Kongsberg Automotive ASA

Second quarter 2018 - July 27, 2018

Q2 2018 Highlights

An eventful and strong quarter

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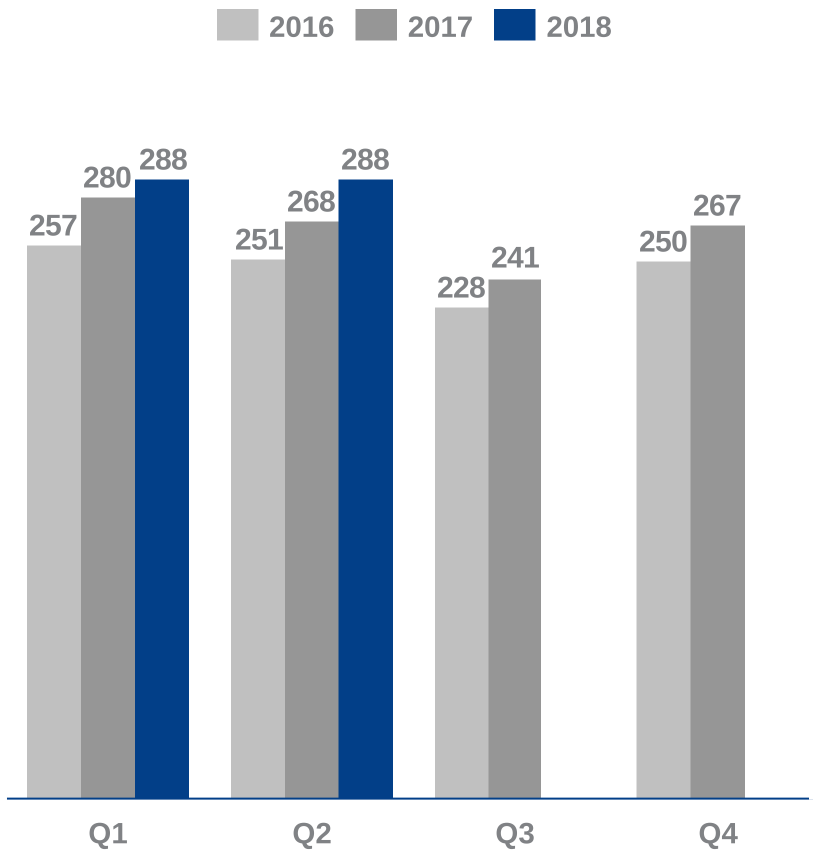
- Revenues increased YoY by MEUR 19.5 (~7%) to MEUR 287.5 including negative FX effects of MEUR 11.6.
  - Similar growth rate at constant currency as in the previous quarter.
- Adj. EBIT increased YoY by ~50% from MEUR 13.9 to MEUR 20.8 including negative FX effects of MEUR 1.3.
- Free cash flow was MEUR 22.8 mainly due to strong earnings and concurrent reduction in working capital.
- New Business Wins of MEUR 121, an increase of 70% vs Q2 2017.
  - All time high in LTM New Business Wins with MEUR 372.
- The LTM adjusted gearing ratio (NIBD/Adj. EBITDA) was 2.2.
- Two further plant closures completed (Easley, US and Burton, UK)
  - Brings the total completed closures to five.
  - Transition activities from Easley and Burton continue into Q3 and Q4.
- Although partly subsequent events;
  - Following an initiative from a major shareholder, we completed a 10% capital increase at a premium to the market price.
  - We refinanced our bank debt by placing a MEUR 275 bond in mid July.

Revenue and Adjusted EBIT

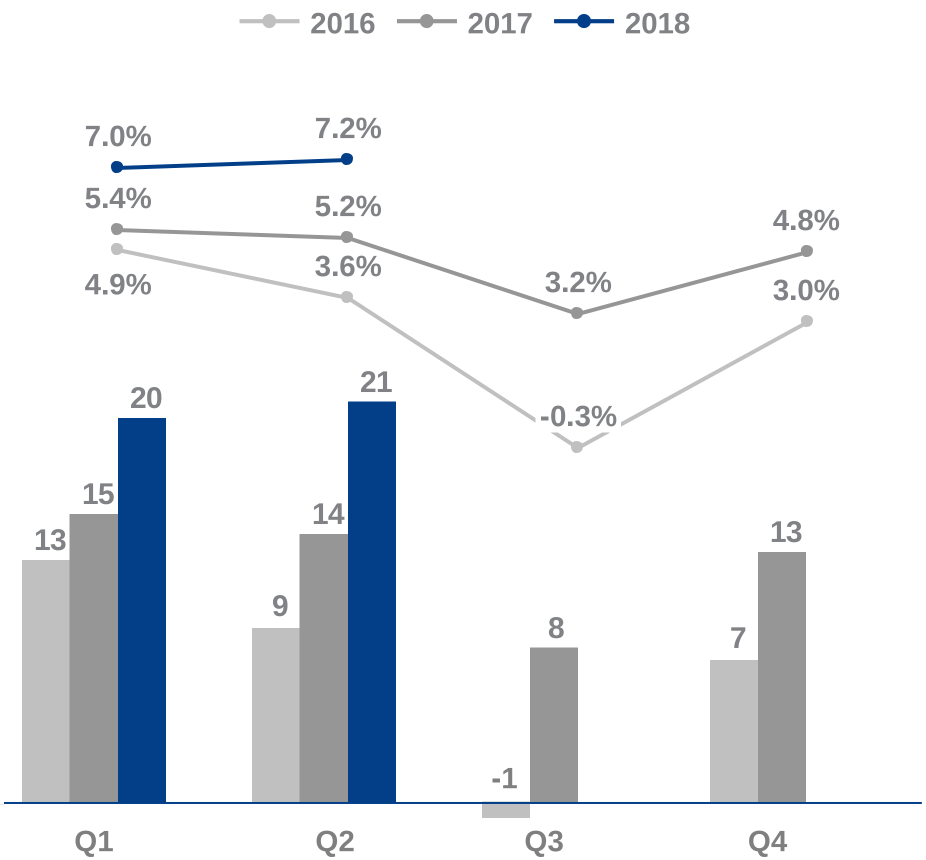
Revenues and profitability continue to consistently improve YoY

