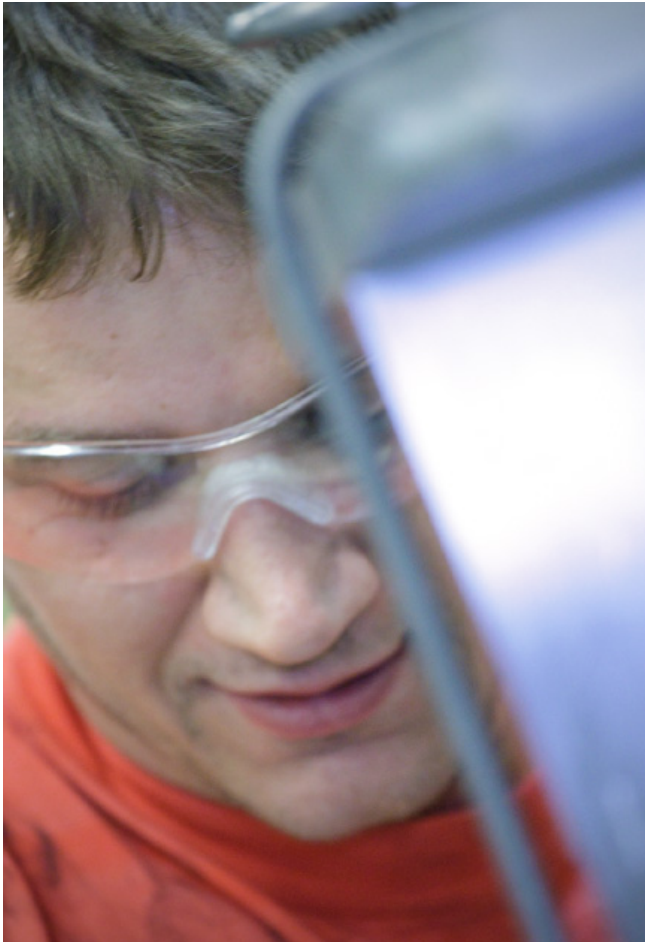


# Annual Report 2010



## CONTENTS

<b>The Company</b>	
Quarterly Highlights	02
Our Business	03
CEO Outlook	04
New organizational structure	05
<b>Directors' Report</b>	06
<b>Financials</b>	13
<b>Key Financial Data</b>	52
<b>Environmental Report</b>	53
<b>Corporate Governance</b>	59



▶ For further information visit  
[www.kongsbergautomotive.com](http://www.kongsbergautomotive.com)

## QUARTERLY HIGHLIGHTS

### Q1

- ▶ The positive market trends continued in all segments
- ▶ Delivering positive EBIT for the first time since Q3 08
- ▶ Continue to win significant global contracts
- ▶ New organization structure implemented

### Q2

- ▶ Revenue growth was stronger than growth in the global vehicle production volume
- ▶ Important business win for Chinese heavy-duty trucks
- ▶ New innovative seat comfort massage system sold in the Chinese market
- ▶ Booked MEUR 40 in average annual sales in new orders

### Q3

- ▶ Revenue growth was stronger than growth in the global vehicle production volume
- ▶ Closure of the PPS Hagerstown facility by consolidation in the Willis facility
- ▶ Consolidation of US R&D capabilities in one Detroit based Tech Center (Novi)
- ▶ Stronger order intake especially in the Interior System segment

### Q4

- ▶ Executing an operational roadmap for 2011, improving the margins in the automotive segments
- ▶ Revenue growth continues to be stronger than the increase in global vehicle production
- ▶ Continuing to win global contracts securing our market position



## OUR BUSINESS

**Kongsberg Automotive** provides system solutions and components to vehicle makers around the world.

Kongsberg Automotive's business has a global presence. With revenues of MEUR 865 and approx. 10.000 employees in 20 countries (2010), Kongsberg Automotive is a truly global supplier. The company is headquartered in Kongsberg, Norway and has 35 production facilities worldwide.

The product portfolio includes seat comfort systems, driver and motion control systems, fluid assemblies, and industrial driver interface products.

The organizational structure is made up of five market specific business areas with a clear customer and product focus:

**Driveline** is a global Tier 1 supplier of driver controls in the automotive market. The portfolio includes custom-engineered cable controls, complete shift systems, including shifter modules, shiftcables and shift towers.

**Interior** is a global leader in the design, development and manufacture of seat comfort systems and mechanical and electro-mechanical light-duty motion control to Tier 1 and OEM customers. The product range includes seat adjusters, seat cables, side bolsters and lumbar support, seat heating, ventilation and massage systems, arm rests and head restraints.

**Actuation and Chassis** is a global developer and manufacturer of operator control systems for commercial and industrial vehicle markets, offering a robust product portfolio of clutch actuation systems, gear-shift systems, vehicle dynamics and steering columns.

**Fluid Transfer** designs and manufactures fluid handling systems for both the automotive and commercial vehicle markets, as well as coupling systems for compressed-air circuits in heavy trucks. The business area is also specialized in manufacturing tube and hose assemblies for difficult environments.

**Power Products** is one of the global leaders in the design, manufacture and supply of vehicle control systems, providing quality engineered pedal systems, steering systems, electronic displays and cable controls to the world's foremost manufacturers of, industrial, agricultural and construction vehicles.

- ▶ [About Kongsberg Automotive](#)
- ▶ [View investor information](#)
- ▶ [View our locations](#)
- ▶ [View history line](#)



## CEO OUTLOOK

### Dear reader

One year ago, I took on the position as CEO of Kongsberg Automotive. It is a true privilege to lead more than 10.000 Kongsberg Automotive employees located in 20 countries worldwide. Our industry has experienced difficult times over the last couple of years, and yet our people have responded with skill, creativity and hard work to all challenges.

Now we face a new day in the automotive industry. The companies still in business have restructured and are better positioned to grow. Kongsberg Automotive has come thru the crisis as a stronger company.

We are today a truly global organization. In 2010 we proved this by winning several global contracts. There are KA components in all of the top 10 selling cars in Europe, and every week we see that our technology is migrating from the mature markets into emerging markets. This is all very exciting. It shows that we are ready to capitalize on the automotive rebound. But it will not happen by itself.

We must never take our customers' confidence in us for granted. Therefore, in 2011, we will continue seizing the opportunity to deliver sustainable success:

- By continuing our restructuring and cost reducing efforts to make us more efficient
- By creating room for our engineers to take on the challenge from our customers to make even more unique and innovative products. Products that reduce cost, answer to market demands and are profitable from the moment they hit the market
- By further utilizing our strong corporate culture and talented employees and use this as the driver for better products, a more efficient organization and improved market positions

I'm confident that our combined efforts will drive shareholder value and bring us back as a profitable company in 2011.

*Hans P. Havdal*






Hans Peter Havdal  
CEO  
Kongsberg Automotive Holding ASA



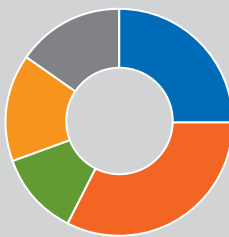
*»There are KA components in all of the top 10 selling cars in Europe«*



## NEW ORGANIZATIONAL STRUCTURE

	Interior	Driveline	Actuation & Chassis	Fluid Transfer	Power Products
MARKET	Safety and comfort related products for vehicle interiors	Gear shift systems for light duty vehicles	Driver control systems and chassis related products to commercial vehicles	Fluid handling systems for light duty, industrial and commercial vehicles	Products related to outdoor power equipment and recreational products
PRODUCTS	Head restraints, lumbar support systems and seat climate systems	Automatic- and manual gear shifters, shift cables and gear selectors	Gear shifters, clutch servos, steering columns and chassis stabilizers	Pipe/hose assemblies for turbo chargers, brake- and fuel systems. Couplings for air systems	Displays, throttle- and brake pedals, hand controls and light duty cables
					

### Revenue share per business area



- ▶ Interior – 25 %
- ▶ Driveline – 32.5 %
- ▶ Actuation & Chassis – 12.5%
- ▶ Fluid Transfer – 15 %
- ▶ Power Products – 15 %

All business areas have dedicated sales, marketing and research & development functions.

In 2010 Kongsberg Automotive introduced a new organizational structure, establishing five business areas - Driveline, Interior, Fluid Transfer, Actuation & Chassis and Power Products - to sharpen our customer focus and accelerate profitable growth. These business areas are tailored to support specific market segments. Dedicated sales, marketing and research & development functions within each business area bring teams closer to their customers.

This business area structure allows us to rapidly address different customer and product requirements within both passenger, commercial and off-highway vehicle segments, and positions the company to drive strong, sustained growth and improved profitability.

Each business area is headed by an Executive Vice President that has full P&L responsibility and reports directly to CEO Hans Peter Havdal. Synergies are sought through cooperation and resource sharing across the business

areas. Combined with a strong global presence this will provide leverage and highly competitive scale.

With almost one full year since its introduction, we experience that the new structure is working well. In 2011 it will be our focus to foster the continued growth of each business area, and to ensure that each area continue to deliver high value, cost-effective projects with uncompromising safety, quality, and timeliness to our customers.

# REPORT OF THE BOARD OF DIRECTORS AND CEO

2010 was the start of a market recovery in the automotive industry after two years of sharply declining production volumes. Kongsberg Automotive (KA) experienced a 39 % revenue growth and improved profitability in 2010 versus 2009. The revenue in 2010 was MEUR 864.4 versus MEUR 622.8 in 2009 with an operating profit of MEUR 10.2 compared to a net loss of MEUR 46.3 in the previous year.

*Kongsberg Automotive will create wealth to all stakeholders by being our customers' number one choice.*

*The international automotive industry is our market. We shall maintain a leading position in our major product categories and focus on product segments with considerable growth and margin potential.*

*Our customers demand high-quality products and services, on-time deliveries, a global presence, innovation and continuous improvements, in addition to competitive prices and terms.*

*We will meet these requirements by developing advanced product technology that offers users more functionality at a lower cost. We achieve this by automating the production process and locating manufacturing operations as well as purchasing where we find the best combination of competence and cost. Kongsberg Automotive will design and standardize working methods that ensure a high level of customer satisfaction and quality combined with high internal resource utilization.*

## **New organization and new CEO**

Following the retirement of Olav Volldal, effective of April 1 2010, Hans Peter Havdal was appointed as Chief Executive Officer for Kongsberg Automotive Holding ASA.

Mr. Volldal served as CEO of Kongsberg Automotive since its foundation in 1987. He has done a remarkable job as an industry leader, developing the company from a small Scandinavian player with 2 plants in Norway to a leading automotive supplier with 35 plants around the globe. The Board of Directors wants to express its sincere gratitude for his contribution to the company.

Mr. Havdal has been with Kongsberg Automotive since 1990, the last 15 years as a member of the executive management team. He held the position as President Automotive Systems until April 1. Havdal has a deep understanding of the automotive business and is well connected and respected within all parts of the Kongsberg Automotive business.

As the new CEO took over, a new organizational structure was introduced. The new structure consists of 5 business areas: Driveline, Interior, Actuation & Chassis, Fluid Transfer and Power Products. The managers heading the 5 business areas are members of the new executive management team. Each business area includes sales & marketing, R&D and operations, and this structure is tailored to increase the focus on the global

customers and products. Each business area manager has a full profit and loss responsibility.

## **Markets**

Several important contracts were secured in 2010. Many of them are demonstrating the strength of KA's footprint being able to serve global vehicle platforms with deliveries from multiple KA locations. Significant global contracts were secured in the Driveline-, Interior- and Fluid business area.

During Q4 we also secured a breakthrough contract in the Asian truck market for air couplings. This contract demonstrates our ability to leverage our strong position in Europe and bring European technology into new markets.



During 2010 we were able to outgrow the general market growth. The KA YoY revenue growth was 39 % versus 23.6 % volume growth in the light vehicle market and 43.8 % growth in the commercial vehicle market. This was driven by increased market share and our strong position with the winning OEMs in the market.

The heavy duty truck sales in Europe experienced a very strong recovery in 2010, 2.7 M units were sold, versus the dramatically low volume of 1.9 M units in 2009. Our strong position with Volvo and Scania contributed to KA's growth within the commercial vehicle segment.

Within the light vehicle segment, North America experienced a good recovery in 2010 going from total vehicle sales of 8.5 M units in 2009 to 11.8 M units in 2010. We also saw a strong continued momentum in China with 16.6 M units sold in 2010 versus 12.8 M units in 2009.

In Europe the recovery was more modest with sales volumes increasing from 16.7 M units to 18.9 M units in 2010.

### Emerging markets

Our organization in the Asian region was further strengthened in 2010 increasing our ability to win business in this important growth market. KA had 1.106 employees in China at the end of 2010. Further expansion is planned for 2011.

We also strengthened our position in India by acquiring 100 % of the shares in our former JV, Technico Kongsberg Automotive India Ltd. Today KA has two facilities in India that will serve both the light vehicle and commercial vehicle market.

### R&D

Our R&D efforts are kept at 5 % of sales and the company has 450 employees within R&D.

KA is consolidating its R&D resources into fewer, but stronger units. Kongsberg in Norway, Mullsjö in Sweden and Hallberemoos in Germany are the main hubs for Europe. In 2010 a new sales and R&D office was opened in Novi, outside Detroit Michigan. This office already has more than 100 employees ser-

ving the North American OEMs. This enables the Group to have resources near the main customers which drives technology shifts in the industry.

New products were launched in several product areas. During 2010 our focus on the trend towards electric- and hybrid vehicles has increased, and we see this continuing forward.

A dedicated engineering team is established, concentrating solely on product development within this area. We have developed product prototypes for specific customer applications. The effort in this area is a key to our strategy forward to be part of this growing vehicle segment.

### Operations

Our focus on lean operations and expansion in low cost areas continued in 2010.

Also in low cost countries, it is important to have a lean overhead structure. To gain benefits of scale we have introduced a "Campus concept" where multiple business areas share production facilities with a common plant management team. The management team is responsible for functions like quality, IT, HR and logistics. The profit and loss for each business area is still monitored within dedicated value streams/production teams.

The effort to further streamline our global operations will continue in 2011.

### Going concern

According to section 3-3 of the Norwegian Accounting Act, we confirm that the consolidated financial statements and the financial statements of the parent company have been prepared based on the going concern assumption and that it is appropriate to use this assumption. After making enquiries, and in light of the group's liquidity situation, the group forecast for 2011 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 many 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 10 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 17 to the accounts.

### Review of accounts

(All figures in parenthesis refer to 2009)

#### Group

Operating revenues for the Group in 2010 amounted to MEUR 864.4 (622.8) an increase of close to 40 %.

For the Group in total the operating result was MEUR 10.2 (-46.3). This gave an operating margin of 1.1 % (-7.4 %). The increase in

revenues from 2009 to 2010 reflects the improved market conditions in the automotive industry in general, and KA's strong footprint with the OEMs that are doing well in the market. All major markets have experienced positive development across all business areas during 2010. The higher sales combined with managing the fixed cost has been the main contributor behind the improved profitability for the Group.

#### Segments

*The Interior* revenues were up MEUR 67.2 (43.8 %) in 2010 compared to 2009. The higher sales gave an EBITDA improvement from MEUR 12.6 in 2009 to MEUR 23.0 in 2010.

*The Driveline* revenues were up by MEUR 54.8 (23.3 %). The increased sales combined with improvement projects brought the business area from an EBITDA of MEUR -14.0 in 2009 close to break even in 2010, including approximately 6.0 MEUR of restructuring cost in 2010. These are cost taken in 2010 that will give improvements in 2011 and onward.

*The Fluid Transfer* revenues were up MEUR 45.0 (51.4 %). EBITDA for Fluid Transfer was MEUR 15.7, which is MEUR 16.1 above comparable period last year reflecting the higher sales.

