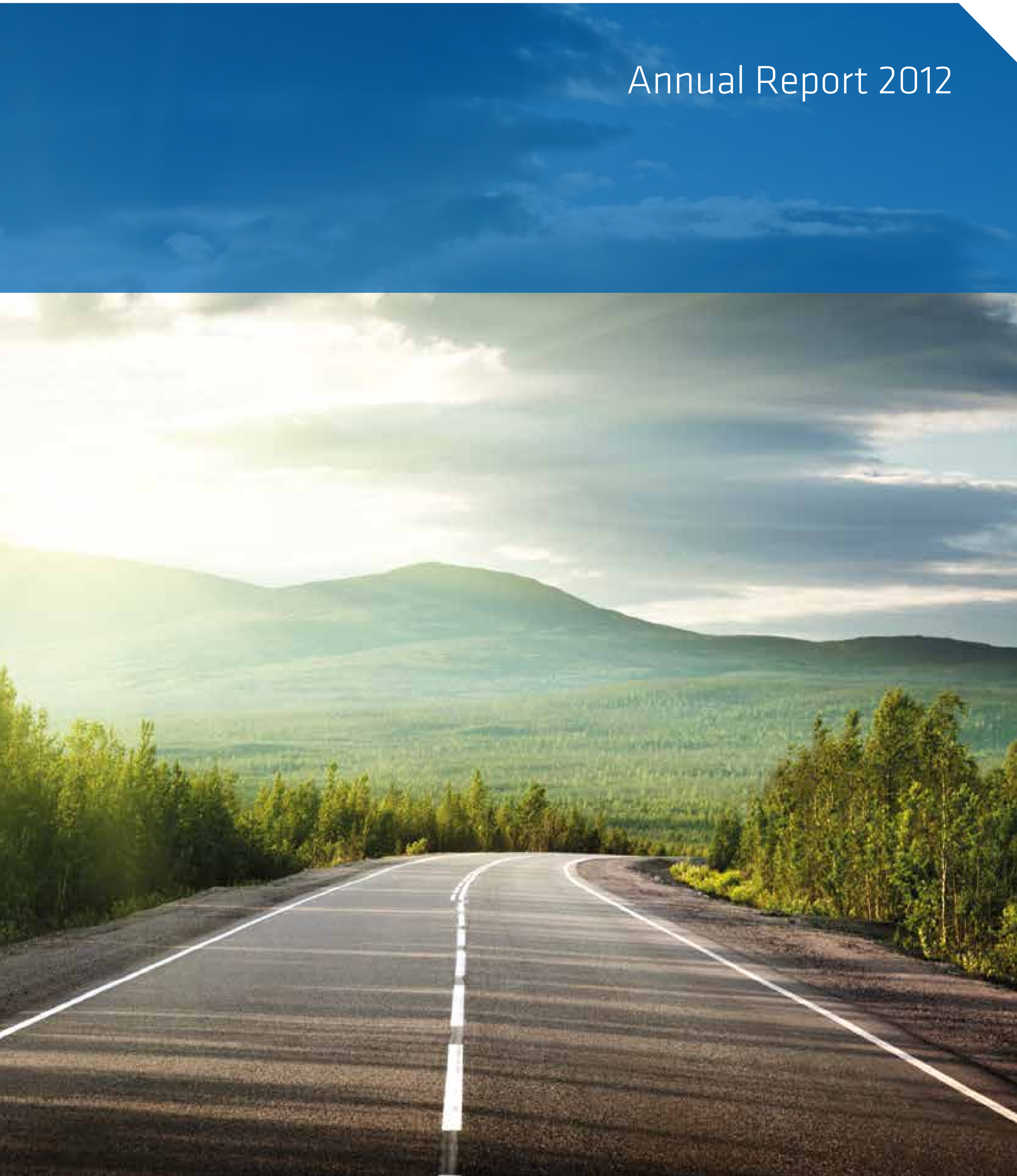
KONGSBERG
AUTOMOTIVE

Annual Report 2012



CONTENTS

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 EUR 1.0 billion and over 10.000 employees in 20 countries (2012), 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, driver and motion-control systems, fluid assemblies, and industrial driver-interface products developed for global vehicle manufacturers.

OUR BUSINESS AREAS

In order to accelerate growth within the commercial vehicle segment and create a more balanced and profitable business, the Kongsberg Automotive Group has merged the Actuation & Chassis (A&C) and Power Product Systems (PPS) business areas into one business area called Driver Control Systems (DCS). As of January 1, 2013 the Group now consists of four segment-specific 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 sytems
- Light duty cables

Driveline

Gear shift systems for light duty vehicles

- Automatic and manual gear shifters
- Shift cables
- Gear selectors

Fluid Transfer

Fluid handling systems for passenger car industry

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

Driver control

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

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

BUSINESS HIGHLIGHTS FOR 2012

Interior

February

- KA to deliver seat heat systems worth EUR 6 million to one of the best selling vehicles in North America (Reynosa, Mexico)

March

- KA to deliver head rests and seat heat systems worth EUR 42,5 million to a leading US car maker (Reynosa, Mexico & Milan, Tennessee, US)

May

- KA wins two new interior segment contracts with important customers with high selling models in North America and strong global positions (Reynosa and Matamoros, Mexico)

July

- KA wins EUR 18 million contract for actuators for a full size SUV vehicle, which has been among the best selling vehicles in North America for many years. KA will start production in Q4 2013 (Matamoros, Mexico)
- KA secures a historic contract worth EUR 287 million for comfort products including fixed and adjustable pneumatic lumbar support systems, seat heating and seat cooling ventilation (Pruszków, Poland)

October

- New contract worth EUR 16 million to deliver seat heat technology to a European OEM for the Russian market (Pruszków, Poland)

Driveline

March

- KA to deliver gear shift cables worth EUR 36,5 million to leading global car manufacturer (Nuevo Laredo, Mexico)

August

- KA awarded major contract win worth EUR 181 million for gear shifters in premium cars to be sold in Europe, North America and Asia (Mullsjö, Sweden and Asia)

November

- KA awarded several new contracts with leading commercial vehicle manufacturers in Brazil, for cabin stabilizers, clutch actuation systems and gearshift systems (Jundiai, Brazil)

Fluid Transfer

June

- KA wins Fluid Transfer contract expansion worth EUR 20 million (Epila, Spain)
- KA wins contracts worth EUR 68 million for fluid transfer components for commercial vehicles (Epila, Spain and Pickens, US)

December

- KA wins new contract from leading truck manufacturer to deliver engineered hose assemblies for use in turbo and coolant applications (Epila, Spain)

Actuation &Chassis

June

- KA wins two contracts worth EUR 14 million to supply a modular steering column system to two key global players in the off-highway vehicle segment (Ljungsarp, Sweden)

August

- KA wins new contract worth EUR 7,1 million to supply gear shift systems to a global truck manufacturer (Vrable, Slovakia)

Power Products

December

- Kongsberg Automotive opens Electronics Center of Excellence (Grand Mere, Canada)

LOCATIONS AND EMPLOYEES 2012

A TOTAL OF

10,119 EMPLOYEES

in 20 countries worldwide

(counted per 01.01.2013)

CEO REPORT

"we have taken important steps to re-calibrate our business to meet the future"

Dear fellow shareholder,

The global economy brings new challenges every day and as a global corporation we have to live with and adapt to constant change. This was the case again in 2012, where KA made measured progress and continued to build on its position as a world class supplier to the automotive and commercial vehicles sectors.

Still, we are not fulfilling our ambitions and I will not be satisfied until we grow our top line and deliver improved profitability. That is why I am focused on speeding up our progress and becoming even better in 2013.

Over the past 25 years KA has evolved from a small Scandinavian automotive parts supplier to become a global leader in one of the most competitive markets in the world. This position has been achieved through a longstanding commitment to continuous improvement, in an ever-changing business environment.

Indeed, major changes are taking place in our industry and the consolidation trend in the automotive supply sector gathered pace in 2012, as the big industry suppliers grew even bigger.
For its part, KA has taken a proactive approach to a changing competitive landscape and made some important choices about its priorities and future direction. Chief among these was the decision to achieve a more even balance in the business portfolio between commercial vehicles and passenger cars, and structure the organization around this aim.

In the commercial vehicles sector, KA is already an established and leading supplier to global OEM's. To further bolster our position and accelerate growth within the segment we merged two of our complementary business areas into one commercial vehicles focused unit: Driver Control System (DCS). With this move we can strengthen innovation to sustain technology leadership, and expand geographically from a strong European base. With global resources and untapped synergies, DCS will form a strong platform for growth in the non-passenger car market segments, contribute to creating a more balanced and profitable business for KA, and bring shareholder value.

Similarly, we have taken a thorough look at our passenger car business, where KA's supplier position at some customers has a way to go in terms of market size and influence. ..

For this reason, we have opted for selective growth in this segment. Building on our key strengths and growing profitably with key customers in areas such as high-end shifters and seat comfort systems will help KA to drive improved results in the automotive segment. At the same time we will focus on contracts with advanced technology content from our key global customers, and exit non-profitable business.

Still, to accelerate improvement in 2013 and beyond we at KA also need to bolster our standing as a real technology partner for the top vehicle producers globally. Indeed, to earn their confidence and valuable business requires a strong focus on innovation, commitment to technology leadership, and consistent delivery of good service and quality globally.

After a period of dynamic expansion and challenges for both KA and the industry, we have taken important steps to re-calibrate our business to meet the future. To remain a true technology partner for our customers we must continue to improve, and reach for new ambitious goals. This is what KA has been about for the past 25 years.

Growth and profitability in our industry come from strong customer orientation, long-term relations, and a strong product offering. With our sharpened focus, driving improvements and delivering results will be our main objective in 2013.

Hans Peter Havdal
Hans P. Havdal
President & CEO

REPORT OF THE BOARD OF DIRECTORS AND THE CEO

The uncertainty of the global economic situation through 2012 has negatively influenced the Automotive Industry, however for Kongsberg Automotive (KA) revenues were in line with 2011. The Group continued its restructuring efforts, in particular in the Driveline segment, and the 2nd half of 2012 started to show the positive effects of the efforts. The completion of initiated restructuring efforts, headcount reductions, price increases and numerous operational improvements have strengthened the margins throughout the year.

In 2012 Kongsberg Automotive signed new contracts worth approximately EUR 206 million 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.

In 2012 Kongsberg Automotive signed new contracts worth approximately EUR 206 million in annual revenues.

As an example the Group in the third quarter of 2012 won a contract with a European passenger car OEM for both seat comfort and gearshift systems for their next generation vehicles to be sold worldwide. This contract alone was worth EUR 65 million per year.

In response to the underlying development in the industry structure and KA's position in the various market segments, the Group will going forward allocate more of its resources to grow the Commercial Vehicle segment, while in the Automotive side of the business the focus will be on profit before growth. Improved profitability will be achieved through building a technological competitive advantage and adopting a more niche oriented strategy. These changes were communicated on the Capital Markets Day held on the 6th of November.

The Company believes this will strengthen the opportunities going forward.

Markets

Light Vehicle Production (GVW[1]<6t)

The Light Vehicle Production (LVP) was 81.3 million vehicles in 2012, an increase of 5.5 % from 2011. The strong rebound of the automotive industry in North America has been tempered by continued struggles in Europe and in several key Asian markets.

Europe

The production in Europe in 2012 fell by 6.0 % to 19.2 million units compared to 2011. The demand in Europe was reduced following the economic impact of EU member states' sovereign debt problems. Southern Europe had the largest reduction with continuous reductions in volume during 2012. The PIIGS[2] countries experienced an average decline of nearly 20 %.

North America

North America continued the recovery in 2012, with 15.3 million vehicles being produced. This was an increase of 17 % compared to 2011. Stable US demand was driving North American production increase.

Asia

From a global perspective the largest growth in 2012 came from Asia. Japan, in particular, recovered after the dramatic halt in production following the tsunami in 2011. Production in China grew by 'only' 5.9 % in 2012, but to a world-leading 18.1 million vehicles.

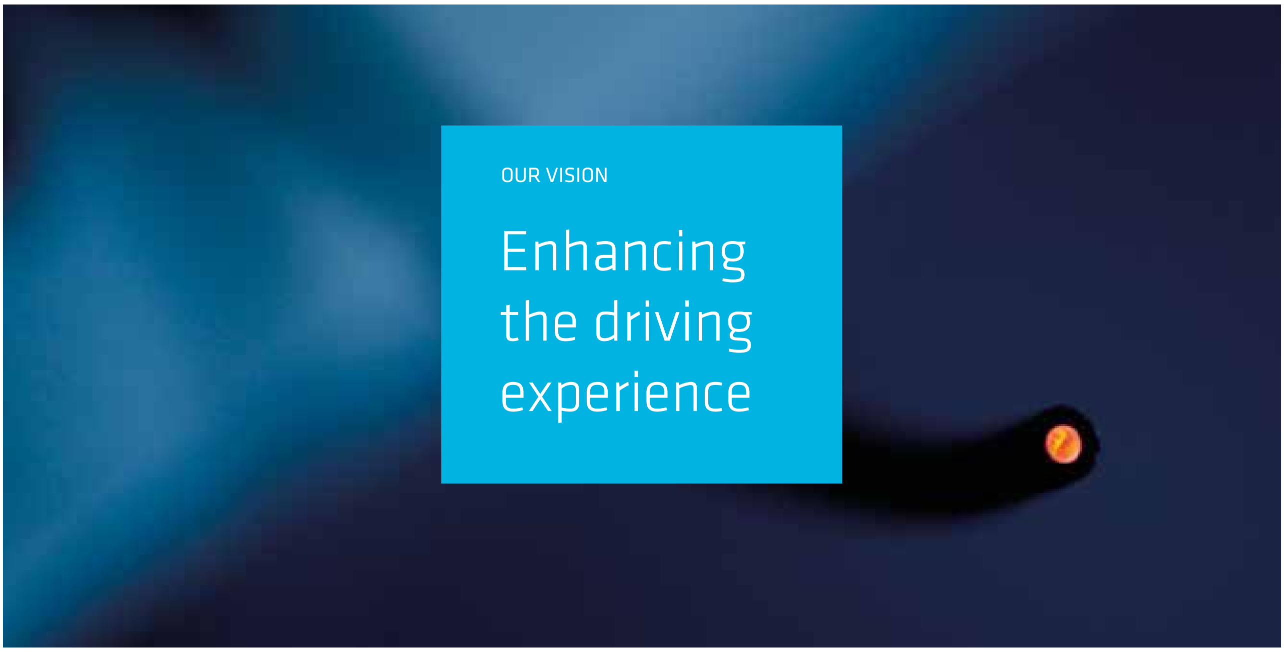
Global LVP forecast

Global light vehicle production is forecast to grow by 2 % in 2013, to just under 83 million vehicles. Much of the increased assembly in 2013 is expected to come from a resurgence in the BRIC markets, particularly in China. The EU and Japan remain areas of concern, and those markets are expected to stay depressed at least during the first half of 2013.

Commercial Vehicle Production (GVW>6t)

Compared with 2011, overall production of medium and heavy-duty commercial vehicles fell by 11.6 % to 2.6 million in 2012. The largest reduction came in China and South America. In Brazil production in 2012 was down compared to the previous year. However, this must be seen in light of the sharp rise in production in 2011 as customers bought trucks ahead of the introduction of the Euro 5 emission standard in 2012, to avoid the higher cost of the new trucks.

1. Gross Vehicle Weight
2. (Portugal, Italy, Ireland, Greece),



In China industrial activity cooled down. This resulted in a decrease in Heavy Duty Truck demand. As a result, Commercial Vehicle Production (CVP) fell by 24.5 % to 836.000 units in 2012.

