

2017 Capital Markets Day

Kongsberg Automotive

Henning E. Jensen – President & CEO
November 8, 2017



Kongsberg Automotive

Forward-Looking Statements and Non-IFRS Measures

Forward-Looking Statements

This presentation contains certain “forward-looking statements”. These statements are based on management’s current expectations and are subject to risks, uncertainty and changes in circumstances, which may cause actual results, performance, financial condition or achievements to differ materially from anticipated results, performance, financial condition or achievements. All statements contained herein that are not clearly historical in nature are forward-looking and the words “anticipate,” “believe,” “expect,” “estimate,” “plan,” and similar expressions are generally intended to identify forward-looking statements. We have no intention and are under no obligation to update or alter (and expressly disclaim any such intention or obligation to do so) our forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by law. The forward-looking statements in this presentation include statements addressing our future financial condition and operating results. Examples of factors that could cause actual results to differ materially from those described in the forward-looking statements include, among others, business, economic, competitive and regulatory risks, such as conditions affecting demand for products, particularly in the automotive industries; competition and pricing pressure; fluctuations in foreign currency exchange rates and commodity prices; natural disasters and political, economic and military instability in countries in which we operate; developments in the credit markets; future goodwill impairment; compliance with current and future environmental and other laws and regulations; and the possible effects on us of changes in tax laws, tax treaties and other legislation. More detailed information about these and other factors is set forth in the 2016 Kongsberg Automotive Annual Report.

Non-IFRS Measures

Where we have used non-IFRS financial measures, reconciliations to the most comparable IFRS measure are provided, along with a disclosure on the usefulness of the non-IFRS measure, in this presentation.



Bruce E. Taylor – Chairman of the board of directors
Events since last CMD (2016)

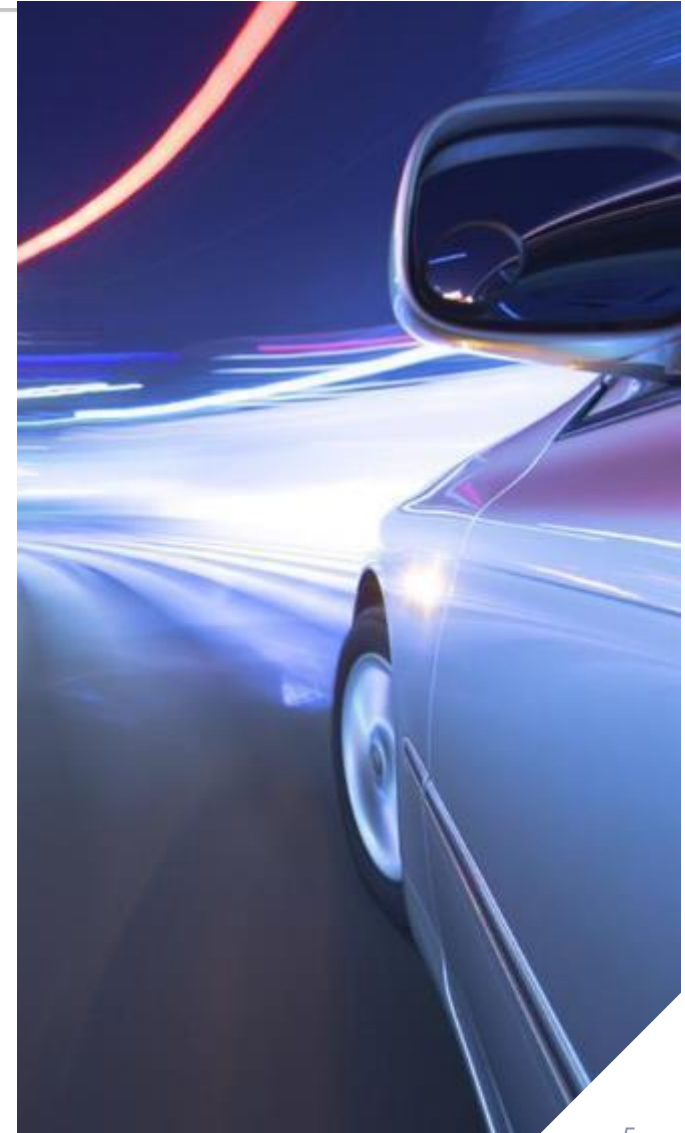
Executive Summary

- ▶ **One year after the launching of “the new KA” we are largely confirming the 2016 CMD outlook**
 - ▶ **We are by and large on plan with our improvement efforts**
 - ▶ **As with all plans, there are some “ups and downs”**
- ▶ **The “Oil Tanker” is starting to turn around in the right direction.**
- ▶ **We continue to be excited about the untapped potential KA has – and we are starting to realize a small portion of this potential.**
- ▶ **We will see substantial economic improvement from KA that all stakeholders will benefit from.**

	2017 CMD			
In Mill. Euro	2017	2018	2019	2020
Sales	1.049	1.132	1.237	1.316
EBIT adj.	48	82	108	122
<i>% of sales</i>	<i>4,6%</i>	<i>7,3%</i>	<i>8,7%</i>	<i>9,3%</i>
Restructuring & One Off cost	-24	-21	-7	-2
EBIT	25	62	101	120
<i>% of sales</i>	<i>2,3%</i>	<i>5,5%</i>	<i>8,2%</i>	<i>9,1%</i>
Financial Items	-10	-9	-8	-7
Profits Before Taxes	15	53	93	113
Taxes	-11	-22	-25	-28
<i>% of PBT</i>	<i>-73,0%</i>	<i>-42,5%</i>	<i>-26,5%</i>	<i>-25,0%</i>
Net Income	4	30	68	85
EPS (NOK)	0,09	0,71	1,60	1,98

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- ▶ Executive Summary
- ▶ **An overview of our businesses**
- ▶ What has taken place since the last CMD (2016)
 - General Update
 - Restructuring Initiatives
 - Other Improvement Initiatives
 - Status on the Principal Model
- ▶ Markets
- ▶ The road forward
 - How well positioned are we for the big automotive trends?
 - Future Growth Prospects
 - Looking for M&A targets
- ▶ Presentation of FTS and Off Highway business units
- ▶ Financials
- ▶ Summary and Conclusion



Our Segment Structure

Interior



MARKET & PRODUCTS



Comfort and safety related products for vehicle interiors

Seat support systems

—
Seat climate systems

—
Light duty cables

Powertrain & Chassis Products



MARKET & PRODUCTS



Powertrain systems and chassis related products for commercial and light duty vehicles

Gear shifters for automatic & manual transmissions

—
Shift cables & towers

—
Gear & clutch control systems including actuators

—
Chassis stabilizers

Specialty Products



MARKET & PRODUCTS



Driver control and fluid handling systems for commercial vehicles and passenger cars, as well as innovation products and software

Air couplings

—
Fuel transfer systems including specialized hoses, tubes, and assemblies

—
Power electronics

—
Products for various Off road, recreational vehicles, and power sports applications including steering columns, displays, pedals, hand controls

—
New products consisting of new product innovations

Interior Segment

Two business units, exclusively focused on the passenger car market

Light Duty Cables

- ▶ **Light Duty Cables (LDC)** – cables represent a core competency across multiple KA business units; strong product technology and knowledge base
 - ▶ As some traditional LDC applications are moving towards actuators, we are able to use our actuator competencies from other business units also in this area

Interior Comfort Systems

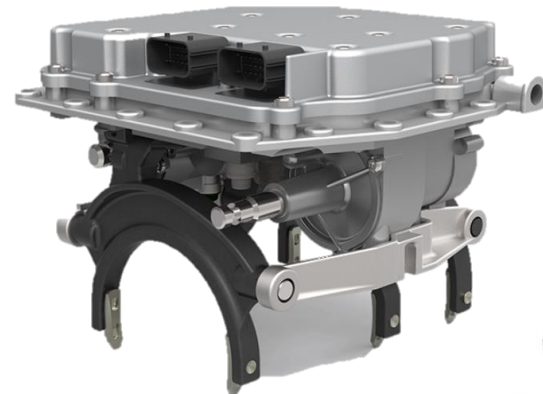
- ▶ **Core Interior Comfort Systems** – strong market growth
 - KA is a technology leader in the area of integration of the various seat functionalities



Powertrain & Chassis Segment

Transmission control

- ▶ Technology shift from mechanically based systems towards electronically controlled actuation systems
 - ▶ Product range consist of
 - AMT Actuators
 - Clutch Actuation Modules
 - Shift-By-Wire Shifters
 - PRND Actuators
 - Shift Cables
 - Manual Gear Shifters
 - Started late on new technologies, but catching up fast
 - Well positioned for actuators on both trucks and passenger cars
- ▶ Focus on profitable growth for the new technology
 - Maintain share in conventional mechanical systems
- ▶ Current mechanical systems for passenger cars will have a long run-off phase



Vehicle dynamics

- ▶ Product range consist of 3 technologies
 - Chassis Stabilizer
 - V-Stays
 - Cabin Anti-roll Bar
- ▶ Long design and manufacturing experience provides competitive and robust products
- ▶ Well positioned on the market



Specialty Products segment

Three very different businesses

Air Couplings

Exclusively focused on air brake applications for trucks and buses

- ▶ KA is the technology leader with strongly growing market share
 - Advantageous design qualified premium priced products through lower TCO (total cost of ownership).
 - Savings to the OEMs through simplified assembly processes
 - Big potential for growth in North America and Asia



FTS

Specialty Hoses for harsh applications –used for passenger cars, trucks & buses, and industrial markets

- ▶ KA is the market and technology leader in spite of coming off of patent protection
- ▶ Growing market with increasing competition
- ▶ Focus on product differentiation and scale benefits vs competition
- ▶ Partly fragmented market with many players and applications
- ▶ Solid product line with upwards potential through structural cost improvements.