*The Actuation Et Chassis* revenues were up MEUR 46.4 (68.3 %), reflecting a strong recovery in the commercial vehicle segments. The increased revenues give an EBITDA improvement of MEUR 15.7 to MEUR 18.6 in 2010.

*The Power Products* revenues were up MEUR 31.5 (30.5 %). EBITDA improved by MEUR 5.0 compared to 2009.

Net financial items amounted to MEUR -12.1 in 2010 (18.1). Interest expenses were reduced from MEUR 41.6 in 2009 to MEUR 22.2 in 2010 reflecting lower debt level and better terms. 2009 was highly influenced by positive currency conversion effects of MEUR 61.4.

Net result for the year is MEUR -9.2 compared with MEUR -27.5 in 2009.

#### Capital

The Group's long term interest-bearing bank debt amounted to MEUR 370.5 (381.8) as of 31st December 2010. Short term interest bearing loans were at 31.12 MEUR 30.8. The change in long term debt is mainly driven by currency conversion effects. In December 2010, the Group repaid 1.9 MEUR (14.5 MNOK) of the loan from Innovasjon Norge. No other repayments were made in 2010.

For more information, see note 16 and 17 to the accounts.

As of 31st December 2010, the Group's book equity amounted to MEUR 174.6 (178.9). The equity ratio was 21.7 % (23.4 %).

#### Liquidity

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

#### Cash flow

The Group had a positive cash flow from operations in 2010 of MEUR 43.9 compared to MEUR 22.6 in 2009. The Group invested MEUR 23.7 in tangible and intangible assets, which was an increase of MEUR 9.5 from 2009. The net change in cash and bank overdraft during 2010 was MEUR -2.5.

#### Impairment

At the year end close, the company performed impairment tests in accordance with the requirement in IAS 36. Based on the result, no need for write-downs was considered necessary. See note 5.2 for further details.







#### *Kongsberg Automotive Holding ASA – The parent company*

In 2010, the parent company earned total operating revenue of MEUR 33.2 (12.1) with a corresponding operating result of MEUR 15.6 (-3.3). The parent company had net financial items of MEUR 25.1 in 2010 (-7.6). The net result after tax for the year amounted to MEUR 31.2 (-8.0). As of 31 December 2010, the parent company's book equity was MEUR 286.3 (242.4) of which MEUR 39 was free equity. The company's free equity could not be distributed as dividend due to restrictions in the loan agreements.

#### *Appropriations*

The board of directors will propose to the Annual General Assembly that no dividend be paid for 2010. The board of directors proposes that Kongsberg Automotive Holding ASA's net result of MEUR 31.2 is allocated as follows:

Transferred to other equity: MEUR 31.2

#### **Employees**

At the end of 2010, KA had 10 535 employees, an increase of 1675 people compared to the same period in 2009. The increase reflects the recovery of the global automotive market and the revenue growth for the company.

The company has been able to reduce the number of white collar employees by 79 during 2010. The employment growth has come within the direct work force.

Overall, the main growth in employees within the company has been in Mexico (638) and USA (307). In Europe the main growth has been in Poland (273) and Sweden (150).

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

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 employees, regardless of gender.

Of the total workforce 49 % is comprised of women. The Company actively works to increase the number of females at Corporate and Divisional Management positions. By policy, the company invites women and minorities to interview for all new positions.

Females and minority candidates are invited into the internal training programs at all levels within the organization. In order to secure a better gender balance, our succession planning will specifically focus on internal female and minority candidates for executive positions.

The Board of Kongsberg Automotive Holding ASA consists of three (43 %) women and four (57 %) men, among the shareholder elected members it is a 50 % share of each.

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.

In 2010 the company resumed the leadership training for all leaders within the executive committee and the Business Areas management teams.

Kongsberg Automotive also began the fifth Interdal class in the company's history. "Interdal" is Kongsberg's pre-executive training program; this Interdal group has 23 promising participants from across the world, brought together for various training sessions.



### 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, 30 manufacturing 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, and the company is regularly audited.

In early 2010, objectives and plans for improved HSE performance were set. Performance was tracked on an ongoing basis by management and Board. Details provided in the 2010 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 a top priority. In 2010, the target versus 2009 results was a 50 % reduction in total accidents reported and 30 % reduction in H-value or number of work-related injuries resulting in lost time. 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 22 % and six locations reported zero accidents in 2010. The H-value was reduced by 37 %. The KA Group H-value average was 3.8, which is line with the leading external benchmark for the sector.

Absences due to personal illnesses are tracked by the company. When considering all KA employees, the Group's sick leave average was approximately 3.0 % in 2010 compared to approximately 3.5 % for 2009, a 12 % reduction.

Energy consumption data for electricity and burning of fossil fuels needed for production activities is collected. The target for 2010 was to decrease energy consumption by 6.4 % relative to total product sales; the result came out on the positive side. While energy use was up in 2010, the energy intensity decreased. Energy Intensity is measured as kilowatt hour used in production for every euro in total product sales. In 2009 the company used 0.19 kWh/€ and in 2010 the energy intensity decreased to 0.16 kWh/€ resulting in a 15 % reduction.

Using *UN Greenhouse Gas Calculators*, the 2010 CO<sub>2</sub> emissions are calculated at 42.426 metric tons, for a reduction of 1.4 % from 2009 CO<sub>2</sub> emissions. The reduction in greenhouse gas emissions happened even as our total energy use increased by 20 % for the same period. As the emissions are absolute (not relative to sales) we are encouraged by the results.

Pollution control is important to KA and the communities in which it operates. KA's aim is

to minimize the amount sent to landfills and the toxicity of waste requiring special treatment and disposal. All units sought opportunities to reuse and recycle. Details of these efforts are provided in the full Health, Safety and Environmental Report.

KA had two small fires in 2010 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 2010 nor were there any external complaints related to HSE reported during the year.

### Corporate governance

The corporate culture and 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 in existence: 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 2010 ("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, Audit 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. Apart from the employees' representatives, no other Board members are employees of KA or have carried out any work for KA. The Board has carried out a self-assessment. The Board of Directors held 9 board meetings in 2010.

### 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.

The company has given an EBITDA margin target of above 13 %, based on the revenues getting back to a 1 billion euro level. The company has throughout 2010 shown a strong top line growth and the EBITDA margin has improved from 2009 to 2010 from respectively 0.1 % to 6.6 %.

The commercial vehicle segments have so far had a quicker recovery trend than the passenger car segments. The company has initiated more actions to speed up the improvements in its automotive segments.

Based on the latest market assumptions the company estimates revenues in 2011 of approx. 950 MEUR. This represents a growth of approx 10 %. Based on this revenue level the group expects to deliver an EBITDA of approx MEUR 105 (11 %). There are several effects behind this improvement.

The outlook is based and dependent on the current market assumptions.



Ulla-Britt Fräjdin-Hellqvist

Kjell Kristiansen

Tone Bjørnov

Dr. Jürgen Harnisch

Tonje Sivesindtjæt

Thomas Falck

Eivind Holvik

Board members of Kongsberg Automotive Holding ASA  
Kongsberg, 23. March 2011

**Ulla-Britt Fräjdin-Hellqvist**  
Chairman  
(Sign.)

**Tone Bjørnov**  
(Sign.)

**Kjell Kristiansen**  
(Sign.)

**Tonje Sivesindtjet**  
(Sign.)

**Thomas Falck**  
(Sign.)

**Dr. Jürgen Harnisch**  
(Sign.)

**Eivind Holvik**  
(Sign.)

**Hans Petter Havdal**  
President and CEO  
(Sign.)



# FINANCIALS

## Statement of Financial Position

### Kongsberg Automotive Holding ASA

### Kongsberg Automotive Group

31.12.10	31.12.09	MEUR	Note	31.12.10	31.12.09
<b>ASSETS</b>					
<i>Non-current assets</i>					
5.1	13.6	Deferred tax assets	14	61.9	61.6
0.6	0.9	Intangible assets	5	253.4	255.6
0.2	0.4	Property, plant and equipment	6	131.9	140.7
88.3	73.7	Shares in subsidiaries		0.0	0.0
505.3	472.3	Loans to subsidiaries	9	0.0	0.0
0.3	0.2	Financial non-current assets		3.2	2.2
<b>599.8</b>	<b>561.1</b>	<b>Total non-current assets</b>		<b>450.4</b>	<b>460.2</b>
<i>Current assets</i>					
0.0	0.0	Inventories	7	83.4	66.5
55.2	42.7	Trade and other receivables	8, 9, 10, 11	164.3	128.8
43.3	55.9	Cash and cash equivalents	10, 12	106.9	107.7
<b>98.5</b>	<b>98.6</b>	<b>Total current assets</b>		<b>354.6</b>	<b>303.0</b>
<b>698.4</b>	<b>659.7</b>	<b>Total assets</b>		<b>804.9</b>	<b>763.2</b>
<b>EQUITY AND LIABILITIES</b>					
<i>Equity</i>					
26.1	24.5	Share capital	13	26.1	24.5
(0.5)	(0.1)	Treasury shares		(0.5)	(0.1)
215.8	202.8	Share premium		215.8	202.8
(2.1)	0.9	Other reserves		(16.8)	(11.2)
46.9	14.3	Retained earnings		(56.2)	(43.6)
<b>286.3</b>	<b>242.4</b>	<b>Attributable to equity holders</b>		<b>168.4</b>	<b>172.4</b>
0.0	0.0	Non-controlling interest		6.2	6.5
<b>286.3</b>	<b>242.4</b>	<b>Total equity</b>		<b>174.6</b>	<b>178.9</b>
<i>Non-current liabilities</i>					
0.3	0.0	Deferred tax liabilities	14	35.5	35.5
1.8	2.0	Retirement benefit obligations	15	14.5	17.2
370.4	381.6	Interest-bearing loans and borrowings	10, 16, 17	370.5	381.8
0.0	0.0	Other non-current liabilities		1.4	2.5
<b>372.5</b>	<b>383.6</b>	<b>Total non-current liabilities</b>		<b>421.9</b>	<b>437.0</b>
<i>Current liabilities</i>					
0.3	0.1	Bank overdraft	10, 16	5.9	4.2
23.7	1.7	Other current interest-bearing liabilities	10, 16	24.9	6.8
0.0	0.0	Current income tax liabilities	14	1.1	3.6
15.6	31.9	Trade and other payables	9, 10, 18	176.6	132.6
<b>39.6</b>	<b>33.7</b>	<b>Total current liabilities</b>		<b>208.4</b>	<b>147.2</b>
<b>412.1</b>	<b>417.3</b>	<b>Total liabilities</b>		<b>630.3</b>	<b>584.2</b>
<b>698.4</b>	<b>659.7</b>	<b>Total equity and liabilities</b>		<b>804.9</b>	<b>763.2</b>

## Statement of Comprehensive Income

### Kongsberg Automotive Holding ASA

### Kongsberg Automotive Group

31.12.10	31.12.09	MEUR	Note	31.12.10	31.12.09
<b>33.2</b>	<b>12.1</b>	<b>Operating revenues</b>	<b>4</b>	<b>864.4</b>	<b>622.8</b>
		<i>Operating expenses</i>			
0.0	0.0	Raw materials consumed		(557.1)	(395.1)
0.0	0.0	Change in inventories	7	16.9	18.3
(5.0)	(3.3)	Salaries and social expenses	21	(209.2)	(168.9)
(12.0)	(11.5)	Other operating expenses		(57.9)	(76.6)
(0.2)	(0.2)	Depreciation	6	(30.1)	(30.0)
(0.4)	(0.4)	Amortization	5	(16.8)	(16.8)
<b>(17.6)</b>	<b>(15.4)</b>	<b>Total operating expenses</b>		<b>(854.2)</b>	<b>(669.0)</b>
<b>15.6</b>	<b>(3.3)</b>	<b>Operating (loss) / profit</b>		<b>10.2</b>	<b>(46.3)</b>
		<i>Financial items</i>			
50.9	46.7	Financial income	22	8.9	62.8
(25.8)	(54.3)	Financial expenses	22	(21.0)	(44.7)
<b>25.1</b>	<b>(7.6)</b>	<b>Net financial items</b>		<b>(12.1)</b>	<b>18.1</b>
<b>40.7</b>	<b>(10.9)</b>	<b>(Loss) / profit before income tax</b>		<b>(1.9)</b>	<b>(28.2)</b>
(9.5)	2.8	Income tax	14	(7.3)	0.7
<b>31.2</b>	<b>(8.0)</b>	<b>(Loss) / profit for the year</b>		<b>(9.2)</b>	<b>(27.5)</b>
		<i>Other comprehensive income</i>			
0.0	0.0	Translation differences		11.2	(53.3)
0.0	0.0	Tax on translation differences		(0.1)	13.7
<b>0.0</b>	<b>0.0</b>	<b>Other comprehensive income</b>		<b>11.1</b>	<b>(39.6)</b>
<b>31.2</b>	<b>(8.0)</b>	<b>Total comprehensive income for the year</b>		<b>1.9</b>	<b>(67.1)</b>
		<i>Profit attributable to</i>			
31.2	(8.0)	Equity holders (parent company)		(9.8)	(27.1)
0.0	0.0	Non-controlling interests		0.6	(0.4)
<b>31.2</b>	<b>(8.0)</b>	<b>Total</b>		<b>(9.2)</b>	<b>(27.5)</b>
		<i>Total comprehensive income attributable to</i>			
31.2	(8.0)	Equity holders (parent company)		1.1	(67.1)
0.0	0.0	Non-controlling interests		0.8	0.0
<b>31.2</b>	<b>(8.0)</b>	<b>Total</b>		<b>1.9</b>	<b>(67.1)</b>
		<i>Earnings per share</i>			
		Basic earnings per share, Euros	23	(0.02)	(0.18)
		Diluted earnings per share, Euros	23	(0.02)	(0.18)

The Board of Directors of Kongsberg Automotive Holding ASA  
Kongsberg, 23 March 2011

**Ulla-Britt Fräjdin-Hellqvist**  
Chairman  
(Sign.)

**Tone Bjørnov**  
(Sign.)

**Kjell A. Kristiansen**  
(Sign.)

**Tonje Sivesindtjæet**  
(Sign.)

**Thomas Falck**  
(Sign.)

**Dr. Jürgen Harnisch**  
(Sign.)

**Eivind A. Holvik**  
(Sign.)

**Hans Petter Havdal**  
President and CEO  
(Sign.)

## 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
<b>Equity 01.01.09</b>	<b>3.4</b>	<b>(0.1)</b>	<b>55.5</b>	<b>21.8</b>	<b>2.7</b>	<b>83.3</b>	<b>7.4</b>	<b>90.7</b>
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)
<i>Other comprehensive income:</i>								
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
<b>Equity 31.12.09 / 01.01.10</b>	<b>24.5</b>	<b>(0.1)</b>	<b>202.8</b>	<b>(11.2)</b>	<b>(43.6)</b>	<b>172.4</b>	<b>6.5</b>	<b>178.9</b>
Acquisition of treasury shares		(0.4)		(3.9)		(4.3)		(4.3)
Value of share options charged to income statement				0.8		0.8		0.8
Changes in non-controlling interests				0.3		0.3	(1.7)	(1.4)
Other changes in equity				(1.4)		(1.4)		(1.4)
<i>Total comprehensive income for the year</i>								
(Loss) for the year					(9.8)	(9.8)	0.6	(9.2)
<i>Other comprehensive income:</i>								
Translation differences	1.6		13.0	(1.4)	(2.8)	10.4	0.8	11.2
Tax on translation differences				(0.1)		(0.1)		(0.1)
<b>Equity 31.12.10</b>	<b>26.1</b>	<b>(0.5)</b>	<b>215.8</b>	<b>(16.8)</b>	<b>(56.2)</b>	<b>168.4</b>	<b>6.2</b>	<b>174.6</b>
<b>Dividend</b>								
	<b>2010</b>	<b>2009</b>						
Dividend per share in Euros – paid	0.0	0.0						
Dividend per share in Euros – proposed	0.0	0.0						

### Kongsberg Automotive Holding ASA (parent company)

MEUR	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Total equity
<b>Equity 01.01.09</b>	<b>3.4</b>	<b>(0.1)</b>	<b>55.5</b>	<b>(3.4)</b>	<b>18.0</b>	<b>73.4</b>
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)
<b>Equity 31.12.09 / 01.01.10</b>	<b>24.5</b>	<b>(0.1)</b>	<b>202.8</b>	<b>0.9</b>	<b>14.3</b>	<b>242.4</b>
Foreign currency translation	1.6		13.0	0.1	1.5	16.2
Acquisition of treasury shares		(0.4)		(3.9)		(4.3)
Value of share options charged to income statement				0.8		0.8
Profit for the year					31.2	31.2
<b>Equity 31.12.10</b>	<b>26.1</b>	<b>(0.5)</b>	<b>215.8</b>	<b>(2.1)</b>	<b>46.9</b>	<b>286.3</b>

### 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	2010	2009
Number of shares in issue at 01.01.	406 768 131	65 164 304
New shares issued	0	341 603 827
<b>Number of shares in issue at 31.12.</b>	<b>406 768 131</b>	<b>406 768 131</b>
Of these, treasury shares	7 292 407	1 000 000

### Warrants

DnB NOR ASA and Nordea Bank ASA (split 50/50) have 36 130 478 independent warrants. A warrant gives the bearer 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. No warrants have been exercised in 2010.

