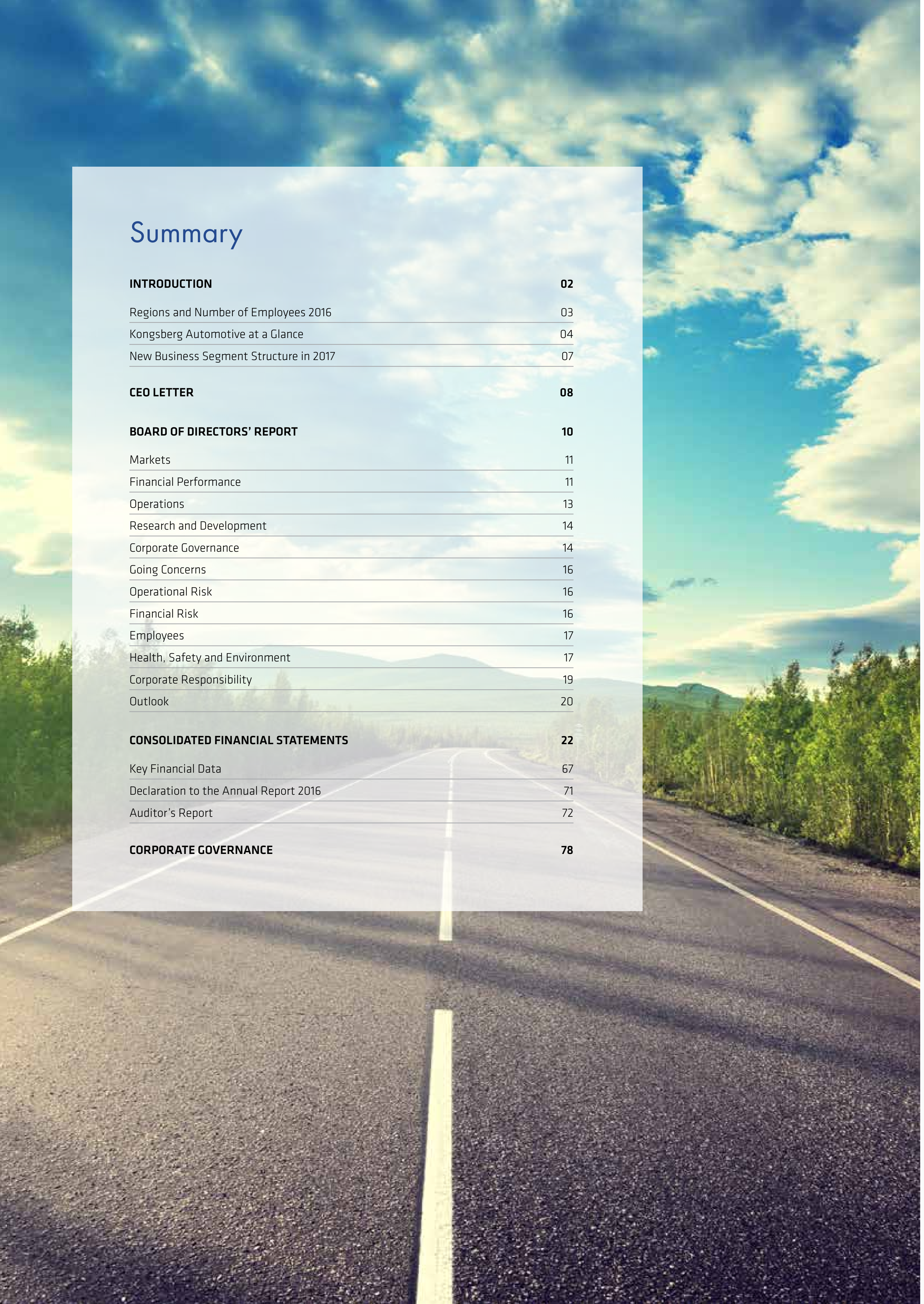
Annual Report 2016



Summary

Regions and Number of Employees 2016

9,791
EMPLOYEES IN

18
COUNTRIES WORLDWIDE

Kongsberg Automotive has a global presence, with 31 manufacturing facilities 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.

4,541

EUROPE

The largest region to Kongsberg Automotive, Europe is served by 4,541 employees. Our two largest European manufacturing locations are in Pruzków, Poland and Vráble, Slovakia, with 1,225 and 905 employees, respectively.

4,122

NORTH AND SOUTH AMERICA

4,122 employees work at our sites in North and South America. Mexico has the largest number of KA employees, with around 2,900 employees in three manufacturing sites.

1,128

ASIA

In this increasingly important market, Kongsberg Automotive has five manufacturing locations and 1,128 employees. In China, we have three manufacturing locations and 977 employees.

Kongsberg Automotive at a glance

Global presence

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

KA products in 20% of the world's cars

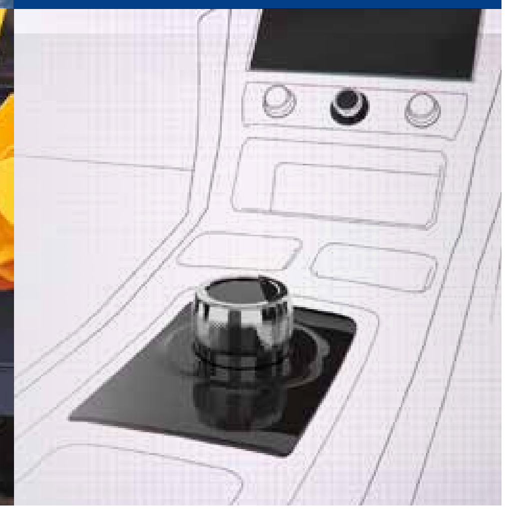
You will find KA products in 20% of the world's passenger cars produced in 2016

1957

Production of brake units for Volvo starts in 1957

Technology leader

Leading the way with new automotive technologies such as seating functions and new applications of MRF technology



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.

New business segment structure in 2017

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

Each of the new segments have very different sets of challenges and opportunities, although overall improved financial performance is common denominator. The new structure should enable KA to perform better, 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, and pedals and hand controls
- New products consisting of new product innovations

> CEO letter

"The changes and improvements that we are making do not represent a major change in strategy, but rather a change in speed and execution."

2016 was an eventful year for Kongsberg Automotive (KA).

Upon being elected Chairman of the KA Board of Directors in March, and subsequently appointed CEO in June, I undertook a thorough review of KA's operations and businesses, which have underperformed since the financial crisis. During that process, it became clear that KA has a good foundation, but with considerable room for improvement in various areas:

- Our structural costs are out of line, and we will reduce them,
- Our products are competitive from a "feature/function" standpoint. With lower costs, we will be more competitive which will enable us to grow at a higher rate and in a sustainable fashion,
- Our Interior and Specialty Products segments have performed reasonably well, both from a growth and profitability standpoint, and Our Powertrain and Chassis business needs fixing.

We owe our key stakeholders our very best performance in all areas and on all measures. For KA this translates into implementing significant improvements in many areas. As always, these improvements are better executed yesterday than tomorrow. However, the magnitude and amount of improvement activities needs to be carefully paced in order to safeguard execution. Let us also not forget that the Automotive Industry is notoriously cyclical, and the improvements we are putting in place will lower our fixed cost base and make us more "down-cycle resistant".

The changes and improvements that we are making do not represent a major change in strategy, but rather a change in speed and execution. We will change the trajectory of our businesses and improve our overall performance. Against that backdrop, we presented plans and actions for the company at our Capital Markets Day (CMD) in November, which focus on driving such improvements. The improvement plan has the following main elements:

Organizational Structure

In order to better align the organizational structure with the opportunities and challenges of our business units, KA has reorganized its businesses into three Business segments: Interior Systems, Powertrain & Chassis Products, and Specialty Products.

Each of the new Business segments have very different sets of challenges and opportunities, although overall improved financial performance is common denominator. The new Business segment structure should enable the KA to perform better, both in the short and long term.

The new Business segments will be:

Interior

The Interior Segment consists of Interior Comfort Systems (ICS) and the Light Duty Cable (LDC) businesses with a strong focus on innovation and market share growth in a fast growing market. To reemphasize; we are keeping our LDC business. However, we are still pursuing the sale of our North American Head/Armrest business.

Powertrain & Chassis Products (P&C)

P&C consists of our passenger car and heavy duty/truck/bus businesses within powertrain and chassis products with strong focus on catch-up in technologies, market position and structural cost reductions.

Specialty Products

The Specialty Products segment consists of niche products with a strong entrepreneurial focus on innovation and fitment rates. The business units within the Specialty Products segment consists of Couplings, Fluid Transfer Systems, Off Highway, and New Products.

At the CMD, we said that we will improve our operating model by granting more entrepreneurial freedom to our niche businesses, but also that we would centralize more to tighten control and realize more synergies. The new organizational structure in effect as of January 2017, including the establishment of a operational headquarters in Switzerland, reflects this.

HENNING E. JENSEN
PRESIDENT AND CEO

Restructuring Activities and Footprint Rationalization

Furthermore, we presented a substantial restructuring plan that includes reducing our manufacturing footprint from 31 to 25 facilities, predominantly within the Powertrain and Chassis products segment and in Europe. Already in December, we announced the proposed closure of the Basildon facility in the UK. There will be more closures announced in 2017 as we progress with our footprint reduction plan.

It is important to note that our restructuring programs will be funded from our operational cash flow and within the constraints of our current balance sheet. Our restructuring plan does not require any capital increase.

Improving Execution

Historically, we have had too many instances of not executing well – particularly with regards to program launches. We need to improve this and become better at getting it right the first time: on cost, on time, and within spec. We are putting more process discipline in place in order to improve in this area. This will enable us to not only perform better for our customers, but also to improve financial performance.

Moderate Growth

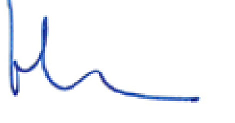
We presented a moderate growth plan. For 2017 and 2018, already awarded programs secure this growth plan. Our current booking rate for awarded businesses gives us confidence that we will be able to meet our growth plan for 2019 and beyond. In order to provide opportunities for additional growth, we will strengthen our customer penetration in key Asian markets and also at the many European and North American OEMs where we do not have strong positions. When implemented, this should enable us to improve our growth rates further in the medium and long term.

Executing well and delivering these plans, which obviously include a lot more details than outlined here, will enable us to deliver on our medium and long term goals and objectives:

- more than double our EBIT margin to 8% by 2019
- improve Net Income from very low levels currently to the €70 Million level
- deliver EPS of NOK 1.65 in 2019
- Create sustainable competitive advantage by strategically positioning the company for further improvements and profitable growth

Macroeconomic and geopolitical developments are signalling a mixed picture with continued uncertainty. Events in Europe and in the US have shown a growing urge towards protectionism which in turn may weigh on the outlook for global growth. While we cannot ignore global developments, regardless what the outcome of the current trends might be, we must execute our improvement plans. The improvements will lead to performance improvements and a better positioning for KA regardless of what changes will take place (or not) in global trade. We will focus on the areas where we have a direct impact– improving operational and organizational performance and diligently seeking out opportunities are always correct activities in order to improve our company.

We have ambitious plans for the short and medium term future. The KA team is excited and highly motivated to improve the company's performance. We are confident that KA has a bright future and we as a company accept the challenge.



Henning E. Jensen
President and CEO

> Board of Directors' Report

"2016 was a year of significant transition for the Group."

Kongsberg Automotive's shareholders refreshed the Board of Directors at the 2016 Annual General Shareholders Meeting with the clear expectation that the Board address the company's underperformance of recent years.

The shareholders elected three new board members on March 31, 2016. Henning E. Jensen was then elected Chairman of the Board. In June he was asked to assume the CEO position and stepped down from the Board. The Board and Mr. Jensen have conducted a thorough review of the business from a commercial and organizational perspective, and commenced the development and implementation of an improvement plan in order to significantly improve the profitability of the Company over the next three years.

The improvement plan was presented to the public its Capital Markets Day on November 8. 2016 and is reviewed in the CEO's letter in this Annual Report. Key aspects of the plan are a reorganization of the company, consolidation of manufacturing locations, and the establishment of an operational headquarter in Switzerland.

The reorganization which started in June 2016 resulted in a number of changes to the executive management team and the management teams in the business units. By year-end the new organizational structure was mostly established, including the recruitment of a new CFO.

The restructuring charges and write offs in the second half of 2016 resulted in anticipated non-compliance with certain covenants in the company's loan agreement. During the fourth quarter, an agreement to waive those covenants was reached with the Group's bank consortium. Reaching an agreement proved to be straightforward, due to good relationships with the banks and the Company's ability to substantiate the prospects of a healthy underlying business performance going forward. The agreement ensures the required headroom for the Company to execute its restructuring plans.

Shortly after year-end 2016, an agreement was signed for the sale of the North American Headrest and Armrest business held for sale as of 31.12.2016. The sale concludes the board's decision to exit this business, creating a more focused business. There are still items to be completed prior to closing which is expected to take place in early Q2 of 2017.

2016 was a year of significant transition for the Group. The Board is fully supportive of management's improvement plan and is monitoring it closely. Successful implementation will result in a Kongsberg Automotive that performs better for customers, employees, and shareholders.

MARKETS

Light Vehicle Production (LVP)

Global Light Vehicles production was 92.3 million units in 2016, which was up 3.9% from last year. The increase was mainly driven by growth in the Chinese passenger car market.

Production in Europe (including Russia and Commonwealth of Independent States) reached 21.5 million units in 2016, an increase of 2.6% compared to 2015. Russian production remained low, while the EU production increased and surpassed the pre-crisis 2007 level.

North American production continued to increase, and grew by 2.5% in 2016 to 17.9 million vehicles.

Production in South America and especially Brazil continued to decrease. 2016 total was 2.7 million vehicles, nearly 13%, lower than 2015.

Growth in Asia was once again led by China. The production in China grew by 12.2% in 2016 and ended at 26.6 million vehicles. This was mainly driven by tax incentives for small engine cars; these incentives are expected to end in 2017. The rest of Asia declined by 1.5%.

Commercial Vehicle Production (GVW>6t)

Production of medium and heavy-duty commercial vehicles increased by 6% in 2016 to 2.7 million vehicles. The main sources of growth were Asia and Europe. The European production increased by 5.1% in 2016 to 553,000 units, despite the continued decrease in Russian production.

North American production fell by -16.6% in 2016 to 469,200 units.

South America production continued to decline and was down by 21.4 % from an already weak 2015 to only 60,000 vehicles.

Chinese production recovered in 2016 and increased by 26.3% to 935,000 units. Asia, excluding China, grew by 6.4% in 2016.

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. 2016. Financially, 2016 was not a strong year for Kongsberg Automotive. Despite a general growth in the end markets of the Group's customers, the Group's revenues declined due to negative currency effects and lower sales volumes. Revenues for the Group amounted to EUR 985.7 million in 2016, a decrease of EUR 30.3 million (-3%) compared with the previous year, including unfavorable currency effects of EUR 22.6 million. Excluding currency effects, revenues decreased by EUR 7.7 million. The decline in product sales was partly offset by higher non-product revenues, including engineering and tooling sales compared to 2015. Split by segments, the higher revenues from the recreational vehicle sales in North America, and coupling sales and vehicle dynamic sales in Europe were not sufficient to completely offset lower sales in the passenger car segments and the industrial segments in North America. The revenue decrease in the pas-

senger car segments was mainly due to programs phasing out, price erosion, and exposure to less successful customers and vehicle platforms.

Operating profit amounted to EUR 18.3 million in 2016. Excluding restructuring costs of EUR 10.0 million, the adjusted operating profit amounted to EUR 28.3 million. Restructuring expense was composed of EUR 7.5 million related to already announced plant restructuring projects primarily in Norway and UK. The remaining EUR 2.5 million restructuring cost is related to several other reduction in work force and management restructuring projects. Adjusted for the restructuring in 2016 and the goodwill impairment of EUR 19.5 million in 2015, operating profits decreased by EUR 23.6 million (-45.5%). The decrease in adjusted operating profit was driven by lower revenues, higher sales and development costs (EUR 13.3 million), a legal settlement (EUR 3.9 million), provisions for lossmaking contracts (EUR 4.2 million), and write down of assets in business held for sale, partly offset by favorable sales mix, operational improvements and lower bonus costs.

Despite lower operating profits and higher capital expenditure spending, the Group delivered a positive free cash flow in 2016, resulting in a further reduction in net debt and an improvement in liquidity reserves.

