KONGSBERG
AUTOMOTIVE

Annual Report 2013

CONTENTS

THE COMPANY

Our Business

Kongsberg Automotive provides world-class products to the global vehicle industry. Our products enhance the driving experience, making it safer, more comfortable and sustainable.

Kongsberg Automotive's business has a global presence. With revenues of around EUR 1 billion and over 10.000 employees in 20 countries, Kongsberg Automotive is truly a global supplier. The company is headquartered in Kongsberg, Norway, and has 32 production facilities worldwide.

Our Products

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

Our Business Areas

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

Interior

Safety and comfort related products for vehicle interiors

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

Driveline

Gear shift systems for light duty vehicles

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

Fluid Transfer

Fluid handling systems for commercial vehicles and passenger cars

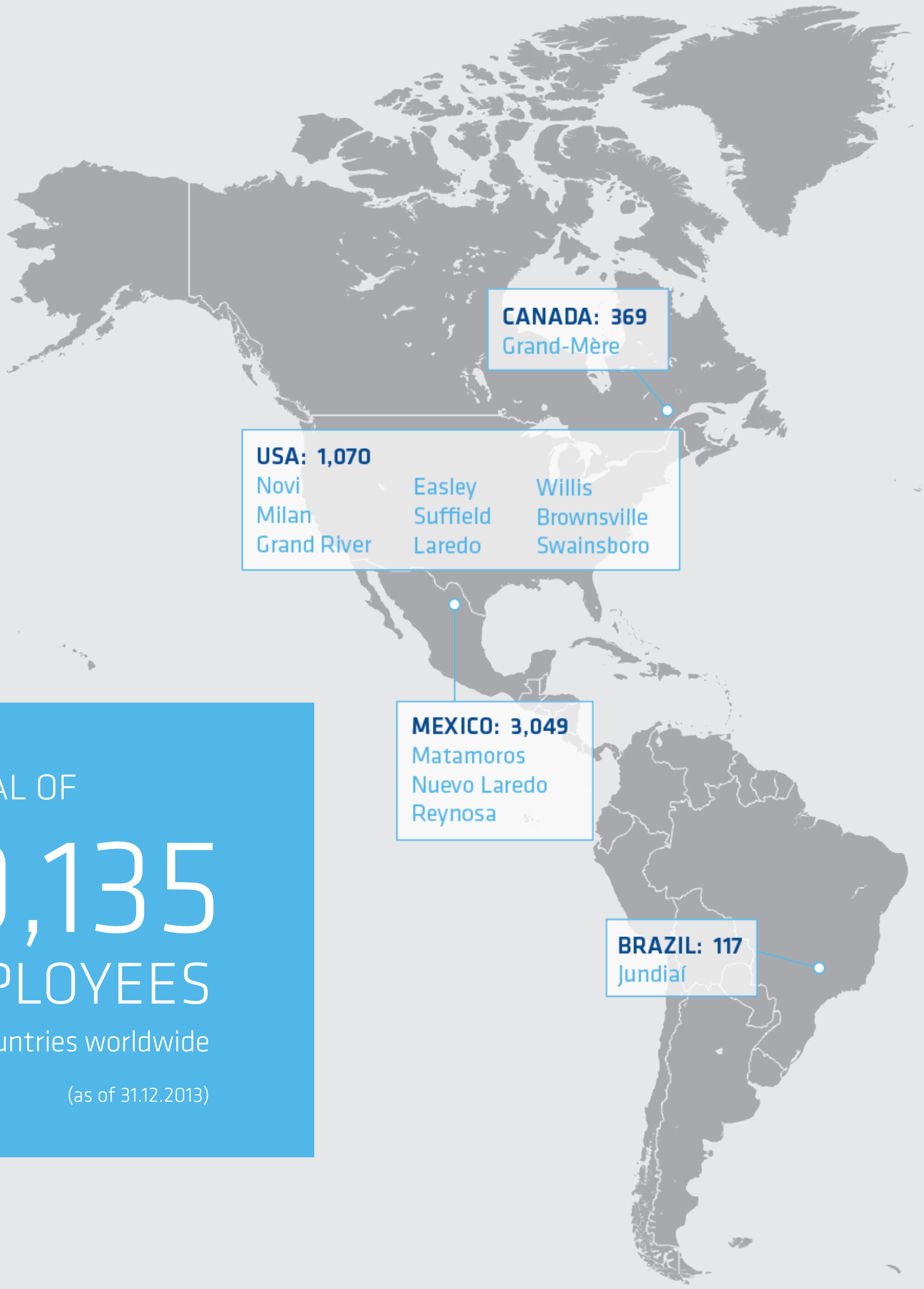
- Pipe / hose assemblies for turbo chargers
- Brake- and fuel systems
- Couplings for air brake systems

Driver Control

Driver control systems and chassis related products to commercial vehicles, outdoor power equipment and recreational products

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

LOCATIONS AND EMPLOYEES 2013



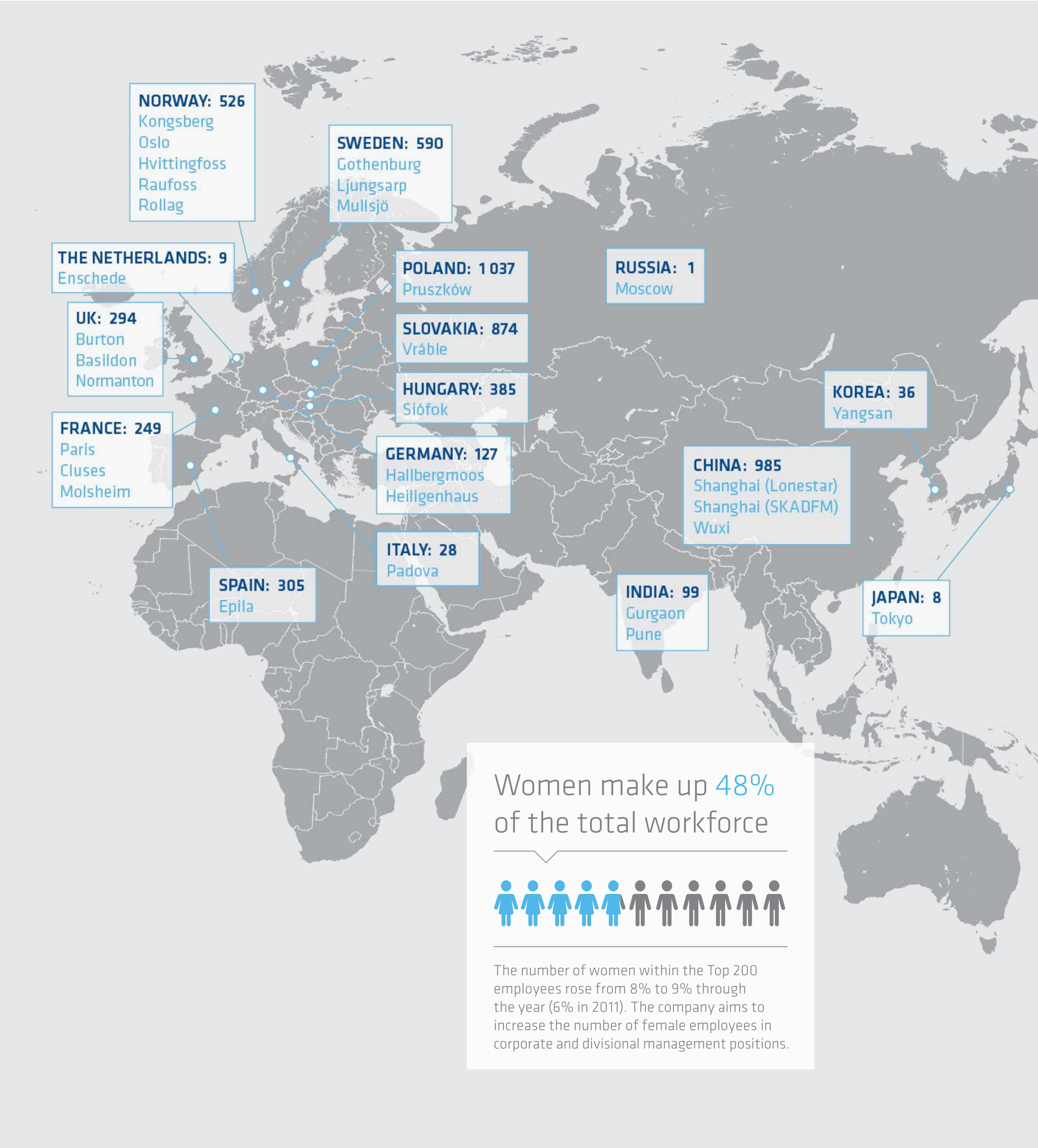
A TOTAL OF

10,135

EMPLOYEES

in 20 countries worldwide

(as of 31.12.2013)



Women make up 48% of the total workforce

The number of women within the Top 200 employees rose from 8% to 9% through the year (6% in 2011). The company aims to increase the number of female employees in corporate and divisional management positions.

BUSINESS HIGHLIGHTS IN 2013

Driver Control:

EUR 22.8 million contract for cable gear shift systems

Contract for manual transmissions from a leading Indian commercial vehicle manufacturer; production in Pune, India.

Driveline:

EUR 150 million contract from a major European OEM

For supply of the complete manual gear shift system; production in Cluses, France and Vrable, Slovakia.

Financials:

The Group improved on all financials ratios

The gearing ratio reduced from 3.8 to 2.5 times NIBD/EBITDA. Net interest bearing debt reduced from EUR 289 million to EUR 241 million.

Driveline:

3 new contracts worth EUR 116 million

3 new contracts worth EUR 116 million over 5 years for automatic and manual gear shift systems for a European and a Chinese OEM; production in Wuxi, China.

Interior:

5 year contract for seat support systems

Contract for seat support systems, massage systems and light duty cables from a fast growing premium European car brand, worth EUR 35 million over 5 years; production in Pruszkow, Poland and Siofok, Hungary.

Fluid Transfer:

Plant extension in Normanton

3000 square meter extension to the UK manufacturing plant opened in November. This is the biggest investment there since the plant opened in 1992, creating 100 new jobs.

Financials:

Operational improvements

Operating margin improved from 3.1% to 5.4%. The key improvement was the turnaround of the Driveline business area.

Interior:

Premium European OEM contract

EUR 62.5 million contract with a premium European OEM for the supply of a highly advanced massage system for driver and passenger seats in premium vehicles; production in Pruszkow, Poland.

Fluid Transfer:

18.2 million worth of new business

EUR 18.2 million of new business with one of the world's largest suppliers of braking and vehicle control systems for the truck and bus industry; production in Raufoss, Norway.

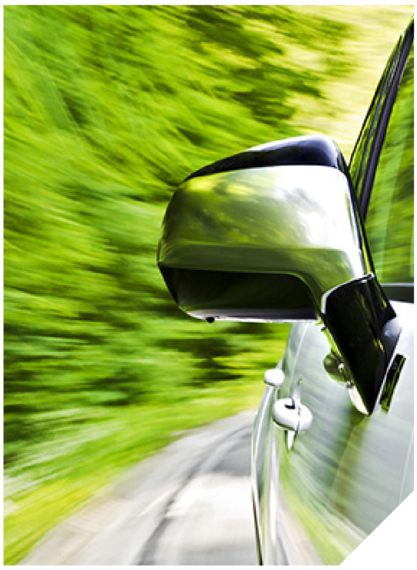
Driveline:

Shift-by-wire system with a crystal knob for Volvo

KA delivers the shifter system to Volvo's Concept Coupe which was unveiled at the IAA 2013 show in Frankfurt; produced in Mullsjö, Sweden.

e-Power wins first development contract on hybrid vehicles

KA's e-Power unit was nominated for its first serial development program for an onboard charger for a hybrid city bus, from a global, market leading OEM.



CEO REPORT

"I can say that we remain well on track to deliver on our 2015 financial targets."

Dear fellow shareholders,

Kongsberg Automotive made headway in 2013 and confirmed its position as a world class supplier to the passenger- and commercial vehicle sectors. While revenues remained flat in a challenging market, we improved our profitability and reduced our debt. As a result, I can say that we remain well on track to deliver on our 2015 financial targets.

Over the course of our 26 year history, Kongsberg Automotive has evolved from a Nordic truck parts supplier to become a provider of world class products to the global vehicle industry. Today our products are found in cars and commercial vehicles across the globe, and we aim to enhance the driving experience, making it safer, more comfortable and sustainable.

Kongsberg Automotive's performance during the year was the result of hard work from dedicated employees around the world, to whom I would like to express my gratitude. Together we have managed to improve our internal efficiency, strengthen our position in the market, and provide innovative and unique solutions to our customers.

The global passenger car and commercial vehicle segments continued the growth trend in 2013, albeit with regional differences in growth becoming more apparent. Indeed, growth in the BRIC (Brazil, Russia, India, and China) countries was particularly robust and is expected to outpace other regions over the next five years.

Kongsberg Automotive has a well established footprint in the BRIC countries, and enjoys strong relations with both global and local customers in these markets. The importance of BRIC countries and the results we are creating there are becoming more significant; we booked about one third of our new business wins in 2013 in BRIC countries, and expect to more than double BRIC revenues by 2018.

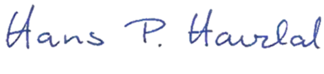
The global automotive industry is highly competitive and is marked by a perpetual drive for efficiency and improvement throughout the value chain. 2013 was no exception in that regard, as global vehicle platform consolidation continued and new alliances between OEMs were entered into, all to create efficiencies on a global scale. Moreover, the level of technology and electronics content in vehicles is set to increase given strong focus on comfort, safety and emission reduction features among vehicle manufacturers and consumers alike.

For the supplier industry the impact of these developments will be profound, with fewer but larger business opportunities, along with increased demand on global engineering and production capabilities.

Yet the opportunities remain significant for companies that know their markets and customers, make the right strategic choices and execute with discipline. To continue to perform in a competitive environment Kongsberg Automotive will focus on driving innovations to support the trend from mechanical to electric actuation, and grow our electronics capability across our business areas. We will also continue to focus on important areas such as growth in BRIC markets, and last but not least our people; attracting and developing our talents around the globe.

Given our history, focus, skills and global reach I am convinced that Kongsberg Automotive will continue to thrive in a competitive landscape. We have an impressive portfolio of leading products, a global engineering and production footprint, and a strong capacity for innovation. We serve a valuable client base and leading OEMs across the globe and we have passionate, accountable and prepared employees who are eager to contribute and who are full of great ideas. These are all the ingredients for a successful company.

The measures we took over the past years to improve our business are yielding results. Our goals may be ambitious and conditions ahead may be challenging, but based on our achievements in 2013, we are moving in the right direction.



Hans Peter Havdal
President & CEO

REPORT OF THE BOARD OF DIRECTORS

In 2013 Kongsberg Automotive delivered results from improvement measures taken over the last years, and the Group improved on all financial ratios. Operating margin and return on capital employed increased, and gearing on the balance sheet was reduced. In sum, this amounts to a much improved financial situation for the Group, where the key improvement was the turnaround of the Driveline business area.

Indeed, financial ratio improvements were achieved despite a challenging European market, KA's largest in terms of revenues. Hard work and tough ambitions are behind the improved 2013 numbers. The completion of restructuring efforts, headcount reductions, price increases and numerous operational improvements have been delivered by an organization in line with the Group's values – passionate, accountable and prepared.

> This results in a much improved financial situation for the Group, where the key improvement was the turnaround of the Driveline business area.

KA's established global footprint is becoming ever more important as global growth patterns are changing in favor of emerging markets. It is therefore important to note that the Group booked more business in emerging markets, than the relative size of these markets in 2013 sales. Thus, the Group continues to strengthen its future position in these markets through new contracts booked during the year.

In 2013 Kongsberg Automotive signed new contracts worth approximately 200 million euros in annual revenues. Among these were several large, strategic contracts, demonstrating strong customer relationships and KA's ability to serve the global vehicle market with deliveries from multiple KA locations around the world based on the Group's technology and product offerings. The business wins are at a satisfactory level, and support the future plans for the business. The automotive industry as such continues to develop in a positive direction. Global volume predictions show an industry in growth and the push for global suppliers with technology competence remains a strong trend for both the passenger car and commercial vehicle segments.

