

3rd Quarter Report 2016

Kongsberg Automotive



Enhancing the driving experience

2016

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HIGHLIGHTS 3RD QUARTER 2016

HIGHLIGHTS

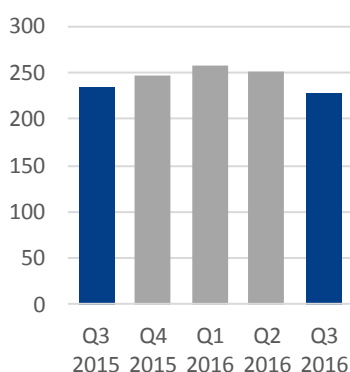
- Revenues were MEUR 228.0 in the third quarter, MEUR 1.4 below the third quarter last year excluding negative translation currency effects of MEUR 4.0.
- EBIT was MEUR -5.0 (-2.2%) in the third quarter, versus an EBIT of MEUR 10.4 (4.5%) in the third quarter last year.
- The third quarter EBIT was impacted by one-off items of MEUR 10.8. In addition, we incurred MEUR 0.8 of restructuring costs.
- Reclassification of commercial currency loss from financial items to operations, negatively impacted prior periods Revenue and EBIT but had no effect on Net Income/Profit.
- The financial gearing ratio was at 2.9 times at the end of third quarter 2016. A waiver for the bank covenant of 2.75 has been agreed with the banks.
- Annualized business wins in the quarter amounted to MEUR 69 bringing business wins for the last twelve month to MEUR 291.

KEY FIGURES

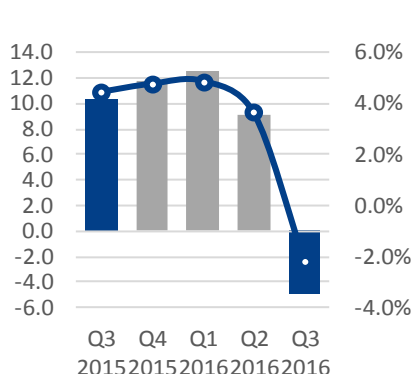
MEUR	Q3 2016	Q3 2015	YTD 2016	YTD 2015	2015
Revenues	228.0	233.4	735.9	767.7	1016.0
EBITDA	7.6	21.6	50.5	75.1	98.5
EBITDA %	3.3 %	9.3 %	6.9 %	9.8 %	9.7 %
EBIT	(5.0)	10.4	16.7	20.5	32.4
EBIT (%)	-2.2 %	4.5 %	2.3 %	2.7 %	3.2 %
Net profit	(9.9)	(3.7)	8.8	(7.4)	(8.3)
NIBD/EBITDA (LTM)	2.9	2.4	2.9	2.4	2.2
Equity ratio (%)	31.0 %	31.4 %	31.0 %	31.4 %	31.3 %

Prior periods have been restated; refer to note 6 for further information.

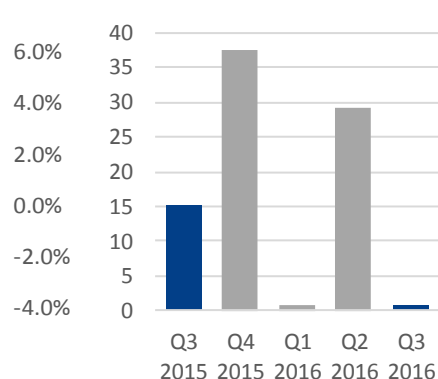
Revenues per quarter
(MEUR million)



EBIT and EBIT Margin per quarter (MEUR and %)



Cash flow from operating activities (MEUR)



All amounts in the report represent EUR unless otherwise noted and have been rounded to the nearest hundred thousand.

CEO Letter

Normally, the third quarter is uneventful due to summer vacation shutdowns in most of our markets. Not so for us.

The automotive industry has many particular characteristics for a supplier. In the medium to long term, we drive our top line by winning new programs. However, in the short term, we have very little influence over our revenue line – we are dependent on the success of the OEM vehicle programs we currently supply. In order to be successful, one needs to have a cost structure that is flexible and can be scaled swiftly up or down depending on customer orders.

I believe it is safe to say that over the years this is an operating model that Kongsberg Automotive has not sufficiently developed. The result of this is that we have large decremental earnings effects when revenues decrease slightly without getting equally large incremental earnings effects when revenues increase. Our three-year plan for improving the company's financial performance addresses this.

FINANCIAL PERFORMANCE

The revenues in the third quarter of 2016 amounted to MEUR 228.0 compared to MEUR 233.4 in the same period 2015. This includes negative FX effects of MEUR 4.0. In other words, on a constant currency basis the sales declined by MEUR 1.4 or slightly less than 1%. Excluding FX impacts, the sales decline was mainly attributable to the Interior Segment (MEUR 5.0) due to a slight slowdown in the production of premium vehicles as well as disappointing light duty cable sales to the outdoor power equipment market. Within our Interior segment we also had slightly lower sales in our Headrest/Armrest business. In our Driver Control Systems segment, we increased revenues on a constant currency basis by MEUR 5.0 mainly driven by strong sales in the recreational vehicle business. In our Driveline and Fluid Transfer segments, revenues were virtually flat compared to the same quarter last year on a constant currency basis.

From an EBIT standpoint, we earned MEUR 6.7 in the quarter compared to MEUR 10.4 in the same period last year. The EBIT of MEUR 6.7 is adjusted for one-time and restructuring items which are explained later. The deterioration is driven by volume, efficiency declines, and increased engineering expense.

ONE-TIME ITEMS IN THE QUARTER

In the third quarter, we reviewed our balance sheet and accounting policies. As a result, we have changed some foreign exchange reporting and have taken a number of write-offs and made additional provisions, which are one-time items. Most of these actions do not have a current cash impact. They break down as follows:

Foreign Exchange Reporting

In 2012, a customer requested and was granted pricing in Mexican pesos rather than US dollars for certain contracts that we supply out of our Mexican facilities. Unfortunately, we still continued to invoice the customer in US dollars, but were paid in Mexican pesos. The associated loss was recognized in financial items (FX) instead of in the revenues within the Driveline segment leading to an overstatement of revenues and EBIT, but no misstatement of Net Income. We corrected this error with the Q3 reporting. The correction effect for Q1 and Q2 2016 amounted to MEUR 2.9. For further information on this, please see note 6 in the financials.

EBIT relevant items: in total MEUR 11.7 (in addition to the FX reporting issue described above)

- As a consequence of classifying our HR/AR business as a «discontinued business», we have written off all fixed and intangible assets for this product line. This is in addition to last year's write-off of intangibles in the amount of MEUR 19.5. The Q3 write-off amount is MEUR 1.6.
- In the past, we missed accruing for a restructuring project for MEUR 3.4. This was accrued for in Q3.
- In the third quarter we settled a GMS related product liability claim with a customer which predated the 2008 GMS acquisition for MEUR 3.9.
- We accrued for a 2014 product liability case for the amount of the deductible of our product liability insurance for MEUR 0.6.
- We accrued for future losses of MEUR 1.0 related to a loss-making program.
- We wrote off capitalized engineering of MEUR 0.3 for a program where we were de-sourced in 2015.
- We also incurred restructuring costs of MEUR 0.8 for a reduction in force program that we set in motion in Q3.

Net Income relevant items- in total MEUR 9.3.

- We also wrote off capitalized tax loss carry forwards (NOLs) in entities and countries where we most likely will not generate sufficient profits to use them. The write-off amounts to MEUR 9.3

In order to show the true operational performance in the third quarter, please see the table below. This shows the sales and EBIT figures for 2015 and 2016 by quarter excluding one-time and restructuring items.

