KONGSBERG
AUTOMOTIVE

Annual Report 2017

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Regions and Number of employees 2017

10,482
EMPLOYEES IN
18
COUNTRIES WORLDWIDE

Kongsberg Automotive is represented in more than 40 locations covering the world's key automotive markets. We follow our customers to where they are located in order to serve and support them in the best possible way.

NORTH AND SOUTH AMERICA

3,954 employees work at our sites in North and South America. Mexico has the highest number of KA employees, with around 2,770 employees in three manufacturing sites.

EUROPE

Kongsberg Automotive's largest region, Europe, is served by 5,275 employees. Our two main European manufacturing sites are in Pruzków, Poland and Vráble, Slovakia, with 1,561 and 992 employees, respectively.

ASIA

In this increasingly important market, Kongsberg Automotive has five manufacturing sites and 1,253 employees. In China, we have three manufacturing sites and 1,086 employees.

Kongsberg Automotive at a glance

Global presence

KA has tech centers in the US, Germany, China, Sweden, Canada, and Norway

Kongsberg Automotive makes a difference in the lives of many people around the world every day

Couplings continues to grow with new markets, and had in 2017 success in China lauching the Raufoss ABC system to large truck OEM customers

You will find KA products in about 20% of the world's passenger cars produced in 2017

1973

Production for seat heat for Volvo starts in 1973.

Family of Shape Memory Alloy valve blocks with common SMA actuator delivered to a range of premium and mass market OEMs

Research and development

630 skilled employees working in research and development

Successful launch of the innovative combined automated gearshift and clutch actuation unit for commercial vehicles

A selection of our customers

Kongsberg Automotive is proud to serve leading OEMs and Tier 1 suppliers in the automotive, commercial vehicle, and off-highway markets globally.

Business segment structure

In order to align the organizational structure with the opportunities and challenges of our markets, Kongsberg Automotive has organized its businesses into three segments: Interior, Powertrain & Chassis Products, and Specialty Products.

Each of the segments have very different sets of tasks and challenges, although overall customer focus, competitive product offerings and "KA engineered products" are their common denominator. The structure enables KA to perform well in the automotive industry, both in the short and long term.

Interior

Comfort- and safety-related products for vehicle interiors

- Seat support systems
- Seat climate systems
- Light-duty cables

Powertrain & Chassis Products

Powertrain systems and chassis-related products for commercial and light-duty vehicles

- Gear shifters for automatic & manual transmissions
- Shift cables & towers
- Gear & clutch control systems including actuators
- Chassis stabilizers

Specialty Products

Driver control and fluid handling systems for commercial vehicles and passenger cars, as well as innovation products and software

- Air couplings
- Fuel transfer systems including specialized hoses, tubes, and assemblies
- Power electronics
- Off-road products for various industries, including steering columns, displays, pedals and hand controls
- Other new innovative products under development like applications using MRF technology

CEO letter

"Our direction is clear, we are becoming much more focused, and it is starting to show."

To our fellow shareholders,
2017 was a truly exciting year for all of us at Kongsberg Automotive (KA). It was our first full year of improvement activities and we are off to a strong start. With improvement plans as ambitious as ours, it is natural that we performed well in some areas and are slightly behind in other areas. All in all, however, we made great progress towards becoming a well performing organization. The spirit in the company is good; it is not every day you get to really improve a company like we all are improving KA. Here are just some of the many highlights:

Our improvement plan from 2016 was further developed, we communicated it widely, and implemented it rigorously. Our direction is clear, we are becoming much more focused, and it is starting to show.

We strengthened our senior leadership team and now have a good mix of people from inside and outside the company who complement each other. We are starting to share ideas and best practices and are at the beginning of operating as a global company. We made a number of key organizational changes and gave many people expanded roles. We also aligned our remuneration principles to the overall objectives of the company and those of our shareholders demonstrating our transition towards a performance-driven organization.

Many key activities were initiated in order to become a better performing company. Some of these were related to footprint rationalization, others were related to further developing and growing our businesses profitably.

In our restructuring plan, announced in 2016, we included the closure of six manufacturing facilities in addition to one that was announced earlier. We have started four out of the seven closure projects. Two are completed, three are solidly underway, and two have not yet been initiated. We are still behind on the one closure that was already underway due to the sharp rise in demand from our main customer that has prevented us from building up a satisfactory level of safety stock before starting to transfer the manufacturing. We believe that this closure will be completed by the end of 2nd quarter 2018.

Our 2017 new business wins amounted to €291 million, up from last year's €281 million. This ensures continued top line growth in coming years. It is particularly encouraging that the 2017 business wins consisted of many smaller programs compared to earlier years. This reduces our exposure to single programs.

We successfully launched possibly the biggest single program in KA's history within the P&C segment in our Nuevo Laredo facility.

Relating to our product portfolio, we completed the sale of our headrest and armrest and agreed to sell our ePower businesses. We also pruned our portfolio of some small sub-scale businesses as we closed down our Basildon and Heiligenhaus factories. More importantly, after deciding to keep our Light Duty Cable (LDC) business, we have revitalized this business and are seeing good first results in the form of awarded business for LDC. In 2017 we booked more new LDC business than in any of the preceding 5 years.

Our new Headquarters is fully functional and the benefits are starting to show. Step 1 of our principal model was implemented in 2017.

2017 was a year in which the capital markets expressed confidence and trust in our plans and our ability to execute these plans. We remain humble and very well understand the need for delivering to our plans. A personal highlight for me in 2017 were my meetings with most of our significant shareholders, most of which shared my excitement for KA. Both the passenger car and commercial vehicle markets held up very well in 2017 with growth in most geographies for both markets. From a profitability standpoint, this underlying growth helped make up for other external headwinds, particularly the increased raw material commodities pricing and some unfavorable exchange rate movements.

HENNING E. JENSEN
PRESIDENT AND CEO

Our operational financial results improved year over year in all quarters of 2017. Revenue grew a bit over 7 percent year over year, adjusted EBIT (as defined on page 72) grew about 76 percent. The 2017 Adjusted EBIT percentage was 4.7%, up from 2.9% in 2016. However, due to the restructuring activities and sharply increased raw material prices, we increased inventories. Growth in our China business led to longer on average credit terms, and a ramp up in Poland led to increased inventories. Consequently, we had weak cash flow.

From a segment performance standpoint, Specialty Products delivered very well, especially in light of the commodities price challenges we faced in most of 2017. In Powertrain & Chassis, we made good initial progress, but realize that there is still a lot of work to do before we get to our targeted performance levels. In the Interior segment, we unexpectedly deteriorated, mostly due to growth pains and operational issues, something we are working hard on fixing in 2018.

While this was a year of good progress, I believe the best is yet to come. We have the right plan and strategy, good products, and we are committed to our customers. Still, we are all aware that improvement does not come easily. All of us at KA need to work hard on reaching our ambitious objectives for 2018 and beyond in order to turn KA into a great company.

For me personally, this past year has been very exciting and rewarding. I am really proud to be working for KA, a company that makes a difference in the lives of many people around the world every day. I am confident that 2018 will be a year of continued progress.

Sincerely,

Henning E. Jensen
President & CEO Kongsberg Automotive

Board of Directors' Report

Significant progress was made in 2017 on the implementation of the restructuring and transformation plan that was communicated at the 2016 Capital Markets Day.

The basic premise was that, in order to create shareholder value, Kongsberg Automotive (KA) needed to improve the operational platform and structural set-up of the company in order to build financial strength and strategic flexibility. To that end, a multi-year restructuring program was presented that included the relocation of production to lower cost sites, improving operational execution and management of economics, granting more entrepreneurial freedom to niche businesses, creating a more centralized headquarters function, and implementing a principal model.

Detailed reporting on this plan was presented at the 2017 Capital Markets Day and in other sections of this annual report.

Kongsberg Automotive is a large, complex, and far-flung organization and, as anticipated, all has not gone perfectly according to plan. The Board, however, is pleased that the plan initiatives are largely tracking and are being pursued with diligence. The Board meets six times a year and spends considerable time monitoring progress.

A major Board initiative in 2017 was to review and revise KA's compensation system for executives. In this review, the Board went back to first principles: the compensation system needs to be competitive in order to attract and retain talented executives, and, it needs to promote and reward behavior that creates shareholder value. While fundamentally not changing base salaries, the new structure shifts emphasis from short-term to long-term incentives, a significant portion of which are tied to Total Shareholder Return relative to a Peer Group. Relevant portions of this new structure will be presented to the shareholders for approval at the 2018 Annual General Meeting.

As communicated at 2016 Capital Markets Day, it has not been necessary to significantly alter the Kongsberg Automotive product portfolio. As announced, the Light Duty Cable business unit, which provides scale to the Kongsberg Automotive's cross business unit cable activities, was not divested and is undergoing a successful rejuvenation. The sale of the North American Headrest and Armrest business was concluded in March 2017.

Some additional small portfolio actions occurred in 2017. In December, an agreement was signed to sell the ePower product line to Preh GmbH and the sale was concluded in January 2018. In addition to the disposal of this small non-core business, several small non-automotive product lines were pruned with the announced closures of the Basildon and Heiligenhaus factories.

Although the portfolio is stable, and the multi-year improvement program is not complete, the board and management in 2018 will be refining the long-term strategy of the company beyond the current forecast period, taking into account the increasing digitalization and the trend towards electrical vehicles and autonomous driving.

The Board has noted that investors have responded favorably to the restructuring and improvement plans and the progress to date. Although the Board is gratified by the increase in the share price, it is acutely cognizant that much hard work remains to be done in order to de-

"Significant progress was made in 2017 on the implementation of the restructuring and transformation plan that was communicated at the 2016 Capital Markets Day."

liver results that justify the current valuation. The Board is committed to continuing to work with management to deliver those results.

MARKETS

Light vehicle production (LVP) [1]

Global light vehicles production was 95.3 million units in 2017, which was up 2.3% from last year. Compared to last year's outlook, the South American and European passenger car market developed more favorably, but the North American market was weaker than expected. Production in Europe (including Russia and Commonwealth of Independent States) reached 22.3 million units in 2017, an increase of 3.7% compared to 2016. Production in France, Russia and Turkey were the main drivers of European market growth.

North American production decreased by 3.9% in 2017 to 17.1 million vehicles. The US and Canadian market decreased by more than 8% compared to 2016 and was only offset by the Mexican market.

Production in South America, especially Brazil, began the long awaited turnaround and increased by 20.3% in 2017 to 3.3 million vehicles. Growth in Asia was moderate in 2017 with 2.0% in China and 3.2% outside of China. The slowdown in China was expected after tax incentives for small engine cars were reduced in China in 2017.

Commercial vehicle production (GVW>6t) [2]

Production of medium and heavy-duty commercial vehicles increased by 17.2% in 2017 to 3.2 million vehicles. The strong growth in 2017, despite a negative outlook for 2017 at last year-end, resulted from the Chinese market where advanced truck purchases extended into 2017 due to new regulations.

Production in Europe increased by 5.1% to 581 thousand units. Asian production outside of China only increased by 0.9% in 2017.

1) Source: IHS Light Vehicle Production Base

2) Source: LMC Global Commercial Vehicle Forecast

7%
Growth in Revenues year-over-year

76%
Growth in operational profits / EBIT adjusted year-over-year

North and South American production bounced back after decreases in 2016 with growth rates of 8.9% and 35.5% respectively in 2017.

FINANCIAL PERFORMANCE

Group

Financial performance for the year was in line with the guidance provided at the Group's Capital Markets Day on November 8, 2017. This is the first year since 2012 with revenue growth. Revenues for the Group amounted to EUR 1,056.6 million in 2017, an increase of EUR 70.9 million (7.2%) compared to last year. This includes negative currency effects of EUR 8.7 million. Disregarding currency effects, revenue increased by 8.1%. Revenue growth was mainly caused by higher product sales related to interior comfort systems and gear shift systems for the passenger car business in Europe and China. Sales of air coupling products for the commercial vehicle business in Europe and China also contributed positively.

Adjusted EBIT amounted to EUR 49.8 million in 2017, an increase of EUR 21.5 million in 2017 (76%). The main driver for the improved adjusted EBIT was the increase in sales, which was partially offset by increased raw material costs, industrialization costs, start-up costs for new programs and higher incentive plan costs.

Segments

Interior segment revenues amounted to EUR 263.9 million in 2017, a decline of EUR 13.9 million (–5.0%) compared to 2016, including favorable currency effects of EUR 1.1 million. The main drivers of the decline were phasing out programs in the global head-restraint business in North America, partly offset by increased sales in the Interior comfort business in Europe and China. Adjusted EBIT amounted to EUR 10.1 million, a decrease of EUR 2.1 million (–17.1%). The decrease was related to negative changes in raw material prices and higher costs related to supplier issues, partially offset by lower engineering and development costs.

Powertrain and Chassis products revenues amounted to EUR 407.4 million in 2017, an increase of EUR 57.0 million (16.3%) compared to 2016, including negative currency effects of EUR 3.9 million. The growth mainly related to increased sales of gear shift systems in the passenger car business in Europe, China and America. Adjusted EBIT increased by EUR 4.7 million, from EUR –3.2 million to EUR 1.5 million. The growth in adjusted EBIT mainly related to the effect of higher volumes, partially offset by product start-up costs and increased raw material prices.

Specialty Products revenues amounted to EUR 385.3 million in 2017, an increase of EUR 27.8 million (7.8%) compared to 2016, including negative currency effects of EUR 5.8 million. Strengthened air couplings business in Europe and China, and increased sales in Europe for the commercial vehicle business were the main drivers for the increased revenues. Adjusted EBIT for the business area was EUR 51.1 million, up EUR 15.1 million (42.0%) from last year. The change in adjusted EBIT was mainly driven by higher sales volumes, partially offset by increased raw material costs. Prior year 2016 was also negatively impacted by a legal settlement.

Net financial items

Net financial items amounted to EUR –17.4 million in 2017 compared to EUR 1.0 million last year. Whereas in 2017 EUR –6.0 million was caused by FX changes and changes in derivatives, these were EUR 8.8 million in the prior year. Interest expenses increased by EUR 3.2 million to EUR 10.1 million in 2017 due to higher debt, increased interest rates due to the bank waiver granted in December 2016 and higher Libor rates for the USD tranche of the bank loan. Unrealized currency effects amounted to EUR –3.9 million compared to EUR +5.5 million in 2016.

Net profit

Net loss for the year was EUR –8.0 million, compared to a profit of EUR 1.3 million in 2016. The positive development in operating profit was more than offset by higher net financial items. Total income tax expense was EUR 14.4 million down from EUR 17.9 million in 2016. It was heavily impacted by a significant write off of existing US deferred tax assets due to the new US tax legislation which is effective as of 1 January 2018.

Capital

The Group's long-term interest-bearing bank debt amounted to EUR 257.8 million as of 31 December 2017. The increase of EUR 19.4 million from EUR 238.4 million in 2017 reflects an increased draw on the loan facility of EUR 30.6 million partially reduced by currency effects driven by the weaker USD versus EUR. As of 31 December 2016, the Group's book equity totaled EUR 190.7 million (EUR 208.6 million at the end of 2016). The equity ratio was 26.4% at year-end 2017, down from 30.2% at year-end 2016.

New business wins
EUR 291 million
in annual value

Cash flow
In 2017, the Group had a positive cash flow from operating activities of EUR 38.3 million, compared to EUR 70.8 million in 2016. This mainly results from increased working capital supporting revenue growth and bank builds related to restructuring as well as restructuring payments. The Group invested EUR 52.7 million in property, plant, equipment and intangible assets, an increase of EUR 1.4 million from 2016. The increased draw on external loan facilities amounted to EUR 30.6 million in 2017, compared to loan repayments of EUR 19.8 million in 2016. The net change in cash during 2017 was EUR 4.9 million.

Liquidity
The Group's total liquidity reserve in cash and overdraft facilities amounted to EUR 105.4 million at year-end (EUR 140.8 million in 2016).

Business wins
Business wins for the year amounted to EUR 291 million in annual value. This is somewhat higher than last year.

Kongsberg Automotive ASA – The parent company
In 2017, the parent company generated total operating (inter-company) revenues of EUR 29.9 million (EUR 34.3 million in 2016), with a corresponding operating profit of EUR 1.0 million (EUR –12.2 million in 2016). The parent company had net financial items of EUR 5.5 million in 2017 (EUR 4.2 million in 2016) negatively impacted by realized and unrealized currency effects. The net result after tax for the year amounted to EUR 6.7 million (EUR –11.2 million in 2016). As of 31 December 2017, equity totaled EUR 296.2 million (EUR 315.8 million in 2016). In accordance with the dividend policy, the Board of Directors will propose to the Annual General Meeting that dividends not be paid for 2017. The Board of Directors proposes that Kongsberg Automotive ASA's net result of EUR 6.7 million be transferred to retained earnings.

OPERATIONS
In line with the two recent Capital Markets Days' presentations, and the "Operations" section in last year's annual report, the Group continued to implement it's manufacturing footprint and operational performance improvement plan. In 2017, two plant closures and production transfers were completed: Basildon in UK and Heiligenhaus in Germany, whose production was transferred to the existing factory in Slovakia. The closure of Rollag is expected to be completed by Q2 2018. Two additional plant closures were announced in the second half of 2017: Burton, UK and Easley, USA. Transfers into new KA plants in Poland and Mexico are planned for 2018. The closure of relatively small, sub-scale plants and the transfer into larger manufacturing sites should improve economies of scale and the relative weight of low-cost manufacturing locations such as Mexico, Poland, Slovakia, Hungary and China, in the Group.

Interior
The Interior Comfort and Light Duty Cable segment continued its strong focus on innovation and is expected to significantly increase market share in a fast-growing market. In 2017 the segment began preparing existing plants in Pruszkow, Poland, and Reynosa, Mexico, for significant volume growth and new product ramp up. An additional site

in Poland, located in Brzesc, will be commissioned in the first half of 2018.

Powertrain & Chassis Products
The Powertrain & Chassis segment is a merger of the former Driveline and On–Highway Driver Control Systems ("DCS") segments and serves the passenger car and heavy duty/truck/bus markets. The year 2017 featured a successful launch of the new AMT (Automated Manual Transmission) product for the North American heavy-duty truck market in the Nuevo Laredo plant in Mexico. The plant closures and transfers in Europe - Basildon, Heiligenhaus and Rollag – were managed under this segment's leadership.

Specialty Products
The Specialty Products segment consist of: Off–Highway (formerly part of DCS), Air Couplings and Fluid Transfer Systems, which are specialized niche products with

30%
Growth in sales to customers in Asia

a strong entrepreneurial focus on innovation and fitment rates

This new business structure has already demonstrated good performance through improved focus. The Specialty Products segment leadership team manages the plant closures in Easley and Burton.

The ramp-up of Kongsberg Automotive's new operational headquarters in Switzerland was successfully completed in 2017. The centralization of the corporate and business management functions includes all corporate finance, human resources and quality management functions as well as various business management functions. By the end of 2017, a team of 25 people were working at the operational headquarters in Switzerland. By the end of 2018 a staff of about 40 is expected.

RESEARCH AND DEVELOPMENT

The Group's net overall spending on research and development (R&D) totaled 6.4% of sales in 2017, supported by a team of 630 highly skilled people. Kongsberg Automotive's R&D organization provides strong local engineering support close to the customer with six global tech centers. The tech centers are located in Canada, China, Germany, Norway, Sweden, and the US. This strategy enables the Group to maintain resources near key customers and at the same time have scale benefits in the competency and end-market-based tech centers.

