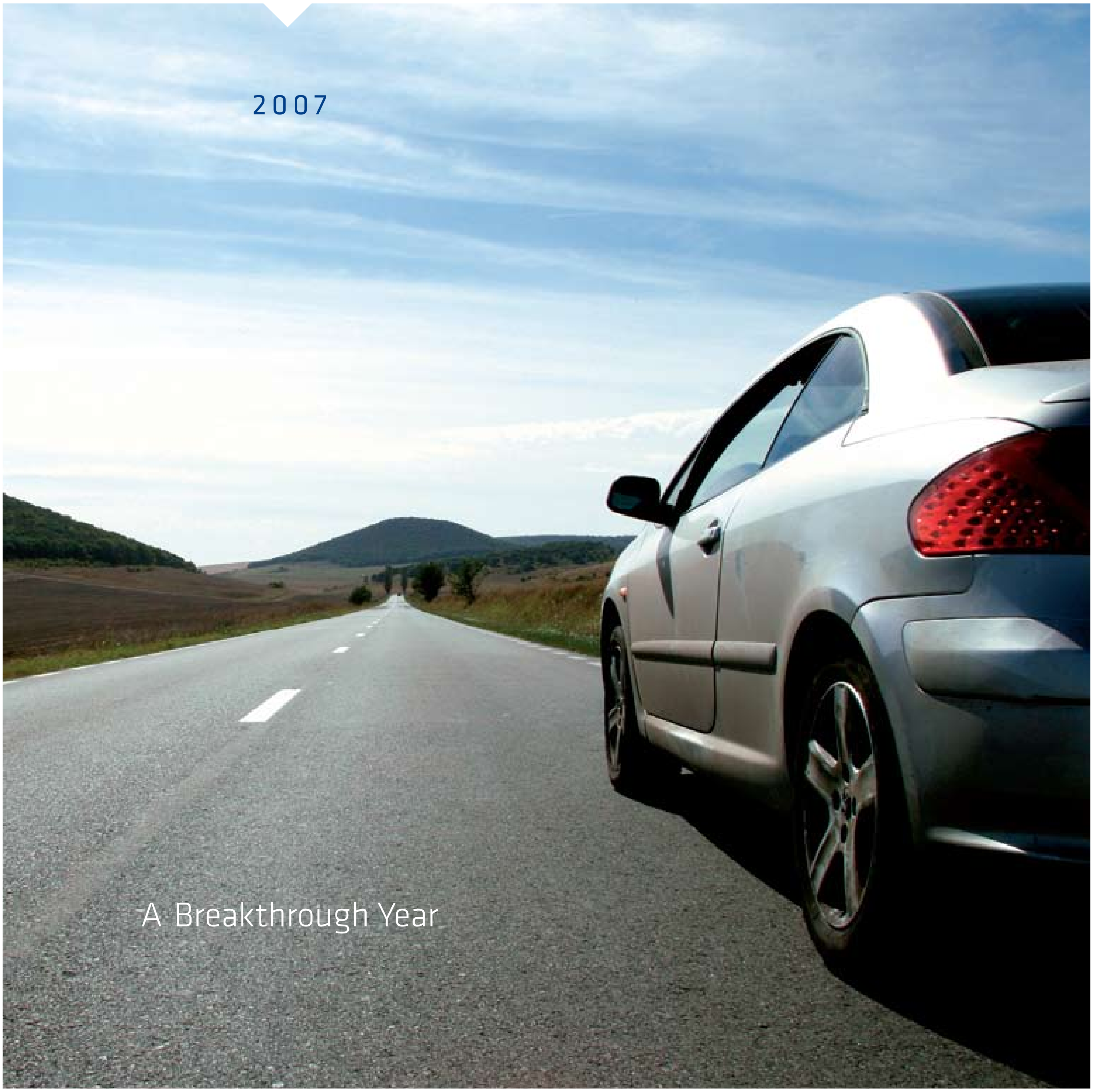
Annual Report

KONGSBERG
AUTOMOTIVE



A BREAKTHROUGH YEAR

2007 was a year of change and expansion for Kongsberg Automotive. We completed a major strategic acquisition that dramatically increased the company's scale and capabilities. The acquisition of Global Motion Systems (GMS) expanded both our product range and our geographic horizons. Kongsberg Automotive now has the solid platform and infrastructure it needs to pursue additional growth in the future.

The obvious reason for the acquisition was the good industrial fit between our activities. By combining forces we can strengthen our leading positions in core market segments.

A great opportunity lies before us. The two organizations already manufacture complementary products. Our task now is to combine our resources in the best possible manner. By bringing together skilled people and unleashing their talents in a coordinated way, we will enhance our global reputation for quality and consolidate our position as the preferred partner for our customers.

Our newfound strength will let us reach out to more customers than KA and GMS ever could have done separately. Just as important, we will be better equipped to serve our old friends in the industry and the valued new customers. Our customers are the ultimate beneficiaries of the efficiencies of scale, geography and expertise that we fully expect to realize.

So welcome to the new KA. I am confident that our merger will drive future growth and profitability to the best of all our stakeholders.

Olav Volldal
CEO
Kongsberg Automotive Holding ASA

Contents

2007 IN BRIEF

Main Figures*				
Amounts in MNOK		2007	2006	2005
Operation and profit				
Operating revenues		3 193,5	2 863,4	2 525,2
Operating profit		211,5	275,8	292,2
Profit before taxes		170,7	213,3	240,3
Net profit		125,4	156,0	177,8
Cash flow from operations		243,0	258,6	268,0
R&D expenses, gross		166,0	159,0	170,0
Profitability				
EBITDA margin	%	10,3	13,1	15,1
Operating margin	%	6,6	9,6	11,6
Return on capital employed	%	7,0	19,5	22,3
Return on equity	%	23,7	30,4	40,4
Personnel				
Number of employees		3 329,0	2 810	2 643

*The acquisition of GMS closed December 27, 2007, and the results above reflects pre-acquisition operations (GMS not included).

- Revenue growth of 11.6 percent
- Increased spending on R&D
- Drop in EBITA margin due to capacity constraints, pricing pressure and negative currency effects.

Trond Stabekk,
Chief Financial Officer (CFO).

GLOBAL FOOTPRINT

Locations

Kongsberg Automotive has more than 11,000 co-workers at over 50 locations in 20 countries. Our international presence gives the manufacturing capability expected by customers, as well as the flexibility and reliability to meet any challenge.

Global footprint - local execution.


SWEDEN
Mullsjö
Ljungsarp
Marsta
POLAND
Pruszków
SLOVAKIA
Vráble
HUNGARY
Siófok
GERMANY
Heiligenhaus
Dassel
Marktredwitz
ITALY
Rubano
CHINA
Shanghai
Wuxi
Chongqing
Shenyang
INDIA
Pune
Binola
KOREA
Yangsan
JAPAN
Tokyo
AUSTRALIA
North Geelong

BUSINESS AREAS

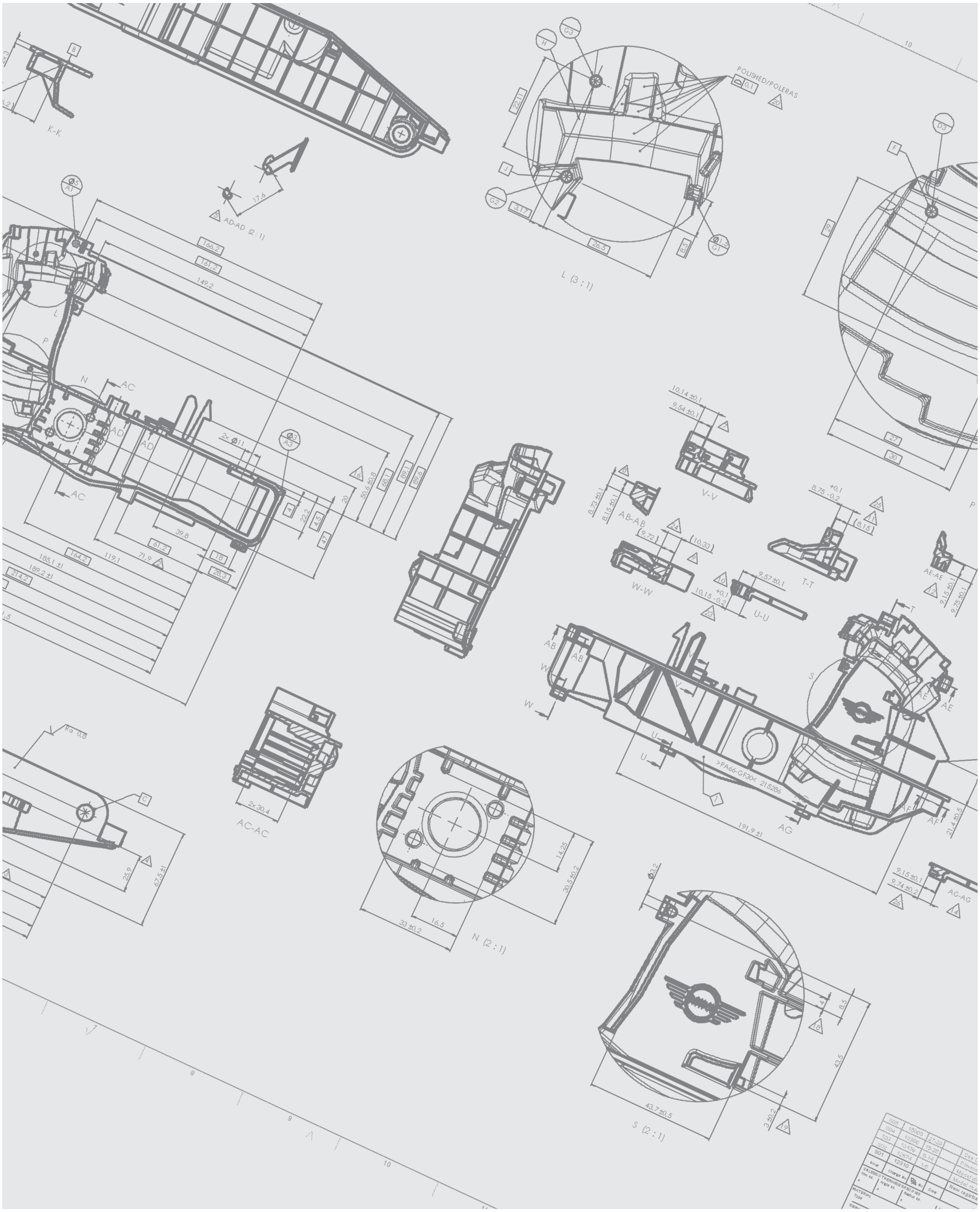
Kongsberg Automotive Holding

1 035 MEUR
11 009 Employees

	Driveline Systems	Interior Systems	Actuation Systems	Power Products Systems
Sales	337 MEUR	270 MEUR	292 MEUR	136 MEUR
Employees	4 350	4 014	1 378	1 267
Key End Customers	Automotive OEMs	Automotive Tier 1	Commercial OEMs	Industrial Segment OEMs Non-Automotive Products
Products & Systems	ATX/MTX Shifters (PV) Knobs Cables (shift/tension) Shift Towers Trim Components Fluid Reservoirs	Seat Heating Seat Ventilation Seat Massage Lumbar Support Systems Head Restraints Cables (seat/closure) Seat Actuators Armrests	Clutch Servos Master Cylinders Shifters (CV) Couplings Rods Fluid Systems	Pedals Electronics Steering Columns Cables (LD/HD) Shifters Displays

Figures proforma 2007

The organizational structure includes four divisions as outlined in the illustration. The structure is intended to center around customers, which has been and will continue to be our primary focus.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K-K
AD-AD (2 : 1)
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PRODUCT RANGE

Driveline Systems

Tier 1 global supplier of custom-engineered cable controls and complete shift systems; including shift knobs, shift levers, shift mechanisms, shift cables and shift towers. Our global resources ensure timely innovative product development and high-quality manufacturing. Our refined core competencies have helped make us the leading control cable supplier in North America, as measured by market share, and a leading supplier of shift assemblies in Europe. Driveline Systems offer the speed, adaptability and reliability necessary to help our customers meet their needs.

ATX Shifters (PV) / MTX Shifters (PV)

Knobs

Trim Components

Shift/Tension Cables

Shift Towers

Interior Systems

Global leader in the design, development and manufacture of mechanical and electro-mechanical light-duty motion control and seat comfort systems to Tier 1 and Tier 2 customers. Our portfolio includes seat recliners, seat adjusters, side bolsters and lumbar support (pneumatic/mechanical), cables, seat heating, ventilation and massage systems, arm rests and head restraints. The interior systems group respond to market demands for complex, multi-functional systems that meet aesthetic, tolerance and packaging requirements. KA is the only supplier in the world delivering the full range of seat comfort products.

Seat Heating / Seat Ventilation /
Seat Massage / Lumbar Support Systems

Cables (seat/closure)

Seat Actuators

Head Restraints

Armrest

Some customers: DAF, Iveco, MAN, Mercedes-Benz, Scania, Volvo, Volkswagen, Delphi, Ford, GM, Honda, Intier, Johnson Controls, Landrover, Lear, Nissan, Siemens, Bosch, Caterpillar, Chrystler, John Deere, Kawasaki, Yamaha, Stihl, Audi, Alfa Romeo, Ferrari, Jaguar, Maserati, McLaren, Mercedes, Saab.