Off Highway

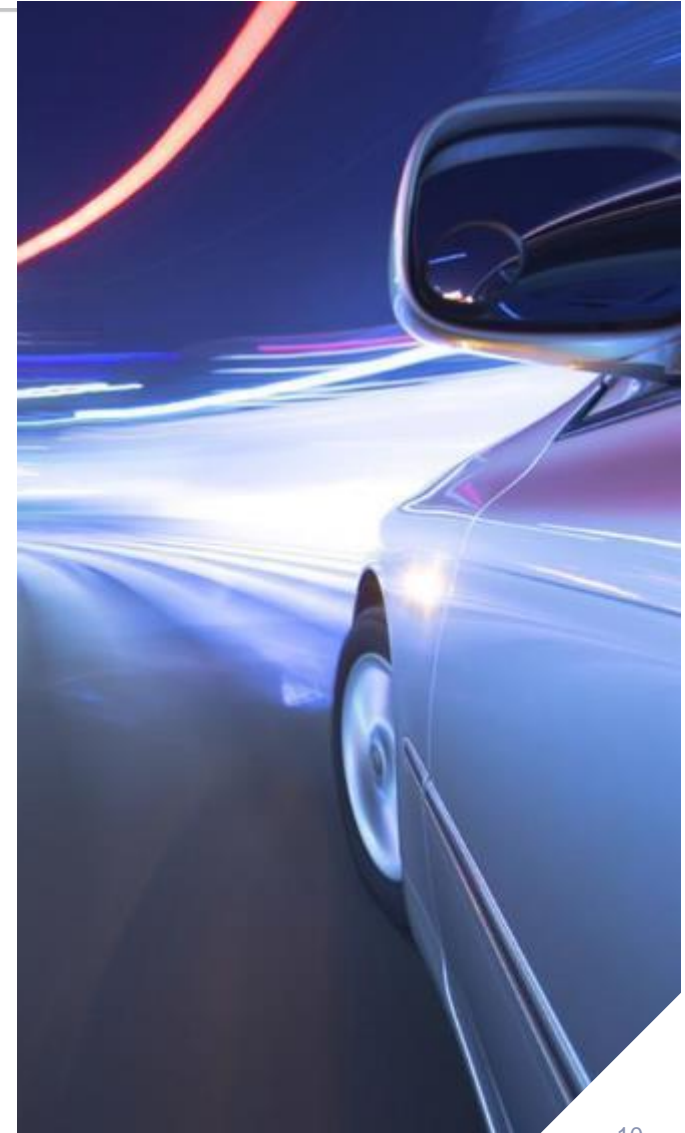
Off road products for various industries including steering columns, displays, pedals and hand controls

- ▶ Target is to become the largest supplier of Steering System products for the Power Sports, Agriculture, and Construction markets
- ▶ Supplier of HMI and custom electronic products by focusing on the Power Sports market
- ▶ For pedals and electronic controls KA is the #1 in off-highway market



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General Update (1 of 4)

- ▶ **One year ago, we announced a plan for the company that will improve our net results significantly. The plan is ambitious with many components.**
- ▶ **We are ahead on some of our initiatives and behind on others.**
 - **In the 2016 CMD we assumed that:**
 - The overall automotive markets would perform at the levels forecasted by major industry analysts
 - the markets have been stronger than forecasted at the 2016 CMD with the exception of the US
 - Various FX rates would remain constant
 - In 2017, we have been hurt somewhat, particularly by the PLN/EUR and to a lesser extent by the USD/EUR
 - Raw Materials would remain constant
 - over the past year we have seen steep price increases for key commodities such as Brass (Copper and Zinc), Steel, Plastic Resin, etc.
 - **We said that we would examine our portfolio further and make changes if necessary:**
 - We decided to keep Light Duty Cable and we are revitalizing that business unit
 - We have sold our North American Headrest Armrest business unit
 - We are negotiating with one of the interested parties to divest our ePower business
 - We have divested two very small product lines associated with the locations that we are closing
 - No other immediate plans for divestitures or portfolio pruning

General Update (2 of 4)

- From an organizational standpoint we said that we would:
 - **Merge driveline and On Highway DCS and create the P&C segment – DONE**
 - **Grant more entrepreneurial freedom to our niche businesses through the creation of our Specialty Products (SP) segment. We have completed this with the main three SP business units; Couplings, Off Highway, and FTS.**
 - Progress has been made on developing these businesses both operationally and strategically. We are also addressing and fixing past under-investments in these business units. We are already seeing benefits from this structure with more to come.
 - **Centralize more to tighten control and realize more synergies. We are well under way with our new HQ (25+ employees) and we have implemented a new delegation of authority. On the synergies part we are depending on systems development issues which are covering later.**
 - **Implement a Principal Model. We are implementing this model on a very limited basis for 2017, increasing the scope during 2018 and on track to have the model fully implemented by the end of 2019.**
 - **Also, from an organizational point of view we have gone through very significant mgmt. changes/upgrades in various functions and businesses.**
 - **And, last but not least, we have aligned our remuneration principles to the Company objectives.**

General Update (3 of 4)

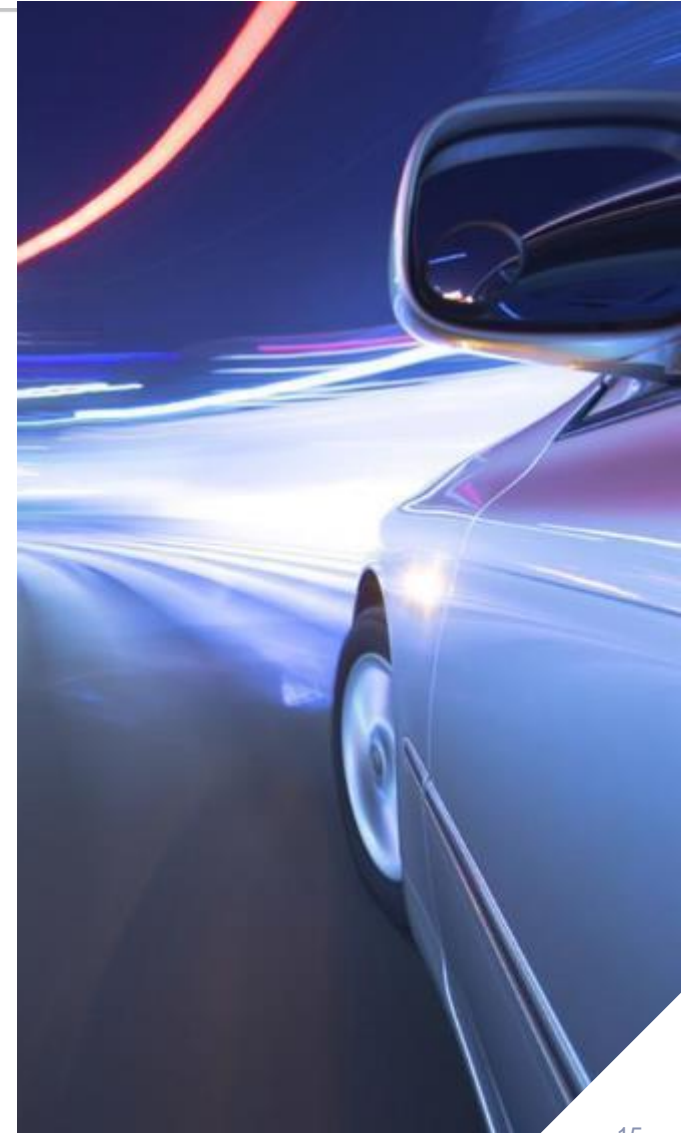
- **We presented a plan to close 6 manufacturing facilities through a restructuring program (in addition to one closure that was already underway).**
 - We have started 4 out of the six closure projects. One is completed, one is solidly underway, and two are at the stage of negotiations with the workforce representatives / operational planning and safety stock build-up.
 - We are significantly behind on the one closure that was already underway. The primary reason for this is an unexpected sharp rise in demand from our main customer that has prevented us from building up a satisfactory level of safety stock before starting to transfer the manufacturing.
 - As there multiple sites that are being transitioned into relatively few sites, this creates somewhat of a daisy-chain effect in that the delay in one closure holds up other planned restructuring actions.