Interior comfort systems (ICS) and Light Duty Cables

- 2017 R&D spend targeted delivering an end-consumer experience in all aspects of seat comfort,: thermal (heat/vent),

support and massage with embedded HW/SW electronics, as well as light duty cable applications for mechanical or electrical actuation of the seats, hood, doors, and windows.
- Kongsberg Automotive is in a unique position to offer solutions for all comfort needs thanks to its broad product portfolio supported by a highly skilled engineering team with fundamental understanding of comfort in terms of product know-how, ergonomics, human factors and biomechanics using a broad range of analytical, simulation and testing methodologies.
- In 2017, ICS successfully launched a number of new products and technologies with several premium vehicle manufacturers in Europe and North America, which will be extended to Asia in 2018. In addition to the premium segment, products were launched that meet the needs of more volume-oriented vehicles.
- These new products and technologies contain IP-protected climate solutions with best–in-class energy efficiency, novel light weight seat support with low energy valve technology, acoustically leading pump technologies.
- Light Duty Cables developed an electronically activated seat actuation system that is lighter, smaller and quieter than current products. This system allows for track release, fold and/or tumble of the seat for all vehicle segments and can be used in other applications that require the release of a lock or latch.

Powertrain & Chassis

- The main focus and spend 2017 was in strategically chosen Automated Manual Transmission (AMT) actuation systems for commercial vehicles and Shift-by-wire systems for light duty vehicles
- In 2017, Powertrain & Chassis successfully launched its first Automated Manual Transmission (AMT) actuation unit for both clutch and gearshift actuation within Commercial Vehicles. The unit has unique advantages in terms of serviceability and clutch actuation performance.
- The first electromechanical actuator for shift- and park-lock actuation was launched for shift-by-wire systems. The IP-protected unit has a best-in-class power density.
- Manual Transmission (MT) systems for gearshift and clutch actuation as well as cables continue to be important for both passenger cars and commercial vehicles.
- New innovations within steering, hybridization, anti-vibration systems to support future trends

Specialty Products

Off-Highway

- In 2017, focus continued on three strategic areas Steering Systems, Electronic Foot and Hand Controls and Electronic Controls.
- Growth came from existing products as well as new product variants at both new applications at existing customers and with new customers.
- Several new products expanded the product portfolio: compact steering column, thumb throttles, and compact EPS.

Couplings and Fluid Transfer Systems

- 2017 R&D activities for Couplings have been focused on innovation projects and the continued development of next generation of air couplings, ABC XR™. The ABC system was successfully launched in Asia with large truck OEM customers. This is a result of several years of testing and validation and it confirms that weight, assembly time, functionality, flexibility and safety features are required not only in Europe but also in countries like China.
- Fluid Transfer Systems continue to extend their high temperature hose portfolio and will launch new products in their industrial segment during 2018

New Products

Continued high R&D investments were made in innovative products based on unique magneto rheological fluid technology (MRF)
- iMC – intelligent Multi Command. Rotary device with excellent haptic feedback for infotainment and other interior controls. High customer interest was generated including nomination for advanced projects.
- iDR – intelligent Door Restraint. Both active and passive versions are under development. The passive version will save lives by preventing doors from being opened in case of approaching bicycle or other vehicles. In addition it will increase protection by avoiding parking accidents during door opening. The active version further improves comfort and convenience by powering the door for automatic opening and closing.

KA is continuously looking into new innovative products that enable future growth.

CORPORATE GOVERNANCE

The Board of Directors of Kongsberg Automotive ASA has established a set of general principles and guidelines for cor-

porate governance. These principles cover the Board of Directors' responsibility for determining the Group's risk profile, approving the organization of the business, allocating responsibility and authority, as well as providing requirements with respect to reporting lines and information, risk management and internal control. The tasks and responsibilities of the Board of Directors and the CEO are laid out in separate directives covering the Board of Directors and the CEO respectively.

The 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 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 employees. The Board determines the Group's objectives in the field of corporate responsibility.

Guidelines for investor relations intend to ensure that investors, lenders and other stakeholders 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. 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 complies with the latest version of the Norwegian Code of Practice for Corporate Governance. The Group'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 Corporate Governance section in the annual report. This information is also available on the Company's website.

GOING CONCERN

In accordance with section §3–3a of the Norwegian Accounting Act, the Board hereby confirms 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. This liability represents a potential risk. Working methods and validation procedures implemented by the Company are designed to minimize this risk.

Kongsberg Automotive is normally contracted as a supplier with a long-term commitment. The commitment is usually based on a vehicle platform where volumes are estimated and not guaranteed. 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 risk management, see note 21.

FINANCIAL RISK

Due to the Group's capital structure and the nature of its operations, the Group is exposed to the following financial risks: market risk (including foreign exchange rate risk, raw material price risk and interest rate risk); credit risk and liquidity and capital management risk.

Foreign exchange rate risk

The Group operates in many different geographical markets and the resulting net assets, earnings and cash flows are influenced by multiple currencies. Kongsberg Automotive is exposed to foreign exchange rate risk in the following areas: Transaction exposures, which include commercial transactions and financing transactions both internally and externally; Translation exposure which relate to net investments in foreign entities which are converted to Euros in the consolidated financial statements. This concerns European operations in non-Euro Zone countries, who have cost in local currencies and revenues primarily in Euro, as well as Canadian and Mexican operations, who have revenues primarily in USD. The Group seeks to align its revenue and cost base to reduce the currency exposure on a net cash-flow basis. Debt is structured in currencies matching the cash flow from the different geographical markets.

Raw material price risk

The Group is exposed to market fluctua-

Full-time Employees

10,482

tions in the price of the following major raw materials: Steel, Copper, Zinc, Aluminum, Polymer resins. A sudden fluctuation in the market conditions could therefore impact the Group's financial position, revenues, profits and cash flow.

Interest risk

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

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk with financial institutions and other parties as a result of cash-in-bank and customer trade receivables arising from operating activities. Credit risks are considerable in the automotive industry. The Group closely monitors outstanding amounts, and rapidly implements actions if receivables become overdue. Kongsberg Automotive has good routines for receivables in place and losses in this area have been minimal in the past.

Liquidity and Capital risk

The capital structure of the Group includes shareholder's equity, borrowings and third party financing (such as factoring arrangements). Total capital is defined as total equity plus net debt and is managed to safeguard the business as a going concern, to maximize returns for its owners and to maintain an optimal capital structure to minimize the weighted average cost of capital. All activities around cash funding, borrowings and financial instruments are centralized within the Kongsberg Automotive Treasury department. The development of net interest-bearing debt and liquidity reserve is closely monitored. Financial leverage has been reduced in recent years, but further improvements were slowed down by KA's restructuring program cash expenditure. Sufficient financing is available to the Company at good prices.

Rating risk

The Group is subject to solvency ratings by external business partners and institutions.

Pension liability risk

The evaluation of the Group's pension liabilities is subject to changes in insurance technical assumptions, such as discount rates and local pension evaluation guidelines.

Regulatory and tax risks

The Group is subject to a wide variety of laws, tax regulations, government and supranational policies that may change in significant ways. There can be no assurance that laws, tax regulations and policies or its practical application by authorities will not be altered in ways that will require modification of business models and objectives or affect returns on investments.

Legal proceedings

Kongsberg Automotive is subject to a few legal proceedings and legal compliance risks in the USA and other parts of the world, including the matters described in the Contingent Liabilities section. Reserves have been established for these and other legal matters as appropriate in line with IFRS guidelines. However, the estimation of legal reserves for possible losses involves significant judgment and may not reflect the full range of uncertainties and unpredictable outcomes inherent in litigation. Consequently, actual losses arising from particular matters may exceed current estimates and adversely affect the results of operations.

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 uses 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 EUR and USD, while raw material exposure is greatest in copper, zinc, aluminum, polymer components and steel. Risk assessment is also conducted with regards to other elements such as market, operations, environment etc. to identify proper countermeasures. For regulatory and tax risks, the Group consults professional advisors and implements recommended actions. For further risk analysis, see note 21 to the financial statements.

EMPLOYEES

At the end of 2017, the Group had 10,482 full-time employees, which reflects an increase of 691 full-time employees from the end of 2016.

Mexico had the largest number of KA employees with 2,770 people employed at three locations (Reynosa, 791; Matamoros, 899; and Nuevo Laredo 1080). The largest increase in the workforce came in Poland, with the addition of 590 employees following business expansion and the open-

Reduction in Injuries
14%
over last five years

3%
Reduction in Energy Intensity

ing of two new plants. In order to secure a diverse future for the organization, succession planning is reviewed annually to ensure that an equitable gender and ethnic balance exists within the Group. Women currently make up 46% of the total workforce, 25% of the executive management and 22% of top 50 management. Company policy is to ensure fair and competitive remuneration for all employees.

The Board of Directors of Kongsberg Automotive ASA comprises three (37.5%) women and five (62.5%) men, with 40% (2/5) 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, who have a strong commitment to the business as well as the Group's ethical guidelines and values. Kongsberg Automotive is committed to a culture of diversity and inclusion where all employees are valued for their unique differences and contributions to the success of the Company. This commitment is defined in the Group's Diversity policy and reflected in its focus on diversity in recruitment processes.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

Kongsberg Automotive gives the highest priority to the health, safety and well-being of its employees. In addition, the Group seeks to minimize environmental impact in the manufacture of its products. The Health & Safety Policy and the Environmental Policy are well established; these policies articulate the key actions necessary to achieve the highest industry standards in HSE performance and KA's business objectives. These commitments are communicated throughout the organization.

The authorities in the countries where the Group operates set Health, Safety and Environmental standards in the form of legislation, regulations and specific requirements. Kongsberg Automotive's businesses comply with these, as well as internal requirements. The Group sets expectations for all units, requires improved performance and regular assessment of progress. In the Health & Safety area, all manufacturing facilities are aligning their safety management systems to the new ISO 45001 standard. Moreover, all manufacturing locations implement certified Environmental Management Systems in accordance with the ISO 14001 standard; this standard assures that units consider the environmental impact of their work and set appropriate targets for improved performance. As a supplier, Kongsberg Automotive also meets the HSE expectations of its customers.

Objectives and plans for continuous improvement in HSE performance were set and communicated in early 2017. Key performance indicators were reviewed regularly by the top levels of the organization; adjustments were immediately made as needed. As a result, the Group continues to report good performance with respect to HSE.

Absences, due to personal illnesses, are tracked by the company. When considering all Kongsberg Automotive employees, sick leave averaged approximately 2.2% in 2017. This average is similar to 2016 and previous years indicating stability in this area. Health and safety activities continued the focus on eliminating unsafe conditions in the manufacturing plants. In 2017, the Group reported 49 injuries, which remains essentially unchanged from last year's reported 46 injuries; 11 manufacturing locations reported zero accidents in 2017. The Group averaged 2.7 accidents for every one million person-hours worked in 2017, versus 2.5 accidents for every one million person-hours worked in 2016. Results achieved indicate a consistent performance level for the year and a reduction in injuries by 14% over the last five years. The Group also sought to reduce the number of work-related injuries resulting in lost time; the Group tracked this internally as H-value or lost time injuries per one million person-hours worked. For 2017, there was an increase to 2.6 lost time injuries per one million person-hours worked, up from the 2.2 lost time injuries per one million person-hours worked in 2016. This trend is concerning. Accordingly, Kongsberg Automotive will focus the necessary resources on employee training and awareness, improved work processes and ergonomics.

All manufacturing units collected energy consumption data for electricity and the burning of fossil fuels used for production. Their target for 2017 was to decrease yearly energy consumption by 1.0% relative to total product sales; which is "Energy Intensity". The Group reports positive performance in 2017. The Energy Intensity decreased by 3% or to 127 kilowatt-hours used in production for every euro of total product sales in 2017 from 131 kilowatt-hours used in production for every euro of total product sales in 2016. In addition to a focus on energy conservation initiatives, the positive trend is also a result of the conversion to LED lighting in several facilities. While Energy Intensity was the primary key performance indicator, manu-

32%
Increase in recycled waste materials

7%
decrease in absolute waste at 7% revenue growth

facturing units did work to reduce overall energy consumption. The absolute energy use increased this year by 1% from approximately 139 million kilowatt-hours to 141 million kilowatt-hours; this resulted in more CO2 emissions for 2017. Using UN Greenhouse Gas Calculators, the Group calculates its 2017 CO2 emissions at approximately 43,546 metric tons resulting in a 5% increase from last year's 41,360 metric tons. The CO2 Emissions Intensity remained 39 metric tons of CO2/1M€ of total product sales in 2017 and 2016.

Pollution control is important to Kongsberg Automotive and in the communities where it operates. In 2017, the Group's aim was to reduce by 1% the yearly amount of waste sent to landfills and the toxicity of waste requiring special treatment or disposal as compared to annual sales; this is the "Waste Index". All units sought opportunities to reuse and recycle. Notably, 9 manufacturing locations were landfill-free in 2017 and the amount of recycled waste materials increased by 32%. As a result, the Group decreased its absolute waste by 7% to 1.28 million kilograms in 2017 from 1.37 million kilograms in 2016. Kongsberg Automotive's Waste Index, was reduced by 10% from 1.29 kg/1000€ in 2016 to 1.16 kilogram/1000€.

In 2017, absolute water use was tracked as key performance indicator. This year all manufacturing locations monitored their water use and a baseline for the Group was established. Manufacturing facilities have begun work to reduce water use and are actively looking for conservation opportunities in the coming year.

The Group reports no fires resulting in significant property damage or causing interruption to normal business for the year. Additionally, no unauthorized releases to the environment requiring disclosure to legal authorities occurred.

CORPORATE RESPONSIBILITY

For Kongsberg Automotive, Corporate Responsibility means managing operations so that business may have a positive impact on its industry and in its communities. Aligning Corporate Responsibility to core activities helps KA achieve its strategic objectives and demonstrate its commitment to compliance to the Code of Conduct and the Corporate Responsibility Policy. In 2017, the Group continued to implement practices consistent with a responsible organization.

Acting responsibly starts with the Group's Code of Conduct, which provides guidelines to ensure that all employees carry out activities in compliance with applicable laws and the ethical standards that the international community recognizes and expects from a top tier, automotive supplier. Kongsberg Automotive does not tolerate corruption or bribery, and encourages reporting of suspected misconduct. All personnel are required to comply with the Code of Conduct in performance of their work and in all situations where they represent Kongsberg Automotive. Employees are also expected to report concerns about suspected breaches. The Group promotes the Compliance Reporting procedure throughout the company and on the company's public webpage.

The process allows concerns to be reported in a confidential and anonymous manner, without retaliation. Kongsberg Automotive provides employees with training and guidance, including descriptions of the types of activities that should be reported. Training focuses on relevant ethical dilemmas and is available in classroom style training and workshops and through a Code of Conduct e-learning program.

The Group considers the United Nations Global Compact and Universal Declaration of Human Rights when determining human rights issues and labor practices that are relevant to Kongsberg Automotive. The Group aims to provide a respectful, inclusive workplace free from harassment, discrimination, violence and intimidation. Kongsberg Automotive does not discriminate based on gender, race, color, age, national origin, religion, disability, sexual orientation, marital status or any other characteristic protected by applicable laws. Kongsberg Automotive applies fair labor practices, while respecting the national and local laws of the communities where it operates. Kongsberg Automotive will not tolerate or engage in forced or exploitive labor. The Group promotes the International Labour Organization (ILO) fundamental principles including the right to freedom of association and the elimination of child labor, forced labor and discrimination linked to employment. The Group complies with the UK Modern Slavery Act and suppliers to KA are required to confirm in writing that they respect the human rights of all employees and that all employees shall be treated with respect as understood in the international community. The Group fully supports the Convention on the Rights of the Child, stating that all children have the right to leisure and education, thus neither Kongsberg Automotive nor its partners shall exploit children as a labor force. The Group manages these issues through its policies and programs of work and expects its suppliers to adopt similar standards and assurances. The Supplier Declaration and Supplier Sustainability Manual outline the commitment to ethical and socially responsible sourcing. The supplier assessment process vets new suppliers and assures that existing suppliers meet requirements consistent with a responsible organization. In addition, the Purchasing organization has access to training in supplier sustainability topics as part of their standard development.

Further to this obligation, the Group has a due diligence process to identify the possible presence of Conflict Minerals in its supply chain. The Company has a robust process to query and track suppliers and embrace principled sourcing practices; no material risks have been identified.

Kongsberg Automotive is committed to ensuring and benefiting from the diversity of its workforce. Consistent with its Diversity Policy, the Group continues to promote a culture where diversity is respected. The Company also encourages employees to be involved in their communities and support issues such as education, health, social responsibility, and advocacy for children.

Kongsberg Automotive develops and produces automotive parts that improve vehicle safety and reduce environmental impact. The Group's product offering supports the sustainability requirements of its customers. As a supplier, Kongsberg Automotive meets the Corporate Responsibility expectations of its customers. The Group will inform stakeholders of its efforts and provide for their involvement in meeting the Company's goals. In summary, Kongsberg Automotive is committed to promoting a culture of Corporate Responsibility that considers stakeholder interests, aligns with the business growth strategy and achieves desired outcomes consistent with the Code of Conduct and the Corporate Responsibility Policy.

OUTLOOK

Light vehicle production in 2018 is expected to grow by 1.9% to 95.3 million vehicles. After the economic recovery, South America is expected to grow further with double-digit growth rates in 2018. All other regions, except for Asia outside of China, are expected to show moderate growth rates of 1.4% to 2.0%.

Commercial vehicle production is expected to decrease in 2018 by 1.8% due to an expected 15.2% production decrease in China after new regulations are in place. North and South American production is expected to grow by double-digit growth rates of 13.9% and 15.5% respectively. Production in Europe is expected to slow-down with a growth rate of 3.2%

The market outlook for 2018 in addition to awarded incremental business gives reason to expect KA's revenues to grow by more than 5% in 2018, assuming no significant changes in these expected vehicle production figures and foreign exchange rates.

Board of Directors

Kongsberg Automotive's board has eight directors.
Five are elected by shareholders and three by employees.

