

Annual Report 2009



Kongsberg Automotive's new headquarter building

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Prime Minister Stoltenberg visits KA



On 31 August 2009, the Norwegian Prime Minister Jens Stoltenberg opened Kongsberg Automotive's new headquarter in Kongsberg, Norway. Employees, union representatives and representatives from local authorities and businesses were present at the event. During his speech Mr. Stoltenberg stated that Kongsberg Automotive, with its products and history, represent an important building block for the future of the Norwegian Industry.



For further information visit
www.kongsbergautomotive.com

QUARTERLY HIGHLIGHTS

Q1

- ▶ Good performance in weak market
- ▶ Positive cash flow from operations
- ▶ Divesture of Aviation business
- ▶ Committed loan facility from Innovation Norway
- ▶ Significantly reduced cost level - continuous focus on further reductions



Q2

- ▶ Revenues slightly better than Q1
- ▶ Continued to generate cash from operations
- ▶ Underlying EBITDA level improved from Q1
- ▶ Continues to win orders in a difficult market

Q3

- ▶ Increased revenues and positive EBITDA
- ▶ Continued to improve net working capital ratio
- ▶ Refinancing of the balance sheet
- ▶ Raised MEUR 159 in gross proceeds from share issues

Q4

- ▶ Revenues above indications
- ▶ Positive cash flow from operations
- ▶ Improved liquidity and capital structure
- ▶ Stronger integration of Power Products System



KONGSBERG AUTOMOTIVE

Kongsberg Automotive

Kongsberg Automotive (KA) is headquartered in Kongsberg, Norway and has 49 facilities in 20 countries. Kongsberg Automotive, with close to 9.000 employees, provides system solutions to vehicle makers around the world. The product portfolio includes gearshift systems, cables for a wide variety of applications, fuel lines, tubing and hoses, couplings, clutch actuation, stabilizing rods, seat heaters, seat ventilation, lumbar supports, head restraints, arm rests, steering columns, pedals, electronics and displays.

Business units

Kongsberg Automotive operates through three divisions; Automotive Systems (passenger cars), Commercial Vehicle Systems (trucks and buses) and Power Products Systems (off-highway vehicles). You will find detailed information about the three divisions and their product portfolio at our website.

Investor information

Kongsberg Automotive is listed on the Oslo Stock Exchange under the ticker KOA. KA is committed to publish information in an efficient and non-discriminatory manner, allowing the investor market and other players to access the same information at the same time. On our website you will e.g. find more information about the share, financial reports, our largest shareholders and financial calendar. At the site you will also find details about the company's corporate governance policy including governing structures, control mechanism and information about how we comply with the legal and regulatory requirements.



- ▶ [View location map](#)
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Employees per region, 2009
Total employees = 8868

- ▶ America – 40%
- ▶ Asia – 17%
- ▶ Europe – 43%



Revenues per business area, 2009
Group total = MEUR 622.8

- ▶ Automotive Systems – 60%
- ▶ Commercial Vehicles Systems – 23%
- ▶ Power Products Systems – 17%

**Turnover 2009
= MEUR 622.8**

DEAR SHAREHOLDERS



Dear Stakeholders

2009 was one of the most demanding years in the automotive industry's history. The programs initiated in 2008 with the target to align cost and capital with a shrinking topline were continued and reinforced into 2009. And we learned that this industry is too important to be allowed to fail.

The good results achieved are first and foremost linked to excellent execution combined with open communication. I want to give a lot of credit to the huge number of managers that accepted the tough targets and implemented the necessary actions. Management through crisis is to take strong actions even when you lack information, direction and speed is more important than perfect analyses. When they are completed the assumptions have changed.

And I am also deeply impressed by the attitude we have seen from almost every co-worker in all units. Many have suffered and

taken a heavy personal burden to secure the future of the company. To put shared goals ahead of personal ones is what through many years has been driving Kongsberg Automotive to the strong position it holds today. Thanks to all our employees who have contributed to the good outcome. At the end our employees are the only differentiator in business. They see the customers' need, they develop the products, they produce them, they set up the business systems, and they create personal relations both externally as well as internally. They make the difference.

In a sharply declining market all links in the value chain will suffer. Many of our customers and suppliers have looked for mutually acceptable solutions based on fair trading principles. That has been a good experience and motivates for closer cooperation forward. We also very much appreciate all the new orders for which Kongsberg Automotive has been nominated during 2009. We are thank-

ful and will do our outmost to outperform the expectations. It is a demanding business and we understand the need for continuous improvements to which we are committed.

The share price increased with 110 % during 2009 after a terrible hit the year before. I can assure all our shareholders that we are strongly committed to create shareholder value. The successful completion of the share issues in the autumn 2009 represented a strong contribution from the shareholders to secure the long term future of the company. This was highly appreciated. The increase in equity came in combination with improved loan terms where also the banks gave us valuable support.

I summarize by thanking all our stakeholders for their trust and participation through a rough ride in 2009. The present market signals are more positive than those we received one year ago.

I am retiring after leading this enterprise for 25 years, and since 1987 as President for a separate company. It has been a fantastic journey. I am grateful for all the challenges I have met and for the results we have achieved. Let me give a warm thank to all who have made this possible. I hand over the helm to Hans Peter Havdal, a person I have worked with for 20 years. He is highly qualified and will set new ambitious targets to be reached. I wish all the best for Kongsberg Automotive and thereby all its stakeholders forward.

Olav Volldal
President and CEO
Kongsberg Automotive Holding ASA

NEW CHIEF EXECUTIVE OFFICER AT KA



From left; Hans Peter Havdal, Curt Germundsson and Olav Volldal

New Chief Executive Officer

Hans Peter Havdal has been appointed Chief Executive Officer of Kongsberg Automotive Holding ASA, following the resignation of Olav Volldal, effective from April 1, 2010.

Mr. Havdal is a capable and experienced KA leader. Hans Peter Havdal is today President of the Automotive Systems division, with responsibility for the passenger car segment, the company's largest unit with approx. 6,600 employees. Havdal, who holds a Master of Science degree from the Norwegian University of Technology (NTNU), joined KA in 1990 and has strongly contributed to build the company over a 20 years period.

Statement from the Chairmen

The board regrets that Olav Volldal has decided to resign, but we have respect and understanding for his decision in light of the extraordinary long period he has served as Chief Executive Officer.

Olav Volldal has created a footprint as one of Norway's foremost industrial leaders. As Chief Executive Officer for the last 23 years, he has served impressive through three decades in the front lines of the most demanding indus-

try. Thanks to continuous and sustained growth under his leadership, the company now ranks among the top 100 automotive suppliers worldwide. Mr. Volldal is an extraordinary strong decision maker, and has through hard work and strong strategic capabilities laid the foundation for today's world class competitive activities in KA. At the same time, the board is very pleased that Hans Peter Havdal, a highly talented and qualified KA leader, has agreed to succeed Volldal. Mr. Havdal has had the best possible learning champion, and we are confident that he will replace Volldal successfully.

Curt Germundsson
Chairman
Kongsberg Automotive Holding ASA



Background and experience

Age 45, resident in Kongsberg, Norway
Education: Master of Science in Mechanical Engineering

Experience and previous positions at KA:

- Several leading positions within R&D
- Executive VP Truck Systems
- President KA North America
- Group Executive VP Seat Comfort
- President Interior Systems
- President Automotive Systems

Number of years with KA: 20

Number of KA shares: 247 025

Current board memberships:

- Elbil Norge AS, board member
- Kongsberg Innovasjon AS, board member

REPORT OF THE BOARD OF DIRECTORS AND THE PRESIDENT

Despite the difficult environment, Kongsberg Automotive (KA) generated positive cash flow from operations. The balance sheet was substantially improved due to new loan facilities and share issues combined with better loan terms. Many and significant new orders were signed partly as a consequence of continued strong focus on product development and marketing. The income in 2009 was MEUR 622.8 versus MEUR 905.9 in 2008 and net loss totaled MEUR 27.5 compared to a net loss of MEUR 94.3 in the previous year.

(All figures in parentheses refer to 2008)

Main 2009 events

The automotive industry experienced a very difficult year in 2009 due to the economic crisis world-wide. GM and Chrysler, among others, went into reorganization under bankruptcy laws. 200 US suppliers went out of business and as many as 50 other part makers filed for bankruptcy. The figures for Europe were even higher. The industry has experienced a strong restructuring to reduce costs and capacity, and the market's demand for more environmental friendly vehicles has increased.

Global car sales went from a level of more than 60 million cars annually in the beginning of 2008 to less than 45 million at the start of 2009. Since then, the volumes have steadily increased to a level of about 58 million at the end of the year, but with major regional variances.

In all main markets, governments have used incentives programs to promote sales of passenger cars. Many of these programs have specifically supported smaller cars with lower fuel consumption. Some of KA's products, such as seat comfort, have a higher fitment rate for premium cars than for the low end segments.

North America (NA), representing 32 % of KA's revenues in 2009, was down from 13.2 million light vehicles sold in 2008 to 10.4 million in 2009, a drop of 21 %. The comparable figure for 2007 was 16.3 million units. The production volumes in the second half of 2009 were higher than in the beginning of

the year, due to higher sales and reduced stocks of cars.

The European market for passenger vehicles has also gradually improved through 2009. The car sales figures (in millions) for 2007, 2008 and 2009 are 16, 14.3 and 14.1 respectively. The European market totaled 53 % of KA's revenues in 2009.

In China, car sales totaled 7.5 million, up 41 % from the year before. Japan reported a drop of 6 %, while Brazil was up 12 %.

The European market for trucks above 3.5 tons was down 44 % compared to 2008 (excluding buses & coaches). Most of KA's sales to this segment are for trucks weighing more than 16 tons. In this segment the drop was 48 %. The production volumes took an even greater hit due to the reduction of stocks and return of rather new vehicles from customers that were unable to fulfill their leasing contracts or facing bankruptcy.

Given the conditions described above, the Company continued to reinforce the cost reduction actions initiated in 2008. Direct costs have been adjusted to the income level. Personnel expenses were reduced through permanent and temporary layoffs, reduced working hours and lower remunerations. Market and product development activities were reduced less than other categories, to secure future business development.

During 2009, raw material prices have increased from a low to a more normalized level compared to the last three to four years.

KA has during 2009 accomplished a significant number of structural reorganizations. Several entities have been closed. Equipment and production have been moved to other plants, mostly from high cost to low cost locations. Other production lines have been moved with the purpose to simplify and rationalize operations. These actions have permanently reduced both direct and indirect costs. During 2009 the Company reported restructuring costs of MEUR 7.

To secure the cash positions, KA implemented an extensive program to reduce net working capital. The net effect over the year was a reduction of MEUR 37. Capital expenditures were reduced from MEUR 39 in 2008 to MEUR 13 in 2009, MEUR 17 below the depreciation level. In February the company was granted an MNOK 145 risk loan from Innovation Norway to improve the liquidity reserve and serve new orders. On 31 March the company announced that the aviation product line, representing annual revenues of approx. MEUR 9, had been sold with total proceeds of MEUR 20.

The above-mentioned measures provided the necessary cash reserves for 2009. At the General Meeting in September, a vast majority of the shareholders approved the Board's proposal to increase the share capital through share issues. With a primary objective to strengthen the balance sheet and improve the liquidity. The share issues raised MEUR 151 in new equity. After finalization of the private placement, the number of shareholders increased from approx. 3,800 mid-year to more than 7,000 at the end of the year. The liquidity in the stock trading improved dramatically as a result.

New bank terms were negotiated in connection with the equity increase. The cash margin was reduced and the amortization schedules moved forward. Up to mid-year 2011, the combination of new equity and improved loan terms represent a cash effect of MEUR 153 and a P&L effect of MEUR 38. For more details related to the new loan terms and the equity increase, including share warrants, see "Consolidated statement of changes in equity".

In 2009 KA also announced many new orders, described in details for each division below. In general, KA improved its market positions, including important wins for electrical and hybrid cars. KA expects to increase its market shares in the years to come.

Automotive Systems 2009

This division represents 60 % of KA's revenues. The market is light duty vehicles.

The decline in vehicle sales during the second half of 2008 and through 2009 represented the biggest drop in vehicle sales ever. The 2008 to 2009 year over year sales drop per region for the division was 37 % in NA and 30 % in the EU; however, the Asian market held up quite well. Combined with the launch of new orders, a year over year increase of 30 % was achieved.

2009 also saw a major shift in the vehicle mix, with a significant drop in SUV and pre-premium car sales in favor of more environment friendly small cars. After the acquisition of GMS in late 2007, KA achieved a better balance between small cars and premium cars. Some of the small cars even increased in sales volume, partly driven by national incentives, which compensated to some extent for the drop in the premium segment. Overall, the shift in the vehicle mix still caused KA a more significant sales reduction than what could be expected based on the general market developments.

During the second half of 2009, the division began to see signs of market recovery in the customer production schedules. The "cash for clunkers" program in the US also helped clear out vehicle inventories at US dealers and boosted vehicle production.

To compensate for the effect of a declining top line, the restructuring efforts initiated in 2008 continued in 2009. The Automotive plants in Van Wert, Ohio and Haysville, Kansas were completely closed and the production lines were moved to the Mexican plants. Mexico is now the country with the highest number of KA employees, with nearly 2,300 at year end.

Further cost reductions were achieved through the lean manufacturing initiatives. During 2009, the division maintained a strong focus on inventory and working capital reduction, achieving a net working capital level of 12.5 % of sales by the end of the year.

Even though we had a challenging year, R&D efforts were kept at a fairly good level of 6 % of sales. To improve synergies and reduce costs, the division decided to move from two R&D locations in Dassel and Marktredwitz (Germany) to one new location in Hallbergmoos, outside Munich, Germany. This enables Automotive Systems to provide excellent support to the customers in this region.

New products were launched in several product areas and the division succeeded in winning new contracts in a challenging market. Highlights included new contracts on advanced foldable head restraints in the NA market, and a contract for a pneumatic lumbar support system on a major OEM platform in the high volume mid-size car segment. The pneumatic lumbar contract represents a significant breakthrough for this technology in the NA market. Until now these systems had mainly been a product for EU customers.

On the European market, the division launched a modular comfort seat offering both pneumatic lumbar support and adaptive massage functions. Customer projects are already initiated and the target is to receive the first firm orders in 2010. A major contract was also secured in Europe for shift towers, including start/stop functionality to reduce fuel consumption.

To match the coming emission standards, the OEMs are gearing up their activity towards hybrid and fully electrical vehicles (EV). Every major OEM has activities in this area. The ex-

pected market share of hybrids and EVs is expected to be around 15 % in 2020. KA's clear ambition is to take part in this growing segment and be a key supplier to OEM customers.

In the second half of 2009, the Kongsberg Green Car Initiative pre-project was launched in cooperation with partner companies. The project aims to identify product and business opportunities in the green vehicle segment. These activities generated interest among our OEM customers and prototype projects commenced at the end of 2009. This effort will continue through 2010 within a dedicated R&D team at KA.

Commercial Vehicle Systems (CVS)

This division represents 23 % of KA's revenues. The market is primarily medium and heavy duty commercial vehicles.

2009 has been a challenging year, with a 45 % drop in revenue vs. 2008 due to the effects of the financial crisis. The CVS market segments experienced sales declines from 20 to 95 % in 2009. The biggest hit was taken by trailer producers in Europe. The main focus of CVS customers has been reducing production capacity and inventory levels, which impacted CVS sales during 2009. Sales started to pick up slightly at the end of 2009.

This situation forced the division to implement strong measures to cut costs, reduce working capital, reduce CAPEX and restructure the business.

The number of employees in the CVS Division has been reduced by approx. 35 % in addition to reduced working weeks and hiring out employees. Inventory reductions and factoring solutions have contributed to freeing up cash.

The restructuring initiatives in 2009 are fully completed and will be in place going forward. The main initiative was the closure of the production site in Enschede, The Netherlands. The products produced here were transferred to Epila in Spain, a move that was finalized in November 2009.

Despite the turbulent general market conditions, the division continued its efforts and focus to win new business and increase

market shares during the downturn. Market and R&D resources remained at the nearly same level as previously. New business was won within all main product areas. Highlights include new contracts for fuel systems and the second biggest contract ever for chassis and axle suspension products.

In 2009 important steps were taken to strengthen our Asian organization. Strategically important orders were won and new products launched during 2009. The CVS Division will continue to promote and position the products in the emerging Asian marketplace going forward.

Power Products Systems (PPS)

Power Products Systems represents 17 % of KA's 2009 revenues. The market is off-highway vehicles.

Throughout 2009, PPS continued on the path of integration and restructuring. In addition to general cost cutting measures in the midst of global economic turbulence, PPS continued to work on strategic initiatives related to Kongsberg Automotive's long term plans. Projects initiated in 2008 were completed, such as the closure of a facility in Sweden

and the closure of a facility in the USA. An additional restructuring event was completed in 2009, involving the closure of an engineering center at the Limerick, Pennsylvania location, a carryover Teleflex location, and the transfer of all associated activity to Willis, Texas. This restructuring centralizes the division's heavy duty and light duty developmental activities, reducing costs while improving effectiveness.

To de-complex the business unit and focus on core business and markets, PPS divested of certain aviation-related business that reduced sales and operating profits at the two facilities where it was based, which also provided roughly 20 MEUR in cash to the organization. This divestiture was a significant step towards enabling the division to focus on developing man to machine interfaces for the industrial vehicle markets.

A formalized project to further de-complex PPS was launched at the end of 2009. This effort encompasses several areas of the business and targets improved profitability and net working capital through a combination of standardization and elimination of certain legacy business activity, thereby resulting in a less complex matrix of products and customers. These streamlining measures, which are planned to be conducted throughout 2010 in connection with Lean activities, are expected to yield significant improvements within the business.

Sales continued to soften in virtually all sectors throughout the year, as the economic turmoil continued to impact many of PPS' customers. Many segments and key customers reported 30-50 % reductions in sales. Asia reported the strongest activity for the PPS business. Although domestic demand was healthy in China, export reductions still had a negative impact.

Despite the slower economic activity impacting the PPS markets, 2009 was a busy year for new and sustained business activity. PPS remained aggressive towards servicing existing business and pursuing growth opportunities for the future. In 2009, the Kongsberg Power Products Systems R&D team worked on a number of new programs driven by the

demands of our customers and markets for more integrated functionality, improved vehicle operator ergonomics, and requirements to meet global environmental compliance standards. Many of these new programs introduced new technologies and provided customers with critical solutions as they migrate from pure mechanical to mechatronic solutions. As a result, PPS was able to secure significant new business in the construction and agriculture sectors. This work will enhance growth for years to come.

Changes around the globe in governmental emission regulations and heightened customer awareness of environmental issues will continue to be drivers within the business.

Employees

At the end of 2009, KA had 8868 employees, a decrease of 20 people compared to the same period in 2008. The mid-year total was 7992, a reduction of about 3600 employees from early 2008. The increase over the last months of 2009 reflects the increasing activity in the market.

In addition to the reductions described above, capacity and costs have been reduced through temporary layoffs, shorter working weeks and lowered remuneration. Close to 1 000 workplaces have been influenced by the restructuring activities described in this report. Production has been moved from high cost facilities to low cost operations and consolidated into fewer plants. The positive long term effects are significant, but costs related to severance and training had a negative impact for 2009.