### Treasury shares

The company holds 7 292 407 treasury shares. 1 000 000 shares were purchased in August 2006 at an average price of NOK 48.24 per share. 6 500 000 shares were purchased in February 2010 at an average price of NOK 5.24 per share. The shares were purchased for future allocations of share options within the group's share option programmes (see note 13). 207 593 of the shares were sold in the program in 2010. Exercise price was NOK 3.



## Statement of Cash Flows

Kongsberg Automotive Holding ASA

Kongsberg Automotive Group

31.12.10	31.12.09	MEUR	31.12.10	31.12.09
		<i>Operating activities</i>		
40.7	(10.9)	(Loss) / profit before taxes	(1.9)	(28.2)
0.2	0.2	Depreciation	30.1	30.0
0.4	0.4	Amortization	16.8	16.8
(25.6)	(28.9)	Interest income	(0.8)	(1.4)
21.9	40.9	Interest expenses	22.2	41.6
0.0	0.0	Taxes paid	(6.6)	(2.2)
0.0	0.0	(Gain) / loss on sale of non-current assets	3.7	(2.0)
(13.0)	1.4	Changes in working capital	(9.0)	36.7
(7.7)	(13.8)	Currency differences over P/L	(7.7)	(61.4)
(4.2)	0.0	Changes in value of financial derivatives	(5.9)	(11.0)
(7.9)	7.9	Changes in other items	3.0	3.7
<b>4.8</b>	<b>(2.8)</b>	<b>Cash flow from operating activities</b>	<b>43.9</b>	<b>22.6</b>
		<i>Investing activities</i>		
(0.1)	0.0	Capital expenditures, including intangible assets	(23.7)	(14.2)
0.0	0.0	Proceeds from sale of fixed assets <sup>1)</sup>	3.7	0.0
0.0	0.0	Proceeds from sale and liquidation of subsidiaries <sup>2)</sup>	1.5	23.5
(10.1)	(1.2)	Investment in subsidiaries <sup>3)</sup>	(1.0)	0.0
0.7	3.0	Interest received	0.8	1.4
9.9	4.0	Dividends received	0.0	0.0
<b>0.4</b>	<b>5.9</b>	<b>Cash flow from investing activities</b>	<b>(18.8)</b>	<b>10.7</b>
		<i>Financing activities</i>		
0.0	151.0	Proceeds from issuance of ordinary shares	0.0	151.0
(4.3)	0.0	Purchase of treasury shares <sup>4)</sup>	(4.3)	0.0
0.1	0.0	Proceeds from sale of treasury shares	0.1	0.0
0.0	16.0	Proceeds from new external loans	0.0	16.0
(1.9)	(91.4)	Repayment of external loans <sup>5)</sup>	(1.9)	(92.2)
19.8	27.5	Proceeds from group loans	0.0	0.0
(10.6)	0.0	Issue of new group loans	0.0	0.0
(2.5)	0.0	Repayment of group loans	0.0	0.0
(21.9)	(35.4)	Interest paid	(21.9)	(36.8)
0.0	0.0	Dividends paid	0.0	0.0
(0.4)	0.0	Other financial charges	(0.4)	0.0
<b>(21.7)</b>	<b>67.7</b>	<b>Cash flow from financing activities</b>	<b>(28.4)</b>	<b>38.0</b>
<b>3.7</b>	<b>4.8</b>	<b>Currency effects on cash</b>	<b>0.9</b>	<b>9.0</b>
(12.8)	75.6	Net change in cash	(2.5)	80.3
55.8	(19.9)	Net cash at 01.01 (including bank overdraft)	103.5	23.2
<b>43.0</b>	<b>55.8</b>	<b>Net cash at 31.12 (including bank overdraft)</b>	<b>101.0</b>	<b>103.5</b>
0.2	0.1	Of this, restricted cash	1.5	1.0

1) Comprises the sale of buildings in Grand Mere (Canada) and Hagerstown (US)

2) Comprises the sale of KAs investment in Chongqing (China) and liquidation settlements (see note 3 and 25)

3) Comprises the acquisition of shares in Binola (India) (see note 25)

4) Comprises the acquisition of 6.5 million treasury shares (see "Statement of Changes in Equity")

5) Comprises a repayment of loan to Innovasjon Norge (see note 16)

## 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 23 March 2011.

### Note 2 – Summary of significant accounting policies

#### 2.1) Statement of compliance

The group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as endorsed by EU. The parent company's financial statements are prepared in accordance with simplified IFRS according to the Norwegian accounting act § 3-9. The parent is following the same accounting policies as of the group.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Group financial statements are prepared on a going concern basis.

#### 2.1.1) Changes in accounting policy and disclosures in 2010

##### (a) New and amended standards adopted by the group

IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The amendment causes limited effects in the 2010 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 revised standard has limited effect on the 2010 Financial statements.

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income.

There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

The revised standard has been used in 2010 for the acquisition of 30 % (from 70 % to 100 % ownership) of Technico Kongsberg Automotive India Ltd (Binola). The impact of the revised standard, on the financial statements of KA group, is considered insignificant. The acquisition reflects fair value and is booked accordingly. Acquisition related cost is charged to P&L.

##### (b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the group (although they may affect the accounting for future transactions and events)

IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation

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 interpretation is not relevant for KA in 2010.

IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). The interpretation is not relevant for KA in 2010.

IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety. This amendment is not relevant for KA in 2010.

IFRIC 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign

operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group. IAS 38 (amendment), 'Intangible assets', effective 1 January 2010. 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 useful economic lives. This amendment is not relevant for KA in 2010.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies 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 the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. This amendment is not relevant for KA in 2010.

IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective from 1 January 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new amendment has no effect on the 2010 Financial statements.

IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The amendment has no effect on the 2010 Financial statements.

**(C) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted by the group**

IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is

likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. KA consider it too early to conclude on future effects.

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU. The effect is assumed to be limited for KA.

IFRIC 14 (amendment) 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The group will apply these amendments for the financial reporting period commencing on 1 January 2011. The effect is assumed to be limited for KA.

IAS 32 (amendment) 'Classification of rights issues', issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The effect is assumed to be limited for KA.

**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 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 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 five business areas (Driveline, Interior, Actuation & Chassis, Fluid Transfer and Power Products).

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 macro-economic 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 assets, under the heading "Impairment testing".

#### *Deferred tax assets*

Deferred income tax assets are recognized for tax losses carried forward only to the extent that realisation 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 14 – 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 15 – Retirement benefit obligations.

#### **2.4) Functional currency and presentation currency**

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

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

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

#### *Main exchange rates per 31.12.2010:*

- ▶ 1 EUR: NOK 7.81 (end of period)
- ▶ 1 USD: NOK 5.86 (end of period)

#### **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.

The parent company has only group internal revenues. Most of the revenues are Management fees to cover the groups common expenses.

#### **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 use-

ful life of the asset. The amortization estimate and the method are subject to annual assessment based on the pattern of consumption of future economic benefits.

##### *Customer relationships*

Customer relationships acquired are amortized over 10 years. Assessments are performed when acquiring new businesses.

##### *Patents*

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

##### *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 development and to use or sell the software product are available
- ▶ the expenditure attributable to the software product during its development can be reliably measured

Directly attributable costs that are capitalized as part of the software product include employee costs and an appropriate proportion of relevant overheads.



Development expenses that do not meet these criteria are expensed as incurred and are not recognized as an asset in a subsequent accounting period.

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

## 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, Netherlands and France.

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

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

Actuarial gains / losses are recognized 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 22 - 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 re-issued. Where such shares are subsequently reissued any consideration received, net of any directly attributable transaction costs and the related income tax effects, is included in equity attributable to the company's equity shareholders.

### 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	Ownership %	Companies owned by parent	Holding companies
Kongsberg Interior Systems Pty Ltd	Australia	100 %		
Kongsberg Automotive Ltda	Brazil	100 %	x	
Kongsberg Inc	Canada	100 %		
Kongsberg Automotive (Shanghai) Co Ltd	China	100 %		
Kongsberg Automotive (Wuxi) Ltd	China	100 %	x	
Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd	China	51 %		
Shanghai Lone Star Cable Co Ltd	China	100 %		
Kongsberg Automotive SARL	France	100 %	x	
Kongsberg Driveline Systems SAS	France	100 %		
Kongsberg SAS	France	100 %		x
Raufoss Couplings France SAS	France	100 %		
SCI Immobilière La Clusienne	France	100 %		
Kongsberg 1 GmbH	Germany	100 %		x
Kongsberg Actuation Systems GmbH	Germany	100 %		
Kongsberg Automotive GmbH	Germany	100 %	x	
Kongsberg Driveline Systems GmbH	Germany	100 %		
Kongsberg Actuation Systems Ltd	Great Britain	100 %		
Kongsberg Automotive Ltd	Great Britain	100 %	x	
Kongsberg Holding Ltd	Great Britain	100 %		x
Kongsberg Interior Systems Ltd	Great Britain	100 %		
Kongsberg Power Products Systems Ltd	Great Britain	100 %		
Kongsberg Automotive Hong Kong Ltd	Hong Kong	100 %		x
Kongsberg Automotive Holding Kft	Hungary	100 %		x
Kongsberg Interior Systems Kft	Hungary	100 %		
Kongsberg Automotive (India) Private Ltd	India	100 %	x	
Technico Kongsberg Automotive India Ltd	India	100 %	x	
Kongsberg Power Products Systems Srl	Italy	100 %		
Kongsberg Automotive Ltd	Korea	100 %	x	
Kongsberg Automotive S. de RL de CV	Mexico	100 %		
Kongsberg Driveline Systems S. de RL de CV	Mexico	100 %		
Kongsberg Interior Systems S. de RL de CV	Mexico	100 %		
Kongsberg Actuation Systems BV	Netherlands	100 %		
Kongsberg Automotive AS	Norway	100 %	x	
Kongsberg Automotive Holding 2 AS	Norway	100 %	x	x
Kongsberg Automotive Sp. z.o.o.	Poland	100 %	x	
Kongsberg Automotive s.r.o	Slovakia	100 %		
Kongsberg Actuation Systems SL	Spain	100 %		

Company name	Country/State of incorporation	Ownership %	Companies owned by parent	Holding companies
Kongsberg Automotive AB	Sweden	100 %	x	
Kongsberg Power Products Systems AB	Sweden	100 %		
Capro GP, LLC	USA	100 %		x
Capro LP, LLC	USA	100 %		x
Kongsberg Driveline Systems III, Partnership	USA	100 %		
Kongsberg Driveline Systems I, Inc	USA	100 %		
Kongsberg Driveline Systems II, Corp	USA	100 %		
Kongsberg Actuation Systems I, Inc	USA	100 %		
Kongsberg Actuation Systems II, Inc	USA	100 %		
Kongsberg Actuation Systems III, Inc	USA	100 %		
Kongsberg Holding II, LLC	USA	100 %		x
Kongsberg Holding III, Inc	USA	100 %		x
Kongsberg Interior Systems I, Inc	USA	100 %		
Kongsberg Interior Systems II, Inc	USA	100 %		
Kongsberg Automotive Inc	USA	100 %	x	
Kongsberg Power Products Systems I, Inc	USA	100 %		
Kongsberg Power Products Systems V, Ltd	USA	100 %		

#### The most significant changes of the groups legal structure in 2010

*India:* Acquisition of 30 % of Technico Kongsberg Automotive India Ltd (see note 25)

*China:* Kongsberg Auto Parts (Chongqing) Co. Ltd was sold (see note 25)

*Great Britain:* Ctex Seat Comfort (Holding) Ltd was liquidated

*France:* Kongsberg Power Products Systems SARL was liquidated

*Italy:* Kongsberg Automotive Holding Srl was liquidated

*Spain:* Kongsberg Power Products Systems SL and Kongsberg Automotive SL was liquidated

## Note 4 – Segment reporting

### Operating segments

The group has 5 reportable segments, which are the strategic business units: Driveline Systems, Interior Systems, Power Products Systems, Actuation Et Chassis and Fluid Transfer Systems. The Business Areas were derived out of the 3 previous divisions: Automotive Systems was split into Driveline and Interior, Commercial Vehicle Systems was split into Actuation Et Chassis and Fluid Systems, and Power Products Systems as before. The significant change from 2009 is therefore the split and presentation of operating segments. The 2009 segment data has been reworked in the tables below to adapt the new segment structure.

The strategic business areas (segments) offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group's risks and rates of return are affected predominantly by differences in the products manufactured. The 5 segments have different risk profiles in the short-term perspective, but over a long-term perspective the profiles are considered to be the same. The group's Executive Committee (led by CEO) reviews the internal management reports from all strategic business areas on a monthly basis. The following summary describes the operations of each of the group's reportable segments:

- ▶ **Driveline Systems:** is a global supplier of gear shift systems in the light vehicle market. The BA is a Tier 1 supplier of custom engineered cable controls and complete gear shift systems, comprising shifter modules, knobs, boots, shift cables, and shift towers. KA is a strong leader in both control cables and manual and automatic shifter systems worldwide.
- ▶ **Interior Systems:** is a global leader in the design, development and manufacture seat comfort systems and mechanical-/electro-mechanical light duty motion control systems to automotive Tier 1 and OEM customers. The BA's product range includes seat adjusters, seat cables, side bolsters and lumbar support, seat heating, ventilation and massage systems, arm rests and head restraints. KA is the only global supplier in the world currently offering a complete range of seat comfort products.
- ▶ **Actuation Et Chassis:** is a developer and manufacturer of operator control systems for heavy vehicles, offering a robust product portfolio of clutch actuation systems, gearshift systems, stabilising rods and steering columns.
- ▶ **Fluid Transfer Systems:** designs and manufactures fluid handling systems for both the automotive and commercial vehicle sectors, as well as coupling systems for compressed air circuits heavy trucks. The BA is also specialised in manufacturing tube and hose assemblies for challenging environments.
- ▶ **Power Products Systems:** is a global leader in the design and manufacture of vehicle control systems, providing engineered pedal systems, steering systems, electronic displays and cable controls to manufacturers of industrial, agricultural and construction vehicles.