Markets

Light Vehicle Production (GVW*<6t)

Light Vehicles Production (LVP) was 83.9 million in 2013, up 2.7% from the preceding year, due to the North American rebound and growth in China.

Europe

Production in Europe fell to 19.2 million units in 2013, down 1.1% compared to 2012. Southern European markets were hit particularly hard, but the outlook remains slightly brighter as GDP growth turned upwards towards the end of 2013.

North America

The sharp recovery in North America in 2012 lost some momentum in 2013, but continued at a more sustainable pace, with 16.2 million vehicles being produced. This was an increase of 5% compared to 2012. Stable US demand was driving the North American production increase.

Asia

Once again, China led the growth in Asia. Production in China grew by 12.5% in 2013, to a world-leading 20.5 million vehicles. India however had a sharp downturn and contributed to a total decline of the rest of Asia.

Commercial Vehicle Production (GVW>6t)

Production of medium and heavy-duty commercial vehicles rose to 2.75 million in 2013, up 4.3% from the previous year. The main increase came in China, as truck purchases accelerated on following a decline in 2012. Indeed, Chinese growth in 2013 was 13% to 994 000 units.

Europe

European production rose in the second half of 2013, due to a pre-buy effect of the introduction of Euro 6 emission standards on January 1, 2014. For the year as a whole, European production declined 1.0 % compared to 2012.

North America

In North America production declined 3.2% in 2013, following robust growth the year before. This decline was mainly due to slower than expected US economic growth and a weaker confidence in the second half. 2013 ended with 449 000 produced units.

South America

Growth in South America (mainly Brazil) rebounded, rising 50% to 205 000 units.

Source of the production figures: LMC Automotive 3 January 2014

* Gross Vehicle Weight

Research and Development

The Group's overall spending on research and development (R&D) totaled 4.9 % of sales in 2013. This involves a team of some 429 highly skilled people. KA's R&D organization combines strong local engineering support close to the customer and five global tech centers. The tech centers are located in the USA (Novi), China (Wuxi), Germany (Hallbergmoos), Sweden (Mullsjö) and Norway (Kongsberg). This strategy enables the Group to maintain resources near key customers that drive the technology shifts in the automotive industry.

To address the steady growth in the electronic content of our products, the Group decided to establish an Electronic Center of Excellence, based on our current location in Grand-Mère, Canada.

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

KA's R&D organization combines strong local engineering support close to the customer and five global tech centers.

Operations

Our focus on lean operations and optimization of production setup based on our low cost manufacturing footprint continued in 2013. The majority of our passenger car components are now manufactured in low cost countries such as Mexico, Poland, Slovakia, Hungary and China.

Going concern

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

Operational risk

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

The company is usually contracted as a supplier with a long-term commitment. The commitment is usually based on the model platforms. Even if present commitments are cost reimbursable they can be adversely affected by many factors and short-term variances including shortages of materials, equipment and labor, political risk, customer default, industrial disputes, accidents, environmental pollution, the prices of raw materials, unforeseen problems, changes in circumstances that may lead to cancellations and other risk factors beyond the control of the Company. The Group has a good track record for handling operational risks. For more information regarding operational risk, see note 21.

Financial risk

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

Currency risk
The Group operates in many different geographical markets. Net investments and profit from markets where the functional currency is different from the presentation currency (EUR) are exposed to currency risk when reporting consolidated statement of income and financial position. The Group seeks to align its revenues and cost base to reduce currency exposure on a net cash flow basis. Debt is drawn in currencies matching the cash flows from the different geographical markets.

Interest risk
Interest risk is linked to long-term debt and primarily changes in EUR and USD interest rates. For details about interest swaps, see note 21 to the financial statements.

Credit risk
Credit risk continues to represent a significant risk in the automotive market. Kongsberg Automotive is exposed to most major OEMs. The company closely monitors outstanding amounts due from these, as well as other customers, and rapidly implements actions if receivables become overdue. Sound routines have been established for following up receivables. The company has concentrated on debt collection and customer creditworthiness. Losses in this area have been minimal in the past.

Liquidity risk
The development of net interest bearing debt and liquidity reserve is closely monitored. The financial leverage has been significantly reduced during the last years and the Group is ahead of its repayment schedule. A potential future refinancing is not considered problematic as several sources of financing are available.

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

For further risk analysis, see note 21 to the financial statements.

Financial performance

Group

Operating revenues for the Group totaled 990.9 million euros in 2013, a decrease of 10.2 million euros compared with last year. Lower revenues in the automotive segment were partly offset by increased sales in the commercial vehicles segment, which was primarily driven by a pre-buy effect from the introduction of the Euro 6 emission standard. Operating profit totaled 53.2 million euros (30.7), giving an operating margin of 5.4% (3.1%). The margin improvements were achieved despite a decline in revenues.

The margin improvements were achieved despite a decline in revenues.

Segments
Interior revenues were in line with 2012 levels. The business area's operating result rose by 2.3 million euros to 24.4 million euros. Operating margins increased from 7.2% to 8.0% in 2013.

Driveline revenues declined by 29.1 million euros (-9.4%) in 2013. Still, EBIT rose to 2.1 million euros in 2013, an improvement of 12.9 million euros from the previous year, as commercial and operational improvements offset the negative effects of lower revenues and restructuring costs.

Fluid Transfer revenues rose by 13.0 million euros (7.4%). EBIT for the business area was 22.5 million euros, up 5.2 million euros from the previous year reflecting conversion of higher sales.

Driver Control revenues were in line with 2012 levels. EBIT improved slightly to 21.0 million euros from 20.8 million euros.

Net financial items
Net financial items amounted to -40.4 million euros in 2013 (-18.7). Interest expenses were reduced by 1.8 million euros to 17.3 million euros in 2013, reflecting a lower debt level and margins. Unrealized currency effects amounted to -19.7 million euros compared to 10.3 million euros in 2012.

Net profit
Net profit for the year was 6.6 million euros, compared with 5.3 million euros in 2012.

Capital
The Group's long-term interest-bearing bank debt amounted to 273.0 million euros (321.2) as of 31 December 2013. The

Group is ahead of its 2014 repayment schedule on its major tranches, and has only one minor scheduled repayment of 1.0 million euros. For more information, see note 19. As of 31 December 2013, the Group's book equity totaled 189.6 million euros (184.7). The equity ratio was 27.6% (24.8%).

Liquidity
In total, Kongsberg Automotive had liquidity reserves in cash and overdraft facilities of 106.5 million euros

Cash flow
In 2013, the Group had a positive cash flow from operating activities of 87.6 million euros, compared with 78.9 million euros in 2012. The Group invested 29.4 million euros in property, plant and equipment and intangible assets, a decrease of 1.6 million euros from 2012. Repayment of external loans amounted to 42.0 million euros in 2013, 2.7 million euros more than in 2012. The net change in cash and bank overdraft during 2013 was -0.7 million euros.

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

Kongsberg Automotive Holding ASA – The parent company
In 2013, the parent company generated total operating revenues of 37.6 million euros (38.0), with a corresponding operating profit of 11.2 million euros (8.6). The parent company had net financial items of -10.5 million euros in 2013 (4.4). The net result after tax for the year amounted to -7.6 million euros (13.9). Foreign currency translation had a significant adverse effect on equity, which as of 31 December 2013 totalled 292.2 million euros (344.4).

Appropriations
The Board of Directors will propose to the Annual General Meeting that no dividend be paid for 2013. The Board of Directors proposes that Kongsberg Automotive Holding ASA's net result of -7.6 million euros be allocated as follows:

Transferred to retained earnings: -7.6 million euros

In 2013 the Group had a positive cash flow from operating activities of 87.6 million euros.

Corporate Governance
The Board of Directors of Kongsberg Automotive Holding ASA (KA) has established a set of general principles and guidelines for corporate governance. These principles cover the board's responsibility for determining the Group's risk profile, approving the organization of the business, allocating responsibility and authority, as well as requirements with respect to reporting lines and information, risk management and internal control. The tasks and responsibilities of the Board of Directors and CEO are laid out in separate directives covering the board and CEO respectively.

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

Guidelines for investor relations are intended to ensure that investors, lenders and other stakeholders in the

securities market are provided with reliable, timely and identical information.

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

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

KA hired 8% more engineers during the year, reflecting an increased focus on innovation. This trend will continue in 2014.

OUR MISSION

Kongsberg Automotive provides world-class products to the vehicle industry. Our products enhance the driving experience, making it safer, more comfortable and sustainable

Employees

At the end of 2013, KA had 10 135 full-time employees, a net increase of 16 people compared with the same period in 2012. The largest reduction came in Slovakia (346).

Overall, the largest increases in the company's workforce came in the USA, with the addition of 167 employees and Mexico with 107 new employees. Mexico has the largest number of KA employees with some 3,049 people employed at 3 locations (Reynosa, 816; Matamoros, 1,061; and Nuevo Laredo, 1,172).

KA hired 32 (or 8%) more engineers during the year, reflecting an increased focus on innovation. This trend will continue in 2014.

Kongsberg Automotive is committed to ensuring and benefiting from the diversity of our workforce.

This commitment is defined in our Diversity policy and reflected in Kongsberg Automotive's focus on diversity in recruitment processes and management development programs. The company also recognizes that a good balance between work and private life is becoming increasingly important for today's employees, regardless of gender. Women make up 48% of the total workforce. The number of women within the Top 200 employees rose from 8% to 9% through the year (6% in 2011). The company aims to increase the number of female employees in Corporate and Divisional Management positions.

To reach this goal, the company intends to invite a more diversified selection of candidates to interview for all new positions. In order to secure a better gender balance, our succession planning will specifically focus on internal women and minority candidates for executive positions.

The Board of Directors of Kongsberg Automotive Holding ASA consists of three (38%) women and five (62%) men, however 40% of the company's shareholder-elected directors are women.

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

The third class of the new managerial program called KAspire started in 2013. The program is aimed to prepare high-performing young professionals to take on larger roles and responsibilities in our company. 43% of the participants are

females. The sixth class of KA's internal top management program Interdal was completed in September.

In October 2013, we started a new international program for middle management called KAliber. Significant internal resources are committed to these internal training programs and the programs are highly valued among employees.

Kongsberg Automotive recognizes the importance of attracting and retaining skilled and motivated employees.

Health, Safety and Environment (HSE)

Kongsberg Automotive gives the highest priority to Health, Safety and Environment (HSE). The authorities in countries where KA operates set HSE standards in the form of legislation, general regulations and specific requirements. All KA units comply with general and specific requirements alike. Additionally, 30 manufacturing locations have implemented Environmental Management Systems in accordance with ISO 14001 Standards. Certification assures that units consider the environmental impact of their work and set targets for improved performance. As a supplier, KA also complies with standards set by its customers.

In early 2013, objectives and plans for improved HSE performance were set. Performance was tracked on an regular basis.

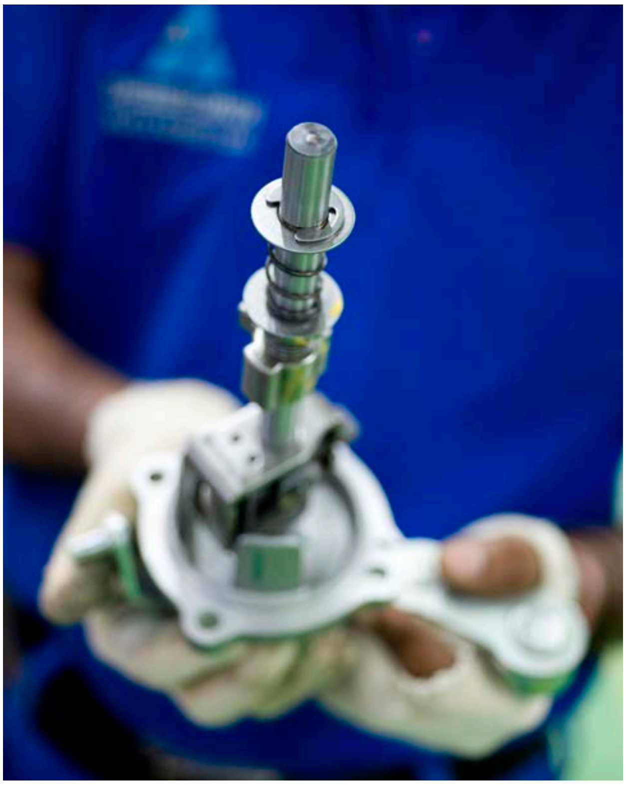
Absences due to personal illnesses are tracked by the company. When considering all KA employees, the Group's sick leave average was 2.7% in 2013 compared to 3.1% in 2012, a decrease of 13%.

KA considers the safety of its workers a top priority. By increasing awareness and adapting lean working methods to safety efforts, the company demonstrated real progress. In 2013, the Group averaged 3 accidents for every one million man hours worked resulting in a 3% reduction compared to 2012. Twelve manufacturing locations reported zero accidents again this year. This is evidence that our manufacturing centers are focusing more on risk reduction to prevent accidents from occurring.

In 2013, we tasked our facilities with reducing the number of work-related injuries resulting in lost time; this is tracked internally as H-value. Over the last five years we have reduced our lost time accident rate by 64%. The decrease slowed in 2013 to 4%. As a result we stepped up our internal auditing programs to identify possible hazards for quick corrective action. Additionally the ONE KA Factory standard implementation has streamlined site layouts and improved housekeeping; all with the focus on 'safety'. When Group H-value average is adjusted for comparison to the leading external benchmark, we still find our performance is better than average for the general manufacturing sectors.

Energy consumption data for electricity and burning of fossil fuels needed for production activities was collected. The target for 2013 was to decrease energy consumption by another 1.5% relative to total product sales; the result came out on the positive side. Energy use was down 6% and the energy intensity also decreased 2%. Energy Intensity is measured as kilowatt hour used in production for every euro of total product sales. In 2013 the energy intensity decreased to 125kWh/1000€ from 127 kWh/1000€ the previous year.

KA considers the safety of its workers as top priority. By increasing awareness and adapting lean working methods to safety efforts, the company demonstrated real progress.



Using UN Greenhouse Gas Calculators, KA Group's 2013 CO_2 emissions are calculated at approximately 36,000 metric tons, a decrease of 8% over the year. The CO_2 Emissions Intensity also decreased to 34 metric tons of CO_2/1000€ of total product sales, a 4% reduction in 2013. We posted information on the Carbon Disclosure Project, Supply Chain portal. This allowed subscribed OEMs and other customers direct access to our information.

Pollution control is important to KA and the communities in which it operates. KA's aim is to minimize the amount sent to landfills and the toxicity of waste requiring special treatment or disposal. All units sought opportunities to reuse and recycle. As a result, we decreased our Waste Index by 6% and absolute waste generated was decreased by 10%.

In 2013, there were no fires reported that resulted in property damage or as interruption to normal business. No spills or unauthorized releases to the environment requiring disclosure to legal authorities occurred nor were there any external complaints related to HSE reported during the year.

Corporate Responsibility

Kongsberg Automotive has for years developed and produced automotive parts that improve vehicle safety and reduce environmental impact. Today, we also focus on the practices related to the design and manufacturing of products within the context of sustainability.

In 2013 we launched a Global Working Conditions Initiative and identified 260 suppliers in regions considered high risk regarding responsible working conditions. Since KA is committed to developing its supply base in these regions, we focused our efforts on developing suppliers in line with our Code of Conduct.

KA does not tolerate corruption or bribery, and encourages reporting of suspected misconduct. These key principles are clearly outlined in the Group's recently updated Code of Conduct. The main objective of the Code is to provide guidelines to ensure that KA and the employees conduct activities in compliance with applicable laws and the ethical standards that the international community recognizes and expects from us as a major multinational corporation. All KA companies and KA employees must follow this Code.