	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	adjusted Q3 16	as reported Q3 16
Sales	€ 269,2	€ 265,1	€ 233,4	€ 248,3	€ 257,2	€ 250,7	€ 228,0	€ 228,0
EBIT	€ 15,9	€ 13,8	€ 10,4	€ 11,8	€ 12,6	€ 9,1	€ 6,7	€ -5,0
	5,9%	5,2%	4,5%	4,8%	4,9%	3,6%	2,9%	-2,2%

BOOKINGS OF NEW PROGRAMS

We continue to book important business wins. At the end of the third quarter of 2016, we had in the last 12 months booked business that represent annualized future revenues of MEUR 291. In particular, bookings were strong in our Interior Comfort Systems segment with makers of electric cars and in our Driveline segment where we booked the first full SBW (Shifter and Actuator) program with a Chinese OEM.

OUTLOOK

In Q3, we completed a review of Kongsberg Automotive's business portfolio. Based on this review, we have developed a vision for the company and concrete action plans to achieve significantly improved operating and financial performance, I refer you to our Capital Markets Day event and presentation where we will go through our plans for the next three years including the associated financials. Capital Markets Day is scheduled for November 8, 2016.

GROUP FINANCIALS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

MEUR	Q3 2016	Q3 2015	YTD 2016	YTD 2015	2015
Revenues	228.0	233.4	735.9	767.7	1016.0
Opex	(220.4)	(211.8)	(685.5)	(692.7)	(917.5)
EBITDA	7.6	21.6	50.5	75.1	98.5
<i>EBITDA (%)</i>	<i>3.3 %</i>	<i>9.3 %</i>	<i>6.9 %</i>	<i>9.8 %</i>	<i>9.7 %</i>
Depreciation and amortization/impairment	(12.6)	(11.2)	(33.8)	(54.5)	(66.1)
EBIT	(5.0)	10.4	16.7	20.5	32.4
<i>EBIT (%)</i>	<i>-2.2 %</i>	<i>4.5 %</i>	<i>2.3 %</i>	<i>2.7 %</i>	<i>3.2 %</i>
Net financial items	4.2	(15.9)	10.8	(24.0)	(28.7)
Profit before taxes	(0.8)	(5.5)	27.5	(3.4)	3.7
Income taxes	(9.1)	1.8	(18.7)	(3.9)	(12.0)
Net profit	(9.9)	(3.7)	8.8	(7.4)	(8.3)

Prior periods have been restated, refer to note 6 for further information.

REVENUES

Revenues for the Group amounted to MEUR 228.0 in the third quarter of 2016. The revenues were MEUR -5.4 (-2.3%) below the comparable period last year, including an unfavorable currency effect of MEUR -4.0. On a constant currency basis, this means that revenues decreased by approximately 1%.

In the passenger car segments revenues decreased by MEUR 8.2 (6.0%) compared to the third quarter of 2015. Interior Comfort Systems had MEUR -6.9 (-8.6%) lower revenues in the third quarter compared to the same period last year, including a negative currency effect of MEUR 1.2. Declining sales in the global head-restraint business due to programs phasing out, and lower sales in the Outdoor Power Equipment (OPE) business negatively impacted in the third quarter compared to last year. Revenues in Driveline decreased by MEUR -1.3 (2.3%) compared to the same quarter last year, including a negative currency effect of MEUR 0.5. The rate of decline decreased in the third quarter as the ramp up of new programs came one step closer to offsetting old programs phasing out.

Revenues from the commercial vehicle segments increased by MEUR 2.2 (2.1%) compared to the same quarter in 2015. Revenues in Fluid Transfer decreased by MEUR -2.4 (4.8%), including a negative currency effect of MEUR 1.5. Excluding the currency effects, weakness in the North American business was partially offset by strength in Europe for air coupling systems to the commercial vehicle market. Revenues in Driver Control increased by MEUR 4.6 (8.4%), including a negative currency effect of MEUR 0.9. The increase in revenues was mainly driven by continued improvement in the North American recreational vehicle business alongside some growth in the European business.

EBIT

EBIT for the Group was MEUR -5.0 in the third quarter of 2016, a decrease of MEUR -15.4 (-142.3%) compared to third quarter of 2015. EBIT for the Group was influenced by a legal case settlement of MEUR 3.9, a write-off of MEUR 1.6 related to the North America headrest business, a loss of MEUR 1.0 related to loss making contracts within the e-Power business unit, restructuring costs of MEUR 0.8, accrued liabilities of MEUR 0.6 related to the "Can-Am Spyder" case and other write-offs of MEUR 0.3. In addition the third quarter included restructuring costs of MEUR 3.4 related to Rollag closure announced in 2014. Excluding one-off effects of MEUR 10.8 and restructuring costs of MEUR 0.8 the EBIT was MEUR 6.7 in the third quarter, MEUR 3.7 below the third quarter last year. Increased R&D activity (MEUR 2.7 including e-Power business unit), the effect of lower volumes, an unfavorable change in product mix were partially offset by operational improvements. Refer to the 2015 annual report (note 27) for more information on the legal case and the "Can-Am Spyder" case.

NET FINANCIALS

Net financials (see note 4.1) were MEUR 4.2 in the third quarter of 2016, compared to MEUR -15.9 in the same period in 2015. The decrease in net financial items was driven by positive unrealized currency effects, as opposed to negative effects last year.

PROFIT BEFORE TAX / NET PROFIT

Profit before tax amounted to MEUR -0.8 in the third quarter of 2016, an increase of MEUR 4.7 compared to the same quarter in 2015. The increase reflects the positive change in net financial items, partially offset by the unfavorable change in operating profit. Net profit was MEUR -9.9 in the third quarter, a decrease of MEUR 6.2 compared to the same quarter in 2015. Income tax in the third quarter was impacted by de-recognition of deferred tax assets.

GROUP FINANCIALS

CONDENSED STATEMENT OF CASH FLOW

MEUR	Q3 2016	Q3 2015	YTD 2016	YTD 2015	2015
Cash flow from operating activities	0.9	15.1	30.2	35.9	73.5
Cash flow from investing activities	(8.2)	(11.0)	(28.1)	(22.7)	(43.5)
Cash flow from financing activities	11.5	(7.3)	(10.2)	(24.2)	(26.3)
Currency effects on cash	(0.1)	0.0	(0.2)	1.3	1.5
Change in cash	4.1	(3.2)	(8.4)	(9.7)	5.2
Cash at beginning period	27.4	28.1	39.9	34.6	34.6
Cash at period end	31.5	24.9	31.5	24.9	39.9
Of this, restricted cash	0.3	0.4	0.3	0.4	0.3

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities decreased by MEUR 14.2 to MEUR 0.9 in the third quarter of 2016 compared to the comparable quarter last year. The decrease was primarily driven by the decrease in EBITDA and a negative change in net working capital, partially offset by a decrease in taxes paid.

Cash flow from operating activities year to date decreased by MEUR 5.7 to MEUR 30.2 compared to the same period last year. The decrease was driven by the decrease in EBITDA, partially offset by a positive change in net working capital and a decrease in paid taxes.

CASH FLOW FROM INVESTING ACTIVITIES

Net cash flow from investing activities amounted to MEUR -8.2 in the third quarter of 2016, MEUR 2.8 lower than in the comparable period in 2015.

Year to date cash flow from investing activities increased by MEUR 5.4 to MEUR 28.1. The year to date increase was driven by the increased number of programs won moving closer to start of production.

CASH FLOW FROM FINANCING ACTIVITIES

Net cash inflows from financing activities was MEUR 11.5 in the third quarter, compared to a cash outflow of MEUR 7.3 in the comparable quarter last year. The change was primarily driven by borrowing of MEUR 13.7 in the third quarter of 2016 compared to debt repayment of MEUR 5.5 in the third quarter last year. Interest payments in the third quarter was in line with the same period last year.

Cash flow from financing activities year to date decreased by MEUR 14.0 to MEUR 10.2. The decrease was driven by lower net debt repayments, lower other financial charges and lower interest payments. The same period last year was also impacted negatively by purchase of treasury shares.