European production decreased significantly in the last quarter of 2012. For the year the decline in production was 5.5 % compared to 2011. Underlying demand is falling due to the economic situation in Europe.

North America was the only commercial vehicle market which saw substantial growth in production in 2012 (10 %). This can largely be explained by low demand in previous years and the need to replace an aging fleet.

R&D

The Group's overall spending on R&D totaled 4.7 % of sales in 2012. This involves a team of approximately 400 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 (Detroit), China (Wuxi), Germany (Munich), 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. This was initiated based on our current location in Grand Mere, 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 the transfer of production to lower cost sites continued in 2012. The Dassel plant in Germany was closed and production moved to Vrable, Slovakia. 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. For more information regarding operational risk, see note 22.

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
As the consolidated financial statements for the Group are presented in EUR, there will always be ongoing exposure associated with the reporting of consolidated profit and loss statements and balance sheets.

Interest risk
Interest risk is linked to long-term debt and changes in EUR and USD interest rates. For details about interest swaps, see note 22 to the financial statements.

Credit risk
In today's automotive market, credit risk remains higher than normal. Kongsberg Automotive is exposed to all 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
Cash flow forecasting is performed by all operating entities of the Group on a weekly basis. The Group monitors these forecasts and a 4-quarter rolling group forecast to keep track of its liquidity requirements and ensure it has the cash resources to meet overall liquidity needs.

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, aluminum, polymer components and steel.

For further risk analysis, see note 22 to the financial statements.

Financial performance

Group

Operating revenues for the Group totaled MEUR 1,001 in 2012, a rise of MEUR 1.4 compared with last year. Operating profit totaled

Operating revenues for the Group totaled MEUR 1,001 in 2012.

MEUR 30.7 (38.5), giving an operating margin of 3.1 % (3.9 %). Revenues for the year remained largely in line with 2011 primarily due to a slow fourth quarter, driven by a weak European market. The rise in wages and the cost of other input factors were not compensated by growth in revenues, resulting in reduced operating margins for the year.

Segments
Interior revenues were up MEUR 10.5 (4.2 %) in 2012 compared with 2011. Conversion of higher sales at contribution margins in line with 2011 improved EBITDA by MEUR 7.9 to MEUR 26.5. A property write down reduced the 2012 EBIT improvement to MEUR 6.7 compared with 2011.

Driveline revenues were down by MEUR 8.9 (-2.7 %). The negative effects from reduction in revenues and recognized restructuring costs were partly offset by operational improvements, bringing EBITDA down by MEUR 3.8 to MEUR 2.7. Operational improvements including price initiatives, headcount reductions, and operational efficiency improvements started to materialize during the second half of 2012.

Fluid Transfer revenues were up MEUR 5.1 (3.0 %). EBITDA for Fluid Transfer was MEUR 27.9, which is MEUR 0.5 above last year and reflects the conversion of higher sales.

Actuation & Chassis revenues were down MEUR 14.1 (-8.5 %). A significant part of the drop in revenues may be attributed to the pre-buy effect in Brazil in 2011, ahead of the anticipated 2012 introduction of Euro 5 standards. Lower volumes in Europe also contributed to the drop in revenues. EBITDA was down MEUR 5.0 to MEUR 20.7, reflecting the conversion of reduced revenues.

Power Products revenues were up MEUR 2.5 (1.9 %). However, EBITDA was down by MEUR 2.3, due to restructuring costs and other one-offs.

Net financial items
Net financial items amounted to MEUR -18.7 in 2012 (-30.4). Interest expenses were reduced from MEUR 20.0 in 2011 to MEUR 19.1 in 2012, reflecting a lower debt level. Unrealized currency effects contributed positively by MEUR 19.2 compared with 2011.

Net profit
Net profit for the year was MEUR 5.3, compared with MEUR 7.8 in 2011.

Capital
The Group's long-term interest-bearing bank debt amounted to MEUR 321.2 (326.9) as of 31 December 2012. Short-term interest-bearing debt totaled MEUR 43.4 (71.4). For more information, see note 20 to the consolidated financial statements.

As of 31 December 2012, the Group's book equity totaled MEUR 184.7 (185.2). The equity ratio was 24.8 % (23.3 %).

Liquidity
In total, Kongsberg Automotive had liquidity reserves in cash and overdraft facilities of 106.0 MEUR.

In 2012 Group had a positive cash flow from operating activities of MEUR 78.9.

Cash flow
In 2012 Group had a positive cash flow from operating activities of MEUR 78.9, compared with MEUR 41.2 in 2011. The Group invested MEUR 31.0 in property, plant and equipment and intangible assets, a decrease of MEUR 4.2 from 2011. The Group invested EUR 2.4 million to increase its shareholding in Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd by 24 %, from 51 % to 75 %. Repayment of external loans amounted to EUR 39.3 million in 2012, EUR 7.0 million more than in 2011. The net change in cash and bank overdraft during 2012 was MEUR -18.8.

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 13 for further details.

Kongsberg Automotive Holding ASA – The parent company
In 2012, the parent company generated total operating revenues of MEUR 38.0 (38.5), with a corresponding operating profit of MEUR 8.6 (17.2). The parent company had net financial items of MEUR 4.4 in 2012 (16.4). The net result after tax for the year amounted to MEUR 13.9 (23.3). As of 31 December 2012, the parent company's book equity totaled MEUR 344.4 (312.2). The company had MEUR 87.4 in distributable equity.

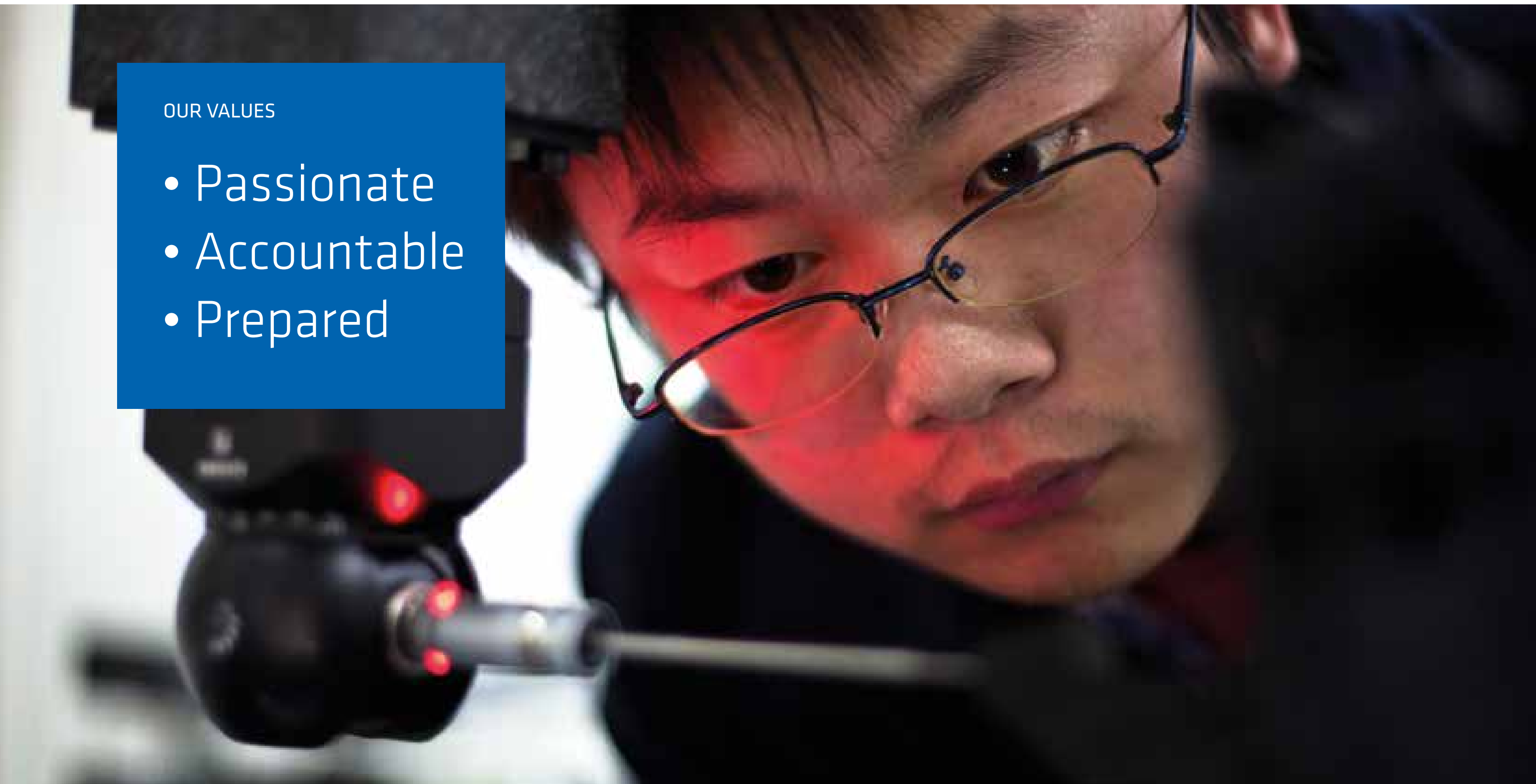
Appropriations
The board of directors will propose to the Annual General Meeting that no dividend be paid for 2012. The board of directors proposes that Kongsberg Automotive Holding ASA's net result of MEUR 13.9 be allocated as follows:

Transferred to retained earnings: MEUR 13.9

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 2012. 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 Norwegian Code of Practice for Corporate Governance. Kongsberg Automotive's compliance with the requirements of each of the 15 main principles of the Norwegian Code of Practice for Corporate Governance and the provisions of section 3-3b of the Norwegian Accounting Act is further detailed in the section "Corporate Governance in Kongsberg Automotive" in the annual report. This information is also available from the company's website.

Employees

At the end of 2012, KA had 10,119 full-time employees, a net decrease of 831 people compared with the same period in 2011. The decrease reflects the reduced volumes in the second part of the year, together with continuous improvements in all areas of the company through 2012. The largest reductions came in USA (345), China (154), Slovakia (128) and Germany (79).

> At the end of 2012, KA had 10,119 full-time employees.

Overall, the largest increase in the company's workforce has come in Mexico, with the addition of 120 employees. Mexico is by far the largest KA country, with 2,942 employees at three locations (Reynosa, 679; Matamoros, 1,109; and Nuevo Laredo, 1,154). During 2012 we have experienced several incidents caused by the cartel war along the US-Mexican border. Kongsberg Automotive is deeply concerned with the situation and we have strengthened physical security in and around the plants, combined with several other initiatives.

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

This commitment is defined in our Diversity strategy 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 51 % of the total workforce. The number of women within the Top 200 group rose from 6 % to 7.5 % through the year. 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.

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

In 2012 we launched a new management program for female employees in Wuxi, China. 11 women managers and management candidates started a two-year program consisting of language tuition and leadership training.

The board of Kongsberg Automotive Holding ASA consists of three (37.5 %) women and five (62.5 %) men 40 % of the company's shareholder-elected directors are women. Kongsberg Automotive recognizes the importance of attracting and retaining skilled and motivated employees, including managers, with a strong commitment to the business as well as KA's ethical guidelines and values. In 2012 Kongsberg Automotive's first group of employees completed a new managerial program called KAspire. The program is aimed to prepare high-performing young professionals to take on larger roles and responsibilities in our company. KAspire runs over 15 months, and a 2nd new class started up in September. The sixth class of KA's internal top management program Interdal also started in September.

Health, Safety and Environment (HSE)

Kongsberg Automotive gives 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, 32 manufacturing locations have implemented Environmental Management Systems in accordance with ISO 14001 Standards. Certification ensures the units consider the environmental impact of their activities and set targets for improved performance. As a supplier, KA also complies with standards set by its customers.

Kongsberg Automotive gives highest priority to Health, Safety and Environment (HSE).

In early 2012, objectives and plans for improved HSE performance were set. Performance was tracked on an ongoing basis. Details provided in the 2012 Health, Safety and Environment Report have been collected as part of the company's annual review of its HSE performance.

The company follows up all sickness absences, and closely monitors its performance in this area. The sickness absence rate for the Group's workforce as a whole averaged 3.1 % in 2012, compared with 2.9 % in 2011, an increase of 5.6%.

KA considers the safety of its workers to be a top priority. By increasing awareness and adapting lean working methods to safety efforts, the company demonstrated real progress. The overall number of accidents reported was reduced by 35 %, with 12 manufacturing locations reporting zero accidents. In 2012, the Group averaged 3.1 accidents for every million hours worked, compared with the 2011 incident rate of 4.3 accidents for every million hours worked. This proves that our manufacturing centers are focusing more on hazard-reduction to prevent accidents from occurring.

In 2012, the target was to achieve a 30 % reduction in the H-value, or number of work-related injuries resulting in lost time, compared with 2011. The H-value dropped to 2.2 in 2012 from 3.9 in both 2011 and 2010. When the Group H-value average is adjusted for comparison with the leading external benchmark, we find our performance is better than average for the manufacturing sector.

Data has been collected with respect to the consumption of electricity and of fossil fuels used in manufacturing. The target for 2012 was to cut energy consumption by 1.5 % relative to total product sales; the result exceeded expectations. Energy use was down 3 %, with energy intensity decreasing by 4 %. Energy intensity is measured as kilowatt hours used in production for every euro of total product sales. In 2011 the company used 138 kWh/1000€. In 2012 the energy intensity decreased to 132 kWh/1000€.

Using UN Greenhouse Gas Calculators, KA Group's 2012 carbon emissions are calculated at approximately 47 000 metric tons, a decrease of 1 %. The Carbon Emissions Intensity rate also decreased in 2012 to 42 metric tons of CO_2/1000€ of total product sales, a 3 % reduction. In 2012, we posted detailed data on the Carbon Disclosure Project, Supply Chain portal. This allowed subscribed OEM's and other customers direct access to our information.

Pollution control is important to KA and the communities in which we operate. KA's aim is to minimize the amount of waste sent to landfills, and the toxicity of waste requiring special treatment and disposal. All units sought opportunities to reuse and recycle. We reduced our waste index by about 1 %. However, the amount of waste generated increased by 26 % in absolute terms. We attribute this increase to our global lean initiative, 5S activities, improvements associated with the internal 'One KA Factory' program, in-sourcing and line consolidations. In 2012, we also consolidated two factories into one in Europe, moved one plant into a larger building in the USA, added additional leased space in Mexico and expanded an engineering center in Canada. All these activities resulted in additional waste volume.

In 2012 KA suffered three fires which resulted in property damage. No employees were injured. All locations continue to seek out potential fire hazards and enact plans to control and mitigate such risks.

No spills or unauthorized releases to the environment were reported in 2012, nor were any external complaints related to HSE reported during the year.

Outlook

The board of directors wishes to emphasize that uncertainty attaches to any assessment of future conditions, since they are subject to developments which to a large extent are beyond the company's control.

The market outlook for 2013 gives reason to expect revenues slightly lower than 2012.

The market outlook for 2013 gives reason to expect revenues slightly lower than 2012. Although the US market indicates a slight positive trend for both cars and trucks (+~2 %), the outlook for the European market is more uncertain. It will probably be slightly below the 2012 level, but with an upturn towards the end of the year as economic conditions are expected to improve. Growth is expected in the Chinese market for both passenger cars (+10,5 %) and trucks (+17 %), as export demand, consumer sentiment and stabilized economic metrics should be key drivers for that market.

The outlook is based on current market assumptions.