Segments

Interior revenues amounted to EUR 315.7 million in 2016, a decline of EUR 14.4 million (-4.4%) compared to 2015, including unfavorable year over year currency effects of EUR 5.4 million. The main drivers of the decline were phasing out programs in the global head-restraint business and lower sales in the Outdoor Power Equipment (OPE) business. Operating profit amounted to EUR 15.0 million, an increase of EUR 6.6 million (78.9%). Excluding write-off effects in 2015 (EUR 19.5 million) and 2016 (EUR 1.6 million), restructuring costs and a loss related to lossmaking business, operating profit decreased by EUR 7.6 million over last year. The decrease was related to higher engineering and development spend to support the development and industrialization of new products (EUR 7.7 million), lower sales volume, price reductions, and givebacks related to new business wins. A favorable change in sales mix and operational improvements offset some of these effects.

Driveline revenues amounted to EUR 238.3 million in 2016, a decline of EUR 11.5 million (-4.6%) compared to 2015, including negative currency effects of EUR 1.8 million. The decrease was related to programs being phased out, price erosion, and exposure to less successful vehicle platforms, partly offset by increased sales in the Chinese business. For the first three quarters revenues in Driveline fell short compared to 2015, however the segment delivered revenue growth in the fourth quarter. Operating profit declined by EUR 1.8 million (-97.8%) to EUR -3.7 million, mainly due to the effect of lower volumes and increased R&D efforts (EUR 2.7 million), partially offset by material- and fixed cost reductions.

CASH FLOW FROM OPERATING ACTIVITIES
EUR 70.8 million

Fluid Transfer revenues amounted to EUR 206.0 million in 2016, a decline of EUR 9.1 million (-4.2%) compared to 2015, including negative currency effects of EUR 6.8 million. Weakness in both the North American industrial business and automotive business were the main drivers for the decrease, however a general softness across the FTS business also contributed to the decline, partly offset by strength in the couplings business in Europe. Operating profit for the business area was EUR 31.7 million, up EUR 0.3 million (1.1%) from last year primarily due to material cost reductions and lower depreciation expenses, partially offset by an increase in fixed costs to support future growth opportunities.

Driver Control revenues amounted to EUR 260.5 million in 2016, an increase of EUR 4.4 million (1.7%) compared to 2015, including negative currency effects of EUR 9.2 million. The increase in revenues was primarily driven by higher sales in both the recreational vehicle and vehicle dynamic business. Engineering and tooling sales also contributed positively to the topline growth. Operating profit decreased by EUR 13.7 million (-81.7%) to EUR 3.1 million. Restructuring cost of EUR 7.5 million and a legal settlement of EUR 3.9 million were the main drivers for the decline.

Net financial items

Net financial items amounted to EUR 1.0 million in 2016 (EUR -28.7 million in 2015). Interest expenses were reduced by EUR 1.3 million to EUR 6.9 million in 2016, reflecting a lower debt level and lower interest rate margins. Unrealized currency effects amounted to EUR 5.5 million compared to EUR -18.1 million in 2015.

Net profit

Net profit for the year was EUR 1.3 million, compared with EUR -8.3 million in 2015. The positive development in net financial items was partly offset by lower operating profits and a higher tax charge driven by de-recognition of historical capitalized net operating losses and non-recognition of current year's losses.

Capital

The Group's long-term interest-bearing bank debt amounted to EUR 238.4 million as of 31 December 2016. The reduction of EUR 15.5 million from EUR 253.9 million in 2015 reflects loan repayments of EUR 19.8 million offset by currency effects driven by the stronger USD versus EUR. As of 31 December 2016, the Group's book equity totaled EUR 208.6 million (214.2). The equity ratio was 30.2% (31.3%).

Cash flow

In 2016, the Group had a positive cash flow from operating activities of EUR 70.8 million, compared with EUR 73.5 million in 2015. The Group invested EUR 51.3 million in property, plant and equipment and intangible assets, an increase of EUR 7.4 million from 2015. Repayment of external loans amounted to EUR 19.8 million in 2016, EUR 6.2 million more than in 2015. The net change in cash and bank overdraft during 2016 was EUR -5.3 million.

Liquidity

In total, the Group's liquidity reserve in cash and overdraft facilities amounted to EUR 140.8 million at year-end (EUR 125.2 million in 2015). The improvement was mainly due to positive cash flow before debt repayment.

Business wins

Business wins for the year came in somewhat below 2015 though still at a good level to support future growth. KA had a good win rate for its targeted programs in 2016. The lower booking figure represents fewer sourcing decisions made for targeted programs rather than a problematic win rate.

Kongsberg Automotive ASA – The parent company

In 2016, the parent company generated total operating (inter-company) revenues of EUR 34.3 million (43.0), with a corresponding operating profit of EUR -12.2 million (-20.6). The parent company had net financial items of EUR 4.2 million in 2016 (57.1) negatively impacted by currency effects. The net result after tax for the year amounted to EUR -11.2 million (20.3). As of 31 December 2016, equity totaled EUR 315.8 million (308.6). In accordance with the dividend policy, the Board of Directors will propose to the Annual General Meeting that no dividend be paid in 2017.

As of November 1 2016, 30 employees of the parent company were transferred to Kongsberg Automotive AS following an administrative consolidation.

The Board of Directors proposes that Kongsberg Automotive ASA's net result of EUR -11.2 million be transferred to retained earnings.

OPERATIONS

The Group's focus on lean operations and optimization of the manufacturing setup continued in 2016. This focus was intensified through the aforementioned review of the overall business from a commercial and organizational perspective. This led to the development and implementation of an improvement plan with the goal of significantly improving the profitability and competitiveness of the Company over the next three years. Although the majority of its components are manufactured in low cost locations such as Mexico, Poland, Slovakia, Hungary and China, the Group needs to rationalize its footprint, particularly in high cost locations, as the Group has too many sub-scale manufacturing facilities.

The restructuring plan communicated at the Group's Capital Markets Day (CMD) on November 8. 2016 includes the consolidation of the operational footprint from 31 to 25 plants over the next three years, and the organizational restructuring, including the re-segmentation, of the business.

The consolidation of the operational footprint began in December 2016 with the announcement of the proposed closure of the Basildon plant in the United Kingdom. This may be completed by the end of Q3 of 2017. The restructuring of the manufacturing footprint is expected to improve the profitability of the Company by the elimination of site overhead and lower direct labor costs.

To better align the organizational structure with the opportunities and challenges of its business units, Kongsberg Automotive re-organized and re-segmented its businesses into three main segments - Interior, Powertrain & Chassis Products, and Specialty Products.

Interior

The segment consist of Interior Comfort and Light Duty Cable. Interior Comfort businesses has a strong focus on innovation and market share growth in a fast-growing market.

Powertrain & Chassis Products

This business segment is a merger of Driveline and On–Highway Driver Control (DCS). The segment serves the passenger car and heavy duty/truck/bus businesses within Powertrain and Chassis products with strong focus on catch – up technologies, market position and structural cost reductions.

Specialty Products

The Speciality Products segment consist of Off–Highway DCS, Air Couplings and Fluid Transfer Systems which are specialized niche with a strong entrepreneurial focus on innovation and fitment rates.

The new business structure will create better focus through improved transparency and scope. New senior management teams were put in place for the Powertrain & Chassis and the Specialty Products businesses as of the year end.

Operational Headquarters

The Group's new operational headquarters in Switzerland was established shortly after the CMD and is the foundation for the planned centralization of corporate and business management functions. Centralization will improve collaboration and efficiency by bringing the organization and its leaders closer together. By the end of 2017, some 20-30 people will be working at the operational headquarters in Switzerland, which is an ideal location from a commercial and management point of view.

RESEARCH AND DEVELOPMENT

The Group's net overall spending on research and development (R&D) totaled 6.9% of sales in 2016. This involves a team of 580 highly skilled people. Kongsberg Automotive's R&D organization combines 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 USA. 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.

The main focus for the Group's R&D spending in 2016 has been on strategically chosen product areas:

- Automated Manual Transmissions (AMT) within the commercial vehicle segments, Shift-by-wire systems for light duty vehicles
- Seat heating- and ventilation systems and seat support systems including massage functions
- Couplings and manifolds for air distribution systems and pipe/hose assemblies for high temperature powertrain applications

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

CORPORATE GOVERNANCE

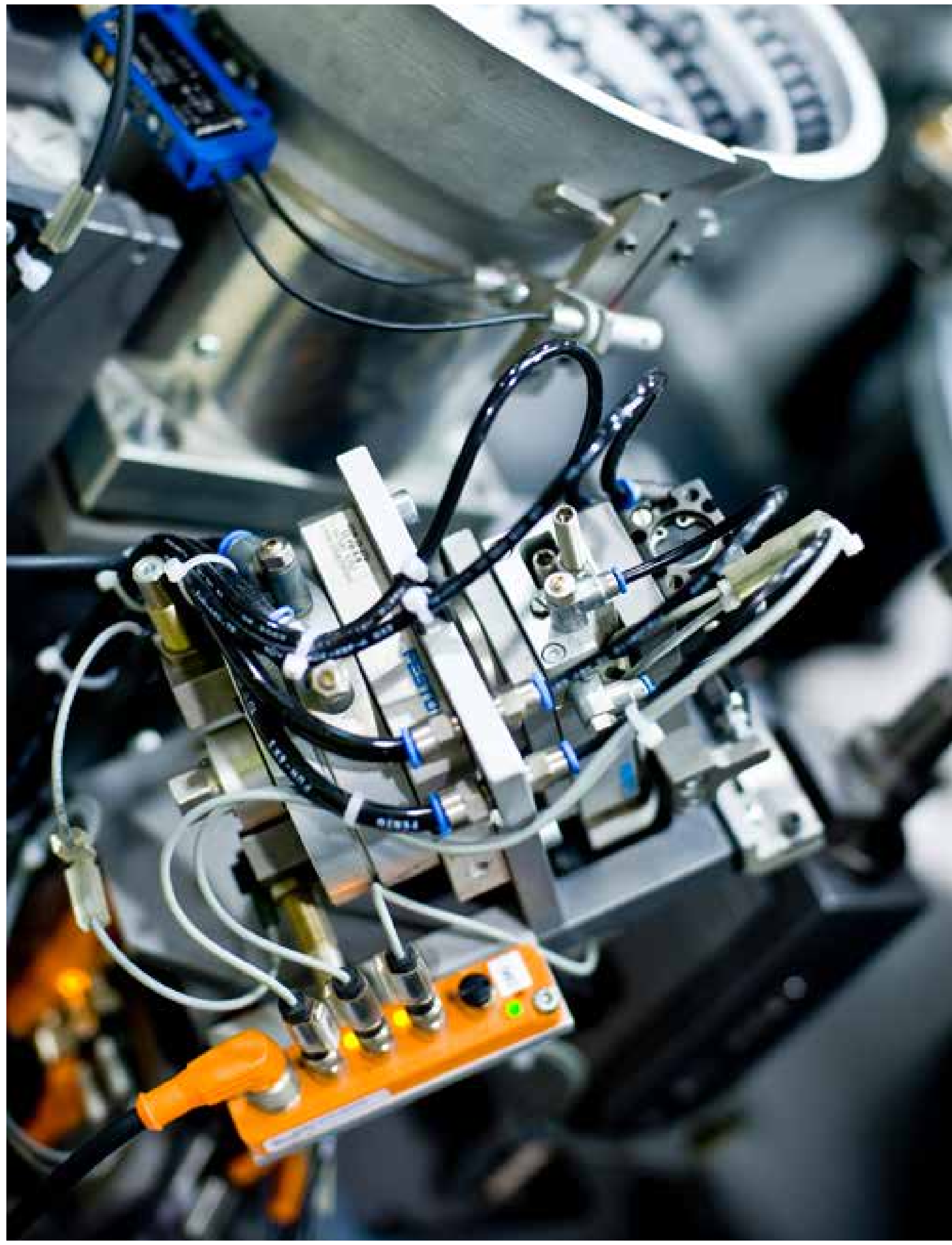
The Board of Directors of Kongsberg Automotive ASA has established a set of general principles and guidelines for corporate governance. These principles cover the Board of Directors´ responsibility for determining the Group's risk profile, approving the organization of the business, allocating responsibility 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 are intended 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 Cor-



FULL-TIME EMPLOYEES
9.791

R&D ENGINEERS HIRED
54
the last two years

porate 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 from 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 based 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 operational risk, see Note 21.

FINANCIAL RISK

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

Currency risk

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

Interest risk

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

Credit risk

Credit risk represents a considerable risk 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 risk

The development of net interest bearing debt and liquidity reserve is closely monitored. The financial leverage has been reduced during the last years. Financing is readily available to the Company at good prices.

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 like market, operations, environment etc. to identify proper countermeasures. For further risk analysis, see note 21 to the financial statements.

EMPLOYEES

At the end of 2016, the Group had 9.791 full-time employees, which reflects a net decrease of 213 people from the end of 2015.

The largest declines in the Group's workforce came in North America, with the reduction of 162 employees in Mexico, and 81 employees in the USA. Mexico had the largest number of KA employees with 2,868 people employed at three locations (Reynosa, 810; Matamoros, 1,086; and Nuevo Laredo 972). The largest increase in the workforce came in Poland, with the addition of 121 employees following business expansion and the opening of a new factory.

Kongsberg Automotive is continuing its efforts to develop staff to secure its leadership pipeline and to build HR processes that support people development. The Group has strong focus on skilled R&D experts for the main business segments. During the year, Kongsberg Automotive hired 18 engineers which amounts to a total of 54 new engineers over the last two years.

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 48% of the total workforce, 20% of the executive management and 20% of top 50 management. The Company's policy is to ensure fair and competitive remuneration to all employees.

The Board of Directors of Kongsberg Automotive ASA comprises three (43%) women and four (57%) men, with 50% of the Company's shareholder-elected directors being female.

Kongsberg Automotive recognizes the importance of attracting and retaining skilled and motivated employees at all levels of the organization, with a strong commitment to the business as well as 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 Group's Diversity policy and is reflected in its focus on diversity in recruitment processes.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

Kongsberg Automotive gives the highest priority to the health and safety of its employees. In addition, the Group seeks to minimize environmental impact when manufacturing its products. The authorities in the countries where the Group operates set Health, Safety and Environmental (HSE) standards in the form of legislation, regulations and specific requirements. Kongsberg Automotive's business units comply with these and internal requirements. All manufacturing locations implemented Environmental Management Systems in accordance with ISO 14001 Standard; certification to this standard assured that units considered

REDUCTION IN ACCIDENTS
31%
compared with 2015

REDUCTION IN INJURIES
20%
over last five years

CO_2 EMISSIONS INTENSITY
▼ 8%
decreased compare to 2015

the environmental impact of their work and set appropriate targets for improved performance. As a supplier, Kongsberg Automotive also met the HSE expectations of its customers.

Objectives and plans for improved HSE performance were set and communicated in early 2016. Reviews of key performance indicators were taken at the top levels of the organization. Core programs were reviewed for efficacy and adjustments were immediately made as needed. As a result, the Group continues to report positive performance with respect to HSE.

Absences due to personal illnesses were tracked by the company. When considering all Kongsberg Automotive employees, the sick leave average was approximately 2.0% in 2016. This average is similar to 2015 and previous years indicating stability in this area. The health and safety of its workers was a top priority; as such, eliminating unsafe conditions in its manufacturing plants remained a primary focus. In 2016, the Group reported 46 injuries which demonstrates improvement from the 67 injuries reported in 2015. Notably, 16 of the Group's 31 manufacturing locations reported zero accidents over the year. The Group averaged 2.5 accidents for every one million person-hours worked in 2016 versus 3.7 accidents for every one million person-hours worked in 2015. Results achieved brought about an impressive 31% reduction for the year and injuries were reduced by more than 20% over last five years. The Group's facilities 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 both 2016 and 2015, Kongsberg Automotive reported 2.0 lost time injuries per one million person-hours worked. While no change over the year, when its Group H-value average is adjusted for comparison to the leading external benchmark, USDOL Bureau of Labor Statistics Occupational Injury & Illness Data, the Group continue to find that its performance is better than average for the general manufacturing sector. Regardless, Kongsberg Automotive will continue to employ all ways to improve its awareness, operations, equipment and work processes to minimize potential hazards.