The table to the left details the total number of company employees by country.

Kongsberg Automotive is committed to ensuring diversity in the group with focus on gender, ethnic minorities, senior employees and those with disabilities.

In September 2009, Kongsberg Automotive received the 2009 Michigan Minority Business Development Award for Corporation of the Year, Manufacturing Level II. This award was given for KA's accomplishment in supporting and developing certified minority

Number of Employees

	31.12.09	31.12.08
Mexico	2 246	1 924
China	1 372	1 288
USA	975	1 112
Slovakia	909	725
Poland	511	613
Great Britain	401	470
Hungary	394	302
Sweden	387	512
Norway	378	517
Germany	272	334
France	253	254
Canada	351	322
Spain	190	143
India	113	70
Brazil	99	77
Italy	66	78
Korea	34	34
Netherlands	6	100
Japan	3	6
Australia		7
Total	8 868	8 888
White Collars	1 988	2 314

suppliers within the North American Automotive Systems organization.

Kongsberg Automotive sets requirements for diversity in recruitment and management development programs. The company recognizes that a good balance between work and private life is becoming increasingly important for today's talents and managers, regardless gender.

Statistics show that 48 % of the total workforce is comprised of women.

The Company wants to increase the number of females at Corporate and Divisional Management. Forward, the company will include a statement in all ads where appropriate where KA welcomes a diverse workforce, and encourage women and minorities to apply for all positions.

More female candidates will be invited into the internal training programs for top level candidates. In order to secure a better gender balance, the succession planning will specifically focus on internal female candidates for executive positions.

The Board of Kongsberg Automotive Holding ASA consists of three (43 %) women and four (57 %) men.

Kongsberg Automotive recognizes the importance of attracting and retaining skilled and motivated employees, including managers, with a strong commitment to the business in line with KA's ethical guidelines and values. Internal training programs will be enhanced in 2010.

2009 marked the second consecutive year in which the organization faced extraordinary changes that for many employees had substantial negative impacts. The board of directors wishes to express its sincere thanks to the employees for their strong contribution to the recovery of the company.

Health, Safety and Environment (HSE)

Kongsberg Automotive gives highest priority to Health, Safety and Environment (HSE). The authorities in countries where KA operates set HSE standards in the form of legislation,

general regulations and specific requirements. All KA units comply with general and specific requirements alike. Additionally, 29 locations have implemented Environmental Management Systems in accordance with ISO 14001 Standards. Certification assures that units consider the environmental impacts of their work and set targets for improved performance. As a supplier, KA also complies with standards set by its customers.

In early 2009, objectives and plans for improved HSE performance were set. Performance was tracked on an ongoing basis. Details provided in the 2009 Health, Safety and Environment Report have been collected as part of the company's annual review of its HSE performance. The impacts, including details of notable HSE issues and accomplishments, are provided here.

KA considers the safety of its workers as top priority. In 2009, the target versus 2008 results was a 50 % reduction in both H-value (number of work-related injuries resulting in lost time) and total accidents reported. By increasing awareness and incorporating good working methods into safety efforts, the company demonstrated real progress. The overall number of accidents reported was reduced by 58 %, seven locations reported zero accidents in 2009, and the H-value was reduced by 46 %. The KA Group average was 5.6, which is slightly better than average for the automotive industry.

Absence due to sickness was 3,5 % in 2009, down from 4,4 % in 2008. Further details regarding sick-leave per country are given in the HSE report.

Energy consumption data include electricity and burning of fossil fuels needed for the production activities. The target for 2009 was to reduce the total energy consumption by 10 % and the result came out on the positive side. Total kilowatt hours decreased 18 % in 2009 from the previous year. While some of this reduction can be attributed to reduced production demands, facilities worked hard to improve their energy efficiency. Using UN Greenhouse Gas Calculators, the 2009 CO₂ emissions have been calculated as 43,008 metric tons, a reduction of 16 % from 2008.

Pollution control is important to KA and the communities in which it operates. KA's aim is to minimize the amount and toxicity of waste sent to landfills. All units sought opportunities to reuse and recycle. In total, KA disposed 30 % less hazardous waste in 2009 compared to 2008. Oil related waste decreased by 19 %.

Reducing the production of hazardous waste is directly related to minimizing the use of chemicals with potential negative environmental impacts. Most of the chemicals used are comprised of machining oils, lubricants and solvents. Oil use increased in 2009 due to internal site consolidations and equipment transfers. Overall, solvent use decreased by 6 %.

Water consumption is reported down by 37 %, mostly attributed to the reduction in production volumes. In 2009, KA units reported using approximately 93 million liters.

KA had two small fires in 2009 with little or no damage to property. No employees were injured. All locations continue to look at potential fire risks and enact plans to control and mitigate such risks.

No spills or unauthorized releases to the environment were reported in 2009 nor were there any external complaints related to HSE reported during the year.

More details about HSE are available on Kongsberg Automotive's internet page.

Corporate governance

The corporate governance policy in Kongsberg Automotive is based on transparency, openness, accountability and equal treatment of all stakeholders. The company homepage features an overview of Kongsberg Automotive's governing structures, control mechanisms and information about how we comply with legal and regulatory requirements in order to satisfy shareholders and the communities we operate in.

The board has ensured that Kongsberg Automotive's guidelines for corporate governance have been followed carefully. Three committees have been established: Auditing Committee, Compensation Committee and Nomination Committee. The company's

internal rules of governance accord with guidelines in the Norwegian Code of Practice for Corporate Governance of 21 October 2009 ("The code of Practice"). In addition to the company's General Guidelines for Corporate Governance, specific instructions have been prepared with regard to: procedures for the board of directors and CEO; remuneration for senior management, Compensation Committee, the Auditor and any close associate's non-auditing work; ethics and Kongsberg Automotive's fundamental values; and the Nomination Committee.

The board conducts a continuous assessment of the most significant risks the company faces. A self assessment of the board's performance of its work is conducted annually. Kongsberg Automotive's compliance with the requirements of each of the 15 main principles of the Code of Practice is further detailed in the section "Corporate Governance in Kongsberg Automotive" in the annual report, and this information is also available on the company's web pages.

Composition and work of the Board

The Board of Directors has a broad and diversified background. Dr. Jürgen Harnisch received in 2009 a compensation of EUR 5 000 for consulting. These services were terminated with effect from 1 June 2009. Except from this, none of its members, apart from the employees representatives, are employees of KA or have carried out work for KA. The Board has carried out a self-assessment. The Board of Directors held 15 board meetings in 2009.

At the ordinary General Meeting in June 2009, Curt Germundsson was re-elected as Chairman for up to two years and Jan Peter Sunde elected a Vice Chairman for the same period. Further Ulla-Britt Fräjdin-Hellqvist was re-elected and Tone Bjørnov was elected for up to two years. Dr. Harnisch did not stand for re-election. The employees had elected Kjell Kristiansen, Tonje Sivesindtjætt and Eivind Holvik as their representatives. 3 September Mr. Sunde informed the Board that he had decided to resign from his position as board member of Kongsberg Automotive Holding ASA.

Events after the balance sheet date

Olav Volldal, who has been the president & CEO since the company was established in 1987, has taken advantage of his early retirement agreement. Hans Peter Havdal has been appointed as the successor with effect from 1 April 2010.

12 February 2010 the company acquired 6.5 million own shares in addition to the 1 million owned at the balance sheet day. The total of 7.5 million shares will approximately cover the shares options related to the 2009 and 2010 programs.

On 11 March 2010, KA announced changes to the organizational structure. The new organization, which will be effective from 1 April 2010, will be made up by five market specific business areas with a clear customer and product focus.

Going concern

The annual report with attached financial statements assumes continued operation of the company. After making enquiries, and in light of the group's liquidity situation, the group forecast for 2009 and the medium-term plans, the directors have an expectation that the group has adequate resources to continue operations for the foreseeable future. The going concern basis for the accounts has therefore continued to be adopted. The board of directors wishes to emphasize that all assessments involving future conditions are uncertain.

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 Kongsberg Automotive is no exception. This responsibility represents a potential risk. Work methods and qualifying procedures implemented by the company are designed to minimize this risk.

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. In today's automotive market, the credit risk is higher than normal. Kongsberg Automotive is exposed to all major OEMs. The company keeps high focus on outstanding amounts due from these, as well as other customers, and rapidly implements actions if receivables become overdue. Sound routines have been established for following up receivables where the company has concentrated on debt collection, as well as follow up of customer creditworthiness. Losses in this area have been minimal in the past.

Interest risk is linked to long term debt and the interest development in EUR and USD rates. For details about interest swap, see note 9 to the accounts.

As the consolidation currency for the Group is EUR, there will always be ongoing exposure associated with the reporting of consolidated profit and loss statements and balance sheets.

The responsibility for the Group's financial risk management is centralized and risk exposure is constantly monitored. The Group constantly evaluates and potentially uses derivatives in order to minimize risks relating to currency, interests 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, USD and GBP, while raw material exposure is greatest in copper, zinc, aluminum and steel. For further risk analysis, see note 16 to the accounts.

Review of accounts

Operating revenues for the Group in 2009 amounted to MEUR 622.8 (905.9) with a corresponding operating result of MEUR -46.3 (-1.1). This gave an operating margin of -7.4 % (-0.1 %). The decline in revenues from 2008 to 2009 reflects the weak market conditions in the automotive industry in general. All major markets except China have experienced negative development during 2009 compared to 2008, with a negative impact on revenues.

Net financial income amounted to MEUR 18.1 in 2009 (-141.1). The main elements are interest expenses of MEUR 41.6 and positive cur-

rency translation effects of MEUR 61.4. Most of the currency translation effects have no cash impact.

Net result for the year is MEUR -27.5 compared with MEUR -94.3 in 2008.

Capital

The Group's long term interest-bearing bank debt amounted to MEUR 381.8 (420.6) as of 31st December 2009. The company has been through a refinancing during 2009. A share issue was conducted in the 4th quarter 2009 in a combination with an amended loan agreement. In combination, these elements gave the company a significantly improved capital structure. For more information, see note 15 and 16 to the accounts.

As of 31st December 2009, the Group's book equity amounted to MEUR 178.9 (90.7). The equity ratio was 23.4 % (12.1 %). The increase in equity is related to the share issue in 2009. No dividend was paid out in 2009.

Liquidity

In total, Kongsberg Automotive had liquidity reserves in cash and overdraft facilities of approximately 160 MEUR.

Cash flow

The Group had a positive cash flow from operations in 2009. MEUR 12.8 was invested in tangible fixed assets, as well as MEUR 1.0 in capitalized R&D and MEUR 0.2 in software. Ordinary depreciation amounted to MEUR 30.0 (29.8). The net change in cash and bank overdraft during 2009 was MEUR 80.3.

Impairment

At the year end close, the company performed an impairment test in accordance with the requirement in IAS 36. Based on the result, no need for write-downs was considered necessary. See note 5 for further details.

Kongsberg Automotive Holding ASA – The parent company

In 2009, the parent company earned total operating revenue of MEUR 12.1 (10.3) with a corresponding operating result of MEUR -3.3 (-4.7). The parent company had net financial income of MEUR -7.6 in 2009 (-11.4). The net result after tax for the year amounted to MEUR -8.0 (-8.9). As of 31 December 2009, the parent company's book equity was MEUR 242.4 (73.4). The company had no free equity.

Appropriations

The board of directors will propose to the Annual General Assembly that no dividend be paid for 2009. The board of directors proposes that Kongsberg Automotive Holding ASA's net result of MEUR -8.0 is allocated as follows:

Transferred from other equity: MEUR 8.0

Future outlook

The board of directors 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. There has been a positive development in important market segments during the second half of 2009. This was partly due to the incentive programs initiated by the governments. It is difficult to

predict the long term effects of these programs and how the governments will react to potential reductions in sales of new cars going forward. The markets for passenger cars and off-highway vehicles are inter alia influenced by the economy in general, governmental stimulus programs, unemployment rates, available financing, saving rates, potential national protectionism and the average age of the population of the vehicles. The sale of commercial vehicles has traditionally been strongly correlated to the GNP development. The experts' prognoses for the future GNP development differ substantially. In addition, shifts in technological trends, such as drivelines based on hybrids and electricity, will influence short and long term demands for the company's products. The company will continue to prioritize development of products in order to create new market opportunities.

Kongsberg Automotive will also in the future adjust plans and operations according to the changes in the market. In general, the company has the capacity to increase production of existing programs by at least 30 % compared to the 2009 level without investing in new capacity, although some minor replacements of obsolete equipment will take place. Most of the existing contracts have long term price agreements included. The risk is therefore more related to the volumes than to the price profiles moving forward.

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
Kongsberg, 24 March 2010

Curt W. Germundsson
Chairman
(Sign.)

Tone Bjørnov
(Sign.)

Kjell A. Kristiansen
(Sign.)

Tonje Sivesindtjet
(Sign.)

Ulla-Britt Fräjdin-Hellqvist
(Sign.)

Dr. Jürgen Harnisch
(Sign.)

Eivind A. Holvik
(Sign.)

Olav Volldal
President and CEO
(Sign.)

FINANCIALS

Balance Sheet 31.12.09

Kongsberg Automotive Holding ASA

Kongsberg Automotive Group

31.12.09	31.12.08	MEUR	Note	31.12.09	31.12.08
ASSETS					
<i>Non-current assets</i>					
13.6	9.1	Deferred tax assets	13	61.6	44.3
0.9	1.0	Intangible assets	5	255.6	282.8
0.4	0.6	Property, plant and equipment	6	140.7	156.1
73.7	58.0	Shares in subsidiaries		0.0	0.0
472.3	462.7	Loans to subsidiaries		0.0	0.0
0.2	0.5	Financial non-current assets		2.2	5.2
561.1	532.0	Total non-current assets		460.2	488.4
<i>Current assets</i>					
0.0	0.0	Inventories	7	66.5	84.8
42.7	30.5	Trade and other receivables	8, 9, 10	128.8	128.7
55.9	0.2	Cash and cash equivalents	9, 11	107.7	47.6
98.6	30.7	Total current assets		303.0	261.1
659.7	562.7	Total assets		763.2	749.5
EQUITY AND LIABILITIES					
<i>Equity</i>					
24.5	3.4	Share capital	12	24.5	3.4
(0.1)	(0.1)	Treasury shares		(0.1)	(0.1)
202.8	55.5	Share premium		202.8	55.5
0.9	(3.4)	Other reserves		(11.2)	21.8
14.3	18.0	Retained earnings		(43.6)	2.7
242.4	73.4	Attributable to equity holders		172.4	83.3
0.0	0.0	Non-controlling interest		6.5	7.4
242.4	73.4	Total equity		178.9	90.7
<i>Non-current liabilities</i>					
0.0	0.0	Deferred tax liabilities	13	35.5	42.6
2.0	1.1	Retirement benefit obligations	14	17.2	15.4
381.6	419.8	Interest-bearing loans and borrowings	9, 15, 16	381.8	420.6
0.0	0.0	Other non-current liabilities		2.5	0.0
383.6	420.9	Total non-current liabilities		437.0	478.6
<i>Current liabilities</i>					
0.1	20.1	Bank overdraft	15	4.2	24.4
1.7	30.1	Other current interest-bearing liabilities	9, 15	6.8	36.0
0.0	0.0	Current income tax liabilities	13	3.6	3.0
31.9	18.2	Trade and other payables	9, 10, 17	132.6	116.8
33.7	68.4	Total current liabilities		147.2	180.2
417.3	489.3	Total liabilities		584.2	658.8
659.7	562.7	Total equity and liabilities		763.2	749.5

Consolidated Statement of Comprehensive Income

Kongsberg Automotive Holding ASA

Kongsberg Automotive Group

31.12.09	31.12.08	MEUR	Note	31.12.09	31.12.08
12.1	10.3	Operating revenues	4	622.8	905.9
		<i>Operating expenses</i>			
0.0	0.0	Raw materials consumed		(395.1)	(589.6)
0.0	0.0	Change in inventories	7	18.3	22.4
(3.3)	(5.5)	Salaries and social expenses	20	(168.9)	(215.7)
(11.5)	(9.0)	Other operating expenses		(76.6)	(77.2)
(0.2)	(0.1)	Depreciation	6	(30.0)	(29.8)
(0.4)	(0.4)	Amortization	5	(16.8)	(17.1)
(15.4)	(15.0)	Total operating expenses		(669.0)	(907.0)
(3.3)	(4.7)	Operating (loss) / profit		(46.3)	(1.1)
		<i>Financial items</i>			
46.7	35.8	Financial income	21	62.8	1.5
(54.3)	(47.2)	Financial expenses	21	(44.7)	(142.6)
(7.6)	(11.4)	Net financial items		18.1	(141.1)
(10.9)	(16.1)	(Loss) / profit before income tax		(28.2)	(142.2)
2.8	7.2	Income tax	13	0.7	47.9
(8.0)	(8.9)	(Loss) / profit for the year		(27.5)	(94.3)
		<i>Other comprehensive income</i>			
0.0	0.0	Translation differences		(53.3)	74.5
0.0	0.0	Tax on translation differences		13.7	(13.8)
0.0	0.0	Other comprehensive income		(39.6)	60.6
(8.0)	(8.9)	Total comprehensive income for the year		(67.1)	(33.7)
		<i>Profit attributable to</i>			
(8.0)	(8.9)	Equity holders (parent company)		(27.1)	(94.1)
0.0	0.0	Non-controlling interests		(0.4)	(0.2)
(8.0)	(8.9)	Total		(27.5)	(94.3)
		<i>Total comprehensive income attributable to</i>			
(8.0)	(8.9)	Equity holders (parent company)		(67.1)	(36.4)
0.0	0.0	Non-controlling interests		(0.0)	2.7
(8.0)	(8.9)	Total		(67.1)	(33.7)
		<i>Earnings per share</i>			
		Basic earnings per share, EUR	22	(0.18)	(1.70)
		Diluted earnings per share, EUR	22	(0.18)	(1.70)

The Board of Directors of Kongsberg Automotive Holding ASA
Kongsberg, 24 March 2010

Curt W. Germundsson
Chairman
(Sign.)

Tone Bjørnov
(Sign.)

Kjell A. Kristiansen
(Sign.)

Tonje Sivesindtjæet
(Sign.)

Ulla-Britt Fräjdin-Hellqvist
(Sign.)

Dr. Jürgen Harnisch
(Sign.)

Eivind A. Holvik
(Sign.)

Olav Vollidal
President and CEO
(Sign.)

