Annual Report 2014

CONTENTS

COMPANY INFORMATION

BUSINESS & PRODUCT PORTFOLIO

Kongsberg Automotive provides world class products to the global vehicle industry. Our products enhance the driving experience, making it safer, more comfortable and sustainable. With revenues of close to EUR 1.0 billion and approximately 10.000 employees in 20 countries, Kongsberg Automotive is truly a global supplier. The company is headquartered in Kongsberg, Norway and has 32 production facilities worldwide.

The product portfolio includes seat comfort systems, driver and motion control systems, fluid assemblies, and industrial driver interface products developed for global vehicle manufacturers.

BUSINESS AREAS

The Group consists of four business areas with a clear customer and product focus:

DRIVELINE

Gear shift systems for light duty vehicles

- Automatic and manual gear shifters
- Shift cables
- Shift towers

INTERIOR

Safety and comfort related products for vehicle interiors

- Head restraints
- Lumbar support systems
- Seat climate sytems
- Light duty cables

DRIVER CONTROL

Driver control systems and chassis related products to on- and off-highway vehicles

- Gear shifters
- Clutch servos
- Steering columns
- Chassis stabilizers
- Displays
- Throttle and brake pedals
- Hand controls

FLUID TRANSFER

Fluid handling systems for commercial vehicles, passenger cars and industrial applications

- Pipe / hose assemblies for turbo chargers
- Brake- and fuel systems
- Couplings for air systems

LOCATIONS AND EMPLOYEES 2014

Europe

NORWAY (545)
- *Kongsberg*
- *Oslo*
- *Hvittingfoss*
- *Raufoss*
- *Rollag*

SWEDEN (564)
- *Gothenburg*
- *Ljunsarp*
- *Mullsjö*

GERMANY (127)
- *Hallbergmoos*
- *Heiligenhaus*

UK (436)
- *Burton*
- *Basildon*
- *Normanton*

FRANCE (252)
- *Paris*
- *Cluses*
- *Molsheim*

SPAIN (284)
- *Epila*

POLAND (916)
- *Pruszkow*

SLOVAKIA (764)
- *Vrable*

HUNGARY (398)
- *Siofok*

THE NETHERLANDS (9)
- *Enschede*

ITALY (25)
- *Padova*

RUSSIA (1)
- *Moscow*

North America

USA (1 008)
- *Novi*
- *Milan*
- *Grand River*
- *Easley*
- *Suffield*
- *Laredo*
- *Willis*
- *Brownsville*
- *Swainsboro*

CANADA (473)
- *Grand-Mere*

MEXICO (2 839)
- *Matamoros*
- *Nuevo Laredo*
- *Reynosa*

South America

BRAZIL (113)
- *Jundiai*

Asia

CHINA (1 000)
- *Shanghai (Lonestar)*
- *Shanghai (SKADFM)*
- *Wuxi*

INDIA (82)
- *Gurgaon*
- *Pune*

KOREA (36)
- *Yangsan*

JAPAN (8)
- *Tokyo*

(as of 1.1.2015)

9 880

EMPLOYEES

32

PRODUCTION FACILITIES

20

COUNTRIES WORLDWIDE

BUSINESS HIGHLIGHTS 2014

DRIVELINE

Gear shifter contract in Europe for automatic transmissions

KA received nomination from a major European OEM for the supply of gear shifters for both automatic transmissions featuring shift by wire and manual transmissions.

KA opens new Tech Center Mullsjö, Sweden

The new SEK 30 million building includes 4,500 square meters of office and engineering space for persons from all business areas and consolidates R&D efforts in one facility.

KA receives General Motors Supplier Quality Excellence Award

This was the third time that GM Global Supplier Quality & Development presented this prestigious recognition to specific manufacturing locations that have met or exceeded the stringent set of quality performance criteria.

FUILD TRANSFER

KA awarded EUR 8 million contract from luxury SUV maker

Kongsberg Automotive's Fluid Transfer business area was awarded a contract for supplying air suspension lines to a luxury SUV maker. The estimated total value of the contract is EUR 8 million over its 7 year duration.

INTERIOR

Contract with European premium automaker for seat comfort systems

KA was awarded a seven year agreement with a European premium automaker for the supply of seat comfort systems to one of its flagship vehicle platforms.

DRIVER CONTROL

KA awarded new BRIC contracts worth EUR 54 million

KA's Driver Control business area was awarded several new contracts for deliveries to leading customers in the commercial vehicle industry in Brazil, Russia, India and China.

ePower

KA increases electric- and hybrid powertrain focus

Kongsberg Automotive increased its commitment to and capabilities within electric- and hybrid powertrains by acquiring 100% ownership in ePower Nordic AB, a joint venture between KA and QRTECH AB.

Financial highlights 2014

- Continued company deleverage and financial improvements
- Delivering good cash flow
- Secured new loan agreement

INTERIOR

Strategic seat comfort business win with premium OEMs worth EUR 250 million

KA was awarded key contracts to the supply of pneumatic seat comfort systems to two German premium OEMs.

DRIVELINE

KA delivers the shifter system to Volvo Cars Concept Estate

KA was proud to be the supplier of the "crystal shifter system" to Volvo cars for their latest concept car which was on display at the Geneva International Motor Show.

DRIVELINE

Driveline contract in North America and Asia worth EUR 122 million

KA's Driveline business area was nominated by a major North American OEM for supplying automatic transmission (AT) shifters.

FUILD TRANSFER

Global supply agreement for hose products

KA's Fluid Transfer business area was awarded a three year supply agreement for high temperature hose products to Europe and China worth an estimated EUR 23 million over its lifetime.

CEO
REPORT

DEAR SHAREHOLDERS

"Kongsberg Automotive made steady progress as a world-class supplier to the global vehicle industry during 2014. We improved our underlying profitability, reduced our debt, and achieved a solid level of new business wins during the year."

Hans Peter Havdal
President & CEO

Kongsberg Automotive made steady progress as a world-class supplier to the global vehicle industry during 2014. We improved our underlying profitability, reduced our debt, and achieved a solid level of new business wins during the year.

Since 2008 we have been through a challenging period of restructuring and optimization and we've made real progress within many areas which has helped improve our underlying profit margins. Now, the time has come to create growth. In the short to medium term, cost related to innovation will show relative increase, as current efforts will be reflected in future growth.

Growth is of great importance for Kongsberg Automotive. The global automotive industry continues to crave ever bigger suppliers. Only global suppliers can thrive with such demands and achieve meaningful economies of scale, profitability, maintain long-term R&D efforts, and ride out the next recessions. Suppliers need to afford to be global to succeed over time, and that requires size.

We are currently doing well in many areas; our quality levels are good, we have strengthened our financial position, we have a strong global footprint and we are able to launch new projects at the right time and cost. However, there is a need to step up our performance in certain areas to build further growth momentum. We will therefore focus on three areas in particular - **Innovation, Customers & People** - which we believe will have the greatest impact for reaching our long term goals.

Our drive for new innovations is already starting to pay off with solid progress in several product areas like; AMT, Shift-by-Wire, ePower, Couplings for the US market and new building blocks for our Seat Comfort features. The response from our customers is strong and we have achieved a record for new business wins - above EUR 282 million.

We are also making progress in the area of developing our people and we are proud to see that KA is recognized as an organization that promotes learning and development. This helps to build our confidence for the future.

Today our products are found in cars and commercial vehicles across the globe, and the company was included in the Automotive News list of the World's Top 100 Automotive Suppliers. Kongsberg Automotive is committed to being a global partner to our customers and plan to further expand our activities in emerging markets.

At our capital markets day in December we provided an assessment of the market outlook and updated financial targets for the coming year and beyond. These targets include the following:

- Return on Capital Employed above 13%
- NIBD/EBITDA ratio of 2.0 by 2015, and to be further reduced until below 1.5
- Organic Growth of between 3-5% beyond 2015, based on current market outlook assumptions

2015 looks to be a demanding year for global automotive sector suppliers, including KA. Given the current business environment, we will bolster our growth initiatives whilst maintaining our relentless drive for continuous improvement.

Reaching our targets will require dedication and alignment from the entire organization. Being a leading supplier requires the right team with the right focus. We look forward to pushing hard towards our objectives in 2015.

Hans P. Havdal

REPORT OF THE BOARD OF DIRECTORS

Kongsberg Automotive's underlying results for the year improved compared to 2013. Revenues were in line with the previous year, however net profit was slightly below due to a higher tax charge.

The Group's main focus ahead is to grow its top line and improve profitability further. Therefore the Group has bolstered its focus on innovation and added significant resources in that area. The Group has continued to reduce its debt level and has stated its commitment to continue to further reduce the gearing ratio towards a level of 1.5 times NIBD/EBITDA. ROCE which is the key target for the Group improved from 10.9% to 11.8%.

During 2014 Kongsberg Automotive recorded new business wins corresponding to approximately EUR 282 million in annual revenues, representing an all time high.

Kongsberg Automotive's results for the year improved compared to 2013. Revenues were in line with the previous year, however net profit was slightly below due to a higher tax charge.

The Group's main focus ahead is to grow its top line and improve profitability further. Therefore the Group has strengthen its focus on innovation and added significant resources in that area. The Group has reduce its debt level from 2.5 to 2.2 NIBD/EBITDA during the year, and has stated its commitment to continue to further reduce the gearing ratio towards a level of 1.5 times NIBD/EBITDA. ROCE which is the key target for the Group improved from 10.9% to 11.8%.

General market improvements have been slower than anticipated at the start of the year. In particular the commercial vehicle markets in Europe and Brazil have adversely affected revenues. Europe remains the largest market for KA, but the challenges in this region weren't offset by good markets in North America and China.

During 2014 Kongsberg Automotive recorded new business wins corresponding to approximately EUR 282 million in annual revenues, representing an all time high. Among these new business wins were several contracts in strategically important areas, demonstrating that our increased efforts in Research & Development are yielding results. It also shows that Kongsberg Automotive is seen as a trustworthy global supplier in an ever more globalized industry. The amount of business wins in emerging markets continues to be higher than the current sales in these markets. This will lead to improved exposure for the Group towards the growth markets going forward. Stronger focus on customers, innovation and people development is important to maintain and improve the Group's competitive position for the future.

MARKETS

Light Vehicle Production (LVP)

Light Vehicles Production (LVP) was 86.6 million in 2014, which is up 2.2% from last year. The main growth in the passenger car market in 2014 came from the North American and Chinese markets. Production in Europe reached 20 million units in 2014, which was an increase of 2.7% compared to 2013. The Russia-Ukraine crisis hit Russian production hard, however Western European markets bounced back in particularly the premium car production showed a strong growth.

North American production continued to increase, with a growth of 4.4% in 2014. In addition to good funding possibilities, the marked drop in oil prices led to stronger sales.

Growth in Asia was once again led by China. However, the growth rate is starting to slow down. Production in China grew by 6.4% in 2014 and ended at 22.3 million vehicles. The rest of Asia had a decline of 1.2%.

Commercial Vehicle Production (GVW>6t)

Production of medium and heavy-duty commercial vehicles dropped by 2.1% in 2014 to 2.75 million vehicles. European production experienced an effect from the EURO6 pre-buy in 2013, in addition the Russia-Ukraine crisis hit the Russian market especially hard. Total production in Europe fell by 12.2% to 496 000 vehicles.

North American markets recovered from the declining trend in 2013 to a strong growth of 16.7% in 2014. Shale oil activity helped drive Heavy Duty truck demand. And even if the drop in oil prices will reduce shale oil activity, the reduction in fuel costs would have a positive effect on the market. In South America the markets experienced high volatility. The Brazilian market had a steep decline from its growth in 2013. The main reason was due to governmental actions controlling the market. The South American market declined 14.7% in 2014.

RESEARCH AND DEVELOPMENT

The Group's overall spending on research and development (R&D) totaled 6% of sales in 2014. This involves a team of some 505 highly skilled people. KA's R&D organization combines strong local engineering support close to the customer and five global tech centers. The tech centers are located in the

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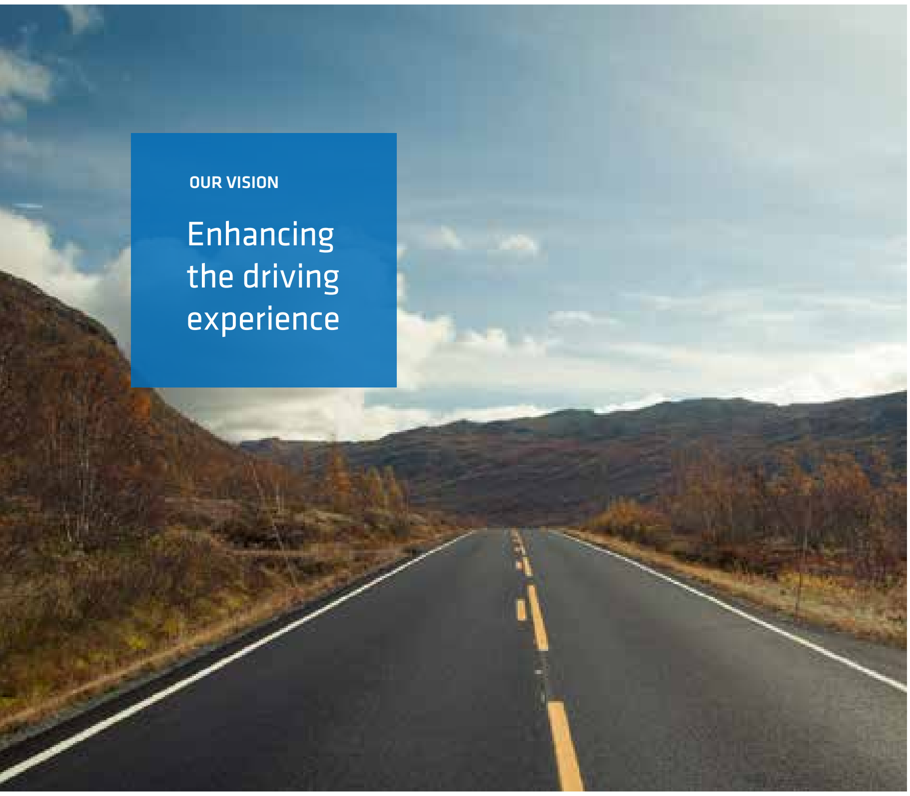
KA has R&D capabilities ranging from concept to production-ready systems including a full in-house prototype, test and validation capacity.

USA (Novi), China (Wuxi), Germany (Hallbergmoos), Sweden (Mullsjö) and Norway (Kongsberg). This strategy enables the Group to maintain resources near key customers that drive the technology shifts in the automotive industry. The Group has for instance engaged a significant amount of new resources within Automated Manual transmission technology for Commercial Vehicles and Shift by Wire technology for Light Duty Vehicles.

KA has R&D capabilities ranging from concept to production-ready systems including a full in-house prototype, test and validation capacity.

OPERATIONS

Our focus on lean operations and optimization of production setup based on our competitive cost manufacturing footprint continued in 2014. The majority of our passenger car components are now manufactured in competitive cost countries such as Mexico, Poland, Slovakia, Hungary and China. The Group is continuously assessing its footprint across the globe to match the future needs of the business.



GOING CONCERN

In accordance with section 3–3 of the Norwegian Accounting Act, we hereby confirm that the consolidated financial statements and the financial statements of the parent company have been prepared on going concern assumptions, and that there are reasonable grounds to make such an assumption.

OPERATIONAL RISK

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

The company is usually contracted as a supplier with a long-term commitment. The commitment is usually based on the vehicle platforms. 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 labor, political risk, customer default, industrial disputes, accidents, environmental pollution, the prices of raw materials, unforeseen problems, changes in circumstances that may lead to cancellations and other risk factors beyond the control of the Group.

For more information regarding operational risk, see note 21.

FINANCIAL RISK

The Group's activities are exposed to different types of financial risk. Some of the most important risk factors are foreign exchange rates, interest rates, raw materials prices and credit risks, as well as liquidity risk.

Currency risk

The Group operates in many different geographical markets resulting in transaction and translation currency

exposure. Net investments and profit from the international operations, where the functional currency is different from the presentation currency (EUR), are exposed to currency risk in the financial reporting. Transactional currency risk arises if the cost base and revenues are tied to different currencies. The Group seeks to align its revenue and cost base to reduce the currency exposure on a net cash flow basis. Debt is drawn in currencies matching the cash flow from the different geographical markets.

Interest risk

Interest risk is linked to the long-term debt and primarily driven by changes in EUR and USD interest rates. The risk is related to how the company's borrowing cost will change in relation to changes in interest rate changes.

Credit risk

Credit risk represents a considerable risk in the automotive market. The Group closely monitors outstanding amounts, and rapidly implements actions if receivables become overdue. Kongsberg Automotive have established good routines to follow up on receivables. Losses in this area have been minimal in the past.

Liquidity risk

The development of net interest bearing debt and liquidity reserve is closely monitored. The financial leverage has been significantly reduced during the last years. Financing is readily available to the company at good prices. The recent announcement of a favorable refinancing taking place in 2015 illustrates the latter.

Risk management

Responsibility for the Group's financial risk management is mostly centralized, and the risk exposure is continuously monitored. The Group constantly evaluates and potentially use derivatives in order to minimize risks relating to currency fluctuation, interest rate changes and raw material prices. As the Group operates in many countries, it is vulnerable to currency risk. The greatest currency exposure is associated with the EUR and USD, while raw material exposure is greatest in copper, zinc, aluminium, polymer components and steel.

Risk assessment is also conducted with regards to other elements like market, operations, environment etc. to identify proper counter measures. For further risk analysis, see note 21 to the financial statements.

FINANCIAL PERFORMANCE

Group

Operating revenues for the Group totaled EUR 979.1 million in 2014, a decrease of EUR 11.9 million compared with the previous year. The decrease in revenues was primarily driven by some major programs reaching end of production and weakness in the South American commercial vehicle market. Weakness in the southern European light vehicle business and a faster than anticipated switch from manual to automated shifter technology on the commercial vehicle side in Europe and Brazil also negatively impacted revenues in 2014.

Operating profit totaled EUR 54.8 million (53.2), giving an operating margin of 5.6% (5.4%). The margin improvement was achieved despite a decline in revenues and increased R&D spending.

Segments

Some business was transferred from Interior business area to Driver Controls at the beginning of the year. The transfer was made with effect as of January 1, and is also reflected in the comparable numbers.

Interior revenues increased by EUR 5.5 million in 2014. The business area's operating profit rose by EUR 2.8 million to EUR 25.9 million driven by the increased revenues and operational improvements. Operating margin increased from 7.7% to 8.5% in 2014.

Driveline revenues declined by EUR 14.8 million (-5.3%) in 2014 due to some major programs reaching end of production and weakness in its southern European business. Despite the drop in revenues, operating profit rose to EUR 4.5 million in 2014, an improvement of EUR 2.4 million from the previous year, as commercial and operational improvements offset the negative effects of lower revenues.

Fluid Transfer revenues rose by EUR 4.5 million (2.4%). Operating profit for the business area was EUR 23.6 million, up EUR 1.1 million from the previous year reflecting conversion of higher sales and a favorable product mix.

Driver Control revenues decreased by EUR 4.4 million in 2014, mainly due to a weak South American market and a faster than anticipated switch from manual to automated shifter technology. Operating profit decreased by EUR 3.9 million to EUR 18.4 million, primarily due to higher engineering cost driven by high project activity, and marketing spend.

86.1

In 2014 the Group had a positive cash flow from operating activities of 86.1 million Euros.