Energy consumption data for electricity and the burning of fossil fuels needed for production activities was collected. The target for 2016 was to decrease yearly energy consumption by another 1.0% relative to total product sales. While the manufacturing units sought to reduce energy consumption, absolute energy use increased 3% from approximately 135 million kilowatt-hours to 139 million kilowatt-hours. The Group's Energy Intensity also increased 7% or to 131 kilowatt-hour used in production for every euro of total product sales in 2016 from 122 kilowatt-hour used in production for every euro of total product sales in 2015. The Group attributes both increases to the installation of new production and testing equipment for which sales have yet to be realized. Kongsberg Automotive does report positive news as it relates to the Group's 2016 CO_2 emissions. Using UN Greenhouse Gas Calculators, the Group calculates its 2016 CO_2 emissions at approximately 41,360 metric tons resulting in an 8% decrease from last year's 44,834 metric tons. The CO_2 Emissions Intensity was also reduced by 5% to 39 metric tons of CO_2/1M€ of total product sales in 2016 from 41 metric tons of CO_2/1M€ of total product sales in 2015.

Pollution control is important to Kongsberg Automotive and the communities where it operates. In 2016, the Group's aim was to reduce by 1.5% the yearly amount of waste sent to landfills and the toxicity of waste requiring special treatment or disposal. All units sought opportunities to reuse and recycle. In addition, 11 manufacturing locations were landfill free in 2016. As a result, the Group decreased its absolute waste by 8% to 1.37 million kilograms in 2016 from 1.49 million kilograms in 2015. Kongsberg Automotive's Waste Index, reported in 2016 as 1.29 kilogram/1000€ was also reduced by 4% from 1.35 kg/1000€ in 2015.

While water usage is not considered a significant environmental aspect to Kongsberg Automotive, use was monitored in 2016 by all manufacturing sites to establish baseline and reduction opportunities for the coming year.

For 2016, the Group reported no fires resulting in significant property damage or causing interruption to normal business. Additionally, no unauthorized releases to the environment requiring disclosure to legal authorities occurred. However, a Notice of Violation was issued to the Group's Suffield, Connecticut facility relating to an air permit violation in 2015. Appropriate corrective actions were taken. As a result, there were no fines or penalties levied and the matter has been deemed resolved by the issuing legal authority.

CORPORATE RESPONSIBILITY

For Kongsberg Automotive, Corporate Responsibility means managing operations so that it impacts its industry and communities in a positive way. Incorporating Corporate Responsibility into day-to-day business processes and decision-making is also an important step in achieving strategic growth goals and demonstrating its commitment to compliance, its Code of Conduct and its policies. In 2016, the Group continued to implement practices which consider societal and environmental impacts in the manufacture and use of its products.

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 employees must follow the Code of Conduct and are expected to report concerns about suspected breaches. The Group's Compliance Reporting procedure is well promoted throughout the company and on the webpage. The process allows concerns to be reported in a confidential and anonymous manner, without retaliation. Kongsberg Automotive provides employees training and guidance, including descriptions of the types of activities that should be reported.

The Group considers the United Nations Global Compact and Universal Declaration of Human Rights when determining the human rights issues and labor practices that are relevant to Kongsberg Automo-

tive. The Group provides 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 we operate. 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 labour, forced labour and discrimination linked to employment. 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, regularly monitors compliance, and expects its suppliers to adopt similar standards and assurances. In support, in 2016 the Group updated its Supplier Declaration and released a Supplier Sustainability Manual to increase awareness and to provide clear guidance regarding the company's position and commitment to ethical and socially responsible sourcing.

Further to this obligation, the Group implemented a due diligence process to identify the possible presence of Conflict Minerals in its supply chain. The Company established a robust process to query and track suppliers and embrace principled sourcing practices. No material risks in this area were identified.

Kongsberg Automotive is committed to ensuring and benefiting from the diversity of its workforce. Consistent with its Diversity Policy, the Group continued to promote a culture where diversity is represented and respected. The Company also encouraged its employees to be involved in their communities and supported 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 continues to support the sustainability requirements of its customers. As a supplier, Kongsberg Automotive met the Corporate Responsibility expectations of its customers. In addition, in 2016 the Group released a Corporate Responsibility Policy which outlines, related areas of focus for both internal and external stakeholders. In 2017, additional work and programs will be more formally implemented to support deployment of this policy, including but not limited to, promoting a culture of responsible behavior. 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 a promoting a culture of Corporate Responsibility that considers stakeholder interests, aligns with its business growth strategy and achieves the desired outcomes consistent with its Corporate Responsibility Policy and Code of Conduct.

OUTLOOK

Light Vehicle Production in 2017 is expected to grow by 1.6% to 93.8 million vehicles. China will probably see a payback from the small car incentives that will end in 2017. We also expect reasonable growth in all other markets except South America and Russia.

Commercial vehicle production in 2017 is expected to contract slightly by around -0.4%. Growth will come mainly from Europe and Asia. China will reduce its pace somewhat. We also expect a continued decline in North America, but less than in 2016.

The market outlook for 2017 gives reason to expect revenues to grow by 2-3% in 2017 assuming no significant changes in the expected vehicle production figures above and foreign exchange rates.

> Board of Directors

Kongsberg Automotive's board has seven directors.
Four are elected by shareholders and three by employees.

BRUCE E. TAYLOR
Chairman

ELLEN M. HANETHO
Board member

THOMAS FALCK
Board member

MALIN PERSSON
Board member

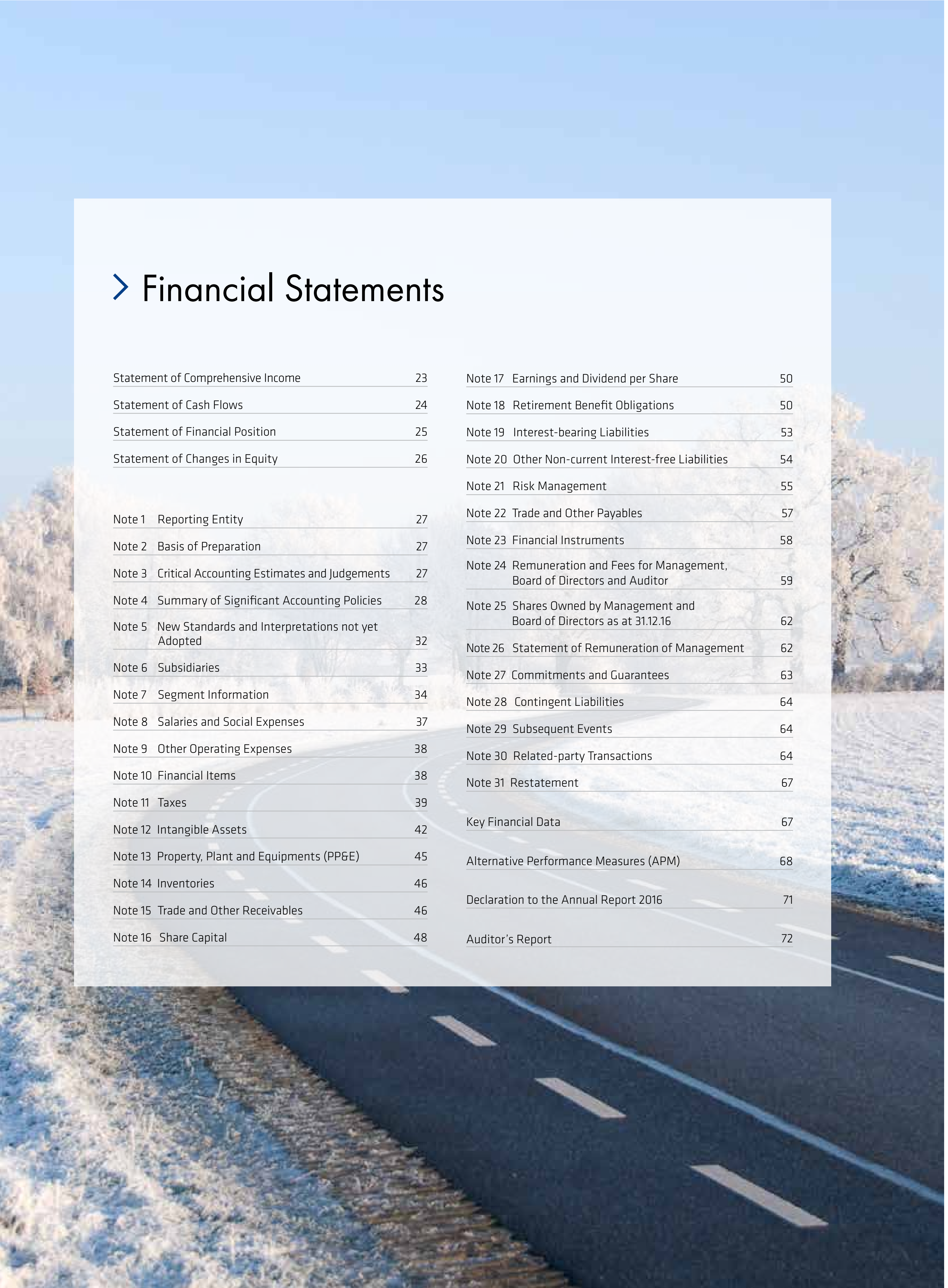
KARI BRÆNDEN AASLUND
Employee representative

KJELL KRISTIANSEN
Employee representative

JON-IVAR JØRNBY
Employee representative

HENNING E. JENSEN
President and CEO

Kongsberg, February 27, 2017
The Board of Directors of Kongsberg Automotive ASA



Financial Statements

Statement of Comprehensive Income

Parent				Group	
31.12.16	31.12.15	MEUR	Note	31.12.16	31.12.15*
34.3	43.0	**Operating revenues**	7	985.7	1,016.0
		Operating expenses	7, 30		
0.0	0.0	Raw material expenses		(418.8)	(444.6)
0.0	0.0	Change in inventories		(2.0)	3.7
(4.2)	(5.9)	Salaries and social expenses	8	(293.7)	(292.5)
(41.9)	(57.3)	Other operating expenses	9	(207.9)	(184.2)
(0.0)	(0.0)	Depreciation and impairment	13	(30.4)	(29.6)
(0.3)	(0.3)	Amortization and impairment	12	(14.7)	(36.5)
(46.4)	**(63.6)**	**Total operating expenses**		**(967.4)**	**(983.6)**
(12.2)	**(20.6)**	**Operating (loss) / profit**		**18.3**	**32.4**
		Financial items			
28.2	73.9	Financial income	10	9.0	1.1
(24.0)	(16.8)	Financial expenses	10	(8.0)	(29.8)
4.2	**57.1**	**Net financial items**	10	**1.0**	**(28.7)**
(7.9)	**36.5**	**(Loss) / profit before income tax**		**19.3**	**3.7**
(3.3)	(16.3)	Income tax	11	(17.9)	(12.0)
(11.2)	**20.3**	**(Loss) / profit for the year**		**1.3**	**(8.3)**
		Other comprehensive income (Items that may be reclassified to profit or loss in subsequent periods):			
17.5	(20.0)	Translation differences		(8.5)	25.6
0.0	0.0	Tax on translation differences		1.5	(11.2)
		Other comprehensive income (Items that will not be reclassified to profit or loss in subsequent periods):			
0.0	(0.0)	Remeasurement of the net PBO.	18	(1.2)	0.2
(0.0)	0.0	Tax on remeasurement of the net PBO		0.3	(0.1)
17.5	**(20.0)**	**Other comprehensive income**		**(7.8)**	**14.5**
6.3	**0.2**	**Total comprehensive income for the year**		**(6.5)**	**6.2**
		Profit attributable to:			
(11.2)	20.3	Equity holders (parent company)		1.3	(8.4)
0.0	0.0	Non-controlling interests		0.1	0.0
(11.2)	**20.3**	**Total**		**1.3**	**(8.3)**
		Total comprehensive income attributable to:			
6.3	0.2	Equity holders (parent company)		(6.6)	6.2
0.0	0.0	Non-controlling interests		0.1	0.0
6.3	**0.2**	**Total**		**(6.5)**	**6.2**
		Earnings per share:			
		Basic earnings per share, Euros	17	0.00	(0.02)
		Diluted earnings per share, Euros	17	0.00	(0.02)

* 2015 have been restated; refer to Note 31 for further information.

Statement of Cash Flows

Parent 31.12.16	Parent 31.12.15	MEUR	Note	Group 31.12.16	Group 31.12.15
		Operating activities			
(7.9)	36.5	(Loss) / profit before taxes		19.3	3.7
0.0	0.0	Depreciation	13	30.4	29.6
0.3	0.3	Amortization	12	14.7	36.5
(25.3)	(23.2)	Interest income	10	(0.2)	(0.1)
6.9	7.9	Interest expenses	10	6.9	8.2
(0.6)	(0.7)	Taxes paid	11	(6.9)	(11.2)
0.0	0.0	(Gain) / loss on sale of non-current assets	12,13	0.0	0.0
0.0	2.4	Changes in trade receivables	15	(10.6)	(4.5)
0.0	0.0	Changes in inventory	14	2.0	(3.7)
0.1	(20.8)	Changes in trade payables	22	10.0	1.9
4.4	(29.7)	Currency differences over P/L	10	(5.4)	18.3
(1.6)	(1.5)	Changes in value of financial derivatives	10	(3.4)	(1.0)
(1.3)	(19.5)	Dividends received		0.0	0.0
27.5	49.4	Changes in other items [1]	10	14.1	(4.1)
2.4	**1.2**	**Cash flow from operating activities**		**70.8**	**73.5**
		Investing activities			
(0.8)	(0.2)	Capital expenditures, including intangible assets	12,13	(51.3)	(43.9)
0.0	0.0	Proceeds from sale of fixed assets	12,13	0.4	0.1
(26.9)	(23.0)	Issue of new group loans		0.0	0.0
4.3	8.9	Repayment of group loans		0.0	0.0
(1.9)	0.0	Investment in subsidiaries	6, 7	0.0	0.0
25.3	23.2	Interest received		0.2	0.1
1.3	9.2	Dividends received		0.0	0.0
0.0	0.0	Proceeds from sale of subsidiaries		0.2	0.3
1.3	**18.0**	**Cash flow from investing activities**		**(50.5)**	**(43.5)**
		Financing activities			
0.4	(2.6)	Proceeds from sale/purchase of treasury shares [2]		0.4	(2.6)
(19.8)	(13.6)	Repayment of external loans	19	(19.8)	(13.6)
0.0	(0.2)	Repayment of group loans		0.0	0.0
27.8	2.9	Changes in cash pool overdraft	30	0.0	0.0
(6.9)	(8.3)	Interest paid		(6.9)	(8.5)
0.0	0.0	Dividends paid [3]		0.0	(0.4)
(0.0)	(1.3)	Other financial charges		(0.0)	(1.3)
1.5	(23.0)	**Cash flow from financing activities**		**(26.4)**	**(26.3)**
(0.2)	(0.0)	**Currency effects on cash**		**0.8**	**1.5**
5.0	(3.9)	Net change in cash		(5.3)	5.2
1.4	5.3	Net cash at 1st January [4]		39.9	34.6
6.4	**1.4**	**Net cash at 31 December**		**34.6**	**39.9**
0.0	0.0	Of this, restricted cash		0.4	0.3

1) Parent company includes write down of loan, receivables, and shares in subsidiary. Group includes restructuring accruals and provisions for lossmaking contracts.
2) Comprises the net purchase of treasury shares (see "Statement of Changes in Equity").
3) Comprises dividend paid from Shanghai Kongsberg Automotive Dong Feng Morse Co. Ltd (China) to external shareholders (see "Statement of Changes in Equity").
4) Comprises the net amount of bank deposits, cash and bank overdraft.