Revenues
MEUR



Revenue including HRAR

Adjusted EBIT
MEUR and percent

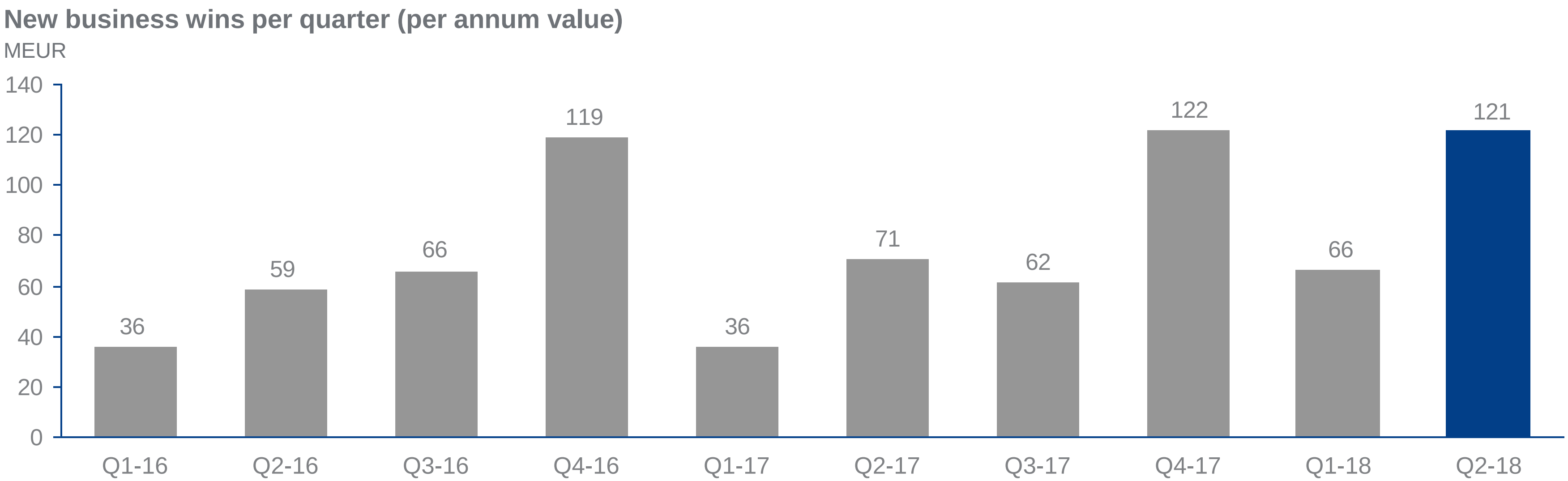


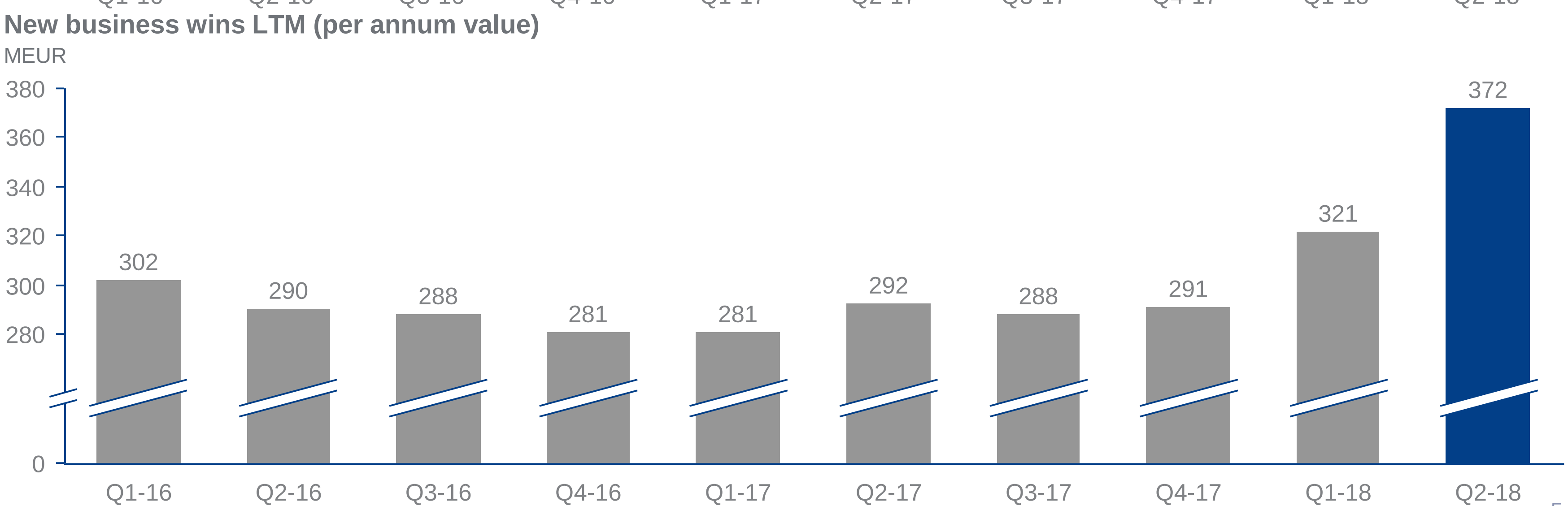
EBIT adjusted for restructuring - see details in the quarterly report.

Market Summary

New business wins

Another strong booking quarter

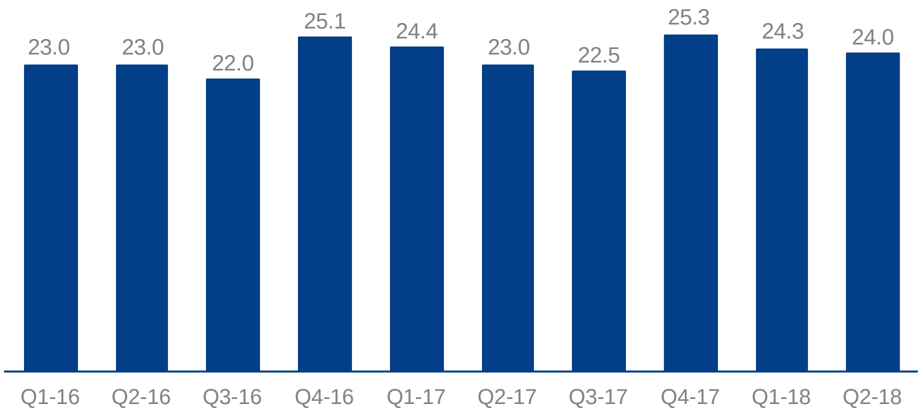




Market summary

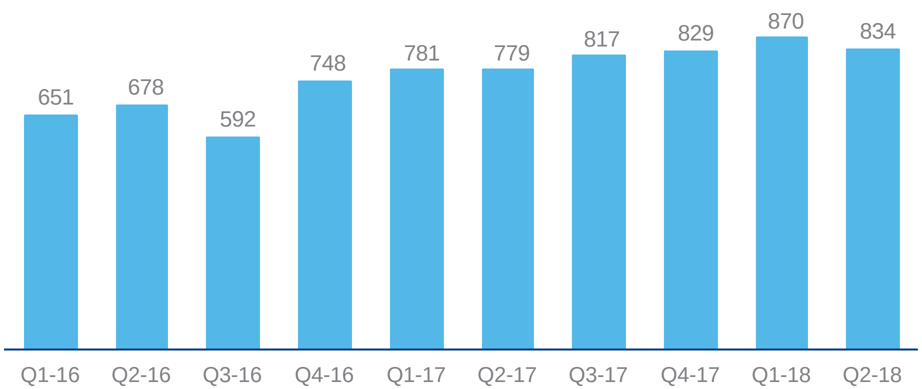
Solid car market – Truck market strong due to India