General Update (4 of 4)


- **We said that we would improve our cost competitiveness:**
 - **The restructuring initiatives have largely been discussed earlier**
 - Due to the delay in one of the restructuring projects, we are somewhat behind on the two last projects as well. We may seek to readjust some of the restructuring timing for the last project because of this and some program timing issues.
 - **through reducing admin costs.**
 - This is dependent on implementing better systems and processes something that has proven more complex than previously assumed. As a result of this we are one year behind on 70% of this initiative.
 - **through managing economics properly.**
 - As we explained in the 2016 CMD, we need to make sure that manufacturing cost improvements (on top of restructuring savings) and purchasing savings offset price erosion and wage and salary increases. Two of our three units in SP and one of our units within Interior are very close to achieving this. For the remaining units we need to improve further in this area in order to achieve our goal.
 - **through improving operational execution.**
 - We see improvements primarily in the SP segment and to a certain degree in portions of the P&C segment. However, we have gone backwards in portions the Interior segment as a result of multiple issues primarily in our Polish manufacturing facility.

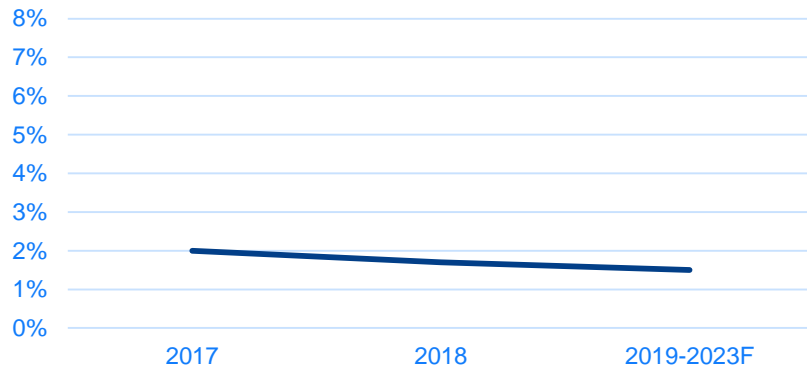
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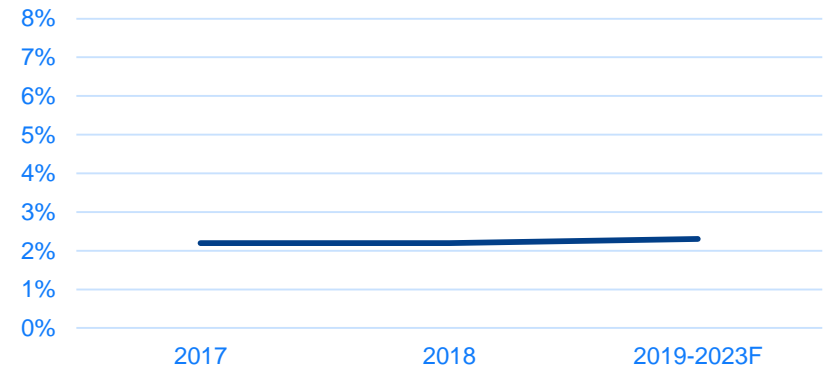