Statement of Financial Position

Parent 31.12.16	Parent 31.12.15	MEUR	Note	Group 31.12.16	Group 31.12.15
		ASSETS			
		Non-current assets			
0.0	0.0	Deferred tax assets	11	32.4	41.8
1.3	0.8	Intangible assets	12	182.3	193.5
0.1	0.1	Property, plant and equipment	13	160.2	143.3
196.8	182.3	Investments in subsidiaries	6	0.0	0.0
433.2	416.9	Loans to subsidiaries and other non-current assets	30	1.1	1.1
631.4	**600.1**	**Total non-current assets**		**376.0**	**379.7**
		Current assets			
0.0	0.0	Inventories	14	78.6	80.5
39.2	35.9	Trade and other receivables	15, 30	202.5	184.0
6.4	1.4	Cash and cash equivalents		34.6	39.9
45.6	**37.3**	**Total current assets**		**315.6**	**304.4**
677.0	**637.5**	**Total assets**		**691.6**	**684.1**
		EQUITY AND LIABILITIES			
		Equity			
22.4	21.2	Share capital	16	22.4	21.2
(0.1)	(0.2)	Treasury shares	16	(0.1)	(0.2)
185.6	175.6	Share premium		185.6	175.6
(22.1)	(29.1)	Other reserves		35.9	54.0
130.0	141.2	Retained earnings		(38.9)	(40.2)
315.8	**308.6**	**Attributable to equity holders**		204.9	**210.3**
0.0	0.0	Non-controlling interests		3.8	3.9
315.8	**308.6**	**Total equity**		**208.6**	**214.2**
		Non-current liabilities			
22.2	23.1	Deferred tax liabilities	11	27.1	30.8
0.8	1.3	Retirement benefit obligations	18	18.1	17.9
236.9	253.4	Interest-bearing liabilities	19, 21, 29	238.4	253.9
0.0	0.0	Other non-current interest-free liabilities	20	2.6	0.0
260.0	**277.8**	**Total non-current liabilities**		**286.2**	**302.5**
		Current liabilities			
40.1	12.3	Cash pool overdraft	30	0.0	0.0
(0.7)	(0.7)	Current income tax liabilities	11	5.9	2.3
61.8	39.5	Trade and other payables	22, 30	190.8	165.0
101.2	**51.1**	**Total current liabilities**		**196.8**	**167.3**
361.2	**328.9**	**Total liabilities**		**483.0**	**469.8**
677.0	**637.5**	**Total equity and liabilities**		**691.6**	**684.1**

The Board of Directors and President & CEO of Kongsberg Automotive ASA
Kongsberg, February 27, 2017

Bruce E. Taylor
Chairman (Sign.)

Ellen M. Hanetho
(Sign.)

Thomas Falck
(Sign.)

Malin Persson
(Sign.)

Kari Brænden Aaslund
(Sign.)

Kjell Kristiansen
(Sign.)

Jon-Ivar Jørnby
(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 01.01.15	22.3	(0.1)	186.5	29.5	(31.8)	206.3	4.0	210.3
Sale of treasury shares		(0.1)		(2.5)		(2.6)		(2.6)
Value of share options charged to income statement				0.7		0.7		0.7
Changes in non-controlling interests				(0.4)		0.0	(0.4)	(0.4)
Other changes in equity								0.0
Total comprehensive income for the year:								
Profit for the year					(8.3)	(8.4)	0.0	(8.3)
Other comprehensive income:								
Translation differences	(1.1)	0.0	(10.9)	37.6		25.3	0.3	25.6
Tax on translation differences				(11.2)		(11.2)		(11.2)
Remeasurement of net defined pension liability				0.2		0.2		0.2
Tax on remeasurement of net pension liability				(0.1)		(0.1)		(0.1)
Equity 31.12.15 / 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
Transactions with non-controlling interests						0.0	0.0	0.0
Other changes in equity								0.0
Total comprehensive income for the year:								
Profit for the year					1.3	1.3	0.1	1.3
Other comprehensive income (OCI):								
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	22.4	(0.1)	185.6	35.9	(38.9)	204.9	3.8	208.6

Parent

MEUR	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Subtotal	Non-controlling interest	Total equity
Equity 01.01.15	22.3	(0.1)	186.5	(19.4)	120.9	310.2		310.2
Sale of treasury shares		(0.1)		(2.5)		(2.6)		(2.6)
Value of share options charged to income statement				0.7		0.7		0.7
Profit for the year					20.3	20.3		20.3
Other comprehensive income:								
Foreign currency translation	(1.1)	0.0	(10.9)	(7.9)		(19.9)		(19.9)
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 31.12.15 / 01.01.16	21.2	(0.2)	175.6	(29.2)	141.2	308.6		308.6
Sale/ (purchase) 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	22.4	(0.1)	185.6	(22.1)	130.0	315.8		315.8

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

Notes

NOTE 1 Reporting Entity

Kongsberg Automotive ASA ('the 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 2017.

NOTE 2 Basis of Preparation

Statement of compliance

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

Basis of measurement

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

Use of estimates and judgement

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

Changes in accounting policy and disclosures

No new and amended standards adopted by the Group for the first time in 2016 have had, or is expected to have a material impact on the Group. See Note 5 for new standards not yet adopted.

Functional and presentation currency

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

NOTE 3 Critical Accounting Estimates and Judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment testing

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

Expected useful lifetime

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

The residual values, useful lives and methods of depreciation of property, plant & equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Impairment testing is used when relevant (see above).

Research and development

Significant investments are made towards product improvements and innovation to secure the Group's position in the market. Estimates and judgments used when deciding how the costs should be accounted for (charged to P&L or capitalized) will have a significant effect on the statement of comprehensive income and statement of financial position, see Note 4 and 12 for further information.

Deferred tax asset

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

Actuarial calculations of pension liabilities

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

Onerous contracts

The expected profitability and value of a contract is based on various assumption, including; volume, technical solutions, sales and input prices, and manufacturing capacity and efficiency. Contracts with an estimated negative Net Present Value (NPV) is accrued for as a loss-making contract. The calculation is based on the expected net cash flows under the contract discounted by the Groups calculated cost of capital. Refer to Note 20 for more details.

NOTE 4 Summary of Significant Accounting Policies

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

Basis of consolidation

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

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

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

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

Investments in subsidiaries are recorded at cost in the Parent company's separate financial statements. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Business combinations

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

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

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

Functional and presentation currency

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

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

Transactions in foreign currencies are translated at the exchange rate applicable on the transaction date. Exchange gains and losses that arise as a result of changes in the exchange rate between the transaction date and the settlement date are recognized in the income statement as financial income or expenses.
Main exchange rates per 31.12.2016:
> 1 EUR: NOK 9,08630 (end of period)
> 1 USD: NOK 8,61996 (end of period)

Segment information

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

Revenue recognition

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

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

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

Intangible assets

Goodwill

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

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

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

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

Research and development costs

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

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

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

Other intangible assets

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

Customer relationships

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

Patents

Patents are amortized over their lifetimes, which generally are between three and 21 years.

Software

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

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

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

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

Property, plant & equipment (PP&E)

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

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

Straight-line depreciation is calculated at the following rates:

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

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

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

Inventories

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

Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

Interest-bearing loans and borrowings

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

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

Financial derivative instruments

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

Taxes payable and deferred taxes

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

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

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

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

Retirement benefit obligations

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

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

Defined benefit plans

The pension assets and liabilities are valued by actuaries each year using a linear accrual formula, which regards the employees' accrued pension rights during the period as the pension cost for the year. Gains or losses linked to reductions in or terminations of pension plans are recognized in the income statement when they arise. Actuarial gains / losses are recognized in other comprehensive income The pension commitments are calculated on the basis of the net present value of future cash flows. See Note 18 for further information on the implementation effects of, and accounting treatment provided in the revised IAS 19 "Employee Benefits".

Defined contribution plans

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

Multiemployer plan (AFP) – Norway

The former early retirement arrangement in Norway was replaced commencing 01.01.2011. Financing of the early retirement arrangement is now done by an annual fee which represents the final cost for the companies included. All Norwegian employees are included in the AFP scheme.

Top hat pension – Norway

The defined contribution plans have legislative limitations when it comes to maximum salary as calculation basis for tax deductibility. 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. The calculated obligation is accrued in the Statement of Financial Position as Retirement benefit obligations.

Provisions

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

Onerous contracts

When the unavoidable costs of meeting obligations under contracts exceed the economic benefits expected from the contract, the Group recognizes a loss in the income statement and a provision in the statement of financial position.

Warranty provisions

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

Restructuring provisions

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

Share capital

Ordinary shares

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

Share options

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

Treasury shares

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

Dividend distribution

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

NOTE 5 New Standards and Interpretations not yet Adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements.

IFRS 15 Revenue from contracts with customers

The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations for annual periods beginning on or after 1 January 2018. IFRS 15 establishes revenue recognition guidance in one standard. The standard introduces a five-step approach for analysis of transactions with customers, focusing on transfer of control. There are two methods for recognizing income; at a point in time or over time. Adoption of the standard may require significant assessments and notes disclosures. Group is in the early phase of evaluating the impact of IFRS 15, its implementation method, or the expected impact of the standard on the Consolidated financial statements.

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.

Group is in the early phase of evaluating the impact of IFRS 16. Preliminary assessment of IFRS 16 indicates significant increased recognized fixed assets and debt, with a corresponding shift of certain amounts from other operating expenses partly to depreciation and amortization expense, partly to interest expense.

IFRS 9 Financial instruments

The standard (as revised in 2014) will supersede IAS 39 upon its effective date for annual periods beginning on or after 1 January 2018. The number of categories of financial assets have been reduced to financial assets measured at amortized cost and financial assets measured at fair value. However, the standard introduces a "fair value through other comprehensive income" measurement category for certain simple debt instruments. IFRS 9 also presents a new impairment model which is based on expected credit losses, rather than on incurred credit losses. As a credit event is not necessary for recognizing an impairment loss, the directors expect that there may be a change in timing of recognizing impairment losses as these may be recognized at an earlier stage but not necessarily a change in the amount of recognized losses. The Company has not completed its evaluation of the impact of the implementation of the standard.

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%	
Kongsberg Holding Ltd	Great Britain	100%	
CTEX Seat Comfort (Holding) Ltd	Great Britain	100%	x
Kongsberg Power Products Systems Ltd	Great Britain	100%	
Kongsberg Automotive Hong Kong Ltd	Hong Kong	100%	
Kongsberg Interior Systems Kft	Hungary	100%	
Kongsberg Automotive (India) Private Ltd	India	100%	x
Kongsberg Automotive Driveline System India Ltd	India	100%	x
Kongsberg Automotive Ltd	Korea	100%	x
Kongsberg Automotive S. de RL de CV	Mexico	100%	
Kongsberg Driveline Systems S. de RL de CV	Mexico	100%	
Kongsberg Interior Systems S. de RL de CV	Mexico	100%	
Kongsberg Actuation Systems BV	Netherlands	100%	
Kongsberg Automotive AS	Norway	100%	x
Kongsberg Automotive Holding 2 AS	Norway	100%	x
Kongsberg Automotive Sp. z.o.o	Poland	100%	x
Kongsberg Automotive s.r.o	Slovakia	100%	
Kongsberg Actuation Systems SL	Spain	100%	
Kongsberg Automotive AB	Sweden	100%	x
Kongsberg Power Products Systems AB	Sweden	100%	
KA Group AG	Switzerland	100%	
Kongsberg Driveline Systems I Inc.	USA	100%	
Kongsberg Actuation Systems II Inc.	USA	100%	
Kongsberg Holding III Inc.	USA	100%	
Kongsberg Interior Systems II Inc.	USA	100%	
Kongsberg Automotive Inc.	USA	100%	
Kongsberg Power Products Systems I Inc.	USA	100%	
Kongsberg Automotive Japan KK	Japan	100%	x

NOTE 7 Segment Information

Operating segments

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

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

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

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

Fluid Transfer

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

Driver Control

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

Driveline

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

Interior

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

New segment reporting in 2017

To better align the organizational structure with the opportunities and challenges of its business units Kongsberg Automotive decided to re-organized and re-segmented its businesses into three main segments - Interior, Powertrain & Chassis Products, and Specialty Products, starting in first quarter 2017. The impact on the segment reporting is still under evaluation.

Operating segments – financials

2016

MEUR	Driveline	Interior	Driver Control	Fluid Transfer	Eliminations & other*	Group
Operating revenues	238.3	315.7	260.5	206.0	(34.8)	985.7
EBITDA	**7.7**	**28.0**	**14.7**	**40.2**	**(27.2)**	**63.4**
Depreciation and impairment	(8.4)	(10.4)	(6.7)	(4.8)	(0.2)	(30.4)
Amortization and impairment	(3.1)	(2.6)	(5.0)	(3.7)	(0.3)	(14.7)
Operating (loss) / profit (EBIT)	**(3.7)**	**15.0**	**3.1**	**31.7**	**(27.7)**	**18.3**
Assets and liabilities						
Goodwill	6.7	60.4	31.3	56.6	0.0	155.0
Other intangible assets	6.3	3.9	9.3	5.0	2.7	27.3
Property, plant and equipment	35.1	48.0	42.3	33.5	1.3	160.2
Inventories	16.6	18.6	25.7	19.0	(1.4)	78.6
Trade receivables	35.0	59.6	29.4	30.4	0.8	155.2
Segment assets	**99.7**	**190.5**	**137.9**	**144.5**	**3.5**	**576.2**
Unallocated assets	0.0	0.0	0.0	0.0	115.4	115.4
Total assets	**99.7**	**190.5**	**137.9**	**144.5**	**118.9**	**691.6**
Trade payables	27.0	33.8	26.9	22.0	1.2	111.0
Unallocated liabilities	0.0	0.0	0.0	0.0	372.0	372.0
Total liabilities	**27.0**	**33.8**	**26.9**	**22.0**	**373.2**	**483.0**
Capital expenditure	**7.7**	**19.4**	**13.0**	**7.3**	**0.6**	**48.1**

* The column "Eliminations & other" includes corporate cost, development cost associated with the ePower business, elimination of intercompany transactions and balance sheet items related to tax, pension and financing. See next section for specification of unallocated assets and liabilities.

2015

MEUR	Driveline*	Interior	Driver Control	Fluid Transfer	Eliminations & other	Group*
Operating revenues	249.8	330.1	256.1	215.0	(35.0)	1,016.0
EBITDA	**9.1**	**39.0**	**30.9**	**41.2**	**(21.7)**	**98.5**
Depreciation and impairment	(8.0)	(8.8)	(6.6)	(6.0)	(0.2)	(29.6)
Amortization and impairment	(3.0)	(21.9)	(7.5)	(3.9)	(0.3)	(36.5)
Operating (loss) / profit (EBIT)	**(1.9)**	**8.4**	**16.8**	**31.3**	**(22.2)**	**32.4**
Assets and liabilities						
Goodwill	6.7	60.2	31.9	55.6	0.0	154.5
Other intangible assets	9.5	6.1	13.9	8.8	0.8	39.0
Property, plant and equipment	35.3	41.1	35.0	31.2	0.8	143.3
Inventories	16.9	18.3	27.0	19.1	(0.8)	80.5
Trade receivables	28.9	56.8	28.4	30.6	(0.0)	144.6
Segment assets	**97.3**	**182.4**	**136.2**	**145.3**	**0.8**	**562.0**
Unallocated assets	0.0	0.0	0.0	0.0	122.1	122.1
Total assets	**97.3**	**182.4**	**136.2**	**145.3**	**122.9**	**684.1**
Trade payables	24.0	31.2	25.1	19.9	0.8	101.0
Unallocated liabilities	0.0	0.0	0.0	0.0	368.9	368.9
Total liabilities	**24.0**	**31.2**	**25.1**	**19.9**	**369.7**	**469.8**
Capital expenditure	**8.4**	**15.5**	**9.2**	**7.9**	**0.1**	**41.0**

* 2015 have been restated for Driveline and Group; refer to Note 31 for further information.

Operating segments – reconciliation to total assets

MEUR	2016	2015
Segment assets of reportable segments	572.7	561.2
Eliminations & other	3.5	0.8
Unallocated assets include:		
Deferred tax assets	32.4	41.8
Other non-current assets	1.1	1.1
Cash and cash equivalents	34.6	39.9
Other receivables (excluded: trade receivables)	47.3	39.4
Total assets as of the Statement of Financial position	691.6	684.1

Operating segments – reconciliation to total liabilities

MEUR	2016	2015
Trade payables of reportable segments	109.8	100.2
Eliminations & other	1.2	0.8
Unallocated liabilities include:		
Deferred tax liabilities	27.1	30.8
Retirement benefit obligations	18.1	17.9
Interest-bearing loans and borrowings	238.4	253.9
Other non-current interest-free liabilities	2.6	0.0
Bank overdrafts	0.0	0.0
Other current interest-bearing liabilities	0.0	0.0
Current income tax liabilities	5.9	2.3
Other payables (excluded: trade payables)	79.8	64.0
Total liabilities as of the Statement of Financial position	483.0	469.8

Non-current assets by geographical location

	2016		2015	
MEUR	Jan - Dec	%	Jan - Dec	%
USA	105.5	30.9%	107.5	31.9%
UK	10.9	3.2%	13.8	4.1%
Norway	27.6	8.1%	25.2	7.5%
Germany	13.8	4.0%	14.8	4.4%
Sweden	29.5	8.2%	30.8	9.1%
Poland	56.9	16.7%	43.3	12.8%
Other countries	98.2	28.8%	101.5	30.1%
Total non-current segment assets	342.5	100.0%	336.8	100.0%

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. The Group is building capacity in Poland to handle the growth driven by new business wins and internal restructuring.