Global Passenger Car Production, Units in millions



Source: IHS Light Vehicle Production Base, June 2018

Global Truck Production, Units in thousands



Source: LMC Global Commercial Vehicle Forecast, Q2 2018

- **Global Passenger Car Production**
  - Global light vehicles production in Q2 2018 was 24m, a YoY increase of 4.0%, equivalent to approx. 1m units
  - The biggest contributors were China and Europe where production grew with 8.5% and 4.7%, respectively.
  - The growth in Europe was primarily driven by Spain and Portugal which produced 150k more cars than same quarter last year.
  - Production fell by 1.7% in North America. This comes as no surprise as the trend towards high content cars at the cost of fewer lower priced cars continued.
  - South America continued to experience strong growth with 7.8% YoY, albeit from low levels. The South American growth was primarily driven by Brazil.

- **Global Truck Production**
  - The production of medium and heavy-duty commercial vehicles increased by 7.1% YoY (55k units).
  - The strong growth was primarily driven by India which produced 64k units more than same quarter last year.
  - This weighs up the decrease in production in China which declined by 10.4%, primarily due to the significant advancement of production completed in 2017.
  - North and South America continued the strong growth seen in previous quarters with YoY growth rates of 13.7% and 29.3%, respectively.
  - In Europe, the truck YoY growth rate came in at 2.8%.

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Segment Highlights

Segment financials last five quarters

Steady improvement in Interior and P&C

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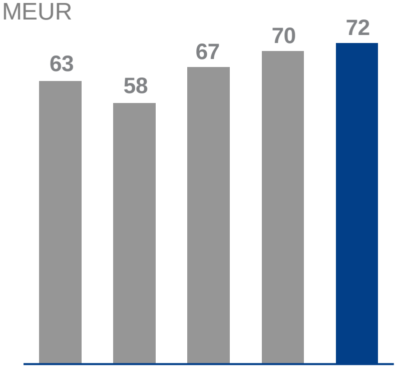
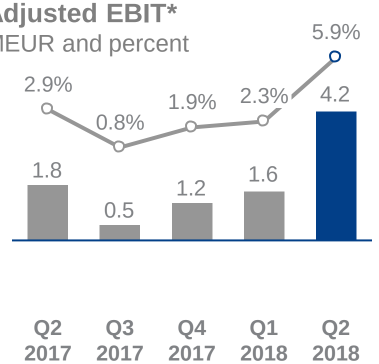
Interior

Revenues
MEUR

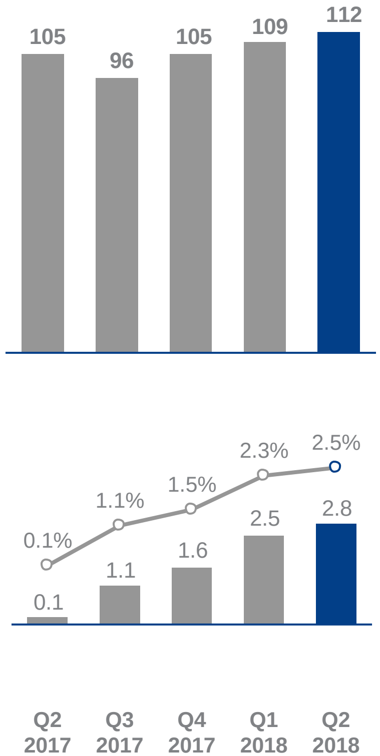


Adjusted EBIT*
MEUR and percent



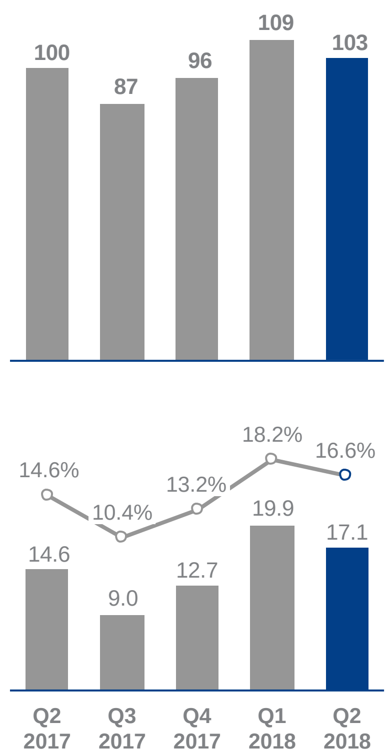
First signs of performance improvements – still more to come.

Powertrain & Chassis



Slow and steady progress.

Specialty Products



Consistent performance, Q1 affected by gain from divestiture.

*Excluding restructuring costs, see details in the quarterly report.

Interior Segment - Update

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- Interior New Business Wins (NBW) amounted to MEUR 9.4 annualized in Q2 2018
  - Wins include Seat Heating to a major Asian OEM and Seat Cables to an European OEM, worth an estimated annual value of MEUR 3 combined.
- 2018 Q2 Revenues increased by MEUR 11.2 (~18%) compared to Q2 2017 excl. FX effects
  - 2018 Q2 Revenues of MEUR 71.9, including negative FX effects of MEUR 2.5.
  - The revenue increase is primarily driven by the ongoing ramp-up activities in ICS across all continents, including volume ramp-up of comfort products to a major North American EV Manufacturer.
  - The LDC business unit more than doubled revenues (YoY) in Asia due to NBWs in 2017, coming from a low base.
- 2018 Q2 Adjusted EBIT increased by MEUR 2.4 compared to Q2 2017
  - 2018 Q2 Adjusted EBIT of MEUR 4.2 including negative FX effects of MEUR 0.3.
  - As expected, excess operational costs related to ramp-up of products based on new technology in Poland continued. This quarter we saw the first signs of improvement as the yield rates continued to improve.
- Footprint activities
  - Ramp-up of the new facility in Brzesc, Poland continued in the quarter.

