Annual Report 08

KONGSBERG
AUTOMOTIVE

CONTENTS

European Commission

Responding to the crisis in the European Automotive Industry
"In 2008, there has been a sharp and uniform drop in demand for passenger and commercial vehicles both in the EU and worldwide. Tight credit conditions, declining share and asset prices, and the uncertainty created by the global economic environment are translating into very low consumer confidence and declining purchasing power.

However, the long term global outlook for the automotive industry is promising: world-wide demand for vehicles is projected to double or even triple in the next 20 years as a result of motorisation in emerging markets. The imperative of a "greener" car fleet will bring new opportunities for innovative technology. And since the current decline in demand in mature markets such as Europe and U.S. is lengthening the period needed for overall fleet renewal there will be even further room for a market upturn. This makes it particularly important for the EU automotive industry to be able to weather the downturn and be ready to take advantage when demand returns".

Source: Commission of the European Communities, for 2009, Brussels, 25.02.2009

HIGHLIGHTS

1. **Successful Integration of GMS**
KA acquired GMS at the end of 2007, and the new organization has successfully completed its first year as a fully integrated unit.

2. **Strong Revenue Growth**
KA delivered strong growth due to the acquisition of GMS. 2008 sales increased by a factor close to three compared with previous year.

3. **Historically weak Market**
In 2008 the global automotive industry experienced its biggest downturn for at least 35 years. Volumes dropped significantly and at high speed in the last quarter.

4. **Significant Headcount Reductions**
In order to adjust the workforce to top-line reductions, KA reduced the workforce by more than 2 600 employees during 2008.

5. **Widespread Cost Reductions**
Involving all cost elements, including short-time working, temporary plant closures, restrictions on new hires, salaries and travel. No bonus schedules will be applied for 2009.

6. **Major Restructuring Actions**
During the year, KA initiated thirteen integration and restructuring actions involving many product lines and considerable manpower. Relocation to low-cost areas was intensified.

7. **Refinancing**
A new loan agreement with the lending banks was concluded in December. The existing loans will be carried forward, with a lower amortization schedule and reset covenant levels.

8. **Good Order Intake**
In 2008 KA won a substantial number of new orders that will improve the company's market shares in several segments in the years to come.

KEY FINANCIAL FIGURES

			2008	2007	2006	2005	2004
Operations and profit							
1	Operating revenues	(EUR million)	905.9	398.8	355.9	315.4	261.1
2	Depreciation and amortisation	(EUR million)	(46.9)	14.7	12.3	11.3	1.3
3	Operating (loss) / profit	(EUR million)	(1.1)	26.4	34.3	36.5	43.0
4	(Loss) / profit before taxes	(EUR million)	(142.2)	21.3	26.5	30.0	36.7
5	Net profit	(EUR million)	(94.3)	15.6	19.4	22.2	29.3
6	Cash flow	(EUR million)	77.2	24.1	32.1	33.5	29.6
7	Investment in property, plant and equipment	(EUR million)	39.3	26.6	15.1	15.2	10.7
8	R&D expenses, gross	(EUR million)	45.5	20.7	19.8	21.2	17.2
9	R&D expenses, net	(EUR million)	41.5	17.8	13.5	13.4	12.4
Profitability							
10	EBITDA margin	%	5.1	10.3	13.1	15.1	16.9
11	Operating margin	%	(0.1)	6.6	9.6	11.6	16.5
12	Net profit margin	%	(10.4)	3.9	5.4	7.0	11.2
13	Return on total assets	%	(0.4)	2.9	14.7	17.1	22.1
14	Return on capital employed	%	(0.7)	7.0	19.5	22.3	34.6
15	Return on equity	%	(1.2)	0.2	30.4	40.4	89.3
Capital as at 31.12							
16	Total assets	(EUR million)	749.5	827.2	251.9	219.0	186.6
17	Capital employed	(EUR million)	749.1	826.8	182.7	168.8	157.6
18	Equity	(EUR million)	90.7	68.5	66.5	61.3	47.4
19	Equity ratio	%	12.1	8.3	3.2	3.5	3.1
20	Cash reserve	(EUR million)	76.7	88.2	34.3	35.7	26.2
21	Interest-bearing debt	(EUR million)	481.0	526.6	116.2	99.6	77.7
22	Interest coverage ratio		0.0	4.7	4.1	5.4	6.5
23	Current ratio (Banker's ratio)		1.4	0.9	1.6	1.4	1.5
Personnel							
24	Number of employees at 31.12		8 888	3 329	2 810	2 265	1 389

Definitions

5 Profit after tax
6 Profit before tax - Taxes payable + Depreciation and amortisation
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 (Profit before tax + Financial expenses) / Average total assets
14 (Profit before tax + Financial expenses) / Average (Total assets - Interest-free debt)
15 Net profit / Average equity
17 Total assets - Interest-free debt
20 Free cash + Unutilised credit facilities and loan approvals
22 (Profit before tax + Financial expenses) / Financial expenses
23 Current assets / Short-term debt

Management is aware that rapid changes are occuring within the group's market and that these changes may adversely affect the carrying values of intangible assets. As a consequence of this, impairment will be reconsidered quarterly during 2009.

THE COMPANY – ORGANIZATION

Kongsberg Automotive is a leading supplier of components and systems to the global vehicle industry. The company has about 8 000 co-workers at 50 locations in 20 countries. Kongsberg Automotive has a strong global footprint, serving over 70 customers within the market for passenger cars, commercial vehicles and off-highway vehicles. Kongsberg Automotive has over 50 years of experience and is among the top 100 automotive suppliers world-wide. The product portfolio includes gearshift systems, clutch actuation systems, fluid systems, vehicle dynamics, couplings, lumbar support, head restraints, seat climate, seat actuators, pedals, cables, electronics and displays.

Kongsberg Automotive is a public traded company listed on the Oslo Stock Exchange (Ticker: KOA).

Kongsberg Automotive Holding

	Automotive Systems	Commercial Vehicle Systems	Power Products Systems
			
Sales	529 MEUR	268 MEUR	146 MEUR
Employees	6 202	1 285	1 401
Key Markets	Passenger Cars, Tier 1	Commercial Vehicles	Industrial Vehicles

Automotive Systems – Product Range
- Gearshift Systems
- Head Restraints
- Seat Supports
- Seat Actuators and Cables
- Seat Climate Systems
- Arm Rests

Commercial Vehicle Systems – Product Range
- Gearshift Systems
- Clutch Actuation Systems
- Vehicle Dynamics
- Couplings
- Fluid Systems

Power Products Systems – Product Range
- Pedal Systems
- Electronics and Displays
- Steering Columns
- Cables and Controls
- Shifter Systems

2008 – THE YEAR OF CHANGES

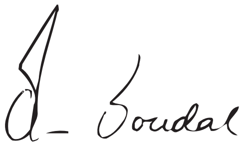
Successful Integration of GMS
The acquisition of GMS, which became operationally effective from 1 January 2008, represented a quantum leap for Kongsberg Automotive. Sales increased by a factor close to three, the number of facilities even more, and the geographic footprint became truly global. The customer portfolio covers most of the OEMs, and in most of our product areas we have achieved leading market positions. In 2008 we completed a successful integration. Best practices were defined and implemented. Thirteen major restructuring programs were initiated, and most of them implemented in 2008. Plants were closed, and product lines moved from high-cost to low-cost facilities. Business units were integrated, and the synergy targets defined were outperformed. I am impressed by the speed and force with which our people were willing and able to combine the two organizations.

Tumbling Markets
2008 turned out to be an extraordinary year. Volumes in both the automotive and commercial sectors dropped, some by 20 %, others by up to 70 %. It started in the US and followed the global finance crisis around the world. Before finishing our integration activities, we had to implement dramatic cost cutting programs. About 3 500 employees lost their jobs in 2008; of these, 800 were moved to low-cost operations. Improved effectiveness and efficiency have been achieved. Stronger focus combined with improved working methods have resulted in a much leaner organization.

New Orders will strengthen our Market Positions moving forward
In 2008 we won contracts that will improve our market shares in the years to come. The "new Kongsberg" is able to offer a broader product portfolio, to bundle functions, to achieve cross-selling and to represent our customers' best options, in line with our strategic targets for acquiring GMS.

Crisis as a Catalyst for Change
Most of the fundamental changes in all parts of society are driven by crises. Crises initiate either fear or creativity. We at Kongsberg Automotive are convinced that the challenging environment will represent an opportunity for further improvements. All processes must be cleaned of waste, no activities that do not add customer value should be maintained, and lean management has to be redefined. We have strong focus on product development, and we are committed to contributing to a greener future.

There is a new World ahead of us
Declines in the past have always been followed by strong growth. We do not know when we will hit the bottom or how quick the recovery will be. We are prepared for a strong winter and are longing for the upturn. The whole industry will be very different from how it has been in the past. Consolidation and cooperation will change the scene of competition. Kongsberg Automotive has taken bold moves in order to be prepared for the new environment, which will require fewer and stronger suppliers to a reduced number of OEMs that have reduced their capacity and adjusted both their cost structures and product offerings in line with demand.



Olav Volldal
President and CEO
Kongsberg Automotive Holding ASA

THE HISTORY OF KONGSBERG AUTOMOTIVE

Kongsberg Automotive is a high-technology company in the first ranks of global industry. Thanks to market insight, adaptability, cost-efficiency and endless hard work, KA has earned its position as a successful supplier to the automotive industry.

the 70s

the 80s

1957
Kongsberg Våpenfabrikk (KV) starts production of brakes for Volvo Trucks.

1958
Production of driving shaft for Volvo Trucks.

1973
Kongsberg Våpenfabrikk splits in divisions and the Automotive Division is established.

1975
The factory in Rollag, Norway, starts production.

1976
The factory in Hvittingfoss, Norway, starts production.

1984
Olav Volldal becomes Director of the Automotive Division.

1987
Employees buy the Automotive Division from Kongsberg Våpenfabrikk and Kongsberg Automotive is established.

1989
The Swedish investment company Convectus buys KA, but is itself bought by Finnveden.

The employees bought the company in 1987 and gave it the name Kongsberg Automotive. Only about 300 people worked there at the time – no large enterprise even by Norwegian standards. Administration was based in Kongsberg, with production in Hvittingfoss and Rollag, Norway. Ten years later production began in Sweden. Since then the workforce has grown to more than 8 000 people spread across 50 facilities in 20 countries.

Our story begins in 1957. That's when KA's forerunner, Kongsberg Våpenfabrikk, signed a production deal with Volvo to bring the automotive industry to Norway. In its wake came production technology emphasizing long-term, high-quality serial output and a relentless focus on cost reduction. For 40 years, Volvo remained our largest customer. Today, KA provides systems and components to most of the world's automakers, including Mercedes Benz, Audi, VW, Peugeot, Toyota, Nissan, Honda, GM, Ford, Scania, Iveco and MAN.

the 90s

1990
Raufoss and the Norwegian Bank buy KA.

1995
KA is listed on the Oslo Stock Exchange.

1996
KA buys the Swedish company Scandmec, which also has production in England and USA.

1997
KA buys the Swedish company Euro Autotec.

1998
KA establishes production in Brazil.

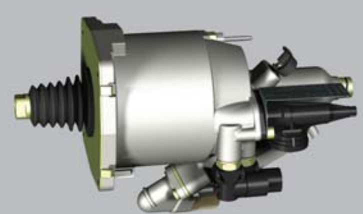
1999
Industry Capital buys KA and the company is no longer listed on the Stock Exchange.

1999
KA establishes production of seat heating in Reynosa, Mexico.

the 00s

2000
Production is established in Poland.

2001
KA buys Jung Ang, the leading producer of clutch servos in Korea.



2003
KA buys the British company Ctex Seat Comfort Holding Ltd.

2004
KA buys Raufoss United AS.

2004
KA establishes production in China.

2005
KA buys the American company Milan Seating Systems.

2005
KA is re-listed on the Stock Exhange.

2007
KA buys GMS, USA.

2008
The new Kongsberg Automotive is established with three divisions: Automotive Systems, Commercial Vehicle Systems and Power Products Systems.

CHALLENGING YEARS - BRIGHT FUTURE

Auto analyst Peter Kelly tells the automobile industry to write off 2009 as an annus horribilis together with 2008 and will not be replacing his Volvo this year. But he does recommend a career in the automobile industry for his five-year-old daughter.

Peter Kelly
Senior Director
Automotive Forecasting Division
J.D. Power and Associates

Look forward
Auto analyst Peter Kelly estimates that the big turning point for the automotive industry will come in 2011 or 2012.

J.D. Power and Associates
J.D. Power and Associates, established in 1968, is a global marketing information company that conducts independent and unbiased surveys of customer satisfaction, product quality and buyer behavior within the automotive industry.

In high-cost England it is safer to go after a science-based job in the automobile industry than to work in an automobile plant, but I cannot think of any other industry with a more interesting future.

For 15 years, Peter Kelly has followed the automobile industry's global ups and downs from his office in Oxford. The Senior Director in the automotive forecasting division of firm J.D. Power and Associates estimates that the turning point for the auto industry will come in 2011 or 2012.

Forget 2009, hope for improvement in 2010, and count on car sales returning to 2007 levels in 2011 or 2012. Though in many cases, the reality may be a little slower than this.

So everything is not just looking black for the next few years?
2009 will be black or dark gray. Few automotive companies will maintain their 2008 sales volumes.

But that will stop?
It will happen gradually. The quality of the government rescue packages differs, but when major countries like the U.S., China and Japan start both investing and lending large sums of money, it will have an effect. Gradually, it will become easier for car buyers to get a loan, growth in unemployment figures will stop, and stock prices will level out. When that happens, we will be facing a huge built-up demand for automobiles.

You are waiting?
I have a three-year old Volvo, and I represent those who are waiting before they invest in a new car. Most consumers are driving their cars for months longer now than before the finance crisis, but we don't want to see our cars keep getting older and older.

Some say that car sales will never return to their former level, and that environmental requirements and high oil prices will bring a permanent change in demand?
It is only a matter of time before we surpass 2007 levels. The high growth rate will pick up in populous countries such as Brazil, India, China and Russia. The mature economies will follow shortly thereafter in their own recovery phases. But we hope to see a change, where consumers in surplus economies like China, Germany and Japan take over the role of consumer locomotives once played by credit-crazy Americans and British, who can no longer continue as in the past.

But won't people buy fewer automobiles? Won't they choose other modes of transport?
We will have to buy lighter, more eco-friendly cars, so we are facing a transformation in the medium and long term. But the growth in the number of vehicles will continue. Competition from collective transportation and other forms of transportation may have an impact in some cities in a few countries, like the Netherlands, Germany and Scandinavian countries. But most economies will continue to focus on automobile transportation.

When a Norwegian wins the lottery, he normally goes straight to his auto dealership. Will we see the same phenomenon when there is a general upturn in the national economies?
That is no Norwegian characteristic, but a universal tendency. There is a strong correlation between economic upturns and the demand for cars.

The automobile industry has experienced declines in sales many times in the past – in 1976, 1983 and 1992. Then, sales

returned to normal faster than in the present situation. Why the difference?
The auto industry is characterized by short crises, long-term growth and a bright future. Earlier crises have been related to high oil and high inflation, which are more easily corrected. This time, we are looking at a broad financial crisis. The bubble burst simultaneously in real estate, stocks and other securities, and countries are looking for new solutions, both national solutions and international cooperation solutions.

Who is going to come out of this stronger?
That depends on the agreements made and who joins forces with whom when the auto industry is consolidated. The CO_2 and weight reduction requirements are complicated and costly challenges that will benefit large technology-strong suppliers.

Speaking of emissions requirements and fuel efficiency, will we see a generation of Obama Americans driving around in small electric vehicles?
No, and we will hardly see the streets of New York and Chicago filled with small Fiat 500s. The U.S. is not Italy. We will, however, see Americans go down at least one size, both in cars and engines.

Isn't it depressing to work with analyses of an industry in crisis?
No, on the contrary. It has never been more exciting; it is fluctuating more than ever.

And if your daughter announces that she wants to work in the auto industry, will you still applaud?
Absolutely. She is five years old now. When she enters the work force in 15 or 20 years, we will see an auto industry with new, advanced, far more eco-friendly products than is the case today. The industry plays an important role and has a huge responsibility. What other industry could be more exciting for her?

A STRATEGY FOR SUSTAINABILITY

Climate change and reduced resource consumption are among the automotive industry's greatest long term challenges, and there is an increasing political and social pressure to address this.

The Green Line in KA

KA has developed several new products that apply for the next generation vehicles. The focus areas are to reduce weight and volume but at the same time maintain comfort and safety features, to utilize advanced materials/technology for better functionality and sustainability and to develop sub systems for hybrid drivelines.

Air Brake Couplings, *Commercial Vehicle Systems*
The CVS division has developed an innovative range of air brake couplings in advanced composite, replacing brass material. The new generation couplings are made lighter, with improved functionality and flexibility. Composite reduce the weight by up to 50 %. Trucks contain over 200 couplings and KA manufactures about 100 million couplings a year. KA was first to market with a complete range in composite and is today market leaders within air brake couplings in Europe.

Seat Heating, *Automotive Systems*
Seat heating components are reduced with 87 % of mass. This results in 2.4 metric ton material reduction per 100 000 vehicles. The reduction in seat heating is done by removing the main housing of the temperature control unit, and packaging the electronics within the seat heating element. This is a save on plastic mass and connectors within the system.

KA is committed through its R&D and offerings to promote environmental practices that benefit our customers, employees and society as a whole. Besides complying with relevant environmental laws and regulations, the company aims to significantly contribute to an improved global environment. In order to do so, KA has implemented a strategy for environmental sustainability under a program called KA Green Line. The KA Green Line focuses on every part of the business, from management, product development, manufacturing, disposal, to our employees and the local communities in which the company operates. The strategy has three key elements: Green Products, Green Factories and Sustainable Management.

Green Products
Reducing the weight of products is an important concern for KA, as this can help reduce fuel consumption and thereby lower CO_2 emissions. In fact, test results show that if current cars could be made 40 % lighter, fuel economy would be improved by 25 %. In order to systematically develop products that can improve the environmental impact, the company has integrated environmental planning in the early product development stage. Our aim is to develop and manufacture systems that will be significantly lighter and require less space than comparable systems today, and also to include recycling aspects. Thanks to this approach, KA can proudly report several green achievements. Weight reduction in the range of 20-80 % has been achieved in many product areas, including seat comfort and chassis systems.

Green Factories
All KA manufacturing sites implement continuous improvements to reduce the environmental impact of production related processes including water use, landfill waste, hazardous substances, and CO_2 emissions. By reducing these elements, and at the same time increasing the amount of recycling, KA aims to minimize the negative effects of production. The annual Environment Report available on KA's website shows the results achieved last year and the targets for the future.

Sustainable Management
The KA Management considers environmental issues to be one of the most important trends for the industry in times to come. As described above, Kongsberg Automotive is actively contributing to reduced consumption of energy and other resources. This trend is not a threat; in fact, it represents new business opportunities. New technology such as new driveline concepts and use of renewable energy sources is already a part of our programs for a greener future.

Seat Support, *Automotive Systems*
Seat support components are reduced with 38 %; causing 18 metric ton material reduction per 100 000 vehicles. The seat support reduction is based upon smaller, optimized, valve components which require a significantly less quantity of copper wire to produce a working electrical and magnetic force.

Head Restraint, *Automotive Systems*
Head restraints are reduced with 15 % of mass; causing 40 metric ton material reduction per 100 000 vehicles. The head restraint reduction is done by optimizing the load paths within the system to allow a reduced quantity of steel mass, as well as a move to thinner gauge and higher strength steel and plastics within the system.

GLOBAL FOOTPRINT - LOCAL EXECUTION

Kongsberg Automotive has about 8 000 co-workers at 50 locations in 20 countries. More than half of the employees work in low-cost countries and the global R&D team consists of about 400 people.

Map per 31 December 2008

A Selection of Kongsberg Automotive's Customers

DIVISION – AUTOMOTIVE SYSTEMS

Automotive Systems

Product Range

- Gearshift Systems
- Head Restraints
- Seat Supports
- Seat Actuators and Cables
- Seat Climate Systems
- Arm Rests

The Automotive Systems Division develops and manufactures products for the passenger car and light truck market. With our combined resources, we can support global vehicle programs, but also offer local engineering support through our regional resources. We offer a broad range of products in the area of driver comfort, safety and interface with the driveline.