Real GDP Forecast

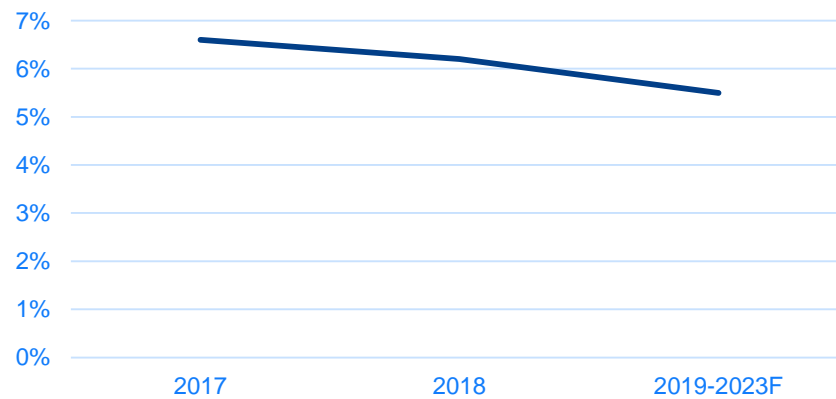
Eurozone 



US 



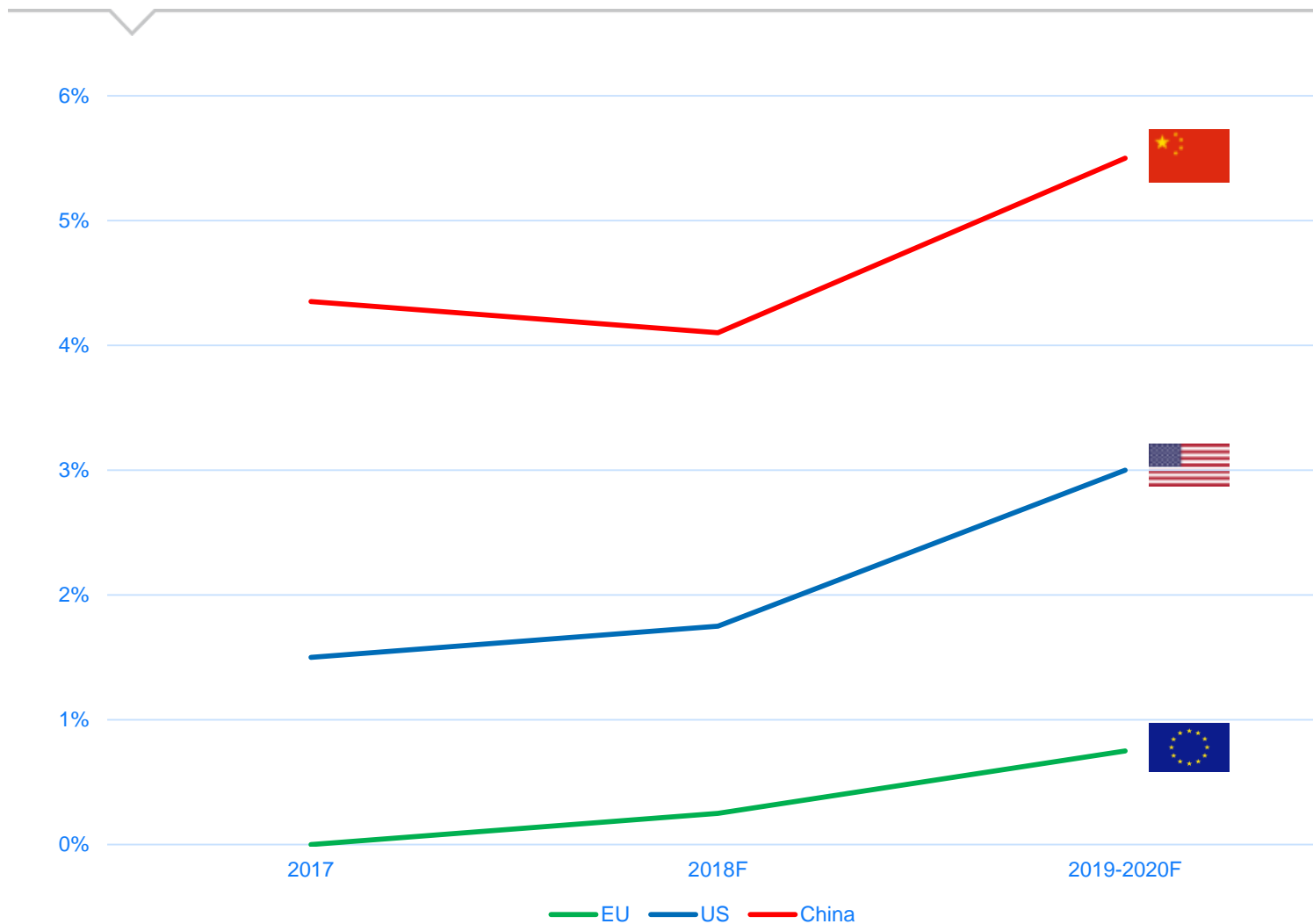
China 



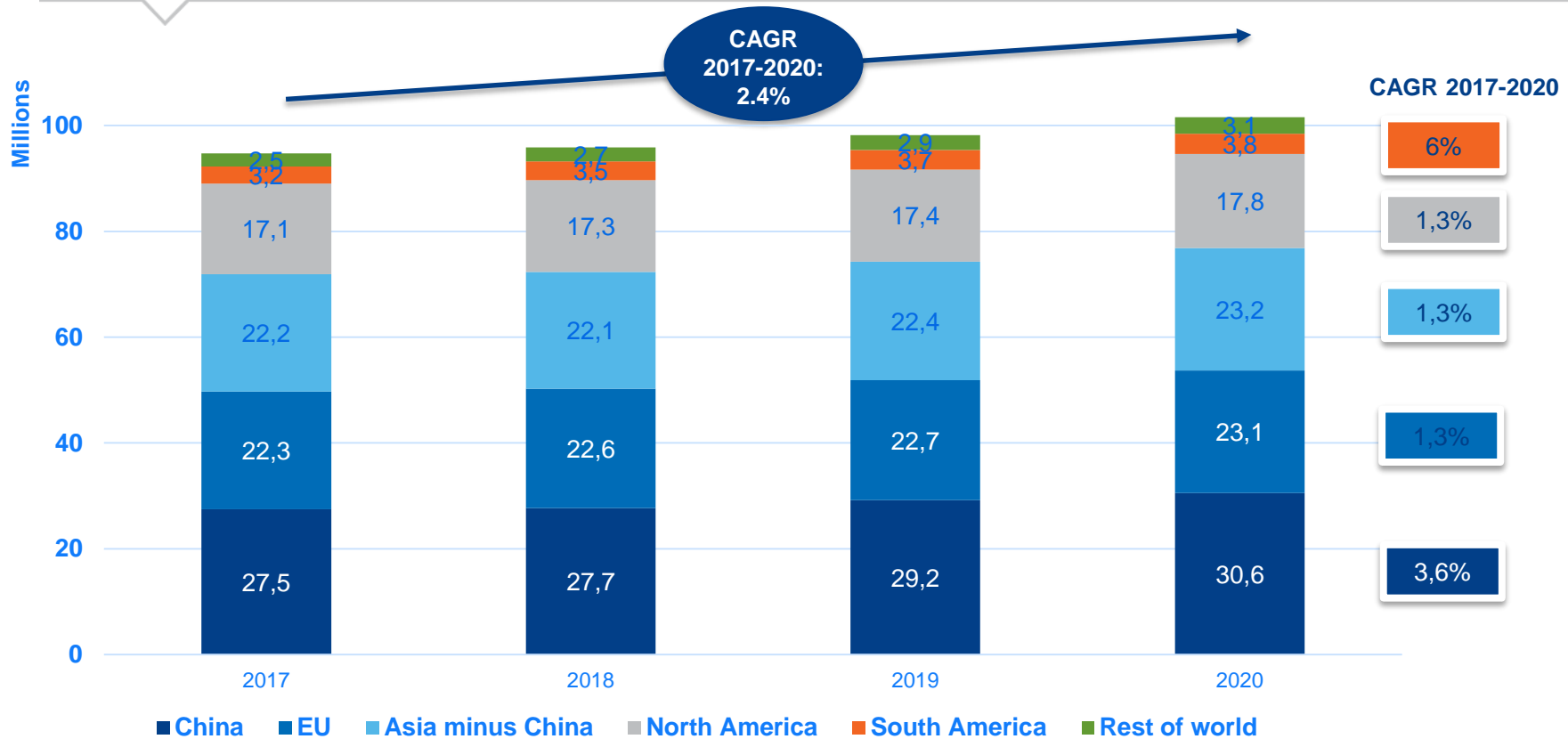
Global 



Interest rate outlook of major economies



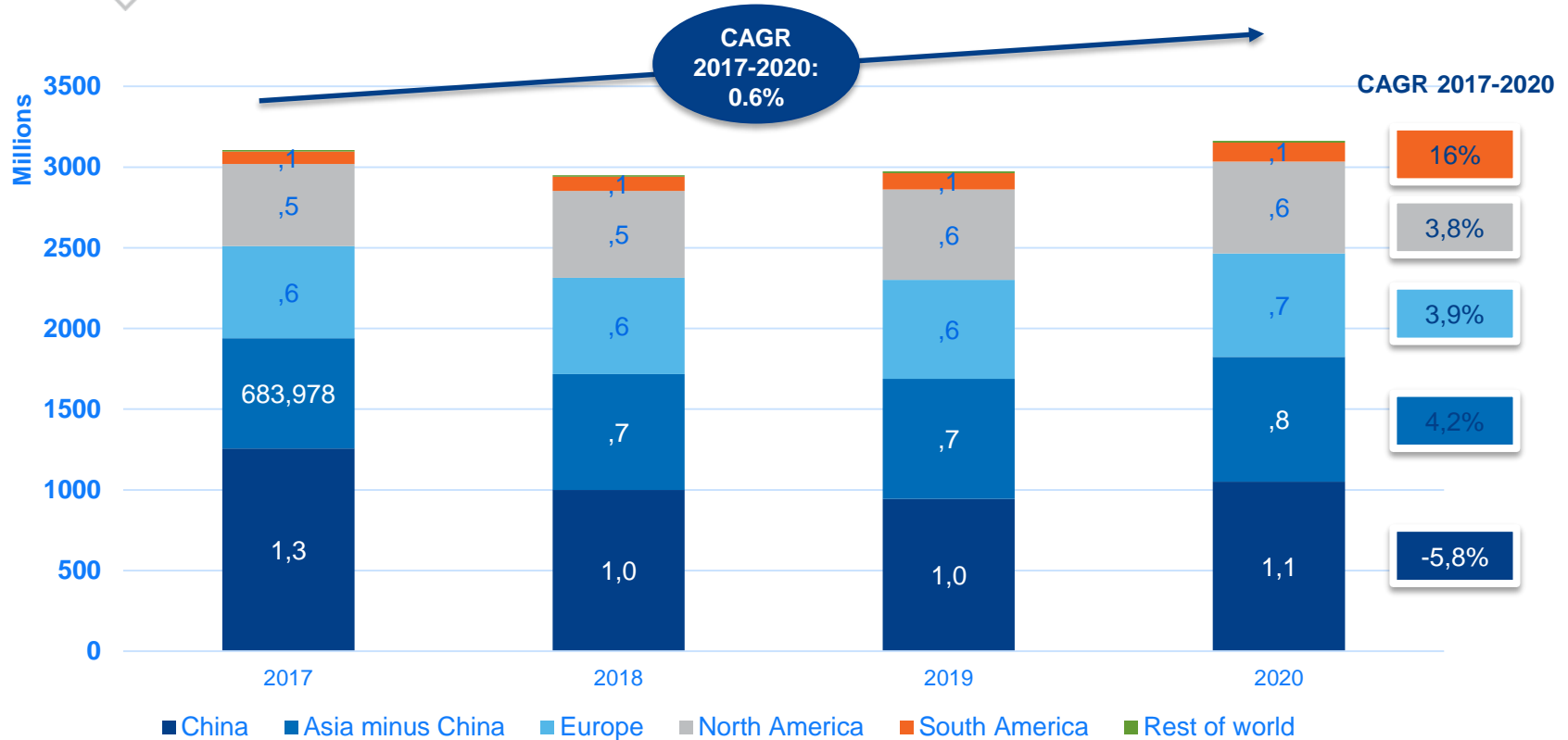
Light Duty vehicle production reaching over 100 million units by 2020



Source: IHS Markit

- Mature markets are stable, but below 2% growth
- China is slowing down, but still close to 4% growth

Commercial Vehicle production stable around 3 millions units

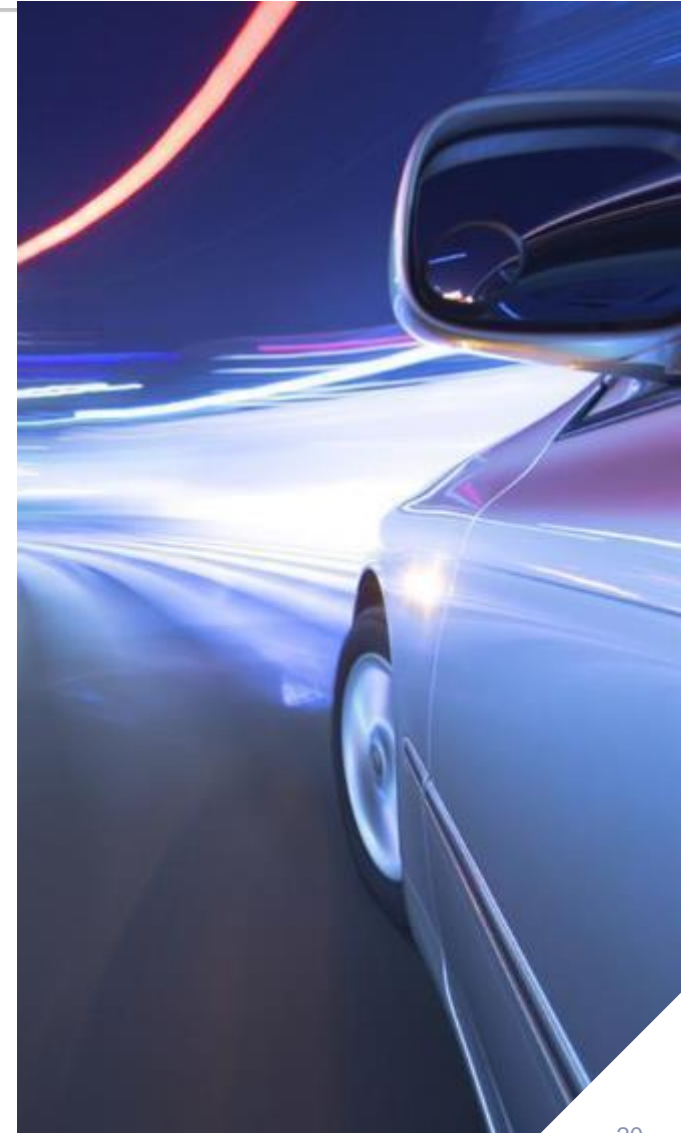


Source: LMC

- Variability within markets, however this is still an over all stable market
- Strong recovery in South America
- EU and NA continue on a 3-4% pace

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How well positioned are we for the big automotive trends? (1 of 2)

▶ Infotainment and Connectivity

- Generally speaking, Kongsberg Automotive (KA) is an automotive supplier in the areas of mechanical products. With regards to Infotainment and Connectivity we have limited exposure both to the downside (obsolete technologies) and some exposure to the upside (new technologies).
 - The upside is related to our MRF based configurable rotary “switch”. We have shown key customers our prototypes and have been met with great interest.
 - We also have some upside in electronics in our Off Highway business unit within the Specialty Products Segment as a complete electronics systems supplier.