Powertrain & Chassis Segment - Update

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- P&C New Business Wins (NBW) amounted to MEUR 50.3 annualized in Q2 2018.
  - Major win includes Shift by Wire product to a large Asian OEM. Estimated annual revenue of contract is MEUR 27 with an expected SOP in 2022.
- 2018 Q2 Revenues grew by MEUR 12.7 (~12%) compared to Q2 2017 excl. effects from FX.
  - Revenues of MEUR 112.4, including negative FX effects of MEUR 4.8.
  - Continued ramping of recently launched products in North America was the main growth driver.
- 2018 Q2 Adjusted EBIT increased by MEUR 2.7 compared to Q2 2017.
  - 2018 Q2 adjusted EBIT of MEUR 2.8 including negative FX effects of MEUR 0.6.
- Footprint activities
  - Continuing integration work at the receiving sites in Slovakia and Poland ongoing.

Specialty Products Segment - Update

- Specialty Products New Business Wins (NBW) amounted to MEUR 61.7 annualized in Q2 2018.
  - Off-Highway extended a program with a major North American OEM with an estimated annual value of MEUR 40.
  - Couplings won a contract with an Asian Truck OEM with an estimated annual value of MEUR 5.
- 2018 Q2 Revenues grew by MEUR 7.8 (~8%) compared to Q2 2017 excl. effects from FX.
  - 2018 Q2 Revenues amounted to MEUR 103.1, including negative FX effects of MEUR 4.2.
  - Strong growth rates in Couplings and Off Highway.
- 2018 Q2 Adjusted EBIT increased by MEUR 2.5 compared to Q2 2017.
  - 2018 Q2 adjusted EBIT of MEUR 17.1 including negative FX effects of MEUR 0.8.
  - The Specialty Product segment is more exposed than our other segments to raw material pricing.
- Footprint activities
  - The closures of Easley (US) and Burton (UK) were completed in Q2, earlier than previously announced.
    - Continued ramp-up at the Poland facility.
    - The transition to the Mexican facility continued and will be completed with delay by the end of 2018.
    - The main drivers are challenges in the supply chain transition and the ramping up of the greenfield facility.

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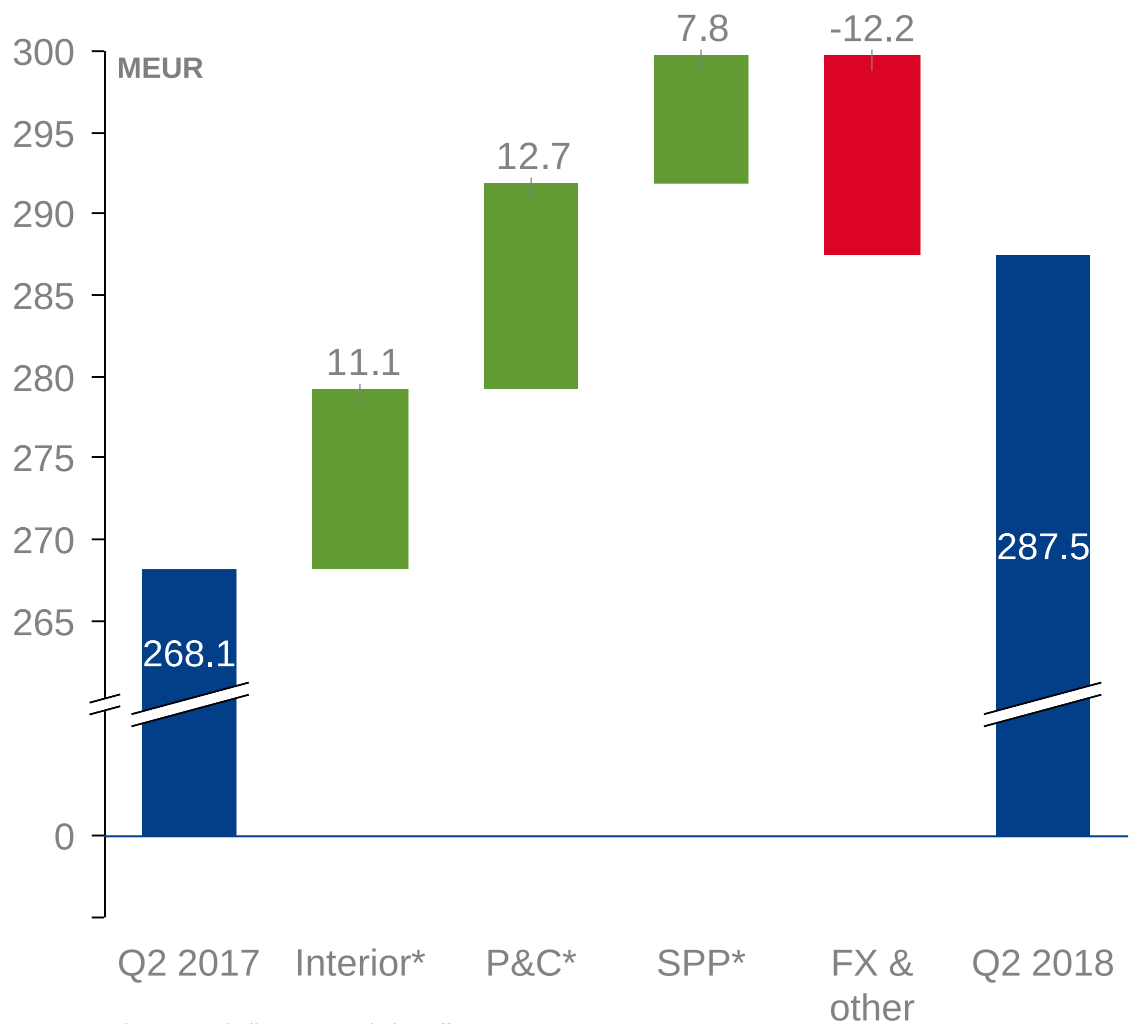
Norbert Loers