Within the context of human rights, KA promotes the International Labour Organization (ILO) fundamental principles and rights at work, which include the right to freedom of association and the elimination of child labor, forced labor and discrimination linked to employment.

KA also fully supports the Convention on the Rights of the Child, stating that all children have the right to leisure and education, thus neither KA nor its partners shall exploit children as a labor force.

Our manufacturing footprint is global and we launched the One KA Factory standard to emphasize the commitment for operational excellence that will characterize our facilities, globally. This standard describes general requirements and items that should be in all KA plants like safety signs and equipment, plant layout and flow, 5S requirements, common color schemes and clothing, use of lighting and maintaining a clean environment.

We have a responsibility to do our part, in all areas of the world to protect the environment. To do this we challenged our manufacturing locations to identify potentially negative environmental impacts and to minimize those impacts by improving our process and operational efficiency. We can report significant progress.

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

Kongsberg Automotive is committed to ensuring and benefiting from the diversity of our workforce. This commitment is defined in our Diversity policy and reflected in our focus on diversity in recruitment processes and management development programs.

KA encourages employees to be involved in the communities where they live and work, and support issues such as the environment, education, health, social responsibility, and advocacy for children.

Further details are provided in the Corporate Responsibility section of the annual report (page 62 – 64).

Outlook

The Board of Directors wishes to emphasize that any assessments of future conditions are uncertain, since these are subject to developments which may be beyond the company's control.

The market outlook for 2014 as well as KA's focus on profit before growth gives reason to expect revenues to be in line with 2013. Although the US market indicates a positive trend for both cars and trucks the outlook for the European market is still weak. Growth is expected in the Chinese market for both passenger cars and trucks, driven by export demand, consumer sentiment and stabilized economic metrics.

The outlook is based on current market assumptions.

BOARD OF DIRECTORS

Kongsberg, February 13, 2014
The Board of Directors of Kongsberg Automotive Holding ASA

Ulla-Britt Fräjdin-Hellqvist
Chairwoman

Thomas Falck
Board member

Halvor Stenstadvold
Board member

Maria Borch-Helsengreen
Board member

Magnus Jonsson
Board member

Tonje Sivesindtajet
Employee representative

Eivind Holvik
Employee representative

Kjell Kristiansen
Employee representative

Hans Peter Havdal
President and CEO

CONSOLIDATED FINANCIAL STATEMENTS

"The effects of all actions taken start to materialize, all financial ratios have improved significantly despite flat revenues."

Trond Stabekk, CFO

Statement of Comprehensive Income

Parent				Group	
31.12.13	31.12.12	MEUR	Note	31.12.13	31.12.12
37.6	**38.0**	**Operating revenues**	7, 29	**990.9**	**1,001.1**
		Operating expenses			
0.0	0.0	Raw material expenses		(452.2)	(469.1)
0.0	0.0	Change in inventories		(1.5)	(4.6)
(7.3)	(5.4)	Salaries and social expenses	8	(268.8)	(275.0)
(18.9)	(23.7)	Other operating expenses	9	(171.4)	(175.4)
(0.0)	(0.0)	Depreciation	13	(30.7)	(31.5)
(0.2)	(0.3)	Amortization	12	(13.2)	(14.8)
(26.4)	**(29.4)**	**Total operating expenses**		**(937.8)**	**(970.4)**
11.2	**8.6**	**Operating (loss) / profit**		**53.2**	**30.7**
		Financial items			
40.5	39.6	Financial income	10	3.3	10.6
(51.0)	(35.2)	Financial expenses	10	(43.7)	(29.3)
(10.5)	**4.4**	**Net financial items**		**(40.4)**	**(18.7)**
0.7	**12.9**	**(Loss) / profit before income tax**		**12.8**	**11.9**
(8.3)	0.9	Income tax	11	(6.2)	(6.7)
(7.6)	**13.9**	**(Loss) / profit for the year**		**6.6**	**5.3**
		Other comprehensive income (items that may be reclassified to profit or loss in subsequent periods):			
(45.1)	17.8	Translation differences		7.3	(8.6)
0.0	0.0	Tax on translation differences		(6.7)	5.8
		Other comprehensive income (items that will not be reclassified to profit or loss in subsequent periods):			
(0.2)	0.0	Remeasurement of net defined benefit pension liability		(3.2)	0.0
0.1	0.0	Tax on remeasurement of the net defined pension liability		0.9	0.0
(45.2)	**17.8**	**Other comprehensive income**		**(1.6)**	**(2.9)**
(52.8)	**31.6**	**Total comprehensive income for the year**		**5.0**	**2.4**
		Profit attributable to:			
(7.6)	13.9	Equity holders (parent company)		6.3	5.2
0.0	0.0	Non-controlling interests		0.2	0.1
(7.6)	**13.9**	**Total**		**6.6**	**5.3**
		Total comprehensive income attributable to:			
(52.8)	31.6	Equity holders (parent company)		4.7	2.3
0.0	0.0	Non-controlling interests		0.2	0.1
(52.8)	**31.6**	**Total**		**5.0**	**2.4**
		Earnings per share:			
		Basic earnings per share, euros	17	0.02	0.01
		Diluted earnings per share, euros	17	0.02	0.01

The Board of Directors and President & CEO of Kongsberg Automotive Holding ASA,
Kongsberg, February 13, 2014

Ulla-Britt Fräjdin-Hellqvist
Chairwoman (Sign.)

Maria Borch-Helsengreen
(Sign.)

Kjell A. Kristiansen
(Sign.)

Thomas Falck
(Sign.)

Eivind A. Holvik
(Sign.)

Magnus Jonsson
(Sign.)

Halvor Stenstadvold
(Sign.)

Tonje Sivesindtajet
(Sign.)

Hans Peter Havdal
(Sign.)

Statement of Cash Flows

Parent				Group	
31.12.13	31.12.12	MEUR	Note	31.12.13	31.12.12
		Operating activities			
0.7	12.9	(Loss) / profit before taxes		12.8	11.9
0.0	0.0	Depreciation	13	30.7	31.5
0.2	0.3	Amortization	12	13.2	14.8
(23.8)	(23.8)	Interest income	10	(2.1)	(0.3)
16.0	18.1	Interest expenses	10	17.3	19.1
0.0	0.0	Taxes paid	11	(8.5)	(8.4)
0.0	0.0	(Gain) / loss on sale of non-current assets	12,13	0.0	0.0
(1.7)	13.4	Changes in Accounts receivables	0	(7.0)	16.3
0.0	0.0	Changes in Inventory	14	1.5	15.6
(3.1)	0.5	Changes in Accounts payables	20	4.4	(13.4)
(12.1)	8.7	Currency differences over P/L	10	19.7	(10.3)
(1.1)	3.8	Changes in value of financial derivatives	10	(1.2)	3.8
36.7	(9.5)	Changes in other items	10	6.8	(1.7)
11.8	24.6	Cash flow from operating activities		87.6	78.9
		Investing activities			
(0.6)	(0.1)	Capital expenditures, including intangible assets	12,13	(29.4)	(31.0)
0.0	0.0	Proceeds from sale of fixed assets	12,13	0.1	1.0
0.0	0.0	Proceeds from sale and liquidation of subsidiaries		0.0	0.0
(12.6)	(23.4)	Issue of new group loans		0.0	0.0
32.2	12.8	Repayment of group loans		0.0	0.0
(2.4)	(2.3)	Investment in subsidiaries	6, 7	0.0	(2.4)
23.8	23.8	Interest received		2.1	0.3
3.5	15.8	Dividends received		0.0	0.0
43.8	26.6	Cash flow from investing activities		(27.2)	(32.0)
		Financing activities			
0.0	0.0	Purchase of treasury shares	16	0.0	0.0
0.2	0.0	Proceeds from sale of treasury shares [1]		0.2	0.0
(42.0)	(38.7)	Repayment of external loans	19	(42.0)	(39.3)
0.0	3.8	Proceeds from group loans		0.0	0.0
(3.7)	(2.8)	Repayment of group loans		0.0	0.0
(15.9)	(16.7)	Interest paid		(15.9)	(16.7)
0.0	0.0	Dividends paid [2]		(0.7)	(1.2)
(1.8)	(8.2)	Other financial charges		(1.8)	(8.2)
(63.3)	(62.5)	Cash flow from financing activities		(60.2)	(65.3)
(0.2)	0.7	Currency effects on cash		(0.9)	(0.3)
(7.9)	(10.7)	Net change in cash		(0.7)	(18.8)
7.6	18.3	Net cash at January 1 [3]		33.5	52.3
(0.3)	7.6	Net cash at December 31		32.7	33.5
0.2	0.2	Of this, restricted cash		2.7	2.6

1) Comprises the sale of 474,000 treasury shares (see "Statement of Changes in Equity")

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

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

Statement of Financial Position

Parent				Group	
31.12.13	31.12.12	MEUR	Note	31.12.13	31.12.12
		ASSETS			
		Non-current assets			
0.0	0.0	Deferred tax assets	11	46.8	54.2
0.8	0.5	Intangible assets	12	214.5	232.9
0.0	0.0	Property, plant and equipment	13	122.0	131.1
187.5	228.2	Investments in subsidiaries	6	0.0	0.0
386.4	420.8	Loans to subsidiaries and other non-current assets	29	1.1	1.2
574.8	**649.5**	**Total non-current assets**		**384.5**	**419.4**
		Current assets			
0.0	0.0	Inventories	14	77.3	78.8
33.6	31.9	Trade and other receivables	15, 29	168.4	171.4
1.7	13.4	Cash and cash equivalents		57.1	75.3
35.3	**45.3**	**Total current assets**		**302.8**	**325.5**
610.1	**694.8**	**Total assets**		**687.3**	**744.9**
		EQUITY AND LIABILITIES			
		Equity			
24.3	27.7	Share capital	16	24.3	27.7
(0.4)	(0.4)	Treasury shares	16	(0.4)	(0.4)
201.2	229.7	Share premium		201.2	229.7
(13.3)	(0.6)	Other reserves		(1.2)	(31.9)
80.5	88.0	Retained earnings		(37.0)	(43.3)
292.2	**344.4**	**Attributable to equity holders**		**186.9**	**181.8**
0.0	0.0	Non-controlling interests		2.8	2.9
292.2	**344.4**	**Total equity**		**189.6**	**184.7**
		Non-current liabilities			
4.1	4.3	Deferred tax liabilities	11	14.1	15.9
1.6	1.8	Retirement benefit obligations	18	17.4	14.8
272.9	321.2	Interest-bearing loans and borrowings	19, 21	273.0	321.2
278.5	**327.2**	**Total non-current liabilities**		**304.5**	**351.8**
		Current liabilities			
2.0	5.8	Bank overdraft	19	24.3	41.8
1.0	1.0	Other current interest-bearing liabilities	19	1.0	1.6
0.0	0.4	Current income tax liabilities	11	0.6	1.8
36.3	15.9	Trade and other payables	20, 29	167.2	163.1
39.3	**23.1**	**Total current liabilities**		**193.2**	**208.4**
317.9	**350.3**	**Total liabilities**		**497.7**	**560.2**
610.1	**694.8**	**Total equity and liabilities**		**687.3**	**744.9**

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 01.01.12	**26.2**	**(0.4)**	**217.5**	**(15.9)**	**(48.7)**	**178.6**	**6.6**	**185.2**
Value of share options charged to income statement				0.6		0.6		0.6
Changes in non-controlling interests					0.1	0.1	(2.5)	(2.4)
Other changes in equity						0.0	(1.2)	(1.2)
Total comprehensive income for the year:								
Profit for the year					5.2	5.2	0.1	5.3
Other comprehensive income (OCI):								
Translation differences	1.5	0.0	12.2	(22.4)		(8.6)	(0.0)	(8.6)
Tax on translation differences				5.8		5.8		5.8
Equity 31.12.12 / 01.01.13	**27.7**	**(0.4)**	**229.7**	**(31.9)**	**(43.3)**	**181.8**	**2.9**	**184.7**
Sale of treasury shares		0.2				0.2		0.2
Value of share options charged to income statement				0.4		0.4		0.4
Dividend distributed							(0.7)	(0.7)
Other changes in equity							0.3	0.3
Total comprehensive income for the year:								
Profit for the year					6.3	6.3	0.2	6.6
Other comprehensive income (OCI):								0.0
Translation differences	(3.4)	(0.2)	(28.5)	39.3		7.3	0.0	7.3
Tax on translation differences				(6.7)		(6.7)		(6.7)
Remeasurement of net defined pension liability				(3.2)		(3.2)		(3.2)
Tax on remeasurement of net pension liability				0.9		0.9		0.9
Equity 31.12.13	**24.3**	**(0.4)**	**201.2**	**(1.2)**	**(37.0)**	**186.9**	**2.8**	**189.6**

Parent

MEUR	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Sub-total	Non-controlling interest	Total equity
Equity 01.01.12	**26.2**	**(0.4)**	**217.5**	**(1.3)**	**70.2**	**312.2**		**312.2**
Value of share options charged to income statement				0.6		0.6		0.6
Profit for the year					13.9	13.9		13.9
Other comprehensive income:								
Foreign currency translation	1.5	0.0	12.2	0.1	3.9	17.8		17.8
Equity 31.12.12 / 01.01.13	**27.7**	**(0.4)**	**229.7**	**(0.6)**	**88.0**	**344.4**		**344.4**
Sale of treasury shares		0.2				0.2		0.2
Value of share options charged to income statement				0.4		0.4		0.4
Profit for the year					(7.6)	(7.6)		(7.6)
Other comprehensive income:								
Foreign currency translation	(3.4)	(0.2)	(28.5)	(12.9)		(45.1)		(45.1)
Remeasurement of net defined pension liability				(0.2)		(0.2)		(0.2)
Tax on remeasurement of net pension liability				0.1		0.1		0.1
Equity 31.12.13	**24.3**	**(0.4)**	**201.2**	**(13.3)**	**80.5**	**292.2**		**292.2**

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

Notes

Note 1 – Reporting entity

Kongsberg Automotive Holding ASA ('the Parent company') and its subsidiaries (together the Group') develop, manufacture and sell products to the automotive industry worldwide. The company is a limited liability company incorporated and domiciled in Norway. The address of its registered office is Dyrmyrgata 48, NO-3601 Kongsberg, Norway. The Parent company is listed on the Oslo Stock Exchange. The group consolidated financial statements were authorized for issue by the Board of Directors on February 13, 2014.

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 based on the fair value of the consideration given in exchange for assets at the date of transaction.

Use of estimates and judgement

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

Changes in accounting policy and disclosures

New and amended standards adopted by the Group; With the exception of amendments to IAS 19 employee benefits, there are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on January 1, 2013 that have had, or is expected to have a material impact on the Group. See note 18 for information on revised IAS 19 and note 5 for new standards not yet adopted.Amendments to IAS 1 and the introduction of IFRS 13 will have an effect of the financial statement, however is not expected to have a material impact.

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 actual outcome. 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 for further information.

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

Deferred tax asset

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

Actuarial calculations of pension liabilities

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

Note 4 – Summary of significant accounting policies

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Kongsberg Automotive Holding 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 controlover 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 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 31.12.2013:

- 1 EUR: NOK 8,383 (end of period)
- 1 USD: NOK 6,084 (end of period)

Segment information

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

Revenue recognition

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

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

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

Intangible assets

Goodwill

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

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

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

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

Research and development costs

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

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

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

Other intangible assets

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

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

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

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

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

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

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

Property, Plant & Equipment (PP&E)

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

Cost includes duties, taxes, installation and commissioning costs relating to making the non-current asset available for use. Subsequent costs, such as repair and maintenance costs, are normally expensed when incurred. Whenever increased future economic benefits arising as a result of repair and maintenance work can be proven, such costs are recognized in the Statement of Financial Position as additions to non-current assets. Each part or 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, available for sale, 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 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 Holding ASA and its Norwegian subsidiary Kongsberg Automotive AS have defined benefit and defined contribution pension plans. The plans were changed from defined benefit to defined contribution in 2004. The defined benefit plan was continued for employees who had already retired. The other defined benefit plan still in operation is an early retirement plan for the CEO. Defined benefit pension plans also exist in two subsidiaries in Germany and in subsidiaries in Italy, Netherlands and France.