CHANGE IN CASH

Cash increased by MEUR 4.1 during the third quarter, resulting in cash of MEUR 31.5 at the end of the quarter. The change in cash reflects the increased borrowing during the quarter, partially offset by a negative free cash flow.

LIQUIDITY RESERVE

The liquidity reserve was MEUR 120.8 at the end of the third quarter, compared to MEUR 125.2 at year end 2015. The change relates to the negative free cash flow and negative currency effects. See note 3.4 for more information.

GROUP FINANCIALS

CONDENSED STATEMENT OF FINANCIAL POSITION

MEUR	30.09.16	30.09.15	31.12.15
Non-current assets	362.3	368.5	379.7
Cash and cash equivalents	31.5	24.9	39.9
Other current assets	281.6	278.3	264.5
Total assets	675.5	671.7	684.1
Equity	209.4	211.0	214.2
Interest bearing debt	246.8	250.1	253.9
Other liabilities	219.3	210.6	216.0
Total equity and liabilities	675.4	671.7	684.1
NIBD	215.3	225.2	214.0
Equity ratio	31.0%	31.4%	31.3%

ASSETS

Total assets were MEUR 675.5 at the end of the third quarter, a decrease of MEUR 8.7 from year end 2015. The decrease was due to amortization of intangible assets, debt repayment and the write-off of deferred tax assets, partially offset by net investments and the increase in working capital.

EQUITY

From year end 2015 equity decreased by MEUR 4.9 to MEUR 209.4. The decrease was mainly driven by negative currency translation effects, partially offset by a positive net profit for the period of MEUR 8.8. The equity ratio decreased by 0.3 percentage points to 31.0 percentage points.

INTEREST BEARING DEBT

Long-term interest bearing debt amounted to MEUR 246.8 at the end of the third quarter, a decrease of MEUR 7.1 since year end 2015. The change reflects primarily debt repayments and positive currency effects of MEUR 3.2.

Net interest bearing debt amounted to MEUR 215.3 at the end of the third quarter, an increase of MEUR 1.3 compared to MEUR 214.0 at year end 2015. The increase was due to a negative free cash flow (free cash flow before debt repayment), partially offset by positive currency effects.

INTERIOR COMFORT SYSTEMS

Segment Reporting

INTERIOR COMFORT SYSTEMS

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

Interior Comfort Systems products address the passenger car market, with particularly strong positions in the European and

North American markets. Market penetration for products such as seat heating, seat ventilation and massage systems are especially high in medium to higher end cars, while headrests and light duty cables can be found in all ranges of cars. Customers include all major European and North American car and seat manufacturers and most premium OEMs such as Johnson Controls, Faurecia, Audi, Volvo and BMW. In addition the division is a market leader in the supply of light-duty cables to the Outdoor Power Equipment market globally and several other niche industrial market sectors

KEY FIGURES

MEUR	Q3 2016	Q3 2015	YTD 2016	YTD 2015	2015
Revenues	72.7	79.6	237.6	244.6	330.1
EBITDA	4.7	9.7	23.2	27.6	39.0
EBITDA (%)	6.5 %	12.2 %	9.7 %	11.3 %	11.8 %
Depreciation	(3.9)	(2.2)	(8.4)	(6.6)	(8.8)
Amortization/impairment*	(0.7)	(0.6)	(1.9)	(21.2)	(21.9)
EBIT	0.2	6.9	12.8	(0.3)	8.4
EBIT (%)	0.2 %	8.7 %	5.4 %	-0.1 %	2.5 %
Investments	(3.4)	(3.9)	(9.4)	(6.9)	(15.8)
Capital Employed **	153.9	150.2	153.9	150.2	151.2

* Includes write-off of EUR 19.5 million related to the Armrest and Headrest business in Q2 2015

** Includes PP&E, intangible assets, inventories, trade receivables and trade payables

FINANCIAL UPDATE

Revenues in Interior decreased by MEUR -6.9 (-8.6%) to MEUR 72.7 in the third quarter 2016 compared to the same quarter in 2015, including a negative currency effect of MEUR -1.2. Declining sales in the global head-restraint business due to programs phasing out, and lower sales in the Outdoor Power Equipment (OPE) segments negatively impacted in the third quarter compared to last year. Revenues for the first nine months amounted to MEUR 237.6, a decrease of -2.9% from 2015, mainly driven by a negative currency effect of MEUR -4.8 and lower sales in the North American OPE segment.

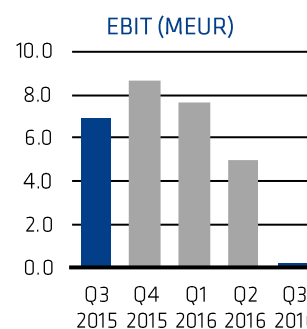
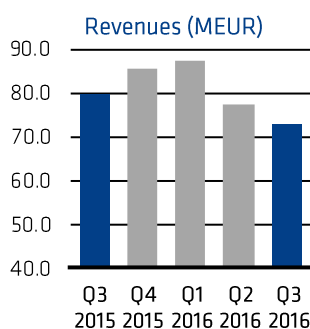
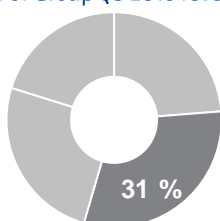
EBIT was MEUR 0.2 in the third quarter, a decrease of MEUR -6.7 compared to the third quarter 2015. The third quarter EBIT margin decreased by -8.5 percentage points to 0.2%. Excluding the write-off of MEUR 1.6 the change in EBIT was related to increased R&D efforts to support innovations, new

programs and future growth opportunities (MEUR 2.1) and lower sales volume. EBIT for the first nine months increased by MEUR 13.1 (-4868.1%) over last year. Excluding the write-off last year, EBIT decreased by MEUR 6.4 in the first nine months compared to the same period last year.

COMMERCIAL & OPERATIONAL UPDATE

The third quarter total business wins for the Comfort and Climate business unit amounted to MEUR 20.9 in annual sales, while business wins for the Light Duty Cable business segment amounted to MEUR 5.5 in annual sales. First nine months business wins amounted to MEUR 65.8 in annual sales. The Seat Comfort area continues to win new contracts and attract market interest among premium OEM's as well as new and established makers of electric vehicles, where energy efficient products are a high priority.

Share of Group Q3 2016 revenues



DRIVELINE

Segment Reporting

DRIVELINE

Driveline is a global Tier 1 supplier of driver controls in the automotive market. The portfolio includes custom-engineered cable controls and complete shift systems, including shifter modules, shift cables and shift towers for transmissions.

Driveline products address the passenger car market, with particularly strong positions in Europe. With a global footprint, Driveline is able to support customers worldwide. Key customers include Ford, General Motors, Volvo and Renault-Nissan.

KEY FIGURES

MEUR	Q3 2016	Q3 2015	YTD 2016	YTD 2015	2015
Revenues	56.0	57.3	177.0	192.1	249.8
EBITDA	1.7	1.6	4.1	6.9	9.1
EBITDA (%)	3.0 %	2.8 %	2.3 %	3.6 %	3.6 %
Depreciation	(2.1)	(2.0)	(5.7)	(5.8)	(8.0)
Amortization	(0.8)	(0.7)	(2.3)	(2.2)	(3.0)
EBIT	(1.3)	(1.1)	(3.9)	(1.2)	(1.9)
EBIT (%)	-2.3 %	-2.0 %	-2.2 %	-0.6 %	-0.8 %
Investments	(1.7)	(2.3)	(5.9)	(5.4)	(9.6)
Capital Employed *	79.5	77.1	79.5	77.1	73.3

* Includes PP&E, intangible assets, inventories, trade receivables and trade payables

Prior periods have been restated, refer to note 6 for further information.

FINANCIAL UPDATE

Revenues in Driveline decreased by MEUR -1.3 (-2.3%) to MEUR 56.0 in the third quarter 2016 compared to the same quarter in 2015, including a negative currency effect of MEUR -0.5. The rate of decline decreased in the third quarter as the ramp up of new programs came one step closer to offsetting old programs phasing out. The sales trend for the Chinese business turned from a decline to an incline during the third quarter. Revenues for the first nine months amounted to MEUR 177.0, a decrease of -7.9% from 2015.