BRUCE E. TAYLOR
Chairman

ELLEN M. HANETHO
Board member

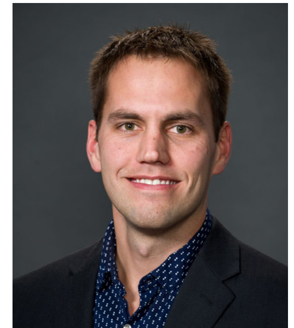
THOMAS FALCK
Board member

GUNILLA NORDSTROM
Board member

ERNST KELLERMANN
Board member

JON-IVAR JØRNBY
Employee elected

KARI BRÆNDEN AASLUND
Employee elected



BJØRN IVAN ØDEGÅRD
Employee elected

HENNING E. JENSEN
President and CEO

Kongsberg, February 27, 2018
The Board of Directors of Kongsberg Automotive ASA

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Statement of Comprehensive Income

Parent				Group	
31.12.17	31.12.16	MEUR	Note	31.12.17	31.12.16
29.9	34.3	**Operating revenues**	7	1,056.6	985.7
		Operating expenses			
0.0	0.0	Raw material expenses	7, 30	(478.7)	(418.8)
0.0	0.0	Change in inventories		26.1	(2.0)
(0.9)	(4.2)	Salaries and social expenses	8	(304.8)	(293.7)
(27.5)	(41.9)	Other operating expenses	9	(230.1)	(207.9)
(0.0)	(0.0)	Depreciation and impairment	13	(30.9)	(30.4)
(0.4)	(0.3)	Amortization and impairment	12	(14.5)	(14.7)
(28.9)	(46.4)	**Total operating expenses**		(1,032.8)	(967.4)
1.0	(12.2)	**Operating (loss) / profit**		23.8	18.3
		Financial items			
22.4	28.2	Financial income	10	0.2	9.0
(16.9)	(24.0)	Financial expenses	10	(17.6)	(8.0)
5.5	4.2	**Net financial items**	10	(17.4)	1.0
6.5	(7.9)	**(Loss) / profit before income tax**		6.4	19.3
0.2	(3.3)	Income tax	11	(14.4)	(17.9)
6.7	(11.2)	**(Loss) / profit for the year**		(8.0)	1.3
		Other comprehensive income (Items that may be reclassified to profit or loss in subsequent periods):			
0.0	0.0	Translation differences on foreign operations		(3.8)	(13.6)
0.0	0.0	Tax on translation differences		2.8	1.5
		Other comprehensive income (Items that will not be reclassified to profit or loss in subsequent periods):			
(23.9)	17.5	Translation differences on non-foreign operations		(6.4)	5.1
(0.0)	(0.0)	Remeasurement of the net PBO.	18	(0.1)	(1.2)
0.0	0.0	Tax on remeasurement of the net PBO		0.0	0.3
(23.9)	17.5	**Other comprehensive income**		(7.5)	(7.8)
(17.2)	6.3	**Total comprehensive income for the year**		(15.4)	(6.5)
		Profit attributable to:			
6.7	(11.2)	Equity holders (parent company)		(8.0)	1.3
0.0	0.0	Non-controlling interests		0.0	0.1
6.7	(11.2)	**Total**		(8.0)	1.3
		Total comprehensive income attributable to:			
(17.2)	6.3	Equity holders (parent company)		(15.5)	(6.6)
0.0	0.0	Non-controlling interests		0.0	0.1
(17.2)	6.3	**Total**		(15.4)	(6.5)
		Earnings per share:			
		Basic earnings per share, Euros	17	(0.02)	0.00
		Diluted earnings per share, Euros	17	(0.02)	0.00

Statement of Cash Flows

Parent				Group	
31.12.17	31.12.16	MEUR	Note	31.12.17	31.12.16
		Operating activities			
6.5	(7.9)	(Loss) / profit before taxes		6.4	19.3
0.0	0.0	Depreciation	13	30.9	30.4
0.4	0.3	Amortization	12	14.5	14.7
(22.0)	(25.3)	Interest income	10	(0.2)	(0.2)
9.4	6.9	Interest expenses	10	10.1	6.9
(0.2)	(0.6)	Taxes paid	11	(13.0)	(6.9)
0.0	0.0	(Gain) / loss on sale of non-current assets	12, 13	(1.0)	0.0
0.0	0.0	Changes in trade receivables	15	(20.5)	(14.9)
0.0	0.0	Changes in inventory	14	(26.1)	2.0
0.4	0.1	Changes in trade payables	22	19.7	10.0
7.0	4.4	Currency differences over P/L	10	5.4	(5.4)
0.0	(1.6)	Changes in value of financial derivatives	10	0.7	(3.4)
(0.4)	(1.3)	Dividends received		0.0	0.0
8.4	27.5	Changes in other items [1]	10	11.5	18.4
9.5	**2.4**	**Cash flow from operating activities**		**38.3**	**70.8**
		Investing activities			
(0.5)	(0.8)	Capital expenditures, including intangible assets	12, 13	(52.7)	(51.3)
0.0	0.0	Proceeds from sale of fixed assets	12, 13	3.0	0.4
(16.0)	(26.9)	Issue of new group loans		0.0	0.0
28.7	4.3	Repayment of group loans		0.0	0.0
(42.9)	(1.9)	Investment in subsidiaries		0.0	0.0
22.0	25.3	Interest received	6, 7	0.2	0.2
0.4	1.3	Dividends received		0.0	0.0
0.0	0.0	Proceeds from sale of subsidiaries		0.2	0.2
(8.3)	**1.3**	**Cash flow from investing activities**		**(49.3)**	**(50.5)**
		Financing activities			
(2.5)	0.4	Proceeds from sale/purchase of treasury shares [2]		(2.5)	0.4
30.6	(19.8)	Utilization / (Repayment) of external loans [3]	19	30.6	(19.8)
0.0	0.0	Repayment of group loans		0.0	0.0
(4.4)	27.8	Changes in cash pool overdraft		0.0	0.0
(9.3)	(6.9)	Interest paid		(9.9)	(6.9)
0.0	0.0	Dividends paid		0.0	0.0
(0.0)	(0.0)	Other financial charges		(0.0)	(0.0)
14.4	**1.5**	**Cash flow from financing activities**		**18.1**	**(26.4)**
(0.7)	**(0.2)**	**Currency effects on cash**		**(2.3)**	**0.8**
14.8	5.0	Net change in cash		4.9	(5.3)
6.4	1.4	Net cash at 1 January [3]		34.6	39.9
21.3	**6.4**	**Net cash at 31 December**		**39.5**	**34.6**
1.4	0.0	Of this, restricted cash		1.6	0.4

1) Parent company includes write down of loan, receivables, and shares in subsidiary
2) Comprises the net purchase of treasury shares (see “Statement of Changes in Equity”)
3) Comprises the net amount of bank deposits, cash and bank overdraft

Statement of Financial Position

Parent				Group	
31.12.17	31.12.16	MEUR	Note	31.12.17	31.12.16
		ASSETS			
		Non-current assets			
0.0	0.0	Deferred tax assets	11	23.7	32.4
1.3	1.3	Intangible assets including goodwill	12	162.0	182.3
0.1	0.1	Property, plant and equipment	13	169.7	160.2
224.6	196.8	Investments in subsidiaries	6	0.0	0.0
398.4	433.2	Loans to subsidiaries and other non-current assets	30	3.5	1.1
624.4	631.4	Total non-current assets		358.9	376.0
		Current assets			
0.0	0.0	Inventories	14	104.7	78.6
17.8	39.2	Trade and other receivables	15, 30	218.9	202.5
21.3	6.4	Cash and cash equivalents	19	39.5	34.6
39.0	45.6	Total current assets		363.1	315.6
663.4	677.0	Total assets		721.9	691.6
		EQUITY AND LIABILITIES			
		Equity			
20.7	22.4	Share capital	16	20.7	22.4
(0.1)	(0.1)	Treasury shares	16	(0.1)	(0.1)
171.4	185.6	Share premium		171.4	185.6
(32.4)	(22.1)	Other reserves		42.1	35.9
136.7	130.0	Retained earnings		(46.9)	(38.9)
296.2	315.8	Attributable to equity holders		187.1	204.9
0.0	0.0	Non-controlling interests		3.6	3.8
296.2	315.8	Total equity		190.7	208.6
		Non-current liabilities			
16.7	22.2	Deferred tax liabilities	11	19.5	27.1
0.4	0.8	Retirement benefit obligations	18	17.1	18.1
256.5	236.9	Interest-bearing liabilities	19, 21, 29	257.8	238.4
0.0	0.0	Other non-current interest-free liabilities	20	2.4	2.6
273.6	260.0	Total non-current liabilities		296.8	286.2
		Current liabilities			
35.8	40.1	Bank overdraft	30	(0.0)	0.0
0.0	0.0	Other current interest-bearing liabilities		0.1	0.0
2.8	(0.7)	Current income tax liabilities	11	3.0	5.9
55.0	61.8	Trade and other payables	22, 30	231.4	190.8
93.6	101.2	Total current liabilities		234.5	196.8
367.2	361.2	Total liabilities		531.2	483.0
663.4	677.0	Total equity and liabilities		721.9	691.6

The Board of Directors and President & CEO of Kongsberg Automotive ASA
Kongsberg, February 27, 2018

Bruce E. Taylor
Chairman (Sign.)

Ellen M. Hanetho
Board member (Sign.)

Thomas Falck
Board member (Sign.)

Gunilla Nordstrom
Board member (Sign.)

Ernst Kellermann
Board member (Sign.)

Jon-Ivar Jørnby
Employee elected (Sign.)

Kari Brænden Aaslund
Employee elected (Sign.)

Bjørn Ivan Ødegård
Employee elected (Sign.)

Henning E. Jensen
President and CEO (Sign.)

Statement of Changes in Equity

Group

MEUR	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interest	Total equity
Equity 01.01.16	**21.2**	**(0.2)**	**175.6**	**54.0**	**(40.2)**	**210.3**	**3.9**	**214.2**
Sale of treasury shares		0.2		0.2		0.4		0.4
Value of share options charged to income statement				0.5		0.5		0.5
Changes in non-controlling interests								
Other changes in equity								
Total comprehensive income for the year:								
Profit for the year					1.3	1.3	0.1	1.3
Other comprehensive income:								
Translation differences	1.2	(0.0)	10.0	(19.7)		(8.4)	(0.1)	(8.5)
Tax on translation differences				1.5		1.5		1.5
Remeasurement of net defined pension liability				(1.2)		(1.2)		(1.2)
Tax on remeasurement of net pension liability				0.3		0.3		0.3
Equity 31.12.16 / 01.01.17	**22.4**	**(0.1)**	**185.6**	**35.9**	**(38.9)**	**204.9**	**3.8**	**208.6**
Sale of treasury shares		(0.0)		(2.5)		(2.5)		(2.5)
Value of share options charged to income statement				0.1		0.1		0.1
Transactions with non-controlling interests								
Other changes in equity								
Total comprehensive income for the year:								
Profit for the year					(8.0)	(8.0)	0.0	(8.0)
Other comprehensive income (OCI):								
Translation differences	(1.7)	0.0	(14.2)	5.7		(10.0)	(0.2)	(10.2)
Tax on translation differences				2.8		2.8		2.8
Remeasurement of net defined pension liability				(0.1)		(0.1)		(0.1)
Tax on remeasurement of net pension liability				0.0		0.0		0.0
Equity 31.12.17	**20.7**	**(0.1)**	**171.4**	**42.1**	**(46.9)**	**187.1**	**3.6**	**190.7**

Parent

MEUR	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Subtotal	Non-controlling interest	Total equity
Equity 01.01.16	**21.2**	**(0.2)**	**175.6**	**(29.2)**	**141.2**	**308.6**		**308.6**
Sale of treasury shares		0.2		0.2		0.4		0.4
Value of share options charged to income statement				0.5		0.5		0.5
Profit for the year					(11.2)	(11.2)		(11.2)
Other comprehensive income:								
Foreign currency translation	1.2	(0.0)	10.0	6.3		17.5		17.5
Remeasurement of net defined pension liability				0.0		0.0		0.0
Tax on remeasurement of net pension liability				(0.0)		(0.0)		(0.0)
Equity 31.12.16 / 01.01.17	**22.4**	**(0.1)**	**185.6**	**(22.1)**	**130.0**	**315.8**		**315.8**
Sale/ (purchase) of treasury shares		(0.0)		(2.5)		(2.5)		(2.5)
Value of share options charged to income statement				0.1		0.1		0.1
Profit for the year					6.7	6.7		6.7
Other comprehensive income:								
Foreign currency translation	(1.7)	0.0	(14.2)	(7.9)		(23.9)		(23.9)
Remeasurement of net defined pension liability				(0.0)		(0.0)		(0.0)
Tax on remeasurement of net pension liability				0.0		0.0		0.0
Equity 31.12.17	**20.7**	**(0.1)**	**171.4**	**(32.4)**	**136.7**	**296.2**		**296.2**

Specification of constituent elements of equity:
Share capital: par value for shares in issue
Treasury shares: par value for own shares
Share premium: premium over par value for shares in issue

Other reserves: translation differences, premium treasury shares, warrants, share options and other comprehensive income.
Retained earnings: accumulated retained profits and losses.
Non-controlling interests: non-controlling interests' share of equity in Group companies.

Notes

NOTE 1 Reporting Entity

Kongsberg Automotive ASA ('the Company') and its subsidiaries (together 'the Group') develop, manufacture and sell products to the automotive industry worldwide. The Company is a limited liability company incorporated and domiciled in Norway.

The address of its registered office is Dyrmyrgata 48, NO-3601 Kongsberg, Norway. The Company is listed on the Oslo Stock Exchange. The Group consolidated financial statements were authorized for issue by the Board of Directors on 27 February 2018.

NOTE 2 Statement of Compliance

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

NOTE 3 Significant Accounting Policies

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

Basis of preparation

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

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability the Group takes into account the characteristics of the asset or liability if market participants would do so. Fair value for measurement and / or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transaction within the scope of IAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and (iii) any non-controlling interests. All amounts previously recognized in the other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary and reclassified to profit or loss or transferred to another category of equity as specified by applicable IFRSs. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39.

NOTE 3 Significant Accounting Policies (continued)

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

Business combinations

Business acquisitions are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in the profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognized at fair value, except (i) that deferred tax assets or liabilities related to employee benefits are recognized in accordance with IAS 12 and IAS 19 respectively, (ii) liabilities or equity instruments related to share-based payments of the Group to replace arrangements of the acquiree are measured according to IFRS 2 and (iii) assets classified as held for sale and discontinued operations are measured in accordance with IFRS 5. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. Non-controlling interests that are present ownership interests and entitle their holder to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at fair value or a non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. There is only one non-controlling interest, which the Group has chosen to measure at the proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost established at the date of acquisition of the business, less accumulated impairment losses, if any.

For purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the combination.

A cash-generating unit to which a goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss and is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Functional and presentation currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Euro using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income, accumulated in equity, and attributed to non-controlling interests as appropriate.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

Exchange differences on monetary items are recognized in profit or loss (in financial items) in the period in which they arise except for monetary items receivable from or payable to a foreign operation for which the settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation). These are recognized initially, net of income taxes, in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

The Group presents its consolidated financial statements in Euro. The presentation currency of the Parent company is Euro, whilst its functional currency is Norwegian Kroner. The reason for the use of Euros is to enable all amounts in the published financial statements of both the Group and the Company to be presented in the same currency. All financial information presented in Euro has been rounded to the nearest thousand, except when otherwise indicated.

Segment information

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

NOTE 3 Significant Accounting Policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates and similar allowances. Sales revenues are presented net of value-added tax and discounts.

Revenue from the sale of goods is recognized when the goods are delivered and title has passed at which time the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, the amount of revenue can be measured reliably and it is probable that the economic benefit associated with the transactions will flow to the Group. Revenue from other income streams, such as tooling, prototype parts and engineering services is recognized upon notification of formal customer acceptance.

The Parent company has Group internal revenues only. These relate to trademark and service fees (see note 30).

Intangible assets other than goodwill

Internally-generated intangible assets – Research and development expenditure

Research expenditures are expensed as incurred. An internally generated intangible asset arising from development on specific projects are recognized only when all of the following can be demonstrated:

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

The amount initially recognized for the internally generated asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. The amortization period is five years.

Software

Costs associated with maintaining computer software are expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the above-mentioned criteria are demonstrated to be fulfilled.

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

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

Other intangible assets – acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date, which is regarded as their cost.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. The useful life of patents is considered to be up to 21 years, the useful life of customer relationships is estimated to be 10 years.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current marked assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

Property, plant & equipment (PP&E)

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

Cost includes duties, taxes, installation and commissioning costs relating to making the non-current asset available for use. Subsequent costs, such as repair and maintenance costs, are expensed when incurred unless increased future economic benefits arise as a result of repair and maintenance work. Such costs are recognized in the statement of financial position as additions to non-current assets. Straight-line depreciation is calculated at the following rates:

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

NOTE 3 Significant Accounting Policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group leases a number of buildings for office space and production facilities which are classified as operating leases. Operating lease payments are recognized as an expense on a straight line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is determined on a first-in – first-out basis. The cost of raw materials is comprised of the purchase price, inbound freight and import duties. The cost of finished and semi-finished goods includes variable production costs and fixed costs allocated on normal capacity. Interest costs are not included. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from fair value of the financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity-investments", "available-for-sale" (AFS) financial assets and "loans and receivable". The classification depends on the nature and the purpose of the financial asset and is determined at the date of initial recognition.

The Group classifies its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables and other receivables, bank balances and cash) are measured at amortized cost using the effective interest method, less any impairments. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

The Group derecognizes a financial asset when the contractual rights to the cash flow from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

The Group classifies its financial liabilities as other financial liabilities.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial derivative instruments

The Group uses financial derivative instruments to reduce risks associated with interest and currency rate risk. See note 21.

These derivatives are not designated as hedging instruments. The derivatives are measured at fair value. Changes in fair value are recognized in the income statement as financial income or expenses, depending upon whether they represent gains or losses. They are disclosed on the line Changes in value of financial derivatives" within note 10 – Financial Items.

Taxes payable and deferred taxes

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" because of items of income or expense that are taxable or deductible on other years and items that are never taxable or deductible. The Group's current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries in which the company's subsidiaries operate.

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

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized. Deferred tax positions are netted within the same tax entity.

NOTE 3 Significant Accounting Policies (continued)

Retirement benefit cost and termination benefits

Payment to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailment and settlements)
- net interest expense or income
- remeasurement

The Group presents the first two components of defined benefit cost in profit or loss in the line item Salaries and social expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated Statement of Financial Position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer or the termination benefit and when the entity recognized any related restructuring costs.

Pension plans in the group

The Parent company Kongsberg Automotive ASA and its Norwegian subsidiary Kongsberg Automotive AS have defined benefit and defined contribution pension plans. The plans were changed from defined benefit to defined contribution in 2004. The defined benefit plan was continued for employees who had already retired. The other defined benefit plan was an early retirement plan for the former CEO, but this plan was terminated in 2016.

Defined benefit pension plans also exist in two subsidiaries in Germany, one subsidiary in France and one subsidiary in Switzerland. The subsidiaries in Sweden, the UK and the US have defined contribution pension plans for employees.

The former early retirement arrangement in Norway was replaced in 2011. Financing of the early retirement arrangement is now done by an annual fee, which represents the final cost for the companies included. The arrangement is defined as a multi-employer plan accounted for as a defined contribution pension plan. Norwegian employees are included in this scheme.

The defined contribution plans in Norway have legislative limitations when it comes to maximum salary as the calculation basis for tax deductibility. Norwegian employees with salaries that exceed this limit will be granted an addition to the pension that includes the salary above the maximum limit. This obligation will only materialize if the person is employed in KA at the time of retirement. This plan is accounted as a defined benefit pension plan.

Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave for the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for the service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflow expected to be made by the Group in respect of services provided by employees up to the reporting date.

Share-based payments

Equity-settled share-based payments to employees and others providing services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 16.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in the equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

In 2017 the company granted an additional incentive to key employees according to which the employee is entitled to receive 75% of his investment in Kongsberg shares up to a limit of 75% of his monthly gross salary. Prerequisite is that the employee has invested in Kongsberg shares in the open market for up to one monthly gross salary between December 1, 2017, and March 16, 2018 (the “Self-Investment”), and is being employed at that time. The holding period is 3 years. Rendering services over the holding period is not required.

For these cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured at the fair value of the liability.

NOTE 3 Significant Accounting Policies (continued)

The Fair Value is determined as the expected number of participating employees times expected investments. As rendering services over the holding period is not required under that scheme, the liability has been recognized at the full amount.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructuring provisions

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of the sale of the relevant products, at management's best estimate of the expenditure required to settle the Group's obligation.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all its liabilities. Equity instruments issued by the parent entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

NOTE 4 Critical Accounting Estimates and Judgments

In application of its accounting policies the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities which are not readily available from other sources. The estimates and judgments are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see note 4 below), that the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Discount rate used to determine the carrying amount of the Group's defined benefit obligation

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The cash-generating units in KA are the business units (Interior segment: Light duty cables and Comfort systems. Powertrain and Chassis segment: Driveline and On Highway / Europe, Asia and Americas. Specialty Products segment: Hose & Tubes, Couplings, Off Highway and MRF). The forecasts of future cash flows are based on the Group's best estimates of future revenues and expenses for the cash-generating units to which goodwill has been allocated. A number of assumptions and estimates can have significant effects on these calculations and include parameters such as macroeconomic assumptions, market growth, business volumes, margins and cost effectiveness. Changes to any of these parameters, following changes in the market conditions, competition, strategy or other factors, affect the forecasted cash flows and may result in impairment of goodwill.