Financial Update

Q2 2018 - Revenue development

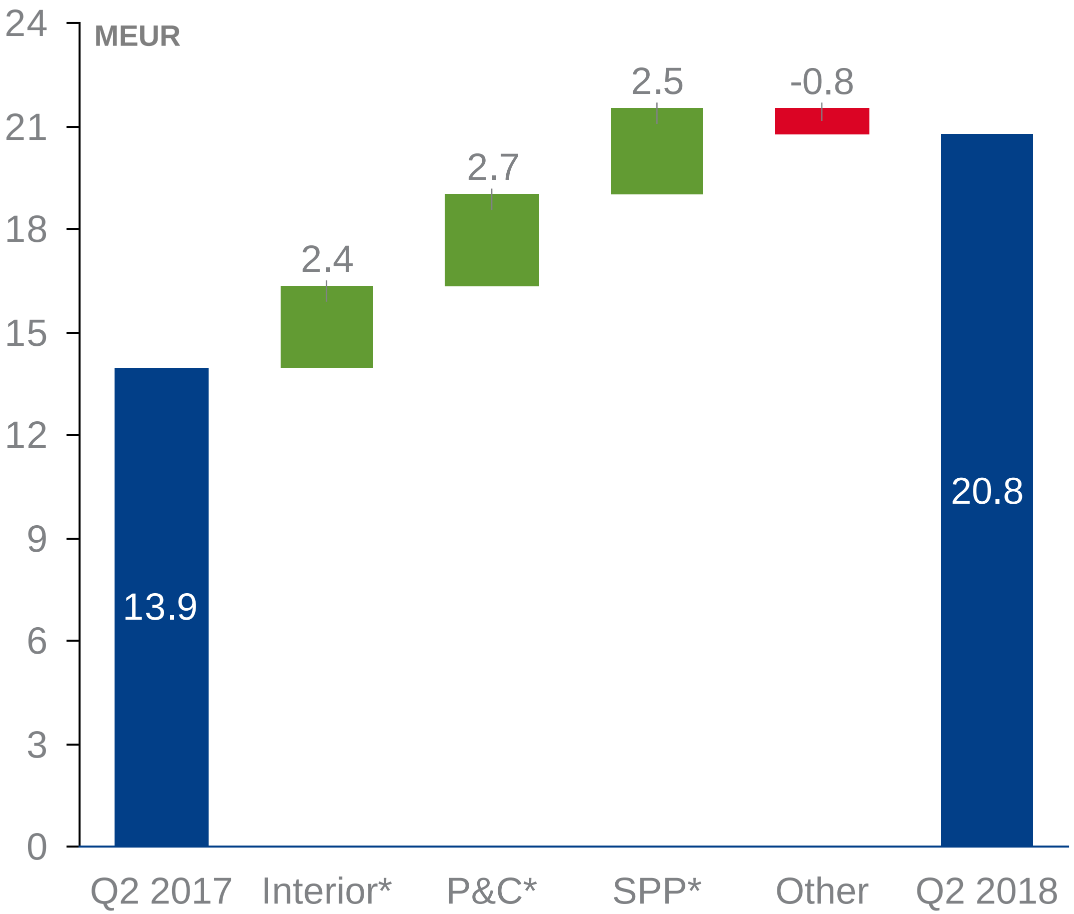
Revenue growth in all segments despite negative FX effects



** Variances excluding FX translation effects*

- **Group**
  - Revenue MEUR 19.5 (7.3%) above Q2 2017.
- **Interior**
  - Revenue growth from launches of SMA and IBK products.
- **P&C**
  - Strong North American Market driving sales increase especially in the commercial vehicle business.
- **SPP**
  - Couplings business with good sales growth in both, the European and Chinese markets.
  - Off Highway strongly contributing to the sales increase particularly in the Power Sports segment.
- **FX effects & Other**
  - Interior: MEUR -2.5 mainly USD and PLN
  - P&C: MEUR -4.8 mainly USD, RMB and SEK
  - SPP: MEUR -4.2 mainly USD and RMB
  - Other: MEUR -0,6

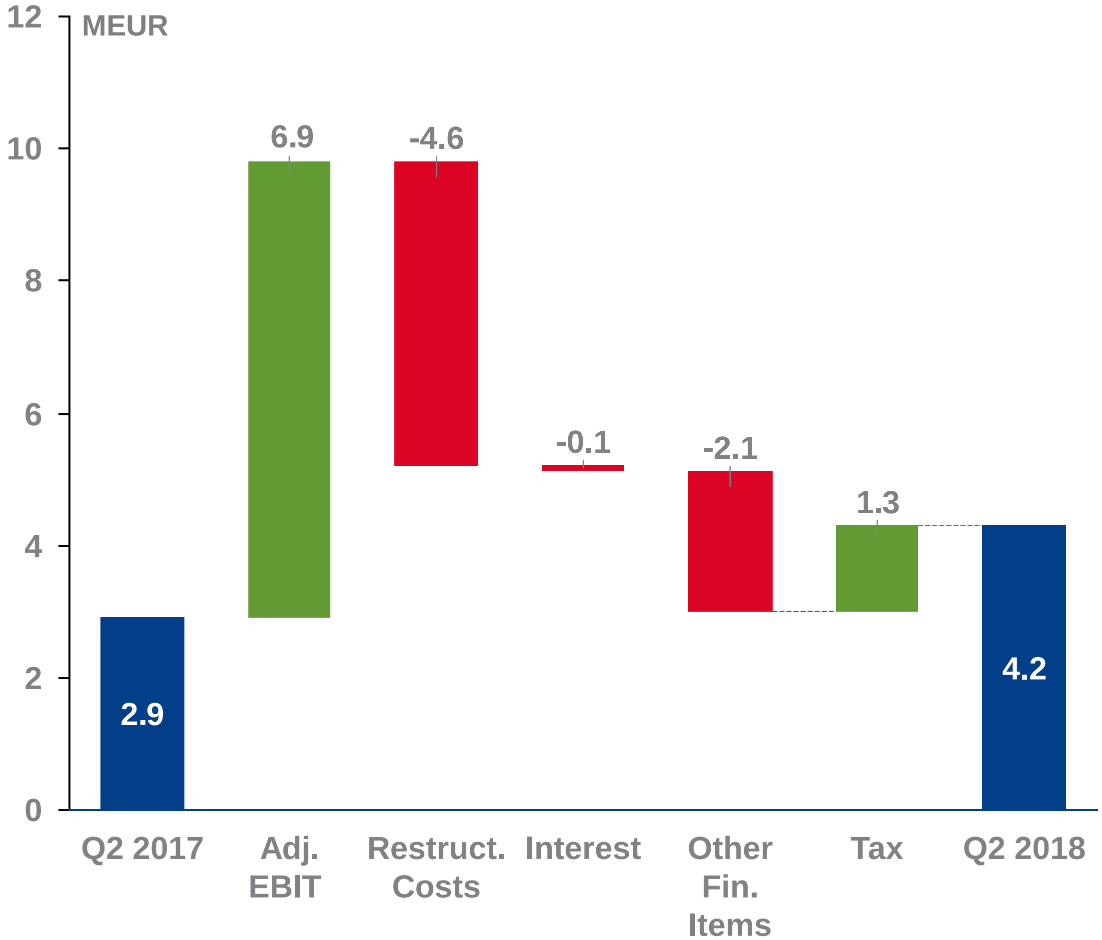
Q2 2018 - Adjusted EBIT development



- **Group**
  - Adjusted EBIT MEUR 6.9 above Q2 2017.
- **Interior**
  - Volume increase partially offset by new launches costs, operational optimization projects, ongoing industrialization costs, as well as increased electronic components prices.
- **P&C**
  - Higher sales volumes, continuing benefits from completed restructuring activities and lower development costs.
- **SPP**
  - Higher sales volumes, primarily in Couplings and Off Highway, strengthened by favorable product mix in Fluid Transfer Systems, partially offset by increased raw material and freight costs.
- **Other**
  - Release of one-time accruals in Q2 2017.