BOARD OF DIRECTORS


Ulla-Britt Fräjdin-Hellqvist


Thomas Falck


Halvor Stenstadvold


Maria Borch-Helsengreen


Magnus Jonsson


Tonje Sivesindtajet


Eivind Holvik


Kjell Kristiansen

Kongsberg, 15 March 2013
The 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 Petter Havdal
President and CEO
(Sign.)

CONSOLIDATED FINANCIAL STATEMENTS

"The refinancing in 2012 was a very important step to secure a strong financial platform for further development of the company."

CFO, Trond Stabekk

Notes

Statement of Comprehensive Income

Kongsberg Automotive Holding ASA				Kongsberg Automotive Group	
31.12.12	31.12.11	MEUR	Note	31.12.12	31.12.11
38.0	**38.5**	**Operating revenues**	8, 30	**1 001.1**	**999.7**
		Operating expenses			
0.0	0.0	Raw materials and consumables used		(469.1)	(480.7)
0.0	0.0	Change in inventories of finished goods and work in progress		(4.6)	7.7
(5.4)	(4.8)	Salaries and social expenses	9	(275.0)	(258.3)
(23.7)	(15.9)	Other operating expenses	10	(175.4)	(186.4)
(0.0)	(0.2)	Depreciation	14	(31.5)	(29.0)
(0.3)	(0.4)	Amortization	13	(14.8)	(14.4)
(29.4)	**(21.2)**	**Total operating expenses**		**(970.4)**	**(961.2)**
8.6	**17.2**	**Operating (loss) / profit**		**30.7**	**38.5**
		Financial items			
39.6	39.6	Financial income	11	10.6	2.0
(35.2)	(23.2)	Financial expenses	11	(29.3)	(32.4)
4.4	**16.4**	**Net financial items**		**(18.7)**	**(30.4)**
12.9	**33.6**	**(Loss) / profit before income tax**		**11.9**	**8.2**
0.9	(10.3)	Income tax	12	(6.7)	(0.4)
13.9	**23.3**	**(Loss) / profit for the year**		**5.3**	**7.8**
		Other comprehensive income:			
0.0	0.0	Translation differences		(8.6)	6.5
0.0	0.0	Tax on translation differences		5.8	(3.7)
0.0	**0.0**	**Other comprehensive income**		**(2.9)**	**2.8**
13.9	**23.3**	**Total comprehensive income for the year**		**2.4**	**10.5**
		Profit attributable to:			
13.9	23.3	Equity holders (parent company)		5.2	7.5
0.0	0.0	Non-controlling interests		0.1	0.3
13.9	**23.3**	**Total**		**5.3**	**7.8**
		Total comprehensive income attributable to:			
13.9	23.3	Equity holders (parent company)		2.3	10.2
0.0	0.0	Non-controlling interests		0.1	0.3
13.9	**23.3**	**Total**		**2.4**	**10.5**
		Earnings per share:			
		Basic earnings per share, Euros	18	0.01	0.02
		Diluted earnings per share, Euros	18	0.01	0.02

The Board of Directors of Kongsberg Automotive Holding ASA
Kongsberg, 15 March 2013

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 Petter Havdal
President and CEO
(Sign.)

Statement of Cash Flows

Kongsberg Automotive Holding ASA				Kongsberg Automotive Group	
31.12.12	31.12.11	MEUR	Note	31.12.12	31.12.11
		Operating activities			
12.9	33.6	(Loss) / profit before taxes		11.9	8.2
0.0	0.2	Depreciation	14	31.5	29.0
0.3	0.4	Amortization	13	14.8	14.4
(23.8)	(30.4)	Interest income	11	(0.3)	(0.5)
18.1	19.2	Interest expenses	11	19.1	20.0
0.0	0.0	Taxes paid	12	(8.4)	(2.0)
0.0	3.8	(Gain) / loss on sale of non-current assets	13,14	0.0	(0.2)
13.4	(9.2)	Changes in Accounts receivables	16	16.3	(18.1)
0.0	0.0	Changes in Inventory	15	15.6	(10.1)
0.5	(0.8)	Changes in Accounts payables	21	(13.4)	(2.4)
8.7	(5.2)	Currency differences over P/L	11	(10.3)	8.9
3.8	(2.6)	Changes in value of financial derivatives	11	3.8	(1.5)
(9.5)	(0.2)	Changes in other items		(1.7)	(4.5)
24.6	**8.9**	**Cash flow from operating activities**		**78.9**	**41.2**
		Investing activities			
(0.1)	(0.5)	Capital expenditures, including intangible assets	13,14	(31.0)	(35.1)
0.0	0.0	Proceeds from sale of fixed assets	13,14	1.0	0.0
(23.4)	(13.4)	Issue of new group loans		0.0	0.0
12.8	0.0	Repayment of group loans		0.0	0.0
(2.3)	(1.5)	Investment in subsidiaries	6, 7	(2.4)	(0.1)
23.8	30.4	Interest received		0.3	0.5
15.8	1.5	Dividends received		0.0	0.0
26.6	**16.5**	**Cash flow from investing activities**		**(32.0)**	**(34.7)**
		Financing activities			
0.0	0.1	Proceeds from sale of treasury shares [1]		0.0	0.1
(38.7)	(32.3)	Repayment of external loans	20	(39.3)	(32.3)
3.8	6.1	Proceeds from group loans		0.0	0.0
(2.8)	(0.3)	Repayment of group loans		0.0	0.0
(16.7)	(19.3)	Interest paid		(16.7)	(19.1)
0.0	0.0	Dividends paid [2]		(1.2)	(0.5)
(8.2)	(0.6)	Other financial charges		(8.2)	(3.5)
(62.5)	**(46.4)**	**Cash flow from financing activities**		**(65.3)**	**(55.3)**
0.7	**(3.7)**	**Currency effects on cash**		**(0.3)**	**0.1**
(10.7)	(24.7)	Net change in cash		(18.8)	(48.6)
18.3	43.0	Net cash at 1 January [3]		52.3	101.0
7.6	**18.3**	**Net cash at 31 December**		**33.5**	**52.3**
0.2	0.2	Of this, restricted cash		2.6	3.1

1) Comprises the sale of 246 thousand 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

Kongsberg Automotive Holding ASA				Kongsberg Automotive Group	
31.12.12	31.12.11	MEUR	Note	31.12.12	31.12.11
		ASSETS			
		Non-current assets			
0.0	0.0	Deferred tax assets	12	54.2	53.1
0.5	0.7	Intangible assets	13	232.9	242.9
0.0	0.0	Property, plant and equipment	14	131.1	132.6
228.2	213.8	Investments in subsidiaries	6, 7	0.0	0.0
420.8	413.3	Loans to subsidiaries and other non-current assets	30	1.2	0.7
649.5	**627.8**	**Total non-current assets**		**419.4**	**429.3**
		Current assets			
0.0	0.0	Inventories	15	78.8	94.4
31.9	49.0	Trade and other receivables	16, 30	171.4	187.6
13.4	23.0	Cash and cash equivalents		75.3	82.5
45.3	**72.0**	**Total current assets**		**325.5**	**364.6**
694.8	**699.8**	**Total assets**		**744.9**	**793.9**
		EQUITY AND LIABILITIES			
		Equity			
27.7	26.2	Share capital	17	27.7	26.2
(0.4)	(0.4)	Treasury shares	17	(0.4)	(0.4)
229.7	217.5	Share premium		229.7	217.5
(0.6)	(1.3)	Other reserves		(31.9)	(15.9)
88.0	70.2	Retained earnings		(43.3)	(48.7)
344.4	**312.2**	**Attributable to equity holders**		**181.8**	**178.6**
0.0	0.0	Non-controlling interests		2.9	6.6
344.4	**312.2**	**Total equity**		**184.7**	**185.2**
		Non-current liabilities			
4.3	5.3	Deferred tax liabilities	12	15.9	19.7
1.8	1.8	Retirement benefit obligations	19	14.8	14.5
321.2	326.8	Interest-bearing loans and borrowings	20, 22	321.2	326.9
327.2	**333.8**	**Total non-current liabilities**		**351.8**	**361.1**
		Current liabilities			
5.8	4.7	Bank overdraft	20	41.8	30.2
1.0	40.0	Other current interest-bearing liabilities	20	1.6	41.2
0.4	0.0	Current income tax liabilities	12	1.8	4.3
15.9	9.0	Trade and other payables	21, 30	163.1	171.8
23.1	**53.8**	**Total current liabilities**		**208.4**	**247.5**
350.3	**387.6**	**Total liabilities**		**560.2**	**608.6**
694.8	**699.8**	**Total equity and liabilities**		**744.9**	**793.9**

Statement of Changes in Equity

Kongsberg Automotive 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 01.01.11	**26.1**	**(0.5)**	**215.8**	**(16.8)**	**(56.2)**	**168.4**	**6.2**	**174.6**
Sale of treasury shares		0.1				0.1		0.1
Value of share options charged to income statement				0.8		0.8		0.8
Changes in non-controlling interests							(0.5)	(0.5)
Other changes in equity				(0.3)		(0.3)		(0.3)
Total comprehensive income for the year:								
Profit for the year					7.5	7.5	0.3	7.8
Other comprehensive income (OCI):								
Translation differences	0.1		1.7	4.1		5.9	0.6	6.5
Tax on translation differences				(3.7)		(3.7)		(3.7)
Equity 31.12.11 / 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)
Dividend distributed						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	**27.7**	**(0.4)**	**229.7**	**(31.9)**	**(43.3)**	**181.8**	**2.9**	**184.7**

Kongsberg Automotive Holding ASA (parent company)

MEUR	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Attributable to equity holders of the parent	Total equity
Equity 01.01.11	**26.1**	**(0.5)**	**215.8**	**(2.1)**	**46.9**	**286.3**	**286.3**
Foreign currency translation	0.1		1.7		(0.1)	1.7	1.7
Sale of treasury shares		0.1				0.1	0.1
Value of share options charged to income statement				0.8		0.8	0.8
Profit for the year					23.3	23.3	23.3
Equity 31.12.11 / 01.01.2012	**26.2**	**(0.4)**	**217.5**	**(1.3)**	**70.2**	**312.2**	**312.2**
Foreign currency translation	1.5	0.0	12.2	0.1	3.9	17.8	17.8
Sale of treasury shares						0.0	0.0
Value of share options charged to income statement				0.6		0.6	0.6
Profit for the year					13.9	13.9	13.9
Equity 31.12.12	**27.7**	**(0.4)**	**229.7**	**(0.6)**	**88.0**	**344.4**	**344.4**

* Non-controlling interest: External shareholders in Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd and e-Power Nordic AB.

** Increased ownership in Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd, see note 7 for further information.

Refer to Note 17 and 18 for further information

Specification of constituent elements of equity

Share capital: par value for shares in issue

Treasury shares: par value for own shares

Share premium: premium over par value for shares in issue

Other reserves: translation differences, premium treasury shares, warrants, share options and 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 company') and its subsidiaries (together the group') develop, manufacture and sell products to the automotive industry worldwide. The company is a limited liability company incorporated and domiciled in Norway. The address of its registered office is Dyrmyrgata 48, NO-3601 Kongsberg, Norway. The company is listed on the Oslo Stock Exchange. The group consolidated financial statements were authorised for issue by the Board of Directors on 15 March 2013.

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 revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement 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;
There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2012 that have had, or is expected to have a material impact on the group. New standards not yet adopted are disclosed in note 5.

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

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

Impairment testing

Goodwill and other relevant assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. This consists of an analysis to assess whether the carrying amount of e.g. goodwill is fully recoverable. The determination of recoverable amount involves establishing the Value in use (VIU), measured as the present value of the cash flows expected from the cash-generating unit, to which the goodwill has been allocated. The cash-generating units in KA are the five business areas (Driveline, Interior, Actuation & Chassis, Fluid Transfer and Power Products). 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 13.

Expected useful lifetime

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets. Intangible assets with indefinite useful lives are not amortised, 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 judgements used when deciding how the costs should be accounted for (charged to P&L or capitalised) will have a significant effect on P&L and equity. See note 13 for further information.

Deferred tax asset

Deferred income tax assets are recognized for tax losses carried forward only to the extent that realisation of the related benefit is probable. Several subsidiaries have losses carried forward on which they have recognized deferred tax assets. The probability of their realisation 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 12 - 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 19 - 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 31 December 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, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised 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 unrealised 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 acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree'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 acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised 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 recognised 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 acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. 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 acquiree 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 equity.

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 31.12.2012:

- 1 EUR: NOK 7.341 (end of period)
- 1 USD: NOK 5.566 (end of period)

Segment information

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

Revenue recognition

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

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

The parent company has only group internal revenues. Most of the revenues are Management fees to cover the groups common expenses.

Intangible assets

Goodwill

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

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

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

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

Research and development costs

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

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

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

Other intangible assets

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

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

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

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

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

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

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

Property, Plant & Equipment (PP&E)

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

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

Straight-line depreciation is calculated at the following rates:

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

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

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

Inventories

Inventories are measured using the FIFO (First In - First Out) principle and are valued at the lower of cost and net realisable 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 11 - Financial Items.

Taxes payable and deferred taxes

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

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

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

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

Retirement benefit obligations

The parent company Kongsberg Automotive 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 as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans. The pension commitments are calculated on the basis of the net present value of future cash flows. See note 5 for changes in 2013.

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 recognised 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 recognised 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 recognised when the product is sold or service provided. Initial recognition is based on historical experience.

Restructuring provisions
Restructuring provisions are recognised 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 recognised 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 recognised 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 lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

Note 5 – New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, 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, except the following set out below:

IFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group uses fair value measurement criteria for certain assets and liabilities. The Group has yet to assessed the full impact of IFRS 13. The Group plans to apply IFRS 13 for accounting periods beginning 1 January 2013 and later.

IAS 19 "Employee Benefits" was amended in June 2011. The change means that all actuarial gains and losses recognized in comprehensive income as they arise (no corridor), an immediate recognition of all costs past service and that it replaces interest costs and expected return on plan assets with a net amount of interest that calculated using the discount rate on net pension obligation (asset). Refer to note 19 for further information on the impact of the amendments.

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 10 "Consolidated Financial Statements" are based on current principles to use control concept as the key criterion to determine whether a company should be included in the consolidated statements of the parent company. The standard provides enhanced guidance for assessing whether control is present in those cases where this is difficult. The Group has not considered all the possible consequences of IFRS 10. The Group plans to apply the standard for accounting periods beginning 1. January 2013 and later.

IFRS 12 "Disclosures of Interest in Other Entities" contains disclosure requirements for financial interests in subsidiaries, joint ventures, associated companies, companies special purpose "SPE" and other non-capitalized companies. The Group has not considered the full impact of IFRS 12. The Group plans to apply the standard for accounting periods beginning 1. January 2013 and later.

Otherwise, no other IFRSs and IFRIC interpretations that are not the entry into force is expected to have a significant impact on the financial statements.

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 Automotive Holding Kft	Hungary	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

Significant changes to the groups legal structure

China:
Ownership in Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd was increased by 24%, from 51% to 75%.

Sweden:
Ownership in e-Power Nordic AB was increased by 9%, from 51% to 60.2%.

For more information refer to note 7.

Note 7 – Business initiatives

In 2012 Kongsberg Automotive increased its ownership shares in Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd by 24%, from 51% to 75%, and in e-Power Nordic AB by 9% from 51% to 60.2%. Transactions with non-controlling interests are treated as equity transactions.

