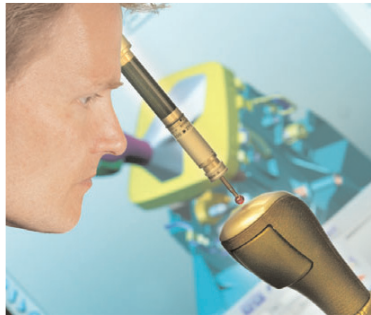


Kongsberg Automotive Holding ASA

9 months report 2005



Kongsberg 26. October 2005

KONGSBERG AUTOMOTIVE GROUP

9 months report 2005

(The report is based on IFRS)

Key points in the quarter compared to comparable periods

- Continued growth in revenues year over year by 19,8 %, despite price reductions and a small decline in car production in Europe and North America (for heavy trucks there has been a growth).
- Excluding one-off effects* in Q2 2004 and Q3 2005 the year over year growth in EBITA is 18 % and in Net Profit 23 %.
- Operations running according to set targets.
- Further strengthening of the Asian organization to meet new opportunities.
- New important orders won both in Asian and North American market.
- Continuously high R&D activity.
- Purchase cost has overall been reduced on comparable portfolio despite increased prices on raw materials.
- Negative cash effect of 21 mill on settlement of legal case with Volvo Truck. (gross effect before compensation from the insurance company)
- One-off cost regarding IPO process of 22,4 mill recorded in 3rd quarter.

*One-off effect of 22,4 mill in 3rd quarter 2005 related to cost for the IPO process. One-off effects in 2nd quarter of 2004 are a cost reduction effect from change of pension scheme (14,2 mill) recorded under salary and social expenses, and Badwill from the acquisition of Raufoss United (69,7) which are recorded as income on the amortization line. These effects are both related to CVS (Commercial Vehicle Systems).

Key figures KA Group

1000 Nok	3rd quarter		YTD		Year
	2005	2004	2005	2004	2004
Total revenue	597 285	538 522	1 867 979	1 564 829	2 184 814
Revenue growth %	10,9 %		19,4 %		
Opex	(502 414)	(444 627)	(1 577 518)	(1 304 631)	(1 814 516)
EBITDA	94 871	93 895	290 461	260 198	370 298
Depreciation	(20 122)	(19 424)	(59 125)	(50 381)	(70 084)
EBITA	74 749	74 471	231 336	209 817	300 214
EBITA %	12,5 %	13,8 %	12,4 %	13,4 %	13,7 %
Amortisation	(1 246)	(3 196)	(7 927)	62 485	59 260
EBIT	73 503	71 276	223 409	272 302	359 474
Profit before taxes	44 735	59 743	160 713	237 245	306 814
Net profit	33 021	49 854	118 928	198 613	244 863
Net profit in %	5,5 %	9,3 %	6,4 %	12,7 %	11,2 %
Net interest bearing-debt			711 546	620 350	575 506
Equity			433 855	347 069	390 280
Total Assets			1 726 678	1 525 157	1 536 938
Equity ratio			25,1 %	22,8 %	25,4 %
Cap ex	20 760	15 931	84 374	63 945	88 822
Capital employed			787 198	730 074	693 152

Revenues

- The Kongsberg Automotive Group continued the positive development from 2004 in the first 9 months of 2005.
- The Operating revenues increased with NOK 59 mill (11%) in the third quarter isolated and 303 mill (19,4%) YTD.
- Due to stronger NOK the currency conversion has the effect of reducing the total revenue recorded in 3rd quarter 2005 with NOK 14 mill compared to 3rd quarter 2004.
- The acquisition of Raufoss United AS in June 2004 and Milan Seat Systems in June 2005 represents 71 mill in revenue in Q3 and 274 mill YTD.
- KA-Group also recorded growth in the organic business (excluding Raufoss and Milan) by 29 mill (1,9 %) year over year.

Profit

- EBITA was at same level in 3rd quarter 2005 compared to 2004. YTD the increase is 22 mill.
- Corrected for the one-off effects in Q2 2004 and Q3 2005 the year over year growth in EBITA is 18 % and in Net Profit 23 %.
- Total assets increased by 190 mill mainly due to the asset purchase of Milan Seat Systems.
- The capitalization of R&D in three first quarters 2004 was 6,5 mill and 10,8 mill in 2005.