** Variances excluding FX translation effects*

Q2 2018 - Net Profit development

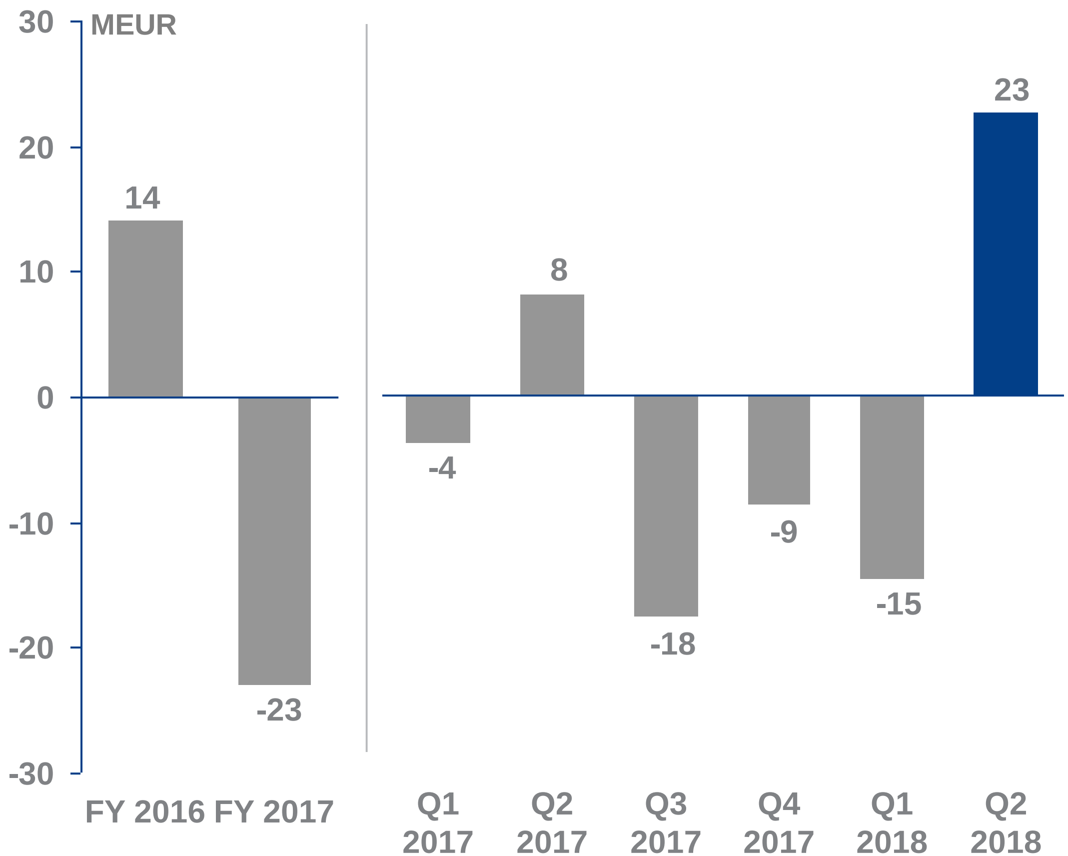


- **Group**
  - Net Profit is MEUR 1.3 above Q2 2017 mainly driven by the operational result.
- **Restructuring costs**
  - Q2 2018 features mainly transition costs with continuing integration efforts in the receiving plants.
  - Q2 2017 lower restructuring cost due to restructuring provision already booked in Q4 2016 and Q1 2017.
- **Interests**
  - In line with increased level of borrowing and lower rate following the end of waiver period.
- **Other financial items**
  - Consist of unrealized and realized currency losses amounting to MEUR 5.0 in Q2 2018 vs. MEUR 2.2 in Q2 2017.
- **Tax**
  - Due to lower corporate tax rates in main jurisdictions and better overall tax efficiency

** Increase of Adjusted EBIT of MEUR 5.0 + reversal of the negative FX translation effect on Adjusted EBIT (MEUR +2.1)*

Free Cash Flow*

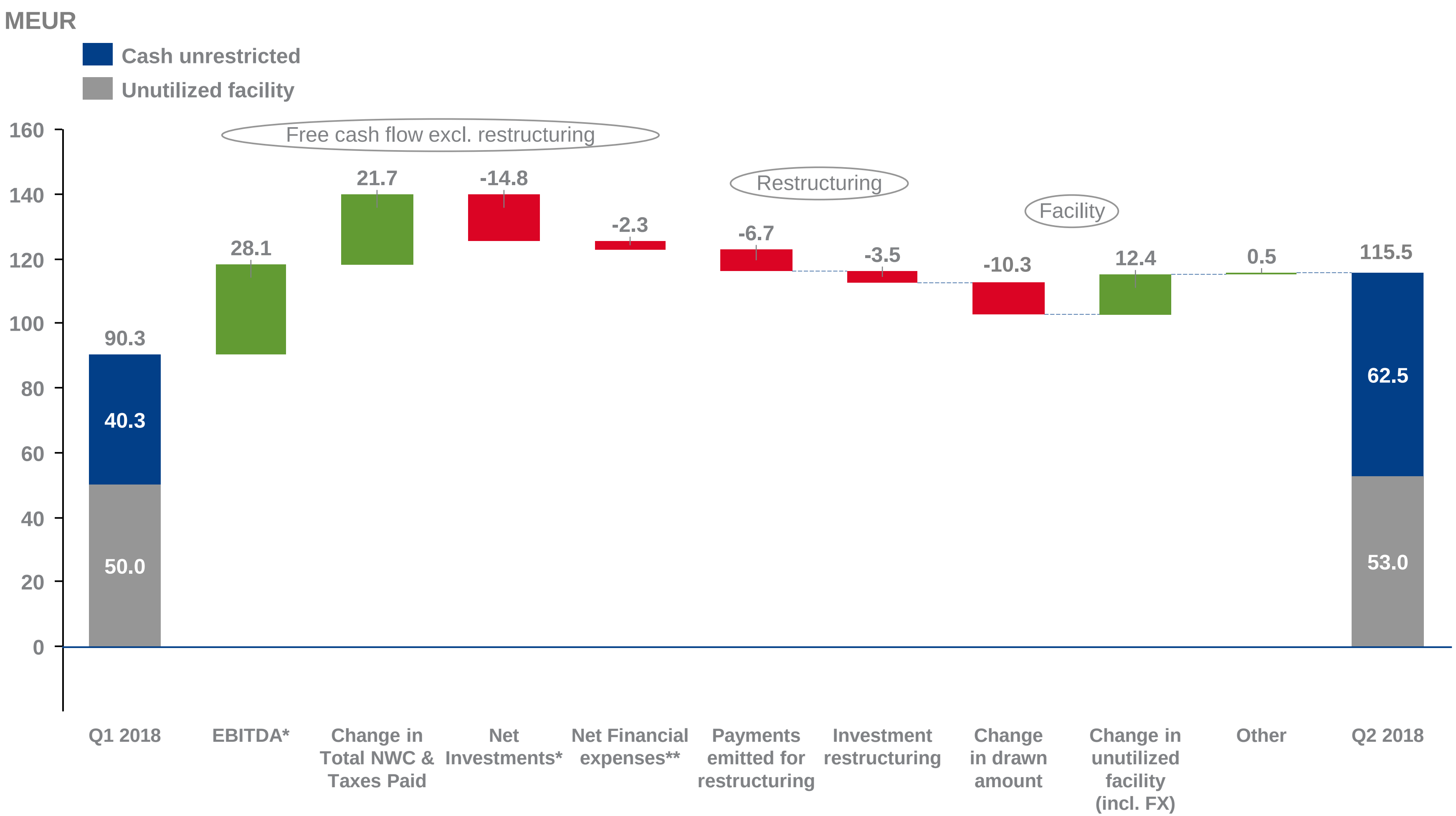
Solid inflow due to earnings and reduction in working capital