Consolidated Statement of Changes in Equity

Kongsberg Automotive Group

MEUR	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Sub-total	Non-controlling interest	Total equity
Equity 01.01.08	2.9	(0.1)	1.9	(18.2)	77.3	63.8	4.7	68.5
Issue of new shares	1.0		54.0			55.0		55.0
Value of share options charged to income statement				0.9		0.9		0.9
<i>Total comprehensive income for the year</i>								
(Loss) for the year					(94.1)	(94.1)	(0.2)	(94.3)
Other comprehensive income:								
Translation differences	(0.5)		(0.4)	53.0	19.5	71.6	2.9	74.5
Tax on translation differences				(13.8)		(13.8)		(13.8)
Equity 31.12.08 / 01.01.09	3.4	(0.1)	55.5	21.8	2.7	83.3	7.4	90.7
Issue of new shares	19.7		131.3			151.0		151.0
Value of share options charged to income statement				0.2		0.2		0.2
Value of warrants issued				5.0		5.0		5.0
Changes in non-controlling interests							(0.9)	(0.9)
<i>Total comprehensive income for the year</i>								
(Loss) for the year					(27.1)	(27.1)	(0.4)	(27.5)
Other comprehensive income:								
Translation differences	1.4		16.0	(51.9)	(19.2)	(53.7)	0.4	(53.3)
Tax on translation differences				13.7		13.7		13.7
Equity 31.12.09	24.5	(0.1)	202.8	(11.2)	(43.6)	172.4	6.5	178.9
Dividend								
	2009	2008						
Dividend per share in EUR - paid	0.00	0.00						
Dividend per share in EUR - proposed	0.00	0.00						

Kongsberg Automotive Holding ASA (parent company)

MEUR	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Total equity
Equity 01.01.08	2.9	(0.1)	1.9	(5.3)	32.2	31.6
Foreign currency translation	(0.5)		(0.4)	1.0	(5.3)	(5.2)
Issue of new shares	1.0		54.0			55.0
Value of share options charged to income statement				0.9		0.9
(Loss) for the year					(8.9)	(8.9)
Equity 31.12.08 / 01.01.09	3.4	(0.1)	55.5	(3.4)	18.0	73.4
Foreign currency translation	1.4		16.0	(0.9)	4.3	20.8
Issue of new shares	19.7		131.3			151.0
Value of share options charged to income statement				0.2		0.2
Value of warrants issued				5.0		5.0
(Loss) for the year					(8.0)	(8.0)
Equity 31.12.09	24.5	(0.1)	202.8	0.9	14.3	242.4

Specification of constituent elements of equity

Share capital: par value for shares in issue

Treasury shares: par value for own shares

Share premium: premium over par value for shares in issue

Other reserves: translation differences, premium treasury shares, warrants, share options and other comprehensive income

Retained earnings: accumulated retained profits and losses

Non-controlling interests: non-controlling interests' share of equity in group companies

Shares	2009	2008
Number of shares in issue at 01.01.	65 164 304	44 348 590
New shares issued	341 603 827	20 815 714
Number of shares in issue at 31.12.	406 768 131	65 164 304
Of these, treasury shares	1 000 000	1 000 000

Issue of new shares

During the fourth quarter the company raised equity with net proceeds of MNOK 1 309 (gross MNOK 1 366, less transaction costs of MNOK 58) at a share price of NOK 4,00. The new share capital was raised partly through a private placement (gross MNOK 1 040) and partly through a subsequent offering (gross MNOK 326).

The net proceeds were allocated as follows:

- ▶ MNOK 763 as improved liquidity
- ▶ MNOK 546 in repayment of external debt, including MNOK 217 from conversion of debt to equity

All shares issued were fully paid. The shares have a par value of NOK 0.50. See Note 12 for details of the company's largest shareholders.

Warrants

The company has agreed to issue 36 130 478 independent warrants to DnB NOR ASA and Nordea Bank ASA (split 50/50) due to changes in the loan terms.

A warrant gives the bearer with the right to subscribe for one share in the company at a future point in time. One half of the warrants gives the right to buy shares at NOK 6.00 and the second half at NOK 8.00 per share. The par value of the shares to be issued is NOK 0.50 per share. Each warrant may be exercised up to and including 29.12.13.

Treasury shares

The company holds 1 000 000 of its own shares as treasury shares. These shares were acquired in August 2006 at an average price of NOK 48.24 per share.

The shares were purchased for future allocations of share options within the group's share option programmes (see Note 12). There has been no change in the number of treasury shares during 2009.

Cash Flow Statement

Kongsberg Automotive Holding ASA

Kongsberg Automotive Group

31.12.09	31.12.08	MEUR	31.12.09	31.12.08
		<i>Operating activities</i>		
(10.9)	(16.1)	(Loss) / profit before taxes	(28.2)	(142.2)
0.2	0.1	Depreciation	30.0	29.8
0.4	0.4	Amortization	16.8	17.1
(28.9)	(45.1)	Interest income	(1.4)	(1.5)
40.9	37.1	Interest expenses	41.6	38.9
0.0	0.0	Taxes paid	(2.2)	2.7
0.0	0.0	(Gain) / loss on sale of non-current assets	(2.0)	0.0
1.4	0.9	Changes in working capital	36.7	28.4
(13.8)	19.3	Currency differences over P/L	(61.4)	103.6
0.0	0.0	Changes in value of financial derivatives	(11.0)	12.7
7.9	0.1	Changes in other items	3.7	(12.4)
(2.8)	(3.2)	Cash flow from operating activities	22.6	77.2
		<i>Investing activities</i>		
0.0	(1.2)	Capital expenditures, including intangible assets	(14.2)	(39.3)
0.0	0.0	Proceeds from sale of business units / subsidiaries ¹⁾	23.5	0.0
(1.2)	391.7	Investment in subsidiaries	0.0	0.0
3.0	49.0	Interest received	1.4	1.5
4.0	0.0	Dividends received	0.0	0.0
5.9	439.5	Cash flow from investing activities	10.7	(37.8)
		<i>Financing activities</i>		
151.0	55.0	Proceeds from issuance of ordinary shares ²⁾	151.0	55.0
16.0	0.0	Proceeds from new external loans ³⁾	16.0	0.0
(91.4)	(60.1)	Repayments of external loans ³⁾	(92.2)	(62.2)
27.5	0.0	Proceeds from group loans	0.0	0.0
0.0	(402.8)	Repayments of group loans	0.0	0.0
(35.4)	(36.1)	Interest paid	(36.8)	(49.0)
0.0	0.0	Dividends paid	0.0	0.0
67.7	(444.0)	Cash flow from financing activities	38.0	(56.3)
4.8	(24.7)	Currency effects on cash	9.0	4.8
75.6	(32.4)	Net change in cash	80.3	(12.1)
(19.9)	12.5	Net cash at 01.01 (including bank overdraft)	23.2	35.3
55.8	(19.9)	Net cash at 31.12 (including bank overdraft)	103.5	23.2
0.1	0.2	Of this, restricted cash	1.0	1.3

Comments

In order to improve the quality of the Cash flow statement the "Interest received" has been re-allocated from Financing activities to Investing activities, and bank overdrafts has been included in Net cash compared to 2008. A sign error in "Net change in cash" of KAH ASA and Group in 2008 has been corrected over "Currency effects" (in the 2008 cash flows).

- 1) Comprises mainly the proceeds of sale of the Aviation business and of Kongsberg Auto Parts (Shenyang) Co. Ltd. For more information see Note 24.
- 2) For more information see "Consolidated statement of changes in equity", under the paragraph "Issuance of new shares".
- 3) For more information see Note 15, "Interest-bearing loans and borrowings".

Notes

Note 1 – General information

Kongsberg Automotive Holding ASA ('the company') and its subsidiaries (together 'the group') develop, manufacture and sell products to the automotive industry worldwide. The company is a limited liability company incorporated and domiciled in Norway. The address of its registered office is Dyrmyrgata 48, NO-3601 Kongsberg, Norway. The company is listed on the Oslo Stock Exchange. The group consolidated financial statements were authorised for issue by the Board of Directors on 24 March 2010.

Note 2 – Summary of significant accounting policies

2.1) Basis of preparation

The group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by EU. The parent company follows simplified IFRS.

2.1.1) Changes in accounting policy and disclosures in 2009

(a) New and amended standards adopted by the group

IFRS 7 'Financial instruments – Disclosures' (amendment). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IAS 1 (Revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents all owner changes in equity in the consolidated statement of changes in equity whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been restated so that it is also in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 8, 'Operating segments'. IFRS 8 replaced IAS 14, 'Segment reporting'. The new standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

IAS 23 (Amendment), 'Borrowing costs'. The amendment requires an entity to capitalise borrowing costs

directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. There has been no material impact on the group or the company's financial statements.

IFRS 2 (Amendment), 'Share-based payment'. The amended standard deals with vesting conditions and cancellations but does not have a material effect on the group's financial statements.

IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' has been early adopted in 2009. IFRIC 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (referred to as a "debt for equity swap"). IFRIC 19 requires a gain or loss to be recognized in profit or loss when a liability is settled through the issuance of the entity's own equity instruments. IFRIC 19 has been used in relation to the booking of Warrants (see "Consolidated Statement of Changes in Equity").

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 01.01.10 or later periods, but the group has not early adopted them:

IFRIC 17, 'Distribution of non-cash assets to owners'. The interpretation is part of the IASB's annual improvements project published in April 2009. It provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The group and company will apply IFRIC 17

from 01.01.10. It is not expected to have a material impact on the group or the company's financial statements.

IAS 27 (revised), 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting treatment to be adopted when control is lost. Any remaining interest in the equity is remeasured to fair value and a gain or loss is recognized in profit or loss. The group will apply IAS 27 (revised) prospectively from 01.01.10.

IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 01.01.13) replaces the multiple classification and measurement models for financial assets in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. A financial asset is measured at amortized cost if two criteria are met: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. The group and company are currently evaluating the impact of adoption of IFRS 9.

IFRS 3 (revised), 'Business combinations' (effective from 01.07.09). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net

assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (revised) prospectively to all business combinations from 01.01.10.

IAS 38 (amendment), 'Intangible assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the group and company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar economic lives. The amendment will not result in a material impact on the group or company's financial statements.

IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or as discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty). The group and company will apply IFRS 5 (amendment) from 01.01.10. It is not expected to have a material impact on the group or company's financial statements.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. It provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current provided that there is an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months following the end of the accounting period notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The group and company will apply IAS 1 (amendment) from 01.01.10. It is not expected to have a material impact on the group or company's financial statements.

IFRS 2 (amendment), 'Group cash-settled and share-based payment transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2' and IFRIC 11, 'IFRS 2 - Group and treasury share transactions', the amendment expands on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the group's financial statements.

Amendment to IAS 32: Classification of Rights Issues (effective for annual periods beginning on or after 01.02.10). The amendment allows rights issues to be classified as equity when the price is denominated in a currency other than the entity's functional currency. A rights issue is used as a means of capital-raising whereby an entity issues a right, option or warrant on a pro rata basis to all existing shareholders of a class of equity to acquire a fixed number of additional shares at a fixed strike price (usually less than the market value of the shares on that date). It is not expected to have a material impact on the group or company's financial statements.

2.2) Basis of consolidation

The consolidated financial statements comprise the financial statements of Kongsberg Automotive Holding ASA and its subsidiaries as of 31 December each year. The financial statements of most subsidiaries are prepared for the same reporting periods as the parent company, using consistent accounting principles.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the group obtained control, and continue to be consolidated until the date on which such control ceases. Acquisitions are accounted for using the purchase method of accounting, involving the allocation of the cost of business combinations to the fair value of the acquired assets and liabilities and contingent liabilities assumed at the date of acquisition.

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

Investments in subsidiaries are recorded at cost in the parent company's financial statements.

2.3) Critical judgments and key sources of estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of estimates and assumptions by management. The estimates are based on past experiences and assumptions that the management believes are fair and reasonable. The estimates and the judgment behind them affect the reported amounts of assets and liabilities, as well as income and expenses in the financial statements presented. Actual outcome can later, to some extent, differ from the estimates and the assumptions made.

Certain accounting policies are considered to be particularly important to the financial position of KA, since they require management to make difficult, complex or subjective judgments and estimates, the

majority of which relate to matters that are inherently uncertain. These critical judgments and estimates are in particular associated with:

- ▶ the impairment testing of Goodwill and other relevant assets
- ▶ the deferred tax assets (and losses carried forward)
- ▶ the actuarial calculations of pension liabilities

Impairment testing

Goodwill (and other relevant assets) is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. This consists of an analysis to assess whether the carrying amount of goodwill is fully recoverable. The determination of recoverable amount involves establishing the Value in use (VIU), measured as the present value of the cash flows expected from the cash-generating unit, to which the goodwill has been allocated. The cash-generating units in KA are the 3 divisions (Automotive Systems, Commercial Vehicle Systems and Power Products Systems).

The forecasts of future cash flows are based on the group's best estimates of future revenues and expenses for the cash-generating units to which goodwill has been allocated. A number of assumptions and estimates can have significant effects on these calculations and include parameters such as macroeconomic assumptions, market growth, business volumes, margins and cost effectiveness. Changes to any of these parameters, following changes in the market conditions, competition, strategy or other factors, affect the forecasted cash flows and may result in impairment of goodwill. See Note 5 - Intangible asset, under the heading "Impairment testing".

Deferred tax assets

Deferred income tax assets are recognized for tax losses carried forward only to the extent that realization of the related benefit is probable. Several subsidiaries have losses carried forward on which they have recognized deferred tax assets. The probability of their realisation is determined by applying a professional judgment to forecast cash flows. These cash flows are based on assumptions and estimates and, accordingly, changes to the forecasts may result in changes to deferred tax assets and tax positions. See Note 13 - Taxes.

Actuarial calculations of pension liabilities related to employees

The Projected Benefit Pension Obligation (PBO) for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. A number of actuarial and financial parameters are used as bases for these calculations. The most important financial parameter is the discount rate. Other parameters such as

assumptions as to salary increases and inflation are determined based on the expected long-term development. The fixing of these parameters at the year end is disclosed in Note 14 - Retirement benefit obligations.

2.4) Functional currency and presentation currency

The group presents its consolidated financial statements in EUR. The group has subsidiaries with functional currencies other than EUR. For consolidation the balance sheet amounts for subsidiaries with different functional currencies are translated at the rates applicable at the balance sheet date and the income statements are translated at the average rates for the each month of the period. Exchange differences on translation are recognized in equity.

The presentation currency of the parent company is EUR, whilst its functional currency is NOK. The reason for the use of EUR is to enable all amounts in the published financial statements of both the group and the company to be presented in the same currency.

Transactions in foreign currencies are translated at the exchange rate applicable on the transaction date. Exchange gains and losses that arise as a result of changes in the exchange rate between the transaction date and the settlement date are recognized in the income statement as financial income or expenses.

2.5) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group's Executive Committee (led by CEO).

2.6) Revenue recognition

Revenue is recognized at the point at which it is probable that future economic benefits will accrue to the group and then only when the amount can be reliably estimated. Sales revenues are presented net of value added tax and discounts.

Revenues from the sale of goods are recognized at the point at which the risks and rewards of ownership are transferred. Revenue from other income streams, such as tooling, prototype parts and engineering services is recognized upon notification of formal customer acceptance.

2.7) Intangible assets

Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at

the date of acquisition. Goodwill on the acquisition of subsidiaries is included within intangible assets.

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

For the purpose of impairment testing, goodwill is allocated to the relevant cash-generating unit (CGU). The allocation is made to those units that are expected to benefit from the acquisition. The group allocates goodwill to each operating segment.

Goodwill is stated net of any impairment losses. Impairment is tested annually (or changes in circumstances indicate that it might be impaired); impairment losses are regarded as permanent in nature and are not reversed.

Other intangible assets

Intangible assets are recognized in the balance sheet if it can be proven that there are probable future economic benefits that can be attributed to the assets and if the assets cost price can be reliably estimated. Intangible assets with a finite useful life are amortized and due consideration is given to any need for recognition of impairment losses. Amortization is charged using the straight-line method over the estimated useful life of the asset. The amortization estimate and the method are subject to annual assessment based on the pattern of consumption of future economic benefits.

Customer relationships

Customer relationships acquired are amortized over 12 years.

Patents

Patents are amortized over their lifetimes, which generally are between 3 and 21 years. 75 % of the net book value relates to patents with a lifetime of 11 years or more.

Research and development costs

Research costs are expensed as incurred. Intangible assets arising from development costs on specific projects are recognized only when the group can demonstrate:

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

Development costs are amortized over the period of expected future sales of the developed product from

the time that deliveries commence. When the sales period is uncertain or is longer than five years, the amortization period limited to five years.

Software

Costs associated with maintaining computer software are expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognized as intangible assets when the following criteria are met:

- ▶ it is technically feasible to complete the software product so that it will be available for use
- ▶ management intends to complete the software product and use or sell it
- ▶ it can be demonstrated how the software product will generate probable future economic benefits
- ▶ adequate technical, financial and other resources to complete the and to use or sell the software product are available
- ▶ the expenditure attributable to the software product during its development can be reliably measured

Directly attributable costs that are capitalized as part of the software product include employee costs and an appropriate proportion of relevant overheads. Development expenses that do not meet these criteria are expensed as incurred and are not recognized as an asset in a subsequent accounting period.

Software costs are amortized over their estimated useful lives, which do not exceed three years.

Non-compete agreements

Non-compete agreements are amortized over three years.

2.8) Tangible non-current assets

Tangible non-current assets are carried at cost less accumulated depreciation and impairment losses. The assets are depreciated over their useful economic lives using the straight-line method.

Cost includes duties and taxes and installation and commissioning costs relating to making the non-current asset available for use. Subsequent costs, such as repair and maintenance costs, are normally expensed when incurred. Whenever increased future economic benefits arising as a result of repair and maintenance work can be proven, such costs are recognized in the balance sheet as additions to non-current assets. Each part of an item of tangible non-current assets is depreciated separately.

Straight-line depreciation is calculated at the following rates:

▶ Land	Not depreciated
▶ Buildings	3-4 %
▶ Production machinery and tooling	10-25 %
▶ Computer equipment	33 %

Whenever non-current assets are sold or scrapped, the gross carrying amount and the accumulated depreciation are reversed. The gain or loss on disposal or scrapping is recognized in the income statement.

Tangible non-current assets are tested annually for impairment. Assets are grouped at cash generating unit levels and are written down to their recoverable amounts if their carrying values are greater than their estimated recoverable amounts.

2.9) Inventories

Inventories are measured using the FIFO (First In - First Out) principle and are valued at the lower of cost and net realisable value. Raw materials are valued at purchase price, including freight, forwarding charges and import duties. Work in progress and finished goods include variable production costs and fixed costs allocated on normal capacity. Interest costs are not included. Provision for slow moving and obsolete inventory is deducted.

2.10) Trade receivables

Trade receivables are carried at original invoice amounts, less an allowance for any uncollectable amounts.

2.11) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, together with short-term deposits having a maturity of three months or less. Bank overdraft appear in the balance sheet within current liabilities.

2.12) Taxes payable and deferred taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries in which the company's subsidiaries operate. Management periodically evaluates positions taken in tax returns and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred income tax asset is realized or the deferred income tax liability settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.13) Retirement benefit obligations

The parent company Kongsberg Automotive Holding ASA and its Norwegian subsidiary Kongsberg Automotive AS have defined benefit and defined contribution pension plans. The plans were changed from defined benefit to defined contribution in 2004. The defined benefit plan was continued for employees who had already retired. The other defined benefit plans still in operation are early retirement agreements through the AFP scheme and an early retirement plan for the CEO.