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

Defined benefit plans:

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

Actuarial gains / losses are recognized in other comprehensive income The pension commitments are calculated on the basis of the net present value of future cash flows. See note 18 for further information on the implementation effects of, and accounting treatment provided in the revised IAS 19 "Employee Benefits".

Defined contribution plans:

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

Multiemployer plan (AFP) – Norway

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

Top hat pension – Norway

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

Provisions

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

Warranty provisions

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

Restructuring provisions

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

Share capital

Ordinary shares

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

Share options

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

Treasury shares

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

Dividend distribution

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

Leases

Operational lease

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

Financial lease

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

Note 5 – New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

Note 6 – Subsidiaries

Company name	Country / State of incorporation	Ownership	Companies owned by Parent
Kongsberg Automotive Ltda	Brazil	100%	x
Kongsberg Inc	Canada	100%	
Kongsberg Automotive (Shanghai) Co Ltd	China	100%	
Kongsberg Automotive (Wuxi) Ltd	China	100%	x
Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd	China	75%	
Shanghai Lone Star Cable Co Ltd	China	100%	
Kongsberg Automotive SARL	France	100%	x
Kongsberg Driveline Systems SAS	France	100%	
Kongsberg SAS	France	100%	
Kongsberg Raufoss Distribution SAS	France	100%	
SCI Immobilière La Clusienne	France	100%	
Kongsberg 1 GmbH	Germany	100%	
Kongsberg Actuation Systems GmbH	Germany	100%	
Kongsberg Automotive GmbH	Germany	100%	x
Kongsberg Driveline Systems GmbH	Germany	100%	
Kongsberg Actuation Systems Ltd	Great Britain	100%	
Kongsberg Automotive Ltd	Great Britain	100%	
Kongsberg Holding Ltd	Great Britain	100%	
CTEX Seat Comfort (Holding) Ltd	Great Britain	100%	x
Kongsberg Power Products Systems Ltd	Great Britain	100%	
Kongsberg Automotive Hong Kong Ltd	Hong Kong	100%	
Kongsberg Interior Systems Kft	Hungary	100%	
Kongsberg Automotive (India) Private Ltd	India	100%	x
Kongsberg Automotive Driveline System India Ltd	India	100%	x
Kongsberg Power Products Systems Srl	Italy	100%	
Kongsberg Automotive Ltd	Korea	100%	x
Kongsberg Automotive S. de RL de CV	Mexico	100%	
Kongsberg Driveline Systems S. de RL de CV	Mexico	100%	
Kongsberg Interior Systems S. de RL de CV	Mexico	100%	
Kongsberg Actuation Systems BV	Netherlands	100%	
Kongsberg Automotive AS	Norway	100%	x
Kongsberg Automotive Holding 2 AS	Norway	100%	x
Kongsberg Automotive Sp. z.o.o.	Poland	100%	x
Kongsberg Automotive s.r.o	Slovakia	100%	
Kongsberg Actuation Systems SL	Spain	100%	
Kongsberg Automotive AB	Sweden	100%	x
Kongsberg Power Products Systems AB	Sweden	100%	
e-Power Nordic AB	Sweden	60.2%	x
Kongsberg Driveline Systems I Inc	USA	100%	
Kongsberg Actuation Systems II Inc	USA	100%	
Kongsberg Holding III Inc	USA	100%	
Kongsberg Interior Systems II Inc	USA	100%	
Kongsberg Automotive Inc	USA	100%	
Kongsberg Power Products Systems I Inc	USA	100%	
Kongsberg Automotive Japan KK	Japan	100%	x

Note 7 – Segment information

Operating Segments

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

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

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

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

Fluid Transfer

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

Driver Control

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

Driveline

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

Interior

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

Operating segments – financials

2013

MEUR	Driveline	Interior	Driver Control	Fluid Transfer	Eliminations & other*	Group
Operating revenues	279.8	305.0	248.5	189.0	(31.4)	990.9
EBITDA	**12.8**	**36.0**	**31.8**	**33.1**	**(16.7)**	**97.1**
Depreciation	(7.7)	(9.6)	(6.3)	(7.2)	(0.0)	(30.7)
Amortization	(3.0)	(2.1)	(4.6)	(3.4)	(0.2)	(13.2)
Operating (loss) / profit (EBIT)	**2.1**	**24.4**	**21.0**	**22.5**	**(16.9)**	**53.2**
Assets and liabilities						
Goodwill	6.0	71.2	33.3	46.4	0.0	156.8
Other intangible assets	12.8	9.0	21.5	13.6	0.8	57.7
Property, plant and equipment	32.1	29.9	32.7	26.8	0.5	122.0
Inventories	18.8	16.9	25.8	16.4	(0.6)	77.3
Trade receivables	33.5	48.1	26.5	28.3	(0.1)	136.4
Segment assets	**103.2**	**175.2**	**139.8**	**131.5**	**0.6**	**550.3**
Unallocated assets	0.0	0.0	0.0	0.0	137.1	137.1
Total assets	**103.2**	**175.2**	**139.8**	**131.5**	**137.7**	**687.3**
Trade payables	25.4	25.7	26.4	22.1	0.7	100.3
Unallocated liabilities	0.0	0.0	0.0	0.0	397.3	397.3
Total liabilities	**25.4**	**25.7**	**26.4**	**22.1**	**398.0**	**497.7**
Capital expenditure	**6.0**	**7.3**	**8.7**	**6.0**	**(0.1)**	**27.9**

2012

MEUR	Driveline	Interior	Driver Control	Fluid Transfer	Eliminations & other*	Group
Operating revenues	308.9	304.5	248.6	176.0	(37.0)	1,001.1
EBITDA	**1.6**	**32.8**	**31.7**	**27.9**	**(17.0)**	**77.0**
Depreciation	(9.7)	(8.6)	(6.2)	(7.0)	(0.0)	(31.5)
Amortization	(2.7)	(2.1)	(4.7)	(3.5)	(1.7)	(14.8)
Operating (loss) / profit (EBIT)	**(10.8)**	**22.1**	**20.8**	**17.3**	**(18.7)**	**30.7**
Assets and liabilities						
Goodwill	6.2	73.4	33.8	47.9	0.0	161.3
Other intangible assets	15.4	11.9	26.5	17.3	0.5	71.6
Property, plant and equipment	34.6	33.1	33.5	29.3	0.5	131.1
Inventories	22.5	18.3	25.1	13.6	(0.6)	78.8
Trade receivables	33.8	45.5	25.8	24.2	0.1	129.4
Segment assets	**112.4**	**182.2**	**144.7**	**132.3**	**0.5**	**572.2**
Unallocated assets	0.0	0.0	0.0	0.0	172.7	172.7
Total assets	**112.4**	**182.2**	**144.7**	**132.3**	**173.2**	**744.9**
Trade payables	26.0	25.7	24.7	19.2	0.3	95.9
Unallocated liabilities	0.0	0.0	0.0	0.0	464.3	464.3
Total liabilities	**26.0**	**25.7**	**24.7**	**19.2**	**464.6**	**560.2**
Capital expenditure	**8.2**	**8.3**	**6.8**	**5.3**	**0.0**	**28.6**

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

Operating segments – reconciliation to total assets

MEUR	2013	2012
Segment assets of reportable segments	549.6	571.7
Eliminations & other	0.6	0.5
Unallocated assets include:		
Deferred tax assets	46.8	54.2
Other non-current assets	1.1	1.2
Cash and cash equivalents	57.1	75.3
Other receivables (excluded: trade receivables)	32.0	42.0
Total assets as of the Statement of Financial position	687.3	744.9

Operating segments – reconciliation to total liabilities

MEUR	2013	2012
Trade payables of reportable segments	99.7	95.6
Eliminations & other	0.7	0.3
Unallocated liabilities include:		
Deferred tax liabilities	14.1	15.9
Retirement benefit obligations	17.4	14.8
Interest-bearing loans and borrowings	273.0	321.2
Bank overdrafts	24.3	41.8
Other current interest-bearing liabilities	1.0	1.6
Current income tax liabilities	0.6	1.8
Other payables (excluded: trade payables)	66.9	67.2
Total liabilities as of the Statement of Financial position	497.7	560.2

Operating segments – geographical areas

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

Sales to external customers by geographical location	2013		2012	
MEUR	Jan – Dec	%	Jan – Dec	%
Sweden	88.6	8.9%	85.9	8.6%
Germany	109.7	11.1%	118.0	11.8%
France	81.3	8.2%	71.5	7.1%
Other EU	253.0	25.5 %	241.9	24.2 %
Total EU	532.6	53.7 %	517.3	51.7 %
USA	246.9	24.9%	249.3	24.9%
NA other	96.4	9.7 %	108.2	10.8 %
Total NA	343.3	34.6 %	357.5	35.7 %
China	56.2	5.7%	65.1	6.5%
Asia Other	24.6	2.5%	28.6	2.9%
Total Asia	80.8	8.1 %	93.7	9.4 %
Other	34.3	3.5%	32.5	3.3%
Total operating revenues	990.9	100%	1,001.1	100%

Non-current assets by geographical location	2013		2012	
MEUR	Jan - Dec	%	Jan - Dec	%
USA	**109.5**	**32.5%**	**131.7**	**36.2%**
UK	12.0	3.6%	13.4	3.7%
Norway	27.6	8.2%	32.0	8.8%
Germany	15.8	4.7%	20.8	5.7%
Sweden	31.9	9.5%	32.9	9.0%
Poland	35.8	10.6%	37.1	10.2%
Other	103.9	30.9%	96.1	26.4%
Total non-current segment assets	**336.6**	**100.0%**	**364.0**	**100.0%**

Operating segments – major customers

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

Note 8 – Salaries and social expenses

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

Parent			Group	
2013	2012	MEUR	2013	2012
3.5	3.8	Wages and salaries	187.6	183.4
0.6	0.6	Social security tax	44.0	43.5
0.2	0.3	Pension cost (defined benefit plans)	0.7	1.3
0.2	0.2	Pension cost (defined contribution plans)	5.9	5.1
2.9	0.5	Other employee related expenses	30.4	41.7
7.3	**5.4**	**Total salaries and social expenses**	**268.8**	**275.0**

Other employee related expenses include pay to contract workers, restructuring costs, severance payments, and other employee cost. Currency effects accounted for euro 5.5 million of the reduction in employee related expenses. As at 31.12.13 the Group had 10.135 (10.119) employees and the Parent company 23 (18) employees.

Note 9 – Other operating expenses

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

Parent			Group	
2013	2012	MEUR	2013	2012
		Operating Expenses		
0.0	0.0	Freight charges	(35.3)	(36.0)
0.0	0.0	Facility costs	(22.9)	(24.0)
0.0	0.0	Consumables	(21.8)	(26.4)
0.0	0.0	Repairs and maintenance	(14.8)	(15.5)
(0.0)	(0.0)	Service costs	(11.9)	(10.7)
(0.9)	(1.0)	Other costs	(12.7)	(13.1)
		Administrative expenses		
(0.1)	(0.1)	Leasehold expenses	(2.9)	(3.0)
(3.3)	(3.7)	Service costs	(20.5)	(20.4)
(0.0)	(0.0)	Consumables	(4.8)	(5.5)
(0.4)	(0.4)	Travel costs	(8.6)	(8.4)
(14.2)	(18.5)	Other costs	(15.1)	(12.4)
(18.9)	**(23.7)**	**Total other operating expenses**	**(171.4)**	**(175.4)**

Note 10 – Financial items

Specification of financial items as recognized in statement of comprehensive income

Parent			Group	
2013	2012	MEUR	2013	2012
3.5	15.8	Dividend and other financial income	0.0	0.0
12.1	0.0	Foreign currency gains	0.0	10.3
1.1	0.0	Changes in value of financial derivatives	1.2	0.0
23.8	23.8	Interest income	2.1	0.3
40.5	**39.6**	**Total financial income**	**3.3**	**10.6**
(16.0)	(18.1)	Interest expense	(17.3)	(19.1)
0.0	(8.7)	Foreign currency losses	(19.7)	0.0
0.0	(3.8)	Changes in value of financial derivatives	0.0	(3.8)
(35.0)	(4.6)	Other items*	(6.7)	(6.4)
(51.0)	**(35.2)**	**Total financial expenses**	**(43.7)**	**(29.3)**
(10.5)	**4.4**	**Net financial items**	**(40.4)**	**(18.7)**

* Parent company 2013: includes write down of shares in subsidiary

Note 11 – Taxes

Specification of tax recognized in statement of income

The major components of income tax expense:

Parent			Group	
2013	2012	MEUR	2013	2012
(8.0)	(0.4)	Current tax on profits for the year	(7.9)	(6.1)
(0.0)	0.0	Adjustments in respect of prior years	0.1	(0.0)
(8.0)	**(0.4)**	**Total current tax**	**(7.8)**	**(6.1)**
(0.4)	1.6	Current year deferred tax	(0.7)	(0.7)
(0.2)	0.0	Impact of changes in tax rates	0.5	1.2
0.2	(0.3)	Adjustments in respect of prior years	1.7	(1.0)
(0.3)	**1.3**	**Total deferred tax**	**1.6**	**(0.5)**
(8.3)	**0.9**	**Total income tax (expense) / credit**	**(6.2)**	**(6.7)**

Reconciliation of norwegian nominal statutory tax rate to effective tax rate

0.7	**12.9**	**(Loss) / profit before income tax**	**12.8**	**11.9**
(0.2)	(3.6)	Expected tax calculated at Norwegian tax rate	(3.6)	(3.3)
0.9	4.3	Dividends (permanent differences)	0.0	0.0
(9.4)	0.5	Other permanent differences / currency	(1.7)	(0.2)
0.0	0.0	Effect of different tax rates	1.1	0.3
0.2	0.0	Impact of changes in tax rates	(0.5)	1.2
0.0	0.0	Losses not recognized as deferred tax assets	(3.4)	(3.6)
0.2	(0.3)	Adjustments in respect of prior years	1.9	(1.1)
(8.3)	**0.9**	**Income tax (expense) / credit**	**(6.2)**	**(6.7)**
1147%	-7%	Average effective tax rate	49%	56%

Tax recognised in other comprehensive income

Parent 2013	Parent 2012	MEUR	Group 2013	Group 2012
0.0	0.0	Tax (expense) / credit on translation differences	(6.7)	5.8
0.1	0.0	Tax (expense) / credit on remeasurement on net pension liability	0.9	0.0
0.1	**0.0**	**Tax (expense) / credit in other comprehensive income**	**(5.8)**	**5.8**

Tax recognised in statement of financial position

Current tax liability

Parent 2013	Parent 2012	MEUR	Group 2013	Group 2012
0.0	0.4	Current income tax liabilities	0.6	1.8
0.0	**0.4**	**Total current tax liability**	**0.6**	**1.8**

Deffered tax

Parent 2013	Parent 2012	MEUR	Group 2013	Group 2012
0.0	0.0	Deferred tax asset	46.8	54.2
(4.1)	(4.3)	Deferred tax liability	(14.1)	(15.9)
(4.1)	**(4.3)**	**Total net deferred tax asset/ (liability)**	**32.7**	**38.3**

Deferred tax positions are netted within the same tax entity.