- **Operational cash flow (MEUR 44.0)**
  - Initiatives to decrease NWC and further factoring activities resulted in a MEUR 24.4 decrease of the operational NWC.
  - Cash out related to restructuring activities amounted to MEUR 6.7 for Q2 2018.
- **Investing cash flow**
  - Investments amounted to MEUR 19.5 in order to support current and future business growth.
- **Financing cash flow**
  - Excluding net repayment of debt (MEUR 10.3)
  - Interest payments amounted to MEUR 2.6 in Q2 2018 in line with Q1 2018.

**Cash Flow from operating activities +/- cash flow from investments – interest*

Q2 2018 - Cash flow and facility development



** Variance excluding Restructuring; ** Excluding unrealized foreign currency gain/loss;*

Net financial items - Breakdown

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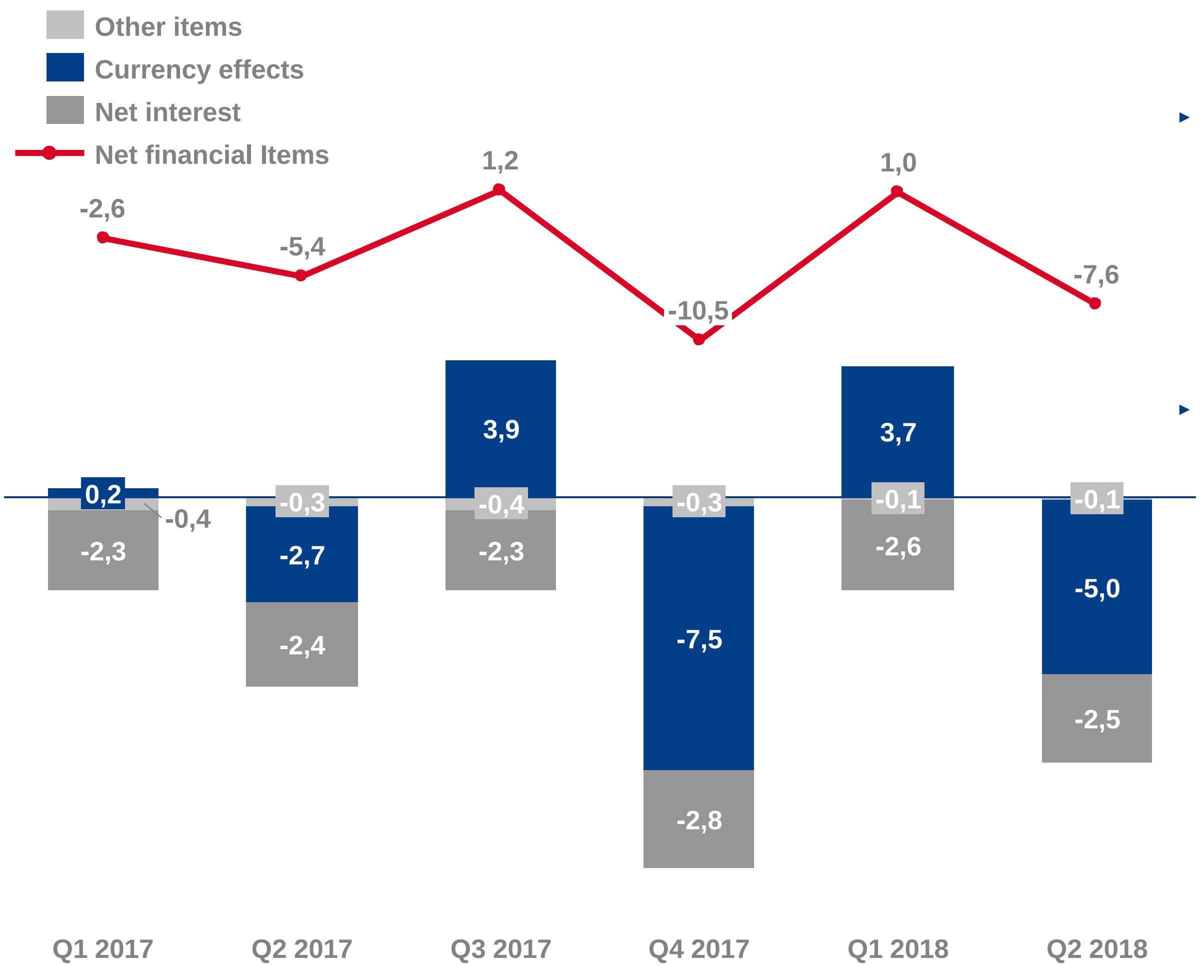
MEUR



- **Currency effects**
  - Mainly due to unrealized losses from IC loans amounting to MEUR 5.0 in Q2 2018.
  - The majority refers to USD and NOK FX variations.