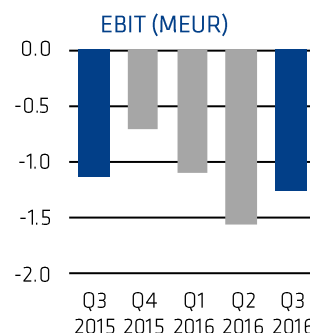
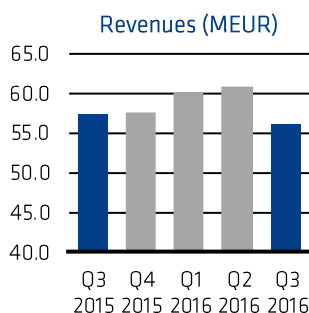
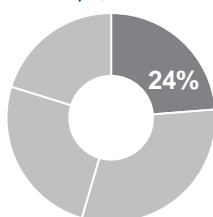
EBIT was MEUR -1.3 in the third quarter, a decrease of MEUR -0.1 compared to the third quarter 2015. The main drivers for the decrease in EBIT were an increase in development activities of MEUR 1.4, increased warranty costs of MEUR 0.5 and write-offs of MEUR 0.3, partially offset by fixed cost reductions. The third quarter EBIT margin decreased by -0.3 percentage points to -2.3%.

EBIT for the first nine months decreased by MEUR -2.8 (238.3%) over last year. The EBIT margin for the first nine months decreased by -1.6 percentage points to -2.2% mainly due to the effect of lower volumes, partially offset by operational improvements and fixed cost reductions.

COMMERCIAL & OPERATIONAL UPDATE

Overall project activity remains high and new business opportunities remain strong. Business awards in the third quarter amounted to MEUR 24.1 in annual sales, and year to date business awards amounted 38.0 in annual sales. The majority of the new awards this year have been for the SBW (shift by wire) products. These business wins are mainly with local OEMs in the Chinese market and OEMs in the European market.

Share of Group Q3 2016 revenues



FLUID TRANSFER

Segment Reporting

FLUID TRANSFER

Fluid Transfer designs and manufactures fluid handling systems for both the automotive and commercial vehicle markets, and coupling systems for compressed-air circuits in heavy duty trucks. The business area provides completely engineered flexible fluid assemblies for all market segments in which it operates. The business area is also specialized in manufacturing tube and hose assemblies for harsh environments.

Fluid Transfer products primarily address the commercial vehicle market, with particularly strong positions in the United States and in Western Europe.

Key customers in commercial vehicles include Volvo Trucks, Navistar and Paccar. Key OEM automotive customers are Ford and Jaguar Land Rover. Key Tier 1 automotive customers include TI Automotive, Cooper Standard Automotive and Martinrea in addition to an industrial customer base primarily in North America and Europe.

KEY FIGURES

MEUR	Q3 2016	Q3 2015	YTD 2016	YTD 2015	2015
Revenues	47.7	50.1	155.9	163.1	215.0
EBITDA	9.4	9.5	30.4	31.3	41.2
EBITDA (%)	19.7 %	18.9 %	19.5 %	19.2 %	19.1 %
Depreciation	(1.2)	(1.4)	(3.6)	(4.5)	(6.0)
Amortization	(0.9)	(1.0)	(2.8)	(2.9)	(3.9)
EBIT	7.3	7.1	24.1	23.9	31.3
EBIT (%)	15.4 %	14.1 %	15.4 %	14.7 %	14.6 %
Investments	(1.3)	(2.5)	(3.2)	(5.2)	(8.1)
Capital Employed *	121.0	126.5	121.0	126.5	125.4

* Includes PP&E, intangible assets, inventories, trade receivables and trade payables

FINANCIAL UPDATE

Revenues in Fluid Transfer decreased by MEUR -2.4 (-4.8%) to MEUR 47.7 in the third quarter 2016 compared to the same quarter in 2015, including a negative currency effect of MEUR -1.5. Revenues for the first nine months amounted to MEUR 155.9, a decrease of -4.4% from 2015, including a negative currency effect of MEUR -5.9. The decrease in revenues for both the third quarter and first nine months were driven by unfavorable currency effects and weakness in the North American businesses partially offset by strength in Europe for air coupling systems to the commercial vehicle market.

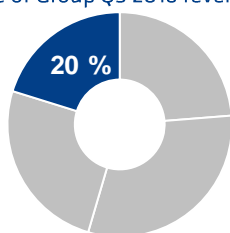
EBIT was MEUR 7.3 in the third quarter, an increase of MEUR 0.3 compared to the third quarter 2015. The third quarter EBIT margin increased by 1.3 percentage points to 15.4%.

EBIT for the first nine months increased by MEUR 0.2 (0.7%) over last year. The EBIT margin for the first nine months increased by 0.8 percentage points to 15.4%. The EBIT margin, both for the quarter and for the first nine months increased primarily due to material cost reductions and lower depreciation expenses, partially offset by an increase in fixed costs to support future growth opportunities.

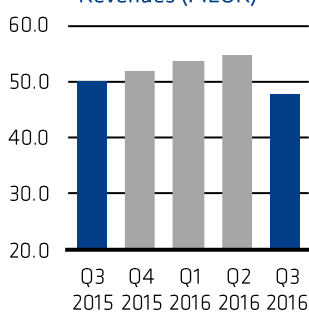
COMMERCIAL & OPERATIONAL UPDATE

Third quarter business awards were MEUR 4.8 in annual sales. The sales opportunities pipeline and quoting activity remain robust. Year to date business awards amounted 33.0 in annual sales.

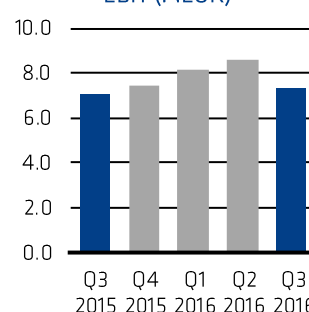
Share of Group Q3 2016 revenues



Revenues (MEUR)



EBIT (MEUR)



DRIVER CONTROL

Segment Reporting

DRIVER CONTROL

Driver Control is a global leader in the development, design and manufacturing of operator control systems for both on- and off-highway commercial vehicles. Driver Control is offering a robust product portfolio of clutch actuation systems, gearshift systems, and vehicle dynamics for commercial vehicles. Driver Control also supplies steering columns, pedal systems and electronic displays for offroad applications in agriculture and recreational applications.

Driver Controls' products and services have particularly strong positions in European, North American, Brazilian, and South Korean markets. Key customers include Volvo Group, Scania, MAN, Daimler, Hyundai, DAF/PACCAR, John Deere, CAT and BRP.