Actuation Systems

Global leader in the design, development and manufacturing of manual, hydraulic and electronic gear shifters for trucks, buses and off-highway vehicles. Products include clutch servos and master cylinders for medium-duty and heavy-duty trucks, light trucks, vans and high performance passenger cars. Our portfolio also include air couplings for braking systems in commercial vehicles and stabilizing rods. Actuation systems provide products that improve road handling, driving safety and comfort.

Clutch Actuation (servos, master cylinders)

Couplings

Rods

Shifters (CV)

Shifters (CV)

Fluid Systems

Power Products Systems

Designs, develops and manufactures a broad range of vehicle control systems including: mechanical and electro-mechanical pedal systems; steering columns; heavy and light duty cable systems; mechanical and electronic hand controls; electronic controls and monitoring systems. Recognized in the industry for being robust, high performance solutions, these systems are designed to meet the rigorous demands for durability in extreme conditions. The comprehensive range of operator controls and instruments are supported by an unmatched base of application knowledge.

Pedals

Displays

Shifters

Steering Columns

LD Cables

HD Cables

Electronics

VISUAL PROFILE

Kongsberg Automotive has launched a new corporate profile this year.

The Logo

The new Kongsberg Automotive logo symbolizes solid rock and the silver found in the mines in Kongsberg, Norway (lit.: "The King's Mountain") where the company was established in 1987. The components symbolize the coming together of units, making a strong brand. The logo has a 3D shape in front perspective and is rendered in matt metallic, to communicate the link to the automotive- and industrial business.

> The components symbolize the coming together of units, making a strong brand.

The previous version of the logo formed the basis of the update. The logo has been simplified and rotated, to create a more steady and plain shape. The initials "K" and "A" are remained and the extrusion is reduced, as shown in the examples 1, 2, 3, 4 to the right. The rendering (gradients and material) are used to make the symbol more distinct and expressive (example 5).

1. One Company - One Style. Presented to the right is a selection from the new Visual profile. The visual profile is plain, stylistically consistent and reflects our identity.

2. Presented below is the history of Kongsberg Automotive (KA). Kongsberg Automotive (KA) was founded on 25 March 1987 as a continuation of the activities previously handled by the Automotive Division of Kongsberg Våpenfabrikk.

THE HISTORY OF KONGSBERG AUTOMOTIVE

- **1957** – Kongsberg Våpenfabrikk (KV) starts production of brakes for Volvo Trucks.
- **1958** – Production of drive shaft for Volvo.
- **1973** – Kongsberg Våpenfabrikk splits in divisions and the automotive division is established.
- **1975** – The factory in Rollag, Norway, starts production.
- **1976** – The factory in Hvittingfoss, Norway, starts production.
- **1984** – Kongsberg Automotive buys Tønsberg Presstøperi, Norway. Olav Volldal becomes Director of the Automotive Division.
- **1987** – Employees buy the Automotive Division from Kongsberg Våpenfabrikk and Kongsberg Automotive (KA) is established.
- **1988** – Tønsberg Pressindustri is in bankruptcy.
- **1989** – The Swedish investment company Convectus buys KA, and is then bought by Finnveden.
- **1990** – Raufoss and The Norwegian Bank buy KA.
- **1995** – KA is listed on the Norwegian stock exchange.

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ABCDEFGHIJKLMNOPQRSTUVWXYZÆØÅ / abcdefghijklmnopqrstuvwxyzæøå / 12345678910!%&?@

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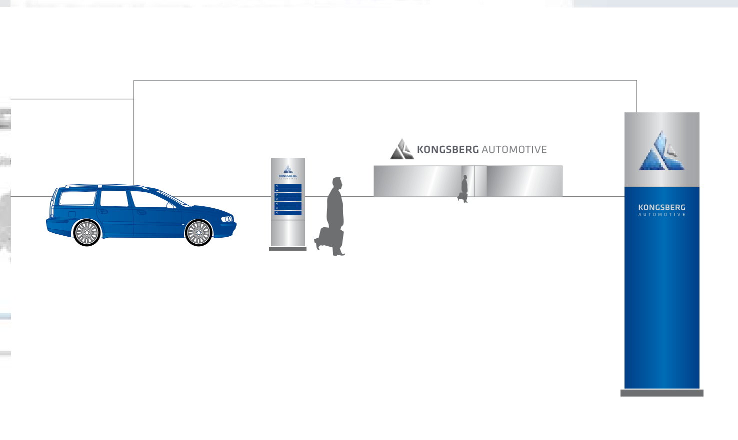
Klavika Light/Regular/Medium



1996
- KA buys the Swedish company Scandmec, which also has production in England and USA.

1997
- KA buys the Swedish company Euro Autotec.

1998
- KA establishes production in Brazil.

1999
- Industri Kapital buys KA and the company is delisted from the Norwegian Stock Exchange.
- KA establishes production of seat heating in Reynosa, Mexico.

2000
- A technological center for gearshifts is established in Livonia, Michigan, USA.
- Production is established in Poland.

2001
- KA buys Jung Ang, the leading producer of clutch servos in Korea.

2002
- The production facility in England is closed down and transferred to Poland.

2003
- KA buys the British company Ctex Seat Comfort Holding Ltd.

2004
- KA buys Raufoss United AS, Norway.
- KA establishes production in China.

2005
- KA buys the American company Milan Seating Systems.
- Listed at Norwegian stock exchange.

2007
- KA buys Teleflex GMS, USA (Global Motion Systems).

DIRECTORS' REPORT

(all figures in parentheses refer to the corresponding figures in 2006)

A quantum leap forward

It has been a transformational year for Kongsberg Automotive, most notably with its acquisition of Global Motion Systems (GMS) late in the year for USD 560 million. GMS had been the automotive systems arm of Teleflex Inc., a diversified industrial company listed on the New York Stock Exchange. With this purchase, Kongsberg Automotive increases its workforce from about 3,300 to about 11,000 while significantly expanding its geographic footprint, product portfolio and customer base. A host of synergies and cost savings is anticipated going forward.

Kongsberg Automotive (KA), which is headquartered in Kongsberg, Norway, had already had operations in 12 countries on four continents. Now it has operations in 20 countries on five continents. The acquisition of GMS strengthens KA's market position in both seat comfort and driveline & chassis while adding fluid transfer systems to its product mix. GMS is a major long-term supplier to blue-chip customers worldwide and brings several major new customers to KA, including the makers of off-highway vehicles.

Because the acquisition did not close until December 27, 2007, the operating results presented in this Directors' Report pertain to Kongsberg Automotive's pre-acquisition activities. It was another record-breaking year for KA's top-line revenues, which totaled NOK 3,194 million. The revenue growth of 11.6 percent reflects overall higher production volumes related to a booming market for heavy-duty trucks in Europe and continued growth in the global market for passenger cars, particularly in Eastern Europe and Asia. Overall, company product sales grew faster in 2007 than the markets did, reflecting expanding market shares for KA. Operating profit was NOK 212 million (276). Net profit after taxes and financial items was NOK 125 million (156). Production capacity constraints, pricing pressure, negative currency effects in the United States and increased spending on research and development all contributed to an erosion of EBITA margin from 9.6 percent to 6.6 percent and of net profit margin from 5.4 percent to 3.9 percent. Another significant drag on margins was the one-off cost of transferring seat-comfort manufacturing production from Åmotfors, Sweden, to a plant in Poland. Global raw materials prices remained high by historical standards.

With the purchase of Teleflex GMS, Kongsberg Automotive increases its workforce from about 3,300 to about 11,000 while significantly expanding its geographic footprint, product portfolio and customer base.

In 2007 the company was deriving 73 % of revenues from Europe, 19 percent from North America and 8 percent from Asia and the rest of the world.

Heavy-duty truck market surges

Sales of heavy-duty trucks in Europe reached an all-time high in 2007, increasing 2.3 percent in Western Europe and more than 50 percent in Eastern Europe compared with 2006. Taken as a whole, the European market grew slightly more than 7 percent. As industrial firms in Western Europe have moved production to lower-cost manufacturing centers in Eastern European countries, the need for truck transportation has grown. The construction boom in Eastern Europe has been another stimulus. Some analysts have likened Eastern Europe's current demand for increased transportation capacity to that of Western Europe after World War II.

Europe accounted for more than 90 percent of KA's sales to the commercial vehicle market in 2007. Sales of KA clutch actuation systems, gearshift systems, air couplings and other components for heavy-duty trucks rose in Europe, partly as a result of increased KA market share. Sales of commercial vehicle systems in Asia were up, reflecting the rapid economic growth of China, Korea and other Asian nations. In Brazil, sales rose by over 30 percent. KA does very little business in the North American commercial vehicle market.

In 2007, KA's Driveline & Chassis Division included a range of technologically advanced products for both commercial vehicles and passenger cars. Operating revenues for the division rose 18.7 percent to MNOK 1,750, while EBITA rose 11.9 percent to MNOK 130,4. Margins dropped slightly on an annual basis. But by the 4th quarter – which was the best ever for driveline & chassis revenue – margins were back on par with the 4th quarter of 2006.

Global market for passenger cars still growing

Although the combined market for passenger cars in Europe and North America has matured to some extent over the past decade, the overall sales curve is still moving upwards, helped by strong demand in Eastern Europe. In 2007, 16.2 million passenger cars and light trucks were sold in North America, a decline of 2.5 percent from 2006, but still one of the largest annual totals ever recorded. Further slippage, however, has been projected for 2008. In Europe, stagnant car sales in the west were more than offset by significant growth in the east. There was also strong growth in Asia.

Another trend of importance to KA has been the change in relative market strength among leading Original Equipment Manufacturers (OEMs). The clearest example has been Toyota's challenge to General Motors for the title of top-selling global vehicle manufacturer, and the Big Three U.S. manufacturers as a whole lost ground in 2007. Their difficulties have trickled down to Tier 1 and Tier 2 suppliers, threatening some of them with bankruptcy. Kongsberg Automotive, with its careful targeting of market segments, has weathered this challenge better than most other automotive parts suppliers.

One dynamic affecting European and North American car sales has been the continuing shift in consumer preference away from gas-guzzling large vehicles toward smaller, more fuel-efficient ones. To date this change has not undermined sales of KA's premium-quality automobile gearshift and seating systems, because drivers have generally retained their preference for such comforts even when downsizing. At the same time, the new KA is better positioned to seize opportunities in high-growth markets like Asia, with its rising demand for premium vehicles and options as well as its vast, emerging market for low-cost cars.

In the mixed global environment for passenger cars, the performance of KA's Seat Comfort Division in 2007 was itself mixed, though market share rose on a global basis. Total operating revenues rose by just under 4 percent, to NOK 1,441 million, while EBITA declined to NOK 122 million (183). The one-off cost relating to the closure of the seat-comfort plant in Åmotfors, Sweden, and the transfer of its operations to Pruszków, Poland, was NOK 12 million in the 4th quarter. The transfer is expected to reduce annual expenses by NOK 15 million to NOK 20 million. Performance at KA's seat-comfort plant in Milan, Tennessee, was weak during second half of 2007 but was improving by the end of the year.

The GMS acquisition

KA's purchase of GMS on a debt-and cash-free basis was accomplished using debt financing committed at attractive terms by DnBNOR and Nordea. On Des. 3, 2007, KA shareholders authorized a potential share issue up to 22 million new shares to ensure adequate financial flexibility. By March 2008, preparation for a share issue was in progress and other potential funding solutions were also under consideration. No serious complications emerged between Oct. 14, 2007, when the purchase terms were agreed with Teleflex, and the formal closing on Dec. 27, 2007. Some 35 new business units were incorporated and nearly two dozen new legal entities were established, but business operations flowed without interruption. In recent years KA has made six other major acquisitions, all of them successful. Ambitious targets have been set for integrating the KA and GMS organizations in a way that will strengthen customer relationships and maximize the crossfertilization of ideas. The combined company will be a shared global design and manufacturing network. Customers will continue to be the largest and most innovative transportation manufacturers.

Integration teams have been established for key functions such as R&D, marketing, operations, finance, IT and purchasing, with each team promoting "best practice" initiatives across former company lines. Effective Jan. 2, 2008, the new Kongsberg Automotive was reorganized into four divisions to reflect its four main customer groups. The four new divisions are:

- Driveline Systems, focused on automotive OEMs
- Interior Systems, focused on Tier 1 automotive suppliers
- Power Products Systems, focused on industrial-segment OEMs and non-automotive products
- Actuation Systems, focused on commercial OEMs

Synergies and cost savings

When the GMS acquisition terms were announced in October 2007, restructuring costs associated with the acquisition were estimated at approximately NOK 100 million for 2008. However, synergies were expected to reduce operating costs by about NOK 30 million in 2008. Substantially larger effects were projected for thereafter. It was estimated that by the end of 2009 annual operating costs will have declined by NOK 150 million to NOK 200 million on a constant-sales-volume basis.