Defined benefit pension plans also exist in two subsidiaries in Germany and in subsidiaries in Italy, Netherland and France.

The subsidiaries in Sweden, the UK and the USA have defined contribution pension plans for employees.

Defined benefit plans: The pension assets and liabilities are valued by actuaries each year using a linear accrual formula, which regards the employees' accrued pension rights during the period as the pension cost for the year. Gains or losses linked to reductions in or terminations of pension plans are recognized in the income statement when they arise.

Actuarial gains 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 the 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 net present value of future cash flows.

Defined contribution plans: The companies' contributions to the plans are recognized in the income statement for the year for which the contributions apply.

2.14) Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Repayments of long-term debt due within twelve months of the balance sheet date are shown as current liabilities.

2.15) Financial derivative instruments

The group uses financial derivative instruments such as forward currency and metal contracts to reduce risks associated with foreign currency and metal price fluctuations. These derivatives are not designated hedging instruments. The derivatives are measured at fair value. Changes in fair value are recognized in the income statement as financial income or expenses, depending upon whether they represent gains or losses. They are disclosed on the line "Changes in value of financial derivatives" within Note 21 - Financial Items.

2.16) Leases

Operational lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Financial lease

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.17) Share options

The group operates a number of equity-settled, share-based compensation plans under which the group receives services from employees as consideration for equity instruments (options) of the group. The fair value of the services the group has received from employees as a return service for granted options is recognised as an expense. The total amount to be expensed over the contribution time is calculated based on the fair value of the granted options. The group carries out a re-evaluation of its estimates of the number of options likely to be exercised at each balance sheet date.

The proceeds received net of any directly attributable transaction costs are credited to share capital

(nominal value) and share premium when the options are exercised.

2.18) Treasury shares

Whenever any group company purchases the company's equity share capital as treasury shares the consideration paid, including any directly attributable incremental costs and net of income taxes is

deducted from equity attributable to the company's equity shareholders until the shares are cancelled or reissued. Where such shares are subsequently reissued any consideration received, net of any directly attributable transaction costs and the related income tax effects, is included in equity attributable to the company's equity shareholders.

2.19 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period between dividends are approved by the company's shareholders and paid.

Note 3 – Subsidiaries

Company name	Country/ State of incorporation	Owner- ship %	Holding company	Company name	Country/ State of incorporation	Owner- ship %	Holding company
Kongsberg Interior Systems Pty Ltd	Australia	100 %		Kongsberg Power Products Systems Srl	Italy	100 %	
Kongsberg Automotive Ltda	Brazil	100 %		Kongsberg Automotive Ltd	Korea	100 %	
Kongsberg Inc	Canada	100 %		Kongsberg Automotive S. de RL de CV	Mexico	100 %	
Kongsberg Auto Parts (Chongqing) Co. Ltd	China	60 %		Kongsberg Driveline Systems S. de RL de CV	Mexico	100 %	
Kongsberg Automotive (Shanghai) Co.Ltd	China	100 %		Kongsberg Interior Systems S. de RL de CV	Mexico	100 %	
Kongsberg Automotive Ltd	China	100 %		Kongsberg Actuation Systems BV	Netherlands	100 %	
Shanghai Kongsberg Automotive				Kongsberg Automotive AS	Norway	100 %	
Dong Feng Morse Co Ltd	China	51 %		Kongsberg Automotive Holding 2 AS	Norway	100 %	x
Shanghai Lone Star Cable Co Ltd	China	100 %		Kongsberg Automotive Sp. z.o.o.	Poland	100 %	
Kongsberg Automotive SARL	France	100 %		Kongsberg Driveline Systems s.r.o.	Slovakia	100 %	
Kongsberg Driveline Systems SAS	France	100 %		Kongsberg Actuation Systems SL	Spain	100 %	
Kongsberg Power Products Systems SARL	France	100 %		Kongsberg Automotive SL	Spain	100 %	x
Kongsberg SAS	France	100 %		Kongsberg Power Products Systems SL	Spain	100 %	
Raufoss Couplings France SAS	France	100 %		Kongsberg Automotive AB	Sweden	100 %	
SCI Immobilière La Clusienne	France	100 %		Kongsberg Power Products Systems AB	Sweden	100 %	
Kongsberg 1 GmbH	Germany	100 %	x	Capro GP, LLC	USA	100 %	x
Kongsberg Actuation Systems GmbH	Germany	100 %		Capro LP, LLC	USA	100 %	x
Kongsberg Automotive GmbH	Germany	100 %		Kongsberg Actuation Systems I, Inc	USA	100 %	
Kongsberg Driveline Systems GmbH	Germany	100 %		Kongsberg Actuation Systems II, Inc	USA	100 %	
Ctex Seat Comfort (Holding) Ltd	Great Britain	100 %	x	Kongsberg Actuation Systems III, Inc	USA	100 %	
Kongsberg Actuation Systems Ltd	Great Britain	100 %		Kongsberg Automotive Inc	USA	100 %	
Kongsberg Automotive Ltd	Great Britain	100 %		Kongsberg Driveline Systems III, Partnership	USA	100 %	
Kongsberg Holding Ltd	Great Britain	100 %		Kongsberg Driveline Systems I, Inc	USA	100 %	
Kongsberg Interior Systems Ltd	Great Britain	100 %		Kongsberg Driveline Systems II, Corp	USA	100 %	
Kongsberg Power Products Systems Ltd	Great Britain	100 %		Kongsberg Holding II, LLC	USA	100 %	x
Kongsberg Automotive Hong Kong Ltd	Hong Kong	100 %	x	Kongsberg Holding III, Inc	USA	100 %	x
Kongsberg Automotive Holding Kft	Hungary	100 %	x	Kongsberg Interior Systems I, Inc	USA	100 %	
Kongsberg Interior Systems Kft	Hungary	100 %		Kongsberg Interior Systems II, Inc	USA	100 %	
Kongsberg Automotive (India) Private Ltd	India	100 %		Kongsberg Power Products Systems I, Ltd	USA	100 %	
Technico Kongsberg Automotive India Private Ltd	India	70 %		Kongsberg Power Products Systems V, Ltd	USA	100 %	

The most significant changes of the groups legal structure in 2009

Brazil: Kongsberg Sistemas Automotivos de Direção Ltda was merged into Kongsberg Automotive Ltda

China: Kongsberg Auto Parts (Shenyang) Co. Ltd was sold in December (see Note 24)

Germany: Kongsberg 2 GmbH was merged into Kongsberg Driveline Systems GmbH

Norway: The four sub holding companies was merged into one legal entity, Kongsberg Automotive Holding 2 AS

USA: Kongsberg Holding I, Inc, Kongsberg Holding IV, Inc and Kongsberg Holding V, Inc were merged into Kongsberg Holding III, Inc

Note 4 – Segment reporting

Operating segments

The group has three reportable segments, which are the strategic business units: Automotive Systems, Commercial Vehicle Systems and Power Products Systems. These are the same segments as were used for reporting purposes in 2008.

The strategic business units (segments) offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group's risks and rates of return are affected predominantly by differences in the products manufactured. The 3 segments have different risk profiles in the short-term perspective, but over a long-term perspective the profiles are considered to be the same. The group's Executive Committee (led by the CEO) reviews the internal management reports from all strategic business units at least monthly. The following summary describes the operations of each of the group's reportable segments:

- ▶ **Automotive Systems** is a Tier 1 supplier of custom-engineered cable controls and complete shift systems in the global light vehicle automotive market. Automotive is also a global leader in the design, development and manufacture of mechanical and electro-mechanical light duty motion comfort and seat comfort systems to Tier 1 and Tier 2 customers.
- ▶ **Commercial Vehicle Systems** is a global developer and manufacturer of operator control systems for industrial vehicle markets (light, medium and heavy trucks) offering a wide product portfolio including clutch servo systems and products related to chassis stabilization.
- ▶ **Power Products Systems** designs and manufactures vehicle control systems such as engineered pedal systems, steering systems, electronic displays and cable controls. Its customers are manufacturers of commercial, industrial, agricultural and construction vehicles.

Sales transactions and cost allocations between the business units are made on the arms' length principle. The results for each segment and the capital allocation elements comprise both items that are directly related to and recorded within the segment, as well as items that are allocated based on reasonable allocation keys.

Information regarding the results of each reportable segment is included below. Performance is measured on EBITDA and EBIT as included in the internal management reports on monthly basis. Segment EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments (also relative to other entities that operate within these industries).

4.1) OPERATING REPORTABLE SEGMENTS

2009	Automotive Systems	Commercial Vehicle Systems	Power Products Systems	Eliminations  other	KA Group
Operating revenues	385.4	147.9	108.4	(18.9)	622.8
EBITDA	(1.4)	2.3	2.0	(2.4)	0.5
Depreciation	(15.7)	(11.0)	(2.8)	(0.5)	(30.0)
Amortization	(6.2)	(4.4)	(3.4)	(2.8)	(16.8)
Operating (loss) / profit (EBIT)	(23.3)	(13.0)	(4.2)	(5.7)	(46.3)
<i>Assets and liabilities</i>					
Goodwill	77.0	59.2	18.0	(0.2)	154.1
Other intangible assets	38.7	33.4	28.5	0.9	101.5
Property, plant and equipment	69.6	55.1	15.2	0.8	140.7
Inventories	34.0	16.4	16.5	(0.5)	66.5
Trade receivables	60.6	25.4	17.5	0.0	103.7
Segment assets	280.0	189.6	95.7	1.1	566.4
Unallocated assets				196.7	196.7
Total assets	280.0	189.6	95.7	197.8	763.2
Trade payables	46.5	21.0	11.9	0.1	79.5
Unallocated liabilities				504.8	504.8
Total liabilities	46.5	21.0	11.9	504.9	584.2
Capital expenditure	7.8	4.6	0.4	(0.0)	12.8

The column "Elimination  other" includes

Revenues: elimination of intercompany sales.

Assets and liabilities: balance sheet elements from Kongsberg Automotive Holding ASA (parent) and journal entries, which are considered insignificant amounts, and unallocated assets and – liabilities, see paragraph 4.2 for a specification.

2008	Automotive Systems	Commercial Vehicle Systems	Power Products Systems	Eliminations & other	KA Group
Operating revenues	528.6	267.7	145.7	(36.1)	905.9
EBITDA	5.4	30.3	10.5	(0.4)	45.8
Depreciation	(16.6)	(10.4)	(2.7)	(0.1)	(29.8)
Amortization	(6.7)	(5.7)	(4.2)	(0.4)	(17.1)
Operating (loss) / profit (EBIT)	(17.9)	14.2	3.6	(0.9)	(1.1)
<i>Assets and liabilities</i>					
Goodwill	75.7	66.4	19.7	(0.2)	161.6
Other intangible assets	46.8	41.4	32.7	0.3	121.2
Property, plant and equipment	83.2	54.6	17.2	1.0	156.1
Inventories	41.3	19.4	24.9	(0.8)	84.8
Trade receivables	55.6	32.5	22.2	0.2	110.5
Segment assets	302.6	214.3	116.7	0.5	634.2
Unallocated assets				115.3	115.3
Total assets	302.6	214.3	116.7	115.8	749.5
Trade payables	40.2	14.8	12.6	0.3	67.9
Unallocated liabilities				590.9	590.9
Total liabilities	40.2	14.8	12.6	591.2	658.8
Capital expenditure	18.7	14.7	3.8	2.1	39.3

4.2) RECONCILIATION OF REPORTABLE SEGMENTS ASSETS AND LIABILITIES

Reportable segments' assets are reconciled to total assets as follows (MEUR):

	2009	2008
Segment assets of reportable segments	565.3	633.7
Eliminations & other	1.1	0.5
<i>Unallocated assets include</i>		
Deferred tax assets	61.6	44.3
Financial non-current assets	2.2	5.2
Cash and cash equivalents	107.7	47.6
Other receivables (excluded: trade receivables)	25.2	18.2
Total assets per the balance sheet	763.2	749.5

Reportable segments' liabilities are reconciled to total liabilities as follows (MEUR):

	2009	2008
Trade payables of reportable segments	79.4	67.6
Eliminations & other	0.1	0.3
<i>Unallocated liabilities include</i>		
Deferred tax liabilities	35.5	42.6
Retirement benefit obligations	17.2	15.4
Interest-bearing loans and borrowings	381.8	420.6
Other non-current liabilities	2.5	0.0
Bank overdrafts	4.2	24.4
Other current interest-bearing liabilities	6.8	36.0
Current income tax liabilities	3.6	3.0
Other payables (excluded: trade payables)	53.1	48.9
Total liabilities per the balance sheet	584.2	658.8

4.3) SEGMENTS – GEOGRAPHICAL LOCATION

The group's geographical segments for sales to external customers are based on the geographical locations of the customers. The group's geographical segments for non-current assets are based on the geographical locations of its subsidiaries.

4.3.1) Sales to external customers by geographical location

MEUR	2009		2008	
	Jan-Dec	%	Jan-Dec	%
USA	148.2	23.8 %	182.3	20.1 %
Germany	88.3	14.2 %	118.8	13.1 %
Sweden	52.9	8.5 %	129.8	14.3 %
France	52.4	8.4 %	77.9	8.6 %
China	52.1	8.4 %	50.3	5.6 %
Other	228.8	36.7 %	346.8	38.3 %
Operating revenues	622.8	100.0 %	905.9	100 %

4.3.2) Non-current assets by geographical location

MEUR	2009		2008	
	Jan-Dec	%	Jan-Dec	%
USA	143.9	36.3 %	169.5	38.6 %
UK	45.8	11.5 %	48.5	11.1 %
Norway	35.5	8.9 %	31.3	7.1 %
Germany	34.8	8.8 %	49.0	11.2 %
Sweden	28.8	7.3 %	31.2	7.1 %
Other	107.6	27.2 %	109.3	24.9 %
Total assets	396.3	100.0 %	438.9	100.0 %

Non-current assets by geographical location comprise intangible assets (including goodwill) and property, plant and equipment.

4.4) SIGNIFICANT CUSTOMERS

The group has only one customer accounting for more than 10 % of total revenues. That customer accounted for 12 % in 2009.

4.5) CHANGES IN ORGANIZATIONAL STRUCTURE 2010

KA group has decided to change its organizational structure which will be effective from 1 April 2010. The new organization will be made up by five market specific business areas with a clear customer and product focus. The new business areas are as follows:

- ▶ Interior
- ▶ Driveline
- ▶ Actuation & Chassis
- ▶ Fluid Transfer
- ▶ Power Products

The new organizational structure will have an impact on the reporting structure in the group.

Note 5 – Intangible assets

KAH ASA

Software	MEUR	KA Group				Total
		Goodwill	Customer relationships	Patents and R&D	Software and other	
1.9	Cost	169.6	90.9	47.2	15.0	322.7
(0.6)	Accumulated amortization	0.0	0.0	(10.5)	(2.1)	(12.6)
1.3	Book value at 01.01.08	169.6	90.9	36.7	12.9	310.1
0.4	Additions	0.0	0.0	3.0	1.8	4.8
(0.4)	Amortization	(0.1)	(8.9)	(4.8)	(3.4)	(17.1)
0.0	Disposals accumulated cost	0.0	0.0	0.0	(0.1)	(0.1)
0.0	Disposals accumulated amortization	0.0	0.0	0.0	0.0	0.0
0.0	Transfers	0.0	0.0	(0.9)	0.9	0.0
(0.3)	Exchange differences	(7.9)	(1.4)	(2.1)	(3.5)	(14.9)
1.0	Book value at 31.12.08	161.6	80.7	32.0	8.7	282.8
2.1	Cost	161.7	89.6	36.8	12.0	299.9
(1.1)	Accumulated amortization	(0.1)	(8.9)	(4.8)	(3.4)	(17.1)
1.0	Book value 31.12.08	161.6	80.7	32.0	8.7	282.8
0.1	Additions	0.0	0.0	1.4	0.2	1.6
(0.4)	Amortization	(0.2)	(9.3)	(4.9)	(2.3)	(16.8)
0.0	Disposals accumulated cost	(10.6)	(6.0)	(0.8)	(0.4)	(17.9)
0.0	Disposals accumulated amortization	0.0	0.0	0.2	0.4	0.6
0.0	Transfers	0.0	(0.0)	1.9	(1.9)	0.0
0.2	Exchange differences	3.3	1.2	0.7	(0.1)	5.3
0.9	Book value at 31.12.09	154.1	66.5	30.5	4.5	255.6
2.0	Cost	154.1	74.5	42.7	22.4	293.6
(1.1)	Accumulated amortization	(0.0)	(8.0)	(12.2)	(17.8)	(38.0)
0.9	Book value 31.12.09	154.1	66.5	30.5	4.5	255.6

5.1) Internally developed intangible assets

Internally developed intangible assets comprise capitalised costs related to development of new products. They are included in the column headed "Patents and R&D" above.

	2009	2008
Capitalized per 31.12 internally developed intangible assets	10.3	9.8
Additions during the year	1.0	2.0

Research and development costs charged against profit in the reporting period and therefore not capitalised amounted to MEUR 43.2 (2008: 41.5).

5.2) Impairment testing of goodwill and other assets

The group has performed impairment tests on the carrying values of all intangible assets (including goodwill), tangible non-current assets, investments in shares and changes in net working capital in accordance with the requirements of IAS 36. Value in use (VIU) was recognized as recoverable amount. The tests comprised NPV (net present value) analyses of forecasted future cash flows by CGU (cash generating unit). The three divisions, Automotive Systems, Commercial Vehicle Systems and Power Products Systems, were identified as the respective CGUs.

Cash flow model

The model is based on a 5 year forecast of discounted cash flow plus a terminal value (calculated by Gordons model). The net discounted cash flows are calculated before tax. The model was based on the following assumptions:

Business case

A business case was used for each CGU as the basis for the cash flow estimates which covered the period 2010 to 2014. The business cases were based on the group's strategic five year plan and adjusted in accordance with recent changes in internal rolling forecasts and in relevant market data. Both the five year plan and the rolling forecasts are "bottom-up-models" where all input data is produced by entities in the Group.

The input data in the business case is based on data from renowned external sources such as CSM and JD Power in addition to all relevant internal information such as changes in orders, customer portfolio, fitment rate for products, geographical development, market shares etc. The compounded annual growth rate (CAGR) per CGU is: Automotive 12.7 %, CVS 15.0 % and PPS 9.7 % for the period 2010 to 2014. The annual growth rate in the terminal value is 2 % for each of the CGUs.

WACC (Weighted average cost of capital)

The required rate of return was calculated by use of the WACC model. The input data of the WACC was chosen by an individual assessment of each parameter. Information from for example representative sources, peer groups etc. was used to determine the best estimate. The WACC was calculated to 10.0 % pre tax. The same WACC was used for all CGUs, the reason being that the long-term risk profiles of the three CGUs are not considered to be significantly different. The following parameters were applied:

- ▶ Risk free interest rate: A 10 year governmental bond rate has been used as the risk free rate.
- ▶ Beta: A beta of 1.6, based on peer group.
- ▶ Risk Premium: A market premium of 5 %, based on market sources.
- ▶ Cost of Debt: A 10 year swap rate on EUR and USD which is the correspondence rate to the main currency in the cash-flow projections. In addition a margin of 300 basic points was added to reflect the cost of debt.
- ▶ Weighted capital structure: Equity: 33 % and Interest bearing debt: 67 %

Sensitivity analysis

The cash flow model was tested for sensitivity of input data to discover whether or not changes in relevant parameters would influence our conclusion.