KEY FIGURES

MEUR	Q3 2016	Q3 2015	YTD 2016	YTD 2015	2015
Revenues	59.6	55.0	191.4	195.0	256.1
EBITDA	(1.5)	5.7	12.6	23.6	30.9
EBITDA (%)	-2.5 %	10.4 %	6.6 %	12.1 %	12.1 %
Depreciation	(1.7)	(1.6)	(4.9)	(5.0)	(6.6)
Amortization	(1.2)	(1.6)	(3.7)	(5.9)	(7.5)
EBIT	(4.4)	2.5	4.0	12.7	16.8
EBIT (%)	-7.4 %	4.6 %	2.1 %	6.5 %	6.5 %
Investments	(1.9)	(2.3)	(9.3)	(5.3)	(10.1)
Capital Employed *	115.7	113.4	115.7	113.4	111.1

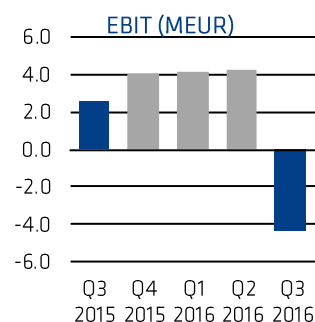
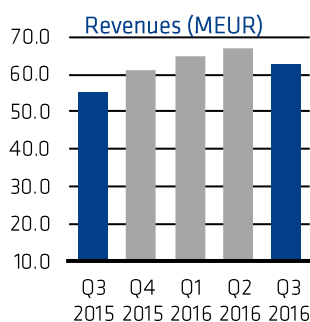
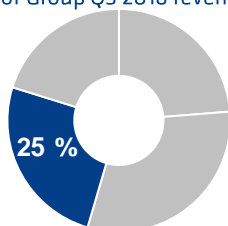
* Includes PP&E, intangible assets, inventories, trade receivables and trade payables

FINANCIAL UPDATE

Revenues in Driver Control Systems increased by MEUR 4.6 (8.4%) to MEUR 59.6 in the third quarter 2016 compared to the same quarter in 2015, including a negative currency effect of MEUR -0.9. The increase in revenues was driven by continued improvement in the North American recreational vehicle business alongside some growth in the both European and Asian business. Revenues for the first nine months amounted to MEUR 191.4, a decrease of -1.9% from 2015. Excluding a negative currency effect of MEUR -9.2, revenues year to date are favorable by MEUR 5.7 to last year. Increased sales in the North American recreational vehicle business were offset by reductions in both the North and South American business.

EBIT was MEUR -4.4 in the third quarter, a decrease of MEUR -6.9 compared to the third quarter 2015 driven by the legal case settlement of MEUR 3.9, Rollag restructuring costs of MEUR 3.4 and cost of MEUR 0.6 related to the "Can-Am Spyder" case. See note 27 in the 2015 annual report for more information on the legal case and "Can-Am Spyder" case.

Share of Group Q3 2016 revenues



Excluding the aforementioned items, EBIT increased by MEUR 1.0 compared to the third quarter 2015. The adjusted EBIT margin was 5.9% in the third quarter, 1.3 percentage points above the third quarter margin last year, the change is mainly reflective of the improved revenues and lower R&D costs (MEUR 0.4), partially offset by an unfavorable mix effect and other costs of MEUR 0.4 related to the Rollag closure.

COMMERCIAL & OPERATIONAL UPDATE

R&D project activity continues high and this will be maintained through 2016. The R&D spend is directed towards the development of a new Automated Manual Transmission (AMT) system where significant contracts were announced in the fourth quarter of 2014 and 2015. Deliveries on these new contracts will start in 2017. Business wins in the quarter amounted to MEUR 13.7 in annual sales with MEUR 6.6 coming from North America recreational vehicles and MEUR 4.7 in Europe. Year to date business awards amounted 27.8 in annual sales.

CONDENSED CONSOLIDATED FINANCIAL STATEMENT

STATEMENT OF COMPREHENSIVE INCOME

MEUR	Q3 2016	Q3 2015	YTD 2016	YTD 2015	2015
Revenues	228.0	233.4	735.9	767.7	1016.0
Opex	(220.4)	(211.8)	(685.5)	(692.7)	(917.5)
EBITDA	7.6	21.6	50.5	75.1	98.5
<i>EBITDA (%)</i>	<i>3.3 %</i>	<i>9.3 %</i>	<i>6.9 %</i>	<i>9.8 %</i>	<i>9.7 %</i>
Depreciation and amortization/impairment	(12.6)	(11.2)	(33.8)	(54.5)	(66.1)
EBIT	(5.0)	10.4	16.7	20.5	32.4
<i>EBIT (%)</i>	<i>-2.2 %</i>	<i>4.5 %</i>	<i>2.3 %</i>	<i>2.7 %</i>	<i>3.2 %</i>
Net financial items	4.2	(15.9)	10.8	(24.0)	(28.7)
Profit before taxes	(0.8)	(5.5)	27.5	(3.4)	3.7
Income taxes	(9.1)	1.8	(18.7)	(3.9)	(12.0)
Net profit	(9.9)	(3.7)	8.8	(7.4)	(8.3)
Other comprehensive income (Items that may be reclassified to profit or loss in subsequent periods):					
Translation differences	(6.7)	6.1	(20.2)	18.8	25.6
Tax on translation differences	2.7	(5.0)	6.2	(8.7)	(11.2)
Other comprehensive income (Items that will not be reclassified to profit or loss in subsequent periods):					
Remeasurement of the net PBO	0.0	0.0	0.0	0.0	0.2
Tax on remeasurement of the net PBO	0.0	0.0	0.0	0.0	(0.1)
Other comprehensive income	(4.0)	1.1	(14.0)	10.2	14.5
Total comprehensive income	(13.9)	(2.6)	(5.2)	2.8	6.2
Net profit attributable to:					
Equity holders (parent comp)	(9.9)	(3.5)	8.8	(7.4)	(8.4)
Non-controlling interests	0.0	(0.2)	0.0	0.1	0.0
Total	(9.9)	(3.7)	8.8	(7.4)	(8.3)
Total comprehensive income attributable to:					
Equity holders (parent comp)	(13.9)	(2.4)	(5.3)	2.8	6.2
Non-controlling interests	0.0	(0.2)	0.0	0.1	0.0
Total	(13.9)	(2.6)	(5.2)	2.8	6.2
Earnings per share:					
Basic earnings per share, EUR	(0.02)	(0.01)	0.02	(0.02)	(0.02)
Diluted earnings per share, EUR	(0.02)	(0.01)	0.02	(0.02)	(0.02)

Prior periods have been restated, refer to note 6 for further information.

CONDENSED CONSOLIDATED FINANCIAL STATEMENT

STATEMENT OF FINANCIAL POSITION

MEUR	Note	30.09.16	30.09.15	31.12.15
Deferred tax assets		35.7	44.0	41.8
Intangible assets		179.5	194.4	193.5
Property, plant and equipment		146.0	128.3	143.3
Other non-current assets		1.1	1.7	1.1
Non-current assets		362.3	368.5	379.7
Inventories		80.9	84.4	80.5
Accounts receivable		156.9	156.6	144.6
Other short term receivables		43.9	37.2	39.4
Cash and cash equivalents		31.5	24.9	39.9
Current assets		313.1	303.2	304.4
Total assets		675.5	671.7	684.1
Share capital		22.6	21.4	21.2
Share premium reserve		187.6	177.0	175.6
Other equity		(4.6)	8.3	13.6
Non-controlling interests		3.6	4.3	3.9
Total equity		209.4	211.0	214.2
Interest bearing loans and borrowings	3	246.8	250.1	253.9
Deferred tax liabilities		28.0	16.8	30.8
Other long term liabilities		17.6	18.2	17.9
Non-current liabilities		292.4	285.1	302.5
Bank overdraft		0.0	0.0	0.0
Other short term liabilities, interest bearing		0.0	0.0	0.0
Accounts payable		93.5	96.2	101.0
Other short term liabilities		80.1	79.4	66.3
Current liabilities		173.7	175.6	167.3
Total liabilities		466.1	460.6	469.9
Total equity and liabilities		675.4	671.7	684.1

CONDENSED CONSOLIDATED FINANCIAL STATEMENT

STATEMENT OF CHANGE IN EQUITY

MEUR	30.09.16	30.09.15	31.12.15
Equity as of start of period	214.2	210.3	210.3
Net profit for the period	8.8	(7.4)	(8.3)
Translation differences	(20.2)	18.8	25.6
Tax on translation differences	6.2	(8.7)	(11.2)
Remeasurement of the net pension benefit obligation	0.0	0.0	0.2
Tax on remeasurement of the net pension benefit obligation	0.0	0.0	(0.1)
Total comprehensive income	(5.2)	2.8	6.2
Options contracts (employees)	0.4	0.5	0.7
Treasury shares	(0.0)	(2.7)	(2.6)
Other changes in non-controlling interests	0.0	0.0	(0.0)
Other changes in equity	0.0	(0.0)	(0.4)
Equity as of end of period	209.4	210.9	214.2