> The company will continue to design unique products and to manufacture them in high volume. It will continue to target market segments that are growing.

Kongsberg Automotive has long been transferring production, when appropriate, from high-cost countries like Norway, Sweden and England to lower-cost locations in Eastern Europe, the Americas and Asia. This continued during 2007. The acquisition of GMS represents a major new step in this process. While about 40 percent of KA's employees worked in low-cost countries in 2007, the figure rose to 51 percent with the absorption of GMS's workforce. KA's new geographic footprint will enable the company to better serve its most valued customers. Many of them have been accelerating the transfer of their own of manufacturing processes to low-cost areas where KA is present. Also in 2007, KA established a partnership with an Indian engineering company for specialized engineering services.

The combined company, with its broader procurement net and enhanced market clout, may be able to purchase materials and basic parts on more favorable terms than before. It will also be able to insist more consistently that its suppliers provide just-in-time delivery with zero defects. At the same time, the company may find it can hold the line more effectively against falling prices for its own finished products, some of which it will now turn out more economically and in greater volume. Restructuring production capacity across the newly expanded company may entail the in-sourcing of certain components that previously had been purchased elsewhere at higher cost. R&D efforts will likely be more efficient and carry more weight in the marketplace.

The KA story continues

Through the workforce has been greatly enlarged and executives from GMS have been integrated into KA's upper management, the basic strategies and values that have enhanced KA shareholder value for two decades remain intact. The company will continue to design unique products and to manufacture them in high volume. It will continue to target market segments that are growing. And it will continue to be relentless in the pursuit of efficiency, as it was in 2007, when productivity improvements more than offset the financial impact of declining sales prices for some systems.

While operating margins improved from Q2 onward in 2007, they were still hurt by production capacity constraints related to the record demand for KA components in the heavy-truck market.

By the start of 2008, some balance between demand and capacity had returned, and the situation was expected to equalize further through the first quarter.

Employment and equal opportunity

Excluding the GMS acquisition, KA's workforce expanded by 519 in 2007, to 3,329. Employment growth was recorded in every country except France, where the level did not change during the year. China saw the largest percentage jump, from 37 employees in 2006 to 146 in 2007. In Poland, where KA employed just 287 people in 2003, there were 684 employees at the end of 2006 and 856 at the end of 2007.

The company has made every effort to minimize hardship on employees affected by the difficult process of transferring production

activity to countries with lower labor and material costs. The Swedish residents who were laid off in connection with the transfer of seat-heater manufacturing operations to Poland in 2007 were helped to find new jobs, and most were successful. Likewise, the integration of employees from KA and GMS will be conducted with utmost attention to the ideals of mutual respect and honesty.

Number of employees:

	31.12.07	31.12.06	31.12.05	31.12.04	31.12.03
Norway	639	568	560	569	325
Sweden	627	603	613	736	707
Poland	856	684	561	379	287
USA	327	275	298	23	16
Mexico	313	272	243	238	302
England	277	250	237	237	207
Korea	35	30	33	32	33
Brazil	61	51	35	21	11
Germany	25	20	18	10	6
France	17	17	19	18	3
China	146	37	24	1	
Japan	6	3	2	1	
Total	**3329**	**2810**	**2643**	**2265**	**1897**

KA is deeply committed to gender and ethnic diversity, and every employee is protected by equal opportunity policies and practices. In total, men made up 54 % of the KA workforce in 2007, while women accounted for 46%. The company's Board of Directors consists of two women and three men, in addition to three representatives (one woman, two men) for the employees. It is company policy that when any management position becomes available, at least one woman must be invited to interview for it. In addition, when management courses are offered inside the company, women are accorded priority in the selection process. The same applies to the filling of trainee positions in Norway and Sweden. In the past year, three out of the five trainees were women.

The fourth five-week class in KA's international management program "Interdal" will be concluded in September 2008. Eighteen participants from 11 different countries takes part in the class, which provides interdisciplinary training in the company's most important specialized areas. The course qualifies personnel for subsequent service abroad.

Health, safety and the environment (HSE)

The Group assigns high priority to its obligations and programs on health, safety and the environment (HSE). The authorities in the countries where KA is present set HSE standards in the form of legislation, general regulations and specific requirements. Pollution control is one of numerous HSE efforts that are crucially important to both KA and the countries in which it operates.

All KA units comply with general and specific requirements alike. The enterprises in Sweden, Norway, Poland, England, Mexico, Brazil, South Korea and US are now certified in accordance with ISO 14001, while the plant in Wuxi, China employs similar processes and systems. The certification is valid for 2008.

Before the end of each year, objectives and plans for HSE work are drawn up for the coming year. These plans are followed up on an ongoing basis. A detailed Environmental Report has been prepared as an integral part of the Annual Report.

Absences due to sickness were reduced in four of KA's units in 2007, and increased slightly at eight locations. Six locations reported zero accidents in 2007. Across all KA locations, the average H-value (a measure of the number of work-related injuries resulting in sick leave relative to the number of hours worked) was 3.3. These values are considered to be good for the industry in which KA operates. The goal for all units is an H-value of zero.

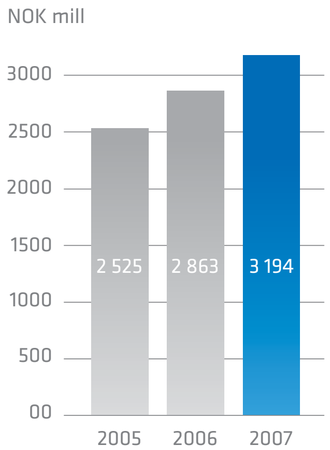
Energy consumption is closely connected to production volume. The 9-percent increase in overall energy consumed by the company was attributed to increased production over the year. Increases in use of petroleum products such as lubricants, propane and graphite were all attributed to increases in production. However, the majority of sites reduced their use of petroleum products in 2007. All units separate waste at source and recycle as much of it as possible. Combustible materials generally go to energy recovery. Hazardous waste is delivered to approved refuse-disposal plants.

Mixed and wood wastes remained at the 2006 level, oil waste was reduced by 14% and other waste volumes increased in 2007. The increases are almost all related to the increase in production. No external complaints related to HSE were reported during the year.

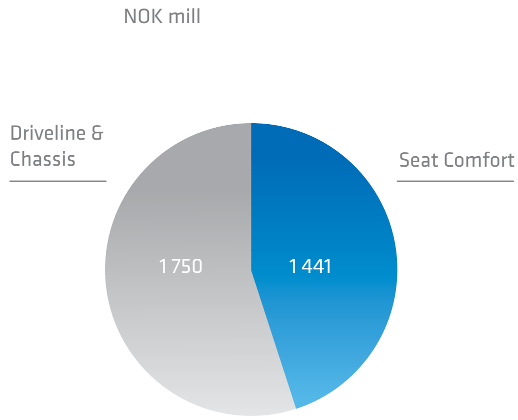
More details about HSE are available at greater length on KA's web pages.

Corporate governance & internal control

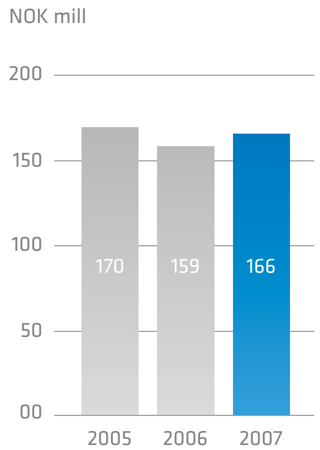
Throughout 2007, the board has ensured that KA's guidelines for corporate governance have been followed carefully. The company's internal rules of governance accord with guidelines in the Norwegian Code of Practice for Corporate Governance. In addition to the company's General Guidelines for Corporate Governance,



Operating Revenues



Business areas and revenues



R&D Expenses

specific instructions have been prepared with regard to 1) the CEO, remuneration for senior management, Remuneration Committee, auditor and any close associate's non-auditing work, 2) ethics and KA's fundamental values, and 3) the Nomination Committee. An internal Auditing Committee appointed by the Board is charged with ensuring that the external accounts are presented in a responsible manner; it performs its duties in dialogue with the company's management and external auditor, and is obligated to follow a set of approved guidelines. Using documentation provided by KA management, the board has conducted a risk evaluation for the purpose of ensuring that the most important aspects of risk to the company are adequately managed and that corrective actions are taken when appropriate.

Operational risk

Kongsberg Automotive supplies products that are safety critical. Suppliers in the automotive industry face the possibility of substantial financial responsibility for warranty cases related to potential product or delivery failures, and KA is no exception. This responsibility represents a potential risk. Work methods and qualifying procedures implemented by the company are designed to minimize this risk.

Review of accounts

The Annual Report with attached financial statement assumes continued operation of the Company. The Board of Directors confirms the validity of this assumption. Operating revenues for the Group in 2007 amounted to NOK 3,194 million (2,863) with a corresponding operating profit of NOK 212 million (276). This gave an operating margin of 6.6 percent (9.6 percent). In 2007 the Group had a growth in revenues of 11.5 percent. This reflects a strong truck market and an increased underlying growth in demand for our products.

Net financial expenses amounted to NOK 41 million in 2007 (63). Tax expenses of NOK 46 million (57) comprise taxes payable of NOK 36 million and a change in deferred taxes amounting to NOK 10 million.

The net profit for the year amounted to NOK 125 million (156). The balance-sheet value of goodwill has been tested for impairment, but no reasons for write down have been identified. Changes in goodwill are related to currency fluctuations and the acquisition of GMS.

Capital: The Group's long term interest-bearing bank debt amounted to NOK 3,225 million (812) as of 31st December 2007. The Group's loan portfolio was refinanced in 2007 due to the acquisition of GMS. A loan agreement for five years was entered into with DnBNor. As of 31st December 2007 the Group's book equity amounted to NOK 508 million (548). The equity ratio was 8.2 percent (26.5 percent). The reduction in the equity ratio is due to new debt related to the acquisition of GMS. A dividend of NOK 54,1 million was paid out in 2007.

The pricing pressure that has been noted in recent years will continue and will be addressed through new technologies, lower procurement prices and internal efficiency measures.

Liquidity: In addition to cash reserves, at the end of the fiscal year KA had liquidity reserves of NOK 367 million (75) in the form of unutilised credit facilities.

Cash flow: The Group had a positive cash flow from operations in 2007. NOK 185 million was invested in tangible fixed assets excluding GMS, as well as NOK 16 million in capitalized R&D. Ordinary depreciation amounted to NOK 92 million (88). The net change in cash was NOK 133 million in 2007.

Financial risk: The Group's activities are exposed to different types of financial risk. Some of the most important factors are foreign-exchange rates, interest rates, raw material prices and credit risks, as well as liquidity risk. As the consolidation currency for the Group is NOK, there will always be ongoing exposure associated with the reporting of consolidated profitand loss statements and balance sheets. Responsibility for the Group's financial risk management is centralised and risk exposure is constantly monitored. The Group uses derivatives to a certain extent in order to minimize risks relating to currency and raw-material prices. As the Company operates in many countries, it is vulnerable to currency risk. The greatest currency exposure is associated with EUR and USD, while raw material exposure is greatest in copper, zinc, aluminium and steel. The Group has limited credit risk. Sound routines have been established for following up receivables, and losses in this area have been minimal in the past. The Company has concentrated on debt collection, as well as on-going follow up of the customer credit worthiness. Interest risk is linked to long term debt. As of 31 December 20067 all loans have floating interest rates. Interest-rate hedging is evaluated on an on-going basis.

KA ASA – The parent company: In 2007 the parent company earned total operating revenues of NOK 69 million (26) with a corresponding operating loss of NOK -17 million (-13), resulting in an operating margin of -25 percent compared with -49 percent in 2006. The parent company earned a net financial income in 2007 of NOK 123 million (138). The net profit after tax for the year amounted to NOK 106 million (140). As of 31 December 2007 the parent company's book equity was NOK 251 million (142).

Appropriations: The Board of Directors will propose to the Annual General Assembly that no dividend being paid for 2007. The Board of Directors proposes that Kongsberg Automotive Holding ASA's net profit of NOK 106 million is allocated as follows:

- Transferred to other equity NOK 106 million

Future outlook

The board wishes to emphasize that all assessments involving future conditions are uncertain. They are subject to developments which to a large degree are beyond the Company's control. The sale of cars and utility vehicles are expected to remain at approximately today's level. An exception is made for emerging markets like China and India, which appear likely to experience growth in the years to come.

The pricing pressure that has been noted in recent years will continue and will be addressed through new technologies, lower procurement prices and internal efficiency measures. Prices for a variety of raw materials have increased in the last few years and there is a chance that this development will continue.

The largest challenge facing KA in 2008 will be the integration of GMS. The potential to realize synergies is substantial, even as execution issues put major demands on the entire organization.

With regard to issues not directly addressed here, the board refers the reader to evaluations and assessments presented in other sections of the Annual Report.

The Board of Directors of Kongsberg Automotive Holding ASA
Oslo, 13. March 2008

Sign.

Curt Germundsson, Chairman

Sign.

Bente Rathe, Deputy Chairman

Sign.

Cato A. Holmsen

Sign.