The group conducted the following sensitivity analyses on the CGUs:

1. A sensitivity-analysis was performed to reveal what changes needed in the EBITDA margins, per CGU for each year in the 5 year business plan (including the terminal value), to result in impairment. The test gave the following results: -3.8 % for CVS, -5.9 % for Automotive and -3.0 % for PPS. The results showed that there was sufficiently headroom in the test.
2. A sensitivity-analysis was performed to reveal what changes needed in discount rates, per CGU for each year in the 5 year business plan (including the terminal value), to result in impairment. The test gave the following results: +6.0 % for CVS, +14.5 % for Automotive and +5.5 % for PPS. The results showed that there was sufficiently headroom in the test.

We have not found any reasons to test combinations of relevant sensitivities.

Test results: Value in use (VIU) versus carrying amount by CGU

The table shows the outcome of the impairment test as at 31.12.09:

MEUR	Automotive Systems	Commercial Vehicle Systems	Power Products Systems	Total
<i>Carrying amounts</i>				
Goodwill	77.0	59.2	18.0	154.2
Other intangible assets	38.7	33.4	28.5	100.6
Property, plant and equipment	69.6	55.1	15.2	139.9
Net working capital	48.2	20.8	22.2	91.3
Total carrying amount (TCA)	233.6	168.5	83.9	486.0
Value in use (VIU) from the test model	716.0	301.4	144.3	1 161.7
VIU - TCA (headroom)	482.4	132.9	60.4	675.7

The tests indicated no requirement for write downs.

Note 6 – Tangible non-current assets

KAH ASA		KA Group			
Equipment	MEUR	Land	Buildings	Equipment	Total
0.3	Cost	8.2	50.7	317.1	376.0
(0.1)	Accumulated depreciation	0.0	(21.6)	(185.1)	(206.7)
0.2	Book value at 01.01.08	8.2	29.1	132.0	169.3
0.7	Additions	0.1	2.3	32.1	34.5
(0.1)	Depreciation	0.0	(1.9)	(27.9)	(29.8)
0.0	Disposals accumulated cost	0.0	(0.1)	(6.9)	(7.0)
0.0	Disposals accumulated depreciation	0.0	0.1	4.6	4.7
(0.2)	Exchange differences	(0.6)	(2.3)	(12.8)	(15.7)
0.6	Book value at 31.12.08	7.7	27.2	121.1	156.1
0.8	Cost	7.7	50.6	329.5	387.8
(0.2)	Accumulated depreciation	0.0	(23.4)	(208.3)	(231.7)
0.6	Book value 31.12.08	7.7	27.2	121.1	156.1
0.0	Additions	0.5	0.6	11.8	12.8
(0.2)	Depreciation	(0.0)	(2.1)	(27.8)	(30.0)
(0.2)	Disposals accumulated cost	(0.5)	(0.2)	(21.5)	(22.1)
0.1	Disposals accumulated depreciation	0.0	0.2	20.5	20.7
0.1	Exchange differences	0.0	0.9	2.4	3.2
0.4	Book value at 31.12.09	7.7	26.6	106.5	140.7
0.8	Cost	7.7	50.2	330.3	388.2
(0.4)	Accumulated depreciation	(0.0)	(23.6)	(223.8)	(247.5)
0.4	Book value 31.12.09	7.7	26.6	106.5	140.7

Comment

In order to improve the quality of the opening balance per 01.01.08 the accumulated cost and - depreciation have been increased, by equal amounts, compared to 2008 Annual report. The net effect per 01.01.08 is therefore 0.

Impairment testing

See Note 5 for the results of impairment testing performed on tangible non-current assets. The test results indicated no requirement for write down.

Operating and finance leases

The group has a limited number of leasing contracts. The total group cost for operating leases was MEUR 5.7 in 2009 (2008: 6.2). Operating leases are mostly used for the rental of office equipment. Few entities have finance leases and the total amounts in the financial statements are insignificant.

Maturity schedule for operational leases (KA group) in MEUR:

2010	5.1
2011	4.4
2012	2.9
2013	2.6
2014	2.4
Thereafter	4.5
Total	21.8

Note 7 – Inventories

KAH ASA			Group	
2009	2008	MEUR	2009	2008
0.0	0.0	Raw materials	44.2	55.0
0.0	0.0	Work in progress	8.0	9.5
0.0	0.0	Finished goods	14.3	20.3
0.0	0.0	Total	66.5	84.8

Group inventories are stated net of a provision for slow moving and obsolete inventory. The amount of this provision as at 31.12.09 was MEUR 7.2 (2008: 6.7). The expense for inventory obsolescence is MEUR 0.5 in 2009.

Note 8 – Trade and other receivables

KAH ASA			Group	
2009	2008	MEUR	2009	2008
0.0	0.2	Trade receivables	103.7	110.5
42.4	28.9	Current group receivables	0.0	0.0
0.0	0.1	Other current receivables	16.1	14.2
0.0	0.0	Financial derivative instruments ¹⁾	(0.6)	(10.2)
0.3	1.3	Prepayments	9.6	14.2
42.7	30.5	Total	128.8	128.7

1) Financial derivative instruments are classified as liabilities in Note 9 and 10 due to credit (-) amount.

The carrying amounts of trade and other receivables are denominated in the following currencies:

KAH ASA			Group	
2009	2008	MEUR	2009	2008
0.0	0.0	EUR	28.6	25.0
0.0	0.0	USD	32.9	32.7
42.7	30.5	NOK	9.6	9.1
0.0	0.0	GBP	8.2	8.5
0.0	0.0	Other	49.5	53.4
42.7	30.5	Total	128.8	128.7

Trade receivables

The group's trade receivables have the following maturity structure at 31.12.09:

Maturity	Amounts in MEUR	As % of gross trade receivables
Not overdue	86.7	81.7 %
Overdue 1-20 days	9.4	8.9 %
Overdue 21-40 days	5.0	4.7 %
Overdue 41-80 days	1.9	1.8 %
Overdue 81-100 days	1.7	1.6 %
Overdue > 100 days	1.5	1.4 %
Gross trade receivables	106.2	100 %
Total provision for bad debt	(2.5)	2 %
Net trade receivables	103.7	

The provision for bad debt has decreased by MEUR 0.7 compared with the amount provided as at 31.12.08 (MEUR 3.2).

The amount of write offs against trade receivables is not significant.

Note 9 – Classification of financial instruments

The following principles have been used to measure the financial instruments in the balance sheet after initial recognition (MEUR):

2009

Assets	Loans and receivables	Total
Trade receivables	103.7	103.7
Cash and cash equivalents	107.7	107.7
Total	211.4	211.4

Liabilities	Financial liabilities to amortized cost	Financial liabilities at fair value through profit and loss	Total
Interest-bearing loans and borrowings	381.8		381.8
Financial derivative instruments		0.6	0.6
Interest rate swaps		8.1	8.1
Bank overdraft	4.2		4.2
Other current interest bearing liab.	6.8		6.8
Trade payables	79.5		79.5
Total	472.3	8.7	481.0

The group has no financial assets available for sale nor any financial assets held for trading.

A part of the group's loans to subsidiaries are classified as a net investment in the relevant subsidiaries. The fair value of such loans as at 31.12.09 was MEUR 398. The effect of currency translation differences has been recognized in equity.

2008

Assets	Loans and receivables	Total
Trade receivables	110.5	110.5
Cash and cash equivalents	47.6	47.6
Total	158.1	158.1

Liabilities	Financial liabilities to amortized cost	Financial liabilities at fair value through profit and loss	Total
Interest-bearing loans and borrowings	420.6		420.6
Financial derivative instruments		10.2	10.2
Bank overdraft	24.4		24.4
Other current interest bearing liab.	36.0		36.0
Trade payables	67.9		67.9
Total	548.9	10.2	559.1

"Financial derivative instruments" comprise forward currency contracts

KAH ASA			KA Group	
2009	2008	MEUR	2009	2008
		<i>Currency</i>		
0.0	0.0	Forward contracts (liabilities)	(0.6)	(9.8)
		<i>Commodities</i>		
0.0	0.0	Forward contracts (liabilities)	0.0	(0.4)
0.0	0.0	Total	(0.6)	(10.2)
		<i>Nominal value of currency contracts</i>		
0	0	EUR / NOK (Amount in MEUR)	42.0	70.0
		<i>Maturity schedule for financial derivative instruments</i>		
0.0	0.0	2009	0.0	(4.3)
0.0	0.0	2010	(0.2)	(3.6)
0.0	0.0	2011	(0.4)	(2.3)
0.0	0.0	Total	(0.6)	(10.2)

Financial derivative instruments comprise of foreign currency contracts for which prices are quoted in an active market and commodity forwards listed on the London Metal Exchange. Market values at 31.12 have been used to determine the fair values of the financial derivative instruments.

"Interest rate swaps" comprise

KAH ASA			KA Group	
2009	2008	MEUR	2009	2008
8.1	0.0	Interest rate swap (liabilities)	8.1	0.0
8.1	0.0	Total	8.1	0.0

On the long term loans the company has secured MUS\$ 100 and MEUR 100 by interest rate swaps (fixed interest rate elements). The swap agreements were established in the end of 2008 and terminates per 29.09.11. Interest payments are performed quarterly. Market-to-market values have been used at balance sheet date.

Fixed interest rate for the USD agreement: 3.72 %. Fixed interest rate for the EUR agreement: 4.53 %

Note 10 – Financial instruments – measured in the balance sheet at fair value

The financial instruments that are measured in the balance sheet at fair value, require disclosure of fair value measurements by level of the following hierarchy :

- ▶ Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- ▶ Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- ▶ Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets and liabilities that are measured at fair value at 31.12.09.

MEUR	Level 1	Level 2	Level 3	Total
Assets				
<i>Financial assets at fair value through profit or loss</i>				
Not applicable				
Total assets	0.0	0.0	0.0	0.0
Liabilities				
<i>Financial liabilities at fair value through profit or loss</i>				
Financial derivatives instruments		0.6		0.6
Interest rate swaps		8.1		8.1
Total liabilities	0.0	8.7	0.0	8.7

The fair value calculation of the forward contracts has been performed by Nordea Bank ASA and that for the interest rate swap by DnB NOR. Market-to-market values have been used at balance sheet date.

Note 11 – Cash and cash equivalents

KAH ASA			KA Group	
2009	2008	MEUR	2009	2008
0.1	0.2	Restricted bank deposits	1.0	1.3
55.8	0.0	Non-restricted bank deposits and cash	106.7	46.3
55.9	0.2	Total	107.7	47.6

Restricted bank deposits includes employee tax deposits.

Note 12 – Share capital

The share capital of the company is NOK 203 384 066, comprising 406 768 131 ordinary shares with a par value of NOK 0.50. The company holds 1 000 000 shares as treasury shares. For more information see "Consolidated statement of changes in equity".

The share is listed on the Oslo Stock Exchange. The ticker code is KOA.

The twenty largest shareholders in the company as at 31.12.09 were as follows:

Shareholder	No of shares	%	Country
Nordea Bank Norge ASA Markets	29 727 050	7.3	Norway
DnB Nor Bank ASA	27 024 050	6.6	Norway
Frank Mohn AS	15 577 000	3.8	Norway
Odin Norge	15 345 174	3.8	Norway
Odin Norden	14 967 932	3.7	Norway
Credit Suisse Securities (USA) LLC	13 516 000	3.3	USA
Holberg Norge	10 050 000	2.5	Norway
DnB Nor SMB	8 500 000	2.1	Norway
Skagen Vekst	8 500 000	2.1	Norway
MP Pensjon	7 150 000	1.8	Norway
Bank Of New York Mellon SA/NV	5 999 999	1.5	Belgium
Perestroika AS	5 367 800	1.3	Norway
Clearstream Banking S.A	4 395 351	1.1	Luxembourg
Holberg Norden	4 125 000	1.0	Norway
Delphi Norden	3 110 000	0.8	Norway
Delphi Norge	3 000 000	0.7	Norway
Skandinaviska Enskilda Banken	2 978 016	0.7	Sweden
DnB Nor Norge (IV)	2 953 272	0.7	Norway
Skips AS Tudor	2 812 500	0.7	Norway
Vital Forsikring ASA	2 781 703	0.7	Norway
Total number of shares	187 880 847	46.2	
Other Shareholders	218 887 284	53.8	
Total number of shares in issue	406 768 131	100.0	
Number of shareholders	6 906		
Foreign ownership	19 %		

Share options

Share options are granted to management and to selected employees. An option entitles participants to purchase one share per option. Options are offered and granted during the first quarter of the year. The exercise price is the average trading price for the company's share during the first ten calendar days immediately after publication of fourth quarter results. Offer to be granted options is presented immediately thereafter. Participants in the share option programme are required to hold a number of the company's share at least equivalent to 10 % of the number of options granted. One half of options at exercise price of NOK 37 and NOK 32 are exercisable on 14.05.10 and one half on 13.05.11, and expire if not exercised on such days. One third of the options at exercise price NOK 20 and NOK 3 are exercisable after one, two and three years respectively after the date of grant, and expire ten years after the date of grant. The company has no legal or constructive obligation to repurchase or settle the options in cash.

The share issues during the autumn of 2009 had a substantial dilution effect on outstanding share options. In order to maintain the value of share options as an effective incentive for management, the Extraordinary General Assembly on 21.12.09 resolved to adjust the number of outstanding options and to some degree exercise prices, as follows:

Before adjustment 21.12.09					Total options
Exercise price (NOK)	60	52	33	3	
Number of outstanding options	443 122	34 627	812 047	1 764 000	3 053 796
Adjustment 21.12.09					Total options
Adjustment factor exercise price	1.6265	1.6265	1.6265		
Adjustment factor number of options	1.6265	1.6265	1.6265	2.2673	
Adjusted exercise price (NOK)	37	32	20	3	
Adjusted number of outstanding options	720 730	56 321	1 320 804	3 999 532	6 097 387

For options at exercise price NOK 60, NOK 52 and NOK 33, the quantities and exercise prices were adjusted according to the Oslo Stock Exchange's General Rules for Derivative Contracts. For options at exercise price NOK 3, only the quantity and not the exercise price was adjusted.

The number of options intended to be offered during the first quarter of 2010, resolved by the Ordinary General Assembly in 2009 was also adjusted, by factor 2.1681, extending the number of options from 1.800.000 to 3.902.612, in order to maintain the intended value of options to be granted.

Number of options and their exercise dates for the programme adopted by the General Assembly in 2009 in respect of options to be granted during the first quarter of 2010.

	Options vesting and potentially exercisable in			Last possible exercise 2015
	2011	2012	2013	
By year	1 300 871	1 300 871	1 300 870	
Cumulative	1 300 871	2 601 742	3 902 612	3 902 612

Movements in share options and their related weighted average exercise prices are as follows (NOK):

	2009		2008	
	Average exercise price	Options	Average exercise price	Options
Options at 01.01	44.68	1 858 590	59.57	974 076
Granted	3.00	1 795 000	33.00	1 275 839
Forfeited	37.24	(346 750)	43.65	(391 325)
Expired	59.45	(253 045)		
Before adjustment 21.12.09		3 053 795		
After adjustment 21.12.09		6 097 387		
Options at 31.12.	10.97	6 097 387	44.68	1 858 590

In the tables over and below, the 2008-numbers have been adjusted marginally (compared to 2008 annual report) to improve the accuracy of the comparable numbers. Outstanding options at the end of the year have the following expiry dates and exercise prices (NOK):

Expiry date	2009		2008	
	Exercise price	Options	Exercise price	Options
15.05.2009			60.00	255 934
15.05.2009			52.00	17 313
14.05.2010	37.00	360 365	60.00	255 934
14.05.2010	32.00	28 161	52.00	17 313
13.05.2011	37.00	360 365	60.00	255 935
13.05.2011	32.00	28 160	52.00	17 314
31.03.2018	20.00	1 320 804	33.00	1 038 847
31.03.2019	3.00	3 999 532		
Options at 31.12		6 097 387		1 858 590

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 1.69 per option (2008: 8.07). The significant inputs to the model were the share trading price of NOK 3.10 at the date of grant, exercise prices shown above, a weighted average volatility of 70.75 %, an expected option life of three, four and five years and a weighted average annual risk-free interest rate of 2.61 %.

Number of options exercisable at 31.12

None of the 2008 options that might have been exercisable if the market share price had been above NOK 20, carried over to 2009, where in the money at 31.12.09. The total number of these options was 435 865.

Note 13 – Taxes

13.1) Income statement

KAH ASA			KA Group	
2009	2008	MEUR	2009	2008
0.0	0.0	Current tax on profits for the year	(2.1)	(8.9)
0.0	0.0	Adjustments in respect of prior years	0.0	0.0
0.0	0.0	Total current tax	(2.1)	(8.9)
2.8	7.2	Current year deferred tax	16.5	43.0
0.0	0.0	Tax on translation differences	(13.7)	13.8
2.8	7.2	Total deferred tax	2.8	56.8
2.8	7.2	Income tax credit / (expense)	0.7	47.9

The tax on the group's operating profit before tax differs from the theoretical amount that would arise using the tax rate of Norway as follows:

KAH ASA			KA Group	
2009	2008	MEUR	2009	2008
(10.9)	(16.1)	(Loss) / profit before tax	(28.2)	(142.2)
3.1	4.5	Tax calculated at 28 % (statutory rate in Norway)	7.9	39.8
<i>Tax effect of permanent differences</i>				
1.2	2.3	- Dividend	0.0	0.0
(1.5)	0.4	- Other permanent differences/ currency	(5.3)	8.0
0.0	0.0	Effect of different tax rates	(0.1)	0.1
0.0	0.0	Losses not recognised as deferred tax assets	(1.8)	0.0
2.8	7.2	Income tax credit / (expense)	0.7	47.9
26 %	45 %	Average effective tax rate	2 %	34 %

13.2) Balance sheet

KAH ASA			KA Group	
2009	2008	MEUR	2009	2008
0.0	0.0	Current income tax liabilities	3.6	3.0
0.0	0.0	Total current tax	3.6	3.0
<i>Deferred taxes</i>				
(3.0)	0.0	Deferred tax (assets) on short-term assets / liabilities	(10.6)	(2.8)
0.4	0.0	Deferred tax liabilities on short-term assets / liabilities	4.8	5.7
(1.4)	(1.7)	Deferred tax (assets) on long-term assets	(16.5)	(27.2)
0.0	2.0	Deferred tax liabilities on long-term assets	30.7	36.9
(9.6)	(10.8)	Losses carried forward	(31.2)	(14.2)
0.0	1.4	Other tax deferred (assets) / liabilities	(3.4)	0.0
(13.6)	(9.1)	Net deferred tax (assets) / liabilities	(26.1)	(1.6)
(14.0)	(12.5)	Of which deferred tax assets	(61.6)	(44.3)
0.4	3.4	Of which deferred tax liabilities	35.5	42.6

Description of terms for recognition of deferred tax

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related benefit is probable.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax income taxes related to the same fiscal authority.

