The debtor also submits to the court a report with a feasibility assessment of the arrangement. The court issues a decision whether to accept and approve the arrangement within fourteen days from submitting the petition. From the date of issuing the decision, a licensed supervisor obtains the rights of a court supervisor (Polish: *nadzorca sądowy*) and is obliged to supervise the proper performance of the approved arrangement and the debtor is required to obtain the supervisor's consent for all transactions and actions exceeding the scope of the ordinary course of business, as otherwise those transactions and actions are null and void.

Accelerated arrangement proceedings

Similarly to proceedings for approval of an arrangement, these proceedings are available if the sum of disputed claims also does not exceed fifteen per cent of the total claims held by creditors entitled to vote. It may be used, in particular, if there is a large number of creditors and the debtor is unable to collect their votes on the arrangement by itself.

The debtor prepares and submits a petition for the acceptance and approval of the arrangement together with a statement that information included therein is true and complete. The court issues a decision whether to accept and approve the arrangement within one week from submitting the petition and appoints (i) a court supervisor (Polish: *nadzorca sądowy*), who will supervise the debtor's management of its assets and (ii) a judge-commissioner (Polish: *sędzia-komisarz*), who *i.a.* will manage the restructuring proceedings, supervise the activity of the court supervisor and—if applicable—(iii) the administrator. If the court refuses to commence accelerated arrangement proceedings, the debtor may lodge a complaint against it. The creditors, in turn, may lodge a complaint against the commencement of the accelerated arrangement proceedings.

Within two weeks from the date on which the accelerated arrangement proceedings are commenced, the court supervisor prepares and submits to the judge-commissioner (i) a restructuring plan, (ii) a list of claims and (iii) a list of disputed claims providing them with (i) arrangement proposals, (ii) information on division of the creditors on the grounds of their category of interests as well as on (iii) a manner of way of voting at the creditors' meeting. Subsequently, the judge-commissioner sets the date of the creditors' meeting for the purpose of voting on the arrangement and informs of that date the creditors, who are on the list of claims.

The debtor continues to manage its assets under the supervision of the court supervisor (optionally the court may appoint an administrator (Polish: *zarządca*) to take over the management of the arrangement estate) but the debtor is required to obtain the supervisor's consent for all transactions and actions exceeding the scope of the ordinary course of business, as otherwise those transactions and actions are null and void. The court may revoke the debtor's management of assets and establish an administrator if: (i) the debtor does not comply with the judge-commissioner's or the court supervisor's directions, (ii) its management does not guarantee the performance of the arrangement or if a trustee (Polish: *kurator*) has been appointed for the debtor or (iii) the debtor's management does not comply with law (whether intentionally or not) to the detriment (actual or potential) of the creditors.

In addition, once the accelerated arrangement proceedings are commenced, *inter alia*: (i) the estate which enables the debtor to operate its undertaking and the debtor's estate become the arrangement estate (Polish: *masa układowa*), (ii) the debtor provides the judge-commissioner and the court supervisor with information and documents concerning the debtor's undertaking and assets, (iii) execution proceedings relating to claims covered by the arrangement are suspended by virtue of law, (iv) the debtor/administrator may not settle performances from the claims, which are covered by the arrangement when the proceedings are pending (to some extend this rule does not apply to contractual compensation clauses (Polish: *klauzula kompensacyjna*)).

Arrangement proceedings

These proceedings are available only for the debtors, whose disputed claims exceed fifteen per cent of the total claims held by creditors entitled to vote and, as a result, both types of previous proceedings cannot be initiated.

The debtor prepares and submits a petition for the acceptance and approval of the arrangement without attaching the arrangement proposals. The debtor needs to demonstrate in the petition the probability of settling by the debtor the costs of the proceedings and fulfilling liabilities which will arise after the commencement of arrangement proceedings. In principle, the court issues a decision whether to accept and approve the arrangement within two weeks from submitting the petition (this period may be extended to six weeks, if it is necessary to conduct a trial).

The court also appoints a court supervisor (Polish: *nadzorca sądowy*), who will supervise the debtor's management of its assets and a judge-commissioner (Polish: *sędzia-komisarz*), who will manage the restructuring proceedings and supervise the activities of the court supervisor and, if applicable, the administrator (Polish: *zarządca*).

The court may: (i) secure the debtor's assets through the appointment of an interim court supervisor (Polish: *tymczasowy nadzorca sądowy*) for the period between the filing of the petition and the commencement of the proceedings, (ii) suspend pending enforcement proceedings conducted in order to enforce claims covered with the arrangement and (iii) revoke the seizure of the debtor's bank account at the request of the debtor or the interim court supervisor. The debtor or the creditor who is in the course of conducting the enforcement may lodge a complaint against the court's decision to suspend pending enforcement proceedings and to revoke the seizure of the debtor's bank account. If the court decides to revoke the seizure of the debtor's bank account, it needs to appoint an interim court supervisor, who will give consent to the debtor's dispositions regarding the sums maintained on this bank account.

Within thirty days from the commencement of the arrangement proceedings, the court supervisor: (i) prepares and submits to the judge-commissioner a restructuring plan and a list of claims, (ii) determines the composition of the arrangement estate (Polish: *masa układowa*) by preparing a specification of inventory (Polish: *spis inwentarza*) together with an estimation of the arrangement estate. Upon the receipt of the restructuring plan and the list of claims, the judge-commissioner sets the date of the creditors' meeting for the purpose of voting on the arrangement and informs the creditors of that date providing them with (i) arrangement proposals, (ii) information on division of the creditors on the grounds of their category of interests as well as on (iii) a manner of way of voting at the creditors' meeting.

The debtor continues to manage its assets under the supervision of the court supervisor (optionally the court may appoint an administrator to take over the management of the arrangement estate) but the debtor is required to obtain the supervisor's consent for all transactions and actions exceeding the scope of the ordinary course of business, as otherwise those transactions and actions are null and void. The court may revoke the debtor's management if: (i) the debtor does not comply with the judge-commissioner's directions, (ii) its management does not guarantee the performance of the arrangement or (iii) its management does not comply with the law (whether intentionally or not) to the detriment (actual or potential) of the creditors.

In addition, once the arrangement proceedings are commenced, *inter alia*: (i) execution proceedings relating to claims covered by the arrangement are suspended by virtue of law, (ii) the creditors may initiate judicial, administrative or judicial-administrative proceedings or proceedings before arbitration courts (Polish: *sądy polubowne*) regarding satisfaction of claims disclosed in the specification of inventory, (iii) the court supervisor accedes by virtue of law to pending judicial, administrative or judicial-administrative proceedings or proceedings before arbitration courts regarding the arrangement estate.

Remedial proceedings

This type of proceedings provides for the broadest scope of restructuring activities and protection against creditors. Unlike other types of restructuring proceedings, it may be also initiated by the debtor's personal creditor (Polish: *wierzyciel osobisty*), provided that debtor has become insolvent and is not only threatened with the insolvency, or a trustee (Polish: *kurator*), if appointed by the registry court.

The debtor prepares and submits a petition for commencing remedial proceedings. The debtor needs to demonstrate in the petition the probability of settling by the debtor the costs of the proceedings and fulfilling liabilities which will arise after the commencement of remedial proceedings. The court may secure the debtor's assets through the appointment of an interim court supervisor (Polish: *tymczasowy nadzorca sądowy*) or an interim administrator (Polish: *tymczasowy zarządca*) for the period between the filing of the petition and the commencement of the proceedings. In principle, the court issues a decision whether to commence remedial proceedings within two weeks from submitting the petition (this period may be extended to six weeks, if it is necessary to conduct a hearing). The court appoints a judge-commissioner (Polish: *sędzia-komisarz*), who will manage the proceedings and supervise the activities of the administrator (Polish: *zarządca*). The appointment of an administrator to manage the debtor's estate (remedial estate) is mandatory, unless the debtor's involvement is necessary to conduct successful restructuring and the debtor guarantees proper management (in which case the court may agree to the debtor's retaining management over the whole or a part of the undertaking).

Once the court issues the decision on the commencement of remedial proceedings, the debtor is obliged to pass the whole estate and documents related thereto to the administrator (unless the debtor has been given the right to manage its assets), and provide the judge-commissioner and the administrator with all necessary or required information. Subsequently the administrator, in cooperation with the debtor, submits a restructuring plan to the judge-commissioner within thirty days from the commencement of the proceedings (this period may be extended to three months), who accepts and approves the restructuring plan upon obtaining, the opinion of the board of creditors (Polish: *rada wierzycieli*). After obtaining the approval, the administrator performs the restructuring plan.

In addition, once the remedial proceedings are commenced, *inter alia*: (i) commercial power of attorney (Polish: *prokura*) and other powers of attorney granted by the debtor expire by virtue of law (in the course of remedial proceedings new commercial power of attorney or powers of attorney may be granted by the administrator), (ii) the administrator is granted the right to "cherry-pick" so-called mutual contracts (Polish: *umowy wzajemne*) which have not been performed in full or in part prior to the commencement date, subject to the judge-commissioner's consent, (ii) the estate which enables the debtor to operate and the debtor's estate becomes the remedial estate (Polish: *masa sanacyjna*), whose components are determined by the administrator by means of preparing a specification of inventory (Polish: *spis inwentarza*) together with an estimation of the remedial estate (Polish: *ustalenie składu masy sanacyjnej*), within thirty days from the commencement of the proceedings, (iii) it is possible to adjust the employment level to the needs of the reorganized undertaking, (iv) opened inheritance to which the debtor is appointed, is included in the remedial estate, (v) pending enforcement proceedings relating to remedial estate are suspended by virtue of law, (vi) the creditors may initiate judicial, administrative or judicial-administrative proceedings or proceedings before arbitration courts (Polish: *sądy polubowne*) which regard satisfaction of claims disclosed in the specification of inventory, (vii) judicial, administrative or judicial-administrative proceedings or proceedings before arbitration courts regarding the remedial estate may be initiated by or conducted against the administrator, in such case the administrator acts in his/her own name but on behalf of the debtor, (viii) at the request of the debtor, the judge-commissioner may revoke the seizure of elements included in the remedial estate in the course of enforcement or proceedings aimed at securing claims (Polish: *postępowanie zabezpieczające*), if such elements are necessary for the debtor to operate.

Also, certain legal transactions are ineffective towards the remedial estate once the remedial proceedings are commenced. These are: (i) transactions by means of which the debtor has disposed of its assets, if they were concluded by the debtor within one year preceding the day, on which the petition on commencement of the remedial proceedings was submitted and the value of the debtor's performance (Polish: *świadczenie*) significantly exceeds the value of the performance received by or reserved for the debtor, (ii) security interests, which have not been established directly in connection with receiving a performance by the debtor within one year preceding the day, on which the petition on commencement of the remedial proceedings was submitted (iii) security interests, which have been established by the debtor within one year preceding the day, on which the petition on commencement of the remedial proceedings was submitted, in the extent such security interests exceed more than the half of the value of secured performance received by or reserved for the debtor together with claims for ancillary claims on the day of establishing such security interests. The above rules also apply to guarantees, suretyships (Polish: *poręczenia*) and to other similar activities performed to secure performances.

Limitations on validity and enforceability of the Guarantees and the security interests

Comments made below are relevant for the Polish Guarantor, being the Polish limited liability company.

Governing law and enforceability

In the event of subjecting the Polish Guarantor's Guarantees and Collateral to laws of the other jurisdiction than the Republic of Poland in a dispute before a Polish court, only substantive laws of such other jurisdiction will be applied while the laws of procedure will be governed by Polish law. Furthermore, as a rule, a Polish courts can refuse to apply or execute foreign legal provisions, if the application of such provisions results in the contravention of peremptory rules of Polish public policy, or if specific law has to be applied regardless of the choice of law (*i.e.,* should any rights *in rem* be involved, they will be subject to the laws of the country in which the subject of these rights is located).

As a general rule, the decisions of Polish courts become final and non-appealable after execution of appropriate remedy path or after the expiry of the statutory term to file a remedy, subject to applicability of extraordinary legal remedies if available.

The decisions issued by foreign courts, as the general rule, become enforceable in Poland after establishing their enforceability by the Polish court. The Polish court may refuse to declare the enforceability of the decision of the foreign court, *inter alia*, if the decision is in contravention of peremptory rules of Polish public policy.

As a general rule, the decisions of the courts of other EU member states do not need to be declared enforceable by the Polish courts, prior to their enforcement in Poland. Enforceability of these decisions may be challenged, however, in a separate proceedings before the Polish court.

As a general rule, decisions of the Polish courts (including on issuance of enforceability clause) and appropriate actions of enforcement officers with whom the enforcement of claims is sought may be, depending on the circumstances, required for the enforcement of the given security interest.

Insolvency as a result of an excess of obligations over the value of the company's assets

Obligations of the Polish Guarantor under the Notes and the Guarantees and Collateral are subject to limitations resulting from the application of provisions of the Polish Bankruptcy Law.

As already specified above, in addition to the “liquidity test” limited liability companies may also be deemed insolvent under the “balance sheet test” if their financial obligations exceed the value of their assets and this “negative surplus” continues to exist for longer than twenty four consecutive months (except for future liabilities, including liabilities subject to a suspensory condition, and shareholder loans or other legal act having the similar effects). Nevertheless, even if the above conditions are met, the court may reject a bankruptcy petition, provided that there is no threat to the debtor’s ability to perform its due and payable obligations in a short term.

Actio Pauliana

Polish civil law provides a basis for declaring some actions done to the detriment of creditors ineffective (so-called “*actio Pauliana*”). In general, if as a result of a legal act performed by a debtor to the detriment of creditors, a third party gains a financial benefit, each of the creditors may demand that the said act be declared ineffective with respect to it, if the debtor acted knowingly to the creditors’ detriment, and the third party knew or, having used due care, could have learned of it. This provision applies accordingly if the debtor acts with an intention to harm future creditors. It is assumed that the debtor’s legal act is performed to the creditors’ detriment if, as a result of such act, the debtor becomes insolvent or becomes insolvent to a greater degree than he was before performing the act (as described in Supreme Court judgements Case No. II CSK 548/11, Case No. III CSK 143/16, Case III CSK 214/11). The application to the court with respect to “*actio Pauliana*” can be filed within five years from the date of the act.

Limitations resulting from the Polish Commercial Code

The Notes and the Guarantees and the grant of Collateral by the Polish Guarantor is also subject to certain provisions of the Polish Commercial Companies Code (Polish: *Kodeks Spółek Handlowych*) of September 15, 2000 (consolidated text: Journal of Laws of 2017, item 1577, as amended) (the “***Polish Commercial Companies Code***”). With respect to the limited liability company (Polish: *spółka z ograniczoną odpowiedzialnością, sp. z o.o.*) pursuant to the Polish Commercial Companies Code, the creation of a limited right *in rem* over the enterprise or over its organized part requires a resolution of the shareholders under the pain of invalidity.

Pursuant to Article 189 § 2 of the Polish Commercial Companies Code, the shareholders may not receive, under any title, any payments from the Polish limited liability company’s assets needed to fully cover the share capital of this company. A breach of this rule results in the shareholders’ obligation to return the payments up to the amount of the share capital. Therefore, the liability of any Guarantor incorporated under Polish law on account of payments under the Notes and the Guarantees and Collateral should be limited, in particular, to the extent that it would result in a reduction of its assets necessary to cover in full its share capital in breach of Article 189 § 2 of the Polish Commercial Companies Code.

If a share pledge is enforced and the shareholder changes, a new “relation of domination” might arise. In such case the new shareholder would be obliged to notify the dependent company, *i.e.,* the Polish Guarantor, of this fact. Otherwise, its right to vote from its shares representing more than 33% of the share capital of the dependent company will be suspended. A new relation of domination might also arise if under a pledge agreement, the pledgee gains a majority of the votes at the general meeting of the Polish Guarantor. The corresponding notification duty has to be fulfilled by the pledgee.

Interests limitation

Pursuant to Article 359 § 2^1 in conjunction with § 2 of the Act of 23 April 1964 Civil Code (consolidated text: Journal of Laws of 2017, item 459, as amended) (the “***Civil Code***”), the maximum interest resulting from the legal act, *i.e.*, so-called “capital interest” (Polish: *odsetki kapitałowe*) cannot per annum exceed double statutory interest (*i.e.*, double of the sum of: (i) the reference rate published by the National Bank of Poland and (ii) 3.5 percentage points). As of the date of this memorandum, the maximum capital interest amounts to 10%.

In addition, according to the Article 481 § 2^1 in conjunction with § 2 of the Civil Code, the maximum interest resulting from a delay (Polish: *odsetki za opóźnienie*) cannot per annum exceed double statutory interest for delay (*i.e.*, double of the sum of: (i) the reference rate published by the National Bank of Poland and (ii) 5.5 percentage points). As of the date of this memorandum, the maximum interest for delay amounts to 14%.

Should the value of interest exceed the value of relevant maximum interest, then relevant maximum interest is due. Contractual provisions cannot exclude or limit the provisions on maximum interest. The above mentioned specific provision of Polish law shall be applied by a Polish court irrespective of the fact that the parties have chosen foreign law to govern the transaction (overriding mandatory provisions).

Clearance from the President of the Polish Office for Protection of Competition and Consumers in order to execute some rights over shares

An exercise of voting rights in the Polish Guarantor by the holder of the relevant security under a power of attorney may be recognized as change of control pursuant to the Act on Protection of Competition and Consumers of February 16, 2007 (consolidated text: Journal of Laws of 2018, item 798, as amended) (the "***Competition Law***"), if certain statutory conditions regarding the requirement to notify the concentration (in particular, related to the turnover generated by the parties), indicated in the Art. 13 of the Competition Law, are met. However, Art. 14 of the Competition Law provides with exceptions, when the clearance from the President of the Polish Office for Protection of Competitions and Consumers (the "***President of UOKiK***"), is not required. Among others, the notification is not required, when an entity acquires or takes up, on a temporary basis, stocks and shares with a view to securing debts, provided that such entity does not exercise the rights arising from these stocks or shares, except for the right to sell.

Thus, the holder of such security may be obliged to notify the President of UOKiK about its intention to exercise its voting rights and to obtain an antimonopoly clearance to exercise such voting rights. The enforcement of a pledge through the appropriation of the shares by the Security Agent may be recognized as a notifiable merger under the Competition Law. Therefore, the holder of the relevant security interest may be required to notify the President of UOKIK about the intended concentration and obtain relevant antimonopoly clearance to take over the shares.

Perfection requirements

Generally, under Polish law, for a valid and effective establishment of security interests certain perfection requirements need to be fulfilled, including the requirements specified below.

The registered and financial pledges over the shares in the Polish Guarantor may be validly established only after fulfillment of the certain perfection requirements including the following: (i) the proper registered pledge agreement must be executed, the registered pledge must be registered in the register of pledges maintained by the competent court and will become effective vis-à-vis the Polish Guarantor once it is notified of the establishment of such pledge; (ii) the proper financial pledge agreement must be executed and will become effective vis-à-vis the Polish Guarantor once it is notified of the establishment of such pledge, (iii) the pledges should be disclosed in the book of shares of the Polish Guarantor. Additional formal requirements are to be complied with.

The agreement of the security assignment of a thing, receivable or of other right (even if governed by non-Polish law) is effective towards the bankruptcy estate (as defined by the Bankruptcy Law), if it was executed in writing with a certified date (*i.e.*, a date certified by a Polish notary).

In principle, a secured creditor can enforce its security once the secured claim becomes mature (that is, the debt becomes due and payable). Under certain circumstances, the creditor must obtain a final and non-appealable court decision and enforcement clause before enforcing its security. A less formal procedure is possible, for example, if the claim is secured by registered or financial pledge and the pledge agreement provides that the creditor can take over the pledge object.

Parallel debt structure under Polish law

In majority of cases, under Polish law security interests cannot be granted to a party other than the creditor of the secured claim. Generally, under Polish law, the pledge or mortgage is strictly accessory and follows the debt or claim it secures and may not be transferred without such debt or claim. If such debt or claim is transferred without the pledge or mortgage, the latter will expire.

For that reason, in certain transactions, also in Poland, a parallel debt structure is used, whereby the guarantor, as a separate and independent obligation governed by non-Polish law, undertakes to pay to the security agent amounts equal to the amounts due by it to the other creditors. Such parallel debt structure, therefore, creates a separate and independent claim of the security agent that can be validly secured by a security interest. Consequently, the security interests are granted to the security agent in its own capacity as a creditor acting in its own name pursuant to the parallel debt, and not as a representative of the creditors. It is usually expressly agreed in such parallel debt agreement that the obligations of the debtor towards the security agent shall be decreased to the extent that the corresponding principal obligations to the creditors are reduced (and vice versa).

The Supreme Court issued the judgments on October 9, 2009 (Case No. IV CSK 145/09, Case No. IV CSK 169/09 and Case No. IV CSK 155/09) concerning the effectiveness of establishing security interests over the assets of the debtor of parallel debt. In the above cases, the Supreme Court has not challenged the validity of a foreign law parallel debt structure, however, such structure was only indirectly referred to in the above judgments. As there is no doctrine of "precedence" under Polish law, uncertainty exists as to validity and enforceability of the parallel debt under Polish law.

As Polish law does not recognize the concept of "trust" or "trustee", it is uncertain how the Security Agent will be treated by a Polish court.

Slovakia

Insolvency—general

In the event of insolvency of a Subsidiary Guarantor or a provider of Collateral organized under the laws of the Slovak Republic and/or having its center of main interests in the Slovak Republic (each a "***Slovak Provider***"), any main insolvency proceedings regarding the Slovak Providers could be initiated in the Slovak Republic. Slovak law would then govern those proceedings. The insolvency laws of the Slovak Republic are laid out mostly in the Slovak Act No. 7/2005 Coll. on Bankruptcy and Restructuring, as amended (the "***Slovak Insolvency Act***").

The following is a brief description of certain aspects of the insolvency laws of the Slovak Republic. Slovak insolvency law differentiates between bankruptcy (*konkurz*) and restructuring proceedings (*reštrukturalizácia*).

The purpose of bankruptcy is to resolve the debtor's insolvency by liquidating and realizing its assets and by collective satisfaction of creditors. Either the debtor itself or its creditors have the right to file a petition for bankruptcy.

Rather than file for bankruptcy, a petition for restructuring may be filed by the debtor or by a creditor (with debtor's consent). In legal terms, the purpose of restructuring is to resolve the debtor's insolvency by gradual satisfying the debtor's creditors in the manner agreed in the restructuring plan. The main idea is to rescue financially troubled businesses whenever there is a real chance that this is "economically" achievable and not at the expense of creditors (*i.e.*, the degree of satisfaction of the creditors must be higher than if the debtor would be liquidated in bankruptcy). The key features of the restructuring proceedings (which is, in some respects, similar to U.S. Chapter 11) are that: (1) the feasibility of the restructuring must be supported by an expert opinion prepared by an independent restructuring trustee (*reštrukturalizacný správca*) before the petition for restructuring is filed (the restructuring trustee may be appointed either by a debtor or a creditor with the consent of the debtor); (2) there will be a moratorium on enforcement of creditors' claims against the debtor; (3) the debtor remains in the possession of its business (DIP concept) under the supervision of a restructuring trustee, the court and the creditors; (4) the outcome of the restructuring proceedings is the preparation of the restructuring plan that must be approved by relevant majorities of the creditors (and in some circumstances, also by the shareholders) and subsequently endorsed by the court, (5) there is the option of binding dissenting creditors by the plan ("cram-down"); and (6) "new money" provided in the course of the restructuring proceedings enjoys a super-priority ranking (but not at the expense of the existing secured creditors).

In the case of the concurrency of the petition for the bankruptcy and the petition for the restructuring, the law prefers the latter (*i.e.*, restructuring proceedings may be opened after bankruptcy proceedings have been commenced but only before the bankruptcy has been declared, see below).

The Slovak Insolvency Act does not provide for a consolidation of insolvency proceedings over a group of companies, neither substantive (*i.e.*, treatment of assets and liabilities of multiple companies as one insolvency estate) nor administrative (*i.e.*, joint administration).

Initiation of insolvency proceedings will lead to, *inter alia,* partial or full (depending on the type and phase of the insolvency proceedings) restrictions on (1) the debtor's ability to enter into legal transactions, (2) creditors' right of set-off, (3) creditors' right to terminate contracts with the debtor, and (4) individual enforcement actions by creditors.

Under Slovak law, the debtor is insolvent (*v úpadku*) if it meets the balance-sheet insolvency test (*i.e.*, over-indebtedness, *predlženie*) or the cash flow insolvency test (inability to pay the debts as they fall due, *platobná neschopnosť*).

The balance sheet insolvency test is met if the debtor keeps accounting books, has more than one creditor and the value of its liabilities (including also liabilities which are not due and payable, but in each case excluding subordinated debt, liabilities towards related parties and liabilities under contractual penalties) exceeds the value of its assets. In determining the value of debtor's assets potential revenues generated by the debtor's future business conduct shall be taken into consideration.

The cash flow insolvency test is met if a debtor has more than one creditor and, 30 days after the maturity date, it is not able to satisfy at least two of its payables towards two different creditors. The debtor is not able to satisfy such payables if its 30 days overdue payables exceed its short-term liquid financial assets (such as cash, short-term deposits, debt securities maturing within next 30 days). When determining whether a debtor meets the cash flow test, all receivables originally owed to a single creditor during the 90-day period of time before the submission of a petition for declaration of bankruptcy shall be deemed to constitute one receivable.

The debtor is obliged under law to file for bankruptcy within 30 days of the day when it became aware of, or (if acted with professional care) could become aware of the fact that it meets the balance sheet insolvency test. The same duty applies to the persons authorized to act for and on behalf of the debtor (directors, members of the board of directors, etc.), and it is sanctioned by (a) personal liability of the directors to the creditors for damage caused by late filing or failure to file (while, if no other amount of incurred damage is proven, it is assumed that the amount of damage incurred by the creditor corresponds to the amount of its registered claim that could not be satisfied in bankruptcy) and (b) the obligation of each director to pay a contractual penalty to the company (*i.e.*, during bankruptcy to the bankruptcy estate) corresponding to the amount of one half of the minimum registered capital required under the Act No. 513/1991 Coll. the Commercial Code, as amended (the "***Slovak Commercial Code***") for joint stock companies (equivalent to a German AG, *akciová spoločnosť*). This is currently €25,000; thus the amount of the contractual penalty is currently €12,500.

Bankruptcy proceedings and bankruptcy

Bankruptcy proceedings are initiated by the competent court upon filing an application by the debtor (if it meets at least one of the insolvency tests, which is presumed and not further examined by the court in case of a debtor's petition) or a creditor (if the debtor meets the cash flow insolvency test).

A creditor will be successful in filing for bankruptcy only if it is able to declare its 30-day overdue payable and a 30-day overdue payable of one additional creditor and has in its possession at least one of the following documents proving its claim: (a) any document which may serve as a title for forced execution of claim against the debtor (*i.e.*, enforceable judgment or decision of a relevant public authority for payment obligation against the debtor, acknowledgement of debt by the debtor in an official notarial deed, etc.), (b) acknowledgement of debt by the debtor with a notarized signature, (c) confirmation of an auditor, insolvency trustee or court sworn valuer, that the creditor accounts for its claim against the debtor in its books.

There is a two-step procedure for the declaration of bankruptcy. When the court ascertains that the debtor's or creditor's petition for declaration of bankruptcy "formally" complies with the statutory requirements, the court must decide to commence the bankruptcy proceedings within 15 days from the receipt of the petition. Otherwise the court shall reject the petition within the same period of time. In other words, in the first phase the court merely decides whether or not to commence the proceedings, which simply requires the receipt of a complete petition.

The court resolution on the commencement of the bankruptcy proceedings must be published in the Commercial Gazette (*Obchodný vestník*) without delay after it has been issued. The bankruptcy proceedings "effectively" commences at 12:00 a.m. of the day following the publication. The major effects of the commencement of bankruptcy proceedings are as follows (1) the debtor must restrict its activities to the ordinary legal acts only, (2) automatic stay of individual court or administrative enforcement proceedings in respect of the assets owned by the debtor; and (3) automatic stay of enforcement actions by an individual secured creditor (save for enforcement of a security interest over bank accounts, government bonds, transferable securities or continued enforcement of a security right by a public auction). The insolvency court is entitled to order protective measures to secure the property of the debtor during the preliminary proceedings. As part of such protective measures, in bankruptcy, the court can appoint a preliminary insolvency trustee. The duties of such preliminary trustee are set out by the court but usually include the duty to safeguard and preserve the debtor's property and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings.

Only after the commencement decision will the court go on to consider the evidence in order to decide whether or not to declare bankruptcy. In case of the debtor's petition, it takes five days. In the case of the creditor's petition, the period between commencement decision and the declaration decision is not strictly determined and depends on the length of the proceedings in which the debtor has a chance to prove its solvency and avoid bankruptcy (which may last from not less than 32 days to 80 days or even longer). The effects of the commencement of the proceedings remain in place after the declaration of the bankruptcy, supplemented by a number of additional restrictions. In the court resolution by which the bankruptcy is declared, a bankruptcy trustee (*správca konkurznej podstaty*) is appointed for the purpose of administering and realizing the debtor's estate. The trustee appointed by the court is selected randomly, for this purpose the court must use technical equipment specially designed for this task, to ensure that the selection of trustee is impartial. However, the creditors can later replace the trustee through voting on the creditors' meeting.

After the declaration of the bankruptcy, the trustee then takes full possession and the control over the debtor's assets.

A debtor may file for conversion of bankruptcy proceedings (but only until the bankruptcy is declared) into restructuring.

The law prescribes strict criteria which a trustee must consider when deciding whether or not to continue the debtor's business after the bankruptcy has been declared. In particular, the business should be kept going only if (a) the trustee can reasonably assume that the proceeds obtained by the sale of the debtor's assets will be higher than the proceeds from a sale if the business has been terminated, (b) the trustee is able to pay all taxes, custom duties and social security and health care premiums originating during the business conduct, and (c) the value of the assets subject to security interests will not substantially diminish during the business conduct. The aim of the law is to distinguish between the "liquidation" nature of bankruptcy proceedings and the "rescue" nature of restructuring proceedings. As the continuation of the debtor's business is conceptually a rescue measure, it should, due to the risks related to the operation of any business, be used in bankruptcy proceedings only where it is "economically" justifiable.

All creditors, whether secured or unsecured need to participate in the insolvency proceedings by registering their claims (and filing evidence). Creditors shall register their claims (using a standard registration form prescribed by law) (a) within 45 days from the declaration of bankruptcy or (b) after the lapse of the initial 45-day period but only as unsecured claims with no voting rights attached (in which case the creditor will receive a share in proceeds distributed after its claim has been filed). All security interests if not filed within initial 45-day period shall cease to exist. Each secured claim must be registered on a separate form. The registration forms and all exhibits to them must be delivered to both the trustee and the insolvency court within the said deadline (however the filing takes effect also if only made with the trustee). A holder of security interest over the debtor's assets securing the creditor's claim against a third party (third party security interest) may also file its claim against a third party to the debtor's bankruptcy, but can only be satisfied from the proceeds of the sale of the assets which are subject to its security interest. Such claim may also be filed after the initial 45-day period, in such case the holder of a security will not have voting rights and its claim will be discharged as "claim against the estate" with lowest priority (please see below).

Claims in a currency other than euro shall be converted into euro at the official exchange rate issued by the European Central Bank or National Bank of Slovakia as at the date of declaration of bankruptcy (or, if no exchange rate is quoted for the relevant currency by the European Central Bank or National Bank of Slovakia, the trustee shall convert the claim into euro with professional care). The trustee will examine the registration documents and supporting evidence in relation to the claim. The trustee shall contest (within 30 days from expiration of the deadline for registration of claims or, in case of claim registered after the lapse of deadline for registration of claims, within 30 days from registration of such claim being published in the Commercial Gazette (*Obchodný vestník*)) the filed claim only if (according to the trustee's findings after having evaluated the claim with professional care) there are doubts as to the title, enforceability, amount, security, or the ranking of security in an extent that justifies the conclusion that in case the creditor challenges such contesting of the claim at court, it will not be successful with such claim. The claim must not be challenged solely on the grounds of the inconsistency of the filed claim with the accounting records of the debtor or on the statement of the debtor or other persons, interests of which may be influenced by the interests of the debtor (in particular the debtor's legal, accounting or tax advisors) are not sufficient.

All creditors which have filed their claims have the right to contest all filed claims of other creditors (but in order to do so they must pay an advance payment to the court for court costs (amounting to 2% of the amount of the contested claim, however at least €350 and not more than €10,000)).

If a filed claim is contested (i) , the creditor loses its voting rights in respect of the contested claims to the extent of the contestation and (ii) the creditor may decide to defend its contested claim, within a period of 30 days from its claim being contested, by filing a petition with the insolvency court against the trustee / the relevant creditor asking the court to ascertain the claim. Upon a request of the creditor of the contested claim, the trustee shall submit to the court to decide whether, and to which extent, it grants voting rights to such creditor or not provided that the request concerns (a) a claim contested by another creditor (regardless if contested also by the trustee), (b) claim confirmed by a decision (or other document) that would otherwise allow for enforcement of the claim and (c) claim, by which a security interest registered in the competent registry of pledges, was filed. .The creditor then can exercise its voting rights until the court decides whether the creditor has a valid claim or not and afterwards only to the extent of the claim ascertained by the court.

If the bankruptcy is declared by the court, the law draws distinction between the "separated bankruptcy estate" and the "general bankruptcy estate". The former consists of assets which have been encumbered for the benefit of a secured creditor, whilst the latter consists of all other unencumbered assets. Rights of creditors secured by third party assets (*i.e.*, not belonging to a bankrupt debtor) are included in the separated bankruptcy estate of the relevant secured creditor. Except for financial collateral arrangements, secured creditors are not entitled to enforce the security interest outside the bankruptcy proceedings. In case of liquidation, secured creditors are entitled to instruct the trustee how to administer and/or dispose of the encumbered assets and the trustee can recover from the proceeds of sale of such assets any administrative expenses, which can be allocated to such assets or (proportionally to the total value of the bankruptcy estate) cannot be allocated to any particular assets.

The proceeds of sale of assets constituting "separated bankruptcy estate" may only be used to satisfy the secured claim (after the trustee's fees, the administrative costs and the costs of maintenance, preservation and sale related to the secured assets have been discharged). The unsecured creditors may be satisfied out of these proceeds only when the secured claim has been paid in full and there are still some proceeds left. This surplus then becomes a part of the "general bankruptcy estate", which is used for the benefit of all unsecured creditors. However, in cases when the debtor's business is operated as a going concern notwithstanding the bankruptcy declaration (see above which parameters the trustee must consider when deciding on the point of continuation of business operations), the ranking of the secured claim and post-insolvency claims may be more complex (as post-insolvency claims of creditors originating from the continued operation need to be discharged before the secured creditors' claims).

Any material actions in relation to secured assets must be discussed with all the stakeholders in such assets (including not just first-ranking secured creditors, but also any other secured, and possibly unsecured, creditors having an "economic" stake in the residual value of the same assets). Moreover, in some cases (for example, in connection with the realization of the assets in the bankruptcy estate), the trustee has the obligation to seek "binding" instructions from the affected stakeholders in relation to the realization of collateral.

The trustee must realize the debtor's estate in a way that ensures that the highest possible proceeds will be obtained within the shortest possible period incurring the lowest possible costs. When realizing the bankruptcy estate, save for certain exemptions, the trustee is free to use any available method of realization, however, the trustee must always act with professional care and ensure that the objective of realization mentioned above (*i.e.*, in respect of proceeds, time and costs) is fulfilled. Priorities among the administrative expenses are granted only to expenses of operation of the debtor's business after the bankruptcy order and are called "claims against the estate" (*pohl'adávky proti podstate*). Such claims need to be satisfied before any creditors are paid. Subordinated claims may be satisfied in bankruptcy if there are proceeds left over after all other creditors are paid in full. Subordination of claims is recognized in Slovak bankruptcy proceedings only if documented by a specific Slovak law subordination instrument, which is not very useful because it is very inflexible and therefore is not being used very frequently. All related party claims and contractual penalties shall, for the purposes of their satisfaction, be treated as subordinated. A creditor of a related party claim or a claim under a contractual penalty is not granted any voting rights and any security securing the related party claim or the claim under a contractual penalty shall be disregarded for the purposes of the bankruptcy proceedings. A claim is considered a related party claim if it belongs or belonged to a person who is or was a debtor's related party. The Slovak Insolvency Act provides for legal definition of a related party, which includes, in the case of legal entities, (a) a debtor's statutory representatives, procurists, managers, members of supervisory board, (b) persons having a "relevant stake" in the debtor (owning directly or indirectly at least a 5% share interest in registered capital and voting rights or having the right to influence the management of the debtor similar to the 5% share interest in registered capital and voting rights), (c) statutory representatives, procurists, managers, members of supervisory board in the entities under letter (b) above, (d) close persons (relatives) to individuals mentioned in letters (a) to (c) and (e) any other person in which any person mentioned in letters (a) to (d) above has a "relevant stake". As described above, the pool of related party claims can be quite broad. The Slovak Insolvency Act applies to related party claims generally and does not provide for any exemptions.

When all assets from the relevant estate have been liquidated, the trustee is under a duty to prepare a distribution order and distribute the proceeds of sale to the relevant creditors (if from the "separated bankruptcy estate", to the relevant secured creditor; if from the "general bankruptcy estate", *pro rata* to the unsecured creditors). The trustee may decide to distribute the sale proceeds also after completion of a partial sale of the debtor's assets. The court is also entitled, on the request of the relevant creditors, to order the trustee to make a partial distribution of proceeds.

Clawback in bankruptcy proceedings in relation to guarantees and security

If a guarantee or security is provided by a company for obligations of another party without consideration, such guarantee or security may be challenged by the trustee or another creditor in bankruptcy proceedings of the guarantor in the Slovak Republic as a voidable legal transaction (odporovateľný právny úkon) due to being (1) undervalue/without adequate consideration (bez primeraného protiplnenia); (2) an act curtailing other creditors (ukracujúci úkon); or (3) an act preferring certain creditor(s) against other creditors (zvýhodňujúci úkon). In the event that the guarantee is for obligations of a related party, this risk is comparatively higher than if the guarantor and the principal debtor would be unrelated.

- A guarantee or security may be challenged as undervalue if there was no consideration received by the provider for providing the guarantee or security, or if the consideration received was substantially lower than is customary, provided that the guarantee or security was granted during the time when the provider was already meeting an insolvency test or if granting of the guarantee or security itself has caused insolvency of the provider. It is assumed that the provider was insolvent at the time of granting the guarantee or security if the guarantee or security is for obligations of a provider's related party, unless it is proven to the contrary. The guarantee or security can be challenged as undervalue if it was granted within one year before the commencement of bankruptcy proceedings (or if the bankruptcy has been declared during restructuring proceedings (see below), if it was granted within one year before the commencement of restructuring proceedings), or three years before the commencement of bankruptcy proceedings (restructuring proceedings) if it secures obligations of a provider's related party.
- A guarantee or security may be challenged as curtailing another creditor if it is established that by granting the guarantee or security or by performing under the guarantee the provider has curtailed its creditors (other than the direct beneficiary of the guarantee or security) with an intention to do so, which intention was or must have been known to the beneficiary. Again, in case of a guarantee or security for obligations of a provider's related party, the intention of the provider to curtail its other creditors and the awareness of the beneficiary of this intention will be assumed, unless it is proven to the contrary. The guarantee or security

can be challenged as curtailing other creditors if it was granted within five years before the commencement of bankruptcy proceedings.

- A guarantee or security may be challenged as preferential if it would be established that by granting the guarantee or security or by performing under the guarantee (1) one or more creditors of the provider have been given unreasonable advantage before its other creditors, or (2) the provider has unreasonably put itself into disadvantageous position to the detriment of its creditors; provided that the guarantee or security was granted during the time when the guarantor was already meeting an insolvency test or if granting of the guarantee or security itself has caused insolvency of the provider. It is assumed that the provider was insolvent at the time of granting the guarantee or security if the guarantee or security is for obligations of a party related to the provider, unless it is proven to the contrary. The guarantee or security can be challenged as preferential if it was granted within one year before the commencement of bankruptcy proceedings (or if the bankruptcy has been declared during restructuring proceedings (see below), if it was granted within one year before the commencement of restructuring proceedings), or three years before the commencement of bankruptcy proceedings (restructuring proceedings) if it secures obligations of a provider's related party.

A petition to challenge and set aside the guarantee or security on the above grounds may be filed by the trustee or by a creditor of the bankrupt guarantor or security provider (the latter only if the trustee has not filed the petition after it has been requested to do so by the creditor) within one year after declaration of bankruptcy by filing a petition with the insolvency court against all parties having benefit from the guarantee or security (being primarily the beneficiary and the principal debtor whose obligations have been secured), and only if as a result of the granting of or performance under the guarantee satisfaction of a claim duly registered in the bankruptcy proceedings is curtailed. A claim against the bankrupt guarantor or security provider under a voidable guarantee or security may also be challenged by contesting the creditor's filed claim under the guarantee or security.

If the guarantee or security is successfully challenged, it shall be set aside and declared ineffective. As a result, the parties benefiting from it would have to return the benefit (or its equivalent in money terms) into the general bankruptcy estate of the debtor to be available to its general creditors. If the beneficiary of the guarantee or security would have to return any payment received under the guarantee or security into the bankruptcy estate, its claim secured by the guarantee or security would be automatically reinstated in the amount so returned, and would be subject to satisfaction from the general bankruptcy estate together with the other creditors of the debtor (*i.e.*, *pro rata*).

Restructuring proceedings and restructuring

A debtor may file the petition for its restructuring order only if it has appointed the restructuring trustee to prepare the restructuring opinion and in the prepared opinion not older than 30 days, the trustee recommended the restructuring as feasible. The debtor may appoint the trustee to prepare the opinion not only if it is already insolvent, but also in the cases where the insolvency is just imminent. The purpose of the opinion is to see whether the economic preconditions for the feasibility of debtor's restructuring are satisfied (comparing always against a bankruptcy scenario). The opinion must be prepared by a trustee who is listed in the list of qualified insolvency practitioners. The trustee must prepare the opinion in an impartial manner exercising professional care. The persons who instructed the trustee to prepare the opinion must provide the trustee with the required cooperation, especially with all documents, information and explanations required for a proper preparation of the opinion. The creditors are allowed to appoint the trustee and to make a petition for restructuring themselves, but only with prior consent of the debtor.

In the opinion, the trustee can recommend the restructuring of the debtor only if the following conditions are met: (1) the debtor is a legal entity, (2) the debtor has not ceased to perform business activities, (3) the debtor is insolvent (*i.e.*, meets at least one of the insolvency tests) or its insolvency is imminent, (5) the financial statements of the debtor provide a true and fair view of the matters that are subject matter of the accounting and about the financial condition of the debtor and (5) the last restructuring proceedings of the debtor were completed at least 2 years ago, (6) it is reasonable to expect that at least the material part of operation of the debtor's business can be preserved, and (7) it is reasonable to expect that if restructuring is permitted, the degree of satisfaction of creditors of the debtor will be higher than if bankruptcy was declared.

In its schedule, the opinion may contain a draft restructuring plan and binding declarations of the debtor and of one or several creditors of the debtor regarding the draft restructuring plan (concept of a “pre-packed” plan).

After the court ascertains that the petition for restructuring “formally” complies with the statutory requirements and that it is supported by the expert opinion, the court must decide to commence the restructuring proceedings within 15 days from its receipt. Otherwise it shall reject the petition within the same period of time. The court resolution on the commencement of the restructuring proceedings must be published in the Commercial Gazette without delay after is has been issued. The restructuring proceedings “effectively” commences at 12 a.m. of the day following such publication. At that time also the moratorium on creditors’ actions becomes effective, the debtor must restrict its activities to the ordinary legal acts only and some additional effects associated with the commencement of the proceedings enter into force.

After the restructuring proceedings have been commenced, the next step for a court is to ascertain whether all preconditions to permitting restructuring have been satisfied. However, the court does not analyze the economic feasibility of the restructuring, as it is bound by the recommendation of the trustee expressed in its opinion. In other words, unless the opinion has formal deficiencies, if the trustee has recommended the restructuring, the court has the obligation to issue a resolution by which the restructuring is permitted. The court must decide whether or not to permit restructuring within 30 days from the commencement of the restructuring proceedings. In this decision the court also appoints the restructuring trustee, which is selected randomly and the court must use technical equipment specially designed for this task.

Once the restructuring has been permitted, the trustee’s main duty is to supervise the business of the debtor. The trustee must carry out the supervision with professional care so that the debtor does not diminish the value of its assets or does not frustrate successful completion of the restructuring. If the debtor seriously or repeatedly breaches its obligations established by law, the trustee must without delay petition the court to declare a bankruptcy (*i.e.*, to convert the restructuring into bankruptcy proceedings). Moreover, in the course of the restructuring, the trustee must continuously monitor developments in the financial and business situation of the debtor and, if the financial situation or the business situation changes to the extent that the successful completion of restructuring can no longer be reasonably expected, the trustee must without delay petition the court to declare bankruptcy of the debtor (*i.e.*, to convert the restructuring into bankruptcy).

The creditors may, on their meeting, decide on the conversion of the restructuring into bankruptcy proceedings by a majority vote of the present creditors (counted by the value of their claims) also. Any creditor whose claims represent at least 10% of all votes may propose such voting.

During the restructuring the debtor remains in the possession of its business, however, it is under the supervision of the restructuring trustee, the court and the creditors. In addition, in the resolution permitting the restructuring, the court may determine the scope of those legal acts of the debtor that will be subject to prior approval by the trustee during the restructuring. The scope of these legal acts may be extended by the creditors’ committee any time during the restructuring proceedings.

Creditors shall register their claims (using a standard registration form prescribed by law) within 30 days from the restructuring being permitted by court. Each secured claim must be registered on a separate form. The registration forms and all exhibits to them must be delivered to the trustee within the said deadline. Claims in a currency other than euro shall be converted into euro at the official exchange rate issued by the European Central Bank or National Bank of Slovakia as at the date of ordering of restructuring (or, if no exchange rate is quoted for the relevant currency by the European Central Bank or National Bank of Slovakia, the trustee shall convert the claim into euro with professional care). Failure to register claims within the stipulated time limit shall lead to rejection of the late application and, as a result thereof, the respective creditor shall lose its right to satisfaction of its claim in the restructuring. The trustee will examine the registration documents in relation to the claim, and shall contest (within 30 days from expiration of the deadline for registration of claims) the filed claim only if (according to the trustee’s findings after having evaluated the claim with professional care) there are doubts as to the title, enforceability, amount, security, or the ranking of security in an extent that justifies the conclusion that in case the creditor challenges such contesting of the claim at court, it will not be successful with such claim. The claim must not be challenged solely on the grounds of the inconsistency of the filed claim with the accounting records of the debtor or on the statement of the debtor or other persons, interests of which may be influenced by the interests of the debtor (in particular the debtor’s legal, accounting or tax advisors) are not sufficient.

Unlike in bankruptcy, the creditors do not have the right to contest the claims of other creditors, but instead only have the right to suggest the trustee contesting other creditors' claims; the trustee, however, is not obliged to follow such suggestions. If that happens, the creditor of the contested claim may, within a period of 30 days from the contestation, file a petition with the insolvency court against the trustee asking the court to ascertain the claim. A creditor of a related party claim or a claim under a contractual penalty cannot exercise its voting rights, except on the creditors' meeting which votes on the restructuring plan.

The key idea and the desired outcome of the restructuring proceedings is the preparation of a restructuring plan which needs to be approved by the relevant majorities of the creditors (and in some circumstances, also by the shareholders) and subsequently endorsed by a court. In legal terms, the restructuring plan is a document providing for the creation, variation or termination of rights and obligations of persons identified in it as well as the scope and method of satisfaction of those parties to the plan who are either creditors with filed claims or the debtor's shareholders. The plan must propose satisfaction of unsecured creditors that is at least 20% higher than they would have achieved in bankruptcy. A related party claim or claim under a contractual penalty cannot be, in the plan, granted an equal or higher rate of satisfaction than any other claim included in the plan. Before all the creditors (and in certain cases, the shareholders) vote on the approval of the plan, it must first be submitted to the creditors' committee for its preliminary approval (within 90 days from the restructuring being permitted with possible extension by a further 60 days).

Once the creditors approve and the court confirms the plan, the plan is binding on all parties to the plan. The plan consists of a descriptive part and a binding part. The measures to be adopted by the plan are very flexible. For example, they may include typical "plain vanilla" restructuring of the debtor's financial indebtedness, the conversion of the debt to equity, the transfer of the debtor's assets or business to a newly established entity, merger, amalgamation or division of the debtor or a change of its legal form. The plan is prepared by the debtor, if the debtor has initiated the restructuring (on most occasions) or by the trustee, if any of the creditors has initiated the restructuring.

The court may confirm a plan modifying the capital structure of the debtor and restructuring its liabilities, if it is first approved by the creditors committee and then by each class of creditors. The classification of creditors is proposed by the proponent of the plan, subject to some statutory constrains (*e.g.*, secured and unsecured creditors need to be in separate classes, each secured creditor in a separate class (unless agreed otherwise), and, a separate class is created for all subordinated claims, related party claims and claims under contractual penalties). Each class must vote for the plan by the relevant majority prescribed by law. The court must, *inter alia*, reject the plan if it proposes that the unsecured creditors (other than the subordinated ones) will receive less than 50% of the amount of their registered claims, or if it proposes satisfaction of such claims during a time period that is longer than 5 (five) years, unless such creditor consents with lower satisfaction of its claim(s) or longer fulfillment period (as applicable) in writing.

The court may decide that the consent of a particular creditor class is not required subject to a best interest of creditors tests, *i.e.* to verification that no creditor will be worse off under the plan than it would be in a bankruptcy scenario, and to the requirement that a majority in amount of all creditors and a majority of all classes vote for the plan. Several other conditions apply to the approval of a restructuring plan (the "cram-down").

After the completion of the restrcuturing, the debtor must not distribute profits or other owns funds to the shareholders until the claims of the unsecured creditors are satisfied up to an amount to which such claim was recongnized in the plan (this applies also to legal successor of the debtor). If the debtor generates profit that is not necessary for upholding the operation of the business or its material part envisaged by the plan, these unsecured creditors can request the court to order the creditor to satisfy their claim from this profit.

Limitations on intra-group guarantees and security

Certain limitations under Slovak law apply in relation to guarantees or security in favor of parties related to the guarantor. Please note that these limitations apply only to a guarantor or security provider that is a joint stock company (*akciová spoločnost'*), and further, only in the cases where there is a "personal link" between such guarantor/security provider and the debtor of the obligation secured by the guarantee. The personal link will be established if one or more persons is a member of the statutory or supervisory body of both the guarantor/security provider and the debtor or if it is a general proxy or otherwise authorized to act on behalf both of these companies. The personal link will also be established if the individuals involved in the two companies are relatives or have another form of close relationship as defined by law. If a guarantor/security provider that is a Slovak joint stock company provides a guarantee or security for obligations of a debtor with whom it has such a personal link, such guarantee or security must be: (a) granted on arms' length terms (which is usually a matter of fact); and (b) approved in advance by the guarantor's/provider's supervisory board (unless the guarantor/provider is a parent company controlling the debtor whose obligations are guaranteed/secured).

The law fails to specify the consequences of the guarantee or security being granted in the breach of the above rule. Also, as this provision was introduced relatively recently, so far there exists no case law or standard interpretation, which would clarify these issues in more detail. Nonetheless, we assume that there will always exist a certain risk that a guarantee or security provided by a Slovak joint stock company to an entity with whom it has a personal link, may be declared null and void once being in breach of the above requirements.

The requirement of arm's length basis as envisaged in Section 196a of the Slovak Commercial Code should be viewed in the context of the transaction as a whole and in the context of the factual matters pertaining to the agreed arrangement (see below which factual issues to consider).

The concept of arm's length basis can be interpreted at least in two ways under Slovak law. Firstly, from the perspective of whether the performance is made for "*adequate consideration*" and secondly, within the specific meaning given to this term under Section 196a of the Slovak Commercial Code. These two perspectives differ in the consequences should the law be breached. If the transaction is not for "*adequate consideration*", it would be still valid, but could be challenged by a bankruptcy receiver on the relevant company's insolvency as an "undervalue transaction". Conversely, if the transaction is in breach of Section 196a of the Slovak Commercial Code, it would be invalid by operation of law.

Regarding the first mentioned perspective, though establishing what constitutes the adequate consideration is matter of fact rather than legal issue, it is our view that if all obligors under the Notes documentation benefit from the mutual "cross-guarantee" structure (*i.e.*, any involved entity guarantees and secures the liabilities of all other involved entities), this may be reasonably sufficient to establish the adequate consideration. In other words, it may be argued that each obligor is giving its promise of guarantee in exchange for obtaining guarantees of its debts from its affiliated obligors.

Regarding the second mentioned perspective, if the concept of arms' length basis as used in section 196a of the Slovak Commercial Code is literally translated into English, this English translation reads that "*the performance must be on terms that are commonly used in the course of the ordinary commercial activity*" (*za podmienok obvyklých v bežnom obchodnom styku*). Though there is practically no interpretation what is exactly meant by this wording, it may be reasonably argued that the transaction must be on terms that are not manifestly "one-sided" or manifestly "disadvantaging" one party at the expense of the other (in other words, terms which the company could be seen to accept from a non-related party).

In addition to the above limitations, new capital maintenance rules have entered into force in Slovakia as of 1 January 2016, which apply to, inter alia, joint stock companies and limited liability companies. These rules introduced new limitations for the granting of up-stream / side-stream loans, facilities, financings, guarantees or security interests. The Slovak Commercial Code provides for a prohibition on the direct or indirect repayment of share capital to shareholders (of both, joint stock companies and limited liability companies). Pursuant to this prohibition shareholders must not claim more than the net profit as evidenced in the latest financial statements, decreased by any mandatory contribution into reserve or other funds and unsettled losses for past periods. Further, such distribution is possible only provided that it does not cause material insolvency of the company. Any transfer of corporate assets (in the broadest sense: including benefits such as granting of guarantees or security interests) in violation of this prohibition must be returned by the shareholder, while it has not yet been settled in legal theory and practice whether it shall be considered also null and void. Any issuance of a guarantee for a (direct or indirect) shareholder's or sister company's obligation constitutes a violation of this prohibition on the repayment of share capital, unless the guarantor receives an "*adequate consideration*" (*primerané protiplnenie*) in return. The Slovak Commercial Code provides that when assessing whether the consideration is adequate, the following shall be taken into consideration: the ability of the counterparty to provide it, the common price on the market as well as the price for which the company provides such assets (benefits) in its ordinary commercial activity with other (non-related) persons. Due to the recent introduction of the capital maintenance rules, there is no case law (or practice generally accepted by legal practitioners on the market) available to confirm which conditions of provision of intragroup guarantees or security will be recognized under Slovak law as being provided for adequate consideration.

Corporate benefit

Even though there is no explicit mention of corporate benefit concept under Slovak law, this concept can possibly be derived from the directors' obligation to act with professional care in line with the best interests of the company and all its shareholders. A transaction in breach of such director's duty still remains valid, though the director may be personally liable for damages caused to the company by entering into such transaction.

Restrictions on financial assistance

Under Section 161e of the Slovak Commercial Code, a Slovak joint stock company (*akciová spoločnosť*) must not provide financing for acquisition of its shares by third parties or provide any guarantees or security over its assets to secure liabilities relating to acquisition of its shares by third parties. There are no applicable exceptions from this rule and no whitewash procedures are available. Transactions entered into in breach of this rule shall be null and void by operation of law. This restriction on financial assistance does not apply to any other form of companies than joint stock companies.

Parallel debt

Under Slovak law, certain "accessory" security interests such as pledges (*záložné práva*) require that the pledgee and the creditor be the same person. Such security interests cannot be held on behalf of third parties who do not hold the secured claim. The Note Holders will not be party to the security documents relating to the Collateral. In order for the Note Holders to benefit from security under "accessory" Collateral, Intercreditor Agreement will provide for the creation of a "parallel debt". Pursuant to the parallel debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The pledges governed by Slovak law will directly secure the parallel debt. The parallel debt procedure has not been tested in court under Slovak law, and there is no certainty that it will eliminate or mitigate the risk of unenforceability posed by Slovak law.

Limitations on guarantee and security outside insolvency

Under Slovak law it is possible to set aside transactions (such as a creation of security interest) which have been entered into with the intention to harm another creditor holding an enforceable claim at the time of the transaction, or which have actually curtailed satisfaction of such creditor and which have been entered into between the debtor and a related party (the exact scope of related parties is established by law). The creditor whose enforceable claim has been curtailed can claim against the beneficiary setting aside such transactions, which have been entered into during the last three years prior to making the claim. The beneficiary can make a defense that it did not know about the bad intentions of the security provider. These instruments are not used very often since it is very difficult to prove an intention to curtail the creditor (unlike in bankruptcy, the intention is not presumed here).

General limitations with regard to security

Security under Slovak law and its enforcement is subject to the following limitations:

- The ranking of security is established at the moment when publicity formalities have been accomplished. In general, the ranking of a pledge is based on the "first-in-time, first-in-right" principle, and the order of registration of the pledge in the relevant pledge registry will establish its ranking. Subsequently, creditors can agree to change the order of priority of their security interests and such agreement must be registered in the relevant pledge registry to take effect.
- Negative pledge undertakings are binding only as between the security provider and the secured creditor, and are not binding on third parties. As a result, the security provider can validly create a junior-ranking security over the same asset, over which it has granted Collateral. This does not apply to shares in joint stock companies, in relation to which only one security interest may exist at any one time.
- The pledge can be enforced only once there is a default with a payment obligation secured by the pledge.

During enforcement of security, certain rules aimed at protection of the security provider will apply. These include (among others):

- appropriation of the collateral by the pledgee as a method of enforcement is not possible unless agreed between the pledgor and pledgee specifically and only after the pledge has become enforceable (*i.e.*, after the payment default has occurred in case of the secured claim and not at the time of entry into the pledge agreement);
- a mandatory waiting period of minimum 30 days which must lapse between the announcement of commencement of enforcement and the actual sale of the collateral within the enforcement process;
- duty of fair realization obliging the pledgee to sell the collateral for a fair market price, for which comparable assets are usually sold at the given time and place (in case of securities this is even strengthened to a maximum price that can be achieved after exercise of professional care);
- duty to inform the pledgor about the process of the enforcement (can be excluded in case of securities);
- duty to stop the enforcement at any time when the creditor has received an amount in discharge of its D secured claim.

If more than one pledge is established in relation to a certain asset (*e.g.*, in breach of a negative pledge undertaking), the senior creditor may be found to owe certain duties to the junior ranking creditors when enforcing its senior ranking pledge.