The carrying amount of goodwill at 31 December 2017 was MEUR 146.2 (2016: MEUR 155.0). No impairment losses were recognized in 2017 or 2016. Details of the impairment loss calculation are set out in note 12.

Recoverability of internally generated intangible assets – research and development expenditure

Significant investments are made towards product improvements and innovation to secure the Group's position in the market. Estimates and judgments used when deciding how the costs should be accounted (charged to profit or loss or capitalizes as an asset) will have a significant effect on the statement of comprehensive income and statement of financial position. Internally generated intangible assets are subject to impairment reviews as described in note 3.

The carrying amount of internally generated intangible assets for patents and development expenditure at 31 December 2017 was MEUR 9.7 (2016: MEUR 8.0).

Refer to notes 3 and 12 for further information.

Deferred tax asset

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

See note 11 – Taxes.

NOTE 5 New Standards and Interpretations not yet adopted

New and amended standards and interpretations

The Group applied certain amendments to the standards for the first time, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of each amendment is described below:

New amendments and interpretations adopted

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information in note 19.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle – 2014-2016: Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments did not affect the Group's financial statements.

New and amended standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these consolidated financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group will adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of the new requirement in IFRS 9 to recognize a gain or loss for any modifications to the terms of financial liabilities. In addition, the Group will implement changes in classification of certain financial instruments.

Classification and measurement

The Group uses factoring arrangements to sell certain parts of the trade receivables ahead of their due date. These receivables have been determined to be held within a business model where the objective is to earn contractual cash flows and selling the financial asset. The Group has elected to classify this portfolio of factoring receivables at fair value through profit and loss (FVTPL) in accordance with IFRS 9.4.1.4. The trade and other receivables that are not included in the factoring portfolio continue to be classified and measured at amortized cost as done today. The effect of classifying a portion of the trade receivables at FVTPL is insignificant.

Under IAS 39 a non-substantial modification in the terms of a financial liability does not require the reporting entity to recognize a gain or loss. A non-substantial modification in terms is where the net present value of the cash flows with the modified terms, is 10% or less different from the net present value prior to the modification, both discounted at the original effective interest rate. Under IFRS 9 it has now been clarified that a gain or loss should be recognized for any modification. The change must be applied retrospectively to all financial liabilities that are still recognized at the date of initial recognition. The Group has modified the terms of long term financial liabilities three times, leading to an increase in long term debt of 2.3 MEUR.

All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39. Refer to note 23 for the current classification and measurement.

Impairment

IFRS 9 requires the Group to record expected credit losses on all loans and receivables either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses for all trade receivables. The Group has determined that, due to the immateriality of past losses on trade receivables, and considering all reasonable and supportable information including forward-looking information, the effect of implementing lifetime losses for trade receivables is immaterial.

Expected effect

In summary, the impact of IFRS 9 adoption is expected to be, as follows:Impact on assets (increase), and liabilities and equity (increase/(decrease) as of 1 January 2018:

NOTE 5 New Standards and Interpretations not yet adopted (continued)

MEUR	
Assets	
Deferred tax asset	0.5
Total assets	**0.5**
Liabilities and equity	
Interest-bearing liabilities	2.3
Retained earnings	(1.8)
Total liabilities and equity	**0.5**

The adjustment to interest-bearing liabilities will reverse through profit and loss over 2.25 years from 1 January 2018 and will reduce annual interest expenses with approx. 1 MEUR.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014 with amendments in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

Thus under IFRS 15, revenue is recognized when performance obligations are satisfied by transferring a promised good or service to the customer, which is when he obtains control. It is recognized at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group will adopt the new standard on the required effective date using the modified retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis in 2017. This analysis is not fully complete and the quantitative information presented may be subject to further changes in 2018.

The KA Group is in the business of providing products to the global vehicle industry. In doing so the Group provides services covering engineering and tooling, as well as the manufacturing and delivery of automotive parts. Engineering services is the development of customized designs in collaboration with the customer. Tooling is the production of equipment such as cutting tools and moulds needed in the manufacturing of parts. Tooling can be highly customized, or developed to produce standardized products to a wider range of customers. Product part delivery is the continuous supply of automotive parts such as seat heaters, cables, driver control systems, and fluid transfer systems.

Engineering, tooling and product part delivery may be contracted in separate agreements (concluded at different points in time) or may be contracted in one agreement. In either case any binding obligation for the customer with respect to parts is created only upon issuance of purchase orders. The Group has determined that engineering, tooling and the delivery of product parts are separate and distinct for the customer and therefore constitute separate performance obligations under IFRS 15. As is normal in the automotive industry the customer does not guarantee to purchase a minimum quantity of parts. The prices agreed in the contracts for the single performance obligations are considered to be the stand-alone selling prices and will therefore be the basis for recognizing revenue.

Engineering services

Before manufacturing, the Group normally undertakes engineering services to tailor the design of a part to customer needs. Where the ownership of the results of the engineering is transferred to the customer, the Group recognizes any consideration received from the customer as revenue. The Group has determined that the engineering services performance obligation is satisfied at a point in time and upon transfer of ownership of the results of the engineering. Transfer of ownership normally takes place when engineering is complete and the tooling phase is initiated. Consideration from the customer may be agreed as installments following the progress of the engineering, as one installment upon completion of the engineering phase, or may be explicitly included in the piece price over a certain specific sales volume. The Group currently recognizes revenue from engineering at the time of invoicing to the customer either during the engineering phase or through subsequent delivery of parts where consideration for engineering is included in the piece price. Under IFRS 15 revenue will be recognized at a point in time upon transfer of ownership of engineering to the customer. Consideration received in advance of transfer will be deferred and recognized as contract liability. Any consideration to be received through piece price will be recognized as revenue and accrued as contract asset upon transfer of engineering services to the customer, if the consideration for the engineering services is a guaranteed amount.

Tooling equipment

After the engineering phase, but before production, the Group manufactures, or have manufactured, the tooling equipment for use in the production of automotive parts. When the ownership of tooling equipment is transferred to the customer, the Group recognizes any consideration received from the customer as revenue. The Group has determined that the tooling equipment performance obligation is satisfied at a point in time and upon final approved transfer of ownership of the tooling to the customer. Transfer of ownership normally takes place in connection with the start of production of the automotive parts. Consideration from the customer may be agreed as installments following the progress of the manufacture of the tooling equipment, as one installment upon final approval of the tooling equipment by the customer, or may explicitly be included in the piece price. The Group currently recognizes revenue from tooling at the time of invoicing to the customer either during the tooling phase or through subsequent delivery of parts where consideration for tooling is added to the piece price. Under IFRS 15 revenue will be recognized at a point in time upon transfer of ownership and final approval of the tooling equipment by the customer. Consideration received in advance of transfer will be deferred and recognized as contract liability. Any consideration to be received through piece price will be recognized as revenue and accrued as contract asset upon approval of the tooling by the customer.

NOTE 5 New Standards and Interpretations not yet adopted (continued)

Delivery of automotive parts

The sale of manufactured automotive parts is satisfied upon transfer of control over the parts to the customer which in general is upon delivery to the customer. Each delivery is considered as a performance obligation that is satisfied at a point in time. Revenue recognition for parts deliveries will therefore not change under IFRS 15 compared to current practice.

Variable consideration

Revenue will be recognized (only) to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

A few contracts with customers entitle the customer to price reductions after exceeding defined volume thresholds. Currently, the Group recognises revenue from the sale of goods measured at the fair value net of volume rebates. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception and updated thereafter. The Group does not expect any significant changes to deferred revenue for volume rebates compared to current IFRS.

As it is common industry practice most of the contracts have variable elements in the form of year-on-year price reductions or staggered rebates. The Group has determined that the price reductions reflect the competition in the industry and thus is not to be considered as a loyalty bonus. Revenue recognition is therefore based on the sales price for each delivery to the customer.

Warranty obligations

The Group generally provides for warranties for general repairs and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under IFRS 15, which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosures requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made. In addition, as required by IFRS 15, the Group will disaggregate revenue recognizedfrom contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

Expected effect

In summary, the impact of IFRS 15 adoption is expected to be as follows:

Impact on assets (increase), and liabilities and equity increase/(decrease) as of 1 January 2018:

MEUR	
Assets	
Contract assets (non-current)	4.0
Trade receivables	
Contract assets (current)	8.0
Total assets	**12.0**
Liabilities	
Contract liabilities (non-current)	0.0
Contract liabilities (current)	1.0
Deferred tax liabilities	2.5
Total liabilities	**3.5**
Net impact on equity (retained earnings)	**8.5**

IFRS 16 Leases

This standard will replace the present IAS 17 and IFRIC 4 for annual periods beginning on or after 1 January 2019. The new standard requires lessees to recognize right-of-use assets and liabilities for all leases, with the exception of some leases with lease periods of less than one year or where the underlying assets are of low value. Depreciation, amortization and impairment losses as well as interest expenses must be recognized in the statement of income. The standard also somewhat changes the definition of when an agreement is or contains a lease. The Group is still in the early phase of evaluating the impact of IFRS 16 and potential effects have not been quantified. However, the Group leases a number of buildings for office space and production facilities and therefore expects a significant increase in non-current assets and liabilities upon the implementation of IFRS 16. The group also expects a significant effect on the classification of expense items in the statement of comprehensive income, but does not expect a material effect on profit loss for the year.

NOTE 6 Subsidiaries

Company name	Country of incorporation	Ownership	Companies owned by parent
Kongsberg Automotive Ltda	Brazil	100%	x
Kongsberg Inc	Canada	100%	
Kongsberg Automotive (Shanghai) Co Ltd	China	100%	
Kongsberg Automotive (Wuxi) Ltd	China	100%	x
Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd	China	75%	
Shanghai Lone Star Cable Co Ltd	China	100%	
Kongsberg Automotive SARL	France	100%	x
Kongsberg Driveline Systems SAS	France	100%	
Kongsberg Raufoss Distribution SAS	France	100%	
SCI Immobilière La Clusienne	France	100%	
Kongsberg 1 GmbH	Germany	100%	
Kongsberg Actuation Systems GmbH	Germany	100%	
Kongsberg Automotive GmbH	Germany	100%	x
Kongsberg Driveline Systems GmbH	Germany	100%	
Kongsberg Actuation Systems Ltd	Great Britain	100%	
Kongsberg Automotive Ltd	Great Britain	100%	
CTEX Seat Comfort (Holding) Ltd	Great Britain	100%	x
Kongsberg Power Products Systems Ltd	Great Britain	100%	
Kongsberg Automotive Hong Kong Ltd	Hong Kong	100%	
Kongsberg Interior Systems Kft	Hungary	100%	
Kongsberg Automotive (India) Private Ltd	India	100%	x
Kongsberg Automotive Driveline System India Ltd	India	100%	x
Kongsberg Automotive Ltd	Korea	100%	x
Kongsberg Automotive S. de RL de CV	Mexico	100%	
Kongsberg Driveline Systems S. de RL de CV	Mexico	100%	
Kongsberg Fluid Transfer Systems, S. de R.L. de CV	Mexico	100%	
Kongsberg Interior Systems S. de RL de CV	Mexico	100%	
Kongsberg Actuation Systems BV	Netherlands	100%	
Kongsberg Automotive AS	Norway	100%	x
Kongsberg Automotive Holding 2 AS	Norway	100%	x
Kongsberg Automotive Sp. z.o.o	Poland	100%	x
Kongsberg Automotive s.r.o	Slovakia	100%	
Kongsberg Actuation Systems SL	Spain	100%	
Kongsberg Automotive AB	Sweden	100%	x
Kongsberg Power Products Systems AB	Sweden	100%	
KA Group AG	Switzerland	100%	
Kongsberg Driveline Systems I Inc.	US	100%	
Kongsberg Actuation Systems II Inc.	US	100%	
Kongsberg Holding III Inc.	US	100%	
Kongsberg Interior Systems II Inc.	US	100%	
Kongsberg Automotive Inc.	US	100%	
Kongsberg Power Products Systems I Inc.	US	100%	
Kongsberg Automotive Japan KK	Japan	100%	x

Non-controlling interest refers to the 25% not owned of Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd

NOTE 7 Segment Information

Operating segments

The reporting structure was changed during the first quarter of 2017 in order to better align the organizational structure with the opportunities and challenges of Kongsberg Automotive business units. The Group has three reportable segments, which are the strategic business segments: Interior, Powertrain & Chassis Products and Specialty Products. Segment information for 2016 has been adapted accordingly.

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

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

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

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

Interior

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

Powertrain & Chassis Products

Powertrain & Chassis Products is a global Tier 1 supplier of driver control and driveline products to the passenger and commercial vehicle automotive markets. The portfolio includes custom-engineered cable controls and complete shift systems, clutch actuation systems, vehicle dynamics, shift cables and shift towers for transmissions.

Specialty Products

The Specialty Products segment designs and manufactures fluid handling systems for both the automotive and commercial vehicle markets, couplings systems for compressed-air circuits in heavy-duty vehicles, operator control systems for power sports construction, agriculture, outdoor power equipment, power electronics and MRF technology-based products.

NOTE 7 Segment Information (continued)

2017

MEUR	Interior	Powertrain & Chassis	Specialty Products	Eliminations & other*	Group
Operating revenues	263.9	407.4	385.3	0.0	1,056.6
EBITDA	**18.9**	**7.0**	**57.9**	**(14.7)**	**69.2**
Depreciation	(7.9)	(14.0)	(8.5)	(0.5)	(30.9)
Amortization	(2.4)	(4.6)	(7.0)	(0.4)	(14.5)
Operating (loss) / profit (EBIT)	**8.6**	**(11.5)**	**42.4**	**(15.7)**	**23.8**
Assets and liabilities					
Goodwill	56.8	22.8	66.6	0.0	146.2
Other intangible assets	1.3	11.2	2.0	1.3	15.8
Property, plant and equipment	60.3	63.6	44.8	1.1	169.7
Inventories	22.1	40.4	43.9	(1.8)	104.7
Trade receivables	53.8	68.8	57.4	(0.0)	180.0
Segment assets	**194.3**	**206.6**	**214.8**	**0.7**	**616.4**
Unallocated assets	0.0	0.0	0.0	105.5	105.5
Total assets	**194.3**	**206.6**	**214.8**	**106.2**	**721.9**
Trade payables	33.0	52.4	43.2	2.0	130.6
Unallocated liabilities	0.0	0.0	0.0	400.6	400.6
Total liabilities	**33.0**	**52.4**	**43.2**	**402.5**	**531.2**
Capital expenditure	**22.6**	**15.8**	**8.2**	**0.8**	**47.4**

* The column "Eliminations & other" mainly includes corporate expenses and balance sheet items related to tax, pension and financing.
See next section for specification of unallocated assets and liabilities.
For segment reporting purposes the revenues are only external revenues, the related expenses are adjusted accordingly. The EBIT is thus excluding IC profit.

2016

MEUR	Interior	Powertrain & Chassis	Specialty Products	Eliminations & other*	Group
Operating revenues	277.8	350.4	357.5	0.0	985.7
EBITDA	**23.3**	**9.5**	**46.4**	**(15.9)**	**63.4**
Depreciation	(9.5)	(13.0)	(7.3)	(0.6)	(30.4)
Amortization	(2.4)	(4.4)	(7.5)	(0.3)	(14.7)
Operating (loss) / profit (EBIT)	**11.4**	**(7.9)**	**31.6**	**(16.8)**	**18.3**
Assets and liabilities					
Goodwill	59.1	23.6	72.3	0.0	155.0
Other intangible assets	3.7	10.7	10.2	2.8	27.3
Property, plant and equipment	45.3	65.9	47.3	1.6	160.2
Inventories	14.6	29.8	35.6	(1.4)	78.6
Trade receivables	54.5	56.1	48.1	0.8	159.5
Segment assets	**177.1**	**186.0**	**213.5**	**3.8**	**580.6**
Unallocated assets	0.0	0.0	0.0	111.0	111.0
Total assets	**177.1**	**186.0**	**213.5**	**114.8**	**691.6**
Trade payables	30.1	41.3	38.5	1.0	111.0
Unallocated liabilities	0.0	0.0	0.0	372.0	372.0
Total liabilities	**30.1**	**41.3**	**38.5**	**373.0**	**483.0**
Capital expenditure	**19.2**	**18.8**	**9.7**	**0.3**	**48.1**

NOTE 7 Segment Information (continued)

Operating segments – reconciliation to total assets

MEUR	2017	2016
Segment assets of reportable segments	615.7	576.7
Eliminations & other	0.7	3.8
Unallocated assets include:		
Deferred tax assets	23.7	32.4
Other non-current assets	3.5	1.1
Cash and cash equivalents	39.5	34.6
Other receivables (excluded: trade receivables)	38.9	42.9
Total assets as of the Statement of Financial Position	**721.9**	**691.6**

Operating segments – reconciliation to total liabilities

MEUR	2017	2016
Trade payables of reportable segments	128.7	110.0
Eliminations & other	2.0	1.0
Unallocated liabilities include:		
Deferred tax liabilities	19.5	27.1
Retirement benefit obligations	17.1	18.1
Interest-bearing loans and borrowings	257.8	238.4
Other non-current interest-free liabilities	2.4	2.6
Bank overdrafts	0.0	0.0
Other current interest-bearing liabilities	0.1	0.0
Current income tax liabilities	3.0	5.9
Other payables (excluded: trade payables)	100.7	79.8
Total liabilities as of the Statement of Financial Position	**531.2**	**483.0**

Operating segments – geographical areas

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

Sales to external customers by geographical location

	2017		2016	
MEUR	Jan – Dec	%	Jan – Dec	%
Europe	554.1	52.4%	485.8	49.3%
North America	341.6	32.3%	385.3	39.1%
South America	22.9	2.2%	16.5	1.7%
Asia	116.7	11.0%	89.7	9.1%
Other	21.3	2.0 %	8.3	0.8 %
Total operating revenues	**1,056.6**	**100%**	**985.7**	**100%**

NOTE 7 Segment Information (continued)

Non-current assets by geographical location

MEUR	2017 Jan – Dec	2017 %	2016 Jan – Dec	2016 %
Europe	194.3	58.6%	191.0	55.8%
North America	109.9	33.1%	126.5	36.9%
Asia	25.9	0.0%	22.9	0.0%
Other	1.5	0.5%	2.1	0.6%
Total non-current assets	**331.7**	**100.0%**	**342.5**	**100.0%**

Operating segments – major customers

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

NOTE 8 Salaries and Social Expenses

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

Parent 2017	Parent 2016	MEUR	Group 2017	Group 2016
0.3	3.5	Wages and salaries	218.1	215.2
0.0	0.6	Social security tax	57.3	51.5
0.0	(0.3)	Pension cost (defined benefit plans)	0.8	0.3
0.0	(0.1)	Pension cost (defined contribution plans)	7.6	8.4
0.6	0.5	Other employee-related expenses	20.9	18.2
0.9	**4.2**	**Total**	**304.8**	**293.7**

Other employee-related expenses include bonus costs.
As at 31.12.17 the Group had 10,482 employees, while as of 31.12.2016 the Group number of employees was 9,791.
The Parent Company had no employees as of 31.12.2017 and there were no employees as of 31.12.2016 either.