Other

- The proforma sales and EBITA for 2004 and 2005 for the Group would have been 2.067.623 and 251.682 for 2004 and 2.046.661 and 258.830 for 2005.

Accounting principles

Specific IFRS accounting policy implications

Goodwill

Kongsberg has made use of the option in IFRS 1 not to retrospectively account for business combinations. Goodwill from acquisitions made before 1 January 2004 will therefore remain unchanged as of 1 January 2004.

Goodwill (IAS 38) arising from business combinations needs to be tested for impairment (IAS36) at the transition days and successive year-end. There has been no indication for a need for write down of goodwill through impairment tests. Goodwill has previously under NGAAP been amortised. This is no longer an option under IFRS and therefore this is reversed in 2004 and after.

The acquisition of Raufoss United resulted in a negative goodwill element ("badwill") which was amortised under NGAAP. This is not an option under IFRS and is therefore treated as a one-off positive P&L effect in 2004.

Pensions

The accumulated unrecognised effect of changes in estimates and differences between actual and expected return on pension assets must be derecognised in the opening balance, in accordance with IAS 19. This has been done in the IFRS opening balance as of 1 January 2004.

The assumptions used by Kongsberg Automotive under NGAAP for the calculation of the defined benefit liability e.g. the discount rate, lies within the range recommended by the actuaries to use for the IFRS calculations.

Research and development costs

IFRS opens for capitalisation of the development costs within R&D, given fulfilment of certain criteria (IAS 38) Kongsberg Automotive has gone through each project and found that some of the project phases fulfil the criteria and has therefore capitalised part of the total development costs. After capitalisation the development costs will be amortised to P&L over the life-span of the product.

Fixed assets

The Company has found the established principles of recognition to be in line with IFRS (IAS 16, 15). Kongsberg Automotive have chosen to apply the historic cost model. This model requires the fair value to be estimated at regular intervals depending on the nature of the assets (IAS 16, 31). The assets are depreciated over their useful life as in the historic cost model.

The Company must evaluate the option to use cost less accumulated depreciation in its opening balance or to use fair value at that date for selected items of PPE as deemed cost (IFRS 1, 16).

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item shall be depreciated separately (IAS 16, 43). The Company has decomposed assets to single items and has therefore not seen a need for further decomposing.

The depreciation amount of an asset shall be allocated on a systematic basis over its useful life (IAS 16, 50). This agrees with the group's current principle.

There are no indications that the recoverable amount of an asset is impaired, and therefore the values on fixed assets are kept equal under IFRS.

Deferred taxation

Under IFRS there is a stricter demand for documentation of future utilisation of deferred tax assets related to taxable loss carry-forwards. The analysis performed by Kongsberg Automotive does not give rise to any reduction of the book value of deferred tax assets.

Business area results

Seat Comfort

Business area Seat Comfort designs and manufactures various seat comfort products including seat heating and ventilation systems, powered seat support systems, head-restraints and arm-rests. The company is a market leader in the area of seat heating. Customers include both car manufacturers and automotive seat suppliers in Europe, Asia and North America.

1000 Nok	3rd quarter		YTD		Year
	2005	2004	2005	2004	2004
Total revenue	304 485	225 321	824 294	705 687	957 117
Opex	(246 819)	(176 154)	(658 081)	(561 167)	(758 177)
EBITDA	57 666	49 167	166 213	144 520	198 940
Depreciation	(6 944)	(5 711)	(18 523)	(16 144)	(21 538)
EBITA	50 722	43 456	147 690	128 376	177 402
EBITA %	16,7 %	19,3 %	17,9 %	18,2 %	18,54 %
Capex	8 560	7 236	27 288	28 714	37 925
Capital employed			308 200	276 337	261 771

Financials

- The operating revenue increases in the first 9 months by 119 mill (16,8 %) compared to same period 2004.
- The main factors is the Milan operations acquired 6 June (116 mill) and higher sales in Europe of seat support to BMW (31 mill). These effects are offset mainly by a general market decline in North America (28 mill).
- The 3rd quarter shows an increase in revenue of 86 mill (38 %), all of which is related to Milan Seat Systems.
- EBITA YTD 2005 increases by 19 mill. Relocation of production to low cost countries is a main driver behind this with an effect of 17 mill. Milan contributed with 13,2 million.
- These positive effects are partly offset by increased R&D cost by 7 mill as a result of higher project activity, and a strengthening of engineering and quality capability in the UK, and production management in Poland with an effect of approximately 6 mill.
- Capital employed increases in 2005 also due to the acquisition of Milan Seat Systems.