The transfer of a majority participation interest (*väčšinový obchodný podiel*) in a Slovak limited liability company (the "***transfer***") will become effective only after the transfer has been registered with the relevant commercial registry. For the purposes of the registration of the transfer with the relevant commercial registry, the Slovak limited liability company is required under the Slovak Commercial Code to present to the court operating the commercial registry:

- an up-to-date consent with the transfer issued by a relevant Slovak tax administrator (*správca dane*) (*i.e.*, the relevant tax authority (*daňový úrad*) or the relevant customs authority (*colný úrad*)) that will be issued by the tax administrator only if both the transferor and the transferee of the majority participation interest: (i) has no due but unpaid tax liabilities (*daňový nedoplatok*) or custom liabilities (*nedoplatok na cle*) owed to the Slovak Republic; or (ii) has due but unpaid tax liabilities (*daňový nedoplatok*) or custom liabilities (*nedoplatok na cle*) owed to the Slovak Republic in the aggregate amount not exceeding €170 (the "**tax consent**"). Starting from 1 September 2018, the tax consent will be required only if the transferor or the transferee of the majority participation interest are registered as tax debtors with the tax administrator; or
- if the transferor or the transferee is (i) a natural person domiciled in any other country than the Slovak Republic or (ii) an entity having its registered seat in any other country than the Slovak Republic (the foreign person), a written declaration signed by the foreign person stating that the above obligation to present the tax consent does not apply to it.

Failure of the Slovak limited liability company to comply with its above obligations will result in the Slovak court which operates the relevant commercial registry refusing the registration of the transfer and thus the transferee not acquiring the ownership title to the majority participation interest.

In relation to the pledge over majority participation interest which pledge is registered in the commercial registry, the above obligations of a Slovak limited liability company shall apply also to the transfer effected by a pledgee in the course of enforcement of the pledge created over the majority participation interest. Consequently, failure by a Slovak limited liability company to comply with its above obligations may lead to the Slovak court which operates the relevant commercial registry refusing the registration in the commercial registry of the transfer effected by a pledgee in the course of enforcement of the pledge created over the majority participation interest and the transferee not acquiring the majority participation interest.

Sweden

Applicable Insolvency Law

Certain of the Guarantors are incorporated under the laws of Sweden and as such any insolvency proceedings applicable to such Guarantor, including any and all of its assets (in Sweden and abroad), will, as a matter of Swedish law, be governed by Swedish insolvency law (*lex fori concursus*).

In addition, a Swedish party will in principle be subject to insolvency proceedings covered by the EU Insolvency Regulation (which includes all collective insolvency proceedings available under Swedish law in respect of bodies corporate) if it has its centre of main interests ("***COMI***") in Sweden. The COMI is presumed, in the case of a company or body corporate, to be the place of its registration as a legal person. Accordingly, if the Swedish party is registered in Sweden, Swedish courts will be entitled to open main insolvency proceedings against it and apply the laws of the relevant insolvency proceedings. If the COMI of a debtor is in a Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) may open "territorial insolvency proceedings" or, after the commencement of main proceedings, "secondary insolvency proceedings", in the event that such debtor possesses an "establishment" in the territory of such other Member State.

Insolvency Proceedings

In the event of bankruptcy, the court will appoint a bankruptcy receiver who will work in the interest of all creditors with the objective of liquidating and selling the debtor's assets and distributing the proceeds among the creditors.

The purpose of bankruptcy proceedings is to wind up the company in such a way that the company's creditors receive as high a proportion of their claims as possible. If the business is ongoing at the time of bankruptcy the bankruptcy receiver is required to safeguard the assets and can decide to continue the business operations for a limited period of time to be able to sell it as a going concern, depending on what is best for all creditors. But in general, the bankruptcy receiver is required to sell the assets of the debtor as soon as possible and to distribute the proceeds. In the interim, the bankruptcy receiver will take over the management and control of the company and the company's directors and/or managing director will no longer be entitled to represent the company or dispose of the company's assets.

When distributing the proceeds, the bankruptcy receiver must follow the mandatory provisions of the Swedish Rights of Priority Act (Sw. *förmånsrättslagen* 1970:979), as amended from time to time, which states the order in which creditors have a right to be paid. As a general principle, in bankruptcy proceedings competing claims have an equal right to payment in relation to the size of the amount claimed from the debtor's assets. However, preferential or secured creditors have the benefit of payment before other creditors.

In the case of enforcement outside bankruptcy, an enforcement process is initiated by a creditor obtaining an enforcement order from the Swedish Enforcement Authority or a court. Upon obtaining an enforcement order against a debtor, a creditor may apply to the Swedish Enforcement Authority for enforcement of its claim. If agreed upon between a pledgor and a secured creditor and the secured creditor or its agent is in physical possession of the security assets, the agent may under certain circumstances enforce the pledge without the involvement of the Swedish Enforcement Authority or a court. A provision granting the secured party or its agent such right of enforcement is typically included in any pledge agreement between the pledgor and the secured party or its agent.

Priority of Certain Creditors

As a general rule, under Swedish insolvency law competing claims have equal right to payment in relation to the size of the amount claimed from the debtor's assets. However, preference of payment for certain claims/ claimants may arise as a matter of law. There are two types of preferential rights: specific and general rights. Specific preferential rights apply to certain specific property and give the creditor a right to payment from such property. General preferential rights cover all property belonging to the bankruptcy estate, which is not covered by specific preferential rights, and give the creditor a right to payment from such property. Claims that do not carry any of the above mentioned preferential rights or exceed the value of the security provided for such claim (to the extent of such excess), are non-preferential and are of equal standing as against each other.

Challengeable Transactions

In bankruptcy and company reorganization proceedings, transactions can (in certain circumstances and subject to a time limit) be reversed and the goods or monies can then be returned to the bankruptcy estate or the company subject to company reorganization. Broadly, these transactions include, among others, situations where the debtor has disposed of property fraudulently or for the benefit of one creditor to the detriment of the collective of creditors before the initiation of the relevant insolvency proceedings, created a new security interest, issued a guarantee or security that was either not stipulated at the time when the secured obligation arose or not perfected without delay after such time and the delay is not considered to be ordinary course of business, or paid a debt that was not due or made by unusual means of payment.

For the majority of these situations claw-back of transactions which have taken place during the three months preceding the commencement of the insolvency proceedings. In certain situations, longer time limits apply and in others there are no time limits, such as where the other party is a closely related party, such as a subsidiary or parent company.

Limitations on Enforceability Due to the Swedish Reorganization Act

The Reorganization Act (Sw. *Lag om företagsrekonstruktion* 1996:764) provides companies facing difficulty in meeting their payment obligations with an opportunity to resolve them without being declared bankrupt. Corporate reorganization proceedings shall, as a main rule, finish within three months but are often extended for several additional three-month-periods.

Though a court's reorganization decision, an administrator is appointed by the court and supervises the day to day activities and safeguards the interests of creditors as well as the debtor. However, the debtor remains in control of the business except that, for important decisions such as paying a debt that has fallen due prior to the reorganization, granting security for a debt that arose prior to the order, undertaking new obligations or transferring, pledging or granting rights in respect of assets of a substantial value for the business, the consent of the administrator is required. However, if the debtor fails to comply with the restrictions it does not affect the validity of such actions.

Reorganization proceedings do not have the effect of terminating contracts, but the Reorganization Act contains specific rules that restrict termination of contracts due to breaches of contractual obligations that occurred prior to the commencement of the reorganization. During the reorganization, the debtor's business activities continue as ususal. However, the procedure includes a suspension of payments to creditors and the debtor cannot pay a debt that fell due prior to the order without the consent of the administrator and such consent may only be granted should there be exceptional reasons for doing so. Any petition for bankruptcy will be stayed and a moratorium also applies to execution in respect of claims or enforcement during reorganization proceedings unless the secured assets are in the physical possession of the secured creditor or any agent acting on behalf of such creditor, which is the case with a share pledge over the shares in a Swedish limited liability company where the share certificates of such company has been delivered to the agent and with a Swedish law pledge over a loan governed by a negotiable debt instrument (Sw. *löpande skuldebrev*).

The debtor may also apply to a court for public composition proceedings (Sw. *offentligt ackord*), which means that the amount of a creditor's claim may be reduced. The proposal for a public composition must meet certain requirements, such as that a sufficient proportion of the creditors and a sufficient proportion of the outstanding claims vote in favor of the composition. Creditors with set off rights and secured creditors will not participate in the composition unless they wholly or partly waive their set off rights or priority rights. Should the security not cover a secured creditor's full claim, the remaining part of the claim will, however, be part of a composition.

Limitations on the Value of a Guarantee or Security Interest

Corporate Benefit Rules

If a Swedish limited liability company provides any security interest or guarantee without receiving sufficient corporate benefit in return, such security interest or guarantee will, according to the Swedish Companies Act (*aktiebolagslagen* 2005:551) (the "***Swedish Companies Act***"), in whole or in part, be considered a distribution of assets, which will be lawful only to the extent that there is sufficient coverage for the unrestricted equity capital of the Swedish limited liability company (a "***Swedish Company***") after the distribution (*i.e.*, at the time the guarantee is provided or the security is granted).

The Guarantees of and security granted by the Guarantors incorporated in Sweden are limited in accordance with the above restrictions relating to corporate benefit and are subject to language limiting the liability of such entities thereunder if required by the above restrictions relating to distribution of assets.

Financial Assistance

Further, the Swedish Companies Act prohibits a Swedish Company from providing a loan or a guarantee or security interest for a loan that is provided to facilitate the acquisition of shares in the Swedish Company itself or in any other member of the same Swedish group of companies (with the exception of its subsidiaries) and, subject to certain exceptions, a Swedish limited liability company may not provide a guarantee or any security for the obligations of a parent or sister company, unless the parent company of the group, to which the company and such parent or sister company belongs, is domiciled within the EEA.

Creation of Valid Security Interests

In order to create a valid security interest under Swedish law, the property subject to such security interest must fulfil the following criteria: (a) there must be an underlying debtor-creditor relationship in respect of the obligations which the security purports to secure; (b) the pledgor must grant the security interest, typically in the form of a pledge agreement; and (c) an act perfecting the security interest must take place. The method for perfection varies depending on the asset type.

Under Swedish law, in addition to certain actions that must be taken to perfect a security interest by the secured party and the grantor, for any security to be validly created, the grantor must be effectively deprived of its right to control, deal with or dispose of the assets subject to the security interest. Any security interests purported to be created under Swedish law over assets which the security provider may remain in possession of, retain exclusive control over, freely operate or collect, invest and dispose of any income from until the occurrence of an enforcement event would therefore not be effective until an enforcement event has occurred and the security interests have been perfected. Such unperfected secured assets are vulnerable under applicable provisions of Swedish law of being set aside as a preference in any Swedish insolvency proceeding affecting the security provider. Thus, a security provider must be effectively deprived of its right to control, deal with or dispose of the secured assets, and arrangements providing for the release of a security interest over an asset in connection with the disposal thereof or upon the occurrence of other circumstances would be at risk of impairing the validity of the security.

Foreign Currency

Swedish courts may award judgments in currencies other than the local currency but the judgment debtor has the right under Swedish law to pay the judgment debt, even though denominated in a foreign currency, in the local currency at the rate of exchange prevailing at the date of payment.

Security Granted in Favor of an Agent

It is generally possible under Swedish law to grant security interests in favor of an agent acting on behalf of the secured parties. However, it is not established by judicial precedent or otherwise by law that a power of attorney or a mandate of agency, including the appointment of an agent (including any agent for service of process), can be made irrevocable. Therefore, any powers of attorney or mandates of agency can be revoked and will terminate by operation of law and without notice at the bankruptcy or temporal demise of the party giving such powers. The concept of trust does not exist under Swedish law and unless the trustee is treated as the agent of the secured parties, the security will be invalid should Swedish law be deemed applicable.

Trust

Currently, Swedish law does not contain any provisions for trusts to be formed and trustees to be appointed. While Swedish law does not recognize the concept of trust, it is generally believed that a trustee appointed under foreign law, provided that a trustee is capable of being appointed under the laws governing such appointment, will be recognized and acknowledged in Sweden in that such an appointed trustee may be able to claim and enforce or procure the enforcement of the rights of the beneficiaries under the trust, subject to the terms of the relevant documents. In order for a secured creditor to empower a trustee to represent them in Swedish courts, the secured creditor may have to submit a written power of attorney in favor of the trustee for legal proceedings. The failure to submit such a power of attorney could negatively affect the enforcement of the security.

Parallel Debt

The concept of parallel debt arrangements is not generally recognized under Swedish law and any agreement or document may not be enforceable to the extent it purports to effect such arrangements.

Switzerland

Limitations on Enforcement of Guarantee and Security granted by Swiss Collateral Guarantor

The liabilities of any Guarantor or security provider organized under the laws of Switzerland (any such Guarantor or security provider, a "**Swiss Collateral Guarantor**") in respect of obligations of its direct and indirect parent companies ("up-stream" obligations) or in respect of obligations of its direct and indirect sister companies ("cross-stream" obligations) are (to the extent that this is a requirement of applicable mandatory Swiss law in force at the relevant time) limited to a sum equal to the maximum amount of the respective Swiss Collateral Guarantor's reserves and profits available for distribution, provided that such limitations shall not free the respective Swiss Collateral Guarantor from performance of obligations in excess of its freely distributable reserves and profits, but merely postpone the performance date of those obligations until such time as performance is again permitted notwithstanding such limitations. The freely disposable equity capital of a Swiss Collateral Guarantor may be reduced by (i) the aggregate amount of the intercompany loans, if any, granted by such Swiss Collateral Guarantor to any affiliates or related parties (other than its direct or indirect subsidiaries), and (ii) other adjustments. The payment under the respective Swiss Collateral Guarantor's upstream or cross-stream Guarantee and the enforcement of upstream or cross-stream security interest may require certain prior corporate formalities to be completed including, but not limited to, obtaining an audit report, shareholders' resolutions and board resolutions.

The enforcement of the respective Swiss Collateral Guarantor's up-stream or cross-stream Guarantee or any up-stream or cross-stream security interest granted by such Swiss Collateral Guarantor may give rise to Swiss withholding taxes on dividends (of up to 53.8% at present rates) to the extent that the payment or enforcement of such Guarantee or security interest, respectively, falls to be regarded as a deemed distribution by the respective Swiss Collateral Guarantor to the Issuer or any other related party. Obligations of a Swiss Collateral Guarantor to pay additional amounts in respect to such deductions may not be effective. Non-Swiss residents can claim full or partial refund of the withholding tax on the basis of an applicable double taxation treaty between the country of residence of the recipient and Switzerland, including the Agreement on Automatic Exchange of Information entered into between Switzerland and the EU (amending the Savings Tax Agreement signed on October 26, 2004), which also covers dividends to EU parent companies, and the Treaty between the United States of America and Switzerland for the Avoidance of Double Taxation with Respect to Taxes on Income signed on October 2, 1996.

For the above reasons, it is standard market practice for indenture agreements, credit agreements, guarantees and security documents to contain so-called "limitation language" in relation to the respective Swiss Collateral Guarantor. Pursuant to such limitation language, the enforcement of upstream or cross-stream guarantees and security interests granted by each Swiss Collateral Guarantor will be limited reflecting the requirement that payments under such guarantee or, as the case may be, the use of proceeds from the enforcement of such security interests may not cause the Swiss Collateral Guarantor to incur a liability which would exceed its freely distributable equity at the time of the enforcement of such guarantee or, as the case may be, any such security interests. These limitations apply in relation to guarantees or security interests securing the performance of any obligations of any (direct or indirect) parent company and/or any (direct or indirect) sister company of the Swiss Collateral Guarantor.

Pledges

Under Swiss law, "accessory" security interests such as pledges require that the party secured by the pledge be identical to the creditor of the secured claim and the enforceability of the pledge is linked to the enforceability of the secured claim. If and to the extent holders of the Notes, which may change from time to time, may not be party to such Swiss law governed "accessory" security agreements, there may be a risk regarding the validity and/or enforceability of such security interest granted in favor of holders of the Notes. In order to mitigate such risk, a parallel debt structure has been established in the Intercreditor Agreement pursuant to which the Security Agent will hold a claim equal to each amount payable by an obligor under the Notes (the "***Parallel Debt***"). This Parallel Debt is subject to English law and is in the same amount and payable at the same time as the obligations of the Issuer under the Indenture (the "***Principal Obligations***"). Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the Parallel Debt, a claim against the Issuer for the full principal amount of the Notes, holders of the Notes bear some risks associated with a possible insolvency or bankruptcy of the Security Agent. The parallel debt structure has not been tested under Swiss law and there is no assurance that such a structure will be effective before a Swiss court because there is no judicial or other guidance as to its efficacy and, therefore, there is no certainty that such structure will eliminate or mitigate the risk of the pledge in favor of the holders of the Notes being invalid or unenforceable.

Insolvency

In the event of a Swiss Collateral Guarantor's insolvency, the respective insolvency proceedings would be governed by Swiss law as a result of the respective Swiss Collateral Guarantor being registered in the competent commercial register in Switzerland. In addition, Swiss debt enforcement and insolvency laws may be applicable in case of an enforcement of security interests over assets located in Switzerland. The enforcement of claims and questions relating to insolvency and bankruptcy in general are dealt with by the Swiss Federal Act on Debt Enforcement and Bankruptcy, as amended from time to time. Under these rules, claims that are pursued against a Swiss entity can lead to the opening of bankruptcy (*Konkurs*) and, hence, a general liquidation of all assets and liabilities of the Swiss debtor. If bankruptcy has not been declared, creditors secured by a pledge must follow a special enforcement proceeding limited to the liquidation of the collateral (*Betreibung auf Pfandverwertung*) unless the parties have agreed on a private liquidation. However, if bankruptcy is declared while such a special enforcement proceeding is pending, the proceeding ceases and the creditor participates in the bankruptcy proceedings with the other creditors and a private liquidation is no longer permitted.

Under Swiss insolvency law, there is no group insolvency concept, which means there is no consolidation of the assets and liabilities of a group of companies in the event if insolvency. In case of a group of companies, each entity has, from an insolvency laws point of view, to be dealt with separately. As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and vis-à-vis each entity have to be dealt with separately.

As a rule, the opening of bankruptcy by the competent court needs to be preceded by a prior debt enforcement procedure which involves, *inter alia*, the issuance of a payment summons by local debt enforcement authorities (*Betreibungsamt*). However, the competent court may also declare a debtor bankrupt without such prior proceedings if the following requirements are met: (i) at the request of the debtor, if the debtor's board of directors or the auditors of the company (in case of failure of the board of directors) declare that the debtor is over-indebted (*überschuldet*) within the meaning of art. 725 (2) of the Swiss Code of Obligations or if it declares to be insolvent (*zahlungsunfähig*), and (ii) at the request of a creditor, if the debtor commits certain acts to the detriment of its creditors or ceases to make payments (*Zahlungseinstellung*) or if certain events happen during composition proceedings. The bankruptcy proceedings are carried out and the bankrupt estate is managed by the receiver in bankruptcy (*Konkursverwaltung*).

All assets at the time of the declaration of bankruptcy and all assets acquired or received subsequently form the bankrupt estate which, after deduction of costs and certain other expenses, are used to satisfy the creditors. Assets of the bankrupt estate over which a pledge was created in favor of a creditor before the declaration of bankruptcy are included in the bankrupt estate. The pledgee or the Security Agent, respectively, is under an obligation to remit the pledged assets to the bankrupt estate. The assets are liquidated by the receiver in bankruptcy in the same manner as the other assets of the bankrupt estate, but the creditor secured by the pledge retains its privilege to be satisfied from the proceeds of the liquidation of the assets pledged to it with priority over the unsecured creditors. Final distribution of non-secured claims is based on a ranking of creditors in three classes. The first and the second class, which are privileged, comprise claims under employment contracts, accident insurance, pension plans and family law. Certain privileges can also be claimed by the government and its subdivisions based on specific provisions of federal law. All other creditors are treated equally in the third class. A secured party participates in the third class to the extent its claim is not covered by its collateral.

Claims assigned for security purposes by a Swiss Collateral Guarantor that come into existence prior to the opening of bankruptcy can be enforced by the assignee outside Swiss bankruptcy proceedings. Assigned claims that come into existence after the opening of bankruptcy over a Swiss Collateral Guarantor may fall within the bankrupt estate and the assignee may not be entitled to such claim proceeds.

Swiss insolvency laws also provide for reorganization procedures by composition with the debtor's creditors. Reorganization is initiated by a request to the competent court for a stay (*Nachlassstundung*) pending negotiation of the composition agreement with the creditors and confirmation of such agreement by the competent court. A distinction is made between a composition agreement providing for the assignment of assets (*Nachlassvertrag mit Vermögensabtretung*) which leads to a private liquidation and in many instances has analogous effects as a bankruptcy, and a dividend composition (*Dividenden-Vergleich*) providing for the payment of a certain percentage on the creditors' claims and the continuation of the debtor. Further, there is the possibility of a composition in the form of a mere payment term extension (*Stundungsvergleich*). During a moratorium, debt collection proceedings cannot be initiated and pending proceedings are stayed. Furthermore, the debtor's power to dispose of its assets and to manage its affairs is restricted. In case of a pledge, the secured party is not entitled to proceed with a private liquidation until the confirmation of the settlement by the competent court. A secured creditor participates in the settlement only for the amount of its claim not covered by the collateral. The moratorium does not affect the agreed due dates of debts (contrary to bankruptcy, in which case all debts become immediately due upon adjudication). The moratorium aims at facilitating the conclusion of one of the above composition agreements. Any composition agreement needs to be approved by the creditors and confirmed by the competent court. With the judicial confirmation, the composition agreement becomes binding on all creditors, whereby secured claims are only subject to the composition agreement to the extent that the collateral proves to be insufficient to cover the secured claims.

Generally, any guarantee or security governed by Swiss law is enforced in accordance with its terms under Swiss law. Unconditional and irrevocable guarantees within the meaning of art. 111 of the Swiss Code of Obligations are typically due and payable upon request of the beneficiaries or their representative.

Other security (*rights in rem*) is enforced in accordance with the terms of the respective security agreement. Typically, the security agreements provide for the right of a security agent acting on behalf of the secured parties to enforce the security either by: (i) private realization (*Private Verwertung*) and set-off of the proceeds against the secured obligations, or (ii) official enforcement proceedings pursuant to the Swiss Federal Act on Debt Enforcement and Bankruptcy, in which case the right of objection pursuant to art. 41 of the Swiss Federal Act on Debt Collection and Insolvency (*Einrede der Betreibung auf Pfandverwertung*) is typically waived in the security agreements. In such case, the parties also typically agree in advance that a private sale (*Freihandverkauf*) will be admissible.

In the course of a private realization, the security agent acting on behalf of the secured parties may acquire any or all of the pledged assets (*Selbsteintritt*). In such a case, in order to deter-mine the price for the acquisition of the pledged assets, the security agent may either sell the pledged assets or liquidate the pledged company and sell its assets in such a manner as it sees fit. Thereafter, the security agent will settle the acquisition of the pledged assets with the pledgor. For this purpose, the net proceeds of any sale of the pledged assets or of the liquidation of the pledged company will, after payment of expenses and taxes and - in case of a liquidation - any third-party debts, be considered the price for the acquisition of the pledged assets, which is applied to the secured obligations. The security agent will credit any remaining surplus to the pledgor.

In case of an assignment of claims for security purposes, the security agent will, on behalf of the secured parties, collect all assigned claims. Alternatively, it is often entitled to sell such assigned claims to third parties by way of a private sale (*Freihandverkauf*) or acquire the as-signed claims for its own account, in each case without having to initiate proceedings under the Swiss Federal Act on Debt Enforcement and Bankruptcy.

Hardening periods and fraudulent transfer

Certain arrangements or dispositions that are made during a certain period (suspect period) preceding the declaration of bankruptcy or the grant of a moratorium in connection with a composition proceeding may be challenged by the receiver in bankruptcy (*Konkursverwaltung*) and certain creditors under the applicable rules of avoidance. The avoidance may relate to (i) gifts and gratuitous transactions made in the suspect period of twelve months prior to being declared bankrupt or the grant of a moratorium, (ii) certain acts of a debtor in the suspect period of twelve months prior to being declared bankrupt or the grant of a moratorium if the debtor at that time was over-indebted, and (iii) dispositions made by the debtor within a suspect period of five years prior to being declared bankrupt or the grant of a moratorium with the intent to disadvantage its creditors or to prefer certain of its creditors to the detriment of other creditors. The transactions potentially subject to avoidance also include those contemplated by the relevant Swiss Collateral Guarantor's Guarantee or the granting of security interests. If they are challenged successfully, the rights granted under the Guarantee or in connection with security interests become unenforceable and any amounts received must be refunded to the insolvent estate.

United States

Under title 11 of the United States Code (the "***U.S. Bankruptcy Code***") and/or state fraudulent transfer laws, under certain circumstances:

- the issuance of the Guarantees by Guarantors subject to or organized under the federal laws of the United States or the laws of certain states thereof, including the State of Delaware and Connecticut (a "***U.S. Provider***") could be avoided as fraudulent or preferential transfers;
- claims by the Holders of the Notes against Guarantors under the Guarantees could be subordinated to some or all of the Guarantors' other debts and liabilities; and
- the holders of the Notes could be required to repay any amounts received from Guarantors in connection with the enforcement of the Guarantees.

Federal and State Insolvency Proceedings

Certain U.S. Providers may have operations that would subject any one or more of them either to proceedings under the U.S. Bankruptcy Code or any applicable state law insolvency proceedings. Proceedings under the U.S. Bankruptcy Code vary and provide a debtor with discretion in its pursuit of a liquidation or reorganization strategy. The U.S. Bankruptcy Code provides a detailed statutory framework that, among other things, contains terms or provisions relating to: (i) the administration of a bankruptcy case, including the imposition of the automatic stay, which immediately stays all litigation, as well as most enforcement and other actions against the debtors, provision of "adequate protection" to secured creditors to protect against any diminution of value of their collateral, , terms for the use, sale or lease of property, standards for obtaining post-petition credit, and for the treatment of executory contracts and leases; (ii) creditors and claims, including deadlines and requirements for filing proofs of claim, the priority and allowance of claims, and subordination of claims; (iii) the creation of the bankruptcy estate, including: the scope of property of the estate and ability to bring turnover and avoidance actions, provisions relating to liquidation under Chapter 7 of the U.S. Bankruptcy Code, reorganization under chapter 11 of the U.S. Bankruptcy Code and the filing of ancillary and other cross-border insolvency cases under chapter 15 of the U.S. Bankruptcy Code.

As a general matter, Chapter 7 of the U.S. Bankruptcy Code provides for the orderly liquidation of the debtor's assets by a trustee appointed by the bankruptcy court and typically results in the immediate shutdown of the debtor's business. Chapter 11 of the U.S. Bankruptcy Code is available to debtors who seek to continue to operate their business as a going concern while they rehabilitate their businesses and work out their obligations to creditors (although a liquidation under Chapter 11 is also possible), in each case pursuant to a plan of reorganization or liquidation, as applicable. Unlike in a Chapter 7 bankruptcy case, in a chapter 11 bankruptcy case the debtor typically remains in possession of its assets and continues to operate its business during the course of the bankruptcy case (subject to the supervision of the U.S. Bankruptcy Court), with substantially the rights that a trustee would otherwise have. In addition, "liquidating" Chapter 11 cases are a fairly frequently utilized alternative to Chapter 7 liquidations, particularly in an instance when a debtor expects to sell all or substantially all of its assets free and clear of liens. Because bankruptcy proceedings tend to be fact specific and vary case by case, and because U.S. bankruptcy courts are courts of equity with broad discretionary powers, a detailed summary of all of the provisions of the U.S. Bankruptcy Code that could impact the Notes and/or the Guarantees is not contained herein. Furthermore, the common law applicable in the bankruptcy proceedings may vary from jurisdiction to jurisdiction, and this summary is not intended to cover the common law that may apply in any particular jurisdiction. With respect to proceedings under any applicable state insolvency laws (*e.g.*, assignments for the benefit of creditors, receiverships or other state liquidation mechanisms), the effects on creditors in these proceedings are fact-specific, vary from state to state, and require an examination of both statutory and common law, the details of which also are not described herein. To the extent more information is required, potential investors in the Notes should consult an insolvency professional familiar with the U.S. Bankruptcy Code and the applicable state insolvency laws.

Delay and Risks Associated with a Federal Bankruptcy Proceeding

If a bankruptcy proceeding were to be commenced under the U.S. Bankruptcy Code by or against any U.S. Provider, it is likely that delays will occur in enforcing the Guarantees issued by such bankrupt U.S. Provider, because of specific provisions of the U.S. Bankruptcy Code or by a bankruptcy court applying general principles of equity. Provisions of the U.S. Bankruptcy Code or general principles of equity that could result in delay and/or the impairment of rights of the holders of the Notes include, but are not limited to:

- the automatic stay;
- the ability of a trustee or debtor-in-possession, or other parties granted standing by the bankruptcy court including a creditor or creditors, to commence actions to avoid transfers or incurrence of debt as fraudulent or preferential transfers;
- potential substantive consolidation of the assets and liabilities of multiple entities, including the Issuer and the Guarantors;
- limitations on collectability of unmatured interest on the Notes or attorney fees of counsel to holders of the Notes; and
- a potential forced restructuring which would not pay the Notes in full in cash (and/or would reduce the interest rate or extend the maturity of the Notes) and could convert the Notes into equity or other forms of consideration, or potentially discharge the obligations without significant recovery, in each case over the objections of holders of the Notes.

As an initial matter, the commencement of a bankruptcy case operates as a stay, applicable to most creditors, of most litigation against the debtor and efforts to collect prepetition claims, enforce existing liens or impose most new liens. The automatic stay is very broad and the purpose of the stay is to provide the Chapter 11 debtor time to reorganize or the Chapter 7 trustee protection under which to liquidate in an orderly fashion the debtor’s assets for the benefit of creditors, and to avoid a “race to the courthouse” by creditors. The automatic stay is also intended to shield a debtor from the pressures of creditor collection efforts. Among other things, the automatic stay generally prohibits (i) all collection efforts by creditors, (ii) the enforcement of prepetition judgments against the debtor or property of the estate, (iii) any act to create, perfect or enforce a lien against property of the estate, (iv) the set-off of prepetition debts owing to the debtor against debts owing by the debtor, and (v) the commencement or continuation of most judicial, administrative or other proceedings against the debtor based upon a prepetition claim. The automatic stay ordinarily does not bar suits against non-debtor guarantors or co-obligors. The U.S. Bankruptcy Code generally does not permit the payment or accrual of interest, costs and attorneys’ fees for unsecured or “undersecured” claims.

Fraudulent Transfer Issues

Under the U.S. Bankruptcy Code or comparable provisions of state fraudulent transfer laws, the issuance of Guarantees by any U.S. Provider could be avoided as an actual or constructively fraudulent transfer if, among other things, at the time such U.S. Provider issued the Guarantees, the applicable U.S. Provider (i) intended to hinder, delay or defraud any present or future creditor of the U.S. Provider; or (ii) (A) received less than reasonably equivalent value or fair consideration for the issuance of such Guarantees and (B) either:

- was insolvent or rendered insolvent by reason of such issuance;
- was engaged in a business or transaction for which the U.S. Provider's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they become due.

The measures of insolvency for purposes of the foregoing considerations will vary depending upon the law applied in any proceeding with respect to the foregoing. Generally, however, a U.S. Provider would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than all of its assets, at a fair valuation;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liabilities on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

However, there can be no assurance as to what standard a court may apply in making solvency determinations and different courts may reach different conclusions with regard to these issues. In an evidentiary ruling in the *In re W.R. Grace & Co*. bankruptcy case, the U.S. Bankruptcy Court for the District of Delaware held that under the Uniform Fraudulent Transfer Act, whether a transferor is rendered insolvent by a transfer depends on the actual liabilities of the transferor and not what the transferor knows about such liabilities at the time of the transfer. Therefore, under that court's analysis, liabilities that are unknown, or that are known to exist but whose magnitude is not fully appreciated at the time of the transfer, may be taken into account in the context of a future determination of insolvency. If the principle articulated by that court is upheld, it would make it very difficult to know whether a transferor is solvent at the time of transfer and would increase the risk that a transfer may in the future be found to be a fraudulent transfer. By their terms, the Guarantees of each U.S. Provider will limit the liability of each such guarantor to the maximum amount it can pay without the Guarantee being deemed a fraudulent transfer. It is not assured, however, that this limitation will protect such guarantees from fraudulent transfer challenges or, if it does, that the remaining amount due and collectible under the guarantees would suffice, if necessary, to pay the Notes in full when due. In a recent Florida bankruptcy case, this kind of provision was found to be ineffective to protect the guarantees. In addition to the avoidance power that may be exercised in a U.S. bankruptcy, claims in respect of liens or obligations evidenced by the Guarantees may, in certain circumstances, be subordinated under the equitable subordination provisions of the U.S. Bankruptcy Code.

Preference Issues

Under the U.S. Bankruptcy Code, a future pledge of collateral by a Guarantor in favor of the Holders of the Notes might be avoidable as a preferential transfer by such Guarantor (as a debtor in possession in a Chapter 11 bankruptcy case) or by its bankruptcy court-appointed trustee if certain events or circumstances exist or occur, including, among others, if such Guarantor was insolvent at the time of the pledge, if the pledge permits holders of the Notes to receive a greater recovery than they would otherwise receive in a hypothetical Chapter 7 liquidation of such Guarantor, and if a bankruptcy proceeding in respect of such Guarantor is commenced within 90 days (or in the case of an insider transaction, within one year) following the pledge.

U.S. Recognition of Foreign Court Judgments

Judgments of foreign courts are not automatically enforceable in federal or state courts of the United States. With respect to foreign money judgments, recognition and enforceability will be governed by applicable state law. A majority of U.S. states have adopted a version of the Uniform Foreign Money Judgments Recognition Act (or a later revision thereof) (the "***U.S. Uniform Act***"). Although variations exist among states, the U.S. Uniform Act generally applies to any judgment granting or denying recovery of a sum of money rendered in a foreign jurisdiction (excluding judgments for taxes, fines, penalties and a judgment for support in matrimonial or family matters), so long as the judgment is final, conclusive and enforceable in the jurisdiction where rendered. Pursuant to the U.S. Uniform Act, any such foreign judgment rendered by a court having proper personal and subject matter jurisdiction would, subject to considerations of public policy, be recognized and enforced by a United States state court that has adopted the U.S. Uniform Act (or a federal court sitting in such a state) and that also has appropriate personal and subject matter jurisdiction without reexamination of the merits of the case pursuant to which such foreign judgment was obtained and in the same manner as the judgment of a sister state that is entitled to full faith and credit, in an appropriate proceeding in accordance with the procedures of such court, provided that (i) the judgment debtor had received proper and sufficient notice of the subject proceedings in sufficient time to defend itself in such proceedings, (ii) the judgment was not obtained by fraud; (iii) the judgment was not rendered under a system which does not provide impartial tribunals or procedures compatible with the requirements of due process of law; (iv) the cause of action on which the judgment is based is not repugnant to the public policy of the state in which the judgment creditor is seeking recognition; (v) the proceedings in the foreign court were not contrary to an agreement between the parties under which the dispute in question was to be settled otherwise than by proceedings in that court; (vi) the foreign court was not a seriously inconvenient forum for the trial of the action if jurisdiction over the judgment debtor was based only on personal service; and (vii) the judgment did not conflict with another final and conclusive judgment. In addition to the foregoing, a number of states adopting the U.S. Uniform Act also require that the foreign court rendering the judgment reside in a jurisdiction that will reciprocally enforce judgments of United States courts. In states that have not adopted the U.S. Uniform Act, principles of comity will apply. The Uniform Act represents an attempt to codify general principles of comity and should therefore be generally indicative of the types of principles that non-U.S. Uniform Law states would apply in determining whether to recognize a foreign judgment against the U.S. Providers.

Plan of Distribution

Subject to the terms and conditions set forth in a purchase agreement (the "***Purchase Agreement***"), dated as of the date of the final Offering Memorandum, the Issuer has agreed to sell to the several Initial Purchasers, and the several Initial Purchasers have agreed to purchase from the Issuer, the entire principal amount of the Notes.

The Purchase Agreement provides that the obligations of the Initial Purchasers are subject to certain conditions precedent such as the receipt by the Initial Purchasers of officers' certificates and legal opinions and approval of certain legal matters by its counsel. The Purchase Agreement provides that the Initial Purchasers will purchase all of the Notes if any of them are purchased. Under the Purchase Agreement, the Issuer and the Guarantors have agreed to indemnify and hold harmless the Initial Purchasers and their controlling persons jointly and severally against certain liabilities in connection with this Offering, including liabilities under the U.S. Securities Act, and to contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers have advised us that they propose to resell the Notes (a) to QIBs in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A and (b) outside the United States to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act. Following the closing of the Offering, the indenture will permit transfers of Notes to "accredited investors" (as defined in Regulation D of the U.S. Securities Act), among others, subject to compliance with applicable law.

In connection with sales outside the United States, the Initial Purchasers have acknowledged and agreed that they will not offer, sell or deliver the Notes to, or for the account or benefit of, U.S. persons (other than "distributors" within the meaning of Regulation S) (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the Offering or the date the Notes were originally issued. The Initial Purchasers will send to each dealer to whom its sells the Notes in reliance on Regulation S during the 40-day distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until the expiration of the 40-day distribution compliance period, an offer or sale of the Notes within the United States by a dealer (whether or not participating in this Offering) 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 or pursuant to another exemption from registration under the U.S. Securities Act.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page of this Offering Memorandum. After the initial Offering of the Notes, the offering price and other selling terms of the Notes may be changed at any time without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates, including in respect of sales into the United States. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Issuer has agreed to pay the Initial Purchasers certain customary fees for its services in connection with the Offering and to reimburse it for certain out-of-pocket expenses.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

Transfer Restrictions & Liquidity

The Notes and Guarantees have not been and will not be registered under the U.S. Securities Act or qualified for sale under the securities laws of any U.S. state or any jurisdiction outside the United States and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and to non-U.S. persons in offshore transactions in reliance on Regulation S. Accordingly, the Notes will be subject to significant restrictions on resale and transfer as described under "*Notice to Investors*" and "*Transfer Restrictions*". Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under the U.S. Exchange Act. Until 40 days after the later of (i) the commencement of this Offering and (ii) the issue date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the Offering) 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. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes will constitute a new class of securities with no established trading market. We will apply, through the Listing Agent, to list the Notes on the on the Official List of the Exchange; however, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained. The Initial Purchasers have advised us that, following the completion of this Offering, they currently intend to make a market in the Notes as permitted by applicable laws and regulations. However, the Initial Purchasers are not obligated to do so, and the Initial Purchasers may discontinue any market making activities with respect to the Notes at any time in its sole discretion. Accordingly, no assurance can be given that any market for the Notes will develop, that it will be liquid and that you will be able to sell any of the Notes held by you at a particular time or that the prices that you receive when you sell will be favorable to you. See "*Risk Factors—Risks Related to the Notes—There may not be an active market for the Notes, in which case your ability to sell the Notes may be limited*". Each purchaser of the Notes, by its purchase of the Notes, will be deemed to have made certain acknowledgements, representations, warranties and agreements as set forth under "*Notice to Investors*".

The Initial Purchasers have represented, warranted and agreed that it:

(a) 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 UK Financial Services and Markets Act 2000 (the "***FSMA***") received by it in connection with the issuance or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

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

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this Offering Memorandum and resale of the Notes. See "*Notice to Investors*" and "*Transfer Restrictions*".

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

No Sales of Similar Securities

The Issuer and the Guarantors have agreed that they will not, without the prior written consent of the Initial Purchasers, during the period beginning from the date of the final Offering Memorandum and continuing until the date that is 90 days after the date of the final Offering Memorandum, offer, sell, contract to sell or otherwise dispose of, any securities issued or guaranteed by the Issuer or any Guarantor or any of their respective affiliates.

Stabilization

The Initial Purchasers have advised us that certain persons participating in the Offering may engage in transactions, including over-allotment, stabilizing bids, syndicate covering transactions or the imposition of penalty bids, which may have the effect of stabilizing or maintaining the market price of the Notes at a level above that which might otherwise prevail in the open market. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. A stabilizing bid is a bid for the purchase of Notes on behalf of the Initial Purchasers for the purpose of pegging, fixing or maintaining the price of the Notes. A syndicate covering transaction is the bid for or the purchase of Notes on behalf of the Initial Purchasers to reduce a short position incurred by the Initial Purchasers in connection with the Offering. A penalty bid is an arrangement permitting the Initial Purchasers to reclaim the selling concession otherwise accruing to a syndicate member in connection with the Offering if the Notes originally sold by such syndicate member are purchased in a syndicate covering transaction and therefore have not been effectively placed by such syndicate member. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. The Stabilizing Manager is not obligated to engage in these activities and, if commenced, any of the activities may be discontinued at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited*".

These stabilizing transactions covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the Offering is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

Other Activities and Relationships

The Initial Purchasers, including their affiliates, are full service financial institutions engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers have, or their affiliates have, from time to time, provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to the Parent Guarantor, the Issuer and their affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. The Initial Purchasers have, or their affiliates have, received, and expect to receive, customary fees and commissions for the transactions described in this Offering Memorandum. The Initial Purchasers and/or certain of their affiliates are agents, mandated lead arranger(s) and lender(s) under the Revolving Credit Facility, and such entities may act as counterparties in the hedging arrangements we expect to enter into in connection with the transactions described in this Offering Memorandum, and have received or will receive customary fees for its/their services in such capacities.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantors or their respective affiliates. The Initial Purchasers and their affiliates may also receive allocations of the Notes. The Initial Purchasers and their affiliates may also, in the future, act as hedge counterparties to the Issuer consistent with their customary risk management policies. Typically, the Initial Purchasers and such affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Settlement

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be seven Business Days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T+ 7"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two Business Days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next four succeeding Business Days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Transfer Restrictions

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

The Notes and the Guarantees (together, the "***Securities***") have not been and will not be registered under the U.S. Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and other applicable state securities laws. Accordingly, the Securities are being offered and sold only (i) to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("***Rule 144A***")) ("***QIBs***") in reliance on Rule 144A and (ii) to persons other than "U.S. persons" (as defined in Regulation S under the U.S. Securities Act) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S:

(a) in the United States, to "qualified institutional buyers", commonly referred to as "QIBs", as defined in Rule 144A in compliance with Rule 144A; and

(b) outside the United States, to non-U.S. persons in offshore transactions in accordance with Regulation S.

The Issuer uses the terms "offshore transaction", "U.S. person" and "United States" with the meanings given to them in Regulation S.

The Securities have not been registered under the U.S. Securities Act and may not be offered or sold in the United States or to U.S. persons unless the Securities are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act is available.

Each purchaser of the Securities hereunder (other than the Initial Purchasers) will be deemed to have acknowledged, represented and agreed with us, each Guarantor and the Initial Purchasers as follows:

1. It understands and acknowledges that the Securities have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Securities are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set out in paragraphs (5) and (6) below;

2. It is neither the Issuer's "affiliate" (as defined in Rule 144), nor acting on its behalf and that either;

   (a) it is a QIB, within the meaning of Rule 144A and is aware that any sale of these Securities to it will be made in reliance on Rule 144A, and such acquisition will be for its own account or for the account of another QIB; or

   (b) it is purchasing the Securities in an offshore transaction in accordance with Regulation S.

3. It acknowledges that none of the Issuer, the Guarantors or the Initial Purchasers, nor any person representing any of them, has made any representation to it with respect to the Issuer and its subsidiaries or the offer or sale of any of the Securities, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Securities. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. It acknowledges that we and not the Initial Purchasers, have ultimate authority over the statements contained in this Offering Memorandum, including the content of those statements and whether or not to make them. It has had access to such financial and other information concerning the Issuer and its subsidiaries and the Securities that it deems necessary in connection with its decision to purchase any of the Securities, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers;

4. It is purchasing the Securities for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in

connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Securities pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act, or in any transaction not subject to the U.S. Securities Act;

5. It agrees on its own behalf and on behalf of any investor account for which it is purchasing the Securities, and each subsequent holder of the Securities by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Securities prior to the date (the "***Resale Restriction Termination Date***") that is, in the case of the Rule 144A Securities, one year after the latest of the original issue date of the Securities, the original issue date of the issuance of any Additional Notes and the last date on which the Issuer or any of its affiliates were the owner of such Securities (or any predecessor thereof) or, in the case of the Regulation S Notes, 40 days after the later of the original issue date and the last date on which the Securities were first offered to persons other than Distributors (as defined in Rule 902 of Regulation S), only (i) to the Issuer or the Guarantors; (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iii) for so long as the Securities are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A; (iv) pursuant to offers and sales that occur outside the United States in offshore transactions in compliance with Regulation S; or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and in compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer and the Registrar and Transfer Agent's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) above to require the delivery of an opinion of counsel, certification and other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer is completed and delivered by the transferor to the Registrar and Transfer Agent. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

   Each purchaser acknowledges that each Note 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 OF 1933, AS AMENDED, (THE "***U.S. SECURITIES ACT***"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT ("***RULE 144A***")) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, AND (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE RESALE RESTRICTION TERMINATION DATE, WHICH IS [*IN THE CASE OF REGULATION S NOTES*: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF THE REGULATION S)] [*IN THE CASE OF RULE 144A NOTES*: ONE YEAR AFTER THE LATEST OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY)], ONLY (A) TO THE ISSUER OR THE GUARANTORS, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY

OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE REGISTRAR AND TRANSFER AGENT'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND OTHER INFORMATION SATISFACTORY TO EACH OF THEM.

A purchaser of Securities, will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Securities as well as to holders of these Securities.

6. It understands that the issuance of Additional Notes under the Indenture may have the effect of extending the Resale Restriction Termination Date;

7. It agrees that it will give to each person to whom it transfers the Securities notice of any restrictions on the transfer of such Securities;

8. It acknowledges that until 40 days after the commencement of the Offering, any offer or sale of the Securities within the United States by a dealer (whether or not participating in the Offering) 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;

9. It acknowledges that the Registrar and Transfer Agent will not be required to accept for registration or transfer any Securities acquired by it except upon presentation of evidence satisfactory to the Issuer, Transfer Agent and the Registrar that the restrictions set out therein have been complied with;

10. It acknowledges that the Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of the acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Securities are no longer accurate, it shall promptly notify the Issuer and the Initial Purchasers. If it is acquiring any Securities as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account; and

11. It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or the Initial Purchasers that would result in a public offering of the Securities or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Securities in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Securities will be subject to the selling restrictions set out under "*Plan of Distribution*" and "*Notice to Certain European Investors*".

Legal Matters

Certain legal matters in connection with the Offering will be passed upon for us by Latham & Watkins LLP as to matters of U.S. federal, New York state and English law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Milbank, Tweed, Hadley & McCloy LLP as to matters of U.S. federal, New York state and English law.

Independent Auditors

The consolidated financial statements, including the notes thereto, of Kongsberg Automotive ASA as of and for the years ended December 31, 2015, 2016 and 2017 included in this Offering Memorandum have been audited by Deloitte AS, independent auditors, in accordance with laws, regulations and auditing standards and practices generally accepted in Norway and International Standards on Auditing, as stated in the audit opinions appearing herein.

Where Prospective Investors Can Find More Information

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by the Initial Purchasers or us.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(A)(3) under the U.S. Securities Act, the Issuer will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon written request to the Issuer by any such holder or beneficial owner. We are not currently subject to the periodic reporting or other information requirements of the U.S. Exchange Act.

Documents for Inspection

The financial year of the Issuer ends on December 31 of each year.

For a period of 14 days following the grant of listing of the Notes, the following documents will be obtainable free of charge, during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer:

(1) this Offering Memorandum;

(2) the constitutional documents of the Issuer;

(3) the Indenture;

(4) the Intercreditor Agreement;

(5) the Notes;

(6) the Security Documents; and

(7) the financial statements included in this Offering Memorandum.

Listing and General Information

Listing

Application will be made to the Authority for the listing of and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

Neither the admission of the Notes to the Official List of the Exchange nor the approval of this Offering Memorandum pursuant to the listing requirements of the Authority shall constitute a warranty or representation by the Authority as to the competence of the service providers to, or any other party connected with, the Issuer, the adequacy and accuracy of information contained in this Offering Memorandum or the suitability of the Issuer for investment or for any other purpose.

The Notes are only intended to be offered in the primary market to, and held by, investors who are particularly knowledgeable in investment matters.

A copy of this Offering Memorandum will be available for inspection at the offices of the Issuer, during normal business hours for a period of 14 days following the listing of the Notes on the Official List of the Exchange.

Clearing Information

The Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A in this Offering have been accepted for clearing and settlement through the facilities of Euroclear and Clearstream Banking under common codes 184346168 and 184346206, respectively. The ISIN for the Notes sold pursuant to Regulation S is XS1843461689 and the ISIN for the Notes sold pursuant to Rule 144A is XS1843462067.

No Material Change

Except as disclosed in this Offering Memorandum, there has been no material adverse change in the financial or trading condition of the Issuer or any of the Guarantors and no material change in the capitalization of the Issuer or any of the Guarantors since March 31, 2018, the date of the Parent Guarantor's most recent unaudited condensed interim consolidated financial statements.

General Information

The Paying Agent is The Bank of New York Mellon, London Branch and its address is One Canada Square, London, E14 5AL, United Kingdom.

The Trustee is The Law Debenture Trust Corporation p.l.c, and its address is Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom. The Trustee will be acting in its capacity as Trustee for the holders of the Notes only and will provide such services to the holders of the Notes as described in the Indenture.

Legal Information

The Issuer

The Issuer is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands and was incorporated on September 8, 1981. The Issuer is registered with the commercial register of the *Kamer van Koophandel* under registration number 34052359. Its registered office is at Noord Esmarkerrondweg 419, 7533 BL Enschede, Netherlands, and its telephone number is +31 534861234. The issued share capital of the Issuer comprises 213 ordinary shares representing €96,702. The Issuer's financial year ends on December 31.

The Guarantors

Kongsberg Inc. is a corporation incorporated under the laws of the Province of Quebec (Canada) and was amalgamated on December 28, 2007. Kongsberg Inc. is registered with the *Registraire des entreprises* in the Province of Quebec (Canada) under number 1164838741. Its registered office is at 90 28th Street, Box 10034, Grand-Mère, Quebec, Canada G9T 5K7. Its objects are not limited by its articles. The authorized share capital of Kongsberg Inc. consists of an unlimited number of common shares without par value.

Kongsberg Actuation Systems Limited is a limited liability company incorporated under the laws of England and Wales and was incorporated on December 4, 2007. Kongsberg Actuation Systems Limited is registered with the United Kingdom's registrar of companies, under registration number 6444481. Its registered office is at Kongsberg Foxbridge Way, Normanton Industrial Estate, Normanton, West Yorkshire WF6 1TN, United Kingdom. Its object is administration of own assets. The share capital of the Kongsberg Actuation Systems Limited is 2 ordinary shares of £1 each.

Kongsberg Driveline Systems SAS is a *société par actions simplifiée* incorporated under the laws of France. Kongsberg Driveline Systems SAS is registered with the commercial register at the local court of Annecy, under number 391 943 446. Its registered office is at 650 Avenue de la République, 74300 Cluses. Its object is industrial and commercial activities relating to the manufacture of gearbox control systems. The share capital of Kongsberg Driveline Systems SAS is €10,496,240.

Kongsberg Raufoss Distribution SAS is a *société par actions simplifiée* incorporated under the laws of France. Kongsberg Raufoss Distribution SAS is registered with the commercial register at the local court of Saverne, under number 452 391 832. Its registered office is at ZI 54 Route Industrielle de la Hardt, 67120 Molsheim. Its object is wholesale of miscellaneous industrial supplies and equipment. The share capital of Kongsberg Raufoss Distribution SAS is €40,000.

Kongsberg Interior Systems Korlátolt Felelősségű Társaság is a limited liability company (*korlátolt felelősségű társaság*) incorporated under the laws of Hungary and was formed on October 9, 2003. Kongsberg Interior Systems Korlátolt Felelősségű Társaság is registered with the commercial register by the Court of Registration of Regional Court of Kaposvár, under number Cg.14-09-305587. Its registered office is at 8600 Siófok, Bajcsy-Zs. u. 201/D , Hungary. Its object is administration of own assets. The share capital of Kongsberg Interior Systems Korlátolt Felelősségű Társaság is HUF 3,000,000.

Kongsberg Automotive ASA is a public limited liability company incorporated under the laws of Norway and was formed on March 24, 1987. Kongsberg Automotive ASA is registered with the Norwegian Register of Business Enterprises under organisation number 942 593 821. Its registered office is at Dyrmyrgata 48, 3611 Kongsberg. Its object is any and all business related to the engineering industry and development, marketing and manufacturing of products within the car industry. The share capital of Kongsberg Automotive ASA is NOK 223,722,471.50.

Kongsberg Automotive Holding 2 AS is a private limited liability company incorporated under the laws of Norway and was formed on October 9, 2007. Kongsberg Automotive Holding 2 AS is registered with the Norwegian Register of Business Enterprises under organisation number 991 851 836. Its registered office is at Dyrmyrgata 48, 3611 Kongsberg. Its object is own shares in other companies and any and all business related thereto. The share capital of Kongsberg Automotive Holding 2 AS is NOK 200,000.

Kongsberg Automotive AS is a private limited liability company incorporated under the laws of Norway and was formed on December 15, 2012. Kongsberg Automotive AS is registered with the Norwegian Register of Business Enterprises under organisation number 979 473 672. Its registered office is at Dyrmyrgata 48, 3611 Kongsberg. Its object is any and all business related to the engineering industry and development, marketing and manufacturing of products within the car industry. The share capital of Kongsberg Automotive AS is NOK 108,000,000.

Kongsberg Automotive, s.r.o. is a limited liability company (*spoločnosť s ručením obmedzeným*) incorporated under the laws of the Slovak republic. It was incorporated on June 9, 1995 and is registered with the commercial register of the District court Nitra, Section: Sro, file No. 1416/N. Its registered seat is Hlavná 48, 952 01 Vráble, Slovakia. The registered capital of Kongsberg Automotive, s.r.o. is €63,309,510. The activities of the company comprise the treatment of metallic and plast parts for automotive, aviation and marine industries as well as production of healthcare appliances and equipment.

Kongsberg Automotive AB, with reg. nr 556532-2145 is a limited liability company incorporated under the laws of Sweden and was formed on May 29, 1996. Its registered office is at Box 504, 565 28 Mullsjö Sweden. Its object is administration of own assets. The share capital of Kongsberg Automotive AB is SEK 50 000 000.

Kongsberg Power Products Systems AB, with reg. nr 556065-9590 is a limited liability company incorporated under the laws of Sweden and was formed on 25 November 1957. Its registered office is at Hestravägen 1, 514 55 Ljungsarp, Sweden. Its object is administration of own assets. The share capital of Kongsberg Power Products Systems is SEK 540 000.

Kongsberg Automotive Sp. z o.o. is a limited liability company (*spółka z ograniczoną odpowiedzialnością; sp. z o.o.*) incorporated under the laws of Poland and was formed on June 29, 2000. Kongsberg Automotive Sp. z o.o. is entered into the commercial register maintained by the District Court for Capital City of Warsaw in Warsaw, XIV Business Division of the National Court Register, under the KRS number 0000040135. Its registered office is at 3 Maja 8, 05-800 Pruszków, Poland. The activities of the company comprise, among others, the production of electrical and electronic equipment for motor vehicles. The share capital of Kongsberg Automotive Sp. z o.o. is PLN 884,000.

KA GROUP AG is a corporation (*Aktiengesellschaft*) incorporated under the laws of Switzerland and was formed on September 26, 2016. KA Group AG is registered with the commercial register of the Canton of Zurich with number CHE 469.000.503. Its domicile address is at Europaallee 39, 8004 Zurich, Switzerland. Its objects are, among others, to engage in engineering industry and other activities related thereto and shall emphasize development, marketing and manufacturing of products, and systems for the car and vehicle industry. The share capital of KA Group AG amounts to CHF 100,000, divided into 100,000 fully paid-in registered shares with a nominal value of CHF 1 each.

Kongsberg Holding III, Inc. is a corporation that was formed under the laws of the State of Delaware, United States of America, on November 26, 2007. Kongsberg Holding III, Inc. is registered with the Secretary of the State of the State of Delaware and has a State of Delaware business identification number of 4462356. Its registered office is at 251 Little Falls Drive, Wilmington, Delaware, United States of America 19808. Kongsberg Holding III, Inc. is engaged in, among other things, the production of equipment for motor vehicles.

Kongsberg Power Products Systems I, LLC is a limited liability company organized under the laws of the State of Delaware, United States of America, and was formed on November 26, 2007. Kongsberg Power Products Systems I, LLC is registered with the Secretary of the State of the State of Delaware and has a State of Delaware business identification number of 4462378. Its registered office is at 251 Little Falls Drive, Wilmington, Delaware, United States of America 19808. Kongsberg Power Products Systems I, LLC is engaged in, among other things, the production of equipment for motor vehicles.

Kongsberg Automotive Inc. is a corporation that was formed under the laws of the State of Delaware, United States of America, on January 2, 1990. Kongsberg Automotive Inc. is registered with the Secretary of the State of the State of Delaware and has a State of Delaware business identification number of 2217960. Its registered office is at 251 Little Falls Drive, Wilmington, Delaware, United States of America 19808. Kongsberg Automotive Inc. is engaged in, among other things, the production of equipment for motor vehicles things, the production of equipment for motor vehicles.

Kongsberg Driveline Systems, LLC is a limited liability company organized under the laws of the State of Delaware, United States of America, and was formed on November 26, 2007. Kongsberg Driveline Systems, LLC is registered with the Secretary of the State of the State of Delaware and has a State of Delaware business identification number of 4462374. Its registered office is at 251 Little Falls Drive, Wilmington, Delaware, United States of America 19808. Kongsberg Driveline Systems, LLC is engaged in, among other things, the production of equipment for motor vehicles.

Kongsberg Interior Systems II, LLC is a limited liability company organized under the laws of the State of Delaware, United States of America, and was formed on January 25, 1995. Kongsberg Interior Systems II, LLC is registered with the Secretary of the State of the State of Delaware and has a State of Delaware business identification number of 2472689. Its registered office is at 251 Little Falls Drive, Wilmington, Delaware, United States of America 19808. Kongsberg Interior Systems II, LLC is engaged in, among other things, the production of equipment for motor vehicles.

Kongsberg Actuation Systems II, LLC is a limited liability company organized under the laws of the State of Connecticut, United States of America, and was formed on September 4, 1981. Kongsberg Actuation Systems II, LLC is registered with the Secretary of the State of the State of Connecticut and has a State of Connecticut business identification number of 0122131. Its registered office is at 50 Weston Street, Hartford, Connecticut 06120, United States of America. Kongsberg Actuation Systems II, LLC is engaged in, among other things, the manufacture of automotive products.

Resolutions, Authorizations and Approvals by Virtue of which the Notes Have Been Issued

The Issuer and the Guarantors have obtained all necessary consents, approvals and authorizations (if any) in connection with the issue of the Notes. The issue of the Notes was approved by a resolution of the board of managing directors passed on July 12, 2018.

Litigation

Neither the Issuer nor any of the Guarantors is involved, or has been involved during the twelve months preceding the date of this Offering Memorandum, in any litigation, arbitration, governmental or administrative proceedings which would, individually or in the aggregate, have a material adverse effect on our results of operations, condition (financial or other) or general affairs and, so far as each is aware, having made all reasonable inquiries, there are no such litigation, arbitration or administrative proceedings pending or threatened.

Except as otherwise provided in this Offering Memorandum, we do not intend to provide post issue information regarding the Notes.