Deferred tax assets – probability of realisation and risk of significant adjustments to balance sheet

The group's future profit is dependent on future sales of new vehicles. The group has conducted comprehensive analyses of future cash flows and the positive net present values indicate that losses carried forward can be utilized, but not before 2015. The remaining lifetime of these losses is at least 19 years from 31.12.09 (earliest expiry date is 31.12.28). The deferred tax liabilities and – tax assets will be reversed after 12 months.

The group's subsidiaries are located in different countries, so there will always be a risk arising from local tax jurisdictions' assessments of the respective tax positions. Local differences could therefore result in different opinions about the probability of realization and utilization of losses carried forward, which would influence the carrying value of the group's consolidated deferred tax asset.

KAH ASA			KA Group	
2009	2008	MEUR	2009	2008
		<i>Change in deferred tax</i>		
(9.1)	(5.4)	Deferred tax as at 01.01	(1.6)	36.2
(2.9)	(7.2)	Recorded through the income statement	(2.8)	(56.8)
0.0	0.0	Tax on translation differences	(13.7)	13.8
(1.6)	3.5	Exchange rate differences	(8.0)	5.2
(13.6)	(9.1)	Net deferred tax (assets) / liabilities	(26.1)	(1.6)

Note 14 – Retirement benefit obligations

The parent company Kongsberg Automotive Holding ASA and its Norwegian subsidiary Kongsberg Automotive AS have defined benefit and defined contribution pension plans. The plans were changed from defined benefit to defined contribution in 2004. The defined benefit plan was continued for employees who had already retired. The other defined benefit plans still in operation are early retirement agreements through the AFP scheme and an early retirement plan for the CEO.

Defined benefit pension plans also exist in two subsidiaries in Germany and in subsidiaries in the Netherland, Italy and France.

The subsidiaries in Sweden, the UK and the USA have defined contribution plans for employees.

14.1) Defined benefit schemes

The following assumptions have been applied when estimating future pension benefits:

KAH ASA			KA Group	
2009	2008		2009 ¹⁾	2008
4.4 %	4.3 %	Discount rate	4.4 %	4.3 %
5.6 %	6.3 %	Rate of return on plan assets	5.6 %	6.3 %
4.25 %	4.5 %	Salary increases	4.25 %	4.5 %
4.0 %	4.3 %	Increase in basic government pension amount	4.0 %	4.3 %
1.3 %	2.0 %	Pension increase	1.3 %	2.0 %
80.0 %	80.0 %	Estimated percentage of early retirement	80.0 %	80.0 %

1) The same assumptions are shown for the group as for the Norwegian entities. This is a simplification as the pension plans of the other entities have different assumptions. The Norwegian entities account for one-third of the net pension liability.

14.2) Net periodic pension cost

KAH ASA			KA Group	
2009	2008	MEUR	2009	2008
0.1	0.2	Service cost	0.6	0.9
0.1	0.1	Interest on benefit obligations	1.1	0.9
0.0	0.0	Expected return on pension assets	(0.4)	(0.2)
0.5	0.1	Amortization of estimate differences	0.9	0.2
0.0	0.0	Administration cost	0.0	0.0
0.0	0.0	Social security taxes	0.0	0.0
0.7	0.4	Net periodic pension cost	2.2	1.8
6.0 %	(2.6 %)	Actual return on plan assets	0.4 %	3.4 %

14.3) Net pension liability

KAH ASA			KA Group	
2009	2008	MEUR	2009	2008
		<i>Pension liabilities and assets</i>		
1.8	1.6	Projected benefit obligation (PBO)	20.3	17.2
0.0	0.0	Fair value of pension assets	(3.7)	0.0
1.8	1.6	Pension assets in excess of PBO	16.6	17.2
(0.1)	(0.5)	Unrecognized effect of changes in estimates and differences between actual and expected return on pension assets	(1.6)	(2.6)
1.7	1.1	Net pension liability before social security taxes	15.0	14.6
0.2	0.2	Social security taxes	1.0	0.8
2.0	1.3	Net pension liability	16.0	15.4
		<i>Spesification of carrying value of net pension liability 2009 (MEUR):</i>		
		Retirement benefit obligation	17.2	
		Retirement benefit asset	(1.2)	
		Net pension liability	16.0	

14.4) Changes in net pension liabilities

KAH ASA			KA Group	
2009	2008	MEUR	2009	2008
1.3	1.0	Net pension liability 01.01	15.4	16.6
0.7	0.4	Pension cost for the year	2.2	1.8
0.0	(0.1)	Paid pensions	(1.6)	(3.0)
2.0	1.3	Net pension liability 31.12	16.0	15.4

14.5) Average expected lifetimes

Average expected lifetime at the balance sheet date for a person retiring on reaching age 65:

- ▶ Male employee 17 years
- ▶ Female employee 20 years

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

- ▶ Male employee 20 years
- ▶ Female employee 24 years

14.6) Defined contribution pension plans

Norway, Sweden, the UK and the USA have defined contribution pension plans for employees. The pension plans are regulated under the tax rules of each country. The subsidiaries in each country is required to pay the annual contributions to the plan. The expense charged to the income statement in respect of defined contribution pension plans is disclosed in Note 20 to the financial statements.

14.7) Expected pension payment

We expect the pension payment of 2010 to be in line with the 2009 payment.

Note 15 – Interest-bearing loans and borrowings

KAH ASA			KA Group	
2009	2008	MEUR	2009	2008
		<i>Non-current liabilities</i>		
381.6	419.8	Bank loans	381.8	420.6
		<i>Current liabilities</i>		
0.1	20.1	Bank overdrafts	4.2	24.4
1.7	30.1	Other current interest-bearing liabilities	6.8	36.0
383.4	470.0	Total interest-bearing liabilities	392.8	481.0

Non-current liabilities

The group has a five year loan agreement with DnB NOR ending in December 2013 under which 50 % of the loan has been syndicated to Nordea. The agreement has a repayment structure over the 4 coming years. See the next page for the maturity schedule.

The group reduced its the debt by a total of MEUR 63 in the fourth quarter of 2009. The NOK loans were repaid in full and the remainder of the repayment was split between the USD and EUR loans. In addition the loan agreement was renegotiated, the most important changes were in the repayment schedule, the termination date (deferred by one year to 29.12.13), interest margins and the covenants structure. The one-off P/L effect was a loss of MEUR 1.3.

Innovasjon Norge awarded the company three loans totalling of MEUR 16 during early 2009. The loan repayments in the first year are interest only and have a six-year maturity.

Other short-term interest-bearing liabilities

These comprise accrued interest and capital repayments on long-term loans payable within twelve months of the balance sheet date, as well certain other short-term interest-bearing liabilities.

Interest rates

The rate of interest of the loans is the aggregate of a floating reference interest rate (IBOR) plus the applicable margin (reference to loan agreements). On the long term loans the company has secured MUSD 100 and MEUR 100 by interest rate swaps (fixed interest rate elements). See also Note 9.

The rates of interest applicable to borrowings as at 31.12.09 were as follows:

Currency	Reference rate	Applicable margin	Total
EUR	0.71 %	3.00 %	3.71 %
USD	0.25 %	3.00 %	3.25 %
NOK (loan from Innovasjon Norge)			5.50 %

Borrowings by currency were as below:

KAH ASA			KA Group	
2009	2008	MEUR	2009	2008
221.4	238.8	EUR	225.2	242.5
144.6	167.8	USD	147.5	167.8
17.4	63.4	NOK	18.4	69.1
0.0	0.0	Other currencies	1.7	1.4
383.4	470.0	Total interest-bearing liabilities	392.8	481.0

See Note 16 for an assessment of currency risk.

The carrying amounts and fair values of non-current borrowings are as follows:

KAH ASA			KA Group	
2009	2008	MEUR	2009	2008
381.6	419.8	Carrying amounts	381.8	420.6
381.6	419.8	Fair values	381.8	420.6

The carrying amount (amortized cost) is equal to the fair value of the loans. The loan terms were renegotiated in September 2009. The interest rate represents the market's interest rate as at the balance sheet date.

Non-current liabilities

The maturity schedule for non-current borrowings is as follows (in local currencies):

Year	MEUR	MUSD	MNOK
Repayable during 2011	20.0		29.0
Repayable during 2012	40.0		29.0
Repayable during 2013	161.4	208.2	29.0
Repayable during 2014			29.0
Repayable during 2015 (and later)			14.5
Total	221.4	208.2	130.5

Current liabilities

The table contains accrued liabilities (repayments and interest) to be paid within 12 months (2010). The maturity schedule for other current interest-bearing liabilities is as follows (in local currencies):

As at 31.12.09	MEUR	MUSD	MNOK	Other currencies
Repayable 0-3 months after year end	2.9		7.8	4.5
Repayable 3-6 months after year end				6.7
Repayable 6-9 months after year end				
Repayable 9-12 months after year end	1.0	4.2	17.1	
Total	3.9	4.2	24.9	11.2

Covenants

The group's banking covenant requirements comprise:

- ▶ *Nominal equity:* Minimum MEUR 50
- ▶ *Minimum liquidity:* Minimum MEUR 50
- ▶ *Gearing ratio (ie Net int. bearing debt to EBITDA):* Not to be measured before end of March 2011. The required gearing ratio levels will then decrease quarterly from 7.40 initially to 3.00 at the termination date (29.12.13).
- ▶ *Capital expenditures:* Maximum 3 % of consolidated turnover 2009, 4 % in 2010 and 4 % thereafter. No restrictions, if below a Gearing ratio of 3.00.
- ▶ *Dividend restrictions:* The Gearing ratio can not be higher than 3.00.

The covenants are tested quarterly. The group is in compliance with the covenants as at 31.12.09. Both the liquidity and equity levels are significantly above the covenant levels. In addition the capital expenditure (in percentage of revenue) is below the maximum permitted level.

Security for the loan agreement

The lending banks have a first priority security over all shares and all other significant assets of the group.

Note 16 – Financial risk

FINANCIAL RISK MANAGEMENT

Financial risk factors

The group's activities expose it to a variety of financial risks:

- a) Market risk (including currency risk, interest rate risk, and operational risks)
- b) Credit risk
- c) Liquidity risk.

The group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance. The group exploits derivative financial instruments for potential hedging of certain risk exposures, however the current usage of such instruments are limited.

(a) Market risk

(i) Foreign exchange risk

Kongsberg Automotive operates internationally in a number of countries and is exposed to foreign exchange risk arising from various currency exposures. The primary exposures are EUR and USD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. As the Company reports its financial results in EUR, changes in the relative strength of EUR to the currencies in which the Company conduct business can adversely affect the Company's financial development. Historically changes in currency rates have had an effect on the top line development, however it has not had a significant impact on operating profit since the costs usually off set the effects from the top line.

Management is monitoring the currency exposure on a Group level. The Group treasury uses the debt structure and profile to balance the net exposure of the cash flow from operations. The group treasury will evaluate the use of hedging instruments to control the risks, but have currently a low usage of such instruments.

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Sensitivity

At 31.12.09, if the currency USD had weakened/strengthened by 5 % against the EUR with all other variables held constant, revenues would have been MEUR +/- 7.5. Operating profit would not have been significantly changed. A change in EUR and USD of +/- 5 % versus the NOK would have influenced the conversion of the long term debt and hence influenced the financial items with approximately MEUR +/- 20. These changes would also have generated changes in currency conversion in the equity of approximately the same amounts, hence the equity change would have been less significant.

(ii) Operational risks

Operation and investment risks and uncertainties

The Company is usually contracted as a supplier with a long-term commitment. The commitment is usually based on the model platforms, which for passenger cars are typically 3 to 5 years, while on commercial vehicles it is typically 5-7 years and in some cases even longer. Purchase orders are achieved on a competitive bidding basis for either a specific time-period or indefinite time. Even if present commitments are cost reimbursable they can be adversely affected by many factors and short term variances including shortages of materials, equipment and work force, political risk, customer default, labor conflicts, accidents, environmental pollution, the prices of raw materials, unforeseen problems, changes in circumstances that may lead to cancellations and other factors beyond the control of the Company. In addition, some of the Company's customer contracts may be reduced, suspended or terminated by the customer at any time upon the giving of notice. Customer contracts also permit the

customer to vary the scope of work under the contract. As a result, the Company may be required to renegotiate the terms or scope of such contracts at any time, which may result in the imposition of terms less favorable than the previous terms.

Competition

The Company has significant competitors in each of its business areas and across the geographical markets in which the Company operates. The Company believes that competition in the business areas in which Kongsberg Automotive operates will continue in the future.

Volatility in prices of input factors

The Company's financial condition is dependent on prices of input factors, i.e. raw materials and different semi-finished components with a varying degree of processing, used in the production of the various automotive parts. Some of the major raw materials are:

- ▶ Steel including rod and sheet metal, cast iron and machined steel components
- ▶ Polymer components of rubber, foam, plastic components and plastic raw materials
- ▶ Copper
- ▶ Zinc
- ▶ Aluminium

Because of the raw material exposure, a change in the prices of these raw materials will have an effect on the Company. The steel, copper, zinc, aluminium and polymer prices have reached historically high levels over the last years, being subject to large fluctuations in response to relatively minor changes in supply and demand and a variety of additional factors beyond the control of the Company, including government regulation, capacity, and general economic conditions.

A substantial part of the Company's steel and brass (copper and zinc) based products is sold to truck manufacturers. Business practice in the truck industry allows the Company to some extent to pass in-

creases in steel, aluminium and brass prices over to its customers. However, there is a time lag of three to six months before the Company can adjust the price of its products to reflect fluctuations in the mentioned raw material prices, and a sudden change in market conditions could therefore impact the Company's financial position, revenues, profits and cash flow. When the market prices go down the adverse affect will occur. For products sold to passenger car applications, the Company does not have the same opportunity to pass increases in raw materials prices.

Uninsured losses

The Company maintains a number of separate insurance policies to protect its core businesses against loss and/or liability to third parties. Risks insured include general liability, business interruption, workers' compensation and employee liability, professional indemnity and material damage.

(iii) Interest rate risk

The group's interest rate risk arises from long-term borrowings. The Group's debt is mainly drawn up in EUR and USD with the corresponding interest rates. The group analyses its interest rate exposure on a running basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on the various scenarios, the group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Based on these scenarios, the group calculates the impact on profit and loss of a defined interest rate shift.

Sensitivity

Based on the simulations performed, the impact on pre tax profit of a +/- 0.5 % shift in both the EUR and USD interest would be a maximum increase or decrease of MEUR 2.1.

(b) Credit risk

Credit risk is managed on group basis. Credit risk arises mainly from trade with customers and outstanding receivables. The level of receivables and overdue are monitored on a weekly basis. Historically the Group have had very limited loss on receivables.

The automotive industry consist of a limited number of vehicle manufacturers, hence the 5 biggest customers will be in the around 35 % of total sales. The company have a very diversified customer base, where no individual customer represents more than 10 % of the Group's revenues. It is the company's opinion that concentration risks is not present, however due to the number of vehicle manufacturer and hence customers it could be viewed to exist a concentration risk.

(c) Liquidity risk

Cash flow forecasting is performed by each operating entities of the group on a weekly basis for the next 12 weeks. Group finance monitors these forecasts and the 5 quarter rolling forecasts for the group to kept track of the group's liquidity requirements and to ensure there are sufficient cash to meet both operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants on any of its borrowing facilities. Surplus cash held

by the operating entities over and above balance required for working capital management are transferred to the Group treasury.

CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and balance the risk profile.

The group monitors capital on the basis of the gearing ratio and the level of equity. These ratios are calculated as net debt divided by EBITDA and Equity divided by total balance. The Group has a treasury policy regulating the levels on these key ratios.

Note 17 – Trade and other payables

KAH ASA			KA Group	
2009	2008	MEUR	2009	2008
0.1	0.3	Trade payables	79.5	67.9
20.8	12.6	Short-term group liabilities	0.0	0.0
1.1	2.7	Accrued expenses	41.5	39.7
9.9	2.6	Other current liabilities	11.6	9.2
31.9	18.2	Total	132.6	116.8

The group provision for restructuring costs was MEUR 0.3 as at 31.12.09.

Note 18 – Remuneration and fees for management, board of directors and auditor

The following amounts of remuneration and fees have been expensed in the income statement (KEUR)

	2009	2008
Total remuneration of the Board of Directors	162.0	177.3
Salary of the CEO	376.9	397.0
Other remuneration of the CEO	14.9	107.0
Pension costs of the CEO	5.8	6.0
Management salaries other than to the CEO	795.8	818.0
Other remuneration of management other than the CEO	120.7	264.0
Pension costs of management other than the CEO	17.4	23.0
Total	1 493.5	1 792.3

Specification of remuneration to Board of Directors (KEUR)

Name	Position	2009	2008
Curt W. Germundsson	Chairman	46.4	41.7
Tone Bjørnov		15.8	
Ulla-Britt Fräjdin-Hellqvist		26.2	24.4
Jürgen K. Harnisch		26.2	25.0
Kjell A. Kristiansen		4.8	
Tonje Sivesindtjet		4.8	
Eivind A. Holvik		4.8	
Others (replaced board members)		33.3	86.2
Total – Board of Directors		162.0	177.3

Name	Compensation			Total 2009
	BOD fees	committee	Audit committee	
Curt W. Germundsson (Chairman)	42.2	4.2		46.4
Tone Bjørnov	12.2	1.5	2.1	15.8
Ulla-Britt Fräjdin-Hellqvist	23.2		3.0	26.2
Jürgen K. Harnisch	26.2			26.2
Kjell A. Kristiansen	4.8			4.8
Tonje Sivesindtjet	4.8			4.8
Eivind A. Holvik	3.9	0.9		4.8
Others (replaced board members)	25.3	3.9	4.2	33.3
Total – Board of Directors	142.4	10.4	9.2	162.0

Specification of remuneration to management other than the CEO (KEUR)

2009

Name	Position	Salary	Pension	Other
Hans Peter Havdal	Group Executive & President of Automotive Systems	230.1	5.8	12.2
Bård Klungseth	Group Executive & President of Commercial Vehicle Systems	223.1	5.8	12.2
James G Ryan	Group Executive & President of Power Products Systems	168.9	0.0	84.1
Trond Stabekk	Group Executive & CFO	173.6	5.8	12.2
Total – management other than CEO		795.8	17.4	120.7

2008

Name	Position	Salary	Pension	Other
Hans Peter Havdal	Group Executive & President of Automotive Systems	232.0	6.0	69.0
Bård Klungseth	Group Executive & President of Commercial Vehicle Systems	232.0	6.0	73.0
James G Ryan	Group Executive & President of Power Products Systems	166.0	5.0	66.0
Trond Stabekk	Group Executive & CFO	188.0	6.0	56.0
Total – management other than CEO		818.0	23.0	264.0

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 % of base salary. No bonus was paid or earned from this program in 2009. James G Ryan was paid a success bonus for the sale of Aviation. The Chief Executive Officer has an agreement covering early retirement benefits. Benefits according to this agreement are included in the pension obligations disclosure in Note 14. The employment of the Chief Executive Officer is terminable by the company at 12 months' notice. The notice period for other members of the management group is six months.