NOTE 9 Other Operating Expenses

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

Parent			Group	
2017	2016	MEUR	2017	2016
		Operating Expenses		
0.0	0.0	Freight charges	(48.0)	(36.1)
0.0	0.0	Facility costs	(23.6)	(22.7)
0.0	0.0	Consumables	(36.4)	(30.1)
0.0	0.0	Repairs and maintenance	(18.0)	(15.8)
0.0	0.0	Service costs	(22.4)	(13.8)
0.0	(0.1)	Other costs	(10.9)	(6.8)
		Administrative expenses		
(0.2)	(0.2)	Leasehold expenses	(8.0)	(6.7)
(5.1)	(6.3)	Service costs	(35.9)	(38.3)
(0.0)	(0.0)	Consumables	(10.0)	(11.2)
(0.2)	(0.3)	Travel costs	(8.7)	(8.3)
(22.0)	(35.0)	Other costs*	(8.2)	(18.0)
(27.5)	**(41.9)**	**Total other operating expenses**	**(230.1)**	**(207.9)**

* Parent company includes write-down and loss on Group loans and receivables. Group includes restructuring costs and recognition of loss-making contracts.

NOTE 10 Financial Items

Specification of financial items as recognized in the statement of comprehensive income

Parent			Group	
2017	2016	MEUR	2017	2016
0.4	1.3	Dividend and other financial income	0.0	0.0
0.0	0.0	Foreign currency gains *	0.0	5.4
0.0	1.6	Changes in value of financial derivatives	0.0	3.4
22.0	25.3	Interest income	0.2	0.2
22.4	**28.2**	**Total financial income**	**0.2**	**9.0**
(9.4)	(6.9)	Interest expense	(10.1)	(6.9)
(7.0)	(4.4)	Foreign currency losses *	(5.4)	0.0
0.0	0.0	Changes in value of financial derivatives	(0.7)	0.0
(0.5)	(12.7)	Other items**	(1.5)	(1.1)
(16.9)	**(24.0)**	**Total financial expenses**	**(17.6)**	**(8.0)**
5.5	**4.2**	**Net financial items**	**(17.4)**	**1.0**

* Includes unrealized currency loss of MEUR 3.9 (2016: Unrealized gain of MEUR 5.5)

** Parent company includes write-down on shares in subsidaries. Group includes arrangement fees and net pension funding costs.

NOTE 11 Taxes

Tax recognised in statement of income

The major components of income tax expense:

Parent			Group	
2017	2016	MEUR	2017	2016
(3.7)	(5.4)	Current tax on profits for the year*	(10.2)	(14.8)
0.0	0.0	Adjustments in respect of prior years	(0.3)	1.0
(3.7)	**(5.4)**	**Total current tax**	**(10.6)**	**(13.8)**
1.8	3.0	Current year change in deferred tax	7.1	(3.1)
0.8	(0.9)	Impact of changes in tax rates	(6.9)	(0.9)
1.4	0.0	Adjustments in respect of prior years	(4.0)	(0.1)
4.0	**2.1**	**Total change in deferred tax**	**(3.8)**	**(4.2)**
0.2	**(3.3)**	**Total income tax (expense) / credit**	**(14.4)**	**(17.9)**

* Includes withholding tax. Further details can be found in table below.

Tax recognised in other comprehensive income

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.0	Tax (expense) / credit on translation differences	2.8	1.5
0.0	(0.0)	Tax (expenses) / credit on pension remeasurement	0.0	0.3
0.0	**0.0**	**Tax (expense) / credit in other comprehensive income**	**2.8**	**1.9**

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

Parent			Group	
2017	2016	MEUR	2017	2016
6.5	**(7.9)**	**(Loss) / profit before income tax**	**6.4**	**19.3**
(1.6)	2.0	Expected tax calculated at Norwegian tax rate	(1.4)	(4.8)
0.1	0.3	Dividends (permanent differences)	0.0	0.0
(0.2)	(5.9)	Other permanent differences / currency	(1.0)	(0.5)
(0.2)	(0.6)	Effect of withholding tax	(0.5)	(0.7)
0.0	0.0	Effect of different tax rates	(0.6)	(2.0)
0.8	0.9	Impact of changes in tax rates and legislation	(6.9)	0.9
0.0	0.0	Losses not recognised as deferred tax assets	(1.0)	(2.8)
0.0	0.0	Write-down of deferred tax assets	0.0	(9.0)
1.3	0.0	Adjustments in respect of prior years and other adjustments	(2.9)	0.9
0.2	**(3.3)**	**Income tax (expense) / credit**	**(14.4)**	**(17.9)**
-4%	-41%	Average effective tax rate	224%	93%

NOTE 11 Taxes (continued)

Tax recognized in the statement of financial position

Current tax liability

Parent			Group	
2017	2016	MEUR	2017	2016
2.8	(0.7)	Current income tax liabilities	3.0	5.9
2.8	**(0.7)**	**Total**	**3.0**	**5.9**

Deferred tax

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.0	Deferred tax asset	23.7	32.4
(16.7)	(22.2)	Deferred tax liability	(19.5)	(27.1)
(16.7)	**(22.2)**	**Total**	**4.2**	**5.3**

Deferred tax positions are netted within the same tax entity.

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

Group

2017 MEUR	Opening balance	Charged to income	Changes in tax rate	OCI	Exchange differences	Closing balance
Property, plant and equipment	(1.4)	0.6	0.2	0.0	(0.3)	(0.8)
Intangible assets	(6.6)	(1.5)	0.9	0.0	0.1	(7.0)
Retirement benefits obligations	2.7	0.8	(0.1)	0.0	0.0	3.5
Losses	9.8	(0.5)	(0.1)	0.0	(0.7)	8.5
Account receivables	1.5	(5.3)	0.6	0.0	0.9	(2.2)
Accrued expenses	2.4	0.7	(0.9)	0.0	(0.9)	1.3
Accrued interest	7.5	(0.4)	0.0	0.0	0.4	7.5
Restructuring reserves	2.1	2.0	(0.3)	0.0	0.6	4.4
Unrealized fx on long-term receivables / payables	(22.7)	(0.5)	0.0	0.0	(0.1)	(23.3)
Other temporary differences	10.0	7.2	(7.3)	2.8	(0.2)	12.5
Net deferred tax asset/(liability)	**5.3**	**3.1**	**(6.9)**	**2.8**	**(0.1)**	**4.2**

Parent

2017 MEUR	Opening balance	Charged to income	Changes in tax rate	OCI	Exchange differences	Closing balance
Property, plant and equipment	0.1	0.0	(0.0)	0.0	(0.0)	0.1
Retirement benefits obligations	0.2	1.2	(0.1)	0.0	(0.1)	1.3
Losses	0.0	0.0	0.0	0.0	0.0	0.0
Account receivables	1.5	(0.0)	(0.1)	0.0	(0.1)	1.3
Unrealized fx on long-term receivables / payables	(23.5)	1.9	0.9	0.0	1.7	(19.0)
Other temporary differences	(0.4)	0.1	(0.0)	0.0	0.0	(0.3)
Net deferred tax asset/(liability)	**(22.2)**	**3.2**	**0.8**	**0.0**	**1.5**	**(16.7)**

NOTE 11 Taxes (continued)

Measurement of deferred taxes

Deferred tax assets and liabilities are measured at the tax rates realized. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. The Group's subsidiaries are located in different countries, so there will always be risks arising from local tax jurisdictions' assessments of the respective tax positions, and to limitations to the utilization of losses carried forward. Local tax decisions could therefore influence the carrying value of the Group's consolidated deferred tax asset. This financial year, a significant write-off of existing US deferred tax assets was booked due to the new US tax legislation valid as per January 1 2018.

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

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

Tax positions not recognized

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.0	Tax positions not recognized	25.8	32.0
0.0	**0.0**	**Total tax positions not recognized**	**25.8**	**32.0**

Remaining lifetime of tax losses (net tax value)

Parent			Group	
2017	2016	Lifetime	2017	2016
0.0	0.0	Less than five years	4.7	3.7
0.0	0.0	5 – 10 years	2.9	2.1
0.0	0.0	10 – 15 years	0.0	0.0
0.0	0.0	15 – 20 years	0.0	11.2
0.0	0.0	Without time limit	25.8	23.9
0.0	**0.0**	**Tax losses at 31.12**	**33.4**	**41.0**

NOTE 12 Intangible Assets

Parent		Group				
Software	MEUR	Goodwill	Customer relationships	Patents and R&D	Software and other	Total
3.3	Cost	176.7	97.1	47.4	18.8	339.9
(2.5)	Accumulated amortization and impairment	(22.2)	(77.5)	(31.3)	(15.4)	(146.4)
0.8	**Book Value at 31.12 2015**	**154.5**	**19.6**	**16.1**	**3.4**	**193.5**
3.3	Cost 01.01.2016	176.7	97.1	47.4	18.8	339.9
0.7	Additions	0.0	0.0	2.4	0.8	3.2
0.0	Disposals accumulated cost	0.0	0.0	(1.3)	(0.1)	(1.3)
0.2	Translation differences	1.3	0.5	0.1	0.1	2.0
4.3	**Acquisition costs at 31.12.2016**	**177.9**	**97.5**	**48.6**	**19.6**	**343.7**
(2.5)	Accumulated amortization and impairment 01.01.2016	(22.2)	(77.5)	(31.3)	(15.4)	(146.4)
(0.3)	Amortization/impairment loss	0.0	(9.4)	(3.9)	(1.3)	(14.6)
0.0	Disposals accumulated amortization	0.0	0.1	0.9	0.1	1.1
(0.1)	Translation differences	(0.7)	(0.7)	(0.1)	0.0	(1.4)
(3.0)	**Accumulated amortization 31.12.2016**	**(22.9)**	**(87.5)**	**(34.4)**	**(16.6)**	**(161.4)**
4.3	Cost	177.9	97.5	48.6	19.6	343.7
(3.0)	Accumulated amortization and impairment	(22.9)	(87.5)	(34.4)	(16.6)	(161.4)
1.3	**Book Value at 31.12 2016**	**155.0**	**10.1**	**14.2**	**3.1**	**182.3**
4.3	Cost 01.01.2017	177.9	97.5	48.6	19.6	343.7
0.5	Additions	0.0	0.0	4.7	0.6	5.3
0.0	Disposals accumulated cost	0.0	(3.2)	(1.7)	(6.1)	(11.0)
(0.4)	Translation differences	(11.5)	(7.1)	(2.7)	(0.6)	(21.9)
4.4	**Acquisition costs at 31.12.2017**	**166.4**	**87.2**	**48.9**	**13.5**	**316.1**
(3.0)	Accumulated amortization 01.01.2017	(22.9)	(87.5)	(34.4)	(16.6)	161.4
(0.4)	Amortization/impairment loss*	0.0	(9.1)	(4.2)	(1.3)	(14.5)
0.0	Disposals accumulated amortization	0.0	3.1	1.1	5.7	9.9
0.2	Translation differences	2.7	6.7	1.8	0.7	11.9
(3.1)	**Accumulated amortization and impairment 31.12.2017**	**(20.3)**	**(86.8)**	**(35.6)**	**(11.4)**	**(154.1)**
4.4	Cost	166.4	87.2	48.9	13.5	316.1
(3.1)	Accumulated amortization and impairment	(20.3)	(86.8)	(35.6)	(11.4)	(154.1)
1.3	**Book Value at 31.12 2017**	**146.2**	**0.3**	**13.3**	**2.1**	**162.0**

* See details on next page for impairment loss . In 2017, intangible assets related to Heiligenhaus closing have been written off for a total amount of 0.2 MEUR.

NOTE 12 Intangible Assets (continued)

Internally developed intangible assets

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.0	Internally developed intangible assets 01.01	8.0	7.9
0.0	0.0	Additions during the year	4.3	2.2
0.0	0.0	Amortization / impairment	(2.2)	(2.3)
0.0	0.0	Translation differences	(0.4)	0.1
0.0	**0.0**	**Internally developed intangible assets 31.12**	**9.7**	**8.0**
0.0	0.0	Not capitalized internal R&D cost	(29.4)	(44.2)
0.0	0.0	Amortization	(2.8)	(2.3)
0.0	0.0	Net effect of external sales and purchases	(22.7)	(17.8)
0.0	**0.0**	**Total recognized R&D cost in the reporting period***	**(54.9)**	**(64.3)**
0.0	0.0	Cash investment in R&D	(57.0)	(64.2)

*Net amount, gross amount MEUR 67.3 in 2017 (2016: MEUR 81.0).
The internally developed intangible assets include capitalized costs related to development of new products.
These assets are included in "Patents and R&D" above.

Impairment testing

The Group has performed impairment tests on the carrying values of all intangible assets (including goodwill), property, plant & equipment, and net working capital in accordance with the requirements of IAS 36. Value in use (VIU) was used to determine the recoverable amount. The tests comprised NPV (net present value) analyses of forecasted future cash flows by the CGUs (cash-generating units). The business units Interior Comfort Systems, Light Duty Cables, Driveline, On-highway, Couplings, Fluid and Off-highway were identified as the respective CGUs.

Cash flow projections and assumptions

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

A business case was used for each CGU as the basis for the cash flow estimates, which covered the period of 2018 to 2020. The business cases were based on the Group's strategic three-year plan, adjusted for relevant recent changes in internal short-term forecasts and market data. The forecasts did not include significant cash flows from future restructuring, investments or enhancements. The three-year plan was a realistic forecast taking into account macroeconomic, industry and company-specific factors. The short-term forecasts were a "bottom-up-model" where all input data had been produced by the respective entities in the Group. The financial development for the BUs throughout the forecast period is primarily driven by increased top line with the effects of operational leverage and effects from restructuring already completed or initiated.

The input data in the business cases were gathered from renowned external sources, such as LMC Automotive, IHS and customers, in addition to all relevant internal information such as change in orders, customer portfolio, fitment rate for products, geographical development, market shares etc.

Discount rate assumptions

The required rate of return was calculated by the WACC method. The input data of the WACC was chosen by an individual assessment of each parameter. Information from representative sources, peer groups etc. was used to determine the best estimate. The WACC was calculated to 7.1 % pre-tax. The same WACC was used for all CGUs, the reason being that the long-term risk profiles of the CGUs are not considered to be significantly different. The key parameters were set to reflect the underlying long-term period of the assets and time horizon of the forecast period of the business cases. The following parameters were applied:

- Risk-free interest rate: 1.8%. Based on 10-year governmental Eurobond rate and US treasury yield, weighted 50/50.
- Beta: 1.11. Based on an estimated unlevered beta for the automotive industry adjusted for the industry's average capital structure.
- Market Risk Premium: 5% (post tax). Based on market sources.
- Cost of Debt: based on the risk-free rate plus a risk component to reflect a probability of default (100 basis points).
- Capital structure: equity ratio of 68%. Based on capital structure of comparable companies.

Sensitivity analysis

The value in use for the assets depends on the cash flow and discount rate. The cash flow will move in relation to change in prices, currency, and volume. Business awards, success of the car model, product fitment rates, government regulations, and economic conditions, in turn influence the volume. For information on input used in the computation of the discount rate, please see above. A reasonable change in assumptions used in the impairment test regarding discount rate would not cause the carrying amount to exceed the recoverable amount for any CGU. However On-Highway, Driveline Systems and Interior Comfort Systems would need to improve performance, in line with cash flow projections, in order to support their respective carrying amount (On-Highway MEUR 64.4, Driveline Systems: MEUR 71.4 and Interior Comfort Systems: MEUR 113.0).

Impairment – test results and conclusion

In all business areas the value in use (VIU) exceeded the carrying amount, and no requirement for write-down was indicated.

NOTE 13 Property, Plant & Equipment (PP&E)

Parent		Group			
Equipment	MEUR	Land	Buildings	Equipment	Total
0.8	Cost	4.7	38.7	447.9	491.3
(0.7)	Accumulated depreciation and impairment	0.0	(24.5)	(323.5)	(348.0)
0.1	**Book Value at 31.12.2015**	**4.7**	**14.2**	**124.4**	**143.3**
0.8	Cost 01.01.2016	4.7	38.7	447.9	491.3
0.1	Additions	0.0	0.3	47.8	48.1
0.0	Disposals accumulated cost	0.0	(1.0)	(7.1)	(8.2)
0.0	Translation differences	0.0	(1.4)	7.6	6.2
0.9	**Acquisition costs at 31.12.2016**	**4.7**	**36.6**	**496.1**	**537.4**
(0.7)	Accumulated depreciation and impairment 01.01.2016	0.0	(24.5)	(323.5)	(348.0)
(0.0)	Depreciation and impairment*	0.0	(1.6)	(28.8)	(30.4)
0.0	Disposals accumulated depreciation	0.0	0.8	5.7	6.5
(0.0)	Translation differences	0.0	(0.3)	(5.0)	(5.3)
(0.8)	**Accumulated depreciation and impairment 31.12.2016**	**0.0**	**(25.6)**	**(351.6)**	**(377.3)**
0.9	Cost	4.7	36.6	496.1	537.4
(0.8)	Accumulated depreciation	0.0	(25.6)	(351.6)	(377.3)
0.1	**Book Value at 31.12.2016**	**4.7**	**11.0**	**144.5**	**160.2**
0.9	Cost 01.01.2017	4.7	36.6	496.1	537.4
0.0	Additions	0.0	0.2	47.3	47.4
0.0	Disposals accumulated cost	0.0	1.5	(7.4)	(5.8)
(0.1)	Translation differences	(0.1)	(2.1)	(37.4)	(39.5)
0.8	**Acquisition costs at 31.12.2017**	**4.6**	**36.2**	**498.7**	**539.5**
(0.8)	Accumulated depreciation and impairment 01.01.2017	0.0	(25.6)	(351.6)	(377.3)
(0.0)	Depreciation and impairment*	0.0	(2.3)	(28.7)	(30.9)
0.0	Disposals accumulated depreciation and impairment	0.0	(1.6)	7.5	5.9
0.1	Translation differences	0.0	1.3	31.2	32.5
(0.8)	**Accumulated depreciation and impairment 31.12.2017**	**0.0**	**(28.1)**	**(341.6)**	**(369.8)**
0.8	Cost	4.6	36.2	498.7	539.5
(0.8)	Accumulated depreciation and impairment	0.0	(28.1)	(341.6)	(369.8)
0.1	**Book Value at 31.12.2017**	**4.6**	**8.1**	**157.0**	**169.7**

* Includes write-off of fixed assets in business held for sale and write-off of idle assets. In 2017, tangible assets related to Heiligenhaus closing have been written off for a total amount of 0.8 MEUR.

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

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

Impairment testing: See note 12 for information related to impairment testing of non-current intangible assets and PP&E.

NOTE 14 Inventories

Specification of inventories

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.0	Raw materials	66.3	44.8
0.0	0.0	Work in progress	18.0	15.5
0.0	0.0	Finished goods	20.4	18.2
0.0	**0.0**	**Total**	**104.7**	**78.6**

Values displayed net of provisions for excess and obsolete.