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

Group

2013 MEUR	Opening balance	Charged to income	Changes in tax rate	OCI	Exchange differences	Closing balance
Property, plant and equipment	(3.2)	1.0	0.0	0.0	(0.1)	(2.3)
Intangible assets	(18.4)	2.3	0.0	0.0	0.3	(15.8)
Retirement benefits obligations	1.5	(0.3)	(0.0)	0.9	(0.1)	2.0
Losses	39.0	(8.5)	(0.7)	0.0	(1.2)	28.7
Account receivables	1.2	(0.0)	(0.0)	0.0	(0.1)	1.0
Accrued expenses	1.0	1.4	(0.0)	0.0	(0.1)	2.3
Accrued interest	13.5	(0.6)	0.0	0.0	(0.6)	12.4
Restructuring reserves	0.0	0.3	0.0	0.0	0.0	0.3
Unrealized fx on long term rec / pay	(2.4)	(4.4)	0.0	0.0	1.1	(5.8)
Other temporary diff	6.2	11.1	0.3	(6.7)	(0.8)	10.1
Net deferred tax asset/(liability)	**38.3**	**2.1**	**(0.5)**	**(5.8)**	**(1.6)**	**32.7**

Parent

2013 MEUR	Opening balance	Charged to income	Changes in tax rate	OCI	Exchange differences	Closing balance
Property, plant and equipment	0.2	(0.0)	(0.0)	0.0	(0.0)	0.1
Retirement benefits obligations	0.5	(0.0)	(0.0)	0.1	(0.1)	0.4
Losses	0.0	0.0	0.0	0.0	0.0	0.0
Account receivables	1.0	(0.0)	(0.0)	0.0	(0.1)	0.8
Unrealized fx on long term rec / pay	(6.2)	(0.9)	0.2	0.0	0.8	(6.0)
Other temporary diff	**0.2**	**0.5**	**0.0**	**0.0**	**(0.1)**	**0.6**
Net deferred tax asset/(liability)	**(4.3)**	**(0.5)**	**0.2**	**0.1**	**0.6**	**(4.1)**

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.

Tax positions not recognized in statement of financial position

Parent			Group	
2013	2012	MEUR	2013	2012
0.0	0.0	Tax losses carried forward	9.9	6.6
0.0	0.0	Total tax positions not recognized	9.9	6.6

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, however there are uncertainties due to the time limitation of utilization of losses carried forward. The remaining lifetime of the group's tax losses is as shown below:

Limitation to the utilization of losses carried forward

Parent			Group	
2013	2012	Lifetime	2013	2012
0.0	0.0	Less than five years	2.0	3.2
0.0	0.0	5 – 10 years	4.0	3.6
0.0	0.0	10 – 15 years	0.6	0.0
0.0	0.0	15 – 20 years	2.1	3.2
0.0	0.0	Without time limit	30.0	35.8
0.0	0.0	Tax losses at 31.12	38.6	45.9

The losses carried forward are presented as net tax values. The Group's subsidiaries are located in different countries, so there will always be risks arising from local tax jurisdictions' assessments of the respective tax positions. Local differences could lead to different opinions about the probability of realization 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.

Note 12 – Intangible assets

Parent			Group			
Software	MEUR	Goodwill	Customer relationships	Patents and R&D	Software and other	Total
2.7	Cost	160.6	86.3	42.3	21.5	310.7
(2.0)	Accumulated amortization	0.0	(36.8)	(17.3)	(13.7)	(67.8)
0.7	**Book value 01.01.2012**	**160.6**	**49.5**	**25.0**	**7.8**	**242.9**
2.7	Cost 01.01.2012	160.6	86.3	42.3	21.5	310.7
0.1	Additions	0.0	0.0	2.1	0.4	2.5
0.0	Disposals accumulated cost	(1.0)	0.0	(0.4)	(1.6)	(3.0)
0.1	Translation differences	1.7	2.4	0.7	(2.7)	2.1
2.9	**Acquisition costs at 31.12.2012**	**161.3**	**88.7**	**44.7**	**17.6**	**312.4**
(2.0)	Accumulated amortization 01.01.2012	0.0	(36.8)	(17.3)	(13.7)	(67.8)
(0.4)	Amortization	0.0	(9.0)	(3.7)	(2.1)	(14.8)
0.0	Disposals accumulated amortization	0.0	0.0	0.4	1.6	2.0
(0.0)	Translation differences	(0.0)	1.8	(0.3)	(0.3)	1.2
(2.4)	**Accumulated amortization at 31.12.2012**	**(0.0)**	**(44.0)**	**(20.9)**	**(14.6)**	**(79.5)**
2.9	Cost	161.3	88.7	44.7	17.6	312.4
(2.4)	Accumulated amortization	(0.0)	(44.0)	(20.9)	(14.6)	(79.5)
0.5	**Book value 31.12.2012**	**161.3**	**44.7**	**23.8**	**3.1**	**232.9**
2.9	Cost 01.01.2013	161.3	88.7	44.7	17.6	312.4
0.6	Additions	0.0	0.0	1.0	0.6	1.5
0.0	Disposals accumulated cost	0.0	(0.2)	(0.0)	(0.6)	(0.8)
(0.4)	Translation differences	(4.5)	(2.7)	(2.9)	(0.9)	(11.0)
3.1	**Acquisition costs at 31.12.2013**	**156.8**	**85.8**	**42.7**	**16.7**	**302.1**
(2.4)	Accumulated amortization 01.01.2013	(0.0)	(44.0)	(20.9)	(14.6)	(79.5)
(0.2)	Amortization	0.0	(8.8)	(3.7)	(0.7)	(13.2)
0.0	Disposals accumulated amortization	0.0	0.2	0.0	0.6	0.8
0.3	Translation differences	(0.0)	1.4	1.9	1.0	4.3
(2.3)	**Accumulated amortization at 31.12.2013**	**0.0**	**(51.2)**	**(22.7)**	**(13.6)**	**(87.6)**
3.1	Cost	156.8	85.8	42.7	16.7	302.1
(2.3)	Accumulated amortization	0.0	(51.2)	(22.7)	(13.6)	(87.6)
0.8	**Book value 31.12.2013**	**156.8**	**34.6**	**20.0**	**3.1**	**214.5**

Internally developed intangible assets

2013	2012	MEUR	2013	2012
0.0	0.0	Internally developed intangible assets 01.01	10.2	9.2
0.0	0.0	Additions during the year	1.0	2.1
0.0	0.0	Amortization / impairment	(1.7)	(1.4)
0.0	0.0	Translation differences	(0.8)	0.3
0.0	**0.0**	**Internally developed intangible assets 31.12**	**8.7**	**10.2**
0.0	0.0	Not capitalized internal R&D cost	(30.3)	(37.4)
0.0	0.0	Amortization	(1.7)	(1.4)
0.0	0.0	Net effect of external sales and purchases	(7.9)	(1.5)
0.0	**0.0**	**Total recognized R&D cost in the reporting period:**	**(40.0)**	**(40.3)**
0.0	0.0	Cash investment in R&D	(39.2)	(41.0)

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

Impairment testing

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

Cash flow projections and assumptions

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

A business case was used for each CGU as the basis for the cash flow estimates which covered the period 2014 to 2018. The business cases were based on the Group's strategic five year plan, adjusted for relevant recent changes in internal short- term forecasts and market data. The forecasts did not include significant cash flows from future restructuring, investments or enhancements. The five year plan was prepared by the divisions with support from the M&A department in an effort to achieve a realistic forecast taking into account macroeconomic-, industry and company specific factors. The short-term forecasts were "bottom-up-model" where all input data had been produced by the respective entities in the Group. The financial development for the BAs throughout the forecast period is primarily driven by increased top line with the effects of operational leverage. In the Driveline Business Case the effects of implemented operational improvements and restructuring are reflected.

The input data in the business cases were gathered from renowned external sources such as LMC Automotive and customers, in addition to all relevant internal information such as changes 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 13.3 % 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:* 2.8 %. Based on 10 year governmental euro bond rate and US treasury yield, weighted 50/50.
– Beta: 2.41. Based on an estimated unlevered beta for the automotive industry adjusted for the industry's average capital structure
– *Market Risk Premium:* 5% (post tax). Based on market sources
– *Cost of Debt:* based on the risk free rate plus a risk component to reflect a probable rate of default (225 basis points)
– *Capital structure:* equity ratio of 58 %. Based on capital structure of comparable companies

Sensitivity analysis

The following sensitivity analysis were carried out to test whether changes in relevant parameters would influence the conclusion;
1. Change in cash flows:
The analysis showed that a decline in free cash flow in excess of 30 % per CGU for each year in the business plan (including the terminal value) was necessary to change conclusion. The result indicated that there had to be a significant decline in the market situation to trigger impairment. The headroom's per CGU were the following: Driveline -40 %, Interior -30 %, Fluid and Driver Control larger than -50 %
2. Change in discount rates:
The analysis showed the following headroom in discount rates per CGU to change conclusion; Driveline + 7.2 %, Interior + 5.4 %, Fluid + 17.8 % and Driver Control + 15.9 %. The results indicated that the test was robust in terms of the level of discount rates. The sensitivity analysis performed for each of the defined cash generation units indicates that Interior is the unit most sensitive to changes in assumption. We have not found any reasons to test combinations of relevant sensitivities.

Impairment – test results and conclusion

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

Note 13 – Property, plant & equipments (PP&E)

Parent		Group			
Equipment	MEUR	Land	Buildings	Equipment	Total
0.8	Cost	5.8	51.3	389.9	447.0
(0.8)	Accumulated depreciation	0.0	(30.1)	(284.3)	(314.4)
0.0	**Book value 01.01.2012**	**5.8**	**21.2**	**105.6**	**132.6**
0.8	Cost 01.01.2012	5.8	51.3	389.9	447.0
0.0	Additions	(0.0)	0.3	28.3	28.6
0.0	Disposals accumulated cost	(0.1)	(2.6)	(30.6)	(33.3)
0.0	Translation differences	0.1	(0.5)	5.8	5.4
0.8	**Acquisition costs at 31.12.2012**	**5.8**	**48.5**	**393.4**	**447.7**
(0.8)	Accumulated depreciation 01.01.2012	0.0	(30.1)	(284.3)	(314.4)
(0.0)	Depreciation	(1.1)	(1.5)	(28.9)	(31.5)
0.0	Disposals accumulated depreciation	0.0	0.5	30.6	31.1
0.0	Translation differences	(0.0)	0.4	(2.2)	(1.8)
(0.8)	**Accumulated depreciations at 31.12.2012**	**(1.1)**	**(30.7)**	**(284.8)**	**(316.6)**
0.8	Cost	5.8	48.5	393.4	447.7
(0.8)	Accumulated depreciation	(1.1)	(30.7)	(284.9)	(316.6)
(0.0)	**Book value 31.12.2012**	**4.7**	**17.9**	**108.5**	**131.1**
0.8	Cost 01.01.2013	5.8	48.5	393.4	447.7
0.0	Additions	0.0	0.5	27.4	27.9
0.0	Disposals accumulated cost	(1.1)	(8.6)	(9.3)	(19.0)
0.0	Translation differences	(0.1)	(2.8)	(23.6)	(26.5)
0.8	**Acquisition costs at 31.12.2013**	**4.6**	**37.6**	**387.9**	**430.2**
(0.8)	Accumulated depreciation 01.01.2013	(1.1)	(30.7)	(284.8)	(316.6)
(0.0)	Depreciation	0.0	(1.7)	(29.0)	(30.7)
0.0	Disposals accumulated depreciation	1.0	8.6	7.6	17.2
0.0	Translation differences	0.0	1.8	20.2	22.0
(0.8)	**Accumulated depreciations at 31.12.2013**	**0.0**	**(22.0)**	**(286.1)**	**(308.1)**
0.8	Cost	4.6	37.6	387.9	430.2
(0.8)	Accumulated depreciation	0.0	(22.0)	(286.1)	(308.1)
(0.0)	**Book value 31.12.2013**	**4.6**	**15.6**	**101.8**	**122.0**

Security for debt

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

Impairment testing

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

Financial leases

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

Note 14 – Inventories

Parent			Group	
2013	2012	MEUR	2013	2012
0.0	0.0	Raw materials	46.4	48.6
0.0	0.0	Work in progress	15.0	13.6
0.0	0.0	Finished goods	16.0	16.7
0.0	**0.0**	**Total**	**77.3**	**78.8**

Provision for slow moving and obsolete inventory

2013	2012	MEUR	2013	2012
0.0	0.0	Book value at 01.01	(7.7)	(8.7)
0.0	0.0	Write-down	(2.0)	(2.5)
0.0	0.0	Products sold (previously written down)	0.8	2.3
0.0	0.0	Reversal	0.7	1.1
0.0	0.0	Foreign currency translation	0.3	0.2
0.0	**0.0**	**Book value at 31.12**	**(7.8)**	**(7.7)**

Note 15 – Trade and other receivables

Specification of trade and other receivables

Parent			Group	
2013	2012	MEUR	2013	2012
0.0	0.0	Trade receivables	136.4	129.4
33.5	31.4	Short-term group loans and receivables	0.0	0.0
0.0	0.4	Public duties	9.7	8.3
0.0	0.0	Tooling WIP	6.1	6.2
0.0	0.0	Other short-term receivables	8.2	16.2
33.5	**31.8**	**Receivables**	**160.3**	**160.1**
0.0	0.0	Financial derivative instruments	0.0	0.0
0.1	0.1	Prepayments	8.1	11.3
33.6	**31.9**	**Total Trade and other receivables**	**168.4**	**171.4**

Trade receivables maturity

	2013		2012	
MEUR	Dec	%	Dec	%
Not overdue	127.9	93%	105.0	80%
Overdue 1-20 days	6.4	5%	21.9	17%
Overdue 21-40 days	1.5	1%	1.5	1%
Overdue 41-80 days	0.6	0%	1.1	1%
Overdue 81-100 days	0.2	0%	0.3	0%
Overdue > 100 days	0.6	0%	1.3	1%
Gross trade receivables	**137.2**		**131.0**	
Total provision for bad debt	(0.8)	1%	(1.6)	1%
Net trade receivables	**136.4**		**129.4**	

The provision for bad debt is reduced by MEUR 0.8 compared to 31.12.2012. Trade receivables are subject to constant monitoring. Impaired receivables are reflected through provision for bad debt. Monthly assessments of loss risk are performed and corresponding provisions are made on entity level. The provision for bad debt reflects the total loss risk on groups trade receivables. The oldest trade receivables, overdue > 100 days, represent the highest risk level. Most of the impaired trade receivables are included in that category. Actual losses on trade receivables are considered not significant. The risk for losses on other receivables than trade receivables is assessed to be insignificant. For risk management see note 21.

Receivables by currency

Parent			Group	
2013	2012	MEUR	2013	2012
19.2	18.6	EUR	32.8	34.8
10.8	8.7	USD	42.5	48.3
0.3	0.4	NOK	14.5	9.2
3.2	3.6	RMB	18.4	17.3
0.1	0.5	Other	52.1	50.1
33.5	31.8	Total	160.3	160.1

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 6,572,268 shares as treasury shares. For more information see "Statement of Changes in Equity". The share is listed on the Oslo Stock Exchange. The ticker code is KOA.

	2013	2012
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	6,572,268	7,046,302

The twenty largest shareholders in the company as at 31.12.13 were as follows:

Shareholder	No of shares	%	Country
MP Pensjon PK	10,985,050	2.7 %	NOR
The Northern Trust non-treaty account	10,336,647	2.5 %	GBR
Citibank, N.A.	10,167,813	2.5 %	USA
KLP Aksjenorge VPF	10,086,252	2.5 %	NOR
VPF Nordea Kapital c/o JP Morgan Europe	8,419,558	2.1 %	NOR
JP Morgan Chase Bank Handelsbanken Nordic	7,995,329	2.0 %	SWE
Euroclear Bank S.A.	7,749,478	1.9 %	BEL
Verdipapirfondet DNB	7,450,000	1.8 %	NOR
The Bank of New York non-treaty BNY Mello	7,063,208	1.7 %	LUX
Kommunal Landspensjon	7,043,126	1.7 %	NOR
Morgan Stanley & Co MSIL IPB Client	6,870,687	1.7 %	GBR
Kongsberg Automotive ASA	6,572,268	1.6 %	NOR
Erling Neby AS	5,500,000	1.4 %	NOR
Vicama AS	4,940,000	1.2 %	NOR
J.P. Morgan Chase Ba Nordea non-treaty	4,440,726	1.1 %	GBR
VPF Nordea Avkastnin c/o JP Morgan Europe	4,323,800	1.1 %	NOR
Clearstream Banking	4,255,530	1.0 %	LUX
Verdipapitfondet HAN Norge	4,000,000	1.0 %	NOR
Delphi Norge JP Morgan Europe Ltd.	4,000,000	1.0 %	NOR
Goldman Sachs & Co	3,474,436	0.9 %	USA
Total twenty largest shareholders	135,673,908	33.4 %	
Other shareholders	271,094,223	66.6 %	
Total number of shares in issue	406,768,131	100.0 %	
Number of shareholders	5,910		
Foreign ownership	33.1%		

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. One third of the options are exercisable after one, two and three years respectively after the date of grant. Options at NOK 5 expire after five years, options at NOK 4,50, NOK 2 and NOK 1,50 expire after 7 years and options at NOK 20 and NOK 3 expire ten years after the date of grant. The company has no legal or constructive obligation to repurchase or settle the options in cash. See Statement of Change in Equity for information on amounts recognized in 2013. The table below shows the number of options and their exercise dates for the program adopted by the General Assembly in 2013 in respect of options to be offered during the first quarter and granted during April 2014.