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

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

#### 4.1) OPERATING REPORTABLE SEGMENTS

2010								
MEUR	Driveline Systems	Interior Systems	Actuation & Chassis	Fluid Transfer Systems	Power Products Systems	Eliminations & other		KA Group
Operating revenues	289.5	220.5	114.3	132.6	134.9	(27.4)		864.4
<b>EBITDA</b>	<b>(1.2)</b>	<b>23.0</b>	<b>18.6</b>	<b>15.7</b>	<b>7.0</b>	<b>(6.0)</b>		<b>57.1</b>
Depreciation	(9.4)	(6.6)	(4.6)	(6.4)	(2.8)	(0.2)		(30.1)
Amortization	(3.2)	(2.9)	(2.1)	(4.1)	(3.9)	(0.4)		(16.8)
<b>Operating (loss) / profit (EBIT)</b>	<b>(13.9)</b>	<b>13.5</b>	<b>11.8</b>	<b>5.2</b>	<b>0.3</b>	<b>(6.6)</b>		<b>10.2</b>
<i>Assets and liabilities</i>								
Goodwill	6.2	73.6	20.3	47.4	14.0	(0.1)		161.3
Other intangible assets	19.0	14.8	11.1	23.3	23.1	0.6		92.1
Property, plant and equipment	40.9	25.8	22.1	31.5	10.9	0.7		131.9
Inventories	27.3	12.2	10.3	16.3	17.7	(0.5)		83.4
Trade receivables	36.5	36.3	12.7	20.5	20.6	(0.0)		126.6
<b>Segment assets</b>	<b>129.9</b>	<b>162.7</b>	<b>76.6</b>	<b>139.0</b>	<b>86.3</b>	<b>0.7</b>		<b>595.3</b>
Unallocated assets						209.6		209.6
<b>Total assets</b>	<b>129.9</b>	<b>162.7</b>	<b>76.6</b>	<b>139.0</b>	<b>86.3</b>	<b>210.4</b>		<b>804.9</b>
Trade payables	37.9	22.7	13.2	20.0	16.1	0.3		110.3
Unallocated liabilities						520.0		520.0
<b>Total liabilities</b>	<b>37.9</b>	<b>22.7</b>	<b>13.2</b>	<b>20.0</b>	<b>16.1</b>	<b>520.4</b>		<b>630.3</b>
Capital expenditure	5.1	8.9	2.9	2.8	1.0	0.9		21.7

#### 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.

2009								
MEUR	Driveline Systems	Interior Systems	Actuation & Chassis	Fluid Transfer Systems	Power Products Systems	Eliminations & other		KA Group
Operating revenues	234.7	153.3	67.9	87.6	103.4	(24.1)		622.8
<b>EBITDA</b>	<b>(14.0)</b>	<b>12.6</b>	<b>2.9</b>	<b>(0.4)</b>	<b>2.0</b>	<b>(2.6)</b>		<b>0.5</b>
Depreciation	(8.9)	(6.8)	(4.3)	(6.9)	(2.7)	(0.4)		(30.0)
Amortization	(3.6)	(2.6)	(1.4)	(3.8)	(3.2)	(2.1)		(16.8)
<b>Operating (loss) / profit (EBIT)</b>	<b>(26.5)</b>	<b>3.3</b>	<b>(2.8)</b>	<b>(11.1)</b>	<b>(4.0)</b>	<b>(5.1)</b>		<b>(46.3)</b>
<i>Assets and liabilities</i>								
Goodwill	6.9	69.8	18.8	44.8	13.4	0.4		154.1
Other intangible assets	21.1	18.2	11.1	25.8	25.2	0.2		101.5
Property, plant and equipment	44.5	24.0	21.7	33.7	16.1	0.8		140.7
Inventories	24.9	8.9	6.8	9.2	17.2	(0.5)		66.5
Trade receivables	31.9	28.0	10.6	16.7	16.6	(0.1)		103.7
<b>Segment assets</b>	<b>129.4</b>	<b>148.8</b>	<b>68.9</b>	<b>130.1</b>	<b>88.5</b>	<b>0.8</b>		<b>566.4</b>
Unallocated assets						196.7		196.7
<b>Total assets</b>	<b>129.4</b>	<b>148.8</b>	<b>68.9</b>	<b>130.1</b>	<b>88.5</b>	<b>197.5</b>		<b>763.2</b>
Trade payables	32.7	12.8	7.5	14.7	11.7	0.1		79.5
Unallocated liabilities						504.8		504.8
<b>Total liabilities</b>	<b>32.7</b>	<b>12.8</b>	<b>7.5</b>	<b>14.7</b>	<b>11.7</b>	<b>504.9</b>		<b>584.2</b>
Capital expenditure	3.7	4.2	2.6	1.9	0.4	0.0		12.8

#### 4.2) RECONCILIATION OF REPORTABLE SEGMENTS ASSETS AND LIABILITIES

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

	2010	2009
Segment assets of reportable segments	594.6	565.3
Eliminations & other	0.7	1.1
<i>Unallocated assets include</i>		
Deferred tax assets	61.9	61.6
Financial non-current assets	3.2	2.2
Cash and cash equivalents	106.9	107.7
Other receivables (excluded: trade receivables)	37.6	25.2
<b>Total assets per Statement of Financial position</b>	<b>804.9</b>	<b>763.2</b>

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

	2010	2009
Trade payables of reportable segments	110.0	79.4
Eliminations & other	0.3	0.1
<i>Unallocated liabilities include</i>		
Deferred tax liabilities	35.5	35.5
Retirement benefit obligations	14.5	17.2
Interest-bearing loans and borrowings	370.5	381.8
Other non-current liabilities	1.4	2.5
Bank overdrafts	5.9	4.2
Other current interest-bearing liabilities	24.9	6.8
Current income tax liabilities	1.1	3.6
Other payables (excluded: trade payables)	66.3	53.1
<b>Total liabilities per Statement of Financial position</b>	<b>630.3</b>	<b>584.2</b>

#### 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	2010		2009	
	Jan-Dec	%	Jan-Dec	%
Sweden	82.2	9.5 %	52.9	8.5 %
Germany	114.1	13.2 %	88.3	14.2 %
Other EU	248.4	28.7 %	190.1	30.5 %
<b>Total EU</b>	<b>444.6</b>	<b>51.4 %</b>	<b>331.3</b>	<b>53.2 %</b>
USA	202.3	23.4 %	148.2	23.8 %
NA other	80.7	9.3 %	48.6	7.8 %
<b>Total NA</b>	<b>283.0</b>	<b>32.7 %</b>	<b>196.8</b>	<b>31.6 %</b>
China	65.4	7.6 %	52.1	8.4 %
Asia Other	31.7	3.7 %	20.8	3.3 %
<b>Total Asia</b>	<b>97.1</b>	<b>11.2 %</b>	<b>73.0</b>	<b>11.7 %</b>
Other	39.7	4.6 %	21.6	3.5 %
<b>Total operating revenues</b>	<b>864.4</b>	<b>100 %</b>	<b>622.8</b>	<b>100 %</b>



## 4.3.2) Non-current assets by geographical location

MEUR	2010		2009	
	Jan-Dec	%	Jan-Dec	%
USA	143.8	37.3 %	143.9	36.3 %
UK	44.3	11.5 %	45.8	11.5 %
Norway	33.9	8.8 %	35.5	8.9 %
Germany	32.0	8.3 %	34.8	8.8 %
Sweden	31.3	8.1 %	28.8	7.3 %
Other	100.1	26.0 %	107.6	27.2 %
<b>Total assets</b>	<b>385.3</b>	<b>100.0 %</b>	<b>396.3</b>	<b>100.0 %</b>

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

## 4.4) SIGNIFICANT CUSTOMERS

The group has no single customers accounting for more than 10 % of total revenues.

## Note 5 – Intangible assets

KAH ASA		KA Group				Total
Software	MEUR	Goodwill	Customer relationships	Patents and R&D	Software and other	
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)
<b>1.0</b>	<b>Book value at 01.01.2009</b>	<b>161.6</b>	<b>80.7</b>	<b>32.0</b>	<b>8.7</b>	<b>282.8</b>
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
<b>0.9</b>	<b>Book value at 31.12.2009</b>	<b>154.1</b>	<b>66.5</b>	<b>30.5</b>	<b>4.5</b>	<b>255.6</b>
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)
<b>0.9</b>	<b>Book value 31.12.2009</b>	<b>154.1</b>	<b>66.5</b>	<b>30.5</b>	<b>4.5</b>	<b>255.6</b>
0.1	Additions	0.0	0.0	1.8	0.2	2.0
(0.4)	Amortization	0.0	(8.4)	(4.9)	(3.5)	(16.8)
0.0	Disposals accumulated cost	(1.8)	(0.1)	0.0	(0.2)	(2.1)
0.0	Disposals accumulated amortization	0.0	0.0	0.0	0.0	0.0
0.0	Exchange differences	9.0	3.2	(0.6)	3.0	14.6
<b>0.6</b>	<b>Book value at 31.12.2010</b>	<b>161.3</b>	<b>61.2</b>	<b>26.8</b>	<b>4.0</b>	<b>253.4</b>
2.2	Cost	161.7	88.3	44.1	16.9	311.0
(1.6)	Accumulated amortization	(0.4)	(27.1)	(17.3)	(12.9)	(57.6)
<b>0.6</b>	<b>Book value 31.12.2010</b>	<b>161.3</b>	<b>61.2</b>	<b>26.8</b>	<b>4.0</b>	<b>253.4</b>

### 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.

MEUR	2010	2009
Per 31.12 internally developed intangible assets	8.5	10.3
Additions during the year	1.7	1.0

Recognized R&D cost in the reporting period (P/L): 14.7 MEUR (not capitalized) (2009: 43.2).

### 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, 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 CGUs (cash generating units). The five Business Areas; Driveline, Interior, Actuation&Chassis, Fluid Transfer and Power Products, were identified as the respective CGUs.

#### Cash flow model

The model was based on a 5 year forecast of discounted cash flow plus a terminal value (calculated by Gordons model). The net discounted cash flows were calculated before tax. The NPV-model included 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 2011 to 2015. The business cases were based on the group's strategic five year plan, adjusted for recent changes in internal rolling forecasts and relevant market data. Both the five year plan and the rolling forecasts were "bottom-up-models" where all input data had been produced by respective entities in the Group.

The input data in the business cases were gathered 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 was: Driveline 2.1 %, Interior 5.6 %, Actuation&Chassis 13.5 %, Fluid 8.2 % and PPS 1.4 % for the period 2011 to 2015. The annual growth rate in the terminal value was estimated to 2 % for each of the CGUs.

#### WACC (Weighted average cost of capital)

The required rate of return was calculated by use of the WACC methodology. The input data of the WACC was chosen by an individual assessment of each parameter. Information from representative sources, peer groups etc. was used to determine the best estimate. The WACC was calculated to 11.2 % pre tax. The same WACC was used for all CGUs, the reason being that the long-term risk profiles of the five 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:* 2.7. Based on an estimated unlevered beta for the automotive industry adjusted for KA's capital structure.
- ▶ *Market Risk Premium:* 5 % (post tax). Based on market sources.
- ▶ *Cost of Debt:* Based on the risk free rate plus a risk component to reflect a probable rate of default (300 basis points).
- ▶ *Capital structure:* Based on the Group's long term target for equity ratio of 33 % (interest bearing debt 67 %).

#### Sensitivity analysis

The following sensitivity analysis were carried out to test whether changes in relevant parameters would influence the conclusion;

1. *Change in cash flows:* The analysis showed that a decline in free cash flow of 40 % per CGU for each year in the business plan (including the terminal value) was necessary to change conclusion. The result indicated that there had to be a significant decline in the market situation to trigger impairment.
2. *Change in discount rates:* The analysis showed the following headroom in discount rates per CGU to change conclusion; Driveline + 6.6 %, Interior + 13.6 %, Actuation&Chassis + 42.5 %, Fluid + 13.1 % and PPS + 15.0 %. The results indicated that the test was robust in terms of the level of discount rates.

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 31.12.10:

MEUR	Driveline Systems	Interior Systems	Actuation & Chassis	Fluid Transfer Systems	Power Products Systems	Total
<i>Carrying amounts</i>						
Goodwill	6.2	73.6	20.3	47.4	14.0	161.4
Other intangible assets	19.0	14.8	11.1	23.3	23.1	91.4
Property, plant and equipment	40.9	25.8	22.1	31.5	10.9	131.2
Net working capital	25.9	25.7	9.9	16.8	22.2	100.6
<b>Total carrying amount (TCA)</b>	<b>92.0</b>	<b>139.9</b>	<b>63.4</b>	<b>119.0</b>	<b>70.2</b>	<b>484.6</b>
Value in use (VIU) from the test model	161.6	359.6	398.0	281.9	174.4	1 375.5
<b>VIU - TCA (headroom)</b>	<b>69.5</b>	<b>219.7</b>	<b>334.6</b>	<b>162.9</b>	<b>104.2</b>	<b>890.9</b>

The impairment tests indicated no requirement for write downs.

**Note 6 – Tangible non-current assets**

KAH ASA	MEUR	Land	KA Group Buildings	Equipment	Total
Equipment					
0.8	Cost	7.7	50.6	329.5	387.8
(0.2)	Accumulated depreciation	0.0	(23.4)	(208.3)	(231.7)
<b>0.6</b>	<b>Book value at 01.01.2009</b>	<b>7.7</b>	<b>27.2</b>	<b>121.2</b>	<b>156.1</b>
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)	(0.1)	(21.5)	(22.1)
0.1	Disposals accumulated depreciation	0.0	0.2	20.5	20.7
0.1	Exchange differences	0.0	0.8	2.4	3.2
<b>0.4</b>	<b>Book value at 31.12.2009</b>	<b>7.7</b>	<b>26.6</b>	<b>106.5</b>	<b>140.7</b>
0.8	Cost	7.7	50.2	330.3	388.2
(0.4)	Accumulated depreciation	0.0	(23.6)	(223.8)	(247.5)
<b>0.4</b>	<b>Book value 31.12.2009</b>	<b>7.7</b>	<b>26.6</b>	<b>106.5</b>	<b>140.7</b>
0.0	Additions	0.0	0.6	21.1	21.7
(0.2)	Depreciation	0.0	(2.9)	(27.2)	(30.1)
0.0	Disposals accumulated cost	(1.5)	(3.3)	(16.1)	(20.9)
0.0	Disposals accumulated depreciation	0.0	0.4	10.8	11.2
0.0	Exchange differences	0.2	1.5	7.5	9.2
<b>0.2</b>	<b>Book value at 31.12.2010</b>	<b>6.4</b>	<b>22.9</b>	<b>102.6</b>	<b>131.9</b>
0.8	Cost	6.4	49.6	371.3	427.3
(0.6)	Accumulated depreciation	0.0	(26.7)	(268.7)	(295.4)
<b>0.2</b>	<b>Book value 31.12.2010</b>	<b>6.4</b>	<b>22.9</b>	<b>102.6</b>	<b>131.9</b>

**Impairment testing**

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

### Operating and finance leases

The Group is a lessee under *operating lease*. The total group cost for operating leases was MEUR 4.4 in 2010 (2009: 5.7). Operating leases are mostly used for the rental of office equipment. Maturity schedule for operational leases KA group (MEUR):

Maturity	2010	As % of total
2011	4.7	20 %
2012	4.2	18 %
2013	3.9	17 %
2014	3.7	16 %
2015	3.2	14 %
Thereafter	3.9	15 %
<b>Total</b>	<b>23.6</b>	

The Group is a lessee under *financial lease*, but the group has only a limited number of financial lease contracts and the total amount is considered insignificant.

