

Table of contents - Capital Markets Day Presentations

- ▶ **KA strategic direction** (*slides 2 - 23*)
 - Hans Peter Havdal, CEO
- ▶ **Power Products & A&C** (*24 - 42*)
 - EVP Jim Ryan
- ▶ **Fluid Transfer business** (*43 - 53*)
 - EVP Jonathan Day
- ▶ **Finances and financial strategy** (*54 - 70*)
 - CFO Trond Stabekk
- ▶ **Summary & closing remarks** (*71 - 76*)
 - Hans Peter Havdal, CEO



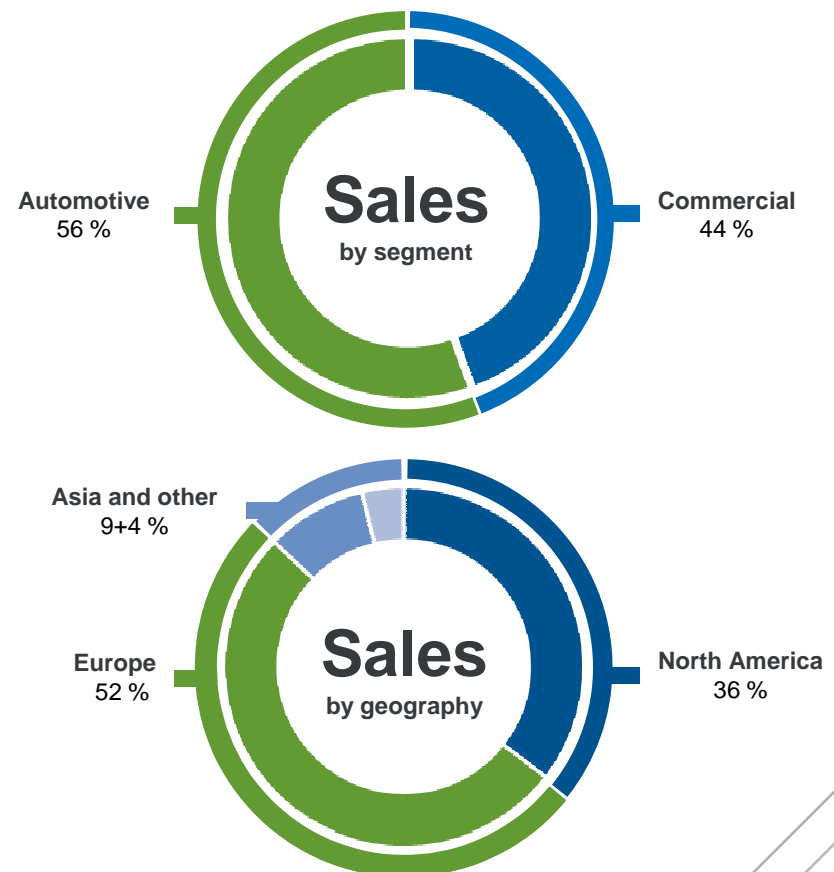
www.kongsbergautomotive.com



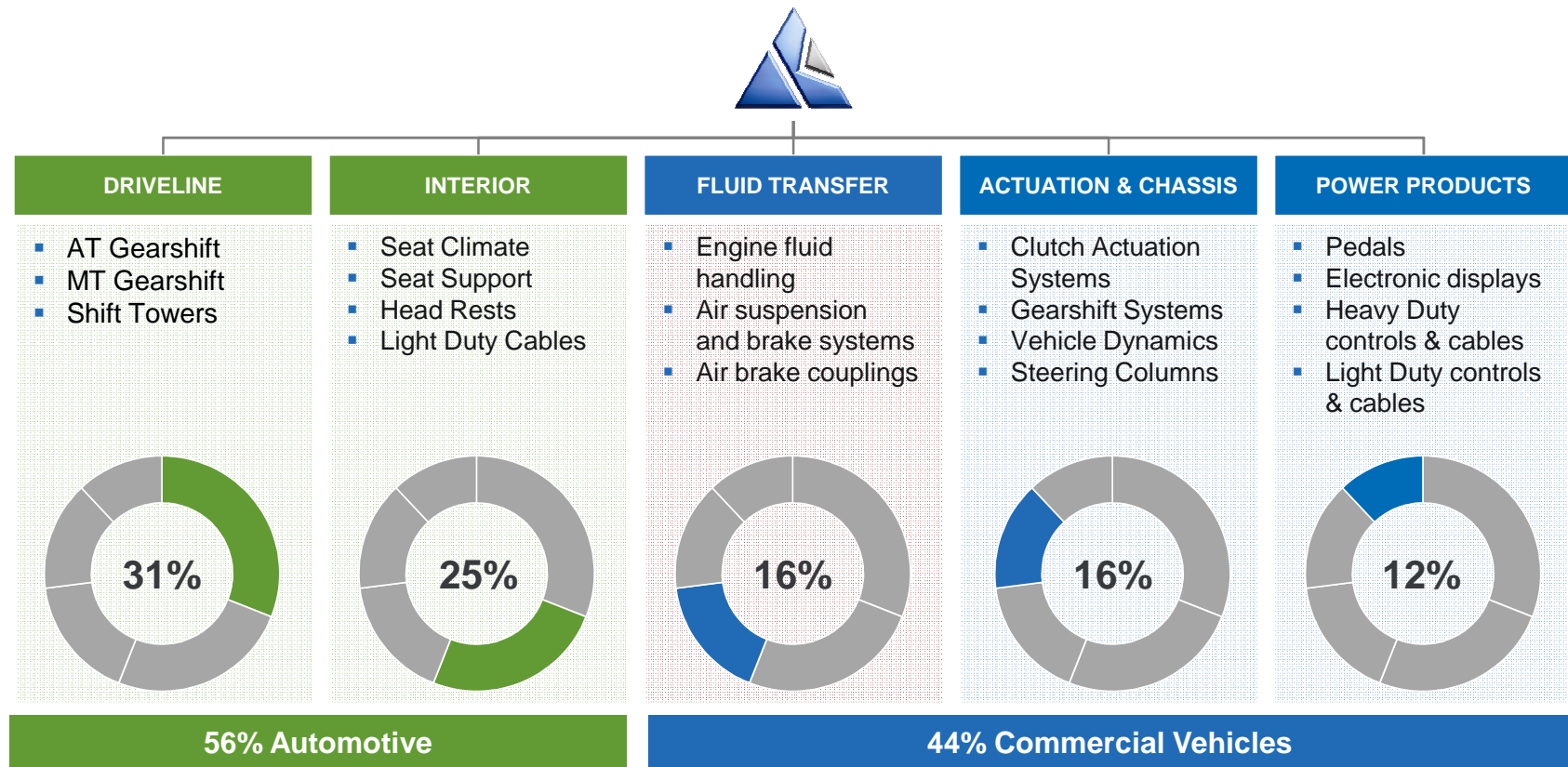
Hans Peter Havdal
Kongsberg Automotive – today and tomorrow