Sales to external customers by geographical location

	2016		2015*	
MEUR	Jan – Dec	%	Jan – Dec	%
Sweden	91.4	9.3%	83.0	8.2%
Germany	83.4	7.8%	96.6	9.5%
France	74.0	7.5%	70.5	6.9%
United Kingdom	64.7	6.6%	70.7	7.0%
Other EU	172.3	18.1 %	181.4	17.8 %
Total EU	485.8	49.3 %	502.2	49.4 %
USA	257.8	26.2%	292.0	28.7%
Canada	66.1	6.7%	36.4	3.6%
NA other	61.4	6.2 %	77.3	7.6 %
Total NA	385.3	39.1 %	405.6	39.9 %
Brazil	12.3	1.2%	11.5	1.1%
SA other	4.2	0.4%	2.1	0.2%
Total SA	16.5	1.7 %	13.6	1.3 %
China	66.5	6.7%	65.8	6.5%
Asia Other	23.3	2.4%	21.5	2.1%
Total Asia	89.7	9.1 %	87.2	8.6 %
Other countries	8.3	0.8%	7.3	0.7%
Total operating revenues	985.7	100%	1,016.0	100%

Segmentation of the Group's geographical sales to external customers is based on the geographical locations of the customers. * 2015 have been restated; refer to Note 31 for further information.

Operating segments – major customers

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

NOTE 8 Salaries and Social Expenses

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

Parent			Group	
2016	2015	MEUR	2016	2015
3.5	3.5	Wages and salaries	215.2	208.3
0.6	0.6	Social security tax	51.5	50.8
(0.3)	0.1	Pension cost (defined benefit plans)	0.3	0.5
(0.1)	0.3	Pension cost (defined contribution plans)	8.4	8.0
0.5	1.4	Other employee related expenses	18.2	24.9
4.2	5.9	Total	293.7	292.5

Other employee related expenses include bonus cost and other costs.
As at 31.12.16 the Group had 9.791 (10.004) employees and the Parent company 0 (31) employees.

NOTE 9 Other Operating Expenses

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

Parent			Group	
2016	2015	MEUR	2016	2015
		Operating Expenses		
0.0	0.0	Freight charges	(36.1)	(36.7)
0.0	0.0	Facility costs	(22.7)	(23.4)
0.0	0.0	Tooling costs and other consumables	(30.1)	(23.9)
0.0	0.0	Repairs and maintenance	(15.8)	(13.8)
0.0	0.0	Service costs	(13.8)	(13.1)
(0.1)	(0.4)	Other costs	(6.8)	(13.5)
		Administrative expenses		
(0.2)	(0.2)	Leasehold expenses	(6.7)	(3.2)
(6.3)	(4.3)	Service costs	(38.3)	(26.7)
(0.0)	(0.0)	Consumables	(11.2)	(7.1)
(0.3)	(0.3)	Travel costs	(8.3)	(9.5)
(35.0)	(52.1)	Other costs *	(18.0)	(13.4)
(41.9)	(57.3)	Total other operating expenses	(207.9)	(184.2)

* Parent company in 2016 and 2015 includes write down and loss on Group loans and receivables. Group 2016 includes restructuring costs and recognition of loss-making contracts.

NOTE 10 Financial Items

Specification of financial items as recognized in statement of comprehensive income

Parent			Group	
2016	2015	MEUR	2016	2015
1.3	19.5	Dividend and other financial income	0.0	0.0
0.0	29.7	Foreign currency gains *	5.4	0.0
1.6	1.5	Changes in value of financial derivatives	3.4	1.0
25.3	23.2	Interest income	0.2	0.1
28.2	73.9	Total financial income	9.0	1.1
(6.9)	(7.9)	Interest expense	(6.9)	(8.2)
(4.4)	0.0	Foreign currency losses *, ***	0.0	(18.3)
0.0	0.0	Changes in value of financial derivatives	0.0	0.0
(12.7)	(8.8)	Other items**	(1.1)	(3.3)
(24.0)	(16.8)	Total financial expenses	(8.0)	(29.8)
4.2	57.1	Net financial items	1.0	(28.7)

* Includes unrealized curreny gains of MEUR 5.5 (2015: Unrealized losses of MEUR 18.1)
** Parent company 2015 and 2016: includes write-down on shares in subsidaries. Group includes arrangement fees and net pension funding costs.
*** Prior periods have been restated; refer to Note 31 for further information.

NOTE 11 Taxes

Specification of tax recognized in statement of income

The major components of income tax expense:

Parent			Group	
2016	2015	MEUR	2016	2015
(5.4)	(0.7)	Current tax on profits for the year*	(14.8)	(8.8)
0.0	0.0	Adjustments in respect of prior years	1.0	0.2
(5.4)	(0.7)	Total current tax	(13.8)	(8.6)
3.0	(13.6)	Current year change in deferred tax	(3.1)	2.5
(0.9)	(2.0)	Impact of change in tax rate	(0.9)	(1.5)
0.0	0.1	Adjustments in respect of prior years	(0.1)	(4.4)
2.1	(15.5)	Total change in deferred tax	(4.2)	(3.4)
(3.3)	(16.3)	Total income tax (expense) / credit	(17.9)	(12.0)

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

Tax recognised in other comprehensive income

Parent			Group	
2016	2015	MEUR	2016	2015
0.0	0.0	Tax (expense) / credit on translation differences	1.5	(11.2)
0.0	0.0	Tax (expense) / credit on tax corridor pension	0.3	(0.1)
0.0	0.0	Tax (expense) / credit in other comprehensive income	1.9	(11.2)

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

Parent			Group	
2016	2015	MEUR	2016	2015
(7.9)	36.5	(Loss) / profit before income tax	19.3	3.7
2.0	(9.9)	Expected tax calculated at Norwegian tax rate of 25%	(4.8)	(1.0)
0.3	2.6	Dividends (permanent differences)	0.0	0.0
(5.9)	(10.1)	Other permanent differences / currency	(0.5)	1.0
(0.6)	(0.8)	Effect of withholding tax	(0.7)	(0.9)
0.0	0.0	Effect of different tax rates	(2.0)	(0.4)
0.9	2.0	Impact of change in tax rate	0.9	1.5
0.0	0.0	Current year losses not recognised as deferred tax assets	(2.8)	(1.1)
0.0	0.0	Write down of deferred tax assets	(9.0)	(6.9)
0.0	0.0	Adjustments in respect of prior years	0.9	(4.2)
(3.3)	(16.3)	Income tax (expense) / credit	(17.9)	(12.0)
-41%	44%	Average effective tax rate	93%	323%

Tax recognised in statement of financial position

Current tax liability

Parent			Group	
2016	2015	MEUR	2016	2015
(0.7)	(0.7)	Current income tax liabilities	5.9	2.3
(0.7)	(0.7)	Total current tax liability	5.9	2.3

Deferred tax

Parent			Group	
2016	2015	MEUR	2016	2015
0.0	0.0	Deferred tax asset	32.4	41.8
(22.2)	(23.1)	Deferred tax liability	(27.1)	(30.8)
(22.2)	(23.1)	Total net deferred tax asset/ (liability)	5.3	10.9

Deferred tax positions are netted within the same tax entity/group.

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

Group

2016 MEUR	Opening balance	Charged to income	Changes in tax rate	OCI	Exchange differences	Closing balance
Property, plant and equipment	0.2	(1.7)	0.0	0.0	0.1	(1.4)
Intangible assets	(8.0)	1.2	0.1	0.0	0.1	(6.6)
Retirement benefits obligations	2.3	0.1	(0.0)	0.3	0.0	2.7
Losses	14.7	(3.4)	(0.1)	0.0	(1.3)	9.8
Account receivables	1.7	(0.0)	0.4	0.0	(0.5)	1.5
Accrued expenses	1.5	0.9	(0.4)	0.0	0.4	2.4
Accrued interest	9.0	(0.4)	0.0	0.0	(1.1)	7.5
Restructuring reserves	0.1	2.1	(0.0)	0.0	(0.1)	2.1
Unrealized fx on long term receivables / payables	(25.3)	2.0	0.0	0.0	0.6	(22.7)
Other temporary differences	14.7	(5.9)	1.0	1.5	(1.3)	10.0
Net deferred tax asset/(liability)	10.9	(5.1)	0.9	1.9	(3.2)	5.3

Parent

2016 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	0.3	(0.1)	(0.0)	0.0	0.0	0.2
Losses	0.0	0.0	0.0	0.0	0.0	0.0
Account receivables	1.4	0.1	(0.1)	0.0	0.1	1.5
Unrealized fx on long term receivables / payables	(25.1)	2.0	1.1	0.0	(1.5)	(23.5)
Other temporary differences	0.3	(0.7)	(0.0)	0.0	0.0	(0.4)
Net deferred tax asset/(liability)	(23.1)	1.3	1.0	0.0	(1.4)	(22.2)

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

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

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

Tax positions not recognized in statement of financial position

Parent			Group	
2016	2015	MEUR	2016	2015
0.0	0.0	Tax positions not recognized	32.0	20.7
0.0	0.0	Total tax positions not recognized	32.0	20.7

Remaining lifetime of tax losses (net tax value)

Parent			Group	
2016	2015	Lifetime	2016	2015
0.0	0.0	Less than five years	3.7	3.0
0.0	0.0	5 - 10 years	2.1	1.8
0.0	0.0	10 - 15 years	0.0	0.0
0.0	0.0	15 - 20 years	11.2	5.9
0.0	0.0	Without time limit	23.9	24.0
0.0	0.0	Tax losses at 31.12	41.0	34.8

NOTE 12 Intangible Assets

Parent		Group				
Software	MEUR	Goodwill	Customer relationships	Patents and R&D	Software and other	Total
3.3	Cost	165.9	91.6	44.5	17.4	319.4
(2.4)	Accumulated amortization	0.0	(63.8)	(26.7)	(14.1)	(104.6)
1.0	Book Value at 01.01.2015	165.9	27.8	17.7	3.3	214.7
3.3	Cost 01.01.2015	165.9	91.6	44.5	17.4	319.4
0.2	Additions	0.0	0.0	2.1	0.9	2.9
0.0	Disposals accumulated cost	0.0	0.0	(0.1)	(0.4)	(0.6)
(0.2)	Translation differences	10.8	5.5	1.0	0.9	18.2
3.3	Acquisition costs at 31.12.2015	176.7	97.1	47.4	18.8	339.9
(2.4)	Accumulated amortization 01.01.2015	0.0	(63.8)	(26.7)	(14.1)	(104.6)
(0.3)	Amortization/impairment loss	(21.5)	(9.9)	(4.0)	(1.0)	(36.5)
0.0	Disposals accumulated amortization	0.0	0.0	0.1	0.4	0.5
0.2	Translation differences	(0.7)	(3.7)	(0.8)	(0.6)	(5.8)
(2.5)	Accumulated amortization 31.12.2015	(22.2)	(77.5)	(31.3)	(15.4)	(146.4)
3.3	Cost	176.7	97.1	47.4	18.8	339.9
(2.5)	Accumulated amortization	(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 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	(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

Internally developed intangible assets

Parent			Group	
2016	2015	MEUR	2016	2015
0.0	0.0	Internally developed intangible assets 01.01	7.9	8.0
0.0	0.0	Additions during the year	2.2	2.1
0.0	0.0	Amortization / impairment	(2.3)	(1.9)
0.0	0.0	Translation differences	0.1	(0.3)
0.0	0.0	Internally developed intangible assets 31.12	8.0	7.9
0.0	0.0	Not capitalized internal R&D cost	(44.2)	(42.9)
0.0	0.0	Amortization	(2.3)	(1.9)
0.0	0.0	Net effect of external sales and purchases	(17.8)	(10.4)
0.0	0.0	Total recognized R&D cost in the reporting period:*	(64.3)	(55.2)
0.0	0.0	Cash investment in R&D	(64.2)	(55.4)

* Net amount, gross amount MEUR 81.0 in 2016 (2015: MEUR 70.5). 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 areas; Driveline, Interior, Fluid Transfer and Driver Control were identified as the respective CGUs.

Cash flow projections and assumptions

The model was based on a 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 2017 to 2019. 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 "bottom-up-model" where all input data had been produced by the respective entities in the Group. The financial development for the BAs throughout the forecast period is primarily driven by increased top line with the effects of operational leverage. In the Driveline Business Case the effects of implemented operational improvements are reflected.

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

Discount rate assumptions

The required rate of return was calculated by the WACC method. The input data of the WACC was chosen by an individual assessment of each parameter. Information from representative sources, peer groups etc. was used to determine the best estimate. The WACC was calculated to 8.3 % pre tax. The same WACC was used for all CGUs, the reason being that the long-term risk profiles of the four CGUs are not considered to be significantly different. The key parameters were set to reflect the underlying long term period of the assets and time horizon of the forecast period of the business cases. The following parameters were applied:

- Risk free interest rate: 1.5%. Based on 10 year governmental Eurobond rate and US treasury yield, weighted 50/50.
- Beta: 1.39. 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 63%. 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. Volume in turn is impacted by business awards, success of the car model, product fitment rates, government regulations, and economic conditions. For information on input used in the computation of the discount rate please see section above.

The below analysis shows the required EBITDA level to defend the book value for each business area and respectively an indication of the top line growth required to close the gap. The analysis assumes that there are no changes made to the cost base, that gross margins are in line with industry standards, and that no growth adjustments are made in the discount rate, capex spend and working capital. The results show that improvements to current run rate is required in both Driveline and Driver Controls Systems to defend the net book values.

Impairment - test results and conclusion

In 2016 an impairment loss related to the Headrest and Armrest business (EUR 1.6 million) was recognized in the third quarter of 2016. This was related to the remaining fixed assets in this business unit. For all other business areas the value in use (VIU) exceeded the carrying amount, and no requirement for write-down was indicated.

Specification of segment assets and sensitivity

2016

MEUR	Driveline	Interior	Driver Control	Fluid Transfer
Goodwill	6.7	60.4	31.3	56.6
Other intangible assets	6.3	3.9	9.3	5.0
Property, plant and equipment	35.1	48.0	42.3	33.5
Inventories	16.6	18.6	25.7	19.0
Trade receivables	35.0	59.6	29.4	30.4
Segment assets (book value)	**99.7**	**190.5**	**137.9**	**144.5**
Segment trade payables	27.0	33.8	26.9	22.0
Net assets (book value)	**72.7**	**156.7**	**111.1**	**122.5**
EBIT 2016	**(3.7)**	**15.0**	**3.1**	**31.7**
EBIT required to defend book value*	6.0	9.7	6.9	7.6
Depreciation and amortization 2016	11.4	13.0	11.6	8.5
EBITDA required to defend book value, (1)**	**17.5**	**22.7**	**18.5**	**16.1**
EBITDA 2016 actual, (2)	**7.7**	**28.0**	**14.7**	**40.2**
Improvement required to defend book values (3), (2) - (1)	(9.7)		(3.8)	
Revenue increase required to defend book value, ((3) / average industry gross margin))***	**39-58**		**15-22**	

* With no growth and constant CAPEX. Calculated as the continuing value in 2016 to match book value (book value multiplied with the discount rate).
** With the assumption of no growth and constant CAPEX there would not be any material changes in Net Working Capital and D&A.
*** Assuming a standard gross margin in the average industry in an interval of 17-25%.

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

Parent		Group			
Equipment	MEUR	Land	Buildings	Equipment	Total
0.8	Cost	4.6	37.7	412.1	454.5
(0.7)	Accumulated depreciation	0.0	(23.2)	(302.9)	(326.1)
0.1	**Book Value at 01.01.2015**	**4.6**	**14.4**	**109.2**	**128.3**
0.8	Cost 01.01.2015	4.6	37.7	412.1	454.4
0.0	Additions	0.0	1.2	39.8	41.0
0.0	Disposals accumulated cost	0.0	(0.0)	(12.8)	(12.8)
(0.0)	Translation differences	0.1	(0.1)	8.8	8.7
0.8	**Acquisition costs at 31.12.2015**	**4.7**	**38.7**	**447.9**	**491.3**
(0.7)	Accumulated depreciation 01.01.2015	0.0	(23.2)	(302.9)	(326.1)
(0.0)	Depreciation	0.0	(1.9)	(27.7)	(29.6)
0.0	Disposals accumulated depreciation	0.0	0.0	11.7	11.7
0.0	Translation differences	0.0	0.6	(4.6)	(4.0)
(0.7)	**Accumulated depreciation 31.12.2015**	**0.0**	**(24.5)**	**(323.5)**	**(348.0)**
0.8	Cost	4.7	38.7	447.9	491.3
(0.7)	Accumulated depreciation	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 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 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**

* Includes write-off of fixed assets in business held for sale and write-off of idle assets.