### Note 7 – Inventories

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
0.0	0.0	Raw materials	56.3	44.2
0.0	0.0	Work in progress	11.9	8.0
0.0	0.0	Finished goods	15.2	14.3
<b>0.0</b>	<b>0.0</b>	<b>Total</b>	<b>83.4</b>	<b>66.5</b>

Group inventories are stated net of a provision for slow moving and obsolete inventory. The amount of this provision as at 31.12.10 was MEUR 6.5 (2009: 7.2).

### Note 8 – Trade and other receivables

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
0.0	0.0	Trade receivables	126.6	103.7
55.0	42.4	Short-term group receivables	0.0	0.0
0.2	0.0	Other short-term receivables	27.8	16.1
0.0	0.0	Financial derivative instruments	1.1	(0.6)
0.1	0.3	Prepayments	8.7	9.6
<b>55.2</b>	<b>42.7</b>	<b>Total</b>	<b>164.3</b>	<b>128.8</b>

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

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
0.0	0.0	EUR	35.1	28.6
0.0	0.0	USD	40.4	32.9
55.2	42.7	NOK	13.0	9.6
0.0	0.0	GBP	10.0	8.2
0.0	0.0	Other	65.7	49.6
<b>55.2</b>	<b>42.7</b>	<b>Total</b>	<b>164.3</b>	<b>128.8</b>

### Trade receivables

The Group trade receivables (external customers) have the following maturity structure at 31.12.2010:

Maturity	Amounts in MEUR	In % of gross trade receivables
Not overdue	115.7	90 %
Overdue 1-20 days	6.3	5 %
Overdue 21-40 days	3.1	2 %
Overdue 41-80 days	1.5	1 %
Overdue 81-100 days	0.4	0 %
Overdue > 100 days	2.2	2 %
<b>Gross trade receivables</b>	<b>129.2</b>	
Total provision for bad debt	(2.6)	2 %
<b>Net trade receivables</b>	<b>126.6</b>	

The provision for bad debt has increased by MEUR 0.1 compared to YTD 2009 (MEUR 2.5). Trade receivables are subject to constant monitoring. Impaired receivables are reflected through provision for bad debt. Monthly assessments of loss risk are performed and corresponding provisions are made on entity level. The provision for bad debt reflects the total loss risk on groups trade receivables. The eldest trade receivables, overdue > 100 days, represents the highest risk level. Most of the impaired trade receivables are included in that category. Actual losses on trade receivables are considered not significant. The risk for losses on other receivables than trade receivables is assessed to be insignificant. For credit risk and currency exchange risk, see note 17.

### Note 9 – Outstanding accounts between parent company and other group companies

#### KAH ASA

Loans to subsidiaries	MEUR	Non-current assets	
		2010	2009
Kongsberg Automotive Inc		18.4	17.4
Kongsberg Automotive Hong Kong Ltd		28.9	26.9
Kongsberg Automotive Holding 2 AS		436.8	398.2
Other group companies		21.3	29.8
<b>Total</b>		<b>505.3</b>	<b>472.3</b>

Short-term group receivables	MEUR	Current assets	
		2010	2009
Kongsberg Actuation Systems SL		6.2	0.0
Kongsberg Automotive s.r.o		5.4	2.6
Kongsberg Driveline Systems SAS		4.9	7.1
Kongsberg Driveline Systems GmbH		3.2	3.2
Kongsberg Driveline Systems I, Inc		2.2	0.0
Other group companies		33.1	29.4
<b>Total</b>		<b>55.0</b>	<b>42.4</b>

Short-term group liabilities	MEUR	Current liabilities	
		2010	2009
Group companies		8.6	20.8
<b>Total</b>		<b>8.6</b>	<b>20.8</b>

Current assets and - liabilities have due dates within 1 year.

The companies loans to group companies have due dates exceeding 1 year.



## Note 10 – Classification of financial instruments

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

KA Group 2010	Financial assets at fair value through profit and loss	Total
<b>Assets</b>		
Trade receivables	126.6	126.6
Financial derivative instruments	1.1	1.1
Cash and cash equivalents	106.9	106.9
<b>Total</b>	<b>234.6</b>	<b>234.6</b>

Liabilities	Financial liabilities at amortized cost	Financial liabilities at fair value through profit and loss	Total
Interest-bearing loans and borrowings	370.5		370.5
Interest rate swap		4.3	4.3
Bank overdraft		5.9	5.9
Other current interest-bearing liabilities	24.9		24.9
Trade payables		110.3	110.3
<b>Total</b>	<b>395.4</b>	<b>120.5</b>	<b>515.9</b>

The Group has no financial assets available for sale or financial assets held for trading.

The group's loans to subsidiaries are classified as a net investment in the relevant subsidiaries. The fair value of such loans in the parent company as at 31.12.10 was MEUR 437 (2009: 398). The effect of currency translation has been recognised as a translation difference within the equity.

KA Group 2009	Financial assets at fair value through profit and loss	Total
<b>Assets</b>		
Trade receivables	103.7	103.7
Cash and cash equivalents	107.7	107.7
<b>Total</b>	<b>211.4</b>	<b>211.4</b>

Liabilities	Financial liabilities at 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
<b>Total</b>	<b>472.3</b>	<b>8.7</b>	<b>481.0</b>

## Financial derivative instruments – Forward contracts

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
		<i>Currency</i>		
0.0	0.0	Forward contracts (liabilities) assets	1.1	(0.6)
<b>0.0</b>	<b>0.0</b>	<b>Total</b>	<b>1.1</b>	<b>(0.6)</b>
		<i>Nominal value of currency contracts</i>		
0	0	EUR / NOK (Amount in MEUR)	18.0	42.0
		<i>Maturity schedule for financial derivative instruments</i>		
n/a	0.0	2010	n/a	(0.2)
0.0	0.0	2011	1.1	(0.4)
0.0	0.0	2012	0.0	0.0
<b>0.0</b>	<b>0.0</b>	<b>Total</b>	<b>1.1</b>	<b>(0.6)</b>

Financial derivative instruments comprise of foreign currency contracts for which prices are quoted in an active market.

Market values at 31.12. have been used to determine the fair values of the financial derivative instruments. The Group has no commodity forwards per 31.12.10.

## Interest rate swaps comprise

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
4.3	8.1	Interest rate swap (liabilities)	4.3	8.1
<b>4.3</b>	<b>8.1</b>	<b>Total</b>	<b>4.3</b>	<b>8.1</b>

Out of 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 11 – Financial instruments – measured in the balance sheet at fair value

The financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level of the following fair value measurement 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 December (MEUR).

2010	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<i>Financial assets at fair value through profit or loss:</i>				
- Financial derivatives instruments		1.1		1.1
<b>Total assets</b>	<b>0.0</b>	<b>1.1</b>	<b>0.0</b>	<b>1.1</b>
<b>Liabilities</b>				
<i>Financial liabilities at fair value through profit or loss:</i>				
- Interest rate swap		4.3		4.3
<b>Total liabilities</b>	<b>0.0</b>	<b>4.3</b>	<b>0.0</b>	<b>4.3</b>

2009	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Not applicable				
<b>Total assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Liabilities</b>				
<i>Financial liabilities at fair value through profit or loss:</i>				
- Financial derivatives instruments		0.6		0.6
- Interest rate swap		8.1		8.1
<b>Total liabilities</b>	<b>0.0</b>	<b>8.7</b>	<b>0.0</b>	<b>8.7</b>

The fair value calculation of the forward contracts (ref above) is performed by Nordea Bank ASA and the Interest rate swap by DnB Nor.

## Note 12 – Cash and cash equivalents

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
0.2	0.2	Restricted bank deposits	1.5	1.0
43.1	55.8	Non-restricted bank deposits and cash	105.4	106.7
<b>43.3</b>	<b>55.9</b>	<b>Total</b>	<b>106.9</b>	<b>107.7</b>

## Note 13 – 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 7 292 407 shares as treasury shares. For more information see "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 31.12.10 were as follows:

Shareholder	No of shares	%	Country
Nordea Bank Norge ASA	28 384 734	7.0 %	Norway
DnB Nor Bank ASA	23 883 044	5.9 %	Norway
Skagen Vekst	15 151 251	3.7 %	Norway
Odin Norden	14 995 132	3.7 %	Norway
Odin Norge	14 986 857	3.7 %	Norway
Holberg Norge	14 220 500	3.5 %	Norway
DnB Nor SMB	7 500 000	1.8 %	Norway
Kongsberg Automotive Holding ASA (treasury shares)	7 292 407	1.8 %	Norway
MP Pensjon PK	7 150 000	1.8 %	Norway
Holberg Norden	5 758 479	1.4 %	Norway
Skandinaviska Enskilda Banken	4 128 372	1.0 %	Sweden
KLP Aksje Norge VFP	3 984 367	1.0 %	Norway
SHB Stockholm clients account	2 867 369	0.7 %	Norway
Ebitec Invest AS	2 775 000	0.7 %	Sweden
Verdipapirfondet Handelsbanken	2 600 000	0.6 %	Norway
KLP Aksje Norge Index VFP	2 364 589	0.6 %	Norway
Delphi Norge	2 000 000	0.5 %	UK
Ojada AS	2 000 000	0.5 %	Norway
Toluma Norden AS	2 000 000	0.5 %	Norway
WarrenWicklund Norge	1 986 975	0.5 %	Norway
<b>Total number of shares</b>	<b>166 029 076</b>		
Other Shareholders	240 739 055	59 %	
<b>Total number of shares in issue</b>	<b>406 768 131</b>	<b>100 %</b>	
Number of shareholders	7 904		
Foreign ownership	13.5 %		

### 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. Options at exercise price of NOK 37 and NOK 32 are exercisable on 13.05.2011, and expire if not exercised on such day. One third of the options at exercise price NOK 20, NOK 3 and NOK 5 are exercisable after one, two and three years respectively after the date of grant. Options at NOK 5 expire after five years, and options at NOK 20 and NOK 3 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 shares issued 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 December 2009 resolved to adjust the number of outstanding options and to some degree exercise prices, as follows:

Before adjustment 21.12.2009:	2006	2007	2008	2009	Total options
Exercise price (NOK)	60	52	33	3	
Number of outstanding options	691 893	66 438	908 847		1 667 178
Granted				1 733 000	1 733 000
Forfeited	(27 210)	(15 674)	(105 800)	(23 000)	(171 684)
Expired	(221 561)	(22 146)			(243 707)
<b>Options before adjustment 21.12.2009</b>	<b>443 122</b>	<b>28 618</b>	<b>803 047</b>	<b>1 710 000</b>	<b>2 984 787</b>
<b>Adjustment 21.12.2009:</b>					<b>Total options</b>
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	
<b>Adjusted number of outstanding options*</b>	<b>720 730</b>	<b>46 547</b>	<b>1 306 165</b>	<b>3 877 097</b>	<b>5 950 539</b>

\* The numbers are adjusted for errors in the 2009 Annual report.

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 to be offered 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 2010 in respect of options to be granted during the first quarter of 2011.

	Options vesting and potentially exercisable in			Last possible exercise 2018
	2012	2013	2014	
By year	1 333 333	1 333 333	1 333 333	
Cumulative	1 333 333	2 666 667	4 000 000	4 000 000

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

	2010		2009	
	Average exercise price	Options	Average exercise price	Options
Options at 01.01	11.08	5 950 539	44.96	1 667 178
Granted	5.00	3 727 855	3.00	1 733 000
Forfeited	19.58	(217 685)	34.99	(171 684)
Expired	25.59	(383 639)	59.27	(243 707)
Exercised	3.00	(207 593)		
Adjustment of 2009 error		67 682		
Options before adjustment 21.12.2009			20.00	2 984 787
<b>Options at 31.12</b>	<b>7.48</b>	<b>8 937 159</b>	<b>11.08</b>	<b>5 950 539</b>



Outstanding options at the end of the year have the following expiry dates and exercise prices (NOK):

Expiry date	2010		2009	
	Exercise price	Options	Exercise price	Options*
14.05.2010			37.00	360 365
14.05.2010			32.00	23 274
13.05.2011	37.00	345 490	37.00	360 365
13.05.2011	32.00	2 832	32.00	23 274
31.03.2015	5.00	3 727 855		
31.03.2018	20.00	1 223 116	20.00	1 306 165
31.03.2019	3.00	3 637 867	3.00	3 877 097
<b>Options at 31.12</b>		<b>8 937 159</b>		<b>5 950 539</b>

\* The numbers are adjusted for errors in the 2009 Annual report.

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 1.97 per option (2009: 1.69). The significant inputs to the model were the share trading price of NOK 4.83. At the date of grant, exercise prices (NOK 5.00) shown above, a weighted average volatility of 77.73 %, an expected option life of three, four and five years and a weighted average annual risk-free interest rate of 2.89 %.

#### Number of options exercisable at 31.12

None of the 2009 options that might have been exercisable if the market share price had been above NOK 20, carried over to 2010, where in the money at 31.12.10. The total number of these options was 815 411.

## Note 14 – Taxes

### 14.1) Statement of comprehensive income

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
0.0	0.0	Current tax on profits for the year	(7.4)	(2.1)
0.0	0.0	Adjustments in respect of prior years	1.2	0.0
<b>0.0</b>	<b>0.0</b>	<b>Total current tax</b>	<b>(6.2)</b>	<b>(2.1)</b>
(8.9)	2.8	Current year deferred tax	2.8	16.5
0.0	0.0	Impact of changes in tax rates	2.4	0.0
(0.6)	0.0	Adjustments in respect of prior years	(6.3)	(13.7)
<b>(9.5)</b>	<b>2.8</b>	<b>Total deferred tax</b>	<b>(1.1)</b>	<b>2.8</b>
<b>(9.5)</b>	<b>2.8</b>	<b>Income tax (expense) / credit</b>	<b>(7.3)</b>	<b>0.7</b>

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 (MEUR):

<b>40.7</b>	<b>(10.9)</b>	<b>(Loss) / profit before tax</b>	<b>(1.9)</b>	<b>(28.2)</b>
(11.4)	3.1	Tax calculated at Norwegian tax rate	0.5	7.9
		Tax effect of permanent differences:		
2.8	1.2	- Dividends	0.0	0.0
(0.3)	(1.5)	- Other permanent differences / currency	(1.0)	(5.3)
0.0	0.0	Effect of different tax rates	3.5	(0.1)
0.0	0.0	Losses not recognised as deferred tax assets	(5.1)	(1.8)
(0.6)	0.0	Adjustments in respect of prior years	(5.2)	0.0
<b>(9.5)</b>	<b>2.8</b>	<b>Income tax (expense) / credit</b>	<b>(7.3)</b>	<b>0.7</b>
23 %	26 %	Average effective tax rate	-384 %	2 %

The tax (expense) / credit relating to components of other comprehensive income is as follows (MEUR):

0.0	0.0	Translation differences before tax	11.2	(53.3)
0.0	0.0	Tax on translation differences (expense) / credit	(0.1)	13.7
<b>0.0</b>	<b>0.0</b>	<b>Translation differences after tax</b>	<b>11.1</b>	<b>(39.6)</b>

#### 14.2) Statement of Financial position

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
0.0	0.0	Current income tax liabilities	1.1	3.6
<b>0.0</b>	<b>0.0</b>	<b>Total current tax</b>	<b>1.1</b>	<b>3.6</b>
<b>Deferred taxes</b>				
0.0	(3.0)	Deferred tax (assets) to be recovered within 12 months	(23.9)	(10.6)
0.0	0.4	Deferred tax liabilities to be recovered within 12 months	3.3	4.8
(2.6)	(1.4)	Deferred tax (assets) to be recovered after more than 12 months	(6.3)	(16.5)
0.3	0.0	Deferred tax liabilities to be recovered after more than 12 months	32.3	30.7
(2.5)	(9.6)	Losses carried forward	(31.7)	(31.2)
0.0	0.0	Other tax deferred (assets) / liabilities	0.0	(3.4)
<b>(4.8)</b>	<b>(13.6)</b>	<b>Net deferred tax (assets) / liabilities</b>	<b>(26.4)</b>	<b>(26.1)</b>
(5.1)	(14.0)	Of which deferred tax assets	(61.9)	(61.6)
0.3	0.4	Of which deferred tax liabilities	35.5	35.5