Key products within the Automotive Systems Division are systems for seat climate, seat support, head restraints and arm rests, seat cables, gearshift systems and cables for automatic and manual transmissions. With a broad portfolio we ensure that related systems will work well together and that packaging space and weight can be minimized. We offer a strong operational presence in the low cost areas Eastern Europe, Mexico, India and China. This enables us to combine the best functionality with competitive prices.

Research and Development

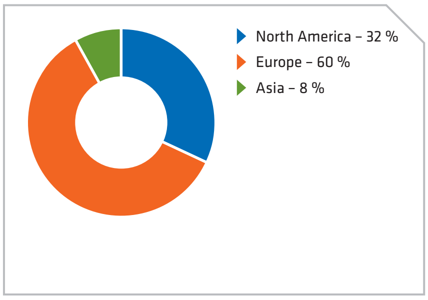
The Automotive Systems Division has R&D centres in Europe, North-America and Asia. Europe is leading the core development of seat climate systems, foldable head restraints, pneumatic seat support and shift systems. North America has the lead on cables, foam-in-place head restraints, arm rests and seat actuators.

The current R&D focus is on developing products suited for the next generation of vehicles. We are seeking product opportunities in the new segment of electric vehicles and plug-in hybrids. Application Engineering takes place close to the customers´ operations.

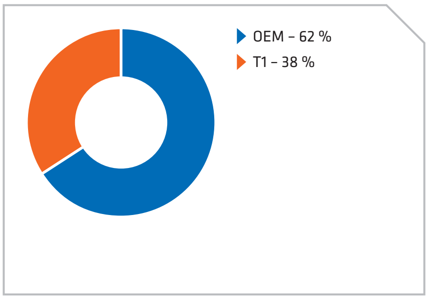
Divisional Overview

Sales (est. revenue)	MEUR 529
Employees sorted by Regions	NA 2 285, SA 20, Europe 2 825, Asia 1 072
Market Segments	Passenger Cars, Tier 1, Light Trucks
Products	Gearshift Systems (shifters, shift towers, knobs, shift cables), Head Restraints, Seat Supports (lumbar support, side bolsters, massage systems), Seat Actuators and Cables, Seat Climate (seat heating and ventilation)

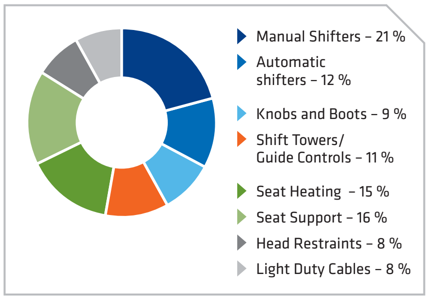
Market Segments (% of Sales)



Sales by Market Sector



Sales by Product Group



Through our safety focus, we contribute to achieving top safety ratings in the market, meeting the new test requirements from Euro NCAP (European New Car Assessment). The new regulations are increasing the focus on whip-lash injuries, and here our head restraint designs can offer safe solutions.

Main Strategic Direction
Our ambition is to offer our customers a "one-stop-shop" for shifter systems and systems for seat comfort and safety. Our strong focus on innovation shall bring our customers unique functionality and increased value of the end product. Through our global presence we will provide strong support locally, but at the same time be able to support global programs.

Locations Automotive Systems

Australia: North Geelong
China: Chongquing, Shanghai, Shenyang, Wuxi
England: Burton
France: Cluses, Noisy le Grand
Germany: Dassel, Marktredwitz
Hungary: Siófok
India: Binola
Japan: Tokyo
Mexico: Matamoros, Nuevo Laredo, Reynosa
Poland: Pruszków
Slovakia: Vrable
Sweden: Mullsjö
USA: Farmington Hills, Haysville, Milan, Troy, Willis, Van Wert

Map per 31 December 2008

DIVISION – AUTOMOTIVE SYSTEMS
PRODUCTS AND POSITIONS

Product Portfolio
The product groups within Automotive Systems are focused on safety and comfort features in car seats, and the interface between the driver and the transmission. Our customers benefit from unique solutions that offer light, cost-effective and space-saving systems. A modular design approach and sub-system standardization reduce time-to-market and decrease development costs, at the same time as maintaining high quality standards. Our close cooperation with our customers ensures products that set new standards and pave the way for future trends within our technology.

Gearshift Systems
This area includes shifters for both Manual (MT) and Automatic Transmissions (AT), shifter knobs, shift cables and shift towers. The AT shifters have integrated electronics and display functions in addition to the mechanical interface with the shift cable. Kongsberg Automotive holds several unique patents in this area. KA is able to offer a complete system for MT shifters. This includes the shifter unit, the shifter cables and the shift tower attached to the vehicle transmission. The shift towers have integrated electronics for the stop/start function and are optimized for improved shift comfort. The MT shifters can also be offered in variants with a mechanical rod linkage as an alternative to cables. For both AT and MT shifters KA offers in-house developed shift knobs. These range from low-end plastic versions to high-end knobs with natural leather and deco parts in chrome and wood. The company has developed extensive knowledge and experience in the area of noise and vibration, and uses this expertise to meet customer requirements.

Head Restraints
Our product line of head restraints meets the

Market Segments

Product Range	Customer Examples	Market Position Europe	Market Position World wide
AT Shifters	VCC, GM, Ford, Renault, BMW, SMART, Land Rover, VW	No 2	No 3
MT Shifters	GM, Ford, PSA, Renault, Mercedes-Benz, VCC, VW	No 2	No 2
Knobs & Gaiters	VW, BMW, SMART, VCC, GM, Renault	No 3	No 4
Push / Pull Cables	PSA, Renault, VCC, GM, Land Rover	No 3	No 2
Shift Towers	PSA, Renault	No 3	No 4
Head Restraints	Audi, VCC, GM, Land Rover	Niche	
Seat Supports	BMW, Porsche, Jaguar, Land Rover, Bentley, Aston Martin, Lancia, Maserati	No 2	No 3
Seat Climate	VCC, Jaguar, Land Rover, PSA, Renault, Toyota, VW, Audi, Alfa Romeo, GM	No 2	No 2
Seat Actuation	GM, Ford, Nissan, Honda	No 3	No 2

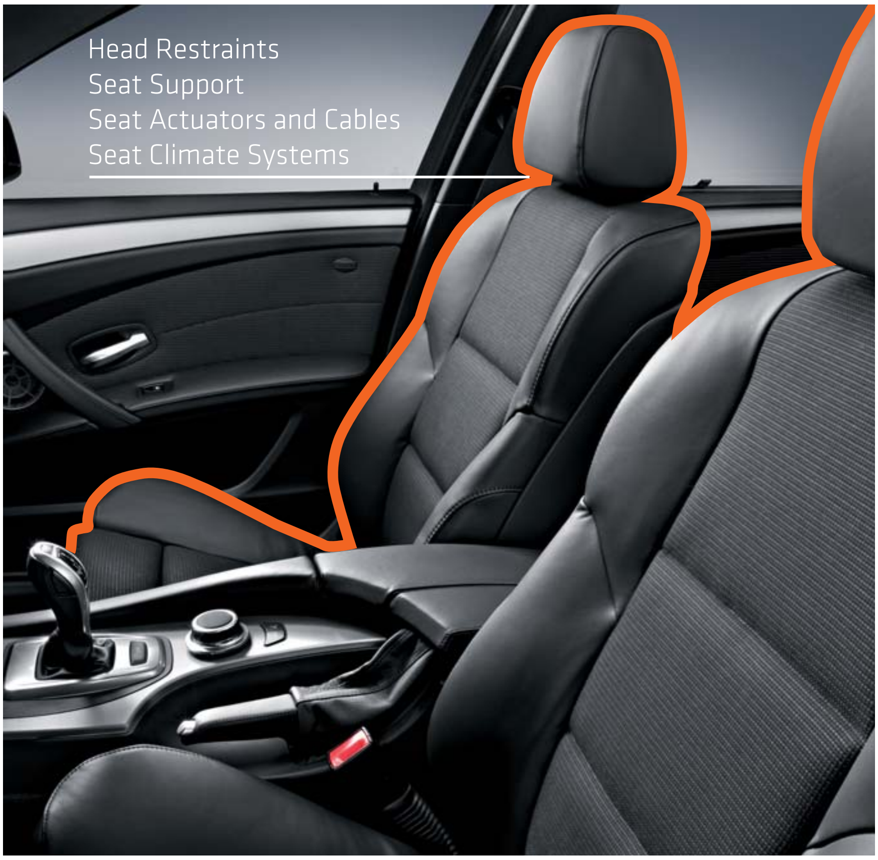
highest comfort and safety requirements. The focus on whip-lash injuries in car accidents is increasing. Our high safety designs minimize the impact to the passenger's head during a collision. This is critical for the OEMs to secure high safety ratings as per the new Euro NCAP test standards. KA offers a wide range of products for the 1st, 2nd and 3rd row applications. To improve interior flexibility and stowing capacity we are offering solutions for folding the head restraints when the 2nd or 3rd seat back is folded to allow for large luggage items. The fold feature also helps to improve rearward visibility when reversing the vehicle. KA is also providing a wide range of manufacturing processes, ranging from foam-in-place to molded EPP and plastic structures.

Seat Support Systems

Seat Support includes lumbar support, side support/bolsters and multi-functional massage systems. Our systems are offered with both manual adjustment or power adjustment. The power adjusted systems are either electro-mechanical or pneumatic. Our lumbar support systems aim to reach the highest comfort standards and reduce mass and packaging space. KA is the leading supplier of complete pneumatic seat support systems. The systems are modular and the key elements are the pneumatic pump, valve unit and the support air cells. The number of air cells can be expanded according to functional requirements ranging from a basic 2-way lumbar function to a multi-functional massage seat.

Seat Actuators and Cables

The seat actuators offer automatic fold and tumble systems for the 2nd and 3rd row seat backs. This makes the stowage of large luggage pieces very convenient since the seats can be folded remotely by the key fob. Our seat cables are offered with smart length adjusters to provide easy installation in the car seats by the OEMs. The seat cables cover a wide range of functions in the seat, from actuation of head restraint to different seat adjustments. We also offer cables for different actuation of lids, door functions etc. in the vehicle.



Seat Climate Systems

Seat Climate includes seat heating and ventilation. Kongsberg Automotive was the first supplier in Europe to integrate reliable seat heating elements into a serial production car. Kongsberg Automotive develops electronic climate control modules and fail-safe seat heating systems with excellent comfort and durability. KA holds several patents in this area and has a strong global position in this market segment. Our various system solutions can cover all types of seat designs.

Arm Rests

Our arm rest product family covers the range from basic seat mounted arm rests to multi-functional arm rests for the rear seats. We are seeing more and more functions being added to this area such as storage room, cup holders, interfaces for entertainment systems etc. We are able to offer a wide range of solutions to meet customer needs.

Market Segments

The Automotive Division supplies all major OEMs and Tier 1s on a global basis. The shifter systems are sold directly to the vehicle OEMs, while most of the safety and comfort products are sold through the interior Tier 1s. Also for interior products the OEMs are increasingly involved in the supplier sourcing process, however, the final products are still shipped through the Tier 1 interior integrators.

Our products are in general used in all vehicle segments, from high-volume small cars to premium segment vehicles. The Interior business in Europe is, however, to a large extent aimed at the medium and premium segment due to the high content of comfort and safety features in these vehicles.

DIVISION – COMMERCIAL VEHICLE SYSTEMS

Commercial Vehicle Systems

Product Range

- Gearshift Systems
- Clutch Actuation Systems
- Vehicle Dynamics
- Couplings
- Fluid Systems

The Commercial Vehicle Systems (CVS) Division is a global developer and manufacturer of fluid transfer, vehicle dynamics and driveline related components and systems for the commercial vehicle market, offering a robust product portfolio backed by the expertise and commitment to support our customers. We strive to add value by identifying and understanding needs, and we are working to provide innovative solutions that add value for our customers.

The CVS Division is divided into two business units. Business Unit Fluid Transfer Systems focuses on being a global provider of systems related to transfer of hydraulics, compressed air and fuel, while Business Unit Driveline & Chassis concentrates on suspension of cabin and axles together with clutch and gear control systems. A common denominator for the two units is improved driving comfort combined with lower fuel consumption. The Commercial Vehicle Division is mainly serving the light, medium and heavy duty truck segments, combined with the premium passenger car segment. The division has 13 facilities in three regions; America, Asia and Europe. In all regions there are full service centers covering market and R&D activities. A global manufacturing footprint and several regional technological centers enables the CVS Division to provide world-leading, high-quality products to all main commercial vehicle producers worldwide.

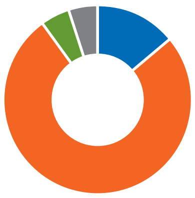
Research and Development

In total more than 100 of our employees are involved daily in the development of new

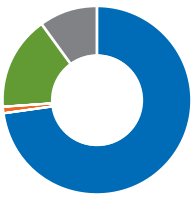
Divisional Overview

Sales (est. revenue)	MEUR 268
Employees sorted by Regions	NA 229, SA 57, Europe 962, Asia 37
Market Segments	Trucks (HD/MD/LD), Buses, Trailers, Passenger Cars, Industrial
Products	Gearshift systems, Clutch Actuation Systems, Vehicle Dynamics, Fluid Systems, Couplings

Market Segments (% of Sales)



Sales by Market Sector



Sales by Product Group

products and functionality. The CVS Division is running development projects for global and local customers in Asia, North/South America and Europe. We have the ability, knowledge and presence to provide our global customers with "state-of-the-art" products and competence worldwide. Local engineers have access to the latest technology from the regional centers of expertise and can help our customers solve application issues related to temperature, routing, permeation, extreme pressure, loads, forces, etc.

Market trends are driving the development towards:

- Products that improve driving comfort
- Products which reduce fuel consumption
- Products related to alternative power sources and fuels
- Products more resistant to high pressures and temperatures
- Products with lower weight

The CVS Division is continuously monitoring the market development to ensure that we develop products that fulfill our customers´ needs and expectations. In 2008 we won significant orders based on newly-developed technology.

Main Strategic Direction
Commercial Vehicle Systems provides products that improve road handling, driving safety and comfort. Our ambition is to be our customers' first choice worldwide, offering the most innovative and efficient products available on the market.

DIVISION – COMMERCIAL VEHICLE SYSTEMS
PRODUCTS AND POSITIONS

Gearshift Systems
Kongsberg Automotive is a world-leading provider of gearshift systems for commercial vehicles (CV). The product range consists of different solutions for manual and automated manual transmissions. Most of Kongsberg's gear shift systems are tailor-made for specific customer applications. The systems are either operated by hydraulics, rods, cables or electronics. Our product range includes the full system from the gear knob down to the servo shift device on the gear box. The systems are developed and validated to fulfill all known customer demands and expectations globally. Kongsberg delivers gear shifters to all the major CV players worldwide.

Clutch Actuation Systems
The Kongsberg Clutch Actuation System portfolio has an excellent reputation worldwide. The system makes it easy to operate the clutch pedal and increases driving comfort. A wide range of products for different transmissions and vehicles is available. Our global market and R&D teams serve customers around the globe with a comprehensive range of state-of-the-art features. A newly developed clutch booster adds functionality, and improves reliability and efficiency of the customer application.

Vehicle Dynamics
Vehicle Dynamics products include v-stays, reaction rods and anti-roll bars. Our wide product range within the vehicle dynamics area is developed in close cooperation with our customers. New market shares have been won in 2008 which will ensure growth within this area in the coming years. Our main focus is to develop suspension systems within the cabin and rear axle areas that improve reliability and driving comfort. New customers and products were added to our portfolio in 2008. The Kongsberg Automotive modular suspension system ensures flexible and efficient solutions for an unlimited number of applications, with easy adjustment to provide maximum driving comfort. Every Kongsberg Automotive suspension system is designed, developed, validated and manufactured to

Market Segments

Product Range	Customer Examples	Market Position Europe	Market Position World wide
Gearshift Systems	Volvo, Daimler, MAN, VW, Scania, DAF, Hyundai	No 1	
Clutch Actuation Systems	Volvo, Scania, Daimler, RVI, DAF, Hyundai	No 1	No 1/2
Vehicle Dynamics	Volvo, Scania, DAF	No 2	
Fluid Systems	Volvo, RVI, Daimler, DAF, Ford, UTEC, ITEC, Martin Rea, Cooper, TI		No 1/2
Couplings	Volvo, Scania, Iveco, Wabco, Knorr-Bremse, Schmitz	No 1	

Locations Commercial Vehicle Systems

Brazil: Jundiai
England: Normanton
France: Molsheim
India: Pune
Korea: Yangsan
Netherlands: Enschede
Norway: Hvittingfoss, Raufoss, Rollag
Poland: Pruszków
Spain: Epila
Sweden: Mullsjö
USA: Grand River, Pickens, Suffield

Map per 31 December 2008

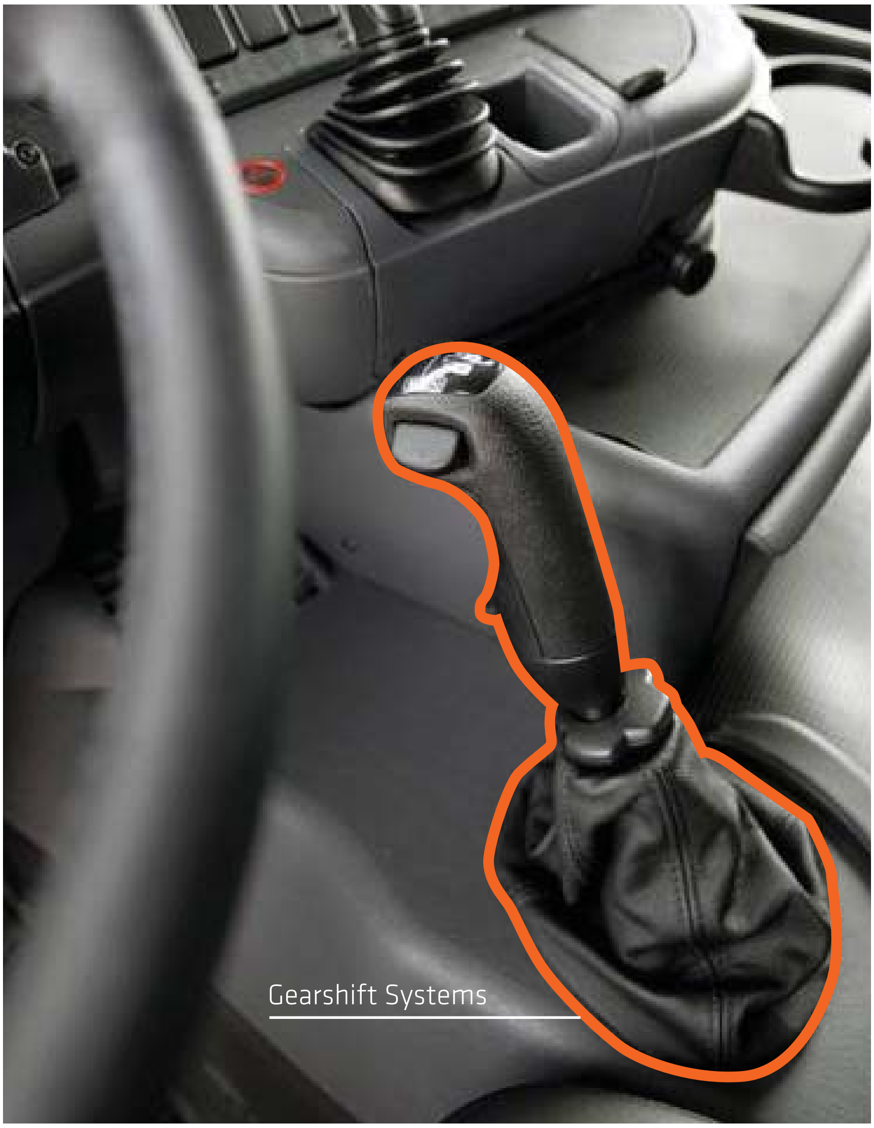
meet the demands and expectations of our global customer base.

Fluid Systems

Kongsberg Automotives Fluid Systems products include PTFE and PA based engineered hose assemblies. Both in the Passenger Car and Commercial Vehicle sector significant new contracts were awarded during 2008, including global supply status to one of the largest truck builders in the world. The advent of further emissions regulations and the constant requirement for high temperature products has ensured that market share has been won by our unique and patent protected fuel hose - fluorocomp. Our Fluid Division is positioned well for further growth in all automotive sectors.