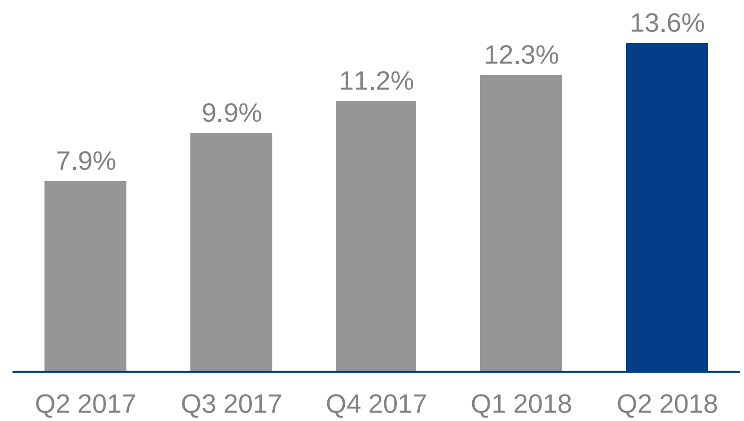
- **Interest**
  - Slightly lower overall interest expenditure compared to Q1 2018.
    - Slightly lower borrowing levels.
    - Increased Libor rate.
    - Lower margin grid due to the expiration of the waiver period.

Financial ratios

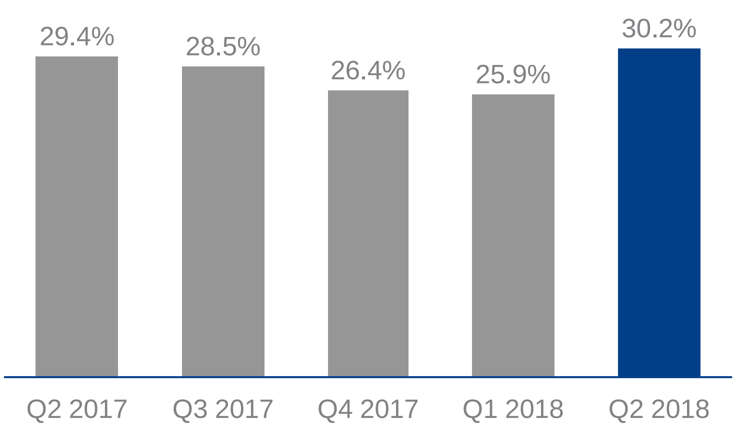
Improved solidity and decreased gearing ratio

Adjusted gearing ratio (NIBD/EBITDA*)

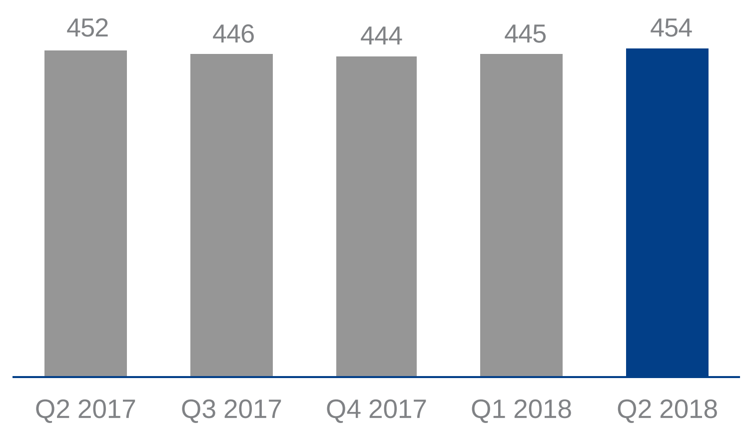
Adjusted ROCE** (LTM)



Equity Ratio***



Avr. Capital Employed (MEUR)



- *Excluding restructuring costs; ** Including IFRS 15 and IFRS 9 adjustments on equities amounting to MEUR +0.7, *** Q2 2018 has accounted for the ~MEUR 40 equity increase*

Recent capital structure activities

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10% capital increase @ premium pricing

- At the initiative of a major shareholder, a capital increase at premium pricing was completed .
  - ~40 MEUR in private placement.
- This strengthening of our balance sheet provides financial flexibility to further support organic growth and strategic initiatives.
- This reconfirms strong support from our largest shareholders who demonstrate support for KA's improvement plans.
- All shareholders with shareholding exceeding 1% were invited to participate in the capital increase. Three shareholders decided to participate.

Refinancing of our bank debt (MUSD 123 + MEUR 162)

- We placed a 7-year MEUR 275 bond with a 5% annual yield rate.
  - For the first time in the company's history, we were credit rated.
    - Achieving bond ratings of ba3 and bb- from Moody's and S&P, respectively, and corporate ratings of Ba3 and B+.
  - Strong investor interest from reputable debt investors.
  - The bond placement was solidly oversubscribed and completed on July 23rd.

The combination of the capital increase and the refinancing provides a stable long term capital structure for KA

Summary & Outlook

Possible effects of increased import tariffs on KA

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There have been much speculation regarding increased worldwide tariffs potentially developing into a “trade war”. The below is an estimate on how certain potential events could influence KA’s operational performance.

- Increased US import tariffs on steel, aluminium, and other commodities including electronics components:
  - In 2018, we estimate this to cost us around MEUR 1. For 2019, as some expansion of the affected HS* Codes is expected, this figure could increase to between MEUR 2 and 3.
- As KA is mostly having sales on vehicle platforms made and sold in the same regions, the effects of an increase in import tariffs on cars is limited unless this has a significant impact on the general economy.
  - For potential import tariffs into China and the US, we have assumed a price elasticity in the end markets for vehicles of 1. In other words, if the tariffs increase by 10 % points, we estimate the direct demand for vehicles in the affected markets to also decline by 10%.
    - If China increases its import tariffs by 25% points on US made cars, we estimate that the maximum effect for KA would be a decline in revenues of around MEUR 2.
    - If the US increases its import tariffs by 15% points on EU made cars, we estimate that the maximum effect for KA would be a decline in revenues of around MEUR 3. That effect does assume a certain positive substitution effect as US consumers would most likely buy more US made vehicles.
- Based on current information, we reconfirm our 2018 guidance from the AGM.
  - For 2019, we will provide an update at the 2018 Capital Markets Day on November 7.

**Harmonized System; an international standardized naming system of traded products. The HS classification code corresponds to its product type.*

Summary

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- The overall automotive markets continues to be strong.
  - Mainly due to the ramp up of new programs, our growth exceeds that of the general market.
  - Our fall-through from the increased volumes is partly offset by negative FX effects, increased cost of raw materials, and some impact of increased import tariffs.
- Another strong quarter of New Business Wins.
- Six consecutive quarters with top line, bottom line and margin improvements.
- Operational performance in Interior shows first sign of improvement.
  - The improvement progress will continue into 2019.
- Two further plant closures completed (Easley, US and Burton, UK).
  - The main focus will be the integration and optimizing of the transferred production before further closes are undertaken.
- Capital increase and debt refinancing completed.
  - Secures stable long term capital structure.
- We expect revenues of MEUR 260 in Q3 2018.
  - From a seasonality standpoint, Q3 is the weakest quarter of the year driven mostly by vacation schedules and customer shut downs in NA and EU.