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

KAH ASA			KA Group	
Tax losses	Other	MEUR	Tax losses	Other
<i>Change in deferred tax</i>				
(9.1)	(4.9)	Deferred tax (assets) as at 01.01	(31.2)	(30.4)
7.9	1.7	Recorded through the income statement	1.6	1.4
(0.5)	(0.2)	Exchange rate differences	(2.1)	(1.2)
<b>(1.7)</b>	<b>(3.4)</b>	<b>Deferred tax (assets) as at 31.12</b>	<b>(31.7)</b>	<b>(30.2)</b>

KAH ASA			KA Group	
Tangible & intangible assets	Other	MEUR	Tangible & intangible assets	Other
<i>Change in deferred tax</i>				
0.0	0.4	Deferred tax liabilities as at 01.01	31.2	4.3
0.0	(0.1)	Recorded through the income statement	(3.6)	1.7
0.0	0.0	Exchange rate differences	1.8	0.2
<b>0.0</b>	<b>0.3</b>	<b>Deferred tax liabilities as at 31.12</b>	<b>29.3</b>	<b>6.2</b>

### Description of terms for recognition of deferred tax

Deferred income tax assets on tax losses carried forward are recognised only to the extent that realisation of the related benefit is probable. 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 future taxable profits will be available against which the tax losses will be able to be utilized, but not before 2015 at the earliest. The remaining lifetime of the group's tax losses is as shown below:

Lifetime	Amount (MEUR)
Less than five years	5.5
5 - 10 years	4.3
10 - 15 years	0.0
15 - 20 years	30.4
Without time limit	81.2
<b>Tax losses recognised as at 31.12</b>	<b>121.4</b>

The group's subsidiaries are located in different countries, so there will always be risks arising from local tax jurisdictions' assessments of the respective tax positions. Local differences could lead to different opinions about the probability of realisation and to limitations to the utilisation of losses carried forward. Local tax decisions could therefore influence the carrying value of the group's consolidated deferred tax asset.

The group has not recognised deferred income tax assets of MEUR 4.5 (2009: 1.8) in respect of losses amounting to MEUR 18.3 (2009: 7.2) that can be carried forward against future taxable income.

## Note 15 – 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 Netherlands, Italy and France. The German- and Norwegian subsidiaries represented 92 % of the groups Net benefit obligation (German: 72 %, Norwegian: 20 %) in 2010.

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

### 15.1) Defined benefit schemes

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

KAH ASA			KA Group	
2010	2009		2010*	2009
3.9 %	4.4 %	Discount rate	5.0 %	4.4 %
5.3 %	5.6 %	Rate of return on plan assets	4.7 %	5.6 %
4.0 %	4.3 %	Salary increases	2.5 %	4.3 %
3.8 %	4.0 %	Increase in basic government pension amount	2.4 %	4.0 %
1.2 %	1.3 %	Pension increase	0.8 %	1.3 %

\* The assumptions for KA group 2010 is presented as a weighted average of the assumptions reported from respective subsidiaries. The weighted average is calculated by share of total Net pension liability multiplied with respective local assumption. The 2009 assumptions are unweighted as of 2009 Annual report.

## 15.2) Net periodic pension cost

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
0.0	0.1	Service cost	0.2	0.6
0.1	0.1	Interest on benefit obligations	0.8	1.1
0.0	0.0	Expected return on pension assets	(0.1)	(0.4)
0.0	0.5	Amortization of estimate differences	1.4	0.9
0.0	0.0	Administration cost	0.0	0.0
0.0	0.0	Social security taxes	0.0	0.0
(0.1)	0.0	AFP adjustment*	(2.8)	0.0
<b>0.0</b>	<b>0.7</b>	<b>Net periodic pension cost</b>	<b>(0.6)</b>	<b>2.2</b>
0.0 %	6.0 %	Actual return on plan assets	5.9 %	0.4 %

\* The AFP-pension arrangement in Norway has been revised. This has resulted in a decrease in pension liabilities in the Norwegian entities of total 2.8 MEUR.

## 15.3) Net pension liability

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
		<i>Pension liabilities and assets</i>		
1.6	1.8	Projected benefit obligation (PBO)	14.8	20.3
0.0	0.0	Fair value of pension assets	(0.6)	(3.7)
<b>1.6</b>	<b>1.8</b>	<b>Pension liability in excess of pension asset</b>	<b>14.2</b>	<b>16.6</b>
		Unrecognized effect of changes in estimates and differences between actual and expected return on pension assets		
0.0	(0.1)		(0.2)	(1.6)
<b>1.6</b>	<b>1.7</b>	<b>Net pension liability before social security taxes</b>	<b>14.0</b>	<b>15.0</b>
0.2	0.2	Social security taxes	0.4	1.0
<b>1.8</b>	<b>2.0</b>	<b>Net pension liability</b>	<b>14.4</b>	<b>16.0</b>
		<i>Specification of carrying value of net pension liability (MEUR):</i>		
			2010	2009
		Retirement benefit obligation	14.5	17.2
		Retirement benefit asset	(0.1)	(1.2)
		<b>Net pension liability</b>	<b>14.4</b>	<b>16.0</b>

## 15.4) Changes in net pension liabilities

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
2.0	1.3	Net pension liability 01.01	16.0	15.4
0.0	0.7	Pension cost for the year	(0.6)	2.2
(0.3)	0.0	Paid pensions	(1.3)	(1.6)
0.1	0.0	Translation differences	0.2	0.0
<b>1.8</b>	<b>2.0</b>	<b>Net pension liability 31.12</b>	<b>14.4</b>	<b>16.0</b>

**15.5) Average expected lifetimes**

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

- ▶ Male employee 19 years
- ▶ Female employee 21 years

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

- ▶ Male employee 23 years
- ▶ Female employee 26 years

**15.6) 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 21 to the financial statements.

**15.7) Expected pension payment**

We expect the pension payment of 2011 to be in line with the 2010 payment.

**Note 16 – Interest-bearing loans and borrowings**

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
		<i>Non-current liabilities</i>		
370.4	381.6	Bank loans	370.5	381.8
		<i>Current liabilities</i>		
0.3	0.1	Bank overdrafts	5.9	4.2
23.7	1.7	Other current interest-bearing liabilities	24.9	6.8
<b>394.4</b>	<b>383.4</b>	<b>Total interest-bearing liabilities</b>	<b>401.2</b>	<b>392.8</b>

**Non-current liabilities**

The group has outstanding financing facilities as follows (in local currencies, million):

	Facility Amount as of 31.12.2010	Currency	Maturity Date	Interest Rate (incl margin)
<b>DnB Nor / Nordea Facility</b>				
Tranche in EUR	221.4	EUR	29.12.13	3.80 %
Tranche in USD	208.2	USD	29.12.13	3.26 %
Nordea Revolving Facility	250.0	NOK	29.12.13	1.20 % - 5.60 %
DNB Nor Overdraft Facility	250.0	NOK	29.12.13	0.50 % - 5.60 %
Innovasjon Norge	130.5	NOK	10.06.15	5.28 %

In December 2010, the Group repaid 1.9 MEUR (14.5 MNOK) under the Innovasjon Norge Loan. No other repayment were made in 2010.

The financing facilities bear interest at rates based on a market based reference rates plus an applicable margin. MUSD 100 and MEUR 100 have been hedged through interest rate swaps at 3.72 % and 4.53 % respectively until Q3 2011. See also notes 10.

Please refer to the next page for the repayment schedule.

**Other current interest-bearing liabilities**

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



### Liquidity reserve

The liquidity reserve of KA group consists of: cash & cash equivalents + undrawn credit facilities.

MEUR	2010	2009
Total (before use)	170.9	166.8
Used (Bankoverdraft)	(5.9)	(4.2)
<b>Unused liquidity reserve</b>	<b>165.0</b>	<b>162.6</b>

### Borrowings by currency were as below:

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
221.4	221.4	EUR	226.2	225.2
156.1	144.6	USD	156.8	147.5
17.0	17.4	NOK	17.0	18.4
0.0	0.0	Other currencies	1.2	1.7
<b>394.4</b>	<b>383.4</b>	<b>Total interest-bearing liabilities</b>	<b>401.2</b>	<b>392.8</b>

See Note 17 for an assessment of currency risk.

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

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
370.4	381.6	Carrying amounts	370.5	381.8
370.4	381.6	Fair values	370.5	381.8

The carrying amount (amortised 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, million):

Year	EUR	USD	NOK
Repayable during 2012	40.0		29.0
Repayable during 2013	161.4	208.2	29.0
Repayable during 2014			29.0
Repayable during 2015			14.5
Repayable during 2016 (and later)			
<b>Total</b>	<b>201.4</b>	<b>208.2</b>	<b>101.5</b>

### Current liabilities

The maturity schedule for other current interest-bearing liabilities is as follows (in local currencies, million):

The table contains accrued liabilities to be paid within 12 months (2011).

As at 31.12.10	EUR	USD	NOK	Other currencies
Repayable 0-3 months after year end	0.1			
Repayable 3-6 months after year end	10.0		1.9	
Repayable 6-9 months after year end				
Repayable 9-12 months after year end	14.8	0.7	1.9	1.4
<b>Total</b>	<b>24.9</b>	<b>0.7</b>	<b>3.8</b>	<b>1.4</b>

## Covenants

The group's banking covenant requirements comprise:

- ▶ *Nominal equity*: Minimum MEUR 50
- ▶ *Minimum liquidity*: Minimum MEUR 50
- ▶ *Gearing ratio (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 per Q3 2012 and then stay on that level until termination date (29.12.13).
- ▶ *Capital expenditures*: Maximum 4 % of consolidated turnover 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 31.12.10. 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

All lenders are ranked pari passu with first priority security over all material shares and assets of the group.

## Note 17 – 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 continually evaluates the use of hedging instruments but has currently a low usage of such instruments.

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

#### Sensitivity

At 31 December 2010, 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 increases 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 per 31.12.2010, 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 keep 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. For unused liquidity reserve, see note 16.

#### 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 18 – Trade and other payables

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
0.3	0.1	Trade payables	110.3	79.5
8.6	20.8	Short-term group liabilities	0.0	0.0
1.9	1.1	Accrued expenses	56.6	41.5
4.7	9.9	Other short-term liabilities	9.7	11.6
<b>15.6</b>	<b>31.9</b>	<b>Total</b>	<b>176.6</b>	<b>132.6</b>

#### Trade payables

The Group trade payables (external) have the following maturity structure at 31.12.2010:

Maturity	Amounts in MEUR	In % of gross trade by payables
Repayable 0-3 months after year end	102.8	93.2 %
Repayable 3-6 months after year end	6.7	6.1 %
Repayable 6-9 months after year end	0.4	0.4 %
Repayable 9-12 months after year end	0.4	0.3 %
<b>Net trade payables</b>	<b>110.3</b>	

The Group total provision for restructuring cost is MEUR 3.9 per 31.12.10 (2009: 0.3).

## Note 19 – 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)

	2010	2009
Total remuneration of the Board of Directors	170.1	162.0
Salary of the CEOs	411.0	376.9
Other remuneration of the CEOs	15.6	14.9
Pension costs of the CEOs	228.4	5.8
Management salaries other than to the CEOs	1 784.3	795.8
Other remuneration of management other than the CEOs	70.9	120.7
Pension costs of management other than the CEOs	48.6	17.4
<b>Total</b>	<b>2 728.8</b>	<b>1 493.5</b>

Hans Peter Havdal assumed the position of CEO from Olav Volldal on 01.04.10. The amounts presented above represent the remuneration of the two CEOs for their respective periods of office.

### Specification of remuneration to Board of Directors (KEUR)

Name	Position	2010	2009
Ulla-Britt Fräjdin-Hellqvist	Chairman	40.5	26.2
Tone Bjørnov		35.4	15.8
Thomas Falck		17.4	0.0
Jürgen K. Harnisch		25.9	26.2
Kjell A. Kristiansen		7.6	4.8
Tonje Sivesindtjet		7.6	4.8
Eivind A. Holvik		10.7	4.8
Others (replaced board members)		25.0	79.7
<b>Total - Board of Directors</b>		<b>170.1</b>	<b>162.0</b>

Name	Compensation committee	Audit committee	BOD meetings	Total 2010
Ulla-Britt Fräjdin-Hellqvist	2.2	2.5	35.8	40.5
Tone Bjørnov	3.1	6.3	26.0	35.4
Thomas Falck		2.5	14.9	17.4
Jürgen K. Harnisch			25.9	25.9
Kjell A. Kristiansen			7.6	7.6
Tonje Sivesindtjet			7.6	7.6
Eivind A. Holvik	3.1		7.6	10.7
Others (replaced board members)	2.2		22.8	25.0
<b>Total - Board of Directors</b>	<b>10.6</b>	<b>11.3</b>	<b>148.2</b>	<b>170.1</b>

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

2010

Name	Position	Salary	Pension	Other
Hans Peter Havdal*	President & CEO	70.5	3.3	3.1
Bård Klungseth	Executive Vice President, COO	274.1	6.5	13.0
Trond Stabekk	Executive Vice President, CFO	202.2	6.5	13.0
Bent Wessel-Aas	Executive Vice President, Business Development	162.0	6.5	13.0
Joachim Magnusson	Executive Vice President, Driveline Systems	193.4	0.0	2.4
Raymond Bomya	Executive Vice President, Interior Systems	211.1	1.9	16.9
Scott Paquette	Executive Vice President, Fluid Transfer Systems	171.1	4.7	0.0
Trond Fiskum	Executive Vice President, Actuation & Chassis Systems	190.7	14.3	0.0
James G Ryan	Executive Vice President, Power Products Systems	185.3	4.9	9.1
Niklas Berntsson	Executive Vice President, Purchase	124.0	0.0	0.5
<b>Total - management other than CEO</b>		<b>1 784.3</b>	<b>48.6</b>	<b>70.9</b>

\* The amounts above represent the remuneration of Hans Peter Havdal in his role as President of Automotive Systems for the three first months of the year.

**2009**

Name	Position	Salary	Pension	Other
Hans Peter Havdal	President & CEO	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
<b>Total - management other than CEO</b>		<b>795.8</b>	<b>17.4</b>	<b>120.7</b>

The management Group participates in a bonus scheme based on the Group's achievement of return on capital employed. Target bonus for management is maximum 50 % of base salary. No bonus was paid or earned from this program in 2009. A total of MEUR 5.0 is accrued for bonus earned in 2010. The management's share is approximately 25 % of total bonus.

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 15. 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**

	2010 Scheme No of options	2009 Scheme No of options	2008 Scheme No of options	2006 Scheme No of options
Hans Peter Havdal	315 000	215 394	157 465	39 280
Bård Klungseth	215 000	143 596	158 821	32 266
Trond Stabekk	165 000	215 394	143 516	23 077
Bent Wessel-Aas	115 000	102 029	56 928	29 460
Joachim Magnusson	115 000	102 029	17 971	
Raymond Bomya	115 000	113 365	27 651	27 104
Scott Paquette	115 000	102 029	13 012	
Trond Fiskum	115 000	45 346	16 265	8 099
James G Ryan	115 000	136 038		
Niklas Berntsson	115 000	79 356	16 265	
<b>Total options</b>	<b>1 500 000</b>	<b>1 254 576</b>	<b>607 894</b>	<b>159 286</b>

For more details about the share option plan see note 13.