General

Subject to the below, the Issuer accepts responsibility for the information contained in this Offering Memorandum and, to the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case), the information contained in the Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Memorandum includes particulars given in compliance with the Listing Rules of the Exchange for the purpose of giving information with regard to the Notes and comprises this Offering Memorandum.

The Listing Agent is acting for the Issuer and for no one else in connection with the issue and listing of the Notes and will not be responsible to anyone other than the Issuer. The Listing Agent has not separately verified the information contained in this Offering Memorandum, accordingly the Listing Agent does not make any representation or recommendation and does not give any warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied in connection with the Notes or their distribution and the Listing Agent accepts no responsibility or liability therefor. The Listing Agent neither undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Memorandum nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Listing Agent.

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Unaudited interim condensed consolidated financial statements of Kongsberg Automotive ASA as of and for the three-month period ended March 31, 2018

> CONDENSED CONSOLIDATED FINANCIAL STATEMENT

STATEMENT OF COMPREHENSIVE INCOME

(MEUR)	Q1 2018	Q1 2017	FY 2017
Revenues	**288.3**	**280.4**	**1056.6**
Operating expenses			
Raw material expenses	(128.6)	(129.2)	(478.7)
Change in inventories	2.0	9.1	26.1
Salaries and social expenses	(79.5)	(83.8)	(304.8)
Other operating expenses	(57.2)	(57.3)	(230.1)
Depreciation and impairment	(9.0)	(7.3)	(30.9)
Amortization and impairment	(1.2)	(3.8)	(14.5)
Total operating expenses	**(273.5)**	**(272.4)**	**(1032.8)**
Operating Profit / (loss)	**14.8**	**8.0**	**23.8**
in % Revenues	*5.1%*	*2.8%*	*2.3%*
Financial items			
Financial income	3.6	0.4	0.2
Financial expenses	(2.7)	(3.1)	(17.6)
Net financial items	**1.0**	**(2.6)**	**(17.4)**
Profit / (Loss) before taxes	**15.7**	**5.3**	**6.4**
Income taxes	(6.1)	(5.1)	(14.4)
Net Profit / (Loss)	**9.7**	**0.2**	**(8.0)**
Other comprehensive income (Items that may be reclassified to profit or loss in subsequent periods):			
Translation differences on foreign operations	(8.7)	3.2	(3.8)
Tax on translation differences	2.3	0.3	2.8
Other comprehensive income (Items that will not be reclassified to profit or loss in subsequent periods):			
Translation differences on non-foreign operations	1.3	(0.9)	(6.4)
Remeasurement of the net PBO	0.0	(0.0)	(0.1)
Tax on remeasurement of the net PBO	0.0	0.0	0.0
Other comprehensive income	(5.0)	2.6	(7.5)
Total comprehensive income	**4.7**	**2.9**	**(15.4)**
Net profit attributable to:			
Equity holders (parent comp)	9.7	0.2	(8.0)
Non-controlling interests	(0.0)	0.0	0.0
Total	9.7	0.2	(8.0)
Total comprehensive income attributable to:			
Equity holders (parent comp)	4.7	2.9	(15.5)
Non-controlling interests	(0.0)	0.0	0.0
Total	4.7	2.9	(15.4)
Earnings per share:			
Basic earnings per share, EUR	0.02	0.00	(0.02)
Diluted earnings per share, EUR	0.02	0.00	(0.02)

* Adjusted for restructuring costs, see section APM for the reconciliation.

> CONDENSED CONSOLIDATED FINANCIAL STATEMENT

STATEMENT OF FINANCIAL POSITION

(MEUR)	31.03.18	31.03.17	31.12.17
Deferred tax assets	28.4	31.1	23.7
Intangible assets	159.8	179.5	162.0
Property, plant and equipment	167.5	163.6	169.7
Other non-current assets	4.9	1.1	3.5
Non-current assets	**360.7**	**375.2**	**358.9**
Inventories	106.7	87.6	104.7
Accounts receivable	205.2	195.2	180.0
Other short term receivables	42.8	36.3	38.9
Cash and cash equivalents	40.4	32.2	39.5
Current assets	**395.1**	**351.3**	**363.1**
Total assets	**755.8**	**726.5**	**721.9**
Share capital	21.0	22.2	20.7
Share premium reserve	174.2	183.9	171.4
Other equity	(2.8)	1.7	(4.9)
Non-controlling interests	3.6	3.8	3.6
Total equity	**196.1**	**211.5**	**190.7**
Interest bearing loans and borrowings	273.6	237.4	257.8
Deferred tax liabilities	22.9	26.2	19.5
Other long term liabilities	19.3	20.6	19.5
Non-current liabilities	315.9	284.2	296.8
Bank overdraft	0.0	0.9	(0.0)
Other short term liabilities, interest bearing	0.1	0.1	0.1
Accounts payable	133.8	126.8	130.6
Other short term liabilities	109.8	103.0	103.7
Current liabilities	243.8	230.7	234.5
Total liabilities	**559.7**	**514.9**	**531.2**
Total equity and liabilities	**755.8**	**726.5**	**721.9**

> CONDENSED CONSOLIDATED FINANCIAL STATEMENT

STATEMENT OF CHANGE IN EQUITY

(MEUR)	31.03.18	31.03.17	31.12.17
Equity as of start of period	**190.7**	**208.6**	**208.6**
Net profit for the period	9.7	0.2	(8.0)
Translation differences	(7.3)	2.3	(10.2)
Tax on translation differences	2.3	0.3	2.8
Remeasurement of the net pension benefit obligation	0.0	(0.0)	(0.1)
Tax on remeasurement of the net pension benefit obligation	0.0	0.0	0.0
Total comprehensive income	4.7	2.9	(15.4)
Options contracts (employees)	0.1	0.2	0.1
Treasury shares	0.0	0.0	(2.5)
Other changes in non-controlling interests	0.0	0.0	0.0
Other changes in equity*	0.7	(0.2)	0.0
Equity as of end of period	**196.1**	**211.5**	**190.7**

* Adjustments of the opening balance due to first time adoption of IFRS 15 (MEUR +2.5) and IFRS 9 (MEUR -1.8), see Note 1—Disclosure

> CONDENSED CONSOLIDATED FINANCIAL STATEMENT

STATEMENT OF CASH FLOW

(MEUR)	Q1 2018	Q1 2017	FY 2017
Operating activities			
(Loss) / profit before taxes	15.7	5.3	6.4
Depreciation/impairment	9.0	7.3	30.9
Amortization/impairment	1.2	3.8	14.5
Interest income	(0.0)	(0.0)	(0.2)
Interest expenses	2.6	2.4	10.1
Taxes paid	(1.3)	(1.7)	(13.0)
(Gain) / loss on sale of non-current assets	(1.3)	(0.5)	(1.0)
Changes in receivables	(25.2)	(35.7)	(20.5)
Changes in inventory	(2.0)	(10.9)	(26.1)
Changes in payables	3.2	15.8	19.7
Currency (gain)/ loss	(3.7)	(0.4)	5.4
Changes in value fin. derivatives	(0.0)	0.2	0.7
Changes in other items	(2.3)	20.6	11.5
Cash flow from operating activities	(4.0)	6.4	38.3
Investing activities			
Investments	(10.8)	(10.3)	(52.7)
Sale of fixed assets/business	2.5	2.2	3.0
Investments in subsidiaries	0.0	0.0	0.0
Interest received	0.0	0.0	0.2
Proceeds from sale of subsidiaries	0.2	0.2	0.2
Cash flow from investing activities	(8.1)	(7.9)	(49.3)
Financing activities			
Sale/purchase of treasury shares	0.0	0.0	(2.5)
Net repayment / drawing down of debt	16.3	1.7	30.6
Interest paid	(2.6)	(2.3)	(9.9)
Dividends paid	0.0	0.0	0.0
Other financial charges	(0.0)	(0.0)	(0.0)
Cash flow from financing activities	13.7	(0.6)	18.2
Currency effects on cash	(0.6)	(0.3)	(2.3)
Change in cash	1.0	(2.4)	4.9
Cash at beginning period	39.5	34.6	34.6
Cash at period end	**40.4**	**32.2**	**39.5**
Of this, restricted cash	*0.2*	*0.5*	*1.6*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

NOTE 1 – DISCLOSURES

GENERAL INFORMATION

Kongsberg Automotive ASA and its subsidiaries develop, manufacture and sell products to the automotive industry globally. Kongsberg Automotive ASA is a limited liability company, which is listed on the Oslo Stock Exchange. The consolidated interim financial statements are not audited.

BASIS OF PREPARATION

This condensed consolidated interim financial information, ended March 31, 2018, and has been prepared in accordance with IAS 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year-ended December 31, 2017, which have been prepared in accordance with IFRS.

ACCOUNTING POLICIES

The accounting policies are consistent with those of the annual financial statements for the year-ended December 31, 2017, as described in those annual financial statements. Taxes on income in the interim periods are accrued using the estimated effective tax rate.

IFRS 9 FINANCIAL INSTRUMENTS

The Group adopted IFRS 9 with effect from 1 January 2018 without restating comparative information. Reference is also made to the description in note 5 of the 2017 Annual Report.

Impact on assets, liabilities and retained earnings as of 1 January 2018 are in MEUR:

Assets	
Deferred tax asset	0.5
Total assets	**0.5**
Liabilities	
Interest-bearing debt (non-current)	2.3
Total liabilities	**2.3**
Net impact on equity (ret. earnings)	**-1.8**

The net effect on retained earnings is related to loss on a modification of the terms of the group's long term financing, and will reverse through profit and loss over a 2.25 year period from the beginning of 2017 as a reduction to interest expenses.

The Group uses factoring arrangements to sell certain parts of the trade receivables ahead of their due date. These receivables have been determined to be held within a business model where the objective is to collect contractual cash flows and selling the financial asset. The Group has elected to classify this portfolio of factoring receivables at fair value through profit and loss (FVTPL) in accordance with IFRS 9.4.1.4. The factoring portfolio carried at fair value at 31 March, 2018 is MEUR 5.1.

RISK

Kongsberg Automotive continuously monitors its risk factors. Our activities are exposed to different types of risk.

The single most important risk that Kongsberg Automotive is exposed to is the development of demand in the end markets for light duty and commercial vehicles worldwide. Some of the most important additional risk factors are foreign-exchange rates, interest rates, raw material prices, and credit risks. As we operate in many countries, we are vulnerable to currency risk. The most significant currency exposure for Kongsberg Automotive is associated with EUR and USD exchange rate. The greatest raw material exposures are for copper, zinc, aluminum and steel. As most of our revenues are earned from automotive OEMs and automotive tier-1 and -2 customers, the financial health of these automotive companies is critical to our credit risk.

SEASONALITY

The Group quarterly results are to some extent influenced by seasonality. The seasonality is mainly driven by the vacation period in the third quarter and December each year having lower sales. Also, year-over-year seasonality differences may occur as a result of varying number of working days in each quarter.

IFRS 15 REVENUE & CONTRACTS WITH CUSTOMERS

The Group adopted IFRS 15 with effect from 1 January 2018 using the modified retrospective method. This means that the Group applies IFRS 15 to only the most current period presented in these interim financial statements, and recognize the cumulative effect of the initial application as an adjustment to the opening balance of retained earnings at 1 January 2018. Reference is also made to the description in note 5 of the 2017 Annual Report.

Impact on assets, liabilities and retained earnings as of 1 January 2018 are in MEUR:

Assets	
Contract assets (non-current)	2.3
Contract assets (current)	1.0
Total assets	**3.3**
Liabilities	
Contract liabilities (non-current)	0.0
Contract liabilities (current)	0.3
Deferred tax liabilities	0.5
Total liabilities	**0.8**
Net impact on equity (ret. earnings)	**2.5**

The net effect on retained earnings have been reduced compared to the note disclosure in the 2017 Annual Report following further analysis.

The net effect on retained earnings is mainly related to payment for engineering services and tooling equipment that is included as a specific addition to the piece price over a certain specific future sales volume and where delivery to the customer has been determined to have occurred in prior periods.

Quantitative revenue disclosures are presented in the segment section.

Reconciliation of IFRS 15 adoption per main items as of March 31st, 2018

(MEUR)	As reported	Adjustments	WIthout IFRS 15 adoption
Statement of Financial position			
Total non-current assets	360.7	(2.3)	358.4
Total current assets	395.1	(0.7)	394.4
Total assets	755.8	(3.0)	752.8
Total non-current liabilities	315.9	(0.4)	315.5
Total current liabilities	243.8	(0.4)	243.4
Total liabilities	559.7	(0.8)	558.9
Total equity	**196.1**	**(2.2)**	**193.9**
Statement of comprehensive income			
Operating revenues	288.3	0.3	288.6
Profit / (Loss) before taxes	15.7	0.3	16.0
Income taxes	(6.1)	(0.1)	(6.1)
Net Profit / (Loss)	9.7	0.2	9.9
Total comprehensive income	**4.7**	**0.2**	**4.9**
Statement of cash-flows			
Profit / (Loss) before taxes	15.7	0.3	16.0
Cashflow from operating activities	(4.0)	(0.3)	(4.3)
Cashflow from investing activities	(8.1)	0.0	(8.1)
Cashflow from financing activities	13.7	0.0	13.7
Currency effects on cash	(0.6)	0.0	(0.6)
Net change in cash	**1.0**	**0.0**	**1.0**

NOTE 2 – SEGMENT REPORTING (FIRST QUARTER 2018)

Q1 2018 *(MEUR)*	Interior	Powertrain & Chassis	Speciality Products	Others*	Total Group
Revenues**	**70.2**	**108.6**	**109.4**	**0.1**	**288.3**
Adjusted EBITDA	**5.7**	**6.2**	**22.1**	**(3.7)**	**30.3**
Depreciation***	(4.0)	(3.2)	(1.8)	(0.1)	(9.0)
Amortization***	(0.2)	(0.6)	(0.3)	(0.1)	(1.2)
Adjusted EBIT	**1.6**	**2.5**	**19.9**	**(3.9)**	**20.1**
Timing of revenue recognition					
Goods transferred at a point in time	**70.2**	**108.6**	**109.4**	**0.1**	**288.3**
Assets and liabilities					
Goodwill	55.9	22.7	65.1	0.0	143.8
Other intangible assets	1.2	11.6	2.1	1.2	16.1
Property, plant and equipmer	59.7	63.4	42.7	1.7	167.5
Inventories	21.0	40.9	46.5	(1.8)	106.7
Trade receivables	62.3	76.8	66.4	(0.3)	205.2
Segment assets	**200.0**	**215.4**	**222.9**	**0.9**	**639.2**
Unallocated assets	0.0	0.0	0.0	116.6	116.6
Total assets	**200.0**	**215.4**	**222.9**	**117.5**	**755.8**
Trade payables	29.2	52.8	51.0	0.8	133.8
Unallocated liabilities	0.0	0.0	0.0	425.9	425.9
Total liabilities	**29.2**	**52.8**	**51.0**	**426.7**	**559.7**
Capital expenditure	3.2	4.7	1.7	0.7	10.3

* The column others includes corporate cost, transactions and balance sheet items related to tax, pension and financing. See next section for specification of unallocated assets and liabilities.

** For segment reporting purposes the revenues are only external revenues, the related expenses are adjusted accordingly. The EBIT is thus excluding IC profit.

*** Excluding restructuring costs already excluded in Adjusted EBITDA

NOTE 2 – SEGMENT REPORTING (FIRST QUARTER 2017)

Q1 2017 *MEUR*	Interior	Powertrain & Chassis	Speciality Products	Others*	Total Group
Revenues**	**75.8**	**102.4**	**103.0**	**(0.7)**	**280.4**
Adjusted EBITDA	**9.0**	**3.1**	**18.2**	**(4.4)**	**26.0**
Depreciation***	(1.7)	(3.3)	(1.9)	(0.1)	(7.0)
Amortization***	(0.9)	(1.1)	(1.5)	(0.4)	(3.8)
Adjusted EBIT	**6.5**	**(1.3)**	**14.8**	**(4.9)**	**15.2**
Timing of revenue recognition					
Goods transferred at a point in time	**75.8**	**102.4**	**103.0**	**(0.7)**	**280.4**
Assets and liabilities					
Goodwill	59.7	23.5	71.7	0.1	155.0
Other intangible assets	3.2	10.0	8.2	3.1	24.5
Property, plant and equipmen	49.0	67.6	45.9	1.1	163.6
Inventories	15.0	34.1	40.0	(1.4)	87.6
Trade receivables	63.9	70.0	61.3	(0.0)	195.2
Segment assets	**190.7**	**205.2**	**227.2**	**2.8**	**625.9**
Unallocated assets	0.0	0.0	0.0	100.5	100.5
Total assets	**190.7**	**205.2**	**227.2**	**103.4**	**726.5**
Trade payables	32.2	47.7	46.1	0.8	126.8
Unallocated liabilities	0.0	0.0	0.0	388.2	388.2
Total liabilities	**32.2**	**47.7**	**46.1**	**389.0**	**514.9**
Capital expenditure	4.1	4.5	0.8	0.0	9.5

* The column others includes corporate cost, transactions and balance sheet items related to tax, pension and financing. See next section for specification of unallocated assets and liabilities.

** For segment reporting purposes the revenues are only external revenues, the related expenses are adjusted accordingly. The EBIT is thus excluding IC profit.

*** Excluding restructuring costs already excluded in Adjusted EBITDA

NOTE 3—SALES AND NON-CURRENT ASSETS BY GEOGRAPHICAL LOCATION

3.1 Sales to customers by geographical location

	2018		2017	
(MEUR)	Q1	%	Q1	%
Europe	153.4	*53.2%*	144.9	*51.7%*
Northern America	93.2	*32.3%*	100.8	*36.0%*
Southern America	6.6	*2.3%*	5.3	*1.9%*
Asia	34.1	*11.8%*	27.6	*9.9%*
Other	0.9	*0.3%*	1.7	*0.6%*
Total operating revenues	**288.3**		**280.4**	

3.2 Intangible assets and PP&E by geographical location

	2018		2017	
(MEUR)	Mar	%	Dec	%
Europe	191.1	*58.4%*	194.3	*58.6%*
Northern America	107.8	*32.9%*	109.9	*33.1%*
Asia	26.9	*8.2%*	25.9	*7.8%*
Other	1.5	*0.5%*	1.5	*0.5%*
Total non-current assets	**327.4**		**331.7**	

NOTE 4 – INTEREST-BEARING LOANS AND BORROWINGS

4.1 Interest-bearing liabilities as presented in statement of financial position

(MEUR)	31.03.18	31.03.17	31.12.17
Non current interest-bearing loans and borrowings	274.9	239.2	259.2
Capitalized arrangement fees*	(1.2)	(1.9)	(1.4)
Total interest-bearing liabilities	273.6	237.4	257.8

(MEUR)	31.03.18	31.03.17	31.12.17
EUR	162.0	134.0	162.0
USD	109.6	103.8	95.9
Other currencies	1.1	1.5	1.3
Capitalized arrangement fee*	(1.2)	(1.9)	(1.4)
IFRS 9—First time adoption**	2.1	0.0	0.0
Total interest-bearing liabilities	273.6	237.4	257.8

* The fee relates to borrowing costs, and amortized over the duration of the loan period.

** Adjustments of the opening balance due to first time adoption of IFRS 9 (MEUR +2.4) and corresponding interests costs decrease for Q1 2018 (MEUR -0.3), Note 1

4.2 Specification of interest-bearing loans and borrowings (in local currencies)

(in millions)	Total amounts	Drawn amount	Interest rate (incl margin)
Tranche in currency EUR* (Maturity date: 01.03.20)	182.0	162.0	3.00%
Tranche in currency USD* (Maturity date: 01.03.20)	172.0	135.0	4.65%

* The EUR facility will be reduced by 10.8 MEUR and the USD facility by 11.5 MUSD from 01.03.2019 to 01.03.2020 as shown below.

The Group has a short-term bank overdraft facility of MEUR 20.0. Nothing was drawn against this overdraft facility as of 31.03.18.

4.3 Facility reduction schedule—Interest-bearing loans and borrowings (in local currencies)

(MEUR)	EUR	USD
2018	0.0	0.0
2019	10.8	11.5
2020	171.2	160.5
Total	182.0	172.0

In Q1 2017, the Group exercised an option to extend the termination date of the revolving credit facility by one year, from 01.03.2019 to 01.03.2020. The available facility will be slightly reduced in the extension period.

4.4 The liquidity reserve of KA Group consists of cash equivalents in addition to undrawn credit facilities

(MEUR)	31.03.18	31.03.17	31.12.17
Cash reserve	40.4	32.2	39.5
Restricted cash	(0.2)	(0.5)	(1.6)
Undrawn facility*	50.0	105.1	67.5
Liquidity reserve	90.3	136.7	105.4

* Including a short-term overdraft facility of MEUR 20.0 renewable each year; negative currency translation decreased undrawn facility by MEUR 0.8 vs. 31.12.2017

NOTE 5 – NET FINANCIAL ITEMS

(MEUR)	Q1 2018	Q1 2017	FY 2017
Interest income	0.0	0.0	0.2
Interest expenses	(2.6)	(2.4)	(10.1)
Foreign currency gains (losses)*	3.7	0.4	(5.4)
Change in valuation currency contracts	0.0	(0.2)	(0.7)
Other financial items**	(0.1)	(0.4)	(1.5)
Net financial items	1.0	(2.6)	(17.4)

* Includes unrealized currency loss of MEUR 3.9 and realized currency loss of MEUR 0.2 in Q1 2018 (Q4 2016: unrealized gain MEUR 1.0 and realized losses MEUR 0.6)

** Other financial items include arrangement fees, interest component on pension liability, and other fees and charges.

NOTE 5 – Subsequent Events

Following an unsolicited offer from one of Kongsberg Automotive's biggest shareholders to inject capital into the company, Kongsberg Automotive ASA ("KA" or the "Company") has on 27 June 2018 successfully completed a private placement (the "Private Placement") raising NOK 386,4 million in gross proceeds through the subscription of 40.676.813 new shares (the "New Shares"), each of nominal value NOK 0,50, representing about 10% of the Company's existing share capital. The subscription price per share in the Private Placement was NOK 9,50 per share, which is 3,2 % above the closing trading price of the Company's shares on Oslo Børs on 27 June, 2018.

Audited consolidated financial statements of Kongsberg Automotive ASA as of and for the year ended December 31, 2017

> Statement of Comprehensive Income

Parent				Group	
31.12.17	**31.12.16**	**MEUR**	**Note**	**31.12.17**	**31.12.16**
29.9	**34.3**	**Operating revenues**	**7**	**1,056.6**	**985.7**
		Operating expenses			
0.0	0.0	Raw material expenses	7,30	(478.7)	(418.8)
0.0	0.0	Change in inventories		26.1	(2.0)
(0.9)	(4.2)	Salaries and social expenses	8	(304.8)	(293.7)
(27.5)	(41.9)	Other operating expenses	9	(230.1)	(207.9)
(0.0)	(0.0)	Depreciation and impairment	13	(30.9)	(30.4)
(0.4)	(0.3)	Amortization and impairment	12	(14.5)	(14.7)
(28.9)	**(46.4)**	**Total operating expenses**		**(1,032.8)**	**(967.4)**
1.0	**(12.2)**	**Operating (loss) / profit**		**23.8**	**18.3**
		Financial items			
22.4	28.2	Financial income	10	0.2	9.0
(16.9)	(24.0)	Financial expenses	10	(17.6)	(8.0)
5.5	**4.2**	**Net financial items**	**10**	**(17.4)**	**1.0**
6.5	**(7.9)**	**(Loss) / profit before income tax**		**6.4**	**19.3**
0.2	(3.3)	Income tax	11	(14.4)	(17.9)
6.7	**(11.2)**	**(Loss) / profit for the year**		**(8.0)**	**1.3**
		Other comprehensive income (Items that may be reclassified to profit or loss in subsequent periods):			
0.0	0.0	Translation differences on foreign operations		(3.8)	(13.6)
0.0	0.0	Tax on translation differences		2.8	1.5
		Other comprehensive income (Items that will not be reclassified to profit or loss in subsequent periods):			
(23.9)	17.5	Translation differences on non-foreign operations		(6.4)	5.1
(0.0)	(0.0)	Remeasurement of the net PBO.	18	(0.1)	(1.2)
0.0	0.0	Tax on remeasurement of the net PBO		0.0	0.3
(23.9)	**17.5**	**Other comprehensive income**		**(7.5)**	**(7.8)**
(17.2)	**6.3**	**Total comprehensive income for the year**		**(15.4)**	**(6.5)**
		Profit attributable to:			
6.7	(11.2)	Equity holders (parent company)		(8.0)	1.3
0.0	0.0	Non-controlling interests		0.0	0.1
6.7	**(11.2)**	**Total**		**(8.0)**	**1.3**
		Total comprehensive income attributable to:			
(17.2)	6.3	Equity holders (parent company)		(15.5)	(6.6)
0.0	0.0	Non-controlling interests		0.0	0.1
(17.2)	**6.3**	**Total**		**(15.4)**	**(6.5)**
		Earnings per share:			
		Basic earnings per share, Euros	17	(0.02)	0.00
		Diluted earnings per share, Euros	17	(0.02)	0.00

> Statement of Cash Flows

Parent				Group	
31.12.17	31.12.16	MEUR	Note	31.12.17	31.12.16
		Operating activities			
6.5	(7.9)	(Loss) / profit before taxes		6.4	19.3
0.0	0.0	Depreciation	13	30.9	30.4
0.4	0.3	Amortization	12	14.5	14.7
(22.0)	(25.3)	Interest income	10	(0.2)	(0.2)
9.4	6.9	Interest expenses	10	10.1	6.9
(0.2)	(0.6)	Taxes paid	11	(13.0)	(6.9)
0.0	0.0	(Gain) / loss on sale of non-current assets	12, 13	(1.0)	0.0
0.0	0.0	Changes in trade receivables	15	(20.5)	(14.9)
0.0	0.0	Changes in inventory	14	(26.1)	2.0
0.4	0.1	Changes in trade payables	22	19.7	10.0
7.0	4.4	Currency differences over P/L	10	5.4	(5.4)
0.0	(1.6)	Changes in value of financial derivatives	10	0.7	(3.4)
(0.4)	(1.3)	Dividends received		0.0	0.0
8.4	27.5	Changes in other items[1]	10	11.5	18.4
9.5	**2.4**	**Cash flow from operating activities**		**38.3**	**70.8**
		Investing activities			
(0.5)	(0.8)	Capital expenditures, including intangible assets	12, 13	(52.7)	(51.3)
0.0	0.0	Proceeds from sale of fixed assets	12, 13	3.0	0.4
(16.0)	(26.9)	Issue of new group loans		0.0	0.0
28.7	4.3	Repayment of group loans		0.0	0.0
(42.9)	(1.9)	Investment in subsidiaries		0.0	0.0
22.0	25.3	Interest received	6, 7	0.2	0.2
0.4	1.3	Dividends received		0.0	0.0
0.0	0.0	Proceeds from sale of subsidiaries		0.2	0.2
(8.3)	**1.3**	**Cash flow from investing activities**		**(49.3)**	**(50.5)**
		Financing activities			
(2.5)	0.4	Proceeds from sale/purchase of treasury shares[2]		(2.5)	0.4
30.6	(19.8)	Utilization / (Repayment) of external loans[3]	19	30.6	(19.8)
0.0	0.0	Repayment of group loans		0.0	0.0
(4.4)	27.8	Changes in cash pool overdraft		0.0	0.0
(9.3)	(6.9)	Interest paid		(9.9)	(6.9)
0.0	0.0	Dividends paid		0.0	0.0
(0.0)	(0.0)	Other financial charges		(0.0)	(0.0)
14.4	1.5	**Cash flow from financing activities**		**18.1**	**(26.4)**
(0.7)	**(0.2)**	**Currency effects on cash**		**(2.3)**	**0.8**
14.8	5.0	Net change in cash		4.9	(5.3)
6.4	1.4	Net cash at 1 January[3]		34.6	39.9
21.3	**6.4**	**Net cash at 31 December**		**39.5**	**34.6**
1.4	0.0	Of this, restricted cash		1.6	0.4

[1] Parent company includes write down of loan, receivables, and shares in subsidiary

[2] Comprises the net purchase of treasury shares (see "Statement of Changes in Equity")

[3] Comprises the net amount of bank deposits, cash and bank overdraft

> Statement of Financial Position

Parent				Group	
31.12.17	**31.12.16**	**MEUR**	**Note**	**31.12.17**	**31.12.16**
		ASSETS			
		Non-current assets			
0.0	0.0	Deferred tax assets	11	23.7	32.4
1.3	1.3	Intangible assets including goodwill	12	162.0	182.3
0.1	0.1	Property, plant and equipment	13	169.7	160.2
224.6	196.8	Investments in subsidiaries	6	0.0	0.0
398.4	433.2	Loans to subsidiaries and other non-current assets	30	3.5	1.1
624.4	**631.4**	**Total non-current assets**		**358.9**	**376.0**
		Current assets			
0.0	0.0	Inventories	14	104.7	78.6
17.8	39.2	Trade and other receivables	15, 30	218.9	202.5
21.3	6.4	Cash and cash equivalents	19	39.5	34.6
39.0	**45.6**	**Total current assets**		**363.1**	**315.6**
663.4	**677.0**	**Total assets**		**721.9**	**691.6**
		EQUITY AND LIABILITIES			
		Equity			
20.7	22.4	Share capital	16	20.7	22.4
(0.1)	(0.1)	Treasury shares	16	(0.1)	(0.1)
171.4	185.6	Share premium		171.4	185.6
(32.4)	(22.1)	Other reserves		42.1	35.9
136.7	130.0	Retained earnings		(46.9)	(38.9)
296.2	**315.8**	**Attributable to equity holders**		**187.1**	**204.9**
0.0	0.0	Non-controlling interests		3.6	3.8
296.2	**315.8**	**Total equity**		**190.7**	**208.6**
		Non-current liabilities			
16.7	22.2	Deferred tax liabilities	11	19.5	27.1
0.4	0.8	Retirement benefit obligations	18	17.1	18.1
256.5	236.9	Interest-bearing liabilities	19, 21, 29	257.8	238.4
0.0	0.0	Other non-current interest-free liabilities	20	2.4	2.6
273.6	**260.0**	**Total non-current liabilities**		**296.8**	**286.2**
		Current liabilities			
35.8	40.1	Bank overdraft	30	(0.0)	0.0
0.0	0.0	Other current interest-bearing liabilities		0.1	0.0
2.8	(0.7)	Current income tax liabilities	11	3.0	5.9
55.0	61.8	Trade and other payables	22, 30	231.4	190.8
93.6	**101.2**	**Total current liabilities**		**234.5**	**196.8**
367.2	**361.2**	**Total liabilities**		**531.2**	**483.0**
663.4	**677.0**	**Total equity and liabilities**		**721.9**	**691.6**

The Board of Directors and President & CEO of Kongsberg Automotive ASA
Kongsberg, February 27, 2018

Bruce E. Taylor
Chairman (Sign.)

Ellen M. Hanetho
Board member (Sign.)

Thomas Falck
Board member (Sign.)

Gunilla Nordstrom
Board member (Sign.)

Ernst Kellermann
Board member (Sign.)

Jon-Ivar Jørnby
Employee elected (Sign.)

Kari Brænden Aaslund
Employee elected (Sign.)

Bjørn Ivan Ødegård
Employee elected (Sign.)

Henning E. Jensen
President and CEO (Sign.)

> Statement of Changes in Equity

Group MEUR	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interest	Total equity
Equity 01.01.16	**21.2**	**(0.2)**	**175.6**	**54.0**	**(40.2)**	**210.3**	**3.9**	**214.2**
Sale of treasury shares		0.2		0.2		0.4		0.4
Value of share options charged to income statement				0.5		0.5		0.5
Changes in non-controlling interests								
Other changes in equity								
Total comprehensive income for the year:								
Profit for the year					1.3	1.3	0.1	1.3
Other comprehensive income:								
Translation differences	1.2	(0.0)	10.0	(19.7)		(8.4)	(0.1)	(8.5)
Tax on translation differences				1.5		1.5		1.5
Remeasurement of net defined pension liability				(1.2)		(1.2)		(1.2)
Tax on remeasurement of net pension liability				0.3		0.3		0.3
Equity 31.12.16 / 01.01.17	**22.4**	**(0.1)**	**185.6**	**35.9**	**(38.9)**	**204.9**	**3.8**	**208.6**
Sale of treasury shares		(0.0)		(2.5)		(2.5)		(2.5)
Value of share options charged to income statement				0.1		0.1		0.1
Transactions with non-controlling interests								
Other changes in equity								
Total comprehensive income for the year:								
Profit for the year					(8.0)	(8.0)	0.0	(8.0)
Other comprehensive income (OCI):								
Translation differences	(1.7)	0.0	(14.2)	5.7		(10.0)	(0.2)	(10.2)
Tax on translation differences				2.8		2.8		2.8
Remeasurement of net defined pension liability				(0.1)		(0.1)		(0.1)
Tax on remeasurement of net pension liability				0.0		0.0		0.0
Equity 31.12.17	**20.7**	**(0.1)**	**171.4**	**42.1**	**(46.9)**	**187.1**	**3.6**	**190.7**

Parent MEUR	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Subtotal	Non-controlling interest	Total equity
Equity 01.01.16	**21.2**	**(0.2)**	**175.6**	**(29.2)**	**141.2**	**308.6**		**308.6**
Sale of treasury shares		0.2		0.2		0.4		0.4
Value of share options charged to income statement				0.5		0.5		0.5
Profit for the year					(11.2)	(11.2)		(11.2)
Other comprehensive income:								
Foreign currency translation	1.2	(0.0)	10.0	6.3		17.5		17.5
Remeasurement of net defined pension liability				0.0		0.0		0.0
Tax on remeasurement of net pension liability				(0.0)		(0.0)		(0.0)
Equity 31.12.16 / 01.01.17	**22.4**	**(0.1)**	**185.6**	**(22.1)**	**130.0**	**315.8**		**315.8**
Sale/ (purchase) of treasury shares		(0.0)		(2.5)		(2.5)		(2.5)
Value of share options charged to income statement				0.1		0.1		0.1
Profit for the year					6.7	6.7		6.7
Other comprehensive income:								
Foreign currency translation	(1.7)	0.0	(14.2)	(7.9)		(23.9)		(23.9)
Remeasurement of net defined pension liability				(0.0)		(0.0)		(0.0)
Tax on remeasurement of net pension liability				0.0		0.0		0.0
Equity 31.12.17	**20.7**	**(0.1)**	**171.4**	**(32.4)**	**136.7**	**296.2**		**296.2**

Specification of constituent elements of equity:

Share capital: par value for shares in issue

Treasury shares: par value for own shares

Share premium: premium over par value for shares in issue

Other reserves: translation differences, premium treasury shares, warrants, share options and other comprehensive income.

Retained earnings: accumulated retained profits and losses.

Non-controlling interests: non-controlling interests' share of equity in Group companies.

> Notes

NOTE 1 Reporting Entity

Kongsberg Automotive ASA ('the Company') and its subsidiaries (together 'the Group') develop, manufacture and sell products to the automotive industry worldwide. The Company is a limited liability company incorporated and domiciled in Norway.

The address of its registered office is Dyrmyrgata 48, NO-3601 Kongsberg, Norway. The Company is listed on the Oslo Stock Exchange. The Group consolidated financial statements were authorized for issue by the Board of Directors on 27 February 2018.

NOTE 2 Statement of Compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as endorsed by the EU. The Parent company's financial statements are prepared in accordance with simplified IFRS according to the Norwegian accounting act § 3–9. The Parent is following the same accounting policies as the Group.

NOTE 3 Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability the Group takes into account the characteristics of the asset or liability if market participants would do so. Fair value for measurement and / or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transaction within the scope of IAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Kongsberg Automotive ASA and its subsidiaries as of December 31. The financial statements of subsidiaries are prepared for the same reporting periods as the Parent company, using consistent accounting principles.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full.

NOTE 3 Significant Accounting Policies (continued)

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and (iii) any non-controlling interests. All amounts previously recognized in the other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary and reclassified to profit or loss or transferred to another category of equity as specified by applicable IFRSs. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39.

Investments in subsidiaries are recorded at cost in the Parent company's separate financial statements.

Business combinations

Business acquisitions are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in the profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognized at fair value, except (i) that deferred tax assets or liabilities related to employee benefits are recognized in accordance with IAS 12 and IAS 19 respectively, (ii) liabilities or equity instruments related to share-based payments of the Group to replace arrangements of the acquiree are measured according to IFRS 2 and (iii) assets classified as held for sale and discontinued operations are measured in accordance with IFRS 5. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. Non-controlling interests that are present ownership interests and entitle their holder to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at fair value or a non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. There is only one non-controlling interest, which the Group has chosen to measure at the proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost established at the date of acquisition of the business, less accumulated impairment losses, if any.

For purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the combination.

A cash-generating unit to which a goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss and is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

NOTE 3 Significant Accounting Policies (continued)

Functional and presentation currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Euro using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income, accumulated in equity, and attributed to non-controlling interests as appropriate.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

Exchange differences on monetary items are recognized in profit or loss (in financial items) in the period in which they arise except for monetary items receivable from or payable to a foreign operation for which the settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation). These are recognized initially, net of income taxes, in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

The Group presents its consolidated financial statements in Euro. The presentation currency of the Parent company is Euro, whilst its functional currency is Norwegian Kroner. The reason for the use of Euros is to enable all amounts in the published financial statements of both the Group and the Company to be presented in the same currency. All financial information presented in Euro has been rounded to the nearest thousand, except when otherwise indicated.

Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Executive Committee led by the CEO.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates and similar allowances. Sales revenues are presented net of value-added tax and discounts.

Revenue from the sale of goods is recognized when the goods are delivered and title has passed at which time the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, the amount of revenue can be measured reliably and it is probable that the economic benefit associated with the transactions will flow to the Group. Revenue from other income streams, such as tooling, prototype parts and engineering services is recognized upon notification of formal customer acceptance.

The Parent company has Group internal revenues only. These relate to trademark and service fees (see note 30).

NOTE 3 Significant Accounting Policies (continued)

Intangible assets other than goodwill

Internally-generated intangible assets – Research and development expenditure

Research expenditures are expensed as incurred. An internally generated intangible asset arising from development on specific projects are recognized only when all of the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or for sale
- its intention to exercise the right to use or to sell the asset
- the ability to use or sell the intangible asset
- how the asset will generate probable future economic benefits
- the availability of resources to complete the project
- the ability to reliably measure the expenditure incurred

The amount initially recognized for the internally generated asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. The amortization period is five years.

Software

Costs associated with maintaining computer software are expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the above-mentioned criteria are demonstrated to be fulfilled.

Development expenses that do not meet these criteria are expensed as incurred and are not recognized as an asset in a subsequent accounting period.

Software costs are amortized over their estimated useful lives, which do not exceed three years.

Other intangible assets – acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date, which is regarded as their cost.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. The useful life of patents is considered to be up to 21 years, the useful life of customer relationships is estimated to be 10 years.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current marked assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTE 3 Significant Accounting Policies (continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

Property, plant & equipment (PP&E)

PP&E are carried at cost less accumulated depreciation and impairment losses. The assets are depreciated over their useful economic lives using the straight-line method.

Cost includes duties, taxes, installation and commissioning costs relating to making the non-current asset available for use. Subsequent costs, such as repair and maintenance costs, are expensed when incurred unless increased future economic benefits arise as a result of repair and maintenance work. Such costs are recognized in the statement of financial position as additions to non-current assets. Straight-line depreciation is calculated at the following rates:

Land	Not depreciated
Buildings	3–4%
Production machinery and tooling	10–25%
Computer equipment	33%

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group leases a number of buildings for office space and production facilities which are classified as operating leases. Operating lease payments are recognized as an expense on a straight line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is determined on a first-in – first-out basis. The cost of raw materials is comprised of the purchase price, inbound freight and import duties. The cost of finished and semi-finished goods includes variable production costs and fixed costs allocated on normal capacity. Interest costs are not included. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from fair value of the financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following categories: financial assets “at fair value through profit or loss” (FVTPL), “held-to-maturity-investments”, “available-for-sale” (AFS) financial assets and “loans and receivable”.

NOTE 3 Significant Accounting Policies (continued)

The classification depends on the nature and the purpose of the financial asset and is determined at the date of initial recognition.

The Group classifies its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables and other receivables, bank balances and cash) are measured at amortized cost using the effective interest method, less any impairments. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

The Group derecognizes a financial asset when the contractual rights to the cash flow from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Financial liabilities

Financial liabilities are classified as either financial liabilities “at FVTPL” or “other financial liabilities”.

The Group classifies its financial liabilities as other financial liabilities.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial derivative instruments

The Group uses financial derivative instruments to reduce risks associated with interest and currency rate risk. See note 21.

These derivatives are not designated as hedging instruments. The derivatives are measured at fair value. Changes in fair value are recognized in the income statement as financial income or expenses, depending upon whether they represent gains or losses. They are disclosed on the line Changes in value of financial derivatives” within note 10 – Financial Items.

Taxes payable and deferred taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the profit or loss statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” because of items of income or expense that are taxable or deductible on other years and items that are never taxable or deductible. The Group’s current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries in which the company’s subsidiaries operate.

NOTE 3 Significant Accounting Policies (continued)

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax asset is realized or the deferred tax liability settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized. Deferred tax positions are netted within the same tax entity.

Retirement benefit cost and termination benefits

Payment to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailment and settlements)
- net interest expense or income
- remeasurement

The Group presents the first two components of defined benefit cost in profit or loss in the line item Salaries and social expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated Statement of Financial Position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer or the termination benefit and when the entity recognized any related restructuring costs.

Pension plans in the group

The Parent company Kongsberg Automotive ASA and its Norwegian subsidiary Kongsberg Automotive AS have defined benefit and defined contribution pension plans. The plans were changed from defined benefit to defined contribution in 2004. The defined benefit plan was continued for employees who had already retired. The other defined benefit plan was an early retirement plan for the former CEO, but this plan was terminated in 2016.

Defined benefit pension plans also exist in two subsidiaries in Germany, one subsidiary in France and one subsidiary in Switzerland. The subsidiaries in Sweden, the UK and the US have defined contribution pension plans for employees.

The former early retirement arrangement in Norway was replaced in 2011. Financing of the early retirement arrangement is now done by an annual fee, which represents the final cost for the companies included.

The arrangement is defined as a multi-employer plan accounted for as a defined contribution pension plan. Norwegian employees are included in this scheme.

NOTE 3 Significant Accounting Policies (continued)

The defined contribution plans in Norway have legislative limitations when it comes to maximum salary as the calculation basis for tax deductibility. Norwegian employees with salaries that exceed this limit will be granted an addition to the pension that includes the salary above the maximum limit. This obligation will only materialize if the person is employed in KA at the time of retirement. This plan is accounted as a defined benefit pension plan.

Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave for the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for the service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflow expected to be made by the Group in respect of services provided by employees up to the reporting date.

Share-based payments

Equity-settled share-based payments to employees and others providing services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 16.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in the equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

In 2017 the company granted an additional incentive to key employees according to which the employee is entitled to receive 75% of his investment in Kongsberg shares up to a limit of 75% of his monthly gross salary. Prerequisite is that the employee has invested in Kongsberg shares in the open market for up to one monthly gross salary between December 1, 2017, and March 16, 2018 (the "Self-Investment"), and is being employed at that time. The holding period is 3 years. Rendering services over the holding period is not required.

For these cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured at the fair value of the liability.

The Fair Value is determined as the expected number of participating employees times expected investments. As rendering services over the holding period is not required under that scheme, the liability has been recognized at the full amount.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTE 3 Significant Accounting Policies (continued)

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructuring provisions

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of the sale of the relevant products, at management's best estimate of the expenditure required to settle the Group's obligation.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all its liabilities. Equity instruments issued by the parent entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

NOTE 4 Critical Accounting Estimates and Judgments

In application of its accounting policies the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities which are not readily available from other sources. The estimates and judgments are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see note 4 below), that the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Discount rate used to determine the carrying amount of the Group's defined benefit obligation

The Projected Benefit Pension Obligation (PBO) for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. A number of actuarial and financial parameters are used as bases for these calculations. The most important financial parameter is the discount rate. Other parameters such as assumptions as to salary increases and inflation are determined based on the expected long-term development.

NOTE 4 Critical Accounting Estimates and Judgments (continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The cash-generating units in KA are the business units (Interior segment: Light duty cables and Comfort systems. Powertrain and Chassis segment: Driveline and On Highway / Europe, Asia and Americas. Specialty Products segment: Hose & Tubes, Couplings, Off Highway and MRF). The forecasts of future cash flows are based on the Group's best estimates of future revenues and expenses for the cash-generating units to which goodwill has been allocated. A number of assumptions and estimates can have significant effects on these calculations and include parameters such as macroeconomic assumptions, market growth, business volumes, margins and cost effectiveness. Changes to any of these parameters, following changes in the market conditions, competition, strategy or other factors, affect the forecasted cash flows and may result in impairment of goodwill.

The carrying amount of goodwill at 31 December 2017 was MEUR 146.2 (2016: MEUR 155.0). No impairment losses were recognized in 2017 or 2016. Details of the impairment loss calculation are set out in note 12.

Recoverability of internally generated intangible assets – research and development expenditure

Significant investments are made towards product improvements and innovation to secure the Group's position in the market. Estimates and judgments used when deciding how the costs should be accounted (charged to profit or loss or capitalizes as an asset) will have a significant effect on the statement of comprehensive income and statement of financial position. Internally generated intangible assets are subject to impairment reviews as described in note 3.

The carrying amount of internally generated intangible assets for patents and development expenditure at 31 December 2017 was MEUR 9.7 (2016: MEUR 8.0).

Refer to notes 3 and 12 for further information.

Deferred tax asset

Deferred income tax assets are recognized for tax losses carried forward only to the extent that realization of the related benefit is probable. Several subsidiaries have losses carried forward on which they have recognized deferred tax assets. The probability of their realization is determined by applying a professional judgment to forecast cash flows. These cash flows are based on assumptions and estimates and, accordingly, changes to the forecasts may result in changes to deferred tax assets and tax positions.

See note 11 – Taxes.

NOTE 5 New Standards and Interpretations not yet adopted

New and amended standards and interpretations

The Group applied certain amendments to the standards for the first time, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of each amendment is described below:

New amendments and interpretations adopted

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information in note 19.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle – 2014-2016: Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments did not affect the Group's financial statements.

New and amended standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these consolidated financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group will adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of the new requirement in IFRS 9 to recognize a gain or loss for any modifications to the terms of financial liabilities. In addition, the Group will implement changes in classification of certain financial instruments.

NOTE 5 New Standards and Interpretations not yet adopted (continued)

Classification and measurement

The Group uses factoring arrangements to sell certain parts of the trade receivables ahead of their due date. These receivables have been determined to be held within a business model where the objective is to earn contractual cash flows and selling the financial asset. The Group has elected to classify this portfolio of factoring receivables at fair value through profit and loss (FVTPL) in accordance with IFRS 9.4.1.4. The trade and other receivables that are not included in the factoring portfolio continue to be classified and measured at amortized cost as done today. The effect of classifying a portion of the trade receivables at FVTPL is insignificant.

Under IAS 39 a non-substantial modification in the terms of a financial liability does not require the reporting entity to recognize a gain or loss. A non-substantial modification in terms is where the net present value of the cash flows with the modified terms, is 10% or less different from the net present value prior to the modification, both discounted at the original effective interest rate. Under IFRS 9 it has now been clarified that a gain or loss should be recognized for any modification. The change must be applied retrospectively to all financial liabilities that are still recognized at the date of initial recognition. The Group has modified the terms of long term financial liabilities three times, leading to an increase in long term debt of 2.3 MEUR.

All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39. Refer to note 23 for the current classification and measurement.

Impairment

IFRS 9 requires the Group to record expected credit losses on all loans and receivables either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses for all trade receivables. The Group has determined that, due to the immateriality of past losses on trade receivables, and considering all reasonable and supportable information including forward-looking information, the effect of implementing lifetime losses for trade receivables is immaterial.

Expected effect

In summary, the impact of IFRS 9 adoption is expected to be, as follows:Impact on assets (increase), and liabilities and equity (increase/(decrease) as of 1 January 2018:

MEUR	
Assets	
Deferred tax asset	0.5
Total assets	**0.5**
Liabilities and equity	
Interest-bearing liabilities	2.3
Retained earnings	(1.8)
Total liabilities and equity	**0.5**

The adjustment to interest-bearing liabilities will reverse through profit and loss over 2.25 years from 1 January 2018 and will reduce annual interest expenses with approx. 1 MEUR.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014 with amendments in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

NOTE 5 New Standards and Interpretations not yet adopted (continued)

Thus under IFRS 15, revenue is recognized when performance obligations are satisfied by transferring a promised good or service to the customer, which is when he obtains control. It is recognized at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group will adopt the new standard on the required effective date using the modified retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis in 2017. This analysis is not fully complete and the quantitative information presented may be subject to further changes in 2018.

The KA Group is in the business of providing products to the global vehicle industry. In doing so the Group provides services covering engineering and tooling, as well as the manufacturing and delivery of automotive parts. Engineering services is the development of customized designs in collaboration with the customer. Tooling is the production of equipment such as cutting tools and moulds needed in the manufacturing of parts. Tooling can be highly customized, or developed to produce standardized products to a wider range of customers. Product part delivery is the continuous supply of automotive parts such as seat heaters, cables, driver control systems, and fluid transfer systems.

Engineering, tooling and product part delivery may be contracted in separate agreements (concluded at different points in time) or may be contracted in one agreement. In either case any binding obligation for the customer with respect to parts is created only upon issuance of purchase orders. The Group has determined that engineering, tooling and the delivery of product parts are separate and distinct for the customer and therefore constitute separate performance obligations under IFRS 15. As is normal in the automotive industry the customer does not guarantee to purchase a minimum quantity of parts. The prices agreed in the contracts for the single performance obligations are considered to be the stand-alone selling prices and will therefore be the basis for recognizing revenue.

Engineering services

Before manufacturing, the Group normally undertakes engineering services to tailor the design of a part to customer needs. Where the ownership of the results of the engineering is transferred to the customer, the Group recognizes any consideration received from the customer as revenue. The Group has determined that the engineering services performance obligation is satisfied at a point in time and upon transfer of ownership of the results of the engineering. Transfer of ownership normally takes place when engineering is complete and the tooling phase is initiated. Consideration from the customer may be agreed as installments following the progress of the engineering, as one installment upon completion of the engineering phase, or may be explicitly included in the piece price over a certain specific sales volume. The Group currently recognizes revenue from engineering at the time of invoicing to the customer either during the engineering phase or through subsequent delivery of parts where consideration for engineering is included in the piece price. Under IFRS 15 revenue will be recognized at a point in time upon transfer of ownership of engineering to the customer. Consideration received in advance of transfer will be deferred and recognized as contract liability. Any consideration to be received through piece price will be recognized as revenue and accrued as contract asset upon transfer of engineering services to the customer, if the consideration for the engineering services is a guaranteed amount.

Tooling equipment

After the engineering phase, but before production, the Group manufactures, or have manufactured, the tooling equipment for use in the production of automotive parts. When the ownership of tooling equipment is transferred to the customer, the Group recognizes any consideration received from the customer as revenue. The Group has determined that the tooling equipment performance obligation is satisfied at a point in time and upon final approved transfer of ownership of the tooling to the customer. Transfer of ownership normally takes place in connection with the start of production of the automotive parts. Consideration from the customer may be agreed as installments following the progress of the manufacture of the tooling equipment, as one

NOTE 5 New Standards and Interpretations not yet adopted (continued)

installment upon final approval of the tooling equipment by the customer, or may explicitly be included in the piece price. The Group currently recognizes revenue from tooling at the time of invoicing to the customer either during the tooling phase or through subsequent delivery of parts where consideration for tooling is added to the piece price. Under IFRS 15 revenue will be recognized at a point in time upon transfer of ownership and final approval of the tooling equipment by the customer. Consideration received in advance of transfer will be deferred and recognized as contract liability. Any consideration to be received through piece price will be recognized as revenue and accrued as contract asset upon approval of the tooling by the customer.

Delivery of automotive parts

The sale of manufactured automotive parts is satisfied upon transfer of control over the parts to the customer which in general is upon delivery to the customer. Each delivery is considered as a performance obligation that is satisfied at a point in time. Revenue recognition for parts deliveries will therefore not change under IFRS 15 compared to current practice.

Variable consideration

Revenue will be recognized (only) to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

A few contracts with customers entitle the customer to price reductions after exceeding defined volume thresholds. Currently, the Group recognises revenue from the sale of goods measured at the fair value net of volume rebates. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception and updated thereafter. The Group does not expect any significant changes to deferred revenue for volume rebates compared to current IFRS.

As it is common industry practice most of the contracts have variable elements in the form of year-on-year price reductions or staggered rebates. The Group has determined that the price reductions reflect the competition in the industry and thus is not to be considered as a loyalty bonus. Revenue recognition is therefore based on the sales price for each delivery to the customer.

Warranty obligations

The Group generally provides for warranties for general repairs and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under IFRS 15, which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosures requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made. In addition, as required by IFRS 15, the Group will disaggregate revenue recognizedfrom contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

NOTE 5 New Standards and Interpretations not yet adopted (continued)

Expected effect

In summary, the impact of IFRS 15 adoption is expected to be as follows:

Impact on assets (increase), and liabilities and equity increase/(decrease) as of 1 January 2018:

MEUR	
Assets	
Contract assets (non-current)	4.0
Trade receivables	
Contract assets (current)	8.0
Total assets	**12.0**
Liabilities	
Contract liabilities (non-current)	0.0
Contract liabilities (current)	1.0
Deferred tax liabilities	2.5
Total liabilities	**3.5**
Net impact on equity (retained earnings)	**8.5**

IFRS 16 Leases

This standard will replace the present IAS 17 and IFRIC 4 for annual periods beginning on or after 1 January 2019. The new standard requires lessees to recognize right-of-use assets and liabilities for all leases, with the exception of some leases with lease periods of less than one year or where the underlying assets are of low value. Depreciation, amortization and impairment losses as well as interest expenses must be recognized in the statement of income. The standard also somewhat changes the definition of when an agreement is or contains a lease. The Group is still in the early phase of evaluating the impact of IFRS 16 and potential effects have not been quantified. However, the Group leases a number of buildings for office space and production facilities and therefore expects a significant increase in non-current assets and liabilities upon the implementation of IFRS 16. The group also expects a significant effect on the classification of expense items in the statement of comprehensive income, but does not expect a material effect on profit loss for the year.

NOTE 6 Subsidiaries

Company name	Country of incorporation	Ownership	Companies owned by parent
Kongsberg Automotive Ltda	Brazil	100%	x
Kongsberg Inc	Canada	100%	
Kongsberg Automotive (Shanghai) Co Ltd	China	100%	
Kongsberg Automotive (Wuxi) Ltd	China	100%	x
Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd	China	75%	
Shanghai Lone Star Cable Co Ltd	China	100%	
Kongsberg Automotive SARL	France	100%	x
Kongsberg Driveline Systems SAS	France	100%	
Kongsberg Raufoss Distribution SAS	France	100%	
SCI Immobilière La Clusienne	France	100%	
Kongsberg 1 GmbH	Germany	100%	
Kongsberg Actuation Systems GmbH	Germany	100%	
Kongsberg Automotive GmbH	Germany	100%	x
Kongsberg Driveline Systems GmbH	Germany	100%	
Kongsberg Actuation Systems Ltd	Great Britain	100%	
Kongsberg Automotive Ltd	Great Britain	100%	
CTEX Seat Comfort (Holding) Ltd	Great Britain	100%	x
Kongsberg Power Products Systems Ltd	Great Britain	100%	
Kongsberg Automotive Hong Kong Ltd	Hong Kong	100%	
Kongsberg Interior Systems Kft	Hungary	100%	
Kongsberg Automotive (India) Private Ltd	India	100%	x
Kongsberg Automotive Driveline System India Ltd	India	100%	x
Kongsberg Automotive Ltd	Korea	100%	x
Kongsberg Automotive S. de RL de CV	Mexico	100%	
Kongsberg Driveline Systems S. de RL de CV	Mexico	100%	
Kongsberg Fluid Transfer Systems, S. de R.L. de CV	Mexico	100%	
Kongsberg Interior Systems S. de RL de CV	Mexico	100%	
Kongsberg Actuation Systems BV	Netherlands	100%	
Kongsberg Automotive AS	Norway	100%	x
Kongsberg Automotive Holding 2 AS	Norway	100%	x
Kongsberg Automotive Sp. z.o.o	Poland	100%	x
Kongsberg Automotive s.r.o	Slovakia	100%	
Kongsberg Actuation Systems SL	Spain	100%	
Kongsberg Automotive AB	Sweden	100%	x
Kongsberg Power Products Systems AB	Sweden	100%	
KA Group AG	Switzerland	100%	
Kongsberg Driveline Systems I Inc.	US	100%	
Kongsberg Actuation Systems II Inc.	US	100%	
Kongsberg Holding III Inc.	US	100%	
Kongsberg Interior Systems II Inc.	US	100%	
Kongsberg Automotive Inc.	US	100%	
Kongsberg Power Products Systems I Inc.	US	100%	
Kongsberg Automotive Japan KK	Japan	100%	x

Non-controlling interest refers to the 25% not owned of Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd

NOTE 7 Segment Information

Operating segments

The reporting structure was changed during the first quarter of 2017 in order to better align the organizational structure with the opportunities and challenges of Kongsberg Automotive business units. The Group has three reportable segments, which are the strategic business segments: Interior, Powertrain & Chassis Products and Specialty Products. Segment information for 2016 has been adapted accordingly.

NOTE 7 Segment Information (continued)

The strategic business areas (segments) offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group's risks and rates of return are affected predominantly by differences in the products manufactured. The three segments have different risk profiles in the short-term perspective, but over a long-term perspective the profiles are considered to be the same. The Group's Executive Committee (led by the CEO) reviews the internal management reports from all strategic business areas on a monthly basis.

Information regarding the results of each reportable segment is included below. Performance is measured by EBITDA and EBIT as included in the internal management reports issued on a monthly basis. Segment EBIT is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments (also relative to other entities that operate within these industries).

Sales transactions and cost allocations between the business units are based on the arms' length principle. The results for each segment and the capital allocation elements comprise both items that are directly related to and recorded within the segment, as well as items that are allocated based on reasonable allocation keys.

The following summary describes the operations of each of the Group's reportable segments:

Interior

Interior segment is a global leader in the development, design and manufacture of seat comfort systems and mechanical and electro-mechanical light-duty motion controls to Tier 1 and OEM customers. The product range includes seat adjuster cables and other cabling systems, lumbar support and side bolsters, seat heating, ventilation and massage systems and head restraints.

Powertrain & Chassis Products

Powertrain & Chassis Products is a global Tier 1 supplier of driver control and driveline products to the passenger and commercial vehicle automotive markets. The portfolio includes custom-engineered cable controls and complete shift systems, clutch actuation systems, vehicle dynamics, shift cables and shift towers for transmissions.

NOTE 7 Segment Information (continued)

Specialty Products

The Specialty Products segment designs and manufactures fluid handling systems for both the automotive and commercial vehicle markets, couplings systems for compressed-air circuits in heavy-duty vehicles, operator control systems for power sports construction, agriculture, outdoor power equipment, power electronics and MRF technology-based products.