SHANGHAI KONGSBERG AUTOMOTIVE DONG FENG MORSE CO LTD	MEUR
Book value of acquired non-controlling share (24%) in subsidiary	3.3
Purchase price	(2.4)
Effect on controlling interest	**0.9**
Non-controlling interests before transaction (49%)	6.7
Non-controlling interests after transaction (25%)	3.4
Effect on non-controlling interest	**(3.3)**
Total effect on consolidated equity	**(2.4)**

E-POWER NORDIC AB	MEUR
Book value of acquired non-controlling share (9.2%) in subsidiary	**(0.1)**
Capital increase	(0.2)
Change in controlling interest held (51%)	0.1
Effect on controlling interest	**(0.2)**
Non-controlling interests before transaction (49%)	(0.7)
Non-controlling interests after transaction (39.8%)	(0.4)
Effect on non-controlling interest	**0.2**
Total effect on consolidated equity	0.0

Note 8 – Segment information

Operating segments

The group has 5 reportable segments, which are the strategic business units: Driveline Systems, Interior Systems, Power Products Systems, Actuation & Chassis and Fluid Transfer Systems.
There are no significant changes in operational structure in 2012.

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 5 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. The following summary describes the operations of each of the group's reportable segments:

Driveline systems

Driveline Systems is a global supplier of gear shift systems in the light vehicle market. The BA is a Tier 1 supplier of custom engineered cable controls and complete gear shift systems, comprising shifter modules, knobs, boots, shift cables, and shift towers. KA is a strong leader in both control cables and manual and automatic shifter systems worldwide.

Interior Systems

Interior Systems is a global leader in the design, development and manufacture of seat comfort systems and mechanical-/electro-mechanical light duty motion control systems to automotive Tier 1 and OEM customers. The BA's product range includes seat adjusters, seat cables, side bolsters and lumbar support, seat heating, ventilation and massage systems, arm rests and head restraints. KA is the only global supplier in the world currently offering a complete range of seat comfort products.

Actuation & Chassis

Actuation & Chassis is a developer and manufacturer of operator control systems for heavy vehicles, offering a robust product portfolio of clutch actuation systems, gearshift systems, stabilising rods and steering columns.

Fluid Transfer Systems

Fluid Transfer Systems designs and manufactures fluid handling systems for both the automotive and commercial vehicle sectors, as well as coupling systems for compressed air circuits heavy trucks. The BA is also specialised in manufacturing tube and hose assemblies for challenging environments.

Power Products Systems

Power Products Systems is a global leader in the design and manufacture of vehicle control systems, providing engineered pedal systems, steering systems, electronic displays and cable controls to manufacturers of industrial, agricultural and construction vehicles.

As of 1 January 2013 Actuation & Chassis will be merged with Power Products and become **"Driver Control Systems"**.

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.

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 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).

Operating segments – financials

2012 MEUR	Driveline Systems	Interior Systems	Actuation & Chassis	Fluid Transfer Systems	Power Products Systems	Eliminations & other*	KA Group
Operating revenues	318.4	258.4	151.9	176.0	135.8	(39.3)	1 001.1
EBITDA	**2.7**	**26.5**	**20.7**	**27.9**	**16.2**	**(17.0)**	**77.0**
Depreciation	(9.8)	(8.0)	(4.7)	(7.0)	(1.9)	(0.0)	(31.5)
Amortization	(2.8)	(1.9)	(1.8)	(3.5)	(3.1)	(1.7)	(14.8)
Operating (loss) / profit (EBIT)	**(10.0)**	**16.6**	**14.1**	**17.3**	**11.2**	**(18.7)**	**30.7**
Assets and liabilities							
Goodwill	6.2	72.1	28.4	47.9	6.8	0.0	161.3
Other intangible assets	16.2	10.2	12.1	17.3	15.3	0.5	71.6
Property, plant and equipment	35.8	30.9	24.8	29.3	9.8	0.5	131.1
Inventories	23.0	13.1	14.0	13.6	15.8	(0.6)	78.8
Trade receivables	34.9	39.3	18.7	24.2	12.1	0.1	129.4
Segment assets	**116.1**	**165.5**	**97.9**	**132.3**	**59.8**	**0.5**	**572.2**
Unallocated assets						172.7	172.7
Total assets	**116.1**	**165.5**	**97.9**	**132.3**	**59.8**	**173.2**	**744.9**
Trade payables	26.5	21.5	15.2	19.2	13.2	0.3	95.9
Unallocated liabilities						464.3	464.3
Total liabilities	**26.5**	**21.5**	**15.2**	**19.2**	**13.2**	**464.6**	**560.2**
Capital expenditure	8.4	7.9	4.8	5.3	2.2	0.0	28.6

2011 MEUR	Driveline Systems	Interior Systems	Actuation & Chassis	Fluid Transfer Systems	Power Products Systems	Eliminations & other*	KA Group
Operating revenues	327.3	247.9	166.0	170.9	133.3	(45.7)	999.7
EBITDA	**6.5**	**18.6**	**25.7**	**27.4**	**18.5**	**(14.6)**	**82.0**
Depreciation	(9.9)	(6.3)	(4.7)	(6.3)	(1.7)	(0.2)	(29.0)
Amortization	(3.3)	(2.3)	(1.9)	(3.3)	(3.0)	(0.5)	(14.4)
Operating (loss) / profit (EBIT)	**(6.7)**	**10.0**	**19.1**	**17.7**	**13.8**	**(15.4)**	**38.5**
Assets and liabilities							
Goodwill	6.2	71.2	26.7	48.5	8.0	0.0	160.6
Other intangible assets	17.4	12.3	12.7	20.6	18.6	0.7	82.3
Property, plant and equipment	38.6	28.8	24.8	29.8	10.0	0.5	132.6
Inventories	34.9	14.1	13.3	14.9	17.8	(0.6)	94.4
Trade receivables	42.4	45.0	21.5	22.7	13.9	0.1	145.6
Segment assets	**139.6**	**171.4**	**99.1**	**136.6**	**68.2**	**0.7**	**615.6**
Unallocated assets						178.3	178.3
Total assets	**139.6**	**171.4**	**99.1**	**136.6**	**68.2**	**179.0**	**793.9**
Trade payables	35.2	21.7	19.1	18.8	14.3	0.4	109.4
Unallocated liabilities						499.3	499.3
Total liabilities	**35.2**	**21.7**	**19.1**	**18.8**	**14.3**	**499.6**	**608.6**
Capital expenditure	8.9	9.5	5.1	5.3	2.5	0.0	31.3

* 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	2012	2011
Segment assets of reportable segments	571.7	614.8
Eliminations & other	0.5	0.7
Unallocated assets include:		
Deferred tax assets	54.2	53.1
Other non-current assets	1.2	0.7
Cash and cash equivalents	75.3	82.5
Other receivables (excluded: trade receivables)	42.0	42.0
Total assets as of the Statement of Financial position	**744.9**	**793.9**

Operating segments – reconciliation to total liabilities

MEUR	2012	2011
Trade payables of reportable segments	95.6	109.0
Eliminations & other	0.3	0.4
Unallocated liabilities include:		
Deferred tax liabilities	15.9	19.7
Retirement benefit obligations	14.8	14.5
Interest-bearing loans and borrowings	321.2	326.9
Bank overdrafts	41.8	30.2
Other current interest-bearing liabilities	1.6	41.2
Current income tax liabilities	1.8	4.3
Other payables (excluded: trade payables)	67.2	62.4
Total liabilities as of the Statement of Financial position	**560.2**	**608.6**

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	2012		2011	
MEUR	Jan-Dec	%	Jan-Dec	%
Sweden	85.9	8.6%	100.2	10.0%
Germany	118.0	11.8%	124.3	12.4%
France	71.5	7.1%	85.2	8.5%
Other EU	241.9	24.2 %	216.0	21.6 %
Total EU	**517.3**	**51.7 %**	**525.8**	**52.6 %**
USA	249.3	24.9%	230.8	23.1%
NA other	108.2	10.8 %	93.1	9.3 %
Total NA	**357.5**	**35.7 %**	**323.9**	**32.4 %**
China	65.1	6.5%	66.8	6.7%
Asia Other	28.6	2.9%	41.4	4.1%
Total Asia	**93.7**	**9.4 %**	**108.2**	**10.8 %**
Other	32.5	3.3%	41.8	4.2%
Total operating revenues	**1 001.1**	**100 %**	**999.7**	**100 %**

Non-current assets by geographical location	2012		2011	
MEUR	Jan-Dec	%	Jan-Dec	%
USA	131.7	36.2 %	143.0	38.1 %
UK	13.4	3.7 %	15.9	4.2 %
Norway	32.0	8.8 %	32.3	8.6 %
Germany	20.8	5.7 %	28.0	7.5 %
Sweden	32.9	9.0 %	31.8	8.5 %
Poland	37.1	10.2 %	31.7	8.4 %
Other	96.1	26.4 %	92.8	24.7 %
Total assets	**364.0**	**100.0 %**	**375.5**	**100.0 %**

Operating segments – major customers

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

Note 9 – Salaries and social expenses

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

KAH ASA			KA Group	
2012	2011	MEUR	2012	2011
3.8	3.8	Wages and salaries	183.4	187.7
0.6	0.6	Social security tax	43.5	42.3
0.3	0.1	Pension cost (defined benefit plans)	1.3	0.7
0.2	0.2	Pension cost (defined contribution plans)	5.1	3.9
0.5	0.1	Other employee related expenses *	41.7	23.7
5.4	**4.8**	**Total**	**275.0**	**258.3**

* Other employee related expenses include pay to contract workers, restructuring costs, severance payments, and other employee costs. As at 31.12.12 the group had 10.119 (10.950) employees and the parent company 18 (18) employees.

Note 10 – Other operating expenses

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

KAH ASA			KA Group	
2012	2011	MEUR	2012	2011
		Operating Expenses		
0.0	0.0	Direct production cost	(120.8)	(116.2)
0.0	0.0	Absorption direct production cost	120.8	114.1
0.0	0.0	Freight charges	(36.0)	(39.7)
0.0	0.0	Facility costs	(24.0)	(21.7)
0.0	0.0	Consumables	(26.4)	(28.5)
0.0	0.0	Repairs and maintanance	(15.5)	(16.2)
(0.0)	(0.1)	Service costs	(10.7)	(11.9)
(1.0)	(0.2)	Other costs	(13.0)	(15.7)
		Administrative expenses		
(0.1)	(0.1)	Leasehold expenses	(3.0)	(3.2)
(3.7)	(3.7)	Service costs	(20.4)	(19.7)
(0.0)	(0.0)	Consumables	(5.5)	(5.6)
(0.4)	(0.4)	Travel costs	(8.4)	(8.5)
(18.5)	(11.4)	Other costs	(12.4)	(13.5)
(23.7)	**(15.9)**	**Total other operating expenses**	**(175.4)**	**(186.4)**

Other operating expenses and raw material expenses have been reclassified. Comparable numbers are restated.

Note 11 – Financial items

Specification of financial items as recognized in statement of comprehensive income

KAH ASA			KA Group	
2012	2011	MEUR	2012	2011
15.8	31.6	Dividend and other financial income	0.0	0.0
0.0	5.2	Foreign currency gains	10.3	0.0
0.0	2.6	Changes in value of financial derivatives	0.0	1.5
23.8	0.2	Interest income	0.3	0.5
39.6	**39.6**	**Total financial income**	**10.6**	**2.0**
(18.1)	(19.2)	Interest expense	(19.1)	(20.0)
(8.7)	0.0	Foreign currency losses	0.0	(8.9)
(3.8)	0.0	Changes in value of financial derivatives	(3.8)	0.0
(4.6)	(4.0)	Other items	(6.4)	(3.5)
(35.2)	**(23.2)**	**Total financial expenses**	**(29.3)**	**(32.4)**
4.4	**16.4**	**Net financial items**	**(18.7)**	**(30.4)**

Note 12 – Taxes

Tax recognised in statement of income

The major components of income tax expense:

KAH ASA			KA Group	
2012	2011	MEUR	2012	2011
(0.4)	0.0	Current tax on profits for the year	(6.1)	(7.8)
0.0	0.0	Adjustments in respect of prior years	(0.0)	(0.8)
(0.4)	**0.0**	**Total current tax**	**(6.1)**	**(8.6)**
1.6	(10.2)	Current year deferred tax	(0.7)	5.9
0.0	0.0	Impact of changes in tax rates	1.2	0.0
(0.3)	(0.1)	Adjustments in respect of prior years	(1.0)	2.3
1.3	**(10.3)**	**Total deferred tax**	**(0.5)**	**8.2**
0.9	**(10.3)**	**Total income tax (expense) / credit**	**(6.7)**	**(0.4)**

Reconciliation of norwegian nominal statutory tax rate to effective tax rate

12.9	**33.6**	**(Loss) / profit before income tax**	**11.9**	**8.2**
(3.6)	(9.4)	Expected tax calculated at Norwegian tax rate	(3.3)	(2.3)
4.3	(0.1)	Dividends (permanent differences)	0.0	
0.5	(0.9)	Other permanent differences / currency	(0.2)	(0.1)
0.0	0.0	Effect of different tax rates	0.3	(0.6)
0.0	0.0	Impact of changes in tax rates	1.2	0.8
0.0	0.0	Losses not recognised as deferred tax assets	(3.6)	0.3
(0.3)	0.2	Adjustments in respect of prior years	(1.1)	1.5
0.9	**(10.3)**	**Income tax (expense) / credit**	**(6.7)**	**(0.4)**
-7 %	31 %	Average effective tax rate	56 %	5 %

Tax recognised in other comprehensive income

0.0	0.0	Translation differences before tax	(8.6)	6.5
0.0	0.0	Tax (expense) / credit	5.8	(3.7)
0.0	**0.0**	**Translation differences after tax**	**(2.8)**	**2.8**

Tax recognised in statement of financial position

Current tax liability

KAH ASA			KA Group	
2012	2011	MEUR	2012	2011
0.4	0.0	Current income tax liabilities	1.8	4.3
0.4	**0.0**	**Total**	**1.8**	**4.3**

Deffered tax

KAH ASA			KA Group	
2012	2011	MEUR	2012	2011
0.0	0.0	Deferred tax asset	54.2	53.1
(4.3)	(5.3)	Deferred tax liability	(15.9)	(19.7)
(4.3)	**(5.3)**	**Total**	**38.3**	**33.4**

Deferred tax positions are netted within the same tax entity.

Specification of deferred tax assets / (liabilities)

Kongsberg Automotive Group

MEUR	Opening balance	Charged to income	Changes in tax rate	OCI	Exchange differences	Closing balance
Property, plant and equipment	(3.3)	0.0	0.1	0.0	0.1	(3.2)
Intangible assets	(20.2)	1.6	0.2	0.0	(0.0)	(18.4)
Retirement benefits obligations	1.5	(0.1)	0.0	0.0	0.1	1.5
Losses	35.1	3.1	0.8	0.0	0.3	39.3
Acc.receivables	0.4	0.8	(0.0)	0.0	0.0	1.2
Accrued expenses	1.5	(0.4)	0.0	0.0	(0.0)	1.1
Accrued interest	14.2	(0.3)	0.0	0.0	(0.4)	13.5
Restructuring reserves	(1.1)	1.1	0.0	0.0	0.0	0.0
Unrealized fx on long term rec / pay	(0.6)	(1.7)	0.0	0.0	(0.2)	(2.4)
Other temporary diff	6.0	(5.9)	0.2	5.8	(0.1)	6.0
Net deferred tax asset/(liability)	**33.4**	**(1.7)**	**1.2**	**5.8**	**(0.3)**	**38.3**

Kongsberg Automotive Holding ASA (parent company)

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	0.2
Retirement benefits obligations	0.5	(0.0)	0.0	0.0	0.0	0.5
Losses	0.7	(0.7)	0.0	0.0	0.0	0.0
Unrealized fx on long term rec / pay	(8.4)	2.6	0.0	0.0	(0.4)	(6.2)
Other temporary diff	1.7	(0.6)	0.0	0.0	0.1	1.2
Net deferred tax asset/(liability)	**(5.3)**	**1.3**	**0.0**	**0.0**	**(0.3)**	**(4.3)**

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all part of the asset to be recovered.