Air Brake Couplings

Kongsberg Automotive has won major orders in recent years with the newly-developed ABC coupling system in advanced composite. Several major truck brands have launched the product range during 2008/2009. The couplings system has successfully fulfilled the extensive internal and external validation program. By fulfilling global demands and local needs, the ABC system is on its way to becoming a global standard. The highly automated, efficient and quality-assured production systems ensure the right reliability and performance level of the couplings. Going global is the main direction for this product line.



DIVISION – POWER PRODUCTS SYSTEMS

Power Products Systems

Product Range

- Pedal Systems
- Electronics and Displays
- Steering Columns
- Cables and Controls
- Shifter Systems

Kongsberg Automotive's Power Products Systems division is focused on developing and manufacturing man-to-machine interface controls that provide enhanced performance, comfort, safety, and reliability to industrial vehicle manufacturers around the world.

Power Products Systems has an extensive and diverse product portfolio that is supported by a global manufacturing, engineering, and sales network. A unique product and service offering is available to the manufacturers of Commercial Vehicles, Off highway Agricultural, Construction and Materials Handling Equipment and light duty powered Sports, Utility and Garden equipment. The offering is unique in terms of the breadth of the product offer - heavy and light duty mechanical cable hand controls, steering systems, electronic drivetrain and vehicle control systems and drive displays. It is also unique in terms of its global scope and in terms of Kongsberg's ability to quickly configure customer solutions from flexible core product designs.

Power Products Systems has been designing and developing many of these control systems for over 60 years, meeting the rigorous demands of these industrial markets that require rugged products that ensure reliable performance in the harshest environments. These products also meet the market demands for price, performance and robust volume production. Every system is designed, developed, validated and manufactured to meet the highest expectations of our global customer base.

Divisional Overview

Sales (est. revenue)	MEUR 145 773
Employees sorted by Regions	NA 844, Europe 258, Asia 299
Market Segments	On-Highway, Off-Highway, Small Engine, other miscellaneous
Products	Pedal Systems, Electronics and Displays, Steering Columns, Cables and Controls, Shifter Systems

Power Products Systems has a global footprint with facilities in North America, Europe and Asia, in addition to support from other Kongsberg locations around the globe. All the facilities have the capabilities and resources to support global customers wherever and whenever required to provide system solutions that maximize vehicle performance.

The primary areas of research and development for the PPS group are focused on customer solutions that provide the following features and benefits:

- Address vehicle emissions reduction requirements and improved fuel economy
- Provide improved operator ergonomics, comfort, efficiency, and performance
- Leverage traditional discrete product functionality into integrated electronics and electro-mechanical solutions.

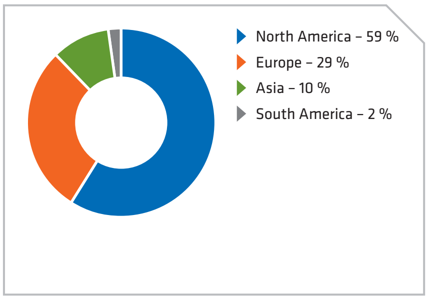
Research and Development

Our strategy is to service vehicle platforms in On-Highway, Off-Highway, Outdoor Power Equipment and Power Sports with core technologies that can be leveraged for a wide range of applications. Further, our opportunities are realized through applying technologies that bridge current and past applications through a smooth transition of those applications into next generation platforms.
Our product technology segments are electronics modules, displays and gauge clusters, electro-mechanical actuation, steering columns, pedal systems, shift and other hand control products, and light and heavy duty mechanical cables. With four R&D Centers of Excellence (COE) locations between North America and Europe, and technical resources also positioned in China, Power Products Systems provides applications and technical support that leverages the proven core product platforms already commercialized in the COEs. Our Enterprise-wide Product Data Management tool enables us to share and manage information with all R&D and Applications development locations.

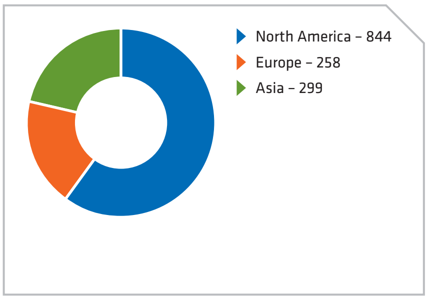
The Power Products Systems R&D team has produced some innovative and patentable solutions associated for several products such as Pedal Systems on industrial vehicles, and Electric Power-Assist steering for the power sports segment. While these products have recently been commercialized, we are now applying those same technical principles to other product families or to different vehicle platforms that can benefit from this next generation of technology. As electronic solutions become more mainstream, we have also been able to leverage these same product technologies into a complete vehicle controls solution for some of our lead Customers.

Main Strategic Direction
The primary strategic direction for the Power Products Systems division is to focus on industrial vehicles, providing and developing man-to-machine interface controls for enhanced performance, comfort, safety, and reliability. Power Products also leverages its diverse product portfolio and global resources to provide bundled supply solutions to industrial vehicle OEMs. Additionally, Power Products targets a #1 or #2 position in its chosen market segments through a program of customer intimacy that places an emphasis on key global accounts in the chosen sectors to grow both horizontally and vertically.

Market Segments (% of Sales)



Number of Employees Divided by Geography



DIVISION – POWER PRODUCTS SYSTEMS
PRODUCTS AND POSITIONS

Pedal Systems
Kongsberg Automotive is a leading global supplier of pedal systems for on and off-highway vehicles. We supply pedal systems to manufacturers of trucks, buses, recreational vehicles and off-highway vehicles around the world. The rugged Kongsberg Automotive pedal design ensures reliable performance in virtually any environment. Pedal systems are designed for in-cab and outside installations and are not affected by the harsh elements of off-road requirements. Their durability makes them ideal for the cycles associated with heavy duty vehicle applications. Kongsberg Automotive pedals fully meet the rigorous truck and bus market demands for price, performance and robust volume production. Customized applications for the off-highway segments (Agriculture, Construction, Material Handling) can be readily engineered.

Electronics and Displays
Kongsberg Automotive is able to offer industrial customers an unrivalled range of intelligent solutions for the control and monitoring of vehicle electronics. The Megalink™ multiplex platform and associated hardware and software products provide flexibility and cost effective system solutions to the marketplace. From design inception through to final product manufacturing, Kongsberg Automotive emphasizes innovation, leveraging our proven development capabilities in applied technologies for the vehicular and industrial controls sectors. With the CANtrak product line, Kongsberg Automotive applies exceptional engineering and software skills to deliver high quality integrated display and control solutions to a wide range of industries.

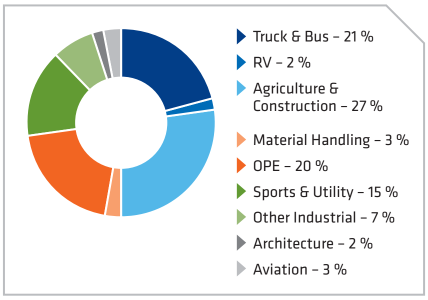
Steering Columns
Kongsberg Automotive is one of the world's leading suppliers of modular and custom engineered steering systems for off-highway vehicles. Our steering systems are in use today in a wide range of agricultural, material handling and construction vehicles manufactured by market leaders across Europe and North America. The Kongsberg Automotive modular system ensures flexible and efficient solutions for an unlimited number of applications, with easy adjustment to provide maximum ergonomic driver comfort. Every Kongsberg Automotive steering system is designed, developed, validated and manufactured to meet the demands and expectations of our global customer base. From tilt and telescope columns, with a comprehensive range of best-in-class features, to basic fixed position columns, our steering systems ensure outstanding functionality and steering precision.

Cables and Controls
Industrial vehicle operators need to control a wide variety of functions precisely and comfortably. Kongsberg Automotive Power Products Systems produces hand controls which complement its mechanical cable control technology and meet the stringent demands of industrial vehicle operators. The manufacturers of industrial vehicles depend

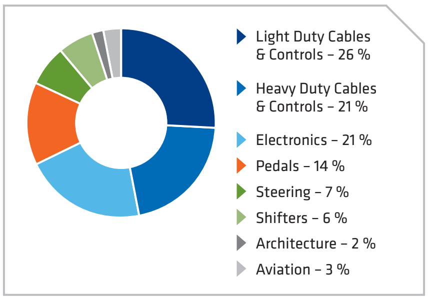
Market Segments

Product	Position Europe	Position Global
Mechanical Controls (Outdoor Power Equipment)	No 1	No 1
Mechanical Controls (Ag & Construction)	No 1	No 1
Electronics and Displays	n/a	No 4
Throttle Pedal (Const & Utility)	No 1	No 1
Throttle Pedal Systems (RV)	n/a	No 2
Steering Systems (Ag & Const)	No 3	No 3

Sales by Market Sector



Sales by Product Group



Locations Power Products

Canada: Quebec
China: Shanghai
England: Basildon
Germany: Dassel, Marktredwitz
Italy: Padova
Sweden: Ljungsarp
USA: Benton, Hagerstown, Swainsboro, Willis

Map per 31 December 2008

upon the extensive range of Kongsberg Automotive hand controls to enhance the performance of their equipment. Kongsberg Automotive can offer simple light duty cable controls or sophisticated state-of-the-art electronic controls configured to interface with the vehicle electronic control protocols. The global scope of Kongsberg Automotive ensures that a standardized product range is universally available. These products can be continuously developed and upgraded to match the evolution of the vehicle.

Shifter Systems

Kongsberg Automotive is one of the world's leading manufacturers of manual and electronic gear shifters, with systems fitted to over six million vehicles each year across Europe, North America, South America and Asia. Kongsberg Automotive has been designing, developing and supplying transmission shift controls for commercial vehicles for more than 40 years and our products are in use today with many of the world's leading manufacturers of trucks, buses and off-highway vehicles. Kongsberg Automotive is a unique partner for the development and supply of industrial vehicle driver controls. We have the ability to supply mechanical control linkages and systems to market leading specification and performance as well as an impressive track record and a proven competence in electronic control interfaces.

EXECUTIVE COMMITTEE

The company's Executive Committee consists of CEO, CFO and three divisional Presidents, representing the company's operating divisions.

Olav Volldal
Position: President and CEO
Education: Master of Science, Mechanical Engineering
Experience: CEO of Kongsberg Automotive since 1987, Executive positions in Kongsberg Våpenfabrikk since 1980
Number of years with KA: 22 years plus 12 years with Kongsberg Våpenfabrikk before that
Number of shares: 353 253

James Gerard Ryan
Position: President Power Products Systems
Education: AAS Mechanical Engineering Technology, Bachelor of Science, Mechanical Technology
Experience: 24 years in manufacturing industry working in various roles from design engineering to general management in the auto, industrial, plastics, and aviation industries
Number of years with KA: 1
Number of shares: 6 000

Trond Stabekk
Position: Group Executive and CFO
Education: Master in Accountancy and Finance, Bachelor in Business Administration
Experience: Central positions within the finance organization of Trelleborg-Viking AS, Telenor Mobil AS and Tomra Systems ASA
Number of years with KA: 5
Number of shares: 53 080

Hans Peter Havdal
Position: President Automotive Systems
Education: Master of Science, Mechanical Engineering
Experience: Joined KA in 1991; leading positions within R&D, Executive VP Business area Truck Systems, President KA North America, Group Executive VP Seat Comfort, President Interior Systems
Number of years with KA: 18
Number of shares: 147 025

Bård Klungseth
Position: President Commercial Vehicle Systems
Educations: Master of Science, Mechanical Engineering
Experience: Joined KA in 1994, filled central positions within quality, production and purchase
Number of years with KA: 5
Number of shares: 75 238

BOARD OF DIRECTORS

The company's Board of Directors consists of two women and three men, in addition to three representatives from the employees.

Curt Germundsson, *Chairman*
Education: Bachelor of Science, Mechanical Engineering, Bachelor in Business Economics
Experience: Senior Vice President, Manufacturing and central positions within Volvo Car Corporation, Chairman of the Board in Plastal Group, Bandak Group, Devport AB, Board Member of Alignment Systems AB, EFD Induction Group and MT Höigaard AS
Number of years with KA: 4
Number of shares: 8 000

Bente Rathe, *Deputy Chairman*
Education: Master of Business Administration
Experience: Executive Vice President, Gjensidige NOR, Chairman of the Board in Powel ASA and Ecohz ASA. Member of the board in Norsk Hydro ASA, Svenska Handelsbanken AB and Choice Hotels Scandinavia
Number of years with KA: 4
Number of Shares: 80 000

Dr. Jürgen Harnisch, *Director*
Position: Vice President Clepa, European Association of Automotive Suppliers
Education: Doctorate in Engineering
Experience: Member of the Management Board of ThyssenKrupp AG, CEO of ThyssenKrupp Automotive AG, Chief Operating Officer MAN Truck and Bus
Number of years with KA: 1
Number of shares: 0

J. Peter Sunde, *Director*
Position: Partner, Ferd Capital
Education: Certified Financial Analyst ("AFA"), Master of Science Degree
Experience: Senior Vice President Mergers & Acquisitions in Telenor ASA, Director Mergers & Acquisitions, Andersen Global Corporate Finance, Vice President Corporate Financial Planning and Control, Saga Petroleum ASA
Number of years with KA: 0
Number of shares: 0

Ulla-Britt Fräjdin-Hellqvist, *Director*
Position: Managing Director Fräjdin & Hellqvist AB
Education: Master of Science, Engineering Physics
Experience: Leading positions within Volvo Cars and Confederation of Swedish Enterprise, Chairman of the Board in Swedish Foundation for Strategic Research, Ruter Dam and SinterCast. Board member of Castellum, Friskvårds-checken, Swedish Space Corporation, Svedbergs and Tällberg Advisors
Number of years with KA: 2
Number of shares: 3 200

Leif H. Stømhaug, *Director (Employee Representative)*
Current position: Machine Operator, Kongsberg Automotive
Education: Craft Certificate
Background/Experience: Club Member, Representative for 12 years
Number of years with KA: 20
Number of shares: 0

Kevin Burrell, *Director (Employee Representative)*
Current position: Purchaser, Kongsberg Automotive
Education: Mechanical Engineer, Business Candidate
Experience: Various positions within KA
Number of years with KA: 5
Number of shares: 0

Siv Anita Eriksen Midtskogen,
Director (Employee Representative)
Current position: Operator, Kongsberg Automotive
Education: Subject B, General Admission Certification
Bakground/experience: Representative Course
Number of years with KA: 5
Number of shares: 0

DIRECTORS' REPORT

Kongsberg Automotive (KA) delivered strong growth due to the acquisition of Global Motion Systems (GMS) at the end of 2007. Operating revenues in 2008 amounted to MEUR 906 compared to MEUR 399 for 2007. The integration was successfully executed. Best practice implementation was combined with large-scale restructuring. The financial results suffered from substantial declines in all of Kongsberg Automotive's dominant markets. Strong and sustainable cost reduction programs have been implemented. The company reported an operating result of MEUR -1.1 versus MEUR 26,4 for 2007. A completed refinancing up to the end of 2012 was announced in December.

Main 2008 Events

GMS was close to the double the size of Kongsberg Automotive. A huge number of employees, business units and facilities had to be integrated into one organization to achieve cost synergies and to improve the market positions. A number of task forces with broad representation were established. Each of them received specific targets and a stringent follow-up system was implemented. The outcome of the integration is better than the targets presented when the acquisition was announced. Marketing, Sales, R&D and Support have been aligned to represent the best option in the market for our customers. The Board wants to express its satisfaction with the results of the integration and the way the process was executed.

The year started off with a slowing US market both for light and heavy vehicles as a consequence of the financial crisis and economic downturn. North America represented 27 % of KA's sales in 2008.

The market for light vehicles dropped from 16.3 million in 2007 to 13.1 million in 2008, a decline of 20 %. The rapid rise in fuel costs created a dramatic but short lived rush to more fuel efficient cars and small SUVs in the US.

During the second half of 2008 the rest of the world was influenced by the same effects creating a drop in vehicle production never experienced in the automotive industry in the past. The European market for light vehicles was rather flat during the first half of the year, but was weak in the end of the year.

In total the sales were 14.7 million cars relative to 16 million in 2007, a drop of 8 %. During the three first quarters of 2008 the European market for heavy trucks was all time high. The slow down of the global economy hit the European CV market strongly in the 4th quarter. This led to an almost complete stop in order intake for the OEMs, cancellation of orders, build up of new vehicle stock and limited exports from Western Europe. Europe represented 60 % of all sales in 2008.

Asia was on the positive side in 2008, although the sales volumes came down at the end of the year.

Most raw materials were on a historic high level for the first three quarters of the year, for then to drop significantly.

The Company has continuously adjusted the variable cost elements. Indirect costs have been reduced substantially with the aim of maintaining the long-term strategic positions. As described in detail below the reduction in headcount has been substantial across all units. During 2008 nine plant closures were decided and seven of these were completed before the end of the year. In addition a number of relocations from high cost to low cost production units were executed. Two divisions were combined with a simpler and more cost effective organization as the outcome.

Balance sheet management has also been prioritized. Net working capital was reduced significantly at the end of the year. This has been a challenge since all players in the value chain attempt to improve their own cash positions. Capital expenditures in percentage of sales have been lower compared with previous years.

In December Kongsberg Automotive agreed to a new loan agreement with their two lending banks. The existing loans will be carried forward, with a lower amortization schedule and reset covenant levels.

The combination of cost reduction programs, reduction in net working capital and investment, reduced loan amortization, new loan facilities and proceeds from divesture is believed to secure Kongsberg Automotive the necessary liquidity forward based on current market assumptions.

Kongsberg Automotive won a substantial number of important new orders during 2008 that will secure a higher market share in the years to come. The customers that have been targeted have to a high degree responded by placing new orders. This is a strong indication that the market synergies that were identified as a part of the Global Motions Systems acquisition process have now become a reality.

Kongsberg Automotive considers patents to be a valuable asset. At December 31, 2008, the company holds more than 600 patent families worldwide. In addition, more than 300 patents were pending. Automotive Systems owns 62 % of the registered patents, while Commercial Vehicle Systems and Power Product Systems own 29 % and 9 %, respectively. During 2008, 17 new patents were filed.

Automotive Systems
Automotive Systems represents 56 % of the KA's sales. The market is cars and SUVs. The division suffered from the negative marked trends described above.

Even in a very tough business environment, Automotive Systems managed to secure new business within all product areas, including gearshift systems, seat comfort systems, head restraints and arm rests, which is expected to add additional volumes from late 2009 onwards. This will in turn support growing market shares when the auto business starts to turn around.

Kongsberg Automotive reacted quickly to the market situation by implementing major restructuring efforts in 2008, consolidating several manufacturing operations. To reduce overhead cost and create additional synergies the two divisions Driveline and Interior Systems, both selling to automotive customers, were merged during October 2008. Relocation of high labor content products to low cost countries continued in an effort to reduce variable costs. Most of the initial restructuring plan was completed in 2008, but additional actions have since been announced to meet new market challenges. These actions were initiated in 4th quarter 2008 and will be completed during 2009.

Both the European and North American operations made major progress in implementing the Lean principles to minimize waste and optimize the value streams. A Lean Champion network was instrumental in securing significant improvements in several plants and even more efforts will be made in this field going forward.

To compensate for some of the reduced volumes, an initiative was started in 2008 to insource parts to fill up internal capacity. This will continue through 2009.

The future trend in the automotive industry is towards lighter and more energy efficient vehicles. In 2008, Automotive Systems started several research and development projects within this area. The intention is to develop and manufacture systems that will be significantly lighter and require less space than

comparable systems today, hence have positive influence on fuel consumption, and thereby its carbon dioxide emissions. Automotive Systems is committed to be a key player in the development towards lighter cars, and can report several "green" achievements during 2008. Weight reductions in the range of 20 to 80 % has been achieved in product areas such as seat heating systems, head restraints and systems for lumbar support.

The development towards alternative power sources, with hybrids and advanced battery technology, represents new and interesting opportunities for Automotive Systems. Within our global R&D network of more than 200 engineers, the division is working on new programs to ensure future competitiveness on hybrid platforms, including new shift-by-wire solutions and innovative comfort features for thin profile seats.