2017 MEUR	Interior	Powertrain & Chassis	Specialty Products	Eliminations & other*	Group
Operating revenues	263.9	407.4	385.3	0.0	1,056.6
EBITDA	**18.9**	**7.0**	**57.9**	**(14.7)**	**69.2**
Depreciation	(7.9)	(14.0)	(8.5)	(0.5)	(30.9)
Amortization	(2.4)	(4.6)	(7.0)	(0.4)	(14.5)
Operating (loss) / profit (EBIT)	**8.6**	**(11.5)**	**42.4**	**(15.7)**	**23.8**
Assets and liabilities					
Goodwill	56.8	22.8	66.6	0.0	146.2
Other intangible assets	1.3	11.2	2.0	1.3	15.8
Property, plant and equipment	60.3	63.6	44.8	1.1	169.7
Inventories	22.1	40.4	43.9	(1.8)	104.7
Trade receivables	53.8	68.8	57.4	(0.0)	180.0
Segment assets	**194.3**	**206.6**	**214.8**	**0.7**	**616.4**
Unallocated assets	0.0	0.0	0.0	105.5	105.5
Total assets	**194.3**	**206.6**	**214.8**	**106.2**	**721.9**
Trade payables	33.0	52.4	43.2	2.0	130.6
Unallocated liabilities	0.0	0.0	0.0	400.6	400.6
Total liabilities	**33.0**	**52.4**	**43.2**	**402.5**	**531.2**
Capital expenditure	**22.6**	**15.8**	**8.2**	**0.8**	**47.4**

* The column “Eliminations & other” mainly includes corporate expenses and balance sheet items related to tax, pension and financing.

See next section for specification of unallocated assets and liabilities.

NOTE 7 Segment Information (continued)

For segment reporting purposes the revenues are only external revenues, the related expenses are adjusted accordingly. The EBIT is thus excluding IC profit.

2016 MEUR	Interior	Powertrain & Chassis	Specialty Products	Eliminations & other*	Group
Operating revenues	277.8	350.4	357.5	0.0	985.7
EBITDA	**23.3**	**9.5**	**46.4**	**(15.9)**	**63.4**
Depreciation	(9.5)	(13.0)	(7.3)	(0.6)	(30.4)
Amortization	(2.4)	(4.4)	(7.5)	(0.3)	(14.7)
Operating (loss) / profit (EBIT)	**11.4**	**(7.9)**	**31.6**	**(16.8)**	**18.3**
Assets and liabilities					
Goodwill	59.1	23.6	72.3	0.0	155.0
Other intangible assets	3.7	10.7	10.2	2.8	27.3
Property, plant and equipment	45.3	65.9	47.3	1.6	160.2
Inventories	14.6	29.8	35.6	(1.4)	78.6
Trade receivables	54.5	56.1	48.1	0.8	159.5
Segment assets	**177.1**	**186.0**	**213.5**	**3.8**	**580.6**
Unallocated assets	0.0	0.0	0.0	111.0	111.0
Total assets	**177.1**	**186.0**	**213.5**	**114.8**	**691.6**
Trade payables	30.1	41.3	38.5	1.0	111.0
Unallocated liabilities	0.0	0.0	0.0	372.0	372.0
Total liabilities	**30.1**	**41.3**	**38.5**	**373.0**	**483.0**
Capital expenditure	**19.2**	**18.8**	**9.7**	**0.3**	**48.1**

Operating segments – reconciliation to total assets

MEUR	2017	2016
Segment assets of reportable segments	615.7	576.7
Eliminations & other	0.7	3.8
Unallocated assets include:		
Deferred tax assets	23.7	32.4
Other non-current assets	3.5	1.1
Cash and cash equivalents	39.5	34.6
Other receivables (excluded: trade receivables)	38.9	42.9
Total assets as of the Statement of Financial Position	**721.9**	**691.6**

NOTE 7 Segment Information (continued)

Operating segments – reconciliation to total liabilities

MEUR	2017	2016
Trade payables of reportable segments	128.7	110.0
Eliminations & other	2.0	1.0
Unallocated liabilities include:		
Deferred tax liabilities	19.5	27.1
Retirement benefit obligations	17.1	18.1
Interest-bearing loans and borrowings	257.8	238.4
Other non-current interest-free liabilities	2.4	2.6
Bank overdrafts	0.0	0.0
Other current interest-bearing liabilities	0.1	0.0
Current income tax liabilities	3.0	5.9
Other payables (excluded: trade payables)	100.7	79.8
Total liabilities as of the Statement of Financial Position	**531.2**	**483.0**

Operating segments – geographical areas

The following segmentation of the Group's geographical sales to external customers is based on the geographical locations of the customers. The segmentation of non-current assets are based on the geographical locations of its subsidiaries. Non-current assets comprise intangible assets (including goodwill) and property, plant and equipment.

Sales to external customers by geographical location

	2017		2016	
MEUR	Jan – Dec	%	Jan – Dec	%
Europe	554.1	52.4%	485.8	49.3%
North America	341.6	32.3%	385.3	39.1%
South America	22.9	2.2%	16.5	1.7%
Asia	116.7	11.0%	89.7	9.1%
Other	21.3	2.0%	8.3	0.8%
Total operating revenues	**1,056.6**	**100%**	**985.7**	**100%**

Non-current assets by geographical location

	2017		2016	
MEUR	Jan – Dec	%	Jan – Dec	%
Europe	194.3	58.6%	191.0	55.8%
North America	109.9	33.1%	126.5	36.9%
Asia	25.9	0.0%	22.9	0.0%
Other	1.5	0.5%	2.1	0.6%
Total non-current assets	**331.7**	**100.0%**	**342.5**	**100.0%**

Operating segments – major customers

The Group has no single customers accounting for more than 10% of total revenues.

NOTE 8 Salaries and Social Expenses

Specification of salaries and social expenses as recognized in the statement of comprehensive income

Parent			Group	
2017	**2016**	**MEUR**	**2017**	**2016**
0.3	3.5	Wages and salaries	218.1	215.2
0.0	0.6	Social security tax	57.3	51.5
0.0	(0.3)	Pension cost (defined benefit plans)	0.8	0.3
0.0	(0.1)	Pension cost (defined contribution plans)	7.6	8.4
0.6	0.5	Other employee-related expenses	20.9	18.2
0.9	**4.2**	**Total**	**304.8**	**293.7**

Other employee-related expenses include bonus costs.

As at 31.12.17 the Group had 10,482 employees, while as of 31.12.2016 the Group number of employees was 9,791.

The Parent Company had no employees as of 31.12.2017 and there were no employees as of 31.12.2016 either.

NOTE 9 Other Operating Expenses

Specification of other operating expenses as recognized in the statement of comprehensive income

Parent			Group	
2017	**2016**	**MEUR**	**2017**	**2016**
		Operating Expenses		
0.0	0.0	Freight charges	(48.0)	(36.1)
0.0	0.0	Facility costs	(23.6)	(22.7)
0.0	0.0	Consumables	(36.4)	(30.1)
0.0	0.0	Repairs and maintenance	(18.0)	(15.8)
0.0	0.0	Service costs	(22.4)	(13.8)
0.0	(0.1)	Other costs	(10.9)	(6.8)
		Administrative expenses		
(0.2)	(0.2)	Leasehold expenses	(8.0)	(6.7)
(5.1)	(6.3)	Service costs	(35.9)	(38.3)
(0.0)	(0.0)	Consumables	(10.0)	(11.2)
(0.2)	(0.3)	Travel costs	(8.7)	(8.3)
(22.0)	(35.0)	Other costs*	(8.2)	(18.0)
(27.5)	**(41.9)**	**Total other operating expenses**	**(230.1)**	**(207.9)**

* Parent company includes write-down and loss on Group loans and receivables. Group includes restructuring costs and recognition of loss-making contracts.

NOTE 10 Financial Items

Specification of financial items as recognized in the statement of comprehensive income

Parent			Group	
2017	2016	MEUR	2017	2016
0.4	1.3	Dividend and other financial income	0.0	0.0
0.0	0.0	Foreign currency gains*	0.0	5.4
0.0	1.6	Changes in value of financial derivatives	0.0	3.4
22.0	25.3	Interest income	0.2	0.2
22.4	**28.2**	**Total financial income**	**0.2**	**9.0**
(9.4)	(6.9)	Interest expense	(10.1)	(6.9)
(7.0)	(4.4)	Foreign currency losses*	(5.4)	0.0
0.0	0.0	Changes in value of financial derivatives	(0.7)	0.0
(0.5)	(12.7)	Other items**	(1.5)	(1.1)
(16.9)	**(24.0)**	**Total financial expenses**	**(17.6)**	**(8.0)**
5.5	**4.2**	**Net financial items**	**(17.4)**	**1.0**

* Includes unrealized currency loss of MEUR 3.9 (2016: Unrealized gain of MEUR 5.5)

** Parent company includes write-down on shares in subsidiaries. Group includes arrangement fees and net pension funding costs.

NOTE 11 Taxes

Tax recognised in statement of income

The major components of income tax expense:

Parent			Group	
2017	2016	MEUR	2017	2016
(3.7)	(5.4)	Current tax on profits for the year*	(10.2)	(14.8)
0.0	0.0	Adjustments in respect of prior years	(0.3)	1.0
(3.7)	**(5.4)**	**Total current tax**	**(10.6)**	**(13.8)**
1.8	3.0	Current year change in deferred tax	7.1	(3.1)
0.8	(0.9)	Impact of changes in tax rates	(6.9)	(0.9)
1.4	0.0	Adjustments in respect of prior years	(4.0)	(0.1)
4.0	**2.1**	**Total change in deferred tax**	**(3.8)**	**(4.2)**
0.2	**(3.3)**	**Total income tax (expense) / credit**	**(14.4)**	**(17.9)**

* Includes withholding tax. Further details can be found in table below.

Tax recognised in other comprehensive income

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.0	Tax (expense) / credit on translation differences	2.8	1.5
0.0	(0.0)	Tax (expenses) / credit on pension remeasurement	0.0	0.3
0.0	**0.0**	**Tax (expense) / credit in other comprehensive income**	**2.8**	**1.9**

NOTE 11 Taxes (continued)

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

Parent			Group	
2017	2016	MEUR	2017	2016
6.5	**(7.9)**	**(Loss) / profit before income tax**	**6.4**	**19.3**
(1.6)	2.0	Expected tax calculated at Norwegian tax rate	(1.4)	(4.8)
0.1	0.3	Dividends (permanent differences)	0.0	0.0
(0.2)	(5.9)	Other permanent differences / currency	(1.0)	(0.5)
(0.2)	(0.6)	Effect of withholding tax	(0.5)	(0.7)
0.0	0.0	Effect of different tax rates	(0.6)	(2.0)
0.8	0.9	Impact of changes in tax rates and legislation	(6.9)	0.9
0.0	0.0	Losses not recognised as deferred tax assets	(1.0)	(2.8)
0.0	0.0	Write-down of deferred tax assets	0.0	(9.0)
1.3	0.0	Adjustments in respect of prior years and other adjustments	(2.9)	0.9
0.2	**(3.3)**	**Income tax (expense) / credit**	**(14.4)**	**(17.9)**
–4%	–41%	Average effective tax rate	224%	93%

Tax recognized in the statement of financial position

Current tax liability

Parent			Group	
2017	2016	MEUR	2017	2016
2.8	(0.7)	Current income tax liabilities	3.0	5.9
2.8	**(0.7)**	**Total**	**3.0**	**5.9**

Deferred tax

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.0	Deferred tax asset	23.7	32.4
(16.7)	(22.2)	Deferred tax liability	(19.5)	(27.1)
(16.7)	**(22.2)**	**Total**	**4.2**	**5.3**

Deferred tax positions are netted within the same tax entity.

NOTE 11 Taxes (continued)

Specification of deferred tax assets / (liabilities) recognized in the statement of financial position

2017 MEUR						Group
	Opening balance	Charged to income	Changes in tax rate	OCI	Exchange differences	Closing balance
Property, plant and equipment	(1.4)	0.6	0.2	0.0	(0.3)	(0.8)
Intangible assets	(6.6)	(1.5)	0.9	0.0	0.1	(7.0)
Retirement benefits obligations	2.7	0.8	(0.1)	0.0	0.0	3.5
Losses	9.8	(0.5)	(0.1)	0.0	(0.7)	8.5
Account receivables	1.5	(5.3)	0.6	0.0	0.9	(2.2)
Accrued expenses	2.4	0.7	(0.9)	0.0	(0.9)	1.3
Accrued interest	7.5	(0.4)	0.0	0.0	0.4	7.5
Restructuring reserves	2.1	2.0	(0.3)	0.0	0.6	4.4
Unrealized fx on long-term receivables / payables	(22.7)	(0.5)	0.0	0.0	(0.1)	(23.3)
Other temporary differences	10.0	7.2	(7.3)	2.8	(0.2)	12.5
Net deferred tax asset/(liability)	**5.3**	**3.1**	**(6.9)**	**2.8**	**(0.1)**	**4.2**

2017 MEUR						Parent
	Opening balance	Charged to income	Changes in tax rate	OCI	Exchange differences	Closing balance
Property, plant and equipment	0.1	0.0	(0.0)	0.0	(0.0)	0.1
Retirement benefits obligations	0.2	1.2	(0.1)	0.0	(0.1)	1.3
Losses	0.0	0.0	0.0	0.0	0.0	0.0
Account receivables	1.5	(0.0)	(0.1)	0.0	(0.1)	1.3
Unrealized fx on long-term receivables / payables	(23.5)	1.9	0.9	0.0	1.7	(19.0)
Other temporary differences	(0.4)	0.1	(0.0)	0.0	0.0	(0.3)
Net deferred tax asset/(liability)	**(22.2)**	**3.2**	**0.8**	**0.0**	**1.5**	**(16.7)**

Measurement of deferred taxes

Deferred tax assets and liabilities are measured at the tax rates realized. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. The Group's subsidiaries are located in different countries, so there will always be risks arising from local tax jurisdictions' assessments of the respective tax positions, and to limitations to the utilization of losses carried forward. Local tax decisions could therefore influence the carrying value of the Group's consolidated deferred tax asset. This financial year, a significant write-off of existing US deferred tax assets was booked due to the new US tax legislation valid as per January 1 2018.

Limitation and assumptions for the utilization of losses carried forward and deferred tax assets

The carrying amount of deferred tax assets is reviewed at each balance sheet date and recognized only to the extent that it is probable that future taxable profit will be available against which it may be offset. As part of the review, the Group conducts comprehensive analyses of future profits within the legal entity as well as considering possibilities for utilization within the Group. Estimates indicate that it is probable that future taxable profit will be available against which the recognized deferred tax assets may be utilized. There are however uncertainties as the estimates are based on assumptions about market development and the success of KA's customers. Due to the time restrictions associated with the utilization of some losses carried forward, timing assumptions may influence the carrying amount.

NOTE 11 Taxes (continued)

Tax positions not recognized

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.0	Tax positions not recognized	25.8	32.0
0.0	**0.0**	**Total tax positions not recognized**	**25.8**	**32.0**

Remaining lifetime of tax losses (net tax value)

Parent			Group	
2017	2016	Lifetime	2017	2016
0.0	0.0	Less than five years	4.7	3.7
0.0	0.0	5 – 10 years	2.9	2.1
0.0	0.0	10 – 15 years	0.0	0.0
0.0	0.0	15 – 20 years	0.0	11.2
0.0	0.0	Without time limit	25.8	23.9
0.0	**0.0**	**Tax losses at 31.12**	**33.4**	**41.0**

NOTE 12 Intangible Assets

Parent		Group				
Software	MEUR	Goodwill	Customer relationships	Patents and R&D	Software and other	Total
3.3	Cost	176.7	97.1	47.4	18.8	339.9
(2.5)	Accumulated amortization and impairment	(22.2)	(77.5)	(31.3)	(15.4)	(146.4)
0.8	**Book Value at 31.12 2015**	**154.5**	**19.6**	**16.1**	**3.4**	**193.5**
3.3	Cost 01.01.2016	176.7	97.1	47.4	18.8	339.9
0.7	Additions	0.0	0.0	2.4	0.8	3.2
0.0	Disposals accumulated cost	0.0	0.0	(1.3)	(0.1)	(1.3)
0.2	Translation differences	1.3	0.5	0.1	0.1	2.0
4.3	**Acquisition costs at 31.12.2016**	**177.9**	**97.5**	**48.6**	**19.6**	**343.7**
(2.5)	Accumulated amortization and impairment 01.01.2016	(22.2)	(77.5)	(31.3)	(15.4)	(146.4)
(0.3)	Amortization/impairment loss	0.0	(9.4)	(3.9)	(1.3)	(14.6)
0.0	Disposals accumulated amortization	0.0	0.1	0.9	0.1	1.1
(0.1)	Translation differences	(0.7)	(0.7)	(0.1)	0.0	(1.4)
(3.0)	**Accumulated amortization 31.12.2016**	**(22.9)**	**(87.5)**	**(34.4)**	**(16.6)**	**(161.4)**
4.3	Cost	177.9	97.5	48.6	19.6	343.7
(3.0)	Accumulated amortization and impairment	(22.9)	(87.5)	(34.4)	(16.6)	(161.4)
1.3	**Book Value at 31.12 2016**	**155.0**	**10.1**	**14.2**	**3.1**	**182.3**
4.3	Cost 01.01.2017	177.9	97.5	48.6	19.6	343.7
0.5	Additions	0.0	0.0	4.7	0.6	5.3
0.0	Disposals accumulated cost	0.0	(3.2)	(1.7)	(6.1)	(11.0)
(0.4)	Translation differences	(11.5)	(7.1)	(2.7)	(0.6)	(21.9)
4.4	**Acquisition costs at 31.12.2017**	**166.4**	**87.2**	**48.9**	**13.5**	**316.1**
(3.0)	Accumulated amortization 01.01.2017	(22.9)	(87.5)	(34.4)	(16.6)	161.4
(0.4)	Amortization/impairment loss*	0.0	(9.1)	(4.2)	(1.3)	(14.5)
0.0	Disposals accumulated amortization	0.0	3.1	1.1	5.7	9.9
0.2	Translation differences	2.7	6.7	1.8	0.7	11.9
(3.1)	**Accumulated amortization and impairment 31.12.2017**	**(20.3)**	**(86.8)**	**(35.6)**	**(11.4)**	**(154.1)**
4.4	Cost	166.4	87.2	48.9	13.5	316.1
(3.1)	Accumulated amortization and impairment	(20.3)	(86.8)	(35.6)	(11.4)	(154.1)
1.3	**Book Value at 31.12 2017**	**146.2**	**0.3**	**13.3**	**2.1**	**162.0**

* See details on next page for impairment loss . In 2017, intangible assets related to Heiligenhaus closing have been written off for a total amount of 0.2 MEUR.

NOTE 12 Intangible Assets (continued)

Internally developed intangible assets

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.0	Internally developed intangible assets 01.01	8.0	7.9
0.0	0.0	Additions during the year	4.3	2.2
0.0	0.0	Amortization / impairment	(2.2)	(2.3)
0.0	0.0	Translation differences	(0.4)	0.1
0.0	**0.0**	**Internally developed intangible assets 31.12**	**9.7**	**8.0**
0.0	0.0	Not capitalized internal R&D cost	(29.4)	(44.2)
0.0	0.0	Amortization	(2.8)	(2.3)
0.0	0.0	Net effect of external sales and purchases	(22.7)	(17.8)
0.0	**0.0**	**Total recognized R&D cost in the reporting period***	**(54.9)**	**(64.3)**
0.0	0.0	Cash investment in R&D	(57.0)	(64.2)

* Net amount, gross amount MEUR 67.3 in 2017 (2016: MEUR 81.0).

The internally developed intangible assets include capitalized costs related to development of new products.

These assets are included in “Patents and R&D” above.

Impairment testing

The Group has performed impairment tests on the carrying values of all intangible assets (including goodwill), property, plant & equipment, and net working capital in accordance with the requirements of IAS 36. Value in use (VIU) was used to determine the recoverable amount. The tests comprised NPV (net present value) analyses of forecasted future cash flows by the CGUs (cash-generating units). The business units Interior Comfort Systems, Light Duty Cables, Driveline, On-highway, Couplings, Fluid and Off-highway were identified as the respective CGUs.

Cash flow projections and assumptions

The model was based on a three-year forecast of discounted cash flows plus a terminal value (calculated by Gordon’s growth model). The net discounted cash flows were calculated before tax. The NPV-model included the following assumptions:

A business case was used for each CGU as the basis for the cash flow estimates, which covered the period of 2018 to 2020. The business cases were based on the Group’s strategic three-year plan, adjusted for relevant recent changes in internal short-term forecasts and market data. The forecasts did not include significant cash flows from future restructuring, investments or enhancements. The three-year plan was a realistic forecast taking into account macroeconomic, industry and company-specific factors. The short-term forecasts were a “bottom-up-model” where all input data had been produced by the respective entities in the Group. The financial development for the BUs throughout the forecast period is primarily driven by increased top line with the effects of operational leverage and effects from restructuring already completed or initiated.

The input data in the business cases were gathered from renowned external sources, such as LMC Automotive, IHS and customers, in addition to all relevant internal information such as change in orders, customer portfolio, fitment rate for products, geographical development, market shares etc.

Discount rate assumptions

The required rate of return was calculated by the WACC method. The input data of the WACC was chosen by an individual assessment of each parameter. Information from representative sources, peer groups etc. was used to determine the best estimate. The WACC was calculated to 7.1 % pre-tax. The same WACC was used for all CGUs, the reason being that the long-term risk profiles of the CGUs are not considered to be significantly different. The key parameters were set to reflect the underlying long-term period of the assets and time horizon of the forecast period of the business cases. The following parameters were applied:

- Risk-free interest rate: 1.8%. Based on 10-year governmental Eurobond rate and US treasury yield, weighted 50/50.
- Beta: 1.11. Based on an estimated unlevered beta for the automotive industry adjusted for the industry's average capital structure.
- Market Risk Premium: 5% (post tax). Based on market sources.
- Cost of Debt: based on the risk-free rate plus a risk component to reflect a probability of default (100 basis points).
- Capital structure: equity ratio of 68%. Based on capital structure of comparable companies.

Sensitivity analysis

The value in use for the assets depends on the cash flow and discount rate. The cash flow will move in relation to change in prices, currency, and volume. Business awards, success of the car model, product fitment rates, government regulations, and economic conditions, in turn influence the volume. For information on input used in the computation of the discount rate, please see above. A reasonable change in assumptions used in the impairment test regarding discount rate would not cause the carrying amount to exceed the recoverable amount for any CGU. However On-Highway, Driveline Systems and Interior Comfort Systems would need to improve performance, in line with cash flow projections, in order to support their respective carrying amount (On-Highway MEUR 64.4, Driveline Systems: MEUR 71.4 and Interior Comfort Systems: MEUR 113.0).

Impairment – test results and conclusion

In all business areas the value in use (VIU) exceeded the carrying amount, and no requirement for write-down was indicated.

NOTE 13 Property, Plant & Equipment (PP&E)

Parent					Group
Equipment	MEUR	Land	Buildings	Equipment	Total
0.8	Cost	4.7	38.7	447.9	491.3
(0.7)	Accumulated depreciation and impairment	0.0	(24.5)	(323.5)	(348.0)
0.1	**Book Value at 31.12.2015**	**4.7**	**14.2**	**124.4**	**143.3**
0.8	Cost 01.01.2016	4.7	38.7	447.9	491.3
0.1	Additions	0.0	0.3	47.8	48.1
0.0	Disposals accumulated cost	0.0	(1.0)	(7.1)	(8.2)
0.0	Translation differences	0.0	(1.4)	7.6	6.2
0.9	**Acquisition costs at 31.12.2016**	**4.7**	**36.6**	**496.1**	**537.4**
(0.7)	Accumulated depreciation and impairment 01.01.2016	0.0	(24.5)	(323.5)	(348.0)
(0.0)	Depreciation and impairment*	0.0	(1.6)	(28.8)	(30.4)
0.0	Disposals accumulated depreciation	0.0	0.8	5.7	6.5
(0.0)	Translation differences	0.0	(0.3)	(5.0)	(5.3)
(0.8)	**Accumulated depreciation and impairment 31.12.2016**	**0.0**	**(25.6)**	**(351.6)**	**(377.3)**
0.9	Cost	4.7	36.6	496.1	537.4
(0.8)	Accumulated depreciation	0.0	(25.6)	(351.6)	(377.3)
0.1	**Book Value at 31.12.2016**	**4.7**	**11.0**	**144.5**	**160.2**
0.9	Cost 01.01.2017	4.7	36.6	496.1	537.4
0.0	Additions	0.0	0.2	47.3	47.4
0.0	Disposals accumulated cost	0.0	1.5	(7.4)	(5.8)
(0.1)	Translation differences	(0.1)	(2.1)	(37.4)	(39.5)
0.8	**Acquisition costs at 31.12.2017**	**4.6**	**36.2**	**498.7**	**539.5**
(0.8)	Accumulated depreciation and impairment 01.01.2017	0.0	(25.6)	(351.6)	(377.3)
(0.0)	Depreciation and impairment*	0.0	(2.3)	(28.7)	(30.9)
0.0	Disposals accumulated depreciation and impairment	0.0	(1.6)	7.5	5.9
0.1	Translation differences	0.0	1.3	31.2	32.5
(0.8)	**Accumulated depreciation and impairment 31.12.2017**	**0.0**	**(28.1)**	**(341.6)**	**(369.8)**
0.8	Cost	4.6	36.2	498.7	539.5
(0.8)	Accumulated depreciation and impairment	0.0	(28.1)	(341.6)	(369.8)
0.1	**Book Value at 31.12.2017**	**4.6**	**8.1**	**157.0**	**169.7**

* Includes write-off of fixed assets in business held for sale and write-off of idle assets. In 2017, tangible assets related to Heiligenhaus closing have been written off for a total amount of 0.8 MEUR.

Security for debt: See note 19 regarding use of PP&E as security for debt.

Financial leases: The Group is a lessee under financial lease, but the Group has only a limited number of financial lease contracts and the total amount is considered insignificant.

Impairment testing: See note 12 for information related to impairment testing of non-current intangible assets and PP&E.

NOTE 14 Inventories

Specification of inventories

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.0	Raw materials	66.3	44.8
0.0	0.0	Work in progress	18.0	15.5
0.0	0.0	Finished goods	20.4	18.2
0.0	**0.0**	**Total**	**104.7**	**78.6**

Values displayed net of provisions for excess and obsolete.

Provision for slow-moving and obsolete inventory

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.0	Book value at 01.01	(7.9)	(8.1)
0.0	0.0	Write-down	(1.6)	(1.1)
0.0	0.0	Products sold (previously written down)	0.5	0.5
0.0	0.0	Reversal	0.7	0.6
0.0	0.0	Foreign currency translation	0.4	0.0
0.0	**0.0**	**Book value at 31.12**	**(7.9)**	**(7.9)**

NOTE 15 Trade and Other Receivables

Specification of trade and other receivables

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.0	Trade receivables	180.0	159.5
17.5	38.9	Short-term group loans and receivables	0.0	0.0
0.0	0.1	Public duties	15.3	12.5
0.0	0.0	Other short-term receivables	6.7	11.3
17.5	**39.0**	**Receivables**	**202.0**	**183.3**
0.0	0.0	Tooling (Work in Progress)	10.0	12.2
0.3	0.2	Prepayments	6.9	7.0
17.8	**39.2**	**Total**	**218.9**	**202.5**

Trade receivables maturity

	2017		2016	
MEUR	Dec	%	Dec	%
Not overdue	162.9	90%	149.1	93%
Overdue 1–20 days	8.7	5%	7.5	4%
Overdue 21–40 days	5.0	3%	1.8	2%
Overdue 41–80 days	1.5	1%	1.0	1%
Overdue 81–100 days	0.5	0%	0.4	0%
Overdue > 100 days	1.9	1%	0.6	0%
Gross trade receivables	**180.5**		**160.4**	
Total provision for bad debt	(0.5)	0%	(0.8)	1%
Net trade receivables	**180.0**		**159.5**	

The provision for bad debt is decreased by MEUR 0.1 compared to 31.12.2015. Trade receivables are subject to constant monitoring. Impaired receivables are reflected through provision for bad debt. Monthly assessments

NOTE 15 Trade and Other Receivables (continued)

of loss risk are performed and corresponding provisions are made on entity level. The provision for bad debt reflects the total loss risk on groups trade receivables. The oldest trade receivables, overdue > 100 days, represent the highest risk level. Most of the impaired trade receivables are included in that category. Actual losses on trade receivables was MEUR 0.3. The risk for losses on other receivables than trade receivables is assessed to be insignificant. For risk management see Note 21.

Receivables by currency

Parent			Group	
2017	2016	MEUR	2017	2016
6.4	11.5	EUR	70.7	72.1
11.0	17.2	USD	49.2	51.6
0.0	9.3	NOK	4.2	8.4
0.0	1.0	RMB	29.0	25.8
0.1	0.0	Other	49.0	25.4
17.5	**39.0**	**Total**	**202.0**	**183.3**

NOTE 16 Share Capital

Shares

The share capital of the company is NOK 203,384,066, comprising 406,768,131 ordinary shares with a par value of NOK 0.50. The company holds 1,849,212 shares as treasury shares. For more information see "Statement of Changes in Equity". The company is listed on the Oslo Stock Exchange. The ticker code is KOA.

	2017	2016
Number of shares in issue at 01.01.	406,768,131	406,768,131
New shares issued	0	0
Number of shares in issue at 31.12.	**406,768,131**	**406,768,131**
Of these, treasury shares	**1,849,212**	**1,228,134**

NOTE 16 Share Capital (continued)

The twenty largest shareholders in the Company as at 31.12.17 were as follows:

Shareholders and nominees	No. of shares	%	Country
MORGAN STANLEY & CO. INT. PLC.	68,216,365	16.8%	UK
MSCO EQUITY FIRM ACCOUNT	17,917,962	4.4%	US
KLP AKSJENORGE	15,954,970	3.9%	Norway
VPF NORDEA KAPITAL	14,103,471	3.5%	Norway
THE NORTHERN TRUST COMP, LONDON BR	13,861,608	3.4%	UK
FOLKETRYGDFONDET	12,277,732	3.0%	Norway
MORGAN STANLEY & CO. LLC	11,777,277	2.9%	US
VPF NORDEA AVKASTNING	11,076,520	2.7%	Norway
KOMMUNAL LANDSPENSJONSKASSE	11,029,516	2.7%	Norway
CITIBANK, N.A.	10,568,682	2.6%	US
STATE STREET BANK AND TRUST COMP	8,727,445	2.1%	US
MP PENSJON PK	8,663,107	2.1%	Norway
JPMORGAN CHASE BANK, N.A., LONDON	7,762,927	1.9%	UK
ERLING NEBY AS	7,000,000	1.7%	Norway
MORGAN STANLEY AND CO INTL PLC	5,892,792	1.4%	Belgium
ARANGO TRADING AND FINANCE CORP.	5,726,496	1.4%	Switzerland
STATE STREET BANK AND TRUST COMP	5,662,011	1.4%	US
VERDIPAPIRFONDET PARETO INVESTMENT	5,586,000	1.4%	Norway
JPMORGAN CHASE BANK, N.A., LONDON	5,483,684	1.3%	UK
NORDEA 1 SICAV	5,367,654	1.3%	UK
Total twenty largest shareholders	252,656,219	**62.1%**	
Other shareholders	154,111,912	37.9%	
Total number of shares in issue	**406,768,131**	**100.0%**	
Number of shareholders	4,114		
Foreign ownership	57.1%		

Share options

No share options were granted in 2017.

Options at NOK 4.5, NOK 2.0, NOK 1.5, NOK 5.8, NOK 5.9 and NOK 6.20 expire after 7 years, and options at NOK 20.0 and NOK 3.0 expire 10 years after the date of grant. The company has no legal or constructive obligation to repurchase or settle the options in cash. See Statement of Change in Equity for information on amounts recognized in 2017.

Movements in share options (NOK)

	2017		2016	
	Average exercise price	Options	Average exercise price	Options
Options at 01.01	5.96	12,096,212	4.97	14,698,493
Granted		0	6.20	3,792,253
Forfeited	7.92	(3,609,055)	6.18	(2,422,240)
Expired		0		0
Exercised	4.07	(3,805,392)	2.39	(3,972,294)
Options at 31.12	**5.98**	**4,681,765**	**5.96**	**12,096,212**

NOTE 16 Share Capital (continued)

Outstanding options at the end of the year (NOK)

	2017		2016	
Expiry date	Average exercise price	Options	Exercise price	Options
31.03.2018	20.00	158,774	20.00	669,964
31.03.2018	4.50	169,000	4.50	813,528
31.03.2019	3.00	160,549	3.00	609,950
31.03.2019	2.00	105,134	2.00	565,135
10.04.2020	1.50	273,001	1.50	957,338
10.04.2021	5.80	769,200	5.80	2,691,626
10.04.2022	5.90	1,263,254	5.90	2,881,418
10.04.2023	6.20	1,782,853	6.20	2,907,253
Options at 31.12		**4,681,765**		**12,096,212**

Treasury shares

The company holds 1,849,212 treasury shares (2016: 1,228,134). 2,000,000 shares were acquired in May 2017 at an average price of NOK 6.71 per share, and 2,500,000 shares were acquired in November 2017 at an average price of NOK 10.76 per share. The shares were purchased for future allocations of share options within the Group's share option programs.

NOTE 17 Earnings and Dividend per Share

Earnings per share

	2017	2016
Net (loss) / profit attributable to equity shareholders (MEUR)	(8.0)	1.3
Weighted average number of shares in issue	**404.8**	**403.6**
Weighted average total number of ordinary shares	406.8	406.8
Weighted average number of Treasury shares held	(1.9)	(3.2)
Weighted average number of shares in issue (diluted)	**415.0**	**418.0**
Weighted average number of outstanding options	10.1	14.4
Basic earnings per share, EUR	**(0.02)**	**0.00**
Diluted earnings per share, EUR	**(0.02)**	**0.00**

Earnings per share is calculated by dividing the net profit attributable to equity shareholders by the weighted average number of shares in issue. The diluted earnings per share is the weighted a average number of shares in issue as if all options were converted to new shares.

Dividend per share

EUR	2017	2016
Dividend per share paid	0.0	0.0
Dividend per share proposed	0.0	0.0

No dividend was proposed for 2017. For dividend restrictions, see Covenants note 19.

NOTE 18 Retirement Benefit Obligations

Retirement benefit obligations recognised in statement of financial position

Parent			Group	
2017	2016	MEUR	2017	2016
0.1	0.2	Defined benefit pension obligation	16.5	16.9
0.3	0.6	Top hat, retirement provisions and other employee obligations	0.6	1.1
0.4	**0.8**	**Retirement benefit obligations**	**17.1**	**18.1**

Defined benefit scheme – assumptions

Parent			Group	
2017	2016	MEUR	2017	2016
2.3%	2.1%	Discount rate	1.7%	1.8%
2.3%	2.1%	Rate of return on plan assets	0.8%	2.1%
2.5%	2.3%	Salary increases	1.2%	1.2%
2.3%	2.3%	Increase in basic government pension amount	1.1%	1.1%
2.3%	2.0%	Pension increase	0.5%	0.5%

The assumptions for KA group is presented as a weighted average of the assuptions reported from respective subsidiaries.

Defined benefit scheme – net periodic pension cost

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.2	Service cost	0.5	0.4
0.0	0.0	Interest on benefit obligations	0.3	0.4
0.0	0.0	Expected return on pension assets	(0.0)	(0.0)
0.0	(0.5)	Effect of curtailment	(0.0)	(0.5)
0.0	0.0	Social security taxes	0.0	0.0
0.0	**(0.3)**	**Net periodic pension cost**	**0.8**	**0.3**
0.0	0.0	Remeasurement of net defined benefit liability	0.1	1.2
0.4%	0.5%	Actual return on plan assets	0.8%	1.2%

Defined benefit scheme – net pension liability

Parent			Group	
2017	2016	MEUR	2017	2016
		Pension liabilities and assets:		
0.1	0.2	Projected benefit obligation (PBO)	18.6	17.6
0.0	0.0	Fair value of pension assets	(2.2)	(0.9)
0.0	0.0	Unrecognized effects	0.0	0.0
0.1	**0.2**	**Net pension liability before social security taxes**	**16.4**	**16.7**
0.0	0.0	Social security taxes	0.1	0.2
0.1	**0.2**	**Net pension liability**	**16.5**	**16.9**

Specification of carrying value of net pension liability

Parent			Group	
2017	2016	MEUR	2017	2016
0.1	0.2	Retirement benefit obligation	18.7	16.9
0.0	0.0	Retirement benefit asset	(2.2)	0.0
0.1	**0.2**	**Net pension liability**	**16.5**	**16.9**

NOTE 18 Retirement Benefit Obligations (continued)

Defined benefit scheme – change in net pension liability

Parent			Group	
2017	2016	MEUR	2017	2016
0.2	0.8	Net pension liability 01.01	16.9	16.5
0.0	(0.3)	Pension cost for the year	0.8	0.3
0.0	0.0	Remeasurement of net defined benefit liability	0.1	1.2
(0.1)	(0.3)	Paid pensions	(1.2)	(1.1)
(0.0)	0.0	Translation differences	(0.1)	0.1
0.1	**0.2**	**Net pension liability 31.12**	**16.5**	**16.9**

*Defined benefit scheme – sensitivities **

MEUR	DBO as at 31.12.17	DBO as at 31.12.16
Actual valuation	16.50	16.93
Discount rate + 0.5%	15.65	17.80
Discount rate – 0.5%	17.46	16.00
Expected rate of salary increase + 0.5%	16.50	16.90
Expected rate of salary increase – 0.5%	16.50	16.90
Expected rate of pension increase + 0.5%	17.28	16.20
Expected rate of pension increase – 0.5%	15.79	17.60

* The sensitivity does not include all schemes, however it covers the significant part of the pension liability

Defined benefit scheme – average expected life time

Average expected lifetime at the balance sheet date for a person retiring on reaching age 65:

Male employee	19 years
Female employee	23 years

Average expected lifetime 20 years after the balance sheet date for a person retiring on reaching age 65:

Male employee	22 years
Female employee	26 years

Expected pension payment: The pension payment for 2018 is expected to be in line with the 2017 payment.

NOTE 19 Interest-bearing Liabilities

Interest-bearing liabilities as presented in the statement of financial position

Parent			Group	
2017	2016	MEUR	2017	2016
257.9	238.6	Non current interest-bearing loans and borrowings	259.2	240.0
(1.4)	(1.7)	Capitalized arrangement fees	(1.4)	(1.7)
256.5	**236.9**	**Total interest-bearing liabilities**	**257.8**	**238.4**

The long-term funding is based on a credit facility. The Group's revolving credit facility was refinanced in March 2015 by a three year facility, with two one-year extension options at the first and second anniversary of the facility. This credit facility is supplied by DNB Bank, Danske Bank and BNP Paribas Fortis and consists of an equivialent MEUR 305 revolving credit facility and an overdraft facility of MEUR 20. The interest rate consists of EUR/USD Liborplus a margin, which depends on the Group's gearing ratio.

NOTE 19 Interest-bearing Liabilities (continued)

Specification of total interest-bearing liabilities

Parent			Group	
2017	2016	MEUR	2017	2016
162.0	120.0	EUR	162.0	120.0
95.9	118.6	USD	95.9	118.6
0.0	0.0	Other currencies	1.3	1.5
(1.4)	(1.7)	Capitalized arrangement fee	(1.4)	(1.7)
256.5	**236.9**	**Total interest-bearing liabilities**	**257.8**	**238.4**

See note 21 for an assessment of currency risk.

Changes in liabilities arising from financing activities

Parent			Group	
2017	2016	MEUR	2017	2016
236.9	253.4	Opening balance	238.4	253.9
30.8	(19.8)	Cashflows	30.6	(18.8)
(11.5)	4.0	Foreign exchange movement	(11.5)	4.0
0.3	(0.7)	Other	0.3	(0.7)
256.5	**236.9**	**Ending balance**	**257.8**	**238.4**

Specification of interest-bearing liabilities (in local currencies)

	Currency	Total amount	Undrawn amount	Drawn amount	Capitalized arr. fees	Amount recognized	Maturity Date***	Interest Rate (incl margin)**
DNB Bank/Danske Bank/ BNP Paribas *	EUR	182.0	20.0	162.0	0.8	161.2	01.03.20	3.00%
DNB Bank/Danske Bank/ BNP Paribas	USD	172.0	57.0	115.0	0.7	114.3	01.03.20	4.35%

* The EUR facility includes a short-term overdraft facility of EUR 20 million which can be renewed each year. The overdraft facility is terminated at the same maturity date as the credit facility. Nothing was drawn against the overdraft facility at 31.12.2017.

** Until 3rd of October 2016 a portion of the floating interest was hedged by interest rate swaps, EUR 100 million (1.5535%) respectively USD 50 million (1.543%). See also note 21.

*** A portion of the liabilities is due 01.03.2019 as shown below.

Facility reduction schedule – Interest-bearing liabilities (in local currencies)

Year	EUR	USD
2018	–	–
2019	10.8	11.5
2020	171.2	160.5
Total	182.0	172.0

NOTE 19 Interest-bearing Liabilities (continued)

Group Loan Covenants

During December 2016 the Group obtained a waiver agreement approval from its syndicate banks. The gearing ratio and capital expenditure limit was waived until March 31. 2018. During this period ("adjustment period") restructuring costs may be added to the EBITDA in the gearing ratio calculation. See details below.

– Equity ratio (Equity / Total assets)	Minimum 25.0%
– Minimum liquidity	Minimum EUR 50 million
– Gearing ratio (NIBD / EBITDA)	The required gearing ratio level is 3.00 at 31 December 2017, and is reduced to 2.5 for 30 June 2018 and dates thereafter. The following amounts may be added to the EBITDA for restructuring costs: 2017 MEUR 21.0, 2018 MEUR 22.8. Unused restructuring amounts may increase the limit the following or previous year with up to 50% of the limit in the original year.
– Capital expenditures	Maximum 7% of consolidated turnover for 2016 and 2017, however no restrictions if gearing ratio is 2.5 or below. Unutilized amounts can be forwarded to the next succeeding financial year. No restrictions on year 2018 and forward.
– Dividend restrictions	Gearing ratio required to be 2.5 or below

The covenants are tested quarterly, except for the CAPEX limit which is tested at year end. The Group is in compliance with the covenants as at 31.12.17.

Security

All lenders are ranked pari passu with first priority security over the Group's material subsidiaries shares. The loan agreement is built on a negative pledge structure, which restricts the pledging of assets.

Liquidity reserve

The liquidity reserve of the Group consists of cash and cash equivalents in addition to undrawn credit facilities.

MEUR	2017	2016
Cash and cash equivalents	39.5	34.6
Restricted cash	(1.6)	(0.4)
Undrawn facility	67.5	106.6
Liquidity reserve	**105.4**	**140.8**

* The major entities in the Group are members of the Parent company's international multi-currency cash pool, where cash deficits in one entity are offset with surplus cash in another entity.

Other current interest-bearing liabilities

These comprise accrued interest and capital repayments on long-term loans payable within twelve months of the balance-sheet date, as well as certain other short-term interest-bearing liabilities.

NOTE 20 Other Non-current Interest-free Liabilities

Specification of other non-current interest-free liabilities

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.0	Loss-making contracts	2.4	2.6
0.0	**0.0**	**Total**	**2.4**	**2.6**

Loss-making contracts covering a contract period beyond one year after the balance-sheet date are split into a short- and long-term component.

NOTE 21 Risk Management

Finance risk management policies

The Group's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group exploits derivative financial instruments for potential hedging of certain risk exposures, however the current usage of such instruments is limited.

Foreign exchange risk

Kongsberg Automotive operates internationally in a number of countries and is exposed to foreign exchange risk arising from various currency exposures. The primary exposures are EUR and USD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. As the Group reports its financial results in EUR, changes in the relative strength of EUR to the currencies in which the Group conducts business can adversely affect the Group's financial development. Historically, changes in currency rates have had an effect on the top line development, however it has not had a significant impact on operating profit since the costs usually offset the effects from the top line.

Management is monitoring the currency exposure on a group level. The Group treasury uses the debt structure and profile to balance some of the net exposure of the cash flow from operations. The Group's treasury function regularly evaluates the use of hedging instruments but currently has low usage of such instruments.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is partially managed through borrowings denominated in the relevant foreign currencies.

Sensitivity
At 31 December 2017, if the currency USD had weakened/strengthened by 5% against the EUR with all other variables held constant, revenues would vary by around +/– 1.4% or MEUR +/– 15 . Operating profit would not have been significantly changed. A change in EUR and USD of +/– 5% versus the NOK would have influenced the conversion of the long term debt and hence influenced the financial items with approximately MEUR +/– 13. These changes would also have generated changes in currency conversion in the equity, hence the equity change would have been less significant.

Operational risks

Operation and investment risks and uncertainties

The Group is usually contracted as a supplier with a long-term commitment. The commitment is usually based on the model platforms, which for passenger cars are typically 3 to 5 years, while on commercial vehicles it is typically 5–7 years and in some cases even longer. Purchase orders are achieved on a competitive bidding basis for either a specific time-period or indefinite time. Even if present commitments are cost reimbursable they can be adversely affected by many factors and short term variances including shortages of materials, equipment and work force, political risk, customer default, labor conflicts, accidents, environmental pollution, the prices of raw materials, unforeseen problems, changes in circumstances that may lead to cancellations and other factors beyond the control of the Group. In addition, some of the Group's customer contracts may be reduced, suspended or terminated by the customer at any time upon the giving of notice. Customer contracts also permit the customer to vary the scope of work under the contract. As a result, the Group may be required to renegotiate the terms or scope of such contracts at any time, which may result in the imposition of terms less favorable than the previous terms.

Competition

The Group has significant competitors in each of its business areas and across the geographical markets in which the Group operates. The Group believes that competition in the business areas in which it operates will continue in the future. The Group continuously monitors its competitive environment.

NOTE 21 Risk Management (continued)

Volatility in prices of input factors

The Group's financial performance is dependent on prices of input factors, i.e. raw materials and different semi-finished components with a varying degree of processing, used in the production of the various automotive parts. Some of the major raw materials are:

- Steel including rod and sheet metal, cast iron and machined steel components
- Polymer components of rubber, foam, plastic components and plastic raw materials rod and sheet metal, cast iron and machined steel components
- Copper
- Zinc
- Aluminum

Because of the raw material exposure, a change in the prices of these raw materials will have an effect on the Group. Steel, copper, zinc, aluminum and polymer prices have reached historically high levels over recent years, being subject to large fluctuations in response to relatively minor changes in supply and demand and a variety of additional factors beyond the control of the Group, including government regulation, capacity, and general economic conditions.

A substantial part of the Group's products based on steel and brass (copper and zinc) is sold to truck manufacturers. Business practice in the truck industry allows the Group to some extent to pass increases in steel, aluminum and brass prices over to its customers. However, there is a time lag of three to six months before the Group can adjust the price of its products to reflect fluctuations in the mentioned raw material prices, and a sudden change in market conditions could therefore impact the Group's financial position, revenues, profits and cash flow. When the market prices go down the adverse effect will occur. For products sold to passenger car applications, the Group does not have the same opportunity to pass along increases in raw materials prices.

Uninsured losses

The Group maintains a number of separate insurance policies to protect its core businesses against loss and/or liability to third parties. Risks insured include general liability, business interruption, workers' compensation and employee liability, professional indemnity and material damage.

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. The Group's debt is drawn up in EUR and USD with the corresponding interest rates. The Group analyses its interest rate exposure on a running basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

Sensitivity

Based on the simulations performed per 31.12.2017, the impact on pre-tax profit of a +/– 1.0 percentage point shift in both the EUR and USD interest would be a maximum increase or decrease of MEUR 2.0.

Credit risk

Credit risk is managed on group and entity level. Credit risk arises mainly from trade with customers and outstanding receivables. The level of receivables overdue are monitored on a weekly basis. Historically the Group have had limited loss on receivables. In some countries, the Group is also participating in some factoring agreements which reduces some of the credit risk and improves the working capital. See also note 15.

NOTE 21 Risk Management (continued)

The automotive industry consists of a limited number of vehicle manufacturers, hence the five biggest customers will be around 35% of total sales. The Group has a diversified customer base, where no individual customer represents more than 10% of the Group's revenues. It is in the opinion of the Group that concentration risk is not present, however due to the number of vehicle manufacturer and hence customers concentration risk could be considered to exist.

Funding and liquidity risk

Cash-flow forecasting is performed by each operating entity of the Group on a weekly basis for the next 12 weeks. The Group keeps track of its liquidity requirements and monitors to ensure there is sufficient cash to meet both operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. For unused liquidity reserve, see note 19.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and balance the risk profile.

The Group monitors capital on the basis of the gearing ratio and the level of equity. These ratios are calculated as net debt divided by EBITDA and Equity divided by total balance. The Group has a treasury policy regulating the levels on these key ratios.

NOTE 22 Trade and Other Payables

Specification of trade and other payables as presented in the Statement of Financial Position

Parent			Group	
2017	2016	MEUR	2017	2016
0.9	0.5	Trade payables	130.6	111.0
51.9	57.2	Short-term group liabilities	0.0	0.0
1.9	3.7	Accrued expenses	52.9	51.2
0.0	0.0	Provisions	17.9	10.5
0.3	0.4	Other short-term liabilities	30.0	18.1
55.0	**61.8**	**Total**	**231.4**	**190.8**

Provisions

MEUR	Warranty reserve	Restructuring and other provisions	2017	Warranty reserve	Restructuring and other provisions	2016
Opening Balance	2.1	8.4	10.5	2.7	0.0	2.7
P&L charge	6.5	14.1	20.7	0.1	8.4	8.5
Payments	(2.0)	(9.4)	(11.3)	(0.7)	0.0	(0.7)
Release	0.0	(1.2)	(1.2)	0.0	0.0	0.0
Translation effect	0.0	(0.8)	(0.8)	0.0	0.0	0.0
Closing Balance	**6.7**	**11.2**	**17.9**	**2.1**	**8.4**	**10.5**

Restructuring provisions mainly consist of termination benefits, lease termination payments and plant clean-up costs. Restructuring provisions relate to the closure of the plants in Basildon and Burton (UK), Rollag (Norway), Heiligenhaus (Germany) and Easley (US). The closures are progressing according to plan and cashflows are expected to occur within 12 months from 31 December 2017.

NOTE 22 Trade and Other Payables (continued)

Maturity structure

2017 MEUR	Provisions	Accrued expenses	IRS & Other short-term liabilities	Trade payables	Total
Repayable 0–3 months after year end	9.0	30.2	13.1	126.6	178.8
Repayable 3–6 months after year end	1.3	4.5	2.8	2.7	11.3
Repayable 6–9 months after year end	2.8	5.9	7.8	1.0	17.5
Repayable 9–12 months after year end	4.8	12.2	6.3	0.4	23.8
Total	**17.9**	**52.9**	**30.0**	**130.6**	**231.4**

NOTE 23 Financial Instruments

Classification, measurement and fair value of financial instruments

		Group – 2017				
MEUR	Notes	Derivatives at fair value through profit and loss	Loans and receivables at amortized cost	Financial liabilities at amortized cost	Non-financial assets and liabilitites	Total
Trade and other receivables	15		202.0		16.9	218.9
Cash and cash equivalents			39.5			39.5
Interest-bearing loans and borrowings	19			(257.8)		(257.8)
Other current interest-bearing liabilities	19			(0.1)		(0.1)
Trade and other payables	22			(183.5)	(47.8)	(231.4)
Total			**241.5**	**(441.4)**	**(30.9)**	**(230.8)**
Fair value			241.5	(442.8)	(30.9)	(232.2)
Unrecognized gain/ (loss)*				(1.4)		(1.4)

* Unrecognized loss on financial instruments is related to capitalization of arrangement fees.

		Group – 2016				
MEUR	Notes	Derivatives at fair value through profit and loss**	Loans and receivables at amortized cost	Financial liabilities at amortized cost	Non-financial assets and liabilitites	Total
Trade and other receivables	15		183.3		19.2	202.5
Cash and cash equivalents			34.6			34.6
Interest-bearing loans and borrowings	19			(238.4)		(238.4)
Other current interest-bearing liabilities	19			(0.0)		(0.0)
Trade and other payables	22	0.7		(162.9)	(28.6)	(190.8)
Total		0.7	**217.8**	**(401.3)**	**(9.4)**	**(192.2)**
Fair value		0.7	217.8	(403.0)	(9.4)	(193.8)
Unrecognized gain/ (loss)*				(1.7)		(1.7)

* Unrecognized loss on financial instruments is related to capitalization of arrangement fees.

** As of 31.12.2016 currency forwards were the only types of derivative instrument held by the Group. The derivatives are valued based on a level 2 valuation. There were no transfers between levels in the period.

NOTE 24 Remuneration and Fees for Management, Board of Directors and Auditor

Remuneration and fees recognized in the Statement of Comprehensive Income

KEUR	2017	2016
Total remuneration of the Board of Directors	280.4	203.6
Gross base salary to the CEO	562.3	675.2
Bonus to the CEO (short-term incentive)	547.0	32.9
CEO's option gains (long-term incentive)	0.0	364.4
Pension costs to the CEO	91.0	46.2
Other remuneration to the CEO*	307.9	426.9
Management salaries other than to the CEO	2,404.4	2,350.5
Bonus, option gains, and other remuneration of management other than the CEO	1,514.5	1,065.1
Pension costs of management other than the CEO	318.7	257.3
Total	**6,026.1**	**5,422.1**

* KEUR 260.5 is grossed-up moving- and housing-related costs associated with moving from Norway to Switzerland. This clarification applies only to the 2017 figures.

Specification of remuneration to the Board of Directors

KEUR Name	Position	Compensation committee	Audit committee	BOD fees	Total 2017	2016
Bruce E. Taylor	Chair	5.9		67.0	72.9	35.3
Ellen M. Hanetho	Board member		7.0	38.6	45.6	25.8
Ernst F. Kellermann	Board member		3.8	24.7	28.4	
Gunilla Nordstrom	Board member	2.4		24.7	27.1	
Malin Persson	Board member	1.9		13.9	15.8	32.4
Thomas Falck	Board member	2.4	9.1	46.6	58.2	36.6
Bjørn Ivan Ødegård	Employee representative			5.4	5.4	
Jon-Ivar Jørnby	Employee representative			10.2	10.2	9.7
Kari Brænden Aaslund	Employee representative			10.2	10.2	9.7
Kjell Kristiansen	Employee representative	1.9		4.8	6.7	13.5
Other (replaced board member)						40.5
Total – Board of Directors		**14.5**	**19.8**	**246.1**	**280.4**	**203.6**

Board members Bruce E. Taylor, Ellen M. Hanetho, Ernst F. Kellermann, Gunilla Nordstrom and Thomas Falck were each granted 14,706 restricted shares in Kongsberg Automotive.

The shares were granted on terms resolved by the company's Annual General Meeting on 1 June 2017:

- Each of the Directors shall receive restricted shares in KA for NOK 100,000.
- No consideration shall be paid for the shares, but the Directors cannot sell any of these shares before June 2, 2020.

In the table above, the receipt of NOK 100,000 has been recorded as BoD fees. The fair value of the restricted shares using Black-Scholes valuation model was NOK 76,728. The significant inputs to the model were the share-trading price of NOK 6.80 at the date of grant, a weighted average volatility of 36.39%, a 3 years vesting period, and a weighted average risk-free interest rate of 0.80%.

Specification of remuneration to the Nomination Committee

KEUR Name	Position	2017	2016
Tor Himberg-Larsen	Committee chairman	12.9	22.1
Hans Trogen	Committee member	4.3	12.4
Heidi Finskas	Committee member	8.0	9.7
Total – Nomination Committee		**25.2**	**44.1**

NOTE 24 Remuneration and Fees for Management, Board of Directors and Auditor (continued)

Specification of remuneration to Management other than Board of Directors

2017			Base					
Name	**KEUR**	**Until/from**	**salary**	**Bonus**	**Options***	**Pension**	**Other**	**Total**
Norbert Loers	CFO		386.8	263.6		60.6	39.6	750.6
Anders Nyström	President, Interior		222.1		95.7	49.9		367.7
Bob Riedford**	President, P&C	From 28.11.2017	200.8	50.5		5.0	32.1	288.3
Geert Quaegebeur	President, P&C	Until 31.12.2017	337.4			42.0	431.8	811.2
David Redfearn	EVP, Fluid Transfer		189.9	123.8	9.5	45.7		369.0
Linda Nyquist-Evenrud	SVP, Couplings		144.7	63.5		11.9		220.1
Robert Pigg	SVP, Off Highway		172.1	77.1			26.3	275.5
Jon Munthe	General Counsel		180.1	87.6	44.6	22.6		334.9
Lovisa Söderholm	EVP, Purchase		179.5	77.1	37.7	51.2		345.6
Marcus von Pock	EVP, HR & Comm	From 01.11.2017	43.8			5.1	19.6	68.5
Helga Bollmann Leknes	EVP, HR & Comm	Until 30.09.2017	142.3			5.3		147.7
Virginia Grando	EVP, QA	From 02.11.2017	36.0	12.6		2.7	16.3	67.6
Matthias Vogel	EVP, QA, HSE & CR	Until 30.04.2017	60.5			2.7	5.3	68.5
Staffan Spethz	Dir Marketing	Until 30.11.2017	69.1			10.1		79.2
Philippe Toth	EVP, BD & IR	Until 31.03.2017	39.1			4.0		43.1
Total – Management other than CEO			**2,404.4**	**755.8**	**187.6**	**318.7**	**571.1**	**4,237.6**

* Net proceeds from exercise financial year 2017.

** Total amount 2017, including months in previous position, before promotion.

2016			Base					
Name	**KEUR**	**Until/from**	**salary**	**Bonus**	**Options***	**Pension**	**Other**	**Total**
Trond Stabekk	EVP, CFO	Until 31.08.2016	187.7		198.3	22.8	8.6	417.4
Martin B. Hogganvik	Interim CFO	From 15.08.2016	138.7	6.6		6.6	3.8	155.7
Helga Bollmann Leknes	EVP, HR & Comm		181.2	35.0		18.3	5.4	239.9
Lovisa Söderholm	EVP, Purchase		179.6	25.0		51.4		256.1
Matthias Vogel	EVP, QA, HSE & CR		181.5	13.0	65.7	7.5	15.1	282.8
Jon Munthe	General Counsel		171.3	35.0		20.3	6.3	232.9
Geert Quaegebeur	EVP, P&C	From 01.10.2016	86.0				81.3	167.3
Scott Paquette	EVP, DCS		294.7	25.3	109.6	4.7	10.8	445.2
Joachim Magnusson	EVP, DS	Until 31.05.2016	99.1		125.6	12.1		236.7
Jonathan Day	EVP, FTS and DS		283.3	29.8	126.6	5.2	10.8	455.8
David Redfearn**	EVP, FTS	From 01.04.2016	175.5	50.0		42.5	2.1	270.1
Anders Nyström	EVP, ICS		224.0	35.0		51.1		310.1
Philippe Toth	EVP, BD & IR		147.8	10.3	24.7	14.7	5.4	203.0
Total – Management other than CEO			**2,350.5**	**265.1**	**650.5**	**257.3**	**149.6**	**3,673.0**

The Management Group participates in a short-term incentive (STI) bonus scheme. Details on the STI in note 25. Target bonus for management is 35% – 100% of base salary.