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 recognised

KAH ASA			KA Group	
2012	2011	MEUR	2012	2011
0.0	0.0	Tax losses carried forward	6.6	4.2
0.0	**0.0**	**Total**	**6.6**	**4.2**

Deferred income tax assets on tax losses carried forward are recognised only to the extent that realisation of the related benefit is probable. The group's future profit is dependent on future sales of new vehicles. The remaining lifetime of the group's tax losses is as shown below:

Limitation to the utilization of losses carried forward

KAH ASA			KA Group	
2012	2011	Lifetime	2012	2011
0.0	0.0	Less than five years	3.2	3.0
0.0	0.0	5 - 10 years	3.6	1.2
0.0	0.0	10 - 15 years	0.0	0.0
0.0	0.0	15 - 20 years	3.2	2.6
0.0	0.7	Without time limit	35.8	32.4
0.0	**0.7**	**Tax losses at 31.12**	45.9	39.2

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 realisation and to limitations to the utilisation of losses carried forward. Local tax decisions could therefore influence the carrying value of the group's consolidated deferred tax asset.

Note 13 – Intangible assets

KAH ASA			KA Group			
Software	MEUR	Goodwill	Customer relationships	Patents and R&D	Software and other	Total
2.2	Cost	161.4	88.3	44.1	16.9	310.7
(1.6)	Accumulated amortization	0.0	(27.1)	(17.3)	(12.9)	(57.3)
0.6	**Book value 01.01.2011**	**161.4**	**61.2**	**26.8**	**4.0**	**253.4**
2.2	Cost 1/1-2011	161.4	88.3	44.1	16.9	310.7
0.5	Additions	0.0	0.0	2.7	1.0	3.7
0.0	Disposals accumulated cost	(0.1)	0.0	(3.2)	0.0	(3.3)
0.0	Translation differences	(0.7)	(2.0)	(1.3)	3.6	(0.4)
2.7	**Acquisition costs at 31.12.2011**	**160.6**	**86.3**	**42.3**	**21.5**	**310.7**
(1.6)	Accumulated amortization 1/1-2011	0.0	(27.1)	(17.3)	(12.9)	(57.3)
(0.4)	Amortization	(0.1)	(7.9)	(4.7)	(1.7)	(14.4)
0.0	Disposals accumulated amortization	0.1	0.0	3.2	0.0	3.3
0.0	Translation differences	0.0	(1.8)	1.5	0.9	0.6
(2.0)	**Accumulated amortization at 31.12.2011**	**0.0**	**(36.8)**	**(17.3)**	**(13.7)**	**(67.8)**
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 31.12.2011**	**160.6**	**49.5**	**25.0**	**7.8**	**242.9**
2.7	Cost 1/1-2012	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 1/1-2012	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**

Internally developed intangible assets

2012	2011	MEUR	2012	2011
0.0	0.0	Internally developed intangible assets 01.01	9.2	8.5
0.0	0.0	Additions during the year	2.1	2.7
0.0	0.0	Amortization / impairment	(1.4)	(2.1)
0.0	0.0	Translation differences	0.3	0.1
0.0	**0.0**	**Internally developed intangible assets 31.12**	**10.2**	**9.2**
0.0	0.0	Not capitalized internal R&D cost	(37.4)	(34.0)
0.0	0.0	Amortization	(1.4)	(2.1)
0.0	0.0	Net effect of external sales and purchases	(1.5)	(3.1)
0.0	**0.0**	**Total recognized R&D cost in the reporting period:**	**(40.3)**	**(39.1)**
0.0	0.0	Cash investment in R&D	(41.0)	(39.8)

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 recognized as recoverable amount. The tests comprised NPV (net present value) analyses of forecasted future cash flows by CGUs (cash generating units). The five Business Areas; Driveline, Interior, Actuation&Chassis, Fluid Transfer and Power Products, were identified as the respective CGUs.

Cash flow projections and assumptions

The model was based on a 5 year forecast of discounted cash flow plus a terminal value (calculated by Gordon's 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 2013 to 2017. The business cases were based on the group's strategic five year plan, adjusted for relevant recent changes in internal rolling forecasts and market data. Both the five year plan and the rolling forecasts were "bottom-up-models" where all input data had been produced by respective entities in the Group. The financial development for the BAs throughout the forecast period is primarily driven by increased topline 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 CSM and JD Power in addition to all relevant internal information such as changes in orders, customer portfolio, fitment rate for products, geographical development, market shares etc. The compounded annual growth rate (CAGR) per CGU was: Interior 3.5 %, Driveline 1.5 %, Actuation&Chassis 7.7 %, Fluid 8.1 % and PPS 7.1 % for the period 2013 to 2017. 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 use of the WACC methodology. 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 % pre tax. The same WACC was used for all CGUs, the reason being that the long-term risk profiles of the five CGUs are not considered to be significantly different. The following parameters were applied:

- Risk free interest rate: Based on 10 year governmental bond rate
- Beta: 2,33. Based on an estimated unlevered beta for the automotive industry adjusted for industry 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 (475 basis points)
- Capital structure: Based on the Industry average (comparable companies) equity ratio of 55%

Sensitivity analysis

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

1. Change in cash flows: The analysis showed that a decline in free cash flow in excess of 40 % per CGU for each year in the business plan (including the terminal value) was necessary to change conclusion. The result indicated that there had to be a significant decline in the market situation to trigger impairment.
2. Change in discount rates: The analysis showed the following headroom in discount rates per CGU to change conclusion; Driveline + 11.5 %, Interior + 7.9 %, Actuation&Chassis + 22.1 %, Fluid + 24.6 % and PPS + 52.7 %. The results indicated that the test was robust in terms of the level of discount rates. The sensitivity analysis performed for each of the defined cash generation units indicates that Driveline is the unit most sensitive to changes in assumption. 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 14 – Property, plant & equipments (PP&E)

KAH ASA		KA Group			
Equipment	MEUR	Land	Buildings	Equipment	Total
0.8	Cost	6.4	49.6	371.5	427.5
(0.6)	Accumulated depreciation	0.0	(26.7)	(268.9)	(295.6)
0.2	**Book value 01.01.2011**	**6.4**	**22.9**	**102.6**	**131.9**
0.8	Cost 1/1-2011	6.4	49.6	371.5	427.5
0.0	Additions	0.0	1.2	30.1	31.3
0.0	Disposals accumulated cost	(0.6)	0.0	(9.6)	(10.2)
0.0	Translation differences	0.0	0.5	(2.1)	(1.6)
0.8	**Acquisition costs at 31.12.2011**	**5.8**	**51.3**	**389.9**	**447.0**
(0.6)	Accumulated depreciation 1/1-2011	0.0	(26.7)	(268.9)	(295.6)
(0.2)	Depreciation	(0.6)	(3.1)	(25.3)	(29.0)
0.0	Disposals accumulated depreciation	0.6	0.0	8.1	8.7
0.0	Translation differences	0.0	(0.3)	1.8	1.5
(0.8)	**Accumulated depreciations at 31.12.2011**	**0.0**	**(30.1)**	**(284.3)**	**(314.4)**
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 31.12.2011**	**5.8**	**21.2**	**105.6**	**132.6**
0.8	Cost 1/1-2012	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 1/1-2012	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**

Security for debt

See note 20 regarding use of PP&E as security for debt.

Impairment testing

See note 13 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 15 – Inventories

KAH ASA			KA Group	
2012	2011	MEUR	2012	2011
0.0	0.0	Raw materials	48.6	59.6
0.0	0.0	Work in progress	13.6	14.0
0.0	0.0	Finished goods	16.7	20.8
0.0	**0.0**	**Total**	**78.8**	**94.4**

Provision for slow moving and obsolete inventory

2012	2011	MEUR	2012	2011
0.0	0.0	Book value at 01.01	(8.7)	(6.5)
0.0	0.0	Write-down	(2.5)	(3.6)
0.0	0.0	Products sold (previously written down)	2.3	0.4
0.0	0.0	Reversal	1.1	0.7
0.0	0.0	Foreign currency translation	0.2	0.2
0.0	**0.0**	**Book value at 31.12**	(7.7)	(8.7)

Note 16 – Trade and other receivables

Specification of trade and other receivables

KAH ASA			KA Group	
2012	2011	MEUR	2012	2011
0.0	0.1	Trade receivables	129.4	145.6
31.4	48.2	Short-term group loans and receivables	0.0	0.0
0.4	0.7	Other short-term receivables	30.7	32.2
31.8	**48.9**	**Receivables**	**160.1**	**177.8**
0.0	0.0	Financial derivative instruments	0.0	0.0
0.1	0.1	Prepayments	11.3	9.8
31.9	**49.0**	**Total**	**171.4**	**187.6**

Trade receivables maturity

	2012		2011	
MEUR	Dec	%	Dec	%
Not overdue	105.0	80 %	132.5	89 %
Overdue 1-20 days	21.9	17 %	9.2	6 %
Overdue 21-40 days	1.5	1 %	2.5	2 %
Overdue 41-80 days	1.1	1 %	1.8	1 %
Overdue 81-100 days	0.3	0 %	0.8	1 %
Overdue > 100 days	1.3	1 %	1.3	1 %
Gross trade receivables	**131.0**		**148.1**	
Total provision for bad debt	(1.6)	1 %	(2.5)	2 %
Net trade receivables	**129.4**		**145.6**	

The provision for bad debt is reduced by MEUR 0.9 compared to 31.12.2011. 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 eldest trade receivables, overdue > 100 days, represents 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 22.

Receivables by currency

KAH ASA			KA Group	
2012	2011	MEUR	2012	2011
3.2	0.0	EUR	35.9	39.8
2.2	0.0	USD	36.9	40.9
25.9	48.9	NOK	11.4	12.7
0.0	0.0	GBP	8.5	9.5
0.4	0.0	Other	67.4	74.9
31.8	**48.9**	**Total**	**160.1**	**177.8**

Note 17 – 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 7 046 302 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.

	2012	2011
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	**7 046 302**	**7 046 302**

The twenty largest shareholders in the company as at 31.12.12 were as follows:

Shareholder	No of shares	%	Country
DnB NOR Bank ASA EGENHANDELSKONTO DnB NOR Markets	27 015 351	6.6 %	NOR
MP PENSJON PK	11 485 050	2.8 %	NOR
KLP AKSJE NORGE VPF	10 031 090	2.5 %	NOR
SKAGEN VEKST	9 551 315	2.4 %	NOR
VERDIPAPIRFONDET HAN NORGE	8 385 000	2.1 %	NOR
Citibank NA New York S/A DFA-INTL SML CAP	7 490 249	1.8 %	USA
VPF NORDEA KAPITAL C/O JPMORGAN EUROPE	7 403 824	1.8 %	NOR
KONGSBERG AUTOMOTIVE HOLDING ASA	7 046 302	1.7 %	NOR
KOMMUNAL LANDSPENSJO	7 000 000	1.7 %	NOR
JPMCB RE SHB SWEDISH HANDELSBANKEN NORDIC	5 300 000	1.3 %	SWE
VPF NORDEA AVKASTNIN C/O JPMORGAN EUROPE	4 323 800	1.1 %	NOR
HOLTA INVEST AS	4 080 006	1.0 %	NOR
VERDIPAPIRFONDET DNB	4 000 000	1.0 %	NOR
VPF NORDEA SMB C/O JPMORGAN EUROPE	3 046 918	0.8 %	NOR
KLP AKSJE NORGE INDE	3 036 608	0.8 %	NOR
EBITEC INVEST AS	2 775 000	0.7 %	NOR
JP MORGAN CHASE BANK NON TREATY AC	2 546 700	0.6 %	GBR
VPF NORDEA VEKST JPMORGAN EUROPE LTD,	2 172 464	0.5 %	NOR
COOP NORGE SA	2 000 000	0.5 %	NOR
ALFAPLAN AS	2 000 000	0.5 %	NOR
Total twenty largest shareholders	**130 689 677**	**32.1 %**	
Other shareholders	276 078 454	61.9 %	
Total number of shares in issue	**406 768 131**	**94.1 %**	
Number of shareholders	7 029		
Foreign ownership	10.52 %		

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 programme are required to hold a number of the company's share at least equivalent to 10% of the number of options granted. One third of the options at exercise price NOK 5, NOK 4.50, NOK 2, NOK 20 and NOK 3 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 and NOK 2 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.

Number of options and their exercise dates for the programme adopted by the General Assembly in 2012 in respect of options to be offered during the first quarter and granted during April 2013.

Options vesting and potentially exercisable in:	2014	2015	2016	Last possible exercise 2020
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 and their related weighted average exercise prices are as follows (NOK):

	2012 Average exercise price	2012 Options	2011 Average exercise price	2011 Options
Options at 01.01	5.66	10 620 261	7.48	8 937 159
Granted	2.00	3 999 800	4.50	3 936 015
Forfeited	4.47	(1 271 095)	6.62	(1 661 834)
Expired	-	0	36.96	(344 975)
Exercised	-	0	3.00	(246 105)
Options at 31.12	**4.68**	**13 348 966**	**5.66**	**10 620 261**

Outstanding options at the end of the year have the following expiry dates and exercise prices (NOK):

Expiry date	2012 Exercise price	2012 Options	2011 Exercise price	2011 Options
31.03.2015	5.00	2 614 472	5.00	2 985 642
31.03.2018	20.00	944 453	20.00	989 134
31.03.2018	4.50	3 251 082	4.50	3 642 430
31.03.2019	3.00	2 757 493	3.00	3 003 055
31.03.2019	2.00	3 781 466	0.00	0
Options at 31.12		**13 348 966**		**10 620 261**

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 0.85 per option (2011: 1.88). The significant inputs to the model were the share trading price of NOK 1.95 at the date of grant, exercise prices (NOK 2.00) shown above, a weighted average volatility of 74.24 %, an expected option life of three, four and five years and a weighted average annual risk-free interest rate of 1.60 %.

Warrants

DnB NOR ASA and Nordea Bank ASA (split 50/50) have 36 130 478 independent warrants. A warrant gives the bearer the right to subscribe for one share in the company at a future point in time. One half of the warrants gives the right to buy shares at NOK 6.00 and the second half at NOK 8.00 per share. The par value of the shares to be issued is NOK 0.50 per share. Each warrant may be exercised up to and including 29.12.13. No warrants have been exercised in 2012.

Treasury shares

The company holds 7 046 302 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 programmes. No shares were sold or acquired in 2012.

Note 18 – Earnings and dividend per share

Earnings per share

	2012	2011
Net (loss) / profit attributable to equity shareholders (MEUR)	5.2	7.5
Weighted average number of shares in issue (millions)	399.7	399.6
Basic earnings per share, Euros	**0.01**	**0.02**
Diluted earnings per share, Euros	**0.01**	**0.02**

Earnings per share is calculated by dividing the net profit attributable to equity shareholders by the weighted average number of shares in issue. The diluted earnings per share is equal to basic earnings per share per 31.12.2012. The reason is that the market price of the companies shares is lower than the exercise price of the warrants (anti-dilutive effect).

Dividend per share

	2012	2011
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 2012. For dividend restrictions, see Covenants note 20.

Note 19 – Retirement benefit obligations

Defined benefit pension plan

The German- and Norwegian subsidiaries represented 93 % of the groups Net benefit obligation (German: 74 %, Norwegian: 19 %) in 2012.