Dr. Jürgen Harnisch

Sign.

Ulla-Britt Fräjdin-Hellqvist

Sign.

Kevin Burrell

Sign.

Leif Strømhaug

Sign.

Siv Anita Midtskogen

Sign.

Olav Volldal
Chief Executive Officer

FINANCIALS

Balance sheet 31.12

Kongsberg Automotive Holding ASA 31.12.06	31.12.07	NOK million	Note	Kongsberg Automotive Group 31.12.07	31.12.06
		Non-current assets			
41	43	Deferred tax assets	11	93	54
4	10	Other intangible assets	4	2 049	508
1	2	Property, plant and equipment	5	1 319	459
511	3 580	Shares in subsidiaries	6	0	0
489	477	Loan to group companies		0	0
2	3	Financial non-current assets		21	3
1 048	**4 115**	**Total non-current assets**		**3 482**	**1 024**
		Current assets			
0	0	Inventories	7	865	221
93	148	Trade receivables and other receivables	8, 9	1 498	604
3	100	Cash and short-term deposits	10	340	207
96	**248**	**Total current assets**		**2 703**	**1 051**
1 144	**4 363**	**Total assets**		**6 185**	**2 075**
		Equity			
22	22	Share capital		22	22
14	15	Other paid-in equity		15	14
(48)	(48)	Other equity		(151)	(35)
154	264	Retained earnings		622	547
142	**251**	**Total equity**		**508**	**548**
		Liabilities			
0	0	Deferred tax liabilities	11	149	44
7	8	Pension liability	12	132	28
805	3 221	Interest-bearing loans and borrowings	13, 14	3 225	812
812	**3 229**	**Total long-term liabilities**		**3 506**	**884**
125	0	Bank overdraft		62	125
0	840	Other short-term interest-bearing liabilities		885	20
0	0	Taxes payable	11	0	11
65	43	Trade payables and other payables	15	1 213	487
		Other provisions for liabilities		11	
190	**883**	**Total short-term liabilities**		**2 171**	**643**
1 002	**4 112**	**Total liabilities**		**5 677**	**1 527**
1 144	**4 363**	**Total equity and liabilities**		**6 185**	**2 075**

The balance sheet shows the consolidated figures for KA and GMS.

Income statement

KONGSBERG AUTOMOTIVE HOLDING ASA					KONGSBERG AUTOMOTIVE GROUP		
2005	2006	2007	(NOK million)	Note	2007	2006	2005
26	**26**	**69**	**Operating revenues**	3	**3 194**	**2 863**	**2 525**
			Operating expenses:				
0	0	0	Raw materials and consumables used		(1 426)	(1 349)	(1 127)
0	0	0	Change in inventories; work in progress and finished goods		(72)	(36)	(13)
(24)	(25)	(27)	Salaries and social expenses	12/16/18	(925)	(755)	(669)
(7)	(14)	(53)	Other operating expenses		(441)	(348)	(333)
0	0	(1)	Depreciation	5	(92)	(88)	(80)
0	0	(5)	Amortization	4	(26)	(11)	(11)
(31)	**(39)**	**(86)**	**Total operating expenses**		**(2 982)**	**(2 587)**	**(2 233)**
(5)	**(13)**	(17)	**Operating profit**		212	**276**	**292**
			Financial items				
115	199	184	Financial income		5	3	3
(44)	(61)	(61)	Financial expenses		(46)	(66)	(55)
71	**138**	**123**	**Net financial items**	19	**(41)**	**(63)**	**(52)**
66	**125**	**106**	**Profit before taxes**		**171**	**213**	**240**
14	15	0	Income tax	11	(46)	(57)	(62)
80	**140**	**106**	**Net profit**		**125**	**156**	**178**
			Earnings per share (diluted and ordinary)	20	**2,82**	**3,52**	**4,01**

The acquisition of Global Motion Systems (GMS) had no impact on the 2007 result in the consolidated accounts.

The Board of Directors of Kongsberg Automotive Holding ASA
Oslo, 13. March 2008

Sign.
Curt Germundsson, Chairman

Sign.
Bente Rathe, Deputy Chairman

Sign.
Cato A. Holmsen

Sign.
Dr. Jürgen Harnisch

Sign.
Ulla-Britt Fräjdin-Hellqvist

Sign.
Kevin Burrell

Sign.
Leif Strømhaug

Sign.
Siv Anita Midtskogen

Sign.
Olav Volldal
President

Statement of changes in equity

Kongsberg Automotive Group	Share capital and share premium	Other equity	Retained equity	Total equity
Equity 01.01.06	**34**		**455**	**489**
Foreign currency translation		13		13
Capital received from ESPP*)	2			2
Purchase own shares		(48)		(48)
Value of options charged to income statement			2	2
Net profit 2006			156	156
Paid dividend			(66)	(66)
Equity 31.12.06	**36**	**(35)**	**547**	**548**
Foreign currency translation		(116)		(116)
Capital received from ESPP*)	1			1
Value of options charged to income statement			4	4
Net profit 2007			125	125
Paid dividend			(54)	(54)
Equity 31.12.07	**37**	**(151)**	**622**	**508**

Dividend	**2007**	**2006**
Dividend per share in NOK - paid	1,25	1,50
Dividend per share in NOK - proposed by the Board of Directors	0,00	1,25

*) ESPP = Employee Stock Purchase Plan

Statement of changes in equity

Kongsberg Automotive Holding ASA	Share capital	Other paid-in capital	Retained earnings	Total equity
Equity as of 01.01.2006	**22**	**12**	**66**	**100**
Capital received from ESSP*)		2		2
Purchase own shares		(48)		(48)
Share options charged to income statement			2	2
Net profit 2006			140	140
Proposed dividend			(54)	(54)
Equity as of 31.12.2006	**22**	**(34)**	**154**	**142**
Capital received from ESSP*)				-
Purchase own shares				
Share options charged to income statement			4	4
Net profit 2007			106	106
Equity as of 31.12.2007	**22**	**(34)**	**264**	**251**

Number of shares 01.01.2007	44 321 570
Issued new shares	27 020
Number of shares 31.12.2007	44 348 590
Of this treasury shares	1 000 000

*) ESSP = Employee Stock Purchase Plan

Cash flow statement

Kongsberg Automotive Holding ASA 2006	Kongsberg Automotive Holding ASA 2007	(NOK million)	Kongsberg Automotive Group 2007	Kongsberg Automotive Group 2006
		Operating activities:		
(13)	(17)	Operating profit	212	276
0	1	Interest income	5	3
(29)	(42)	Interest expenses	(48)	(37)
(28)	(18)	Foreign currency gains/losses	18	(25)
195	183	Other financial items	(17)	(4)
125	**106**	**Profit before taxes**	**171**	**213**
(3)	0	Taxes payable	(53)	(66)
0	2	Gain/loss on sale of non-current assets	2	0
0	3	Depreciation and Amortization	118	99
0	15	Changes in working capital	(96)	(44)
1	1	Changes in net pension assets	1	6
0	0	Unrealised currency differences	1	(1)
(51)	799	Changes in other current items	6	(17)
75	**925**	**Cash flow from operations**	**150**	**190**
		Investing activities:		
(3)	(15)	Capital expenditure	(213)	(147)
0	3	Sale of non-current assets	3	0
(9)	(3 069)	Purchase of subsidiary/new share capital in subsidiary	(3 069)	0
(12)	**(3 081)**	**Cash flow from investing activities**	**(3 279)**	**(147)**
		Financing activities:		
471	2 415	New loans	3 279	31
(462)	12	Net change in group loans	0	0
43	(125)	Change in bank overdraft	(71)	43
(66)	(54)	Dividends paid	(54)	(66)
2	4	Capital received from ESPP*)	4	2
(48)	0	Purchase own shares	0	(48)
(60)	**2 252**	**Cash flow from financing activities**	**3 158**	**(38)**
3	97	Net change in cash	133	(9)
0	0	Of this net currency effects	104	(4)
0	3	Cash at 01.01.	207	216
3	100	**Cash at 31.12.**	**340**	**207**
3	1	Of this restricted cash	13	12

*) ESPP = Employee Stock Purchase Plan

Note 1 Accounting Principles

Amounts are given in million NOK unless otherwise stated.

1) General information
Kongsberg Automotive Holding ASA and its subsidiaries develop, manufacture and sell products to the automotive industry all over the world.

In 2007 the group acquired Global Motion Systems (GMS). The group obtained control over GMS on 27 December and with accounting effect from 31 December. GMS is involved in manufacturing activities related to the automotive industry on a global basis. The balance sheet as of 31 December is included in the balance sheet of the group, whereas the income statement has been prepared without including GMS.

Kongsberg Automotive Holding ASA is a limited liability company with its head office in Dyrmyrgata 45 in Kongsberg, Norway. The company is listed on the Oslo Stock Exchange. The annual accounts for the year ended 31 December 2007 were authorized for issue by the Board of Directors on 13 March 2008.

2) Summary of the most important accounting principles
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as determined by EU. The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and liabilities which have been valued at fair value.

The financial statements for the parent company have been prepared in accordance with simplified International Financial Reporting Standards, and the principles described below are also valid for the parent company.

a) Changes in published standards coming into force in 2007
IFRS 7 "Financial instruments: Disclosures" and subsequent amendments in IAS 1 (Amendments), "Presentation of financial statements – Capital disclosures" introduce new addition information related to financial instruments. The standard does not influence the classification and the value assessment of the group's financial instruments, or additional information related to taxation or other liabilities.

IFRIC 8 "Scope of IFRS 2". In accordance with IFRIC 8 transactions related to the issue of equity instruments, where the compensation is lower than fair value of the issued equity instrument, shall be valued in relation to if they should be included in IFRS 2. The standard does not influence the group's consolidated accounts.

IFRIC 10 "Interim Financial Reporting and Impairment". The standard does not allow that impairment related to goodwill, equity instruments and financial instruments recognized in the books to original cost and presented in the interim reports can be reversed at a later date. The standard does not influence the group's consolidated accounts.

b) The group has chosen early implementation of the following interpretations
IFRIC 11 "IFRS 2 – Group and treasury share transactions" has been chosen for early implementation in 2007. IFRIC 11 gives advice as to how transactions with treasury shares (i.e. options in the parent company's shares) shall be handled. The interpretation gives advice as to whether such transactions shall be accounted for as share payment schemes paid by shares or paid by cash in the individual or separate financial accounts in the subsidiaries.

c) Standards, interpretations and amendments that came into force in 2007, but which are not relevant for the group
The following standards, amendments and interpretations are compulsory for annual accounts starting 1 January 2007 or later, but are found to be irrelevant for the group:

- IFRS 4 "Insurance contracts"
- IFRIC 7 "Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies" and
- IFRIC 9 "Re-assessment of embedded derivatives"

d) Interpretations to existing standards which have not come into force and where the group has not chosen early implementation
The following interpretations to existing standards are published and will be compulsory for the group in annual accounts starting in 2008 or later, but the group has not chosen early implementation:

IAS 23 (Amendment) "Borrowing costs" (coming into force from 1 January 2009). The supplement to this standard is currently up for approval at the European Union. IAS 23 (Amendment) requires that all costs associated with loans shall be recognized in the balance sheet as long as they can be directly attributed to the acquisition, the construction or the production of a qualifying asset (an asset it takes considerable time to prepare for use or sale) as a part of the acquisition cost of the asset. The group will use IAS 23 (Amended) from 1 January 2009, the group has however no qualifying assets as of today, and the standard is therefore not relevant.

IFRIC 8 "Operating segments" (coming into force from 1 January 2009). IFRIC 8 substitutes IAS 14 and coordinates the segment reporting with the requirements in the US standard SFAS 131 "Disclosures about segments of an enterprise and related information". The new standard requires that the published segment reporting is based in the management's approach to segment reporting in the management reporting. The group will use IFRIC 8 from 1 January 2009. The expected effects of the implementation of the standard is being evaluated by group management, and it is assumed that the number of segments and how the segments will be reported will be changed in order to reflect consistency with management reporting to the main decision makers in the group. A change of the segment information will most likely also result in a re-allocation of goodwill to new identified cash generating units. Goodwill will be allocated to groups of cash generating units based on segment level. The management expects that the implementation of the standard will result in no substantial impairment of the goodwill.

Segment information
A business segment is a part of the business that delivers products and services with a risk and rate of return that may be different from that of other business segments.

Functional currency and presentation currency
The group presents its financial statements in NOK. The group has foreign subsidiaries with functional currencies other than NOK. For consolidation purposes, the balance sheet figures for subsidiaries with a different functional currency are translated at the rate applicable at the balance sheet date and the income statements have been translated at the average rate for the period. Exchange differences are recognized in equity.

Foreign currency transactions are translated at the rate applicable on the transaction date. Foreign exchange gains/losses that arise as a result of changes in the exchange rate between the transaction date and the payment date are recognized in the income statement.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Kongsberg Automotive Holding ASA and its subsidiaries as at 31 December each year. The financial statements of the 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 obtained control, and continue to be consolidated until the date that such control ceases. Acquisitions have been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, are eliminated entirely.

Investments in subsidiaries are booked according to the cost method in the parent company's accounts.