Provision for slow-moving and obsolete inventory

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.0	Book value at 01.01	(7.9)	(8.1)
0.0	0.0	Write-down	(1.6)	(1.1)
0.0	0.0	Products sold (previously written down)	0.5	0.5
0.0	0.0	Reversal	0.7	0.6
0.0	0.0	Foreign currency translation	0.4	0.0
0.0	**0.0**	**Book value at 31.12**	**(7.9)**	**(7.9)**

NOTE 15 Trade and Other Receivables

Specification of trade and other receivables

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.0	Trade receivables	180.0	159.5
17.5	38.9	Short-term group loans and receivables	0.0	0.0
0.0	0.1	Public duties	15.3	12.5
0.0	0.0	Other short-term receivables	6.7	11.3
17.5	**39.0**	**Receivables**	**202.0**	**183.3**
0.0	0.0	Tooling (Work in Progress)	10.0	12.2
0.3	0.2	Prepayments	6.9	7.0
17.8	**39.2**	**Total**	**218.9**	**202.5**

NOTE 15 Trade and Other Receivables (continued)

Trade receivables maturity

	2017		2016	
MEUR	Dec	%	Dec	%
Not overdue	162.9	90%	149.1	93%
Overdue 1–20 days	8.7	5%	7.5	4%
Overdue 21–40 days	5.0	3%	1.8	2%
Overdue 41–80 days	1.5	1%	1.0	1%
Overdue 81–100 days	0.5	0%	0.4	0%
Overdue > 100 days	1.9	1%	0.6	0%
Gross trade receivables	**180.5**		**160.4**	
Total provision for bad debt	(0.5)	0%	(0.8)	1%
Net trade receivables	**180.0**		**159.5**	

The provision for bad debt is decreased by MEUR 0.1 compared to 31.12.2015. Trade receivables are subject to constant monitoring. Impaired receivables are reflected through provision for bad debt. Monthly assessments of loss risk are performed and corresponding provisions are made on entity level. The provision for bad debt reflects the total loss risk on groups trade receivables. The oldest trade receivables, overdue > 100 days, represent the highest risk level. Most of the impaired trade receivables are included in that category. Actual losses on trade receivables was MEUR 0.3. The risk for losses on other receivables than trade receivables is assessed to be insignificant. For risk management see Note 21.

Receivables by currency

Parent			Group	
2017	2016	MEUR	2017	2016
6.4	11.5	EUR	70.7	72.1
11.0	17.2	USD	49.2	51.6
0.0	9.3	NOK	4.2	8.4
0.0	1.0	RMB	29.0	25.8
0.1	0.0	Other	49.0	25.4
17.5	**39.0**	**Total**	**202.0**	**183.3**

NOTE 16 Share Capital

Shares

The share capital of the company is NOK 203,384,066, comprising 406,768,131 ordinary shares with a par value of NOK 0.50. The company holds 1,849,212 shares as treasury shares. For more information see "Statement of Changes in Equity". The company is listed on the Oslo Stock Exchange. The ticker code is KOA.

	2017	2016
Number of shares in issue at 01.01.	406,768,131	406,768,131
New shares issued	0	0
Number of shares in issue at 31.12.	**406,768,131**	**406,768,131**
Of these, treasury shares	**1,849,212**	**1,228,134**

The twenty largest shareholders in the Company as at 31.12.17 were as follows:

Shareholders and nominees	No. of shares	%	Country
MORGAN STANLEY & CO. INT. PLC.	68,216,365	16.8 %	UK
MSCO EQUITY FIRM ACCOUNT	17,917,962	4.4 %	US
KLP AKSJENORGE	15,954,970	3.9 %	Norway
VPF NORDEA KAPITAL	14,103,471	3.5 %	Norway
THE NORTHERN TRUST COMP, LONDON BR	13,861,608	3.4 %	UK
FOLKETRYGDFONDET	12,277,732	3.0 %	Norway
MORGAN STANLEY & CO. LLC	11,777,277	2.9 %	US
VPF NORDEA AVKASTNING	11,076,520	2.7 %	Norway
KOMMUNAL LANDSPENSJONSKASSE	11,029,516	2.7 %	Norway
CITIBANK, N.A.	10,568,682	2.6 %	US
STATE STREET BANK AND TRUST COMP	8,727,445	2.1 %	US
MP PENSJON PK	8,663,107	2.1 %	Norway
JPMORGAN CHASE BANK, N.A., LONDON	7,762,927	1.9 %	UK
ERLING NEBY AS	7,000,000	1.7 %	Norway
MORGAN STANLEY AND CO INTL PLC	5,892,792	1.4 %	Belgium
ARANGO TRADING AND FINANCE CORP.	5,726,496	1.4 %	Switzerland
STATE STREET BANK AND TRUST COMP	5,662,011	1.4 %	US
VERDIPAPIRFONDET PARETO INVESTMENT	5,586,000	1.4 %	Norway
JPMORGAN CHASE BANK, N.A., LONDON	5,483,684	1.3 %	UK
NORDEA 1 SICAV	5,367,654	1.3 %	UK
Total twenty largest shareholders	252,656,219	**62.1 %**	
Other shareholders	154,111,912	37.9 %	
Total number of shares in issue	**406,768,131**	**100.0 %**	
Number of shareholders	4,114		
Foreign ownership	57.1%		

Share options

No share options were granted in 2017.

Options at NOK 4.5, NOK 2.0, NOK 1.5, NOK 5.8, NOK 5.9 and NOK 6.20 expire after 7 years, and options at NOK 20.0 and NOK 3.0 expire 10 years after the date of grant. The company has no legal or constructive obligation to repurchase or settle the options in cash. See Statement of Change in Equity for information on amounts recognized in 2017.

NOTE 16 Share Capital (continued)

Movements in share options (NOK)

	2017 Average exercise price	2017 Options	2016 Average exercise price	2016 Options
Options at 01.01	5.96	12,096,212	4.97	14,698,493
Granted		0	6.20	3,792,253
Forfeited	7.92	(3,609,055)	6.18	(2,422,240)
Expired		0		0
Exercised	4.07	(3,805,392)	2.39	(3,972,294)
Options at 31.12	**5.98**	**4,681,765**	**5.96**	**12,096,212**

Outstanding options at the end of the year (NOK)

Expiry date	2017 Average exercise price	2017 Options	2016 Exercise price	2016 Options
31.03.2018	20.00	158,774	20.00	669,964
31.03.2018	4.50	169,000	4.50	813,528
31.03.2019	3.00	160,549	3.00	609,950
31.03.2019	2.00	105,134	2.00	565,135
10.04.2020	1.50	273,001	1.50	957,338
10.04.2021	5.80	769,200	5.80	2,691,626
10.04.2022	5.90	1,263,254	5.90	2,881,418
10.04.2023	6.20	1,782,853	6.20	2,907,253
Options at 31.12		**4,681,765**		**12,096,212**

Treasury shares

The company holds 1,849,212 treasury shares (2016: 1,228,134). 2,000,000 shares were acquired in May 2017 at an average price of NOK 6.71 per share, and 2,500,000 shares were acquired in November 2017 at an average price of NOK 10.76 per share. The shares were purchased for future allocations of share options within the Group's share option programs.

NOTE 17 Earnings and Dividend per Share

Earnings per share

	2017	2016
Net (loss) / profit attributable to equity shareholders (MEUR)	(8.0)	1.3
Weighted average number of shares in issue	**404.8**	**403.6**
Weighted average total number of ordinary shares	406.8	406.8
Weighted average number of Treasury shares held	(1.9)	(3.2)
Weighted average number of shares in issue (diluted)	**415.0**	**418.0**
Weighted average number of outstanding options	10.1	14.4
Basic earnings per share, EUR	**(0.02)**	**0.00**
Diluted earnings per share, EUR	**(0.02)**	**0.00**

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

Dividend per share

EUR	2017	2016
Dividend per share paid	0.0	0.0
Dividend per share proposed	0.0	0.0

No dividend was proposed for 2017. For dividend restrictions, see Covenants note 19.

NOTE 18 Retirement Benefit Obligations

Retirement benefit obligations recognised in statement of financial position

Parent			Group	
2017	2016	MEUR	2017	2016
0.1	0.2	Defined benefit pension obligation	16.5	16.9
0.3	0.6	Top hat, retirement provisions and other employee obligations	0.6	1.1
0.4	**0.8**	**Retirement benefit obligations**	**17.1**	**18.1**

Defined benefit scheme – assumptions

Parent			Group	
2017	2016	MEUR	2017	2016
2.3%	2.1%	Discount rate	1.7%	1.8%
2.3%	2.1%	Rate of return on plan assets	0.8%	2.1%
2.5%	2.3%	Salary increases	1.2%	1.2%
2.3%	2.3%	Increase in basic government pension amount	1.1%	1.1%
2.3%	2.0%	Pension increase	0.5%	0.5%

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

Defined benefit scheme – net periodic pension cost

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.2	Service cost	0.5	0.4
0.0	0.0	Interest on benefit obligations	0.3	0.4
0.0	0.0	Expected return on pension assets	(0.0)	(0.0)
0.0	(0.5)	Effect of curtailment	(0.0)	(0.5)
0.0	0.0	Social security taxes	0.0	0.0
0.0	**(0.3)**	**Net periodic pension cost**	**0.8**	**0.3**
0.0	0.0	Remeasurement of net defined benefit liability	0.1	1.2
0.4%	0.5%	Actual return on plan assets	0.8%	1.2%

NOTE 18 Retirement Benefit Obligations (continued)

Defined benefit scheme – net pension liability

Parent			Group	
2017	2016	MEUR	2017	2016
		Pension liabilities and assets:		
0.1	0.2	Projected benefit obligation (PBO)	18.6	17.6
0.0	0.0	Fair value of pension assets	(2.2)	(0.9)
0.0	0.0	Unrecognized effects	0.0	0.0
0.1	**0.2**	**Net pension liability before social security taxes**	**16.4**	**16.7**
0.0	0.0	Social security taxes	0.1	0.2
0.1	**0.2**	**Net pension liability**	**16.5**	**16.9**

Specification of carrying value of net pension liability

Parent			Group	
2017	2016	MEUR	2017	2016
0.1	0.2	Retirement benefit obligation	18.7	16.9
0.0	0.0	Retirement benefit asset	(2.2)	0.0
0.1	**0.2**	**Net pension liability**	**16.5**	**16.9**

Defined benefit scheme – change in net pension liability

Parent			Group	
2017	2016	MEUR	2017	2016
0.2	0.8	Net pension liability 01.01	16.9	16.5
0.0	(0.3)	Pension cost for the year	0.8	0.3
0.0	0.0	Remeasurement of net defined benefit liability	0.1	1.2
(0.1)	(0.3)	Paid pensions	(1.2)	(1.1)
(0.0)	0.0	Translation differences	(0.1)	0.1
0.1	**0.2**	**Net pension liability 31.12**	**16.5**	**16.9**

NOTE 18 Retirement Benefit Obligations (continued)

Defined benefit scheme – sensitivities *

MEUR	DBO as at 31.12.17	DBO as at 31.12.16
Actual valuation	16.50	16.93
Discount rate + 0.5%	15.65	17.80
Discount rate – 0.5%	17.46	16.00
Expected rate of salary increase + 0.5%	16.50	16.90
Expected rate of salary increase – 0.5%	16.50	16.90
Expected rate of pension increase + 0.5%	17.28	16.20
Expected rate of pension increase – 0.5%	15.79	17.60

* The sensitivity does not include all schemes, however it covers the significant part of the pension liability

Defined benefit scheme – average expected life time

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

Male employee	19 years
Female employee	23 years

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

Male employee	22 years
Female employee	26 years

Expected pension payment: The pension payment for 2018 is expected to be in line with the 2017 payment.

NOTE 19 Interest-bearing Liabilities

Interest-bearing liabilities as presented in the statement of financial position

Parent			Group	
2017	2016	MEUR	2017	2016
257.9	238.6	Non current interest-bearing loans and borrowings	259.2	240.0
(1.4)	(1.7)	Capitalized arrangement fees	(1.4)	(1.7)
256.5	**236.9**	**Total interest-bearing liabilities**	**257.8**	**238.4**

The long-term funding is based on a credit facility. The Group's revolving credit facility was refinanced in March 2015 by a three year facility, with two one-year extension options at the first and second anniversary of the facility. This credit facility is supplied by DNB Bank, Danske Bank and BNP Paribas Fortis and consists of an equivalent MEUR 305 revolving credit facility and an overdraft facility of MEUR 20. The interest rate consists of EUR/USD Liborplus a margin, which depends on the Group's gearing ratio.

NOTE 19 Interest-bearing Liabilities (continued)

Specification of total interest-bearing liabilities

Parent			Group	
2017	2016	MEUR	2017	2016
162.0	120.0	EUR	162.0	120.0
95.9	118.6	USD	95.9	118.6
0.0	0.0	Other currencies	1.3	1.5
(1.4)	(1.7)	Capitalized arrangement fee	(1.4)	(1.7)
256.5	**236.9**	**Total interest-bearing liabilities**	**257.8**	**238.4**

See note 21 for an assessment of currency risk.

Changes in liabilities arising from financing activities

Parent			Group	
2017	2016	MEUR	2017	2016
236.9	253.4	Opening balance	238.4	253.9
30.8	(19.8)	Cashflows	30.6	(18.8)
(11.5)	4.0	Foreign exchange movement	(11.5)	4.0
0.3	(0.7)	Other	0.3	(0.7)
256.5	**236.9**	**Ending balance**	**257.8**	**238.4**

Specification of interest-bearing liabilities (in local currencies)

	Currency	Total amount	Undrawn amount	Drawn amount	Capitalized arr. fees	Amount recognized	Maturity Date***	Interest Rate (incl margin)**
DNB Bank/Danske Bank/BNP Paribas *	EUR	182.0	20.0	162.0	0.8	161.2	01.03.20	3.00%
DNB Bank/Danske Bank/BNP Paribas	USD	172.0	57.0	115.0	0.7	114.3	01.03.20	4.35%

* The EUR facility includes a short-term overdraft facility of EUR 20 million which can be renewed each year. The overdraft facility is terminated at the same maturity date as the credit facility. Nothing was drawn against the overdraft facility at 31.12.2017.

** Until 3rd of October 2016 a portion of the floating interest was hedged by interest rate swaps, EUR 100 million (1.5535%) respectively USD 50 million (1.543%). See also note 21.

*** A portion of the liabilities is due 01.03.2019 as shown below.

Facility reduction schedule – Interest-bearing liabilities (in local currencies)

Year	EUR	USD
2018	-	-
2019	10.8	11.5
2020	171.2	160.5
Total	182.0	172.0

NOTE 19 Interest-bearing Liabilities (continued)

Group Loan Covenants

During December 2016 the Group obtained a waiver agreement approval from its syndicate banks. The gearing ratio and capital expenditure limit was waived until March 31. 2018. During this period ("adjustment period") restructuring costs may be added to the EBITDA in the gearing ratio calculation. See details below.

– Equity ratio (Equity / Total assets)	Minimum 25.0%
– Minimum liquidity	Minimum EUR 50 million
– Gearing ratio (NIBD / EBITDA)	The required gearing ratio level is 3.00 at 31 December 2017, and is reduced to 2.5 for 30 June 2018 and dates thereafter. The following amounts may be added to the EBITDA for restructuring costs: 2017 MEUR 21.0, 2018 MEUR 22.8. Unused restructuring amounts may increase the limit the following or previous year with up to 50% of the limit in the original year.
– Capital expenditures	Maximum 7% of consolidated turnover for 2016 and 2017, however no restrictions if gearing ratio is 2.5 or below. Unutilized amounts can be forwarded to the next succeeding financial year. No restrictions on year 2018 and forward.
– Dividend restrictions	Gearing ratio required to be 2.5 or below

The covenants are tested quarterly, except for the CAPEX limit which is tested at year end. The Group is in compliance with the covenants as at 31.12.17.

Security

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

Liquidity reserve

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

MEUR	2017	2016
Cash and cash equivalents	39.5	34.6
Restricted cash	(1.6)	(0.4)
Undrawn facility	67.5	106.6
Liquidity reserve	**105.4**	**140.8**

* The major entities in the Group are members of the Parent company's international multi-currency cash pool, where cash deficits in one entity are offset with surplus cash in another entity.

Other current interest-bearing liabilities

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

NOTE 20 Other Non-current Interest-free Liabilities

Specification of other non-current interest-free liabilities

Parent			Group	
2017	2016	MEUR	2017	2016
0.0	0.0	Loss-making contracts	2.4	2.6
0.0	**0.0**	**Total**	**2.4**	**2.6**

Loss-making contracts covering a contract period beyond one year after the balance-sheet date are split into a short- and long-term component.

NOTE 21 Risk Management

Finance risk management policies

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

Foreign exchange risk

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

Management is monitoring the currency exposure on a group level. The Group treasury uses the debt structure and profile to balance some of the net exposure of the cash flow from operations. The Group's treasury function regularly evaluates the use of hedging instruments but currently has low usage of such instruments.

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

Sensitivity

At 31 December 2017, if the currency USD had weakened/strengthened by 5% against the EUR with all other variables held constant, revenues would vary by around +/– 1.4% or MEUR +/– 15 . Operating profit would not have been significantly changed. A change in EUR and USD of +/– 5% versus the NOK would have influenced the conversion of the long term debt and hence influenced the financial items with approximately MEUR +/– 13. These changes would also have generated changes in currency conversion in the equity, hence the equity change would have been less significant.

Operational risks

Operation and investment risks and uncertainties

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

Competition

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

Volatility in prices of input factors

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

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

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

A substantial part of the Group's products based on steel and brass (copper and zinc) is sold to truck manufacturers. Business practice in the truck industry allows the Group to some extent to pass increases in steel, aluminum and brass prices over to its customers. However, there is a time lag of three to six months before the Group can adjust the price of its products to reflect fluctuations in the mentioned raw material prices, and a sudden change in market conditions could therefore impact the Group's financial position, revenues, profits and cash flow. When the market prices go down the adverse effect will occur. For products sold to passenger car applications, the Group does not have the same opportunity to pass along increases in raw materials prices.

Uninsured losses

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

NOTE 21 Risk Management (continued)

Interest rate risk

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

Sensitivity

Based on the simulations performed per 31.12.2017, the impact on pre-tax profit of a +/– 1.0 percentage point shift in both the EUR and USD interest would be a maximum increase or decrease of MEUR 2.0.

Credit risk

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

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

Funding and liquidity risk

Cash-flow forecasting is performed by each operating entity of the Group on a weekly basis for the next 12 weeks. The Group keeps track of its liquidity requirements and monitors to ensure there is sufficient cash to meet both operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. For unused liquidity reserve, see note 19.

Capital risk management

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

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

NOTE 22 Trade and Other Payables

Specification of trade and other payables as presented in the Statement of Financial Position

Parent			Group	
2017	2016	MEUR	2017	2016
0.9	0.5	Trade payables	130.6	111.0
51.9	57.2	Short-term group liabilities	0.0	0.0
1.9	3.7	Accrued expenses	52.9	51.2
0.0	0.0	Provisions	17.9	10.5
0.3	0.4	Other short-term liabilities	30.0	18.1
55.0	**61.8**	**Total**	**231.4**	**190.8**

Provisions

MEUR	Warranty reserve	Restructuring and other provisions	2017	Warranty reserve	Restructuring and other provisions	2016
Opening Balance	2.1	8.4	10.5	2.7	0.0	2.7
P&L charge	6.5	14.1	20.7	0.1	8.4	8.5
Payments	(2.0)	(9.4)	(11.3)	(0.7)	0.0	(0.7)
Release	0.0	(1.2)	(1.2)	0.0	0.0	0.0
Translation effect	0.0	(0.8)	(0.8)	0.0	0.0	0.0
Closing Balance	**6.7**	**11.2**	**17.9**	**2.1**	**8.4**	**10.5**

Restructuring provisions mainly consist of termination benefits, lease termination payments and plant clean-up costs. Restructuring provisions relate to the closure of the plants in Basildon and Burton (UK), Rollag (Norway), Heiligenhaus (Germany) and Easley (US). The closures are progressing according to plan and cashflows are expected to occur within 12 months from 31 December 2017.