Defined benefit pension plans - Norway

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 9 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

KAH ASA			KA Group	
2012	2011	MEUR	2012	2011
1.5	1.6	Defined benefit pension obligation	13.4	13.6
0.3	0.1	Top hat, retirement provisions and other employee obligations	1.4	0.9
1.8	**1.8**	**Retirement benefit obligations**	**14.8**	**14.5**

Defined benefit scheme – assumptions

KAH ASA			KA Group	
2012	2011		2012	2011
3.8%	2.6%	Discount rate	3.8%	4.6%
3.8%	4.1%	Rate of return on plan assets	3.7%	4.4%
3.3%	3.5%	Salary increases	1.6%	2.3%
3.3%	3.3%	Increase in basic government pension amount	1.6%	2.2%
0.2%	0.1%	Pension increase	0.5%	0.7%

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

Defined benefit scheme – net periodic pension cost

KAH ASA			KA Group	
2012	2011	MEUR	2012	2011
0.1	0.1	Service cost	0.3	0.3
0.1	0.1	Interest on benefit obligations	0.7	0.8
(0.0)	0.0	Expected return on pension assets	(0.1)	(0.1)
0.0	0.0	Amortization of estimate differences	0.6	0.0
0.0	0.0	Effect of curtailment	(0.2)	(0.3)
0.0	0.0	Social security taxes	0.0	0.0
0.0	0.0	AFP adjustment	(0.0)	0.0
0.2	**0.1**	**Net periodic pension cost**	**1.3**	**0.7**
4.4%	4.2%	Actual return on plan assets	2.1%	4.6%

Defined benefit scheme – net pension liability

KAH ASA			KA Group	
2012	2011	MEUR	2012	2011
		Pension liabilities and assets:		
1.5	1.7	Projected benefit obligation (PBO)	17.1	14.9
0.0	0.0	Fair value of pension assets	(2.2)	(0.6)
1.5	**1.7**	**Pension liability in excess of assets**	**14.9**	**14.3**
(0.1)	(0.3)	*Unrecognized effect of changes in estimates and differences between actual and expected* return on pension assets	(2.1)	(1.3)
1.3	**1.4**	**Net pension liability before social security taxes**	**12.8**	**13.0**
0.2	0.2	Social security taxes	0.5	0.5
1.5	**1.6**	**Net pension liability**	**13.3**	**13.5**

Specification of carrying value of net pension liability (MEUR):

2012	2011	MEUR	2012	2011
1.5	1.6	Retirement benefit obligation	13.4	13.6
0.0	0.0	Retirement benefit asset	(0.1)	(0.1)
1.5	**1.6**	**Net pension liability**	**13.3**	**13.5**

Defined benefit scheme – change in net pension liability

KAH ASA			KA Group	
2012	2011		2012	2011
1.6	1.8	Net pension liability 01.01	13.5	14.4
0.2	0.1	Pension cost for the year	1.3	0.7
(0.4)	(0.4)	Paid pensions	(1.6)	(1.5)
0.1	0.0	Translation differences	0.1	0.0
1.5	**1.6**	**Net pension liability 31.12**	**13.3**	**13.5**

Defined benefit scheme – sensitivities

MEUR	DBO as at 31.12.12	Service cost for the FY 2013	Interest cost for the FY 2013
Actual valuation	(17.7)	0.32	0.71
Discount rate + 0.5%	(16.8)	0.22	0.82
Discount rate - 0.5%	(18.6)	0.42	0.63
Expected rate of salary increase + 0.5%	(17.7)	0.35	0.75
Expected rate of salary increase - 0.5%	(17.6)	0.27	0.70
Expected rate of pension increase + 0.5%	(18.4)	0.43	0.91
Expected rate of pension increase - 0.5%	(17.0)	0.29	0.65

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 2013 to be in line with the 2012 payment.

Defined benefit scheme – ias 19 revised

As of the financial year beginning 01.01.2013 all actuarial gains and losses will be recognized in comprehensive income as they arise (no corridor). The change will entail the recognition of an actuary loss of MEUR 2.1 provided no change in assumptions.

Note 20 – Interest-bearing loans and borrowings

Interest-bearing loans and borrowings as presented in statement of financial position

KAH ASA			KA Group	
2012	2011	MEUR	2012	2011
		Non-current liabilities		
321.2	326.8	Bank loans	321.2	326.9
		Current liabilities		
5.8	4.7	Bank overdrafts	41.8	30.2
1.0	40.0	Other current interest-bearing liabilities	1.6	41.2
328.0	**371.5**	**Total interest-bearing liabilities**	**364.6**	**398.3**

Loan and financing facilities

Facilities in MEUR	Facility Currency	Total facility Amounts	Un-drawn facility	Drawn Amounts	Capitalized arr. fees	Amount recognized	Maturity Date	Interest Rate (incl margin)
DNB / Nordea Facility								
Tranche in EUR	EUR	236.0	60.0	176.0	(2.3)	173.7	30.03.17	5.00 %
Tranche in USD	USD	195.0	20.0	175.0	(2.5)	172.5	30.03.17	5.10 %
Innovasjon Norge	NOK	130.5	0.0	130.5		130.5	10.12.21	4.90 % - 6.09 %

KA's main corporate facility was refinanced in March 2012 with a new 5 year revolving facility composed of one MUSD 195 tranche and one MEUR 266 tranche. The financing facilities bear interest at rates based on a market based reference rate plus an applicable margin except for one trance of MNOK 72 that carries a fixed interest rate of 4.9%. The embedded derivative has a negative value per year end of MNOK 1.9. MUSD 50 and MEUR 100 have been hedged through IRS contracts until Q4 2016. See also notes 22.

Covenants

The group's banking covenant requirements comprise:

- Equity Ratio (Equity / Total Assets)	Minimum 22.5% in 2013 and 25.0% in 2014 and onwards
- Minimum liquidity	Minimum MEUR 50 (incl. undrawn facilities with maturity in excess of 12 months)
- Gearing ratio (NIBD / EBITDA)	The required gearing ratio level will decrease by 0.50 every quarter from 4.75 in Q1 2013 to
	3.75 in Q3 2013, and further by 0.25 in Q4 2013 to 3.50. The required gearing ratio at year
	end 2014 is 3.0 and will from Q1 2015 and onwards be 2.50.
- Capital expenditures	Maximum 4% of consolidated turnover, however no restrictions if gearing ratio is 2.50 or
	below. Unutilised 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 31.12.12.

Security for the loan agreement

All lenders are ranked pari passu with first priority security over the Group's material subsidiaries shares.

Maturity schedule – loan and financing facilities

Year	MEUR	MUSD	MNOK
Repayable 0-6 months after year end	20.0		
Repayable 6-12 months after year end	20.0		7.7
Repayable during 2014	40.0		15.4
Repayable during 2015	40.0		15.4
Repayable during 2016	40.0		15.4
Repayable during 2017 (and later)	76.0	195.0	76.8
Total	**236.0**	**195.0**	**130.5**

The maturity schedule is displayed in local currencies and based on scheduled facility reductions.
Undrawn facility at year end 2012 fully cover the 2013 scheduled facility reductions.

Maturity schedule – bank overdraft

The Group may draw from the bank overdraft to an amount equal to the group's cash position. The bank overdraft is expected to be repaid 9-12 months after the end of the year.

Borrowing by currency

KAH ASA 2012	KAH ASA 2011	MEUR	KA Group 2012	KA Group 2011
173.7	203.5	EUR	215.5	218.3
134.1	146.4	USD	130.7	151.5
17.8	20.6	NOK	17.8	22.9
2.4	1.0	Other currencies	0.6	5.6
328.0	**371.5**	**Total interest-bearing liabilities**	**364.6**	**398.3**

See note 22 for an assessment of currency risk.

Liquidity reserve

The liquidity reserve of KA group consists of: cash & cash equivalents + undrawn credit facilities.

MEUR	2012	2011
Cash and cash equivalents	75.3	82.5
Restricted cash	(2.6)	(3.1)
Un-drawn facility	75.2	76.7
Used (Bank overdraft)	(41.8)	(30.2)
Unused liquidity reserve	**106.0**	**125.8**

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 21 – Trade and other payables

Specification trade and other payables

KAH ASA 2012	KAH ASA 2011	MEUR	KA Group 2012	KA Group 2011
0.1	0.3	Trade payables	95.9	109.4
6.6	5.2	Short-term group liabilities	0.0	0.0
3.0	1.3	Accrued expenses	53.0	46.5
0.0	0.0	Provisions	5.2	5.7
5.7	1.7	Interest rate swaps	5.7	1.7
0.5	0.4	Other short-term liabilities	3.4	8.5
15.9	**9.0**	**Total**	**163.1**	**171.8**

Provisions

2012	Warranty reserve	Restructuring and other provisions	Total
Opening Balance	3.6	2.2	5.7
P&L charge /(credit)	1.4	4.1	5.5
Payments	-1.4	-4.6	-6.0
Translation effect	0.0	0.0	0.0
Closing Balance	**3.6**	**1.7**	**5.2**

Maturity structure

2012	Provisions	Accrued expenses	IRS & Other short-term liabilities	Trade payables	Total
Repayable 0-3 months after year end	1.3	26.4	1.7	94.0	123.4
Repayable 3-6 months after year end	1.3	9.8	0.0	1.7	12.9
Repayable 6-9 months after year end	1.3	8.9	0.3	0.2	10.7
Repayable 9-12 months after year end	1.3	7.9	7.1	0.0	16.2
Total	**5.2**	**53.0**	**9.0**	**95.9**	**163.1**

Note 22 – 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 2012, if the currency USD had weakened/strengthened by 5 % against the EUR with all other variables held constant, revenues would vary by around +/- 1.9% or MEUR +/- 19. 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 +/- 15. 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 Company has significant competitors in each of its business areas and across the geographical markets in which the Company operates. The Company believes that competition in the business areas in which Kongsberg Automotive 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
- Aluminum

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, aluminium 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, aluminium 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 31.12.2012, the impact on pre tax profit of a +/- 0.5 % shift in both the EUR and USD interest would be a maximum increase or decrease of MEUR 1.1. This impact would reach MEUR 1.5 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 20.

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 23 – Financial instruments

Classification, measurement and fair value of financial instruments

MEUR	Notes	KA Group – 2012 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	16		160.1		11.3	171.4
Cash and cash equivalents			75.3			75.3
Interest-bearing loans and borrowings	20			(321.2)		(321.2)
Bank overdraft				(41.8)		(41.8)
Other current interest-bearing liabilities	20			(1.6)		(1.6)
Trade and other payables	21	(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)

* Interest rate swaps (IRS) is the only type of derivative instrument held by KA in 2011 and 2012. IRS is valued based on a level 2 valuation. There were no transfers between levels in the period

** Unrecognized loss on financial instruments is related to an embedded fixed rate derivative included in a long-term interest bearing loan agreement. See note 20 for further information

MEUR	Notes	KA Group – 2011 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	16		177.8		9.8	187.6
Cash and cash equivalents			82.5			82.5
Interest-bearing loans and borrowings	20			(326.9)		(326.9)
Bank overdraft				(30.2)		(30.2)
Other current interest-bearing liabilities	20			(41.2)		(41.2)
Trade and other payables	21	(1.7)		(155.9)	(14.2)	(171.8)
Total		**(1.7)**	**260.3**	**(554.1)**	**(4.4)**	**(300.0)**

Note 24 – Remuneration and fees for management, Board of Directors and auditor

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

	2012	2011
Total remuneration of the Board of Directors	254.9	228.4
Salary of the CEO	460.0	385.1
Other remuneration of the CEO	57.7	204.3
Pension costs of the CEO	30.3	27.7
Management salaries other than to the CEO	1 641.9	1 327.3
Other remuneration of management other than the CEO	328.6	676.1
Pension costs of management other than the CEO	164.9	78.9
Total	**2 938.3**	**2 927.8**

Specification of remuneration paid to board of directors (KEUR)

	Compensation committee	Audit committee	BOD meetings	Total 2012	2011
Ulla-Britt Fräjdin-Hellqvis	6.7	0.0	56.2	62.9	60.3
Tone Bjørnov	0.0	9.4	33.4	42.8	43.3
Thomas Falck	0.0	7.4	33.4	40.8	39.1
Halvor Stenstadvold	4.7	0.0	33.4	38.1	18.3
Magnus Jonsson	0.0	0.0	33.4	33.4	16.0
Kjell A. Kristiansen	4.7	0.0	10.7	15.4	14.8
Tonje Sivesindtajet	0.0	0.0	10.7	10.7	10.3
Eivind A. Holvik	0.0	0.0	10.7	10.7	10.3
Others (replaced board members)	0.0	0.0	0.0	0.0	16.0
Total – Board of Directors	**16.1**	**16.7**	**222.1**	**254.9**	**228.4**

Specification of remuneration to nomination committee (KEUR)

Name	2012	2011
Tor Himberg Larsen	11.4	11.5
Johan Aasen	4.7	5.8
Inga Lise Lien Moldestad	4.7	0.0
Anne Stärk Johansen	0.0	5.1
Total – Nomination Committee	**20.7**	**22.4**

Specification of remuneration to management other than CEO (KEUR)

2012 Name	Position	Salary	Pension	Other
Trond Stabekk	Executive Vice President, CFO	277.7	30.3	41.1
Jarle Nymoen	Executive Vice President, Human Resources	192.5	18.6	33.3
Joachim Magnusson	Executive Vice President, Driveline Systems	202.8	38.1	17.3
Scott Paquette	Executive Vice President, Interior Systems	216.5	5.8	64.9
Jonathan Day	Executive Vice President, Fluid Transfer Systems	169.8	5.0	50.4
Trond Fiskum	Executive Vice President, Actuation & Chassis	212.3	25.2	34.6
James G Ryan	Executive Vice President, Power Products Systems	204.8	5.4	87.0
Anders Nyström	Executive Vice President, Purchase	165.6	36.5	0.0
Total – management other than CEO		**1 641.9**	**164.9**	**328.6**

2011

Name	Position	Salary	Pension	Other
Trond Stabekk	Executive Vice President, CFO	225.5	28.4	134.8
Bent Wessel-Aas	Executive Vice President, Business Development	169.1	19.5	94.4
Joachim Magnusson	Executive Vice President, Driveline Systems	191.4	0.0	69.5
Scott Paquette	Executive Vice President, Interior Systems	177.7	5.3	99.9
Jonathan Day	Executive Vice President, Fluid Transfer Systems	139.5	4.8	60.7
Trond Fiskum	Executive Vice President, Actuation & Chassis	215.0	16.0	107.0
James G Ryan	Executive Vice President, Power Products Systems	182.1	4.8	109.4
Anders Nyström	Executive Vice President, Purchase	26.9	0.0	0.5
Total – management other than CEO		**1 327.3**	**78.9**	**676.1**

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 1.4 is accrued for bonus earned in 2012 (2011: MEUR 1.9). The management's share is approximately 25 % 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 19. 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.