CONDENSED CONSOLIDATED FINANCIAL STATEMENT

STATEMENT OF CASH FLOW

MEUR	Q3 2016	Q3 2015	YTD 2016	YTD 2015	2015
<i>Operating activities</i>					
(Loss) / profit before taxes	(0.8)	(5.5)	27.5	(3.4)	3.7
Depreciation	8.9	7.3	22.8	22.1	29.6
Amortization/impairment	3.7	4.0	11.0	32.4	36.5
Interest income	(0.1)	(0.0)	(0.2)	(0.0)	(0.1)
Interest expenses	1.9	1.9	5.4	6.3	8.2
Taxes paid	(1.5)	(2.3)	(5.4)	(6.8)	(11.2)
(Gain) / loss on sale of non-current assets	0.0	0.0	0.0	0.0	0.0
Changes in receivables	5.2	9.8	(12.2)	(16.5)	(4.5)
Changes in inventory	1.2	1.5	(0.4)	(7.7)	(3.7)
Changes in payables	(7.3)	(12.4)	(7.5)	(2.9)	1.9
Currency (gain)/ loss	(4.8)	12.2	(12.8)	14.2	18.3
Changes in value fin. derivatives	(1.3)	1.5	(3.8)	0.2	(1.0)
Changes in other items	(4.1)	(2.9)	5.7	(1.9)	(4.1)
Cash flow from operating activities	0.9	15.1	30.2	35.9	73.5
<i>Investing activities</i>					
Investments	(8.5)	(11.0)	(28.8)	(23.1)	(43.9)
Sale of fixed assets	0.3	0.0	0.3	0.1	0.1
Investments in subsidiaries	0.0	0.0	0.0	0.0	0.0
Interest received	0.1	0.0	0.1	0.0	0.1
Proceeds from sale of subsidiaries	0.0	0.0	0.2	0.3	0.3
Cash flow from investing activities	(8.2)	(11.0)	(28.1)	(22.7)	(43.5)
<i>Financing activities</i>					
Proceeds from sale/purchase of treasury shares	(0.3)	0.0	(0.0)	(2.7)	(2.6)
Net repayment of debt	13.7	(5.5)	(4.8)	(13.6)	(13.6)
Interest paid	(1.9)	(1.8)	(5.4)	(6.6)	(8.5)
Dividends paid*	0.0	0.0	0.0	0.0	(0.4)
Other financial charges	(0.0)	(0.0)	(0.0)	(1.3)	(1.3)
Cash flow from financing activities	11.5	(7.3)	(10.2)	(24.2)	(26.3)
Currency effects on cash	(0.1)	0.0	(0.2)	1.3	1.5
Change in cash	4.1	(3.2)	(8.4)	(9.7)	5.2
Cash at beginning period	27.4	28.1	39.9	34.6	34.6
Cash at period end	31.5	24.9	31.5	24.9	39.9
Of this, restricted cash	0.3	0.4	0.3	0.4	0.3

* Dividend to JV partner in Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd (China)

CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Note 1 – Disclosures

GENERAL INFORMATION

Kongsberg Automotive ASA and its subsidiaries develop, manufacture and sell products to the automotive industry globally. Kongsberg Automotive ASA is a limited liability company which is listed on the Oslo Stock Exchange. The consolidated interim financial statements are not audited.

BASIS OF PREPARATION

This condensed consolidated interim financial information, ended September 30, 2016, and has been prepared in accordance with IAS 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS.

ACCOUNTING POLICIES

The accounting policies are consistent with those of the annual financial statements for the year ended December 31, 2015, as described in those annual financial statements. Taxes on income in the interim periods are accrued using the estimated effective tax rate.

RISK

Kongsberg Automotive continuously monitors its risk factors. Our activities are exposed to different types of risk.

The single most important risk that Kongsberg Automotive is exposed to is the development of demand in the end markets for light duty and commercial vehicles worldwide. Some of the most important additional risk factors are foreign-exchange rates, interest rates, raw material prices, and credit risks. As we operate in many countries, we are vulnerable to currency risk. The most significant currency exposure for Kongsberg Automotive is associated with EUR and USD cross rate. The greatest raw material exposures are for copper, zinc, aluminum and steel. As most of our revenues are earned from automotive OEMs and automotive tier-1 and -2 customers, the financial health of these automotive companies is critical to our credit risk.

Obviously, Kongsberg Automotive is not exempted from any possible effects of the BREXIT referendum in the United Kingdom. At this time, it is difficult to estimate what the effects of this decision by the British voters will be. However, in the short term, the BREXIT referendum has led to significant currency fluctuations for both the GBP and the EUR against the USD which does impact Kongsberg Automotive.

SEASONALITY

The Group is to some extent influenced by seasonality. The seasonality is mainly driven by the vacation period in the third quarter and December each year having lower sales.

CONDENSED CONSOLIDATED FINANCIAL STATEMENT

Note 2 – Segment Reporting

2.1 OPERATING REPORTABLE SEGMENTS

YTD 2016

MEUR	Interior	Driveline	Fluid Transfer	Driver Controls	Elim & other	Group
Operating Revenues	237.6	177.0	155.9	191.4	(26.0)	735.9
EBITDA	23.2	4.1	30.4	12.6	(19.8)	50.5
Depreciation	(8.4)	(5.7)	(3.6)	(4.9)	(0.2)	(22.8)
Amortization	(1.9)	(2.3)	(2.8)	(3.7)	(0.2)	(11.0)
EBIT	12.8	(3.9)	24.1	4.0	(20.2)	16.7
<i>Assets and liabilities</i>						
Goodwill	59.3	6.5	54.1	31.1	0.0	151.1
Other intangible assets	4.4	7.0	5.7	10.1	1.2	28.4
Property, plant and equipment	40.2	34.6	30.0	40.1	1.1	146.0
Inventories	18.6	18.1	18.7	26.6	(1.2)	80.9
Trade receivables	58.2	36.9	30.6	31.1	2.6	159.5
Segment assets	180.6	103.1	139.2	139.0	3.9	565.9
Unallocated assets	0	0	0	0	109.5	109.5
Total assets	180.6	103.1	139.2	139.0	113.4	675.5
Trade payables	26.7	23.7	18.3	23.4	1.5	93.5
Unallocated liabilities	0	0	0	0	372.6	372.6
Total liabilities	26.7	23.7	18.3	23.4	374.1	466.1
Capital expenditure	9.3	5.6	3.2	9.2	0.2	27.5

Prior periods have been restated, refer to note 6 for further information.

CONDENSED CONSOLIDATED FINANCIAL STATEMENT

YTD 2015

MEUR	Interior	Driveline	Fluid Transfer	Driver Controls	Elim & other	Group
Operating Revenues	244.6	192.1	163.1	195.0	(27.1)	767.7
EBITDA	27.6	6.9	31.3	23.6	(14.3)	75.1
Depreciation	(6.6)	(5.8)	(4.5)	(5.0)	(0.1)	(22.1)
Amortization/impairment	(21.2)	(2.2)	(2.9)	(5.9)	(0.2)	(32.4)
EBIT	(0.3)	(1.2)	23.9	12.7	(14.6)	20.5

Assets and liabilities

Goodwill	59.5	6.6	54.4	32.0	0.0	152.5
Other intangible assets	6.4	9.8	10.1	14.7	0.9	42.0
Property, plant and equipment	34.2	33.0	28.9	31.5	0.7	128.3
Inventories	19.4	18.6	20.4	26.7	(0.6)	84.4
Trade receivables	59.1	33.6	33.0	31.0	(0.0)	156.6
Segment assets	178.7	101.5	146.8	135.8	1.1	563.8
Unallocated assets	0	0	0	0	107.8	107.8
Total assets	178.7	101.5	146.8	135.8	108.9	671.7
Trade payables	28.5	24.3	20.2	22.4	0.7	96.2
Unallocated liabilities	0	0	0	0	364.5	364.5
Total liabilities	28.5	24.3	20.2	22.4	365.2	460.6
Capital expenditure	6.7	4.6	5.1	4.6	0.0	21.0

Prior periods have been restated, refer to note 6 for further information.