Net financial items
Net financial items amounted to EUR -35.9 million in 2014 (-40.4). Interest expenses were reduced by EUR 5.4 million to EUR 11.9 million in 2014, reflecting a lower debt level and lower interest rate margins. Unrealized currency effects amounted to EUR-20.6 million compared to EUR -19.7 million in 2013.

Net profit
Net profit for the year was EUR 5.4 million, compared with 6.6 million in 2013. Net profit was negatively impacted by a material tax charge in 2014 driven by losses not capitalized and change in tax rates and legislation.

Capital
The Group's long-term interest-bearing bank debt amounted to EUR 252.8 million (279.0) as of 31 December 2014.

As of 31 December 2014, the Group's book equity totalled EUR 210.3 million (189.6). The equity ratio was 30.5% (27.6%).

Liquidity
In total, Kongsberg Automotive had liquidity reserves in cash and overdraft facilities of EUR 134.8 million.

Cash flow
In 2014, the Group had a positive cash flow from operating activities of EUR 86.1 million, compared with EUR 87.6 million in 2013. The Group invested EUR 36.1 million in property, plant and equipment and intangible assets, an increase of EUR 6.6 million from 2013. Repayment of external loans amounted to EUR 36.7 million in 2014, EUR 5.4 million less than in 2013. The net change in cash and bank overdraft during 2014 was EUR 1.9 million.

Impairment
At the close of the year, the Group performed an impairment test in accordance with the requirement in IAS 36. Based on the result, no need for write-downs was identified. See notes 3 and 12 for further details.

Kongsberg Automotive ASA – The parent company

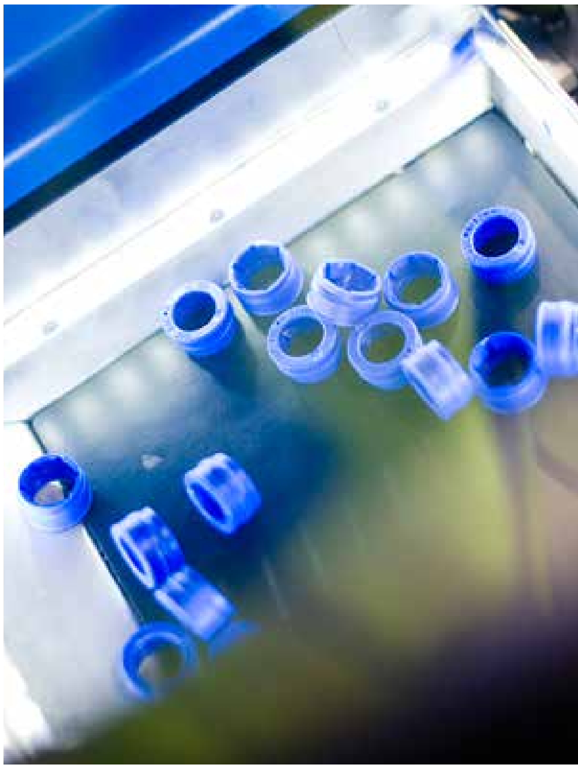
In 2014, the parent company generated total operating revenues of EUR 41.3 million (37.6), with a corresponding operating profit of EUR 4.6 million (11.2). The parent company had net financial items of EUR 48.8 million in 2014 (-10.5) positively impacted by currency effects. The net result after tax for the year amounted to EUR 40.4 million (-7.6). As of 31 December 2014 equity totalled EUR 310.2 million (292.2).

Appropriations
In accordance with the dividend policy the Board of Directors will propose to the Annual General Meeting that no dividend be paid for 2014.

The Board of Directors proposes that Kongsberg Automotive ASA's net result of EUR 40.4 million be allocated as follows: Transferred to retained earnings: EUR 40.4 million.

CORPORATE GOVERNANCE

The Board of Directors of Kongsberg Automotive ASA has established a set of general principles and guidelines for corporate governance. These principles cover the board's responsibility for determining the Group's risk profile, approving the organization of the business, allocating responsibility and authority, as well as requirements with respect to reporting lines and information, risk management and internal control. The



47%

Women currently make up 47% of our total workforce. The Board of Directors of Kongsberg Automotive ASA consists of three women and five men, with 40% of the company's shareholder-elected directors being female.

tasks and responsibilities of the Board of Directors and the CEO are laid out in separate directives covering the board and the CEO respectively.

KA's Board of Directors has issued directives to the Group's subsidiaries that are intended to ensure that they adopt and comply with the Group's principles and guidelines for corporate governance. The Group's guidelines for corporate social responsibility summarize how work in this area is to be integrated into the Group's corporate governance processes for investments, product development, procurement and the well-being of our employees. The board determines the Group's objectives in the field of corporate social responsibility.

Guidelines for investor relations are intended to ensure that investors, lenders and other stakeholders in the securities market are provided with reliable, timely and identical information.

As an extension of the general principles and guidelines, a Code of Conduct has been adopted that applies to all Group employees and elected officers. The Code of Conduct was revised in 2013. Uniform regulations for risk management, internal control, financial reporting, handling of insider information and primary insiders' own trading activities have also been adopted.

Kongsberg Automotive's Board of Directors has decided to comply with the latest version of the Norwegian Code of Practice for Corporate Governance. Kongsberg Automotive's compliance with the requirements of each of the 15 main principles of the Norwegian Code of Practice for Corporate Governance and the provisions of section 3-3b of the Norwegian Accounting Act is further detailed in the section "Corporate Governance in Kongsberg Automotive" in the annual report. This information is also available from the company's website.

EMPLOYEES

At the end of 2014, KA had 9.880 full-time employees, which reflects a net decrease of 255 people compared with the same period in 2013. The largest reductions came in Mexico (210) and Slovakia (110).

Overall, the largest increases in the company's workforce came in the UK, with the addition of 143 employees and Canada with 104 new employees. Mexico has the largest number of KA employees with 2,839 people employed at three locations (Reynosa, 795; Matamoros, 968; and Nuevo Laredo, 1.076).

During the year, Kongsberg Automotive hired 86 (+ 15%) more engineers, reflecting our increased focus on innovation. This trend is expected to continue in 2015.

Kongsberg Automotive is committed to having a culture of diversity and inclusion within our company, whereas all employees are valued for their unique differences and contributions to the success of the company. This commitment is defined in our Diversity policy and reflected in Kongsberg Automotive's focus on diversity in recruitment processes and management development programs.

The company also recognizes that a good balance between work and private life is

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KA considers the safety of its workers a top priority. Eliminating unsafe conditions in our plants remained a primary focus.

becoming increasingly important for all of today's employees. The company aims to increase the diversity in Corporate and Divisional Management positions. To reach this goal, the company intends to invite a more diversified selection of candidates to interviews for all positions within the company.

In order to secure a diverse future for the organization, our succession planning is reviewed annually to ensure that a better gender and ethnic balance exists within our company. Women currently make up 47% of our total workforce. The company's policy is to ensure fair and competitive remuneration to all employees. A salary review conducted in 2014 of the top 250 employees shows good balance between the genders in the upper management levels. The Board of Directors of Kongsberg Automotive ASA consists of three (38%) women and five (62%) men, with 40% of the company's shareholder-elected directors being female.

Kongsberg Automotive recognizes the importance of attracting and retaining skilled and motivated employees at all levels of the organization, with a strong commitment to the business as well as KA's ethical guidelines and values.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

Kongsberg Automotive gives the 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 internal requirements alike. All manufacturing locations have implemented Environmental Management Systems in accordance with ISO 14001 Standards. Certification assures that units consider the environmental impact of their work and set targets for improved performance. As a supplier, KA also complies with standards set by its customers.

Objectives and plans for improved HSE performance were set and communicated in early 2014 and performance was tracked on a monthly basis. Review of key performance indicators in this area is taken at top levels within the organization. Programs for accident prevention are reviewed for effciency and adjustments are made without delay when needed. As a result, the Group continues to report positive and improved performance with respect to HSE.

Absences due to personal illnesses are tracked by the company. When considering all KA employees, the Group's sick leave average was 2.0% in 2014 compared to 2.7% in 2013, a decrease of 25%.

KA considers the safety of its workers a top priority. Eliminating unsafe conditions in our plants remained a primary focus. As a result, in 2014, the Group averaged 3 accidents for every one million man hours worked; this is similar to results achieved in 2013 and 47% reduction in injuries over the last five years. Notably, 12 of our 32 manufacturing locations reported zero accidents in 2014. We see this as confirmation that our teams are focused on eliminating risks which prevent accidents from occurring. Our facilities were tasked to further reduce the number of work-related injuries resulting in lost time; we tracked this internally as H-value. Over the last five years we have significantly reduced our lost time accident rate by 41%. In the last two years, the H-value has leveled to 2 lost time injuries per one million man hours worked. When Group H-value average is adjusted for comparison to the leading external benchmark, we continue to find our performance is better than average for the general manufacturing sectors. Regardless, we used all opportunities to improve our operations, equipment and work processes to minimize potential hazards. Additionally, we increased opportunities for sharing of safety best practices and hosted an HSE symposium for our on site professionals.

Energy consumption data for electricity and burning of fossil fuels needed for production activities was collected. The target for 2014 was to decrease energy consumption by another 1.5% relative to total product sales. Absolute energy use was down 4% and the Energy Intensity, measured as kilowatt hour used in production for every eEuro of total product sales, also decreased 2% over the year. Using UN Greenhouse Gas Calculators, KA Group's 2014 CO_2 emissions are calculated at approximately 46,000 metric

"Our manufacturing footprint is global and we launched the One KA Factory standard to emphasize the commitment for operational excellence.

tons and the CO_2 Emissions Intensity is up 2% to 44 metric tons of CO_2/1M€ of total product sales.

Pollution control is important to KA and the communities in which it operates. KA's aim is to minimize the amount of waste sent to landfills and the toxicity of waste requiring special treatment or disposal. All units sought opportunities to reuse and recycle. In addition, four manufacturing locations were landfill free in 2014. As a result, we decreased our absolute waste generated by 14% and our Waste Index by 13%.

In 2014, no fires resulting in significant property damage or as interruption to normal business were reported. No spills or unauthorized releases to the environment requiring disclosure to legal authorities occurred nor were there any external complaints related to HSE reported during the year.

CORPORATE RESPONSIBILITY

Further details about Kongsberg Automotive's Corporate Responsibility are provided in pages 64-71 of the annual report.

OUTLOOK

Commercial vehicle production in 2015 is expected to be on the same level as in 2014. Growth in the Asian (except China) and North American markets is expected to be offset by a decline in the Chinese market. Europe is expected to be in line with 2014, however the outlook is uncertain.

The outlook for the light duty vehicles is somewhat more positive. The Chinese and North American market is expected to continue to grow, and the rest of Asia should rebound. The outlook for Europe remains however uncertain.

The market outlook for 2015 gives reason to expect revenues to be in line with 2014.

The outlook is based on current market assumptions.

BOARD OF DIRECTORS

Ulla-Britt Fräjdin-Hellqvist
Chairwoman

Halvor Stenstadvold
Board member

Malin Persson
Board member

Thomas Falck
Board member

Magnus Jonsson
Board member

Tonje Sivesindtajet
Employee representative

Kjell Kristiansen
Employee representative

Eivind Holvik
Employee representative

Hans Peter Havdal
President and CEO

Kongsberg, February 16, 2015
The Board of Directors of Kongsberg Automotive ASA

CONSOLIDATED FINANCIAL STATEMENS

Group continue to deliver a strong cash flow, which is important to fund our strategy going forward.

Trond Stabekk, CFO

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STATEMENT OF COMPREHENSIVE INCOME

Parent				Group	
31.12.14	31.12.13	MEUR	Note	31.12.14	31.12.13
41.3	37.6	**Operating revenues**	7, 29	979.1	990.9
		Operating expenses			
0.0	0.0	Raw material expenses		(430.6)	(452.2)
0.0	0.0	Change in inventories		(0.5)	(1.5)
(6.8)	(7.3)	Salaries and social expenses	8	(272.9)	(268.8)
(29.6)	(18.9)	Other operating expenses	9	(178.1)	(171.4)
(0.0)	(0.0)	Depreciation	13	(28.6)	(30.7)
(0.3)	(0.2)	Amortization	12	(13.5)	(13.2)
(36.6)	(26.4)	**Total operating expenses**		(924.2)	(937.8)
4.6	11.2	**Operating (loss) / profit**		54.8	53.2
		Financial items			
65.7	40.5	Financial income	10	0.2	3.3
(17.0)	(51.0)	Financial expenses	10	(36.1)	(43.7)
48.8	(10.5)	**Net financial items**		(35.9)	(40.4)
53.4	0.7	**(Loss) / profit before income tax**		18.9	12.8
(12.9)	(8.3)	Income tax	11	(13.5)	(6.2)
40.4	(7.6)	**(Loss) / profit for the year**		5.4	6.6
		Other comprehensive income (Items that may be reclassified to profit or loss in subsequent periods):			
(24.7)	(45.1)	Translation differences		27.9	7.3
0.0	0.0	Tax on translation differences		(12.6)	(6.7)
		Other comprehensive income (Items that will not be reclassified to profit or loss in subsequent periods):			
(0.0)	(0.2)	Remeasurement of the net PBO.		(2.7)	(3.2)
0.0	0.1	Tax on remeasurement of the net PBO		0.8	0.9
(24.7)	(45.2)	**Other comprehensive income**		13.4	(1.6)
15.7	(52.8)	**Total comprehensive income for the year**		18.8	5.0
		Profit attributable to:			
40.4	(7.6)	Equity holders (parent company)		5.1	6.3
0.0	0.0	Non-controlling interests		0.3	0.2
40.4	(7.6)	**Total**		5.4	6.6
		Total comprehensive income attributable to:			
15.7	(52.8)	Equity holders (parent company)		18.6	4.7
0.0	0.0	Non-controlling interests		0.3	0.2
15.7	(52.8)	**Total**		18.8	5.0
		Earnings per share:			
		Basic earnings per share, Euros	17	0.02	0.02
		Diluted earnings per share, Euros	17	0.02	0.02

STATEMENT OF CASH FLOWS

Parent				Group	
31.12.14	31.12.13	MEUR	Note	31.12.14	31.12.13
		Operating activities			
53.4	0.7	(Loss) / profit before taxes		18.9	12.8
0.0	0.0	Depreciation	13	28.6	30.7
0.3	0.2	Amortization	12	13.5	13.2
(21.5)	(23.8)	Interest income	10	(0.2)	(2.1)
12.2	16.0	Interest expenses	10	11.9	17.3
(0.6)	0.0	Taxes paid	11	(9.1)	(8.5)
0.0	0.0	(Gain) / loss on sale of non-current assets	12,13	0.0	0.0
13.7	(1.7)	Changes in Trade receivables	15	(3.7)	(7.0)
0.0	0.0	Changes in Inventory	14	0.5	1.5
(1.6)	(3.1)	Changes in Trade payables	20	(1.3)	4.4
(31.7)	(12.1)	Currency differences over P/L	10	20.6	19.7
(0.5)	(1.1)	Changes in value of financial derivatives	10	0.2	(1.2)
(12.1)	(3.5)	Dividends received		0.0	0.0
(3.3)	40.2	Changes in other items	10	6.0	6.8
8.3	**11.8**	**Cash flow from operating activities**		**86.1**	**87.6**
		Investing activities			
(0.6)	(0.6)	Capital expenditures, including intangible assets	12,13	(36.1)	(29.4)
0.0	0.0	Proceeds from sale of fixed assets	12,13	0.1	0.1
(18.9)	(12.6)	Issue of new group loans		0.0	0.0
23.2	32.2	Repayment of group loans		0.0	0.0
(2.3)	(2.4)	Investment in subsidiaries	6, 7	(0.4)	0.0
21.5	23.8	Interest received		0.2	2.1
12.1	3.5	Dividends received		0.0	0.0
34.9	**43.8**	**Cash flow from investing activities**		**(36.2)**	**(27.2)**
		Financing activities			
1.9	0.2	Proceeds from sale of treasury shares [1]		1.9	0.2
(36.7)	(42.0)	Repayment of external loans	19	(36.7)	(42.0)
0.0	(3.7)	Repayment of group loans		0.0	0.0
(13.1)	(15.9)	Interest paid		(12.8)	(15.9)
0.0	0.0	Dividends paid [2]		0.0	(0.7)
(0.1)	(1.8)	Other financial charges		(2.4)	(1.8)
(47.9)	**(63.3)**	**Cash flow from financing activities**		**(49.9)**	**(60.2)**
1.0	**(0.2)**	**Currency effects on cash**		**2.0**	**(0.9)**
(3.7)	(7.9)	Net change in cash		1.9	(0.7)
(0.3)	7.6	Net cash at 1st January [3]		32.7	33.5
(4.0)	**(0.3)**	**Net cash at 31 December**		**34.6**	**32.7**
0.0	0.2	Of this, restricted cash		1.0	2.7

1) Comprises the sale of 4,386,326 treasury shares (see "Statement of Changes in Equity")

2) Comprises dividend paid from Shanghai Kongsberg Automotive Dong Feng Morse Co. Ltd (China) to external shareholders (see "Statement of Changes in Equity")

3) Comprises the net amount of bank deposits, cash and bank overdraft

STATEMENT OF FINANCIAL POSITION

Parent				Group	
31.12.14	31.12.13	MEUR	Note	31.12.14	31.12.13
		ASSETS			
		Non-current assets			
0.0	0.0	Deferred tax assets	11	41.8	46.8
1.0	0.8	Intangible assets	12	214.7	214.5
0.1	0.0	Property, plant and equipment	13	128.3	122.0
194.9	187.5	Investments in subsidiaries	6	0.0	0.0
416.8	386.4	Loans to subsidiaries and other non-current assets	29	1.8	1.1
612.8	574.8	Total non-current assets		386.6	384.5
		Current assets			
0.0	0.0	Inventories	14	76.8	77.3
23.8	33.6	Trade and other receivables	15, 29	172.4	168.4
5.3	1.7	Cash and cash equivalents		53.5	57.1
29.1	35.3	Total current assets		302.7	302.8
641.9	610.1	Total assets		689.2	687.3
		EQUITY AND LIABILITIES			
		Equity			
22.3	24.3	Share capital	16	22.3	24.3
(0.1)	(0.4)	Treasury shares	16	(0.1)	(0.4)
186.5	201.2	Share premium		186.5	201.2
(19.4)	(13.3)	Other reserves		29.5	(1.2)
120.9	80.5	Retained earnings		(31.8)	(37.0)
310.2	292.2	Attributable to equity holders		206.3	186.9
0.0	0.0	Non-controlling interests		4.0	2.8
310.2	292.2	Total equity		210.3	189.6
		Non-current liabilities			
8.8	4.1	Deferred tax liabilities	11	17.5	14.1
1.4	1.6	Retirement benefit obligations	18	18.8	17.4
252.5	272.9	Interest-bearing loans and borrowings	19, 21	252.8	273.0
262.8	278.5	Total non-current liabilities		289.0	304.5
		Current liabilities			
9.4	2.0	Bank overdraft	19	18.8	24.3
0.0	1.0	Other current interest-bearing liabilities	19	0.0	1.0
(0.7)	0.0	Current income tax liabilities	11	6.1	0.6
60.3	36.3	Trade and other payables	20, 29	164.9	167.2
68.9	39.3	Total current liabilities		189.9	193.2
331.7	317.9	Total liabilities		478.9	497.7
641.9	610.1	Total equity and liabilities		689.2	687.3

The Board of Directors of Kongsberg Automotive ASA
Kongsberg, February 16, 2015

Ulla-Britt Fräjdin-Hellqvist
Chairwoman (Sign.)