Specification of outstanding share options granted to management

	2012 Scheme No of options	2011 Scheme No of options	2010 Scheme No of options	2009 Scheme No of options	2008 Scheme No of options
Hans Peter Havdal	322 000	317 000	315 000	215 394	157 465
Trond Stabekk	222 000	217 000	165 000	215 394	143 516
Jarle Nymoen	122 000	117 000	115 000	102 029	48 795
Joachim Magnusson	122 000	117 000	115 000	102 029	17 971
Jonathan Day	122 000	60 000	40 000	45 346	24 072
Scott Paquette	122 000	117 000	115 000	102 029	13 012
Trond Fiskum	122 000	117 000	115 000	22 673	16 265
James G Ryan	122 000	117 000	115 000	136 038	
Anders Nyström	122 000				
Total options	**1 398 000**	**1 179 000**	**1 095 000**	**940 932**	**421 096**

For more details about the share option plan see note 17

Specification of fees paid to the auditors (KEUR)

	2012	2011
Statutory audit services to the parent company (Deloitte)	64.6	87.3
Statutory audit services to subsidiaries (Deloitte)	465.0	479.2
Statutory audit services to subsidiaries (Other)	131.5	63.9
Further assurance services (Other)	75.7	102.0
Other non-audit services (Other)	45.7	76.0
Total	**782.5**	**808.5**

Note 25 – Shares owned by management and Board of Directors as at 31.12.12

Board of Directors	No of shares
Ulla-Britt Fräjdin-Hellqvist	72 800
Maria Borch Helsengren	0
Thomas Falck	1 000 000
Halvor Stenstadvold	200 000
Magnus Jonsson	20 000
Kjell A. Kristiansen	20 180
Tonje Sivesindtajet	63 000
Eivind A. Holvik	0
Total number of shares	**1 375 980**

Group management	No of shares
Hans Peter Havdal	397 025
Trond Stabekk	103 080
Jarle Nymoen	102 985
Joachim Magnusson	73 693
Jonathan Day	56 250
Scott Paquette	90 800
Trond Fiskum	263 346
James G Ryan	158 400
Anders Nyström	17 000
Total number of shares	**1 262 579**

Note 26 – 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 2012 (see note 24).

The Board of Directors has established share option programmes for leading employees that have been approved by shareholders in General Meeting. It is the company's judgement that it is positive for long-term value creation in the group that leading employees hold shares 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 programmes. 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 services with non-cash compensation

Leading employees can be offered different arrangements such as company cars, insurance, pensions, etc. together with relevant communcation 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 27 – Commitments and Guarantees

Commitments

The Group is party to lease agreements classified as operating lease. The total group cost for operating leases was MEUR 5.3 in 2012 (2011: 11.3) Operating leases are mostly used for the rental of office equipment. Maturity schedule for operational leases KA group:

MEUR	2013	2014	2015	2016	2017	Thereafter	Total
Operational lease commitments	(5.3)	(5.0)	(4.4)	(4.2)	(2.8)	(17.8)	(39.6)

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 28 – 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:

Spartz, Bowers 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 Parties are awaiting a date for a hearing to be determined by the court

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 suspended until the end of January 2013. KA has notified its insurance company, claiming that any amount awarded to BRP is recoverable under the product liability insurance.

Note 29 – Subsequent events

No new material information regarding the Group's situation as at 31.12.2012 or later development has come out as of the date of approval.

Note 30 – Related-party transactions (parent company)

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 22 - includes remuneration for management and Board of Directors.

Specification of revenues – type of services

MEUR	2012	2011
Group benefits fee from subsidiaries *	28.5	31.8
Information Systems & Technology	8.5	5.5
Other	1.0	1.2
Operating revenues	**38.0**	**38.5**

* 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	2012	2011
Norway	4.6	4.8
USA	6.7	4.7
Sweden	4.8	4.5
China	3.9	4.2
Mexico	5.2	3.5
Other countries	12.9	16.7
Total	**38.0**	**38.5**

Loans to group companies

	Non-current assets	
MEUR	2012	2011
Kongsberg Automotive SP. z.o.o	10.0	0.0
Kongsberg Automotive Hong Kong Ltd	30.3	29.8
Kongsberg Automotive Holding 2 AS	345.7	345.3
Kongsberg Automotive s.r.o.	17.7	12.1
Other group companies	17.1	26.1
Total	**420.8**	**413.3**

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.

Short term group receivables

	Current assets	
MEUR	2012	2011
Kongsberg Actuation Systems SL	0.4	0.5
Kongsberg Automotive s.r.o	0.2	1.1
Kongsberg Driveline Systems SAS	0.0	1.5
Kongsberg Driveline Systems GmbH	8.4	7.8
Kongsberg Driveline Systems I, Inc	2.6	2.5
Kongsberg Automotive (Shanghai) Co Ltd.	0.3	5.8
Kongsberg Automotive Inc.	5.5	5.8
Kongsberg Automotive Holding 2 AS	4.4	10.1
Kongsberg Automotive (Wuxi) Ltd.	3.7	6.6
Other group companies	6.0	6.4
Total	**31.4**	**48.2**

Short term group liabilities

	Current liabilities	
MEUR	2012	2011
Group companies	6.6	5.2
Total	**6.6**	**5.2**

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.

Note 29 – Report of the Auditors

Deloitte.

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Norway

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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 2012, 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 2012, 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 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 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.

Page 2
Independent Auditor's Report to the Annual Shareholders' Meeting of Kongsberg Automotive Holding ASA

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 2012, 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 2012, 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 allocation of the profit

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

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, 15 March 2013
Deloitte AS

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

(Translation has been made for information purposes only.)

Declaration to the Annual Report 2012

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2012 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, 15 March 2013
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 Petter Havdal
President and CEO
(Sign.)

Key Financial Data

Kongsberg Automotive Group

			2012	2011	2010	2009	2008	2007
Operations and profit								
1	Operating revenues	(MEUR)	1 001.1	999.7	864.4	622.8	905.9	398.8
2	Depreciation and amortisation	(MEUR)	46.3	43.4	46.9	46.8	46.9	14.7
3	Operating (loss) / profit	(MEUR)	30.7	38.5	10.2	(46.3)	(1.1)	26.4
4	(Loss) / profit before taxes	(MEUR)	11.9	8.2	(1.9)	(28.2)	(142.2)	21.3
5	Net profit	(MEUR)	5.3	7.8	(9.2)	(27.5)	(94.3)	15.6
6	Cash flow from operating activities	(MEUR)	78.9	41.2	43.9	22.6	77.2	24.1
7	Investment in Property, Plant and Equipment	(MEUR)	28.6	31.3	22.1	12.8	39.3	26.6
8	R&D expenses, gross	(MEUR)	47.1	44.8	40.9	47.2	45.5	20.7
9	R&D expenses, net	(MEUR)	40.3	39.1	34.5	43.2	41.5	17.8
Profitability								
10	EBITDA margin	%	7.7	8.2	6.6	0.1	5.1	10.3
11	Operating margin	%	3.1	3.9	1.2	(7.4)	(0.1)	6.6
12	Net profit margin	%	0.5	0.8	(1.1)	(4.4)	(10.4)	3.9
13	Return on total assets	%	4.0	4.9	1.3	(1.3)	(0.4)	2.9
14	Return on capital employed (ROCE)	%	5.4	6.6	1.8	(8.1)	(8.2)	7.0
15	Return on equity	%	2.8	4.3	(5.2)	(20.4)	(1.2)	0.2
Capital as at 31.12								
16	Total assets	(MEUR)	744.9	793.9	783.0	763.2	749.5	827.2
17	Capital employed	(MEUR)	549.3	583.5	575.8	571.8	574.3	826.8
18	Equity	(MEUR)	184.7	185.2	174.6	178.9	90.7	68.5
19	Equity ratio	%	24.8	23.3	22.3	23.4	12.1	8.3
20	Cash reserve	(MEUR)	106.0	125.8	165.0	162.6	76.7	88.2
21	Interest-bearing debt	(MEUR)	364.6	398.3	401.2	392.8	481.0	526.6
22	Interest coverage ratio		1.0	1.2	0.4	0.2	0.0	4.7
23	Current ratio (Banker's ratio)		1.6	1.5	1.7	2.1	1.4	0.9
Personnel								
24	Number of employees at 31.12		10 119	10 950	10 538	8 868	8 888	3 329

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 Total assets - Non interest bearing debt

20 Free cash + Unutilised credit facilities and loan approvals

22 Operating profit / Financial expenses

23 Current assets / Current liabilities

HEALTH, SAFETY & ENVIRONMENTAL REPORT

Health, Safety & Environmental Report

Kongsberg Automotive, and all of its operating units, subscribe to the following policies.

Health and Safety Policy

Kongsberg Automotive gives the highest priority to the health, safety and well-being of all employees and those who may be affected by our work activities. This is a consequence of applying our core values and will serve as the basis for goods and services we provide and the foundation on which to achieve our business objectives.

We are committed to achieving the highest industry standards by;

- Assessing the nature and scale of risk through a program of continuous improvement.
- Setting objectives and targets to gain improvements in overall health and safety performance.
- Complying with applicable legislation and other relevant requirements.
- Providing necessary information, instruction and training.
- Putting into place preventative, then protective, measures to eliminate, reduce and control potential to cause injury, harm or loss.
- Tracking health and safety performance through internal evaluation and reporting.
- Emphasizing to all employees, suppliers, contractors, and others working on our behalf, their responsibility and accountability for safe performance.

Statement for working knowledge:
"Put safety first". Identify any safety or health hazards so preventative action can be taken before an incident occurs."

Environmental Policy

Kongsberg Automotive is committed to take responsibility for the environment. We strive to improve our environmental performance as this is essential in meeting our business objectives and customer demands. We respect the concerns of the communities where we operate and value the input of interested parties, especially our employees.

We assure our commitment by:

- Assessing the scale of our environmental aspects and impacts through a program of continuous improvement.
- Executing specific plans of action with measurable targets. Complying with all legal and other relevant requirements.
- Evaluating our processes and products to optimize the use of resources and where practicable reusing, recycling and recovering material to minimize waste.
- Providing necessary information, instruction and training.
- Tracking our performance through internal evaluation and reporting.
- Reviewing our performance and sharing our results with interested parties.
- Requiring commitment of suppliers and other partners to apply these same principles.

Statement for working knowledge:
KA is committed to "protecting the environment, now and for the future" through continual environmental improvement, the prevention of pollution and environmental compliance.

Management

The Group assigns high priority to its obligations and programs regarding Health, Safety and the Environment (HSE). The authorities in the countries where KA is present set HSE standards in the form of legislation, general regulations and specific requirements. All KA units comply with general and specific requirements alike. Additionally 32 locations have implemented Environmental Management Systems in accordance with ISO 14001 Standards. Certification assures that the units consider the environmental impacts of their work and set targets for improved performance. As a supplier, KA also conforms to standards set by their customers.

Responsibility

The management takes full responsibility to ensure that HSE requirements are met and environmental and safety management systems are regularly evaluated and improved. Report routines have been implemented and the units' HSE leaders have an important role in this work. The HSE work is integrated into ordinary business activities to ensure that HSE management becomes a natural part of the daily routines.

Work environment

Kongsberg Automotive gives priority to the health, safety and well-being of its employees. Tracking health and safety performance is of prime importance to management. We look for potential hazards through internal auditing and inspection. We identify root causes of unsafe conditions and implement corrective action. We seek to minimize risk by adopting safe work practices and applying lean efficiency tools. We promote employee involvement as the basis of a "put safety first" work place culture. As a result of these efforts, we report positive trends in our safety performance.

Sick Leave

Absences due to personal illnesses are tracked by the company. The Sick Leave data are reported below as an average % of short and long term absences per total number of employees for the Business Area or Country noted. When considering all KA employees, the Group's sick leave average was 3.1% in 2012 compared to 2.9% in 2011, an increase of 6%. We attribute this year's increase to more consistent reporting of absences by all plants.

Safety

Work related injuries should not occur, and KA works systematically to reduce the number of accidents and injuries affecting employees. All work related injuries are reported and tracked. Reasons for injuries are analyzed and corrective actions are implemented.

In 2012, KA Group set an aggressive reduction target of 30% for Total Accidents reported. We increased the scope of our safety awareness programs and sought to improve workplace conditions. We exceeded the target; total accidents reported were reduced by 35% and average per plant by 25%..

Sick Leave Average (%)	2012	2011	% Change
KA Group	**3.1**	**2.9**	**5.6 %**
Driveline	2.9	3.0	-4 %
Power Product Systems	3.9	2.6	49 %
Interior	2.5	2.2	12 %
Actuation & Chassis	3.6	3.3	10 %
Fluid Transfer	4.9	5.2	-6 %
Asia	**1.1**	**1.1**	**2 %**
China	1.1	1.2	-8 %
South Korea	0.5	0.6	-23 %
India	1.8	0.0	-
Europe	**4.6**	**4.3**	**6 %**
France	3.6	3.7	-4 %
Germany	6.2	6.5	-5 %
Hungary	1.8	2.2	-19 %
Italy	3.3	3.2	3 %
Norway	6.6	6.4	3 %
Poland	4.1	4.4	-6 %
Slovakia	5.9	4.1	45 %
Spain	6.0	7.9	-24 %
Sweden	3.7	3.3	17 %
UK	3.3	3.3	<1 %
Americas	**2.1**	**1.9**	**15 %**
Brazil	2.4	3.3	-27 %
Canada	7.2	4.3	66 %
Mexico	1.4	1.5	-3 %
USA	2.2	1.9	15 %

All Accidents Reported (Average per Plant)	Average 2012	Average 2011	% Change
KA Group	**1.7**	**2.9**	**- 25 %**
Actuation & Chassis	0.8	1.1	-34 %
Power Product Systems	1.7	2.7	- 58 %
Interior	2.0	3.0	- 33 %
Fluid Transfer	2.0	3.5	-43 %
Driveline	2.3	2.9	-21 %
Incident Rate			
KA Group	**3.1**	**4.6**	**-33 %**
Interior	1.8	2.7	-33 %
Driveline	2.2	3.2	31 %
Power Product Systems	5.0	6.5	-23 %
Actuation & Chassis	5.2	6.7	-22 %
Fluid Transfer	6.3	15.3	-60 %
KA Group adjusted*	0.6	0.9	
External Benchmark*	4.4	4.4	
H-value			
KA Group	**2.2**	**3.7**	**-43 %**
Interior	1.1	2.7	-59 %
Actuation & Chassis	2.6	6.7	-60 %
Driveline	2.7	3.7	-27 %
Power Product Systems	5.0	3.2	56 %
Fluid Transfer	6.8	15.3	-56 %
KA Group adjusted*	0.4	0.8	
External Benchmark*	1.1	1.1	

*External benchmark used for 2012 and 2011 is US BLS 2011 data for Total recordable cases (Incident Rate) and Cases with days away from work (H-value) for Manufacturing Sector (Table 1.) BLS uses 100 equivalent workers or 200,000 man-hours. KA uses 1 Million man-hours so numbers were divided by 5 so comparisons could be made.

Region	Total Accidents Reported in 2012	Average H-value 2012	Average H-value 2011	Average Incident Rate 2012	Average Incident Rate 2011
Asia	**4**	**1.6**	**2.3**	**1.6**	**2.7**
China	4	2	2	2	3
India	0	0	4	0	4
South Korea	0	0	0	0	0
Europe	**34**	**3.3**	**5.7**	**4.1**	**6.3**
France	8	12	18	14	18
Germany	0	0	0	0	0
Hungary	1	1	6	1	6
Italy	1	0	10	14	10
Norway	4	3	9	6	13
Poland	5	3	4	3	4
Slovakia	3	2	1	2	1
Spain	4	7	22	7	22
Sweden	5	2	5	4	18
UK	3	7	4	7	4
Americas	**20**	**1.1**	**2.4**	**2.3**	**3.5**
Brazil	1	0	11	4	14
Canada	6	8	6	9	6
Mexico	1	0	0	0	0
USA	12	2	4	8	6
Group Total	**58**				

The Group's Incident Rate also decreased by 33%. In 2011, the Group averaged 4.6 accidents for every one million man hours worked. In 2012, the Incident Rate was 3.1 accidents for every one million man hours worked. Furthermore, the Group's Incident Rate average is considerably better than external benchmarks.