Market

- The introduction of new programs is running according to plans.
- The general market has been lower than last year.
- Several new businesses won for head restraints and seat heaters in the North American market SOP 2006/2007.
- Received LOI for HR Volvo XC/V70.
- Focus on materialising opportunities within all areas.
- High activity regarding the German market.
- First nomination for Head Restraints in China via US.

Operations

- Operations are running according to plans.
- High focus on keeping up improvements in the quality work.

Other

- The proforma sales and EBITA for 2004 and 2005 for Seat Comfort would have been 1.020 mill and 151 mill for 2004 and 1.003 mill and 175 mill for 2005.

Commercial Vehicle Systems

The Commercial Vehicles Systems Business area of Kongsberg Automotive designs and manufactures a range of products for use in commercial vehicles, such as trucks and buses. The product range includes clutch actuation systems, gearshift systems, air couplings and stabilizing rods. The company supplies products to commercial vehicle manufacturers in Europe, the Americas and Asia. The products manufactured are technologically advanced and recognized by truck manufacturers for their reliability and contribution to driver safety and comfort.

1000 Nok	3rd quarter		YTD		Year
	2005	2004	2005	2004	2004
Total revenue	216 110	231 494	756 894	572 052	845 031
Opex	(184 191)	(194 323)	(651 256)	(481 217)	(711 410)
EBITDA	31 919	37 171	105 638	90 835	133 621
Depreciation	(10 229)	(10 450)	(31 717)	(24 808)	(35 451)
EBITA	21 690	26 721	73 921	66 027	98 170
EBITA %	10,0 %	11,5 %	9,8 %	11,5 %	11,6 %
Capex	8 612	4 579	43 922	23 803	37 900
Capital employed			386 994	362 411	355 774

Financials

- Total revenue is 185 mill higher (32 %) YTD 2005 compared to same period 2004. This is partly due to full year effect of the Raufoss operations and partly a growing market.
- EBITA is 7,9 mill higher than YTD last year (12%). The full year effect of Raufoss is 25 mill, as a positive effect on the 3rd quarter 2005 compared to 2004. This positive effect is off-set by increased fixed cost as a consequence of building up the Brazilian organization and a higher R&D activity.
- Taken into account a one-off pension effect of 14,2 mill in Q2 2004 the actual growth YTD in EBITA is 22 mill (42,6%).

Market

- A market organization has been established in Asia to have resources to work towards targeted projects.
- LOI for delivery of Hydraulic gearshift systems to Huyndai Motor Company.
- The market for commercial vehicles has shown a growth in 2005 compared to same period in 2004 and we expect the market for the rest of the year to be flat.
- The significant portfolio of development projects is progressing positively.

Operations

- There has in general been good performance in the operating units.
- A few units are facing some capacity problems which will be solved during 2005 without need for investments outside plans.

Other

- The YTD pro forma sales and EBITA for CVS would have been 760 mill and 85 mill for 2004.

Gearshifts

Kongsberg Automotive's business area Gearshifts designs and manufactures floor and instrument panel mounted gearshifts for passenger cars with automatic, manual, automated-manual and continuously-variable transmissions. The product lines include all gearshift components, from gearshift levers and knobs through to mechanical and electronic linkages, including shift by wire (SBW) functions, to the gearbox. The company supplies these products as individual components or as complete assemblies to its European OEM customers (vehicle producers).

1000 Nok	3rd quarter		YTD		Year
	2005	2004	2005	2004	2004
Total revenue	76 690	81 708	286 791	287 091	382 667
Opex	(71 404)	(74 150)	(268 181)	(262 247)	(344 929)
EBITDA	5 286	7 557	18 610	24 843	37 738
EBITDA %	6,9 %	9,2 %	6,5 %	8,7 %	9,9 %
Depreciation	(2 949)	(3 263)	(8 885)	(9 417)	(13 095)
EBITA	2 337	4 294	9 725	15 426	24 643
EBITA %	3,0 %	5,3 %	3,4 %	5,4 %	6,44 %
Capex	3 588	4 116	13 164	11 428	12 997
Capital employed			92 004	91 326	75 607

Financials

- The total revenue of BA Gearshift is down 6 % in the 3rd quarter and stable YTD.
- The EBITA is lower mainly due to higher level of R&D activity. The reason for this is a higher number of projects, including Ford, DC and BMW.