Thomas Falck
(Sign.)

Halvor Stenstadvold
(Sign.)

Malin Persson
(Sign.)

Magnus Jonsson
(Sign.)

Tonje Sivesindtajet
(Sign.)

Eivind A. Holvik
(Sign.)

Kjell A. Kristiansen
(Sign.)

Hans Petter Havdal
President and CEO (Sign.)

STATEMENT OF CHANGES IN EQUITY

Group

MEUR	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interest	Total equity
Equity 01.01.13	**27.7**	**(0.4)**	**229.7**	**(31.9)**	**(43.3)**	**181.8**	**2.9**	**184.7**
Sale of treasury shares		0.2				0.2		0.2
Value of share options charged to income statement				0.4		0.4		0.4
Changes in non-controlling interests							(0.7)	(0.7)
Other changes in equity							0.3	0.3
Total comprehensive income for the year:								
Profit for the year					6.3	6.3	0.2	6.6
Other comprehensive income:								0.0
Translation differences	(3.4)	(0.2)	(28.5)	39.3		7.3	0.0	7.3
Tax on translation differences				(6.7)		(6.7)		(6.7)
Remeasurement of net defined pension liability				(3.2)		(3.2)		(3.2)
Tax on remeasurement of net pension liability				0.9		0.9		0.9
Equity 31.12.13 / 01.01.14	**24.3**	**(0.4)**	**201.2**	**(1.2)**	**(37.0)**	**186.9**	**2.8**	**189.6**
Sale of treasury shares		0.2		1.6		1.9		1.9
Value of share options charged to income statement				0.4		0.4		0.4
Transactions with non-controlling interests				(0.7)		(0.7)	0.3	(0.4)
Other changes in equity								0.0
Total comprehensive income for the year:								
Profit for the year					5.1	5.1	0.3	5.4
Other comprehensive income (OCI):								
Translation differences	(2.0)	0.0	(14.7)	43.9		27.3	0.6	27.9
Tax on translation differences				(12.6)		(12.6)		(12.6)
Remeasurement of net defined pension liability				(2.7)		(2.7)		(2.7)
Tax on remeasurement of net pension liability				0.8		0.8		0.8
Equity 31.12.14	**22.3**	**(0.1)**	**186.5**	**29.5**	**(31.8)**	**206.3**	**4.0**	**210.3**

Parent

MEUR	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Subtotal	Non-controlling interest	Total equity
Equity 01.01.13	**27.7**	**(0.4)**	**229.7**	**(0.6)**	**88.0**	**344.4**		**344.4**
Sale of treasury shares		0.2				0.2		0.2
Value of share options charged to income statement				0.4		0.4		0.4
Profit for the year					(7.6)	(7.6)		(7.6)
Other comprehensive income:								
Foreign currency translation	(3.4)	(0.2)	(28.5)	(12.9)		(45.1)		(45.1)
Remeasurement of net defined pension liability				(0.2)		(0.2)		(0.2)
Tax on remeasurement of net pension liability				0.1		0.1		0.1
Equity 31.12.13 / 01.01.14	**24.3**	**(0.4)**	**201.2**	**(13.3)**	**80.5**	**292.2**		**292.2**
Sale of treasury shares		0.2		1.6		1.9		1.9
Value of share options charged to income statement				0.4		0.4		0.4
Profit for the year					40.4	40.4		40.4
Other comprehensive income:								
Foreign currency translation	(2.0)	0.0	(14.7)	(8.1)		(24.7)		(24.7)
Remeasurement of net defined pension liability				(0.0)		(0.0)		(0.0)
Tax on remeasurement of net pension liability				0.0		0.0		0.0
Equity 31.12.14	**22.3**	**(0.1)**	**186.5**	**(19.4)**	**120.9**	**310.2**		**310.2**

Share capital: par value for shares in issue
Treasury shares: par value for own shares
Share premium: premium over par value for shares in issue
Other reserves: translation differences, premium treasury shares, warrants, share options and OCI
Retained earnings: accumulated retained profits and losses
Non-controlling interests: non-controlling interests' share of equity in group companies

NOTES

NOTE 1 – REPORTING ENTITY

Kongsberg Automotive ASA ('the Parent 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 Parent company is listed on the Oslo Stock Exchange. The Group consolidated financial statements were authorized for issue by the Board of Directors on 16 February 2015.

NOTE 2 – BASIS OF PREPARATION

Statement of compliance

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

Basis of measurement

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

Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3. The Group financial statements are prepared on a going concern basis.

Changes in accounting policy and disclosures

New and amended standards adopted by the Group; IFRS 10 and IFRS 12 are applied for the first time in 2014. These nor other IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2014 that have had, or is expected to have a material impact on the Group. See note 5 for new standards not yet adopted.

Functional and presentation currency

These consolidated financial statements are presented in Euro. The Group has entities with functional currencies other than Euros. All financial information presented in Euro has been rounded to the nearest thousand, except when otherwise indicated.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment testing

Goodwill and other relevant assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. This consists of an analysis to assess whether the carrying amount of e.g. goodwill is fully recoverable. The determination of recoverable amount involves establishing the Value in use (VIU), measured as the present value of the cash flows expected from the cash-generating unit, to which the goodwill has been allocated. The cash-generating units in KA are the four business areas (Driveline, Interior, Driver Control and Fluid Transfer). The forecasts of future cash flows are based on the Group's best estimates of future revenues and expenses for the cash-generating units to which goodwill has been allocated. A number of assumptions and estimates can have significant effects on these calculations and include parameters such as macroeconomic assumptions, market growth, business volumes, margins and cost effectiveness. Changes to any of these parameters, following changes in the market conditions, competition, strategy or other factors, affect the forecasted cash flows and may result in impairment of goodwill. See Note 12.

Expected useful lifetime

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The residual values, useful lives and methods of depreciation of property, plant & equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Impairment testing is used when relevant (see above).

Research and development

Significant investments are made towards product improvements and innovation to secure the company's position in the market. Estimates and judgments used when deciding how the costs should be accounted for (charged to P&L or capitalized) will have a significant effect on P&L and equity. See note 4 and 12 for further information.

Deferred tax asset

Deferred income tax assets are recognized for tax losses carried forward only to the extent that realization of the related benefit is probable. Several subsidiaries have losses carried forward on which they have recognized deferred tax assets. The probability of their realization is determined by applying a professional judgment to forecast cash flows. These cash flows are based on assumptions and estimates and, accordingly, changes to the forecasts may result in changes to deferred tax assets and tax positions. See Note 11 - Taxes.

Actuarial calculations of pension liabilities

The Projected Benefit Pension Obligation (PBO) for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. A number of actuarial and financial parameters are used as bases for these calculations. The most important financial parameter is the discount rate. Other parameters such as assumptions as to salary increases and inflation are determined based on the expected long-term development. The fixing of these parameters at the year end is disclosed in Note 18 - Retirement benefit obligations.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. For each business combination, the Group elects whether it measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Functional and presentation currency

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

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

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

Main exchange rates per 31.12.2014:
> 1 EUR: NOK 9,042 (end of period)
> 1 USD: NOK 7,4474 (end of period)

Segment information

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

Revenue recognition

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

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed and the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue from other income streams, such as tooling, prototype parts and engineering services is recognized upon notification of formal customer acceptance.

The Parent company has only Group internal revenues. Most of the revenues are Management fees to cover the Groups common expenses.

Intangible assets

Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries is included within intangible assets.

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

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

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

Research and development costs

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

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

Development costs are amortized over the period of expected future sales of the developed product from the time that deliveries commence. When the sales period is uncertain or is longer than five years, the amortization period limited to five years.

Other intangible assets

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

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

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

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

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

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

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

Property, Plant & Equipment (PP&E)

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

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

Straight-line depreciation is calculated at the following rates:

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

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

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

Inventories

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

Financial instruments

The Group classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial assets at initial recognition.

Trade receivables

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

Cash and cash equivalents

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

Interest-bearing loans and borrowings

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

Foreign exchange gain/loss in local books on long-term intercompany loans, that are classified as investments loans, are reversed in P&L on Group level and posted against equity.

Financial derivative instruments

The Group uses financial derivative instruments to reduce risks associated with interest rate risk. These derivatives are not designated as hedging instruments. The derivatives are measured at fair value. Changes in fair value are recognized in the income statement as financial income or expenses, depending upon whether they represent gains or losses. They are disclosed on the line "Changes in value of financial derivatives" within note 10 - Financial Items.

Taxes payable and deferred taxes

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

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

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

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

Deferred tax positions are netted within the same tax entity.

Retirement benefit obligations

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

Defined benefit pension plans also exist in two subsidiaries in Germany 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 in other comprehensive income The pension commitments are calculated on the basis of the net present value of future cash flows. See note 18 for further information on the implementation effects of, and accounting treatment provided in the revised IAS 19 "Employee Benefits".

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

Multiemployer plan (AFP) – Norway
The former early retirement arrangement in Norway was replaced commencing 01.01.2011. Financing of the early retirement arrangement is now done by an annual fee which represents the final cost for the companies included. All employees in KA ASA and KA AS (subsidiary) are included in the AFP scheme.

Top hat pension – Norway
The defined contribution plans have legislative limitations when it comes to maximum salary as calculation basis for tax deductibility. Employees in KA ASA and KA AS with salaries that exceed this limit, will be granted an addition to the pension that includes the salary above the maximum limit. This obligation will only materialize if the person is employed in KA at the time of retirement. The calculated obligation is accrued in the Statement of Financial Position as Retirement benefit obligations.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Warranty provisions
Provisions for warranty-related costs are recognized when the product is sold or service provided. Initial recognition is based on historical experience.

Restructuring provisions
Restructuring provisions are recognized only when general recognition criteria for provisions are fulfilled. Additionally, the Group follows a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and appropriate timeline. The employees affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share options
The Group operates a number of equity-settled, share-based compensation plans under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the services the Group has received from employees as a return service for granted options is recognized as an expense. The total amount to be expensed over the contribution time is calculated based on the fair value of the granted options. The Group carries out a re-evaluation of its estimates of the number of options likely to be exercised at each balance sheet date. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Treasury shares
Whenever any Group company purchases the company's equity share capital as treasury shares the consideration paid, including any directly attributable incremental costs and net of income taxes is deducted from equity attributable to the company's equity shareholders until the shares are cancelled or re-issued. Where such shares are subsequently reissued any consideration received, net of any directly attributable transaction costs and the related income tax effects, is included in equity attributable to the company's equity shareholders.

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

Leases

Operational lease

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

Financial lease

The Group leases certain property, plant & equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

NOTE 5 – NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

NOTE 6 – SUBSIDIARIES

Company name	Country / State of incorporation	Ownership	Companies owned by Parent
Kongsberg Automotive Ltda	Brazil	100%	x
Kongsberg Inc	Canada	100%	
Kongsberg Automotive (Shanghai) Co Ltd	China	100%	
Kongsberg Automotive (Wuxi) Ltd	China	100%	x
Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd	China	75%	
Shanghai Lone Star Cable Co Ltd	China	100%	
Kongsberg Automotive SARL	France	100%	x
Kongsberg Driveline Systems SAS	France	100%	
Kongsberg SAS	France	100%	
Kongsberg Raufoss Distribution SAS	France	100%	
SCI Immobilière La Clusienne	France	100%	
Kongsberg 1 GmbH	Germany	100%	
Kongsberg Actuation Systems GmbH	Germany	100%	
Kongsberg Automotive GmbH	Germany	100%	x
Kongsberg Driveline Systems GmbH	Germany	100%	
Kongsberg Actuation Systems Ltd	Great Britain	100%	
Kongsberg Automotive Ltd	Great Britain	100%	
Kongsberg Holding Ltd	Great Britain	100%	
CTEX Seat Comfort (Holding) Ltd	Great Britain	100%	x
Kongsberg Power Products Systems Ltd	Great Britain	100%	
Kongsberg Automotive Hong Kong Ltd	Hong Kong	100%	
Kongsberg Interior Systems Kft	Hungary	100%	
Kongsberg Automotive (India) Private Ltd	India	100%	x
Kongsberg Automotive Driveline System India Ltd	India	100%	x
Kongsberg 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
Kongsberg Automotive Sp. z.o.o.	Poland	100%	x
Kongsberg Automotive s.r.o	Slovakia	100%	
Kongsberg Actuation Systems SL	Spain	100%	
Kongsberg Automotive AB	Sweden	100%	x
Kongsberg Power Products Systems AB	Sweden	100%	
e-Power Nordic AB	Sweden	100%	x
Kongsberg Driveline Systems I Inc	USA	100%	
Kongsberg Actuation Systems II Inc	USA	100%	
Kongsberg Holding III Inc	USA	100%	
Kongsberg Interior Systems II Inc	USA	100%	
Kongsberg Automotive Inc	USA	100%	
Kongsberg Power Products Systems I Inc	USA	100%	
Kongsberg Automotive Japan KK	Japan	100%	x

NOTE 7 – SEGMENT INFORMATION

Operating Segments

The Group has four reportable segments, which are the strategic business units: Driveline, Interior, Driver Control and Fluid Transfer. The strategic business areas (segments) offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group's risks and rates of return are affected predominantly by differences in the products manufactured. The four segments have different risk profiles in the short-term perspective, but over a long-term perspective the profiles are considered to be the same. The Group's Executive Committee (led by CEO) reviews the internal management reports from all strategic business areas on a monthly basis.

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

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

The following summary describes the operations of each of the Group's reportable segments:

Fluid Transfer

Fluid Transfer Systems designs and manufactures fluid handling systems for both the automotive and commercial vehicle sectors, as well as coupling systems for compressed air circuits on heavy trucks. The BA provides completely engineered flexible fluid assemblies for all market segments in which it operates, it has also specialized in manufacturing tube and hose assemblies for difficult environments.

Driver Control

Driver Control Systems is a global leader in the development, design and manufacturing of operator control systems for commercial, industrial, agricultural, construction and power sports vehicles offering a robust product portfolio of clutch actuation systems, gearshift systems, vehicle dynamics, steering columns, pedal systems and electronic displays.

Driveline

Driveline is a global Tier 1 supplier of gear shifter systems for the passenger car market. The portfolio contains innovative shift by wire solutions primary used by premium cars as well as mechanical systems for both manual and automatic transmission for mid segment cars.

Interior

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

Operating segments – financials

2014

MEUR	Interior**	Driveline	Fluid Transfer	Driver Controls**	Eliminations & other*	Group
Operating revenues	304.5	265.0	193.5	252.7	(36.8)	979.1
EBITDA	**35.3**	**15.6**	**34.1**	**29.3**	**(17.4)**	**97.0**
Depreciation	(7.3)	(8.1)	(7.1)	(6.1)	(0.0)	(28.6)
Amortization	(2.1)	(3.0)	(3.4)	(4.8)	(0.3)	(13.5)
Operating (loss) / profit (EBIT)	**25.9**	**4.5**	**23.6**	**18.4**	**(17.6)**	**54.8**
Assets and liabilities						
Goodwill	75.1	6.4	51.1	33.3	0.0	165.9
Other intangible assets	7.5	10.9	11.6	17.8	1.0	48.8
Property, plant and equipment	33.2	33.9	28.0	32.6	0.6	128.3
Inventories	17.2	16.9	15.8	27.5	(0.6)	76.8
Trade receivables	49.6	33.6	26.5	30.4	0.0	140.1
Segment assets	**182.6**	**101.7**	**132.9**	**141.7**	**1.0**	**559.9**
Unallocated assets	0.0	0.0	0.0	0.0	129.3	129.3
Total assets	**182.6**	**101.7**	**132.9**	**141.7**	**130.3**	**689.2**
Trade payables	26.6	25.0	21.4	25.2	0.8	99.1
Unallocated liabilities	0.0	0.0	0.0	0.0	379.9	379.9
Total liabilities	**26.6**	**25.0**	**21.4**	**25.2**	**380.6**	**478.9**
Capital expenditure	**9.5**	**9.2**	**7.4**	**7.4**	**0.5**	**34.0**

2013

MEUR	Interior**	Driveline	Fluid Transfer	Driver Controls**	Eliminations & other*	Group
Operating revenues	299.0	279.8	189.0	257.2	(34.1)	990.9
EBITDA	**34.7**	**12.8**	**33.1**	**33.1**	**(16.7)**	**97.1**
Depreciation	(9.5)	(7.7)	(7.2)	(6.3)	(0.0)	(30.7)
Amortization	(2.1)	(3.0)	(3.4)	(4.6)	(0.2)	(13.2)
Operating (loss) / profit (EBIT)	**23.1**	**2.1**	**22.5**	**22.3**	**(16.9)**	**53.2**
Assets and liabilities						
Goodwill	71.2	6.0	46.4	33.3	0.0	156.8
Other intangible assets	9.0	12.8	13.6	21.5	0.8	57.7
Property, plant and equipment	29.8	32.1	26.8	32.8	0.5	122.0
Inventories	16.4	18.8	16.4	26.3	(0.6)	77.3
Trade receivables	47.4	33.5	28.3	27.3	(0.1)	136.4
Segment assets	**173.8**	**103.2**	**131.5**	**141.1**	**0.6**	**550.3**
Unallocated assets	0.0	0.0	0.0	0.0	137.1	137.1
Total assets	**173.8**	**103.2**	**131.5**	**141.1**	**137.7**	**687.3**
Trade payables	25.4	25.4	22.1	26.7	0.7	100.3
Unallocated liabilities	0.0	0.0	0.0	0.0	397.3	397.3
Total liabilities	**25.4**	**25.4**	**22.1**	**26.7**	**398.0**	**497.7**
Capital expenditure	**7.2**	**6.0**	**6.0**	**8.8**	**(0.1)**	**27.9**

** Internal transfer of business between Interior and Drivers Controls, 2013 restated to match 2014 structure.

* The column "Eliminations & other" includes mainly elimination of intercompany transactions, corporate expenses and balance sheet items related to tax, pension and financing.

See next section for specification of unallocated assets and liabilities.

Operating segments – reconciliation to total assets

MEUR	2014	2013
Segment assets of reportable segments	558.9	549.6
Eliminations & other	1.0	0.6
Unallocated assets include:		
Deferred tax assets	41.8	46.8
Other non-current assets	1.8	1.1
Cash and cash equivalents	53.5	57.1
Other receivables (excluded: trade receivables)	32.3	32.0
Total assets as of the Statement of Financial position	689.2	687.3

Operating segments – reconciliation to total liabilities

MEUR	2014	2013
Trade payables of reportable segments	98.3	99.7
Eliminations & other	0.8	0.7
Unallocated liabilities include:		
Deferred tax liabilities	17.5	14.1
Retirement benefit obligations	18.8	17.4
Interest-bearing loans and borrowings	252.8	273.0
Bank overdrafts	18.8	24.3
Other current interest-bearing liabilities	0.0	1.0
Current income tax liabilities	6.1	0.6
Other payables (excluded: trade payables)	65.9	66.9
Total liabilities as of the Statement of Financial position	478.9	497.7

Operating segments – geographical areas

The following segmentation of the Group's geographical sales to external customers is based on the geographical locations of the customers. The segmentation of non-current assets are based on the geographical locations of its subsidiaries. Non-current assets comprise intangible assets (including goodwill) and property, plant and equipment.