Specification of share options granted to management

	2009 Scheme No of options	2008 Scheme No of options	2006 Scheme No of options
Olav Vollidal	294 749	266 186	106 617
Hans Peter Havdal	215 394	157 465	78 560
Bård Klungseth	215 394	158 821	64 531
James G Ryan	136 038	0	0
Trond Stabekk	215 394	143 516	46 154
Total options	1 076 969	725 988	295 862

For more details about the share option plan see Note 12.

Specification of fees paid to the auditor (KEUR)

	2009	2008
Statutory audit services to the parent company	80.4	21.0
Statutory audit services to subsidiaries	925.6	781.0
Further assurance services	328.2	8.0
Tax advisory	270.5	270.0
Other non-audit services	92.4	103.0
Total	1 697.1	1 183.0

Note 19 – Shares owned by management and board of directors as at 31.12.09

	No of shares
<i>Board of Directors</i>	
Curt W. Germundsson	48 000
Tone Bjørnov	0
Ulla-Britt Fräjdin-Hellqvist	12 800
Jürgen K. Harnisch	0
Kjell A. Kristiansen	20 180
Tonje Sivesindtjet	33 000
Eivind A. Holvik	0
Total number of shares	113 980
<i>Group management</i>	
Olav Vollidal ¹⁾	853 253
Hans Peter Havdal	247 025
Bård Klungseth	95 238
James G Ryan	158 400
Trond Stabekk	103 080
Total number of shares	1 456 996

1) Including shares owned by family members.

Note 20 – Salaries and social expenses

KAH ASA			KA Group	
2009	2008	MEUR	2009	2008
1.6	2.5	Wages and salaries	130.9	179.4
0.5	0.4	Social security tax	22.2	26.7
0.7	0.4	Pension cost (defined benefit plans)	2.4	1.3
0.1	0.1	Pension cost (defined contribution plans)	2.8	1.0
0.4	2.1	Other payments	10.6	7.3
3.3	5.5	Total	168.9	215.7

As at 31.12.09 the group had 8868 employees and the parent company 14 employees.

Note 21 – Financial items

KAH ASA			KA Group	
2009	2008	MEUR	2009	2008
32.3	34.7	Financial income	0.0	0.0
13.8	0.0	Net foreign currency gains	61.4	0.0
0.6	1.1	Interest income	1.4	1.5
46.7	35.8	Total financial income	62.8	1.5
(40.9)	(35.6)	Interest expense	(41.6)	(38.9)
0.0	(2.7)	Net foreign currency losses	0.0	(101.8)
0.0	0.0	Changes in value of financial derivatives	11.0	(12.7)
(13.4)	(8.9)	Other items	(14.1)	10.8
(54.3)	(47.2)	Total financial expenses	(44.7)	(142.6)
(7.6)	(11.4)	Net financial items	18.1	(141.1)

Note 22 – Earnings per share

Earnings per share is calculated by dividing the net profit attributable to equity shareholders by the weighted average number of shares in issue.

	2009	2008
Net (loss) / profit attributable to equity shareholders (MEUR)	(27.1)	(94.1)
Weighted average number of shares in issue (millions)	149.6	55.5
Basic earnings per share, EUR	(0.18)	(1.70)
Diluted earnings per share, EUR	(0.18)	(1.70)

The diluted earnings per share is equal to basic earnings per share per 31.12.09. The reason is that the market price of the companies shares is lower than the exercise price of the warrants and the share options (anti-dilutive effect).

Note 23 – Dividend per share

No dividend was proposed for 2009. For dividend restrictions, see Covenants Note 15.

Note 24 – Sale of business units

Aviation business

The group's aviation business was sold on 31.03.09 to Triumph Controls. The consideration received was MEUR 20.0, of which MEUR 10.0 was utilized to repay external debt. The profit recognized on disposal was MEUR 2.0. The assets of the aviation business were partly held by Kongsberg Automotive Systems GmbH and partly by Kongsberg Power Products Systems Limited.

The sale is not separately registered as discontinued operations in the consolidated statement of comprehensive income due to the limited effect on the financial statements.

Kongsberg Auto Parts (Shenyang) Co Ltd

The group's 75 % shareholding in Kongsberg Auto Parts (Shenyang) Co Ltd. was sold to Liao Ning Shen Xin Fu Auto Parts Manufactory Co. Ltd for MEUR 3.2 on 28.12.09. The sale resulted in a loss on disposal of MEUR 0.9 (reflected under Financial items).

Note 25 – Events after balance sheet date

12.02.10 the company acquired 6.5 million own shares in addition to the 1 million owned at the balance sheet day. The total of 7.5 million shares will approximately cover the shares options related to the 2009 and 2010 programs.

The shares were acquired for NOK 5.23 per share.

Note 26 – Statement of remuneration of management

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

26.1) Principles for base salary

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

26.2) Principles for variable compensation and incentive schemes

Leading employees can receive variable salaries based on result achievement for the group or for the unit in which 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 company did not pay any bonuses to management for the year 2009.

The Board of Directors has established share option programmes for leading employees that have been approved by shareholders in General Meeting. It is the company's judgement that it is positive for long-term value creation in the group that leading employees hold shares or have share options in Kongsberg Automotive.

The Board of Directors can offer share options to leading employees when shareholders have given authority to run options programmes. The strike price on the options shall be set at the average over the 10 days after quartal 4 presentation. The exercise period shall typically be five to ten years. The maximum potential gain from options per person per year is limited to one year salary.

26.3) Principles for services with non-cash compensation

Leading employees can be offered different arrangements such as company cars, insurance, pensions, etc. Payment in kind will primarily be free broadband, IP phone and mobile telephone in order to ensure that leading employees are accessible to the company.

As for all other employees, leading employees are eligible to participate in a defined contribution pension plan. The conditions in individual pension schemes can vary.

26.4) Redundancy payments

At the year end no employee had any agreement for redundancy payment. The CEO has a 12 months termination period, 6 months if he resigns. The termination periods from the rest of the management are six months.

26.5) Information about preparation and decision processes

The Board of Directors considers annually the compensation of the CEO based on prior consideration and recommendation by the group's compensation committee.

Report of the Auditors



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To the Annual Shareholders' Meeting of Kongsberg Automotive Holding ASA

Auditor's report for 2009

We have audited the annual financial statements of Kongsberg Automotive Holding ASA as of 31 December 2009, showing a loss of MEUR 8 for the parent company and a loss of MEUR 27,5 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The annual financial statements comprise the financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of comprehensive income and cash flows, the statement of changes in equity and the accompanying notes. The financial statements of the group comprise the balance sheet, the statements of comprehensive income and cash flows, the statement of changes in equity and the accompanying notes. Simplified IFRS according to the Norwegian accounting act § 3-9 have been applied in the preparation of the financial statements of the parent company. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements of the group. 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 of the parent company have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company as of 31 December 2009, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with simplified IFRS according to the Norwegian accounting act § 3-9
- the financial statements of the group have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Group as of 31 December 2009, 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 Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss are consistent with the financial statements and comply with the law and regulations

Oslo, 26 March 2010

PricewaterhouseCoopers AS

Håvard S. Abrahamsen

State Authorised Public Accountant (Norway)

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

Alla Arendal Bergen Bodo Drammen Eggersund Flora Fredrikstad Ferde Gardermoen Gol Hamar Hardanger Harstad Haugesund Kongsberg Kongsvinger Kristiansand Kristiansund Lyngseidet Mandal Mo i Rana Molde Mosjøen Måley Namsos Oslo Sandefjord Sogndal Ståvanger Stryn Tromsø Trondheim Tønsberg Ullensaker Ålesund
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Declaration to the Annual Report 2009

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2009 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the Company's and the Group's assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the management report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principle risks and uncertainties facing the entity and the group.

Kongsberg, 24.03.2010

Board of Directors in Kongsberg Automotive Holding ASA


Curt Germundsson
Chairman


Tone Bjørnov



Ulla-Britt Fräjdin-Hellqvist


Dr. Jürgen Hamisch


Kjell Kristiansen


Tonje Sivesindtjøet


Eivind Holvik


Olav Volldal
President and CEO

KEY FINANCIAL DATA

Kongsberg Automotive Group

		2009	2008	2007	2006	2005	
<i>Operations and profit</i>							
1	Operating revenues	(MEUR)	622.8	905.9	398.8	355.9	315.4
2	Depreciation and amortisation	(MEUR)	46.8	46.9	14.7	12.3	11.3
3	Operating (loss) / profit	(MEUR)	(46.3)	(1.1)	26.4	34.3	36.5
4	(Loss) / profit before taxes	(MEUR)	(28.2)	(142.2)	21.3	26.5	30.0
5	Net profit	(MEUR)	(27.5)	(94.3)	15.6	19.4	22.2
6	Cash flow from operating activities	(MEUR)	26.6	77.2	24.1	32.1	33.5
7	Investment in property, plant and equipment	(MEUR)	12.8	39.3	26.6	15.1	15.2
8	R&D expenses, gross	(MEUR)	47.2	45.5	20.7	19.8	21.2
9	R&D expenses, net	(MEUR)	43.2	41.5	17.8	13.5	13.4
<i>Profitability</i>							
10	EBITDA margin	%	0.1	5.1	10.3	13.1	15.1
11	Operating margin	%	(7.4)	(0.1)	6.6	9.6	11.6
12	Net profit margin	%	(4.4)	(10.4)	3.9	5.4	7.0
13	Return on total assets	%	(1.3)	(0.4)	2.9	14.7	17.1
14	Return on capital employed (ROCE)	%	(8.1)	(0.2)	7.0	19.5	22.3
15	Return on equity	%	(20.4)	(1.2)	0.2	30.4	40.4
<i>Capital as at 31.12</i>							
16	Total assets	(MEUR)	763.2	749.5	827.2	251.9	219.0
17	Capital employed	(MEUR)	571.8	571.6	826.8	182.7	168.8
18	Equity	(MEUR)	178.9	90.7	68.5	66.5	61.3
19	Equity ratio	%	23.4	12.1	8.3	3.2	3.5
20	Cash reserve	(MEUR)	162.6	76.7	88.2	34.3	35.7
21	Interest-bearing debt	(MEUR)	392.8	481.0	526.6	116.2	99.6
22	Interest coverage ratio		0.2	0.0	4.7	4.1	5.4
23	Current ratio (Banker's ratio)		2.1	1.4	0.9	1.6	1.4
<i>Personnel</i>							
24	Number of employees at 31.12		8 868	8 888	3 329	2 810	2 643

Definitions

- 5 Profit after tax
- 6 Profit before tax - Taxes payable + Depreciation and amortisation
- 9 Gross expenses - Payments from customers
- 10 (Operating profit + Depreciation and Amortisation) / Operating revenues
- 11 Operating profit / Operating revenues
- 12 Net profit / Operating revenues
- 13 Operating profit / Average total assets
- 14 Operating profit / Average (Total assets - Non interest bearing debt)
- 15 Net profit / Average equity
- 17 Total assets - Non interest bearing debt
- 20 Free cash + Unutilised credit facilities and loan approvals
- 22 Operating profit / Financial expenses
- 23 Current assets / Current liabilities

ENVIRONMENTAL REPORT

Kongsberg Automotive, and all of its operating units, subscribe to the following policies.

Health and Safety Policy

Kongsberg Automotive gives the highest priority to the health, safety and well-being of all employees and those who may be affected by our work activities. This is a consequence of applying our core values and will serve as the basis for goods and services we provide and the foundation on which to achieve our business objectives.

We are committed to achieving the highest industry standards by;

- ▶ Assessing the nature and scale of risk through a program of continuous improvement.
- ▶ Setting objectives and targets to gain improvements in overall health and safety performance.
- ▶ Complying with applicable legislation and other relevant requirements.
- ▶ Providing necessary information, instruction and training.

- ▶ Putting into place preventative, then protective, measures to eliminate, reduce and control potential to cause injury, harm or loss.
- ▶ Tracking health and safety performance through internal evaluation and reporting.
- ▶ Emphasizing to all employees, suppliers, contractors, and others working on our behalf, their responsibility and accountability for safe performance.

Statement for working knowledge:

"Put safety first. Identify any safety or health hazards so preventative action can be taken before an incident occurs".

Environmental Policy

Kongsberg Automotive is committed to take responsibility for the environment. We strive to improve our environmental performance as this is essential in meeting our business objectives and customer demands. We respect the concerns of the communities where we operate and value the input of interested parties, especially our employees.

We assure our commitment by:

- ▶ Assessing the scale of our environmental aspects and impacts through a program of continuous improvement.
- ▶ Executing specific plans of action with measurable targets.
- ▶ Complying with all legal and other relevant requirements.
- ▶ Evaluating our processes and products to optimize the use of resources and where practicable reusing, recycling and recovering material to minimize waste.
- ▶ Providing necessary information, instruction and training.
- ▶ Tracking our performance through internal evaluation and reporting.
- ▶ Reviewing our performance and sharing our results with interested parties.
- ▶ Requiring commitment of suppliers and other partners to apply these same principles.



Sick Leave Average (%)	2009	2008	% Change
KA Group	3.5	4.4	- 20.4 %
Automotive Systems	3.2	4.1	- 21.9 %
Commercial Vehicle Systems	4.1	4.7	- 12.8 %
Power Product Systems	4.4	5.4	- 18.5 %
Asia			
China	0.7	0.68	2.9 %
South Korea	0	0	0
Europe			
France	3.8	3.84	- 1.0 %
Germany	3.5	3.0	16.7 %
Hungary	1.2	1.6	- 25 %
Italy	5.6	4.0	40 %
Norway	8.5	7.0	22.3 %
Poland	10.2	9.3	9.7 %
Slovakia	3.9	6.0	- 34.7 %
Spain	4.6	7.3	- 37 %
Sweden	3.0	3.9	- 22.3 %
UK	3.2	4.4	- 27.4 %
Americas			
Brazil	1.5	0.7	102.7 %
Canada	8.1	8.1	0 %
Mexico	2.4	3.6	- 33.7 %
USA	3.2	4.6	- 30.3 %

comply with general and specific requirements alike. Additionally 29 locations have implemented Environmental Management Systems in accordance with ISO 14001 Standards. Certification assures that the units consider the environmental impacts of their work and set targets for improved performance. As a supplier, KA must also comply with standards set by their customers.

Responsibility

The management takes full responsibility to ensure that HSE requirements are met and environmental and safety management systems are continuously evaluated and improved. Report routines have been implemented and the units' HSE leaders have an important role in this work. The HSE work is integrated into ordinary business activities to ensure that HSE management becomes a natural part of the daily routines.

Work environment

Sick Leave

Absences due to personal illnesses are tracked by the company. The Sick Leave data are reported on the top left as an average % of short and long term absences per total number employees for the Division or Country noted. When considering all KA employees, the Group's sick leave average was 3.5 % in 2009 compared to 4.4 % for 2008, a 20 % reduction.

Safety

Work related injuries should not occur, and KA works systematically to reduce the number of accidents and injuries affecting employees. Reasons for injuries are analysed and corrective actions are implemented. To avoid possible safety risks, each unit performs regular inspections. All work related injuries are reported and tracked.

Due to increased awareness and preventative efforts, 58 % fewer accidents occurred in 2009. For KA Group, a total of 176 accidents were reported in 2009 versus the 419 reported accidents in 2008. The average incident rate for the Group decreased to 16 accidents for every one million man hours worked. The 2009 average, for total accidents reported per unit, is less than 5. The Incident Rate and total accidents average is considered better than external benchmarks.

Region	Total Accidents Reported in 2009	Average H-value		Average Incident Rate	
		2009	2008	2009	2008
Asia	7	3	2	7	3
China	7	3	3	9	3
South Korea	0	0	0	0	0
Europe	108	8	11	22	38
France	10	6	28	20	39
Germany	4	6	13	6	13
Hungary	3	5	5	5	5
Italy	2	2	0	2	0
Netherlands	0	0	0	0	0
Norway	10	9	10	18	37
Poland	5	6	7	6	7
Slovakia	12	3	8	26	9
Spain	1	4	25	4	25
Sweden	7	18	2	21	7
UK	54	11	16	76	131
Americas	61	4	12	14	36
Brazil	2	11	23	11	47
Canada	12	13	24	23	59
Mexico	8	1	6	3	7
USA	39	4	12	17	41

Statement for working knowledge:

KA is committed to "protecting the environment, now and for the future" through continual environmental improvement, the prevention of pollution and environmental compliance.

Management

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. All KA units

All Accidents Reported (Average per Plant)	Average 2009	Average 2008	% Change
KA Group	4.8	11.3	(58)
Automotive Systems	6.2	14.2	(56)
Commercial Vehicle Systems	2.3	6.9	(67)
Power Product Systems	5.6	12.3	(54)
Incident Rate			
KA Group	16.4	33.1	(50)
Automotive Systems	12.0	29.3	(59)
Commercial Vehicle Systems	12.1	30.9	(61)
Power Product Systems	28.3	41.5	(31)
KA Group adjusted*	3.3	6.6	(50)
External Benchmark*	5.0	6.0	n/a
H-value			
KA Group	5.6	10.4	(46)
Automotive Systems	2.6	7.1	(63)
Commercial Vehicle Systems	6.7	13.6	(51)
Power Product Systems	8.7	11.6	(25)
KA Group adjusted*	1.1	2.1	(46)
External Benchmark*	1.2	1.3	n/a

*External benchmark used for 2009 is the US BLS 2008 data for Incident Rate and Cases with Days Away (H-value) for Manufacturing Sector. External benchmark used for 2008 is the US BLS 2006 data. BLS uses 100 equivalent workers or 200,000 man-hours. KA uses 1 Million man hours so numbers were divided by 5 so comparisons could be made.

Energy Use (millions)	2009 Total kWh	2008 Total kWh	% Change
KA Group	146.39	178.25	(18)
Automotive Systems	80.70	99.06	(18)
Commercial Vehicle Systems	44.11	54.63	(19)
Power Product Systems	21.58	24.56	(12)

CO ₂ Emissions (metric tons)	2009 Total CO ₂	2008 Total CO ₂	% Change
KA Group	43008	51057	(16)
Automotive Division	28091	33715	(17)
Commercial Vehicle Systems	9047	10765	(16)
Power Product Systems	5870	6577	(11)
By Region			
Americas	22499	28115	(20)
Europe	14260	16816	(16)
Asia	6249	6126	2
By Country			
USA	14743	21116	(30)
Mexico	7206	6378	13
China	5634	5479	3
France	3501	3774	(12)
Germany	2498	2898	(14)
UK	2188	2496	(12)
Poland	1525	2050	(26)
Slovakia	1462	1692	(14)
Spain	790	737	7
Netherlands	698	1140	(39)
South Korea	614	647	(5)
Sweden	486	583	(17)
Canada	486	567	(14)
Hungary	419	449	(7)
Norway	395	692	(43)
Italy	299	304	(2)
Brazil	64	54	18

H-value relates to severity of accidents, or those causing time away from work. KA's H-value is a measure of injuries resulting in lost time relative to one million man hours worked. The average H-value for the KA Group is 5.6. When benchmarking our H-value performance, we find ourselves slightly better than peers in the industry.