Revenue recognition

Revenue is recognized when it is probable that transactions will generate future economic benefits that will accrue to the company and the size of the amount can be reliably estimated. Sales revenues are presented net of value added tax and discounts.

Revenues from the sale of goods are recognized in the income statement when delivered, following the transfer of significant risks and rewards of the product to the buyer.

Use of estimates when preparing the annual financial statements

The group has used estimates and assumptions related to the future. This particularly applies to the assumptions used in the actuary calculation of defined pension plans and assessment of goodwill. Future events may lead to these estimates being changed. Such changes will be recognized when new estimates can be determined with certainty.

3) Specific accounting principles

3.1) Intangible assets

Goodwill

Goodwill is tested for impairment annually and is measured at cost less any accumulated impairment losses. Impairment losses will not be reversed.

Goodwill arising from acquisition of a foreign entity is treated as an asset in the foreign entity and translated at the rate applicable at the balance sheet date.

For the purpose of impairment testing, goodwill is allocated to the relevant cash generating unit. The allocation is made to those units that are expected to benefit from the acquisition. The group allocates goodwill to each business segment in each country it operates.

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 asset which is owned by the company; and the asset's 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 carried out using the straight-line method over the estimated useful life. The amortization estimate and method is subject to an annual assessment based on the pattern of consumption of future economic benefits.

Patents: The book value of patents is related to the operations in England which were acquired in September 2003. Patents are amortized over the lifetime of the patent. The lifetime of a patent will be between three and 21 years, with 75 % of the book value being related to patents with a lifetime of 11 years or more.

Research and development costs: Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the group can demonstrate;

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to exercise its right to use or sell the asset
- how the asset will generate future economic benefits
- the ability of resources to complete
- the ability to reliably measure the expenditure during the development

Development costs are amortized over the period of expected future sales of the developed product from the time the deliveries commence. When the sales period is uncertain or longer than 5 years, 5 years is used as an amortization period.

Impairment

Intangible assets with an infinite useful life, i.e. goodwill, are not amortized but are tested annually for impairment. Impairment losses are recognized in the income statement as the difference between the carrying amount and the recoverable amount. The recoverable amount is the highest amount of fair value and utility value. For the purpose of the impairment testing, the non-current assets are classified at the lowest level where it is possible to identify independent cash flows. The need for reversing prior impairment losses on non-financial (except goodwill) are considered.

3.2) Tangible non-current assets

Kongsberg Automotive has chosen to apply the historic cost model, and tangible non-current assets are carried at cost less accumulated depreciation and impairment losses. The assets are depreciated over their useful economic life using the straight-line method.

The gross carrying amount of non-current assets is the purchase price, including duties/taxes and direct acquisition costs relating to making the non-current asset ready for use. Subsequent costs, such as repair and maintenance costs, are normally expensed when incurred. When increased future economic benefits as a result of repair/maintenance work can be proven, such costs will be recognized in the balance sheet as additions to non-current assets. Each part of an item of a tangible non-current asset with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Straight-line depreciation is calculated at the following rates:

- Buildings 3-4 %
- Machinery, furniture and equipment 10-25 %
- Computer equipment 33 %

When assets are sold or disposed of, the gross carrying amount and accumulated depreciation are reversed, and any gain or loss on the sale or disposal is recognized in the income statement.

3.3) Inventories

Inventories are valued at the lower of cost and net realizable value. Inventories are measured using the FIFO (First In – First Out) principle. Raw materials are valued at purchase price plus duties, freight, and forwarding charges. Work in progress and finished goods include variable costs and fixed costs that can be allocated to goods based on normal capacity. Expenses associated with loans are not included. Provision for obsolescence has been deducted.

3.4) Trade receivable

Trade receivables are recognized and carried at original invoice amount less an allowance for any uncollectable amounts. Provision is made when there is objective evidence that the group will not be able to collect the debts.

3.5) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts are included in the balance sheet under short-term liabilities. Bank overdraft is showed net, together with bank deposits if it is within the same bank.

3.6) Deferred tax and Taxes payable

Taxes in the income statement include taxes payable for the period and changes in deferred tax based on each country's tax laws and the tax rates applicable locally.

Deferred tax assets are recognized when it is probable that the company will have a sufficient profit for tax purposes to utilize the tax asset. Deferred tax and deferred tax assets are recognized irrespectively of when the differences will be reversed.

The tax payable and deferred tax is recognized directly in equity to the extent that they relate to items that are recognized directly in equity.

3.7) Pensions

The Norwegian parent company Kongsberg Automotive Holding ASA and the subsidiary Kongsberg Automotive AS have defined contribution and defined benefit pension plans. Both the Norwegian entities changed their basic pension plan for employees from a defined benefit to a defined contribution plan in 2004. The defined benefit plan was continued for already retired employees. The other defined benefit plans still in operation are early retirement agreements through the AFP-scheme and an early retirement plan for the CEO. The subsidiaries in Sweden and England 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. A linear accrual formula regards the employees' accrued pension rights during a period as the pension costs 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 or losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The pension commitments are calculated on the basis of the present value of future cash flows.

Defined contribution plan: The companies' payments are recognized in the income statements for the year to which the contribution applies.

3.8) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised 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. 12-months repayment of long-term debt is included under short-term liabilities in the balance sheet.

3.9) Financial derivative instruments

Kongsberg Automotives uses derivative financial instruments such as forward currency and metal contracts to reduce risks associated with foreign currency and metal price fluctuations. These derivatives are not designated as hedging instruments. The derivatives are measured at fair value. Changes in fair value of such derivatives are recognized in the income statement.

3.10) Government grants

The group receives some government grants. These are recognized as cost reductions or reduced capital expenditure.

3.11) Leasing

Arrangements where a major part of the risks and the returns remains with the lessor, are classified as leasing.

3.12) Provisions

The group recognizes provisions for restructuring and legal claims when a legal or selfimposed liability exist as a result of prior occurrences, and it is likely that the commitment will materialize and the size of the liability can be reliably estimated. Provision for restructuring consists of redundancy payment for employees. Provisions for future operational losses are not made.

3.13) Share option programme in Kongsberg Automotive Holding ASA

The group has a share option programme. Fair value of the services the group has received from the employees as a return service for the granted options are recognized as an expense. The total amount to be expensed over the contribution time are calculated based on the fair value of the granted options. At each balance sheet date the group carries out a revaluation of its estimates for the number of options likely to be exercised.

Note 2 Subsidiaries

Name of the company	Country	Ownership	New in 2007	Holding company
Kongsberg Driveline Systems AS	Norway	100 %	x	x
Kongsberg Automotive AB	Sweden	100 %		
Kongsberg Automotive Limited	Hongkong	100 %	x	x
Kongsberg Driveline Systems II, Ltd	China	100 %	x	
Kongsberg Driveline Systems I, Ltd	China	100 %	x	
Kongsberg Driveline Systems III, Ltd	China	100 %	x	
Kongsberg Driveline Systems s.r.o.	Slovakia	100 %	x	
Kongsberg 1 GmbH	Germany	100 %	x	x
Kongsberg Driveline Systems GmbH	Germany	100 %	x	
Kongsberg SAS	France	100 %	x	x
Kongsberg Driveline Systems SAS	France	100 %	x	
SCI Immobiliere La Clusienne	France	100 %	x	
Kongsberg Driveline Systems Ltda.	Brazil	100 %	x	
Kongsberg Holding I, Inc	Delaware, USA	100 %	x	x
Kongsberg Driveline Systems I, Inc	Delaware, USA	100 %	x	
Kongsberg Driveline Systems II, Corp	Delaware, USA	100 %	x	
Kongsberg Holding II, LLC	Delaware, USA	100 %	x	x
Kongsberg Driveline Systems, S.de RL de CV	Mexico	100 %	x	
Kongsberg Driveline Systems III Partnership	Michigan, USA	100 %	x	
Driveline Systems Ohio, co-partnership	Ohio, USA	100 %	x	
Kongsberg Interior Systems AS	Norway	100 %	x	x
Kongsberg Automotive Ltd.	China	100 %		
Kongsberg Automotive GmbH	Germany	100 %		
Kongsberg Automotive Sp.z o.o.	Poland	100 %		
Kongsberg Automotive Ltd.	Great Britain	100 %		
Kongsberg Automotive SARL	France	100 %	x	
Kongsberg Automotive Inc.	Michigan, USA	100 %		
Kongsberg Automotive S. de RL de CV	Mexico	100 %		
Kongsberg Holding III, Inc	Delawere, USA	100 %	x	x
Kongsberg Interior Systems S. de RL de CV	Mexico	100 %	x	
Kongsberg Interior Systems I, Inc	Delaware, USA	100 %	x	
Kongsberg Interior Systems II, Inc	Delaware, USA	100 %	x	
Kongsberg Interior Systems, Ltd	Great Britain	100 %	x	
Kongsberg Interior Systems Pty Ltd	Australia	100 %	x	
Kongsberg Automotive, Kft	Hungary	100 %	x	x
Kongsberg Interior Systems, Kft	Hungary	100 %	x	
Ctex Seat Comfort Ltd	Great Britain	100 %		
Kongsberg Power Products Systems AS	Norway	100 %	x	x
Kongsberg Power Products Systems SARL	France	100 %	x	
Kongsberg SRL	Italy	100 %	x	x
Kongsberg Power Products Systems S.r.l.	Italy	100 %	x	
Kongsberg Holding Ltd	Great Britain	100 %	x	x
Kongsberg Power Products Systems Ltd	Great Britain	100 %	x	
Teleflex Morse Ltd. Dormant	Great Britain	100 %	x	
Kongsberg Power Products Systems AB	Sweden	100 %	x	
Kongsberg Power Products Systems II. Ltd	China	100 %	x	
Kongsberg Power Products Systems I. Ltd	China	100 %	x	
Kongsberg Inc	Canada	100 %	x	
Kongsberg Power Products Systems S.L.	Spain	100 %	x	
Kongsberg Holding IV, Inc	Delaware, USA	100 %	x	x
Kongsberg Power Products Systems I, Inc	Delaware, USA	100 %	x	
Kongsberg Power Products Systems III, LLC	Delaware, USA	100 %	x	
Kongsberg Power Products Systems IV, LLC	Delaware, USA	100 %	x	
Kongsberg Power Products Systems V, Ltd	Texas, USA	100 %		

Name of the company	Country	Ownership	New in 2007	Holding company
Kongsberg Actuation Systems AS	Norway	100 %	x	
Kongsberg Automotive Ltd.	Korea	100 %		
Raufoss Couplings France SAS	France	100 %		
Kongsberg Automotive AS	Norway	100 %		
Kongsberg Automotive Ltda.	Brazil	100 %		
Kongsberg Actuation Systems SL	Spain	100 %	x	
Kongsberg Automotive SL	Spain	100 %	x	x
Kongsberg BV	Netherlands	100 %	x	x
Kongsberg Actuation Systems BV	Netherlands	100 %	x	
Kongsberg Actuation Systems, Ltd	Great Britain	100 %	x	
Kongsberg 2, GmbH	Germany	100 %	x	x
Kongsberg Actuation Systems GmbH	Germany	100 %	x	
Kongsberg Holding V, Inc	Delaware, USA	100 %	x	x
Kongsberg Actuation Systems II, Inc	Connecticut, USA	100 %	x	
Kongsberg Actuation Systems III, Inc	Delaware, USA	100 %	x	
Kongsberg Actuation Systems I, Inc	Delaware, USA	100 %	x	

Note 3 Segment Reporting

The primary reporting segments for Kongsberg Automotive are the two divisions Driveline & Chassis (D&C) and Seat Comfort (SC) as the group's risks and rates of return are affected predominantly by differences in the products manufactured. D&C offers products within automatic and manual gear shift systems, clutch servo systems as well as products related to stabilisation of chassis. SC offers products relates to seat ventilation, arm rests, head rests and other interior products. The secondary reporting segment for Kongsberg Automotive is geographical location. The primary reporting segment is based on the management and internal reporting structure for the group. The pricing of any cost allocations between the divisions are based on the arms' length principle. There are no inter-segment sales transactions. The results for each division and capital employed elements consist of both items which are directly related to and recorded in the division, as well as to items which are allocated based on reasonable allocation keys.