**Specification of fees paid to the auditor (KEUR)**

	2010	2009
Statutory audit services to the parent company	70.8	80.4
Statutory audit services to subsidiaries	675.7	925.6
Further assurance services	34.4	328.2
Tax advisory	258.9	270.5
Other non-audit services	207.5	92.4
<b>Total</b>	<b>1 247.3</b>	<b>1 697.1</b>

Deloitte was selected as new group auditor at the General meeting in June 2010. Deloitte only performed audit services in 2010. Their total audit fee accounted for was KEUR 126 (including parent company: KEUR 14.4). The rest of the audit - and tax fees are mainly related to services delivered from PricewaterhouseCoopers.

## Note 20 – Shares owned by management and board of directors as at 31.12.10

<i>Board of Directors</i>	No of shares
Ulla-Britt Fräjdin-Hellqvist	32 800
Tone Bjørnov	0
Thomas Falck	400 000
Jürgen K. Harnisch	80 000
Kjell A. Kristiansen	20 180
Tonje Sivesindtjet	33 000
Eivind A. Holvik	0
<b>Total number of shares</b>	<b>565 980</b>

<i>Group management</i>	No of shares
Hans Peter Havdal	297 025
Bård Klungseth	95 238
Trond Stabekk	103 080
Bent Wessel-Aas	415 004
Joachim Magnusson	23 693
Raymond Bomya	31 022
Scott Paquette	40 800
Trond Fiskum	240 673
James G Ryan	158 400
Niklas Berntsson	32 400
<b>Total number of shares</b>	<b>1 437 335</b>

## Note 21 – Salaries and social expenses

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
2.9	1.6	Wages and salaries	154.1	130.9
0.4	0.5	Social security tax	28.3	22.2
0.0	0.7	Pension cost (defined benefit plans)	5.5	2.4
(0.2)	0.1	Pension cost (defined contribution plans)	3.4	2.8
1.8	0.4	Other payments	18.0	10.6
5.0	3.3	Total	209.2	168.9

As at 31.12.10 the group had 10,538 employees and the parent company 17 employees.

## Note 22 – Financial items

KAH ASA			KA Group	
2010	2009	MEUR	2010	2009
39.2	32.3	Financial income	0.0	0.0
11.1	13.8	Net foreign currency gains	8.1	61.4
0.6	0.6	Interest income	0.8	1.4
<b>50.9</b>	<b>46.7</b>	<b>Total financial income</b>	<b>8.9</b>	<b>62.8</b>
(21.9)	(40.9)	Interest expense	(22.2)	(41.6)
(3.4)	0.0	Net foreign currency losses	(0.4)	0.0
0.0	0.0	Changes in value of financial derivatives	5.9	11.0
(0.5)	(13.4)	Other items	(4.3)	(14.1)
<b>(25.8)</b>	<b>(54.3)</b>	<b>Total financial expenses</b>	<b>(21.0)</b>	<b>(44.7)</b>
<b>25.1</b>	<b>(7.6)</b>	<b>Net financial items</b>	<b>(12.1)</b>	<b>18.1</b>

## Note 23 – 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.

	2010	2009
Net (loss) / profit attributable to equity shareholders (MEUR)	(9.8)	(27.1)
Weighted average number of shares in issue (millions)	399.9	149.6
<b>Basic earnings per share, Euros</b>	<b>(0.02)</b>	<b>(0.18)</b>
<b>Diluted earnings per share, Euros</b>	<b>(0.02)</b>	<b>(0.18)</b>

The diluted earnings per share is equal to basic earnings per share per 31.12.2010. The reason is that the market price of the companies shares is lower than the exercise price of the warrants (anti-dilutive effect). Some of the stock options (NOK 3) are in the money, but the effect of those shares were not enough to change the diluted earnings per share.

## Note 24 – Dividend per share

No dividend was proposed for 2010. For dividend restrictions, see Covenants note 16.

## Note 25 – Changes in business combinations

### Sale of Kongsberg Auto Parts (Chongqing) Co. Ltd

The Groups investment (60 %) in Kongsberg Auto Parts (Chongqing) Co. Ltd (China) was sold to Chongqing Qinghe Auto Parts Co. Ltd (China) and Wellflex (HK) Auto Parts Ltd (split of the 60 %: 25 % versus 35 % respective) in November 2010. The sales price was MEUR 1.2 and the settlement was done in cash. The group loss recognized over P/L was MEUR 2.3.

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

### Purchase of Technico Kongsberg Automotive India Ltd.

The Group acquired the last 30 % (to 100 % ownership) of Technico Kongsberg Automotive India Ltd from the Gupta family (India) in December 2010. The purchase price was MEUR 1.0 which was paid in cash.



## Note 26 – Contingent liabilities and contingent assets

### Bombardier Recreational Products (BRP) versus Kongsberg Inc.

The Canadian KA entity manufactured supplied electronic steering units ("DPS") to Bombardier Recreational Products ("BRP") for subsequent installation on the three wheeled "Spyder" vehicle. The DPS was designed by a Teleflex company not taken over by KA. Some DPS units have tended to fail and give the drivers a feeling of "locking" when driving.

A recall campaign has been initiated by BRP. The root cause for the defect was inadequate design and poor choice of materials. BRP has thus initiated legal proceedings against both Tfx and KA claiming an amount of MCAD 15.0. KA has rejected the claim, mainly arguing that as the design was performed by Tfx and BRP, KA can not be held liable for the defect.

### Kongsberg Automotive Holding ASA versus Teleflex Inc.

Kongsberg Automotive Holding ASA acquired the GMS assets from Tfx in 2007/2008. KAH has raised a number of claims against Tfx mainly due to breach of warranty obligations in the sales and purchase agreement. Part of the claims relates to particular agreements for sales of goods between the Parties subsequent to the transaction. The claims further comprise a contingent claim related BRP case (see above). As Tfx has rejected the claims, KAH has initiated court proceedings in Delaware.

The court has ordered that mediation shall be initiated. Mediation meetings will be held in June 2011. Hearing in the matter will be held in December in the event that mediation is not successful.

## Note 27 – 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.

### 27.1) Principles for base salary

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

### 27.2) 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 realization 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 has made a bonus provision for 2010 (see note 19).

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 exercise price of the options shall be the average trading price of the KA share the first 10 days after presentation of the 4<sup>th</sup> quarter results. The exercise period shall typically be five to ten years. Profit from exercise of options any calendar year shall not exceed the employee's base salary the preceding year.

### 27.3) 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 broad-

band, 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.

### 27.4) 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 6 months.

### 27.5) 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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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Kongsberg Automotive Holding ASA

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Kongsberg Automotive Holding ASA, which comprise the financial statements for the parent company and the financial statements for the group. The financial statements for the parent company comprise the statement of financial position as at 31 December 2010, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements for the group comprise the statement of financial position as at 31 December 2010, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors and the President and CEO's Responsibility for the Financial Statements*

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of these financial statements in accordance with simplified application of international accounting standards according to the Norwegian accounting act § 3-9 for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as the Board of Directors and the President and CEO determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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org.nr: 980 211 282



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion on the financial statements for the parent company*

In our opinion, the financial statements of the parent company give a true and fair view of the financial position of Kongsberg Automotive Holding ASA as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to the Norwegian accounting act § 3-9.

*Opinion on the financial statements for the group*

In our opinion, the financial statements of the group give a true and fair view of the financial position of the group Kongsberg Automotive Holding ASA as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

**Report on Other Legal and Regulatory Requirements**

*Opinion on the Board of Directors' report and the allocation of the profit*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal in the financial statements for the allocation of the profit complies with the law and regulations and that the information is consistent with the financial statements.

*Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 23 March 2011  
Deloitte AS

Ingebret G. Hisdal  
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]

## Declaration to the Annual Report 2010

### Responsibility Statement

We confirm, to the best of our knowledge, that the consolidated financial statements for the period 1 January to 31 December 2010 have been prepared in accordance with IFRS as adopted by EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that the financial statements of the parent company for 2010 have been prepared in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act § 3-9, and that the information presented in the financial statements give a true and fair view of the Company's and the Group's assets, liabilities, financial position and result for the period viewed in their entirety. We also confirm that the Board of Directors report gives a true and fair view of the development, performance and the financial position of the Company and the Group, and includes a description of the principle risks and uncertainties facing the Company and the Group.

Kongsberg, 23.03.2011

Board of Directors in Kongsberg Automotive Holding ASA

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**Ulla-Britt Fräjdin-Hellqvist**  
Chairman  
(Sign.)

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**Tone Bjørnov**  
(Sign.)

---

**Thomas Falck**  
(Sign.)

---

**Dr. Jürgen Harnisch**  
(Sign.)

---

**Kjell Kristiansen**  
(Sign.)

---

**Tonje Sivesindtjet**  
(Sign.)

---

**Eivind Holvik**  
(Sign.)

---

**Hans Petter Havdal**  
President and CEO  
(Sign.)

# KEY FINANCIAL DATA

## KONGSBERG AUTOMOTIVE GROUP

		2010	2009	2008	2007	2006
<i>Operations and profit</i>						
1	Operating revenues (MEUR)	864.4	622.8	905.9	398.8	355.9
2	Depreciation and amortisation (MEUR)	46.9	46.8	46.9	14.7	12.3
3	Operating (loss) / profit (MEUR)	10.2	(46.3)	(1.1)	26.4	34.3
4	(Loss) / profit before taxes (MEUR)	(1.9)	(28.2)	(142.2)	21.3	26.5
5	Net profit (MEUR)	(9.2)	(27.5)	(94.3)	15.6	19.4
6	Cash flow from operating activities (MEUR)	43.9	22.6	77.2	24.1	32.1
7	Investment in property, plant and equipment (MEUR)	21.7	12.8	39.3	26.6	15.1
8	R&D expenses, gross (MEUR)	40.9	47.2	45.5	20.7	19.8
9	R&D expenses, net (MEUR)	34.5	43.2	41.5	17.8	13.5
<i>Profitability</i>						
10	EBITDA margin %	6.6	0.1	5.1	10.3	13.1
11	Operating margin %	1.2	(7.4)	(0.1)	6.6	9.6
12	Net profit margin %	(1.1)	(4.4)	(10.4)	3.9	5.4
13	Return on total assets %	1.3	(1.3)	(0.4)	2.9	14.7
14	Return on capital employed (ROCE) %	1.8	(8.1)	(8.2)	7.0	19.5
15	Return on equity %	(5.2)	(20.4)	(1.2)	0.2	30.4
<i>Capital as at 31.12</i>						
116	Total assets (MEUR)	804.9	763.2	749.5	827.2	251.9
17	Capital employed (MEUR)	575.8	571.8	574.3	826.8	182.7
18	Equity (MEUR)	174.6	178.9	90.7	68.5	66.5
19	Equity ratio %	21.7	23.4	12.1	8.3	3.2
20	Cash reserve (MEUR)	165.0	162.6	76.7	88.2	34.3
21	Interest-bearing debt (MEUR)	401.2	392.8	481.0	526.6	116.2
22	Interest coverage ratio	0.5	0.2	0.0	4.7	4.1
23	Current ratio (Banker's ratio)	1.7	2.1	1.4	0.9	1.6
<i>Personnel</i>						
24	Number of employees at 31.12	10 538	8 868	8 888	3 329	2 810

### Definitions

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

# HEALTH, SAFETY & 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 (%)	%		
	2010	2009	Change
<b>KA Group</b>	<b>3.05</b>	<b>3.47</b>	<b>-12 %</b>
Driveline	2.8	3.2	-14 %
Power Product Systems	3.4	4.5	-24 %
Interior	2.5	3.1	-19 %
Actuation Et Chassis	4.5	4.6	-2 %
Fluid Transfer	5.0	3.8	30 %
<b>Asia</b>	<b>1.4</b>	<b>0.7</b>	<b>99 %</b>
China	1.3	0.7	85 %
South Korea	3.6	-	n/a
India	1.6	-	n/a
<b>Europe</b>	<b>4.2</b>	<b>4.7</b>	<b>-11 %</b>
France	2.1	3.8	-44 %
Germany	5.1	3.5	46 %
Hungary	2.9	1.2	142 %
Italy	3.2	5.6	-43 %
Norway	6.6	8.5	-22 %
Poland	5.9	10.2	-42 %
Slovakia	3.0	3.9	-23 %
Spain	6.0	4.6	30 %
Sweden	3.1	3.0	4 %
UK	3.5	3.2	10 %
<b>Americas</b>	<b>2.4</b>	<b>3.0</b>	<b>-19 %</b>
Brazil	3.1	1.5	112 %
Canada	8.8	8.1	9 %
Mexico	1.7	2.4	-32 %
USA	2.2	3.1	-29 %

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 comply with general and specific requirements alike. Additionally 30 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

Kongsberg Automotive gives priority to the health, safety and well-being of its employees. Tracking health and safety performance is of prime importance to management. We seek to identify potential risks through internal auditing and routine inspection. We seek to minimize risk using good safety practices and the application of lean efficiency tools.

As a result of our efforts in 2010, we report that sick leave, accidents reported and H-value have all trended downward, a positive indication that our "put safety first" efforts are working.

### Sick Leave

Absences due to personal illnesses are tracked by the company. The Sick Leave data

Region	Total Accidents Reported in 2010	Average H-value		Average Incident Rate	
		2010	2009	2010	2009
<b>Asia</b>	<b>10</b>	<b>2.8</b>	<b>3.4</b>	<b>3.5</b>	<b>3.4</b>
China	9	3	4	4	4
India	1	4	-	4	-
South Korea	0	0	0	0	0
<b>Europe</b>	<b>56</b>	<b>5.6</b>	<b>9.0</b>	<b>6.4</b>	<b>13.5</b>
France	8	10	6	14	20
Germany	4	8	8	8	8
Hungary	2	3	5	3	5
Italy	0	0	0	0	10
Norway	4	3	9	6	18
Poland	4	2	6	4	6
Slovakia	4	2	3	2	10
Spain	21	55	55	55	89
Sweden	2	2	3	2	13
UK	7	3	12	3	14
<b>Americas</b>	<b>45</b>	<b>2.1</b>	<b>4.0</b>	<b>5.6</b>	<b>8.4</b>
Brazil	1	5	11	5	11
Canada	9	12	13	15	23
Mexico	4	1	2	1	2
USA	31	2	5	15	17
<b>Group Total</b>	<b>111</b>				



<b>All Accidents Reported</b> (Average per Plant)	Average 2010	*Average 2009	% Change
<b>KA Group</b>	<b>3.2</b>	<b>4.1</b>	<b>- 22 %</b>
Actuation Et Chassis	1.3	1.2	14 %
Driveline	2.6	4.9	- 46 %
Power Product Systems	3.0	3.3	- 11 %
Interior	3.3	4.2	- 20 %
Fluid Transfer	5.8	7.0	-17 %
<b>Incident Rate</b>			
Driveline	2.8	6.7	- 59 %
Interior	3.6	5.5	- 35 %
Power Product Systems	6.2	12.6	- 51 %
Actuation Et Chassis	10.3	11.4	-10 %
Fluid Transfer	24.2	35.2	-31 %
KA Group adjusted**	1.1	2.0	
External Benchmark**	4.3	4.3	
<b>H-value</b>			
Interior	2.2	3.8	- 42 %
Power Product Systems	2.3	6.7	-66 %
Driveline	2.5	3.3	- 23 %
Actuation Et Chassis	9.0	8.1	11 %
Fluid Transfer	18.0	26.0	- 31 %
KA Group adjusted**	0.8	1.2	
External Benchmark**	1.0	1.0	

\* In 2010, data was collected from 35 operational manufacturing facilities. Accordingly, the 2009 data, previously reported, was adjusted here to reflect performance of the same 35 locations.  
\*\*External benchmark used for 2010 and 2009 is the US BLS 2009 data for Total recordable cases (Incident Rate) and Cases with days away from work (H-value) for Manufacturing Sector. 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.