In 2009, KA Group set a target of 50 % reduction in the H-value and 50 % in Total Accidents reported. By increasing awareness and adapting good procedures to safety work, the H-value was down 46 %, while Total Accidents were reduced by 58 %.

For 2010 the target is a further reduction of 30 % in the H-value and 50 % reduction in Total Accidents reported. By implementing robust safety awareness and training programs, we expect substantial improvements for the coming year.

The external environment

Energy consumption

Energy consumption data collected in 2009 include electricity use and burning of fossil fuels needed to support production activities. Many locations worked hard and succeeded in becoming more energy efficient. Some locations reported decreases mainly as a consequence of reduced production rates. Increases are reported at locations that expanded manufacturing capacity due to internal consolidations and equipment transfers, for example units in Mexico, Brazil and Spain. Regardless, in 2010 sites will continue to work diligently to find opportunities through operational controls and equipment upgrades to use energy more efficiently.

Energy Use and CO₂ Emissions

The calculation of total kilograms of CO₂ emitted as a result of our energy use, has been done using The Greenhouse Gas Protocol, A Corporate Reporting and Accounting Standard, revised edition and UN Greenhouse Gas Calculators. Meaningful trends will emerge as we collect data over next few years and compare total energy use and resulting CO₂ emissions to the activity level.

Hazardous Waste (kg)	2009	2008	% Change
KA Group	79804	114056	(30)
Automotive Systems	34741	41086	(15)
Commercial Vehicle Systems	44696	71919	(38)
Power Product Systems	367	1051	(65)
Oil Waste (kg)			
KA Group	236820	291548	(19)
Automotive Systems	74370	49919	49
Commercial Vehicle Systems	159994	237663	(33)
Power Product Systems	2456	3966	(38)
Recycled Materials (kg)			
KA Group	4382284	8847522	(50)
Automotive Systems	2404300	2859942	(16)
Commercial Vehicle Systems	1817989	3240762	(44)
Power Product Systems	159995	2746818	(94)
Waste Water (L)			
KA Group	1091370	1072913	(67)
Automotive Systems	126660	192000	(34)
Commercial Vehicle Systems	963167	2693418	(64)
Power Product Systems	1543	1542	0

Waste

Pollution control is important both to KA and the societies where it operates. KA's aim is to minimize the amount and toxicity of waste sent to landfills. All units seek opportunities to reuse and recycle. The Group reported disposing 30 % less hazardous waste in 2009 than in 2008. Oil related waste decreased by 19 %. Some reduction is attributed to success of waste minimization programs. However, overall reduction relates more to lower production volumes. The Automotive Systems notes an increase in oil waste. Due to plant closures and consolidations, oil must be drained from machinery and equipment before transport. All regulated and hazardous wastes were managed by authorised recycling and disposal plants.

The amount of materials recycled decreased by 50 % over the last year; this relates foremost to reduction in production volumes. Regardless, some units were able to increase amount of material recycled versus specialized waste treatment or disposal in a landfill.

Region	Hazardous Waste (kg)			Oil Waste (L)		
	2009	2008	% Change	2009	2008	% Change
Asia	2878	1312	119	5076	2794	82
China	2878	1312	119	3656	1374	166
South Korea	0	0	0	1420	1420	0
Europe	57149	99995	(43)	88580	126938	(30)
France	545	9607	(94)	7282	1070	581
Germany	469	549	(15)	3029	2120	43
Hungary	1513	1345	12	178	30	493
Italy	0	0	0	164	180	(9)
Netherlands	4560	4560	0	1600	400	300
Norway	32661	59460	(45)	58527	94813	(38)
Poland	2867	2145	34	274	0	274
Slovakia	11310	11486	(2)	6165	13335	(54)
Spain	565	445	27	0	173	(100)
Sweden	1000	4172	(76)	6511	6597	(1)
UK	1659	6226	(73)	4850	8220	(41)
Americas	19777	12809	38	143164	161816	(12)
Brazil	2000	280	614	1525	1165	31
Canada	-	-	-	-	-	-
Mexico	13915	11020	26	24158	14130	71
USA	3861	1509	156	117481	146521	(20)

Region	Recycled Materials (kg)			Waste Water (L)		
	2009	2008	% Change	2009	2008	% Change
Asia	99476	2728250	(96)	56930	28800	98
China	42246	2675245	(98)	52000	24000	117
South Korea	57230	53005	8	4930	4800	3
Europe	2921431	5139360	(43)	939135	1480875	(37)
France	340242	374820	(9)	0	0	0
Germany	92720	125908	(26)	0	0	0
Hungary	53020	63400	(16)	0	0	0
Italy	0	0	0	0	0	0
Netherlands	18800	9400	100	22275	22275	0
Norway	1327544	2833224	(53)	678400	1149500	(41)
Poland	106240	110770	(4)	4060	3000	35
Slovakia	139462	82067	70	0	0	0
Spain	24459	23772	3	0	0	0
Sweden	630054	1376294	(54)	70600	165000	(57)
UK	188890	139705	35	163800	141100	(88)
Americas	1361376	979913	39	95305	107385	(11)
Brazil	52301	53040	(1)	23317	23317	0
Canada	3154	1664	90	-	-	-
Mexico	812659	659849	23	-	-	-
USA	493263	265360	86	71988	84068	(14)

Chemical and Water Use

Most of the chemicals used comprise of machining oils, lubricants and solvents. Sites sought to minimize use where possible; progress is noted in Commercial Vehicle Systems. The Automotive Systems attributes the increase in oil use to internal consolidations and equipment transfers at three Mexican facilities. However, the majority of other sites reduced their use of oil in 2009. Overall, solvent use decreased. KA will continue to monitor use within its divisions and encourage reduction in use where possible. No defined corporate wide targets for reduction in use are currently in place. Our facilities set goals for reduction when oil or solvent use is deemed a significant environmental aspect according to their Environmental Management System.

Water consumption is reported down 37 % and mainly driven by reduction in production volumes. In 2009, KA units reported using approximately 93 million liters. No defined corporate wide target to reduce use of water is currently in place.

Oil Use (L)	2009	2008	% Change
KA Group	493703	362908	36
Automotive Systems	304440	42763	612
Commercial Vehicle Systems	176310	307622	(43)
Power Product Systems	12953	12523	3
VOC Use (L)			
KA Group	2391836	2532131	(6)
Automotive Systems	2279142	2377858	(4)
Commercial Vehicle Systems	112161	153198	(27)
Power Product Systems	534	1076	(50)
Water use (L)			
KA Group	92958826	147578198	(37)
Automotive Systems	36032586	43369580	(17)
Commercial Vehicle Systems	34353999	75650442	(55)
Power Product Systems	22572241	28558176	(21)

Our facilities set goals for reduction in use if water is deemed a significant environmental aspect according to their Environmental Management System.

Fire or near fires

KA had two fires and three near fires in 2009 with no damage to property. No employees were injured. Accordingly all locations continue to look at potential fire risks and enact plans to control and mitigate such. Each lo-

cation is expected to conduct an annual fire drill and regular checks of their fire safety equipment.

Complaints

No spills or unauthorized releases to environment were reported in 2009 nor were any external complaints related to HSE reported during the year.

Highlights of HSE improvement measures in 2009

In 2009, Kongsberg Automotive launched two separate policies; Environmental Policy and Health & Safety Policy. These policies were updated to reflect KA's expanded reach and size. All units were challenged with the following performance improvement targets for 2009 relative to 2008 outcome;

- ▶ Reduce total number of accidents by 50 %.
- ▶ Reduce H-value, or accidents resulting in lost time, by 50 %.
- ▶ Decrease energy consumption by 10 %.
- ▶ Decrease amount of waste sent for special treatment or to landfill by 10 %.

Notable achievements

- ▶ 26 out of 37 facilities reduced total number of accidents by 50 % or more. 21 units reported a 50 % or more reduction in their H-value.
- ▶ The facility in Korea reports five years with no lost time accidents.
- ▶ Wuxi China facility reports three years with no lost time accidents.
- ▶ Grand Mere Canada has reduced the number of accidents reported by 70 % and those resulting in lost time by 62 % reduction. This site implemented an aggressive accident awareness and safety training program.
- ▶ Many locations began tracking and applying corrective action for minor (first aid) and near miss accidents.
- ▶ Standardize accident investigation helped locations to get to root causes of accidents and near misses and thereby to implement corrective actions with permanent effects.
- ▶ Safety self-inspection tools were deployed and then used at many locations. For example, Dassel Germany completed weekly Walk Talk Observe for Safety audits; this is a company best practice.
- ▶ To reduce manual, repetitive tasks, Rollag Norway installed a robot on one of the production lines.
- ▶ Siofok Hungary performed risk assessments on all machines and upgraded safe guarding on all cutting and hot stamp equipment.

- ▶ To save energy, Willis USA installed a new air compressor and locked all temperature controllers.
- ▶ Swainsboro USA facility improved safe guarding on all RMT presses. They also installed timers on natural gas feeds to die casters; this resulted in an immediate reduction of use.
- ▶ Vrable Slovakia began regulating gas and realized savings. They also fixed security fencing, replaced damaged ergonomic chairs, posted new safety signs and replaced safety guards where needed.
- ▶ Lonestar China enhanced its personal protective equipment program and provided physicals for all employees. The site also created a safety committee and conducted monthly safety checks.
- ▶ Heiligenhaus Germany installed new windows to reduce energy use and minimized regulated waste produced.
- ▶ The Mullsjö Sweden plant upgraded water pumps in plastic moulding to reduce energy use and installed better oil-water separation system to reduce process waste water. Facility also installed a new emergency notification system.
- ▶ Milan USA is using a water based wax for new foam on an armature production line; line emits no volatile organic chemicals. In addition to paper, Milan also implemented a foam, fabric and nozzle recycling program.
- ▶ Matamoros Mexico spent time educating employees in many safety topics but focused on machine safety.
- ▶ Jundiai Brazil implemented an employee safety suggestion program; issues were tracked by the safety committee.
- ▶ Basildon UK created a HSE team. This team met monthly, performed inspections, provided training and reported on site progress. The site also deployed a comprehensive HSE report card.
- ▶ Mixing room was improved at the Normanton UK facility. With better temperature control, site reduced use of solvent. Additionally controls installed reduced the flammable vapor and thus fire risk.
- ▶ By investing in new lighting, the Nuevo Laredo Mexico facility, despite growing in 2009, reduced its lighting energy consumption by 48 %.

- ▶ Pickens USA integrated HSE training documentation into its Quality management system. It also made several equipment guarding upgrades to enhance machine safety.
- ▶ Pruszkow Poland team deployed simple, yet innovative, projects to reduce waste sent to landfill by 70 % from previous year. They separated silicone paper and heating wire for recycling, installed hand dryers to minimize paper towels, and implemented "office" changes to reduce paper waste. For example, they encouraged electronic media instead of printed material and demanded black and white printing unless a color copy is absolutely necessary.
- ▶ Reynosa Mexico reforested Public School grounds as part of their environmental commitment to the community. For their new facility, team invested in fire safety equipment and fire brigade training.
- ▶ SKADFM China worked out responsibility sheets for different levels of staffs and posted them in the facility. They also added fail-safe devices on 7 sets of pressure equipment with potential hazard.

Group Targets & Expectations for 2010

All units are challenged to contribute to the following performance objectives for 2010, relative to the 2009 outcome;

- ▶ Reduce total number of accidents by 50 %.
- ▶ Reduce H-value (accidents resulting in lost time) by 30 %.
- ▶ Decrease energy consumption by 6.4 % (related to total product sales).
- ▶ Decrease amount of waste sent for special treatment or to landfill by 5.7 % (related to total product sales).

Each unit will set specific goals to they meet Divisional objectives which are derived from Group expectations noted above. Additionally facilities will set objectives and targets that consider significant environmental aspects and legal & other requirements as detailed in their Environmental Management System. Site and Divisional progress, now tracked as e-KPIs, is required to be monitored and reported to senior management on a monthly basis.

CORPORATE GOVERNANCE IN KONGSBERG AUTOMOTIVE HOLDING ASA

1) Implementation of the Principles for Corporate Governance

KA's guidelines for Corporate Governance conform with the Norwegian Code of Practice For Corporate Governance of 21st October 2009.

2) Definition of KA's Business

The objective is defined in the Articles of Association for the Company article 2:

"The company's objective is to engage in engineering industry and other activities naturally related thereto, and the company shall emphasize development, marketing and manufacturing of products to the car industry. The company shall be managed in accordance with general business practice. The company may cooperate with, establish and participate in other companies."

Article 2 provides a clear description of the actual business of the Company at present. The Annual Report contains a description of the Company's objectives and principal strategies.

3) Equity and Dividends

The Company shall have an equity capital which over a period of time is at an appropriate level for its objective, strategy and risk profile.

According to the dividends policy of the Company, returns to shareholders should be a combination of changes in share price and dividends. Dividends should reflect the results of the Company, while recognizing opportunities for new, profitable investments. Over time, the returns to shareholders should come more from an increased share price rather than through dividend distributions. The Board of Directors of KA considers that dividends over a period should average roughly 35 percent of the Company's net income.

The general meeting 11th June 2009 has granted a mandate to the Board of directors to purchase up to 6.516.430 of its own

shares. The mandate expires at the earlier of the next ordinary General Meeting or 30 June 2010.

By resolution of 21 December 2009 a mandate was granted to the Board of Directors to increase the share capital by up to NOK 5.000.000 in connection with execution of the Company's stock option program. The mandate expires 30 June 2011.

The current loan agreement with the Banks sets some restrictions on the Company's ability to pay out dividend. This is related to the gearing level of the Company. See notes in the annual report.

4) Equal treatment of Shareholders and transactions with close Associates

KA has only one class of shares and all shareholders in KA enjoy equal rights.

Transactions in own shares are in general carried out through the stock exchanges or at prevailing stock exchange prices. Possible buy backs, will be carried out at market prices.

In the event of transactions between the Company and its shareholders, board directors or members of the executive management, or parties closely associated with such parties, independent valuation will be obtained if such transactions are not immaterial, provided that the transactions are not to be approved by the General Meeting according to law. Independent valuation will also be obtained for transactions within the same group of companies even if such companies involved have minority shareholdings.

5) Freely negotiable Shares

The shares in KA are freely negotiable and there are no restrictions on negotiability in the Company's articles of association.

6) General Meetings

The notice of calling the General Meeting will be published on the Company's web pages;

www.kongsbergautomotive.com no later than 21 days prior to the meeting. The notice shall further be sent to all known shareholders not later than three weeks prior to the meeting. Support information, such as resolutions to be considered by the General Meeting and recommendations by the Nomination Committee shall be made available within the same dates. The supporting material shall be sufficiently detailed and comprehensive to allow all shareholders to form a view on all matters to be considered at the General Meeting. Documents that according to law shall be distributed to the shareholders may be made available on the Company's web pages.

Shareholders who wish to attend the General Meeting shall notify the Company or its announced representative no later than 5 days prior to the General Meeting.

Shareholders who can not attend the General Meeting may vote by proxy. Forms for the granting of proxies are enclosed with the summons to the General Meetings.

To the extent possible, members of the Board of Directors, the Nomination Committee and the Auditor will be present at the General Meeting.

The General Meetings is usually opened by the Chairman of the Board of Directors. The shareholders are encouraged to propose candidates to chair the General Meeting.

The notice calling the General Meeting will provide information on procedures shareholders must observe at the General Meeting including:

- ▶ The procedure for representation by proxy, including form for appointment of a proxy.
- ▶ The notice and supporting material will be available on the Company's web pages.

The following information will be made available at the Company's web pages at the earliest opportunity:

- ▶ Information on the right of the shareholders to propose matters to be considered by the General Meeting.
- ▶ Proposals for resolutions to be considered by the General Meeting, alternatively comments on matters where no resolution is proposed.
- ▶ A form for appointing a proxy.

The Board of Directors and the chairman of the General Meeting shall ensure that the General Meeting is given the opportunity to vote separately for each candidate nominated for election to the Company's corporate bodies.

7) The Nomination Committee

The duties of the Nomination Committee are to propose candidates to the Board of Directors and to propose remuneration to be paid to the Directors.

It follows from the Articles of Association for the Company § 5 that the Company shall have a Nomination Committee consisting of 3 members elected by the General Meeting for 3 years at a time, unless the General Meeting resolves otherwise. The members of the Nomination Committee may not have other functions in the Company. Prior to each election of directors to the Board, the Board of Directors shall notify the Nomination Committee and the latter shall find eligible candidates for directorship and deputy directorship to be elected by the General Meeting. The Nomination Committee's nominations shall be enclosed with the summons for the General Meeting.

Information about the Nomination Committee and the deadlines for submitting proposals to the Nomination Committee will be made available on the Company's web pages.

8) Board of Directors, Composition and Independence

The Board of Directors shall according to the Articles of Association of the Company consist of 3 – 9 members of whom up to 5 members including the chairman and up to 2 deputy members shall be elected by the General Meeting.

All Directors to the Board elected by the General Meeting are independent of the execu-

tive management and material business contacts of the Company.

The term of office for the Directors to the Board is 2 years.

Information about the Directors to the Board is available on the Company's web pages.

9) The work of the Board of Directors

The Board of Directors has issued Rules of Procedure for the Board of Directors as well as instructions for the Chief Executive Officer of the Company with the aim of establishing clear internal allocation of responsibilities and duties. Said procedure and instructions are available on the Company's web pages.

The Board of Directors has appointed a Compensation Committee and an Auditing Committee. The members of said committees are independent of the executive management.

The Board of Directors evaluates its performance and expertise annually by a self assessment.

10) Risk Management and Internal Control

The Board of Directors carries out an annual review of the Company's most important areas of exposure to risk and internal control arrangements.

The main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting are included in note 15 to the annual accounts.

11) Remuneration of the Directors of the Board

The remuneration paid to each Board member is specified in note 17 to the annual accounts. The Directors hold no other assignment in the Company than the directorships to the Board and memberships to subcommittees to the Board.

12) Remuneration to the Executive Management

The Board of Directors has established guidelines for the remuneration to the executive management. The guidelines are available on

the Company's web pages and are communicated to the annual General meeting. Information about the remuneration paid to the executive management of the Company is included herein in note 17 to the annual accounts.

13) Information and Communication

The Board of Directors has established guidelines for the Company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market. A financial calendar for the Company is available on the Company's web pages.

All information distributed to the shareholders will be made available simultaneously on the Company's web pages.

14) Take-overs

The Board of Directors has established guiding principles for how it will act in the event of a take over bid. These are in compliance with article 14 of the Code of Practice. The main elements of these principles are included in the Rules of Procedures for the Board of Directors and available on the Company's web pages.

There are no defense mechanisms in the Articles of Association for the Company or any underlying documents, nor are there implemented any measures to limit the opportunity to acquire shares in the Company.

15) Auditor

The Auditor participates in the meetings with the Audit Committee and in the Board meeting that approves the financial statements and meets with the Board without the management of the Company present at least once a year. The Company has established guidelines for the Auditor's and associated persons' non-auditing work. Compensation to the Auditor is disclosed in a note to the Annual Accounts hereto and is also reported and approved by the General Meeting.

▶ For further information visit www.kongsbergautomotive.com



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