Max bonus is 70% – 100% of base salary. Average bonus last five years for the CEO is 47% of base salary.

NOTE 24 Remuneration and Fees for Management, Board of Directors and Auditor (continued)

Outstanding number of share options granted to management

Issued in	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2009**	**2008**
Strike price, NOK	**6.20**	**5.90**	**5.80**	**1.50**	**2.00**	**4.50**	**3.00**	**20.00**
Expiry year	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2019**	**2018**
Henning E. Jensen	180,753							
Norbert Loers								
Anders Nyström	125,000	125,000	125,000					
Bob Riedford								
David Redfearn	125,000.0	50,000	50,000	33,334				12,361
Linda Nyquist-Evenrud	15,000	15,000	15,000	12,000	12,000	12,000		
Patrik Fagerberg	30,000	5,000						
Robert Pigg	50,000	50,000						
Jon Munthe	50,000	50,000						
Lovisa Söderholm	125,000	41,667						
Marcus von Pock								
Virginia Grando								
Total options	**700,753**	**336,667**	**190,000**	**45,334**	**12,000**	**12,000**		**12,361**

For more details about the share option plan see note 16.

Specification of fees paid to the auditors

KEUR	**2017**	**2016**
Statutory audit services to the Parent company (Deloitte)	75.2	68.3
Statutory audit services to subsidiaries (Deloitte)	577.8	469.2
Statutory audit services to subsidiaries (Other)	135.5	103.1
Non-audit services (Deloitte)	8.7	3.0
Non-audit services (Other)	0.0	37.2
Tax services (Deloitte)	319.8	15.5
Total	**1,116.9**	**696.2**

NOTE 25 Shares Owned by Management and Board of Directors as at 31.12.17

Board of Directors		**No. of shares**
Bruce E. Taylor	Chairman	156,497
Ellen M. Hanetho	Board member	14,706
Ernst F. Kellermann	Board member	24,706
Gunilla Nordstrom	Board member	14,706
Thomas Falck	Board member	1,014,706
Bjørn Ivan Ødegård	Employee representative	0
Jon-Ivar Jørnby	Employee representative	0
Kari Brænden Aaslund	Employee representative	0
Total number of shares		**1,225,321**

NOTE 25 Shares Owned by Management and Board of Directors as at 31.12.17 (continued)

Management		No. of shares
Henning E. Jensen	CEO & President	242,500
Norbert Loers	CFO	25,000
Anders Nyström	President, Interior	65,000
Bob Riedford	President, Powertrain & Chassis	0
David Redfearn	EVP, Fluid Transfer	43,765
Linda Nyquist-Evenrud	SVP, Couplings	8,100
Patrik Fagerberg	VP, New Products & Software	7,100
Robert Pigg	SVP, Off Highway	11,000
Jon Munthe	General Counsel	24,582
Lovisa Söderholm	EVP, Purchase	37,500
Marcus von Pock	EVP, Human Resources & Comm	0
Virginia Grando	EVP, QA	0
Total number of shares		**464,547**

NOTE 26 Statement of Remuneration of Management

The group should have Executives who are able at all times to secure shareholders' and other stakeholders' interests in the best possible manner. One element to achieve this is to offer each leader a competitive compensation package.

Remuneration governance

The Board has appointed a Compensation Committee that is headed by the Chairman of the Board. The Compensation Committee monitors decisions on matters regarding remuneration and terms for executives.

The CEO's remuneration package, and any adjustments thereof, are first reviewed by the Compensation Committee and then approved by the Board. The Board of Directors considers the compensation of the CEO annually. The remuneration packages for the other executives, including adjustments of these, are agreed between the CEO and the respective manager.

Principles for base salary

The fixed salary should reflect the individual's area of responsibility and performance over time. Kongsberg Automotive offers base salary levels which are competitive, but not market leading in the market in which we operate. Salaries are regularly benchmarked versus salary statistics provided by a global 3rd party human resource and related financial services consulting firm.

Variable compensation and incentive schemes

Kongsberg Automotive's short-term incentive (STI):

The Management Incentive Plan (MIP) is a short-term incentive with a timeframe of one year. The MIP is a worldwide incentive program designed to motivate and recognize eligible employees for the contributions they make towards meeting KA's financial and business targets. The objectives of the program are to (i) clearly communicate to KA employees both KA's targets and employees' individual targets, (ii) communicate to KA employees how bonus payment is linked to KA performance and individual performance, (iii) drive the KA organization's ability to meet or exceed KA's performance targets, and (iv) improve KA's ability to attract, retain and motivate employees.

Executives receive variable salaries based on EBIT performance, Awarded Programs and Restructuring Progress.

Target bonus for the CEO is 100% of gross base salary. Target bonus is also max bonus for the CEO. Average bonus last five years for the CEO is 47% of gross base salary.

NOTE 26 Statement of Remuneration of Management (continued)

The performance goals for the CEO and Group are proposed by the Chair of the Board and approved by the Board. Goals for the other senior executives are determined by the CEO and reviewed by the Compensation Committee.

Kongsberg Automotive's long-term incentive (LTI):

The Board of Directors has established share option programes for leading employees that have been approved by shareholders in the Annual General Meeting. It is the company's judgment that it is positive for long-term value creation in the group that leading employees hold shares and share options in Kongsberg Automotive.

The intention of this plan is to (i) attract and retain employees whose service is important to the Company's success, (ii) motivate such employees to achieve long-term goals of the Company, (iii) provide incentive compensation opportunities to such employees which are competitive with those of other companies, and (iv) encourage such employees to own common shares of the Parent Company and thereby share a common financial interest with the other shareholders of the Company.

The Board of Directors can offer share options to leading employees when shareholders have given authority to run options programs:

- The exercise price of the options shall be the average trading price of the KOA shares the first 10 days after presentation of the 2nd quarter results.
- 1/3 of options granted can be exercised at the earliest after 1, 2, and 3 years respectively. The exercise period shall typically be seven years.
- Any calendar year, each optionee's aggregated gross profit from exercise of options under all share option programs shall not exceed 3 years' gross base salary.
- To be granted options and to maintain options, the employee must at any time hold a number of KOA shares at least equivalent to 10% of the number of options.
- If an optionee leaves the company, the non-vested options will forfeit. Outstanding options exercisable at the date of such termination shall be exercisable no later than the first exercise period thereafter.

The Board did not offer stock options to eligible employees in 2017. As a one-time compensation management was offered an alternative LTI.

Plan Overview and Terms and Conditions:

- KA will contribute up to 75% of the Participant's current monthly gross (pre-tax) salary (the Contribution) within 45 days of the participant providing proof of Self Investment to KA under the following conditions:

a) The 2017 LTI plan invitee has acquired KOA shares in the open market for up to one monthly gross salary between December 1, 2017 and March 16, 2018 (the "Self-Investment"), and

b) The 2017 LTI plan invitee acquires KOA shares in the open market for the entire after tax proceeds of the Contribution prior to March 16, 2018, and

c) The 2017 LTI plan invitee holds and does not sell the shares acquired under items 1a and 1b, ("Qualifying Shares") for a period of three years following the time of Self Investment (the Holding Period).

- If the participant sells any Qualifying Shares before the expiration of the Holding Period, the Contribution will need to be repaid to the company.
- The Contribution is limited to 75% of the Self Investment or 75% of a monthly gross salary, whichever is lower.
- The Contribution will be paid out as regular salary and will be subject to normal withholding tax procedures.

NOTE 26 Statement of Remuneration of Management (continued)

Principles for benefits

In addition to fixed and variable salary, other benefits such as health insurance, newspaper, internet and telephone might be provided. The total value of these benefits should be modest and only account for a limited part of the total remuneration package.

Principles for company car and car allowance shall be allowed to vary in accordance with local conditions.

Pension:

Executives participate in the same pension plans as other employees within the unit in which they are employed.

The CEO has no special retirement agreement.

Severance pay

CEO's agreed period of notice is 6 months.

The CEO has 12 months severance pay (base salary). The employee is not entitled to redundancy payment in the event he himself terminates the employment.

At year end no other Executives had any agreement for redundancy payment. The notice period for the rest of the management is 6 months.

NOTE 27 Commitments and Guarantees

Commitments

Operating leases: The Group is party to lease agreements classified as operating leases. The total group cost for operating leases was MEUR 15.0 in 2017 (2016: MEUR 5.1). Operating leases are mostly used for the rental of office space, production buildings and office equipment. Maturity schedule for KA Group operational leases:

MEUR	2018	2019	2020	2021	2022	Thereafter	Total
Operational lease commitments	(15.3)	(14.8)	(14.5)	(13.2)	(11.0)	(41.2)	(110.0)

Guarantees

Kongsberg Automotive ASA (Parent company):

Some subsidiaries require a financial support guarantee from parent to satisfy the Going concern assumption. The parent company has also issued guarantees towards suppliers of subsidiaries for a total amount of MEUR 88.7. The risk exposure is not considered material.

Kongsberg Automotive Group:

No material guarantees have been issued to or on behalf of entities outside the group.

NOTE 28 Contingent Liabilities

Contingent liabilities

The following is an overview of current material disputes involving either the Parent company Kongsberg Automotive ASA or its subsidiaries:

Kenneth Tolman et al v BRP USA et al

Kongsberg, Inc. is named in a case arising out of an accident where a vehicle designed and manufactured by Bombardier Recreational Products ("BRP"), "the Can-Am Spyder", has been involved and where the driver died

NOTE 28 Contingent Liabilities (continued)

and a young passenger suffered personal injuries. The claimant has alleged that the design of the vehicle in several respects, including the steering, was defective. The Dynamic Steering Unit for the Can-Am Spyder was supplied by Kongsberg Inc. to BRP. Kongsberg, Inc. is of the opinion that the claim is covered by its insurance.

Bombardier Recreational Products Inc. v. Kongsberg Inc. (Canada)

In addition to the direct claim in the Tolman case, BRP has claimed that Kongsberg Inc. is obligated to indemnify BRP from the above claims as it follows from BRP's purchasing conditions that Kongsberg Inc. as a supplier shall indemnify BRP from product liability claims. BRP has also indicated that it may pursue indemnity from Kongsberg, Inc. in two additional Can-Am Spyder product liability cases, both of which have been settled by BRP for undisclosed amounts. Kongsberg, Inc. is of the opinion that these claims are covered by its insurance.

Republic Services of New Jersey v Kongsberg Actuation Systems II, Inc. et al

Kongsberg Actuation Systems II, LLC ("KAS") is a defendant in a lawsuit arising out of an incident in which a garbage truck owned by Republic Services of New Jersey ("Republic") exploded and caught fire, injuring one person and causing property damage to buildings and vehicles. Republic alleges that the cause of the fire was a rupture in the stainless steel braided CNG fuel line manufactured by KAS. KAS has not yet confirmed that it provided the CNG fuel line in question nor has the cause of the rupture been determined. KAS has filed a motion to dismiss the suit on jurisdictional grounds and is awaiting plaintiff's response to this motion. KAS is of the opinion that the claim is covered by its insurance.

NOTE 29 Subsequent events

Sale of ePower business unit

On November 24, Kongsberg Automotive and Preh GmbH announced that agreement had been reached to sell the ePower business unit from Kongsberg Automotive to Preh GmbH for an undisclosed price. The transaction was concluded on 15 January 2018. There is no material financial effect on the group accounts from the sale.

NOTE 30 Related-party Transactions

Kongsberg Automotive group is listed on Oslo Stock Exchange. The group's ultimate parent is Kongsberg Automotive ASA. The group has no material transactions with related parties. The parent company has carried out the following transactions with related parties:

Key management- and BOD compensation

See note 24 – includes remuneration for management and Board of Directors.

Specification of revenues – type of services

MEUR	2017	2016
Group benefits fee from subsidiaries	4.2	16.2
Service fee from KA AG	6.3	0.0
Information Systems & Technology	12.7	11.5
Other	6.7	6.6
Operating revenues	**29.9**	**34.2**

Group Benefit Fee (GBF) was in 2016 composed of access rights to various intangible properties owned by Kongsberg Automotive ASA, and value-added services. GBF has in 2017 largely been replaced by a new service fee from KA AG covering KA ASA's services benefiting the Group.

GBF is continuing for areas outside the scope of the Swiss Principal Model. GBF also contains Trademark fee from KA AG.

NOTE 30 Related-party Transactions (continued)

Specification of revenues – revenues by geographical location

MEUR	2017	2016
Norway	2.2	4.6
US	2.3	5.1
Sweden	2.2	3.3
China	3.1	2.3
Mexico	3.1	5.4
Switzerland	9.3	0.0
Other countries	7.8	13.4
Total	**29.9**	**34.2**

Outstanding loans and receivables with other group companies

		Non-current assets	
Loans to other group companies	**MEUR**	**2017**	**2016**
Kongsberg Automotive Holding 2 AS		342.9	393.3
Kongsberg Automotive SP. z.o.o		18.6	12.6
Kongsberg Automotive s.r.o.		10.0	10.0
Kongsberg Actuation Systems SL		10.0	10.5
Other group companies		16.7	6.8
Total		**398.3**	**433.0**

The majority of the parent company's loans to group companies have due dates exceeding 1 year.

The interest rate on loans to group companies consist of the reference rate in the respective currency plus a margin.

Margin on new intercompany loans are determined according to Moody's rating methodology.

		Current assets	
Short-term Group receivables	**MEUR**	**2017**	**2016**
Kongsberg Automotive Ltd (Hong Kong)		5.6	9.8
Kongsberg Automotive Inc.		0.1	2.8
Kongsberg Automotive Holding 2 AS		0.0	10.9
Kongsberg Automotive AS		0.3	9.5
Kongsberg Automotive (Wuxi) Ltd.		3.8	4.7
Other group companies		7.7	1.1
Total		**17.5**	**38.9**

Current assets and liabilities have due dates within one year. The outstanding accounts are repayable on demand based on available liquidity in the respective subsidiary.

Outstanding liabilities with other group companies

		Current liabilities	
Short-term group liabilities	**MEUR**	**2017**	**2016**
Cash pool overdraft*		35.8	40.1
Trade and other payables group companies**		51.9	57.2
Total		**87.7**	**97.3**

* Net position of the Parent company in the Group cash pool.

** Mainly Group Contribution to Kongsberg Automotive HLD2 (49,0 MEUR).

Declaration to the Annual report 2017

Responsibility Statement

The Chief Executive Officer and the Board of Directors confirm, to the best of our knowledge, that the financial statements for the period January 1 to December 31, 2017 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the Company's and the Group's assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risk and uncertainties facing the entity and the group.

Kongsberg, 27 February 2018
The Board of Directors and President & CEO of Kongsberg Automotive ASA

Bruce E. Taylor Chairman (Sign.)	**Ellen M. Hanetho** Board member (Sign.)	**Thomas Falck** Board member (Sign.)	**Gunilla Nordstrom** Board member (Sign.)
Ernst Kellermann Board member (Sign.)	**Jon-Ivar Jørnby** Employee elected (Sign.)	**Kari Brænden Aaslund** Employee elected (Sign.)	**Bjørn Ivan Ødegård** Employee elected (Sign.)

Henning E. Jensen
President and CEO
(Sign.)

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To the General Meeting of Kongsberg Automotive ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kongsberg Automotive ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the statement of financial position as at 31 December 2017, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the statement of financial position as at 31 December 2017 and statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit are:

- Carrying value of goodwill
- Accounting of taxation

Carrying value of goodwill

Key audit matter

Refer to note 12 to the Group financial statements for description of management's impairment testing process and key assumptions. Management has identified its reportable segments, Driveline Systems, Interior Comfort Systems, Light Duty Cables, On-Highway, Couplings, Fluid and Off-Highway as Cash Generating Units (CGUs) for testing for impairment.

As disclosed in note 12 the carrying value of goodwill amounted to EUR 146.2 million at 31 December 2017.

Management's annual impairment testing is based on the Group's strategic three-year plan, adjusted for relevant recent changes in internal short-term forecasts and market data. Management's 2017 year end testing did not identify any impairment charge. However, as disclosed in note 12, the recoverable values for the Interior Comfort Systems, Driveline Systems and On-Highway segments are sensitive to improvements of performance.

Transparent disclosures and clarity about sensitivities to key assumptions used in the valuations are critical to inform readers how management has made their assessments, given the uncertainty associated with the valuation of the recoverable amounts.

Due to the inherent uncertainty involved in the forecasting and discounting of future cash flows, which are the basis of the assessment of recoverability of the CGU's and the level of management judgement involved, this has been identified as a key audit matter.

How the matter was addressed in the audit

We challenged management's assumptions used in its impairment model for assessing the recoverability of the carrying value of goodwill. We focused on the appropriateness of CGU identification, methodology applied to estimate recoverable values, discount rates and forecasted cash flows. Specifically:

- We tested the methodology applied to estimate recoverable values as compared to the requirements of IAS 36, Impairment of assets;
- We tested the mathematical accuracy of management's impairment models;
- We obtained an understanding of and assessed the basis for the key assumptions for the Group's three year strategic plan;
- We challenged management's cash flow forecasting included in the three year plan and the growth rate beyond by considering evidence available to support these assumptions and by performing sensitivity analysis;
- We assessed the discount rate applied by benchmarking against independent data.

We used Deloitte valuation specialists in our audit of the carrying value of goodwill.

We considered the appropriateness of the related disclosures provided in note 12.

Accounting of taxation

Key audit matter

The Group has operations in a number of geographical areas and as such is subject to multiple tax jurisdictions. This creates a range of tax risks during the normal course of business, including transaction related tax matters and transfer pricing arrangements.

As disclosed in note 11, the Group has a total tax asset related to tax losses of EUR 34.3 million of which EUR 8.5 million is recognised in the statement of financial position.

Recoverability of deferred tax assets related to losses carried forward are assessed based on estimates of future taxable profits and is judgemental in nature.

Given a number of judgements involved, including judgement required to determine the appropriate recognition of tax assets related to tax loss carry forwards and the complexities of dealing with tax rules and regulations in numerous jurisdictions, this has been identified as a key audit matter.

How the matter was addressed in the audit

We involved our tax specialists in Norway and other jurisdictions where local tax knowledge was required in the tax audit to assist us with the evaluation and challenge of the assumptions and estimates in relation to the assessment of deferred tax assets and estimates of tax exposures and contingencies.

Our assessment included the review of applicable third –party evidence and correspondence with tax authorities.

In relation to deferred tax assets, we challenged the appropriateness of management's judgements of the availability of future appropriate taxable profits in assessing whether to recognise deferred tax assets.

We considered the adequacy of the tax disclosures provided in note 11.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the President & CEO for the Financial Statements

The Board of Directors and the President & CEO (management) are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 27 February 2018
Deloitte AS

Espen Johansen
State Authorised Public Accountant

Audited consolidated financial statements of Kongsberg Automotive ASA as of and for the year ended December 31, 2016

> Statement of Comprehensive Income

Parent				Group	
31.12.16	31.12.15	MEUR	Note	31.12.16	31.12.15*
34.3	**43.0**	**Operating revenues**	**7**	**985.7**	**1,016.0**
		Operating expenses	7,30		
0.0	0.0	Raw material expenses		(418.8)	(444.6)
0.0	0.0	Change in inventories		(2.0)	3.7
(4.2)	(5.9)	Salaries and social expenses	8	(293.7)	(292.5)
(41.9)	(57.3)	Other operating expenses	9	(207.9)	(184.2)
(0.0)	(0.0)	Depreciation and impairment	13	(30.4)	(29.6)
(0.3)	(0.3)	Amortization and impairment	12	(14.7)	(36.5)
(46.4)	**(63.6)**	**Total operating expenses**		**(967.4)**	**(983.6)**
(12.2)	**(20.6)**	**Operating (loss) / profit**		**18.3**	**32.4**
		Financial items			
28.2	73.9	Financial income	10	9.0	1.1
(24.0)	(16.8)	Financial expenses	10	(8.0)	(29.8)
4.2	**57.1**	**Net financial items**	**10**	**1.0**	**(28.7)**
(7.9)	**36.5**	**(Loss) / profit before income tax**		**19.3**	**3.7**
(3.3)	(16.3)	Income tax	11	(17.9)	(12.0)
(11.2)	**20.3**	**(Loss) / profit for the year**		**1.3**	**(8.3)**
		Other comprehensive income (Items that may be reclassified to profit or loss in subsequent periods):			
17.5	(20.0)	Translation differences		(8.5)	25.6
0.0	0.0	Tax on translation differences		1.5	(11.2)
		Other comprehensive income (Items that will not be reclassified to profit or loss in subsequent periods):			
0.0	(0.0)	Remeasurement of the net PBO.	18	(1.2)	0.2
(0.0)	0.0	Tax on remeasurement of the net PBO		0.3	(0.1)
17.5	**(20.0)**	**Other comprehensive income**		**(7.8)**	**14.5**
6.3	**0.2**	**Total comprehensive income for the year**		**(6.5)**	**6.2**
		Profit attributable to:			
(11.2)	20.3	Equity holders (parent company)		1.3	(8.4)
0.0	0.0	Non-controlling interests		0.1	0.0
(11.2)	**20.3**	**Total**		**1.3**	**(8.3)**
		Total comprehensive income attributable to:			
6.3	0.2	Equity holders (parent company)		(6.6)	6.2
0.0	0.0	Non-controlling interests		0.1	0.0
6.3	**0.2**	**Total**		**(6.5)**	**6.2**
		Earnings per share:			
		Basic earnings per share, Euros	17	0.00	(0.02)
		Diluted earnings per share, Euros	17	0.00	(0.02)

* 2015 have been restated; refer to Note 31 for further information.

> Statement of Cash Flows

Parent				Group	
31.12.16	31.12.15	MEUR	Note	31.12.16	31.12.15
		Operating activities			
(7.9)	36.5	(Loss) / profit before taxes		19.3	3.7
0.0	0.0	Depreciation	13	30.4	29.6
0.3	0.3	Amortization	12	14.7	36.5
(25.3)	(23.2)	Interest income	10	(0.2)	(0.1)
6.9	7.9	Interest expenses	10	6.9	8.2
(0.6)	(0.7)	Taxes paid	11	(6.9)	(11.2)
0.0	0.0	(Gain) / loss on sale of non-current assets	12,13	0.0	0.0
0.0	2.4	Changes in trade receivables	15	(10.6)	(4.5)
0.0	0.0	Changes in inventory	14	2.0	(3.7)
0.1	(20.8)	Changes in trade payables	22	10.0	1.9
4.4	(29.7)	Currency differences over P/L	10	(5.4)	18.3
(1.6)	(1.5)	Changes in value of financial derivatives	10	(3.4)	(1.0)
(1.3)	(19.5)	Dividends received		0.0	0.0
27.5	49.4	Changes in other items1)	10	14.1	(4.1)
2.4	**1.2**	**Cash flow from operating activities**		**70.8**	**73.5**
		Investing activities			
(0.8)	(0.2)	Capital expenditures, including intangible assets	12,13	(51.3)	(43.9)
0.0	0.0	Proceeds from sale of fixed assets	12,13	0.4	0.1
(26.9)	(23.0)	Issue of new group loans		0.0	0.0
4.3	8.9	Repayment of group loans		0.0	0.0
(1.9)	0.0	Investment in subsidiaries	6, 7	0.0	0.0
25.3	23.2	Interest received		0.2	0.1
1.3	9.2	Dividends received		0.0	0.0
0.0	0.0	Proceeds from sale of subsidiaries		0.2	0.3
1.3	**18.0**	**Cash flow from investing activities**		**(50.5)**	**(43.5)**
		Financing activities			
0.4	(2.6)	Proceeds from sale/purchase of treasury shares2)		0.4	(2.6)
(19.8)	(13.6)	Repayment of external loans	19	(19.8)	(13.6)
0.0	(0.2)	Repayment of group loans		0.0	0.0
27.8	2.9	Changes in cash pool overdraft	30	0.0	0.0
(6.9)	(8.3)	Interest paid		(6.9)	(8.5)
0.0	0.0	Dividends paid3)		0.0	(0.4)
(0.0)	(1.3)	Other financial charges		(0.0)	(1.3)
1.5	**(23.0)**	**Cash flow from financing activities**		**(26.4)**	**(26.3)**
(0.2)	**(0.0)**	**Currency effects on cash**		**0.8**	**1.5**
5.0	(3.9)	Net change in cash		(5.3)	5.2
1.4	5.3	Net cash at 1st January4)		39.9	34.6
6.4	**1.4**	**Net cash at 31 December**		**34.6**	**39.9**
0.0	0.0	Of this, restricted cash		0.4	0.3

1) Parent company includes write down of loan, receivables, and shares in subsidiary. Group includes restructuring accruals and provisions for lossmaking contracts.

2) Comprises the net purchase of treasury shares (see "Statement of Changes in Equity").

3) Comprises dividend paid from Shanghai Kongsberg Automotive Dong Feng Morse Co. Ltd (China) to external shareholders (see "Statement of Changes in Equity").

4) Comprises the net amount of bank deposits, cash and bank overdraft.

> Statement of Financial Position

Parent				Group	
31.12.16	31.12.15	MEUR	Note	31.12.16	31.12.15
		ASSETS			
		Non-current assets			
0.0	0.0	Deferred tax assets	11	32.4	41.8
1.3	0.8	Intangible assets	12	182.3	193.5
0.1	0.1	Property, plant and equipment	13	160.2	143.3
196.8	182.3	Investments in subsidiaries	6	0.0	0.0
433.2	416.9	Loans to subsidiaries and other non-current assets	30	1.1	1.1
631.4	**600.1**	**Total non-current assets**		**376.0**	**379.7**
		Current assets			
0.0	0.0	Inventories	14	78.6	80.5
39.2	35.9	Trade and other receivables	15, 30	202.5	184.0
6.4	1.4	Cash and cash equivalents		34.6	39.9
45.6	**37.3**	**Total current assets**		**315.6**	**304.4**
677.0	**637.5**	**Total assets**		**691.6**	**684.1**
		EQUITY AND LIABILITIES			
		Equity			
22.4	21.2	Share capital	16	22.4	21.2
(0.1)	(0.2)	Treasury shares	16	(0.1)	(0.2)
185.6	175.6	Share premium		185.6	175.6
(22.1)	(29.1)	Other reserves		35.9	54.0
130.0	141.2	Retained earnings		(38.9)	(40.2)
315.8	**308.6**	**Attributable to equity holders**		**204.9**	**210.3**
0.0	0.0	Non-controlling interests		3.8	3.9
315.8	**308.6**	**Total equity**		**208.6**	**214.2**
		Non-current liabilities			
22.2	23.1	Deferred tax liabilities	11	27.1	30.8
0.8	1.3	Retirement benefit obligations	18	18.1	17.9
236.9	253.4	Interest-bearing liabilities	19, 21, 29	238.4	253.9
0.0	0.0	Other non-current interest-free liabilities	20	2.6	0.0
260.0	**277.8**	**Total non-current liabilities**		**286.2**	**302.5**
		Current liabilities			
40.1	12.3	Cash pool overdraft	30	0.0	0.0
(0.7)	(0.7)	Current income tax liabilities	11	5.9	2.3
61.8	39.5	Trade and other payables	22, 30	190.8	165.0
101.2	**51.1**	**Total current liabilities**		**196.8**	**167.3**
361.2	**328.9**	**Total liabilities**		**483.0**	**469.8**
677.0	**637.5**	**Total equity and liabilities**		**691.6**	**684.1**

The Board of Directors and President & CEO of Kongsberg Automotive ASA
Kongsberg, February 27, 2017

Bruce E. Taylor Chairman (Sign.)	**Ellen M. Hanetho** (Sign.)	**Thomas Falck** (Sign.)	**Malin Persson** (Sign.)
Kari Brænden Aaslund (Sign.)	**Kjell Kristiansen** (Sign.)	**Jon-Ivar Jørnby** (Sign.)	**Henning E. Jensen** President and CEO (Sign.)

> Statement of Changes in Equity

Group MEUR	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interest	Total equity
Equity 01.01.15	**22.3**	**(0.1)**	**186.5**	**29.5**	**(31.8)**	**206.3**	**4.0**	**210.3**
Sale of treasury shares		(0.1)		(2.5)		(2.6)		(2.6)
Value of share options charged to income statement				0.7		0.7		0.7
Changes in non-controlling interests				(0.4)		0.0	(0.4)	(0.4)
Other changes in equity								0.0
Total comprehensive income for the year:								
Profit for the year					(8.3)	(8.4)	0.0	(8.3)
Other comprehensive income:								
Translation differences	(1.1)	0.0	(10.9)	37.6		25.3	0.3	25.6
Tax on translation differences				(11.2)		(11.2)		(11.2)
Remeasurement of net defined pension liability				0.2		0.2		0.2
Tax on remeasurement of net pension liability				(0.1)		(0.1)		(0.1)
Equity 31.12.15 / 01.01.16	**21.2**	**(0.2)**	**175.6**	**54.0**	**(40.2)**	**210.3**	**3.9**	**214.2**
Sale of treasury shares		0.2		0.2		0.4		0.4
Value of share options charged to income statement				0.5		0.5		0.5
Transactions with non-controlling interests						0.0	0.0	0.0
Other changes in equity								0.0
Total comprehensive income for the year:								
Profit for the year					1.3	1.3	0.1	1.3
Other comprehensive income (OCI):								
Translation differences	1.2	(0.0)	10.0	(19.7)		(8.4)	(0.1)	(8.5)
Tax on translation differences				1.5		1.5		1.5
Remeasurement of net defined pension liability				(1.2)		(1.2)		(1.2)
Tax on remeasurement of net pension liability				0.3		0.3		0.3
Equity 31.12.16	**22.4**	**(0.1)**	**185.6**	**35.9**	**(38.9)**	**204.9**	**3.8**	**208.6**

Parent MEUR	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Subtotal	Non-controlling interest	Total equity
Equity 01.01.15	**22.3**	**(0.1)**	**186.5**	**(19.4)**	**120.9**	**310.2**		**310.2**
Sale of treasury shares		(0.1)		(2.5)		(2.6)		(2.6)
Value of share options charged to income statement				0.7		0.7		0.7
Profit for the year					20.3	20.3		20.3
Other comprehensive income:								
Foreign currency translation	(1.1)	0.0	(10.9)	(7.9)		(19.9)		(19.9)
Remeasurement of net defined pension liability				(0.0)		(0.0)		(0.0)
Tax on remeasurement of net pension liability				0.0		0.0		0.0
Equity 31.12.15 / 01.01.16	21.2	(0.2)	175.6	(29.2)	141.2	308.6		308.6
Sale/ (purchase) of treasury shares		0.2		0.2		0.4		0.4
Value of share options charged to income statement				0.5		0.5		0.5
Profit for the year					(11.2)	(11.2)		(11.2)
Other comprehensive income:								
Foreign currency translation	1.2	(0.0)	10.0	6.3		17.5		17.5
Remeasurement of net defined pension liability				0.0		0.0		0.0
Tax on remeasurement of net pension liability				(0.0)		(0.0)		(0.0)
Equity 31.12.16	**22.4**	**(0.1)**	**185.6**	**(22.1)**	**130.0**	**315.8**		**315.8**

Share capital: par value for shares in issue

Treasury shares: par value for own shares

Share premium: premium over par value for shares in issue

Other reserves: translation differences, premium treasury shares, warrants, share options and OCI

Retained earnings: accumulated retained profits and losses

Non-controlling interests: non-controlling interests' share of equity in Group companies

> Notes

NOTE 1 Reporting Entity

Kongsberg Automotive ASA ('the Company') and its subsidiaries (together 'the Group') develop, manufacture and sell products to the automotive industry worldwide. The Company is a limited liability company incorporated and domiciled in Norway.

The address of its registered office is Dyrmyrgata 48, NO-3601 Kongsberg, Norway. The Company is listed on the Oslo Stock Exchange. The Group consolidated financial statements were authorized for issue by the Board of Directors on 27 February 2017.

NOTE 2 Basis of Preparation

Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as endorsed by EU. The Parent company's financial statements are prepared in accordance with simplified IFRS according to the Norwegian accounting act § 3-9. The Parent is following the same accounting policies as of the Group.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires

management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3. The Group financial statements are prepared on a going concern basis.

Changes in accounting policy and disclosures

No new and amended standards adopted by the Group for the first time in 2016 have had, or is expected to have a material impact on the Group. See Note 5 for new standards not yet adopted.

Functional and presentation currency

These consolidated financial statements are presented in Euro. The Group has entities with functional currencies other than Euros. All financial information presented in Euro has been rounded to the nearest thousand, except when otherwise indicated.

NOTE 3 Critical Accounting Estimates and Judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment testing

Goodwill and other relevant assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. This consists of an analysis to assess whether the carrying amount of e.g. goodwill is fully recoverable. The determination of recoverable amount involves establishing the Value in use (VIU), measured as the present value of the cash flows expected from the cash-generating unit, to which the goodwill has been allocated. The cash-generating units in KA are the four business areas (Driveline, Interior, Driver Control and Fluid Transfer). The forecasts of future cash flows are based on the Group's best estimates of future revenues and expenses for the cash-generating units to which goodwill has been allocated. A number of assumptions and estimates can have significant effects on these calculations and include parameters such as macroeconomic assumptions, market growth, business volumes, margins and cost effectiveness. Changes to any of these parameters, following changes in the market conditions, competition, strategy or other factors, affect the forecasted cash flows and may result in impairment of goodwill. See Note 12.

Expected useful lifetime

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets. Intangible assets with in-definite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The residual values, useful lives and methods of depreciation of property, plant & equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Impairment testing is used when relevant (see above).

Research and development

Significant investments are made towards product improvements and innovation to secure the Group's position in the market. Estimates and judgments used when deciding how the costs should be accounted for (charged to P&L or capitalized) will have a significant effect on the statement of comprehensive income and statement of financial position, see Note 4 and 12 for further information.

Deferred tax asset

Deferred income tax assets are recognized for tax losses carried forward only to the extent that realization of the related benefit is probable. Several subsidiaries have losses carried forward on which they have recognized deferred tax assets. The probability of their realization is determined by applying a professional judgment to forecast cash flows. These cash flows are based on assumptions and estimates and, accordingly, changes to the forecasts may result in changes to deferred tax assets and tax positions. See Note 11—Taxes.

Actuarial calculations of pension liabilities

The Projected Benefit Pension Obligation (PBO) for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. A number of actuarial and financial parameters are used as bases for these calculations. The most important financial parameter is the discount rate. Other parameters such as assumptions as to salary increases and inflation are determined based on the expected long-term development. The fixing of these parameters at the year end is disclosed in Note 18—Retirement benefit obligations.

Onerous contracts

The expected profitability and value of a contract is based on various assumption, including; volume, technical solutions, sales and input prices, and manufacturing capacity and efficiency. Contracts with an estimated negative Net Present Value (NPV) is accrued for as a loss-making contract. The calculation is based on the expected net cash flows under the contract discounted by the Groups calculated cost of capital. Refer to Note 20 for more details.

NOTE 4 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Kongsberg Automotive ASA and its subsidiaries as of December 31 each year. The financial statements of subsidiaries are prepared for the same reporting periods as the Parent company, using consistent accounting principles.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Investments in subsidiaries are recorded at cost in the Parent company's separate financial statements. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. For each business combination, the Group elects whether it measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Functional and presentation currency

The Group presents its consolidated financial statements in Euros. The Group has subsidiaries with functional currencies other than Euros. For consolidation the balance sheet amounts for subsidiaries with different functional currencies are translated at the rates applicable at the balance sheet date and the income statements are translated at the average rates for each month of the period. Exchange differences on translation are recognized in OCI.

The presentation currency of the Parent company is Euro, whilst its functional currency is Norwegian kroner. The reason for the use of Euros is to enable all amounts in the published financial statements of both the Group and the Company to be presented in the same currency.

Transactions in foreign currencies are translated at the exchange rate applicable on the transaction date. Exchange gains and losses that arise as a result of changes in the exchange rate between the transaction date and the settlement date are recognized in the income statement as financial income or expenses.
Main exchange rates per 31.12.2016:
> 1 EUR: NOK 9,08630 (end of period)
> 1 USD: NOK 8,61996 (end of period)

Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Executive Committee (led by CEO).

Revenue recognition

Revenue is recognized at the point at which it is probable that future will accrue to the Group and then only when the amount can be reliably estimated. Sales revenues are presented net of value added tax and discounts.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed and the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue from other income streams, such as tooling, prototype parts and engineering services is recognized upon notification of formal customer acceptance.

The Parent company has only Group internal revenues. Most of the revenues are Management fees to cover the Groups common expenses.

Intangible assets

Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries is included within intangible assets.

Goodwill arising from the acquisition of a foreign entity is treated as an asset in the foreign entity and is translated at the exchange rate applicable at the balance sheet date.

For the purpose of impairment testing, goodwill is allocated to the relevant cash-generating unit (CGU). The allocation is made to those units that are expected to benefit from the acquisition. The Group allocates goodwill to each operating segment.

Goodwill is stated net of any impairment losses. Impairment is tested annually (or changes in circumstances indicate that it might be impaired). Impairment losses are regarded as permanent in nature and are not reversed.

Research and development costs

Research costs are expensed as incurred. Intangible assets arising from development costs on specific projects are recognized only when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or for sale
- its intention to exercise the right to use or to sell the asset
- how the asset will generate future economic benefits
- the ability of resources to complete the project
- the ability to reliably measure the expenditure incurred

Development costs are amortized over the period of expected future sales of the developed product from the time that deliveries commence. When the sales period is uncertain or is longer than five years, the amortization period limited to five years.

Other intangible assets

Intangible assets are recognized in the balance sheet if it can be proven that there are probable future economic benefits that can be attributed to the assets and if the assets cost price can be reliably estimated. Intangible assets with a finite useful life are amortized and due consideration is given to any need for recognition of impairment losses. Amortization is charged using the straight-line method over the estimated useful life of the asset. The amortization estimate and the method are subject to annual assessment based on the pattern of consumption of future economic benefits.

Customer relationships

Customer relationships acquired are amortized over 10 years. Assessments are performed when acquiring new businesses.

Patents

Patents are amortized over their lifetimes, which generally are between three and 21 years.

Software

Costs associated with maintaining computer software are expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products con-trolled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use

- management intends to complete the software product and use or sell it

- it can be demonstrated how the software product will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available
- the expenditure attributable to the software product during its development can be reliably measured

Directly attributable costs that are capitalized as part of the software product include employee costs and an appropriate proportion of relevant overheads. Development expenses that do not meet these criteria are expensed as incurred and are not recognized as an asset in a subsequent accounting period.

Software costs are amortized over their estimated useful lives, which do not exceed three years.

Property, plant & equipment (PP&E)

PP&E are carried at cost less accumulated depreciation and impairment losses. The assets are depreciated over their useful economic lives using the straight-line method.

Cost includes duties, taxes, installation and commissioning costs relating to making the non-current asset available for use. Subsequent costs, such as repair and maintenance costs, are normally expensed when incurred. Whenever increased future economic benefits arising as a result of repair and maintenance work can be proven, such costs are recognized in the Statement of Financial Position sheet as additions to non-current assets. Each part of an item of PPE is depreciated separately.

Straight-line depreciation is calculated at the following rates:

Land	Not depreciated
Buildings	3–4%
Production machinery and tooling	10—25%
Computer equipment	33%

Whenever non-current assets are sold or scrapped, the gross carrying amount and the accumulated depreciation are reversed. The gain or loss on disposal or scrapping is recognized in the income statement.

PPE assets are tested annually for impairment. Assets are grouped at cash generating unit levels and are written down to their recoverable amounts if their carrying values are greater than their estimated recoverable amounts.

Inventories

Inventories are measured using the FIFO (First In—First Out) principle and are valued at the lower of cost and net realizable value. Raw materials are valued at purchase price, including freight, forwarding charges and import duties. Work in progress and finished goods include variable production costs and fixed costs allocated on normal capacity. Interest costs are not included. Provision for slow moving and obsolete inventory is deducted.

Financial instruments

The Group classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial assets at initial recognition.

Trade receivables

Trade receivables are carried at original invoice amounts, less an allowance for any uncollectible amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, together with short-term deposits having a maturity of three months or less. Bank overdrafts appear in the Statement of Financial Position within current liabilities.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Repayments of long-term debt due within twelve months of the balance sheet date are shown as current liabilities.

Foreign exchange gain/loss in local books on long-term intercompany loans, that are classified as investments loans, are reversed in P&L on Group level and posted against equity.

Financial derivative instruments

The Group uses financial derivative instruments to reduce risks associated with interest rate risk. These derivatives are not designated as hedging instruments. The derivatives are measured at fair value. Changes in fair value are recognized in the income statement as financial income or expenses, depending upon whether they represent gains or losses. They are disclosed on the line "Changes in value of financial derivatives" within Note 10—Financial Items.

Taxes payable and deferred taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries in which the company's subsidiaries operate. Management periodically evaluates positions taken in tax returns and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred income tax asset is realized or the deferred income tax liability settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax positions are netted within the same tax entity.

Retirement benefit obligations

The Parent company Kongsberg Automotive ASA and its Norwegian subsidiary Kongsberg Automotive AS have defined benefit and defined contribution pension plans. The plans were changed from defined benefit to defined contribution in 2004. The defined benefit plan was continued for employees who had already retired. The other defined benefit plan was an early retirement plan for the former CEO, but this plan have been terminated in 2016.

Defined benefit pension plans also exist in two subsidiaries in Germany, and one subsidiary in France. The subsidiaries in Sweden, the UK and the USA have defined contribution pension plans for employees.

Defined benefit plans

The pension assets and liabilities are valued by actuaries each year using a linear accrual formula, which regards the employees' accrued pension rights during the period as the pension cost for the year. Gains or losses linked to reductions in or terminations of pension plans are recognized in the income statement when they arise. Actuarial gains / losses are recognized in other comprehensive income The pension commitments are calculated on the basis of the net present value of future cash flows. See Note 18 for further information on the implementation effects of, and accounting treatment provided in the revised IAS 19 "Employee Benefits".

Defined contribution plans

The companies' contributions to the plans are recognized in the income statement for the year for which the contributions apply.

Multiemployer plan (AFP)—Norway

The former early retirement arrangement in Norway was replaced commencing 01.01.2011. Financing of the early retirement arrangement is now done by an annual fee which represents the final cost for the companies included. All Norwegian employees are included in the AFP scheme.

Top hat pension—Norway

The defined contribution plans have legislative limitations when it comes to maximum salary as calculation basis for tax deductibility. Norwegian employees with salaries that exceed this limit, will be granted an addition to the pension that includes the salary above the maximum limit. This obligation will only materialize if the person is employed in KA at the time of retirement. The calculated obligation is accrued in the Statement of Financial Position as Retirement benefit obligations.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Onerous contracts

When the unavoidable costs of meeting obligations under contracts exceed the economic benefits expected from the contract, the Group recognizes a loss in the income statement and a provision in the statement of financial position.

Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or service provided. Initial recognition is based on historical experience.

Restructuring provisions

Restructuring provisions are recognized only when general recognition criteria for provisions are fulfilled. Additionally, the Group follows a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and appropriate timeline. The employees affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share options

The Group operates a number of equity-settled, share-based compensation plans under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the services the Group has received from employees as a return service for granted options is recognized as an expense. The total amount to be expensed over the contribution time is calculated based on the fair value of the granted options. The Group carries out a re-evaluation of its estimates of the number of options likely to be exercised at each balance sheet date. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Treasury shares

Whenever any Group company purchases the Company's equity share capital as treasury shares the consideration paid, including any directly attributable incremental costs and net of income taxes is deducted from equity attributable to the Company's equity shareholders until the shares are cancelled or re-issued. Where such shares are subsequently reissued any consideration received, net of any directly attributable transaction costs and the related income tax effects, is included in equity attributable to the Company's equity shareholders.

Dividend distribution

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period between dividends are approved by the Company's shareholders and paid.

NOTE 5 New Standards and Interpretations not yet Adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements.

IFRS 15 Revenue from contracts with customers

The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations for annual periods beginning on or after 1 January 2018. IFRS 15 establishes revenue recognition guidance in one standard. The standard introduces a five-step approach for analysis of transactions with customers, focusing on transfer of control. There are two methods for recognizing income; at a point in time or over time. Adoption of the standard may require significant assessments and notes disclosures. Group is in the early phase of evaluating the impact of IFRS 15, its implementation method, or the expected impact of the standard on the Consolidated financial statements.

IFRS 16 Leases

This standard will replace the present IAS 17 and IFRIC 4 for annual periods beginning on or after 1 January 2019. The new standard requires lessees to recognize right-of-use assets and liabilities for all leases, with the exception of some leases with lease periods of less than one year or where the underlying assets are of low value. Depreciation, amortization and impairment losses as well as interest expenses must be recognized in the statement of income. The standard also somewhat changes the definition of when an agreement is or contains a lease.

Group is in the early phase of evaluating the impact of IFRS 16. Preliminary assessment of IFRS 16 indicates significant increased recognized fixed assets and debt, with a corresponding shift of certain amounts from other operating expenses partly to depreciation and amortization expense, partly to interest expense.

IFRS 9 Financial instruments

The standard (as revised in 2014) will supersede IAS 39 upon its effective date for annual periods beginning on or after 1 January 2018. The number of categories of financial assets have been reduced to financial assets measured at amortized cost and financial assets measured at fair value. However, the standard introduces a "fair value through other comprehensive income" measurement category for certain simple debt instruments. IFRS 9 also presents a new impairment model which is based on expected credit losses, rather than on incurred credit losses. As a credit event is not necessary for recognizing an impairment loss, the directors expect that there may be a change in timing of recognizing impairment losses as these may be recognized at an earlier stage but not necessarily a change in the amount of recognized losses. The Company has not completed its evaluation of the impact of the implementation of the standard.

NOTE 6 Subsidiaries

Company name	Country of incorporation	Ownership	Companies owned by parent
Kongsberg Automotive Ltda	Brazil	100%	x
Kongsberg Inc	Canada	100%	
Kongsberg Automotive (Shanghai) Co Ltd	China	100%	
Kongsberg Automotive (Wuxi) Ltd	China	100%	x
Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd	China	75%	
Shanghai Lone Star Cable Co Ltd	China	100%	
Kongsberg Automotive SARL	France	100%	x
Kongsberg Driveline Systems SAS	France	100%	
Kongsberg Raufoss Distribution SAS	France	100%	
SCI Immobilière La Clusienne	France	100%	
Kongsberg 1 GmbH	Germany	100%	
Kongsberg Actuation Systems GmbH	Germany	100%	
Kongsberg Automotive GmbH	Germany	100%	x
Kongsberg Driveline Systems GmbH	Germany	100%	
Kongsberg Actuation Systems Ltd	Great Britain	100%	
Kongsberg Automotive Ltd	Great Britain	100%	
Kongsberg Holding Ltd	Great Britain	100%	
CTEX Seat Comfort (Holding) Ltd	Great Britain	100%	x
Kongsberg Power Products Systems Ltd	Great Britain	100%	
Kongsberg Automotive Hong Kong Ltd	Hong Kong	100%	
Kongsberg Interior Systems Kft	Hungary	100%	
Kongsberg Automotive (India) Private Ltd	India	100%	x
Kongsberg Automotive Driveline System India Ltd	India	100%	x
Kongsberg Automotive Ltd	Korea	100%	x
Kongsberg Automotive S. de RL de CV	Mexico	100%	
Kongsberg Driveline Systems S. de RL de CV	Mexico	100%	
Kongsberg Interior Systems S. de RL de CV	Mexico	100%	
Kongsberg Actuation Systems BV	Netherlands	100%	
Kongsberg Automotive AS	Norway	100%	x
Kongsberg Automotive Holding 2 AS	Norway	100%	x
Kongsberg Automotive Sp. z.o.o	Poland	100%	x
Kongsberg Automotive s.r.o	Slovakia	100%	
Kongsberg Actuation Systems SL	Spain	100%	
Kongsberg Automotive AB	Sweden	100%	x
Kongsberg Power Products Systems AB	Sweden	100%	
KA Group AG	Switzerland	100%	
Kongsberg Driveline Systems I Inc.	USA	100%	
Kongsberg Actuation Systems II Inc.	USA	100%	
Kongsberg Holding III Inc.	USA	100%	
Kongsberg Interior Systems II Inc.	USA	100%	
Kongsberg Automotive Inc.	USA	100%	
Kongsberg Power Products Systems I Inc.	USA	100%	
Kongsberg Automotive Japan KK	Japan	100%	x

NOTE 7 Segment Information

Operating segments

The Group has four reportable segments, which are the strategic business units: Driveline, Interior, Driver Control and Fluid Transfer. The strategic business areas (segments) offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group's risks and rates of return are affected predominantly by differences in the products manufactured. The four segments have different risk profiles in the short-term perspective, but over a long-term perspective the profiles are considered to be the same. The Group's Executive Committee (led by CEO) reviews the internal management reports from all strategic business areas on a monthly basis.

Information regarding the results of each reportable segment is included below. Performance is measured on EBITDA and EBIT as included in the internal management reports issued on a monthly basis. Segment EBIT is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments (also relative to other entities that operate within these industries).

Sales transactions and cost allocations between the business units are based on the arms' length principle. The results for each segment and the capital allocation elements comprise both items that are directly related to and recorded within the segment, as well as items that are allocated based on reasonable allocation keys.

The following summary describes the operations of each of the Group's reportable segments:

Fluid Transfer

Fluid Transfer designs and manufactures fluid handling systems for both the automotive and commercial vehicle sectors, as well as coupling systems for compressed air circuits on heavy trucks. Fluid provides completely engineered flexible fluid assemblies for all market segments in which it operates, it has also specialized in manufacturing tube and hose assemblies for difficult environments.

Driver Control

Driver Control is a global leader in the development, design and manufacturing of operator control systems for commercial, industrial, agricultural, construction and power sports vehicles offering a robust product portfolio of clutch actuation systems, gearshift systems, vehicle dynamics, steering columns, pedal systems and electronic displays.

Driveline

Driveline is a global Tier 1 supplier of gear shifter systems for the passenger car market. The portfolio contains innovative shift by wire solutions primary used by premium cars as well as mechanical systems for both manual and automatic transmission for mid segment cars.

Interior

Interior is a global leader in the development, design and manufacture of seat comfort systems and mechanical and electro-mechanical light-duty motion controls to Tier 1 and OEM customers. The product range includes; seat adjuster cables and other cabling systems, lumbar support and side bolsters, seat heating, ventilation and massage systems, arm rests and head restraints.

New segment reporting in 2017

To better align the organizational structure with the opportunities and challenges of its business units Kongsberg Automotive decided to re-organized and re-segmented its businesses into three main segments – Interior, Powertrain & Chassis Products, and Specialty Products, starting in first quarter 2017. The impact on the segment reporting is still under evaluation.

Operating segments – financials

2016 MEUR	Driveline	Interior	Driver Control	Fluid Transfer	Eliminations & other*	Group
Operating revenues	238.3	315.7	260.5	206.0	(34.8)	985.7
EBITDA	**7.7**	**28.0**	**14.7**	**40.2**	**(27.2)**	**63.4**
Depreciation and impairment	(8.4)	(10.4)	(6.7)	(4.8)	(0.2)	(30.4)
Amortization and impairment	(3.1)	(2.6)	(5.0)	(3.7)	(0.3)	(14.7)
Operating (loss) / profit (EBIT)	**(3.7)**	**15.0**	**3.1**	**31.7**	**(27.7)**	**18.3**
Assets and liabilities						
Goodwill	6.7	60.4	31.3	56.6	0.0	155.0
Other intangible assets	6.3	3.9	9.3	5.0	2.7	27.3
Property, plant and equipment	35.1	48.0	42.3	33.5	1.3	160.2
Inventories	16.6	18.6	25.7	19.0	(1.4)	78.6
Trade receivables	35.0	59.6	29.4	30.4	0.8	155.2
Segment assets	**99.7**	**190.5**	**137.9**	**144.5**	**3.5**	**576.2**
Unallocated assets	0.0	0.0	0.0	0.0	115.4	115.4
Total assets	**99.7**	**190.5**	**137.9**	**144.5**	**118.9**	**691.6**
Trade payables	27.0	33.8	26.9	22.0	1.2	111.0
Unallocated liabilities	0.0	0.0	0.0	0.0	372.0	372.0
Total liabilities	**27.0**	**33.8**	**26.9**	**22.0**	**373.2**	**483.0**
Capital expenditure	**7.7**	**19.4**	**13.0**	**7.3**	**0.6**	**48.1**

* The column "Eliminations & other" includes corporate cost, development cost associated with the ePower business, elimination of intercompany transactions and balance sheet items related to tax, pension and financing. See next section for specification of unallocated assets and liabilities.

2015 MEUR	Driveline*	Interior	Driver Control	Fluid Transfer	Eliminations & other	Group*
Operating revenues	249.8	330.1	256.1	215.0	(35.0)	1,016.0
EBITDA	**9.1**	**39.0**	**30.9**	**41.2**	**(21.7)**	**98.5**
Depreciation and impairment	(8.0)	(8.8)	(6.6)	(6.0)	(0.2)	(29.6)
Amortization and impairment	(3.0)	(21.9)	(7.5)	(3.9)	(0.3)	(36.5)
Operating (loss) / profit (EBIT)	**(1.9)**	**8.4**	**16.8**	**31.3**	**(22.2)**	**32.4**
Assets and liabilities						
Goodwill	6.7	60.2	31.9	55.6	0.0	154.5
Other intangible assets	9.5	6.1	13.9	8.8	0.8	39.0
Property, plant and equipment	35.3	41.1	35.0	31.2	0.8	143.3
Inventories	16.9	18.3	27.0	19.1	(0.8)	80.5
Trade receivables	28.9	56.8	28.4	30.6	(0.0)	144.6
Segment assets	**97.3**	**182.4**	**136.2**	**145.3**	**0.8**	**562.0**
Unallocated assets	0.0	0.0	0.0	0.0	122.1	122.1
Total assets	**97.3**	**182.4**	**136.2**	**145.3**	**122.9**	**684.1**
Trade payables	24.0	31.2	25.1	19.9	0.8	101.0
Unallocated liabilities	0.0	0.0	0.0	0.0	368.9	368.9
Total liabilities	**24.0**	**31.2**	**25.1**	**19.9**	**369.7**	**469.8**
Capital expenditure	**8.4**	**15.5**	**9.2**	**7.9**	**0.1**	**41.0**

* 2015 have been restated for Driveline and Group; refer to Note 31 for further information.

Operating segments – reconciliation to total assets

MEUR	2016	2015
Segment assets of reportable segments	572.7	561.2
Eliminations & other	3.5	0.8
Unallocated assets include:		
Deferred tax assets	32.4	41.8
Other non-current assets	1.1	1.1
Cash and cash equivalents	34.6	39.9
Other receivables (excluded: trade receivables)	47.3	39.4
Total assets as of the Statement of Financial position	**691.6**	**684.1**

Operating segments – reconciliation to total liabilities

MEUR	2016	2015
Trade payables of reportable segments	109.8	100.2
Eliminations & other	1.2	0.8
Unallocated liabilities include:		
Deferred tax liabilities	27.1	30.8
Retirement benefit obligations	18.1	17.9
Interest-bearing loans and borrowings	238.4	253.9
Other non-current interest-free liabilities	2.6	0.0
Bank overdrafts	0.0	0.0
Other current interest-bearing liabilities	0.0	0.0
Current income tax liabilities	5.9	2.3
Other payables (excluded: trade payables)	79.8	64.0
Total liabilities as of the Statement of Financial position	**483.0**	**469.8**

Non-current assets by geographical location

	2016		2015	
MEUR	Jan – Dec	%	Jan – Dec	%
USA	105.5	30.9%	107.5	31.9%
UK	10.9	3.2%	13.8	4.1%
Norway	27.6	8.1%	25.2	7.5%
Germany	13.8	4.0%	14.8	4.4%
Sweden	29.5	8.2%	30.8	9.1%
Poland	56.9	16.7%	43.3	12.8%
Other countries	98.2	28.8%	101.5	30.1%
Total non-current segment assets	**342.5**	**100.0%**	**336.8**	**100.0%**

The segmentation of non-current assets are based on the geographical locations of its subsidiaries. Non-current assets comprise intangible assets (including goodwill) and property, plant and equipment. The Group is building capacity in Poland to handle the growth driven by new business wins and internal restructuring.

Sales to external customers by geographical location

	2016		2015*	
MEUR	Jan – Dec	%	Jan – Dec	%
Sweden	91.4	9.3%	83.0	8.2%
Germany	83.4	7.8%	96.6	9.5%
France	74.0	7.5%	70.5	6.9%
United Kingdom	64.7	6.6%	70.7	7.0%
Other EU	172.3	18.1%	181.4	17.8%
Total EU	**485.8**	**49.3%**	502.2	49.4%
USA	257.8	26.2%	292.0	28.7%
Canada	66.1	6.7%	36.4	3.6%
NA other	61.4	6.2%	77.3	7.6%
Total NA	**385.3**	**39.1%**	405.6	39.9%
Brazil	12.3	1.2%	11.5	1.1%
SA other	4.2	0.4%	2.1	0.2%
Total SA	**16.5**	**1.7%**	13.6	1.3%
China	66.5	6.7%	65.8	6.5%
Asia Other	23.3	2.4%	21.5	2.1%
Total Asia	89.7	9.1%	87.2	8.6%
Other countries	8.3	0.8%	7.3	0.7%
Total operating revenues	**985.7**	**100%**	1,016.0	100%

Segmentation of the Group's geographical sales to external customers is based on the geographical locations of the customers.* 2015 have been restated; refer to Note 31 for further information.

Operating segments – major customers

The Group has no single customers accounting for more than 10% of total revenues.

NOTE 8 Salaries and Social Expenses

Specification of salaries and social expenses as recognized in statement of comprehensive income

Parent			Group	
2016	2015	MEUR	2016	2015
3.5	3.5	Wages and salaries	215.2	208.3
0.6	0.6	Social security tax	51.5	50.8
(0.3)	0.1	Pension cost (defined benefit plans)	0.3	0.5
(0.1)	0.3	Pension cost (defined contribution plans)	8.4	8.0
0.5	1.4	Other employee related expenses	18.2	24.9
4.2	**5.9**	**Total**	**293.7**	**292.5**

Other employee related expenses include bonus cost and other costs.

As at 31.12.16 the Group had 9.791 (10.004) employees and the Parent company 0 (31) employees.

NOTE 9 Other Operating Expenses

Specification of other operating expenses as recognized in statement of comprehensive income

Parent			Group	
2016	2015	MEUR	2016	2015
		Operating Expenses		
0.0	0.0	Freight charges	(36.1)	(36.7)
0.0	0.0	Facility costs	(22.7)	(23.4)
0.0	0.0	Tooling costs and other consumables	(30.1)	(23.9)
0.0	0.0	Repairs and maintenance	(15.8)	(13.8)
0.0	0.0	Service costs	(13.8)	(13.1)
(0.1)	(0.4)	Other costs	(6.8)	(13.5)
		Administrative expenses		
(0.2)	(0.2)	Leasehold expenses	(6.7)	(3.2)
(6.3)	(4.3)	Service costs	(38.3)	(26.7)
(0.0)	(0.0)	Consumables	(11.2)	(7.1)
(0.3)	(0.3)	Travel costs	(8.3)	(9.5)
(35.0)	(52.1)	Other costs*	(18.0)	(13.4)
(41.9)	**(57.3)**	**Total other operating expenses**	**(207.9)**	**(184.2)**

* Parent company in 2016 and 2015 includes write down and loss on Group loans and receivables. Group 2016 includes restructuring costs and recognition of loss-making contracts.