▶ Alternative Powertrains

- The two KA units that are dependent on the powertrain of the vehicle are the P&C and Specialty Products Segments (FTS). Interior may also marginally be affected.
 - In P&C, our gearshifter business is partly dependent (for the actuators) on there being a transmission in the vehicle. For hybrid our alternative fuel powertrains there will still be transmissions in the vehicles.
 - For PURE Electric Vehicles, there are no transmissions currently. This may, however, change as one tries to take advantage of the high torque of electric motors at low RPMs unless the pure electric powertrain moves to hub engines. This downside is largely focused on the passenger car actuation products within the P&C segment.
 - In FTS, the majority of KA’s high performance hose and tube products for harsh applications are used for “plumbing” in engine compartments of ICE powertrains.
 - PEV’s obviously do not have such “plumbing”, however they have some level of battery cooling plumbing.
 - Hybrid vehicles and traditional ICE based vehicles are generally downsizing the engine sizes, enhancing the displacement performance through turbocharging, and having smaller engine compartments. This leads to more FTS “friendly” applications as the overall environment gets harsher in the engine compartments.
 - For Interior, the PEV’s will over time change from traditional fan/blower based heater systems to heated surfaces. This is due to efficiency issues.
 - Heated surfaces generally use similar technologies as the heated seats and consoles KA supplies today. As electric car penetration increases, we expect more heated surfaces in the car that will benefit KA.

How well positioned are we for the big automotive trends? (2 of 2)

▶ **Autonomous Vehicles**

- Overall, KA is not directly active in the autonomous vehicle field. Two of our businesses (P&C and Interior) are indirectly affected by this new product category:
- P&C
We are, through our P&C business, supplying shift by wire (SBW) systems that are prerequisites to such autonomous vehicle functionality. As such functionalities increase in popularity this will require SBW in such vehicles. To a large extent this has already taken place as virtually the entire premium segment has implemented SBW solutions by now for reasons other than autonomous functionalities.
- INT
As vehicles become more and more autonomous, this will create additional focus on the interior comfort and flexibility. This will benefit KA's Interior segment as the spending in seat comfort features will increase.

▶ **Comfort & Convenience**

- Although more of a general trend, rather than an automotive trend, the quest for comfort and convenience is a major driver in the increasing end market for seat comfort products supplied by KA's Interior segment.

We are currently comfortable with our product portfolio

- ▶ **We have three business segments that all have significant upside from both a top line and a bottom line perspective:**
 - **Interior**

Interior is well placed in the most attractive automotive segment that we serve from a market growth perspective. In the various submarkets of this segment, we are the only player that serves all the submarkets. Although we are not #1 in any submarket, we are typically #2 or 3. Except for seat heat and ventilation, no two submarkets have the same #1. Interior is the strongest growing segment within KA, both in the short term and in the long term. The trend to more comfort features in vehicles is strengthening and only very few automotive sub-segments are as attractive as the Interior sub segment. This segment is also virtually independent of powertrain changes..
 - **Powertrain & Chassis**

Last year we characterized this business a “sick business”. We have initiated many improvement programs, reorganized the business, and changed the priorities. This is beginning to show results – and there is still more runway from an improvement perspective.

From a pure product and market segment perspective, we are very excited by the P&C opportunities in the commercial vehicle (CV) market where technology changes leads to a significant increase in the relevant market size for KA. The passenger car market is having exactly the opposite effect from the technology changes and the overall addressable market size will decline over time except in emerging markets, primarily China.

Overall, P&C will grow strongly over the 2018-2020 period mainly due to one CV program. Consequently, the growth is stronger in the short-term than in the long term.
 - **Specialty Products**

The various business units (each serving one or more niches) in our Specialty Products segment have good growth opportunities combined with very attractive margin developments. In the short term, Couplings will have the highest growth rates followed by FTS. In the long-term, Couplings will still be the highest growth business unit within specialty products. However, Off Highway will surpass FTS in the #2 spot as we penetrate more new customers with our attractive product offerings in this market.

Growth Prospects

- ▶ From a market and competitive position standpoint, we are well positioned for growth in our Interior and Specialty Products segments. The main drivers for this are:
 - Interior: being at the right place at the right time with the right products during strong market growth
 - Couplings: slowly, but securely gaining market-share in a slow moving commercial vehicle industry. Over the past 12 months, our biggest success has been the breaking into the Chinese market where we are supplying coupling products to more than 6,000 trucks per month with potential for more.
 - Off Highway: Penetration of customers outside of our current customer portfolio. We have increased sales and engineering activities and are in the process of being and or have been awarded programs in the power sports market with new customers.
 - FTS: Although the market leader within automotive for PTFE hoses, we keep increasing our market share due to wide product acceptance and manufacturing scale.

- ▶ In our P&C segment, we are ramping up our North American AMT program significantly over the next 2-3 years which will provide growth for the P&C segment. After that we will most likely have a flat to slightly falling top-line in P&C, primarily driven by the anticipated reduced content per vehicle for passenger cars for gear shifting systems.

- ▶ Overall we are looking at top line (CAGR) growth rates over the next 3-4 years in the area of:
 - Interior 12-13% - relatively constant growth rates over the period
 - P&C 6-7% stronger at the beginning and flattening out towards the end of the period
 - Specialty products 5% broken down as follows:
 - Couplings 7-9% somewhat stronger in the beginning
 - FTS 5-6% over the plan period
 - Off Highway 2-3% over the plan period with strong growth towards the end of the plan period due to lead times for new customers and slight headwind in the OPE area in the immediate short term as we are revitalizing this portion of Off Highway.

We are doing well in (re-) positioning our various businesses in order to facilitate growth, particularly in our higher margin businesses. Our resource allocation reflects this.

Looking for M&A targets

The automotive supplier industry is in a phase of consolidation. There will be many acquisitions of smaller players driven by new technologies and the needs for scale

If the right opportunities become available in the market we will go after acquisitions as long as they make strategic sense and are financially attractive to us. We will only go after opportunities that are accretive to earnings in a short term perspective.

Although not a central component in our overall improvement plan, we are examining strategic bolt on acquisition opportunities. Our main criteria are:

- ▶ **Should be within our strong growth and or strong margin businesses**
 - Interior
 - Off Highway
 - FTS
 - Couplings
- ▶ **Primarily in or right adjacent to our current business activities**
 - A potential target could be either
 - Technology based.
 - Enabling stronger vertical integration, and or
 - Synergistic from a customer base standpoint.
- ▶ **As opposed to earlier, we now have a stronger currency to execute transactions**
- ▶ **We will be disciplined when it comes to potential acquisitions. No transaction will take place that is not truly advantageous to the company.**
 - We will not increase our gearing ratio because of acquisitions.

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Capital Markets Day 2017

Growing with Fluid Transfer Systems

November 8th



Fluid Transfer system – Introduction

Fluid Transfer Systems

Business

World class supplier of fluid handling & high performance hose products for vehicle and industrial markets, which provide competitive advantage and profitable growth opportunities above market rates

Segments and products

- Passenger cars, trucks & busses, and for a variety of industrial markets
- Fragmented market with many players and applications
- We differentiate by product, service and scale benefits versus competition
 - Specialty hose, tube and assemblies for harsh and critical applications
 - Agility and tailor made products for tight packaging and weight savings



Fluid Transfer Systems - Unparalleled Customer Relationships



Selected customers PV



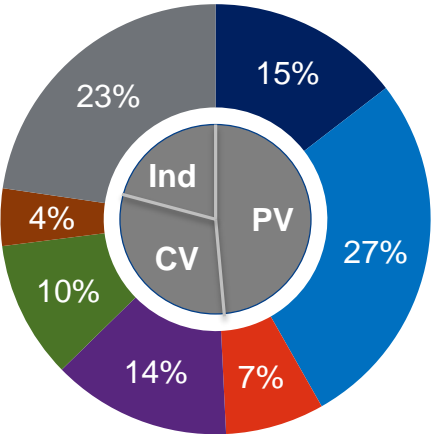





Selected customers CV



Selected customers Industrial



Fluid Transfer Systems - Products

LTM Q3 2017 sales	Product lines	KA growth expectations
 <p>PV Vacuum brake boost , Air suspension Fuel Hydraulic brake</p> <p>CV Emission control, Turbo Fuel Coolant, Air compressor</p> <p>Industrial</p>	 <p>Fluoropolymer based hoses for segments: Oil, Gas, Pharma , Food, Hydraulic,..</p>	Above market
	 <p>Passenger Vehicle fuel hose & assemblies and hydraulic brake hoses</p>	Above market
	 <p>Commercial Vehicle emission control - turbo- and fuel assemblies</p>	Above market
	 <p>Commercial Vehicle air- and coolant assemblies Passenger Vehicle air suspension lines</p>	In line with market
	 <p>Passenger Vehicle vacuum brake booster assemblies</p>	Below market