1) Primary reporting segment – divisions
2007

(NOK million)	SC	D&C	Other	Group
Operating revenues	1 441	1 750	3	3 194
EBITDA	**155**	**189**	**(13)**	**331**
Depreciation	(33)	(58)	(1)	(92)
EBITA	**122**	**131**	**(14)**	**239**
Amortization	(9)	(13)	(4)	(26)
EBIT	**113**	**118**	**(19)**	**212**
Net financial items				(41)
Profit before taxes				**171**
Income tax				(46)
Net profit				**125**
Assets and liabilities				
Inventories	91	206	(3)	294
Accounts receivable	234	265	0	499
Tangible and intangible assets	193	413	13	619
Goodwill	357	5	0	362
Segment assets	**875**	**889**	**10**	**1 774**
Non-allocated assets				4 411
Total assets				**6 185**
Accounts payable	(120)	(181)	(16)	317
Non-allocated liabilities				5 360
Total liabilities				**5 677**
Capital expenditure				
Capital expenditure	64	145	4	213

2006 (NOK million)	SC	D&C	Other	Group
Operating revenues	1 389	1 474	0	2 863
EBITDA	**214**	**173**	**(12)**	**375**
Depreciation	(31)	(57)	0	(88)
EBITA	**183**	**117**	**(13)**	**287**
Amortization	(8)	(3)	0	(11)
EBIT	**175**	**114**	**(13)**	**276**
Net financial items				(63)
Profit before taxes				**213**
Income tax				(57)
Net profit				**156**
Assets and liabilities				
Inventories	60	161	0	221
Accounts receivable	257	230	0	487
Tangible and intangible assets	202	346	5	553
Goodwill	405	9	0	414
Segment assets	**924**	**746**	**5**	**1 675**
Non-allocated assets				400
Tangible and intangible assets				**2 075**
Accounts payable	121	203	0	324
Non-allocated liabilities				1 203
Total liabilities				**1 527**
Capital expenditure				
Capital expenditure	45	99	3	147

The numbers for 2006 are re-arranged to the structure used in 2007 whereby the former business units CVS and GS have been combined. Non-allocated assets include deferred tax assets, other non-current tangible assets as well as assets related to GMS. Non-allocated liabilities include all other liabilities but trade payables and liabilities related to GMS.

2) Secondary reporting segment – geography

The group's geographical segments for sale to external customers are based on the geographical location of the customer. The group's geographical segments for assets and capital expenditure are based on the geographical location of the relevant company.

2.1) Sale to external customers by location

	2007		2006	
(NOK million)	Jan – Dec	%	Jan – Dec	%
Sweden	768	24,1 %	720	25,1 %
Germany	539	16,9 %	539	18,8 %
Rest of Europe	1 121	35,1 %	879	30,7 %
North-America	541	16,9 %	486	17,0 %
Other	224	7,0 %	239	8,3 %
Operating revenues	**3 194**	100,0 %	**2 863**	100,0 %

2.2) Assets by geography

(NOK million)	31.12.2007	%	31-12-06	%
Norway	618	10,0 %	520	25,1 %
Sweden	647	10,5 %	437	21,1 %
North America	2 088	33,8 %	315	15,2 %
Great Britain	820	13,3 %	446	21,5 %
Other	2 011	32,5 %	357	17,2 %
Total assets	**6 185**	100,0 %	**2 075**	100,0 %

Total related to GMS are allocated to the country where the asset is located.

2.3) Capital expenditure by geography

(NOK million)	2007 Jan – Dec	%	2006 Jan – Dec	%
Norway	130	4,0 %	59	40,1 %
Sweden	213	6,5 %	48	32,4 %
North-America	1 368	41,7 %	15	10,0 %
Great Britain	339	10,3 %	8	5,6 %
Other	1 229	37,5 %	18	11,9 %
Total capital expenditure	**3 279**	100,0 %	**147**	100,0 %

Capital expenditure related to GMS are allocated to the country where the investment is located.

Note 4 Intangible assets

KAH ASA Software	(NOK million)	Group Goodwill	Patents	R&D	Software	Total
1	Accumulated cost	412	89	40	33	574
0	Accumulated depreciation	0	(47)	(6)	(28)	(81)
1	**Book value at 01.01.2006**	**412**	**42**	**34**	**5**	**493**
3	Additions	0	0	19	7	26
0	Depreciation	0	(7)	(2)	(2)	(11)
0	Disposal accumulated cost	0	0	0	0	0
0	Disposal accumulated depreciation	0	0	0	0	0
0	Currency differences	2	2	(4)	0	0
4	**Book value at 31.12.2006**	**414**	**37**	**47**	**10**	**508**
	As per 31.12.06					
4	Accumulated cost	414	94	54	40	602
0	Accumulated depreciation	0	(57)	(7)	(30)	(94)
4	**Book value at 31.12.2006**	**414**	**37**	**47**	**10**	**508**
12	Additions	1 382	217	16	12	1 627
(2)	Depreciation	0	(7)	(15)	(4)	(26)
0	Disposal accumulated cost	0	0	0	(22)	(22)
(4)	Disposal accumulated depreciation	0	0	0	16	16
0	Currency differences	(51)	(4)	1	0	(54)
10	**Book value at 31.12.2007**	**1 745**	**243**	**49**	**12**	**2 049**
	As per 31.12.2007					
16	Accumulated cost	1 745	256	70	30	2 101
(6)	Accumulated depreciation	0	(13)	(21)	(18)	(52)
10	**Book value at 31.12.2007**	1 745	243	49	12	**2 049**

Summary of the goodwill

	2007	2006
Kongsberg Automotive AB	6	7
Kongsberg Automotive Inc.	118	137
Kongsberg Automotive Ltd. (GB)	237	268
Kongsberg Automotive Ltd. (KR)	2	2
GMS	1 383	
Total	**1 745**	**414**

Impairment test of goodwill
Goodwill is allocated to the group's lowest cash generating units, identified as the legal entities.

The recoverable amount of a cash-generating unit has been determined based on a value in use calculation by discounting the projected cash-flows based on the 5 year strategic plan for the relevant units. For the period after the 5 years an estimated growth rate is used.

Assumptions used are a growth rate exceeding the 5 years of 2.00 percent and a discount rate of 8.00 percent. Budgeted cash-flows are based on previous performance and expectations to future market development.

The analysis showed there was no need for any write-down of the carrying amount of goodwill for either of the relevant units as the recoverable amount per cash generating unit is greater than the carrying amount per cash generating unit (including carrying amount of goodwill).

The change in the value of the goodwill is related to the acquisition of GMS, and the result of the purchase price allocation may change the size of the goodwill.

Research and Development costs
The gross R&D costs for 2007 amounts to NOK 166 million. Of these NOK16 million are capitalized.

Note 5 Tangible non-current assets

KAH ASA			Group			
Land	**Equipment**	**(NOK million)**	**Plant**	**Land**	**Equipment**	**Total**
1	0	Accumulated cost	118	6	922	1 046
0	0	Accumulated depreciation	(47)	0	(583)	(630)
1	**0**	**Book value at 1.1.2006**	**71**	**6**	**339**	**416**
0	0	Additions	1	0	119	120
0	0	Depreciation	(3)	0	(85)	(88)
0	0	Disposal accumulated cost	0	0	0	0
0	0	Disposal accumulated depreciation	0	0	0	0
0	0	Currency differences	8	1	2	11
1	**0**	**Book value at 31.12.06**	**77**	**7**	**375**	**459**
		As per 31.12.06				
1	0	Accumulated cost	110	7	983	1 100
0	0	Accumulated depreciation	(33)	0	(608)	(641)
1	**0**	**Book value at 31.12.06**	**77**	**7**	**375**	**459**
0	2	Additions	3	0	987	990
0	0	Depreciation	(5)	0	(87)	(92)
0	0	Disposal accumulated cost	(2)	(1)	(23)	(26)
0	0	Disposal accumulated depreciation	1	0	7	8
0	0	Currency differences	(6)	(1)	(13)	(20)
0	**2**	**Book value at 31.12.07**	**68**	**5**	**1 246**	**1 319**
		As per 31.12.07				
0	2	Accumulated cost	124	5	2 121	2 250
0	0	Accumulated depreciation	(56)	0	(875)	(931)
0	**2**	**Book value at 31.12.07**	**68**	**5**	**1 246**	**1 319**

DnBNor has pledge in the shares of the four division legal entities.

Note 6 Shares in subsidiaries

Name of company	Country	Ownership	Book value 2007	Book value 2006
Kongsberg Driveline Systems AS	Norway	100 %		
Kongsberg Automotive AB	Sweden	100 %	101	101
Kongsberg Automotive Limited	Hongkong	100 %		
Kongsberg Driveline Systems II, Ltd	China	100 %	4	
Kongsberg Driveline Systems I, Ltd	China	100 %	16	
Kongsberg Driveline Systems III, Ltd	China	100 %	105	
Kongsberg Driveline Systems s.r.o.	Slovakia	100 %	18	
Kongsberg 1 GmbH	Germany	100 %		
Kongsberg Driveline Systems GmbH	Germany	100 %	120	
Kongsberg SAS	France	100 %		
Kongsberg Driveline Systems SAS	France	100 %	218	
SCI Immobiliere La Clusienne	France	100 %		
Kongsberg Driveline Systems Ltda.	Brazil	100 %	15	
Kongsberg Holding I, Inc	Delaware, USA	100 %		
Kongsberg Driveline Systems I, Inc	Delaware, USA	100 %	85	
Kongsberg Driveline Systems II, Corp	Delaware, USA	100 %	104	
Kongsberg Holding II, LLC	Delaware, USA	100 %		
Kongsberg Driveline Systems, S.de RL de CV	Mexico	100 %	3	
Kongsberg Driveline Systems III Partnership	Michigan, USA	100 %	6	
Driveline Systems Ohio, co-partnership	Ohio, USA	100 %		
Kongsberg Interior Systems AS	Norway	100 %		
Kongsberg Automotive Ltd.	China	100 %	21	21
Kongsberg Automotive GmbH	Germany	100 %	1	1
Kongsberg Automotive Sp.z o.o.	Poland	100 %	2	2
Kongsberg Automotive Ltd.	Great Britain	100 %	277	277
Kongsberg Automotive SARL	France	100 %		
Kongsberg Automotive Inc.	Michigan, USA	100 %	43	43
Kongsberg Automotive S. de RL de CV	Mexico	100 %		
Kongsberg Holding III, Inc	Delawere, USA	100 %		
Kongsberg Interior Systems S. de RL de CV	Mexico	100 %	6	
Kongsberg Interior Systems I, Inc	Delaware, USA	100 %		
Kongsberg Interior Systems II, Inc	Delaware, USA	100 %	39	
Kongsberg Interior Systems, Ltd	Great Britain	100 %	9	
Kongsberg Interior Systems Pty Ltd	Australia	100 %	0	
Kongsberg Automotive, Kft	Hungary	100 %		
Kongsberg Interior Systems, Kft	Hungary	100 %	131	
Ctex Seat Comfort Ltd	Great Britain	100 %	1	1
Kongsberg Power Products Systems AS	Norway	100 %		
Kongsberg Power Products Systems SARL	France	100 %		
Kongsberg SRL	Italy	100 %		
Kongsberg Power Products Systems S.r.l.	Italy	100 %		
Kongsberg Holding Ltd	Great Britain	100 %		
Kongsberg Power Products Systems Ltd	Great Britain	100 %	152	
Teleflex Morse Ltd. Dormant	Great Britain	100 %		
Kongsberg Power Products Systems AB	Sweden	100 %	184	
Kongsberg Power Products Systems II. Ltd	China	100 %	5	
Kongsberg Power Products Systems I. Ltd	China	100 %	43	
Kongsberg Inc	Canada	100 %	165	
Kongsberg Power Products Systems S.L.	Spain	100 %		
Kongsberg Holding IV, Inc	Delaware, USA	100 %		
Kongsberg Power Products Systems I, Inc	Delaware, USA	100 %	74	
Kongsberg Power Products Systems III, LLC	Delaware, USA	100 %	257	
Kongsberg Power Products Systems IV, LLC	Delaware, USA	100 %	257	
Kongsberg Power Products Systems V, Ltd	Texas, USA	100 %		
Kongsberg Actuation Systems AS	Norway	100 %		

Name of company	Country	Ownership	Book value 2007	Book value 2006
Kongsberg Automotive Ltd.	Korea	100 %	4	4
Raufoss Couplings France SAS	France	100 %		
Kongsberg Automotive AS	Norway	100 %	54	54
Kongsberg Automotive Ltda.	Brazil	100 %	7	7
Kongsberg Actuation Systems SL	Spain	100 %		
Kongsberg Automotive SL	Spain	100 %	65	
Kongsberg BV	Netherlands	100 %		
Kongsberg Actuation Systems BV	Netherlands	100 %	138	
Kongsberg Actuation Systems, Ltd	Great Britain	100 %	170	
Kongsberg 2, GmbH	Germany	100 %		
Kongsberg Actuation Systems GmbH	Germany	100 %	291	
Kongsberg Holding V, Inc	Delaware, USA	100 %		
Kongsberg Actuation Systems II, Inc	Connecticut, USA	100 %	218	
Kongsberg Actuation Systems III, Inc	Delaware, USA	100 %		
Kongsberg Actuation Systems I, Inc	Delaware, USA	100 %	173	
Total book value			**3 580**	**511**

The price paid for GMS has been allocated to the companies according to the management's best estimate.
Final allocation will depend on the outcome of the purchase price allocation.

Note 7 Inventories

KAH ASA			Group	
2006	2007	(NOK million)	2007	2006
0	0	Raw materials	518	116
0	0	Work in progress	115	47
0	0	Finished goods	232	58
0	**0**	**Total**	**865**	**221**

Write down for obsolescence in 2007 amounts to NOK 14 million (NOK 13 million in 2006). The write down is entered under "Raw materials and consumables used" in the income statement. DnBNor has a negative pledge on all assets in the subsidiaries.