NOTE 10 Financial Items

Specification of financial items as recognized in statement of comprehensive income

Parent			Group	
2016	2015	MEUR	2016	2015
1.3	19.5	Dividend and other financial income	0.0	0.0
0.0	29.7	Foreign currency gains*	5.4	0.0
1.6	1.5	Changes in value of financial derivatives	3.4	1.0
25.3	23.2	Interest income	0.2	0.1
28.2	**73.9**	**Total financial income**	**9.0**	**1.1**
(6.9)	(7.9)	Interest expense	(6.9)	(8.2)
(4.4)	0.0	Foreign currency losses*,***	0.0	(18.3)
0.0	0.0	Changes in value of financial derivatives	0.0	0.0
(12.7)	(8.8)	Other items**	(1.1)	(3.3)
(24.0)	**(16.8)**	**Total financial expenses**	**(8.0)**	**(29.8)**
4.2	**57.1**	**Net financial items**	**1.0**	**(28.7)**

* Includes unrealized curreny gains of MEUR 5.5 (2015: Unrealized losses of MEUR 18.1)

** Parent company 2015 and 2016: includes write-down on shares in subsidaries. Group includes arrangement fees and net pension funding costs.

*** Prior periods have been restated; refer to Note 31 for further information.

NOTE 11 Taxes

Specification of tax recognized in statement of income

The major components of income tax expense:

Parent			Group	
2016	2015	MEUR	2016	2015
(5.4)	(0.7)	Current tax on profits for the year*	(14.8)	(8.8)
0.0	0.0	Adjustments in respect of prior years	1.0	0.2
(5.4)	**(0.7)**	**Total current tax**	**(13.8)**	**(8.6)**
3.0	(13.6)	Current year change in deferred tax	(3.1)	2.5
(0.9)	(2.0)	Impact of change in tax rate	(0.9)	(1.5)
0.0	0.1	Adjustments in respect of prior years	(0.1)	(4.4)
2.1	**(15.5)**	**Total change in deferred tax**	**(4.2)**	**(3.4)**
(3.3)	**(16.3)**	**Total income tax (expense) / credit**	**(17.9)**	**(12.0)**

* Includes withholding tax. Further details can be found in table below.

Tax recognised in other comprehensive income

Parent			Group	
2016	2015	MEUR	2016	2015
0.0	0.0	Tax (expense) / credit on translation differences	1.5	(11.2)
0.0	0.0	Tax (expense) / credit on tax corridor pension	0.3	(0.1)
0.0	**0.0**	**Tax (expense) / credit in other comprehensive income**	**1.9**	**(11.2)**

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

Parent			Group	
2016	2015	MEUR	2016	2015
(7.9)	**36.5**	**(Loss) / profit before income tax**	**19.3**	**3.7**
2.0	(9.9)	Expected tax calculated at Norwegian tax rate of 25%	(4.8)	(1.0)
0.3	2.6	Dividends (permanent differences)	0.0	0.0
(5.9)	(10.1)	Other permanent differences / currency	(0.5)	1.0
(0.6)	(0.8)	Effect of withholding tax	(0.7)	(0.9)
0.0	0.0	Effect of different tax rates	(2.0)	(0.4)
0.9	2.0	Impact of change in tax rate	0.9	1.5
0.0	0.0	Current year losses not recognised as deferred tax assets	(2.8)	(1.1)
0.0	0.0	Write down of deferred tax assets	(9.0)	(6.9)
0.0	0.0	Adjustments in respect of prior years	0.9	(4.2)
(3.3)	**(16.3)**	**Income tax (expense) / credit**	**(17.9)**	**(12.0)**
-41%	44%	Average effective tax rate	93%	323%

Tax recognised in statement of financial position

Current tax liability

Parent			Group	
2016	2015	MEUR	2016	2015
(0.7)	(0.7)	Current income tax liabilities	5.9	2.3
(0.7)	**(0.7)**	**Total current tax liability**	**5.9**	**2.3**

Deferred tax

Parent			Group	
2016	2015	MEUR	2016	2015
0.0	0.0	Deferred tax asset	32.4	41.8
(22.2)	(23.1)	Deferred tax liability	(27.1)	(30.8)
(22.2)	**(23.1)**	**Total net deferred tax asset/ (liability)**	**5.3**	**10.9**

Deferred tax positions are netted within the same tax entity/group.

Specification of deferred tax assets / (liabilities) recognized in statement of financial position

Group 2016 MEUR	Opening balance	Charged to income	Changes in tax rate	OCI	Exchange differences	Closing balance
Property, plant and equipment	0.2	(1.7)	0.0	0.0	0.1	(1.4)
Intangible assets	(8.0)	1.2	0.1	0.0	0.1	(6.6)
Retirement benefits obligations	2.3	0.1	(0.0)	0.3	0.0	2.7
Losses	14.7	(3.4)	(0.1)	0.0	(1.3)	9.8
Account receivables	1.7	(0.0)	0.4	0.0	(0.5)	1.5
Accrued expenses	1.5	0.9	(0.4)	0.0	0.4	2.4
Accrued interest	9.0	(0.4)	0.0	0.0	(1.1)	7.5
Restructuring reserves	0.1	2.1	(0.0)	0.0	(0.1)	2.1
Unrealized fx on long term receivables / payables	(25.3)	2.0	0.0	0.0	0.6	(22.7)
Other temporary differences	14.7	(5.9)	1.0	1.5	(1.3)	10.0
Net deferred tax asset/(liability)	**10.9**	**(5.1)**	**0.9**	**1.9**	**(3.2)**	**5.3**

Parent 2016 MEUR	Opening balance	Charged to income	Changes in tax rate	OCI	Exchange differences	Closing balance
Property, plant and equipment	0.1	(0.0)	(0.0)	0.0	0.0	0.1
Retirement benefits obligations	0.3	(0.1)	(0.0)	0.0	0.0	0.2
Losses	0.0	0.0	0.0	0.0	0.0	0.0
Account receivables	1.4	0.1	(0.1)	0.0	0.1	1.5
Unrealized fx on long term receivables / payables	(25.1)	2.0	1.1	0.0	(1.5)	(23.5)
Other temporary differences	0.3	(0.7)	(0.0)	0.0	0.0	(0.4)
Net deferred tax asset/(liability)	**(23.1)**	**1.3**	**1.0**	**0.0**	**(1.4)**	**(22.2)**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its asset and liabilities. The Group's subsidiaries are located in different countries, so there will always be risks arising from local tax jurisdictions' assessments of the respective tax positions, and to limitations to the utilization of losses carried forward. Local tax decisions could therefore influence the carrying value of the Group's consolidated deferred tax asset.

Limitation and assumptions for the utilization of losses carried forward and deferred tax assets

The carrying amount of deferred tax assets (including losses carried forward) is reviewed at each balance sheet date and recognized only to the extent that it is probable that taxable profit will be available against which it may offset. As part of the review, the Group conducts comprehensive analyses of future profits within the legal entity as well as considering possibilities for utilization within the Group. Estimates indicate that future taxable profits will be available against which the recognized deferred tax assets may be utilized. There are however uncertainties as the estimates are based on assumptions about market development and the success of our customer. Due to the time restrictions associated with the utilization of some losses carried forward, timing assumptions may influence the carrying amount.

Tax positions not recognized in statement of financial position

Parent			Group	
2016	**2015**	**MEUR**	**2016**	**2015**
0.0	0.0	Tax positions not recognized	32.0	20.7
0.0	**0.0**	**Total tax positions not recognized**	**32.0**	**20.7**

Remaining lifetime of tax losses (net tax value)

Parent			Group	
2016	**2015**	**Lifetime**	**2016**	**2015**
0.0	0.0	Less than five years	3.7	3.0
0.0	0.0	5 – 10 years	2.1	1.8
0.0	0.0	10 – 15 years	0.0	0.0
0.0	0.0	15 – 20 years	11.2	5.9
0.0	0.0	Without time limit	23.9	24.0
0.0	**0.0**	**Tax losses at 31.12**	**41.0**	**34.8**

NOTE 12 Intangible Assets

Parent						Group
Software	MEUR	Goodwill	Customer relationships	Patents and R&D	Software and other	Total
3.3	Cost	165.9	91.6	44.5	17.4	319.4
(2.4)	Accumulated amortization	0.0	(63.8)	(26.7)	(14.1)	(104.6)
1.0	**Book Value at 01.01.2015**	**165.9**	**27.8**	**17.7**	**3.3**	**214.7**
3.3	Cost 01.01.2015	165.9	91.6	44.5	17.4	319.4
0.2	Additions	0.0	0.0	2.1	0.9	2.9
0.0	Disposals accumulated cost	0.0	0.0	(0.1)	(0.4)	(0.6)
(0.2)	Translation differences	10.8	5.5	1.0	0.9	18.2
3.3	**Acquisition costs at 31.12.2015**	**176.7**	**97.1**	**47.4**	**18.8**	**339.9**
(2.4)	Accumulated amortization 01.01.2015	0.0	(63.8)	(26.7)	(14.1)	(104.6)
(0.3)	Amortization/impairment loss	(21.5)	(9.9)	(4.0)	(1.0)	(36.5)
0.0	Disposals accumulated amortization	0.0	0.0	0.1	0.4	0.5
0.2	Translation differences	(0.7)	(3.7)	(0.8)	(0.6)	(5.8)
(2.5)	**Accumulated amortization 31.12.2015**	**(22.2)**	**(77.5)**	**(31.3)**	**(15.4)**	**(146.4)**
3.3	Cost	176.7	97.1	47.4	18.8	339.9
(2.5)	Accumulated amortization	(22.2)	(77.5)	(31.3)	(15.4)	(146.4)
0.8	**Book Value at 31.12 2015**	**154.5**	**19.6**	**16.1**	**3.4**	**193.5**
3.3	Cost 01.01.2016	176.7	97.1	47.4	18.8	339.9
0.7	Additions	0.0	0.0	2.4	0.8	3.2
0.0	Disposals accumulated cost	0.0	0.0	(1.3)	(0.1)	(1.3)
0.2	Translation differences	1.3	0.5	0.1	0.1	2.0
4.3	**Acquisition costs at 31.12.2016**	**177.9**	**97.5**	**48.6**	**19.6**	**343.7**
(2.5)	Accumulated amortization 01.01.2016	(22.2)	(77.5)	(31.3)	(15.4)	(146.4)
(0.3)	Amortization/impairment loss	0.0	(9.4)	(3.9)	(1.3)	(14.6)
0.0	Disposals accumulated amortization	0.0	0.1	0.9	0.1	1.1
(0.1)	Translation differences	(0.7)	(0.7)	(0.1)	0.0	(1.4)
(3.0)	**Accumulated amortization 31.12.2016**	**(22.9)**	**(87.5)**	**(34.4)**	**(16.6)**	**(161.4)**
4.3	Cost	177.9	97.5	48.6	19.6	343.7
(3.0)	Accumulated amortization	(22.9)	(87.5)	(34.4)	(16.6)	(161.4)
1.3	**Book Value at 31.12 2016**	**155.0**	**10.1**	**14.2**	**3.1**	**182.3**

Internally developed intangible assets

Parent			Group	
2016	2015	MEUR	2016	2015
0.0	0.0	Internally developed intangible assets 01.01	7.9	8.0
0.0	0.0	Additions during the year	2.2	2.1
0.0	0.0	Amortization / impairment	(2.3)	(1.9)
0.0	0.0	Translation differences	0.1	(0.3)
0.0	**0.0**	**Internally developed intangible assets 31.12**	**8.0**	**7.9**
0.0	0.0	Not capitalized internal R&D cost	(44.2)	(42.9)
0.0	0.0	Amortization	(2.3)	(1.9)
0.0	0.0	Net effect of external sales and purchases	(17.8)	(10.4)
0.0	**0.0**	**Total recognized R&D cost in the reporting period:***	**(64.3)**	**(55.2)**
0.0	0.0	Cash investment in R&D	(64.2)	(55.4)

* Net amount, gross amount MEUR 81.0 in 2016 (2015: MEUR 70.5). The internally developed intangible assets include capitalized costs related to development of new products. These assets are included in "Patents and R&D" above.

Impairment testing

The Group has performed impairment tests on the carrying values of all intangible assets (including goodwill), property, plant & equipment, and net working capital in accordance with the requirements of IAS 36. Value in use (VIU) was used to determine the recoverable amount. The tests comprised NPV (net present value) analyses of forecasted future cash flows by the CGUs (cash generating units). The business areas; Driveline, Interior, Fluid Transfer and Driver Control were identified as the respective CGUs.

Cash flow projections and assumptions

The model was based on a three year forecast of discounted cash flows plus a terminal value (calculated by Gordon's growth model). The net discounted cash flows were calculated before tax. The NPV-model included the following assumptions:

A business case was used for each CGU as the basis for the cash flow estimates which covered the period 2017 to 2019. The business cases were based on the Group's strategic three year plan, adjusted for relevant recent changes in internal short-term forecasts and market data. The forecasts did not include significant cash flows from future restructuring, investments or enhancements. The three year plan was a realistic forecast taking into account macroeconomic, industry and company specific factors. The short-term forecasts were "bottom-up-model" where all input data had been produced by the respective entities in the Group. The financial development for the BAs throughout the forecast period is primarily driven by increased top line with the effects of operational leverage. In the Driveline Business Case the effects of implemented operational improvements are reflected.

The input data in the business cases were gathered from renowned external sources, such as LMC Automotive and customers, in addition to all relevant internal information such as change in orders, customer portfolio, fitment rate for products, geographical development, market shares etc. The annual growth rate in the terminal value was estimated to 2% for each of the CGUs.

Discount rate assumptions

The required rate of return was calculated by the WACC method. The input data of the WACC was chosen by an individual assessment of each parameter. Information from representative sources, peer groups etc. was used to determine the best estimate. The WACC was calculated to 8.3 % pre tax. The same WACC was used for all CGUs, the reason being that the long-term risk profiles of the four CGUs are not considered to be significantly different. The key parameters were set to reflect the underlying long term period of the assets and time horizon of the forecast period of the business cases. The following parameters were applied:

- Risk free interest rate: 1.5%. Based on 10 year governmental Eurobond rate and US treasury yield, weighted 50/50.

- Beta: 1.39. Based on an estimated unlevered beta for the automotive industry adjusted for the industry's average capital structure.
- Market Risk Premium: 5% (post tax). Based on market sources.
- Cost of Debt: based on the risk free rate plus a risk component to reflect a probability of default (100 basis points).
- Capital structure: equity ratio of 63%. Based on capital structure of comparable companies.

Sensitivity analysis

The value in use for the assets depends on the cash flow and discount rate. The cash flow will move in relation to change in prices, currency, and volume. Volume in turn is impacted by business awards, success of the car model, product fitment rates, government regulations, and economic conditions. For information on input used in the computation of the discount rate please see section above.

The below analysis shows the required EBITDA level to defend the book value for each business area and respectively an indication of the top line growth required to close the gap. The analysis assumes that there are no changes made to the cost base, that gross margins are in line with industry standards, and that no growth adjustments are made in the discount rate, capex spend and working capital. The results show that improvements to current run rate is required in both Driveline and Driver Controls Systems to defend the net book values.

Impairment – test results and conclusion

In 2016 an impairment loss related to the Headrest and Armrest business (EUR 1.6 million) was recognized in the third quarter of 2016. This was related to the remaining fixed assets in this business unit. For all other business areas the value in use (VIU) exceeded the carrying amount, and no requirement for write-down was indicated.

Specification of segment assets and sensitivity

2016 MEUR	Driveline	Interior	Driver Control	Fluid Transfer
Goodwill	6.7	60.4	31.3	56.6
Other intangible assets	6.3	3.9	9.3	5.0
Property, plant and equipment	35.1	48.0	42.3	33.5
Inventories	16.6	18.6	25.7	19.0
Trade receivables	35.0	59.6	29.4	30.4
Segment assets (book value)	**99.7**	**190.5**	**137.9**	**144.5**
Segment trade payables	27.0	33.8	26.9	22.0
Net assets (book value)	**72.7**	**156.7**	**111.1**	**122.5**
EBIT 2016	**(3.7)**	**15.0**	**3.1**	**31.7**
EBIT required to defend book value*	6.0	9.7	6.9	7.6
Depreciation and amortization 2016	11.4	13.0	11.6	8.5
EBITDA required to defend book value, (1)**	**17.5**	**22.7**	**18.5**	**16.1**
EBITDA 2016 actual, (2)	**7.7**	**28.0**	**14.7**	**40.2**
Improvement required to defend book values (3), (2) – (1)	(9.7)		(3.8)	
Revenue increase required to defend book value, ((3) / average industry gross margin))***	**39-58**		**15-22**	

* With no growth and constant CAPEX. Calculated as the continuing value in 2016 to match book value (book value multiplied with the discount rate).

** With the assumption of no growth and constant CAPEX there would not be any material changes in Net Working Capital and D&A.

*** Assuming a standard gross margin in the average industry in an interval of 17-25%.

NOTE 13 Property, Plant & Equipments (PP&E)

Parent					Group
Equipment	MEUR	Land	Buildings	Equipment	Total
0.8	Cost	4.6	37.7	412.1	454.5
(0.7)	Accumulated depreciation	0.0	(23.2)	(302.9)	(326.1)
0.1	**Book Value at 01.01.2015**	**4.6**	**14.4**	**109.2**	**128.3**
0.8	Cost 01.01.2015	4.6	37.7	412.1	454.4
0.0	Additions	0.0	1.2	39.8	41.0
0.0	Disposals accumulated cost	0.0	(0.0)	(12.8)	(12.8)
(0.0)	Translation differences	0.1	(0.1)	8.8	8.7
0.8	**Acquisition costs at 31.12.2015**	**4.7**	**38.7**	**447.9**	**491.3**
(0.7)	Accumulated depreciation 01.01.2015	0.0	(23.2)	(302.9)	(326.1)
(0.0)	Depreciation	0.0	(1.9)	(27.7)	(29.6)
0.0	Disposals accumulated depreciation	0.0	0.0	11.7	11.7
0.0	Translation differences	0.0	0.6	(4.6)	(4.0)
(0.7)	**Accumulated depreciation 31.12.2015**	**0.0**	**(24.5)**	**(323.5)**	**(348.0)**
0.8	Cost	4.7	38.7	447.9	491.3
(0.7)	Accumulated depreciation	0.0	(24.5)	(323.5)	(348.0)
0.1	**Book Value at 31.12.2015**	**4.7**	**14.2**	**124.4**	**143.3**
0.8	Cost 01.01.2016	4.7	38.7	447.9	491.3
0.1	Additions	0.0	0.3	47.8	48.1
0.0	Disposals accumulated cost	0.0	(1.0)	(7.1)	(8.2)
0.0	Translation differences	0.0	(1.4)	7.6	6.2
0.9	**Acquisition costs at 31.12.2016**	**4.7**	**36.6**	**496.1**	**537.4**
(0.7)	Accumulated depreciation 01.01.2016	0.0	(24.5)	(323.5)	(348.0)
(0.0)	Depreciation and impairment *	0.0	(1.6)	(28.8)	(30.4)
0.0	Disposals accumulated depreciation	0.0	0.8	5.7	6.5
(0.0)	Translation differences	0.0	(0.3)	(5.0)	(5.3)
(0.8)	**Accumulated depreciation 31.12.2016**	**0.0**	**(25.6)**	**(351.6)**	**(377.3)**
0.9	Cost	4.7	36.6	496.1	537.4
(0.8)	Accumulated depreciation	0.0	(25.6)	(351.6)	(377.3)
0.1	**Book Value at 31.12.2016**	**4.7**	**11.0**	**144.5**	**160.2**

* Includes write-off of fixed assets in business held for sale and write-off of idle assets.

Security for debt: See Note 19 regarding use of PP&E as security for debt.

Financial leases: The Group is a lessee under financial lease, but the Group has only a limited number of financial lease contracts and the total amount is considered insignificant.

Impairment testing: See Note 12 for the impairment testing on PP&E and impairment results. In 2016, fixed assets related to the Headrest and Armrest business in North America was written off (EUR 1.6 million). This business is currently recognized as held of sale. Other idle assets was also written off.

NOTE 14 Inventories

Specification of inventories

Parent			Group	
2016	2015	MEUR	2016	2015
0.0	0.0	Raw materials	44.8	44.6
0.0	0.0	Work in progress	15.5	16.1
0.0	0.0	Finished goods	18.2	19.8
0.0	**0.0**	**Total**	**78.6**	**80.5**

Values displayed net of provisions for excess and obsolete.

Provision for slow moving and obsolete inventory

Parent			Group	
2016	2015	MEUR	2016	2015
0.0	0.0	Book value at 01.01	(8.1)	(7.7)
0.0	0.0	Write-down	(1.1)	(2.0)
0.0	0.0	Products sold (previously written down)	0.5	1.2
0.0	0.0	Reversal	0.6	0.7
0.0	0.0	Foreign currency translation	0.0	(0.3)
0.0	**0.0**	**Book value at 31.12**	**(7.9)**	**(8.1)**

NOTE 15 Trade and Other Receivables

Specification of trade and other receivables

Parent			Group	
2016	2015	MEUR	2016	2015
0.0	0.0	Trade receivables	155.2	144.6
38.9	35.4	Short-term group loans and receivables	0.0	0.0
0.1	0.1	Public duties	12.5	9.1
0.0	0.0	Other short-term receivables*	15.6	11.3
39.0	**35.5**	**Receivables**	**183.3**	**165.0**
0.0	0.0	Customer tooling (work in progress)	12.2	6.0
0.2	0.4	Prepayments	7.0	12.9
39.2	**35.9**	**Total**	**202.5**	**184.0**

* Includes forward contracts assets of MEUR 0.7 (-1.1).

Trade receivables maturity

	2016		2015	
MEUR	Dec	%	Dec	%
Not overdue	144.8	93%	135.4	93%
Overdue 1-20 days	7.5	5%	5.9	4%
Overdue 21-40 days	1.8	1%	2.4	2%
Overdue 41-80 days	1.0	1%	1.0	1%
Overdue 81-100 days	0.4	0%	0.2	0%
Overdue > 100 days	0.6	0%	0.6	0%
Gross trade receivables	**156.0**		**145.6**	
Total provision for bad debt	(0.8)	1%	(1.0)	1%
Net trade receivables	**155.2**		**144.6**	

The provision for bad debt is decreased by MEUR 0.1 compared to 31.12.2015. Trade receivables are subject to constant monitoring. Impaired receivables are reflected through provision for bad debt. Monthly assessments of loss risk are performed and corresponding provisions are made on entity level. The provision for bad debt reflects the total loss risk on groups trade receivables. The oldest trade receivables, overdue > 100 days, represent the highest risk level. Most of the impaired trade receivables are included in that category. Actual losses on trade receivables was MEUR 0.3. The risk for losses on other receivables than trade receivables is assessed to be insignificant. For risk management see Note 21.

Receivables by currency

Parent			Group	
2016	2015	MEUR	2016	2015
11.5	18.7	EUR	72.1	64.8
17.2	7.8	USD	51.6	52.4
9.3	9.1	NOK	8.4	4.6
1.0	0.0	RMB	25.8	19.5
0.0	0.0	Other	25.4	23.7
39.0	**35.5**	**Total**	**183.3**	**165.0**

NOTE 16 Share Capital

Shares

The share capital of the Company is NOK 203,384,066, comprising 406,768,131 ordinary shares with a par value of NOK 0.50. The Company holds 1,228,134 shares as treasury shares. For more information see "Statement of Changes in Equity". The Company is listed on the Oslo Stock Exchange. The ticker code is KOA.

	2016	2015
Number of shares in issue at 01.01.	406,768,131	406,768,131
New shares issued	0	0
Number of shares in issue at 31.12.	**406,768,131**	**406,768,131**
Of these, treasury shares	**1,228,134**	**4,200,428**

The twenty largest shareholders in the Company as at 31.12.16 were as follows:

Shareholder	No of shares	%	Country
MORGAN STANLEY & CO. INTERNATIONAL	46,464,928	11.4%	UK
MORGAN STANLEY & CO. LLC	20,720,608	5.1%	US
JPMORGAN CHASE BANK, N.A., LONDON	17,690,066	4.3%	UK
KLP AKSJENORGE	15,954,970	3.9%	NOR
VPF NORDEA KAPITAL	14,139,887	3.5%	NOR
THE NORTHERN TRUST COMP, LONDON BR	12,435,497	3.1%	UK
FOLKETRYGDFONDET	12,127,732	3.0%	NOR
CITIBANK, N.A.	10,914,813	2.7%	US
KOMMUNAL LANDSPENSJONSKASSE	10,898,211	2.7%	NOR
VPF NORDEA AVKASTNING	9,827,970	2.4%	NOR
MP PENSJON PK	9,503,387	2.3%	NOR
STATE STREET BANK AND TRUST COMP	8,471,349	2.1%	US
ARANGO TRADING AND FINANCE CORP.	7,719,929	1.9%	VGB
ERLING NEBY AS	7,000,000	1.7%	NOR
VERDIPAPIRFONDET PARETO INVESTMENT	5,918,957	1.5%	NOR
N-UCIT NORDEA PRIVATE BK NO AK PT	4,972,102	1.2%	UK
JPMORGAN CHASE BANK, N.A., LONDON	4,541,550	1.1%	UK
VERDIPAPIRFONDET NORDEA NORGE PLUS	3,986,082	1.0%	NOR
NORDEA 1 SICAV	3,888,193	1.0%	UK
KLP AKSJENORGE INDEKS	3,722,413	0.9%	NOR
Total twenty largest shareholders	**230,898,644**	**56.8%**	
Other shareholders	175,869,487	43.2%	
Total number of shares in issue	**406,768,131**	**100.0%**	
Number of shareholders	4,050		
Foreign ownership	50.0%		

Share options

Share options are granted to management and to selected employees. An option entitles participants to purchase one share per option. Options are offered during the first quarter and granted during April of the same year. The exercise price is the average trading price for the company's share during the first ten calendar days immediately after publication of fourth quarter results. Offer to be granted options is presented immediately thereafter. Participants in the share option program are required to hold a number of the company's shares at least equivalent to 10% of the number of options granted. In 2016 the participants in the company's share option programs held approximately 1.3% of the company's total number of shares. Options at NOK 4.5, NOK 2.0, NOK 1.5, NOK 5.8, NOK 5.9 and NOK 6.20 expire after 7 years, and options at NOK 20.0 and NOK 3.0 expire 10 years after the date of grant. The company has no legal or constructive obligation to repurchase or settle the options in cash. See Statement of Change in Equity for information on amounts recognized in 2016.

Movements in share options (NOK)

	2016		2015	
	Average exercise price	Options	Average exercise price	Options
Options at 01.01	4.97	14,698,493	4.38	14,715,201
Granted	6.20	3,792,253	5.90	3,813,086
Forfeited	6.18	(2,422,240)	5.87	(721,613)
Expired	–	0	5.00	(122,667)
Exercised	2.39	(3,972,294)	3.05	(2,985,514)
Options at 31.12	**5.96**	**12,096,212**	**4.97**	**14,698,493**

Outstanding options at the end of the year (NOK)

	2016		2015	
Expiry date	Exercise price	Options	Exercise price	Options
31.03.2018	20.00	669,964	20.00	711,201
31.03.2018	4.50	813,528	4.50	1,557,527
31.03.2019	3.00	609,950	3.00	1,085,351
31.03.2019	2.00	565,135	2.00	1,774,803
10.04.2020	1.50	957,338	1.50	2,521,564
10.04.2021	5.80	2,691,626	5.80	3,359,961
10.04.2022	5.90	2,881,418	5.90	3,688,086
10.04.2023	6.20	2,907,253		
Options at 31.12		**12,096,212**		**14,698,493**

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 3.01 per option (2015: 2.35). The significant inputs to the model were the share trading price of NOK 6.84 at the date of grant, exercise prices (NOK 6.20) shown above, a weighted average volatility of 49.74%, an expected option life of five years, and a weighted average annual risk-free interest rate of 0.70%.

Treasury shares

The company holds 1,228,134 treasury shares (2015: 4,200,428). 1,000,000 shares were acquired in August 2016 at an average price of NOK 6.13 per share. The shares were purchased for future allocations of share options within the Group's share option programs. The company sold 3,972,294 treasury shares in 2016 (2015: 2,985,514).

NOTE 17 Earnings and Dividend per Share

Earnings per share

	2016	2015
Net (loss) / profit attributable to equity shareholders (MEUR)	1.3	(8.4)
Weighted average number of shares in issue (millions)	405.5	402.9
Basic earnings per share, EUR	**0.00**	**(0.02)**
Diluted earnings per share, EUR	**0.00**	**(0.02)**

Earnings per share is calculated by dividing the net profit attributable to equity shareholders by the weighted average number of shares in issue. The diluted earnings per share is the weighted average number of shares in issue as if all options were converted to new shares.

Dividend per share

EUR	2016	2015
Dividend per share paid	0.0	0.0
Dividend per share proposed	0.0	0.0

No dividend was proposed for 2016. For dividend restrictions, see Covenants Note 19.

NOTE 18 Retirement Benefit Obligations

Defined benefit pension plan

Revised IAS 19 became effective as of 01.01.2013 requiring actuarial gains and losses to be recognized in OCI, and interest cost on DBO and return on plan assets to be recognized as net interest under financial items.

The German and Norwegian subsidiaries represented 94% of the Group's Net Benefit Obligation (Germany: 89%, Norway: 5%) in 2016. The Parent company Kongsberg Automotive ASA and its Norwegian subsidiary

Kongsberg Automotive AS have defined benefit and defined contribution pension plans. The plans were changed from defined benefit to defined contribution in 2004. The defined benefit plan was continued for employees who had already retired. In 2016 the defined benefit plan for an early retirement plan for former CEO, Hans Peter Havdal, was paid out as a part of his termination. Defined benefit pension plans also exist in two subsidiaries in Germany and one subsidiary in France.

Defined contribution plans

Norway, Sweden, the UK and the USA have defined contribution pension plans for employees. The pension plans are regulated under the rules of each country. The subsidiaries in each country is required to pay the annual contributions to the plan. The expense charged to the income statement in respect of defined contribution pension plans is disclosed in Note 8.

Other retirement benefit plans

Top hat pension – Norway

Top hat-schemes are non-funded defined benefit schemes granted to employees with a salary exceeding 13G. The obligation will only materialize if the person is employed in KA at the time of retirement, or if the person has more than 10 (50% of obligation) or 15 years (100% of obligation) with the Company. The calculated obligation is accrued in the Statement of Financial Position as Retirement benefit obligations.

Multiemployer plan (AFP) – Norway

The earlier early retirement arrangement in Norway was replaced commencing 01.01.2011. Financing of the early retirement arrangement is now done by an annual fee which represents the final cost for the companies included. All Norwegian employees are included in the AFP scheme.

Other retirement benefits

Retirement benefit obligations are accrued in Korea and China according to local requirements.

Retirement benefit obligations recognised in statement of financial position

Parent			Group	
2016	2015	MEUR	2016	2015
0.2	0.8	Defined benefit pension obligation	16.9	16.5
0.6	0.5	Top hat, retirement provisions and other employee obligations	1.1	1.3
0.8	1.3	**Retirement benefit obligations**	**18.1**	**17.9**

Defined benefit scheme – assumptions

Parent			Group	
2016	2015		2016	2015
2.1%	2.5%	Discount rate	1.8%	2.3%
2.1%	2.5%	Rate of return on plan assets	2.1%	2.7%
2.3%	2.5%	Salary increases	1.2%	1.3%
2.3%	2.3%	Increase in basic government pension amount	1.1%	1.1%
2.0%	2.3%	Pension increase	0.5%	0.6%

The assumptions for the Group is presented as a weighted average of the assumptions reported from respective subsidiaries.

Defined benefit scheme – net periodic pension cost

Parent			Group	
2016	2015	MEUR	2016	2015
0.2	0.1	Service cost	0.4	0.2
0.0	0.0	Interest on benefit obligations	0.4	0.4
0.0	0.0	Expected return on pension assets	(0.0)	(0.0)
0.0	0.0	Amortization of estimate differences	0.0	0.0
(0.5)	0.0	Effect of curtailment	(0.5)	0.0
0.0	0.0	Social security taxes	0.0	0.0
0.0	0.0	AFP adjustment	0.0	0.0
(0.3)	0.1	**Net periodic pension cost**	**0.3**	**0.5**
0.0	(0.0)	Remeasurement of net defined benefit liability	1.2	(0.2)
0.5%	0.6%	Actual return on plan assets	1.2%	2.7%

Defined benefit scheme – net pension liability

Parent			Group	
2016	2015	MEUR	2016	2015
		Pension liabilities and assets:		
0.2	0.7	Projected benefit obligation (PBO)	16.7	16.3
0.0	0.0	Fair value of pension assets	0.0	0.0
0.0	0.0	Unrecognized effects	0.0	0.0
0.2	**0.7**	**Net pension liability before social security taxes**	**16.7**	**16.3**
0.0	0.1	Social security taxes	0.2	0.3
0.2	**0.8**	**Net pension liability**	**16.9**	**16.5**

Specification of carrying value of net pension liability

Parent			Group	
2016	2015		2016	2015
0.2	0.8	Retirement benefit obligation	16.9	16.5
0.0	0.0	Retirement benefit asset	0.0	0.0
0.2	**0.8**	**Net pension liability**	**16.9**	**16.5**

Defined benefit scheme – change in net pension liability

Parent			Group	
2016	2015	MEUR	2016	2015
0.8	1.1	Net pension liability 01.01	16.5	17.4
(0.3)	0.1	Pension cost for the year	0.3	0.5
0.0	(0.0)	Remeasurement of net defined benefit liability	1.2	(0.2)
(0.3)	(0.3)	Paid pensions	(1.1)	(1.0)
0.0	0.0	Translation differences	0.1	(0.3)
0.2	**0.8**	**Net pension liability 31.12**	**16.9**	**16.5**

Defined benefit scheme – sensitivities

MEUR	DBO 31.12.16	Service cost 2017	Interest cost 2017
Actual valuation	(16.9)	0.39	0.36
Discount rate + 0.5%	(17.8)	0.39	0.40
Discount rate – 0.5%	(16.0)	0.39	0.31
Expected rate of salary increase + 0.5%	(16.9)	0.39	0.36
Expected rate of salary increase – 0.5%	(16.9)	0.39	0.36
Expected rate of pension increase + 0.5%	(16.2)	0.39	0.38
Expected rate of pension increase – 0.5%	(17.6)	0.39	0.34

Sensitivity covering majority of DBO.

Defined benefit scheme – average expected life time

Average expected lifetime at the balance sheet date for a person retiring on reaching age 65:

Male employee	19 years
Female employee	23 years

Average expected lifetime 20 years after the balance sheet date for a person retiring on reaching age 65:

Male employee	22 years
Female employee	26 years

Expected pension payment:

We expect the pension payment of 2017 to be in line with the 2016 payment.

NOTE 19 Interest-bearing Liabilities

Interest-bearing liabilities as presented in statement of financial position

Parent			Group	
2016	2015	MEUR	2016	2015
238.6	254.3	Non current interest-bearing loans and borrowings	240.0	254.8
(1.7)	(1.0)	Capitalized arrangement fees	(1.7)	(1.0)
236.9	**253.4**	**Total interest-bearing liabilities**	**238.4**	**253.9**

The long-term funding is based on a credit facility. The Group's revolving credit facility was refinanced in March 2015 by a three year facility, with two one-year extension options at the first and second anniversary of the facility. This credit facility is supplied by DNB Bank, Danske Bank and BNP Paribas Fortis and consists of an equivalent MEUR 325 revolving credit facility and an overdraft facility of MEUR 20. The interest rate consists of EUR/USD Libor plus a margin, which is depending on the Group's gearing ratio.

Specification of total interest-bearing liabilities

Parent			Group	
2016	2015	MEUR	2016	2015
120.0	123.0	EUR	120.0	123.0
118.6	131.3	USD	118.6	131.3
0.0	0.0	Other currencies	1.5	0.5
(1.7)	(1.0)	Capitalized arrangement fee*	(1.7)	(1.0)
236.9	**253.4**	**Total interest-bearing liabilities**	**238.4**	**253.9**

* Amendment fee related to the covenant waiver granted in the fourth quarter was capitalized and will be amortized over the duration of the loan period.

Specification of interest-bearing loans and borrowings (in local currencies)

	Currency	Total amount	Undrawn amount	Drawn amount	Capitalized arr. fees	Amount recognized	Maturity Date***	Interest Rate (incl margin)**
DNB Bank/Danske Bank/ BNP Paribas *	EUR	182.0	62.0	120.0	0.5	120.5	01.03.19	2.25%
DNB Bank/Danske Bank/ BNP Paribas	USD	172.0	47.0	125.0	0.5	125.5	01.03.19	3.00%

* The EUR facility includes a short-term overdraft facility of EUR 20 million which can be renewed each year. The overdraft facility is terminated at the same maturity date as the credit facility. Nothing was drawn against the overdraft facility at 31.12.2016.

** Until 3rd of October 2016 a portion of the floating interest was hedged by interest rate swaps, EUR 100 million (1.5535%) respectively USD 50 million (1.543%). See also Note 21.

*** Since the balance sheet date an extention of the termination date of one year has been agreed with the banks, and the maturity date is hence 01.03.20, ref. Note 29.

Covenants

During December 2016 KA obtained a waiver agreement approval from its syndicate banks. The amendment enabeles KA to execute the announced improvement and restructuring plan. The gearing ratio and capital expenditure limit was waived until March 31. 2018. During this period (“adjustment period”) restructuring costs may be added to the EBITDA in the gearing ratio calculation. See details below.

Group Loan Covenants

- Equity ratio (Equity / Total assets)	Minimum 25.0%
- Minimum liquidity	Minimum EUR 50 million
- Gearing ratio (NIBD / EBITDA)	The required gearing ratio level is 3.25x at 31 December 2016, and is increased to 3.5x for 31st March 2017 and 30th June 2017, from September 2017 it is reduced to 3.0x until 31st of March 2018, thereafter reduced to 2.5x. The following amounts may be added to the EBITDA: 2016 MEUR 6.5, 2017 MEUR 21.0, 2017 MEUR 22.8. Unused restructuring amounts may increase the limit the following or previoius year with up to 50% of the limit in the original year.
- Capital expenditures	Maximum 7% of consolidated turnover for 2016 and 2017, however no restrictions if gearing ratio is 2.5x or below. Unutilized amounts can be forwarded to the next succeeding financial year.
- Dividend restrictions	Gearing ratio required to be 2.5x or below.

The covenants are tested quarterly, except for the CAPEX limit which is tested at year end. The Group is in compliance with the covenants as at 31.12.16.

Security

All lenders are ranked pari passu with first priority security over the Group’s material subsidiaries shares. The loan agreement is built on a negative pledge structure, which restricts the pledging of assets.

Liquidity reserve

The liquidity reserve of Group consists of cash and cash equivalents in addition to undrawn credit facilities.

MEUR	2016	2015
Cash reserve	34.2	39.6
Undrawn facility	106.6	85.6
Liquidity reserve	**140.8**	**125.2**

NOTE 20 Other Non-current Interest-free Liabilities

Specification of other non-current interest-free liabilities

Parent			Group	
2016	2015	MEUR	2016	2015
0.0	0.0	Loss-making contracts	2.6	0.0
0.0	**0.0**	**Total**	**2.6**	**0.0**

Loss-making contracts covering a contract period beyond one year after the balance sheet date are split into a short- and long term component. Please refer to Note 22 for further information.

NOTE 21 Risk Management

Finance risk management policies

The Group's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group exploits derivative financial instruments for potential hedging of certain risk exposures, however the current usage of such instruments is limited.

Foreign exchange risk

Kongsberg Automotive operates internationally in a number of countries and is exposed to foreign exchange risk arising from various currency exposures. The primary exposures are EUR and USD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. As the Group reports its financial results in EUR, changes in the relative strength of EUR to the currencies in which the Group conduct business can adversely affect the Group's financial development. Historically changes in currency rates have had an effect on the top line development, however it has not had a significant impact on operating profit since the costs usually off set the effects from the top line.

Management is monitoring the currency exposure on a group level. The Group treasury uses the debt structure and profile to balance some of the net exposure of the cash flow from operations. The Group's treasury function regularly evaluates the use of hedging instruments but has currently a low usage of such instruments.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is partially managed through borrowings denominated in the relevant foreign currencies.

Sensitivity

At 31 December 2016, if the currency USD had weakened/strengthened by 5 % against the EUR with all other variables held constant, revenues would vary by around +/- 1.6% or MEUR +/- 16. Operating profit would not have been significantly changed. A change in EUR and USD of +/- 5% versus the NOK would have influenced the conversion of the long term debt and hence influenced the financial items with approximately MEUR +/- 12. These changes would also have generated changes in currency conversion in the equity, hence the equity change would have been less significant.

Operational risks

Operation and investment risks and uncertainties

The Group is usually contracted as a supplier with a long-term commitment. The commitment is usually based on the model platforms, which for passenger cars are typically 3 to 5 years, while on commercial vehicles it is typically 5-7 years and in some cases even longer. Purchase orders are achieved on a competitive bidding basis for either a specific time-period or indefinite time. Even if present commitments are cost reimbursable they can be adversely affected by many factors and short term variances including shortages of materials, equipment and work force, political risk, customer default, labor conflicts, accidents, environmental pollution, the prices of raw materials, unforeseen problems, changes in circumstances that may lead to cancellations and other factors beyond the control of the Group. In addition, some of the Group's customer contracts may be reduced, suspended or terminated by the customer at any time upon the giving of notice. Customer contracts also permit the customer to vary the scope of work under the contract. As a result, the Group may be required to renegotiate the terms or scope of such contracts at any time, which may result in the imposition of terms less favorable than the previous terms.

Competition

The Group has significant competitors in each of its business areas and across the geographical markets in which the Group operates. The Group believes that competition in the business areas in which it operates will continue in the future. The Group continuously monitors its competitive environment.

Volatility in prices of input factors

The Group's financial performance is dependent on prices of input factors, i.e. raw materials and different semi-finished components with a varying degree of processing, used in the production of the various automotive parts. Some of the major raw materials are:

- Steel including rod and sheet metal, cast iron and machined steel components
- Polymer components of rubber, foam, plastic components and plastic raw materials
- Copper
- Zinc
- Aluminium

Because of the raw material exposure, a change in the prices of these raw materials will have an effect on the Group. Steel, copper, zinc, aluminum and polymer prices have reached historically high levels over the last years, being subject to large fluctuations in response to relatively minor changes in supply and demand and a variety of additional factors beyond the control of the Group, including government regulation, capacity, and general economic conditions.

A substantial part of the Group's steel and brass (copper and zinc) based products is sold to truck manufacturers. Business practice in the truck industry allows the Group to some extent to pass increases in steel, aluminum and brass prices over to its customers. However, there is a time lag of three to six months before the Group can adjust the price of its products to reflect fluctuations in the mentioned raw material prices, and a sudden change in market conditions could therefore impact the Group's financial position, revenues, profits and cash flow. When the market prices go down the adverse affect will occur. For products sold to passenger car applications, the Group does not have the same opportunity to pass increases in raw materials prices.

Uninsured losses

The Group maintains a number of separate insurance policies to protect its core businesses against loss and/or liability to third parties. Risks insured include general liability, business interruption, workers' compensation and employee liability, professional indemnity and material damage.

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. The Group's debt is drawn up in EUR and USD with the corresponding interest rates. The Group analyses its interest rate exposure on a running basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

Interest rate swap

The Group entered into two interest rate swap agreements of MUSD 50 and MEUR 100 in March 2012. The two swaps matured in October 2016.

Sensitivity

Based on the simulations performed per 31.12.2016, the impact on pre tax profit of a +/- 1.0 percentage point shift in both the EUR and USD interest would be a maximum increase or decrease of MEUR 2.4.

Credit risk

Credit risk is managed on group and entity level. Credit risk arises mainly from trade with customers and outstanding receivables. The level of receivables and overdue are monitored on a weekly basis. Historically the Group have had limited loss on receivables. In some countries, the Group is alsoparticipating in some factoring agreements which reduces some of the credit risk and improve the working capital. See also Note 15.

The automotive industry consists of a limited number of vehicle manufacturers, hence the five biggest customers will be in the around 35% of total sales. The Group has a diversified customer base, where no individual customer represents more than 10 % of the Group's revenues. It is in the opinion of the Group that concentration risk is not present, however due to the number of vehicle manufacturer and hence customers concentration risk could be considered to exist.

Funding and liquidity risk

Cash flow forecasting is performed by each operating entity of the Group on a weekly basis for the next 12 weeks. The Group to keeps track of its liquidity requirements and monitors to ensure there are sufficient cash to meet both operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. For unused liquidity reserve, see Note 19.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and balance the risk profile.

The Group monitors capital on the basis of the gearing ratio and the level of equity. These ratios are calculated as net debt divided by EBITDA and Equity divided by total balance. The Group has a treasury policy regulating the levels on these key ratios.

NOTE 22 Trade and Other Payables

Specification of trade and other payables as presented in the statement of financial position

Parent			Group	
2016	2015	MEUR	2016	2015
0.5	0.4	Trade payables	111.0	101.0
57.2	34.7	Short-term group liabilities	0.0	0.0
3.7	2.0	Accrued expenses	51.2	47.6
0.0	0.0	Provisions	10.5	2.7
0.0	1.6	Interest rate swaps (IRS)	0.0	1.6
0.4	0.8	Other short-term liabilities	18.1	12.2
61.8	**39.5**	**Total**	**190.8**	**165.0**

Provisions

2016 MEUR	Warranty reserve	Restructuring and other provisions*	Total
Opening Balance	2.7	0.0	2.7
P&L charge /(credit)	0.1	8.4	8.4
Payments	(0.6)	0.0	(0.6)
Translation effect	0.0	0.0	0.0
Closing Balance	**2.1**	**8.4**	**10.5**

* Includes restructuring provisions (MEUR 6.6) and provisions for loss-making contracts (MEUR 1.7). Included in the restructuring provision is EUR 3.4 million related to the closing of the Norwegian plant in Rollag that was recognized in the third quarter of 2016 as a result of change in management assumptions. Loss-making contracts covering a contract period beyond one year after the balance sheet date are split into a short- and long term component, refer to Note 20.

Maturity structure

2016 MEUR	Provisions	Accrued expenses	IRS & Other short-term liabilities	Trade payables	Total
Repayable 0-3 months after year end	1.6	31.6	5.1	107.1	145.3
Repayable 3-6 months after year end	5.1	3.1	4.1	3.7	16.0
Repayable 6-9 months after year end	1.7	6.3	3.4	0.0	11.4
Repayable 9-12 months after year end	2.1	10.2	5.5	0.2	18.0
Total	**10.5**	**51.2**	**18.1**	**111.0**	**190.8**

NOTE 23 Financial Instruments

Classification, measurement and fair value of financial instruments

		Group – 2016				
MEUR	Notes	Derivatives at fair value through profit and loss*	Loans and receivables at amortized cost	Financial liabilities at amortized cost	Non-financial assets and liabilitites	Total
Trade and other receivables	15		183.3		19.2	202.5
Cash and cash equivalents			34.6			34.6
Interest-bearing loans and borrowings	19			(238.4)		(238.4)
Bank overdraft				(0.0)		(0.0)
Other current interest-bearing liabilities	19			(0.0)		(0.0)
Trade and other payables	15, 22	0.7		(162.9)	(28.6)	(190.8)
Total		**0.7**	**217.8**	**(401.3)**	**(9.4)**	**(192.2)**
Fair value		0.7	217.8	(403.0)	(9.4)	(193.8)
Unrecognized gain/ (loss)*		-	-	(1.7)	-	(1.7)

* Unrecognized loss on financial instruments is related to capitalization of arrangement fees. As of 31.12.2016 currency forwards were the only types of derivative instrument held by the Group. The derivatives are valued based on a level 2 valuation. There were no transfers between levels in the period.

		Group – 2015				
MEUR	Notes	Derivatives at fair value through profit and loss*	Loans and receivables at amortized cost	Financial liabilities at amortized cost	Non-financial assets and liabilitites	Total
Trade and other receivables	15		165.0		19.0	184.0
Cash and cash equivalents			39.9			39.9
Interest-bearing loans and borrowings	19			(253.9)		(253.9)
Bank overdraft				-		-
Other current interest-bearing liabilities	19			(0.0)		(0.0)
Trade and other payables	22	(1.6)		(154.5)	(8.9)	(165.0)
Total		**(1.6)**	**204.9**	**(408.4)**	**10.0**	**(195.1)**
Fair value		(1.6)	204.9	(408.4)	10.0	(196.0)
Unrecognized gain/ (loss)*		-	-	(1.0)	-	(1.0)

* Unrecognized loss on financial instruments is related to capitalization of arrangement fees. Interest rate and currency forwards are the only types of derivative instrument held by the Group in 2015. The derivatives are valued based on a level 2 valuation. There were no transfers between levels in the period.

NOTE 24 Remuneration and Fees for Management, Board of Directors and Auditor

Remuneration and fees recognized in the statement of income (KEUR)

	2016	2015
Total remuneration of the Board of Directors	203.6	229.0
Gross base salary to the CEO*	675.2	430.2
Bonus to the CEO (short term incentive)**	32.9	56.2
CEO's option gains (long term incentive)**	364.4	0.0
Pension costs to the CEO***	46.2	31.1
Other remuneration to the CEO****	426.9	15.6
Management salaries other than to the CEO	2,350.5	1,799.4
Bonus, option gains, and other remuneration of management other than the CEO	1,065.1	433.2
Pension costs of management other than the CEO	257.3	204.1
Total	**5,422.1**	**3,198.9**

The below clarifications apply only to the 2016 figures:

* Change of CEO 10.06.2016. Previous CEO KEUR 402.9. New CEO KEUR 272.3.

** Previous CEO.

*** Previous CEO KEUR 33.7. New CEO KEUR 12.5.

**** Previous CEO KEUR 227.8 (termination payment and a car allowance of KEUR 14.2).

**** New CEO KEUR 199.1, of which KEUR 160.4 was a sign-on-bonus and KEUR 38.7 in moving related costs to the new headquarters.

Specification of remuneration to Board of Directors (KEUR)

Name	Position	Compensation committee	Audit committee	BOD fees	Total 2016	2015
Bruce E. Taylor	Chair	3.0		32.3	35.3	0.0
Henning E. Jensen	Chair	1.1		9.5	10.5	0.0
Ulla-Britt Fräjdin-Hellqvist	Chair	1.3		12.1	13.5	55.8
Ellen M. Hanetho	Board member		4.8	21.0	25.8	0.0
Halvor Stenstadvold	Board member		1.6	7.0	8.6	35.7
Magnus Jonsson	Board member	0.9		7.0	7.9	32.9
Malin Persson	Board member	2.8	1.6	28.0	32.4	32.4
Thomas Falck	Board member		8.6	28.0	36.6	38.0
Jon-Ivar Jørnby	Employee representative			9.7	9.7	5.0
Kari Brænden Aaslund	Employee representative			9.7	9.7	5.0
Kjell Kristiansen	Employee representative	3.8		9.7	13.5	14.0
Other (replaced board member)				0.0	0.0	10.1
Total - Board of Directors		**12.9**	**16.7**	**173.9**	**203.6**	**229.0**

Specification of remuneration to nomination committee (KEUR)

Name	Position	2016	2015
Tor Himberg-Larsen	Committee chairman	22.1	10.1
Hans Trogen	Committee member	12.4	5.0
Heidi Finskas	Committee member	9.7	4.5
Total - Nomination Committee		**44.1**	**19.5**

Specification of remuneration to Management other than CEO (KEUR)

2016

Name	Position	Until/from	Base salary	Bonus	Options*	Pension	Other	Total
Trond Stabekk	EVP, CFO	Until 31.08.2016	187.7		198.3	22.8	8.6	417.4
Martin B. Hogganvik**	Interim CFO	From 15.08.2016	138.7	6.6		6.6	3.8	155.7
Helga Bollmann Leknes	EVP, HR & Comm		181.2	35.0		18.3	5.4	239.9
Lovisa Söderholm	EVP, Purchase		179.6	25.0		51.4		256.1
Matthias Vogel	EVP, QA, HSE & CR		181.5	13.0	65.7	7.5	15.1	282.8
Jon Munthe	General Counsel		171.3	35.0		20.3	6.3	232.9
Geert Quaegebeur	EVP, P&C	From 01.10.2016	86.0				81.3	167.3
Scott Paquette	EVP, DCS		294.7	25.3	109.6	4.7	10.8	445.2
Joachim Magnusson	EVP, DS	Until 31.05.2016	99.1		125.6	12.1		236.7
Jonathan Day	EVP, FTS and DS		283.3	29.8	126.6	5.2	10.8	455.8
David Redfearn**	EVP, FTS	From 01.04.2016	175.5	50.0		42.5	2.1	270.1
Anders Nyström	EVP, ICS		224.0	35.0		51.1		310.1
Philippe Toth	EVP, BD & IR		147.8	10.3	24.7	14.7	5.4	203.0
Total – Management other than CEO			**2,350.5**	**265.1**	**650.5**	**257.3**	**149.6**	**3,673.0**

* Net proceeds from exercise financial year 2016.

** Total amount 2016, including months in previous position, before promotion.

2015

Name	Position	Base salary	Bonus	Options	Pension	Other	Total
Trond Stabekk	EVP, CFO	283.7	36.9		31.1	13.4	365.1
Jarle Nymoen	EVP, Human Resources	198.3	23.2	24.0	22.9	13.4	281.8
Lovisa Söderholm	EVP, Purchase	173.2	20.3		43.7		237.2
Scott Paquette	EVP, Driver Control	287.7	72.1	6.8	6.0	10.8	383.4
Joachim Magnusson	EVP, Driveline	235.2	17.9	6.8	38.6		298.4
Jonathan Day	EVP, Fluid Transfer	262.4	62.2		6.6	10.8	342.1
Anders Nyström	EVP, Interior	219.4	45.2	48.1	44.5		357.1
Philippe Toth	SVP, Business Development & IR	139.6	14.5		10.8	6.7	171.6
Total – Management other than CEO		**1,799.4**	**292.4**	**85.7**	**204.1**	**55.2**	**2,436.8**

The Management Group participates in a bonus scheme (short term incentive). Details on the STI in Note 26. Target bonus for management is 45% or 50% of base salary.

Max bonus is 69.3% of base salary for Group Management and 77.0% of base salary for the CEO. Average bonus last five years for the CEO is 30% of base salary.

A total of MEUR 1.8 is accrued for bonus earned in 2016 (2015: MEUR 2.7). Bonus eligible employees are approximately 250. The accrual includes social security costs.

Outstanding number of share options granted to management

Issued in	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2009**	**2008**
Strike price, NOK	**6.20**	**5.90**	**5.80**	**1.50**	**2.00**	**4.50**	**3.00**	**20.00**
Expiry year	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2019**	**2018**
Henning E. Jensen	180,753							
Hans Peter Havdal		108,333	216,666					157,465
Martin B. Hogganvik	30,000	30,000	30,000	10,000				
Helga Bollmann Leknes	100,000							
Lovisa Söderholm	125,000	125,000						
Matthias Vogel	97,400	100,000	100,000					
Jon Munthe	50,000	50,000		33,334	15,000			
Geert Quaegebeur								
Scott Paquette	125,000	125,000	125,000			117,000	102,029	13,012
Jonathan Day	125,000	125,000	125,000					24,072
David Redfearn	125,000	50,000	50,000	33,334	13,334			12,361
Anders Nyström	125,000	125,000	125,000	125,000				
Philippe Toth	125,000	125,000	50,000					1,781
Total options	**1,208,153**	**963,333**	**821,666**	**201,668**	**28,334**	**117,000**	**102,029**	**208,691**

For more details about the share option plan see Note 16.

Specification of fees paid to the auditors

KEUR	**2016**	**2015**
Statutory audit services to the Parent company (Deloitte)	68.3	50.1
Statutory audit services to subsidiaries (Deloitte)	469.2	496.1
Statutory audit services to subsidiaries (Other)	103.1	118.4
Further assurance services (Other)	29.4	31.9
Other non-audit services (Other)	26.3	27.9
Total	**696.2**	**724.3**

NOTE 25 Shares Owned by Management and Board of Directors as at 31.12.16

Board of Directors		**No of shares**
Bruce E. Taylor	Chairman	126,791
Ellen M. Hanetho	Board member	0
Malin Persson	Board member	10,000
Thomas Falck	Board member	1,000,000
Jon-Ivar Jørnby	Employee representative	0
Kari Brænden Aaslund	Employee representative	0
Kjell Kristiansen	Employee representative	0
Total number of shares		**1,136,791**

Executive Committee		No of shares
Henning E. Jensen	CEO & President	147,500
Martin B. Hogganvik	Interim CFO	10,000
Helga Bollmann Leknes	EVP, Human Resources & Comm	10,250
Lovisa Söderholm	EVP, Purchase	37,500
Matthias Vogel	EVP, QA, HSE & CR	47,900
Jon Munthe	General Counsel	24,582
Geert Quaegebeur	EVP, Powertrain & Chassis	0
Scott Paquette	EVP, Driver Control	90,800
Jonathan Day	EVP, Fluid Transfer and Driveline	139,250
David Redfearn	EVP, Fluid Transfer	39,265
Anders Nyström	EVP, Interior	65,000
Philippe Toth	EVP, Business Development & IR	48,680
Total number of shares		**660,727**

NOTE 26 Statement of Remuneration of Management

Principles for Executive remuneration.

Remuneration governance

The Board has appointed a Compensation Committee that is headed by the Chair of the Board. The Compensation Committee monitors decisions on matters regarding remuneration and terms for executives.

The CEO's remuneration package, and any adjustments thereof, are first reviewed by the Compensation Committee and then approved by the Board. The Board of Directors considers annually the compensation of the CEO. The remuneration packages for the other executives, including adjustments of these, are agreed between the CEO and the respective manager.

Principles for base salary

The fixed salary should reflect the individual's area of responsibility and performance over time. Kongsberg Automotive offers base salary levels which are competitive, but not market leading in the market in which we operate. Salaries are regularly benchmarked versus salary statistics provided by a global 3rd party human resource and related financial services consulting firm.

Variable compensation and incentive schemes

Kongsberg Automotive's short term incentive (STI):

The Annual Bonus Scheme (ABS) is a short term incentive with a timeframe of one year. The ABS is a worldwide incentive program designed to motivate, recognize and reward eligible employees for the contributions they make towards meeting KA's financial and business targets, as well as personal targets. The objectives of the program are to (i) clearly communicate to KA employees both KA's targets and employees' individual targets, (ii) communicate to KA employees how bonus payment is linked to KA performance and individual performance, (iii) drive the KA organization's ability to meet or exceed KA's performance targets, and (iv) improve KA's ability to attract, retain and motivate employees.