Fluid Transfer Systems - Differentiators & Success Factors

Unique Combination

- Vertical integrated from material granulates to end product.
- In global top 3 of fluoropolymer based hose producers
- World's # 1 in Fluoro-Comp® manufacturing
- Nylon multilayer capabilities up to 5 layers
- Broad portfolio of advanced forming technologies and processes
- Broad range of advanced assembly methods and processes
- Skilled, knowledgeable and passionate organization

Success Factors

Passenger Vehicle

- Niche player with high performance hoses, agility and service

Commercial Vehicle

- Vertical integrated, broad material- and processes portfolio, service

Industrial

- Leader with scale, global footprint, quality and technical services

Fluid Transfer Systems - Profitable Growth

Changed organizational structure

- Changed to regional structure – more customer focused
- Agility & responsiveness Improved

Improve our cost competiveness

- Closure of the Easley plant in USA 1Q 2018, relocating to a new facility in Mexico
- Planned closure of the Burton plant in UK in 2Q 2018, relocating to KA's new facility in Poland
- Backwards integration, taking some manufacturing processes in house
- Benefits from our “early innings” lean activities

Manage the product portfolio

- Product differentiation
- Launch **UltiFlex**[®]
- Launch fitting program
- Capacity expansion on core **Fluoro-Comp** product

Fluid Transfer Systems - Growth Drivers

Drivers PV + CV



legislations



Green House Gas



Global energy

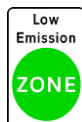


Safety

Trends PV + CV



Electrification



Emissions



biofuels



downsizing



flammability



weight



Heat recovery



Cost for function



Temperature

Automotive trends in favour of Fluid Transfer Systems high performance hose products :

- High performance materials
- Light weight and high temperature resistance plastics
- Advanced multilayer hose and tubes
- Robust and safety critical designs
- Tighter packaging, routable products
- More coolant/heating lines
- Waste Heat recovery systems
- More subsystems per vehicle
- Agility and service



Fluoro-Comp

The world's leading fuel hose: Fluoro-Comp⁺



Weight Reduction

- Fluor-comp® up to 62 % vs stainless steel braided hose
- Fluor-comp® up to 70 % vs rubber



Temperature Resistance

- Fluor-comp® up to 100 % higher vs nylon hose
- Fluor-comp® up to 53 % vs rubber hose
- Fluor-comp® up to 30 % vs silicon hose



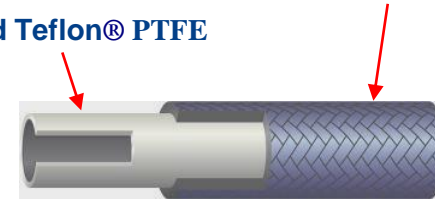
Installation benefits

- Orientation possibility vs traditional connections
- Balancing out engine tolerance stack-up
- Tight packaging capability



Teflon® impregnated Fibreglass / Aramid braid

Carbon lined Teflon® PTFE



A truly unique hose

- ▶ Compatible with all biofuels and oils up to +260°C
- ▶ Unlimited shelf life, will not age
- ▶ Superior flex fatigue life and thermal shock resistance
- ▶ Excellent crash, cut and abrasion resistance
- ▶ Non-flammable
- ▶ Permeability lower than rubber and nylon
- ▶ LEV III complaint with suitable fittings
- ▶ Excellent noise/ vibration attenuation
- ▶ Approved turbo-, fuel-, coolant- and air applications
- ▶ **Fluoro-Comp⁺** for improved burn-through resistance

Fluid Transfer Systems - Growth Drivers

Drivers Industrial



legislations



Supply chain



Emerging markets



Safety

Trends Industrial



Customer experience



1 stop shop



Innovation



Tech. support



Durability



Cost for function



weight

Fluid Transfer Systems competitive advantages in the industrial segment:

- Take advantage of the Kongsberg Automotive quality systems for the high end sub segments
- Utilising our global footprint
- Leveraging our automotive volumes to get favourable purchase prices
- Expand the product portfolio
- Providing customer training and technical support
- Advanced light weight hose designs
- Deploying e-commerce
- Global distribution channels



Fluid Transfer Systems - Summary

Passenger Vehicle

- Grow and maintain our #1 position in Fluoro-Comp® fuel hose
- Gain significant growth in hydraulic brake hose
- Penetrate market of battery coolant/heating lines

Commercial Vehicle

- Increase market share in emission control + turbo in USA
- Gain significant growth in fuel- and coolant applications
- Increase fitment rate of Fluoro-Comp® for oil and coolant
- Increase fitment rate of high performance plastics

Industrial

- Strong growth with a broad segment portfolio & globalization
- Broaden product offering,
- Focus on higher end segments,
- Leverage scale and quality mindset from automotive

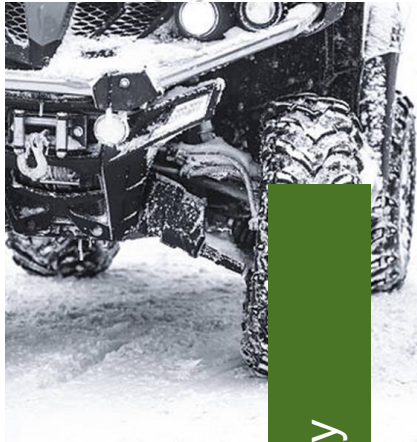


Capital Markets Day 2017

Off-Highway November 8th



Introduction to Off-Highway



Off Highway

Highly specialized unit focused on a variety of end markets with various products and technologies

- ▶ Significant growth potential
- ▶ Focus on defending current niches and defining new applications for our base technologies
- ▶ In the Off Highway area:
 - There is plenty of room for innovation;
 - We have more degrees of freedom;
 - We have more options.



Introduction to Off-Highway



Off Highway

We develop Driver Control Systems for:

- ▶ Powersports
- ▶ Construction Machinery
- ▶ Agricultural Machinery
- ▶ Outdoor Power Equipment



Summary of Off-Highway

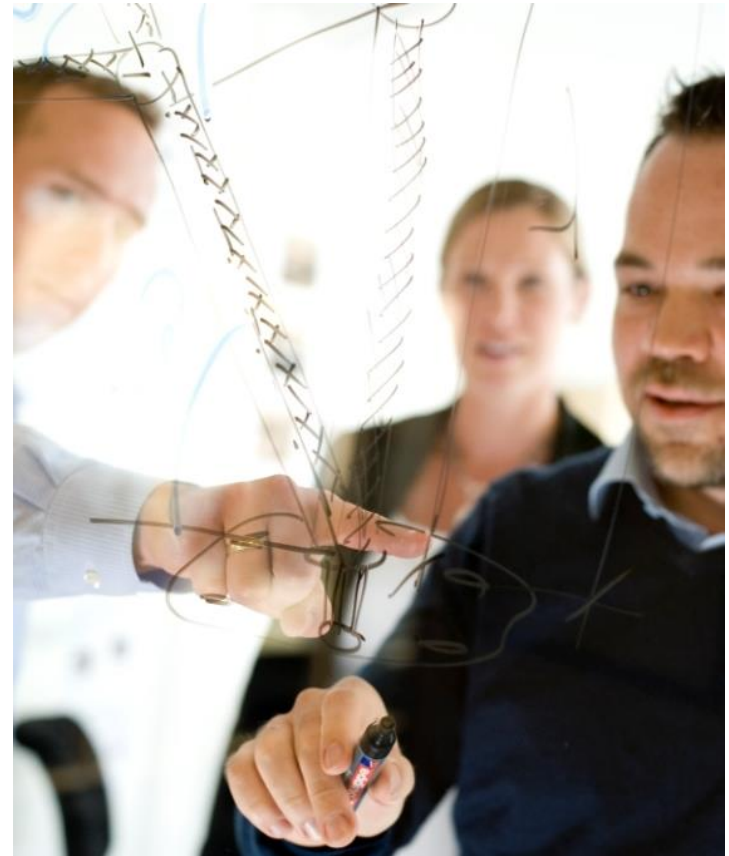
2017 estimated sales	Product lines	KA growth expectations
 <ul style="list-style-type: none"> ■ Steering Systems ■ HMI / Electronics ■ Cables & Controls ■ Pedals & Electronic Hand Controls ■ Wire Harness and Dash 	 <p>Steering Systems</p>	Above market
	 <p>Electronic Foot and Hand Controls</p>	Above market
	 <p>HMI / Electronics</p>	Above market
	 <p>Mechanical Controls and Cables</p>	In line With Market