Note 8 Trade receivables and other receivables

KAH ASA			Group	
2006	2007	(NOK million)	2007	2006
0	0	Accounts receivables	1 337	489
0	0	Provision for doubtful accounts	(1)	(2)
93	105	Short-term group receivables	0	0
0	43	Other short-term receivables	112	42
0	0	Prepayments	50	75
93	**148**	**Total**	**1 498**	**604**
0	0	Loss on receivables	0	0

Receivables specified in original currency (amounts in NOK million):

NOK	USD	EUR	GBP	Other	**Total**
394	477	251	140	235	**1 498**

Note 9 Financial derivative instruments

KAH ASA 2006	KAH ASA 2007	(NOK million)	Group 2007	Group 2006
		Currency		
0	0	Forward contract assets	15	19
		Nominal value of currency contracts	**2007**	**2006**
0	0	EUR/GBP (Amount in EUR)		14
0	0	EUR/NOK (Amount in EUR)	46	82
0	0	USD/NOK (Amount in USD)	14	
0	0	CHF/NOK (Amount in CHF)	5	

Financial derivatives instruments comprise foreign currency forwards where prices are quoted in an active market and commodity forwards listed on the London Metal Exchange. Market values have been used to determine the fair value of the financial derivatives instruments. As of 31 December 2007 there are no hedging positions for commodities.

The group's loans to subsidiaries are classified as a net investment in the relevant subsidiaries. The fair value of such loans as of 31 December 2007 was NOK 482 million. The currency effect of the translation has been recognized in equity as translation difference.

Note 10 Cash and short-term deposits

KAH ASA 2006	KAH ASA 2007	(NOK million)	Group 2007	Group 2006
3	1	Restricted bank deposits	13	12
0	99	Cash and non-restricted bank deposits	327	195
3	**100**	**Total cash and bank deposits**	**340**	**207**

Note 11 Taxes

KAH ASA 2006	KAH ASA 2007	(NOK million)	Group 2007	Group 2006
		Income tax		
(2)	-2	Tax payable in the income statement	-36	(54)
17	2	Changes in deferred tax	(10)	(3)
15	**0**	**Total Income tax**	**-46**	**(57)**
		Tax payable		
(2)	0	Tax payable for the year	-36	(48)
0	0	Too much/too little accrued in previous years		(6)
(2)	**0**	**Total tax payable**	**-36**	**(54)**
		Effective tax rate		
		The table below reconciles the reported income tax to the expected income tax expense according to corporate income tax of 28 % in Norway		
125	106	Profit before tax	170	213
(35)	(30)	Calculated 28 % tax	(48)	(60)
		Tax effect on permanent differences		
34	29	- dividend	0	0
0	1	- other permanent differences	(3)	(2)
16	0	Group contributions	0	0
0	0	Effect of different tax rates	2	5
0	0	Deferred tax asset, previously not capitalised	3	0
15	**0**	**Total tax cost**	**-46**	**(57)**

KAH ASA 2006	KAH ASA 2007	(NOK million)	Group 2007	Group 2006
		Deferred taxes		
0	0	Deferred tax assets on short-term assets/liabilities	5	13
0	0	Deferred tax on short-term assets/liabilities	(17)	(8)
5	5	Deferred tax assets on long-term assets	(11)	21
0	0	Deferred tax on long-term assets	(3)	(37)
16	52	Losses carried forward	52	33
20	(14)	Other tax assets/liabilities	(15)	(12)
		Net deferred tax asset/(deferred taxes) acquisition GMS	(67)	
41	**43**	**Net deferred tax assets/(deferred tax)**	**(56)**	**10**
41	43	Of which deferred tax assets	93	54
0	0	Of which deferred tax liabilities	149	44
		Change in deferred tax		
24	41	As of 1 January	10	16
17	2	Recorded through the income statement	(10)	(3)
		Net deferred tax asset / (deferred taxes) acquisition GMS	(67)	
0	0	Exchange rate differences	11	(3)
41	**43**	**As of 31 December**	**(56)**	**10**

Note 12 Pension schemes

The Norwegian parent company Kongsberg Automotive Holding ASA and the subsidiary Kongsberg Automotive AS have defined contribution and defined benefit pension plans. Both the Norwegian entities changed their basic pension plan for employees from a defined benefit to a defined contribution plan in 2004. The defined benefit plan was continued for already retired employees. The other defined benefit plans still in operation are early retirement agreements through the AFP-scheme and an early retirement plan for the CEO. The subsidiaries in Sweden and England have defined contribution pension plans for employees.

KAH ASA		(NOK million)	Group	
2006	2007	**Defined benefit pension schemes**	2007	2006
		When estimating future pension benefits, the following assumptions have been applied:		
4,5 %	4,5 %	Discount rate	4,5 %	4,5 %
5,5 %	5,5 %	Rate of return on plan assets	5,5 %	5,5 %
3,0 %	4,5 %	Salary increase	4,5 %	3,0 %
3,0 %	4,25 %	Increase in government basic pension amount (G)	4,25 %	3,0 %
2,5 %	1,75 %	Pension increase	1,75 %	2,5 %
50,0 %	80,0 %	Estimated percentage of early retirement (AFP)	80,0 %	50,0 %

KAH ASA			Group	
2006	2007		2007	2006
		Net periodic pension cost includes:		
0	1	Service cost	4	1
1	0	Interest on benefit obligations	1	2
0	0	Expected return on pension assets	0	1
0	0	Amortization of estimate differences	0	0
0	0	Administration cost	0	0
0	0	Social security taxes	0	0
1	**1**	**Net pension cost**	**5**	**4**
5,2 %	8,9 %	Actual return on plan assets	8,9 %	5,2 %

KAH ASA		(NOK million)	Group	
2006	2007		2007	2006
		Pension liabilities and assets		
7	11	Projected benefit obligation (PBO)	47	28
0	0	Fair value of pension assets	0	0
7	11	Pension assets in excess of PBO	47	28
(1)	(4)	Unrecognised effect of changes in estimates and differences between actual and expected return on pension assets	(23)	(3)
6	7	Net pension liability before social security taxes	24	25
1	1	Social security taxes	6	3
		Repossessed pension liability GMS	102	
7	**8**	**Net pension liability in the balance sheet**	**132**	**28**

KAH ASA			Group	
2006	2007		2007	2006
		Changes in the pension liability		
6	7	Net pension liability 1.1.	28	22
1	1	The pension cost of the year	5	4
0	0	Paid pension cost	(3)	2
		Repossessed pension liability GMS	102	
7	**8**	**Net pension liability 31.12.**	**132**	**28**

Average expected lifetime on the date of the balance sheet for a person retiring when reaching 65 years:

Male employee:	19 years
Female employee:	22 years

Average expected lifetime 20 years after the date of the balance sheet for a person retiring when reaching 65 years:

Male employee:	26 years
Female employee:	27 years

Defined benefit pension schemes

The pension assets in the defined benefit pension schemes consist of premium reserves, and was transferred from the insurance company Vital Forsikring ASA to Storebrand Kapitalforvaltning ASA as of 1 January 2007. The funds have been invested in a fellowship portfolio.

Defined contribution pension plans

Norway, Sweden and England have defined contribution pension plan for employees. The pension plans are regulated under the tax rules of each country. The company in each country is liable to pay the annual contribution to the plan.

The costs for defined contribution pension plans in 2007 amounts to NOK 1 million for the parent company and NOK 8 million for the group. The pension costs are included in salaries and social expenses, see note 18.

Note 13 Interest bearing loans

KAH ASA			Group	
2006	**2007**	(NOK million)	**2007**	**2006**
		Bank loans		
805	3 221	Long-term debt	3 225	812
		Short-term loans		
0	840	Other short-term interest-bearing debt	885	20
125	0	Bank overdraft	62	125
887	**4 061**	**Total interest-bearing debt**	**4 172**	**957**

The group has a five year loan agreement with DnBNor where 50 % of the loan has been syndicated to Nordea. The agreement has a repayment structure over the first years until the total loan is lower than 2.5 times net interest bearing debt/EBITDA. The bank has a negative pledge on the shares in the four divisional holding companies and thereby all assets in the subsidiaries.

The group disposes of total credit facilities with a limit of NOK 500 million whereof NOK 250 million is a bank overdraft facility. As of 31 December 2007 NOK 133 million was drawn in relation to the total limit of NOK 500 million.

KAH ASA			Group	
		Balance sheet values in different currencies shown in NOK		
887	1 860	EURO	1 860	805
	948	NOK	1 056	148
	1 253	USD	1 253	
		Other currencies	3	4

Note 14 Financial risk

The activities of the group are exposed to different types of financial risks; market risk (including currency risk, fair value interest risk, floating interest risk and price risk), credit risk and liquidity risk. The group' s risk management plan focuses on the financial markets' unpredictability and tries to minimize the potential negative effects on the group's financial results. The group has to same extent utilised financial derivative instruments to secure itself against certain risks.

Responsibility for the group's financial risk management is centralized and is carried out in accordance with guidelines issued by the Board of Directors. The group's finance department carries out the financial risk management in close cooperation with the subsidiaries.

Financial risk management
The group operates internationally and is exposed to currency risks in various currencies. The risk is especially relevant in relation to euro, GBP and USD. The currency risk relates to future trade transactions, assets and liabilities and net investments in foreign subsidiaries.

The management seeks to create a natural hedging by balancing the exposure in the various currencies. In addition, the use of potential derivate instruments is constantly being evaluated. The subsidiaries are not allowed to enter into financial derivative contracts without the prior consent from the group.

The group has some investments in foreign subsidiaries where net assets are exposed for currency risk when translated. The currency exposure from the group's net investments in foreign subsidiaries is mainly managed through new loans in the relevant foreign currency.

If NOK were 10 % weaker/stronger in relation to USD through 2007 and all other variables were constant, this would not lead to a significant change in net profit.

If NOK were 10 % weaker/stronger in relation to GBP through 2007 and all other variables were constant, this would lead to a lower/higher net profit of NOK 5 million. The subsidiary in Great Britain has its income as well as its cost mainly in GBP. The change is due to translating the result from GBP to NOK in the consolidated accounts.

The group's interest risk is related to long-term loans. Loans with a floating interest contain an interest risk for the group's cash flow. As of 31 December 2007 all loans had floating interest.

As a consequence of the GMS acquisition the group has established a new loan structure as of 31 December 2007. The loans are denominated in three different currencies; 850 millions in NOK, 236 millions in USD and 239 millions in euro. The interest rates for the various tranches will be the respective base interest rates with a margin independent of currency. If the interest rates had changes with 0.1 % points and all other factors had remained unchanged, the this would have resulted in a reduction/increase on the net profit of NOK 0.8 million and USD 0.24 million and euro 0.24 million respectively. The reason for this is that the loans have floating interest rates and changes in the interest rates will result in higher or lower financial expenses.

Note 15 Trade payables and other payables

KAH ASA			Group	
2006	2007	(NOK million)	2007	2006
	15	Accounts payable	851	324
	15	Short-term group liabilities	0	
2	2	Accrued government dues	44	41
9	6	Accrued costs and salaries	315	117
	5	Other short-term liabilities	4	5
11	**43**	**Total**	**1 213**	**487**

Note 16 Remuneration and fees for management, board of directors and auditor

The following remuneration and fees are expensed in the income statement for 2007: (1.000 NOK)

Remuneration to the Board of Directors	1 755
Salary to the Chief Executive Officer	2 884
Other remuneration to the Chief Executive Officer	82
Pension cost to the Chief Exexutive Officer	43
Expensed cost early retirement CEO	655
Salary expenses to management other than CEO	8 162
Other remuneration to management other than CEO	295
Pension cost to management other than CEO	185

Remuneration to management other than CEO (1000 NOK)

Name	Position	Salary	Pension	Other
Raymond Bomya	Group Executive - North-America	1 461	14	65
Hans Peter Havdal	Group Executive - Seat Comfort	1 940	43	77
Bård Klungseth	Group Executive - Driveline & Chassis	1 771	43	77
Trond Stabekk	Group Executive - Finance	1 278	43	77
Bent Wessel Aas	Group Executive - Asia	1 712	43	
Total – management other than CEO		**8 162**	**185**	**295**

The management group participates in a bonus scheme based on the Group achieving set levels of return on capital employed. The bonus has a ceiling of 50 percent of base salary. Bonus is included in salary.

The Chief Executive Officer has an agreement on early retirement benefits. Benefits according to this agreement are included in the pension obligations disclosure in Note 12. The employment of the Chief Executive Officer is terminable by Kongsberg Automotive at 12 months' notice. For the rest of the management group the period of notice is 6 months.

On the 15th of May 2006 the Annual General Meeting in Kongsberg Automotive Holding ASA approved an option programme for key employees. The participants are offered a number of options based on position, seniority and base salary. The participants must at all times own shares equivalent to 10 % of the number of granted options. The strike price was set to be NOK 60 (average market price the last 30 days before the General Meeting). Execution shall be on 15 May 2009, 14 May 2010 and 13 May 2011 with 1/3 each year. The total number of options granted is 1,300,000. At year end 2007 the number of options issued is 961,747. Of this 51,940 options were issued later and have a strike price of NOK 52. The 3rd of December 2007 the General Meeting approved a new share option programme limited to 1,300,000 options which mainly are to be offered to key personnel in the subsidiaries bought from Teleflex. The strike price for the new programme is 33 NOK which is the average price for the KA share for all trading days the first 30 days after closing.