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 the impairment testing on PP&E and impairment results. In 2016, fixed assets related to the Headrest and Armrest business in North America was written off (EUR 1.6 million). This business is currently recognized as held of sale. Other idle assets was also written off.

NOTE 14 Inventories

Specification of inventories

Parent			Group	
2016	2015	MEUR	2016	2015
0.0	0.0	Raw materials	44.8	44.6
0.0	0.0	Work in progress	15.5	16.1
0.0	0.0	Finished goods	18.2	19.8
0.0	**0.0**	**Total**	**78.6**	**80.5**

Values displayed net of provisions for excess and obsolete.

Provision for slow moving and obsolete inventory

Parent			Group	
2016	2015	MEUR	2016	2015
0.0	0.0	Book value at 01.01	(8.1)	(7.7)
0.0	0.0	Write-down	(1.1)	(2.0)
0.0	0.0	Products sold (previously written down)	0.5	1.2
0.0	0.0	Reversal	0.6	0.7
0.0	0.0	Foreign currency translation	0.0	(0.3)
0.0	**0.0**	**Book value at 31.12**	**(7.9)**	**(8.1)**

NOTE 15 Trade and Other Receivables

Specification of trade and other receivables

Parent			Group	
2016	2015	MEUR	2016	2015
0.0	0.0	Trade receivables	155.2	144.6
38.9	35.4	Short-term group loans and receivables	0.0	0.0
0.1	0.1	Public duties	12.5	9.1
0.0	0.0	Other short-term receivables*	15.6	11.3
39.0	**35.5**	**Receivables**	**183.3**	**165.0**
0.0	0.0	Customer tooling (work in progress)	12.2	6.0
0.2	0.4	Prepayments	7.0	12.9
39.2	**35.9**	**Total**	**202.5**	**184.0**

* Includes forward contracts assets of MEUR 0.7 (-1.1).

Trade receivables maturity

	2016		2015	
MEUR	Dec	%	Dec	%
Not overdue	144.8	93%	135.4	93%
Overdue 1-20 days	7.5	5%	5.9	4%
Overdue 21-40 days	1.8	1%	2.4	2%
Overdue 41-80 days	1.0	1%	1.0	1%
Overdue 81-100 days	0.4	0%	0.2	0%
Overdue > 100 days	0.6	0%	0.6	0%
Gross trade receivables	**156.0**		**145.6**	
Total provision for bad debt	(0.8)	1%	(1.0)	1%
Net trade receivables	**155.2**		**144.6**	

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	
2016	2015	MEUR	2016	2015
11.5	18.7	EUR	72.1	64.8
17.2	7.8	USD	51.6	52.4
9.3	9.1	NOK	8.4	4.6
1.0	0.0	RMB	25.8	19.5
0.0	0.0	Other	25.4	23.7
39.0	**35.5**	**Total**	**183.3**	**165.0**

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 1,228,134 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.

	2016	2015
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	**1,228,134**	**4,200,428**

The twenty largest shareholders in the Company as at 31.12.16 were as follows:

Shareholder	No of shares	%	Country
MORGAN STANLEY & CO. INTERNATIONAL	46,464,928	11.4 %	UK
MORGAN STANLEY & CO. LLC	20,720,608	5.1 %	US
JPMORGAN CHASE BANK, N.A., LONDON	17,690,066	4.3 %	UK
KLP AKSJENORGE	15,954,970	3.9 %	NOR
VPF NORDEA KAPITAL	14,139,887	3.5 %	NOR
THE NORTHERN TRUST COMP, LONDON BR	12,435,497	3.1 %	UK
FOLKETRYGDFONDET	12,127,732	3.0 %	NOR
CITIBANK, N.A.	10,914,813	2.7 %	US
KOMMUNAL LANDSPENSJONSKASSE	10,898,211	2.7 %	NOR
VPF NORDEA AVKASTNING	9,827,970	2.4 %	NOR
MP PENSJON PK	9,503,387	2.3 %	NOR
STATE STREET BANK AND TRUST COMP	8,471,349	2.1 %	US
ARANGO TRADING AND FINANCE CORP.	7,719,929	1.9 %	VGB
ERLING NEBY AS	7,000,000	1.7 %	NOR
VERDIPAPIRFONDET PARETO INVESTMENT	5,918,957	1.5 %	NOR
N-UCIT NORDEA PRIVATE BK NO AK PT	4,972,102	1.2 %	UK
JPMORGAN CHASE BANK, N.A., LONDON	4,541,550	1.1 %	UK
VERDIPAPIRFONDET NORDEA NORGE PLUS	3,986,082	1.0 %	NOR
NORDEA 1 SICAV	3,888,193	1.0 %	UK
KLP AKSJENORGE INDEKS	3,722,413	0.9 %	NOR
Total twenty largest shareholders	230,898,644	**56.8 %**	
Other shareholders	175,869,487	43.2 %	
Total number of shares in issue	**406,768,131**	**100.0 %**	
Number of shareholders	4,050		
Foreign ownership	50.0%		

Share options

Share options are granted to management and to selected employees. An option entitles participants to purchase one share per option. Options are offered during the first quarter and granted during April of the same year. The exercise price is the average trading price for the company's share during the first ten calendar days immediately after publication of fourth quarter results. Offer to be granted options is presented immediately thereafter. Participants in the share option program are required to hold a number of the company's shares at least equivalent to 10% of the number of options granted. In 2016 the participants in the company's share option programs held approximately 1.3% of the company's total number of shares. 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 2016.

Movements in share options (NOK)

	2016		2015	
	Average exercise price	Options	Average exercise price	Options
Options at 01.01	4.97	14,698,493	4.38	14,715,201
Granted	6.20	3,792,253	5.90	3,813,086
Forfeited	6.18	(2,422,240)	5.87	(721,613)
Expired	-	0	5.00	(122,667)
Exercised	2.39	(3,972,294)	3.05	(2,985,514)
Options at 31.12	**5.96**	**12,096,212**	**4.97**	**14,698,493**

Outstanding options at the end of the year (NOK)

	2016		2015	
Expiry date	Exercise price	Options	Exercise price	Options
31.03.2018	20.00	669,964	20.00	711,201
31.03.2018	4.50	813,528	4.50	1,557,527
31.03.2019	3.00	609,950	3.00	1,085,351
31.03.2019	2.00	565,135	2.00	1,774,803
10.04.2020	1.50	957,338	1.50	2,521,564
10.04.2021	5.80	2,691,626	5.80	3,359,961
10.04.2022	5.90	2,881,418	5.90	3,688,086
10.04.2023	6.20	2,907,253		
Options at 31.12		**12,096,212**		**14,698,493**

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 3.01 per option (2015: 2.35). The significant inputs to the model were the share trading price of NOK 6.84 at the date of grant, exercise prices (NOK 6.20) shown above, a weighted average volatility of 49.74%, an expected option life of five years, and a weighted average annual risk-free interest rate of 0.70%.

Treasury shares

The company holds 1,228,134 treasury shares (2015: 4,200,428). 1,000,000 shares were acquired in August 2016 at an average price of NOK 6.13 per share. The shares were purchased for future allocations of share options within the Group's share option programs. The company sold 3,972,294 treasury shares in 2016 (2015: 2,985,514).

NOTE 17 Earnings and Dividend per Share

Earnings per share

	2016	2015
Net (loss) / profit attributable to equity shareholders (MEUR)	1.3	(8.4)
Weighted average number of shares in issue (millions)	405.5	402.9
Basic earnings per share, EUR	0.00	(0.02)
Diluted earnings per share, EUR	0.00	(0.02)

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

Dividend per share

EUR	2016	2015
Dividend per share paid	0.0	0.0
Dividend per share proposed	0.0	0.0

No dividend was proposed for 2016. For dividend restrictions, see Covenants Note 19.

NOTE 18 Retirement Benefit Obligations

Defined benefit pension plan

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

The German and Norwegian subsidiaries represented 94% of the Group's Net Benefit Obligation (Germany: 89%, Norway: 5%) in 2016. 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. In 2016 the defined benefit plan for an early retirement plan for former CEO, Hans Peter Havdal, was paid out as a part of his termination. Defined benefit pension plans also exist in two subsidiaries in Germany and one subsidiary in France.

Defined contribution plans

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

Other retirement benefit plans

Top hat pension – Norway

Top hat-schemes are non-funded defined benefit schemes granted to employees with a salary exceeding 13G. The obligation will only materialize if the person is employed in KA at the time of retirement, or if the person has more than 10 (50% of obligation) or 15 years (100% of obligation) with the Company. The calculated obligation is accrued in the Statement of Financial Position as Retirement benefit obligations.

Multiemployer plan (AFP) – Norway

The earlier early retirement arrangement in Norway was replaced commencing 01.01.2011. Financing of the early retirement arrangement is now done by an annual fee which represents the final cost for the companies included. All Norwegian employees are included in the AFP scheme.

Other retirement benefits

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

Retirement benefit obligations recognised in statement of financial position

Parent			Group	
2016	2015	MEUR	2016	2015
0.2	0.8	Defined benefit pension obligation	16.9	16.5
0.6	0.5	Top hat, retirement provisions and other employee obligations	1.1	1.3
0.8	1.3	Retirement benefit obligations	18.1	17.9

Defined benefit scheme – assumptions

Parent			Group	
2016	2015		2016	2015
2.1%	2.5%	Discount rate	1.8%	2.3%
2.1%	2.5%	Rate of return on plan assets	2.1%	2.7%
2.3%	2.5%	Salary increases	1.2%	1.3%
2.3%	2.3%	Increase in basic government pension amount	1.1%	1.1%
2.0%	2.3%	Pension increase	0.5%	0.6%

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

Defined benefit scheme – net periodic pension cost

Parent			Group	
2016	2015	MEUR	2016	2015
0.2	0.1	Service cost	0.4	0.2
0.0	0.0	Interest on benefit obligations	0.4	0.4
0.0	0.0	Expected return on pension assets	(0.0)	(0.0)
0.0	0.0	Amortization of estimate differences	0.0	0.0
(0.5)	0.0	Effect of curtailment	(0.5)	0.0
0.0	0.0	Social security taxes	0.0	0.0
0.0	0.0	AFP adjustment	0.0	0.0
(0.3)	0.1	Net periodic pension cost	0.3	0.5
0.0	(0.0)	Remeasurement of net defined benefit liability	1.2	(0.2)
0.5%	0.6%	Actual return on plan assets	1.2%	2.7%

Defined benefit scheme – net pension liability

Parent			Group	
2016	2015	MEUR	2016	2015
		Pension liabilities and assets:		
0.2	0.7	Projected benefit obligation (PBO)	16.7	16.3
0.0	0.0	Fair value of pension assets	0.0	0.0
0.0	0.0	Unrecognized effects	0.0	0.0
0.2	0.7	Net pension liability before social security taxes	16.7	16.3
0.0	0.1	Social security taxes	0.2	0.3
0.2	0.8	Net pension liability	16.9	16.5

Specification of carrying value of net pension liability

Parent 2016	Parent 2015		Group 2016	Group 2015
0.2	0.8	Retirement benefit obligation	16.9	16.5
0.0	0.0	Retirement benefit asset	0.0	0.0
0.2	0.8	Net pension liability	16.9	16.5

Defined benefit scheme – change in net pension liability

Parent 2016	Parent 2015	MEUR	Group 2016	Group 2015
0.8	1.1	Net pension liability 01.01	16.5	17.4
(0.3)	0.1	Pension cost for the year	0.3	0.5
0.0	(0.0)	Remeasurement of net defined benefit liability	1.2	(0.2)
(0.3)	(0.3)	Paid pensions	(1.1)	(1.0)
0.0	0.0	Translation differences	0.1	(0.3)
0.2	0.8	Net pension liability 31.12	16.9	16.5

Defined benefit scheme – sensitivities

MEUR	DBO 31.12.16	Service cost 2017	Interest cost 2017
Actual valuation	(16.9)	0.39	0.36
Discount rate + 0.5%	(17.8)	0.39	0.40
Discount rate - 0.5%	(16.0)	0.39	0.31
Expected rate of salary increase + 0.5%	(16.9)	0.39	0.36
Expected rate of salary increase - 0.5%	(16.9)	0.39	0.36
Expected rate of pension increase + 0.5%	(16.2)	0.39	0.38
Expected rate of pension increase - 0.5%	(17.6)	0.39	0.34

Sensitivity covering majority of DBO.

Defined benefit scheme – average expected life time

Average expected lifetime at the balance sheet date for a person retiring on reaching age 65:
Male employee 19 years
Female employee 23 years

Average expected lifetime 20 years after the balance sheet date for a person retiring on reaching age 65:
Male employee 22 years
Female employee 26 years

Expected pension payment:
We expect the pension payment of 2017 to be in line with the 2016 payment.

NOTE 19 Interest-bearing Liabilities

Interest-bearing liabilities as presented in statement of financial position

Parent 2016	Parent 2015	MEUR	Group 2016	Group 2015
238.6	254.3	Non current interest-bearing loans and borrowings	240.0	254.8
(1.7)	(1.0)	Capitalized arrangement fees	(1.7)	(1.0)
236.9	253.4	Total interest-bearing liabilities	238.4	253.9

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 325 revolving credit facility and an overdraft facility of MEUR 20. The interest rate consists of EUR/USD Libor plus a margin, which is depending on the Group's gearing ratio.

Specification of total interest-bearing liabilities

Parent 2016	Parent 2015	MEUR	Group 2016	Group 2015
120.0	123.0	EUR	120.0	123.0
118.6	131.3	USD	118.6	131.3
0.0	0.0	Other currencies	1.5	0.5
(1.7)	(1.0)	Capitalized arrangement fee *	(1.7)	(1.0)
236.9	253.4	Total interest-bearing liabilities	238.4	253.9

* Amendment fee related to the covenant waiver granted in the fourth quarter was capitalized and will be amortized over the duration of the loan period.

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

	Currency	Total amount	Undrawn amount	Drawn amount	Capitalized arr. fees	Amount recognized	Maturity Date***	Interest Rate (incl margin)**
DNB Bank/Danske Bank/BNP Paribas *	EUR	182.0	62.0	120.0	0.5	120.5	01.03.19	2.25%
DNB Bank/Danske Bank/BNP Paribas	USD	172.0	47.0	125.0	0.5	125.5	01.03.19	3.00%

* 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 31.12.2016.

** 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.

*** Since the balance sheet date an extention of the termination date of one year has been agreed with the banks, and the maturity date is hence 01.03.20, ref. Note 29.

Covenants

During December 2016 KA obtained a waiver agreement approval from its syndicate banks. The amendment enabeles KA to execute the announced improvement and restructuring plan. 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.

Group Loan Covenants

- Equity ratio (Equity / Total assets)	Minimum 25.0%
- Minimum liquidity	Minimum EUR 50 million
- Gearing ratio (NIBD / EBITDA)	The required gearing ratio level is 3.25x at 31 December 2016, and is increased to 3.5x for 31st March 2017 and 30th June 2017, from September 2017 it is reduced to 3.0x until 31st of March 2018, thereafter reduced to 2.5x. The following amounts may be added to the EBITDA: 2016 MEUR 6.5, 2017 MEUR 21.0, 2017 MEUR 22.8. Unused restructuring amounts may increase the limit the following or previoius 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 2.5x or below. Unutilized amounts can be forwarded to the next succeeding financial year.
- Dividend restrictions	Gearing ratio required to be 2.5x or below.

The covenants are tested quarterly, except for the CAPEX limit which is tested at year end. The Group is in compliance with the covenants as at 31.12.16.

Security

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

Liquidity reserve

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

MEUR	2016	2015
Cash reserve	34.2	39.6
Undrawn facility	106.6	85.6
Liquidity reserve	**140.8**	**125.2**

NOTE 20 Other Non-current Interest-free Liabilities

Specification of other non-current interest-free liabilities

Parent			Group	
2016	2015	MEUR	2016	2015
0.0	0.0	Loss-making contracts	2.6	0.0
0.0	**0.0**	**Total**	**2.6**	**0.0**

Loss-making contracts covering a contract period beyond one year after the balance sheet date are split into a short- and long term component. Please refer to Note 22 for further information.

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 conduct 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 off set the effects from the top line.

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

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

Sensitivity

At 31 December 2016, if the currency USD had weakened/strengthened by 5 % against the EUR with all other variables held constant, revenues would vary by around +/- 1.6% or MEUR +/- 16. 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 +/- 12. 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
- Copper
- Zinc
- Aluminium

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 the last years, being subject to large fluctuations in response to relatively minor changes in supply and demand and a variety of additional factors beyond the control of the Group, including government regulation, capacity, and general economic conditions.