Sales to external customers by geographical location	2014		2013	
MEUR	Jan – Dec	%	Jan – Dec	%
Sweden	82.6	8.4%	88.6	8.9%
Germany	102.4	10.5%	109.7	11.1%
France	73.2	7.5%	81.3	8.2%
Other EU	252.3	25.8 %	253.0	25.5 %
Total EU	510.4	52.1 %	532.6	53.7 %
USA	251.5	25.7%	246.9	24.9%
NA other	114.0	11.6 %	96.4	9.7 %
Total NA	365.5	37.3 %	343.3	34.6 %
China	57.0	5.8%	56.2	5.7%
Asia Other	22.6	2.3%	24.6	2.5%
Total Asia	79.5	8.1 %	80.8	8.1 %
Other	23.6	2.4%	34.3	3.5%
Total operating revenues	979.1	100%	990.9	100%

Non-current assets by geographical location

MEUR	2014 Jan - Dec	2014 %	2013 Jan - Dec	2013 %
USA	119.9	34.4%	109.5	32.5%
UK	12.8	3.7%	12.4	3.7%
Norway	25.8	7.5%	27.6	8.2%
Germany	15.6	4.5%	15.8	4.7%
Sweden	29.8	9.0%	31.9	9.5%
Poland	36.0	10.5%	35.8	10.6%
Other	103.1	29.9%	103.6	30.8%
Total non-current segment assets	343.0	100.0%	336.6	100.0%

Operating segments – major customers

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

NOTE 8 – SALARIES AND SOCIAL EXPENSES

Specification of salaries and social expenses as recognized in statement of comprehensive income

Parent 2014	Parent 2013	MEUR	Group 2014	Group 2013
3.6	3.5	Wages and salaries	199.8	187.6
0.8	0.6	Social security tax	47.6	44.0
0.1	0.1	Pension cost (defined benefit plans)	0.5	0.7
0.2	0.2	Pension cost (defined contribution plans)	7.0	5.9
2.1	2.9	Other employee related expenses	18.0	30.4
6.8	7.3	Total	272.9	268.8

Other employee related expenses include bonus cost and other costs.

As at 31.12.14 the Group had 9.880 (10.135) employees and the Parent company 25 (23) employees.

NOTE 9 – OTHER OPERATING EXPENSES

Specification of other operating expenses as recognized in statement of comprehensive income

Parent 2014	Parent 2013	MEUR	Group 2014	Group 2013
		Operating Expenses		
0.0	0.0	Freight charges	(33.2)	(35.3)
0.0	0.0	Facility costs	(23.0)	(22.9)
0.0	0.0	Consumables	(26.8)	(21.8)
0.0	0.0	Repairs and maintenance	(13.2)	(14.8)
(0.0)	(0.0)	Service costs	(12.2)	(11.9)
(1.0)	(0.9)	Other costs	(16.7)	(12.7)
		Administrative expenses		
(0.2)	(0.1)	Leasehold expenses	(2.8)	(2.9)
(3.4)	(3.3)	Service costs	(24.6)	(20.5)
(0.0)	(0.0)	Consumables	(5.4)	(4.8)
(0.4)	(0.4)	Travel costs	(10.7)	(8.6)
(24.5)	(14.2)	Other costs*	(9.5)	(15.1)
(29.6)	(18.9)	Total other operating expenses	(178.1)	(171.4)

* Parent company 2014 includes loss on Group receivable.

NOTE 10 – FINANCIAL ITEMS

Specification of financial items as recognized in statement of comprehensive income

Parent			Group	
2014	2013	MEUR	2014	2013
12.1	3.5	Dividend and other financial income	0.0	0.0
31.7	12.1	Foreign currency gains	0.0	0.0
0.5	1.1	Changes in value of financial derivatives	0.0	1.2
21.5	23.8	Interest income	0.2	2.1
65.7	**40.5**	**Total financial income**	**0.2**	**3.3**
(12.2)	(16.0)	Interest expense	(11.9)	(17.3)
0.0	0.0	Foreign currency losses	(20.6)	(19.7)
0.0	0.0	Changes in value of financial derivatives	(0.2)	0.0
(-4.8)	(35.0)	Other items*	(3.3)	(6.7)
(17.0)	**(51.0)**	**Total financial expenses**	**(36.1)**	**(43.7)**
48.8	**(10.5)**	**Net financial items**	**(35.9)**	**(40.4)**

* Parent company 2013 and 2014: includes write down of investments and loans in subsidiaries.

NOTE 11 – TAXES

Specification of tax recognized in statement of income

The major components of income tax expense:

Parent			Group	
2014	2013	MEUR	2014	2013
(5.9)	(8.0)	Current tax on profits for the year	(11.2)	(7.9)
(1.9)	(0.0)	Adjustments in respect of prior years	(1.9)	0.1
(7.8)	**(8.0)**	**Total current tax**	**(13.2)**	**(7.8)**
(6.1)	(0.4)	Current year change in deferred tax	(0.1)	(0.7)
0.0	(0.2)	Impact of changes in tax rates and legislation	(2.1)	0.5
1.0	0.2	Adjustments in respect of prior years	1.9	1.7
(5.1)	**(0.3)**	**Total change in deferred tax**	**(0.3)**	**1.6**
(12.9)	**(8.3)**	**Total income tax (expense) / credit**	**(13.5)**	**(6.2)**

Reconciliation of norwegian nominal statutory tax rate to effective tax rate

53.4	**0.7**	**(Loss) / profit before income tax**	**18.9**	**12.8**
(14.4)	(0.2)	Expected tax calculated at Norwegian tax rate	(5.1)	(3.6)
3.2	0.9	Dividends (permanent differences)	0.0	0.0
(0.8)	(9.4)	Other permanent differences, double taxation, and currency effects	(1.7)	(1.7)
0.0	0.0	Effect of different tax rates	(0.3)	1.1
0.0	0.2	Impact of changes in tax rates and legislation	(2.1)	(0.5)
0.0	0.0	Losses not recognized as deferred tax assets	(4.1)	(3.4)
(0.9)	0.2	Adjustments in respect of prior years	(0.0)	1.9
(12.9)	**(8.3)**	**Income tax (expense) / credit**	**(13.5)**	**(6.2)**
24%	1147%	Average effective tax rate	72%	49%

Tax recognised in other comprehensive income

Parent			Group	
2014		MEUR	2014	2013
0.0	0.0	Tax (expense) / credit on translation differences	(12.6)	(6.7)
0.0	0.1	Tax (expenses) / credit on tax corridor pension	0.8	0.9
0.0	**0.1**	**Tax (expense) / credit in other comprehensive income**	**(11.8)**	**(5.8)**

Tax recognised in statement of financial position

Current tax liability

Parent			Group	
2014	2013	MEUR	2014	2013
0.7	0.0	Current income tax liabilities	6.1	0.6
0.7	**0.0**	**Total current tax liability**	**6.1**	**0.6**

Deffered tax

Parent			Group	
2014	2013	MEUR	2014	2013
0.0	0.0	Deferred tax asset	41.8	46.8
(8.8)	(4.1)	Deferred tax liability	(17.5)	(14.1)
(8.8)	**(4.1)**	**Total net deferred tax asset/ (liability)**	**24.3**	**32.7**

Deferred tax positions are netted within the same tax entity.

Specification of deferred tax assets / (liabilities) recognized in statement of financial position

Group

2014 MEUR	Opening balance	Charged to income	Changes in tax rate	OCI	Exchange differences	Closing balance
Property, plant and equipment	(2.3)	3.5	0.0	0.0	0.1	1.3
Intangible assets	(15.8)	0.5	0.0	0.0	(0.5)	(15.8)
Retirement benefits obligations	2.0	0.0	0.0	0.8	(0.0)	2.8
Losses	28.7	(3.1)	(1.8)	0.0	0.7	24.5
Account receivables	1.0	(0.6)	0.0	0.0	(0.2)	0.2
Accrued expenses	2.3	(0.8)	0.0	0.0	0.1	1.6
Accrued interest	12.4	(4.2)	0.0	0.0	1.2	9.4
Restructuring reserves	0.3	(0.0)	0.0	0.0	0.0	0.3
Unrealized fx on long term rec / pay	(5.8)	(7.0)	0.0	0.0	1.0	(11.8)
Other temporary diff	10.1	13.4	(0.3)	(12.6)	1.1	11.7
Net deferred tax asset/(liability)	**32.7**	**1.9**	**(2.1)**	**(11.8)**	**3.6**	**24.3**

Parent 2014 MEUR	Opening balance	Charged to income	Changes in tax rate	OCI	Exchange differences	Closing balance
Property, plant and equipment	0.1	(0.1)	0.0	0.0	(0.0)	0.1
Retirement benefits obligations	0.4	(0.0)	0.0	0.0	(0.0)	0.4
Losses	0.0	0.0	0.0	0.0	0.0	0.0
Account receivables	0.8	0.8	0.0	0.0	0.0	1.6
Unrealized fx on long term rec / pay	(6.0)	(6.6)	0.0	0.0	1.0	(11.6)
Other temporary diff	**0.6**	**0.8**	**0.0**	**0.0**	**(0.6)**	**0.7**
Net deferred tax asset/(liability)	**(4.1)**	**(5.1)**	**0.0**	**0.0**	**0.3**	**(8.8)**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its asset and liabilities. The Group's subsidiaries are located in different countries, so there will always be risks arising from local tax jurisdictions' assessments of the respective tax positions. and to limitations to the utilization of losses carried forward. Local tax decisions could therefore influence the carrying value of the Group's consolidated deferred tax asset.

Limitation and assumptions for the utilization of losses carried forward and deferred tax assets

The carrying amount of deferred tax assets (including losses carried forward) is reviewed at each balance sheet date and recognized only to the extent that it is probable that taxable profit will be available against which it may offset. As part of the review, the Group conducts comprehensive analyses of future profits within the legal entity as well as considering possibilities for utilization within the Group. Estimates indicate that future taxable profits will be available against which the recognized deferred tax assets may be utilized. There are however uncertainties as the estimates are based on assumptions about market development and the success of our customer. Due to the time restrictions associated with the utilization of some losses carried forward, timing assumptions may influence the carrying amount.

Tax positions not recognized in statement of financial position

Parent			Group	
2014	2013	MEUR	2014	2013
0.0	0.0	Tax positions not recognized	13.6	9.9
0.0	**0.0**	**Total tax positions not recognized**	**13.6**	**9.9**

Limitation to the utilization of losses carried forward

Parent			Group	
2014	2013	Lifetime	2014	2013
0.0	0.0	Less than five years	3.7	2.0
0.0	0.0	5 - 10 years	0.8	4.0
0.0	0.0	10 - 15 years	13.4	0.6
0.0	0.0	15 - 20 years	0.7	2.1
0.0	0.0	Without time limit	20.0	30.0
0.0	**0.0**	**Tax losses at 31.12**	**38.6**	**38.6**

NOTE 12 – INTANGIBLE ASSETS

Parent		Group				
Software	MEUR	Goodwill	Customer relationships	Patents and R&D	Software and other	Total
2.9	Cost	161.3	88.7	44.7	17.6	312.4
(2.4)	Accumulated amortization	(0.0)	(44.0)	(20.9)	(14.6)	(79.5)
0.5	**Book Value at 01.01.2013**	**161.3**	**44.7**	**23.8**	**3.1**	**232.9**
2.9	Cost 01.01.2013	161.3	88.7	44.7	17.6	312.4
0.6	Additions	0.0	0.0	1.0	0.6	1.5
0.0	Disposals accumulated cost	0.0	(0.2)	(0.0)	(0.6)	(0.8)
(0.4)	Translation differences	(4.5)	(2.7)	(2.9)	(0.9)	(11.0)
3.1	**Acquisition costs at 31.12.2013**	**156.8**	**85.8**	**42.7**	**16.7**	**302.1**
(2.4)	Accumulated amortization 01.01.2013	(0.0)	(44.0)	(20.9)	(14.6)	(79.5)
(0.2)	Amortization	0.0	(8.8)	(3.7)	(0.7)	(13.2)
0.0	Disposals accumulated amortization	0.0	0.2	0.0	0.6	0.8
0.3	Translation differences	(0.0)	1.4	1.9	1.0	4.3
(2.3)	**Accumulated amortization 31.12.2013**	**0.0**	**(51.2)**	**(22.7)**	**(13.6)**	**(87.6)**
3.1	Cost	156.8	85.8	42.7	16.7	302.1
(2.3)	Accumulated amortization	0.0	(51.2)	(22.7)	(13.6)	(87.6)
0.8	**Book Value at 31.12 2013**	**156.8**	**34.6**	**20.0**	**3.1**	**214.5**
3.1	Cost 01.01.2014	156.8	85.8	42.7	16.7	302.1
0.5	Additions	0.0	0.0	1.2	0.9	2.1
0.0	Disposals accumulated cost	0.0	0.0	(0.0)	(1.0)	(1.1)
(0.3)	Translation differences	9.1	5.7	0.6	0.8	16.2
3.3	**Acquisition costs at 31.12.2014**	**165.9**	**91.6**	**44.5**	**17.4**	**319.4**
(2.3)	Accumulated amortization 01.01.2014	0.0	(51.2)	(22.7)	(13.6)	(87.6)
(0.3)	Amortization	0.0	(8.7)	(3.9)	(1.0)	(13.5)
0.0	Disposals accumulated amortization	0.0	0.0	0.0	1.0	1.0
0.2	Translation differences	0.0	(3.8)	(0.1)	(0.6)	(4.5)
(2.4)	**Accumulated amortization 31.12.2014**	**0.0**	**(63.8)**	**(26.7)**	**(14.1)**	**(104.6)**
3.3	Cost	165.9	91.6	44.5	17.4	319.4
(2.4)	Accumulated amortization	0.0	(63.8)	(26.7)	(14.1)	(104.6)
1.0	**Book Value at 31.12 2014**	**165.9**	**27.8**	**17.7**	**3.3**	**214.7**

Internally developed intangible assets

2014	2013	MEUR	2014	2013
0.0	0.0	Internally developed intangible assets 01.01	8.7	10.2
0.0	0.0	Additions during the year	1.2	1.0
0.0	0.0	Amortization / impairment	(1.9)	(1.7)
0.0	0.0	Translation differences	0.1	(0.8)
0.0	**0.0**	**Internally developed intangible assets 31.12**	**8.0**	**8.7**
0.0	0.0	Not capitalized internal R&D cost	(36.8)	(30.3)
0.0	0.0	Amortization	(1.9)	(1.7)
0.0	0.0	Net effect of external sales and purchases	(11.1)	(7.9)
0.0	**0.0**	**Total recognized R&D cost in the reporting period:**	**(49.9)**	**(40.0)**
0.0	0.0	Cash investment in R&D	(49.1)	(39.2)

The internally developed intangible assets include capitalized costs related to development of new products. These assets are included in "Patents and R&D" above.

Impairment testing

The Group has performed impairment tests on the carrying values of all intangible assets (including goodwill), property, plant & equipment, and net working capital in accordance with the requirements of IAS 36. Value in use (VIU) was used to determine the recoverable amount. The tests comprised NPV (net present value) analyses of forecasted future cash flows by the CGUs (cash generating units). The four Business Areas; Driveline, Interior, Fluid Transfer and Driver Control were identified as the respective CGUs.

Cash flow projections and assumptions

The model was based on a five year forecast of discounted cash flows plus a terminal value (calculated by Gordon's growth model). The net discounted cash flows were calculated before tax. The NPV-model included the following assumptions:

A business case was used for each CGU as the basis for the cash flow estimates which covered the period 2015 to 2019. The business cases were based on the Group's strategic five year plan, adjusted for relevant recent changes in internal short- term forecasts and market data. The forecasts did not include significant cash flows from future restructuring, investments or enhancements. The five year plan was prepared by the divisions with support from the M&A department in an effort to achieve a realistic forecast taking into account macroeconomic-, industry and company specific factors. The short-term forecasts were "bottom-up-model" where all input data had been produced by the respective entities in the Group. The financial development for the BAs throughout the forecast period is primarily driven by increased top line with the effects of operational leverage. In the Driveline Business Case the effects of implemented operational improvements and restructuring are reflected.

The input data in the business cases were gathered from renowned external sources, such as LMC Automotive and customers, in addition to all relevant internal information such as change in orders, customer portfolio, fitment rate for products, geographical development, market shares etc. The annual growth rate in the terminal value was estimated to 2% for each of the CGUs.

Discount rate assumptions

The required rate of return was calculated by the WACC method. The input data of the WACC was chosen by an individual assessment of each parameter. Information from representative sources, peer groups etc. was used to determine the best estimate. The WACC was calculated to 12.7 % pre tax. The same WACC was used for all CGUs, the reason being that the long-term risk profiles of the four CGUs are not considered to be significantly different. The key parameters were set to reflect the underlying long term period of the assets and time horizon of the forecast period of the business cases. The following parameters were applied:

Risk free interest rate: 2.4 %. Based on 10 year governmental Eurobond rate and US treasury yield, weighted 50/50.
Beta: 2.36. Based on an estimated unlevered beta for the automotive industry adjusted for the industry's average capital structure
Market Risk Premium: 5% (post tax). Based on market sources
Cost of Debt: based on the risk free rate plus a risk component to reflect a probable rate of default (225 basis points)
Capital structure: equity ratio of 59 %. Based on capital structure of comparable companies

Sensitivity analysis

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

1. Change in cash flows:
The analysis showed that a decline in free cash flow in excess of 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. The headroom's per CGU were the following: Driveline -40 %, Interior, Fluid and Driver Control larger than -50 %

2. Change in discount rates:
The analysis showed the following headroom in discount rates per CGU to change conclusion; Driveline + 6.3 %, Interior + 9.7 %, Fluid + 20.8 % and Driver Control + 15.2 %. The results indicated that the test was robust in terms of the level of discount rates. The sensitivity analysis performed for each of the defined cash generation units indicates that Driveline is the unit most sensitive to changes in assumption.

Combined analysis was also carried out by changing the cash flows and discount rates. The headroom's were largest in the following descending order: Fluid, Driver Control, Interior and Driveline.

Impairment – test results and conclusion

Value in use (VIU) for each of the business areas (CGUs) exceeds carrying amount. The impairment test indicated no requirement for write down.