Maturity structure

2017 MEUR	Provisions	Accrued expenses	IRS & Other short-term liabilities	Trade payables	Total
Repayable 0–3 months after year end	9.0	30.2	13.1	126.6	178.8
Repayable 3–6 months after year end	1.3	4.5	2.8	2.7	11.3
Repayable 6–9 months after year end	2.8	5.9	7.8	1.0	17.5
Repayable 9–12 months after year end	4.8	12.2	6.3	0.4	23.8
Total	**17.9**	**52.9**	**30.0**	**130.6**	**231.4**

NOTE 23 Financial Instruments

Classification, measurement and fair value of financial instruments

		Group – 2017				
MEUR	Notes	Derivatives at fair value through profit and loss	Loans and receivables at amortized cost	Financial liabilities at amortized cost	Non-financial assets and liabilitites	Total
Trade and other receivables	15		202.0		16.9	218.9
Cash and cash equivalents			39.5			39.5
Interest-bearing loans and borrowings	19			(257.8)		(257.8)
Other current interest-bearing liabilities	19			(0.1)		(0.1)
Trade and other payables	22			(183.5)	(47.8)	(231.4)
Total			**241.5**	**(441.4)**	**(30.9)**	**(230.8)**
Fair value			241.5	(442.8)	(30.9)	(232.2)
Unrecognized gain/ (loss) *				(1.4)		(1.4)

* Unrecognized loss on financial instruments is related to capitalization of arrangement fees.

		Group – 2016				
MEUR	Notes	Derivatives at fair value through profit and loss**	Loans and receivables at amortized cost	Financial liabilities at amortized cost	Non-financial assets and liabilitites	Total
Trade and other receivables	15		183.3		19.2	202.5
Cash and cash equivalents			34.6			34.6
Interest-bearing loans and borrowings	19			(238.4)		(238.4)
Other current interest-bearing liabilities	19			(0.0)		(0.0)
Trade and other payables	22	0.7		(162.9)	(28.6)	(190.8)
Total		0.7	**217.8**	**(401.3)**	**(9.4)**	**(192.2)**
Fair value		0.7	217.8	(403.0)	(9.4)	(193.8)
Unrecognized gain/ (loss) *				(1.7)		(1.7)

* Unrecognized loss on financial instruments is related to capitalization of arrangement fees.

**As of 31.12.2016 currency forwards were the only types of derivative instrument held by the Group. The derivatives are valued based on a level 2 valuation. There were no transfers between levels in the period.

NOTE 24 Remuneration and Fees for Management, Board of Directors and Auditor

Remuneration and fees recognized in the Statement of Comprehensive Income

KEUR	2017	2016
Total remuneration of the Board of Directors	280.4	203.6
Gross base salary to the CEO	562.3	675.2
Bonus to the CEO (short-term incentive)	547.0	32.9
CEO's option gains (long-term incentive)	0.0	364.4
Pension costs to the CEO	91.0	46.2
Other remuneration to the CEO*	307.9	426.9
Management salaries other than to the CEO	2,404.4	2,350.5
Bonus, option gains, and other remuneration of management other than the CEO	1,514.5	1,065.1
Pension costs of management other than the CEO	318.7	257.3
Total	**6,026.1**	**5,422.1**

*KEUR 260.5 is grossed-up moving- and housing-related costs associated with moving from Norway to Switzerland. This clarification applies only to the 2017 figures.

Specification of remuneration to the Board of Directors

KEUR Name	Position	Compensation committee	Audit committee	BOD fees	Total 2017	2016
Bruce E. Taylor	Chair	5.9		67.0	72.9	35.3
Ellen M. Hanetho	Board member		7.0	38.6	45.6	25.8
Ernst F. Kellermann	Board member		3.8	24.7	28.4	
Gunilla Nordstrom	Board member	2.4		24.7	27.1	
Malin Persson	Board member	1.9		13.9	15.8	32.4
Thomas Falck	Board member	2.4	9.1	46.6	58.2	36.6
Bjørn Ivan Ødegård	Employee representative			5.4	5.4	
Jon-Ivar Jørnby	Employee representative			10.2	10.2	9.7
Kari Brænden Aaslund	Employee representative			10.2	10.2	9.7
Kjell Kristiansen	Employee representative	1.9		4.8	6.7	13.5
Other (replaced board member)						40.5
Total – Board of Directors		**14.5**	**19.8**	**246.1**	**280.4**	**203.6**

Board members Bruce E. Taylor, Ellen M. Hanetho, Ernst F. Kellermann, Gunilla Nordstrom and Thomas Falck were each granted 14,706 restricted shares in Kongsberg Automotive.

The shares were granted on terms resolved by the company's Annual General Meeting on 1 June 2017:

- Each of the Directors shall receive restricted shares in KA for NOK 100,000.
- No consideration shall be paid for the shares, but the Directors cannot sell any of these shares before June 2, 2020.

In the table above, the receipt of NOK 100,000 has been recorded as BoD fees. The fair value of the restricted shares using Black-Scholes valuation model was NOK 76,728. The significant inputs to the model were the share-trading price of NOK 6.80 at the date of grant, a weighted average volatility of 36.39%, a 3 years vesting period, and a weighted average risk-free interest rate of 0.80%.

Specification of remuneration to the Nomination Committee

KEUR Name	Position	2017	2016
Tor Himberg-Larsen	Committee chairman	12.9	22.1
Hans Trogen	Committee member	4.3	12.4
Heidi Finskas	Committee member	8.0	9.7
Total - Nomination Committee		**25.2**	**44.1**

NOTE 24 Remuneration and Fees for Management, Board of Directors and Auditor (continued)

Specification of remuneration to Management other than Board of Directors

2017

Name	KEUR	Until/from	Base salary	Bonus	Options*	Pension	Other	Total
Norbert Loers	CFO		386.8	263.6		60.6	39.6	750.6
Anders Nyström	President, Interior		222.1		95.7	49.9		367.7
Bob Riedford**	President, P&C	From 28.11.2017	200.8	50.5		5.0	32.1	288.3
Geert Quaegebeur	President, P&C	Until 31.12.2017	337.4			42.0	431.8	811.2
David Redfearn	EVP, Fluid Transfer		189.9	123.8	9.5	45.7		369.0
Linda Nyquist-Evenrud	SVP, Couplings		144.7	63.5		11.9		220.1
Robert Pigg	SVP, Off Highway		172.1	77.1			26.3	275.5
Jon Munthe	General Counsel		180.1	87.6	44.6	22.6		334.9
Lovisa Söderholm	EVP, Purchase		179.5	77.1	37.7	51.2		345.6
Marcus von Pock	EVP, HR & Comm	From 01.11.2017	43.8			5.1	19.6	68.5
Helga Bollmann Leknes	EVP, HR & Comm	Until 30.09.2017	142.3			5.3		147.7
Virginia Grando	EVP, QA	From 02.11.2017	36.0	12.6		2.7	16.3	67.6
Matthias Vogel	EVP, QA, HSE & CR	Until 30.04.2017	60.5			2.7	5.3	68.5
Staffan Spethz	Dir Marketing	Until 30.11.2017	69.1			10.1		79.2
Philippe Toth	EVP, BD & IR	Until 31.03.2017	39.1			4.0		43.1
Total – Management other than CEO			**2,404.4**	**755.8**	**187.6**	**318.7**	**571.1**	**4,237.6**

*Net proceeds from exercise financial year 2017.

**Total amount 2017, including months in previous position, before promotion.

2016

Name	KEUR	Until/from	Base salary	Bonus	Options*	Pension	Other	Total
Trond Stabekk	EVP, CFO	Until 31.08.2016	187.7		198.3	22.8	8.6	417.4
Martin B. Hogganvik	Interim CFO	From 15.08.2016	138.7	6.6		6.6	3.8	155.7
Helga Bollmann Leknes	EVP, HR & Comm		181.2	35.0		18.3	5.4	239.9
Lovisa Söderholm	EVP, Purchase		179.6	25.0		51.4		256.1
Matthias Vogel	EVP, QA, HSE & CR		181.5	13.0	65.7	7.5	15.1	282.8
Jon Munthe	General Counsel		171.3	35.0		20.3	6.3	232.9
Geert Quaegebeur	EVP, P&C	From 01.10.2016	86.0				81.3	167.3
Scott Paquette	EVP, DCS		294.7	25.3	109.6	4.7	10.8	445.2
Joachim Magnusson	EVP, DS	Until 31.05.2016	99.1		125.6	12.1		236.7
Jonathan Day	EVP, FTS and DS		283.3	29.8	126.6	5.2	10.8	455.8
David Redfearn**	EVP, FTS	From 01.04.2016	175.5	50.0		42.5	2.1	270.1
Anders Nyström	EVP, ICS		224.0	35.0		51.1		310.1
Philippe Toth	EVP, BD & IR		147.8	10.3	24.7	14.7	5.4	203.0
Total – Management other than CEO			**2,350.5**	**265.1**	**650.5**	**257.3**	**149.6**	**3,673.0**

The Management Group participates in a short-term incentive (STI) bonus scheme. Details on the STI in note 25. Target bonus for management is 35% – 100% of base salary.

Max bonus is 70% – 100% of base salary. Average bonus last five years for the CEO is 47% of base salary.

NOTE 24 Remuneration and Fees for Management, Board of Directors and Auditor (continued)

Outstanding number of share options granted to management

Issued in	2016	2015	2014	2013	2012	2011	2009	2008
Strike price, NOK	6.20	5.90	5.80	1.50	2.00	4.50	3.00	20.00
Expiry year	2023	2022	2021	2020	2019	2018	2019	2018
Henning E. Jensen	180,753							
Norbert Loers								
Anders Nyström	125,000	125,000	125,000					
Bob Riedford								
David Redfearn	125,000.0	50,000	50,000	33,334				12,361
Linda Nyquist-Evenrud	15,000	15,000	15,000	12,000	12,000	12,000		
Patrik Fagerberg	30,000	5,000						
Robert Pigg	50,000	50,000						
Jon Munthe	50,000	50,000						
Lovisa Söderholm	125,000	41,667						
Marcus von Pock								
Virginia Grando								
Total options	700,753	336,667	190,000	45,334	12,000	12,000		12,361

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

Specification of fees paid to the auditors

KEUR	2017	2016
Statutory audit services to the Parent company (Deloitte)	75.2	68.3
Statutory audit services to subsidiaries (Deloitte)	577.8	469.2
Statutory audit services to subsidiaries (Other)	135.5	103.1
Non-audit services (Deloitte)	8.7	3.0
Non-audit services (Other)	0.0	37.2
Tax services (Deloitte)	319.8	15.5
Total	1,116.9	696.2

NOTE 25 Shares Owned by Management and Board of Directors as at 31.12.17

Board of Directors		No. of shares
Bruce E. Taylor	Chairman	156,497
Ellen M. Hanetho	Board member	14,706
Ernst F. Kellermann	Board member	24,706
Gunilla Nordstrom	Board member	14,706
Thomas Falck	Board member	1,014,706
Bjørn Ivan Ødegård	Employee representative	0
Jon-Ivar Jørnby	Employee representative	0
Kari Brænden Aaslund	Employee representative	0
Total number of shares		**1,225,321**

Management		No. of shares
Henning E. Jensen	CEO & President	242,500
Norbert Loers	CFO	25,000
Anders Nyström	President, Interior	65,000
Bob Riedford	President, Powertrain & Chassis	0
David Redfearn	EVP, Fluid Transfer	43,765
Linda Nyquist-Evenrud	SVP, Couplings	8,100
Patrik Fagerberg	VP, New Products & Software	7,100
Robert Pigg	SVP, Off Highway	11,000
Jon Munthe	General Counsel	24,582
Lovisa Söderholm	EVP, Purchase	37,500
Marcus von Pock	EVP, Human Resources & Comm	0
Virginia Grando	EVP, QA	0
Total number of shares		**464,547**

NOTE 26 Statement of Remuneration of Management

The group should have Executives who are able at all times to secure shareholders' and other stakeholders' interests in the best possible manner. One element to achieve this is to offer each leader a competitive compensation package.

Remuneration governance

The Board has appointed a Compensation Committee that is headed by the Chairman of the Board. The Compensation Committee monitors decisions on matters regarding remuneration and terms for executives.

The CEO's remuneration package, and any adjustments thereof, are first reviewed bythe Compensation Committee and then approved by the Board. The Board of Directors considers the compensation of the CEO annually. The remuneration packages for the other executives, including adjustments of these, are agreed between the CEO and the respective manager.

Principles for base salary

The fixed salary should reflect the individual's area of responsibility and performance over time. Kongsberg Automotive offers base salary levels which are competitive, but not market leading in the market in which we operate. Salaries are regularly benchmarked versus salary statistics provided by a global 3rd party human resource and related financial services consulting firm.

Variable compensation and incentive schemes

Kongsberg Automotive's short-term incentive (STI):
The Management Incentive Plan (MIP) is a short-term incentive with a timeframe of one year. The MIP is a worldwide incentive program designed to motivate and recognize eligible employees for the contributions they make towards meeting KA's financial and business targets. The objectives of the program are to (i) clearly communicate to KA employees both KA's targets and employees' individual targets, (ii) communicate to KA employees how bonus payment is linked to KA performance and individual performance, (iii) drive the KA organization's ability to meet or exceed KA's performance targets, and (iv) improve KA's ability to attract, retain and motivate employees.

Executives receive variable salaries based on EBIT performance, Awarded Programs and Restructuring Progress.

Target bonus for the CEO is 100% of gross base salary. Target bonus is also max bonus for the CEO. Average bonus last five years for the CEO is 47% of gross base salary.

The performance goals for the CEO and Group are proposed by the Chair of the Board and approved by the Board. Goals for the other senior executives are determined by the CEO and reviewed by the Compensation Committee.

Kongsberg Automotive's long-term incentive (LTI):
The Board of Directors has established share option programes for leading employees that have been approved by shareholders in the Annual General Meeting. It is the company's judgment that it is positive for long-term value creation in the group that leading employees hold shares and share options in Kongsberg Automotive.

The intention of this plan is to (i) attract and retain employees whose service is important to the Company's success, (ii) motivate such employees to achieve long-term goals of the Company, (iii) provide incentive compensation opportunities to such employees which are competitive with those of other companies, and (iv) encourage such employees to own common shares of the Parent Company and thereby share a common financial interest with the other shareholders of the Company.

The Board of Directors can offer share options to leading employees when shareholders have given authority to run options programs:

- The exercise price of the options shall be the average trading price of the KOA shares the first 10 days after presentation of the 2nd quarter results.
- 1/3 of options granted can be exercised at the earliest after 1, 2, and 3 years respectively. The exercise period shall typically be seven years.
- Any calendar year, each optionee's aggregated gross profit from exercise of options under all share option programs shall not exceed 3 years' gross base salary.
- To be granted options and to maintain options, the employee must at any time hold a number of KOA shares at least equivalent to 10% of the number of options.
- If an optionee leaves the company, the non-vested options will forfeit. Outstanding options exercisable at the date of such termination shall be exercisable no later than the first exercise period thereafter.

The Board did not offer stock options to eligible employees in 2017. As a one-time compensation management was offered an alternative LTI.

Plan Overview and Terms and Conditions:
- KA will contribute up to 75% of the Participant's current monthly gross (pre-tax) salary (the Contribution) within 45 days of the participant providing proof of Self Investment to KA under the following conditions:

a) The 2017 LTI plan invitee has acquired KOA shares in the open market for up to one monthly gross salary between December 1, 2017 and March 16, 2018 (the "Self-Investment"), and
b) The 2017 LTI plan invitee acquires KOA shares in the open market for the entire after tax proceeds of the Contribution prior to March 16, 2018, and
c) The 2017 LTI plan invitee holds and does not sell the shares acquired under items 1a and 1b, ("Qualifying Shares") for a period of three years following the time of Self Investment (the Holding Period).

- If the participant sells any Qualifying Shares before the expiration of the Holding Period, the Contribution will need to be repaid to the company.
- The Contribution is limited to 75% of the Self Investment or 75% of a monthly gross salary, whichever is lower.
- The Contribution will be paid out as regular salary and will be subject to normal withholding tax procedures.

Principles for benefits
In addition to fixed and variable salary, other benefits such as health insurance, newspaper, internet and telephone might be provided. The total value of these benefits should be modest and only account for a limited part of the total remuneration package.

Principles for company car and car allowance shall be allowed to vary in accordance with local conditions.

Pension:
Executives participate in the same pension plans as other employees within the unit in which they are employed.

The CEO has no special retirement agreement.

Severance pay
CEO's agreed period of notice is 6 months.

The CEO has 12 months severance pay (base salary). The employee is not entitled to redundancy payment in the event he himself terminates the employment.

At year end no other Executives had any agreement for redundancy payment. The notice period for the rest of the management is 6 months.

NOTE 27 Commitments and Guarantees

Commitments

Operating leases: The Group is party to lease agreements classified as operating leases. The total group cost for operating leases was MEUR 15.0 in 2017 (2016: MEUR 5.1). Operating leases are mostly used for the rental of office space, production buildings and office equipment. Maturity schedule for KA Group operational leases:

MEUR	2018	2019	2020	2021	2022	Thereafter	Total
Operational lease commitments	(15.3)	(14.8)	(14.5)	(13.2)	(11.0)	(41.2)	(110.0)

Guarantees

Kongsberg Automotive ASA (Parent company):
Some subsidiaries require a financial support guarantee from parent to satisfy the Going concern assumption. The parent company has also issued guarantees towards suppliers of subsidiaries for a total amount of MEUR 88.7. The risk exposure is not considered material.

Kongsberg Automotive Group:
No material guarantees have been issued to or on behalf of entities outside the group.

NOTE 28 Contingent Liabilities

Contingent liabilities

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

Kenneth Tolman et al v BRP USA et al
Kongsberg, Inc. is named in a case arising out of an accident where a vehicle designed and manufactured by Bombardier Recreational Products ("BRP"), "the Can-Am Spyder", has been involved and where the driver died and a young passenger suffered personal injuries. The claimant has alleged that the design of the vehicle in several respects, including the steering, was defective. The Dynamic Steering Unit for the Can-Am Spyder was supplied by Kongsberg Inc. to BRP. Kongsberg, Inc. is of the opinion that the claim is covered by its insurance.

Bombardier Recreational Products Inc. v. Kongsberg Inc. (Canada)
In addition to the direct claim in the Tolman case, BRP has claimed that Kongsberg Inc. is obligated to indemnify BRP from the above claims as it follows from BRP's purchasing conditions that Kongsberg Inc. as a supplier shall indemnify BRP from product liability claims. BRP has also indicated that it may pursue indemnity from Kongsberg, Inc. in two additional Can-Am Spyder product liability cases, both of which have been settled by BRP for undisclosed amounts. Kongsberg, Inc. is of the opinion that these claims are covered by its insurance.

Republic Services of New Jersey v Kongsberg Actuation Systems II, Inc. et al
Kongsberg Actuation Systems II, LLC ("KAS") is a defendant in a lawsuit arising out of an incident in which a garbage truck owned by Republic Services of New Jersey ("Republic") exploded and caught fire, injuring one person and causing property damage to buildings and vehicles. Republic alleges that the cause of the fire was a rupture in the stainless steel braided CNG fuel line manufactured by KAS. KAS has not yet confirmed that it provided the CNG fuel line in question nor has the cause of the rupture been determined. KAS has filed a motion to dismiss the suit on jurisdictional grounds and is awaiting plaintiff's response to this motion. KAS is of the opinion that the claim is covered by its insurance.

NOTE 29 Subsequent events

Sale of ePower business unit

On November 24, Kongsberg Automotive and Preh GmbH announced that agreement had been reached to sell the ePower business unit from Kongsberg Automotive to Preh GmbH for an undisclosed price. The transaction was concluded on 15 January 2018. There is no material financial effect on the group accounts from the sale.

NOTE 30 Related-party Transactions

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

Key management- and BOD compensation

See note 24 – includes remuneration for management and Board of Directors.