Commercial Vehicle Systems
Commercial Vehicle Systems accounts for 28 % of the Group's 2008 sales. The commercial vehicle market in 2008 has been the most turbulent for many decades as described above. Strong actions have been implemented to align the costs to the reduced income. That includes purchase prices, direct and indirect personnel and price adjustments.

Throughout 2008 Commercial Vehicle Systems continued to win important new orders, and thus increased market share for its main product areas; clutch actuation, gear shift systems, fluid transfer systems, air couplings and chassis and cabin stabilizers, which partly compensated for the downturn in the manufacturing volumes of vehicles at the end of the year.

With the fluid transfer business acquired in 2007, North America has become an important part of the Commercial Vehicle (CV) market portfolio. Demand for 6-8 class trucks in North America reduced significantly compared with 2007 (-23 %). This was due to the economic slow down that hit NA in 2nd quarter of 2008. Kongsberg Automotive`s position as an important provider of fluid transfer systems will be leveraged to introduce the full range of Kongsberg Automotive CV products to the current customer base and take advantage of the future growth driven by the emission regulation changes that are mandatory from January 2010.

The market for CV in Japan and Korea showed a stable volume. Japan and Korea have being moving towards European technical and quality level of CV. This will continue to support Kongsberg Automotive`s CV product portfolio to win new orders in these countries. Some of Kongsberg Automotive's products are already market leaders in this region, and that position will be leveraged to further increase market shares for other products.

China and India have a combination of basic and advanced technology products, this has lead to success for some of the Kongsberg Automotive CV products and a postponement of the introduction of others. However these markets reached an all time high in manufacturing volume for 2008 and are rapidly moving towards European technology levels. This will have a positive benefit for Kongsberg Automotive with regards to Kongsberg Automotive's advanced technology products and the quality levels provided.

The R&D departments at CVS are investing a large percentage of its research and development resources in developing lighter and more environmental friendly solutions. During 2008, we continued the ongoing development of composite materials. The next generation of composite air couplings was successfully introduced to several new markets, and CVS is now a global market leader in this segment. A weight reduction close to 50 % has been achieved as a result of shifting from brass to composite material. In the Driveline and Chassis area, CVS has accomplished further environmental achievements. Most important, lighter and stronger suspensions products and a new electronic driveline product that leads to more effective engine consume and hence less fuel consumption and CO2 emissions. CVS regards the development of environmental friendly solutions as essential going forward.

Power Products Systems

Power Products Systems (PPS), which was formed from the acquisition of GMS, completed its first year within the Kongsberg organizational structure as a fully integrated unit. PPS represents 16 % of KA's 2008 revenues. Throughout 2008 various Kongsberg systems were put into place while certain facilities and personnel transferred successfully to other divisions. As part of the integration PPS completed the separation from Teleflex in the Limerick, Pennsylvania and Hagerstown, Maryland operations. Additional restructuring activities included the closure of two facilities, one in North America and one in Europe, which will enhance the efficiency of the group's operational footprint.

Sales softened in North America early in the year and later in Europe as the year progressed. This was largely due to the general economic conditions in the regions. The economic slowdowns in these regions were offset by the significant market penetration PPS experienced in China and Russia for several key products and sectors. Sales in China had a record year with Heavy Duty leading the growth having a 20 % sales increase over prior year. This growth was primarily due to new product growth. PPS sales efforts within India also began showing great potential throughout the year.

The trends within the various industrial segments served by PPS towards more environmentally friendly products produce some exciting opportunities. Governmental emission regulation changes around the globe and heightened customer awareness of environmental issues are creating needs for new products that PPS is well positioned to support. For example, engine and transmission controls migrating from mechanical to electronic is an on-going transition that PPS is capable of supporting at both spectrums. PPS enables the customer to strike the right balance of performance and cost across their entire product range and life cycle. This applies also to control systems required to deal with the multitude of issues facing small

Number of Employees

	31.12.08	Incl GMS 31.12.07	31.12.07	31.12.06	31.12.05	31.12.04	31.12.03
Mexico	1 924	2 302	313	272	243	238	302
China	1 288	1 334	146	37	24	1	
USA	1 112	2 047	327	275	298	23	16
Slovakia	725	905					
Poland	613	856	856	684	561	379	287
Norway	517	639	639	568	560	569	325
Sweden	512	742	627	603	613	736	707
England	470	596	277	250	237	237	207
Germany	334	400	25	20	18	10	6
Canada	322	372					
Hungary	302	400					
France	254	294	17	17	19	18	3
Spain	143	226					
Netherlands	100	141					
Italy	78	86					
Brazil	77	103	61	51	35	21	11
India	70	44					
Korea	34	35	35	30	33	32	33
Australia	7	7					
Japan	6	7	6	3	2	1	
Total	**8 888**	**11 536**	**3 329**	**2 810**	**2 643**	**2 265**	**1 897**

engine products, less than 25 hp, a segment that tends to lag behind larger engine and automotive related products.

The tighter emissions standards and consequently the greater use of alternative fuels will be a major shift within the industrial segments between now and 2020. PPS market research and R&D efforts are committed to working closely with customers to implement new electronic throttle control systems for gasoline and diesel engines as well as electric vehicles. Additional work is underway in support of customers' engine control units, and the issues regarding alternative fuels. Several key new product development efforts related to these areas launched in 2008 and others are preparing for launch in 2009. PPS continues to deploy its global R&D resources effectively by focusing on our customers, their business, and the global markets served.

Employment and equal Opportunity
At 31 December 2008, the Group had 8 888 employees compared to 11536 1 January 2008. The table below splits this number across the countries in which the company operates.

The significant increase in number of employees in 2007 was mainly due to the acquisition of GMS

In 2008 the number of employees was reduced by 2 648. This was an effect of the integration between the two companies and the consequence of the cost reduction programs to adapt to the market conditions in the automotive industry.

The company has made efforts to minimize the negative effects on employees affected by the difficult process of transferring production activities to countries with lower labor costs.

Kongsberg Automotive is committed to gender and ethnic diversity, and every employee is protected by equal opportunity policies and practices. In total, men made up 53 % of the group's workforce in 2008, while women accounted for 47 %. The company's Board of Directors consists of two women and three men, in addition to three representatives (one woman, two men) from the employees.

The Board wishes to thank all employees for all the good work done, flexibility and fighting spirit during a challenging year.

At the Annual General Meeting in 2008 Jan Peter Sunde became a board member substituting Cato A. Holmsen who wished to resign.

Health, Safety and Environment (HSE)
Kongsberg Automotive gives highest priority to its health, safety and the environment (HSE) programs. The authorities in the countries where Kongsberg Automotive is present set HSE standards in the form of legislation, general regulations and specific requirements. All Kongsberg Automotive units comply with general and specific requirements alike. 31 facilities have in addition implemented Environmental Management Systems in accordance with ISO 14001 Standards. Certification assures that units consider the environmental impacts of their activities and set targets for improved performance.

Objectives and plans for improved HSE performance were set for 2008. Performance was tracked on an ongoing basis. The group's overall impacts, and details of notable HSE issues and accomplishments, are provided in a detailed annual HSE report that is available on the company's web pages.

Pollution control is one of numerous HSE efforts that are crucially important to both Kongsberg Automotive and the countries in which it operates. As a result, the group reports disposing 22 % less hazardous waste and 3 % less waste water in 2008 from prior year. The amount of materials recycled increased by 18 % over same period and, as a result, approximately 4 451 tons of production related materials were not disposed in landfills.

In 2008, Kongsberg Automotive units used approximately 185 tons of oil and 1 225 tons of volatile organic compounds (VOCs). The sites are running projects to minimize use. While only a small volume, approximately 6.8 tons in total, the company will phase out use of chlorinated solvents entirely.

The production facilities consumed 150 million liters of water in 2008. Water consumption will be tracked more closely in 2009 and actions taken to reduce overall consumption.

Energy consumption data collected for 2008 includes electricity use and burning of fossil fuels needed for production activities. The Group reports 585 359 Million BTUs1) or 58 MBTU per million Euros Sales Revenues.
A target of 10 % reduction in overall energy use has been set for 2009 and all Kongsberg Automotive units are challenging their teams to use energy more efficiently.

The total CO2 emitted as a result of our energy use has been calculated using basic conversions provided by US EPA, Clean Energy Equivalency Calculators. We roughly calculate our CO2 emissions at 85 660 tons for 2008. As our method for data collection, analysis and verification improves in the coming years, this baseline will be adjusted accordingly.

The Group considers the safety of its workers as its top priority. As a result, the overall number of accidents reported did not increase in 2008. Nine locations reported zero accidents in 2008. The average Severity Rate, known as H-value to Kongsberg Automotive units, (number of work-related injuries resulting in lost time relative to man hours) is 9.4 per 1M man hours and 1.9 per 200 000 man hours. These values are in line with industries where Kongsberg Automotive operates. The Group's average incident rate (total number of all accidents relative to man hours) is 6 and is comparable to peers in the industry. However, more work is needed to achieve the goal of zero accidents. In addition to safety engineering, training, awareness and accountability, Kongsberg Automotive units are adapting Lean, Quality and other efficiency tools to safety work. We expect measurable improvements in 2009.

Kongsberg Automotive reports two small fires in 2008 with little or no damage to property. No employees were injured. Accordingly all locations continue to look at potential fire risks and enact plans to control and mitigate such.

Footnote 1) MBTUs: Million British Thermal Units (3412 BTUs = 1 KWh)

No spills or unauthorized releases to environment were reported in 2008 nor were there external complaints related to HSE reported during the year.

As mentioned above more details about HSE are available at www.kongsbergautomotive.com

Corporate Governance
Throughout 2008, the board has ensured that Kongsberg Automotive's guidelines for corporate governance have been followed carefully. The board has established the following committees: Auditing committee, Compensation committee and Nomination Committee. The company's internal rules of governance accord with guidelines in the Norwegian Code of Practice for Corporate Governance of 4th December 2007. In addition to the company's General Guidelines for Corporate Governance, specific instructions have been prepared with regard to 1) the CEO, remuneration for senior management, Compensation Committee, auditor and any close associate's non-auditing work, 2) ethics and Kongsberg Automotive's fundamental values, and 3) the Nomination Committee. The board conducts a continuous assessment of the most important risks that the company is exposed to. A self assessment of the board's performance of its work is conducted biannually. Kongsberg Automotive's compliance with the requirements of the Code of Practice is further detailed in section "Corporate Governance in Kongsberg Automotive" in the Annual Report and is further available on the company's web pages.

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

Going Concern
The Annual Report with attached financial statements assumes continued operation of the Company. After making enquiries, and in the light of the group's loan facilities, the group forecast for 2009 and the medium-term plans, the directors have a reasonable expectation that the group has adequate resources to continue operations for the foreseeable future. The going concern basis for the accounts has therefore continued to be adopted. The basis for going concern is of course dependent on that the financing banks will not, as a consequence of a breach of covenants, call on the repayment of the total debt. Based on the current situation it is highly likely that the company will breach covenants, however it is the Board of Directors opinion that such a situation will be solved by a waiver. The Board of Directors wishes to emphasize that all assessments involving future conditions are uncertain.

Financial Risk
The Group's activities are exposed to different types of financial risk. Some of the most important factors are foreign exchange rates, interest rates, raw material prices and credit risks, as well as liquidity risk. In today's automotive market the credit risk is higher than normal. Kongsberg Automotive is exposed to all major OEMs, including GM, Chrysler and Ford. The company keeps high focus on 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 where the company has concentrated on debt collection, as well as follow up of the customer creditworthiness. Losses in this area have been minimal in the past.

The company has a substantial amount of debt in the balance sheet. Fluctuations in interest and cash-flow will influence the company's ability to service its obligations towards the lenders. Kongsberg Automotive has implemented significant cost reductions, high focus on working capital in addition to keeping capex at a minimum level to optimize the cash-flow in the business to manage the situation. Interest risk is linked to long term debt. As the consolidation currency for the Group is EUR, there will always be ongoing exposure associated with the reporting of consolidated profit and loss statements and balance sheets. The responsibility for the Group's financial risk management is centralized and risk exposure is constantly monitored. The Group constantly evaluates and potentially uses derivatives in order to minimize risks relating to currency and raw-material prices. As the Company operates in many countries, it is vulnerable to currency risk. The greatest currency exposure is associated with EUR, USD and GBP, while raw material exposure is greatest in copper, zinc, aluminum and steel.

Given the financial crisis, which started in 2008, the risk related to market development in terms of volumes in the automotive industry, as well as the financial solidity for both customers and suppliers, is higher than in previous years. The company constantly monitors the situation and implements actions to compensate for the potential risks.

Review of Accounts
Operating revenues for the Group in 2008 amounted to MEUR 905.9 (398,8) with a corresponding operating result of MEUR -1.1 (26,4). This gave an operating margin of 0 % (6.6 %). The growth in revenues from 2007 to 2008 reflects the acquisition of Global Motion Systems completed 27 December 2007. All major markets have had a negative development during 2008 compared to 2007 wit a negative impact on revenues.

Net financial expenses amounted to MEUR 141.1 in 2008 (5.1). The main elements being interest expenses MEUR 38.9, reflecting the debt financing of the acquisition of GMS, and negative currency translation effects of MEUR 101.8. The MEUR 101.8 has no cash impact.

Net result for the year is MEUR -94.3 compared with MEUR 15.6 in 2007.

Capital
The Group's long term interest-bearing bank debt amounted to MEUR 420.6 (405.3) as of 31st December 2008. Based on the current market conditions the company has been through a refinancing during 2008. A new amortization structure as well as new set of covenants was part of the new agreement. The agreement was signed in December 2008. In May 2008 the company did a share issue of 20 815 714 million shares at a price of

27 NOK per share. The amount was used to pay down debt.

As of 31st December 2008 the Group's book equity amounted to MEUR 90.7 (68.5). The equity ratio was 12.1 percent (8.3 percent). The increase in equity is related to the share issue in 2008. No dividend was paid out in 2008.

Liquidity
In addition to cash reserves, at the end of the fiscal year Kongsberg Automotive had liquidity reserves of MEUR 17.0, in the form of unutilized credit facilities.

Cash Flow
The Group had a positive cash flow from operations in 2008. MEUR 34.5 was invested in tangible fixed assets, as well as MEUR 3.0 in capitalized R&D and MEUR 1.8 in software. Ordinary depreciation amounted to MEUR 29.8 (11.5). The net change in cash during 2008 was MEUR 4.5.

Impairment
In the year end close the company has performed an impairment test in accordance with the requirement in IAS 36. Based on the result no need for write-down was consider necessary.

Kongsberg Automotive Holding ASA – The Parent Company
In 2008 the parent company earned total operating revenue of MEUR 10.3 (8.6) with a corresponding operating result of MEUR -4.7 (-2.1). The parent company had net financial income of MEUR -11.4 in 2008 (15.4). The net result after tax for the year amounted to MEUR -8.9 (13.3). As of 31 December 2008 the parent company's book equity was MEUR 73.4 (31.6).

Appropriations
The Board of Directors will propose to the Annual General Assembly that no dividend being paid for 2008. The Board of Directors proposes that Kongsberg Automotive Holding ASA's net result of MEUR -8.9 is allocated as follows:

- Transferred from other equity MEUR 8.9

Events after the Balance Sheet Date
In February 2009 the Company was offered a risk loan of MNOK 145 as a part of the Norwegian government's economic stimulation package.

On the 27 February 2009 it was announced that Kongsberg Automotive will divest its Aviation business representing MEUR 9 in annual revenues for an Enterprise Value of MEUR 20.

Future Outlook
The Board of Directors wishes to emphasize that all assessments involving future conditions are uncertain. They are subject to developments which to a large degree are beyond the Company's control. With the global economic downturn in general and dramatic changes in the automotive sector particularly the Board of Directors recognizes that the future is rather unpredictable. That goes more or less for all markets and all segments. There are no reasons to believe that the market conditions in general will improve quickly. Kongsberg Automotive will continue its efforts to continuously adjust costs in line with the changes in revenues but at the same time balance the short term and long term objectives.

With regard to issues not directly addressed here, the board refers the reader to evaluations and assessments presented in other sections of the Annual Report.

12 March 2009
Kongsberg Automotive Holding ASA

Curt Germundsson
Chairman
(Sign.)

Bente Rathe
Deputy Chairman
(Sign.)

Jan Peter Sunde
(Sign.)

Ulla-Britt Fräjdin-Hellqvist
(Sign.)

Dr. Jürgen Harnisch
(Sign.)

Kevin Burrell
(Sign.)

Leif H. Strømhaug
(Sign.)

Anna Hvattum
(Sign.)

Olav Volldal
President
(Sign.)

HEALTH, SAFETY AND ENVIRONMENT REPORT

Kongsberg Automotive, and all of its operating units, subscribe to the following policy:

Environmental Policy

- Kongsberg Automotive regards health, safety and environment (HSE) as essential in meeting the demands of customers, staff, suppliers, local community and the authorities – as well as those of our owners.
- We will meet the requirements imposed by current legislation and regulation.
- We will minimize any negative effects on the environment by being open about all aspects that relate to HSE.
- We will constantly work to reduce emissions to the air, water and ground and contribute to increasing recycling and reuse.
- We will take a holistic approach to the environmental impact of the business and its products.
- We will strive to reduce the volume of waste, and we will apply approved methods of disposal and destruction.
- We will choose production processes that are as friendly to the environment as possible.
- We will develop and market products that incorporate the best possible environmental qualities.
- We will constantly seek to improve the internal working environment, cut down on occupational injuries, and contribute to a low level of sick leave.
- All our employees, and especially our managers, will make sure that HSE matters are given a high priority. All units must have specific plans of action with measurable targets.
- Our suppliers and other partners in collaboration must observe the same principles.

Management

The Group assigns high priority to its obligations and programs on 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, 31 locations have implemented Environmental Management Systems in accordance with ISO 14001 Standards. Certification ensures that units consider the environmental impacts of their work and set targets for improved performance.

Responsibility

The management bears full responsibility for ensuring that HSE requirements are met and environmental management systems are continuously evaluated and improved. Reporting 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, so HSE management becomes a natural part of the daily routines.

All Accidents Reported (Average per Plant)	Average 2008	Average 2007
KA Group	**10.1**	**9.8**
Automotive Division	10.9	12.1
Power Product Systems	12.3	8.9
Commercial Vehicle Systems	6.9	7.0
Incident Rate		
Automotive Division	22.7	20.1
Power Product Systems	41	27
Commercial Vehicle Systems	30.9	28.5
KA Group	29.5	24.1
KA Group adjusted*	5.9	4.8
External Benchmark*	6.0	6.0
H-value		
Automotive Division	5.3	8.4
Power Product Systems	11.6	5.4
Commercial Vehicle Systems	13.6	10.6
KA Group	9.2	8.4
KA Group adjusted*	1.8	1.7
External Benchmark*	1.3	1.3

*The external benchmark used is the US BLS 2006 data for Incident Rate and Cases with Days Away (H-Value) for the Manufacturing Sector. BLS uses 100 equivalent workers or 200 000 man- hours. KA uses 1 million man-hours, so numbers were divided by 5 so that comparisons could be made.

Region	Total Accidents Reported in 2008	Average H-value 2008	Average H-value 2007	Average Incident Rate 2008	Average Incident Rate 2007
Asia	**27**	**2**	**0**	**5**	**1**
Australia	0	0	0	0	0
China	27	2	1	7	1
Korea	0	0	0	0	0
Europe	**223**	**11**	**14**	**38**	**40**
France	22	28	56	39	66
Germany	10	13	20	20	13
Hungary	3	5	4	5	5
Italy	0	0	0	0	0
Netherlands	1	4	8	4	31
Norway	28	10	2	37	16
Poland	8	7	5	7	6
Slovakia	23	8	6	26	26
Spain	6	25	0	25	0
Sweden	14	4	8	14	19
UK	108*	16	30	141	148
Americas	**174**	**11**	**8**	**32**	**8**
Brazil	6	12	23	23	23
Canada	41*	24	21	59	35
Mexico	23	6	7	7	8
USA	104	11	3	38	19

* Canada and UK locations, by law, define and hence report accidents in a relatively conservative manner.

Work Environment Safety

Work-related injuries should not occur, and KA works systematically to reduce the number of accidents and injuries that affect employees. Reasons for injuries are analyzed, and efforts to alleviate them are implemented. To avoid possible safety risks, each unit performs regular inspections. All work related injuries are reported and tracked.