A substantial part of the Group's steel and brass (copper and zinc) based products 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 affect will occur. For products sold to passenger car applications, the Group does not have the same opportunity to pass 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.

Interest rate risk

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

Interest rate swap

The Group entered into two interest rate swap agreements of MUSD 50 and MEUR 100 in March 2012. The two swaps matured in October 2016.

Sensitivity

Based on the simulations performed per 31.12.2016, 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 2.4.

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 and overdue are monitored on a weekly basis. Historically the Group have had limited loss on receivables. In some countries, the Group is alsoparticipating in some factoring agreements which reduces some of the credit risk and improve the working capital. See also Note 15.

The automotive industry consists of a limited number of vehicle manufacturers, hence the five biggest customers will be in the around 35% of total sales. The 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 to keeps track of its liquidity requirements and monitors to ensure there are sufficient cash to meet both operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. For unused liquidity reserve, see Note 19.

Capital risk management

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

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

NOTE 22 Trade and Other Payables

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

Parent			Group	
2016	2015	MEUR	2016	2015
0.5	0.4	Trade payables	111.0	101.0
57.2	34.7	Short-term group liabilities	0.0	0.0
3.7	2.0	Accrued expenses	51.2	47.6
0.0	0.0	Provisions	10.5	2.7
0.0	1.6	Interest rate swaps (IRS)	0.0	1.6
0.4	0.8	Other short-term liabilities	18.1	12.2
61.8	**39.5**	**Total**	**190.8**	**165.0**

Provisions

2016 MEUR	Warranty reserve	Restructuring and other provisions*	Total
Opening Balance	2.7	0.0	2.7
P&L charge /(credit)	0.1	8.4	8.4
Payments	(0.6)	0.0	(0.6)
Translation effect	0.0	0.0	0.0
Closing Balance	**2.1**	**8.4**	**10.5**

* Includes restructuring provisions (MEUR 6.6) and provisions for loss-making contracts (MEUR 1.7). Included in the restructuring provision is EUR 3.4 million related to the closing of the Norwegian plant in Rollag that was recognized in the third quarter of 2016 as a result of change in management assumptions. Loss-making contracts covering a contract period beyond one year after the balance sheet date are split into a short- and long term component, refer to Note 20.

Maturity structure

2016 MEUR	Provisions	Accrued expenses	IRS & Other short-term liabilities	Trade payables	Total
Repayable 0-3 months after year end	1.6	31.6	5.1	107.1	145.3
Repayable 3-6 months after year end	5.1	3.1	4.1	3.7	16.0
Repayable 6-9 months after year end	1.7	6.3	3.4	0.0	11.4
Repayable 9-12 months after year end	2.1	10.2	5.5	0.2	18.0
Total	**10.5**	**51.2**	**18.1**	**111.0**	**190.8**

NOTE 23 Financial Instruments

Classification, measurement and fair value of financial instruments

MEUR	Notes	Group – 2016 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)
Bank overdraft				(0.0)		(0.0)
Other current interest-bearing liabilities	19			(0.0)		(0.0)
Trade and other payables	15, 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.

MEUR	Notes	Group – 2015 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		165.0		19.0	184.0
Cash and cash equivalents			39.9			39.9
Interest-bearing loans and borrowings	19			(253.9)		(253.9)
Bank overdraft				-		-
Other current interest-bearing liabilities	19			(0.0)		(0.0)
Trade and other payables	22	(1.6)		(154.5)	(8.9)	(165.0)
Total		**(1.6)**	**204.9**	**(408.4)**	**10.0**	**(195.1)**
Fair value		(1.6)	204.9	(408.4)	10.0	(196.0)
Unrecognized gain/ (loss) *		-	-	(1.0)	-	(1.0)

* Unrecognized loss on financial instruments is related to capitalization of arrangement fees. Interest rate and currency forwards are the only types of derivative instrument held by the Group in 2015. 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 income (KEUR)

	2016	2015
Total remuneration of the Board of Directors	203.6	229.0
Gross base salary to the CEO*	675.2	430.2
Bonus to the CEO (short term incentive)**	32.9	56.2
CEO's option gains (long term incentive)**	364.4	0.0
Pension costs to the CEO***	46.2	31.1
Other remuneration to the CEO****	426.9	15.6
Management salaries other than to the CEO	2,350.5	1,799.4
Bonus, option gains, and other remuneration of management other than the CEO	1,065.1	433.2
Pension costs of management other than the CEO	257.3	204.1
Total	**5,422.1**	**3,198.9**

The below clarifications apply only to the 2016 figures:

* Change of CEO 10.06.2016. Previous CEO KEUR 402.9. New CEO KEUR 272.3.

** Previous CEO.

*** Previous CEO KEUR 33.7. New CEO KEUR 12.5.

**** Previous CEO KEUR 227.8 (termination payment and a car allowance of KEUR 14.2).

**** New CEO KEUR 199.1, of which KEUR 160.4 was a sign-on-bonus and KEUR 38.7 in moving related costs to the new headquarters.

Specification of remuneration to Board of Directors (KEUR)

Name	Position	Compensation committee	Audit committee	BOD fees	Total 2016	2015
Bruce E. Taylor	Chair	3.0		32.3	35.3	0.0
Henning E. Jensen	Chair	1.1		9.5	10.5	0.0
Ulla-Britt Fräjdin-Hellqvist	Chair	1.3		12.1	13.5	55.8
Ellen M. Hanetho	Board member		4.8	21.0	25.8	0.0
Halvor Stenstadvold	Board member		1.6	7.0	8.6	35.7
Magnus Jonsson	Board member	0.9		7.0	7.9	32.9
Malin Persson	Board member	2.8	1.6	28.0	32.4	32.4
Thomas Falck	Board member		8.6	28.0	36.6	38.0
Jon-Ivar Jørnby	Employee representative			9.7	9.7	5.0
Kari Brænden Aaslund	Employee representative			9.7	9.7	5.0
Kjell Kristiansen	Employee representative	3.8		9.7	13.5	14.0
Other (replaced board member)				0.0	0.0	10.1
Total - Board of Directors		**12.9**	**16.7**	**173.9**	**203.6**	**229.0**

Specification of remuneration to nomination committee (KEUR)

Name	Position	2016	2015
Tor Himberg-Larsen	Committee chairman	22.1	10.1
Hans Trogen	Committee member	12.4	5.0
Heidi Finskas	Committee member	9.7	4.5
Total - Nomination Committee		**44.1**	**19.5**

Specification of remuneration to Management other than CEO (KEUR)

2016

Name	Position	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**

* Net proceeds from exercise financial year 2016.

** Total amount 2016, including months in previous position, before promotion.

2015

Name	Position	Base salary	Bonus	Options	Pension	Other	Total
Trond Stabekk	EVP, CFO	283.7	36.9		31.1	13.4	365.1
Jarle Nymoen	EVP, Human Resources	198.3	23.2	24.0	22.9	13.4	281.8
Lovisa Söderholm	EVP, Purchase	173.2	20.3		43.7		237.2
Scott Paquette	EVP, Driver Control	287.7	72.1	6.8	6.0	10.8	383.4
Joachim Magnusson	EVP, Driveline	235.2	17.9	6.8	38.6		298.4
Jonathan Day	EVP, Fluid Transfer	262.4	62.2		6.6	10.8	342.1
Anders Nyström	EVP, Interior	219.4	45.2	48.1	44.5		357.1
Philippe Toth	SVP, Business Development & IR	139.6	14.5		10.8	6.7	171.6
Total - Management other than CEO		**1,799.4**	**292.4**	**85.7**	**204.1**	**55.2**	**2,436.8**

The Management Group participates in a bonus scheme (short term incentive). Details on the STI in Note 26. Target bonus for management is 45% or 50% of base salary.

Max bonus is 69.3% of base salary for Group Management and 77.0% of base salary for the CEO. Average bonus last five years for the CEO is 30% of base salary.

A total of MEUR 1.8 is accrued for bonus earned in 2016 (2015: MEUR 2.7). Bonus eligible employees are approximately 250. The accrual includes social security costs.

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							
Hans Peter Havdal		108,333	216,666					157,465
Martin B. Hogganvik	30,000	30,000	30,000	10,000				
Helga Bollmann Leknes	100,000							
Lovisa Söderholm	125,000	125,000						
Matthias Vogel	97,400	100,000	100,000					
Jon Munthe	50,000	50,000		33,334	15,000			
Geert Quaegebeur								
Scott Paquette	125,000	125,000	125,000			117,000	102,029	13,012
Jonathan Day	125,000	125,000	125,000					24,072
David Redfearn	125,000	50,000	50,000	33,334	13,334			12,361
Anders Nyström	125,000	125,000	125,000	125,000				
Philippe Toth	125,000	125,000	50,000					1,781
Total options	**1,208,153**	**963,333**	**821,666**	**201,668**	**28,334**	**117,000**	**102,029**	**208,691**

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

Specification of fees paid to the auditors

KEUR	2016	2015
Statutory audit services to the Parent company (Deloitte)	68.3	50.1
Statutory audit services to subsidiaries (Deloitte)	469.2	496.1
Statutory audit services to subsidiaries (Other)	103.1	118.4
Further assurance services (Other)	29.4	31.9
Other non-audit services (Other)	26.3	27.9
Total	**696.2**	**724.3**

NOTE 25 Shares Owned by Management and Board of Directors as at 31.12.16

Board of Directors		No of shares
Bruce E. Taylor	Chairman	126,791
Ellen M. Hanetho	Board member	0
Malin Persson	Board member	10,000
Thomas Falck	Board member	1,000,000
Jon-Ivar Jørnby	Employee representative	0
Kari Brænden Aaslund	Employee representative	0
Kjell Kristiansen	Employee representative	0
Total number of shares		**1,136,791**

Executive Committee		No of shares
Henning E. Jensen	CEO & President	147,500
Martin B. Hogganvik	Interim CFO	10,000
Helga Bollmann Leknes	EVP, Human Resources & Comm	10,250
Lovisa Söderholm	EVP, Purchase	37,500
Matthias Vogel	EVP, QA, HSE & CR	47,900
Jon Munthe	General Counsel	24,582
Geert Quaegebeur	EVP, Powertrain & Chassis	0
Scott Paquette	EVP, Driver Control	90,800
Jonathan Day	EVP, Fluid Transfer and Driveline	139,250
David Redfearn	EVP, Fluid Transfer	39,265
Anders Nyström	EVP, Interior	65,000
Philippe Toth	EVP, Business Development & IR	48,680
Total number of shares		**660,727**

NOTE 26 Statement of Remuneration of Management

Principles for Executive remuneration.

Remuneration governance

The Board has appointed a Compensation Committee that is headed by the Chair 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 by the Compensation Committee and then approved by the Board. The Board of Directors considers annually the compensation of the CEO. 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 Annual Bonus Scheme (ABS) is a short term incentive with a timeframe of one year. The ABS is a worldwide incentive program designed to motivate, recognize and reward eligible employees for the contributions they make towards meeting KA's financial and business targets, as well as personal 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 Return on capital employed (ROCE), year over year revenue growth , business wins and business performance. Business performance is business targets for a unit, or as an individual. The business targets may reflect defined KPIs related to QA, HSE, CSR, financial performance, and so on. ROCE, year over year revenue growth, and business wins are measured at both Group and Business Area (BA) level.

Target bonus for the CEO is 50% of gross base salary. Max bonus is 77% of gross base salary. Average bonus last five years for the CEO is 30% 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 programmes for leading employees that have been approved by shareholders in the Annual General Meeting. It is the company's judgement that it is positive for long-term value creation in the group that leading employees hold shares 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 programmes:
- The exercise price of the options shall be the average trading price of the KOA shares the first 10 days after presentation of the 4th quarter results.
- Options granted can be exercised at the earliest after 3 years. The exercise period shall typically be 4 years.
- Minimum profit per share option to be eligible to exercise an option is NOK 1,-.
- 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.
- Principally, if an employee leaves the company, outstanding options which were not exercisable on the date of termination of employment will be forfeited.

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.

Employees in the Norwegian entity participate in a defined contribution pension plan. The annual accrual is 4% of the annual base salary from 1- 6 G, 8% from 6 -12 G and 18% from 12-24 G (G is the base amount of Norwegian Social Security). The Top Hat (12-24 G) is non-secured and unfunded.

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 the 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 lease. The total group cost for operating leases was MEUR 5.1 in 2016 (2015: 5.5). Operating leases includes lease contracts for office and production buildings, forklifts, and office equipment. Below is the maturity schedule for operational leases in the Group:

MEUR	2017	2018	2019	2020	2021	Thereafter	Total
Operational lease commitments	(5.7)	(5.5)	(5.4)	(5.1)	(2.5)	(3.5)	(27.7)

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 on behalf of subsidiaries. The maximum potential exposure is approximately EUR 16 million.

Kongsberg Automotive Group:

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

NOTE 28 Contingent Liabilities

Contingent liabilities

The following in 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. believes that this 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. believes that these claims are covered by its insurance.

Potential Claim Republic Services Inc. of Phoenix, AZ v. Kongsberg Actuation Systems II, Inc. (not yet filed)

Kongsberg Actuation Systems II, Inc. has been informed of a potential 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 Kongsberg Actuation Systems II, Inc. ("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 believes this claim is covered by its insurance.

NOTE 29 Subsequent events

Disposal of headrest and armrest buisiness in North America

Shortly after year-end, a purchase agreement was signed for the North American Headrest and Armrest business held for sale as of 31.12.2016. The sale concludes the board's decision to exit this business, creating a more focused business.

Loan agreement

After year-end the Group exercised an option to extend the termination date of the revolving credit facility by one year, from 01.03.2019 to 01.03.2020. The available facility will be slightly reduced in the extention period.

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

Type of services	MEUR	Parent 2016	2015
Group benefits fee from subsidiaries *		16.2	28.1
Information Systems & Technology		11.5	10.2
Other		6.6	4.7
Operating revenues		**34.2**	**43.0**

* Group Benefit Fee is composed of access rights to various intangible properties owned by Kongsberg Automotive ASA, and value added services. These services are made available by drawing on the Group's resources, as well as on those available from 3rd parties.

Specification of revenues – revenues by geographical location

Revenues by geographical location	MEUR	Parent 2016	2015
Norway		4.6	5.4
USA		5.1	7.3
Sweden		3.3	4.0
China		2.3	3.6
Mexico		5.4	6.8
Other countries		13.4	15.8
Total		**34.2**	**43.0**

Outstanding loans and receivables with other group companies

Loans to other group companies	MEUR	Parent, Non-current assets 2016	2015
Kongsberg Automotive SP. z.o.o		12.6	4.0
Kongsberg Automotive Hong Kong Ltd		0.0	5.8
Kongsberg Automotive Holding 2 AS		393.3	388.2
Kongsberg Automotive s.r.o.		10.0	4.0
Kongsberg Actuation Systems SL		10.5	11.1
Other group companies		6.8	3.8
Total		**433.2**	**416.9**

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.

Short term Group receivables	MEUR	Parent, Current assets 2016	2015
Kongsberg Actuation Systems SL		0.2	0.2
Kongsberg Automotive s.r.o		0.2	0.1
Kongsberg Automotive Ltd (Hong Kong)		9.8	7.3
Kongsberg Automotive (Shanghai) Co Ltd.		0.4	0.4
Kongsberg Automotive Inc.		2.8	13.6
Kongsberg Automotive Holding 2 AS		10.9	0.0
Kongsberg Automotive AS		9.5	9.6
Kongsberg Automotive (Wuxi) Ltd.		4.7	3.0
Other group companies		0.3	1.3
Total		**38.9**	**35.4**

Outstanding liabilities with other group companies

		Parent	
		Current liabilities	
Liabilities with other group companies	MEUR	2016	2015
Cash pool overdraft [1]		40.1	12.3
Trade and other payables group companies [2]		57.2	34.7
Total		97.3	47.0

1) Net position of the parent company in the group cash pool.
2) Mainly Group contribution to Kongsberg Automotive Holding 2 AS (53,1 MEUR).

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.

NOTE 31 Restatement

Until the second quarter of 2016 a commercial currency exposure was wrongly recognized as a financial items within the Driveline business area. The error has been corrected and reclassified from financial items to revenues. Though impacting revenues and operating profits, the reclassification does not impact net profit.