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Executives receive variable salaries based on Return on capital employed (ROCE), year over year revenue growth , business wins and business performance. Business performance is business targets for a unit, or as an individual. The business targets may reflect defined KPIs related to QA, HSE, CSR, financial performance, and so on. ROCE, year over year revenue growth, and business wins are measured at both Group and Business Area (BA) level.

Target bonus for the CEO is 50% of gross base salary. Max bonus is 77% of gross base salary. Average bonus last five years for the CEO is 30% of gross base salary.

The performance goals for the CEO and Group are proposed by the Chair of the Board and approved by the Board. Goals for the other senior executives are determined by the CEO and reviewed by the Compensation Committee.

Kongsberg Automotive's long term incentive (LTI):

The Board of Directors has established share option programmes for leading employees that have been approved by shareholders in the Annual General Meeting. It is the company's judgement that it is positive for long-term value creation in the group that leading employees hold shares and share options in Kongsberg Automotive. The intention of this plan is to (i) attract and retain employees whose service is important to the Company's success, (ii) motivate such employees to achieve long-term goals of the Company, (iii) provide incentive compensation opportunities to such employees which are competitive with those of other companies, and (iv) encourage such employees to own common shares of the Parent Company and thereby share a common financial interest with the other shareholders of the Company.

- The Board of Directors can offer share options to leading employees when shareholders have given authority to run options programmes:
- The exercise price of the options shall be the average trading price of the KOA shares the first 10 days after presentation of the 4th quarter results.
- Options granted can be exercised at the earliest after 3 years. The exercise period shall typically be 4 years.
- Minimum profit per share option to be eligible to exercise an option is NOK 1,-.
- Any calendar year, each optionee's aggregated gross profit from exercise of options under all share option programs shall not exceed 3 years' gross base salary.
- To be granted options and to maintain options, the employee must at any time hold a number of KOA shares at least equivalent to 10% of the number of options.
- Principally, if an employee leaves the company, outstanding options which were not exercisable on the date of termination of employment will be forfeited.

Principles for benefits

In addition to fixed and variable salary, other benefits such as health insurance, newspaper, internet and telephone might be provided. The total value of these benefits should be modest and only account for a limited part of the total remuneration package.

Principles for company car and car allowance shall be allowed to vary in accordance with local conditions.

Pension:

Executives participate in the same pension plans as other employees within the unit in which they are employed.

Employees in the Norwegian entity participate in a defined contribution pension plan. The annual accrual is 4% of the annual base salary from 1- 6 G, 8% from 6 -12 G and 18% from 12-24 G (G is the base amount of Norwegian Social Security). The Top Hat (12-24 G) is non-secured and unfunded.

Severance pay

CEO's agreed period of notice is 6 months. The CEO has 12 months severance pay (base salary). The employee is not entitled to redundancy payment in the event he himself terminates the employment. At the year-end no other Executives had any agreement for redundancy payment. The notice period for the rest of the management is 6 months.

NOTE 27 Commitments and Guarantees

Commitments

Operating leases: The Group is party to lease agreements classified as operating lease. The total group cost for operating leases was MEUR 5.1 in 2016 (2015: 5.5). Operating leases includes lease contracts for office and production buildings, forklifts, and office equipment. Below is the maturity schedule for operational leases in the Group:

MEUR	2017	2018	2019	2020	2021	Thereafter	Total
Operational lease commitments	(5.7)	(5.5)	(5.4)	(5.1)	(2.5)	(3.5)	(27.7)

Guarantees

Kongsberg Automotive ASA (Parent company):

Some subsidiaries require a financial support guarantee from Parent to satisfy the Going concern assumption. The Parent company has also issued guarantees towards suppliers on behalf of subsidiaries. The maximum potential exposure is approximately EUR 16 million.

Kongsberg Automotive Group:

No material guarantees have been issued to or on behalf of entities outside the Group with the exception of Parent company guarantees described above.

NOTE 28 Contingent Liabilities

Contingent liabilities

The following in an overview of current material disputes involving either the Parent company Kongsberg Automotive ASA or its subsidiaries:

Kenneth Tolman et al v BRP USA et al

Kongsberg, Inc. is named in a case arising out of an accident where a vehicle designed and manufactured by Bombardier Recreational Products (“BRP”), “the Can-Am Spyder”, has been involved and where the driver died and a young passenger suffered personal injuries. The claimant has alleged that the design of the vehicle in several respects, including the steering, was defective. The Dynamic Steering Unit for the Can-Am Spyder was supplied by Kongsberg Inc. to BRP. Kongsberg, Inc. believes that this claim is covered by its insurance.

Bombardier Recreational Products Inc. v. Kongsberg Inc. (Canada)

In addition to the direct claim in the Tolman case, BRP has claimed that Kongsberg Inc. is obligated to indemnify BRP from the above claims as it follows from BRP’s purchasing conditions that Kongsberg Inc. as a supplier shall indemnify BRP from product liability claims. BRP has also indicated that it may pursue indemnity from Kongsberg, Inc. in two additional Can Am Spyder product liability cases, both of which have been settled by BRP for undisclosed amounts. Kongsberg, Inc. believes that these claims are covered by its insurance.

Potential Claim Republic Services Inc. of Phoenix, AZ v. Kongsberg Actuation Systems II, Inc. (not yet filed)

Kongsberg Actuation Systems II, Inc. has been informed of a potential lawsuit arising out of an incident in which a garbage truck owned by Republic Services of New Jersey (”Republic”) exploded and caught fire, injuring one person and causing property damage to buildings and vehicles. Republic alleges that the cause of the fire was a rupture in the stainless steel braided CNG fuel line manufactured by Kongsberg Actuation Systems II, Inc. (“KAS”). KAS has not yet confirmed that it provided the CNG fuel line in question nor has the cause of the rupture been determined. KAS believes this claim is covered by its insurance.

NOTE 29 Subsequent events

Disposal of headrest and armrest buisiness in North America Shortly after year-end, a purchase agreement was signed for the North American Headrest and Armrest business held for sale as of 31.12.2016. The sale concludes the board's decision to exit this business, creating a more focused business.

Loan agreement

After year-end the Group exercised an option to extend the termination date of the revolving credit facility by one year, from 01.03.2019 to 01.03.2020. The available facility will be slightly reduced in the extention period.

NOTE 30 Related-party Transactions

Kongsberg Automotive group is listed on Oslo Stock Exchange. The Group's ultimate parent is Kongsberg Automotive ASA.

The Group has no material transactions with related parties. The parent company has carried out the following transactions with related parties:

Key management- and BOD compensation

See Note 24 – includes remuneration for management and Board of Directors.

Specification of revenues – type of services

		Parent	
Type of services	**MEUR**	**2016**	**2015**
Group benefits fee from subsidiaries* . .		16.2	28.1
Information Systems & Technology		11.5	10.2
Other		6.6	4.7
Operating revenues		**34.2**	**43.0**

* Group Benefit Fee is composed of access rights to various intangible properties owned by Kongsberg Automotive ASA, and value added services. These services are made available by drawing on the Group's resources, as well as on those available from 3rd parties.

Specification of revenues – revenues by geographical location

		Parent	
Revenues by geographical location	**MEUR**	**2016**	**2015**
Norway		4.6	5.4
USA		5.1	7.3
Sweden		3.3	4.0
China		2.3	3.6
Mexico		5.4	6.8
Other countries		13.4	15.8
Total		**34.2**	**43.0**

Outstanding loans and receivables with other group companies

		Parent Non-current assets	
Loans to other group companies	**MEUR**	**2016**	**2015**
Kongsberg Automotive SP. z.o.o		12.6	4.0
Kongsberg Automotive Hong Kong Ltd		0.0	5.8
Kongsberg Automotive Holding 2 AS		393.3	388.2
Kongsberg Automotive s.r.o.		10.0	4.0
Kongsberg Actuation Systems SL		10.5	11.1
Other group companies		6.8	3.8
Total		**433.2**	**416.9**

The majority of the parent company's loans to group companies have due dates exceeding 1 year.
The interest rate on loans to group companies consist of the reference rate in the respective currency plus a margin. Margin on new intercompany loans are determined according to Moody's rating methodology.

		Parent Current assets	
Short term Group receivables	**MEUR**	**2016**	**2015**
Kongsberg Actuation Systems SL		0.2	0.2
Kongsberg Automotive s.r.o		0.2	0.1
Kongsberg Automotive Ltd (Hong Kong)		9.8	7.3
Kongsberg Automotive (Shanghai) Co Ltd. . . .		0.4	0.4
Kongsberg Automotive Inc.		2.8	13.6
Kongsberg Automotive Holding 2 AS		10.9	0.0
Kongsberg Automotive AS		9.5	9.6
Kongsberg Automotive (Wuxi) Ltd.		4.7	3.0
Other group companies		0.3	1.3
Total		**38.9**	**35.4**

Outstanding liabilities with other group companies

		Parent Current liabilities	
Liabilities with other group companies	**MEUR**	**2016**	**2015**
Cash pool overdraft 1)		40.1	12.3
Trade and other payables group companies 2)		57.2	34.7
Total		**97.3**	**47.0**

1) Net position of the parent company in the group cash pool.
2) Mainly Group contribution to Kongsberg Automotive Holding 2 AS (53,1 MEUR).

Current assets and - liabilities have due dates within one year. The outstanding accounts are repayable on demand based on available liquidity in the respective subsidiary.

NOTE 31 Restatement

Until the second quarter of 2016 a commercial currency exposure was wrongly recognized as a financial items within the Driveline business area. The error has been corrected and reclassified from financial items to revenues. Though impacting revenues and operating profits, the reclassification does not impact net profit.

Group			
			2015
MEUR	**Reported**	**Correction**	**Restated**
Revenues	1020.1	(4.1)	1016.0
Opex	(917.5)		(917.5)
EBITDA	102.6	(4.1)	98.5
EBITDA%	10.1		9.7
Depreciation and amortization/impairment	(66.1)		(66.1)
EBIT	36.5	(4.1)	32.4
EBIT%	3.6		3.2
Net financial items	(32.8)	4.1	(28.7)
Profit before taxes	3.7		3.7

Driveline

MEUR	2015 Reported	 Correction	 Restated
Revenues	253.9	(4.1)	249.8
Opex	(240.7)		(240.7)
EBITDA	13.2	(4.1)	9.1
EBITDA%	5.2		3.6
Depreciation and amortization/impairment	(11.0)		(11.0)
EBIT	2.2	(4.1)	(1.9)
EBIT%	0.9		-0.8

Declaration to the Annual Report 2016

Responsibility Statement

The Chief Executive Officer and the Board of directors confirm, to the best of our knowledge, that the financial statements for the period January 1 to December 31, 2016 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the Company's and the Group's assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risk and uncertainties facing the entity and the group.

Kongsberg, February 27, 2017
The Board of Directors and President & CEO of Kongsberg Automotive ASA

Bruce E. Taylor
Chairman
(Sign.)

Ellen M. Hanetho
Board member
(Sign.)

Thomas Falck
Board member
(Sign.)

Malin Persson
Board member
(Sign.)

Kari Brænden Aaslund
Employee representative
(Sign.)

Kjell Kristiansen
Employee representative
(Sign.)

Jon-Ivar Jørnby
Employee representative
(Sign.)

Henning E. Jensen
President and CEO
(Sign.)

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To the General Meeting of Kongsberg Automotive ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kongsberg Automotive ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the statement of financial position as at 31 December 2016, and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the statement of financial position as at 31 December 2016 and statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit are:

- Carrying value of goodwill
- Accounting for taxation

Carrying value of goodwill

Key audit matter	**How the matter was addressed in the audit**
Refer to note 12 to the Group financial statements for description of management's impairment testing process and key assumptions. Management has identified its reportable segments, Driveline, Interior, Fluid Transfer, and Driver Control as Cash Generating Units (CGUs) for the purpose of testing for impairment. As disclosed in note 12 the carrying value of goodwill amounted to EUR 155.0 million at 31 December 2016. Management's annual impairment testing is based on the Group's strategic three-year plan, adjusted for relevant recent changes in internal short-term forecasts and market data. Due to the inherent uncertainty involved in the forecasting and discounting of future cash flows, which are the basis of the assessment of recoverability, this is one of key judgemental areas that our audit is concentrated on. Management's 2016 year end testing did not identify any impairment charge. However, as disclosed in note 12, are the recoverable values for the Driveline and Driver Control segments sensitive as historical performance need to be improved. Given the uncertainty associated with the valuation of the recoverable amounts, transparent disclosures and clarity of sensitivities to key assumptions are critical to help inform readers how management has made their assessment. Due to the level of complexity in assessing the appropriate accounting for impairment and the level of management judgement involved, this has been identified as a key audit matter.	We challenged management's assumptions used in its impairment model for assessing the recoverability of the carrying value of goodwill. We focused on the appropriateness of CGU identification, methodology applied to estimate recoverable values, discount rates and forecast cash flows. Specifically: • We tested the methodology applied to estimate recoverable values as compared to the requirements of IAS 36, Impairment of assets; • We tested the mathematical accuracy of management's impairment model; • We obtained an understanding of and assessed the basis for the key assumptions for the Group's three year strategic plan; • We challenged management's cash flow forecasting included in the three year plan and the implied growth rate beyond by considering evidence available to support these assumptions and by performing sensitivity analysis; • We assessed the discount rate applied by benchmarking against independent data. We used Deloitte valuation specialists in our audit of the carrying value of goodwill. We considered the appropriateness of the related disclosures provided in note 12.

Accounting for taxation

Key audit matter	How the matter was addressed in the audit
The Group has operations in a number of geographical areas and as such is subject to multiple tax jurisdictions, giving rise to complexity in accounting for the Group's taxation. As disclosed in note 11, the Group recognized in 2016 an impairment of deferred tax assets of EUR 9.0 million and did not recognize as tax asset current year tax losses of EUR 2.8 million Historical tax losses give rise to judgement in determining the appropriate recognition of deferred tax assets. Due to the level of complexity in assessing the appropriate accounting for taxes and the level of management's judgement required to determine the appropriate recognition of tax assets related to tax loss carry forwards, this has been identified as a key audit matter.	Our audit work, which involved Deloitte taxation specialists within specific jurisdictions where local tax knowledge was required, included the assessment of taxation assets and liabilities, with particular consideration and challenge given to management's judgements in relation to the recognition of deferred tax assets. Our assessment included the review of applicable third-party evidence and correspondence with tax authorities. In relation to deferred tax assets, we challenged the appropriateness of management's judgements of the availability of future appropriate taxable profits in assessing whether to recognise deferred tax assets. We have considered the adequacy of the tax disclosures provided in note 11.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the President & CEO for the Financial Statements

The Board of Directors and the President & CEO (management) are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information,* it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 27 February 2017
Deloitte AS

Ingebret G. Hisdal
State Authorised Public Accountant

Audited consolidated financial statements of Kongsberg Automotive ASA as of and for the year ended December 31, 2015

> Statement of Comprehensive Income

Parent				Group	
31.12.15	31.12.14	MEUR	Note	31.12.15	31.12.14
43.0	**41.3**	**Operating revenues**		**1,020.1**	**979.1**
		Operating expenses	7,29		
0.0	0.0	Raw material expenses		(444.6)	(430.6)
0.0	0.0	Change in inventories		3.7	(0.5)
(5.9)	(6.8)	Salaries and social expenses	8	(292.5)	(272.9)
(57.3)	(32.8)	Other operating expenses	9	(184.2)	(178.1)
(0.0)	(0.0)	Depreciation	13	(29.6)	(28.6)
(0.3)	(0.3)	Amortization / Impairment	12	(36.5)	(13.5)
(63.6)	**(39.8)**	**Total operating expenses**		**(983.6)**	**(924.2)**
(20.6)	**1.4**	**Operating (loss) / profit**		**36.5**	**54.8**
		Financial items			
73.9	65.7	Financial income	10	1.1	0.2
(16.8)	(13.8)	Financial expenses	10	(33.9)	(36.1)
57.1	**52.0**	**Net financial items**		**(32.8)**	**(35.9)**
36.5	**53.4**	**(Loss) / profit before income tax**		**3.7**	**18.9**
(16.3)	(12.9)	Income tax	11	(12.0)	(13.5)
20.3	**40.4**	**(Loss) / profit for the year**		**(8.3)**	**5.4**
		Other comprehensive income (Items that may be reclassified to profit or loss in subsequent periods):			
(20.0)	(24.7)	Translation differences		25.6	27.9
0.0	0.0	Tax on translation differences		(11.2)	(12.6)
		Other comprehensive income (Items that will not be reclassified to profit or loss in subsequent periods):			
(0.0)	(0.0)	Remeasurement of the net PBO.		0.2	(2.7)
0.0	0.0	Tax on remeasurement of the net PBO		(0.1)	0.8
(20.0)	**(24.7)**	**Other comprehensive income**		**14.5**	**13.4**
0.2	**15.7**	**Total comprehensive income for the year**		**6.2**	**18.8**
		Profit attributable to:			
20.3	40.4	Equity holders (parent company)		(8.4)	5.1
0.0	0.0	Non-controlling interests		0.0	0.3
20.3	**40.4**	**Total**		**(8.3)**	**5.4**
		Total comprehensive income attributable to:			
0.2	15.7	Equity holders (parent company)		6.2	18.6
0.0	0.0	Non-controlling interests		0.0	0.3
0.2	**15.7**	**Total**		**6.2**	**18.8**
		Earnings per share:			
		Basic earnings per share, Euros	17	(0.02)	0.01
		Diluted earnings per share, Euros	17	(0.02)	0.01

> Statement of Cash Flows

Parent				Group	
31.12.15	31.12.14	MEUR	Note	31.12.15	31.12.14
		Operating activities			
36.5	53.4	(Loss) / profit before taxes		3.7	18.9
0.0	0.0	Depreciation	13	29.6	28.6
0.3	0.3	Amortization / Impairment	12	36.5	13.5
(23.2)	(21.5)	Interest income	10	(0.1)	(0.2)
7.9	12.2	Interest expenses	10	8.2	11.9
(0.7)	(0.6)	Taxes paid	11	(11.2)	(9.1)
0.0	0.0	(Gain) / loss on sale of non-current assets	12,13	0.0	0.0
2.4	13.7	Changes in trade receivables	15	(4.5)	(3.7)
0.0	0.0	Changes in inventory	14	(3.7)	0.5
(20.8)	(1.6)	Changes in trade payables	20	1.9	(1.3)
(29.7)	(31.7)	Currency differences over P/L	10	22.4	20.6
(1.5)	(0.5)	Changes in value of financial derivatives	10	(1.0)	0.2
(19.5)	(12.1)	Dividends received		0.0	0.0
49.4	(3.3)	Changes in other items[1]	10	(8.2)	6.0
1.2	**8.3**	**Cash flow from operating activities**		**73.5**	**86.1**
		Investing activities			
(0.2)	(0.6)	Capital expenditures, including intangible assets	12,13	(43.9)	(36.1)
0.0	0.0	Proceeds from sale of fixed assets	12,13	0.1	0.1
(23.0)	(18.9)	Issue of new group loans		0.0	0.0
8.9	23.2	Repayment of group loans		0.0	0.0
0.0	(2.3)	Investment in subsidiaries	6,7	0.0	(0.4)
0.0	21.5	Interest received		0.1	0.2
23.2	12.1	Dividends received		0.0	0.0
9.2	0.0	Proceeds from sale of subsidiaries		0.3	0.0
18.0	**34.9**	**Cash flow from investing activities**		**(43.5)**	**(36.2)**
		Financing activities			
(2.6)	1.9	Proceeds from sale/purchase of treasury shares[2]		(2.6)	1.9
(13.6)	(36.7)	Repayment of external loans[3]	19	(13.6)	(36.7)
(0.2)	0.0	Repayment of group loans		0.0	0.0
(8.3)	(13.1)	Interest paid		(8.5)	(12.8)
0.0	0.0	Dividends paid[4]		(0.4)	0.0
(1.3)	(0.1)	Other financial charges		(1.3)	(2.4)
(25.9)	(47.9)	**Cash flow from financing activities**		**(26.3)**	**(49.9)**
1.0	**(0.2)**	**Currency effects on cash**		**1.5**	**2.0**
(3.7)	(7.9)	Net change in cash		5.2	1.9
(0.3)	7.6	Net cash at 1st January[5]		34.6	32.7
(4.0)	**(0.3)**	**Net cash at 31 December**		**39.9**	**34.6**
0.0	0.2	Of this, restricted cash		0.3	1.0

[1] Parent company includes write down of loan, receivables, and shares in subsidiary

[2] Comprises the net purchase of treasury shares (see "Statement of Changes in Equity")

[3] 2015 refinancing presented net

[4] Comprises dividend paid from Shanghai Kongsberg Automotive Dong Feng Morse Co. Ltd (China) to external shareholders (see "Statement of Changes in Equity")

[5] Comprises the net amount of bank deposits, cash and bank overdraft

> Statement of Financial Position

Parent 31.12.15	Parent 31.12.14	MEUR	Note	Group 31.12.15	Group 31.12.14
		ASSETS			
		Non-current assets			
0.0	0.0	Deferred tax assets	11	41.8	41.8
0.8	1.0	Intangible assets	12	193.5	214.7
0.1	0.1	Property, plant and equipment	13	143.3	128.3
182.3	194.9	Investments in subsidiaries	6	0.0	0.0
416.9	416.8	Loans to subsidiaries and other non-current assets	29	1.1	1.8
600.1	**612.8**	**Total non-current assets**		**379.7**	**386.6**
		Current assets			
0.0	0.0	Inventories	14	80.5	76.8
35.9	23.8	Trade and other receivables	15,29	184.0	172.4
1.4	5.3	Cash and cash equivalents		53.9	53.5
37.3	**29.1**	**Total current assets**		**318.4**	**302.7**
637.5	**641.9**	**Total assets**		**698.1**	**689.2**
		EQUITY AND LIABILITIES			
		Equity			
21.2	22.3	Share capital	16	21.2	22.3
(0.2)	(0.1)	Treasury shares	16	(0.2)	(0.1)
175.6	186.5	Share premium		175.6	186.5
(29.1)	(19.4)	Other reserves		54.0	29.5
141.2	120.9	Retained earnings		(40.2)	(31.8)
308.6	**310.2**	**Attributable to equity holders**		**210.3**	**206.3**
0.0	0.0	Non-controlling interests		3.9	4.0
308.6	**310.2**	**Total equity**		**214.2**	**210.3**
		Non-current liabilities			
23.1	8.8	Deferred tax liabilities	11	30.8	17.5
1.3	1.4	Retirement benefit obligations	18	17.9	18.8
253.4	252.5	Interest-bearing loans and borrowings	19,21	253.9	252.8
277.8	**262.8**	**Total non-current liabilities**		**302.5**	**289.0**
		Current liabilities			
12.3	9.4	Bank overdraft	19	14.0	18.8
0.0	0.0	Other current interest-bearing liabilities	19	0.0	0.0
(0.7)	(0.7)	Current income tax liabilities	11	2.3	6.1
39.5	60.3	Trade and other payables	20,29	165.0	164.9
51.1	**68.9**	**Total current liabilities**		**181.3**	**189.9**
328.9	**331.7**	**Total liabilities**		**483.9**	**478.9**
637.5	**641.9**	**Total equity and liabilities**		**698.1**	**689.2**

The Board of Directors of Kongsberg Automotive ASA
Kongsberg, February 11, 2016

Ulla-Britt Fräjdin-Hellqvist
Chairwoman (Sign.)

Halvor Stenstadvold
(Sign.)

Malin Persson
(Sign.)

Thomas Falck
(Sign.)

Magnus Jonsson
(Sign.)

Kari Brænden Aaslund
(Sign.)

Kjell A. Kristiansen
(Sign.)

Jon Ivar Jørnby
(Sign.)

Hans Peter Havdal
President and CEO (Sign.)

> Statement of Changes in Equity

Group MEUR	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interest	Total equity
Equity 01.01.14	**24.3**	**(0.4)**	**201.2**	**(1.2)**	**(37.0)**	**186.9**	**2.8**	**189.6**
Sale of treasury shares		0.2		1.6		1.9		1.9
Value of share options charged to income statement				0.4		0.4		0.4
Changes in non-controlling interests				(0.7)		(0.7)	0.3	(0.4)
Other changes in equity								0.0
Total comprehensive income for the year:								
Profit for the year					5.1	5.1	0.3	5.4
Other comprehensive income:								
Translation differences	(2.0)	0.0	(14.7)	43.9		27.3	0.6	27.9
Tax on translation differences				(12.6)		(12.6)		(12.6)
Remeasurement of net defined pension liability				(2.7)		(2.7)		(2.7)
Tax on remeasurement of net pension liability				0.8		0.8		0.8
Equity 31.12.14 / 01.01.15	**22.3**	**(0.1)**	**186.5**	**29.5**	**(31.8)**	**206.3**	**4.0**	**210.3**
Sale/ (purchase) of treasury shares		(0.1)		(2.5)		(2.6)		(2.6)
Value of share options charged to income statement				0.7		0.7		0.7
Transactions with non-controlling interests				(0.4)		0.0	(0.4)	(0.4)
Other changes in equity								0.0
Total comprehensive income for the year:								
Profit for the year					(8.3)	(8.4)	0.0	(8.3)
Other comprehensive income (OCI):								
Translation differences	(1.1)	0.0	(10.9)	37.6		25.3	0.3	25.6
Tax on translation differences				(11.2)		(11.2)		(11.2)
Remeasurement of net defined pension liability				0.2		0.2		0.2
Tax on remeasurement of net pension liability				(0.1)		(0.1)		(0.1)
Equity 31.12.15	**21.2**	**(0.2)**	**175.6**	**54.0**	**(40.2)**	**210.3**	**3.9**	**214.2**

Parent MEUR	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Subtotal	Non-controlling interest	Total equity
Equity 01.01.14	**24.3**	**(0.4)**	**201.2**	**(13.3)**	**80.5**	**292.2**		**292.2**
Sale of treasury shares		0.2		1.6		1.9		1.9
Value of share options charged to income statement				0.4		0.4		0.4
Profit for the year					40.4	40.4		40.4
Other comprehensive income:								
Foreign currency translation	(2.0)	0.0	(14.7)	(8.1)		(24.7)		(24.7)
Remeasurement of net defined pension liability				(0.0)		(0.0)		(0.0)
Tax on remeasurement of net pension liability				0.0		0.0		0.0
Equity 31.12.14 / 01.01.15	**22.3**	**(0.1)**	**186.5**	**(19.4)**	**120.9**	**310.2**		**310.2**
Sale/ (purchase) of treasury shares		(0.1)		(2.5)		(2.6)		(2.6)
Value of share options charged to income statement				0.7		0.7		0.7
Profit for the year					20.3	20.3		20.3
Other comprehensive income:								
Foreign currency translation	(1.1)	0.0	(10.9)	(7.9)		(20.0)		(20.0)
Remeasurement of net defined pension liability				(0.0)		(0.0)		(0.0)
Tax on remeasurement of net pension liability				0.0		0.0		0.0
Equity 31.12.15	**21.2**	**(0.2)**	**175.6**	**(29.2)**	**141.2**	**308.6**		**308.6**

Share capital: par value for shares in issue
Treasury shares: par value for own shares
Share premium: premium over par value for shares in issue
Other reserves: translation differences, premium treasury shares, warrants, share options and OCI
Retained earnings: accumulated retained profits and losses
Non-controlling interests: non-controlling interests' share of equity in group companies

> Notes

NOTE 1 Reporting Entity

Kongsberg Automotive ASA ('the Company') and its subsidiaries (together 'the Group') develop, manufacture and sell products to the automotive industry worldwide. The Company is a limited liability company incorporated and domiciled in Norway.

The address of its registered office is Dyrmyrgata 48, NO-3601 Kongsberg, Norway. The Company is listed on the Oslo Stock Exchange. The Group consolidated financial statements were authorized for issue by the Board of Directors on 11 February 2016.

NOTE 2 Basis of Preparation

Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as endorsed by EU. The Parent company's financial statements are prepared in accordance with simplified IFRS according to the Norwegian accounting act § 3-9. The Parent is following the same accounting policies as of the Group.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3. The Group financial statements are prepared on a going concern basis.

Changes in accounting policy and disclosures

No new and amended standards adopted by the Group for the first time in 2015 have had, or is expected to have a material impact on the Group. See note 5 for new standards not yet adopted.

Functional and presentation currency

These consolidated financial statements are presented in Euro. The Group has entities with functional currencies other than Euros. All financial information presented in Euro has been rounded to the nearest thousand, except when otherwise indicated.

NOTE 3 Critical Accounting Estimates and Judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment testing

Goodwill and other relevant assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. This consists of an analysis to assess whether the

carrying amount of e.g. goodwill is fully recoverable. The determination of recoverable amount involves establishing the Value in use (VIU), measured as the present value of the cash flows expected from the cash-generating unit, to which the goodwill has been allocated. The cash-generating units in KA are the four business areas (Driveline, Interior, Driver Control and Fluid Transfer). The forecasts of future cash flows are based on the Group's best estimates of future revenues and expenses for the cash-generating units to which goodwill has been allocated. A number of assumptions and estimates can have significant effects on these calculations and include parameters such as macroeconomic assumptions, market growth, business volumes, margins and cost effectiveness. Changes to any of these parameters, following changes in the market conditions, competition, strategy or other factors, affect the forecasted cash flows and may result in impairment of goodwill.
See Note 12.

Expected useful lifetime

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The residual values, useful lives and methods of depreciation of property, plant & equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Impairment testing is used when relevant (see above).

Research and development

Significant investments are made towards product improvements and innovation to secure the Group's position in the market. Estimates and judgments used when deciding how the costs should be accounted for (charged to P&L or capitalized) will have a significant effect on P&L and equity. See note 4 and 12 for further information.

Deferred tax asset

Deferred income tax assets are recognized for tax losses carried forward only to the extent that realization of the related benefit is probable. Several subsidiaries have losses carried forward on which they have recognized deferred tax assets. The probability of their realization is determined by applying a professional judgment to forecast cash flows. These cash flows are based on assumptions and estimates and, accordingly, changes to the forecasts may result in changes to deferred tax assets and tax positions. See Note 11 - Taxes.

Actuarial calculations of pension liabilities

The Projected Benefit Pension Obligation (PBO) for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. A number of actuarial and financial parameters are used as bases for these calculations. The most important financial parameter is the discount rate. Other parameters such as assumptions as to salary increases and inflation are determined based on the expected long-term development. The fixing of these parameters at the year end is disclosed in Note 18 - Retirement benefit obligations.

NOTE 4 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Kongsberg Automotive ASA and its subsidiaries as of December 31 each year. The financial statements of subsidiaries are prepared for the same reporting periods as the Parent company, using consistent accounting principles.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Investments in subsidiaries are recorded at cost in the Parent company's separate financial statements.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. For each business combination, the Group elects whether it measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Functional and presentation currency

The Group presents its consolidated financial statements in Euros. The Group has subsidiaries with functional currencies other than Euros. For consolidation the balance sheet amounts for subsidiaries with different functional currencies are translated at the rates applicable at the balance sheet date and the income statements are translated at the average rates for each month of the period. Exchange differences on translation are recognized in OCI.

The presentation currency of the Parent company is Euro, whilst its functional currency is Norwegian kroner. The reason for the use of Euros is to enable all amounts in the published financial statements of both the Group and the Company to be presented in the same currency.

Transactions in foreign currencies are translated at the exchange rate applicable on the transaction date. Exchange gains and losses that arise as a result of changes in the exchange rate between the transaction date and the settlement date are recognized in the income statement as financial income or expenses.

Main exchange rates per 31.12.2015:

> 1 EUR: NOK 9,60300 (end of period)
> 1 USD: NOK 8,82061 (end of period)

Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Executive Committee (led by CEO).

Revenue recognition

Revenue is recognized at the point at which it is probable that future economic benefits will accrue to the Group and then only when the amount can be reliably estimated. Sales revenues are presented net of value added tax and discounts.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed and the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue from other income streams, such as tooling, prototype parts and engineering services is recognized upon notification of formal customer acceptance.

The Parent company has only Group internal revenues. Most of the revenues are Management fees to cover the Groups common expenses.

Intangible assets

Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries is included within intangible assets.

Goodwill arising from the acquisition of a foreign entity is treated as an asset in the foreign entity and is translated at the exchange rate applicable at the balance sheet date.

For the purpose of impairment testing, goodwill is allocated to the relevant cash-generating unit (CGU). The allocation is made to those units that are expected to benefit from the acquisition. The Group allocates goodwill to each operating segment.

Goodwill is stated net of any impairment losses. Impairment is tested annually (or changes in circumstances indicate that it might be impaired). Impairment losses are regarded as permanent in nature and are not reversed.

Research and development costs

Research costs are expensed as incurred. Intangible assets arising from development costs on specific projects are recognized only when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or for sale
- its intention to exercise the right to use or to sell the asset
- how the asset will generate future economic benefits
- the ability of resources to complete the project
- the ability to reliably measure the expenditure incurred

Development costs are amortized over the period of expected future sales of the developed product from the time that deliveries commence. When the sales period is uncertain or is longer than five years, the amortization period limited to five years.

Other intangible assets

Intangible assets are recognized in the balance sheet if it can be proven that there are probable future economic benefits that can be attributed to the assets and if the assets cost price can be reliably estimated. Intangible assets with a finite useful life are amortized and due consideration is given to any need for recognition of impairment losses. Amortization is charged using the straight-line method over the estimated useful life of the asset. The amortization estimate and the method are subject to annual assessment based on the pattern of consumption of future economic benefits.

Customer relationships: Customer relationships acquired are amortized over 10 years. Assessments are performed when acquiring new businesses.

Patents: Patents are amortized over their lifetimes, which generally are between three and 21 years. 75% of the net book value relates to patents with a lifetime of 11 years or more.

Software: Costs associated with maintaining computer software are expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use
- management intends to complete the software product and use or sell it
- it can be demonstrated how the software product will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available
- the expenditure attributable to the software product during its development can be reliably measured

Directly attributable costs that are capitalized as part of the software product include employee costs and an appropriate proportion of relevant overheads. Development expenses that do not meet these criteria are expensed as incurred and are not recognized as an asset in a subsequent accounting period.

Software costs are amortized over their estimated useful lives, which do not exceed three years.

Property, plant & equipment (PP&E)

PP&E are carried at cost less accumulated depreciation and impairment losses. The assets are depreciated over their useful economic lives using the straight-line method.

Cost includes duties, taxes, installation and commissioning costs relating to making the non-current asset available for use. Subsequent costs, such as repair and maintenance costs, are normally expensed when incurred. Whenever increased future economic benefits arising as a result of repair and maintenance work can be proven, such costs are recognized in the Statement of Financial Position sheet as additions to non-current assets. Each part of an item of PPE is depreciated separately.

Straight-line depreciation is calculated at the following rates:

• Land	Not depreciated
• Buildings	3 - 4%
• Production machinery and tooling	10 - 25%
• Computer equipment	33%

Whenever non-current assets are sold or scrapped, the gross carrying amount and the accumulated depreciation are reversed. The gain or loss on disposal or scrapping is recognized in the income statement.

PPE assets are tested annually for impairment. Assets are grouped at cash generating unit levels and are written down to their recoverable amounts if their carrying values are greater than their estimated recoverable amounts.

Inventories

Inventories are measured using the FIFO (First In - First Out) principle and are valued at the lower of cost and net realizable value. Raw materials are valued at purchase price, including freight, forwarding charges and import duties. Work in progress and finished goods include variable production costs and fixed costs allocated on normal capacity. Interest costs are not included. Provision for slow moving and obsolete inventory is deducted.

Financial instruments

The Group classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial assets at initial recognition.

Trade receivables

Trade receivables are carried at original invoice amounts, less an allowance for any uncollectible amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, together with short-term deposits having a maturity of three months or less. Bank overdrafts appear in the Statement of Financial Position within current liabilities.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Repayments of long-term debt due within twelve months of the balance sheet date are shown as current liabilities.

Foreign exchange gain/loss in local books on long-term intercompany loans, that are classified as investments loans, are reversed in P&L on Group level and posted against equity.

Financial derivative instruments

The Group uses financial derivative instruments to reduce risks associated with interest rate risk. These derivatives are not designated as hedging instruments. The derivatives are measured at fair value. Changes in fair value are recognized in the income statement as financial income or expenses, depending upon whether they represent gains or losses. They are disclosed on the line “Changes in value of financial derivatives” within note 10 - Financial Items.

Taxes payable and deferred taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries in which the company’s subsidiaries operate. Management periodically evaluates positions taken in tax returns and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred income tax asset is realized or the deferred income tax liability settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax positions are netted within the same tax entity.

Retirement benefit obligations

The Parent company Kongsberg Automotive ASA and its Norwegian subsidiary Kongsberg Automotive AS have defined benefit and defined contribution pension plans. The plans were changed from defined benefit to defined contribution in 2004. The defined benefit plan was continued for employees who had already retired. The other defined benefit plan still in operation is an early retirement plan for the CEO.

Defined benefit pension plans also exist in two subsidiaries in Germany, subsidiaries in Netherlands and France. The subsidiaries in Sweden, the UK and the USA have defined contribution pension plans for employees.

Defined benefit plans:

The pension assets and liabilities are valued by actuaries each year using a linear accrual formula, which regards the employees’ accrued pension rights during the period as the pension cost for the year. Gains or losses linked to reductions in or terminations of pension plans are recognized in the income statement when they arise. Actuarial gains / losses are recognized in other comprehensive income The pension commitments are calculated on the basis of the net present value of future cash flows. See note 18 for further information on the implementation effects of, and accounting treatment provided in the revised IAS 19 “Employee Benefits”.

Defined contribution plans:

The companies’ contributions to the plans are recognized in the income statement for the year for which the contributions apply.

Multiemployer plan (AFP) – Norway

The former early retirement arrangement in Norway was replaced commencing 01.01.2011. Financing of the early retirement arrangement is now done by an annual fee which represents the final cost for the companies included. All employees in KA ASA and KA AS (subsidiary) are included in the AFP scheme.

Top hat pension – Norway

The defined contribution plans have legislative limitations when it comes to maximum salary as calculation basis for tax deductibility. Employees in KA ASA and KA AS (subsidiary) with salaries that exceed this limit, will be granted an addition to the pension that includes the salary above the maximum limit. This obligation will only materialize if the person is employed in KA at the time of retirement. The calculated obligation is accrued in the Statement of Financial Position as Retirement benefit obligations.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or service provided. Initial recognition is based on historical experience.

Restructuring provisions

Restructuring provisions are recognized only when general recognition criteria for provisions are fulfilled. Additionally, the Group follows a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and appropriate timeline. The employees affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share options

The Group operates a number of equity-settled, share-based compensation plans under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the services the Group has received from employees as a return service for granted options is recognized as an expense. The total amount to be expensed over the contribution time is calculated based on the fair value of the granted options. The Group carries out a re-evaluation of its estimates of the number of options likely to be exercised at each balance sheet date. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Treasury shares

Whenever any Group company purchases the Company's equity share capital as treasury shares the consideration paid, including any directly attributable incremental costs and net of income taxes is deducted from equity attributable to the Company's equity shareholders until the shares are cancelled or re-issued. Where such shares are subsequently reissued any consideration received, net of any directly attributable transaction costs and the related income tax effects, is included in equity attributable to the Company's equity shareholders.

Dividend distribution

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period between dividends are approved by the Company's shareholders and paid.

Leases

Operational lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases (net of any incentives received from the lesser) are charged to the income statement on a straight-line basis over the period of the lease.

Financial lease

The Group leases certain property, plant & equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

NOTE 5 New Standards and Interpretations not yet Adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

NOTE 6 Subsidiaries

Company name	Country of incorporation	Ownership	Companies owned by parent
Kongsberg Automotive Ltda	Brazil	100%	x
Kongsberg Inc	Canada	100%	
Kongsberg Automotive (Shanghai) Co Ltd	China	100%	
Kongsberg Automotive (Wuxi) Ltd	China	100%	x
Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd	China	75%	
Shanghai Lone Star Cable Co Ltd	China	100%	
Kongsberg Automotive SARL	France	100%	x
Kongsberg Driveline Systems SAS	France	100%	
Kongsberg Raufoss Distribution SAS	France	100%	
SCI Immobilière La Clusienne	France	100%	
Kongsberg 1 GmbH	Germany	100%	
Kongsberg Actuation Systems GmbH	Germany	100%	
Kongsberg Automotive GmbH	Germany	100%	x
Kongsberg Driveline Systems GmbH	Germany	100%	
Kongsberg Actuation Systems Ltd	Great Britain	100%	
Kongsberg Automotive Ltd	Great Britain	100%	
Kongsberg Holding Ltd	Great Britain	100%	
CTEX Seat Comfort (Holding) Ltd	Great Britain	100%	x
Kongsberg Power Products Systems Ltd	Great Britain	100%	
Kongsberg Automotive Hong Kong Ltd	Hong Kong	100%	
Kongsberg Interior Systems Kft	Hungary	100%	
Kongsberg Automotive (India) Private Ltd	India	100%	x
Kongsberg Automotive Driveline System India Ltd	India	100%	x
Kongsberg Automotive Ltd	Korea	100%	x
Kongsberg Automotive S. de RL de CV	Mexico	100%	
Kongsberg Driveline Systems S. de RL de CV	Mexico	100%	
Kongsberg Interior Systems S. de RL de CV	Mexico	100%	
Kongsberg Actuation Systems BV	Netherlands	100%	
Kongsberg Automotive AS	Norway	100%	x
Kongsberg Automotive Holding 2 AS	Norway	100%	x
Kongsberg Automotive Sp. z.o.o	Poland	100%	x
Kongsberg Automotive s.r.o	Slovakia	100%	
Kongsberg Actuation Systems SL	Spain	100%	
Kongsberg Automotive AB	Sweden	100%	x
Kongsberg Power Products Systems AB	Sweden	100%	
e-Power Nordic AB	Sweden	100%	
Kongsberg Driveline Systems I Inc.	USA	100%	
Kongsberg Actuation Systems II Inc.	USA	100%	
Kongsberg Holding III Inc.	USA	100%	
Kongsberg Interior Systems II Inc.	USA	100%	
Kongsberg Automotive Inc.	USA	100%	
Kongsberg Power Products Systems I Inc.	USA	100%	
Kongsberg Automotive Japan KK	Japan	100%	x

NOTE 7 Segment Information

Operating Segments

The Group has four reportable segments, which are the strategic business units: Driveline, Interior, Driver Control and Fluid Transfer. The strategic business areas (segments) offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group's risks and rates of return are affected predominantly by differences in the products manufactured. The four segments have different risk profiles in the short-term perspective, but over a long-term perspective the profiles are considered to be the same. The Group's Executive Committee (led by CEO) reviews the internal management reports from all strategic business areas on a monthly basis.

Information regarding the results of each reportable segment is included below. Performance is measured on EBITDA and EBIT as included in the internal management reports issued on a monthly basis. Segment EBIT is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments (also relative to other entities that operate within these industries).

Sales transactions and cost allocations between the business units are based on the arms' length principle. The results for each segment and the capital allocation elements comprise both items that are directly related to and recorded within the segment, as well as items that are allocated based on reasonable allocation keys.

The following summary describes the operations of each of the Group's reportable segments:

Fluid Transfer

Fluid Transfer designs and manufactures fluid handling systems for both the automotive and commercial vehicle sectors, as well as coupling systems for compressed air circuits on heavy trucks. Fluid provides completely engineered flexible fluid assemblies for all market segments in which it operates, it has also specialized in manufacturing tube and hose assemblies for difficult environments.

Driver Control

Driver Control is a global leader in the development, design and manufacturing of operator control systems for commercial, industrial, agricultural, construction and power sports vehicles offering a robust product portfolio of clutch actuation systems, gearshift systems, vehicle dynamics, steering columns, pedal systems and electronic displays.

Driveline

Driveline is a global Tier 1 supplier of gear shifter systems for the passenger car market. The portfolio contains innovative shift by wire solutions primary used by premium cars as well as mechanical systems for both manual and automatic transmission for mid segment cars.

Interior

Interior is a global leader in the development, design and manufacture of seat comfort systems and mechanical and electro-mechanical light-duty motion controls to Tier 1 and OEM customers. The product range includes; seat adjuster cables and other cabling systems, lumbar support and side bolsters, seat heating, ventilation and massage systems, arm rests and head restraints.

Operating Segments – Financials

2015			Driver	Fluid	Eliminations	
MEUR	Driveline	Interior	Control	Transfer	& other*	Group
Operating revenues	253.9	330.1	256.1	215.0	(35.0)	1,020.1
EBITDA	**13.2**	**39.0**	**30.9**	**41.2**	**(21.7)**	**102.6**
Depreciation	(8.0)	(8.8)	(6.6)	(6.0)	(0.2)	(29.6)
Amortization / Impairment	(3.0)	(21.9)	(7.5)	(3.9)	(0.3)	(36.5)
Operating (loss) / profit (EBIT)	**2.2**	**8.4**	**16.8**	**31.3**	**(22.2)**	**36.5**
Assets and liabilities						
Goodwill	6.7	60.2	31.9	55.6	0.0	154.5
Other intangible assets	9.5	6.1	13.9	8.8	0.8	39.0
Property, plant and equipment	35.3	41.1	35.0	31.2	0.8	143.3
Inventories	16.9	18.3	27.0	19.1	(0.8)	80.5
Trade receivables	28.9	56.8	28.4	30.6	(0.0)	144.6
Segment assets	**97.3**	**182.4**	**136.2**	**145.3**	**0.8**	**562.0**
Unallocated assets	0.0	0.0	0.0	0.0	136.1	136.1
Total assets	**97.3**	**182.4**	**136.2**	**145.3**	**136.9**	**698.1**
Trade payables	24.0	31.2	25.1	19.9	0.8	101.0
Unallocated liabilities	0.0	0.0	0.0	0.0	382.9	382.9
Total liabilities	**24.0**	**31.2**	**25.1**	**19.9**	**383.7**	**483.9**
Capital expenditure	**8.4**	**15.5**	**9.2**	**7.9**	**0.1**	**41.0**

2014			Driver	Fluid	Eliminations	
MEUR	Driveline	Interior	Control	Transfer	& other*	Group
Operating revenues	265.0	304.5	252.7	193.5	(36.8)	979.1
EBITDA	**15.6**	**35.3**	**29.3**	**34.1**	**(17.4)**	**97.0**
Depreciation	(8.1)	(7.3)	(6.1)	(7.1)	(0.0)	(28.6)
Amortization	(3.0)	(2.1)	(4.8)	(3.4)	(0.3)	(13.5)
Operating (loss) / profit (EBIT)	**4.5**	**25.9**	**18.4**	**23.6**	**(17.6)**	**54.8**
Assets and liabilities						
Goodwill	6.4	75.1	33.3	51.1	0.0	165.9
Other intangible assets	10.9	7.5	17.8	11.6	1.0	48.8
Property, plant and equipment	33.9	33.2	32.6	28.0	0.6	128.3
Inventories	16.9	17.2	27.5	15.8	(0.6)	76.8
Trade receivables	33.6	49.6	30.4	26.5	0.0	140.1
Segment assets	**101.7**	**182.6**	**141.7**	**132.9**	**1.0**	**559.9**
Unallocated assets	0.0	0.0	0.0	0.0	129.3	129.3
Total assets	**101.7**	**182.6**	**141.7**	**132.9**	**130.3**	**689.2**
Trade payables	25.0	26.6	25.2	21.4	0.8	99.1
Unallocated liabilities	0.0	0.0	0.0	0.0	379.9	379.9
Total liabilities	**25.0**	**26.6**	**25.2**	**21.4**	**380.6**	**478.9**
Capital expenditure	**9.2**	**9.5**	**7.4**	**7.4**	**0.5**	**34.0**

** The column "Eliminations & other" includes mainly elimination of intercompany transactions, corporate expenses and balance sheet items related to tax, pension and financing.

See next section for specification of unallocated assets and liabilities.

Operating Segments – Reconciliation to Total Assets

MEUR	2015	2014
Segment assets of reportable segments	561.2	558.9
Eliminations & other	0.8	1.0
Unallocated assets include:		
Deferred tax assets	41.8	41.8
Other non-current assets	1.1	1.8
Cash and cash equivalents	53.9	53.5
Other receivables (excluded: trade receivables)	39.4	32.3
Total assets as of the Statement of Financial position	**698.1**	**689.2**

Operating segments – reconciliation to total liabilities

MEUR	2015	2014
Trade payables of reportable segments	100.2	98.3
Eliminations & other	0.8	0.8
Unallocated liabilities include:		
Deferred tax liabilities	30.8	17.5
Retirement benefit obligations	17.9	18.8
Interest-bearing loans and borrowings	253.9	252.8
Bank overdrafts	14.0	18.8
Other current interest-bearing liabilities	0.0	0.0
Current income tax liabilities	2.3	6.1
Other payables (excluded: trade payables)	64.0	65.9
Total liabilities as of the Statement of Financial position	**483.9**	**478.9**

Operating segments – geographical areas

The following segmentation of the Group's geographical sales to external customers is based on the geographical locations of the customers. The segmentation of non-current assets are based on the geographical locations of its subsidiaries. Non-current assets comprise intangible assets (including goodwill) and property, plant and equipment.

Sales to external customers by geographical location

	2015		2014	
MEUR	Jan – Dec	%	Jan – Dec	%
Sweden	83.0	8.1%	82.6	8.4%
Germany	96.6	9.5%	102.4	10.5%
France	70.5	6.9%	73.2	7.5%
Other EU	252.1	24.7%	252.3	25.8%
Total EU	**502.2**	**49.2%**	**510.4**	**52.1%**
USA	296.1	29.0%	251.5	25.7%
NA other	113.7	11.1%	114.0	11.6%
Total NA	**409.7**	**40.2%**	**365.5**	**37.3%**
China	65.8	6.4%	57.0	5.8%
Asia Other	21.5	2.1%	22.6	2.3%
Total Asia	**87.2**	**8.6%**	**79.5**	**8.1%**
Other	20.9	2.0%	23.6	2.4%
Total operating revenues	**1,020.1**	**100%**	**979.1**	**100%**

Non-current assets by geographical location

	2015		2014	
MEUR	Jan – Dec	%	Jan – Dec	%
USA	107.5	31.9%	119.9	34.4%
UK	13.8	4.1%	12.8	3.7%
Norway	25.2	7.5%	25.8	7.5%
Germany	14.8	4.4%	15.6	4.5%
Sweden	30.8	9.1%	29.8	9.0%
Poland	43.3	12.8%	36.0	10.5%
Other	101.5	30.1%	103.1	29.9%
Total non-current segment assets	**336.8**	**100.0%**	**343.0**	**100.0%**

Operating segments – major customers

The Group has no single customers accounting for more than 10% of total revenues.

NOTE 8 Salaries and Social Expenses

Specification of salaries and social expenses as recognized in statement of comprehensive income

Parent			Group	
2015	2014	MEUR	2015	2014
3.5	3.6	Wages and salaries	208.3	199.8
0.6	0.8	Social security tax	50.8	47.6
0.1	0.1	Pension cost (defined benefit plans)	0.5	0.5
0.3	0.2	Pension cost (defined contribution plans)	8.0	7.0
1.4	2.1	Other employee related expenses	24.8	18.0
5.9	**6.8**	**Total**	**292.5**	**272.9**

Other employee related expenses include bonus cost and other costs.

As at 31.12.15 the Group had 10.004 (9.880) employees and the Parent company 31 (25) employees.

NOTE 9 Other Operating Expenses

Specification of other operating expenses as recognized in statement of comprehensive income

Parent			Group	
2015	2014	MEUR	2015	2014
		Operating Expenses		
0.0	0.0	Freight charges	(36.7)	(33.2)
0.0	0.0	Facility costs	(23.4)	(23.0)
0.0	0.0	Consumables	(23.9)	(26.8)
0.0	0.0	Repairs and maintenance	(13.8)	(13.2)
0.0	(0.0)	Service costs	(13.1)	(12.2)
(0.4)	(1.0)	Other costs	(13.5)	(16.7)
		Administrative expenses		
(0.2)	(0.2)	Leasehold expenses	(3.2)	(2.8)
(4.3)	(3.4)	Service costs	(26.7)	(24.6)
(0.0)	(0.0)	Consumables	(7.1)	(5.4)
(0.3)	(0.4)	Travel costs	(9.5)	(10.7)
(52.1)	(27.7)	Other costs*	(13.4)	(9.5)
(57.3)	**(32.8)**	**Total other operating expenses**	**(184.2)**	**(178.1)**

* Parent company in 2015 and 2014 includes write down and loss on Group loans and receivables.

NOTE 10 Financial Items

Specification of financial items as recognized in statement of comprehensive income

Parent			Group	
2015	2014	MEUR	2015	2014
19.5	12.1	Dividend and other financial income	0.0	0.0
29.7	31.7	Foreign currency gains	0.0	0.0
1.5	0.5	Changes in value of financial derivatives	1.0	0.0
23.2	21.5	Interest income	0.1	0.2
73.9	**65.7**	**Total financial income**	**1.1**	**0.2**
(7.9)	(12.2)	Interest expense	(8.2)	(11.9)
0.0	0.0	Foreign currency losses*	(22.4)	(20.6)
0.0	0.0	Changes in value of financial derivatives	0.0	(0.2)
(8.8)	(1.6)	Other items**	(3.3)	(3.3)
(16.8)	**(13.8)**	**Total financial expenses**	**(33.9)**	**(36.1)**
57.1	**52.0**	**Net financial items**	**(32.8)**	**(35.9)**

* Includes unrealized currency losses of MEUR 18.1 (18.9)

** Parent company in 2015 includes write-down on shares in subsidiary

NOTE 11 Taxes

Specification of tax recognized in statement of income

The major components of income tax expense:

Parent			Group	
2015	2014	MEUR	2015	2014
(0.7)	(5.9)	Current tax on profits for the year	(8.8)	(11.2)
0.0	(1.9)	Adjustments in respect of prior years	0.2	(1.9)
(0.7)	**(7.8)**	**Total current tax**	**(8.6)**	**(13.2)**
(13.6)	(6.1)	Current year change in deferred tax	2.5	(0.1)
(2.0)	0.0	Impact of changes in tax rates and legislation	(1.5)	(2.1)
0.1	1.0	Adjustments in respect of prior years	(4.4)	1.9
(15.5)	**(5.1)**	**Total change in deferred tax**	**(3.4)**	**(0.3)**
(16.3)	**(12.9)**	**Total income tax (expense) / credit**	**(12.0)**	**(13.5)**

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

Parent			Group	
2015	2014	MEUR	2015	2014
36.8	**53.4**	**(Loss) / profit before income tax**	**3.7**	**18.9**
(9.9)	(14.4)	Expected tax calculated at Norwegian tax rate	(1.0)	(5.1)
2.6	3.2	Dividends (permanent differences)	0.0	0.0
(10.9)	(0.8)	Other permanent differences, double taxation, and currency effects	0.1	(1.7)
0.0	0.0	Effect of different tax rates	(0.4)	(0.3)
2.0	0.0	Impact of changes in tax rates and legislation	1.5	(2.1)
0.0	0.0	Losses not recognized as deferred tax assets	(8.0)	(4.1)
0.0	(0.9)	Adjustments in respect of prior years	(4.2)	(0.0)
(16.3)	**(12.9)**	**Income tax (expense) / credit**	**(12.0)**	**(13.5)**
44%	24%	Average effective tax rate	323%	72%

Tax recognised in other comprehensive income

Parent			Group	
2015	2014	MEUR	2015	2014
0.0	0.0	Tax (expense) / credit on translation differences	(11.2)	(12.6)
0.0	0.0	Tax (expenses) / credit on tax corridor pension	(0.1)	0.8
0.0	**0.0**	**Tax (expense) / credit in other comprehensive income**	**(11.2)**	**(11.8)**

Tax recognised in statement of financial position

Current tax liability

Parent			Group	
2015	2014	MEUR	2015	2014
(0.7)	(0.7)	Current income tax liabilities	2.3	6.1
(0.7)	**(0.7)**	**Total current tax liability**	**2.3**	**6.1**

Deffered tax

Parent			Group	
2015	2014	MEUR	2015	2014
0.0	0.0	Deferred tax asset	41.8	41.8
(23.1)	(8.8)	Deferred tax liability	(30.8)	(17.5)
(23.1)	**(8.8)**	**Total net deferred tax asset/ (liability)**	**10.9**	**24.3**

Deferred tax positions are netted within the same tax entity/group.

Specification of deferred tax assets / (liabilities) recognized in statement of financial position

Group 2015 MEUR	Opening balance	Charged to income	Changes in tax rate	OCI	Exchange differences	Closing balance
Property, plant and equipment	1.3	(1.3)	0.0	0.0	0.2	0.2
Intangible assets	(15.8)	7.4	0.6	0.0	(0.3)	(8.0)
Retirement benefits obligations	2.8	(0.3)	(0.0)	(0.1)	(0.0)	2.3
Losses	24.5	(10.5)	(0.4)	0.0	1.2	14.7
Account receivables	0.2	0.1	0.8	0.0	0.6	1.7
Accrued expenses	1.6	1.2	(0.8)	0.0	(0.5)	1.5
Accrued interest	9.4	(3.3)	0.0	0.0	2.9	9.0
Restructuring reserves	0.3	(0.2)	0.0	0.0	0.0	0.1
Unrealized fx on long term rec / pay	(11.8)	(17.7)	0.0	0.0	4.2	(25.3)
Other temporary diff	11.7	19.8	1.3	(11.2)	(6.9)	14.7
Net deferred tax asset/(liability)	**24.3**	(4.8)	1.5	(11.2)	1.3	10.9

Parent 2015 MEUR	Opening balance	Charged to income	Changes in tax rate	OCI	Exchange differences	Closing balance
Property, plant and equipment	0.1	(0.0)	(0.0)	0.0	(0.0)	0.1
Retirement benefits obligations	0.4	(0.0)	(0.0)	0.0	(0.0)	0.3
Losses	0.0	0.0	0.0	0.0	0.0	0.0
Account receivables	1.6	0.0	(0.1)	0.0	(0.1)	1.4
Unrealized fx on long term rec / pay	(11.6)	(17.2)	2.2	0.0	1.5	(25.1)
Other temporary diff	**0.7**	**(0.2)**	**(0.1)**	**0.0**	**0.0**	**0.3**
Net deferred tax asset/(liability)	**(8.8)**	**(17.6)**	**2.0**	**0.0**	**1.4**	**(23.1)**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its asset and liabilities. The Group's subsidiaries are located in different countries, so there will always be risks arising from local tax jurisdictions' assessments of the respective tax positions, and to limitations to the utilization of losses carried forward. Local tax decisions could therefore influence the carrying value of the Group's consolidated deferred tax asset.

Limitation and assumptions for the utilization of losses carried forward and deferred tax assets

The carrying amount of deferred tax assets (including losses carried forward) is reviewed at each balance sheet date and recognized only to the extent that it is probable that taxable profit will be available against which it may offset. As part of the review, the Group conducts comprehensive analyses of future profits within the legal entity as well as considering possibilities for utilization within the Group. Estimates indicate that future taxable profits will be available against which the recognized deferred tax assets may be utilized. There are however uncertainties as the estimates are based on assumptions about market development and the success of our customer. Due to the time restrictions associated with the utilization of some losses carried forward, timing assumptions may influence the carrying amount.