Options granted to management

Olav Volldal	98 325
Hans Peter Havdal	72 450
Bård Klungseth	59 513
Bent Wessel Aas	54 338
Raymond Bomya	49 992
Trond Stabekk	45 201
Total options	**379 819**

Fees to the auditor	2007	2006
Statutory audit services parent company	97	250
Statutory audit services subsidiaries	1 470	1 843
Further assurance services	-	58
Tax advisory	49	792
Other non-audit services*)	5 405	64
Total	**7 021**	**3 007**

*) Other non-audit services are services related to the acquisition of GMS

Note 17 Shares owned by management and board of directors as of 31 december 2007

Holder Board of Directors	Number of shares
Curt Germundsen	2 500
Bente Rathe*	9 750
Cato A. Holmsen	0
Ulla-Britt Fräjdin-Hällqvist	0
Dr. Jürgen Harnisch	0
Siv Anita Midtskogen	0
Kevin Burrell	0
Leif Strømhaug	0
Total number of shares	**12250**

* Including shares owned by family members

Holder Group Management	Number of shares
Olav Volldal *	323 253
Hans Peter Havdal	147 025
Bård Klungseth	68 058
Bent Wessel-Aas	268 004
Raymond Bomya	5 000
Trond Stabekk	5 480
Total number of shares	**816 820**

Note 18 Salaries and social expenses

KAH ASA			Group	
2006	2007	(NOK million)	2007	2006
15	16	Wages and salaries	742	579
2	3	Social security tax	106	116
1	1	Pension cost (defined contribution plans)	13	22
1	1	Pension cost (defined benefit plans)	13	4
6	6	Other payments	51	34
25	**27**	**Total**	**925**	**755**

As of 31 December 2007 the group had 3 329 employees excluding GMS. The parent company had 18 employees.

Note 19 Financial items

KAH ASA			Group	
2006	2007	(NOK million)	2007	2006
199	184	Net financial income - group	0	0
0	0	Interest income	5	3
199	**184**	**Total financial income**	**5**	**3**
(29)	(42)	Interest expenses	(48)	(37)
(28)	(18)	Foreign currency gains/losses	18	(25)
0		Changes in valuation of financial derivates	0	5
(4)	(1)	Other items	(17)	(9)
(61)	**(61)**	**Total financial expenses**	**(46)**	**(66)**
138	**123**	**Net financial items**	**(41)**	**(63)**

Note 20 Earnings per share

Earnings per share is calculated by dividing the part of net profit accessible for the shareholders by the number of shares.

	2007	2006
Net profit accessible for the share holders (NOK millon)	125	156
Number of shares (thousand)	44 349	44 348
Earnings – ordinary and diluted – per share (NOK per share)	**2.82**	**3.52**

Note 21 Dividend per share

Paid dividend/group contribution for 2006 and 2005 was respectively NOK 54 million (NOK1.25 per share) and NOK 66 million (NOK 1.50 per share). No dividend will be proposed for 2007. Final dividend will be decided by the Annual General Meeting on 12 June 2008.

Note 22 Equity and shareholder information

The share capital is 22,174,295 NOK and consists of 44,348,590 shares with a face value of NOK 0.50 per share. Of this amount Kongsberg Automotive Holding ASA holds 1,000,000 shares as treasury shares. The share is listed on the Oslo Stock Exchange. The ticker code on the Oslo Stock Exchange is KOA.

Note 23 Business Combinations

2007

The Group acquired Global Motion Systems (GMS). The group obtained control over GMS on 27 December and with accounting effect from 31 December 2007. The acquisition is a combination of purchase of shares and assets purchase. GMs consisted of individual companies and units and was not organized as a group of companies. GMS was previously owned by Teleflex Inc and carries out manufacturing activities within the automotive industry. The acquisition was done by Kongsberg Automotive Holding ASA.

If the acquisition has been made on 1 January 2007 the group would have had operating revenue of NOK 8,282 million and an operating result of NOK 517 million.

As of 13 March 2008 the purchase price allocation has not been finalized. Non-identified added value has been classified as goodwill pending the outcome of the purchase price allocation.

Explanation of acquired net assets and goodwill is as follows :

Agreed purchase price	560 000	USD
Purchase price in NOK	3 030 160	NOK
Transaction costs	40 000	NOK
Total purchase cost	3 070 160	NOK
Expected adjustments	(43 288)	NOK
Total acquisition cost	**3 026 872**	**NOK**

Allocation of the acqusition cost

Acquisition cost (ref above)	3 026 872	NOK
Purchased assets	2 981 088	NOK
Purchased debt	921 313	NOK
Non-identified values	967 097	NOK

Assets and liabilities related to the acquisition on 27 December are as follows:

(amounts in 1000)	USD	NOK
Non-current assets		
Deferred tax assets	6 799	36 789
Other intangible assets	113 618	614 787
Plant, property and equipment	145 391	786 711
Other receivables	2 695	14 583
Shares in subsidiaries	545	2 949
Loan to group companies		
Financial non-current assets		
Pension assets		
Total non-current assets	**269 048**	**1 455 819**
Current assets		
Inventories	105 589	571 342
Forward contracts		
Trade receivables and other receivables	154 727	837 228
Cash and short-term deposits	21 567	116 699
Total current assets	**281 883**	**1 525 269**
Total assets	**550 931**	**2 981 088**
Liabilities		
Deferred tax liabilities	19 136	103 545
Pension liability		
Interest-bearing loans and borrowings	19 002	102 820
Total long-term liabilities	**38 138**	**206 365**
Bank overdraft	1 567	8 479
Other short-term liabilities, interest-bearing	(62)	(335)
Taxes payable	70	379
Provisions	31 876	172 481
Trade payables and other payables	98 677	533 941
Total short-term liabilities	**132 128**	**714 945**
Total liabilities	**170 266**	**921 309**

2006

The group did not acquire any companies during 2006.

Note 24 The largest shareholders

Share holders	Number of shares	%	Country
State Street Bank And Trust	6 218 815	14,02 %	USA
State Street Bank And Trust	3 729 757	8,41 %	USA
Orkla ASA	2 800 000	6,31 %	NOR
Morgan Stanley & Co.	2 549 680	5,75 %	GBR
Verdipapirfond Odin	2 058 200	4,64 %	NOR
Verdipapirfond Odin	1 977 700	4,46 %	NOR
Goldman Sachs Int.	1 507 301	3,40 %	GBR
Varma Mutual Pension	1 489 000	3,36 %	GBR
Ebitec Invest AS	1 254 315	2,83 %	SWE
Kongsberg Automotive Holding ASA	1 000 000	2,25 %	NOR
JPMorgan Chase Bank	735 000	1,66 %	GBR
Holberg Norden	696 200	1,57 %	NOR
Verdipapirfondet NOR	645 800	1,46 %	NOR
Verdipapirfondet NOR	622 500	1,40 %	NOR
Skagen Vekst	597 028	1,35 %	NOR
Gambak VPF	500 000	1,13 %	NOR
Verdipapirfondet NOR	460 664	1,04 %	NOR
Origon AS	433 800	0,98 %	NOR
Bank Of New York	411 350	0,93 %	BEL
DnB Nor Smb VPF	398 536	0,90 %	NOR
Total number of shares	**44 348 590**		
Number of shareholders	2 072		
% of foreign ownership	48 %		

Note 25 Statement of remuneration of management in Kongsberg Automotive

This statement of remuneration is valid for work performed by leading employees in Kongsberg Automotive Group. The Group should have a management which at all times are able to secure the shareholders' and other partners' interest in a best possible manner. One element to achieve this is to offer each leader a competitive compensation package.

1. Principles for base salary

Leading employees shall be given competitive salaries which reflect each individual's responsibility and results.

2. Principles for variable compensation and incentive scheme

Leading employees can receive variable salaries. Variable salaries are based on result achievement for the Group or the unit where the person is employed. In addition to this the realisation of goals established for the leader should be taken into consideration. These criteria will be decided by the Board of Directors for the CEO and by the CEO for leading employees.

The Board of Directors has established an option programme for leading employees which was approved by the General Meeting in 2005. It is the company's judgment that it is positive for the long-term value creation in the Group that leading employees have shares or options in Kongsberg Automotive.

The Board of Directors can offer leading employees options when the General Meeting has given authority to run an option programme. The strike price on the options shall be an average over the last 30 days prior to the General Meeting acceptance or prior to the date of employment. The exercise period shall typically be five years, with 1/3 realized each year from year 3.

3. Principles for services with non-cash compensation

Leading employees could be offered different arrangements like company car, insurance, pensions, etc. Payment in kind will primarily be free broadband, IP phone, and mobile telephone to secure that the leading employees shall be accessible for the company.

Leading employees are as all other employees in the company justified for participation in a defined contribution plan. The conditions in the individual schemes can vary.

4. Redundancy payment

At the year end no employee had any agreement about redundancy payment. The mutual termination period for the CEO is 12 months with notice, other than that six months. For the rest of the management the termination period varies from three to six months.

5. Information about preparation and decision processes

The Board of Directors considers annually the compensation to the CEO in a board meeting based on prior consideration and recommendation by the compensation committee.

AUDITOR'S REPORT

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To the Annual Shareholders' Meeting of Kongsberg Automotive Holding ASA

Auditor's report for 2007

We have audited the annual financial statements of Kongsberg Automotive Holding ASA as of December 31, 2007, showing a profit of MNOK 106 for the parent company and a profit of MNOK 125 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity, the accompanying notes and the group accounts. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company and the Group as of December 31, 2007 and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Oslo, March 13, 2008
PricewaterhouseCoopers AS

Håvard S. Abrahamsen
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

KEY FINANCIAL FIGURES

Kongsberg Automotive Group

			IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	NGAAP 2003	NGAAP 2002
Operation and profit								
1	Operating revenues	(NOK mill)	3 193,5	2 863,4	2 525,2	2 184,8	1 584,4	1 289,5
2	Depreciation & Amortization	(NOK mill)	118,1	99,3	90,2	10,8	63,8	59,7
3	Operating profit	(NOK mill)	211,5	275,8	292,2	359,5	117,5	76,2
4	Profit before taxes	(NOK mill)	170,7	213,3	240,3	306,8	92,4	50,5
5	Net profit	(NOK mill)	125,4	156,0	177,8	244,9	56,4	33,8
6	Cash flow	(NOK mill)	243,0	258,6	268,0	247,3	131,8	99,6
7	Investments in property, plant, equipment	(NOK mill)	1 627,0	121,4	121,5	89,3	77,6	37,5
8	R&D expenses, gross	(NOK mill)	166,0	159,0	170,0	144,0	93,8	75,4
9	R&D expenses, net	(NOK mill)	143,0	109,0	107,0	104,0	68,0	54,1
Profitability								
10	EBITDA margin	(%)	10,3	13,1	15,1	16,9	11,4	10,5
11	Operating margin	(%)	6,6	9,6	11,6	16,5	7,4	5,9
12	Net profit margin	(%)	3,9	5,4	7,0	11,2	3,6	2,6
13	Return on total assets	(%)	5,3	14,7	17,9	22,1	13,3	11,7
14	Return on capital employed	(%)	7,0	19,5	22,3	34,6	20,6	20,3
15	Return on equity	(%)	23,7	30,4	40,4	89,3	45,4	29,5
Capital at 31.12								
16	Total assets	(NOK mill)	6 185,1	2 075,0	1 748,5	1 536,9	1 152,0	652,8
17	Capital employed	(NOK mill)	4 680,0	1505,0	1348,2	1298,1	800,0	367,2
18	Equity	(NOK mill)	508,0	548,0	489,5	390,3	158,0	90,1
19	Equity ratio	(%)	8,2	26,5	28,0	25,4	13,7	13,8
20	Cash reserve	(NOK mill)	707,0	282,3	285,0	216,2	106,5	124,7
21	Interest bearing debt	(NOK mill)	4 172,4	957,0	795,5	640,3	640,5	277,0
22	Interest coverage ratio		4,7	4,1	5,4	6,5	4,3	2,7
23	Current ratio (Bankers ratio)		1,3	1,6	1,4	1,5	1,6	1,4
Personnel								
24	Number of employees at 31.12		3 329,0	2 810	2 643	2 265	1 770	1 389

Definitions:

5 Profit after tax
6 Profit before tax - Taxes payable + Depreciation
9 Gross expenses after deduction of payments from customers
10 (Operating profit + Depreciation) / Operating revenues
11 Operating profit / Operating revenues
12 Net profit / Operating revenues
13 (Profit before tax + Financial expenses) / Average total assets
14 (Profit before tax + Financial expenses) / Average of (Total assets - Interest free debt)
15 Net profit / Average equity
17 Total assets - Interest free debt
20 Free cash + Unutilised credit facilities and loan approvals
22 (Profit before tax + Financial expenses) / Financial expenses
23 Current assets / Short term debt

KONGSBERG
AUTOMOTIVE

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