Eight manufacturing locations reported zero accidents in 2008. The average incident rate for the Group is 30 accidents for every one million man-hours worked. The average for total accidents reported per unit is 10. The incident rate and total accidents average is considered on a par with external benchmarks. It should be noted, however, that some units tend to report more conservatively when consistent with local regulations. KA does not discourage conservative reporting of accidents, as we see this as an opportunity to improve site conditions. Therefore, the H-value is considered a more meaningful metric as this relates to the 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. The average H-value for the KA Group is 9.4 injuries for every one million hours worked. When benchmarking our H-value performance, we find ourselves slightly higher than industries in which KA operates.

The goal for all units is an H-value of zero. For 2009, KA Group set the target, across all Divisions, of a 50 % reduction in the H-value and total accidents reported. By adapting Lean, Quality and other efficiency tools for safety work, we expect measurable improvement for 2009.

The External Environment

Energy Consumption

Energy consumption data collected for 2008 includes electricity use and burning of fossil fuels needed to support production activities. This includes propane for forklifts, diesel for internal transport and fuel oil for heating. All consumption details were reported and then converted into British Thermal Units (BTU) for standard comparison. The Group reports 585 359 million BTUs (MM BTU). Because GMS and KA facilities did not keep similar data in this area, 2007 numbers are not reported. As KA now has one year's data as a combined company, it will use the 2008 information as a baseline for its energy tracking initiative. A target of 10 % reduction in overall energy use has been set for 2009. Therefore, all KA units are challenging their teams to use energy more efficiently.

Energy Use and CO2 Emissions

The total CO2 emitted as a result of our energy use has been calculated using basic conversions provided by the US EPA, Clean Energy Equivalency Calculators. While we are not currently prepared to provide a detailed analysis of our CO2 impact, we have roughly calculated our CO2 footprint using these tools. As our method for data collection, analysis and verification improves in the coming years, the 2008 baseline will be adjusted accordingly.

2008 Energy Use	Total MM BTU	Total MT CO2
KA Group	**585 359**	**85 660**
Automotive Division	329 020	42 505
Power Product Systems	69 857	8 147
Commercial Vehicle Systems	186 482	35 009
By Region		
Europe	283 498	48 404
Americas	180 676	30 604
Asia	133 727	6 651
By Country		
China	133 727	6 010
USA	125 064	19 462
Norway	107 546	21 841
Mexico	43 393	8 571
Sweden	41 472	8 577
Germany	38 606	3 615
Slovakia	25 717	3 503
UK	21 290	3 226
Netherlands	13 595	1 490
France	11 471	2 013
Canada	92 87	1 954
Poland	7 698	1 568
Spain	6 376	1 342
Hungary	5 823	757
Italy	3 904	471
Brazil	2 932	617
Korea	2 802	590
Australia	256	52

The term "BTU" is used to describe the thermal value (energy content) of fuels. A BTU is defined as the amount of heat required to raise the temperature of one pound of liquid water by one degree from 60° to 61° Fahrenheit at a constant pressure of one atmosphere. It is used here as a unit of power, BTU "per hour" (BTU/h, that is, BTU divided by hours), and is abbreviated, as is commonly done, to just "BTU." Using this standard unit of measure allows us to report energy use as one value.

Chemical Use

Most of the chemical consumption involves machining oils, lubricants, solvents and some chlorinated solvents. Sites seek to minimize use wherever possible. Increases in use may be attributed to increases in production, but it is more likely that use was under reported for 2007. This is due in part to incomplete data at some former GMS units, notably the Power Product Systems division. However, the majority of sites reduced their use of oil related products in 2008. Overall, solvent use essentially remained the same. Chlorinated solvents make up the smallest percentage of regulated chemicals used; these are only used in the Automotive Division. Chlorinated solvents are of concern due to their toxicity and persistence in the environment. Many of our customers are also concerned about its use in their supply chains. As a result, the company will move toward phasing out use of chlorinated solvents entirely.

Oil Use (L)	2008	2007	% Change
KA Group	**369 515**	**489 165**	**(25)**
Automotive Division	49 684	133 961	(63)
Power Products Systems	12 523	7 164	75
Commercial Vehicle Systems	307 608	348 040	(12)
VOC Use (L)			
KA Group	2 449 382	2 369 892	3
Automotive Division	2 295 108	2 190 701	5
Power Products Systems	1 076	794	36
Commercial Vehicle Systems	153 198	178 397	(14)
Chlorinated Solvent Use (L)			
KA Group	13 703	11 280	21
Automotive Division	13 703	11 280	21
Power Products Systems	0	0	0
Commercial Vehicle Systems	0	0	0

	Oil Use (L)			VOC Use (L)		
Region	2008	2007	% Change	2008	2007	% Change
Asia	**18 452**	**20 376**	**(9)**	**280**	**140**	**100**
Australia	100	–	–	100	–	–
China	16 247	18 566	(12)	180	140	28
Korea	2 105	1 810	16	0	0	0
Europe	**299 708**	**360 280**	**(17)**	**109 628**	**119 652**	**(8)**
France	4 875	5 880	(17)	1 160	2 933	(6)
Germany	2 037	2 357	(14)	17 752	21 736	(18)
Hungary	200	–	–	230	–	–
Italy	465	685	(32)	0	0	0
Netherlands	1 000	1 200	(17)	584	–	–
Norway	252 247	313 979	(20)	10 686	11 136	(4)
Poland	105	–	–	0	0	0
Slovakia	10 636	10 333	3	8 309	7 274	14
Spain	173	–	–	434	–	–
Sweden	7 680	7 500	2.4	3 325	3 425	(3)
UK	20 290	18 346	11	67 148	73 148	(8)
Americas	**51 655**	**108 509**	**(52)**	**2 339 474**	**2 250 101**	**4**
Brazil	1 738	1 290	35	10	10	0
Canada	–	–	–	–	–	–
Mexico	10 307	92 339	(88)	9 352	–	–
USA	39 610	14 880	166	2 330 112	2 249 758	4

Water Consumption

Water consumption is reported as having increased by 27 %, but this is attributed to incomplete monitoring of use in the previous year. In 2008, KA units reported using approximately 150M liters in their production facilities. Water consumption will be tracked more closely in 2009, so trends may be observed and actions taken to reduce overall consumption.

Waste

Pollution control is one of numerous HSE efforts that are crucially important to both KA and the countries where it operates. KA's aim is to minimize the amount and toxicity of waste sent to landfills. All units sort their waste by type and seek opportunities to reuse and recycle. As a result, Group reports disposing of 22 % less hazardous waste in 2008 than in the prior year. Oil-related waste increased from 2007 to 2008. This is likely the result of plant closures and consolidations; oils must be drained from machinery and equipment before moving to other locations. The amount of materials recycled increased 18 % over the same period and, as a result, approximately 4 450 tons of production related materials were not disposed of in landfills. All regulated and hazardous waste was managed by authorized recycling and disposal plants.

Fires/Near Fires

KA reports two small fires in 2008 with little or no damage to property. No employees were injured. As a result all locations continue to look at potential fire risks and enact plans to control and mitigate such risks.

Complaints

No spills or unauthorized releases into the environment were reported in 2008, nor were there any external complaints related to HSE reported during the year.

Water Consumption (L)	2008	2007	% Change
KA Group	**150 153 552**	**118 281 944**	**27**
Automotive Division	51 460 823	63 966 213	(20)
Power Product Systems	28 800 583	12 862 366	124
Commercial Vehicle Systems	69 892 146	41 453 365	69
Asia	**83 187 870**	**63 629 704**	**31**
Australia	51 000	–	–
China	41 559 000	31 814 000	30
Korea	1 812	1 704	6
Europe	**117 591 657**	**96 385 213**	**22**
France	2 546 000	4 089 000	(38)
Germany	2 309 000	5 954 000	(61)
Hungary	2 290 000	4 862 000	(39)
Italy	1 100	1 100	0
Netherlands	33 508 000	25 361 000	32
Norway	28 745 000	9 426 000	209
Poland	4 746	6 331	(25)
Slovakia	14 417	17 408	(17)
Spain	1 700	1 720	(1)
Sweden	6 116 000	11 640 000	(47)
UK	4 885 694	8 006 654	(39)
Americas	**36 293 574**	**23 055 983**	**57**
Brazil	4 014 000	2 278 000	76
Canada	–	–	–
Mexico	4 168 020	3 676 956	13
USA	19 929 534	11 146 071	78

Hazardous Waste (kg)	2008	2007	% Change
KA Group	**113 806**	**146 232**	**(22)**
Automotive Division	40 776	87 743	(54)
Power Products Systems	1 111	897	24
Commercial Vehicle Systems	71 919	57 642	25
Oil Waste (kg)			
KA Group	**294 388**	**227 756**	**29**
Automotive Division	49 782	37 709	32
Power Products Systems	3 966	4 252	(7)
Commercial Vehicle Systems	240 640	185 794	30
Recycled Materials (kg)			
KA Group	**8 903 373**	**7 549 062**	**18**
Automotive Division	2 854 178	2 658 009	7
Power Products Systems	2 754 318	1 744 425	58
Commercial Vehicle Systems	3 294 878	3 146 628	5
Waste Water (L)			
KA Group	**1 071 871**	**1 105 414**	**(3)**
Automotive Division	180 500	158 000	14
Power Products Systems	1 542	2 400	(36)
Commercial Vehicle Systems	889 829	945 014	(6)

	Hazardous Waste (kg)			Oil Waste (L)		
Region	2008	2007	% Change	2008	2007	% Change
Asia	**1 002**	**310**	**223**	**2 657**	**1 562**	**70**
Australia	0	0	0	0	0	0
China	1 002	310	223	1 237	240	415
Korea	0	0	0	1 420	1 322	7
Europe	**99 995**	**121 802**	**(18)**	**128 697**	**90 135**	**43**
France	9 607	10 530	(9)	1 070	5 085	(79)
Germany	549	848	(35)	2 120	1 950	9
Hungary	1 345	1 196	12	30	150	(80)
Italy	0	0	0	180	540	(67)
Netherlands	4 560	–	–	400	0	400
Norway	59 460	52 000	14	96 572	55 728	73
Poland	2 145	468	358	0	100	(100)
Slovakia	11 486	11 127	3	13 335	10 384	28
Spain	445	286	56	173	–	–
Sweden	4 172	44 587	(91)	6 597	7 648	(14)
UK	6 226	760	719	8 220	8 550	(4)
Americas	**12 809**	**24 120**	**(47)**	**163 034**	**136 059**	**20**
Brazil	280	–	–	2 383	1 344	77
Canada	–	–	–	–	–	–
Mexico	110 207	19 513	(44)	14 130	15 350	(8)
USA		4 606.6	(67)	146 521	119 364	23

	Recycled Materials (kg)			Waste Water (L)		
Region	2008	2007	% Change	2008	2007	% Change
Asia	**2 781 363**	**1 776 537**	**57**	**17 300**	**4 050**	**327**
Australia	5 100	–	–	0	0	0
China	2 724 161	1 735 014	57	12 500	–	–
Korea	52 102	41 523	25	4 800	4 050	19
Europe	**5 166 988**	**4 995 703**	**3**	**947 186**	**995 950**	**(5)**
France	374 820	300 348	25	0	0	0
Germany	125 928	197 030	(36)	0	0	0
Hungary	63 400	65 020	(2)	0	0	0
Italy	0	0	0	0	0	0
Netherlands	9 400	–	–	22 275	–	–
Norway	2 893 190	2 721 510	6	755 500	836 000	(10)
Poland	110 770	114 600	(3)	3 000	4 000	(25)
Slovakia	82 067	118 062	(30)	0	0	0
Spain	23 772.2	26 987.1	(12)	0	0	0
Sweden	1 353 464	1 305 206	4	165 000	154 000	7
UK	130 177	146 940	(11)	1 411	1 950	(28)
Americas	**946 622**	**769 322**	**23**	**107 385**	**105 414**	**2**
Brazil	62 740	50 900	23	23 317	13 160	77
Canada	–	–	–	–	–	–
Mexico	614 498	577 015	6	–	–	–
USA	277 784	148 907	87	84 068	92 254	(9)

Highlights of HSE Improvement Measures in 2008

- Busan, Korea, facility reports four years with no lost-time accidents.
- Hvittingfoss, Norway, automated certain equipment to reduce manual work.
- Normanton, UK, invested in lifting equipment to assist workers with heavy and cumbersome components.
- Shanghai, China, facility provided wellness checkups to all employees, while Swainsboro USA, with a significant female work force, focused on women's health issues throughout the year.
- Suffield and Pickens, USA, used 5S methods to minimize material handling, and thus manual effort, and to improve overall equipment safety.
- Heiligenhaus, Germany, reduced energy consumption by 11 % while increasing illumination and ventilation, reduced hazardous waste by 20 %, and reduced noise at the work place through engineering improvements.
- Milan, USA, facility reduced lost-time accidents by 50 % in one year.
- A significant investment was made in machine guarding improvements to die casters at the Matamoros and Siofok factories.
- Cluses, France, facility upgraded their emergency and fire alarm systems to ensure worker safety.
- Wuxi, China, and Selvazzano, Italy, facilities obtained their ISO 14001 certifications.
- An energy audit at the Van Wert, Ohio, facility realized USD 55 000 in energy savings, primarily related to building heating and cooling, with just minimal capital investment.
- Facility in Nuevo Laredo, Mexico, reduced energy use related to interior lighting by 48 % by installing low wattage bulbs.
- Burton, UK, facility invested in recycling equipment to reduce amount of waste sent to landfill.
- Enschede, Netherlands, facility invested in energy-efficient equipment like high frequency lighting, automatic doors and low-energy air systems to reduce overall electricity use.

Highlights of HSE Improvement Measures planned for 2009

- By adopting efficiency programs for safety work, Jundiai, Brazil, will look at processes to streamline and improve work procedures from an ergonomic perspective.
- Grand Mère, Canada, is embarking on a plant wide risk assessment in order to target those operations most in need of engineering and efficiency improvements.
- Benton, USA, will add a chiller to recycle process cooling water and plans programs for more cardboard, paper and wood pallet recycling.
- Basildon, UK, is planning a full HSE program review and will add awareness campaigns and training to its HSE work.
- Grand River, Ohio, will use safety talks and management and employee meetings to promote HSE programs.
- Willis, USA, wants to provide employees training in lifesaving techniques such as CPR. They also plan to reduce waste by expanding existing recycling programs.
- Hvittingfoss and Rollag, both in Norway, plan more equipment automation to reduce manual work.
- Shanghai, China, along with additional health awareness campaigns, plans to promote greater safety awareness and the benefits of recreation outside of work.
- Milan, USA, will look to replace solvent-based wax and paint with water-based types in their manufacturing lines. This will reduce overall solvent use and related waste.
- Ljungsarp, Sweden, will improve its emergency and fire suppression systems, and Mullsjo, Sweden, plans more training in fire prevention and response.
- Nuevo, Laredo Mexico, facility intends to install equipment such as hand dryers, water restrictors and low-energy lighting systems to save paper, water and energy.
- Suffield, USA, and Normanton, UK, will look at solvent usage and find ways to use less. Normanton will also add static dissipation equipment to reduce process fire risks.
- Burton, UK, will increase the number of recycling opportunities and get employees more involved.
- Vráble, Slovakia, will focus on ventilation improvements, safety signs, and slowing down cars with speed bumps.
- Cluses, France, will promote a warm-up before work and safety awareness. They also have electrical upgrades planned and will evaluate ergonomic impacts.
- Pruszków, Poland, will consolidate operations and improve lighting to save energy.
- Wuxi, China; Epila, Spain; Enschede, Netherlands; Matamoros, Mexico; Heiligenhaus and Dassel, Germany; Swainsboro and Pickens, USA; Siófok, Hungary, and most other locations, plan to use internal auditing, efficiency tools and awareness programs to improve their HSE performance.

Planned Efforts 2009
Group Targets & Expectations

In 2009 Kongsberg Automotive will launch two separate policies: an Environmental Policy and a Health & Safety Policy. These policies were updated to reflect KA's expanded scope and size. Each policy emphasizes how important the respective topics are to the viability of the organization. With these two updated policies in place, the tone for HSE performance throughout Kongsberg Automotive will be set once again. Accordingly, all units will work on meeting the following performance objectives.

Strive for zero accidents through prevention. "Put Safety First" is our standard.

- Reduce total number of accidents by 50 % companywide.
- Reduce H-Value, or accidents resulting in lost time, by 50 % at every location.

Minimize negative environmental impacts. "Protecting the Environment, Now and in the Future" is our standard.

- Lower energy consumption by 10 % at each operating unit.
- Lower the amount of waste sent to landfills by 10 % at each operating unit.

FINANCIALS

Balance Sheet 31.12.08

Kongsberg Automotive Holding ASA				Kongsberg Automotive Group	
31.12.08	31.12.07	Euro million	Note	31.12.08	31.12.07
		ASSETS			
		Non-current assets			
9.1	5.4	Deferred tax assets	12	44.3	9.3
1.0	1.3	Intangible assets	5	282.8	310.1
0.7	0.2	Property. plant and equipment	6	156.1	169.3
58.0	449.7	Shares in subsidiaries		0.0	0.0
462.7	59.9	Loans to subsidiaries		0.0	0.0
0.5	0.4	Financial non-current assets		5.2	1.6
532.0	**516.9**	**Total non-current assets**		**488.4**	**490.3**
		Current assets			
0.0	0.0	Inventories	7	84.8	107.2
30.5	18.6	Trade and other receivables	8, 9	128.7	186.6
0.2	12.5	Cash and cash equivalents	10	47.6	43.1
30.7	**31.1**	**Total current assets**		**261.1**	**336.9**
562.7	**548.0**	**Total assets**		**749.5**	**827.2**
		EQUITY AND LIABILITIES			
		Equity			
3.3	2.8	Share capital	11	3.3	2.8
55.5	1.9	Share premium		55.5	1.9
(4.9)	(6.3)	Other reserves		(15.3)	(19.0)
19.5	33.2	Retained earnings		39.8	78.1
73.4	31.6	Attributable to equity holders		83.3	63.8
0.0	0.0	Minority interest in equity		7.4	4.7
73.4	**31.6**	**Total equity**		**90.7**	**68.5**
		Liabilities			
0.0	0.0	Deferred tax liabilities	12	42.6	45.5
1.1	1.0	Retirement benefit obligations	13	15.4	15.1
419.8	404.5	Interest-bearing loans and borrowings	14, 15	420.6	405.3
420.9	405.5	Total non-current liabilities		478.6	465.9
20.1	0.0	Bank overdrafts	14	24.4	7.8
30.1	105.5	Other short-term interest-bearing liabilities	14	36.0	113.5
0.0	0.0	Current income tax liabilities	12	3.0	2.7
18.2	5.4	Trade and other payables	16	116.8	168.8
68.4	110.9	Total current liabilities		180.2	292.8
489.3	**516.4**	**Total liabilities**		**658.8**	**758.7**
562.7	**548.0**	**Total equity and liabilities**		**749.5**	**827.2**

The notes on pages 44 to 65 form an integral part of these consolidated financial statements.

Income Statement

Kongsberg Automotive Holding ASA				Kongsberg Automotive Group	
31.12.08	31.12.07	Euro million	Note	31.12.08	31.12.07
10.3	**8.6**	**Operating revenues**	**4**	**905.9**	**398.8**
		Operating expenses			
0.0	0.0	Raw materials consumed		(589.6)	(178.1)
0.0	0.0	Change in inventories	7	22.4	(9.0)
(5.5)	(3.4)	Salaries and social expenses	19	(215.7)	(115.5)
(9.0)	(6.6)	Other operating expenses		(77.2)	(55.1)
(0.1)	(0.1)	Depreciation	6	(29.8)	(11.5)
(0.4)	(0.6)	Amortisation	5	(17.1)	(3.2)
(15.0)	(10.7)	Total operating expenses		(907.0)	(372.4)
(4.7)	**(2.1)**	**Operating (loss) / profit**		**(1.1)**	**26.4**
		Financial items			
35.8	23.0	Financial income	20	1.5	0.6
(47.2)	(7.6)	Financial expenses	20	(142.6)	(5.7)
(11.4)	15.4	Net financial items		(141.1)	(5.1)
(16.1)	**13.3**	**(Loss) / profit before income tax**		**(142.2)**	**21.3**
7.2	0.0	Income tax	12	47.9	(5.7)
(8.9)	**13.3**	**(Loss) / profit for the year**		**(94.3)**	**15.6**
		Attributable to			
(8.9)	13.3	Equity holders		(94.1)	15.6
0.0	0.0	Minority interest		(0.2)	0.0
(8.9)	**13.3**	**Total**		**(94.3)**	**15.6**
		Earnings per share (basic and diluted) Euros	**21**	**(1.44)**	**0.35**

The notes on pages 44 to 65 form an integral part of these consolidated financial statements.