Customers



Off-Highway – Our Competence

- ▶ **Our Off-Highway team delivers growth . . .**
 - Through being customer oriented with flexible solutions that can be tailored to their specific requirements
 - By clearly understanding our customer's environment, challenges and needs
 - With having full electronics design, development and manufacturing in-house
 - By servicing our worldwide customers locally through our global footprint
 - By continuing to be the Off-Highway market leader in pedals and hand-controls with electro-mechanical solutions
 - By focusing on the future wants and needs of customers yet to take full advantage of our current products and capabilities



Growth in Off-Highway - Drivers

- ▶ Our Off-Highway vehicle markets are migrating from mechanical controls to electronic controls or electronically assisted controls

- ▶ **Drivers for this change are**

- Emissions legislation
 - Stage 5 EU emissions regulation
 - Emissions regulation catch up in China & India
- Vehicle safety regulation
 - “Mother Regulation” EU 167/2013 for European tractors
 - Increasing adoption of ISO 26262 safety standards
- Powertrain electrification
 - Reduction in reliance on mechanical control or assist (e.g. hydraulic steering assistance, hydraulic pilot control circuits)
- Improved driver control and comfort
 - Increasing uptake of electronic driver controls and electronically assisted steering systems



Growth in Off-Highway - Example

- ▶ Electronic power steering (EPS) system for leading Powersports OEM

- Original versions developed for On-Highway three-wheelers



- Driver control and comfort benefits lead to development of other variants optimised for Side-by-Side and ATV platforms
- EPS take-up has increased significantly on these vehicles and is becoming a standard feature

- Performance improvements are such that other Powersports applications are in development



Off-Highway Summary

- ▶ **Steering Systems**
 - Gain significant growth by broadening our customer base in Power Sports
 - Expand into the Agriculture Market with EPS Integrated systems

- ▶ **HMI / Electronic**
 - Obtain growth by developing engineered solutions to meet the Power Sports customer needs
 - Rationalize the product portfolio

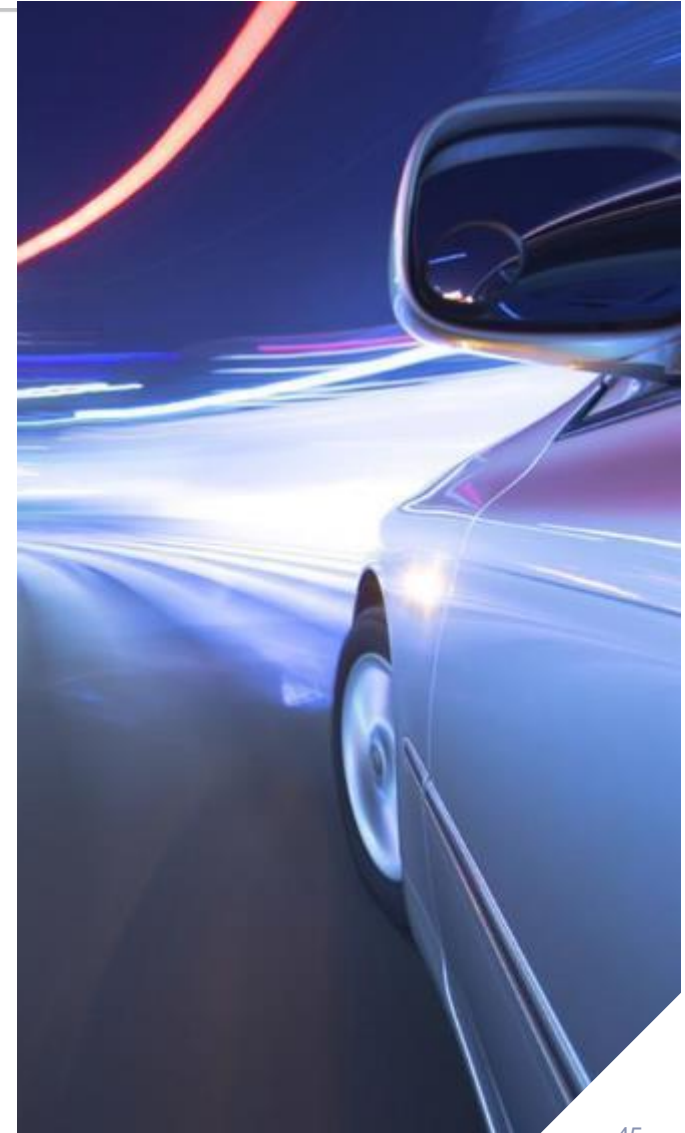
- ▶ **Pedals and Electronic Controls**
 - Consolidate our #1 position in the Off-Highway market
 - Expand our portfolio with new products

- ▶ **Mechanical Cables and Controls**
 - Recapture market share in Outdoor Power Equipment segment
 - Rationalize the product portfolio

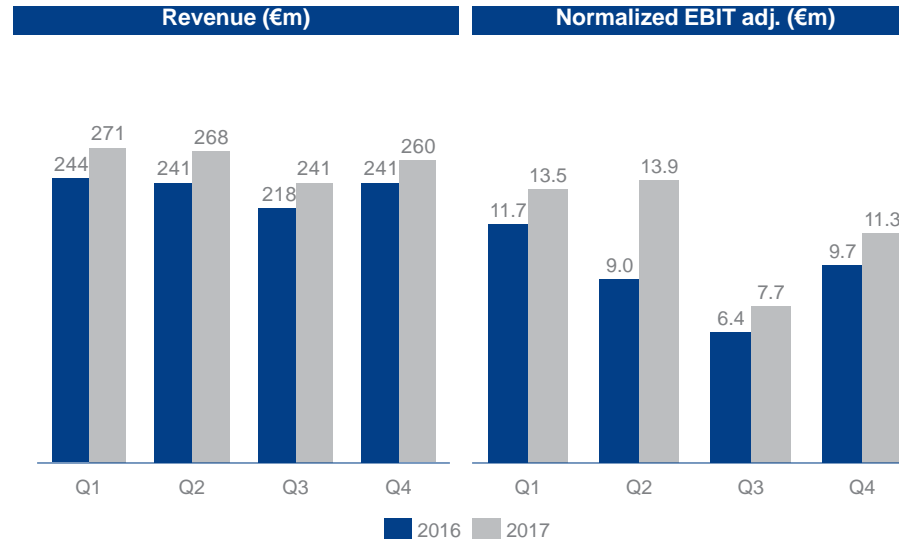


Agenda

- ▶ **Executive Summary**
- ▶ An overview of our businesses
- ▶ What has taken place since the last CMD (2016)
 - General Update
 - Restructuring Initiatives
 - Other Improvement Initiatives
 - Status on the Principal Model
- ▶ **Markets**
- ▶ The road forward
 - How well positioned are we for the big automotive trends?
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 - Looking for M&A targets
- ▶ Presentation of FTS and Off Highway business units
- ▶ **Financials**
- ▶ Summary and Conclusion



Financial overview – 2017 Progress



- ▶ **2016 figures have been normalized for “one timers”**
- ▶ **2017 performance consistently above 2016 levels**
 - Negative factors (primarily raw materials and to a lesser extent FX have been more than offset by volumes and some small performance improvements
 - FTS ahead of expectations, Interior behind expectations
- ▶ **Assumptions:**
 - Raw Material prices and FX rates will remain at today’s levels throughout the plan period
 - The overall automotive markets will perform at the levels currently forecasted by major industry analysts

Note that the Q4 2017 figures are estimates

Financial overview – a recap to 2016 CMD

Intro

- ▶ **We have reclassified our OPE activities from the LDC business unit to the Off Highway business unit**
- ▶ **Also, in the 2016 CMD figures we had misclassified legal settlements in the amount of € 4.5M in P&C originating from pre 2014. This should have been recorded in Specialty products.**
- ▶ **On last year's capital market's day, we showed the figures to the left on the following slide. On the right side are the [reclassified] figures that we will compare to later in this presentation.**
 - **The figures on the right reflect:**
 - **Removal of the North American Headrest/Armrest business (discontinued ops). Future references to the 2016 financials will be based on the “KA continued operations”**
 - **The OPE reclassification amounted to €28.3M of revenues and €3.5M of Adj. EBIT**
 - **The legal settlements of €4.5M have been reflected correctly in the Specialty products segment**

Financial overview – a recap to 2016 CMD

		2016 CMD Including Restructuring Benefits			
In Mill. Euro		2016	2017	2018	2019
Powertrain	Sales	351	366	386	432
	EBIT	(6)	(0)	21	35
	% of sales	-1,8%	-0,1%	5,5%	8,2%
Interior	Sales	269	271	299	347
	EBIT	19	18	30	39
	% of sales	7,1%	6,7%	10,0%	11,3%
Specialty Products	Sales	323	338	352	371
	EBIT	38	43	57	59
	% of sales	11,8%	12,6%	16,1%	16,0%
Corp	EBIT	-16	-18	-24	-22
KA continued Operations	Sales	944	974	1.037	1.151
	EBIT	35	42	84	112
	% of sales	3,7%	4,4%	8,1%	9,7%
Discontinued Operations	Sales	35	36	36	20
	EBIT	0	1	2	-1
	% of sales	0,9%	3,1%	4,6%	-7,0%
KA Total	Sales	979	1.010	1.073	1.171
	EBIT	35	44	85	110
	% of sales	3,6%	4,3%	8,0%	9,4%

		2016 CMD reclassified for OPE xfer and Legal Settlements (excluding discontinued Ops)			
In Mill. Euro		2016	2017	2018	2019
Powertrain	Sales	351	366	386	432
	EBIT	-2	0	21	35
	% of sales	-0,6%	-0,1%	5,5%	8,2%
Interior	Sales	241	243	271	319
	EBIT	15	15	26	36
	% of sales	6,4%	6,1%	9,7%	11,2%
Specialty Products	Sales	351	366	380	399
	EBIT	37	46	60	63
	% of sales	10,6%	12,6%	15,9%	15,7%
Corp	EBIT	-16	-18	-24	-22
KA continued Operations	Sales	944	974	1.037	1.151
	EBIT	35	42	84	112
	% of sales	3,7%	4,4%	8,1%	9,7%

On the right side are the [reclassified] figures that we will compare to later in this presentation.