Number of options vesting and potentially exercisable

	2015	2016	2017	Last possible exercise 2021
By year	1,500,000	1,500,000	1,500,000	
Cumulative	1,500,000	3,000,000	4,500,000	4,500,000

Movements in share options (NOK)

	2013		2012	
	Average exercise price	Options	Average exercise price	Options
Options at 01.01	4.68	13,348,966	5.66	10,620,261
Granted	1.50	3,850,000	2.00	3,999,800
Forfeited	5.58	(1,319,168)	4.47	(1,271,095)
Expired	0	0	0	0
Exercised	3.01	(474,034)	0	0
Options at 31.12	3.86	15,405,764	4.68	13,348,966

Outstanding options at the end of the year (NOK)

	2013		2012	
Expiry date	Exercise price	Options	Exercise price	Options
31.03.2015	5.00	2,359,041	5.00	2,614,472
31.03.2018	20.00	772,674	20.00	944,453
31.03.2018	4.50	2,806,027	4.50	3,251,082
31.03.2019	3.00	2,459,751	3.00	2,757,493
31.03.2019	2.00	3,285,271	2.00	3,781,466
10.04.2020	1.50	3,723,000		
Options at 31.12		15,405,764		13,348,966

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 0,60 per option (2012: 0,85). The significant inputs to the model were the share trading price of NOK 1,52 at the date of grant, exercise prices (NOK 1,50) shown above, a weighted average volatility of 63,68 %, an expected option life of three, four and five years and a weighted average annual risk-free interest rate of 1,38 %.

Treasury shares

The company holds 6,572,268 treasury shares. 1,000,000 shares were acquired in August 2006 at an average price of NOK 48,24 per share. 6,500,000 shares were acquired in February 2010 at an average price of NOK 5,24 per share. The shares were purchased for future allocations of share options within the Group's share option programs. The company sold 474,034 treasury shares in 2013. No shares were acquired.

Note 17 – Earnings and dividend per share

Earnings per share

	2013	2012
Net (loss) / profit attributable to equity shareholders (MEUR)	6.3	5.2
Weighted average number of shares in issue (millions)	399.8	399.7
Basic earnings per share, euros	**0.02**	**0.01**
Diluted earnings per share, euros	**0.02**	**0.01**

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

Dividend per share

	2013	2012
Dividend per share in euros – paid	0.0	0.0
Dividend per share in euros – proposed	0.0	0.0

No dividend was proposed for 2013. 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 Defined Benefit Obligation (DBO) and return on plan assets to be recognized as net interest under financial items. Historical figures have not been restated due to their immateriality. The actuarial losses not recognized at the end of 2012 and the effects of current year change are recognized in OCI in 2013. See end of note for further information.

Defined benefit pension plans – Norway

The German- and Norwegian subsidiaries represented 92% of the Groups Net benefit obligation (Germany: 80%, Norwegian: 12%) in 2013. The Parent company Kongsberg Automotive Holding ASA and its Norwegian subsidiary Kongsberg Automotive AS have defined benefit and defined contribution pension plans. The plans were changed from defined benefit to defined contribution in 2004. The defined benefit plan was continued for employees who had already retired. The other defined benefit plan is an early retirement plan for the CEO.

Defined benefit pension plans – Other

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

Defined contribution plans

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

Other retirement benefit plans

Top hat pension – Norway

The defined contribution plans has legislative limitations when it comes to maximum salary as calculation basis for tax deductibility. Employees in KAH ASA and KA AS (subsidiary) with salaries that exceed this limit, will be granted an addition to the pension that includes the salary above the maximum limit. This obligation will only materialize if the person is employed in KA at the time of retirement.

Multiemployer plan (AFP) – Norway

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

Other retirement benefits

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

Retirement benefit obligations recognised in statement of financial position

Parent 2013	Parent 2012	MEUR	Group 2013	Group 2012
1.3	1.5	Defined benefit pension obligation	15.7	13.4
0.3	0.3	Top hat, retirement provisions and other employee obligations	1.7	1.4
1.6	**1.8**	**Retirement benefit obligations**	**17.4**	**14.8**

Defined benefit scheme – assumptions

Parent 2013	Parent 2012		Group 2013	Group 2012
3.8%	3.8%	Discount rate	3.5%	3.8%
3.8%	3.8%	Rate of return on plan assets	3.5%	3.9%
3.5%	3.3%	Salary increases	1.5%	1.7%
3.3%	3.3%	Increase in basic government pension amount	1.5%	1.6%
0.2%	0.2%	Pension increase	0.6%	0.5%

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 2013	Parent 2012	MEUR	Group 2013	Group 2012
0.1	0.1	Service cost	0.2	0.3
0.1	0.1	Interest on benefit obligations	0.6	0.7
(0.0)	(0.0)	Expected return on pension assets	(0.0)	(0.1)
0.0	0.0	Amortization of estimate differences	0.0	0.6
0.0	0.0	Effect of curtailment	(0.0)	(0.2)
0.0	0.0	Social security taxes	0.0	0.0
0.0	0.0	AFP adjustment	0.0	(0.0)
0.1	**0.2**	**Net periodic pension cost**	**0.7**	**1.3**
0.2	0.0	Remeasurement of net defined benefit liability	3.2	0.0
3.8%	4.4%	Actual return on plan assets	2.2%	2.1%

Defined benefit scheme – net pension liability

Parent 2013	Parent 2012	MEUR	Group 2013	Group 2012
		Pension liabilities and assets:		
1.3	1.5	Projected benefit obligation (PBO)	16.4	17.1
(0.1)	0.0	Fair value of pension assets	(1.1)	(2.2)
0.0	(0.1)	Unrecognized effects	0.0	(2.1)
1.2	**1.3**	**Net pension liability before social security taxes**	**15.3**	**12.8**
0.2	0.2	Social security taxes	0.3	0.5
1.3	**1.5**	**Net pension liability**	**15.6**	**13.3**

Specification of carrying value of net pension liability

2013	2012	MEUR	2013	2012
1.3	1.5	Retirement benefit obligation	15.7	13.4
0.0	0.0	Retirement benefit asset	(0.1)	(0.1)
1.3	**1.5**	**Net pension liability**	**15.6**	**13.3**

Defined benefit scheme – change in net pension liability

Parent			Group	
2013	2012	MEUR	2013	2012
1.5	1.6	Net pension liability 01.01	13.3	13.5
0.1	0.2	Pension cost for the year	0.7	1.3
0.3	0.0	Remeasurement of net defined benefit liability	3.3	0.0
(0.4)	(0.4)	Paid pensions	(1.2)	(1.6)
(0.3)	0.1	Translation differences	(0.4)	0.1
1.3	**1.5**	**Net pension liability 31.12**	**15.6**	**13.3**

Defined benefit scheme – sensitivities

MEUR	DBO 31.12.13	Service cost 2014	Interest cost 2014
Actual valuation	-16.4	0.18	0.56
Discount rate + 0.5%	-15.7	0.18	0.53
Discount rate - 0.5%	-17.2	0.18	0.59
Expected rate of salary increase + 0.5%	-16.4	0.18	0.56
Expected rate of salary increase - 0.5%	-16.4	0.18	0.56
Expected rate of pension increase + 0.5%	-17.0	0.18	0.54
Expected rate of pension increase - 0.5%	-15.9	0.18	0.58

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	21 years

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

Male employee	23 years
Female employee	26 years

Expected pension payment

We expect the pension payment of 2014 to be in line with the 2013 payment.

Defined benefit scheme – IAS 19 revised

In the current year, the Group has applied IAS 19 (as revised in 2011) and the related consequential amendments for the first time. IAS 19R changes the accounting for defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assts when they occur, and hence eliminate the "corridor approach" and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a "net interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognized in profit or loss and other comprehensive income compared to prior years. Historical numbers have not been restated as the effects are considered immaterial.

Note 19 – Interest-bearing liabilities

Interest-bearing liabilities as presented in statement of financial position

Parent			Group	
2013	2012	MEUR	2013	2012
272.9	321.2	*Non-current Interest-bearing loans and borrowings*	273.0	321.2
1.0	1.0	Other current interest-bearing liabilities	1.0	1.6
273.9	**322.2**	**Total interest-bearing liabilities**	**274.0**	**322.8**

Specification of total interest-bearing liabilities

Parent			Group	
2013	2012	MEUR	2013	2012
146.0	176.0	EUR	146.0	176.0
115.4	132.7	USD	115.4	132.7
15.6	17.8	NOK	15.7	17.8
0.0	0.0	Other currencies	0.0	0.6
-3.0	-4.3	Capitalized arrangement fee	-3.0	-4.3
273.9	**322.2**	**Total interest-bearing liabilities**	**274.0**	**322.8**

See note 21 for an assessment of currency risk.

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

	Currency	Total amount	Undrawn amount	Drawn amount	Capitalized arr. fees	Amount recognized	Maturity Date	Interest Rate (incl margin)
DNB / Nordea *	EUR	206.0	60.0	146.0	(1.6)	144.4	30.03.17	3.75%
DNB / Nordea	USD	181.7	22.7	159.0	(2.0)	157.0	30.03.17	3.75%
Innovasjon Norge	NOK	130.5	0.0	130.5		130.5	10.12.21	4.90%- 5.75%

* including an overdraft facility of MEUR 35.0 (not utilized at year end) which fall due in 2017. Any use of this facility is expected to be repaid within one year. Nothing was drawn against this facility at 31.12.13.

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

Year	MEUR	MUSD	MNOK
Repayable/ reduction in facility 0-6 months after year end	20.0		
Repayable/ reduction in facility 6-12 months after year end	20.0		8.7
Repayable/ reduction in facility during 2015	40.0		17.4
Repayable/ reduction in facility during 2016	40.0		17.4
Repayable/ reduction in facility during 2017 (and later)	86.0	181.7	17.4
Repayable/ reduction in facility during 2018 (and later)	0.0		69.6
Total	**206.0**	**181.7**	**130.5**

The repayment schedule for the EUR and USD tranche was removed in 2014, providing more financial flexibility to the Group.

The repayment schedule is based on scheduled facility reductions stated in the loan agreements. The reductions in the EUR may also be effectuated against the USD facility. Undrawn facility amount at year end 2013 fully covers the 2014 scheduled facility reductions. The Innovasjon Norge loan has a scheduled repayment of NOK 8.7 million in 2014 classified as other current interest-bearing liabilities. The Parent company's main corporate facility was refinanced in March 2012 with a 5 year revolving credit facility composed of a MUSD 195 tranche and a MEUR 266 tranche. The credit facility was reduced by MEUR 30 in 2012 and MEUR 40 in 2013. The facility will decrease by further MEUR 40 each year from 2014 to 2016. The facility bears an interest rate based on Eurolibor / USD Libor rate plus a margin depending on the gearing ratio. The Innovasjon Norge loan of MNOK 130.5 carries a fixed interest rate of 4.9% (MEUR 72.0) respectively 5.75% (MEUR 58.5). The embedded derivative has a negative value per year end of MNOK 1.4. The long-term interest risk has been hedged until 4Q 2016 through interest rate swap contracts (MUSD 50 with a fixed interest rate of 1,543% and MEUR 100 with a fixed interest rate of 1,5535%). See also note 21.

Group Covenants

- Equity ratio (Equity / Total assets)	Minimum 22.5% at December 2013 and 25.0% at December 2014 and onwards
- Minimum liquidity	Minimum MEUR 50
- Gearing ratio (NIBD / EBITDA)	The required gearing ratio level is 3.5 at December 31, 2013 and is reduced to 3.0 at June 30, 2014. From end of March 2015 and onwards the required gearing ratio is 2.5.
- Capital expenditures	Maximum 4% of consolidated turnover, however no restrictions if gearing ratio is 2.5 or below. Unutilized amounts can be forwarded to the next succeeding financial year.
- Dividend restrictions	Gearing ratio required to be 2.5 or below

The covenants are tested quarterly. The Group is in compliance with the covenants as at 31.12.13.

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	2013	2012
Cash reserve	54.4	72.7
Undrawn facility	76.4	75.2
Total (before bank overdraft)	**130.8**	**147.8**
Bank overdraft *	(24.3)	(41.8)
Liquidity reserve	**106.5**	**106.0**

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

Other current interest-bearing liabilities

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

Note 20 – Trade and other payables

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

Parent 2013	Parent 2012	MEUR	Group 2013	Group 2012
0.5	0.1	Trade payables	100.3	95.9
27.2	6.6	Short-term group liabilities	0.0	0.0
4.2	3.0	Accrued expenses	56.5	53.0
0.0	0.0	Provisions	2.7	5.2
4.0	5.7	Interest rate swaps (IRS)	4.0	5.7
0.4	0.5	Other short-term liabilities	3.7	3.4
36.3	**15.9**	**Total Trade and other payables**	**167.2**	**163.1**

Provisions

2013 MEUR	Warranty reserve	Restructuring and other provisions	Total
Opening Balance	3.6	1.7	5.2
P&L charge /(credit)	1.2	0.0	1.2
Payments	-1.9	-1.7	-3.5
Translation effect	-0.2	0.0	-0.2
Closing Balance	**2.7**	**0.0**	**2.7**

Maturity structure

2013 MEUR	Provisions	Accrued expenses	IRS & Other short-term liabilities	Trade payables	Total
Repayable 0-3 months after year end	0.7	34.1	2.7	99.1	136.6
Repayable 3-6 months after year end	0.7	6.6	0.4	0.7	8.4
Repayable 6-9 months after year end	0.7	9.5	0.1	0.5	10.8
Repayable 9-12 months after year end	0.7	6.3	4.5	0.0	11.5
Total	**2.7**	**56.5**	**7.7**	**100.3**	**167.2**

Note 21 – Risk management

Risk management policies

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

Foreign exchange risk

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

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

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

Sensitivity

At 31 December 2013, if the currency USD had weakened/strengthened by 5 % against the EUR with all other variables held constant, revenues would vary by around +/- 1.8% or MEUR +/- 18. Operating profit would not have been significantly changed. A change in EUR and USD of +/- 5% versus the NOK would have influenced the conversion of the long term debt and hence influenced the financial items with approximately MEUR +/- 13. These changes would also have generated changes in currency conversion in the equity, hence the equity change would have been less significant.

Operational risks

Operation and investment risks and uncertainties

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

Competition

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

Volatility in prices of input factors

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

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

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

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

Uninsured losses

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

Interest rate risk

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

Interest rate swap

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

Sensitivity

Based on the simulations performed per 31.12.2013, the impact on pre tax profit of a +/- 0.5 percentage point shift in both the EUR and USD interest would be a maximum increase or decrease of MEUR 0.6. This impact would reach MEUR 1.3 without hedging instruments.

Credit risk

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

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

Funding and liquidity risk

Cash flow forecasting is performed by each operating entity of the Group on a weekly basis for the next 12 weeks. Group finance monitors these forecasts and the 5 quarter rolling forecasts for the Group to keep track of the Group's liquidity requirements and to ensure there are sufficient cash to meet both operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. For unused liquidity reserve, see note 19.