12 March 2009
Kongsberg Automotive Holding ASA

Curt Germundsson
Chairman
(Sign.)

Bente Rathe
Deputy Chairman
(Sign.)

Jan Peter Sunde
(Sign.)

Ulla-Britt Fräjdin-Hellqvist
(Sign.)

Dr. Jürgen Harnisch
(Sign.)

Kevin Burrell
(Sign.)

Leif H. Strømhaug
(Sign.)

Anna Hvattum
(Sign.)

Olav Volldal
President
(Sign.)

Statement of Changes in Equity

Kongsberg Automotive Group

	Share capital	Share premium	Other reserves	Retained earnings	Sub-total	Minority interest	Total equity
Equity 01.01.07	**2.7**	**1.7**	**(4.3)**	**66.4**	**66.5**		**66.5**
Foreign currency translation	0.1	0.1	(14.7)	2.3	(12.2)		(12.2)
Capital received from Employee Stock Purchase Plan		0.1			0.1		0.1
Value of share options charged to income statement				0.5	0.5		0.5
Profit for the year				15.6	15.6		15.6
Adjustments to opening balances						4.7	4.7
Dividend relating to 2006				(6.7)	(6.7)		(6.7)
Equity 31.12.07 / 01.01.08	**2.8**	**1.9**	**(19.0)**	**78.1**	**63.8**	**4.7**	**68.5**
Foreign currency translation	(0.5)	(0.4)	3.7	19.3	22.1	2.9	25.0
Foreign currency translation of net investment in foreign subsidiaries				35.6	35.6		35.6
Issue of new shares	1.0	54.0			55.0		55.0
Value of share options charged to income statement				0.9	0.9		0.9
(Loss) for the year				(94.1)	(94.1)	(0.2)	(94.3)
Equity 31.12.08	**3.3**	**55.5**	**(15.3)**	**39.8**	**83.3**	**7.4**	**90.7**

Dividend	**2008**	**2007**
Dividend per share in Euros - paid	0.00	0.00
Dividend per share in Euros - proposed	0.00	0.00

Kongsberg Automotive Holding ASA

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Equity 01.01.07	**2.7**	**1.7**	**(5.9)**	**18.7**	**17.2**
Foreign currency translation	0.1	0.1	(0.4)	0.7	0.5
Capital received from Employee Stock Purchase Plan		0.1			0.1
Value of share options charged to income statement				0.5	0.5
Profit for the year				13.3	13.3
Equity 31.12.07 / 01.01.08	**2.8**	**1.9**	**(6.3)**	**33.2**	**31.6**
Foreign currency translation	(0.5)	(0.4)	1.4	(5.7)	(5.2)
Issue of new shares	1.0	54.0			55.0
Value of share options charged to income statement				0.9	0.9
(Loss) for the year				(8.9)	(8.9)
Equity 31.12.08	**3.3**	**55.5**	**(4.9)**	**19.5**	**73.4**

Shares	**2008**
Number of shares in issue at 01.01.08	44 348 590
Number of new shares issued during 2008	20 815 714
Number of shares in issue at 31.12.08	65 164 304
Of these. treasury shares	1 000 000

The notes on pages 44 to 65 form an integral part of these consolidated financial statements.

Cash Flow Statement

Kongsberg Automotive Holding ASA			Kongsberg Automotive Group	
31.12.08	31.12.07	Euro million	31.12.08	31.12.07
		Operating activities		
(16.1)	13.3	(Loss) / profit before taxes	(142.2)	21.3
0.1	0.1	Depreciation	29.8	11.5
0.4	0.6	Amortisation	17.1	3.2
(45.1)	(0.1)	Interest income	(1.5)	(0.6)
37.1	5.3	Interest expenses	38.9	6.0
0.0	0.0	Taxes paid	2.7	(6.6)
0.0	0.3	(Gain) / loss on sale of non-current assets	0.0	0.3
0.9	101.2	Changes in working capital	28.4	(12.0)
0.1	0.1	Changes in retirement benefit obligations	0.3	0.1
19.3	0.0	Unrealised currency differences	103.6	0.1
0.0	0.0	Changes in other current items	0.0	0.8
(3.2)	**120.8**	**Cash flow from operating activities**	**77.2**	**24.1**
		Investing activities		
(1.2)	(1.9)	Capital expenditure	(39.3)	(26.6)
0.0	0.4	Sale of non-current assets	0.0	0.4
391.7	(383.2)	Purchase / sale of subsidiaries	0.0	(383.2)
390.5	**(384.7)**	**Cash flow from investing activities**	**(39.3)**	**(409.4)**
		Financing activities		
55.0	0.0	Issue of new shares	55.0	0.0
(60.1)	301.5	Change in external loans	(62.2)	409.5
(402.8)	1.5	Change in group loans	0.0	0.0
20.1	(15.6)	Net change in bank overdraft	16.6	(8.9)
49.0	0.1	Interest received	1.5	0.6
(36.1)	(5.3)	Interest paid	(49.0)	(6.0)
0.0	(6.7)	Dividends paid	0.0	(6.7)
0.0	0.5	Capital received from Employee Stock Purchase Plan	0.0	0.5
(375.0)	**276.0**	**Cash flow from financing activities**	**(38.2)**	**389.0**
0.0	**0.0**	**Currency effects**	**(4.8)**	**14.3**
12.3	12.1	Net change in cash	4.5	18.0
12.5	0.4	Cash at 01.01	43.1	25.1
0.2	**12.5**	**Cash at 31.12**	**47.6**	**43.1**
0.2	0.1	Of this, restricted cash	1.3	1.6

The notes on pages 44 to 65 form an integral part of these consolidated financial statements.

Notes

Note 1 – General information

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 12 March 2009.

Note 2 – Summary of significant accounting policies

2.1) BASIS OF PREPARATION
The group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as endorsed by EU, modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss account. The holding company follows simplified IFRS.

2.1.1) Changes becoming effective during 2008
IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' provides guidance on assessing the limit in IAS 19 on the amount of the surplus that may be recognised as an asset. It also explains how a pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This amendment had no impact on the group's financial statements.

IFRIC 11, 'IFRS 2 - Group and treasury share transactions' provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This change was chosen for early implementation in 2007.

2.1.2) Interpretations effective in 2008 but not relevant
The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the group's operations:

IFRIC 12, 'Service concession arrangements'; and IFRIC 13, 'Customer loyalty programmes'.

2.1.3) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group
The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods, but the group has not early adopted them:

IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting' . The new standard requires a management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The group will apply IFRS 8 from 1 January 2009.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amendment) from 1 January 2009.

IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement (the comprehensive income statement) or in two statements (the income statement and the comprehensive income statement). The group will apply IAS 1 (revised) from 1 January 2009. It is likely that both the income statement and the comprehensive income statement will be presented as performance statements.

IFRS 2 (Amendment), 'Share-based payment' (effective from I January 2009). The amended standard deals with vesting conditions and cancellations but is not expected to have a material effect on the group's financial statements. The group will apply IFRS 2 (Amendment) from 1 January 2009.

IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements - Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). These amendments are not expected to have any impact on the group's financial statements.

IFRS 1 (Amendment), 'First time adoption of IFRS' and IAS 27, Consolidated and separate financial statements' (effective from 1 January 2009). Wherever practicable, subsidiaries of the group will adopt these standards from 1 January 2009. The change will have no impact on the group's consolidated financial statements.

IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill gains or losses. The standard also specifies the accounting when control is lost. The group will apply IAS 27 (Revised) to transactions with non-controlling interests from 1 January 2010.

IFRS 3 (Revised), 'Business combinations', (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal results in loss of control. The group will apply IFRS 5 (Amendment) prospectively to any partial disposals of subsidiaries from 1 January 2010.

IAS 23 (Amendment), 'Borrowing costs', (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. The group will apply IAS 23 (Amendment) to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.

IAS 19 (Amendment), 'Employee benefits', (effective from 1 January 2009). The amendment clarifies that a retirement benefits plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended. The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. Introduction of the amendment will not cause significant changes in the fin. statements. The group will apply IAS 19 (Amendment) from 1 January 2009.

2.1.4) Interpretations and amendments to existing standards that are not yet effective and are not likely to be relevant to the group's operations

IAS 28 (Amendment), 'Investments in Associates', (effecive from 1 January 2009).

IAS 38 (Amendment), 'Intangible Assets', (effective from 1 January 2009).

IAS 39 (Amendment), 'Financial instruments: Recognition and measurement', (effective from 1 January 2009).

IAS 1 (Amendment), 'Presentation of financial statements', (effective from 1 January 2009).

2.2) CRITICAL ACCOUNTING POLICIES AND ESTIMATES

2.2.1) Basis of consolidation
The consolidated financial statements comprise the financial statements of Kongsberg Automotive Holding ASA and its subsidiaries as at 31 December each year. The financial statements of most subsidiaries are prepared for the same reporting periods as the parent company, using consistent accounting principles.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the group obtained control, and continue to be consolidated until the date on which such control ceases. Acquistions are accounted for using the purchase method of accounting, involving the allocation of the cost of business combinations to the fair value of the acquired assets and liabilities and contingent liabilities assumed at the date of acquisition.

All intra-group balances, transactions, income, expenses and profits and losses resulting from intragroup transactions that are recognised in assets are eliminated.

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

2.2.2) Functional currency 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 the each month of the period. Exchange differences on translation are recognised in equity. (The presentation currency for the 2007 consolidated financial statements was NOK. Comparative financial information has been retranslated at the average exchange rate for the income statement and at the year end exchange rate for the balance sheet.)

The financial statements of the holdingcompany have been prepared in accordance with simplified IFRS. The presentation currency adopted is Euros rather than the company's functional currency, 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, thus avoiding potential confusion.

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 recognised in the income statement as financial income or expenses.

2.2.3) Segment information
A business segment is a part of the business that delivers products and services with a risk and rate of return that may be different from that of other business segments.

2.2.4) Revenue recognition
Revenue is recognised 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.

Revenues from the sale of goods are recognised at the point at which the risks and rewards of ownership are transferred. Revenue from other income streams, such as the sale of tooling, prototype parts and engineering services is recognised upon notification of formal customer acceptance.

2.2.5) Impairment
All intangible assets are tested at least annually for impairment. Additionally, testing is performed whenever there is an indication that impairment may exist. Impairment losses represent the difference between the carrying amount of assets and their recoverable amounts, being the higher of fair value and value in use. Impairment losses are recognised in the income statement. The need for reversing prior impairment losses on non-financial assets, excluding goodwill, is considered.

2.2.6) Use of estimates
The preparation of the financial statements necessitates the use of accounting estimates and of assumptions related to the future. This applies in particular to the assumptions used in the actuarial evaluation of defined benefit plans and in the assessment of goodwill. Future events may lead to changes in the estimates. Such changes are recognised at the point at which new estimates can be determined with certainty.

2.3) SPECIFIC ACCOUNTING PRINCIPLES

2.3.1) 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. The allocation is made to those units that are expected to benefit from the acquisition. The group allocated goodwill to each busness segment.

Goodwill is stated net of any impairment losses. Impairment is tested annually; impairment losses are regarded as permanent in nature and are not reversed.

Other intangible assets
Intangible assets are recognised 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 amortised and due consideration is given to any need for recognition of impairment losses. Amortisation is charged using the straight-line method over the estimated useful life of the asset. The amortisation 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 amortised over 12 years.

Patents
Patents are amortised 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.

Research and development costs
Research costs are expensed as incurred. Intangible assets arising from development costs on specific projects are recognised 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 amortised 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 amortisation period limited to five years.

Software
Costs associated with maintaining computer software are expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised 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 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 capitalised 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 recognised as an asset in a subsequent accounting period.

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

Non-compete agreements
Non-compete agreements are amortised over three years.

2.3.2) Tangible non-current assets
Tangible non-current assets 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 and taxes and 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 recognised in the balance sheet as additions to non-current assets. Each part of an item of tangible non-current assets 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 recognised in the income statement.

Tangible non-current 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.

2.3.3) 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.

2.3.4) Trade receivables
Trade receivables are carried at original invoice amounts, less an allowance for any uncollectable amounts.

2.3.5) 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 balance sheet within current liabilities. Bank overdrafts are shown net of deposits if these are with the same bank.

2.3.6) Taxes payable and deferred taxes
Taxes in the income statement include corporate income taxes payable for the period together with changes in deferred tax.

Deferred tax assets are recognised if it is probable that there will be sufficient future taxable profits for the tax asset to be utilised. Deferred tax assets and liabilities are recognised irrespective of when the temporary temporary timing differences giving rise to them are expected to reverse.

Tax payable and deferred tax are recognised directly within equity to the extent that they relate to items that are themselves recognised directly within equity.

2.3.7) 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 plans still in operation are early retirement agreements through the AFP scheme and an early retirement plan for the CEO.

Defined benefit pension plans also exist in two subsidiaries in Germany and in subsidiaries in the Netherlands, Italy 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 recognised in the income statement when they arise. Actuarial gains are recognised as income or expense when the net cumulative unrecognised 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 recognised 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.

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

2.3.8) Interest-bearing loans and borrowings
Alll loans and borrowings are initially recognised 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 amortised cost using the effective interest method. Repayments of long-term debt due within twelve months of the balance sheet date are included within current liabilities.

2.3.9) Financial derivative instruments
The group uses financial derivative instruments such as forward currency and metals contracts to reduce risks associated with foreign currency and metal price fluctuations. These derivatives are not designated hedging instruments. The derivatives are measured at fair value. Changes in fair value are recognised 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 20 - Financial Items.

2.3.10) Finance leases
Agreements for which a major part of the risks and returns remains with the lessee are accounted for as finance leases.

2.3.11) 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 controbution 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.

2.3.12) 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 reissued. Where such shares are subsequently reissued any consideration recieved, net of any directly attributable transaction costs and the related income tax effects, is included in equity attributable to the company's equity shareholders.

Note 3 – Subsidiaries

Company name	Country/ State of incorporation	Owner-ship %	Holding company
Kongsberg Interior Systems Pty Ltd	Australia	100	
Kongsberg Automotive Ltda	Brazil	100	
Kongsberg Sistemas Automotivos de Direção Ltda	Brazil	100	
Kongsberg Inc	Canada	100	
Chongqing Teleflex Auto Parts Co Ltd	China	60	
Kongsberg Automotive Ltd	China	100	
Kongsberg Automotive (Shanghai) Ltd	China	100	
Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd	China	51	
Shanghai Lone Star Cable Co Ltd	China	100	
Teleflex (Shenyang) Auto Parts Manufacture Co Ltd	China	75	
Kongsberg SAS	France	100	x
Kongsberg Automotive SARL	France	100	
Kongsberg Driveline Systems SAS	France	100	
Kongsberg Power Products Systems SARL	France	100	
SCI Immobilière la Clusienne	France	100	
Raufoss Couplings France SAS	France	100	
Kongsberg 1 GmbH	Germany	100	x
Kongsberg 2 GmbH	Germany	100	x
Kongsberg Actuation Systems GmbH	Germany	100	
Kongsberg Automotive GmbH	Germany	100	
Kongsberg Driveline Systems GmbH	Germany	100	
Ctex Seat Comfort Ltd	Great Britain	100	
Kongsberg Actuation Systems Ltd	Great Britain	100	
Kongsberg Automotive Ltd	Great Britain	100	
Kongsberg Holding Ltd	Great Britain	100	x
Kongsberg Interior Systems Ltd	Great Britain	100	
Kongsberg Power Products Systems Ltd	Great Britain	100	
Teleflex Morse Ltd	Great Britain	100	
Kongsberg Automotive Hong Kong Ltd	Hong Kong	100	x
Kongsberg Automotive Holding Kft	Hungary	100	x
Kongsberg Interior Systems Kft	Hungary	100	
Kongsberg Automotive (India) Private Ltd	India	100	
Technico Kongsberg Automotive India Private Ltd	India	70	
Kongsberg Srl	Italy	100	x
Kongsberg Power Products Systems Srl	Italy	100	
Kongsberg Automotive Ltd	Korea	100	
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 Actuation Systems AS	Norway	100	x
Kongsberg Automotive AS	Norway	100	
Kongsberg Driveline Systems AS	Norway	100	x
Kongsberg Interior Systems AS	Norway	100	x
Kongsberg Power Products Systems AS	Norway	100	x
Kongsberg Automotive Sp. z.o.o.	Poland	100	
Kongsberg Driveline Systems s.r.o.	Slovakia	100	
Kongsberg Actuation Systems SL	Spain	100	
Kongsberg Automotive SL	Spain	100	x
Kongsberg Power Products Systems SL	Spain	100	
Kongsberg Automotive AB	Sweden	100	
Kongsberg Power Products Systems AB	Sweden	100	
Kongsberg Actuation Systems I, Inc	USA, Delaware	100	
Kongsberg Actuation Systems II, Inc	USA, Connecticut	100	

Kongsberg Actuation Systems III, Inc	USA, Delaware	100	
Kongsberg Automotive Inc	USA, Michigan	100	
Kongsberg Driveline Systems I, Inc	USA, Delaware	100	
Kongsberg Driveline Systems II, Corp	USA, Delaware	100	
Kongsberg Driveline Systems III, Partnership	USA, Michigan	100	
Kongsberg Holding I, Inc	USA, Delaware	100	x
Kongsberg Holding II, LLC	USA, Delaware	100	x
Kongsberg Holding III, Inc	USA, Delaware	100	x
Kongsberg Holding IV, Inc	USA, Delaware	100	x
Kongsberg Holding V, Inc	USA, Delaware	100	x
Kongsberg Interior Systems I, Inc	USA, Delaware	100	
Kongsberg Interior Systems II, Inc	USA, Delaware	100	
Kongsberg Power Products Systems I, Inc	USA, Delaware	100	
Kongsberg Power Products Systems III, LLC	USA, Delaware	100	x
Kongsberg Power Products Systems IV, LLC	USA, Delaware	100	x
Kongsberg Power Products Systems V, Ltd	USA, Texas	100	

Note 4 – Segment reporting

The primary reporting segments for Kongsberg Automotive are the three divisions, Automotive Systems, Commercial Vehicle Systems and Power Products Systems as the group's risks and rates of return are affected predominantly by differences in the products manufactured. The primary reporting segments are based on the management and internal reporting structure of the group. Sales transactions and cost allocations between the divisions are made on the arms' length principle. The results for each division and the capital allocation elements comprise both items that are directly related to and recorded within the division, as well items that are allocated based on reasonable allocation keys.

- Automotive Systems consists of Driveline Systems and Interior Systems (formerly Seat Comfort). Driveline Systems is a Tier 1 supplier of custom-engineered cable controls and complete shift systems in the global light vehicle automotive market. Interior Systems is a global leader in the design, development and manufacture of mechanical and electro-mechanical light duty motion comfort and seat comfort systems to Tier 1 and Tier 2 customers.
- Commercial Vehicle Systems (formerly Driveline and Chassis - "D&C") is a developer and manufacturer of operator control systems for industrial vehicle markets offering a wide product portfolio including clutch servo systems and products related to chassis stabilisation.
- Power Products Systems designs and manufactures vehicle control systems such as engineered pedal systems, steering systems, electronic displays and cable controls. Its customers are manufacturers of commercial, industrial, agricultural and construction vehicles.

The secondary reporting segment for Kongsberg Automotive is geographical location.