NOTE 13 – PROPERTY, PLANT & EQUIPMENTS (PP&E)

Parent		Group			
Equipment	MEUR	Land	Buildings	Equipment	Total
0.8	Cost	5.8	48.5	393.4	447.7
(0.8)	Accumulated depreciation	(1.1)	(30.7)	(284.9)	(316.6)
0.0	**Book Value at 01.01.2013**	**4.7**	**17.9**	**108.5**	**131.1**
0.8	Cost 01.01.2013	5.8	48.5	393.4	447.7
0.0	Additions	0.0	0.5	27.4	27.9
0.0	Disposals accumulated cost	(1.1)	(8.6)	(9.3)	(19.0)
0.0	Translation differences	(0.1)	(2.8)	(23.6)	(26.5)
0.8	**Acquisition costs at 31.12.2013**	**4.6**	**37.6**	**387.9**	**430.2**
(0.8)	Accumulated depreciation 01.01.2013	(1.1)	(30.7)	(284.8)	(316.6)
(0.0)	Depreciation	0.0	(1.7)	(29.0)	(30.7)
0.0	Disposals accumulated depreciation	1.0	8.6	7.6	17.2
0.0	Translation differences	0.0	1.8	20.2	22.0
(0.8)	**Accumulated depreciation 31.12.2013**	**0.0**	**(22.0)**	**(286.1)**	**(308.1)**
0.8	Cost	4.6	37.6	387.9	430.2
(0.8)	Accumulated depreciation	0.0	(22.0)	(286.1)	(308.1)
(0.0)	**Book Value at 31.12.2013**	**4.6**	**15.6**	**101.8**	**122.0**
0.8	Cost 01.01.2014	4.6	37.6	387.9	430.2
0.1	Additions	0.0	0.9	32.9	34.0
0.0	Disposals accumulated cost	0.0	(0.2)	(12.6)	(12.8)
(0.1)	Translation differences	0.0	(0.7)	3.9	3.2
0.8	**Acquisition costs at 31.12.2014**	**4.6**	**37.7**	**412.1**	**454.5**
(0.8)	Accumulated depreciation 01.01.2014	0.0	(22.0)	(286.1)	(308.1)
(0.0)	Depreciation	0.0	(1.7)	(26.9)	(28.6)
0.0	Disposals accumulated depreciation	0.0	0.2	12.2	12.4
0.1	Translation differences	0.0	0.3	(2.1)	(1.8)
(0.7)	**Accumulated depreciation 31.12.2014**	**0.0**	**(23.2)**	**(302.9)**	**(326.1)**
0.8	Cost	4.6	37.7	412.1	454.5
(0.7)	Accumulated depreciation	0.0	(23.2)	(302.9)	(326.1)
0.1	**Book Value at 31.12.2014**	**4.6**	**14.4**	**109.2**	**128.3**

Security for debt

See note 19 regarding use of PP&E as security for debt.

Impairment testing

See note 12 for the impairment testing on PP&E. The test results indicated no requirement for write down.

Financial leases

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

NOTE 14 – INVENTORIES

Specification of inventories

Parent 2014	Parent 2013	MEUR	Group 2014	Group 2013
0.0	0.0	Raw materials	45.5	46.4
0.0	0.0	Work in progress	13.4	15.0
0.0	0.0	Finished goods	17.9	16.0
0.0	**0.0**	**Total**	**76.8**	**77.3**

Provision for slow moving and obsolete inventory

2014	2013	MEUR	2014	2013
0.0	0.0	Book value at 01.01	(7.8)	(7.7)
0.0	0.0	Write-down	(0.1)	(2.0)
0.0	0.0	Products sold (previously written down)	0.3	0.8
0.0	0.0	Reversal	0.1	0.7
0.0	0.0	Foreign currency translation	(0.2)	0.3
0.0	**0.0**	**Book value at 31.12**	**(7.7)**	**(7.8)**

NOTE 15 – TRADE AND OTHER RECEIVABLES

Specification of trade and other receivables

Parent 2014	Parent 2013	MEUR	Group 2014	Group 2013
0.0	0.0	Trade receivables	140.1	136.4
23.4	33.5	Short-term group loans and receivables	0.0	0.0
0.1	0.0	Public duties	9.2	9.7
0.1	0.0	Other short-term receivables	8.7	8.2
23.6	**33.5**	**Receivables**	**157.9**	**154.2**
0.0	0.0	Tooling WIP (Work in Progress)	4.3	6.1
0.2	0.1	Prepayments	10.2	8.1
23.8	**33.6**	**Total**	**172.4**	**168.4**

Trade receivables maturity

	2014		2013	
MEUR	Dec	%	Dec	%
Not overdue	132.2	94%	127.9	93%
Overdue 1-20 days	5.5	4%	6.4	5%
Overdue 21-40 days	1.5	1%	1.5	1%
Overdue 41-80 days	0.5	0%	0.6	0%
Overdue 81-100 days	0.2	0%	0.2	0%
Overdue > 100 days	0.7	1%	0.6	0%
Gross trade receivables	**140.7**		**137.2**	
Total provision for bad debt	(0.6)	0%	(0.8)	1%
Net trade receivables	**140.1**		**136.4**	

The provision for bad debt is reduced by MEUR 0.2 compared to 31.12.2013. Trade receivables are subject to constant monitoring. Impaired receivables are reflected through provision for bad debt. Monthly assessments of loss risk are performed and corresponding provisions are made on entity level. The provision for bad debt reflects the total loss risk on groups trade receivables. The oldest trade receivables, overdue > 100 days, represent the highest risk level. Most of the impaired trade receivables are included in that category. Actual losses on trade receivables are considered not significant. The risk for losses on other receivables than trade receivables is assessed to be insignificant. For risk management see note 21.

Receivables by currency

Parent			Group	
2014	2013	MEUR	2014	2013
11.1	19.2	EUR	57.0	55.7
9.3	10.8	USD	49.3	48.1
0.1	0.3	NOK	5.2	5.0
3.0	3.2	RMB	21.0	20.5
0.2	0.1	Other	25.5	24.9
23.6	33.5	Total	157.9	154.2

NOTE 16 – SHARE CAPITAL

Shares

The share capital of the company is NOK 203 384 066, comprising 406 768 131 ordinary shares with a par value of NOK 0,50. The company holds 2 185 942 shares as treasury shares. For more information see "Statement of Changes in Equity". The company is listed on the Oslo Stock Exchange. The ticker code is KOA.

	2014	2013
Number of shares in issue at 01.01.	406,768,131	406,768,131
New shares issued	0	0
Number of shares in issue at 31.12.	**406,768,131**	**406,768,131**
Of these, treasury shares	**2,185,942**	**6,572,268**

The twenty largest shareholders in the company as at 31.12.14 were as follows:

Shareholder	No of shares	%	Country
The Northern Trust C Non-Treaty Account	14,647,651	3.6 %	GBR
Folketrygdfondet	12,277,732	3.0 %	NOR
J.P. Morgan Chase BA Nordea Re:non-Treaty	11,593,656	2.9 %	GBR
Credit Suisse Securi (Europe) Prime Broke	11,381,151	2.8 %	GBR
KLP Aksje Norge VPF	10,595,152	2.6 %	NOR
Verdipapirfondet DNB	10,500,000	2.6 %	NOR
Citibank, N.A. S/A Dfa-Intl Sml Cap	10,167,813	2.5 %	USA
Euroclear Bank S.a./ 25% Clients	10,161,689	2.5 %	BEL
Swedbank Ab (Publ) Clients Account	10,159,385	2.5 %	SWE
Mp Pensjon PK	9,603,387	2.4 %	NOR
VPF Nordea Kapital C/O J.P. Morgan Europe	9,284,958	2.3 %	NOR
JP Morgan Chase Bank Handelsbanken Nordic	8,281,550	2.0 %	SWE
Kommunal Landspensjon	6,628,535	1.6 %	NOR
Erling Neby AS	6,500,000	1.6 %	NOR
Verdipapirfondet Del J.P. Morgan Europe Ltd,	6,453,408	1.6 %	NOR
JP Morgan Chase Bank, S/A Escrow Account	5,449,029	1.3 %	GBR
State Street Bank & A/C Client Fund Numb	5,039,957	1.2 %	USA
UBS AG, London Branc A/C Client IPB	4,480,330	1.1 %	GBR
VPF Nordea Avkastnin C/O J.P. Morgan Europe	4,323,800	1.1 %	NOR
State Street Bank An A/C Client Omnibus F	3,841,899	0.9 %	USA
Total twenty largest shareholders	**171,371,082**	**42.1 %**	
Other shareholders	235,397,049	57.9 %	
Total number of shares in issue	**406,768,131**	**100.0 %**	
Number of shareholders	4,790		
Foreign ownership	43.0%		

Share options

Share options are granted to management and to selected employees. An option entitles participants to purchase one share per option. Options are offered during the first quarter and granted during April of the same year. The exercise price is the average trading price for the company's share during the first ten calendar days immediately after publication of fourth quarter results. Offer to be granted options is presented immediately thereafter. Participants in the share option program are required to hold a number of the company's shares at least equivalent to 10 % of the number of options granted (in 2014 the participants in the company's share option programs hold approximately 2 % of the company's total number of shares). One third of the options are exercisable after one, two and three years respectively after the date of grant. Options at NOK 5 expire after 5 years, options at NOK 4,50, NOK 2, NOK 1,50 and NOK 5,80 expire after 7 years and options at NOK 20 and NOK 3 expire 10 years after the date of grant. The company has no legal or constructive obligation to repurchase or settle the options in cash. See Statement of Change in Equity for information on amounts recognized in 2014. The table below shows the number of options and their exercise dates for the program adopted by the General Assembly in 2014 in respect of options to be offered during the first quarter and granted during April 2015.

Number of options vesting and potentially exercisable

	2016	2017	2018	Last possible exercise 2022
By year	1,500,000	1,500,000	1,500,000	
Cumulative	1,500,000	3,000,000	4,500,000	4,500,000

Movements in share options (NOK)

	2014		2013	
	Average exercise price	Options	Average exercise price	Options
Options at 01.01	3.86	15,405,764	4.68	13,348,966
Granted	5.80	3,774,961	1.50	3,850,000
Forfeited	5.63	(79,198)	5.58	(1,319,168)
Expired	0	0	0	0
Exercised	3.72	(4,386,326)	3.01	(474,034)
Options at 31.12	**4.38**	**14,715,201**	**3.86**	**15,405,764**

Outstanding options at the end of the year (NOK)

	2014		2013	
Expiry date	Exercise price	Options	Exercise price	Options
31.03.2015	5.00	952,318	5.00	2,359,041
31.03.2018	20.00	760,810	20.00	772,674
31.03.2018	4.50	1,879,195	4.50	2,806,027
31.03.2019	3.00	1,265,835	3.00	2,459,751
31.03.2019	2.00	2,761,075	2.00	3,285,271
10.04.2020	1.50	3,346,007	1.50	3,723,000
10.04.2021	5.80	3,749,961		
Options at 31.12		**14,715,201**		**15,405,764**

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 1.96 per option (2013: 0.60). The significant inputs to the model were the share trading price of NOK 5.73 at the date of grant, exercise prices (NOK 5.80) shown above, a weighted average volatility of 54.15 %, an expected option life of three, four and five years, and a weighted average annual risk-free interest rate of 1.89 %.

Treasury shares

The company holds 2,185,942 treasury shares. 1,000,000 shares were acquired in August 2006 at an average price of NOK 48.24 per share. 6,500,000 shares were acquired 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 programs. The company sold 4,386,326 treasury shares in 2014 (2013: 474,034). No shares were acquired.

NOTE 17 – EARNINGS AND DIVIDEND PER SHARE

Earnings per share

	2014	2013
Net (loss) / profit attributable to equity shareholders (MEUR)	5.1	6.3
Weighted average number of shares in issue (millions)	401.4	399.8
Basic earnings per share, Euros	**0.02**	**0.02**
Diluted earnings per share, Euros	**0.02**	**0.02**

Earnings per share is calculated by dividing the net profit attributable to equity shareholders by the weighted average number of shares in issue. The diluted earnings per share is the weighted average number of shares in issue as if all options were converted to new shares.

Dividend per share

	2014	2013
Dividend per share in Euros – paid	0.0	0.0
Dividend per share in Euros – proposed	0.0	0.0

No dividend was proposed for 2014. For dividend restrictions, see Covenants note 19.

NOTE 18 – RETIREMENT BENEFIT OBLIGATIONS

Defined benefit pension plan

Revised IAS 19 became effective as of 01.01.2013 requiring actuarial gains and losses to be recognized in OCI, and interest cost on DBO and return on plan assets to be recognized as net interest under financial items.

The German and Norwegian subsidiaries represented 92% of the Group's Net Benefit Obligation (Germany: 84%, Norway: 9%) in 2014.

The Parent company Kongsberg Automotive ASA and its Norwegian subsidiary Kongsberg Automotive AS have defined benefit and defined contribution pension plans. The plans were changed from defined benefit to defined contribution in 2004. The defined benefit plan was continued for employees who had already retired. The other defined benefit plan is an early retirement plan for the CEO. Defined benefit pension plans also exist in two subsidiaries in Germany and in subsidiaries in the Netherlands, Italy and France.

Defined contribution plans

Norway, Sweden, the UK and the USA have defined contribution pension plans for employees. The pension plans are regulated under the rules of each country. The subsidiaries in each country is required to pay the annual contributions to the plan. The expense charged to the income statement in respect of defined contribution pension plans is disclosed in note 8.

Other retirement benefit plans

Top hat pension – Norway

The defined contribution plans has legislative limitations when it comes to maximum salary as calculation basis for tax deductibility. Employees in KA ASA and KA AS (subsidiary) with salaries that exceed this limit, will be granted an addition to the pension that includes the salary above the maximum limit.

Multiemployer plan (AFP) – Norway

The earlier early retirement arrangement in Norway was replaced commencing 01.01.2011. Financing of the early retirement arrangement is now done by an annual fee which represents the final cost for the companies included. All employees in KA ASA and KA AS (subsidiary) are included in the AFP scheme. There are some pensioners under the old scheme, out of which the latest will expire in 2015. Pension obligations connected to these pensioners are considered not significant and are not included in the Statement of Financial position.

Other retirement benefits

Retirement benefit obligations are accrued in Korea and China according to local requirements.

Retirement benefit obligations recognised in statement of financial position

Parent 2014	Parent 2013	MEUR	Group 2014	Group 2013
1.1	1.3	Defined benefit pension obligation	17.4	15.6
0.3	0.3	Top hat, retirement provisions and other employee obligations	1.3	1.7
1.4	**1.6**	**Retirement benefit obligations**	**18.8**	**17.4**

Defined benefit scheme – assumptions

Parent 2014	Parent 2013		Group 2014	Group 2013
3.0%	3.8%	Discount rate	2.4%	3.5%
3.0%	3.8%	Rate of return on plan assets	3.1%	3.5%
3.3%	3.5%	Salary increases	1.4%	1.5%
3.0%	3.3%	Increase in basic government pension amount	1.4%	1.5%
3.0%	3.5%	Pension increase	0.5%	0.6%

The assumptions for the Group is presented as a weighted average of the assumptions reported from respective subsidiaries.

Defined benefit scheme – net periodic pension cost

Parent 2014	Parent 2013	MEUR	Group 2014	Group 2013
0.1	0.1	Service cost	0.2	0.2
0.0	0.1	Interest on benefit obligations	0.5	0.6
0.0	(0.0)	Expected return on pension assets	(0.0)	(0.0)
0.0	0.0	Amortization of estimate differences	0.0	0.0
0.0	0.0	Effect of curtailment	(0.2)	(0.0)
0.0	0.0	Social security taxes	0.0	0.0
0.0	0.0	AFP adjustment	(0.0)	0.0
0.1	**0.1**	**Net periodic pension cost**	**0.5**	**0.7**
0.0	0.2	Remeasurement of net defined benefit liability	2.7	3.2
0.7%	3.8%	Actual return on plan assets	1.3%	2.2%

Defined benefit scheme – net pension liability

Parent 2014	Parent 2013	MEUR	Group 2014	Group 2013
		Pension liabilities and assets:		
0.9	1.3	Projected benefit obligation (PBO)	17.2	16.4
0.0	(0.1)	Fair value of pension assets	0.0	(1.1)
0.0	0.0	Unrecognized effects	0.0	0.0
0.9	**1.2**	**Net pension liability before social security taxes**	**17.2**	**15.3**
0.1	0.2	Social security taxes	0.2	0.3
1.1	**1.3**	**Net pension liability**	**17.4**	**15.6**

Specification of carrying value of net pension liability

Parent			Group	
2014	2013		2014	2013
1.1	1.3	Retirement benefit obligation	17.4	15.7
0.0	0.0	Retirement benefit asset	0.0	(0.1)
1.1	**1.3**	**Net pension liability**	**17.4**	**15.6**

Defined benefit scheme – change in net pension liability

Parent			Group	
2014	2013	MEUR	2014	2013
1.3	1.5	Net pension liability 01.01	15.6	13.3
0.1	0.1	Pension cost for the year	0.5	0.7
0.0	0.3	Remeasurement of net defined benefit liability	2.7	3.2
(0.3)	(0.4)	Paid pensions	(1.1)	(1.2)
(0.0)	(0.3)	Translation differences	(0.1)	(0.4)
1.1	**1.3**	**Net pension liability 31.12**	**17.4**	**15.6**

Defined benefit scheme – sensitivities

MEUR	DBO 31.12.14	Service cost 2015	Interest cost 2015
Actual valuation	(17.4)	0.15	0.54
Discount rate + 0.5%	(18.3)	0.15	0.58
Discount rate - 0.5%	(16.4)	0.15	0.49
Expected rate of salary increase + 0.5%	(17.4)	0.15	0.54
Expected rate of salary increase - 0.5%	(17.4)	0.15	0.54
Expected rate of pension increase + 0.5%	(16.6)	0.15	0.55
Expected rate of pension increase - 0.5%	(18.1)	0.15	0.52

Sensitivity covering majority of DBO

Defined benefit scheme – average expected life time

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

Male employee	19 years
Female employee	23 years

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

Male employee	22 years
Female employee	26 years

Expected pension payment

We expect the pension payment of 2015 to be in line with the 2014 payment.

NOTE 19 – INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing liabilities as presented in statement of financial position

Parent 2014	Parent 2013	MEUR	Group 2014	Group 2013
254.6	275.9	*Non current interest-bearing loans and borrowings*	254.9	276.0
0.0	1.0	Other current interest-bearing liabilities*	0.0	1.0
(2.1)	(3.0)	Capitalized arrangement fees	(2.1)	(3.0)
252.5	**273.9**	**Total interest-bearing liabilities**	**252.8**	**274.0**

Specification of total interest-bearing liabilities

Parent 2014	Parent 2013	MEUR	Group 2014	Group 2013
135.2	146.0	EUR	135.0	146.0
119.4	115.4	USD	119.4	115.4
0.0	15.6	NOK	0.0	15.7
0.0	0.0	Other currencies	0.5	0.0
(2.1)	(3.0)	Capitalized arrangement fee	(2.1)	(3.0)
252.5	**273.9**	**Total interest-bearing liabilities**	**252.8**	**274.0**

See note 21 for an assessment of currency risk.

Specification of interest-bearing loans and borrowings *(in local currencies)*

	Currency	Total amount	Undrawn amount	Drawn amount	Capitalized arr. fees	Amount recognized	Maturity Date	Interest Rate (incl margin)
DNB / Nordea *	EUR	206.0	71.0	135.0	1.0	136.0	30.03.17	2.80%
DNB / Nordea	USD	181.7	36.7	145.0	1.4	146.4	30.03.17	2.90%

* including an overdraft facility of MEUR 35.0 which fall due in 2017. Any use of this facility is expected to be repaid within one year. Nothing was drawn against this facility at 31.12.14. The Innovation Norway loan of 130.5 MNOK was repaid in 2014.

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Facility reduction schedule – interest-bearing loans and borrowings *(in local currencies)*

Year	MEUR	MUSD
2015	-	-
2016	-	-
2017	206.0	181.7
Total	**206.0**	**181.7**

The 2012 reducing revolving facility has been converted to a bullet revolving facility in 2014. There are therefore no remaining scheduled repayments until maturity in March 2017. The facility bears an interest rate based on the Euro LIBOR / USD LIBOR rate plus a margin depending on the gearing ratio. The long-term interest risk has been hedged until the fourth quarter in 2016 through interest rate swap contracts (MUSD 50 with a fixed interest rate of 1,543% and MEUR 100 with a fixed interest rate of 1,5535%). See also note 21. The 2012 revolving facility will be refinanced in the first quarter of 2015 with a new loan facility provided by DNB, Danske Bank and BNP Paribas. The refinancing will be done through a revolving credit facility consisting of an EUR equivalent 300 million facility and an overdraft tranche of EUR 20 million.