Financials – 2016 CMD plan vs. 2017 Update

2016 CMD reclassified for OPE xfer and Legal Settlements (excluding discontinued Ops)

In Mill. Euro		2016	2017	2018	2019
Powertrain	Sales	351	366	386	432
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2017 CMD 2016 Actual , 2017-2019 Outlook

In Mill. Euro		2016 ACT	2017 ACT/FCST	2018 Plan	2019 Plan
Powertrain	Sales	350	407	438	466
	Adj. EBIT	-3	4	20	29
	% of sales	-0,9%	1,0%	4,6%	6,2%
Interior	Sales	236	261	290	329
	Adj. EBIT	12	13	21	25
	% of sales	5,2%	5,0%	7,2%	7,6%
Specialty Products	Sales	358	381	404	442
	Adj. EBIT	36	49	61	75
	% of sales	10,1%	12,9%	15,2%	17,0%
Corp	Adj. EBIT	-17	-18	-20	-21
KA continued Operations	Sales	944	1.049	1.132	1.237
	Adj. EBIT	28	48	82	108
	% of sales	3,0%	4,6%	7,3%	8,7%

▶ 2017 and beyond assumptions:

- Raw Material prices and FX rates will remain at the levels of July 2017 throughout the plan period
- The overall automotive markets will perform at the levels currently forecasted by major industry analysts

▶ The 2017 variances to the 2016 CMD figures presented are mainly due to:

- Stronger than forecasted industry volumes leading to higher revenues
- Significantly higher raw materials prices
- Some FX headwind – primarily PLN/EUR, MXP/USD and to a certain extent NOK/EUR and SEK/EUR
 - There is a small positive offset to these FX headwinds in “other financial items” below the EBIT line on the next slide.
- Some delay in restructuring savings due to slower production ramp in the new sites and delay for one project – this primarily affects the P&C improvement pace
- Weaker margins in Interior mainly driven by our Poland plant where we have operational issues relating to growth & production ramp-up, supplier issues, and internal execution. This is an issue that we take very seriously and we have put actions into place in order to normalize operational performance in the Interior segment.

Financial overview

How does 2017 CMD look compared to 2016 CMD?

2016 CMD P&L with Restr. Costs & Benefits reclassified for elimination of non cont'd ops

In Mill. Euro	2016	2017	2018	2019
Sales	944	974	1.037	1.151
EBIT adj.	35	42	84	112
<i>% of sales</i>	<i>3,7%</i>	<i>4,4%</i>	<i>8,1%</i>	<i>9,7%</i>
Restructuring & One Off cost	-18	-22	-24	-6
EBIT	17	20	60	106
<i>% of sales</i>	<i>1,8%</i>	<i>2,1%</i>	<i>5,8%</i>	<i>9,2%</i>
Financial Items	9	-9	-8	-7
Profits Before Taxes	26	11	52	99
Taxes	-20	-8	-20	-25
<i>% of PBT</i>	<i>-78,0%</i>	<i>-73,0%</i>	<i>-39,0%</i>	<i>-25,0%</i>
Net Income	6	3	32	74
EPS (NOK)	0,13	0,07	0,71	1,65

2017 CMD

In Mill. Euro	2017	2018	2019	2020
Sales	1.049	1.132	1.237	1.316
EBIT adj.	48	82	108	122
<i>% of sales</i>	<i>4,6%</i>	<i>7,3%</i>	<i>8,7%</i>	<i>9,3%</i>
Restructuring & One Off cost	-24	-21	-7	-2
EBIT	25	62	101	120
<i>% of sales</i>	<i>2,3%</i>	<i>5,5%</i>	<i>8,2%</i>	<i>9,1%</i>
Financial Items	-10	-9	-8	-7
Profits Before Taxes	15	53	93	113
Taxes	-11	-22	-25	-28
<i>% of PBT</i>	<i>-73,0%</i>	<i>-42,5%</i>	<i>-26,5%</i>	<i>-25,0%</i>
Net Income	4	30	68	85
EPS (NOK)	0,09	0,71	1,60	1,98

► 2017 and beyond assumptions:

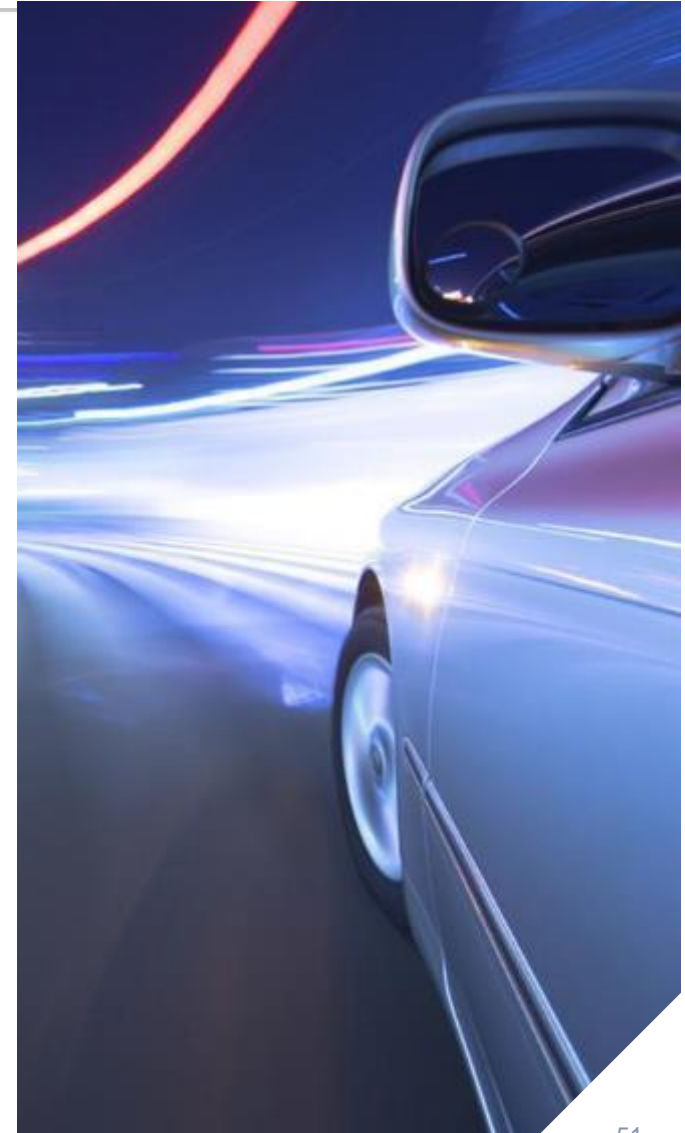
- Raw Material prices and FX rates will remain at today's levels throughout the plan period
- The overall automotive markets will perform at the levels currently forecasted by major industry analysts

► The 2017 variances to the 2016 CMD below the Adj. EBIT line figures presented are mainly due to:

- Slight change in timing of restructuring costs
- Due to the increased revenues, working capital has increased. This, in turn, has increased the interest cost.
- The reduction in the tax rate is a little bit slower than anticipated one year ago. This is mainly driven by the delays in the implementation of IT and other process oriented systems.
- EPS is positively affected by a stronger €/NOK exchange rate (9.47) than one year ago (9.07). This is offset by slightly lower NI figures.

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Summary & Conclusion

- ▶ **One year after the launching of “the new KA” we are largely confirming the 2016 CMD outlook**
 - ▶ **We are by and large on plan with our improvement efforts**
 - ▶ **As with all plans, there are some “ups and downs”**
- ▶ **The “Oil Tanker” is starting to turn around in the right direction.**
- ▶ **We continue to be excited about the untapped potential KA has – and we are starting to realize a small portion of this potential.**
- ▶ **We will see substantial economic improvement from KA that all stakeholders will benefit from.**

In Mill. Euro	2017 CMD			
	2017	2018	2019	2020
Sales	1.049	1.132	1.237	1.316
EBIT adj.	48	82	108	122
<i>% of sales</i>	<i>4,6%</i>	<i>7,3%</i>	<i>8,7%</i>	<i>9,3%</i>
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Net Income	4	30	68	85
EPS (NOK)	0,09	0,71	1,60	1,98

This is our plan that we will deliver – we hope you are still as excited as we are!