4.1) PRIMARY REPORTING SEGMENT – DIVISIONS

2008 (Euro million)	Automotive Systems	Commercial Vehicle Systems	Power Products Systems	Eliminations & other	KA Group
Operating revenues	528.6	267.7	145.7	(36.1)	905.9
EBITDA	**5.4**	**30.3**	**10.5**	**(0.1)**	**46.1**
Depreciation	(16.6)	(10.4)	(2.7)	(0.1)	(29.8)
EBITA	**(11.2)**	**19.9**	**7.8**	**(0.5)**	**16.0**
Amortisation	(6.7)	(5.7)	(4.2)	(0.4)	(17.1)
Operating (loss) / profit	**(17.9)**	**14.2**	**3.6**	**(0.9)**	**(1.1)**
Assets and liabilities					
Goodwill	75.7	66.4	19.7	(0.2)	161.6
Intangible assets and property, plant and equipment	130.0	96.0	49.9	1.4	277.3
Inventories	41.3	19.4	24.9	(0.8)	84.8
Trade receivables	55.6	32.5	22.2	0.2	110.5
Segment assets	**302.6**	**214.3**	**116.7**	**0.6**	**634.2**
Non-allocated assets				115.3	115.3
Total assets				**115.9**	**749.5**
Trade payables	40.2	14.8	12.6	0.3	67.9
Non-allocated liabilities				590.9	590.9
Total liabilities	**40.2**	**14.8**	**12.6**	**591.2**	**658.8**
Capital expenditure	18.7	14.7	3.8	2.1	39.3

2007 (Euro million)	Automotive Systems	Commercial Vehicle Systems	Power Products Systems	Eliminations & other	KA Group
Operating revenues	179.9	218.5	0.0	0.4	398.8
EBITDA	**19.3**	**23.6**	**0.0**	**(1.9)**	**41.0**
Depreciation	(4.1)	(7.2)	0.0	(0.2)	(11.5)
EBITA	**15.2**	**16.4**	**0.0**	**(2.1)**	**29.5**
Amortisation	(1.1)	(1.7)	0.0	(0.4)	(3.2)
Operating (loss) / profit	**14.1**	**14.7**	**0.0**	**(2.5)**	**26.4**
Assets and liabilities					
Goodwill	82.1	66.0	21.4	0.0	169.6
Intangible assets and property, plant and equipment	129.1	120.7	58.3	1.6	309.8
Inventories	46.2	38.1	23.4	(0.4)	107.2
Trade receivables	86.2	53.7	26.3	0.0	166.2
Segment assets	**343.6**	**278.4**	**129.5**	**1.2**	**752.7**
Non-allocated assets				74.5	74.5
Total assets				**75.7**	**827.2**
Trade payables	66.9	21.5	16.3	2.0	106.8
Non-allocated liabilities				651.9	651.9
Total liabilities				**653.9**	**758.7**
Capital expenditure	8.0	18.2	0.0	0.4	26.6

The numbers for 2007 have been restated to reflect the divisional structure adopted in 2008. Non-allocated assets include deferred tax assets and other non-current tangible assets. Non-allocated liabilities include all other liabilities than trade payables.

4.2) SECONDARY REPORTING SEGMENT – GEOGRAPHICAL LOCATION

The group's geographical segments for sales to external customers are based on the geographical locations of the customers. The group's geographical segments for assets and capital expenditure are based on the geographical locations of its subsidiaries.

4.2.1) Sales to external customers by geographical location

	2008		2007	
(Euro million)	Jan–Dec	%	Jan–Dec	%
Sweden	129.8	14.3	95.9	24.0
Germany	118.8	13.1	67.3	16.9
Rest of Europe	293.9	32.4	140.0	35.1
North America	242.1	26.7	67.6	17.0
Other	121.3	13.4	28.0	7.0
Operating revenues	**905.9**	**100.0**	**398.8**	**100.0**

4.2.2) Total assets by geographical location

	2008		2007	
(Euro million)	Jan–Dec	%	Jan–Dec	%
Sweden	52.6	7.0	58.0	7.0
Germany	79.0	10.5	87.2	10.5
Rest of Europe	266.9	35.6	294.6	36.6
North America	269.6	36.0	297.5	36.0
Other	81.4	10.9	89.8	10.9
Total assets	**749.5**	**100.0**	**827.2**	**100.0**

4.2.3) Capital expenditure by geographical location

	2008		2007*	
(Euro million)	Jan–Dec	%	Jan–Dec	%
Sweden	0.1	0.4	16.3	4.0
Germany	1.1	2.8	26.6	6.5
Rest of Europe	17.8	46.8	170.8	41.7
North America	3.9	10.2	42.3	10.3
Other	16.4	39.9	153.4	37.5
Total capital expenditure	**39.3**	**100.0**	**409.4**	**100.0**

* The 2007 figures include acquisition of subsidiaries.

Note 5 – Intangible assets

KAH ASA			KA Group			
Software	Euro million	Goodwill	Customer relationships	Patents and R&D	Software and other	Total
0.5	Cost	50.3	0.0	18.0	4.8	73.1
0.0	Accumulated amortisation	0.0	0.0	(7.8)	(3.6)	(11.4)
0.5	**Book value at 01.01.2007**	**50.3**	**0.0**	**10.2**	**1.2**	**61.7**
1.4	Additions	0.0	0.0	0.0	1.5	1.5
0.0	Acquisition of subsidiaries	124.0	90.1	29.1	10.4	253.6
(0.6)	Amortisation	0.0	0.0	(2.7)	(0.5)	(3.2)
0.0	Disposals accumulated cost	0.0	0.0	0.0	(2.7)	(2.7)
0.0	Disposals accumulated amortisation	0.0	0.0	0.0	2.0	2.0
0.0	Exchange differences	(4.7)	0.8	0.1	1.0	(2.8)
1.3	**Book value at 31.12.2007**	**169.6**	**90.9**	**36.7**	**12.9**	**310.1**
	As at 31.12.2007					
1.9	Cost	169.6	90.9	47.2	15.0	322.7
(0.6)	Accumulated amortisation	0.0	0.0	(10.5)	(2.1)	(12.6)
1.3	**Book value 31.12.2007**	**169.6**	**90.9**	**36.7**	**12.9**	**310.1**
0.0	Adjustments to opening balances	0.0	0.0	0.0	0.0	0.0
0.4	Additions	0.0	0.0	3.0	1.8	4.8
(0.4)	Amortisation	(0.1)	(8.9)	(4.8)	(3.4)	(17.1)
0.0	Impairment charge	0.0	0.0	0.0	0.0	0.0
0.0	Disposals accumulated cost	0.0	0.0	0.0	(0.1)	(0.1)
0.0	Disposals accumulated amortisation	0.0	0.0	0.0	0.0	0.0
0.0	Transfers	0.0	0.0	(0.9)	0.9	0.0
(0.3)	Exchange differences	(7.9)	(1.4)	(2.1)	(3.5)	(14.9)
1.0	**Book value at 31.12.2008**	**161.6**	**80.7**	**32.0**	**8.7**	**282.8**
	As at 31.12.2008					
2.1	Cost	161.7	89.6	36.8	12.0	299.9
(1.1)	Accumulated amortisation	(0.1)	(8.9)	(4.8)	(3.4)	(17.1)
1.0	**Book value 31.12.2008**	**161.6**	**80.7**	**32.0**	**8.7**	**282.8**

The finalisation of the purchase price allocation for the acquisition of Global Motion Systems on 27 December 2007 is included in the 2007 numbers presented above.

Impairment testing of goodwill and other intangible assets

As part of the year end close the company has performed impairment tests on the carrying values of all intangible assets (including goodwill) and on tangible non-current assets in accordance with the requirements of IAS 36. The tests essentially comprised NPV (net present value) analyses of forecast future cash flows. The business case used as the basis for the cash flow estimates covered the period 2009 to 2103 and was based on current forecasts for the group's businesses. The terminal values of businesses at the end of 2013 have been determined using lower multiples than the medians of industry peer groups. The pre-tax discount rate applied was 11% pa. The tests indicated no need for write down of goodwill.

Note 6 – Tangible non-current assets

KAH ASA			KA Group			
Land	Equipment	Euro million	Land	Buildings	Equipment	Total
0.0	0.0	Cost	0.8	13.4	119.3	133.5
0.0	0.0	Accumulated depreciation	0.0	(4.0)	(73.8)	(77.8)
0.0	**0.0**	**Book value at 01.01.2007**	**0.8**	**9.4**	**45.5**	**55.7**
0.0	0.3	Additions	0.0	0.4	24.4	24.8
0.0	0.0	Acquisitions of subsidiaries	7.6	20.4	74.4	102.4
0.0	(0.1)	Depreciation	0.0	(0.6)	(10.9)	(11.5)
0.0	0.0	Disposals accumulated cost	(0.1)	(0.2)	(2.9)	(3.2)
0.0	0.0	Disposals accumulated depreciation	0.0	0.1	0.9	1.0
0.0	0.0	Exchange differences	(0.1)	(0.4)	0.6	0.1
0.0	**0.2**	**Book value at 31.12.2007**	**8.2**	**29.1**	**132.0**	**169.3**
0.0	0.3	Cost	8.3	33.6	215.8	257.7
0.0	(0.1)	Accumulated depreciation	(0.1)	(4.5)	(83.8)	(88.4)
0.0	**0.2**	**Book value 31.12.2007**	**8.2**	**29.1**	**132.0**	**169.3**
0.0	0.0	Adjustments to opening balances	0.0	0.0	0.0	0.0
0.0	0.7	Additions	0.1	2.3	32.1	34.5
0.0	(0.1)	Depreciation	0.0	(1.9)	(27.9)	(29.8)
0.0	0.0	Disposals accumulated cost	0.0	(0.1)	(6.9)	(7.0)
0.0	0.0	Disposals accumulated depreciation	0.0	0.1	4.6	4.7
0.0	(0.2)	Exchange differences	(0.6)	(2.3)	(12.8)	(15.7)
0.0	**0.6**	**Book value at 31.12.2008**	**7.7**	**27.2**	**121.1**	**156.1**
0.0	0.8	Cost	7.7	33.5	228.2	269.4
0.0	(0.2)	Accumulated depreciation	(0.1)	(6.3)	(107.1)	(113.5)
0.0	**0.6**	**Book value 31.12.2008**	**7.6**	**27.2**	**121.1**	**156.1**

The finalisation of the purchase price allocation for the acquisition of Global Motion Systems on 27 December 2007 is included in the 2007 numbers presented above.

Note 7 – Inventories

KAH ASA			Group	
2008	2007	Euro million	2008	2007
0.0	0.0	Raw materials	55.0	65.1
0.0	0.0	Work in progress	9.5	14.4
0.0	0.0	Finished goods	20.3	27.7
0.0	**0.0**	**Total**	**84.8**	**107.2**

Group inventories are stated net of a provision for slow moving and obsolete inventory. The amount of this provision as at 31.12.08 was 6.7 million Euros. *[31.12.07 - 1.8 million]*

Note 8 – Trade and other receivables

KAH ASA			Group	
2008	2007	Euro million	2008	2007
0.2	0.0	Trade receivables	110.5	166.2
28.9	13.2	Short-term group receivables	0.0	0.0
0.1	5.4	Other short-term receivables	14.2	12.2
0.0	0.0	Financial derivative instruments (Note 9)	(10.2)	1.9
1.4	0.0	Prepayments	14.2	6.3
30.5	**18.6**	**Total**	**128.7**	**186.6**

The carrying amounts of trade and other receivables are denominated in the following currencies:

KAH ASA			Group	
2008	2007	Euro million	2008	2007
0.0	0.0	Euro	25.0	31.6
0.0	0.0	US Dollar	32.7	60.1
30.6	18.6	NOK	9.1	49.6
0.0	0.0	GBP	8.5	17.6
0.0	0.0	Other	53.4	27.7
30.5	**18.6**	**Total**	**128.7**	**186.6**

Note 9 – Financial derivative instruments

KAH ASA			KA Group	
2008	2007	Euro million	2008	2007
		Currency		
0.0	0.0	Forward contracts (liabilities)/assets	(9.8)	1.9
		Commodities		
0.0	0.0	Forward contracts (liabilities)	(0.4)	0.0
0.0	**0.0**	**Total**	**(10.2)**	**1.9**
		Nominal value of currency contracts		
0.0	0.0	EUR/NOK (Amount in EUR million)	70.0	46.0
0.0	0.0	USD/NOK (Amount in USD million)	0.0	14.0
0.0	0.0	CHF/NOK (Amount in CHF million)	0.0	5.0
		Maturity schedule for financialderivative instruments		
0.0	0.0	2008	0.0	0.7
0.0	0.0	2009	(4.3)	1.2
0.0	0.0	2010	(3.6)	0.0
0.0	0.0	2011	(2.3)	0.0
0.0	**0.0**	**Total**	**(10.2)**	**1.9**

Financial derivative instruments comprise foreign currency contracts for which prices are quoted in an active market and commodity forwards listed on the London Metal Exchange. Market values at 31.12 have been used to determine the fair values of the financial derivative instruments.

The group's loans to subsidiaries are classified as a net investment in the relevant subsidiaries. The fair value of such loans as at 31.12.08 was 448.1 million euros. The effect of currency translation has been recognised as a translation difference within equity.

Financial instruments by category

KAH ASA			Group	
2008	2007	Euro million	2008	2007
0.2	0.0	Trade receivables	110.5	166.2
0.2	12.5	Cash and cash equivalents	47.6	43.1
0.4	**12.5**	**Total receivables and cash**	**158.1**	**209.3**
0.0	0.0	Financial derivative instruments	(10.2)	1.9
0.0	**0.0**	**Total assets at fair value**	**(10.2)**	**1.9**
0.4	**12.5**	**Total assets**	**147.9**	**211.2**
470.0	510.0	Borrowings, including finance lease liabilities	481.0	526.6
0.3	1.9	Trade payables	67.9	106.8
470.3	**511.9**	**Total liabilities**	**548.9**	**633.4**

There were no assets or liabilities at fair value through the income statement and no assets available for sale.

Note 10 – Cash and cash equivalents

KAH ASA			KA Group	
2008	2007	Euro million	2008	2007
0.2	0.1	Restricted bank deposits	1.3	1.6
0.0	12.4	Non-restricted bank deposits and cash	46.3	41.5
0.2	**12.5**	**Total**	**47.6**	**43.1**

Note 11 – Share Capital

The share capital of the company is NOK 32 582 152, comprising 65 164 304 ordinary shares with a par value of NOK 0.50. The company holds 1 000 000 shares as treasury shares.

The share is listed on the Oslo Stock Exchange. The ticker code is KOA.

The twenty largest shareholders in the company as at 31.12.08 were as follows:

Shareholder	No of shares	%	Country
Ferd AS Invest	11 250 000	17.3	Norway
Orkla ASA	4 096 000	6.3	Norway
Verdipapirfond Odin Norden	3 121 800	4.8	Norway
Verdipapirfond Odin Norge	2 936 200	4.5	Norway
Skagen Vekst	1 900 000	2.9	Norway
Ebitec Invest AS	1 254 508	1.9	Sweden
Origon AS	1 152 400	1.8	Norway
Kongsberg Automotive Holding ASA	1 000 000	1.5	Norway
Nordisk Industriutvikling	783 000	1.2	Norway
Verdipapirfondet Nordea Avkastning	624 100	1.0	Norway
Mohn Frederik Wilhelm	440 000	0.7	Norway
Perestroika AS	407 800	0.6	Norway
MP Pensjon	367 000	0.6	Norway
Volldal Invest AS	353 073	0.5	Norway
BB Capital AS	350 004	0.5	Norway
Verdipapirfondet Nordea SMB	337 564	0.5	Norway
Verdipapirfondet Nordea Vekst	334 500	0.5	Norway
Svenska Handelsbanken Stockholm	318 793	0.5	Norway
Alfred Berg Gambak V	300 000	0.5	Norway
Sandset Oppdrettsservive AS	300 000	0.5	Norway

Total number of shares in issue	**65 164 304**
Number of shareholders	4 220
Foreign ownership	5 %

Share options

Share options are granted to management and to selected employees. The exercise price of the granted options is equal to the average price for the company's shares over the thirty days immediately preceeding the offer of grant. Participants in the group's share option schemes are required to maintain shareholdings equivalent to 10 % or more of the number of granted options. The options are exercisable commencing one year from the grant date with one-third of the options being exercisable in each of the succeeding three years. The options have a contractual term of ten years. The group has no legal or constructive obligation to repurchase or settle the options in cash.

Illustrative example of the lifetime of the option programme adopted by the General Assembly in 2008 for options to be granted during 2009:

	Options vesting and potentially exercisable in			**Last possible**
	2010	**2011**	**2012**	**exercise 2019**
By year	600 000	600 000	600 000	
Cumulative	600 000	1 200 000	1 800 000	1 800 000

Movements in share options and their related weighted average exercise prices are as follows:

	2008		2007	
	Average exercise price (NOK)	Options	Average exercise price (NOK)	Options
Options at 01.01	59.57	974 076	59.62	1 087 010
Granted	33.00	1 275 839	0.00	0
Forfeited	43.34	(363 591)	60.00	(112 934)
Expired	0.00	0	0.00	0
Options at 31.12	**44.62**	**1 886 324**	**59.57**	**974 076**

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	2008		2007	
Expiry date	Exercise price (NOK)	Options	Exercise price (NOK)	Options
15.05.2009	60.00	260 946	60.00	307 379
15.05.2009	52.00	17 313	52.00	17 313
15.05.2010	60.00	260 946	60.00	307 379
15.05.2010	52.00	17 313	52.00	17 313
15.05.2011	60.00	260 946	60.00	307 379
15.05.2011	52.00	17 313	52.00	17 313
15.12.2017	33.00	1 051 547	0.00	0
Options at 31.12		**1 886 324**		**974 076**

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 8.07 per option (2007 NOK 1.14). The significant inputs to the model were the the weighted average share price of NOK 28.52 at the grant date, exercise prices shown above, volatility of 35 %, an expected option life of three, four and five years and an annual risk-free interest rate of 4.4 %.

Note 12 – Taxes

12.1) Income statement

KAH ASA			KA Group	
2008	2007	Euro million	2008	2007
0.0	(0.2)	Current tax on profits for the year	(8.9)	(4.5)
0.0	0.0	Adjustments in respect of prior years	0.0	0.0
0.0	(0.2)	Total current tax	(8.9)	(4.5)
7.2	0.2	Current year deferred tax	56.8	(1.2)
0.0	0.0	Adjustments in respect of prior years	0.0	0.0
7.2	0.2	Total deferred tax	56.8	(1.2)
7.2	**0.0**	**Income tax credit / (expense)**	**47.9**	**(5.7)**

12.1) Income statement continues

The tax on the group's operating profit before tax differs from the theoretical amount that would arise using the tax rate of Norway as follows:

KAH ASA			KA Group	
2008	2007	Euro million	2008	2007
(16.1)	13.3	(Loss) / profit before tax	(142.2)	21.3
4.5	(3.7)	Tax calculated at weighted average tax rate	39.8	(6.0)
		Tax effect of permanent differences:		
2.3	3.6	– Dividend	0.0	0.0
0.4	0.1	– Other permanent differences/currency	8.0	(0.4)
0.0	0.0	Effect of different tax rates	0.1	0.3
0.0	0.0	Losses not recognised as deferred tax assets	0.0	0.0
0.0	0.0	Deferred tax assets previously not recognised	0.0	0.4
7.2	**0.0**	**Income tax credit / (expense)**	**47.9**	**(5.7)**
45 %	0 %	Average effective tax rate	34 %	27 %

12.2) Balance sheet

KAH ASA			KA Group	
2008	2007	Euro million	2008	2007
0.0	0.0	Current income tax liabilities	3.0	2.7
0.0	**0.0**	**Total current tax**	**3.0**	**2.7**
		Deferred taxes		
0.0	0.0	Deferred tax (assets) on short-term assets / liabilities	(2.8)	(0.6)
0.0	0.0	Deferred tax liabilities on short-term assets / liabilities	5.7	2.1
(1.7)	(2.0)	Deferred tax (assets) on long-term assets	(27.2)	(2.2)
2.0	3.1	Deferred tax liabilities on long-term assets	36.9	43.4
(10.8)	(6.5)	Losses carried forward	(14.2)	(6.5)
1.4	0.0	Other tax deferred (assets) / liabilities	0.0	0.0
(9.1)	**(5.4)**	**Net deferred tax (assets) / liabilities**	**(1.6)**	**36.2**
(12.5)	(8.5)	Of which deferred tax assets	(44.3)	(9.3)
3.4	3.1	Of which deferred tax liabilities	42.6	45.5

Defered income tax assets are recognised for tax loss carry forwards only to the extent that realisation of the related benefit is probable.
Defered income tax assets and liabilities are offset when there is a legally enforcable right to offset current tax assets against current tax liabilities and when the deferred tax income taxes related to the same fiscal authority.