Group

MEUR	Reported	Correction	2015 Restated
Revenues	1020.1	(4.1)	1016.0
Opex	(917.5)		(917.5)
EBITDA	102.6	(4.1)	98.5
EBITDA %	*10.1*		*9.7*
Depreciation and amortization/impairment	(66.1)		(66.1)
EBIT	36.5	(4.1)	32.4
EBIT %	*3.6*		*3.2*
Net financial items	(32.8)	4.1	(28.7)
Profit before taxes	3.7		3.7

Driveline

MEUR	Reported	Correction	2015 Restated
Revenues	253.9	(4.1)	249.8
Opex	(240.7)		(240.7)
EBITDA	13.2	(4.1)	9.1
EBITDA %	*5.2*		*3.6*
Depreciation and amortization/impairment	(11.0)		(11.0)
EBIT	2.2	(4.1)	(1.9)
EBIT %	*0.9*		*-0.8*

Key Financial Data

Group

			2016	2015*	2014	2013	2012
	Operations and profit						
1	Operating revenues	(MEUR)	985.7	1,016.0	979.1	990.9	1,001.1
2	Depreciation and amortisation	(MEUR)	45.1	66.1	42.1	43.9	46.3
3	Operating (loss) / profit	(MEUR)	18.3	32.4	54.8	53.2	30.7
4	(Loss) / profit before taxes	(MEUR)	19.3	3.7	18.9	12.8	11.9
5	Net profit	(MEUR)	1.3	(8.3)	5.4	6.6	5.3
6	Cash flow from operating activities	(MEUR)	70.8	73.5	86.1	87.6	78.9
7	Investment in Property, Plant and Equipment	(MEUR)	48.1	41.0	34.0	27.9	28.6
8	R&D expenses, gross	(MEUR)	81.0	70.5	58.7	48.6	47.1
9	R&D expenses, net	(MEUR)	64.3	55.2	49.9	40.0	40.3
	Profitability						
10	EBITDA margin	%	6.4	9.7	9.9	9.8	7.7
11	Operating margin	%	1.9	3.2	5.6	5.4	3.1
12	Net profit margin	%	0.1	(0.8)	0.6	0.7	0.5
13	Return on total assets	%	2.6	4.7	8.0	7.4	4.0
14	Return on capital employed (ROCE)	%	4.0	7.0	11.8	10.9	5.8
15	Return on equity	%	0.6	(3.9)	2.7	3.5	2.8
	Capital as at 31.12						
16	Total assets	(MEUR)	691.6	684.1	689.2	687.3	744.9
17	Capital employed	(MEUR)	447.0	468.1	463.1	463.7	507.5
18	Equity	(MEUR)	208.6	214.2	210.3	189.6	184.7
19	Equity ratio	%	30.2	31.3	30.5	27.6	24.8
20	Cash reserve	(MEUR)	140.8	125.2	134.8	106.5	106.0
21	Interest-bearing debt	(MEUR)	238.4	253.9	252.8	274.0	322.8
22	Interest coverage ratio		2.3	1.1	1.5	1.2	1.0
23	Current ratio (Banker's ratio)		1.6	1.8	1.6	1.6	1.6
	Personnel						
24	Number of employees at 31.12		9,791	10,004	9,880	10,135	10,119

* 2015 have been restated; refer to Note 31 for further information.

Definitions

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

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, 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 the section Condensed Financial Statements for a reconciliation of the EBIT measure. See below for a reconciliation of the adjusted EBIT.

MEUR		2016	2015
EBIT (1)		18.3	32.4
Restructuring costs (2) *		10.0	0.0
Adjusted Operating Profit, (1) + (2) + (3)		28.3	32.4
Adjusted Operating Margin	%	**2.9**	**3.2**
Adjusted Operating Margin	%	3.7	5.1

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

EBITDA/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 the section Condensed Financial Statements for a reconciliation of the measure. See below for the reconciliation of the adjusted EBITDA.

MEUR	2016	2015
EBITDA (1)	63.4	98.5
Restructuring costs (2)	9.6	0.0
Adjusted EBITDA, (1) + (2)	**73.0**	**98.5**

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

MEUR	2016	2015
Cash flow from operating activities	70.8	73.5
Cash flow from investing activities	(50.5)	(43.5)
Cash flow from financing activities	(26.4)	(26.3)
Net repayment of debt	(19.8)	(13.6)
Free Cash flow	**13.7**	**17.3**

NIBD

Net interesting 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 interesting 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

MEUR	2016	2015
Interest bearing loans and borrowings	238.4	253.9
Other short term liabilities, interest bearing	0.0	0.0
Bank overdraft	0.0	0.0
Cash and cash equivalents	34.6	39.9
Net Interesting Bearing Debt	**203.9**	**214.0**

Capital employed

Capital Employed (CE) is equal to operating assets less operating liabilities. Operating assets and liabilities are assets which are involved in the process of selling goods and services, the business. Financial assets and obligations are excluded, these assets 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 efficient 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

MEUR	2016	2015
Total assets	691.6	684.1
Deferred tax liabilities	(27.1)	(30.8)
Other long term liabilities	(20.7)	(17.9)
Current liabilities incl. other short-term interest bearing liabilities	(196.8)	(167.3)
Other short term liabilities, interest bearing	0.0	0.0
Capital Employed	**447.1**	**468.1**

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 beginning period 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

MEUR			2016
Capital Employed at period beginning (1)	31.12.15		468.1
Capital Employed at period end (2)	31.12.16		447.1
Adjusted EBIT last twelve months (3)			28.3
ROCE, (3) / ((1) +(2)/2) %			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 Groups financial gearing and financial position.

Reconciliation

MEUR	2016	2015
Adjusted EBITDA last twelve months (1)	73.0	98.5
NIBD (2)	203.9	214.0
Gearing Ratio (2)/(1)	2.8	2.2

Declaration to the Annual Report 2016

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, 2016 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the Company's and the Group's assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risk and uncertainties facing the entity and the group.

Kongsberg, February 27, 2017
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.)

Malin Persson
Board member
(Sign.)

Kari Brænden Aaslund
Employee representative
(Sign.)

Kjell Kristiansen
Employee representative
(Sign.)

Jon-Ivar Jørnby
Employee representative
(Sign.)

Henning E. Jensen
President and CEO
(Sign.)

Auditor's Report

Deloitte AS
Dronning Eufemias gate 14
Postboks 221 Sentrum
NO-0103 Oslo
Norway

Tel: +47 23 27 90 00
Fax: +47 23 27 90 01
www.deloitte.no

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 2016, and statement of comprehensive income, statement of changes in equity and cash flow statement 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 2016 and statement of comprehensive income, statement of changes in equity, cash flow 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 2016, 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 2016, 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.

The key audit matters identified in our audit are:
- Carrying value of goodwill
- Accounting for 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, Interior, Fluid Transfer, and Driver Control as Cash Generating Units (CGUs) for the purpose of testing for impairment. As disclosed in note 12 the carrying value of goodwill amounted to EUR 155.0 million at 31 December 2016. 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. Due to the inherent uncertainty involved in the forecasting and discounting of future cash flows, which are the basis of the assessment of recoverability, this is one of key judgemental areas that our audit is concentrated on. Management's 2016 year end testing did not identify any impairment charge. However, as disclosed in note 12, are the recoverable values for the Driveline and Driver Control segments sensitive as historical performance need to be improved. Given the uncertainty associated with the valuation of the recoverable amounts, transparent disclosures and clarity of sensitivities to key assumptions are critical to help inform readers how management has made their assessment. Due to the level of complexity in assessing the appropriate accounting for impairment 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 forecast 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 model; - 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 implied 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.

Deloitte.

Accounting for 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, giving rise to complexity in accounting for the Group's taxation. As disclosed in note 11, the Group recognized in 2016 an impairment of deferred tax assets of EUR 9.0 million and did not recognize as tax asset current year tax losses of EUR 2.8 million Historical tax losses give rise to judgement in determining the appropriate recognition of deferred tax assets. Due to the level of complexity in assessing the appropriate accounting for taxes and the level of management's judgement required to determine the appropriate recognition of tax assets related to tax loss carry forwards, this has been identified as a key audit matter.	Our audit work, which involved Deloitte taxation specialists within specific jurisdictions where local tax knowledge was required, included the assessment of taxation assets and liabilities, with particular consideration and challenge given to management`s judgements in relation to the recognition of deferred tax assets. 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 have 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

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 coverage of the loss 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 2017
Deloitte AS

Ingebret G. Hisdal
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 labour. All suppliers to the Company are required to confirm their adherence to these principles by signing a particular certificate. The Company has further clear policies on environmental issues and health and safety. The policies are available on the Company's web pages.

2. DEFINITION OF KA'S BUSINESS

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

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

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

3. EQUITY AND DIVIDENDS

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

The Company's Dividends Policy of November 26, 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 March 31, 2016 further granted a mandate to the Board of Directors to increase the share capital by up to NOK 20 338 406. The mandate to increase the share capital is limited to defined purposes.

The above mandates expire at the earlier of the next ordinary General Meeting or 30 June 2017.

4. EQUAL TREATMENT OF SHAREHOLDERS & TRANSACTIONS WITH RELATED PARTIES

KA has only one class of shares and all shareholders in KA enjoy equal rights. Transactions in own shares are in general carried out through the stock exchange or at prevailing stock exchange prices. Possible buy backs will be carried out at market prices.

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

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

There has not been any significant transaction in 2016 between the Company's shareholders, board directors or members of the executive management, or parties closely associated with such parties and the Company or its group companies.

5. FREELY NEGOTIABLE SHARES

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

6. GENERAL MEETINGS

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

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

The 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 2016/2017 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 further an assessment of how the candidates meets the Company's needs for expertise, capacity and diversity.

Information about the Nomination Committee and the deadlines for submitting proposals to the Nomination Committee will be made available on the Company's web pages where the shareholders are encouraged to propose candidates for directorships.

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

8. BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

The Board of Directors shall according to the Articles of Association of the Company consist of 3 – 9 members of whom up to 5 members shall be elected by the General Meeting. The Board consists at present of the following directors elected by the General Meeting: Bruce E. Taylor (chair), Ellen M. Hanetho, Malin Persson and Thomas Falck. The following directors are elected by and among the employees; Kjell Kristiansen, Kari Brænden Aaslund 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 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 2016 has been:

	Board Meetings	Compensation committee	Audit Committee
Bruce E. Taylor[1]	10	2	
Ellen M. Hanetho[1]	9		6
Malin Persson	14	4	
Thomas Falck	14		7
Kjell Kristiansen	15	4	
Kari Brænden Aaslund	14		
Jon-Ivar Jørnby	15		
Henning E. Jensen[2]	4	1	
Ulla-Britt Fräjdin-Hellqvist[3]	5	1	
Magnus Jonsson[3]	5		
Halvor Stenstadvold[3]	5		1

1) Elected 31 March,
2) Elected 31 March, appointed as CEO and resigned from the BOD 10th June,
3) 1 January – 31 March

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 has scheduled 9 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 behaviour, etc, and the risk of losses resulting from inadequate or failing internal processes, systems, human error or external events.

The assessment and handling of risk is integrated into the Group's value based management system. The management system is intended to ensure that there is a correlation between objectives and actions at all levels of the Group, and the general principle of value creation for KA's stakeholders.

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

10.2 Financial Reporting

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

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

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

The Group addresses frequently occurring items affecting the accounting record keeping, internal accounting controls and financial reporting within the consolidated group through the KA 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 OF THE DIRECTORS OF THE BOARD

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

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

12. REMUNERATION TO THE EXECUTIVE MANAGEMENT

The Board of Directors has established guidelines for the remuneration to the executive management. The remuneration for the management is further reviewed by the Board annually. The guidelines are available on the Company's web pages and are 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.

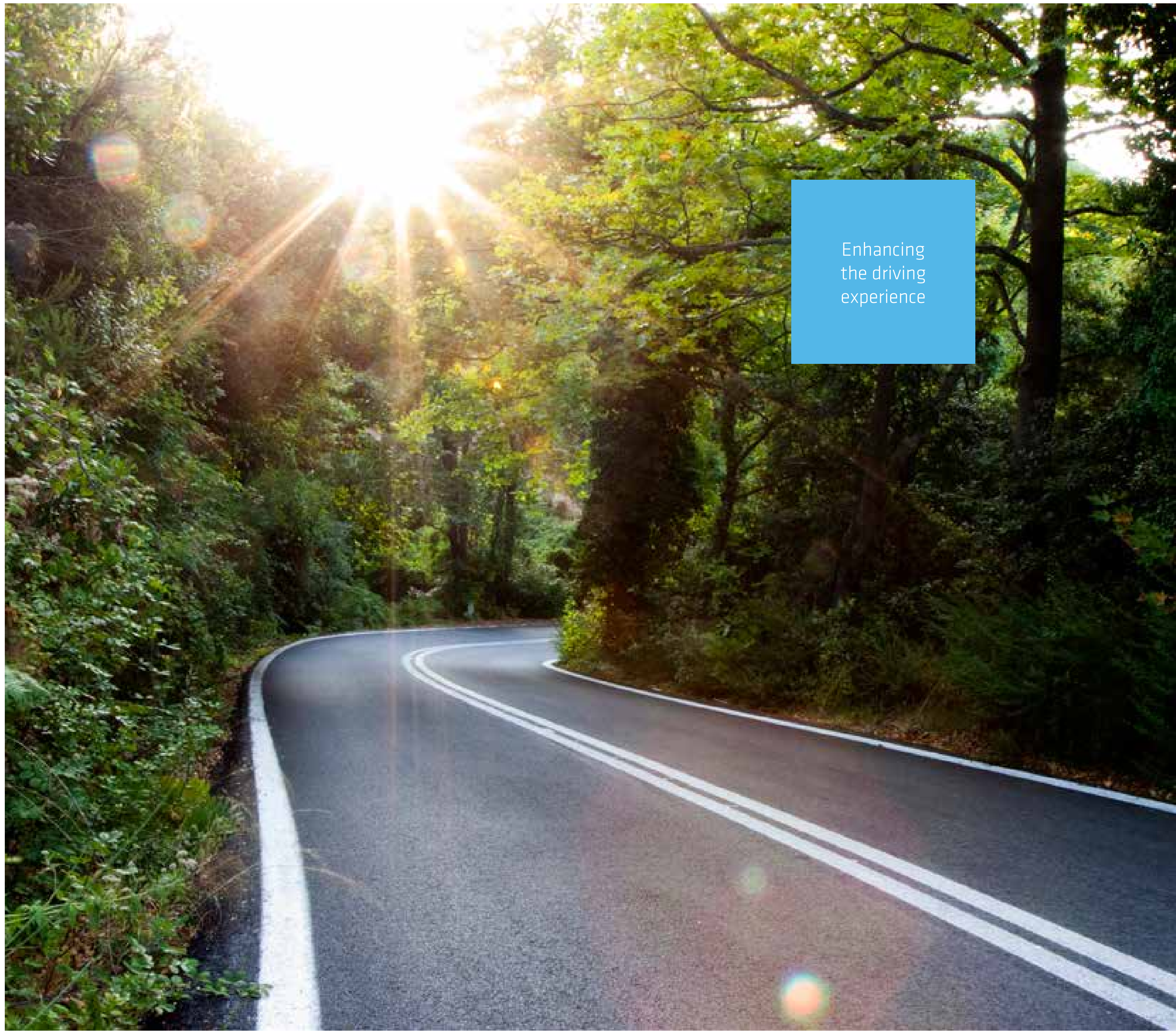
There are no defence mechanisms in the Articles of Association for the Company or any underlying documents, nor are there implemented any measures to limit the opportunity to acquire shares in the Company.

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

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

15. AUDITOR

The Auditor presents annually the main elements of plan for the auditing of the Company to the Audit committee. The Auditor participates in the meetings with the Audit Committee and in the board meeting that approves the financial statements and further, meets with the Board without the management of the Company present at least once a year. The Auditor reviews the internal controls of the company and presents the result of the review to the Audit committee annually together with identified weaknesses, if any, and proposals for improvements. The Company has established guidelines for the Auditor's and associated persons' non-auditing work. Compensation to the Auditor is disclosed in a note to the Annual Accounts hereto and is also reported and approved by the General Meeting.



Kongsberg Automotive ASA
Dyrmyrgata 48
Postboks 62
3601 Kongsberg
Norway
Telephone: +47 32 77 05 00
Telefax: +47 32 77 05 05
E-mail: ir@ka-group.com

If you have questions related to this report, please contact
Fredrik Tangeraas, Director of Corporate Communications at Kongsberg Automotive: fredrik.tangeraas@ka-group.com
www.kongsbergautomotive.com