Full year 2015

MEUR	Interior	Driveline	Fluid Transfer	Driver Controls	Elim & other	Group
Operating Revenues	330.1	249.8	215.0	256.1	(35.0)	1,016.0
EBITDA	39.0	9.1	41.2	30.9	(21.7)	98.5
Depreciation	(8.8)	(8.0)	(6.0)	(6.6)	(0.2)	(29.6)
Amortization/impairment	(21.9)	(3.0)	(3.9)	(7.5)	(0.3)	(36.5)
EBIT	8.4	(1.9)	31.3	16.8	(22.2)	32.4
<i>Assets and liabilities</i>						
Goodwill	60.2	6.7	55.6	31.9	0.0	154.5
Other intangible assets	6.1	9.5	8.8	13.9	0.8	39.0
Property, plant and equipment	41.1	35.3	31.2	35.0	0.8	143.3
Inventories	18.3	16.9	19.1	27.0	(0.8)	80.5
Trade receivables	56.8	28.9	30.6	28.4	(0.0)	144.6
Segment assets	182.4	97.3	145.3	136.2	0.8	562.0
Unallocated assets	-	-	-	-	122.1	122.1
Total assets	182.4	97.3	145.3	136.2	122.9	684.1
Trade payables	31.2	24.0	19.9	25.1	0.8	101.0
Unallocated liabilities	-	-	-	-	368.9	368.9
Total liabilities	31.2	24.0	19.9	25.1	369.7	469.9
Capital expenditure	15.5	8.4	7.9	9.2	0.1	41.0

CONDENSED CONSOLIDATED FINANCIAL STATEMENT

2.2 SEGMENTS BY GEOGRAPHICAL LOCATION

2.2.1 Sales to customers by geographical location

MEUR	2016		2015		2015	
	Jan - Sept	%	Jan - Sept	%	Jan - Dec	%
Sweden	65.7	8.9 %	60.9	7.9 %	83.0	8.2 %
Germany	65.7	8.9 %	77.0	10.0 %	96.6	9.5 %
France	52.3	7.1 %	55.9	7.3 %	70.5	6.9 %
Other EUR	186.5	25.3 %	192.6	25.1 %	252.1	24.8 %
Total EUR	370.2	50.3 %	386.5	50.3 %	502.2	49.4 %
USA	196.2	26.7 %	228.6	29.8 %	292.0	28.7 %
NA other	89.4	12.1 %	74.4	9.7 %	113.7	11.2 %
Total NA	285.6	38.8 %	303.0	39.5 %	405.6	39.9 %
China	46.9	6.4 %	46.4	6.0 %	65.8	6.5 %
Asia Other	16.7	2.3 %	16.2	2.1 %	21.5	2.1 %
Total Asia	63.6	8.6 %	62.7	8.2 %	87.2	8.6 %
Other countries	16.6	2.3 %	15.6	2.0 %	20.9	2.1 %
Operating revenues	735.9	100 %	767.7	100 %	1,016.0	100 %

2.2.2 Non-current assets by geographical location

MEUR	2016		2015		2015	
	Jan - Sept	%	Jan - Sept	%	Jan - Dec	%
USA	99.5	30.6 %	106.6	33.0 %	107.5	31.9 %
UK	10.7	3.3 %	13.5	4.2 %	13.8	4.1 %
Norway	26.4	8.1 %	24.1	7.4 %	25.2	7.5 %
Germany	14.1	4.3 %	14.9	4.6 %	14.8	4.4 %
Sweden	28.8	8.9 %	29.5	9.1 %	30.8	9.1 %
Poland	49.7	15.3 %	37.5	11.6 %	43.3	12.8 %
Other	96.4	29.6 %	96.8	30.0 %	101.5	30.1 %
Total Non-Current Assets*	325.6	100 %	322.7	100 %	336.8	100.0 %

* Includes intangible assets, property, plant and equipment

CONDENSED CONSOLIDATED FINANCIAL STATEMENT

Note 3 – Interest-bearing loans and borrowings

3.1 Interest-bearing liabilities as presented in statement of financial position

MEUR	30.09.16	31.12.15
Non current interest-bearing loans and borrowings	247.8	254.8
Capitalized arrangement fees	(1.0)	(1.0)
Total interest-bearing liabilities	246.8	253.9
	30.09.16	31.12.15
EUR	121.0	123.0
USD	125.4	131.3
Other currencies	1.4	0.5
Capitalized arrangement fee	(1.0)	(1.0)
Total interest-bearing liabilities	246.8	253.9

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

Facilities	Currency	Total amounts	Maturity/ date	Drawn amount	Interest rate (incl margin)
Tranche EUR	EUR	162.0	02.03.19	121.0	1.50%
Tranche USD	USD	172.0	02.03.19	140.0	2.00%

The Group has a short-term bank overdraft facility of MEUR 20.0. Nothing was drawn against the overdraft facility at 30.09.16.

3.3 Facility reduction schedule - Interest-bearing loans and borrowings (in local currencies)

Year	EUR	USD
2016	-	-
2017	-	-
2018	-	-
2019	162.0	172.0
Total	162.0	172.0

CONDENSED CONSOLIDATED FINANCIAL STATEMENT

3.4 The liquidity reserve of KA Group consists of cash equivalents in addition to undrawn credit facilities.

MEUR	30.09.16	31.12.15
Cash reserve, excl. restricted cash	31.2	39.6
Undrawn facility*	89.7	85.6
Total (before bank overdraft)	120.8	125.2
Bank overdraft	(0.0)	(0.0)
Liquidity reserve	120.8	125.2

*including a short-term overdraft facility of MEUR 20.0 which can be renewed each year.

Note 4 – Net financial items

4.1 Net financials

MEUR	Q3 2016	Q3 2015	YTD 2016	YTD 2015	2015
Interest income	0.1	0.0	0.2	0.0	0.1
Interest expenses	(1.9)	(1.9)	(5.4)	(6.3)	(8.2)
Foreign currency gains (losses)	4.8	(12.2)	12.8	(14.2)	(18.3)
Change in valuation currency contracts	1.3	(1.5)	3.8	(0.2)	1.0
Other financial items*	(0.2)	(0.2)	(0.6)	(3.4)	(3.3)
Net financial items	4.2	(15.9)	10.8	(24.0)	(28.7)

* Other financial items include arrangement fees, interest component on pension liability, and other fees and charges.

Note 5 – Alternative performance measures (APM)

This section describes the non-GAAP financial measures that are used in this report and in the quarterly presentation.

The following measures are not defined or specified in the applicable financial reporting framework, the IFRS GAAP. They may be considered Non-GAAP financial measures that may include or exclude amounts that are calculated and presented according to the IFRS GAAP.

- EBIT
- EBITDA
- Free Cash Flow
- NIBD
- Capital Employed
- ROCE
- Gearing Ratio

6.1 EBIT

EBIT, earnings before interest and tax, is defined as the earnings excluding the effects from how the operations were financed and taxed.

Why we measure

EBIT is used as a measure to view the Group's operational profitability.

Reconciliation

See the section Condensed Financial Statements for a reconciliation of the measure.

6.2 EBITDA

Earnings before interest expenses and interest income, tax, depreciation and amortization.

Why we measure

EBITDA is used as an additional measure the view the Group's operational profitability, excluding the timing impact from depreciations and amortizations.

Reconciliation

See the section Condensed Financial Statements for a reconciliation of the measure.

6.3 Free Cash Flow

Free cash flow from operations (FCF), investments and finance excluding debt repayments.

Why we measure

Free Cash Flow is used in order to measure the Group's ability to generate cash. It allow the Group to view how much cash it generates from its operations after subtracting the cash flow from investing activities and financing excluding debt repayments. We believe this shows how much money the Group has to pursue additional investments or to repay debt.