		Change in deferred tax		
(5.4)	(5.1)	Deferred tax as at 01.01	36.2	(1.3)
(7.2)	(0.2)	Recorded through the income statement	(56.8)	1.2
0.0	0.0	Arising on acquisition of GMS	0.0	37.6
3.5	(0.1)	Exchange rate differences	19.0	(1.3)
(9.1)	**(5.4)**	**Deferred tax as at 31.12**	**(1.6)**	**36.2**

Note 13 – 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 plans still in operation are early retirement agreements through the AFP scheme and an early retirement plan for the CEO.

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

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

13.1) Defined benefit schemes

The following assumptions have been applied when estimating future pension benefits:

KAH ASA			KA Group	
2008	2007	(%)	2008*	2007
4.3	4.5	Discount rate	4.3	4.5
6.3	5.5	Rate of return on plan assets	6.3	5.5
4.5	4.5	Salary increases	4.5	3.0
4.3	4.25	Increase in basic goverment pension amount	4.3	4.25
2.0	1.75	Pension increase	2.0	1.75
80.0	80.0	Estimated percentage of early retirement	80.0	80.0

*) We have entered the same assumptions for the Group as for the norwegian entities, since most of the pension obligations are related to those companies.

13.2) Net periodic pension cost

KAH ASA			KA Group	
2008	2007	Euro million	2008	2007
0.2	0.1	Service cost	0.9	0.5
0.1	0.0	Interest on benefit obligations	0.9	0.1
0.0	0.0	Expected return on pension assets	(0.2)	0.0
0.1	0.0	Amortisation of estimate differences	0.2	0.0
0.0	0.0	Administration cost	0.0	0.0
0.0	0.0	Social security taxes	0.0	0.0
0.4	**0.1**	**Net periodic pension cost**	**1.8**	**0.6**
(2.6 %)	8.9 %	Actual return on plan assets	3.4 %	8.9 %

13.3) Net pension liability

KAH ASA			KA Group	
2008	2007	Euro million	2008	2007
		Pension liabilities and assets:		
1.6	1.4	Projected benefit obligation (PBO)	17.2	5.9
0.0	0.0	Fair value of pension assets	0.0	0.0
1.6	1.4	Pension assets in excess of PBO	17.2	5.9
(0.7)	(0.5)	Unrecognised effect of changes in estimates and differences between actual and expected return on pension assets	(2.6)	(2.9)
0.9	0.9	Net pension liability before social security taxes	14.6	3.0
0.2	0.1	Social security taxes	0.8	0.7
0.0	0.0	Assumeed pension liability GMS	0.0	11.4
1.1	**1.0**	**Net pension liability**	**15.4**	**15.1**

13.4) Changes in net pension liabilities

KAH ASA			KA Group	
2008	2007	Euro million	2008	2007
1.0	0.9	Net pension liability 01.01	16.6	3.5
0.4	0.1	Pension cost for the year	1.6	0.6
(0.1)	0.0	Paid pensions	(2.8)	(0.4)
0.0	0.0	Assumed pension liability GMS	0.0	11.4
1.3	**1.0**	**Net pension liability 31.12**	**15.4**	**15.1**

13.5) Average expected lifetimes

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

Male employee 19 years
Female employee 22 years

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

Male employee 26 years
Female employee 27 years

13.6) Defined contribution pension plans

Norway, Sweden, the UK and the USA have defined contribution pension plans for employees. The pension plans are regulated under the tax rules of each country. The subsidiary 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 19 of the financial statements.

Note 14 – Interest-bearing loans and borrowings

KAH ASA			KA Group	
2008	2007	Euro million	2008	2007
		Non-current liabilities		
419.8	404.5	Bank loans	420.6	405.3
		Current liabilities		
20.1	0.0	Bank overdrafts	24.4	7.8
30.1	105.5	Other short-term interest-bearing liabilities	36.0	113.5
470.0	**510.0**	**Total interest-bearing liabilities**	**481.0**	**526.6**

The group has a five year loan agreement with DnB Nor ending in December 2012 under which 50 % of the loan has been syndicated to Nordea. The agreement has a repayment structure over the coming years with Euros 10.0 million repayable each half year. In addition NOK 240 million is due for repayment in December 2010.

The rates of interest applicable to borrowings as at 31.12.08 were as follows:

Currency	Basic	Cash margin	PIK margin	Total
EUR	2.89 %	3.00 %	3.25 %	9.14 %
USD	1.43 %	3.00 %	3.25 %	7.68 %
NOK	3.97 %	3.00 %	3.25 %	10.22 %

Borrowings by currency were as below:

KAH ASA			KA Group	
2008	2007	Euro million	2008	2007
238.8	233.6	EUR	242.5	233.8
167.8	157.4	USD	167.8	157.6
63.4	119.0	NOK	69.1	132.7
0.0	0.0	Other currencies	1.4	2.5
470.0	510.0	Total interest-bearing liabilities	481.0	526.6

The carrying amounts and fair values of non-current borrowings are as follows:

KAH ASA			KA Group	
2008	2007	Euro million	2008	2007
419.8	404.5	Carrying amounts	420.6	405.3
0.0	0.0	Fair values	0.0	0.0

The maturity schedule for non-current borrowings is as follows:

Year	EUR	USD	NOK
Repayable during 2010	20.0	0.0	240.0
Repayable during 2011	20.0	0.0	0.0
Repayable during 2012	178.8	236.5	110.0

The group was in compliance with its banking covenants as at 31.12.08.

Note 15 – Financial risk

The activities of the group are exposed to several different types of financial risk: market risk (including currency risk, fair value interest risk, floating interest risk and price risk), credit risk and liquidity risk. In today's market the credit risk is higher than normal. Kongsberg Automotive is exposed to all major OEMs, Including GM, Chrysler and Ford. The company keeps high focus on outstanding amounts due to these, as well as other customers, and rapidly implement actions if receivables become overdue. Sound routines have been established for following up receivables.

The company has a substantial amount of debt in the balance sheet. Fluctuation in interest and cash flow will influence the company's ability to service its obligation towards the lenders. A change in the interest rate of +/- 1 % will effect the cash-flow by approx MEUR 5.

Currency risk
The group operates internationally and is exposed to currency risk from various currencies. The risk is especially relevant in relation to the Euro, USD and GBP.

The currency risk relates to future trade transactions, assets and liabilities and net investments in foreign subsidiaries.

The risk management policy adopted seeks to create natural hedges by balancing the group's exposures to the various currencies. The use of derivative instruments is constantly being evaluated. Subsidiaries are not permitted to enter into financial derivative contracts without prior consent from the group. The effect on net profit would be limited if the Euro / USD excahnge rate were to change by +/-1 %.

The group has some investments in foreign subsidiaries where net assets are exposed to currency risk from translation. The currency exposure from the group's net investments in foreign subsidiaries is mainly managed through loans in the relevant foreign currencies.

A significant share of the groups borrowings is in Euro and USD and is therefore exposed to currency fluctuations. The agio/disagio effects in 2008 on P/L is spesified in note 20, and the borrowings in currency are specified in note 14.

Note 16 – Trade and other payables

KAH ASA			KA Group	
2008	2007	Euro million	2008	2007
0.3	1.9	Trade payables	67.9	106.8
12.6	1.9	Short-term group liabilities	0.0	0.0
2.7	1.0	Accrued expenses	39.7	53.4
2.6	0.6	Other short-term liabilities	9.2	8.6
18.2	**5.4**	**Total**	**116.8**	**168.8**

Note 17 – Remuneration and fees for management, board of directors and auditor

The following amounts of remuneration and fees have been expensed in the income statement for 2008: (EUR '000s)

Remuneration of the board of directors	183
Salary of the CEO	397
Other remuneration of the CEO	107
Pension costs of the CEO	6
Early retirement expense for the CEO	0
Management salaries other than to the CEO	818
Other remuneration of management other than the CEO	264
Pension costs of management other than the CEO	23

Remuneration to management other than the CEO (EUR '000s)

Name	Position	Salary	Pension	Other
Hans Peter Havdal	President - Automotive Systems	232	6	69
Bard Klungseth	President - Commercial Vehicle Systems	232	6	73
James G Ryan	President - Power Products Systems	166	5	66
Trond Stabekk	Group Executive - Finance	188	6	56
Total – management other than CEO		**818**	**23**	**264**

The management group participates in a bonus scheme based on the group acieving set levels of return on capital employed. The bonus has a ceiling of 50 % of base salary. No bonus was paid for 2008.

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 12. 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.

Share options granted to management

	2006 Scheme	**2007 Scheme**
	No of shares	No of shares
Olav Volldal	98 325	163 653
Hans Peter Havdal	72 450	96 812
Bard Klungseth	59 513	97 646
James G Ryan	–	60 000
Trond Stabekk	42 568	88 236
Total options	**272 856**	**506 347**

Fees paid to the auditor (EUR '000s)

	2008	2007
Statutory audit services to the parent company	21	12
Statutory audit services to subsidiaries	781	184
Further assurance services	8	0
Tax advisory	270	6
Other non-audit services	103	675
Total	**1 183**	**877**

Note 18 – Shares owned by management and board of directors as at 31.12.08

Board of Directors	No of shares
Curt Germundsson	8 000
Bente Rathe (*)	80 000
Kevin Burrell	0
Ulla-Britt Fräjdin-Hellqvist	3 200
Dr. Jürgen Harnisch	0
Siv Anita Midtskogen	0
Leif H Strømhaug	0
Jan Peter Sunde (**)	0
Total number of shares	**91 200**

Group management	No of shares
Olav Volldal (*)	353 253
Hans Peter Havdal	147 025
Bard Klungseth	75 238
James G Ryan	6 000
Trond Stabekk	53 080
Total number of shares	**634 596**

(*) including shares owned by family members
(**) represents Ferd AS Invest 11 250 000 shares

Note 19 – Salaries and social expenses

KAH ASA			KA Group	
2008	2007	Euro million	2008	2007
2.5	2.0	Wages and salaries	179.4	92.7
0.4	0.4	Social security tax	26.7	13.2
0.4	0.1	Pension cost (defined benefit plans)	1.3	1.6
0.1	0.1	Pension cost (defined contribution plans)	1.0	1.6
2.1	0.8	Other payments	7.4	6.4
5.5	3.4	Total	215.7	115.5

As at 31.12.08 the group had 8 888 employees and the parent company 14 employees.

Note 20 – Financial items

KAH ASA			KA Group	
2008	2007	Euro million	2008	2007
34.7	23.0	Financial income	0.0	0.0
1.1	0.0	Interest income	1.5	0.6
35.8	23.0	Total financial income	1.5	0.6
(35.5)	(5.3)	Interest expense	(38.9)	(6.0)
(2.7)	(2.2)	Foreign currency gains / losses*	(101.8)	2.3
0.0	0.0	Changes in value of financial derivatives	(12.7)	0.0
(8.9)	(0.1)	Other items	10.8	(2.0)
(47.2)	**(7.6)**	**Total financial expenses**	**(142.6)**	**(5.7)**
(11.4)	**15.4**	**Net financial items**	**(141.1)**	**(5.1)**

**) Foreign currency losses for the Group are mainly losses on loans in USD and EUR that the Group borrowed to acquire the GMS division from Teleflex in December 2007. The exchange rate for USD against NOK increased with 29,3% during 2008 and for EUR the increase were 12,6%. (See note 14)*

Note 21 – Earnings per share

Earnings per share is calculated by dividing the net profit attributable to equity shareholders by the number of shares in issue.

	2008	2007
Net (loss) / profit attributable to equity shareholders (EUR million)	(94.1)	15.6
Number of shares in issue (thousands)	65 164	44 348
Earnings per share (basic and diluted) Euros	**(1.44)**	**0.35**

Note 22 – Dividend per share

No dividend was proposed for 2007. The dividend for 2008 will be decided at the Annual General Meeting 11 June 2009.

Note 23 – Business combinations

The group acquired Global Motion Systems, gaining control on 27 December 2007. GMS has been accounted for as subsidiaries from 31 December 2007. The acquisition comprised a combination of purchases of shares and asset purchases. GMS consisted of individual companies and units and was not organised as a group of companies. GMS was previously owned by Teleflex Inc.

As of 13 March 2008, the date of signing of the financial statements for 2007, the purchase price allocation (PPA) had not been finalised. Non-identified excess value was classified as goodwill within the 2007 financial statements pending the outcome of the purchase price allocation. The acquisition cost has been changed during 2008 based on the final settlement agreement between Teleflex and KA, and the purchase price allocation has been finalized. During 2008 the Group has converted the acquired balance sheets at the acquisition date from USGAAP to IFRS. An analysis of the change in acquisition cost and the change in acquired net assets and liabilities are presented below. All amounts are stated at the exchange rates prevailing at the date of acquisition.

23.1) Acquisition cost

Euro million	2007 Estimates	Change in purchase price	2007 Final amounts
Agreed purchase price (Euro equivalent of USD 560 million)	380.6	0.0	380.6
Transaction costs /FX difference 2007	7.2	3.3	10.5
Expected adjustments	(5.4)	7.7	2.3
Total acquisition cost	**382.4**	**11.0**	**393.4**

Assets and liabilities related to the acquisition were as follows:

23.2) Balance sheet assets acquired and liabilities assumed

Euro million	2007 Estimates	PPA & IFRS Adjustments	2007 Final amounts
Non-current assets			
Deferred tax assets	4.6	(2.4)	2.2
Intangible assets - Goodwill	173.7	(49.7)	124.0
Intangible assets - Other	27.2	102.4	129.6
Property, plant and equipment	98.8	3.6	102.4
Other receivables	1.8	(1.8)	0.0
Shares in subsidiaries	0.4	(0.4)	0.0
Finanicial non-current assets	0.0	1.2	1.2
Total non-current assets	**306.5**	**52.9**	**359.4**
Current assets			
Inventories	71.8	(1.5)	70.3
Trade and other receivables	105.2	(1.7)	103.5
Cash and cash equivalents	14.6	0.5	15.1
Total current assets	**191.6**	**(2.7)**	**188.9**
Total assets	**498.1**	**50.2**	**548.3**

Equity			
Majority part of equity	382.4	11.0	393.4
Minority interest	0.0	4.7	4.7
Total equity	**382.4**	**15.7**	**398.1**
Liabilities			
Deferred tax liabilities	13.0	26.8	39.8
Retirement benefit obligations	12.9	(1.4)	11.5
Interest-bearing loans and borrowings	0.0	0.1	0.1
Total non-current liabilities	**25.9**	**25.5**	**51.4**
Bank overdrafts	1.1	0.0	1.1
Other short-term interest-bearing liabilities	0.0	2.3	2.3
Current income tax liabilities	0.0	2.7	2.7
Trade and other payables	21.7	69.9	91.6
Other provisions for liabilities	67.0	(65.9)	1.1
Total current liabilities	**89.8**	**9.0**	**98.8**
Total equity and liabilities	**498.1**	**50.2**	**548.3**

Note 24 – 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.

24.1) Principles for base salary
Leading employees shall be given competitive salaries that reflect each individual's responsibility and results.

24.2) 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 realisation 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 did not pay any bonuses to management for the year 2008 and the bonus plan for 2009 has been eliminated.

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.

24.3) Principles for services with non-cash compensation
Leading employees can be offered different arrangements such as company cars, insurance, pensions, etc. Payment in kind will primarily be free broadband, IP phone 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.

24.4) Redundancy payments
At the year end no employee had any agreement for redundancy payment. The mutual termination period for the CEO is 12 months with notice and for other leading employees six months. The termination periods for the remainder of management vary from three to six months.

24.5) 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.

Report of the Auditors

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To the Annual Shareholders' Meeting of Kongsberg Automotive Holding ASA

Auditor's report for 2008

We have audited the annual financial statements of Kongsberg Automotive Holding ASA as of December 31, 2008, showing a loss of MEUR 8,9 for the parent company and a loss of MEUR 94,3 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The annual financial statements comprise the financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The financial statements of the group comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. Simplified IFRS according to the Norwegian accounting act § 3-9 have been applied in the preparation of the financial statements of the parent company. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements of the group. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements of the parent company have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company as of December 31, 2008, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with simplified IFRS according to the Norwegian accounting act § 3-9
- the financial statements of the group have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Group as of December 31, 2008,and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss are consistent with the financial statements and comply with the law and regulations

Without qualifying our opinion we draw attention to the fact that there exists uncertainty regarding the going concern assumption. We refer to the director's report for further details on this matter. We also draw attention to the fact that the annual report is published after the deadline in the Securities Trading Act section 5-5.

Oslo, May 28, 2009
PricewaterhouseCoopers AS

Håvard S. Abrahamsen
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Alta Arendal Bergen Bodo Drammen Egersund Florø Fredrikstad Førde Gardermoen Gol Hamar Hammerfest Hardanger Harstad Haugesund Kongsberg Kongsvinger Kristiansand Lyngseidet Mandal Mo i Rana Molde Mosjøen Måløy Namsos Oslo Sandefjord Sogndal Stavanger Stryn Tromsø Trondheim Tønsberg Ulsteinvik Ålesund
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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 4th December 2007.

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.

According to the dividends policy of the Company, returns to shareholders should be a combination of changes in share price and dividends. Dividends should reflect the results of the Company, while recognizing opportunities for new, profitable investments. Over time, the returns to shareholders should come more from an increased share price rather than through dividend distributions. The Board of Directors of KA considers that dividends over a period should average roughly 35 percent of the Company's net income.

The General Meeting granted a mandate to the Board of Directors in 2008 to increase its share capital with NOK 3.258.215. The mandate expires at the earlier of the next ordinary General Meeting or 30 June 2009.

The general meeting has further granted a mandate to the Board of directors to purchase up to 6.516. 430 of its own shares. The mandate expires at the earlier of the next ordinay General Meeting or 30 June 2009.

The current loan agreement with the Banks sets some restrictions on the Company's ability to pay out dividend. This is related to the gearing level of the Company. See notes in the annual report.

4) Equal treatment of Shareholders and transactions with close Associates
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.

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 normally be published on the Company's web pages; www.kongsbergautomotive.com no later than 14 days prior to the meeting. The notice shall further be sent to all known shareholders not later than two weeks prior to the meeting. Support information, such as resolutions to be considered by the General Meeting and recommendations by the Election Committee shall be made available and distributed within the same dates. 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.

Shareholders who wish to attend the General Meeting shall notify the Company or its announced representative no later than 1 day prior to the General Meeting.

Shareholders who can not attend the General Meeting may vote by proxy.

The Company will ensure that to the extent possible, members of the Board of Directors, the Election Committee and the auditor will be present at the General Meeting.

The General Meetings is usually chaired by the Chairman of the Board of Directors.

The notice calling the General Meeting will provide information on procedures shareholders must observe at the General Meeting including:

- The procedure for representation by proxy, including form for appointment of a proxy.
- The notice and supporting material will be available on the Company's web pages.

The following information will be made available at the Company's web pages at the earliest opportunity:

- Information on the right of the shareholders to propose matters to be considered by the General Meeting.

- Proposals for resolutions to be considered by the General Meeting, alternatively comments on matters where no resolution is proposed.
- A form for appointing a proxy.

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

7) The Election Committee
The duties of the Election 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 an Election 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 Election Committee may not have other functions in the Company. Prior to each election of directors to the Board, the Board of Directors shall notify the Election Committee and the latter shall find eligible candidates for directorship and deputy directorship to be elected by the General Meeting. The Election Committee's nominations shall be enclosed with the summons for the General Meeting.

Information about the Election Committee and the deadlines for submitting proposals to the Election 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 including the chairman and up to 2 deputy members shall be elected by the General Meeting.

All Directors to 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 to the Board is 2 years.

Information about the Board of Directors is included on page 25 in the annual report.

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 Company has elected a deputy chairman to the Board of Directors.

The Board of Directors has appointed a Compensation Committee and an Auditing 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 and Internal Control
The Board of Directors carries out an annual review of the Company's most important areas of exposure to risk and internal control arrangements.

The main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting are included herein in note 15.

11) Remuneration of the Directors of Board
The remuneration paid to each Board member is specified in note 17 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.

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 note 17.

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) Take-overs
The Board of Directors has established guiding principles for how it will act in the event of a take over 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 participates in the meetings with the Audit Committee and in the Board meeting that approves the financial statements and meets with the Board without the management of the Company present at least once a year. 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.

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