Tax positions not recognized in statement of financial position

Parent			Group	
2015	2014	MEUR	2015	2014
0.0	0.0	Tax positions not recognized	20.7	13.6
0.0	**0.0**	**Total tax positions not recognized**	**20.7**	**13.6**

Limitation to the utilization of losses carried forward

Parent			Group	
2015	2014	Lifetime	2015	2014
0.0	0.0	Less than five years	3.0	3.7
0.0	0.0	5 - 10 years	1.8	0.8
0.0	0.0	10 - 15 years	0.0	13.4
0.0	0.0	15 - 20 years	5.9	0.7
0.0	0.0	Without time limit	24.0	20.0
0.0	**0.0**	**Tax losses at 31.12**	**34.8**	**38.6**

NOTE 12 Intangible Assets

Parent						Group
Software	MEUR	Goodwill	Customer relationships	Patents and R&D	Software and other	Total
3.1	Cost	156.8	85.8	42.7	16.7	302.1
(2.3)	Accumulated amortization	0.0	(51.2)	(22.7)	(13.6)	(87.6)
0.8	**Book Value at 01.01.2014**	**156.8**	**34.6**	**20.0**	**3.1**	**214.5**
3.1	Cost 01.01.2014	156.8	85.8	42.7	16.7	302.1
0.5	Additions	0.0	0.0	1.2	0.9	2.1
0.0	Disposals accumulated cost	0.0	0.0	(0.0)	(1.0)	(1.1)
(0.3)	Translation differences	9.1	5.7	0.6	0.8	16.2
3.3	**Acquisition costs at 31.12.2014**	**165.9**	**91.6**	**44.5**	**17.4**	**319.4**
(2.3)	Accumulated amortization 01.01.2014	0.0	(51.2)	(22.7)	(13.6)	(87.6)
(0.3)	Amortization	0.0	(8.7)	(3.9)	(1.0)	(13.5)
0.0	Disposals accumulated amortization	0.0	0.0	0.0	1.0	1.0
0.2	Translation differences	0.0	(3.8)	(0.1)	(0.6)	(4.5)
(2.4)	**Accumulated amortization 31.12.2014**	**0.0**	**(63.8)**	**(26.7)**	**(14.1)**	**(104.6)**
3.3	Cost	165.9	91.6	44.5	17.4	319.4
(2.4)	Accumulated amortization	0.0	(63.8)	(26.7)	(14.1)	(104.6)
1.0	**Book Value at 31.12 2014**	**165.9**	**27.8**	**17.7**	**3.3**	**214.7**
3.3	Cost 01.01.2015	165.9	91.6	44.5	17.4	319.4
0.2	Additions	0.0	0.0	2.1	0.9	2.9
0.0	Disposals accumulated cost	0.0	0.0	(0.1)	(0.4)	(0.6)
(0.2)	Translation differences	10.8	5.5	1.0	0.9	18.2
3.3	**Acquisition costs at 31.12.2015**	**176.7**	**97.1**	**47.4**	**18.8**	**339.9**
(2.4)	Accumulated amortization 01.01.2015	0.0	(63.8)	(26.7)	(14.1)	(104.6)
(0.3)	Amortization/impairment loss	(21.5)	(9.9)	(4.0)	(1.0)	(36.5)
0.0	Disposals accumulated amortization	0.0	0.0	0.1	0.4	0.5
0.2	Translation differences	(0.7)	(3.7)	(0.8)	(0.6)	(5.8)
(2.5)	**Accumulated amortization 31.12.2015**	**(22.2)**	**(77.5)**	**(31.3)**	**(15.4)**	**(146.4)**
3.3	Cost	176.7	97.1	47.4	18.8	339.9
(2.5)	Accumulated amortization	(22.2)	(77.5)	(31.3)	(15.4)	(146.4)
0.8	**Book Value at 31.12 2015**	**154.5**	**19.6**	**16.1**	**3.4**	**193.5**

Internally developed intangible assets

2015	2014	MEUR	2015	2014
0.0	0.0	Internally developed intangible assets 01.01	8.0	8.7
0.0	0.0	Additions during the year	2.1	1.2
0.0	0.0	Amortization / impairment	(1.9)	(1.9)
0.0	0.0	Translation differences	(0.3)	0.1
0.0	**0.0**	**Internally developed intangible assets 31.12**	**7.9**	**8.0**
0.0	0.0	Not capitalized internal R&D cost	(42.9)	(36.8)
0.0	0.0	Amortization	(1.9)	(1.9)
0.0	0.0	Net effect of external sales and purchases	(10.4)	(11.1)
0.0	**0.0**	**Total recognized R&D cost in the reporting period:**	**(55.2)**	**(49.9)**
0.0	0.0	Cash investment in R&D	(55.4)	(49.1)

The internally developed intangible assets include capitalized costs related to development of new products. These assets are included in “Patents and R&D” above.

Impairment testing

The Group has performed impairment tests on the carrying values of all intangible assets (including goodwill), property, plant & equipment, and net working capital in accordance with the requirements of IAS 36. Value in use (VIU) was used to determine the recoverable amount. The tests comprised NPV (net present value) analyses of forecasted future cash flows by the CGUs (cash generating units). The business areas; Driveline, Interior, Fluid Transfer and Driver Control were identified as the respective CGUs. In the secondquarter The Board of Directors took a strategic decision to stop quoting business in the headrest and armrest segment. As a consequence this segment was assessed separately from the Interior business area.

Cash flow projections and assumptions

The model was based on a five year forecast of discounted cash flows plus a terminal value (calculated by Gordon’s growth model). The net discounted cash flows were calculated before tax. The NPV-model included the following assumptions:

A business case was used for each CGU as the basis for the cash flow estimates which covered the period 2016 to 2020. The business cases were based on the Group’s strategic five year plan, adjusted for relevant recent changes in internal short-term forecasts and market data. The forecasts did not include significant cash flows from future restructuring, investments or enhancements. The five year plan was prepared by the divisions with support from the M&A department in an effort to achieve a realistic forecast taking into account macroeconomic, industry and company specific factors. The short-term forecasts were “bottom-up-model” where all input data had been produced by the respective entities in the Group. The financial development for the BAs throughout the forecast period is primarily driven by increased top line with the effects of operational leverage. In the Driveline Business Case the effects of implemented operational improvements and restructuring are reflected.

The input data in the business cases were gathered from renowned external sources, such as LMC Automotive and customers, in addition to all relevant internal information such as change in orders, customer portfolio, fitment rate for products, geographical development, market shares etc. The annual growth rate in the terminal value was estimated to 2% for each of the CGUs.

Discount rate assumptions

The required rate of return was calculated by the WACC method. The input data of the WACC was chosen by an individual assessment of each parameter. Information from representative sources, peer groups etc. was used to determine the best estimate. The WACC was calculated to 10.1 % pre tax. The same WACC was used for all CGUs, the reason being that the long-term risk profiles of the four CGUs are not considered to be significantly different. The key parameters were set to reflect the underlying long term period of the assets and time horizon of the forecast period of the business cases. The following parameters were applied:

- **Risk free interest rate:** 2%. Based on 10 year governmental Eurobond rate and US treasury yield, weighted 50/50.
- **Beta:** 1.79. Based on an estimated unlevered beta for the automotive industry adjusted for the industry’s average capital structure.
- **Market risk premium:** 5% (post tax). Based on market sources.
- **Cost of debt:** based on the risk free rate plus a risk component to reflect a probability of default (100 basis points).
- **Capital structure:** equity ratio of 63%. Based on capital structure of comparable companies.

Sensitivity analysis

The following sensitivity analysis were carried out to test whether changes in relevant parameters would influence the conclusion;

1. **Change in cash flows:** The analysis showed that a decline in free cash flow in excess of 50 % per CGU for each year in the business plan (including the terminal value) was necessary to change conclusion. The result indicated that there had to be a significant decline in the market situation to trigger impairment.

1. **Change in discount rates:** The analysis showed the following headroom in discount rates per CGU to change conclusion; , Interior +9.2%, Driveline +12.1%, Driver Control +14.2% and Fluid Transfer + 22.6%. The results indicated that the test was robust in terms of the level of discount rates. The sensitivity analysis performed for each of the defined cash generation units indicates that Driveline is the unit most sensitive to changes in assumption.

Combined analysis was also carried out by changing the cash flows and discount rates. The headroom's were largest in the following descending order: Fluid Transfer, Driver Control, Interior and Driveline.

Impairment – test results and conclusion

In 2015, impairment loss on Goodwill relates to the Headrest and Armrest business (EUR 19.5 million), recognized in the second quarter of 2015, and loss on sale of business in the first quarter (EUR 1.5 million). The impairment loss was recognized as the result of the decision to stop quoting more business in that segment. The estimated recoverable amount is on the same level as the carrying amount of the remaining assets for the Headrest and Armrest business. The impairment was recognized as amortization of Goodwill. With the exception for the discontinued business referenced above, value in Use (VIU) for each of the business areas (CGUs) exceeded carrying amount, and no requirement for write down was indicated.

NOTE 13 Property, Plant & Equipments (PP&E)

Parent Equipment	MEUR	Land	Buildings	Equipment	Group Total
0.8	Cost	4.6	37.6	387.9	430.2
(0.8)	Accumulated depreciation	0.0	(22.0)	(286.1)	(308.1)
0.0	**Book Value at 01.01.2014**	**4.6**	**15.6**	**101.8**	**122.0**
0.8	Cost 01.01.2014	4.6	37.6	387.9	430.2
0.1	Additions	0.0	0.9	32.9	34.0
0.0	Disposals accumulated cost	0.0	(0.2)	(12.6)	(12.8)
(0.1)	Translation differences	0.0	(0.7)	3.9	3.2
0.8	**Acquisition costs at 31.12.2014**	**4.6**	**37.7**	**412.1**	**454.5**
(0.8)	Accumulated depreciation 01.01.2014	0.0	(22.0)	(286.1)	(308.1)
(0.0)	Depreciation	0.0	(1.7)	(26.9)	(28.6)
0.0	Disposals accumulated depreciation	0.0	0.2	12.2	12.4
0.1	Translation differences	0.0	0.3	(2.1)	(1.8)
(0.7)	**Accumulated depreciation 31.12.2014**	**0.0**	**(23.2)**	**(302.9)**	**(326.1)**
0.8	Cost	4.6	37.7	412.1	454.5
(0.7)	Accumulated depreciation	0.0	(23.2)	(302.9)	(326.1)
0.1	**Book Value at 31.12.2014**	**4.6**	**14.4**	**109.2**	**128.3**
0.8	Cost 01.01.2015	4.6	37.7	412.1	454.4
0.0	Additions	0.0	1.2	39.8	41.0
0.0	Disposals accumulated cost	0.0	(0.0)	(12.8)	(12.8)
(0.0)	Translation differences	0.1	(0.1)	8.8	8.7
0.8	**Acquisition costs at 31.12.2015**	**4.7**	**38.7**	**447.9**	**491.3**
(0.7)	Accumulated depreciation 01.01.2015	0.0	(23.2)	(302.9)	(326.1)
(0.0)	Depreciation	0.0	(1.9)	(27.7)	(29.6)
0.0	Disposals accumulated depreciation	0.0	0.0	11.7	11.7
0.0	Translation differences	0.0	0.6	(4.6)	(4.0)
(0.7)	**Accumulated depreciation 31.12.2015**	**0.0**	**(24.5)**	**(323.5)**	**(348.0)**
0.8	Cost	4.7	38.7	447.9	491.3
(0.7)	Accumulated depreciation	0.0	(24.5)	(323.5)	(348.0)
0.1	**Book Value at 31.12.2015**	**4.7**	**14.2**	**124.4**	**143.3**

Security for debt

See note 19 regarding use of PP&E as security for debt.

Impairment testing

See note 12 for the impairment testing on PP&E and impairment results.

Financial leases

The Group is a lessee under financial lease, but the Group has only a limited number of financial lease contracts and the total amount is considered insignificant.

NOTE 14 Inventories

Specification of inventories

Parent			Group	
2015	2014	MEUR	2015	2014
0.0	0.0	Raw materials	44.6	45.5
0.0	0.0	Work in progress	16.1	13.4
0.0	0.0	Finished goods	19.8	17.9
0.0	**0.0**	**Total**	**80.5**	**76.8**

Provision for slow moving and obsolete inventory

Parent			Group	
2015	2014	MEUR	2015	2014
0.0	0.0	Book value at 01.01	(7.7)	(7.8)
0.0	0.0	Write-down	(2,0)	(0.1)
0.0	0.0	Products sold (previously written down)	1,2	0.3
0.0	0.0	Reversal	0,7	0.1
0.0	0.0	Foreign currency translation	(0.3)	(0.2)
0.0	**0.0**	**Book value at 31.12**	**(8.1)**	**(7.7)**

NOTE 15 Trade and Other Receivables

Specification of trade and other receivables

Parent			Group	
2015	2014	MEUR	2015	2014
0.0	0.0	Trade receivables	144.6	140.1
35.4	23.4	Short-term group loans and receivables	0.0	0.0
0.1	0.1	Public duties	9.1	9.2
0.0	0.1	Other short-term receivables	11.3	8.7
35.5	**23.6**	**Receivables**	**165.0**	**157.9**
0.0	0.0	Tooling (Work in Progress)	6.0	4.3
0.4	0.2	Prepayments	12.9	10.2
35.9	**23.8**	**Total**	**184.0**	**172.4**

Trade receivables maturity

	2015		2014	
MEUR	Dec	%	Dec	%
Not overdue	135.4	93%	132.2	94%
Overdue 1-20 days	5.9	4%	5.5	4%
Overdue 21-40 days	2.4	2%	1.5	1%
Overdue 41-80 days	1.0	1%	0.5	0%
Overdue 81-100 days	0.2	0%	0.2	0%
Overdue > 100 days	0.6	0%	0.7	1%
Gross trade receivables	**145.6**		**140.7**	
Total provision for bad debt	(1.0)	1%	(0.6)	0%
Net trade receivables	**144.6**		**140.1**	

The provision for bad debt is increased by MEUR 0.4 compared to 31.12.2014. Trade receivables are subject to constant monitoring. Impaired receivables are reflected through provision for bad debt. Monthly assessments of loss risk are performed and corresponding provisions are made on entity level. The provision for bad debt reflects the total loss risk on the Group's trade receivables. The oldest trade receivables, overdue > 100 days, represent the highest risk level. Most of the impaired trade receivables are included in that category. Actual losses on trade receivables was MEUR 1.1. The risk for losses on other receivables than trade receivables is assessed to be insignificant. For risk management see note 21.

Receivables by currency

Parent			Group	
2015	**2014**	**MEUR**	**2015**	**2014**
18.7	11.1	EUR	64.8	57.0
7.8	9.3	USD	52.4	49.3
9.1	0.1	NOK	4.6	5.2
0.0	3.0	RMB	19.5	21.0
0.0	0.2	Other	23.7	25.5
35.5	**23.6**	**Total**	**165.1**	**157.9**

NOTE 16 Share Capital

Shares

The share capital of the Company is NOK 203,384,066, comprising 406,768,131 ordinary shares with a par value of NOK 0.50. The Company holds 4,200,428 shares as treasury shares. For more information see "Statement of Changes in Equity". The Company is listed on the Oslo Stock Exchange. The ticker code is KOA.

	2015	**2014**
Number of shares in issue at 01.01.	406,768,131	406,768,131
New shares issued	0	0
Number of shares in issue at 31.12.	**406,768,131**	**406,768,131**
Of these, treasury shares	**4,200,428**	**2,185,942**

The twenty largest shareholders in the Company as at 31.12.15 were as follows:

Shareholder	No of shares	%	Country
Makuria Credit Master C/O Morgan Stanley & Co.	26,681,198	6.6%	CYM
The Northern Trust C Non-Treaty Account	17,740,556	4.4%	GBR
J.P. Morgan Chase BA Nordea Re:non-Treaty	17,485,922	4.3%	GBR
Verdipapirfondet KLP	15,804,970	3.9%	NOR
Folketrygdfondet	12,27 7,732	3.0%	NOR
Kommunal Landspensjon	10,898,2 1 1	2.7%	NOR
Citibank, N.A. S/A Dfa-Intl Sml Cap	10,112,674	2.5%	USA
Swedbank Ab (Publ) Clients Account	9,894,1 24	2.4%	SWE
Mp Pensjon PK	9,603,387	2.4%	NOR
VPF Nordea Kapital C/O J.P. Morgan Europe	9,284,958	2.3%	NOR
VPF Nordea Avkastnin C/O J.P. Morgan Europe	9,222,206	2.3%	NOR
JP Morgan Chase Bank Handelsbanken Nordic	7,041,550	1.7%	SWE
Erling Neby AS	7,000,000	1.7%	NOR
Arango Trading and F Banque Pictet & Cie	6,899,099	1.7%	VGB
Teleios Global Opportunities	6,839,369	1.7%	CYM
Verdipapirfondet DNB	6,575,000	1.6%	NOR
Kongsberg Automotive	4,200,428	1.0%	NOR
2B, LLC UBS Securities LLC	4,108,776	1.0%	USA
Goldman Sachs Intern SECURITY CLIENT SEGR	3,929,660	1.0%	GBR
Verdipapirfondet PAR	3,900,000	1.0%	NOR
Total twenty largest shareholders	**171,371,082**	**49.1%**	
Other shareholders	235,397,049	50.9%	
Total number of shares in issue	**406,768,131**	**100.0%**	
Number of shareholders	4,452		
Foreign ownership	45.0%		

Share options

Share options are granted to management and to selected employees. An option entitles participants to purchase one share per option. Options are offered during the first quarter and granted during April of the same year. The exercise price is the average trading price for the Company's share during the first ten calendar days immediately after publication of fourth quarter results. Offer to be granted options is presented immediately thereafter. Participants in the share option program are required to hold a number of the Company's shares at least equivalent to 10% of the number of options granted. In 2015 the participants in the Company's share option programs held approximately 1.5% of the Company's total number of shares. One third of the options are exercisable after one, two and three years respectively after the date of grant. Options at NOK 4.5, NOK 2.0, NOK 1.5, NOK 5.8 and NOK 5.9 expire after 7 years, and options at NOK 20.0 and NOK 3.0 expire 10 years after the date of grant. The Company has no legal or constructive obligation to repurchase or settle the options in cash. See Statement of Change in Equity for information on amounts recognized in 2015. The table below shows the number of options and their exercise dates for the program adopted by the General Assembly in 2015 in respect of options to be offered during the first quarter and granted during April 2016.

Number of options vesting and potentially exercisable

	2017	2018	2019	Last possible exercise 2023
By year	1,500,000	1,500,000	1,500,000	
Cumulative	1,500,000	3,000,000	4,500,000	4,500,000

Movements in share options (NOK)

	2015		2014	
	Average exercise price	Options	Average exercise price	Options
Options at 01.01	4.38	14,715,201	3.86	15,405,764
Granted	5.90	3,813,086	5.80	3,774,961
Forfeited	5.87	(721,613)	5.63	(79,198)
Expired	5.00	(122,667)	0	0
Exercised	3.05	(2,985,514)	3.72	(4,386,326)
Options at 31.12	**4.97**	**14,698,493**	**4.38**	**14,715,201**

Outstanding options at the end of the year (NOK)

	2015		2014	
Expiry date	Exercise price	Options	Exercise price	Options
31.03.2015	5.00	0	5.00	952,318
31.03.2018	20.00	711,201	20.00	760,810
31.03.2018	4.50	1,557,527	4.50	1,879,195
31.03.2019	3.00	1,085,351	3.00	1,265,835
31.03.2019	2.00	1,774,803	2.00	2,761,075
10.04.2020	1.50	2,521,564	1.50	3,346,007
10.04.2021	5.80	3,359,961	5.80	3,749,961
10.04.2022	5.90	3,688,086		
Options at 31.12		**14,698,493**		**14,715,201**

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 2.35 per option (2014: 1.96). The significant inputs to the model were the share trading price of NOK 6.29 at the date of grant, exercise prices (NOK 5.90) shown above, a weighted average volatility of 47.01%, an expected option life of three, four and five years, and a weighted average annual risk-free interest rate of 0.93%.

Treasury shares

The Company holds 4,200,428 treasury shares (2014: 2,185,942). 2,085,000 shares were acquired in April 2015 at an average price of NOK 6.18 per share. 2,915,000 shares were acquired in May 2015 at an average price of NOK 6.13 per share. The shares were purchased for future allocations of share options within the Group's share option programs. The Company sold 2,985,514 treasury shares in 2015 (2014: 4,386,326).

NOTE 17 Earnings and Dividend per Share

Earnings per share

	2015	2014
Net (loss) / profit attributable to equity shareholders (MEUR)	(8.4)	5.1
Weighted average number of shares in issue (millions)	402.9	401.4
Basic earnings per share, EUR	**(0.02)**	**0.01**
Diluted earnings per share, EUR	**(0.02)**	**0.01**

Earnings per share is calculated by dividing the net profit attributable to equity shareholders by the weighted average number of shares in issue. The diluted earnings per share is the weighted a verage number of shares in issue as if all options were converted to new shares.

Dividend per share

EUR	2015	2014
Dividend per share – paid	0.0	0.0
Dividend per share – proposed	0.0	0.0

No dividend was proposed for 2015. For dividend restrictions, see Covenants note 19.

NOTE 18 Retirement Benefit Obligations

Defined benefit pension plan

Revised IAS 19 became effective as of 01.01.2013 requiring actuarial gains and losses to be recognized in OCI, and interest cost on DBO and return on plan assets to be recognized as net interest under financial items.

The German and Norwegian subsidiaries represented 94% of the Group's Net Benefit Obligation (Germany: 87%, Norway: 8%) in 2015. The Parent company Kongsberg Automotive ASA and its Norwegian subsidiary Kongsberg Automotive AS have defined benefit and defined contribution pension plans. The plans were changed from defined benefit to defined contribution in 2004. The defined benefit plan was continued for employees who had already retired. The other defined benefit plan is an early retirement plan for the CEO. Defined benefit pension plans also exist in two subsidiaries in Germany and in subsidiaries in the Netherlands, Italy and France.

Defined contribution plans

Norway, Sweden, the UK and the USA have defined contribution pension plans for employees. The pension plans are regulated under the rules of each country. The subsidiaries in each country is required to pay the annual contributions to the plan. The expense charged to the income statement in respect of defined contribution pension plans is disclosed in note 8.

Other retirement benefit plans

Top hat pension – Norway

Top hat-schemes are non-funded defined benefit schemes granted to employees with a salary exceeding 12G. The obligation will only materialize if the person is employed in KA at the time of retirement, or if the person has more than 10 (50% of obligation) or 15 years (100% of obligation) with the Company.The calculated obligation is accrued in the Statement of Financial Position as Retirement benefit obligations

Multiemployer plan (AFP) – Norway

The earlier early retirement arrangement in Norway was replaced commencing 01.01.2011. Financing of the early retirement arrangement is now done by an annual fee which represents the final cost for the companies included. All employees in KA ASA and KA AS (subsidiary) are included in the AFP scheme. There are some pensioners under the old scheme, out of which the latest will expire in 2015. Pension obligations connected to these pensioners are considered not significant and are not included in the Statement of Financial position.

Other retirement benefits

Retirement benefit obligations are accrued in Korea and China according to local requirements

Retirement benefit obligations recognised in statement of financial position

Parent			Group	
2015	2014	MEUR	2015	2014
0.8	1.1	Defined benefit pension obligation	16.5	17.4
0.5	0.3	Top hat, retirement provisions and other employee obligations	1.3	1.3
1.3	**1.4**	**Retirement benefit obligations**	**17.9**	**18.8**

Defined benefit scheme – assumptions

Parent			Group	
2015	2014		2015	2014
2.5%	3.0%	Discount rate	2.3%	2.4%
2.5%	3.0%	Rate of return on plan assets	2.7%	3.1%
2.5%	3.3%	Salary increases	1.3%	1.4%
2.3%	3.0%	Increase in basic government pension amount	1.1%	1.4%
2.3%	3.0%	Pension increase	0.6%	0.5%

The assumptions for the Group is presented as a weighted average of the assumptions reported from respective subsidiaries.

Defined benefit scheme – net periodic pension cost

Parent			Group	
2015	2014	MEUR	2015	2014
0.1	0.1	Service cost	0.2	0.2
0.0	0.0	Interest on benefit obligations	0.4	0.5
0.0	0.0	Expected return on pension assets	(0.0)	(0.0)
0.0	0.0	Amortization of estimate differences	0.0	0.0
0.0	0.0	Effect of curtailment	0.0	(0.2)
0.0	0.0	Social security taxes	0.0	0.0
0.0	0.0	AFP adjustment	0.0	(0.0)
0.1	**0.1**	**Net periodic pension cost**	**0.5**	**0.5**
(0.0)	0.0	Remeasurement of net defined benefit liability	(0.2)	2.7
0.6%	0.7%	Actual return on plan assets	2.7%	1.3%

Defined benefit scheme – net pension liability

Parent			Group	
2015	2014	MEUR	2015	2014
		Pension liabilities and assets:		
0.7	0.9	Projected benefit obligation (PBO)	16.3	17.2
0.0	0.0	Fair value of pension assets	0.0	0.0
0.0	0.0	Unrecognized effects	0.0	0.0
0.7	**0.9**	**Net pension liability before social security taxes**	**16.3**	**17.2**
0.1	0.1	Social security taxes	0.3	0.2
0.8	**1.1**	**Net pension liability**	**16.5**	**17.4**

Specification of carrying value of net pension liability

Parent			Group	
2015	2014		2015	2014
0.8	1.1	Retirement benefit obligation	16.5	17.4
0.0	0.0	Retirement benefit asset	0.0	0.0
0.8	**1.1**	**Net pension liability**	**16.5**	**17.4**

Defined benefit scheme – change in net pension liability

Parent			Group	
2015	2014	MEUR	2015	2014
1.1	1.3	Net pension liability 01.01	17.4	15.6
0.1	0.1	Pension cost for the year	0.5	0.5
(0.0)	0.0	Remeasurement of net defined benefit liability	(0.2)	2.7
(0.3)	(0.3)	Paid pensions	(1.0)	(1.1)
0.0	(0.0)	Translation differences	(0.3)	(0.1)
0.8	**1.1**	**Net pension liability 31.12**	**16.5**	**17.4**

Defined benefit scheme – sensitivities

MEUR	DBO 31.12.15	Service cost 2016	Interest cost 2016
Actual valuation	(16.5)	0.17	0.38
Discount rate + 0.5%	(17.4)	0.17	0.43
Discount rate – 0.5%	(15.5)	0.17	0.34
Expected rate of salary increase + 0.5%	(16.5)	0.17	0.38
Expected rate of salary increase – 0.5%	(16.5)	0.17	0.38
Expected rate of pension increase + 0.5%	(15.7)	0.17	0.40
Expected rate of pension increase – 0.5%	(17.2)	0.17	0.37

Sensitivity covering majority of DBO

Defined benefit scheme – average expected life time

Average expected lifetime at the balance sheet date for a person retiring on reaching age 65:

Male employee	19 years
Female employee	23 years

Average expected lifetime 20 years after the balance sheet date for a person retiring on reaching age 65:

Male employee	22 years
Female employee	26 years

Expected pension payment

We expect the pension payment of 2016 to be in line with the 2015 payment.

NOTE 19 Interest-Bearing Loans and Borrowings

Interest-bearing liabilities as presented in statement of financial position

Parent			Group	
2015	2014	MEUR	2015	2014
254.3	254.6	*Non current interest-bearing loans and borrowings*	254.8	254.9
(1.0)	(2.1)	Capitalized arrangement fees	(1.0)	(2.1)
253.4	252.5	Total interest-bearing liabilities	253.9	252.8

Specification of total interest-bearing liabilities

Parent			Group	
2015	2014	MEUR	2015	2014
123.0	135.2	EUR*	123.0	135.0
131.3	119.4	USD*	131.3	119.4
0.0	0.0	Other currencies	0.5	0.5
(1.0)	(2.1)	Capitalized arrangement fee	(1.0)	(2.1)
253.4	252.5	Total interest-bearing liabilities	253.9	252.8
252.5	**273.9**	**Total interest-bearing liabilities**	**252.8**	**274.0**

* Total debt repayments in 2015 amounted to MEUR 13.6. The USD facility increased due to a strengtening of the USD/EUR exchange rate.

See note 21 for an assessment of currency risk.

Specification of interest-bearing loans and borrowings (in local currencies)

	Currency	Total amount	Undrawn amount	Drawn amount	Capitalized arr. fees	Amount recognized	Maturity Date	Interest Rate (incl margin)**
DNB Bank/Danske Bank/ BNP Paribas *	EUR	182.0	39.0	123.0	0.5	123.5	02.03.18	1.50%
DNB Bank/Danske Bank/ BNP Paribas	USD	172.0	29.0	143.0	0.5	143.5	02.03.18	2.10%

* The EUR facility includes a short-term overdraft facility of EUR 20 million which can be renewed each year. The overdraft facility is terminated at the same maturity date as the credit facility. Nothing was drawn against the overdraft facility at 31.12.2015.

** A portion of the floating interest is hedged by interest rate swaps, maturing 3rd of October 2016: EUR 100 million (1.5535%) respectively USD 50 million (1.543%).

These interest rates swaps are not included in the above interest rates. See also note 21.

Facility reduction schedule – interest-bearing loans and borrowings (in local currencies)

Year	MEUR	MUSD
2016	–	–
2017	–	–
2018	182.0	172.0
Total	**182.0**	**172.0**

Group Loan Covenants

- Equity ratio (Equity / Total assets)	Minimum 25.0%
- Minimum liquidity	Minimum MEUR 50
- Gearing ratio (NIBD / EBITDA)	The required gearing ratio level is 3.0x at 31 December 2015, thereafter reduced to 2.75x until December 2017 and from 2018; 2.5x
- Capital expenditures	Maximum 4% of consolidated turnover, however no restrictions if gearing ratio is 2.5x or below. Unutilized amounts can be forwarded to the next succeeding financial year.
- Dividend restrictions	Gearing ratio required to be 2.5x or below

The covenants are tested quarterly, except for the Capital expenditure limit which is tested at year end. The Group is in compliance with the covenants as at 31.12.15.

Security

All lenders are ranked pari passu with first priority security over the Group’s material subsidiaries shares. The loan agreement is built on a negative pledge structure, which restricts the pledging of assets.

Liquidity reserve

The liquidity reserve of Group consists of cash and cash equivalents in addition to undrawn credit facilities.

MEUR	2015	2014
Cash reserve	53.6	52.4
Undrawn facility	85.6	101.2
Total (before bank overdraft)	**139.2**	**153.6**
Bank overdraft*	(14.0)	(18.8)
Liquidity reserve	**125.2**	**134.8**

* The liquidity reserve was reduced by MEUR 20 as a consequence of the refinancing in 2015.

** The major entities in the Group are members of the Parent company's international multi-currency cash pool, where cash deficits in one entity is offset with surplus cash in another entity. The net cash holding in the cash pool was positive at year end.

Other current interest-bearing liabilities

These comprise accrued interest and capital repayments on long-term loans payable within twelve months of the balance sheet date, as well certain other short-term interest-bearing liabilities.

NOTE 20 Trade and Other Payables

Specification trade and other payables as presented in the statement of financial position

Parent			Group	
2015	2014	MEUR	2015	2014
0.4	0.3	Trade payables	101.0	99.1
34.7	52.7	Short-term group liabilities	0.0	0.0
2.0	3.6	Accrued expenses	53.5	54.1
0.0	0.0	Provisions	2.7	3.0
1.6	3.2	Interest rate and currency swaps	1.6	3.2
0.8	0.4	Other short-term liabilities	6.3	5.5
39.5	**60.3**	**Total**	**165.0**	**164.9**

Provisions

2015 MEUR	Warranty reserve	Restructuring and other provisions	Total
Opening Balance	3.0	0.0	3.0
P&L charge /(credit)	0.4	0.0	0.4
Payments	(0.7)	0.0	(0.7)
Translation effect	0.0	0.0	0.0
Closing Balance	**2.7**	**0.0**	**2.7**

Maturity structure

2015 MEUR	Provisions	Accrued expenses	IRS & Other short-term liabilities	Trade payables	Total
Repayable 0-3 months after year end	0.4	26.0	3.4	99.7	129.4
Repayable 3-6 months after year end	0.7	6.8	0.5	1.0	9.0
Repayable 6-9 months after year end	0.1	10.9	0.2	0.1	11.2
Repayable 9-12 months after year end	1.5	9.8	3.8	0.2	15.4
Total	**2.7**	**53.5**	**7.9**	**101.0**	**165.0**

NOTE 21 Risk Management

Finance risk management policies

The Group's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group exploits derivative financial instruments for potential hedging of certain risk exposures, however the current usage of such instruments is limited.

Foreign exchange risk

Kongsberg Automotive operates internationally in a number of countries and is exposed to foreign exchange risk arising from various currency exposures. The primary exposures are EUR and USD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. As the Group reports its financial results in EUR, changes in the relative strength of EUR to the currencies in which the Group conduct business can adversely affect the Group's financial development. Historically changes in currency rates have had an effect on the top line development, however it has not had a significant impact on operating profit since the costs usually off set the effects from the top line.

Management is monitoring the currency exposure on a group level. The Group treasury uses the debt structure and profile to balance some of the net exposure of the cash flow from operations. The Group's treasury function regularly evaluates the use of hedging instruments but has currently a low usage of such instruments.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is partially managed through borrowings denominated in the relevant foreign currencies.

Sensitivity

At 31 December 2015, if the currency USD had weakened/strengthened by 5 % against the EUR with all other variables held constant, revenues would vary by around +/- 1.8% or MEUR +/- 18. Operating profit would not have been significantly changed. A change in EUR and USD of +/- 5% versus the NOK would have influenced the conversion of the long term debt and hence influenced the financial items with approximately MEUR +/- 13. These changes would also have generated changes in currency conversion in the equity, hence the equity change would have been less significant.

Operational risks

Operation and investment risks and uncertainties

The Group is usually contracted as a supplier with a long-term commitment. The commitment is usually based on the model platforms, which for passenger cars are typically 3 to 5 years, while on commercial vehicles it is typically 5-7 years and in some cases even longer. Purchase orders are achieved on a competitive bidding basis for either a specific time-period or indefinite time. Even if present commitments are cost reimbursable they can be adversely affected by many factors and short term variances including shortages of materials, equipment and work force, political risk, customer default, labor conflicts, accidents, environmental pollution, the prices of raw materials, unforeseen problems, changes in circumstances that may lead to cancellations and other factors beyond the control of the Group. In addition, some of the Group's customer contracts may be reduced, suspended or terminated by the customer at any time upon the giving of notice. Customer contracts also permit the customer to vary the scope of work under the contract. As a result, the Group may be required to renegotiate the terms or scope of such contracts at any time, which may result in the imposition of terms less favorable than the previous terms.

Competition

The Group has significant competitors in each of its business areas and across the geographical markets in which the Group operates. The Group believes that competition in the business areas in which it operates will continue in the future. The Group continuously monitors its competitive environment.

Volatility in prices of input factors

The Group's financial performance is dependent on prices of input factors, i.e. raw materials and different semi-finished components with a varying degree of processing, used in the production of the various automotive parts. Some of the major raw materials are:

- Steel including rod and sheet metal, cast iron and machined steel components
- Polymer components of rubber, foam, plastic components and plastic raw materials
- Copper
- Zinc
- Aluminium

Because of the raw material exposure, a change in the prices of these raw materials will have an effect on the Group. Steel, copper, zinc, aluminum and polymer prices have reached historically high levels over the last years, being subject to large fluctuations in response to relatively minor changes in supply and demand and a variety of additional factors beyond the control of the Group, including government regulation, capacity, and general economic conditions.

A substantial part of the Group's steel and brass (copper and zinc) based products is sold to truck manufacturers. Business practice in the truck industry allows the Group to some extent to pass increases in steel, aluminum and brass prices over to its customers. However, there is a time lag of three to six months before the Group can adjust the price of its products to reflect fluctuations in the mentioned raw material prices, and a sudden change in market conditions could therefore impact the Group's financial position, revenues, profits and cash flow. When the market prices go down the adverse affect will occur. For products sold to passenger car applications, the Group does not have the same opportunity to pass increases in raw materials prices.

Uninsured losses

The Group maintains a number of separate insurance policies to protect its core businesses against loss and/or liability to third parties. Risks insured include general liability, business interruption, workers' compensation and employee liability, professional indemnity and material damage.

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. The Group's debt is drawn up in EUR and USD with the corresponding interest rates. The Group analyses its interest rate exposure on a running basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

Interest rate swap

The Group entered into two interest rate swap agreements of MUSD 50 and MEUR 100 in March 2012. The two swaps run from October 2013 until October 2016. Interest payments are performed quarterly. Market-to-market values have been used at balance sheet date.

Sensitivity

Based on the simulations performed per 31.12.2015, the impact on pre tax profit of a +/- 0.5 percentage point shift in both the EUR and USD interest would be a maximum increase or decrease of MEUR 0.5. This impact would reach MEUR 1.3 without hedging instruments.

Credit risk

Credit risk is managed on group and entity level. Credit risk arises mainly from trade with customers and outstanding receivables. The level of receivables and overdue are monitored on a weekly basis. Historically the

Group have had limited loss on receivables. In some countries, the Group is also participating in some factoring agreements which reduces some of the credit risk and improve the working capital. See also note 15.

The automotive industry consists of a limited number of vehicle manufacturers, hence the five biggest customers will be in the around 35% of total sales. The Group has a diversified customer base, where no individual customer represents more than 10 % of the Group's revenues. It is in the opinion of the Group that concentration risk is not present, however due to the number of vehicle manufacturer and hence customers concentration risk could be considered to exist.

Funding and liquidity risk

Cash flow forecasting is performed by each operating entity of the Group on a weekly basis for the next 12 weeks. The Group to keeps track of its liquidity requirements and monitors to ensure there are sufficient cash to meet both operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. For unused liquidity reserve, see note 19.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and balance the risk profile.

The Group monitors capital on the basis of the gearing ratio and the level of equity. These ratios are calculated as net debt divided by EBITDA and Equity divided by total balance. The Group has a treasury policy regulating the levels on these key ratios.

NOTE 22 Financial Instruments

Classification, measurement and fair value of financial instruments

		Group – 2015				
MEUR	Notes	Derivatives at fair value through profit and loss*	Loans and receivables at amortized cost	Financial liabilities at amortized cost	Non-financial assets and liabilitites	Total
Trade and other receivables	15		165.0		19.0	184.0
Cash and cash equivalents			53.9			53.9
Interest-bearing loans and borrowings	19			(253.9)		(253.9)
Bank overdraft				(14.0)		(14.0)
Other current interest-bearing liabilities	19			(0.0)		(0.0)
Trade and other payables	20	(1.6)		(153.8)	(9.0)	(164.4)
Total		**(1.6)**	**218.9**	**(421.7)**	**10.0**	**(194.4)**
Fair value		(1.6)	218.9	(422.7)	10.0	(195.4)
Unrecognized gain/ (loss)*		-	-	(1.0)	-	(1.0)

* Unrecognized loss on financial instruments is related to capitalization of arrangement fees. Interest rate and currency forwards are the only types of derivative instrument held by the Group in 2014 and 2015. The derivatives are valued based on a level 2 valuation. There were no transfers between levels in the period.

						Group – 2014
MEUR	Notes	Derivatives at fair value through profit and loss*	Loans and receivables at amortized cost	Financial liabilities at amortized cost	Non-financial assets and liabilitites	Total
Trade and other receivables	15		157.9		14.5	172.4
Cash and cash equivalents			53.5			53.5
Interest-bearing loans and borrowings	19			(252.8)		(252.8)
Bank overdraft				(18.8)		(18.8)
Other current interest-bearing liabilities	19			(0.0)		(0.0)
Trade and other payables	20	(3.2)		(153.2)	(8.5)	(164.9)
Total		**(3.2)**	**211.4**	**(424.8)**	**5.9**	**(210.7)**
Fair value		(3.2)	211.4	(426.9)	5.9	(212.8)
Unrecognized gain/ (loss)		-	-	(2.1)	-	(2.1)

NOTE 23 Remuneration and Fees for Management, Board of Directors and Auditor

Remuneration and fees recognized in the statement of income (KEUR)

	2015	2014*
Total remuneration of the Board of Directors	229.0	240.0
Gross base salary to the CEO	430.2	442.9
Car allowance to the CEO	15.6	16.8
Bonus to the CEO (short term incentive)	56.2	189.8
CEO’s option gains (long term incentive)	0.0	70.1
Pension costs to the CEO	31.1	35.5
Management salaries other than to the CEO	1,799.4	1,574.2
Other remuneration of management other than the CEO	433.2	911.7
Pension costs of management other than the CEO	204.1	159.2
Total	**3,198.9**	**3,640.2**

* Adjusted for actual bonus costs

Specification of remuneration to Board of Directors (KEUR)

Name	Position	Compensation committee	Audit committee	BOD fees	Total 2015	2014
Ulla-Britt Fräjdin-Hellqvist	Chairwoman	5.6	0.0	50.3	55.8	59.9
Halvor Stenstadvold	Board member	0.0	6.7	29.0	35.7	37.7
Magnus Jonsson	Board member	3.9	0.0	29.0	32.9	33.2
Malin Persson	Board member	0.0	3.4	29.0	32.4	15.6
Thomas Falck	Board member	0.0	8.9	29.0	38.0	39.5
Eivind Holvik	Employee representative	0.0	0.0	5.0	5.0	10.8
Jon Ivar Jørnby	Employee representative	0.0	0.0	5.0	5.0	0.0
Kari Brænden Aaslund	Employee representative	0.0	0.0	5.0	5.0	0.0
Kjell Kristiansen	Employee representative	3.9	0.0	10.1	14.0	15.0
Tonje Sivesindtajet	Employee representative	0.0	0.0	5.0	5.0	10.8
Other (replaced board member)		0.0	0.0	0.0	0.0	17.7
Total – Board of Directors		**13.4**	**19.0**	**196.6**	**229.0**	**240.0**

Specification of remuneration to nomination committee (KEUR)

Name	Position	2015	2014
Tor Himberg-Larsen	Committee chairman	10.1	9.6
Hans Trogen	Committee member	5.0	4.2
Heidi Finskas	Committee member	4.5	3.6
Total – Nomination Committee		**19.5**	**17.4**

Specification of remuneration to Management other than CEO (KEUR)

2015 Name	Position	Base salary	Car Allowance	Bonus	Options*	Pension	Total
Trond Stabekk	EVP, CFO	283.7	13.4	36.9	0.0	31.1	365.1
Jarle Nymoen	EVP, Human Resources	198.3	13.4	23.2	24.0	22.9	281.8
Lovisa Söderholm**	EVP, Purchase	173.2		20.3	0.0	43.7	237.2
Scott Paquette	EVP, Driver Control	287.7	10.8	72.1	6.8	6.0	383.4
Joachim Magnusson	EVP, Driveline	235.2		17.9	6.8	38.6	298.4
Jonathan Day	EVP, Fluid Transfer	262.4	10.8	62.2	0.0	6.6	342.1
Anders Nyström	EVP, Interior	219.4		45.2	48.1	44.5	357.1
Philippe Toth	SVP, Business Development & IR	139.6	6.7	14.5	0.0	10.8	171.6
Total – Management other than CEO		**1,799.4**	**55.2**	**292.4**	**85.7**	**204.1**	**2,436.8**

* Net proceeds from exercise financial gear 2015.

** Lovisa Söderholm joined Kongsberg Automotive during 2015

2014 Name	Position	Base salary	Car Allowance	Bonus	Options	Pension	Total
Trond Stabekk	EVP, CFO	290.3	14.4	128.3	194.5	35.4	662.9
Jarle Nymoen	EVP, Human Resources	205.3	14.4	82.2	0.0	25.5	327.4
Anders Nyström	EVP, Purchase	189.1		78.0	0.0	43.6	310.8
James G Ryan	EVP, Driver Control	225.6	9.1	55.7	0.0	5.9	296.2
Joachim Magnusson	EVP, Driveline	216.6		113.5	26.6	38.0	394.7
Jonathan Day	EVP, Fluid Transfer	215.0	9.1	51.6	1.0	5.9	282.6
Scott Paquette	EVP, Interior	232.4	9.1	124.3	0.0	4.8	370.5
Total – Management other than CEO		**1,574.2**	**55.9**	**633.6**	**222.1**	**159.2**	**2,645.2**

The Management Group participates in a bonus scheme (short term incentive). Details on the STI in note 25. Target bonus for management is between 40% and 50% of base salary. Max bonus is 61,6% or 69.3% of base salary for Group Management and 77.0% of base salary for the CEO. Average bonus last five years for the CEO is 30% of base salary.

A total of MEUR 2.7 is accrued for bonus earned in 2015 (2014: MEUR 5.9). Bonus eligible employees are approximately 250. The accrual includes social security costs.

Outstanding number of share options granted to management

Issued in Strike price, NOK Expiry year	2015 5.90 2022	2014 5.80 2021	2013 1.50 2020	2012 2.00 2019	2011 4.50 2018	2009 3.00 2019	2008 20.00 2018
Hans Peter Havdal	325,000	325,000	325,000	322,000	317,000	215,394	157,465
Trond Stabekk	225,000	225,000	225,000	222,000			
Jarle Nymoen	125,000	125,000	76,667	122,000	117,000	102,029	48,795
Lovisa Söderholm	125,000						
Scott Paquette	125,000	125,000	125,000	122,000	117,000	102,029	13,012
Joachim Magnusson	125,000	125,000	125,000	122,000	117,000		17,971
Jonathan Day	125,000	125,000	125,000	122,000	60,000	45,346	24,072
Anders Nyström	125,000	125,000	125,000				
Philippe Toth	125,000	50,000	33,334	21,667			1,781
Total options	**1,425,000**	**1,225,000**	**1,160,001**	**1,053,667**	**728,000**	**464,798**	**263,096**

For more details about the share option plan see note 16.

Specification of fees paid to the auditors

KEUR	2015	2014
Statutory audit services to the Parent company (Deloitte)	50.1	51.6
Statutory audit services to subsidiaries (Deloitte)	496.1	509.5
Statutory audit services to subsidiaries (Other)	118.4	122.8
Further assurance services (Other)	31.9	31.4
Other non-audit services (Other)	27.9	71.2
Total	**724.3**	**786.5**

NOTE 24 Shares Owned by Management and Board of Directors as at 31.12.15

Board of Directors		No of shares
Ulla-Britt Fräjdin-Hellqvist	Chairwoman	72,800
Halvor Stenstadvold	Board member	300,000
Magnus Jonsson	Board member	20,000
Malin Persson	Board member	20,000
Thomas Falck	Board member	1,000,000
Jon Ivar Jørnby	Employee representative	0
Kari Brænden Aaslund	Employee representative	0
Kjell Kristiansen	Employee representative	0
Total number of shares		**1,412,800**

Executive Committee		No of shares
Hans Peter Havdal	CEO & President	447,025
Trond Stabekk	EVP, CFO	138,080
Jarle Nymoen	EVP, Human Resources	102,985
Lovisa Söderholm	EVP, Purchase	12,500
Scott Paquette	EVP, Driver Control	90,800
Joachim Magnusson	EVP, Driveline	123,693
Jonathan Day	EVP, Fluid Transfer	139,250
Anders Nyström	EVP, Interior	65,000
Philippe Toth	SVP, Business Development & IR	48,680
Total number of shares		**1,168,013**

NOTE 25 Statement of Remuneration of Management

Principles for Executive remuneration.

Remuneration governance

The Board has appointed a Compensation Committee that is headed by the Chairwoman of the Board. The Compensation Committee monitors decisions on matters regarding remuneration and terms for executives.

The CEO's remuneration package, and any adjustments thereof, are first reviewed by the Compensation Committee and then approved by the Board. The Board of Directors considers annually the compensation of the CEO. The remuneration packages for the other executives, including adjustments of these, are agreed between the CEO and the respective manager.

Principles for base salary

The fixed salary should reflect the individual's area of responsibility and performance over time. Kongsberg Automotive offers base salary levels which are competitive in the market in which we operate. Salaries are regularly benchmarked versus salary statistics provided by a global 3rd party human resource and related financial services consulting firm.

Variable compensation and incentive schemes

Kongsberg Automotive's short term incentive (STI):

The Annual Bonus Scheme (ABS) is a short term incentive with a time-frame of one year. The ABS is a worldwide incentive program designed to motivate, recognize and reward eligible employees for the contributions they make towards meeting KA's financial and business targets, as well as personal targets. The objectives of the program are to (i) clearly communicate to KA employees both KA's targets and employees' individual targets, (ii) communicate to KA employees how bonus payment is linked to KA performance and individual performance, (iii) drive the KA organization's ability to meet or exceed KA's performance targets, and (iv) improve KA's ability to attract, retain and motivate employees.

Executives receive variable salaries based on Return on capital employed (ROCE) (weighted 70%), year over year revenue growth (weighted 10%), business wins (weighted 10%) and business performance (10%). Business performance is business targets for a unit, or as an individual. The business targets may reflect defined KPIs related to QA, HSE, CSR, financial performance, and so on. ROCE, year over year revenue growth, and business wins are measured at both Group and Business Area (BA) level.

Target bonus for the CEO is 50% of gross base salary. Max bonus is 77% of gross base salary. Average bonus last five years for the CEO is 30% of gross base salary.

The performance goals for the CEO and Group are proposed by the Chairwoman of the Board and approved by the Board. Goals for the other senior executives are determined by the CEO and reviewed by the Compensation Committee.

Kongsberg Automotive's long term incentive (LTI):

The Board of Directors has established share option programmes for leading employees that have been approved by shareholders in the Annual General Meeting. It is the company's judgement that it is positive for long-term value creation in the group that leading employees hold shares and share options in Kongsberg Automotive.

The intention of this plan is to (i) attract and retain employees whose service is important to the Company's success, (ii) motivate such employees to achieve long-term goals of the Company, (iii) provide incentive compensation opportunities to such employees which are competitive with those of other companies, and (iv) encourage such employees to own common shares of the Parent Company and thereby share a common financial interest with the other shareholders of the Company.

The Board of Directors can offer share options to leading employees when shareholders have given authority to run options programmes:

- The exercise price of the options shall be the average trading price of the KOA shares the first 10 days after presentation of the 4th quarter results.
- 1/3 of options granted can be exercised at the earliest after 1, 2, and 3 years respectively. The exercise period shall typically be seven years.
- Minimum profit per share option to be eligible to exercise an option is NOK 1,-.
- Profit from exercise of options any calendar year shall not exceed the employee's basesalary the preceding year.
- To be granted options and to maintain options, the employee must at any time hold a number of KOA shares at least equivalent to 10% of the number of options.
- Principally, if an employee leaves the company, outstanding options which were not exercisable on the date of termination of employment will be forfeited.

Principles for benefits

In addition to fixed and variable salary, other benefits such as health insurance, newspaper, internet and telephone might be provided. The total value of these benefits should be modest and only account for a limited part of the total remuneration package.

Principles for company car and car allowance shall be allowed to vary in accordance with local conditions.

Pension:

Executives participate in the same pension plans as other employees within the unit in which they are employed.

Employees in the Norwegian entity participate in a defined contribution pension plan. The annual accrual is 4% of the annual base salary from 1- 6 G, 8% from 6 -12 G and 18% from 12-24 G (G is the base amount of Norwegian Social Security). The Top Hat (12-24 G) is non-secured and unfunded.

The CEO has a retirement agreement. Optional retirement at age 62. 60% of base salary (limit). Valid between ages 62-67. Pursuant to the employee holding a position in KA at attaining the age of 62.

Severance pay

CEO's agreed period of notice is 6 months.

The CEO has 6 months severance pay (base salary). The employee is not entitled to redundancy payment in the event he himself terminates the employment. At the year-end no other Executives had any agreement for redundancy payment. The notice period for the rest of the management is 6 months.

NOTE 26 Commitments and Guarantees

Commitments

The Group is party to lease agreements classified as operating lease. The total group cost for operating leases was MEUR 5.5 in 2015 (2014: 3.9) Operating leases are mostly used for the rental of office equipment. Below is the maturity schedule for operational leases in the Group:

MEUR	2016	2017	2018	2019	2020	Thereafter	Total
Operational lease commitments	(5.4)	(5.1)	(4.6)	(4.3)	(3.9)	(2.7)	**(25.9)**

Guarantees

Kongsberg Automotive ASA (Parent company):

Some subsidiaries require a financial support guarantee from Parent to satisfy the Going concern assumption. The Parent company has also issued guarantees towards suppliers of subsidiaries. The exposure is not considered material.

Kongsberg Automotive Group:

No material guarantees have been issued to or on behalf of entities outside the Group with the exception of Parent company guarantees described above.

NOTE 27 Contingent Liabilities

Contingent liabilities

The following in an overview of current material disputes involving either the Parent company Kongsberg Automotive ASA or its subsidiaries:

Bombardier Recreational Products Inc. vs. Kongsberg Inc. (Canada)

Bombardier Recreational Products Inc. has notified Kongsberg Inc. about claims raised by third parties arising out of two accidents where vehicles designed and manufactured by BRP; “the Can-Am Spyder”, have been involved and where drivers and passengers of the Can-Am Spyders have suffered personal injuries. The third party claimants have both alleged that the design of the vehicle in several respects, including the steering, was defective. The Dynamic Steering Unit for the Can-Am Spyder was supplied by Kongsberg Inc. to BRP and BRP has claimed that Kongsberg Inc. shall indemnify it from the above claims as it follows from BRP’s purchasing conditions that Kongsberg Inc. as a supplier shall indemnify BRP from product liability claims.

MTD Products Inc. vs. Kongsberg Power Products Systems I Inc. (US)

Kongsberg Power Products Systems I Inc. (“KPPS”) has further to a purchase order from 2006 delivered a four-way control for a snow thrower to MTD. Toro Inc. has sued MTD alleging that the control infringed one of their patents for a similar solution. In 2013 MTD and Toro reached a confidential agreement and settled the dispute. MTD has turned to KPPS claiming to be indemnified from all losses and costs. KPPS have rejected the claim whereafter MTD initiated arbitration proceedings. MTD’s claim is so far not quantified.

NOTE 28 Subsequent Events

Sale of North American headrest business

A letter of intent has been signed for the sale of the headrest business in North America.

The exact financial impact is yet to be established; however, the transaction could generate an accounting loss in the range of EUR 3 to 5 million related to compensation for potential future losses and restructuring activities.

The transaction is following the strategic decision to exit the headrest business and is considered a favorable option to gradually winding down the business. The transaction is expected to be completed during the second quarter of 2016

NOTE 29 Related-Party Transactions

Kongsberg Automotive group is listed on Oslo Stock Exchange. The Group’s ultimate parent is Kongsberg Automotive ASA.

The Group has no material transactions with related parties. The parent company has carried out the following transactions with related parties:

Key management- and BOD compensation

See note 23 - includes remuneration for management and Board of Directors.

Specification of revenues – type of services

MEUR	2015	2014
Group benefits fee from subsidiaries *	28.1	27.4
Information Systems & Technology	10.2	9.4
Other	4.7	4.5
Operating revenues	**43.0**	**41.3**

* The Kongsberg Automotive Group has a Norway-based Head Office (Kongsberg Automotive ASA) which is staffed with Group Management and other highly experienced personnel, and has therefore been established as a central unit to provide and coordinate a variety of important and beneficial Group Benefits to its subsidiaries. This by drawing on its own resources as well as on those available from third parties. All subsidiaries have a need for the provision of group know-how, management expertise and other intellectual property, as well as advice, support and assistance in several areas (e.g. Finance/Treasury, Legal).

Specification of revenues – revenues by geographical location

MEUR	2015	2014
Norway	5.4	5.7
USA	7.3	7.1
Sweden	4.0	4.7
China	3.6	3.4
Mexico	6.8	6.2
Other countries	15.8	14.3
Total	**43.0**	**41.3**

Outstanding loans, receivables and liabilities with other group companies

	Non-current assets	
Loans to other group companies	**2015**	**2014**
Kongsberg Automotive SP. z.o.o	4.0	0.0
Kongsberg Automotive Hong Kong Ltd	5.8	32.9
Kongsberg Automotive Holding 2 AS	388.2	371.3
Kongsberg Automotive s.r.o.	4.0	0.0
Other group companies	14.9	12.7
Total	**416.9**	**416.8**

The Parent company's loans to Group companies have due dates exceeding 1 year.

The majority of the inter company loans have a 5 % point margin of the respective marked reference rates.

Short term Group receivables

MEUR	Current assets 2015	Current assets 2014
Kongsberg Actuation Systems SL	0.2	0.2
Kongsberg Automotive s.r.o	0.1	0.1
Kongsberg Driveline Systems SAS	0.1	(0.0)
Kongsberg Driveline Systems GmbH	0.0	0.0
Kongsberg Automotive Ltd (Hong Kong)	7.3	0.0
Kongsberg Automotive (Shanghai) Co Ltd.	0.4	0.3
Kongsberg Automotive Inc.	13.6	9.5
Kongsberg Automotive Holding 2 AS	0.0	0.9
Kongsberg Automotive AS	9.6	0.0
Kongsberg Automotive (Wuxi) Ltd.	3.0	3.0
Other group companies	1.2	9.9
Total	**35.4**	**23.8**

Short-term Group liabilities

MEUR	Current liabilities 2015	Current liabilities 2014
Group companies*	34.7	52.7
Total	**34.7**	**52.7**

* Mainly Group Contribution to Kongsberg Automotive Holding 2 AS (MEUR 31.8)

Current assets and - liabilities have due dates within 1 year. The outstanding accounts are repayable on demand based on available liquidity in the respective subsidiary.

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To the Annual Shareholders' Meeting of Kongsberg Automotive ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Kongsberg Automotive ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the President and the CEO`s Responsibility for the Financial Statements

The Board of Directors and the President and the CEO are responsible for the preparation and fair presentation of these financial statements in accordance with simplified application of international accounting standards according to the Norwegian accounting act § 3-9 for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as the Board of Directors and the President and the CEO determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Registrert i Foretaksregisteret
Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Kongsberg Automotive ASA as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to the Norwegian accounting act § 3-9.

Opinion on the financial statements for the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Kongsberg Automotive ASA as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility, and the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 11 February 2016
Deloitte AS

Ingebret G. Hisdal (Signed)
State Authorised Public Accountant (Norway)

Declaration to the Annual Report 2015

Responsibility Statement

The Chief Executive Officer and the Board of Directors confirm, to the best of our knowledge, that the financial statements for the period January 1 to December 31, 2015 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the Company's and the Group's assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors' report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risk and uncertainties facing the entity and the group.

Kongsberg, February 11, 2016
Board of Directors of Kongsberg Automotive ASA

Ulla-Britt Fräjdin-Hellqvist Chairwoman (Sign.)	**Halvor Stenstadvold** Board member (Sign.)	**Malin Persson** Board member (Sign.)	**Thomas Falck** Board member (Sign.)
Magnus Jonsson Board member (Sign.)	**Kari Brænden Aaslund** Employee representative (Sign.)	**Kjell Kristiansen** Employee representative (Sign.)	**Jon Ivar Jørnby** Employee representative (Sign.)

Hans Peter Havdal
President and CEO
(Sign.)

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