Market

- GM Opel is picking up – Zafira is estimated to sell more than earlier planned.
- New Saab models have had a positive effect on sales.
- Weak USD has had a negative impact on Volvo Sales i.e. less AT shifters.
- New program LOI for 2 Ford program in China received.

Operations

- Successful implementation of automatization projects in production.
- Improved productivity and quality.

Other items for Group

Capital expenditures

The capex for the KA Group is in the first 9 months at a level of 84 millions compared to 64 millions in same period last year 2004. The main driver behind this is that the Raufoss plant is included for the full 9 months in 2005 and that the Raufoss plant is investing for the new generation of couplings in composite.

Financial items

The mark to market value of the group's currency and material (cooper-alloy) contracts has an positive effect in the 3rd quarter and therefore reduces the YTD loss on the contracts to 5,4 mill. The net interest expenses was 35 mill in the first 9 months of 2005 compared to 35 mill in the same period in 2004. The debt financing for the acquisition of Raufoss was drawn-up as of 30th June 2004, and thus has full effect in the 2005 interest expenses. At the same time there has been a significant down-payment of debt in the period of approximately 87 mill. The debt financing for the Milan Seat Systems acquisition (161 mill) was drawn-up as of 31st May 2005.

Currency

As an international group Kongsberg Automotive is exposed to currency rates fluctuations. The main exposure is towards the Euro. Approximately 50 % of the Euro sales are secured through forward contracts which significantly reduce the exposure for the KA Group. Due to the strengthening of the Norwegian kroner isolated in 3rd quarter 2005 compared to 3rd quarter 2004 the conversion effect on sales are 14 mnok in the quarter.

Taxes

The Group is reporting a tax cost percentage of 26 % in the first 9 months of 2005. The tax cost is around 28 % for all the countries where Kongsberg Automotive operates, except for Poland where the tax rate is 19 % and the USA where the tax rate is around 33 %. There are no taxes payable for the Norwegian operations due to significant tax loss carry-forward related to the Raufoss acquisition.

Balance sheet

The total assets are 1.727 at 30.09.05, an increase of 202 millions compared to 30.09.04. and 190 millions compared to 31.12.04. The main factor for the increase is the acquisition of the Milan operations, which explains 174 million of the increase in total assets.

The increase in Accounts receivable from year-end 2004 is primarily due to the inclusion of Milan.

The increase in the Group's net interest-bearing debt compared to the 2004 levels reflects the combination of the debt financing of the Milan acquisition, the down-payments of other long-term debt in the period and the free cash generation in the period.

Personnel

The number of employees is 2.669 at the end of the 3rd quarter of 2005 compared to 2265 at end 31.12. 2004. The main factors explaining the increase are the acquisition of Milan Seat Systems, the establishment in China and an increase in Poland. The number of employees in low cost areas has increased over the same period from 680 at 31.12.04 to 940 at 30.09.05. The explanation here is the same as above, the effect of increase in our operation in China and Poland as well as the acquisition of the Milan operation.

The CFO has given notice

Erik Magelssen has, on his own will, decided to leave the company. This will take place during the first quarter of 2006.

Outlook for coming 12 months

- In general the market for both cars and commercial vehicles is stagnating.
- The penetration for our products within Seat Comfort and Gearshift increases.
- We have increased our estimates for future sales in Asia.
- More production will take place in low cost countries; updated plans show significant cost reduction potential.
- Sourcing from low cost countries will increase.
- Continues improvements in operations.