	2010 (Million kWh)	2009 (Million kWh)	% Change
<b>Total Energy (absolute)</b>			
<b>KA Group</b>	<b>137</b>	<b>149</b>	<b>9 %</b>

<b>Energy Intensity</b>	kWh/€	kWh/€	Change
<b>KA Group</b>	<b>0.16</b>	<b>0.20</b>	<b>-21 %</b>
Actuation Et Chassis	0.24	0.33	-27 %
Driveline	0.17	0.19	-6 %
Fluid Transfer	0.16	0.26	-38 %
Interior	0.13	0.15	-18 %
Power Product Systems	0.11	0.18	- 39 %
<b>By Region</b>			
Americas	0.18	0.23	-20 %
Europe	0.16	0.19	-17 %
Asia	0.11	0.20	-43 %
<b>By Country</b>			
Norway	0.30	0.38	-23 %
Mexico	0.24	0.30	-20 %
Brazil	0.21	0.08	167 %
India	0.21	-	n/a
Sweden	0.18	0.23	-24 %
Germany	0.18	0.19	-2 %
USA	0.17	0.21	-20 %
South Korea	0.14	0.12	21 %
Slovakia	0.13	0.15	-16 %
UK	0.13	0.15	-17 %
China	0.11	0.21	-48 %
Spain	0.11	0.23	-54 %
Italy	0.11	0.09	36 %
Hungary	0.10	0.10	-1 %
Canada	0.09	0.08	5 %
France	0.08	0.09	-11 %
Poland	0.04	0.06	-22 %

are reported below as an average % of short and long term absences per total number employees for the Business Area or Country noted. When considering all KA employees, the Group's sick leave average was 3.05% in 2010 compared to 3.47 % for 2009, a 12% reduction.

### Safety

Work related injuries should not occur, and KA works systematically to reduce the number of accidents and injuries affecting employees. All work related injuries are reported and tracked. Reasons for injuries are analyzed and corrective actions are implemented.

In 2010, KA Group set a target of 30 % reduction in H-value and 50 % reduction in Total Accidents reported. As a result of increasing awareness and adapting good procedures to safety work, the H-value was down 37 %, while Total Accidents were reduced by 22 %.

For KA Group, a total of 111 accidents were reported in 2010 versus the 143 reported accidents in 2009. In 2010, the Average per Plant decreased by 22 %. Notably, the Group's Incident Rate decreased by 43 %. In 2010, the Group averaged 5.6 accidents for every one million man hours worked. In 2009, the Incident Rate was 9.8 accidents for every one million man hours worked. We view this as significant progress considering that as man hours increased in 2010, the accidents reported went down. Furthermore, the Group's Incident Rate average is considered better than external benchmarks.

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. In 2010, the average H-value for the Group was 3.8 resulting in a 37 % reduction in the severity of accidents over the year. When benchmarking our H-value performance, we find ourselves performing better than peers in the industry.

For 2011 the target is a further reduction of 30 % in both Total Accidents reported and H-value. By implementing robust safety awareness and training programs, we expect more improvement in the coming year.

CO <sub>2</sub> Emissions (absolute)	2010 Total CO <sub>2</sub> (metric tons)	2009 Total CO <sub>2</sub> (metric tons)	% Change
<b>KA Group</b>	<b>42426</b>	<b>43192</b>	<b>-1.8%</b>

CO <sub>2</sub> Emissions Intensity (Metric ton CO <sub>2</sub> /€ of total product sales)	2010 kWh/€	2009 kWh/€	% Change
<b>KA Group</b>	<b>0.05</b>	<b>0.06</b>	<b>-28 %</b>
Interior	0.06	0.09	-40 %
Driveline	0.05	0.03	39 %
Fluid Transfer	0.04	0.07	-40 %
Power Product Systems	0.04	0.06	-34 %
Actuation & Chassis	0.02	0.05	-69 %
<b>By Region</b>			
Americas	0.08	0.10	-20 %
Asia	0.04	0.08	-49 %
Europe	0.02	0.04	-34 %
<b>By Country</b>			
Mexico	0.12	0.14	-11 %
India	0.10	-	n/a
USA	0.07	0.10	-32 %
South Korea	0.06	0.09	-36 %
Germany	0.05	0.04	4 %
UK	0.05	0.06	-14 %
China	0.04	0.08	-54 %
Spain	0.04	0.07	-38 %
Italy	0.04	0.03	9 %
Poland	0.03	0.04	-23 %
Slovakia	0.03	0.03	-16 %
Hungary	0.03	0.03	-3 %
Canada	0.02	0.02	5 %
France	0.01	0.07	-85 %
Sweden	0.01	0.01	-26 %
Norway	0.009	0.006	36 %
Brazil	0.005	0.007	-30 %

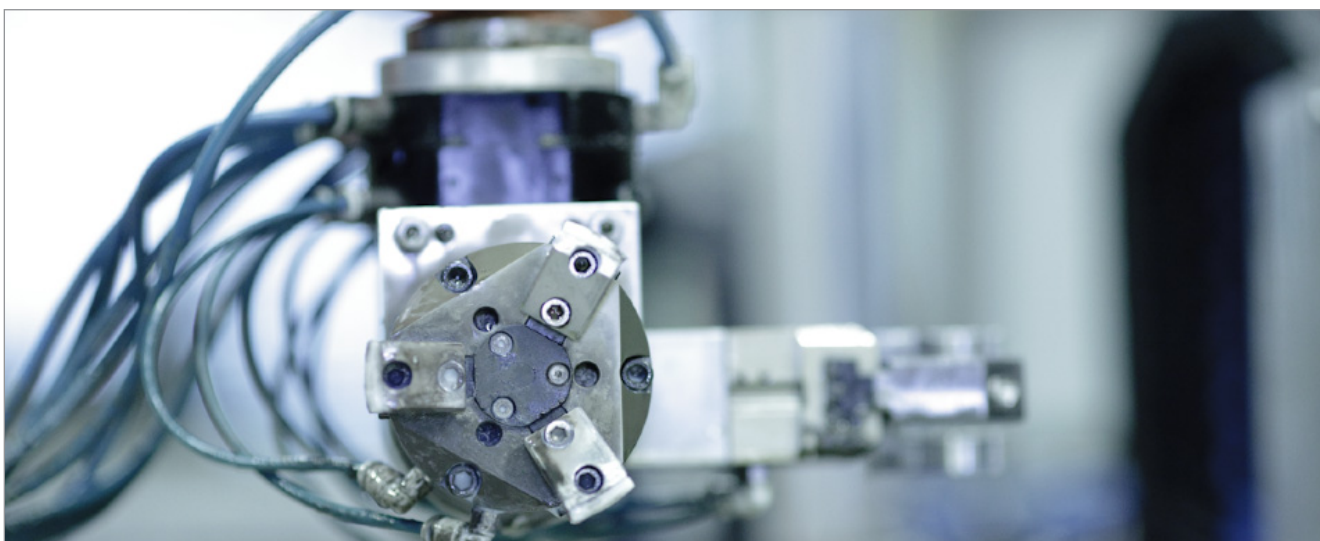
## The external environment

### Energy consumption and Energy Intensity

Energy consumption data collected in 2010 includes electricity use and burning of fossil fuels needed to support production activities. The target for 2010 was to decrease energy consumption by 6.4 % relative to total product sales; the result came out on the positive side. While energy use was up in absolute terms by 9 % in 2010, the energy intensity decreased. Energy Intensity is measured as kilowatt hour used in production for every euro of total product sales. In 2009 the company used 0.20 kWh/€ and in 2010 the energy intensity decreased to 0.16 kWh/€ resulting in a 21 % reduction. In 2011 sites will continue to work diligently to find opportunities through operational controls and equipment upgrades to use energy more efficiently.

### Energy Use and CO<sub>2</sub> Emissions

Total kilograms of CO<sub>2</sub> emitted as a result of our energy use, has been calculated using The Greenhouse Gas Protocol, a Corporate Reporting and Accounting Standard, revised edition and UN Greenhouse Gas Calculators. For our operational inventory, Kongsberg Automotive follows the control approach and includes Greenhouse House Gas (GHG) emissions, specifically CO<sub>2</sub> from sources over which it has operational control. The inventory considers Scope 1, direct GHG emissions from sources that are company owned or controlled, and Scope 2, indirect emissions associated with purchased electricity. For 2010, we calculate 42,426 metric tons of CO<sub>2</sub> were emitted as



a result of direct and indirect (purchased electricity) energy use at 35 manufacturing sites. However, even as we increased our total sales, we report that absolute 2010 emissions were 1.8 % less than 2009 CO<sub>2</sub> emissions.

The CO<sub>2</sub> Emissions Intensity decreased in 2010 to 0.05 metric ton CO<sub>2</sub>/€ of total product sales. Meaningful trends will continue to emerge as we collect data over the next few years and compare total energy use and resulting CO<sub>2</sub> emissions to total product sales.

### Waste

Pollution control is important both to KA and the societies where it operates. KA aims is to minimize the toxicity of its' waste and the volume of waste sent to landfills. All units seek opportunities to reduce, reuse and recycle. Data regarding volume of Regulated Waste (waste requiring special treatment) and waste sent to landfill was collected from all units. Information is compared to total product sales; this is known as the Waste Index. The goal was to reduce the Group's Waste Index (kg related to € sales) by 5.7 % in 2010; we exceeded our goal and reached an 8 % reduction. To reduce Regulated Waste sites looked at opportunities to eliminate and reduce the use of hazardous materials in process. To reduce waste sent to landfill, plants implemented programs to better segregate waste streams; opportunities to reuse and recycle segregated material where pursued when possible. Also, efficiency programs reduced volume of scrap materials produced and thus the waste sent to landfills.

### Fire or near fires

KA had two fires in 2010 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 location 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 2010 nor were any external complaints related to HSE reported during the year.

Total Waste (absolute)	2010 (metric tons)	2009 (metric tons)	% Change
<b>KA Group</b>	<b>2145</b>	<b>2911</b>	<b>36 %</b>

Total Waste Index (KG/100€)	2010 (kg/100€)	2009 (kg/100€)	% Change
<b>KA Group</b>	<b>0.32</b>	<b>0.34</b>	<b>-8 %</b>
Power Product Systems	0.42	0.36	18 %
Interior	0.41	0.31	32 %
Fluid Transfer	0.31	0.61	-38 %
Driveline	0.28	0.32	-13 %
Actuation & Chassis	0.14	0.20	-29 %
<b>By Region</b>			
Americas	0.45	0.41	10 %
Europe	0.30	0.38	-21 %
Asia	0.07	0.06	14 %
<b>By Country</b>			
Hungary	0.80	1.0	-17 %
USA	0.77	0.70	10 %
Slovakia	0.58	0.55	6 %
Germany	0.33	0.33	0 %
UK	0.29	0.35	-16 %
Sweden	0.29	0.51	-43 %
Norway	0.22	0.28	-21 %
Mexico	0.20	0.20	2 %
Canada	0.19	-	-
France	0.15	0.18	-15 %
Italy	0.09	0.08	8 %
Poland	0.08	0.09	-13 %
Brazil	0.08	0.05	55 %
Spain	0.07	0.60	-88 %
China	0.07	0.06	18 %
India	0.004	-	n/a
South Korea	0.001	0.004	-66 %



### Highlights of HSE improvement measures in 2010

All units were challenged with the following performance improvement targets for 2010 relative to 2009 outcome.

- ▶ **Target:** Reduce total number of accidents by 50 %.  
*We reduced total number of accidents by 22 %.*
- ▶ **Target:** Reduce H-value, or accidents resulting in lost time, by 30 %.  
*We reduced H-value by 37 %.*
- ▶ **Target:** Decrease energy consumption by 6.4 % (related to total product sales).  
*We reduced Energy Index by 21 %.*
- ▶ **Target:** Decrease amount of waste sent for special treatment or to landfill by 5.7 % (related to total product sales).  
*We reduced Waste Index by 8 %.*

#### Notable achievements

- ▶ 21 out of 35 facilities reduced their total number of accidents for the year. 14 of these locations reduced total accidents reported by more than 50 % and remaining 7 facilities reduced accidents by more than 20 %.
- ▶ The Yangsan City, Nuevo Laredo, Dassel, Ljungsarp, Selvazzano and Shanghai Xinfeng facilities all reported zero accidents in 2010. Additionally, the Yangsan City facility in Korea reported six years with no lost time accidents.
- ▶ 22 units reported a reduction in their H-value (accident severity).
- ▶ 23 units reduced their Energy Intensity in 2010. Not only did reductions save money but the resulting CO<sub>2</sub> emissions in absolute terms were also reduced, despite the increase in production and related sales.
- ▶ Waste minimization programs were implemented at most units. Efficiency programs targeted reduction at the source. Facilities carefully tracked and segregated waste streams and sought opportunities to reuse and recycle. Some of the results are impressive. For example:
  - ▶ Siofok Hungary is now recycling 100 % of its cardboard and packaging foil.
  - ▶ Through careful segregation and recycling initiatives, Basildon UK has reduced the waste it sent to landfill by 51 %.

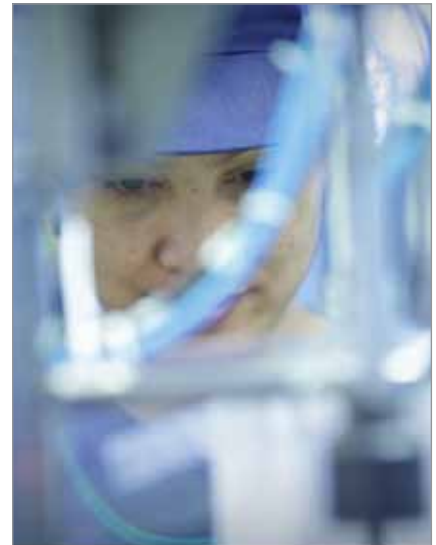
- ▶ After installing an evaporative system, Suffield USA reduced used oil waste by more than 50 %.
- ▶ Pruszkow Poland decreased heating water parameters on input side from 90°C to 60°C and achieved their Energy Index goal.
- ▶ Mulsjö Sweden recycled 96 tons of plastic waste from the production process thus reducing volume to landfill.
- ▶ To save energy, many facilities looked at compressed air usage, optimized and balanced their systems and repaired leaks in the distribution system. In particular, Burton UK underwent a full system audit through the Carbon Trust. They fixed leaks and optimized equipment such that 50 % less steam was used.
- ▶ Other locations, like Dassel Germany, Swainsboro Georgia, Heiligenhaus Germany and Pruszkow Poland, upgraded shop floor lighting with energy saving lamps. Mulsjö Sweden installed more movement detectors to the fluorescent tube lights.
- ▶ PPS Business Area (BA) embarked on an aggressive HSE awareness and improvement program. PPS developed its' own Green Card to track and discuss on a monthly basis each plant's performance of key HSE indicators- accidents, internal audits, energy use and waste reduction. As a result, the BA created its' own safety mascot, risk assessment targets, and environmental internal auditing plans. Significant improvements have been made.
- ▶ A Fleet Safety program was also launched globally.

### Group Targets & Expectations for 2011

All units are challenged to contribute to the following performance objectives for 2011, relative to the 2010 outcome;

- ▶ Reduce total number of accidents by 30 %.
- ▶ Reduce H-value (accidents resulting in lost time) by 30 %.
- ▶ Decrease energy consumption by 1.5 %
- ▶ Decrease amount of waste sent for special treatment or to landfill by 1.5 %

Each unit will set specific goals to their 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 executive 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](http://www.kongsbergautomotive.com)







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