Specification of revenues – type of services

MEUR	2017	2016
Group benefits fee from subsidiaries	4.2	16.2
Service fee from KA AG	6.3	0.0
Information Systems & Technology	12.7	11.5
Other	6.7	6.6
Operating revenues	**29.9**	**34.2**

Group Benefit Fee (GBF) was in 2016 composed of access rights to various intangible properties owned by Kongsberg Automotive ASA, and value-added services.
GBF has in 2017 largely been replaced by a new service fee from KA AG covering KA ASA's services benefiting the Group.
GBF is continuing for areas outside the scope of the Swiss Principal Model. GBF also contains Trademark fee from KA AG.

Specification of revenues – revenues by geographical location

MEUR	2017	2016
Norway	2.2	4.6
US	2.3	5.1
Sweden	2.2	3.3
China	3.1	2.3
Mexico	3.1	5.4
Switzerland	9.3	0.0
Other countries	7.8	13.4
Total	**29.9**	**34.2**

Outstanding loans and receivables with other group companies

Loans to other group companies	MEUR	Non-current assets 2017	2016
Kongsberg Automotive Holding 2 AS		342.9	393.3
Kongsberg Automotive SP. z.o.o		18.6	12.6
Kongsberg Automotive s.r.o.		10.0	10.0
Kongsberg Actuation Systems SL		10.0	10.5
Other group companies		16.7	6.8
Total		**398.3**	**433.0**

The majority of the parent company's loans to group companies have due dates exceeding 1 year.
The interest rate on loans to group companies consist of the reference rate in the respective currency plus a margin.
Margin on new intercompany loans are determined according to Moody's rating methodology.

NOTE 30 Related-party Transactions (continued)

Short-term Group receivables	MEUR	Current assets 2017	2016
Kongsberg Automotive Ltd (Hong Kong)		5.6	9.8
Kongsberg Automotive Inc.		0.1	2.8
Kongsberg Automotive Holding 2 AS		0.0	10.9
Kongsberg Automotive AS		0.3	9.5
Kongsberg Automotive (Wuxi) Ltd.		3.8	4.7
Other group companies		7.7	1.1
Total		**17.5**	**38.9**

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

Outstanding liabilities with other group companies

Short-term group liabilities	MEUR	Current liabilities 2017	2016
Cash pool overdraft*		35.8	40.1
Trade and other payables group companies**		51.9	57.2
Total		**87.7**	**97.3**

*Net position of the Parent company in the Group cash pool.

**Mainly Group Contribution to Kongsberg Automotive HLD2 (49,0 MEUR).

Key Financial Data

Group

			2017	2016	2015	2014	2013
Operations and profit							
1	Operating revenues	(MEUR)	1,056.6	985.7	1,016.0	979.1	990.9
2	Depreciation and amortization	(MEUR)	45.4	45.1	66.1	42.1	43.9
3	Operating profit/(loss)	(MEUR)	23.8	18.3	32.4	54.8	53.2
4	Profit/(loss) before taxes	(MEUR)	6.4	19.3	3.7	18.9	12.8
5	Net profit/(loss)	(MEUR)	(8.0)	1.3	(8.3)	5.4	6.6
6	Cash flow from operating activities	(MEUR)	38.3	70.8	73.5	86.1	87.6
7	Investment in Property, Plant and Equipment	(MEUR)	47.4	48.1	41.0	34.0	27.9
8	R&D expenses, gross	(MEUR)	67.3	81.0	70.5	58.7	48.6
9	R&D expenses, net	(MEUR)	54.9	64.3	55.2	49.9	40.0
Profitability							
10	EBITDA margin	%	6.5	6.4	9.7	9.9	9.8
11	Operating margin	%	2.3	1.9	3.2	5.6	5.4
12	Net profit margin	%	(0.8)	0.1	(0.8)	0.6	0.7
13	Return on total assets	%	3.4	2.7	4.7	8.0	7.4
14	Return on capital employed (ROCE)	%	5.3	4.0	7.0	11.8	10.9
15	Return on equity	%	(4.0)	0.6	(3.9)	2.7	3.5
Capital as at 31.12							
16	Total assets	(MEUR)	721.9	691.6	684.1	689.2	687.3
17	Capital employed	(MEUR)	448.6	447.0	468.1	463.1	463.7
18	Equity	(MEUR)	190.7	208.6	214.2	210.3	189.6
19	Equity ratio	%	26.4	30.2	31.3	30.5	27.6
20	Cash reserve	(MEUR)	105.4	140.8	125.2	134.8	106.5
21	Interest-bearing debt	(MEUR)	257.9	238.4	253.9	252.8	274.0
22	Interest coverage ratio		1.4	2.3	1.1	1.5	1.2
23	Current ratio (Banker's ratio)		1.5	1.6	1.8	1.6	1.6
Personnel							
24	Number of employees at 31.12		10,482	9,791	10,004	9,880	10,135

Definitions

5 Profit after tax
9 Gross expenses – Payments from customers
10 (Operating profit + depreciation and amortization) / 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

Alternative Performance Measures (APM)

This section describes the non-GAAP financial measures that are used in this report and in the quarterly presentation.

The following measures are not defined or specified in the applicable financial reporting framework, the IFRS GAAP. They may be considered non-GAAP financial measures that may include or exclude amounts that are calculated and presented according to the IFRS GAAP.

- EBIT/Adjusted EBIT
- EBITDA/Adjusted EBITDA
- Free cash flow
- NIBD
- Capital employed
- ROCE
- Gearing ratio/adjusted gearing ratio

EBIT/Adjusted EBIT

EBIT (or Operating Profit/Loss), earnings before interest and tax, is defined as the earnings excluding the effects from how the operations were financed and taxed. EBIT adjusted is defined as EBIT excluding restructuring costs. Restructuring costs is defined as any incurred and payable costs of an unusual or non-recurring nature in connection with the contemplated restructuring of the activities of the Group.

Why we measure

EBIT is used as a measure to view the Group's operational profitability. In order to view the running business, as usual, the Group also lists the adjusted EBIT, the EBIT excluding restructuring costs.

Reconciliation

See below for a reconciliation of the adjusted EBIT.

Adjusted EBIT

2017 MEUR	Interior	Powertrain & Chassis	Speciality Products	Eliminations & other **	GROUP
EBITDA (1)	8.6	(11.5)	42.4	(15.7)	23.8
Restructuring costs (2) *	1.5	13.1	8.7	2.7	26.0
Adjusted EBIT, (1) + (2) + (3)	**10.1**	**1.5**	**51.1**	**(12.9)**	**49.8**
Adjusted EBIT Margin	*3.8%*	*0.4%*	*13.3%*		*4.7%*

* Restructuring costs means any incurred costs of an unusual or non-recurring nature in connection with the contemplates restructuring of the activities of the Group.

** The column "Eliminations & other" includes mainly corporate expenses and balance sheet items related to tax, pension and financing. See next section for specification of unallocated assets and liabilities.

EBIDTA/Adjusted EBITDA

Earnings before interest expenses and interest income, tax, depreciation and amortization. Adjusted EBITDA is defined as EBITDA excluding restructuring costs.

Why we measure

EBITDA is used as an additional measure the view the Group's operational profitability, excluding the timing impact from depreciations and amortizations.

Reconciliation

See below for the reconciliation of the adjusted EBITDA.

Adjusted EBITDA

2016 MEUR	Interior	Powertrain & Chassis	Speciality Products	Eliminations & other **	GROUP
EBITDA (1)	11.4	(7.9)	31.6	(16.8)	18.3
Restructuring costs (2)	0.7	4.7	4.4	0.2	10.0
Adjusted EBITDA, (1) + (2)	**12.1**	**(3.2)**	**36.0**	**(16.6)**	**28.3**
Adjusted EBIT Margin	*4.4%*	*-0.9%*	*10.1%*		*2.9%*

* Restructuring costs means any incurred costs of an unusual or non-recurring nature in connection with the contemplates restructuring of the activities of the Group.

** The column "Eliminations & other" includes mainly corporate expenses and balance sheet items related to tax, pension and financing. See next section for specification of unallocated assets and liabilities.

Free Cash Flow

Free cash flow from operations (FCF), investments and finance excluding debt repayments.

Why we measure

Free Cash Flow is used in order to measure the Group's ability to generate cash. It allows the Group to view how much cash it generates from its operations after subtracting the cash flow from investing activities and financing excluding debt repayments. We believe this shows how much money the Group has to pursue additional investments or to repay debt.

Reconciliation

Free cash flow

MEUR	2017	2016
Cash flow from operating activities	38.3	70.77
Cash flow from investing activities	(49.3)	(50.5)
Cash flow from financing activities	18.1	(26.4)
Net repayment of debt	(30.6)	19.8
Free cash flow	**(23.4)**	**13.7**

NIBD

Net interest-bearing debt (NIBD), consists of interest-bearing liabilities less cash and cash equivalents.

Why we measure

The Group risk of default and financial strength is measured by the net interest-bearing debt, it shows the Group's financial position and leverage. Since the cash can be used to repay debt, the interest-bearing liabilities less cash shows the net overall financial position. The measure is useful information for investors as well as the Group.

Reconciliation

Net interest-bearing debt

MEUR	2017	2016
Interest-bearing loans and borrowings	257.8	238.4
Other short-term liabilities, interest bearing	0.1	0.0
Bank overdraft	(0.0)	0.0
Cash and cash equivalents	(39.5)	(34.6)
Net Interesting-bearing debt	**218.4**	**203.9**

Capital employed

Capital Employed (CE) is equal to operating assets less operating liabilities. Operating assets and liabilities are items which are involved in the process of selling goods and services, the business. Financial assets and obligations are excluded, these items are involved in raising cash for operations and disbursing excess cash from operations.

Why we measure

Capital employed is measured in order to assess how much capital is needed for the operations/business to function, in order to evaluate if the capital employed can be utilized more efficiently and if operations should be discontinued. The capital employed is also used to measure the profitability of the operations compared to the capital employed.

Reconciliation

Capital employed

MEUR	2017	2016
Total assets	721.9	691.6
Deferred tax liabilities	(19.5)	(27.1)
Other long-term liabilities	(19.5)	(20.7)
Current liabilities incl. other short-term interest-bearing liabilities	(234.5)	(196.8)
Capital Employed	448.5	447.0

ROCE (last twelve months)

Return on Capital Employed (ROCE) is equal to EBIT for the last twelve months divided by the average of capital employed at period beginning and period end.

Why we measure

Return on Capital Employed is used to measure the return on the capital employed without taking into consideration the way the operations and assets are financed during the period under review. The Group believes this is a good measure for the results from the period.

Reconciliation

Return on Capital employed

MEUR		2017	2016
Capital Employed at period beginning (1)	31.12.16	447.0	468.1
Capital Employed at period end (2)	31.12.17	448.5	447.0
Adjusted EBIT last twelve months (3)		49.8	28.3
ROCE, (3) / ((1) +(2)/2)		11.1%	6.2%

Gearing ratio /adjusted gearing ratio

Gearing ratio is calculated as the net interest-bearing debt divided by the last twelve months EBITDA, adjusted for restructuring costs.

Why we measure

Gearing ratio is a covenant from the Group's lenders which sets the interest margin on the Group's debt. The Group also believe this is a good measure of the Group's financial gearing and financial position.

Reconciliation

MEUR	2017	2016
Adjusted EBITDA last twelve months (1)	92.4	73.0
NIBD (2)	218.4	203.9
Gearing Ratio (2)/(1)	2.4	2.8

Declaration to the Annual report 2017

Responsibility Statement

The Chief Executive Officer and the Board of Directors confirm, to the best of our knowledge, that the financial statements for the period January 1 to December 31, 2017 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the Company's and the Group's assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risk and uncertainties facing the entity and the group.

Kongsberg, 27 February 2018
The Board of Directors and President & CEO of Kongsberg Automotive ASA

Bruce E. Taylor
Chairman
(Sign.)

Ellen M. Hanetho
Board member
(Sign.)

Thomas Falck
Board member
(Sign.)

Gunilla Nordstrom
Board member
(Sign.)

Ernst Kellermann
Board member (Sign.)

Jon-Ivar Jørnby
Employee elected (Sign.)

Kari Brænden Aaslund
Employee elected (Sign.)

Bjørn Ivan Ødegård
Employee elected (Sign.)

Henning E. Jensen
President and CEO
(Sign.)

Auditor's Report

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To the General Meeting of Kongsberg Automotive ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kongsberg Automotive ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the statement of financial position as at 31 December 2017, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the statement of financial position as at 31 December 2017 and statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Registrert i Foretaksregisteret Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282

The key audit matters identified in our audit are:
- Carrying value of goodwill
- Accounting of taxation

Carrying value of goodwill

Key audit matter	How the matter was addressed in the audit
Refer to note 12 to the Group financial statements for description of management's impairment testing process and key assumptions. Management has identified its reportable segments, Driveline Systems, Interior Comfort Systems, Light Duty Cables, On-Highway, Couplings, Fluid and Off-Highway as Cash Generating Units (CGUs) for testing for impairment. As disclosed in note 12 the carrying value of goodwill amounted to EUR 146.2 million at 31 December 2017. Management's annual impairment testing is based on the Group's strategic three-year plan, adjusted for relevant recent changes in internal short-term forecasts and market data. Management's 2017 year end testing did not identify any impairment charge. However, as disclosed in note 12, the recoverable values for the Interior Comfort Systems, Driveline Systems and On-Highway segments are sensitive to improvements of performance. Transparent disclosures and clarity about sensitivities to key assumptions used in the valuations are critical to inform readers how management has made their assessments, given the uncertainty associated with the valuation of the recoverable amounts. Due to the inherent uncertainty involved in the forecasting and discounting of future cash flows, which are the basis of the assessment of recoverability of the CGU's and the level of management judgement involved, this has been identified as a key audit matter.	We challenged management's assumptions used in its impairment model for assessing the recoverability of the carrying value of goodwill. We focused on the appropriateness of CGU identification, methodology applied to estimate recoverable values, discount rates and forecasted cash flows. Specifically: - We tested the methodology applied to estimate recoverable values as compared to the requirements of IAS 36, Impairment of assets; - We tested the mathematical accuracy of management's impairment models; - We obtained an understanding of and assessed the basis for the key assumptions for the Group's three year strategic plan; - We challenged management's cash flow forecasting included in the three year plan and the growth rate beyond by considering evidence available to support these assumptions and by performing sensitivity analysis; - We assessed the discount rate applied by benchmarking against independent data. We used Deloitte valuation specialists in our audit of the carrying value of goodwill. We considered the appropriateness of the related disclosures provided in note 12.

Accounting of taxation

Key audit matter	How the matter was addressed in the audit
The Group has operations in a number of geographical areas and as such is subject to multiple tax jurisdictions. This creates a range of tax risks during the normal course of business, including transaction related tax matters and transfer pricing arrangements. As disclosed in note 11, the Group has a total tax asset related to tax losses of EUR 34.3 million of which EUR 8.5 million is recognised in the statement of financial position. Recoverability of deferred tax assets related to losses carried forward are assessed based on estimates of future taxable profits and is judgemental in nature. Given a number of judgements involved, including judgement required to determine the appropriate recognition of tax assets related to tax loss carry forwards and the complexities of dealing with tax rules and regulations in numerous jurisdictions, this has been identified as a key audit matter.	We involved our tax specialists in Norway and other jurisdictions where local tax knowledge was required in the tax audit to assist us with the evaluation and challenge of the assumptions and estimates in relation to the assessment of deferred tax assets and estimates of tax exposures and contingencies. Our assessment included the review of applicable third –party evidence and correspondence with tax authorities. In relation to deferred tax assets, we challenged the appropriateness of management's judgements of the availability of future appropriate taxable profits in assessing whether to recognise deferred tax assets. We considered the adequacy of the tax disclosures provided in note 11.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the President & CEO for the Financial Statements

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

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In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

Opinion on Registration and Documentation

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

Oslo, 27 February 2018
Deloitte AS

Espen Johansen
State Authorised Public Accountant

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. 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 labor. 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, 2015, 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 company has an efficient capital structure."

The General Meeting held June 1, 2017, granted two mandates to the Board of Directors to increase the share capital; the first by up to NOK 20, 338, 406 for the purposes of acquiring funding for the company's operations or acquisition of other enterprises or making possible the use of the company's shares as remuneration in connection with acquisitions and mergers or for executing the company's share option program. The second mandate is limited to NOK 30, 807, 609 and is restricted to the purpose of acquiring other enterprises. The two mandates may be used separately or in combination with other authorizations.

The above mandates expire at the earlier of the next ordinary General Meeting or 30 June 2018.

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 have not been any significant transactions in 2017 between the Company's shareholders, board directors or members of the executive management, or parties closely associated with such parties and the Company. Nor have there been any between the Company and other companies in the KA Group.

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. Furthermore, the notice will be sent to all known shareholders on 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 will 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 according to the articles of association 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, 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 Chairman of the Board of Directors. A person that is independent of the Board of Directors, the management and the major shareholders is 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 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 2017/2018 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, which is available on the Company's web pages. The Committee's nominations and recommendations 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's recommendation to the General Meeting includes reasons for its recommendation and relevant background information for the nominated candidates and current directors and furthermore an assessment of how the candidates 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: Bruce E. Taylor (chair), Ellen M. Hanetho, Thomas Falck, Gunilla Nordstrom and Ernst F. Kellermann. The following directors are elected by and among the employees;, Kari Brænden Aaslund, Bjørn Ivan Ødegaard and Jon-Ivar Jørnby.

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 a 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 2017 has been:

	Board Meetings	Compensation committee	Audit Committee
Bruce E. Taylor	9	3	
Ellen M. Hanetho	8		8
Thomas Falck	9	2	8
Gunilla Nordstrom[1]	6	2	
Malin Persson[2]	3	1	
Ernst Kellermann[1]	6		3
Kari Brænden Aaslund	9		
Jon-Ivar Jørnby	9		
Bjørn Ivan Ødegård[3]	6		
Kjell Kristiansen[4]	3	1	

1) Appointed 1 June 2017,
2) 1 January to 1 June,
3) 1 Appointed 19 May 2017,
4) 1 January to 19 May 2017

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 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 schedules at least 6 board meetings per year. Additional board meetings are held when deemed necessary. 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 regularly by self-assessment. The assessment is executed by questionnaires which are completed by each director followed by a common review.

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 behavior, 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 Group has established in Q4 2017 a separate, independent Internal Auditing unit that has set up an internal auditing program, under which audits are performed by the members of the Internal Audit group. The manager of Internal Audit reports to the BoD Audit Committee and to the CFO. Audit reports are sent to Group Management following each internal audit. The Group's Board of Directors, including the Audit Committee, are kept informed on current status and approves the auditing program.

The Group has implemented a new Delegation of Authorities (DOA) policy that defines the level of authority on company business decision-making and ensures effective entrepreneurial leadership by the Group top management located in the Zurich headquarters. The DOA governs for example decisions on quotations to customers and investments into capital equipment.

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 Finance 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 TO THE BOARD OF DIRECTORS

The remuneration paid to each Board director 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. The Board directors are not granted any KOA share options. The Board directors did, however, resulting from a proposal by the Nomination Committee and resolution by the Annual General Meeting, receive 14,706 shares in the company each as part of their compensation. The shares are restricted and can not be sold before June 2, 2020. The value of the share grant to each Board member amounted to NOK 100,000. The Board directors have not received any compensation from the Company other than the share grant, the remuneration for the directorship, and remuneration for Board committees work as listed in Note 24.

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 presented to the

annual General Meeting for advisory vote. Information about the remuneration 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 defense mechanisms in the Articles of Association for the Company or any underlying documents, nor are there implemented any measures to limit the opportunity to acquire shares in the Company.

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 takeover bids for the Company's activities or shares unless there are particular reasons for this.

15. AUDITOR

The Auditor presents the main elements of plan for the auditing of the Company to the Audit Committee on an annual basis. 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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