[Shareholders](#)

Shareholder	Country	No shares	% - ownership
FSN LLP II AS	NOR	8 226 398	18,6 %
GOLDMAN SACHS INTERN	GBR	3 403 673	7,7 %
ORKLA ASA	NOR	2 938 400	6,6 %
STATE STREET BANK &	USA	2 511 363	5,7 %
ODIN NORDEN	NOR	2 104 600	4,8 %
ODIN NORGE	NOR	2 042 650	4,6 %
DEXIA BANQUE INTERNA	LUX	1 331 282	3,0 %
FSN LLP I AS	NOR	1 266 438	2,9 %
KONGSBERG AUTOMOTIVE INVEST I AS	NOR	1 254 315	2,8 %
FOLKETRYGDFONDET	NOR	1 203 700	2,7 %
BANQUE GENERALE DU L	LUX	1 077 050	2,4 %
SKANDINAVISKA ENSKIL	SWE	932 600	2,1 %
INVESTORS BANK & TRU	USA	902 500	2,0 %
LBPB NOMINEES LIMITE	GBR	888 726	2,0 %
BURDARÁS HF.	ISL	850 000	1,9 %
KONGSBERG AUTOMOTIVE INVEST II AS	NOR	807 663	1,8 %
FSN CAPITAL HOLDING	NOR	734 380	1,7 %
JPMORGAN CHASE BANK	GBR	648 452	1,5 %
BANQUE GENERALE DU L	LUX	558 983	1,3 %
FSN CAPITAL HOLDING	NOR	547 631	1,2 %
Total No of shares		44 292 770	
No of shareholders		477	
% of foreign ownership		39,80 %	

KONGSBERG AUTOMOTIVE GROUP
INCOME STATEMENT 01.01 - 30.09

NOK 1 000

	2005 Jul - Sep	2004 Jul - Sep	2005 Jan - Sep	2004 Jan - Sep	2004 Jan-Dec
OPERATING REVENUES	597 285	538 522	1 867 979	1 564 829	2 184 814
Operating expenses :					
Cost of goods sold	(280 696)	(238 956)	(856 003)	(710 228)	(984 765)
Salaries and social expenses	(138 141)	(131 339)	(469 703)	(376 513)	(523 232)
Ordinary depreciation fixed assets	(20 122)	(19 424)	(59 125)	(50 381)	(70 084)
Ordinary depreciation intangible assets	(1 246)	(3 195)	(7 927)	62 485	59 260
Other operating expenses	(83 577)	(74 332)	(251 812)	(217 890)	(306 519)
Total operating expenses	(523 782)	(467 246)	(1 644 570)	(1 292 527)	(1 825 340)
OPERATING PROFIT	73 503	71 276	223 409	272 302	359 474
Financial items					
Financial income	595	653	2 133	1 866	3 430
Financial expenses	(10 405)	(12 186)	(36 998)	(36 923)	(56 090)
Change in valuation currency contracts	3 420		(5 453)		
Expenses for the IPO	(22 378)		(22 378)		
Net financial items	(28 768)	(11 533)	(62 696)	(35 057)	(52 660)
ORDINARY PROFIT BEFORE TAXES	44 735	59 743	160 713	237 245	306 814
Taxes on ordinary profit	(11 714)	(9 889)	(41 785)	(38 633)	(61 951)
NET PROFIT / (LOSS)	33 021	49 854	118 928	198 612	244 863

Key figures					
EBITDA margin	15,9 %	17,4 %	15,5 %	16,6 %	16,9 %
EBITA margin	12,5 %	13,8 %	12,4 %	13,4 %	13,7 %
EBIT margin	12,3 %	13,2 %	12,0 %	17,4 %	16,5 %
Net profit margin	5,5 %	9,3 %	6,4 %	12,7 %	11,2 %