H-value relates to severity of accidents, or those causing time away from work. KA's H-value is a measure of injuries resulting in lost time relative to one million man hours worked. In 2011 and 2010, the average H-value for the Group remained 3.9. In 2012, the H-value was reduced by an impressive 43% for an H-value of 2.2. When benchmarking our H-value performance, we find ourselves performing better than the average for the manufacturing sector.

We are starting to see impacts from conservation activities implemented over the last several years. In 2013 sites will continue to work diligently to find opportunities to use energy more efficiently.

The external environment

Energy consumption and Energy Intensity

Energy consumption data collected in 2012 includes electricity use and burning of fossil fuels needed to support production activities. The target for 2012 was to decrease energy consumption by 1.5 % relative to total product sales; the result came out on the positive side. Even though production increased globally, energy use, in absolute terms, decreased 4% in 2012. While weather impacts our energy consumption as we cool and heat our factories, milder winter seasons in some locations where we are located were likely offset by the extreme summer heat in other locales. Effects of weather are appreciated however we believe minimal increase in energy use, despite the bigger jump in output, is attributed to energy savings projects undertaken at many of our plants. We are starting to see impacts from conservation activities implemented over the last several years. In 2013 sites will continue to work diligently to find opportunities to use energy more efficiently.

Energy Intensity is measured as kilowatt hour used in production for every euro of total product sales. In 2011 the company used 137 kWh/1000€ and in 2012 the energy intensity decreased to 133 kWh/1000€ resulting in 3% reduction.

Energy Use and CO_2 Emissions

Total kilograms of CO_2 emitted as a result of our energy use, has been calculated using *The Greenhouse Gas Protocol, a Corporate Reporting and Accounting Standard*, revised edition and *UN Greenhouse Gas Calculators*. For our operational inventory,

Total Energy (absolute)	2012 (Million kWh)	2011 (Million kWh)	% Change
KA Group	**146**	**152***	**-4 %**

CO_2 Emissions (absolute)	2012 Total CO_2 (metric tons)	2011 Total CO_2 (metric tons)	% Change
KA Group	**47 061**	**48 241***	**-2 %**

Total Waste (absolute)	2012 (metric tons)	2011 (metric tons)	% Change
KA Group	**2 701**	**2 661**	**1.5 %**

*Please note that our Energy use data and CO_2 baseline emissions for 2011 have been adjusted from last year's reported figures. Previously reported emissions did not reflect all energy use and related CO_2 emissions within our operational control. Adjustments to the 2011energy and CO_2 baseline figures were made in accordance with The Greenhouse Gas Protocol, a Corporate Reporting and Accounting Standard, revised edition.

Kongsberg Automotive follows the control approach and includes Greenhouse House Gas (GHG) emissions, specifically CO_2 from sources over which it has operational control. The inventory considers Scope 1, direct GHG emissions from sources that are company owned or controlled, and Scope 2, indirect emissions associated with purchased electricity. For 2012, we calculate 47061 metric tons of CO_2 were emitted as a result of direct and indirect (purchased electricity) energy use at 34 manufacturing sites. This attributes to an overall 2% decrease in CO_2 emissions.

The CO_2 Emissions Intensity also decreased by 2% in 2012 to 43 metric ton CO_2/1000€ of total product sales. This indicates that our focus on energy efficiency is having the added benefit of reducing our manufacturing carbon footprint. We've met our goal of at least 1.5% reduction and will continue to build upon these programs in the future. Additionally, as a benefit to our customers, we now post CO_2 data in the automotive supplier portal of the Carbon Disclosure Project. This allows customers to quickly retrieve data related to manufacture of our goods.

Waste

Pollution control is important both to KA and the societies where it operates. KA aims is to minimize the toxicity of its' waste and the volume of waste sent to landfills. All units seek opportunities to reduce, reuse and recycle. Data regarding volume of Regulated Waste (waste requiring special treatment) and waste sent to landfill were collected from all units. The production of manufactured goods increased globally and waste generated, in absolute terms, increased as well by 1.5% in 2012. We attribute this increase in our plants to our global lean initiative, 5S activities, One KA Factory improvements, in sourcing and line consolidations. In 2012, we also consolidated two factories into one in Europe, moved one plant into a larger building in USA, added additional leased space in Mexico and expanded an engineering center in Canada. All these activities resulted in additional waste volume. If we were to subtract waste generated from consolidation and plant transfer activities, total waste would have decreased in 2012.

Energy Intensity	2012 (kWh/1000€)	2011 (kWh/1000€)	% Change
KA Group	**133**	**137**	**-3 %**
Interior	170	177	-4 %
Driveline	167	162	4 %
Fluid Transfer	136	155	-14 %
Power Product Systems	98	114	-14 %
Actuation & Chassis	74	70	6 %
By Region			
Americas	165	166	<1 %
Asia	128	129	-1 %
Europe	76	83	-9 %

CO_2 Emissions Intensity	2012 (CO_2/1000€)	2011 (CO_2/1000€)	% Change
KA Group	**49**	**53**	**-2 %**
Interior	51	49	-14 %
Driveline	49	50	6 %
Fluid Transfer	27	26	-3 %
Power Product Systems	10	17	3 %
Actuation & Chassis	74	70	-42 %
By Region			
Americas	80	77	3 %
Asia	43	54	-20 %
Europe	21	21	1 %

*Please note that our Energy use data and CO_2 baseline emissions for 2011 have been adjusted from last year's reported figures. Previously reported emissions did not reflect all energy use and related CO_2 emissions within our operational control. Adjustments to the 2011energy and CO_2 baseline figures were made in accordance with The Greenhouse Gas Protocol, a Corporate Reporting and Accounting Standard, revised edition.

Total Waste Index	2012 (kg/1000€)	2011 (kg/1000€)	% Change
KA Group	**2.43**	**2.45**	**-1 %**
Interior	2.21	2.88	-23 %
Driveline	2.25	2.54	-11 %
Fluid Transfer	2.43	2.29	6 %
Power Product Systems	2.65	2.31	15 %
Actuation & Chassis	3.06	2.44	25 %*
By Region			
Americas	2.64	3.23	-18 %
Asia	2.95	2.44	21 %*
Europe	0.52	0.55	-5 %

*Increase due to plant consolidation activities.

The waste data are compared to total product sales, a metric known as the Waste Index. The goal was to reduce the Group's Waste Index (kg related to € sales) by 1.5% in 2012. We reduced our waste index just under 1%. Plants looked at opportunities to eliminate and reduce the use of hazardous materials at the development phase and those already in process. To reduce waste sent to landfill, plants implemented programs to better segregate waste streams. Opportunities to reuse and recycle segregated material where pursued when possible. However housekeeping and efficiency efforts, which created unplanned waste, void some of these gains. If we were to subtract waste generated from consolidation and plant transfer activities, our waste index would have also decreased for the year.

All plants introduced the Lean initiatives using the corporate wide implementation program. As a result, housekeeping has greatly improved and work cells are more organized. This has created safer work environments.

Fire or near fires

In 2012, three fires were reported. There was some damage to property. No employees were harmed in either incident. All locations continue to look at potential fire risks and enact plans to control. Each location is expected to conduct an annual fire drill and make regular checks of their fire safety equipment.

Complaints

No spills or unauthorized releases to environment were reported in 2012 nor were any external complaints related to HSE reported during the year.

Highlights of HSE improvement measures in 2012

All units were challenged with the following performance improvement targets for 2012 relative to 2011 outcome.

- Target: Reduce total number of accidents by 30%.
  We reduced total number of accidents by 35% and Incident Rate (accidents per 1M man hours) was reduced by 33%. The Incident Rate is considered better than external benchmark.
- Target: Reduce H-value, or accidents resulting in lost time, by 20%.
  The H-value was reduced by an impressive 43%. Our H-value continues to measure better than external benchmark.

- Target: Decrease energy consumption by 1.5 % (related to total product sales).
  Our absolute energy use decreased by 4%, resulting in Energy Intensity reduction of 3%. As a result, our manufacturing carbon footprint was cut by 2% this year.
- Target: Decrease amount of waste sent for special treatment or to landfill by 1.5% (related to total product sales).
  Our waste index decreased by 1%. Group wide consolidation activities and efficiency programs created unplanned waste which voided gains achieved at the plant level.

Notable achievements

- The Yangsan City, Basildon, Dassel, Heiligenhaus, Ljungsarp, Grand River, Wuxi, Gurgaon, Pune, Nuevo Laredo, Reynosa, Burton and Willis facilities all reported zero accidents in 2012. Additionally, the Yangsan City facility in Korea reported eight years with no lost time accidents. Jundiai, Normanton and Siofok reported 50% less accidents in 2012.
- All plants introduced the Lean initiatives using the corporate wide implementation program. As a result, housekeeping has greatly improved and work cells are more organized. This has created safer work environments.
- Wuxi, China plant better defined the sidewalk and the roadway, both indoor and outdoor, to protect the employees from traffic risk.
- Pruszków, Epila and Siofok plants each implemented a comprehensive risk assessment process to reduce the risk of accidents. Focus was on the prevention of safety hazards and behaviors.
- The Normanton, UK facility implemented the DuPont STOP program. Supervisors were trained and regular STOP audits are conducted. Additionally, UK IOSH 'Managing Safely" for Shift Managers training was held. More of team is now trained and directly involved in plant safety efforts.
- Grand Mere, Canada installed a specialized lifting device for the packaging of Prevost Car dash console.
- In Jundiai Brazil, the site invested in many safety improvements. These included replacing manual presses with pneumatic type, improving lighting by painting floor, revised position and height of equipment on the Master Unit line to improve ergonomics, removed wall in weld shop to improve ventilation and illumination, installed new fans to improve general ventilation and revised layout controlled to minimize forklift use in production areas.
- 17 facilities reduced their Energy Intensity in 2012. To save energy, many facilities optimized compressed air usage, made lighting upgrades, installed automated system shutoffs and considered more equipment to be cycled off during periods of inactivity.
- The Normanton, UK facility were able to lower oven temperatures, hence energy use, by installing insulation wrap on convoluted hose manufacturing line. They also increased amount of waste being segregated and now are able to offer more for recycling.
- At Mulljso, Sweden campus, they rebuilt the ventilation & heating system in welding process area. The new heat exchanger cleans dirty air from welding dust and enables reuse that

warm air again. This reduces the energy use by about 300,000 kWh/year and continues to promotes a good working environment for the area

- Ljungsarp, Sweden facility installed a heating exchange system for welding robots. This installation has significantly reduced the smoke emitted from the process. So in addition to using less energy, they have improved the air quality in this work environment.
- In Cluses, France, the plant implemented energy reduction programs that included cycling machine start up times to avoid peak consumption at shift start.
- Cluses facility also worked on chemical substitution to reduce toxicity of materials used and related waste produced. They purchased additional regrinding equipment for recycling of plastic scrap. And, they implemented 'stop at first defect' method at one production line which reduced waste from scrap. With that success, they plan to enlarge program to entire plant.
- At Lonestar Shanghai facility, they modified die casters to electric versus diesel for heating. They also reduced air conditioning use during peak consumption periods. This saved energy and money.
- The Yangsan City, South Korean facility decreased electric base fare by installing timer on primary heating unit.
- Both the Basildon UK and Jundiai Brazil facilities conducted comprehensive evaluations of plant electrical services to detect poor connections and energy loss.
- Grand Mere, Canada facility focused attention on keeping out the cold weather by installing plastic curtains in warehouse and production facility, building outside shelter at employee entrance and another internal shelter in main lobby entrance. They also replaced the two main heaters with types that consume less energy.
- All locations continue to look at potential fire risks and enact plans to control. They exercise fire drills or evacuations, routinely check fire response equipment and enhance services as needed.
- The Wuxi China plant also changed their emergency exit doors to professional types with integral sound and light alarms. They installed fireproof rolling shutter doors which are connect with the fire protection system to separate the workshops when there was a fire. And they reconstructed older offices made from flammable material with fireproof material.
- Mulljso, Sweden facility installed arc protection on the exhaust system for manual welding, installed emergency stop switch on the ventilation on robot welding and improved fire safety check with yearly control of the ducts in the welding exhaust system.
- At the Pruszków facility, they hosted a course for fire extinguisher theory and practice and finished with emergency evacuation exercises for the whole plant.

In the Community

Our Matamoros, Mexico facility enrolled in the "Adopt an Elementary School" program. Managers had the opportunity to talk to teachers and students about the awareness of taking care of our environment. They beautified the school main entrance; the students now maintain the grounds.

Group Targets & Expectations for 2013

All units are challenged to contribute to the following performance objectives for 2013, relative to the 2012 outcome;

- Reduce Accident Incident Rate by 15%.
- Reduce H-value (accidents resulting in lost time) by 15%.
- Decrease energy intensity by 1.5%
- Decrease the waste index by 1.5 %

Each unit will set specific goals to their meet Business Area's objectives which are derived from Group expectations noted above. Additionally facilities will set objectives and targets that consider significant environmental aspects and legal & other requirements as detailed in their Environmental Management System. Site progress, tracked as e-KPIs, is required to be monitored and reported to senior management on a monthly basis.

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 23rd October 2012.

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

2. Definition of KA's business

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

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

3. Equity and dividends

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

The Company's Dividends Policy 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 5th June 2012 has granted a mandate to the Board of Directors to purchase up to 40.676.812 of its own shares.

The General Meeting 5th June 2012 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 Board of Directors has also by resolution of the General Meeting 5th June 2012 been authorized to obtain loans with a maximum of NOK 200.000.000 with a right to have the loan converted into shares by increasing the share capital by NOK 20.338.406.

The above mandates expire at the earlier of the next ordinary General Meeting or 30 June 2013.

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 exchanges 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 by board resolution of 14th February 2012 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.

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 will be 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 and the Auditor will be present at the General Meeting.

The General Meetings are usually opened by the Chairman 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 chairman 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.

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 which was revised in 2011. The instruction 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.

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.

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.

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 of Directors consists at present of five directors elected by the shareholders and three directors elected by the employees. Further information about the board directors is found in the annual report

All Directors of the Board elected by the General Meeting are independent of the executive management and material business contacts of the Company.

The term of office for the Directors of the Board is 2 years.

Information about the Directors of the Board is available on the Company's web pages.

9. The work of the Board of Directors

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 of Directors has appointed a Compensation Committee and an Audit Committee. The members of said committees are independent of the executive management.

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 automotive industry on the Group's future performance and financial strength. This provides important input to the Board's overall discussions of risk appetite and risk allocation.

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

The Board's 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 assessment and handling of risk is integrated into the Group's value-based manage-ment 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 Directors hold no other assignment in the Company than the directorships to the Board and memberships to subcommittees to the Board.

The board directors are not entitled to performance related compensation. Options to shares are not granted to the Board Directors. None of the Board Directors have assignments for the Company in addition to the directorship and participation in the board committees.

12. Remuneration to the executive management

The Board of Directors has established guidelines for the remuneration to the executive management. 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 herein in notes to the annual accounts. Performance related remunerations such as bonuses and share option programs are based on the Company's financial results and are subject to absolute limits.

13. Information and communication

The Board of Directors has established guidelines for the Company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market. A financial calendar for the Company is available on the Company's web pages.

All information distributed to the shareholders will be made available simultaneously on the Company's web pages.

14. Takeovers

The Board of Directors has established guiding principles for how it will act in the event of a takeover bid. These are in compliance with article 14 of the Code of Practice. The main elements of these principles are included in the Rules of Procedures for the Board of Directors and available on the Company's web pages.

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

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 present the result of the review to the Audit committee annually together with identified weaknesses, if any, and proposals for improvements. The Company has established guidelines for the Auditor's and associated persons' non-auditing work. Compensation to the Auditor is disclosed in a note to the Annual Accounts hereto and is also reported and approved by the General Meeting.

Enhancing the driving experience

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