Reconciliation

Free Cash Flow (MEUR) from reported balance sheet	30.09.16	30.09.15	31.12.15
Cash flow from operating activities	30.2	35.9	73.5
Cash flow from investing activities	(28.1)	(22.7)	(43.5)
Cash flow from financing activities	(10.2)	(24.2)	(26.3)
Net repayment of debt	4.8	13.6	13.6
Free Cash flow	(3.4)	2.6	17.3

6.4 NIBD

Net interesting bearing debt (NIBD), consists of interest-bearing liabilities less cash and cash equivalents.

Why we measure

The Group risk of default and financial strength is measured by the net interesting bearing debt, it shows the Group's financial position and leverage. Since the cash can be used to repay debt, the interest-bearing liabilities less cash shows the net overall financial position. The measure is useful information for investors as well as the Group.

Reconciliation

Net Interest Bearing Debt (MEUR) from reported balance sheet	30.09.16	30.09.15	31.12.15
Interest bearing loans and borrowings	246.8	250.1	253.9
Other short term liabilities, interest bearing	0.0	0.0	0.0
Bank overdraft	0.0	0.0	0.0
Cash and cash equivalents	31.5	24.9	39.9
Net Interesting Bearing Debt	215.3	225.2	214.0

6.5 Capital Employed

Capital Employed (CE) is equal to operating assets less operating liabilities. Operating assets and liabilities are assets which are involved in the process of selling goods and services, the business. Financial assets and obligations are excluded, these assets are involved in raising cash for operations and disbursing excess cash from operations.

Why we measure

Capital employed is measured in order to assess how much capital is needed for the operations/business to function. In order to evaluate if the capital employed can be utilized more efficient and if operations should be discontinued. The capital employed is also used to measure the profitability of the operations compared to the capital employed.

Reconciliation

Capital Employed (MEUR) from reported balance sheet	30.09.16	30.09.15	31.12.15
Total assets	675.5	671.7	684.1
Deferred tax liabilities	(28.0)	(16.8)	(30.8)
Other long term liabilities	(17.6)	(18.2)	(17.9)
Current liabilities incl. other short-term interest bearing liabilities	(173.7)	(175.6)	(167.3)
Other short term liabilities, interest bearing	0.0	0.0	0.0
Capital Employed	456.1	461.1	468.1

6.6 ROCE (Last twelve Months)

Return on Capital Employed (ROCE) is equal to EBIT for the last twelve months divided by the average of capital employed at beginning period and period end.

Why we measure

Return on Capital Employed is used to measure the return on the capital employed without taking into consideration the way the operations and assets are financed during the period under review. The Group believes this is a good measure for the results from the period.

Reconciliation

Return on Capital Employed		30.09.16
Capital Employed at period beginning (1)	30.09.15	461.1
Capital Employed at period end (2)	30.09.16	456.1
EBIT last twelve months (3)		28.5
ROCE, (3) / ((1) + (2)/2)		6.2%

6.7 Gearing ratio

Gearing ratio is calculated as the net interest bearing debt divided by the last twelve months EBITDA.

Why we measure

Gearing ratio is a covenant from the Group's lenders which sets the interest margin on the Group's debt. The Group also believe this is a good measure of the Groups financial gearing and financial position.

Reconciliation

Gearing Ratio	30.09.16
EBITDA last twelve months (1)	73.9
NIBD (2)	215.3
Gearing Ratio (2)/(1)	2.9

Note 6 – Restated income statements Q1 2015 – Q2 2016

In 2015 and in the first and second quarter of 2016 a commercial currency exposure was recognized in the financial items instead of in the revenues within the Driveline business area. The error has been reclassified from financial items to revenues, the reclassification does not impact net profit.

Group

MEUR	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	YTD 2015	FY 2015
Revenues	269.2	265.1	233.4	248.3	257.2	250.7	767.7	1016.0
Opex	(241.0)	(239.9)	(211.8)	(224.8)	(234.2)	(230.9)	(692.7)	(917.5)
EBITDA	28.2	25.2	21.6	23.4	23.1	19.8	75.1	98.5
<i>EBITDA (%)</i>	<i>10.5 %</i>	<i>9.5 %</i>	<i>9.3 %</i>	<i>9.4 %</i>	<i>9.0 %</i>	<i>7.9 %</i>	<i>9.8 %</i>	<i>38.7 %</i>
Depreciation and amortization/impairment	(12.4)	(30.9)	(11.2)	(11.6)	(10.5)	(10.7)	(54.5)	(66.1)
EBIT	15.9	(5.7)	10.4	11.8	12.6	9.1	20.5	32.4
<i>EBIT (%)</i>	<i>5.9 %</i>	<i>-2.2 %</i>	<i>4.5 %</i>	<i>4.8 %</i>	<i>4.9 %</i>	<i>3.6 %</i>	<i>2.7 %</i>	<i>13.0 %</i>
Net financial items	(6.9)	(1.2)	(15.9)	(4.7)	7.1	(0.5)	(24.0)	(28.7)
Profit before taxes	9.0	(6.9)	(5.5)	7.1	19.7	8.6	(3.4)	3.7
Reclassification amount	-0.8	-0.9	-1.1	-1.3	-1.5	-1.4	-2.8	-4.1

Driveline

MEUR	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	YTD 2015	FY 2015
Revenues	67.8	67.0	57.3	57.7	60.0	60.9	192.1	249.8
Opex	(65.0)	(64.5)	(55.7)	(55.5)	(58.6)	(59.9)	(185.2)	(240.7)
EBITDA	2.8	2.5	1.6	2.2	1.4	1.0	6.9	9.1
<i>EBITDA (%)</i>	<i>4.1 %</i>	<i>3.7 %</i>	<i>2.8 %</i>	<i>3.9 %</i>	<i>2.3 %</i>	<i>1.7 %</i>	<i>3.6 %</i>	<i>14.5 %</i>
Depreciation and amortization/impairment	(2.6)	(2.7)	(2.7)	(3.0)	(2.5)	(2.6)	(8.0)	(11.0)
EBIT	0.2	(0.2)	(1.1)	(0.7)	(1.1)	(1.6)	(1.2)	(1.9)
<i>EBIT (%)</i>	<i>0.3 %</i>	<i>-0.3 %</i>	<i>-2.0 %</i>	<i>-1.2 %</i>	<i>-1.8 %</i>	<i>-2.6 %</i>	<i>-0.6 %</i>	<i>-3.3 %</i>
Reclassification amount	-0.8	-0.9	-1.1	-1.3	-1.5	-1.4	-2.8	-4.1

OTHER COMPANY INFORMATION

THE BOARD OF DIRECTORS:

Bruce E. Taylor	Chairman
Thomas Falck	Shareholder elected
Malin Persson	Shareholder elected
Ellen M. Hanetho	Shareholder elected
Jon Ivar Jørnby	Employee elected
Kari Brænden Aaslund	Employee elected
Kjell Kristiansen	Employee elected

EXECUTIVE COMMITTEE:

Henning E. Jensen	President & CEO
Martin Bjerke Hogganvik	Interim Executive Vice President & CFO
Anders Nyström	Executive Vice President, Interior
Jonathan Day	Executive Vice President, Driveline
Scott Paquette	Executive Vice President, Driver Control
David Redfearn	Executive Vice President, Fluid Transfer
Lovisa Söderholm	Executive Vice President, Purchasing
Philippe Toth	Executive Vice President Business Development & IR
Matthias Vogel	Executive Vice President, Quality, HSE & CR

INVESTOR RELATIONS:

Martin Bjerke Hogganvik	+47 917 11 434
Philippe Toth	+47 982 14 021

FINANCIAL CALENDAR:

Publication of the quarterly financial statements:

	Interim reports	Presentation
3rd Quarter 2016	8 November 2016	8 November 2016
4th quarter 2016	17 February 2016	15 February 2017

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