Capital risk management

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

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

Note 22 – Financial instruments

Classification, measurement and fair value of financial instruments

		Group – 2013				
MEUR	Notes	Derivatives at fair value through profit and loss*	Loans and receivables at amortized cost	Financial liabilities at amortized cost	Non-financial assets and liabilitites	Total
Trade and other receivables	15		154.2		14.2	168.4
Cash and cash equivalents			57.1			57.1
Interest-bearing loans and borrowings	19			(273.0)		(273.0)
Bank overdraft				(24.3)		(24.3)
Other current interest-bearing liabilities	19			(1.0)		(1.0)
Trade and other payables	20	(4.0)		(156.8)	(6.4)	(167.2)
Total		**(4.0)**	**211.3**	**(455.2)**	**7.8**	**(240.1)**
Fair value		(4.0)	211.3	(455.4)	7.8	(240.3)
Unrecognized gain/ (loss) *		-	-	(0.2)	-	(0.2)

* Unrecognized loss on financial instruments is related to an embedded fixed rate derivative included in a long-term interest bearing loan agreement. See note 19 for further information. Interest rate swaps (IRS) is the only type of derivative instrument held by the Group in 2012 and 2013. IRS is valued based on a level 2 valuation. There were no transfers between levels in the period.

		Group – 2012				
MEUR	Notes	Derivatives at fair value through profit and loss*	Loans and receivables at amortized cost	Financial liabilities at amortized cost	Non-financial assets and liabilitites	Total
Trade and other receivables	15		160.1		11.3	171.4
Cash and cash equivalents			75.3			75.3
Interest-bearing loans and borrowings	19			(321.2)		(321.2)
Bank overdraft				(41.8)		(41.8)
Other current interest-bearing liabilities	19			(1.6)		(1.6)
Trade and other payables	20	(5.7)		(148.9)	(8.6)	(163.1)
Total		**(5.7)**	**235.4**	**(513.5)**	**2.8**	**(281.0)**
Fair value		(5.7)	235.4	(513.8)	2.8	(281.3)
Unrecognized gain/ (loss)		-	-	(0.3)	-	(0.3)

Note 23 – Remuneration and fees for management, Board of Directors and auditor

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

	2013	2012
Total remuneration of the Board of Directors	244.0	254.9
Salary to the CEO	447.8	460.0
Other remuneration to the CEO	61.1	57.7
Pension costs to the CEO	30.0	30.3
Management salaries other than to the CEO	1,728.1	1,641.9
Other remuneration of management other than the CEO	289.9	328.6
Pension costs of management other than the CEO	177.0	164.9
Total	**2,977.9**	**2,938.3**

Specification of remuneration to Board of Directors (KEUR)

Name	Position	Compensation committee	Audit committee	BOD fees	Total 2013	2012
Ulla-Britt Fräjdin-Hellqvist	Chairwoman	6.4	0.0	53.8	60.2	62.9
Halvor Stenstadvold	Board member	0.0	7.0	32.0	39.1	38.1
Magnus Jonsson	Board member	0.0	0.0	32.0	32.0	33.4
Maria Borch Helsengreen	Board member	4.5	0.0	32.0	36.5	0.0
Thomas Falck	Board member	0.0	9.0	32.0	41.0	40.8
Eivind A. Holvik	Employee representative	0.0	0.0	10.2	10.2	10.7
Kjell A. Kristiansen	Employee representative	4.5	0.0	10.2	14.7	15.4
Tonje Sivesindtajet	Employee representative	0.0	0.0	10.2	10.2	10.7
Other (replaced board member)		0.0	0.0	0.0	0.0	42.8
Total – Board of Directors		**15.4**	**16.0**	**212.6**	**244.0**	**254.9**

Specification of remuneration to nomination committee (KEUR)

Name	Position	2013	2012
Tor Himberg-Larsen	Committee chairman	10.2	11.4
Heidi Finskas	Committee member	3.8	0.0
Inga Lise Lien Moldestad	Committee member	3.2	4.7
Other (replaced committee member)		0.0	4.7
Total – Nomination Committee		**17.3**	**20.7**

Specification of remuneration to management other than CEO (KEUR)

2013

Name	Position	Salary	Pension	Other
Trond Stabekk	EVP, CFO	279.7	30.0	41.3
Jarle Nymoen	EVP, Human Resources	200.9	22.4	29.7
Anders Nyström	EVP, Purchase	184.9	43.0	14.7
James G Ryan	EVP, Driver Control	218.3	5.8	32.3
Joachim Magnusson	EVP, Driveline	213.7	40.0	23.4
Jonathan Day	EVP, Fluid Transfer	185.1	5.3	32.4
Scott Paquette	EVP, Interior	222.0	5.9	44.1
Other (previous member of Executive committee)	EVP, Purchase	223.5	24.7	72.1
Total – management other than CEO		**1,728.1**	**177.0**	**289.9**

2012

Name	Position	Salary	Pension	Other
Trond Stabekk	EVP, CFO	277.7	30.3	41.1
Jarle Nymoen	EVP, Human Resources	192.5	18.6	33.3
Anders Nyström	EVP, Purchase	165.6	36.5	0.0
James G Ryan	EVP, Power Products	204.8	5.4	87.0
Joachim Magnusson	EVP, Driveline	202.8	38.1	17.3
Jonathan Day	EVP, Fluid Transfer	169.8	5.0	50.4
Scott Paquette	EVP, Interior	216.5	5.8	64.9
Trond Fiskum	EVP, Actuation & Chassis	212.3	25.2	34.6
Total – management other than CEO		1,641.9	164.9	328.6

The Management Group participates in a bonus scheme based on the Group's achievement of return on capital employed. Target bonus for management is maximum 50% of base salary. A total of MEUR 8.0 is accrued for bonus earned in 2013 (2012: MEUR 1.4). The management's share is approximately 18 % of total bonus.

The Chief Executive Officer has an agreement covering early retirement benefits. Benefits according to this agreement are included in the pension obligations disclosure in note 18. The employment of the Chief Executive Officer is terminable by the company at 12 months' notice. The notice period for other members of the management group is six months.

Outstanding number of share options granted to management

Scheme :	2013	2012	2011	2010	2009	2008
Strike :	1.50	2.00	4.50	5.00	3.00	20.00
Hans Peter Havdal	325,000	322,000	317,000	315,000	215,394	157,465
Trond Stabekk	225,000	222,000	217,000	151,406	215,394	
Jarle Nymoen	115,000	122,000	117,000	115,000	102,029	48,795
Anders Nyström	125,000	122,000				
James G Ryan	125,000	122,000	117,000	115,000	136,038	
Joachim Magnusson	125,000	122,000	117,000	115,000	102,029	17,971
Jonathan Day	125,000	122,000	60,000	40,000	45,346	24,072
Scott Paquette	125,000	122,000	117,000	115,000	102,029	13,012
Total options	1,290,000	1,276,000	1,062,000	966,406	918,259	261,315

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

Specification of fees paid to the auditors (KEUR)

	2013	2012
Statutory audit services to the Parent company (Deloitte)	47.9	64.6
Statutory audit services to subsidiaries (Deloitte)	495.6	465.0
Statutory audit services to subsidiaries (Other)	213.7	131.5
Further assurance services (Other)	25.7	75.7
Other non-audit services (Other)	85.3	45.7
Total	868.2	782.5

Note 24 – Shares owned by management and Board of Directors as at 31.12.13

Board of Directors		No of shares
Ulla-Britt Fräjdin-Hellqvist	Chairwoman	72,800
Halvor Stenstadvold	Board member	275,000
Magnus Jonsson	Board member	20,000
Maria Borch Helsengren	Board member	0
Thomas Falck	Board member	1,000,000
Eivind A. Holvik	Employee representative	0
Kjell A. Kristiansen	Employee representative	20,180
Tonje Sivesindtajet	Employee representative	63,000
Total number of shares		1,450,980

Executive Committee		No of shares
Hans Peter Havdal	CEO & President	447,025
Trond Stabekk	EVP, CFO	103,080
Jarle Nymoen	EVP, Human Resources	102,985
Anders Nyström	EVP, Purchase	42,000
James G Ryan	EVP, Driver Control	158,400
Joachim Magnusson	EVP, Driveline	73,693
Jonathan Day	EVP, Fluid Transfer	127,650
Scott Paquette	EVP, Interior	90,800
Total number of shares		1,145,633

Note 25 – Statement of remuneration of management

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

Principles for base salary

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

Principles for variable compensation and incentive schemes

Leading employees can receive variable salaries based on result achievement for the Group or for the unit in which the person is employed. In addition to this, the realization of goals established for the leader should be taken into consideration. These criteria will be decided by the Board of Directors for the CEO and by the CEO for leading employees. The company has made a bonus provision for 2013 (see note 23).

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

The Board of Directors can offer share options to leading employees when shareholders have given authority to run options programs. The exercise price of the options shall be the average trading price of the KA share the first 10 days after presentation of the 4 th quarter results. The exercise period shall typically be five to ten years. Profit from exercise of options any calendar year shall not exceed the employee's base salary the proceeding year.

Principles for servces with non-cash compensation

Leading employees can be offered different arrangements such as company cars, insurance, pensions, etc. together with relevant com- munication solutions such as broadband and mobile telephone in order to ensure that leading employees are accessible to the company. As for all other employees, leading employees are eligible to participate in a defined contribution pension plan. The conditions in individual pension schemes can vary.

Redundancy payments

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

Information about preparation and decision processes

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

Note 26 – Commitments and Guarantees

Commitments

The Group is party to lease agreements classified as operating lease. The total Group cost for operating leases was MEUR 4.3 in 2013 (2012: MEUR 5.3) Operating leases are mostly used for the rental of office equipment. The following table shows the maturity schedule for operational leases for the Group:

MEUR	2014	2015	2016	2017	Thereafter	Total
Operational lease commitments	-3.9	-3.7	-2.5	-2.1	-12.9	-25.0

Guarantees

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

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

Note 27 – Contingent liabilities

Contingent liabilities

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

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

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

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

Note 28 – Subsequent events

The repayment schedule for the EUR and USD tranche has been removed, providing more financial flexibility to the Group. No other new material information regarding the Group's situation as at 31.12.2013 or later development has come out as of the date of approval.

Note 29 – Related-party transactions (KAH ASA)

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

Key management- and BOD compensation

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

Specification of revenues – type of services

MEUR	2013	2012
Group benefits fee from subsidiaries *	27.7	28.5
Information Systems & Technology	8.6	8.5
Other	1.3	1.0
Operating revenues	**37.6**	**38.0**

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

Specification of revenues – revenues by geographical location

MEUR	2013	2012
Norway	4.8	4.6
USA	6.9	6.7
Sweden	4.4	4.8
China	3.2	3.9
Mexico	5.2	5.2
Other countries	13.1	12.9
Total	**37.6**	**38.0**

Outstanding loans, receivables and liabilities with other group companies (MEUR)

	Non-current assets	
Loans to other Group companies	2013	2012
Kongsberg Automotive SP. z.o.o	2.5	10.0
Kongsberg Automotive Hong Kong Ltd	29.0	30.3
Kongsberg Automotive Holding 2 AS	320.0	345.7
Kongsberg Automotive s.r.o.	21.0	17.7
Other Group companies	13.8	17.1
Total	386.4	420.8

The parent company's loans to group companies have due dates exceeding 1 year.
The majority of the inter company loans have a 5 % margin on the respective market reference rates.

	Current assets	
Short-term Group receivables	2013	2012
Kongsberg Actuation Systems SL	0.5	0.4
Kongsberg Automotive s.r.o	0.3	0.2
Kongsberg Driveline Systems SAS	0.1	0.0
Kongsberg Driveline Systems GmbH	8.5	8.4
Kongsberg Driveline Systems I, Inc	2.5	2.6
Kongsberg Automotive (Shanghai) Co Ltd.	0.7	0.3
Kongsberg Automotive Inc.	5.3	5.5
Kongsberg Automotive Holding 2 AS	6.3	4.4
Kongsberg Automotive (Wuxi) Ltd.	2.9	3.7
Other Group companies	6.4	6.0
Total	33.5	31.4

	Current liabilities	
Short-term Group liabilities	2013	2012
Group companies*	27.2	6.6
Total	27.2	6.6

* Increased due to Group Contribution to KA HLD2 (MEUR 25.6)

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

Report of the Auditors

Deloitte AS
Dronning Eufemias gate 14
P.O. Box 221 Sentrum
NO-0103 Oslo
NORWAY

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

To the Annual Shareholders' Meeting of Kongsberg Automotive Holding ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Kongsberg Automotive Holding ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements for the parent company comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

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

Deloitte.

Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Kongsberg Automotive Holding ASA as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according the Norwegian accounting act § 3-9.

Opinion on the financial statements for the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Kongsberg Automotive Holding ASA as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

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

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility and 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, 13 February 2014
Deloitte AS

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

(Translation has been made for information purposes only.)

Declaration to the Annual Report 2013

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, 2013 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the Company's and the Group's assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the management report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risk and uncertainties facing the entity and the group.

Kongsberg, February 13, 2014
Board of Directors of Kongsberg Automotive Holding ASA

Ulla-Britt Fräjdin-Hellqvist
Chairwoman
(Sign.)

Thomas Falck
(Sign.)

Halvor Stenstadvold
(Sign.)

Maria Borch-Helsengreen
(Sign.)

Magnus Jonsson
(Sign.)

Tonje Sivesindtajet
(Sign.)

Eivind Holvik
(Sign.)

Kjell Kristiansen
(Sign.)

Hans Peter Havdal
President and CEO
(Sign.)

Key Financial Data

Group

			2013	2012	2011	2010	2009
Operations and profit							
1	Operating revenues	(MEUR)	990.9	1,001.1	999.7	864.4	622.8
2	Depreciation and amortisation	(MEUR)	43.9	46.3	43.4	46.9	46.8
3	Operating (loss) / profit	(MEUR)	53.2	30.7	38.5	10.2	(46.3)
4	(Loss) / profit before taxes	(MEUR)	12.8	11.9	8.2	(1.9)	(28.2)
5	Net profit	(MEUR)	6.6	5.3	7.8	(9.2)	(27.5)
6	Cash flow from operating activities	(MEUR)	87.6	78.9	41.2	43.9	22.6
7	Investment in Property, Plant and Equipment	(MEUR)	27.9	28.6	31.3	22.1	12.8
8	R&D expenses, gross	(MEUR)	48.6	47.1	44.8	40.9	47.2
9	R&D expenses, net	(MEUR)	40.0	40.3	39.1	34.5	43.2
Profitability							
10	EBITDA margin	%	9.8	7.7	8.2	6.6	0.1
11	Operating margin	%	5.4	3.1	3.9	1.2	(7.4)
12	Net profit margin	%	0.7	0.5	0.8	(1.1)	(4.4)
13	Return on total assets	%	7.4	4.0	4.9	1.3	(1.3)
14	Return on capital employed (ROCE)	%	10.9	5.8	6.9	1.8	(9.2)
15	Return on equity	%	3.5	2.8	4.3	(5.2)	(20.4)
Capital as at 31.12							
16	Total assets	(MEUR)	687.3	744.9	793.9	783.0	763.2
17	Capital employed	(MEUR)	463.7	507.5	553.3	570.0	565.5
18	Equity	(MEUR)	189.6	184.7	185.2	174.6	178.9
19	Equity ratio	%	27.6	24.8	23.3	22.3	23.4
20	Cash reserve	(MEUR)	106.5	106.0	125.8	165.0	162.6
21	Interest-bearing debt	(MEUR)	274.0	322.8	368.1	395.4	388.6
22	Interest coverage ratio		1.2	1.0	1.2	0.4	0.2
23	Current ratio (Banker's ratio)		1.6	1.6	1.5	1.7	2.1
Personnel							
25	Number of employees at 31.12		10,135	10,119	10,950	10,538	8,868

Definitions

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

CORPORATE RESPONSIBILITY

For years, Kongsberg Automotive has developed products that improve vehicle safety and reduce environmental impact. Today, we also focus on the practices related to the design and manufacturing of products within the context of sustainability. In 2013 we continued our commitment to the following:

- Implement programs to responsibly manage our complex and diverse supply chain
- Use lean manufacturing methods to drive operational efficiency
- Monitor our factories to assure safety
- Certify our plants to ISO 14001
- Measure our environmental impact
- Provide our employees opportunities to grow and advance
- Support engagement within the communities where we operate

We are pleased to report about our sustainability programs with more detail in this year's report.