Group Loan Covenants

- Equity ratio (Equity / Total assets)	Minimum 25.0% at December 2014 and onwards
- Minimum liquidity	Minimum MEUR 50
- Gearing ratio (NIBD / EBITDA)	The required gearing ratio level is 3.0x at 31 December 2014 and is reduced to 2.5x from Q1 2015.
- Capital expenditures	Maximum 4% of consolidated turnover, however no restrictions if gearing ratio is 2.5x or below. Unutilized amounts can be forwarded to the next succeeding financial year.
- Dividend restrictions	Gearing ratio required to be 2.5x or below

The covenants are based on current loan agreement and tested quarterly. The Group is in compliance with the covenants as at 31.12.14.

Security

All lenders are ranked pari passu with first priority security over the Group's material subsidiaries shares. The loan agreement is built on a negative pledge structure, which restricts the pledging of assets.

Liquidity reserve

The liquidity reserve of Group consists of cash and cash equivalents in addition to undrawn credit facilities.

MEUR	2014	2013
Cash reserve	52.4	54.4
Undrawn facility	101.2	76.4
Total (before bank overdraft)	**153.6**	**130.8**
Bank overdraft *	(18.8)	(24.3)
Liquidity reserve	**134.8**	**106.5**

* The major entities in the Group are members of Parent company's international multi-currency cash pool, where cash deficits in one entity is offset with surplus cash in another entity. The net cash holding in the cash pool was positive at year end.

Other current interest-bearing liabilities

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

NOTE 20 – TRADE AND OTHER PAYABLES

Specification trade and other payables as presented in the statement of financial position

Parent 2014	Parent 2013	MEUR	Group 2014	Group 2013
0.3	0.5	Trade payables	99.1	100.3
52.7	27.2	Short-term group liabilities	0.0	0.0
3.6	4.2	Accrued expenses	54.1	56.5
0.0	0.0	Provisions	3.0	2.7
3.2	4.0	Interest rate and currency swaps	3.2	4.0
0.4	0.4	Other short-term liabilities	5.5	3.7
60.3	**36.3**	**Total**	**164.9**	**167.2**

Provisions

2014 MEUR	Warranty reserve	Restructuring and other provisions	Total
Opening Balance	2.7	0.0	2.7
P&L charge /(credit)	1.0	0.0	1.0
Payments	(-0.7)	0.0	(-0.7)
Translation effect	0.0	0.0	0.0
Closing Balance	**3.0**	**0.0**	**3.0**

Maturity structure

2014 MEUR	Provisions	Accrued expenses	IRS & Other short-term liabilities	Trade payables	Total
Repayable 0-3 months after year end	0.3	25.0	3.2	97.3	125.9
Repayable 3-6 months after year end	1.4	9.5	0.9	0.9	12.8
Repayable 6-9 months after year end	0.3	11.7	0.1	0.6	12.7
Repayable 9-12 months after year end	0.9	7.8	4.6	0.3	13.6
Total	**3.0**	**54.1**	**8.7**	**99.1**	**164.9**

NOTE 21 – RISK MANAGEMENT

Finance risk management policies

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

Foreign exchange risk

Kongsberg Automotive operates internationally in a number of countries and is exposed to foreign exchange risk arising from various currency exposures. The primary exposures are EUR and USD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. As the 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 some of the net exposure of the cash flow from operations. The Group treasury regularly evaluates the use of hedging instruments but has currently a low usage of such instruments.

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

Sensitivity

At 31 December 2014, if the currency USD had weakened/strengthened by 5 % against the EUR with all other variables held constant, revenues would vary by around +/- 1.8% or MEUR +/- 17. Operating profit would not have been significantly changed. A change in EUR and USD of +/- 5% versus the NOK would have influenced the conversion of the long term debt and hence influenced the financial items with approximately MEUR +/- 13. These changes would also have generated changes in currency conversion in the equity, hence the equity change would have been less significant.

Operational risks

Operation and investment risks and uncertainties

The 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 Group has significant competitors in each of its business areas and across the geographical markets in which the Group operates. The Group believes that competition in the business areas in which it operates will continue in the future. The Group continously monitors its competitor environment.

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, aluminum and polymer prices have reached historically high levels over the last years, being subject to large fluctuations in response to relatively minor changes in supply and demand and a variety of additional factors beyond the control of the 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, aluminum 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.

Interest rate risk

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

Interest rate swap

The company entered into two interest rate swap agreements of MUSD 50 and MEUR 100 in March 2012. The two swaps will run from October 2013 until October 2016. Interest payments are performed quarterly. Market-to-market values have been used at balance sheet date.

Sensitivity

Based on the simulations performed per 31.12.2014, the impact on pre tax profit of a +/- 0.5 percentage point shift in both the EUR and USD interest would be a maximum increase or decrease of MEUR 0.6. This impact would reach MEUR 1.3 without hedging instruments.

Credit risk

Credit risk is managed on group basis and entity level. Credit risk arises mainly from trade with customers and outstanding receivables. The level of receivables and overdue are monitored on a weekly basis. Historically the Group have had limited loss on receivables. In some countries, the Group is also participating in some factoring agreements which reduces some of the credit risk and improve the working capital. See also note 15.

The automotive industry consists of a limited number of vehicle manufacturers, hence the five biggest customers will be in the around 35% of total sales. The company have a diversified customer base, where no individual customer represents more than 10 % of the Group's revenues. It is in the company's opinion that the 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.

Funding and liquidity risk

Cash flow forecasting is performed by each operating entity of the Group on a weekly basis for the next 12 weeks. 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 19.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and balance the risk profile. The Group monitors capital on the basis of the gearing ratio and the level of equity. These ratios are calculated as net debt divided by EBITDA and Equity divided by total balance. The Group has a treasury policy regulating the levels on these key ratios.

NOTE 22 – FINANCIAL INSTRUMENTS

Classification, measurement and fair value of financial instruments

		Group – 2014				
MEUR	Notes	Derivatives at fair value through profit and loss*	Loans and receivables at amortized cost	Financial liabilities at amortized cost	Non-financial assets and liabilitites	Total
Trade and other receivables	15		157.9		14.5	172.4
Cash and cash equivalents			53.5			53.5
Interest-bearing loans and borrowings	19			(252.8)		(252.8)
Bank overdraft				(18.8)		(18.8)
Other current interest-bearing liabilities	19			(0.0)		(0.0)
Trade and other payables	20	(3.2)		(153.2)	(8.5)	(164.9)
Total		**(3.2)**	**211.4**	**(424.8)**	**5.9**	**(210.7)**
Fair value		(3.2)	211.4	(426.9)	5.9	(212.8)
Unrecognized gain/ (loss) *		-	-	(2.1)	-	(2.1)

* Unrecognized loss on financial instruments is related to capitalization of arrangement fees. In 2013 this also included an embedded fixed rate derivative.

Interest rate and currency forwards are the only types of derivative instrument held by the Group in 2013 and 2014. The derivatives are valued based on a level 2 valuation. There were no transfers between levels in the period

		Group – 2013				
MEUR	Notes	Derivatives at fair value through profit and loss*	Loans and receivables at amortized cost	Financial liabilities at amortized cost	Non-financial assets and liabilitites	Total
Trade and other receivables	15		154.2		14.2	168.4
Cash and cash equivalents			57.1			57.1
Interest-bearing loans and borrowings	19			(273.0)		(273.0)
Bank overdraft				(24.3)		(24.3)
Other current interest-bearing liabilities	19			(1.0)		(1.0)
Trade and other payables	20	(4.0)		(156.8)	(6.4)	(167.2)
Total		**(4.0)**	**211.3**	**(455.2)**	**7.8**	**(240.1)**
Fair value		(4.0)	211.3	(458.3)	7.8	(243.2)
Unrecognized gain/ (loss)		-	-	(3.0)	-	(3.0)

NOTE 23 – REMUNERATION AND FEES FOR MANAGEMENT, BOARD OF DIRECTORS AND AUDITOR

This note is updated to reflect accrued remuneration (2014), and not paid remuneration (2014), ref. The Financial Supervisory Authority of Norway guidance for 2014. The figures for 2013 are adjusted accordingly.

Remuneration and fees recognized in the statement of income (KEUR)

	2014	2013
Total remuneration of the Board of Directors	240.0	244.0
Gross base salary to the CEO	442.9	454.6
Car allowance to the CEO	16.8	15.4
Bonus to the CEO (short term incentive)	190.2	335.1
CEO's option gains (long term incentive)	70.1	0.0
Pension costs to the CEO	29.2	30.0
Management salaries other than to the CEO	1,574.2	1,523.5
Other remuneration of management other than the CEO	893.5	1,076.5
Pension costs of management other than the CEO	149.4	152.3
Total	**3,606.4**	**3,831.3**

Specification of remuneration to Board of Directors (KEUR)

Name	Position	Compensation committee	Audit committee	BOD fees	Total 2014	2013
Ulla-Britt Fräjdin-Hellqvist	Chairwoman	6.0	0.0	53.9	59.9	60.2
Halvor Stenstadvold	Board member	0.0	6.6	31.1	37.7	39.1
Magnus Jonsson	Board member	2.1	0.0	31.1	33.2	32.0
Malin Persson	Board member	0.0	0.0	15.6	15.6	0.0
Thomas Falck	Board member	0.0	8.4	31.1	39.5	41.0
Eivind Holvik	Employee representative	0.0	0.0	10.8	10.8	10.2
Kjell Kristiansen	Employee representative	4.2	0.0	10.8	15.0	14.7
Tonje Sivesindtajet	Employee representative	0.0	0.0	10.8	10.8	10.2
Other (replaced board member)		2.1	0.0	15.6	17.7	36.5
Total - Board of Directors		**14.4**	**15.0**	**210.7**	**240.0**	**244.0**

Specification of remuneration to nomination committee (KEUR)

Name	Position	2014	2013
Tor Himberg-Larsen	Committee chairman	9.6	10.2
Hans Trogen	Committee member	4.2	0.0
Heidi Finskas	Committee member	3.6	3.8
Other (replaced committee member)		0.0	3.2
Total - Nomination Committee		**17.4**	**17.3**

Specification of remuneration to management other than CEO (KEUR)

2014

Name	Position	Base salary	Car Allowance	Bonus	Options	Pension
Trond Stabekk	EVP, CFO	290.3	14.4	124.3	194.5	29.2
Jarle Nymoen	EVP, Human Resources	205.3	14.4	79.1	0.0	22.0
Anders Nyström	EVP, Purchase	189.1		72.9	0.0	43.6
James G Ryan	EVP, Driver Control	225.6	9.1	55.8	0.0	5.9
Joachim Magnusson	EVP, Driveline	216.6		111.4	26.6	38.0
Jonathan Day	EVP, Fluid Transfer	215.0	9.1	52.8	1.0	5.9
Scott Paquette	EVP, Interior	232.4	9.1	119.2	0.0	4.8
Total - management other than CEO		**1,574.2**	**55.9**	**615.5**	**222.1**	**149.4**

2013

Name	Position	Base salary	Car Allowance	Bonus	Options	Pension
Trond Stabekk	EVP, CFO	288.1	12.8	211.8	0.0	30.0
Jarle Nymoen	EVP, Human Resources	211.3	12.8	137.4	0.0	22.4
Anders Nyström	EVP, Purchase	184.9		121.0	0.0	43.0
James G Ryan	EVP, Driver Control	218.3	9.0	142.4	0.0	5.8
Joachim Magnusson	EVP, Driveline	213.7		142.2	0.0	40.0
Jonathan Day	EVP, Fluid Transfer	185.1	7.2	123.0	0.0	5.3
Scott Paquette	EVP, Interior	222.0	9.0	147.9	0.0	5.9
Total - management other than CEO		**1,523.5**	**50.9**	**1,025.6**	**0.0**	**152.3**

The Management Group participates in a bonus scheme (short term incentive) based on the Group's achievement of return on capital employed. Target bonus for management is either 45 or 50 % of base salary. Max bonus is 67,1 % or 74,5 % of base salary. Average bonus last five years for the CEO is 40 % of base salary. A total of MEUR 5.9 is accrued for bonus earned in 2014 (2013: MEUR 8.0). The accrual includes social security costs.

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 18. 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.

Outstanding number of share options granted to management

Issued in	2014	2013	2012	2011	2010	2009	2008
Strike price, NOK	5.80	1.50	2.00	4.50	5.00	3.00	20.00
Expiry year	2021	2020	2019	2018	2015	2019	2018
Hans Peter Havdal	325,000	325,000	322,000	317,000		215,394	157,465
Trond Stabekk	225,000	225,000	222,000				
Jarle Nymoen	125,000	115,000	122,000	117,000	115,000	102,029	48,795
Anders Nyström	125,000	125,000	122,000				
James G Ryan	125,000	125,000	122,000	117,000	115,000	136,038	
Joachim Magnusson	125,000	125,000	122,000	117,000	115,000		17,971
Jonathan Day	125,000	125,000	122,000	60,000		45,346	24,072
Scott Paquette	125,000	125,000	122,000	117,000	115,000	102,029	13,012
Total options	**1,300,000**	**1,290,000**	**1,276,000**	**845,000**	**460,000**	**600,836**	**261,315**

For more details about the share option plan see note 16.

Specification of fees paid to the auditors

KEUR	2014	2013
Statutory audit services to the Parent company (Deloitte)	51.6	47.9
Statutory audit services to subsidiaries (Deloitte)	509.5	495.6
Statutory audit services to subsidiaries (Other)	122.8	121.9
Further assurance services (Other)	31.4	25.7
Other non-audit services (Other)	71.2	85.3
Total	**786.5**	**776.4**

NOTE 24 – SHARES OWNED BY MANAGEMENT AND BOARD OF DIRECTORS AS AT 31.12.14

Board of Directors		No of shares
Ulla-Britt Fräjdin-Hellqvist	Chairwoman	72,800
Halvor Stenstadvold	Board member	300,000
Magnus Jonsson	Board member	20,000
Malin Persson	Board member	20,000
Thomas Falck	Board member	1,000,000
Eivind Holvik	Employee representative	0
Kjell Kristiansen	Employee representative	0
Tonje Sivesindtajet	Employee representative	63,000
Total number of shares		1,455,800

Executive Committee		No of shares
Hans Peter Havdal	CEO & President	447,025
Trond Stabekk	EVP, CFO	138,080
Jarle Nymoen	EVP, Human Resources	102,985
Anders Nyström	EVP, Purchase	52,000
James G Ryan	EVP, Driver Control	158,400
Joachim Magnusson	EVP, Driveline	123,693
Jonathan Day	EVP, Fluid Transfer	139,250
Scott Paquette	EVP, Interior	90,800
Total number of shares		1,252,233

NOTE 25 – 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.

Principles for base salary

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

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 2014 (see note 23).

The Board of Directors has established share option programs for leading employees that have been approved by shareholders in General Meeting. It is the company's judgment that it is positive for long-term value creation in the Group that leading employees hold shares 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 programs. The exercise price of the options shall be the average trading price of the KA share the first ten days after presentation of the fourth 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 proceeding year.

Principles for servces with non-cash compensation

Leading employees can be offered different arrangements such as company cars, insurance, pensions, etc. together with relevant com- munication solutions such as broadband 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.

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 period for the rest of the management is 6 months.

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.

NOTE 26 – COMMITMENTS AND GUARANTEES

Commitments

The Group is party to lease agreements classified as operating lease. The total group cost for operating leases was MEUR 3.9 in 2014 (2013: 4.3) Operating leases are mostly used for the rental of office equipment. Maturity schedule for operational leases KA Group:

MEUR	2015	2016	2017	2018	2019	Thereafter	Total
Operational lease commitments	(4.7)	(4.6)	(2.9)	(2.4)	(2.2)	(12.2)	(29.0)

Guarantees

Kongsberg Automotive Holding ASA (Parent company):
Some subsidiaries require a financial support guarantee from Parent to satisfy the Going concern assumption. The Parent company has also issued guarantees towards suppliers of subsidiaries. The exposure is not considered material.

Kongsberg Automotive Group:
No material guarantees have been issued to or on behalf of entities outside the Group with the exception of Parent company guarantees described above

NOTE 27 – CONTINGENT LIABILITIES

Contingent liabilities

The following in an overview of current material disputes involving either the Parent company Kongsberg Automotive ASA or its subsidiaries:

Charles Herman and others vs. BRP, Teleflex, and Kongsberg Inc(Canada)
Claimant has raised claims on basis of product liability against KA for damages due to personal injury allegedly inflicted by accidents which have occurred when driving a BRP Can-Am Spyder; a three wheeled vehicle ("The Spyder") manufactured by Bombardier Recreational Products ("BRP"). The Canadian KA entity (previously a Teleflex company) manufactured and supplied electronic steering units ("DPS") to BRP for subsequent installation in the Spyder. The DPS was however designed by a Teleflex company not taken over by KA. The claims are subject to legal process in various jurisdictions in US. KA has notified its insurance company and claimed that any claims, if awarded to the plaintiffs, shall be covered under the product liability insurance.

Kongsberg Automotive ASA vs. Teleflex Inc
KA acquired the GMS assets from Teleflex in 2007/2008. KA raised a number of claims against Teleflex mainly due to breach of warranty obligations of the sales and purchase agreement. All actual claims were settled in November 2011 with exception for KA's claim that Teleflex shall indemnify KA for any amount that may be awarded to the plaintiffs in the Spyder cases. KA's position is that any defects in the DPS were caused by faulty design which was performed by a TFX entity not taken over by KA and that any liability therefore must rest with TFX. The court has stayed the court proceedings pending resolution of the other related disputes. The decision to stay the proceedings is appealed.

Bombardier Recreational Products vs. Kongsberg Automotive
See the Spyder case above. BRP initiated court proceedings claiming that KA and Teleflex should; a) indemnify BRP for all third party product liability claims; "the Spyder claims" and b) cover recall costs and repair costs for the BRP Spyders. The latter claim (b) for recall and repair costs were settled in September 2011. The court proceedings regarding the product liability claims are stayed. KA has notified its insurance company, claiming that any amount awarded to BRP is recoverable under the product liability insurance.

MTD Products Inc vs. Kongsberg Power Products Systems I Inc (US)
Kongsberg Power Products Systems I Inc ("KPPS") has further to a purchase order from 2006 delivered a four-way control for a snow thrower to MTD. Toro Inc sued MTD alleging that the control infringed one of their patents for a similar solution. In 2013 MTD and Toro reached a confidential agreement and settled the dispute. MTD has turned to KA claiming to be indemnified from all losses and costs KA have rejected the claim whereafter MTD initiated arbitration proceedings. MTD's claim is so far not quantified.

NOTE 28 – SUBSEQUENT EVENTS

Refinancing

Kongsberg Automotive has secured a new loan facility with DNB, Danske Bank and BNP Paribas to refinance the existing revolving credit facility provided by DNB & Nordea. The signing of the loan agreement will take place in the first quarter 2015. This new facility is a 3 year financing with two one-year extension options at the first and second anniversary of the facility. The new facility will establish a new margin structure depending on the net gearing ratio and provides greater flexibility for the company.

The refinancing will be done through a revolving credit facility consisting of the following:
- One EUR 300 million tranche which can partly be drawn in USD and
- One overdraft tranche of EUR 20 million

Key terms in the new agreement:
The equity and minimum liquidity ratios remain the same at 25% of total assets and EUR 50 million respectively The NIBD/EBITDA covenant starts at 3.0x in 2015, declining to 2.75x in 2016 & 2017 and to 2.5x in 2018 The margin depends on the net gearing ratio level. The margin starts at 2.25% for NIBD/EBITDA levels above 2.5x, dropping to 1% for NIBD/EBITDA levels below 1.5x

No other new material information regarding the Group's situation as at 31.12.2014 or later development has come out as of the date of approval.