KONGSBERG AUTOMOTIVE GROUP
BALANCE SHEET

NOK 1 000

	Q3	Q3	Year
	30.09.05	30.09.04	31.12.04
NON CURRENT ASSETS			
Deferred tax assets	48 913	63 035	54 752
Patents	43 561	51 380	49 265
Goodwill	403 452	261 773	264 127
R & D	25 660	15 267	17 977
Total intangible fixed assets	521 586	391 455	386 121
Plant, buildings and other property	81 206	86 979	79 794
Machinery, furniture, and equipment	321 321	276 496	286 586
Total tangible fixed assets/ equipment	402 527	363 475	366 380
Other receivables	2 124	7 558	7 400
Shares	3 158	2 660	2 660
Pension assets	3 615		3 616
Total financial non-current assets	8 897	10 218	13 676
TOTAL NON CURRENT ASSETS	933 010	765 148	766 177
CURRENT ASSETS			
Inventories	185 588	178 020	186 443
Accounts receivable	407 175	375 290	351 456
Short term receivables parent companies		71 737	77 234
Other short term receivables	84 016	52 738	74 945
Cash and short term deposits	116 889	82 224	80 683
Total current assets	793 668	760 009	770 761
TOTAL ASSETS	1 726 678	1 525 157	1 536 938
EQUITY	30.09.05	30.09.04	31.12.04
Share capital	22 146	88 586	22 146
Share premium reserve	12 492	12 492	12 492
Total paid in equity	34 638	101 078	34 638
Other equity	399 217	245 991	355 642
Total retained earnings	399 217	245 991	355 642
TOTAL EQUITY	433 855	347 069	390 280
LIABILITIES			
Deferred tax liabilities	29 824	31 038	32 735
Pension liability	25 375	31 189	25 375
Total provisions	55 199	62 227	58 110
Other long term debt	711 063	570 097	560 281
Total other long term debt	711 063	570 097	560 281
Bank overdraft	51 446	53 143	19 429
12 months repayment of long term debt	69 721	82 440	80 023
Accounts payable	208 092	186 712	211 128
Taxes payable	19 520	23 417	22 006
Accrued government dues	33 504	31 995	42 114
Liability to parent company		15 808	14 397
Other short term liabilities	144 278	152 249	139 170
Total short term liabilities	526 561	545 764	528 267
TOTAL LIABILITIES	1 292 823	1 178 088	1 146 658
TOTAL LIABILITIES AND EQUITY	1 726 678	1 525 157	1 536 938

KONGSBERG AUTOMOTIVE GROUP

CASH-FLOW	YTD 05	YTD 04	2004
NOK 1 000			
Profit before tax	160 713	237 245	306 814
Tax payable	(35 225)	(33 805)	(40 834)
Depreciation	67 052	(12 104)	10 824
Change in Working Capital	(55 057)	(96 707)	(13 118)
Change in other current items	(19 548)	20 902	(40 072)
Cash flow from operations	117 935	115 531	223 614
Cash flow from investing activities	(254 226)	(144 083)	(181 760)
Cash flow from financing activities	172 497	61 372	(10 575)
Net change in cash	36 206	32 820	31 279

Statement of changes in equity
3.rd Quarter 2005

	<u>NOK 1.000</u>
Equity 31.12.04	390 280
Market valuation currency forward contracts	9 244
Increase value of shares	1 000
Effect amortisation of loan	(734)
Deferred tax effect of changes	<u>(2 494)</u>
Equity 01.01.05	397 296
Net profit in period	118 928
Group contribution parent company 1 st Quarter	(74 000)
Currency conversion difference	<u>(8 369)</u>
Equity 30.09.05	433 855

Secondary segment information according to IFRS

Operating revenues by geography

	Q3-05	%	YTD Q3-05	%	Q3-04	%	YTD Q3-04	%
Sweden	134 138	22 %	508 508	29,5 %	137 056	32,3 %	491 383	34 %
Germany	120 770	20 %	388 841	21,1 %	117 291	19,1 %	302 959	18 %
Rest of Europe	167 723	28 %	601 229	34,2 %	194 037	34,1 %	546 452	34 %
NA (North America)	126 231	21 %	232 822	8,4 %	37 339	7,5 %	118 882	8 %
Other	48 423	8 %	136 579	6,7 %	52 799	7,1 %	105 153	7 %
Operating revenues	597 285	100 %	1 867 979	100 %	538 522	100 %	1 564 829	100 %

Asset by geography

	YTD Q3-05	%		YTD Q3-04	%
Norway	609 579	35 %		616 925	40 %
Sweden	403 931	23 %		456 531	30 %
US	297 748	17 %			0 %
GB	174 651	10 %		179 608	12 %
Other	240 769	14 %		272 093	18 %
Total	1 726 678	100 %		1 525 157	100 %

Capex by geography

	YTD Q3-05	%		YTD Q3-04	%
Norway	24 851	29 %		15 570	24 %
Sweden	22 254	26 %		21 669	34 %
Poland				8 896	14 %
GB	10 007			8 534	13 %
Other	27 262	32 %		9 276	15 %
Total	84 374	100 %		63 945	100 %