Our Code of Conduct

Kongsberg Automotive's Code of Conduct, which is based on OECD guidelines for multinational companies with an extensive overview of rules to follow, defines expectations for KA and our employees' ethical behavior. In 2013, we launched a new, updated version of our Code of Conduct expanding areas to which it applies. The Code has been translated into all local languages where KA operates. We offer our employees training to help them recognize unethical behavior with a review of case studies during the sessions.

All KA companies and KA employees must follow this Code which requires:

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

Within the context of human rights, KA promotes the International Labour Organization (ILO) fundamental principles and rights at work, which include the right to freedom of association and the elimination of child labor, forced labor and discrimination linked to employment.

Our Products

At Kongsberg Automotive, product development is driven by customer needs and requirements. All products are developed with a focus on reducing packaging space, reducing weight and using recyclable materials. When this is considered and built into our designs, Kongsberg Automotive assures that sustainability and reduced fuel consumption are supported in all that we do.

Our skilled engineers use state of the art design and simulation tools to optimize the form, fit and function of our products and their different applications. Every kilogram of mass reduction of a final design translates into better fuel economy, hence less CO_2 emissions.

KA sets focus on practices related to design and manufacturing of products within the context of sustainability.

Kongsberg Automotive assure safe systems that enables the human interaction with vehicles to be controlled and performed in a safe and consistent way. We develop according to ISO 26262 assuring that systems we design and manufacture meet the most rigid and comprehensive automotive safety standards.

To contribute to the global push for more environmentally sustainable vehicles, Kongsberg Automotive offers a range of power electronic products for Hybrid Electrical Vehicles and pure Electrical Vehicles.

Our Supply Chain

Kongsberg Automotive is a global supplier to the vehicle industry, with manufacturing presence in all major vehicle manufacturing regions of the world.

In 2013 we launched a Global Working Conditions Initiative. Kongsberg Automotive has approximately 260 suppliers in regions considered high risk regarding responsible working conditions. However, KA is committed to develop its supply base in these regions while safeguarding our responsible practices set forth in our Code of Conduct. Our supplier development is done in three steps:

1. Commitment to the KA Code of Conduct by signature of the Supplier Declaration
2. Supplier training and self assessment
3. On-site monitoring

KA has, in collaboration with the Automotive Industry Action Group (AIAG), developed a comprehensive training program. The purpose of the training is to take the initiative from paper to real understanding and to promote intercompany learning through workshops arranged during the training.

KA fully supports the Convention on the Rights of the Child, stating that all children have the right to leisure and education, thus neither KA nor its partners shall exploit children as a labor force.

Our Manufacturing

It is vital to our future that we are operationally efficient. This efficiency enables the highest quality and safe work conditions with minimum environmental impact. When our manufacturing facilities are clean, safe and well organized, we allow our employees to do their best work.

We launched the One KA Factory standard in 2012. This initiative emphasizes the commitment to operational excellence that will characterize our facilities. Health, safety and environmental requirements as well as standards for improving the working environment are focused on. We define a set of minimum standards for the visual and physical appearance of our plants. We describe general requirements and items that should be in place in all KA plants like safety signs and equipment, plant layout and flow, 5S requirements, common color schemes and clothing, use of lighting and maintaining a clean environment.

Having a well-run facility builds a feeling of professionalism and trust for our customers and visitors while making any employee proud to work in the facility.

Our Concern for the Environment

We have a responsibility to do our part in all areas of the world to protect the environment. To do this we challenged our manufacturing locations to identify potentially negative environmental impacts and to minimize those impacts by improving our process and operational efficiency.

We report significant progress:

- All manufacturing facilities have implemented an Environmental Management System consistent with with ISO 14001 Standards
- Over the last five years, reduction in hazardous waste and land filled waste has been reduced by 38%
- Over the last five years, Energy Intensity has been reduced by 40%

Our skilled engineers use state of the art design and simulation tools to optimize the form, fit and function in our products and their different applications.

Our People

Kongsberg Automotive is committed to ensuring and benefiting from the diversity of our workforce. This commitment is defined in our Diversity policy and reflected in our focus on diversity in recruitment processes and management development programs. Women make up 48% of the total workforce. The number of women within the Top 200 employees rose from 8% to 9% through the year (6% in 2011). The company aims to increase the number of female employees in Corporate and Divisional Management positions.

To reach this goal, the company intends to invite a more diversified selection of candidates to interview for all new positions. In order to secure a better gender balance, our succession planning will specifically focus on internal women and minority candidates for executive positions.

The Board of Directors of Kongsberg Automotive Holding ASA consists of three women and five men, however 40% of the company's shareholder-elected directors are women. Kongsberg Automotive recognizes the importance of attracting and retaining skilled and motivated employees at all levels of the organization, with a strong commitment to the business as well as KA's ethical guidelines and values.

Safety first

KA considers the safety of its workers as a top priority. Each year we improve our programs by increasing awareness, adapting lean working methods to our safety efforts and monitoring workplace conditions, and we have demonstrated real progress.

In the last five years, the overall number of accidents reported was reduced by an impressive 60%, the Incident Rate, accidents reported per 1 million man hours, was reduced 70% and accidents that resulted in lost time was reduced by 64%.

In the last five years we have seen a significant reduction in accidents reported.

Our Employee's Well Being

Absences due to personal illnesses are tracked by the company. The Group's sick leave average was 2.7% in 2013 compared to 3.1% for 2012.

To improve, we focus on first aid training, perfect attendance campaigns, health awareness drives and on site health fairs to encourage healthier lifestyle choices. In addition, we focus on access to medical care, flu vaccine to reduce down time from seasonal sicknesses, sponsoring company sporting teams and funding participation in charity sporting events.

Our Communities

KA encourages our employees to be involved in the communities where they live and work. Many of our facilities are involved in activities which help create awareness and support of issues such as the Environment, Education, Health, Social Responsibility, and Advocacy for Children.

Our facility in Nuevo Laredo, Mexico has developed a "Promoting Excellence in our Schools" program. This program recognizes the effort that KA parents make to give their children the best education possible. The intention of the program is to aid in their economy by providing their children's school supplies. As part of the program, the facility sponsors a school supply give away in which children of KA employees with the best averages receive a backpack with their annual school supplies.

Many of our KA facilities hold open house events where our KA families and neighbors are invited to visit the plant for tours and open house events. This allows KA to reach out to the community on a more personal level.

Our KA facilities participate in various fundraising events during the year. Some of the programs that are supported on local levels include Relay for Life in the USA, United Way in the USA, Breast Cancer Awareness Foundations in the UK, Mexico and USA, charitable programs to raise funds to support the physically or mentally disabled in Slovakia, food & clothing collections to support victims of drought in Brazil, support to an orphanage in Korea, cancer research & support groups in Canada, Mexico, Norway and the UK.

CORPORATE GOVERNANCE IN KONGSBERG AUTOMOTIVE HOLDING ASA

1. Implementation of the principles for Corporate Governance

KA's guidelines for Corporate Governance conform with the Norwegian Code of Practice For Corporate Governance of October 23, 2012.

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

2. Definition of KA's business

The objective is defined in the Articles of Association for the Company, article 2:
"The company's objective is to engage in engineering industry and other activities naturally related thereto, and the company shall emphasize development, marketing and manufacturing of products to the car industry. The company shall be managed in accordance with general business practice. The company may co-operate with, establish and participate in other companies."

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

3. Equity and dividends

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

The Company's Dividends Policy states the following:
"Kongsberg Automotive Holding ASA shall create value for its shareholders, employees and society. Based on the current bank covenants, the Company may not pay dividends as long as the gearing ratio (NIBD/EBITDA) is above 2.5.

Consequently; returns to the shareholders will mainly be generated through changes in the share price."

The General Meeting June 5, 2013 has granted a mandate to the Board of Directors to purchase up to 40 676 812 of its own shares.

The General Meeting June 5, 2013 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 June 30, 2014.

4. Equal treatment of shareholders and transactions with related parties

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

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

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

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

There has not been any transaction in 2013 between the Company's shareholders, board directors or members of the executive management, or parties closely associated with such parties and the Company or its group companies.

5. Freely negotiable shares

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

6. General Meetings

The notice of calling the General Meeting is published on the Company's web pages; www.kongsbergautomotive.com no later than 21 days prior to the meeting. The notice will further be sent to all known shareholders within the same date.

Supporting information, such as proposals for resolutions to be considered by the General Meeting and recommendations by the Nomination Committee shall be made available on the web pages at the same time. The supporting material shall be sufficiently detailed and comprehensive to allow all shareholders to form a view on all matters to be considered at the General Meeting. Documents that according to law shall be distributed to the shareholders may according to the articles of association be made available on the Company's web pages.

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

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

Shareholders who can not attend the General Meeting may vote by proxy. Forms for the granting of proxies are enclosed with the summons to the General Meetings 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 Chairwoman of the Board of Directors. The shareholders are encouraged to propose candidates to chair the General Meeting.

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

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

7. The Nomination Committee

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

It follows from the Articles of Association for the Company § 5 that the Company shall have a Nomination Committee consisting of 3 members elected by the General Meeting for 3 years at a time, unless the General Meeting resolves otherwise. The members of the Nomination Committee may not have other functions in the Company. The General Meeting has adopted an instruction for the Nomination Committee. The instruction, which was revised in 2011, is available on the Company's web pages. Prior to each election of directors to the Board, the Board of Directors shall notify the Nomination Committee and the latter shall find eligible candidates for directorship to be elected by the General Meeting. The Nomination Committee's nominations shall be enclosed with the summons for the General Meeting and also be available on the company's web pages.

The Nomination Committee'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.

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

8. Board of Directors, composition and independence

The Board of Directors shall according to the Articles of Association of the Company consist of 3 – 9 members of whom up to 5 members shall be elected by the General Meeting. The Board consists at present of the following directors elected by the General Meeting: Ulla-Britt Fräjdin-Hellqvist (chair), Magnus Jonsson, Halvor Stenstadvold, Maria Borch Helsengreen and Thomas Falck. The following directors are elected by and among the employees: Tonje Sivesindtajet, Kjell Kristiansen and Eivind Holvik.

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

The Board Directors are encouraged to own shares in the Company.

Participation in board meetings and board committees in 2013 has been:

	Board Meetings	Compensation committee	Audit Committee
Ulla-Britt Fräjdin-Hellqvist	8	2	
Magnus Jonsson	8		
Halvor Stenstadvold	8		7
Maria Borch Helsengreen	7	2	
Thomas Falck	6		7
Tonje Sivesindtajet	8		
Kjell Kristiansen	8	2	
Eivind Holvik	8		

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

9. The work of the Board of Directors

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

The Board of Directors has issued Rules of Procedure for the Board of Directors as well as instructions for the Chief Executive Officer of the Company with the aim of establishing clear internal allocation of responsibilities and duties. Said procedure and instructions are available on the Company's web pages. The Board has 8 scheduled board meetings per year. Additional board meetings are held when deemed necessary. All board meetings in 2013, except for one meeting, were held as physical meetings.

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

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

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

10. Risk management, internal control and financial reporting

10.1. Risk management and internal control

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

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

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

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

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

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

10.2. Financial reporting

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

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

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

The Group addresses frequently occurring items affecting the accounting record keeping, internal accounting controls and financial reporting within the consolidated group through the KA Financial Manual. The document contains the most relevant accountancy and reporting related issues for all reporting units and set presidency for a distinctive reporting throughout the Group. The KA reporting process follows a standard schedule applicable to all reporting units. The company uses Oracle Hyperion Financial Management as its global financial consolidation, reporting and analysis tool.

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

11. Remuneration of the Directors of the Board

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

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

12. Remuneration to the executive management

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

Information about the 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.

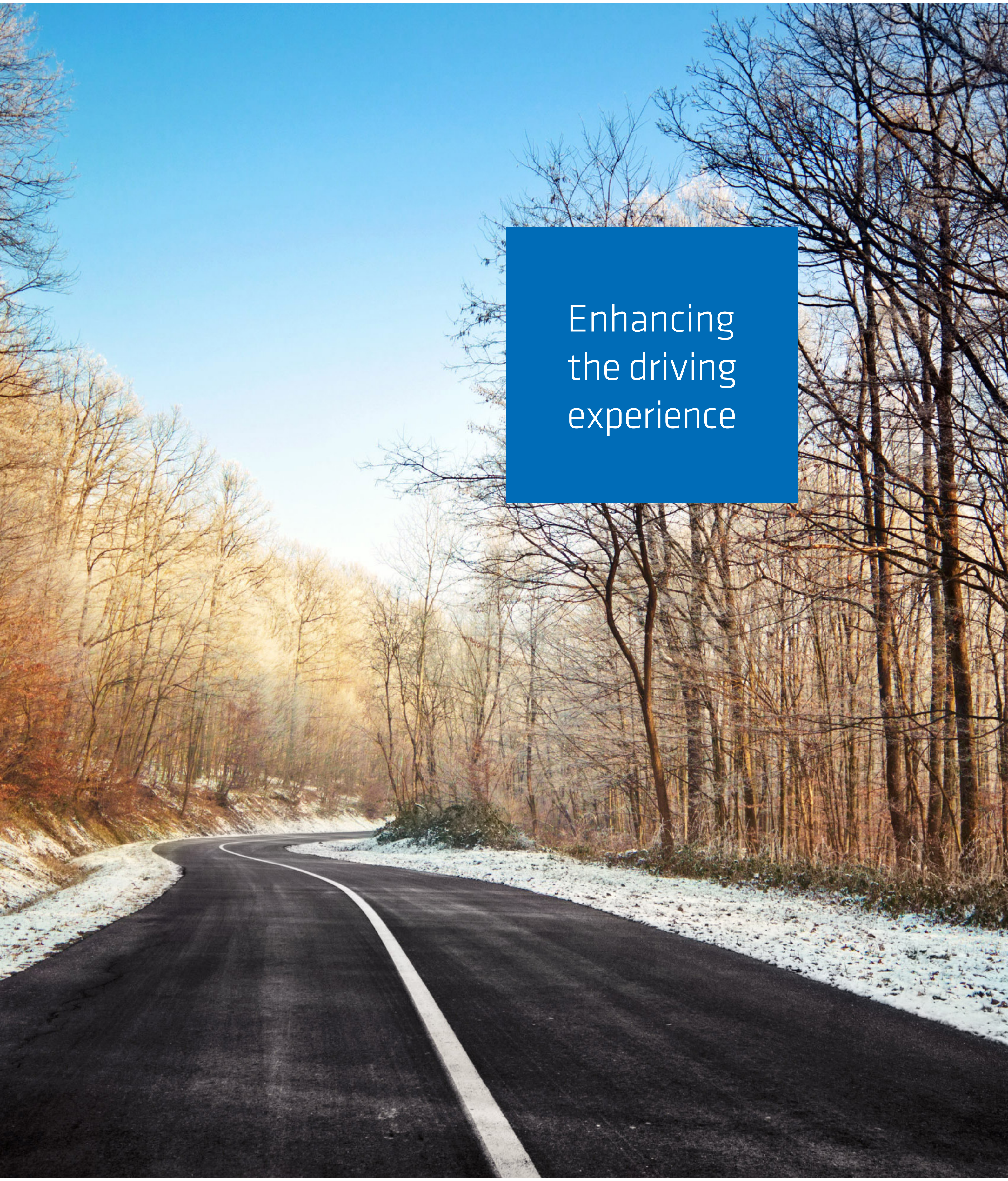
There are no defence mechanisms in the Articles of Association for the Company or any underlying documents, nor are there implemented any measures to limit the opportunity to acquire shares in the Company.

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

15. Auditor

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


Enhancing
the driving
experience

Kongsberg Automotive Holding 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