NOTE 29 – RELATED-PARTY TRANSACTIONS (KA ASA)

Kongsberg Automotive group is listed on Oslo Stock Exchange. The Group's ultimate parent is Kongsberg Automotive ASA.
The Group has no material transactions with related parties. The parent company has carried out the following transactions with related parties:

Key management- and BOD compensation

See note 23 - includes remuneration for management and Board of Directors.

Specification of revenues – type of services

MEUR	2014	2013
Group benefits fee from subsidiaries *	27.4	27.7
Information Systems & Technology	9.4	8.6
Other	4.5	1.3
Operating revenues	**41.3**	**37.6**

* The Kongsberg Automotive Group has a Norway-based Head Office (Kongsberg Automotive ASA) which is staffed with group management and other highly experienced personnel, and has therefore been established as a central unit to provide and coordinate a variety of important and beneficial Group Benefits to its subsidiaries. This by drawing on its own resources as well as on those available from third parties. All subsidiaries have a need for the provision of group know-how, management expertise and other intellectual property, as well as advice, support and assistance in several areas (e.g. Finance/Treasury, Legal).

Specification of revenues – revenues by geographical location

MEUR	2014	2013
Norway	5.7	4.8
USA	7.1	6.9
Sweden	4.7	4.4
China	3.4	3.2
Mexico	6.2	5.2
Other countries	14.3	13.1
Total	**41.3**	**37.6**

Loans to other group companies

Loans to other group companies	Non-current assets 2014	2013
Kongsberg Automotive SP. z.o.o	0.0	2.5
Kongsberg Automotive Hong Kong Ltd	32.9	29.0
Kongsberg Automotive Holding 2 AS	371.3	320.0
Kongsberg Automotive s.r.o.	0.0	21.0
Other group companies	12.7	13.8
Total	**416.8**	**386.4**

The Parent company's loans to Group companies have due dates exceeding 1 year.
The majority of the inter company loans have a 5 % point margin of the respective marked reference rates.

Short term group receivables

Short-term group receivables	MEUR	Current assets 2014	2013
Kongsberg Actuation Systems SL		0.2	0.5
Kongsberg Automotive s.r.o		0.1	0.3
Kongsberg Driveline Systems SAS		0.0	0.1
Kongsberg Driveline Systems GmbH		0.0	8.5
Kongsberg Driveline Systems I, Inc		0.0	2.5
Kongsberg Automotive (Shanghai) Co Ltd.		0.3	0.7
Kongsberg Automotive Inc.		9.5	5.3
Kongsberg Automotive Holding 2 AS		0.9	6.3
Kongsberg Automotive (Wuxi) Ltd.		3.0	2.9
Other group companies		9.8	6.4
Total		**23.8**	**33.5**

Short-term Group liabilities

MEUR	Current liabilities 2014	2013
Group companies*	52.7	27.2
Total	**52.7**	**27.2**

* Increased due to group contribution to Kongsberg Automotive Holding 2 AS (MEUR 25.6)

Current assets and - liabilities have due dates within 1 year.
The outstanding accounts are repayable on demand based on available liquidity in the respective subsidiary.

REPORT OF THE AUDITORS

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To the Annual Shareholders' Meeting of Kongsberg Automotive ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Kongsberg Automotive ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the statement of financial position as at 31 December 2014, 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's and the CEO's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Deloitte.

Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Kongsberg Automotive ASA as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to the Norwegian accounting act § 3-9.

Opinion on the financial statements for the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Kongsberg Automotive ASA as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

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

Opinion on Registration and Documentation

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

Oslo, 16 February 2015
Deloitte AS

Ingebret G. Hisdal (signed)
State Authorised Public Accountant (Norway)

Declaration to the Annual Report 2014

Responsibility Statement

The Chief Executive Officer and the Board of directors confirm, to the best of our knowledge, that the financial statements for the period January 1 to December 31, 2014 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the Company's and the Group's assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risk and uncertainties facing the entity and the group.

Kongsberg, February 16, 2015
Board of Directors of Kongsberg Automotive ASA

Ulla-Britt Fräjdin-Hellqvist Chairwoman	**Halvor Stenstadvold** Board member	**Malin Persson** Board member	**Thomas Falck** Board member
Magnus Jonsson Board member	**Tonje Sivesindtajet** Employee representative	**Kjell Kristiansen** Employee representative	**Eivind Holvik** Employee representative

Hans Peter Havdal
President and CEO

KEY FINANCIAL DATA

Group			2014	2013	2012	2011	2010
Operations and profit							
1	Operating revenues	(MEUR)	979.1	990.9	1,001.1	999.7	864.4
2	Depreciation and amortisation	(MEUR)	42.1	43.9	46.3	43.4	46.9
3	Operating (loss) / profit	(MEUR)	54.8	53.2	30.7	38.5	10.2
4	(Loss) / profit before taxes	(MEUR)	18.9	12.8	11.9	8.2	(1.9)
5	Net profit	(MEUR)	5.4	6.6	5.3	7.8	(9.2)
6	Cash flow from operating activities	(MEUR)	86.1	87.6	78.9	41.2	43.9
7	Investment in Property, Plant and Equipment	(MEUR)	34.0	27.9	28.6	31.3	22.1
8	R&D expenses, gross	(MEUR)	58.7	48.6	47.1	44.8	40.9
9	R&D expenses, net	(MEUR)	49.9	40.0	40.3	39.1	34.5
Profitability							
10	EBITDA margin	%	9.9	9.8	7.7	8.2	6.6
11	Operating margin	%	5.6	5.4	3.1	3.9	1.2
12	Net profit margin	%	0.6	0.7	0.5	0.8	(1.1)
13	Return on total assets	%	8.0	7.4	4.0	4.9	1.3
14	Return on capital employed (ROCE)	%	11.8	10.9	5.8	6.9	1.8
15	Return on equity	%	2.7	3.5	2.8	4.3	(5.2)
Capital as at 31.12							
16	Total assets	(MEUR)	689.2	687.3	744.9	793.9	783.0
17	Capital employed	(MEUR)	463.1	463.7	507.5	553.3	570.0
18	Equity	(MEUR)	210.3	189.6	184.7	185.2	174.6
19	Equity ratio	%	30.5	27.6	24.8	23.3	22.3
20	Cash reserve	(MEUR)	134.8	106.5	106.0	125.8	165.0
21	Interest-bearing debt	(MEUR)	252.8	274.0	322.8	368.1	395.4
22	Interest coverage ratio		1.5	1.2	1.0	1.2	0.4
23	Current ratio (Banker's ratio)		1.6	1.6	1.6	1.5	1.7
Personnel							
24	Number of employees at 31.12		9,880	10,135	10,119	10,950	10,538

Definitions

5 Profit after tax
9 Gross expenses - Payments from customers
10 (Operating profit + depreciation and amortisation) / Operating revenues
11 Operating profit / Operating revenues
12 Net profit / Operating revenues
13 Operating profit / Average total assets
14 Operating profit / Average capital employed
15 Net profit / Average equity
17 Operating assets - Operating liabilities
20 Free cash + Unutilised credit facilities and loan approvals
22 Operating profit / Financial expenses
23 Current assets / Current liabilities

CORPORATE RESPONSIBILITY

> *Our Corporate Responsibility initiatives align directly with our core values:*
> *- passionate*
> *- accountable*
> *- prepared*

We have clearly defined values that represent the culture and character of our company. By promoting and engaging in sustainable practices, we assure those values are reflected in our products, our processes and our people. We view this as essential for the long term success of our business.

To partner with the best customers and suppliers, to attract the most passionate employees and to deliver the best results, we need to continuously improve our systems to support this commitment to responsibility.

For years, Kongsberg Automotive has developed automotive products that improve vehicle safety and reduce environmental impact. Today, we also embrace the responsible and sustainable practices that make our business possible. We implement programs to responsibly manage our complex and diverse supply chain. We use manufacturing methods to drive operational efficiency and exceed our customer expectations for quality. We monitor our factories to assure safety. We certify our plants to ISO 14001 and measure our environmental impacts. We provide our employees opportunities to grow and advance. Finally, we support engagement of the communities where we operate.

We are pleased to report about our Corporate Responsibility Initiatives and Sustainability programs and the value it brings to our Business.

OUR CODE OF CONDUCT

The KA Code of Conduct (the "Code") defines expectations for KA and our employees' ethical behavior. The main objective of the Code is to provide guidelines to ensure that KA and our employees conduct activities in compliance with applicable laws and ethical standards expected from a blobal top tier automotive supplier. All KA companies, employees and partners must follow this Code and it requires:

- Professional behavior towards colleagues, business associates and others
- Honest and ethical conduct
- Free competition and fair dealings
- Zero tolerance for corruption and bribery
- Protection of confidential and proprietary information belonging to Kongsberg Automotive, our customers, and our suppliers
- Compliance with all applicable government laws, rules, and regulations
- Correct and accurate documentation and records
- Reporting of potential violations

The Code has been translated into all local languages where KA operates. We offer our employees training and case studies to help them recognize ethics related situations.

We encourage employees to report concerns about suspected breaches of the Code, including descriptions of the types of activities that should be reported. We have made it clear to our employees through the

Code that they will not face retaliation if concerns are raised in good faith.

OUR PRODUCTS & SOLUTIONS

Kongsberg Automotive's product portfolio includes seat comfort systems, driver and motion control systems, fluid assemblies, and industrial driver interface products developed for global vehicle manufacturers. Our mission is to provide world-class products to enhance the driving experience, making it safer, more comfortable and sustainable.

Innovation is an important driver for KA and it's what employees, customers and other stakeholders expect of us. It's important for our growth, enables real advancements in performance, meets our customers' need for sustainable solutions and raises the bar for our industry.

The global vehicles industry is highly competitive and is constantly seeking new ways to improve or advance for the benefit of customers. Among the key trends driving the automotive industry, KA focuses on active safety, comfort, and reducing fuel consumption and emissions.

Our drive for innovations within these key focus areas is beginning to pay off with solid progress being made in several product areas like; Automated Manual Transmissions, Shift-by-Wire, ePower, Couplings for the US market, and new building blocks for our Seat Comfort features. The response from our customers is strong and we are due to achieve a record for new business wins.

Innovation has never been more important than it is today. It's not just about improving the products KA makes and growth, it's also about working throughout the value chain and developing markets that value and encourage sustainable processes and products.

STUDENT OUTREACH & KNOWLEDGE SHARING

Revolve NTNU sponsorship & trainee collaboration with World Rally Cross Champion Petter Solberg

For the third consecutive year KA sponsored the Revolve NTNU team which developed and built an electric race car and raced at the Formula Student competition in the UK and in Germany this summer. The sponsorship is an integral part of KA's recruitment strategy to attract young, passionate, and talented engineers. In addition to financial funding, KA provides knowledge sharing, tools, validations and other support.

Selected KA engineering trainees, typically part of the Revolve NTNU team, also have the opportunity to work for World Rally Cross Champion Petter Solberg's team in Sweden and attend various races around the world during their two year internship as part of the KAPS trainee program.

Product design competition for Students

With the level of product design freedom enabled by shift-by-wire technology Kongsberg

SUPPLIER AWARD HIGHLIGHTS

KA's Matamoros, Mexico plant received a Supplier Award from Shiroki North America Ltd for the highest quality and delivery achievement during 2013.

Our Interior business area received a Bronze Award for Overall Supplier Excellence in 2013-2014 in Europe from Johnson Controls.

KA's Mullsjö, Sweden facility was awarded the General Motors Supplier Quality Excellence Award for 2013-2014.

KA's Nuevo Laredo, Mexico plant was awarded the 2014 General Motors Supplier Quality Excellence Award.

Automotive invited University or College students to share their visions of future of Human Machine Interface design for gearshift systems in a Product Design competition to push the boundaries a little bit further.

OUR SUPPLY CHAIN

Kongsberg Automotive is a global supplier to the vehicle industry, with manufacturing presence in all major vehicle manufacturing regions of the world. This means our supply base is global too.

Our Global Working Conditions Initiative considers impacts up and down our supply chain with regards to child labor, forced labor, freedom of association, harassment and discrimination, health and safety, wages and benefits, and working hours.

KA is committed to developing a supply base in low cost regions. As some of these regions are considered high risk with regard to responsible working conditions, expectations are clearly communicated. We expect our suppliers to fulfill the expectations outlined in our Code of Conduct and related Supplier Declaration.

Business Ethics
- Respect, honesty and transparency
- Decent Working Practices
- Training and Development
- Integrity

Working Conditions
- Harassment & Discrimination
- Health & Safety
- Wages & Benefits
- Working Hours
- Child Labor
- Forced Labor
- Freedom of Association

Environmental Responsibility
- Environmental Management Systems
- Continuous Improvement
- Environmental Performance of Products

Conflict Minerals

The United States Congress signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act. This Act requires publicly traded USA corporations to report the use of minerals that may finance violent conflicts causing suffering and human rights violations in and around The Democratic Republic of Congo (DRC).

ENVIRONMENTAL POLICY

Improving our environmental performance is essential to meeting our business objectives and customer.

As many of our customers were required to publically disclose such information in 2014, Kongsberg Automotive undertook a rigorous and active approach to gather required information from its supply base. We requested suppliers to track possible presence of conflict mineral materials back to the smelter for the products we purchase. This proves to be a significant and involved task. These smelters should be certified, as a non-certified smelter means potential presence of conflict minerals. Responsible sourcing policies will be implemented when at risk suppliers are identified.

Kongsberg Automotive began supplying information to our customers as early as August 2013. We continue to meet reporting deadlines and expectations of our customers.

Supplier Diversity

We embrace supplier diversity for our automotive business areas, with particular emphasis in the United States of America. This vision creates value to our stakeholders through a strategic supplier diversity initiative. It allows us to impact the economic growth of businesses owned by minorities and women, which are among the fastest growing segments of the USA economy.

Supplier Diversity is just good business. It strengthens our relationships with our automotive customers, who have supplier diversity initiatives of their own. Our automotive customers align with this initiative because their supply base reflects the demographics of their customers, community and marketplace in which they operate.

Through the years, Kongsberg Automotive is proud to have won awards for our efforts in supplier diversity. We are an active member with local supplier diversity councils and continue to participate in supplier diversity programs with some of our key customers.

OUR MANUFACTURING

Our manufacturing footprint is global. While it is important to be strategically positioned, it is also crucial to our future that we are operationally efficient. This efficiency produces the highest quality product, safely and with the least amount of environmental impact. And when our manufacturing facilities are clean, safe and organized, we allow our employees to do their best work.

We launched the One KA Factory initiative three years ago. This initiative emphasizes the commitment for operational excellence that will sustain our facilities. Health, safety and environmental requirements as well standards for improving the working environment are focused. We defined a set of minimum standards for the visual and physical appearance of our plants. We describe general requirements and items that should be in place in all KA plants like safety signs and equipment, plant layout and flow, 5S requirements, common color schemes and clothing and use of lighting.

Keeping our facilities clean and tidy is the key to 5S, good maintenance and smooth operation.

Organized and efficient manufacturing areas and warehouses make it easier to maintain a safe work environment. It also helps to improve employee morale leading to engaged and productive staff. Finally, having a well-run facility imparts a feeling of professionalism and trust for our customers and visitors while making any employee proud to work at a KA facility.

OUR CONCERN FOR THE ENVIRONMENT

With a global manufacturing footprint, we have a responsibility to do our part to protect the environment. To do this, we challenge our manufacturing locations to identify potentially damaging environmental impacts and to minimize those impacts by improving our process, management systems and operational efficiency.
We report significant progress:

- All manufacturing facilities have implemented an Environmental Management System in accordance with ISO 14001 Standards
- Over last five years, Energy Intensity was reduced by 23%
- Over last five years, reduction in hazardous waste and land filled waste was reduced by 43%
- Four manufacturing locations are now landfill free

Energy Consumption at our Manufacturing Facilities

Energy consumption data for electricity and burning of fossil fuels needed for production activities is collected. The target for 2014 was to decrease energy consumption by 1.5% relative to total product sales; the result came out on the positive side. Absolute energy use was down 4% and the energy intensity also decreased 2%. Energy Intensity is measured as kilowatt hour used in production for every euro of total product sales. In 2014 the energy intensity decreased to 126 kWh/1000€.

Using UN Greenhouse Gas Calculators, KA Group's 2014 CO_2 emissions were calculated at approximately 46.000 metric tons, similar to 2013. The CO_2 Emissions Intensity is up slightly for the year, by 2%, to 44 metric tons of CO_2/1M€ of total product sales. While energy use reductions have occurred at many of our locations, we attribute the increase in CO_2 Intensity Index to greater sales in low cost countries where renewable energy resources are less available. Detailed data is supplied to the Carbon Disclosure Project, Supply Chain portal. This allows customers direct access to our information. Pollution control is important to KA and the communities where we operate. Our aim is to minimize the amount of waste sent to landfills and the toxicity of waste requiring special treatment and disposal. All units seek opportunities to reuse and recycle. In 2014, absolute waste generated decreased by 14% and our Waste Index decreased by 13%. We attribute improvement to our global efficiency initiatives, increased recycling and reduction of waste sent to landfills. In fact, four manufacturing locations completely avoided disposal of waste materials in a landfill and used alternative disposal options.

OUR INFORMATION TECHNOLOGY

Our information systems and technology solutions provide effective sustainable value. Our IS&T are enabled with agile global standards and education programs. We start with ergonomic and energy saving appliances and continue through with high utilization of our core business systems, all with the needed information security of our many stakeholders in mind. Our networks operate on consolidated device platforms which reduce overall energy consumption and physical space requirements, while providing necessary availability to support our customers around the world.

The management of electronic waste is an international concern. KA partners with E-cycler vendors at all locations to help insure appropriate and acceptable disposition of expired electronics and their consumables. Donations of still usable hardware are made to local charitable organizations when possible. In all cases, we execute rigid data removal protocols to better protect the interests of our customers, suppliers, employees and shareholders.

Computer Donations to a Church and a Primary School

Instead of disposing of obsolete computer equipment, our Hallbergmoos office found two organizations in need. After properly securing old data, the equipment was donated to a local church for use by disadvantaged parishioners and their children. The equipment is now utilized for

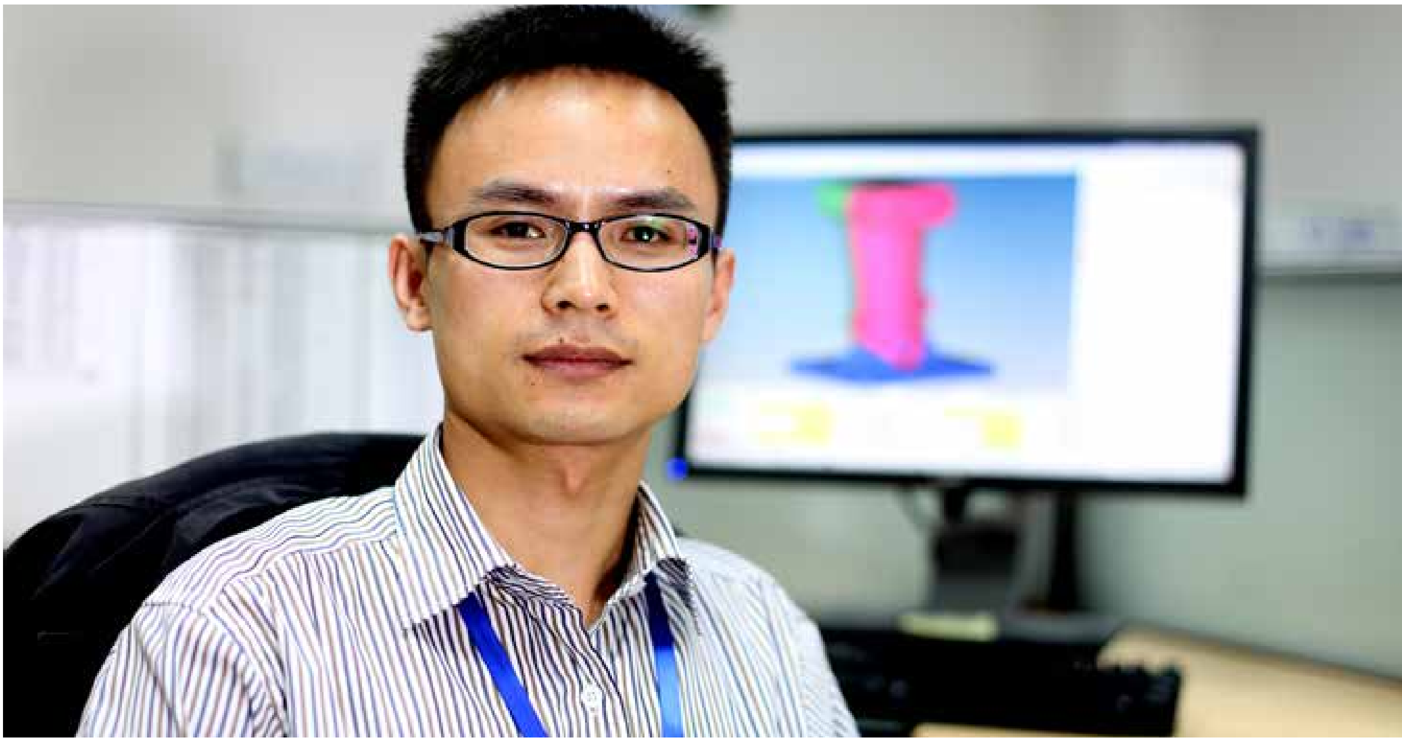
OUR IT TEAM GOES GREEN!

Over the last five years, IT has:

- Reduced the number of physical servers from 450 to under 150

- Reduced server room space requirements by over 70%

- Cut usage of consumables and different media in half



teaching computer skills to improve employment and educational prospects. With the same intention, equipment was also donated to a Hungarian primary school.

The school established an IT class that teaches the students to write programs for LEGO robots. The computers are now used to help write and move the software to the robots. The Hallbergmoos office and IS&T team look forward to making even more donations next year.

OUR PEOPLE

At the end of 2014, KA had 9,880 full-time employees, which reflects a net decrease of 255 people compared with the same period in 2013. The largest reductions came in Mexico (210) and Slovakia (110).

Overall, the largest increases in the company's workforce came in England, with the addition of 143 employees and Canada with 104 new employees. Mexico has the largest number of KA employees with some 2.839 people employed at three locations (Reynosa, 795; Matamoros, 968; and Nuevo Laredo, 1.076).

During the year, Kongsberg Automotive hired 86 (+ 15%) more engineers, reflecting our increased focus on innovation. This trend is expected to continue in 2015.

Kongsberg Automotive is committed to having a culture of diversity and inclusion within our company, whereas all employees are valued for their unique differences and contributions to the success of the company. This commitment is defined in our Diversity policy and reflected in Kongsberg Automotive's focus on diversity in recruitment processes and management development programs. The company also recognizes that a good balance between work and private life is becoming increasingly important for all of today's employees. The company aims to increase the number of diverse employees in Corporate and Divisional Management positions. To reach this goal, the company intends to invite a more diversified selection of candidates to interviews for all positions within the company.

In order to secure a diverse future for the organization, our succession planning is reviewed annually to ensure a better gender and ethnic balance exists within our company. Women currently make up 47% of our total workforce. The Board of Directors of Kongsberg Automotive ASA consists of three (38%) women and five (62%) men,

COMMUNITIES

The team from the Siófok plant visited a local technical secondary school where they rolled up their sleeves and gave a helping hand to renovate the school's central workshops. Walls and doors were cleaned and renewed. All expenses were covered by the Kongsberg Automotive.

with 40% of the company's shareholder-elected directors being female.

Kongsberg Automotive recognizes the importance of attracting and retaining skilled and motivated employees at all levels of the organization, with a strong commitment to the business as well as KA's ethical guidelines and values.

OUR EMPLOYEES' SAFETY IS FIRST

KA considers the safety of its workers a top priority. Eliminating unsafe conditions in our plants remained a primary focus. As a result, in 2014, the Group averaged 3 accidents for every one million man hours worked; this is similar to results achieved in 2013 and a reduction of 47% over last five years. Notably, 12 of our 32 manufacturing locations reported zero accidents this year. We see this as confirmation that our teams are focusing on risk reduction to prevent accidents from occurring in the first place. We tasked our facilities to continue to reduce the number of work-related injuries resulting in lost time; we tracked this internally as H-value. Over the last five years we have significantly reduced our lost time accident rate by 41%.

Over the last year the decrease in H-value has leveled to 2 lost time injuries for every one million man hours workers. When Group H-value average is adjusted for comparison to the leading external benchmark, we continue to find our performance is better than average for the general manufacturing sectors. Regardless, we leverage all ways to improve our operations, equipment and work processes to minimize potential hazards. As well, we support programs that help share knowledge so that safety best practices can be implemented globally.

EMPLOYEE WELL BEING

Absences due to personal illnesses are tracked by the company. The Group's sick leave average was 2.0% in 2014 compared to 2.7 % for 2013 for a decrease of 25%. To improve, we focus on first aid training, perfect attendance campaigns, health awareness drives and on site health fairs to encourage healthier lifestyle choices, access to medical care, the issuance of flu shots to reduce down time experienced by seasonal sicknesses, sponsoring company sporting teams and funding participation in charity sporting activities.

OUR COMMUNITIES

KA encourages our employees to be involved in the communities where they live and work. Many of our facilities are involved in activities that support issues such as Education, Health, Social Responsibility, and Advocacy for Children. In addition to donating money, many employees donate their time and expertise to causes for which they are passionate. Many of our KA facilities hold open house events where our KA families and neighbors are invited to visit the plant for tours and open house events. Some plants sponsor and encourage team sports like soccer in Poland or hockey in Canada. This allows KA to reach out to the community on a more personal level.

Our KA facilities participate in donation drives and fundraising events during the year; these are typically supported at the local level. For example, Kongsberg Kares, an initiative started at our Milan Tennessee plant helped employees raise money for Breast Cancer research and awareness. Employees participated in a 5K walk, Making Strides against Breast Cancer, and enjoyed a great day of exercise too. Food & clothing was collected by our office in Germany and distributed to organizations in need and support was given to an orphanage by our team in South Korea. Other locations and employees raised money for charities globally; these efforts were shared and celebrated across our organizations' internal communication platform.

Supporting educational initiatives has really taken off globally. Our biggest success stories came from Mexico and Hungary. Our Nuevo Laredo management team acknowledged the educational efforts of their employees' children with a big celebration and provided book bags and school supplies to deserving young students. Our Matamoros employees continued to dedicate their time to improve a local elementary school which is attended by Kongsberg Automotive family members. They painted, repaired facilities and helped to establish green spaces for play and enjoyment. Our Siofok team worked off hours to renovate a technical school. Finally, several plants provide local internship opportunities. These examples illustrate our employees' passion to improve the educational prospects for the people in their community.

For more detail on Corporate Responsibility initiatives, our progress and trends, please visit our website kongsbergautomotive.com.

COMMUNITIES

Kongsberg Automotive's Nuevo Laredo Plant acknowledged the educational efforts of the sons and daughters of KA Employees with a special award ceremony.

CORPORATE GOVERNANCE

1. IMPLEMENTATION OF THE PRINCIPLES FOR CORPORATE GOVERNANCE

KA's guidelines for Corporate Governance conform to the Norwegian Code of Practice For Corporate Governance of 30th October 2014.

The Board of Directors has defined the Company's core values which are reflected in the Company's Code of Conduct which was revised in 2013. The Code of Conduct includes ethical guidelines and guidelines for corporate social responsibility, hereunder a ban on bribery, corruption and facilitation payments, prohibition of unlawful discrimination and prohibition of forced and child labour. All suppliers to the Company are required to confirm their adherence to these principles by signing a particular certificate. The Company has further clear policies on environmental issues and health and safety. The policies are available on the Company's web pages.

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 co-operate 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.

The Company's Dividends Policy of November 26, 2014 states the following:

"Kongsberg Automotive shall create good value for its shareholders, employees and society. Returns to shareholders will be a combination of changes in share price and dividends The Board of Directors' intention is that dividends will be approximately 30% of the company's net income provided that the gearing ratio is below 1.5 and the company has an efficient capital structure"

The General Meeting May 7, 2014 has granted a mandate to the Board of Directors to purchase up to 40 676 812 of its own shares.

The General Meeting May 7, 2014 further granted a mandate to the Board of Directors to increase the share capital by up to NOK 20 338 406. The mandate to increase the share capital is limited to defined purposes.

The above mandates expire at the earlier of the next ordinary General Meeting or 30 June 2015.

4. EQUAL TREATMENT OF SHAREHOLDERS & TRANSACTIONS WITH RELATED PARTIES

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 exchange 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.

The Company has implemented guidelines for the senior managers' and board directors' reporting of particular interests they may have in agreements with the Company and any group company. The code of conduct includes regulations for situations that could appear as Conflicts of Interest.

There has not been any transaction in 2014 between the Company's shareholders, board directors or members of the executive management, or parties closely associated with such parties and the Company or its group companies.

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 is published on the Company's web pages; www.kongsbergautomotive.com no later than 21 days prior to the meeting. The notice will further be sent to all known shareholders within the same date. Supporting information, such as proposals for resolutions to be considered by the General Meeting and recommendations by the Nomination Committee shall be made available on the web pages at the same time. 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 according to the articles of association 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.

The notice calling the General Meeting will provide information on procedures the shareholders must observe at the General Meeting including the procedure for representation by proxy.

Shareholders who cannot attend the General Meeting may vote by proxy. Forms for the granting of proxies are enclosed with the summons to the General Meetings and available on the web pages. The form of proxy includes provisions that allows for instructions on the voting on each agenda item. The Company will nominate a person who will be available to vote on behalf of the shareholders as their proxy.

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

The General Meetings are usually opened by the Chairwoman of the Board of Directors. A person that is independent of the Board of Directors, the management and the major shareholders are elected to chair the General Meeting and the shareholders are encouraged to propose candidates.

The Company's web pages will further provide information regarding the right of the shareholders to propose matters to be considered by the General Meeting.

The Chairwoman of the General Meeting shall in the event of elections ensure that the General Meeting is given the opportunity to vote separately for each candidate nominated for election to the Company's corporate bodies.

The Articles of Association for the Company do not prescribe any exception from chapter five of the Act on Public Limited Liability Companies.

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 and members of the board committees.

The members of the nomination Committee for 2014 are: Tor Himberg-Larsen (chairman), Heidi Finskas and Hans Trogen.

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. To ensure continuity, one member of the committee will normally be elected at each ordinary General Meeting. The members of the Nomination Committee are independent of the board directors and the management and may not have other functions in the Company. The General Meeting has adopted an instruction for the Nomination Committee. The instruction, which was revised in 2011, is available on the Company's web pages. The Nomination Committee's nominations shall be enclosed with the summons for the General Meeting and also be available on the company's web pages. The Nomination Committee stays in contact with major shareholders, board directors and management. The Nomination Committee is further informed about the conclusions from the Board's self assessment, (see section 9 below).

The Nomination Committee's recommendation to the General Meeting includes reasons for its recommendation and relevant background information for the nominated candidates and current directors and further an assessment of how the candidates meets the Company's needs for expertise, capacity and diversity.

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 where the shareholders are encouraged to propose candidates for directorships.

The remuneration to the Nomination Committee is determined by the General Meeting.

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 shall be elected by the General Meeting. The Board consists at present of the following directors elected by the General Meeting: Ulla-Britt Fräjdin-Hellqvist (chair), Magnus Jonsson, Halvor Stenstadvold, Malin Persson and Thomas Falck. The following directors are elected by and among the employees: Tonje Sivesindtajet, Kjell Kristiansen and Eivind Holvik.

All Directors of the Board elected by the General Meeting are elected for periods of up to 2 years and are eligible for re-election. All board elections are based on simple majority. The Board Directors are independent of the executive management and material business contacts of the Company.

Participation in board meetings and board committees in 2014 has been:

	Board Meetings	Compensation committee	Audit Committee
Ulla-Britt Fräjdin-Hellqvist	9	4	
Magnus Jonsson	9	3	
Halvor Stenstadvold	9		6
Maria Borch Helsengreen[1]	2	1	
Malin Persson[2]	5		
Thomas Falck	7		6
Tonje Sivesindtajet	9		
Kjell Kristiansen	9	4	
Eivind Holvik	8		

[1)] Until 7th May 2014, [2)] Elected 7th May 2014

Information about the shareholdings of the Directors of the Board is included in the annual report and also available on the Company's web pages.

9. THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors holds the ultimate responsibility for managing the Group and for monitoring the day to day management and the Group's business activities. The Board of Directors is also responsible for the establishing of control systems for the group. The Board's responsibilities further include the development and adoption of the Company's strategies. The involvement in the Group's strategy development is secured by an annual strategy seminar and as a recurring agenda item at the board meetings. The Board's policy guidelines with respect to the business areas' annual planning process are summarized in the form of challenges to Group Management. The end result is a five-year plan for the Group, which is discussed and approved by the Board and contains targets and action plans, financial forecasts, and an overall assessment of the risks.

The Board of Directors has issued Rules of Procedure for the Board 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 has 8 scheduled board meetings per year. Additional board meetings are held when deemed necessary. All board meetings in 2014, except for two meetings, were held as physical meetings.

The Board hires the CEO, defines the work instructions and decides on the CEO's remuneration.

The Board of Directors has appointed a Compensation Committee and an Audit Committee. The members of said committees are independent of the executive management. The authority of the committees is to make recommendations to the Board.

The Board of Directors evaluates its performance and expertise annually by a self assessment. The assessment is executed by questionnaires which are completed by each director followed by a review and discussion in plenum.

10. RISK MANAGEMENT, INTERNAL CONTROL AND FINANCIAL REPORTING

10.1. RISK MANAGEMENT AND INTERNAL CONTROL

Risk assessment is a management responsibility within the organization. Its objective is to identify, evaluate and manage risks that could reduce the individual unit's ability to reach its goals.

Developments in the automotive industry represent a material risk factor for the Group's performance. Analyses are performed in order to estimate the impact of different development scenarios within the industry on the Group's future performance and financial strength. This provides important input to the Board's overall discussions of risk appetite and risk allocation.

Assessment of operational risk is linked to the unit's ability to reach goals and implement plans. The process covers risks deriving from losses and failing profitability associated with economic cycles, altered framework conditions, changed customer behaviour, etc, and the risk of losses resulting from inadequate or failing internal processes, systems, human error or external events.

The assessment and handling of risk is integrated into the Group's value based management system. The management system is intended to ensure that there is a correlation between objectives and actions at all levels of the Group, and the general principle of value creation for KA's stakeholders. The system is based on a KPI structure where the overall KPIs are cascaded down through the organization, reflecting both short-term and long-term value creation within the Group.

Personal follow-up of KA's entire workforce is integrated into the value-based management system, and is intended to ensure the implementation of the adopted strategy.

The Group has not established a separate, independent internal auditing unit, but has implemented and undertakes a uniform internal auditing program, under which audits are performed by members of the group accounting team. Audit reports are sent to Group Management following each internal audit. Members of the Group Management are represented on the Board of the Group's subsidiaries. The Group's Board of Directors, including the Audit Committee, are kept informed on current status and approves the auditing program.

10.2. FINANCIAL REPORTING

The Kongsberg Automotive Group publishes four quarterly financial statements annually, in addition to the Annual report. Internal reports are produced monthly and quarterly, in which the performance of each business area and product segment is analyzed and evaluated against forecasts. KA's consolidated financial statements are prepared by the group accounting team, which reports to the Group CFO.

Prior to discussions with the Board, the Audit Committee performs a preliminary review of the quarterly financial statements and annual report with particular emphasis on subjective valuations and estimates that have been made. The external auditor attends all Audit Committee meetings.

A number of risk assessment and control measures are established in connection with the publication of the financial statements. Internal meetings are held with the business areas and subsidiaries, as well as a meeting with the external auditor, to identify risk factors and measures associated with material accounting items or other circumstances. Similar meetings are also held quarterly with various professional environments within the Group, with particular focus on any market changes, specific circumstances relating to individual investments, transactions and operating conditions, etc.

The Group addresses frequently occurring items affecting the accounting record keeping, internal accounting controls and financial reporting within the consolidated group through the KA Financial Manual. The document contains the most relevant accountancy and reporting related issues for all reporting units and set presidency for a distinctive reporting throughout the Group.

The KA reporting process follows a standard schedule applicable to all reporting units. The company uses Oracle Hyperion Financial Management as its global financial consolidation, reporting and analysis tool.

Key members of the group accounting team receive a fixed annual compensation that is not affected by the Group's financial performance. The segregation of duties in the preparation of the financial statements is such that the group accounting team shall not itself carry out asset valuations, but shall perform a control to ensure compliance with the group companies' accounting processes.

11. REMUNERATION OF THE DIRECTORS OF THE BOARD

The remuneration paid to each Board member is specified in the notes to the annual accounts. The remuneration is proposed by the Nomination Committee and approved by the General Meeting. The Directors hold no other assignment in the Company than the directorships to the Board and memberships to committees to the Board.

The Board directors are not entitled to performance related compensation. Options to shares are not granted to the Board Directors. The Board Directors have not received any compensation from the Company other than the remuneration for the directorship and membership to the Board and committees.

12. REMUNERATION TO THE EXECUTIVE MANAGEMENT

The Board of Directors has established guidelines for the remuneration to the executive management. The remuneration for the management is further reviewed by the Board annually. The guidelines are available on the Company's web pages and are communicated to the annual General meeting. Information about the remune¬ration paid to the executive management of the Company is included in the notes to the annual accounts. Performance related remunerations such as bonuses and share option programs are based on the Company's financial results and are subject to absolute limits.

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. TAKEOVERS

The Board of Directors has established guiding principles for how it will act in the event of a takeover 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 defence 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.

If an offer is made for the Company's shares, the Company's Board of Directors shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. The Board should consider whether to arrange a valuation by an independent expert.

The Board of directors shall not seek to hinder or obstruct take-over bids for the Company's activities or shares unless there are particular reasons for this.

15. AUDITOR

The Auditor presents annually the main elements of plan for the auditing of the Company to the Audit committee. The Auditor participates in the meetings with the Audit Committee and in the board meeting that approves the financial statements and further, meets with the Board without the management of the Company present at least once a year. The Auditor reviews the internal controls of the company and presents the result of the review to the Audit committee annually together with identified weaknesses, if any, and proposals for improvements. 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.

Enhancing the driving experience

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