Global footprint, portfolio and capabilities

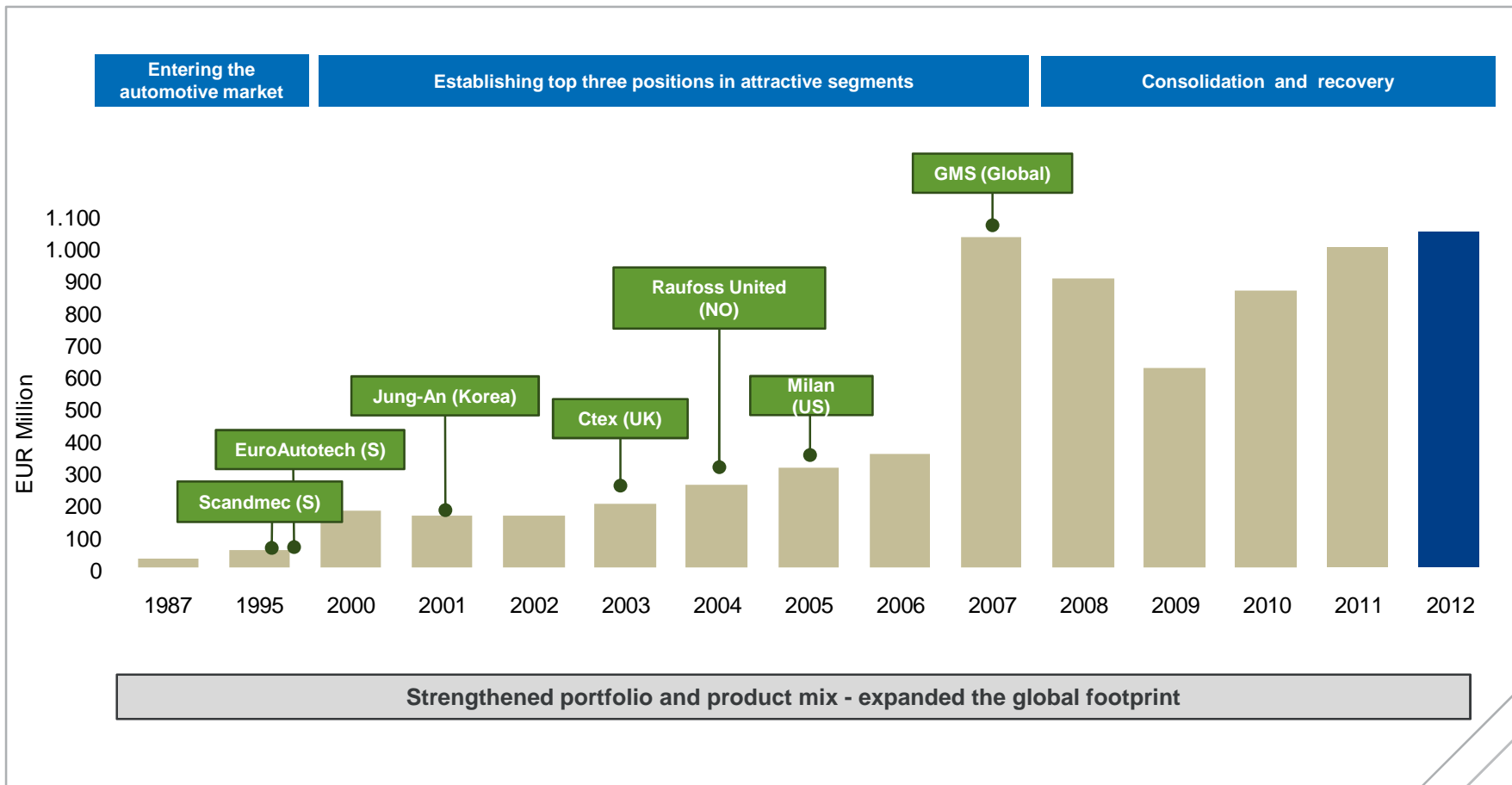
- ▶ Supplier of components and systems for passenger cars, trucks, buses and off-highway vehicles
- ▶ Product portfolio includes products and systems within vehicle driveline, interior, suspension and fluid handling
- ▶ Global presence with 47 locations in 19 countries
- ▶ Cost competitive production
- ▶ More than 10.000 employees
- ▶ 450 dedicated people working with R&D worldwide



Current Business Area structure



Acquisitive growth, financial crisis, organic recovery



The KA journey

- **From a small Scandinavian supplier to a global player**
 - ▶ In the early 90's KA's footprint and portfolio offered limited growth opportunities
 - ▶ Through acquisitions and organic growth KA expanded product portfolio and global reach
 - ▶ The GMS acquisition moved us into a true global player with both regional and global capabilities



Current strategic position assessment

STRATEGIC TARGET

Balanced end-market between Automotive and Commercial

Company growth above industry

Global player with significant regional presence

Technology leadership

High margin company

CURRENT STATUS



- Close to 50/50 split
- **Target achieved**



- Last 10 years: above vehicle production growth
- **Target achieved**



- 36% US, 52% EU and 12% Asia – a future growth area
- **Target achieved**



- Leader in certain technology segments
- Lagging in some high volume automotive segments
- **Target partly achieved**



- High competitive pressure in automotive market
- Upside potential in operational efficiency
- **Target not achieved** – but wide variations across group

Current strategic position assessment

- ▶ Where do we go from here?



Our positions in a changing competitive environment

Supplier ranking

AUTOMOTIVE

- Just bordering on the global top 100 supplier list
- Consolidation trend – the big get bigger

COMMERCIAL VEHICLES

- Among the top 10-30 suppliers to the key customers



Our positions in a changing competitive environment

- ▶ **Consolidation of big OEM groups triggers consolidation on the supplier side**
 - KA is in a strong position to supply global Commercial Vehicle OEM's
 - Some way to go in Automotive segment

Company	Revenue 2010	Revenue 2009
Robert Bosh GmbH	\$34.6B	\$25.6B
Denso Corp.	\$32.8B	\$28.7B
Continental AG	\$24.8B	\$18.8B
Aisin Seiki Co.	\$24.6B	\$20.5B
Magna International Inc.	\$23.6B	\$17.3B
Faurecia	\$18.2B	\$13.0B
Johnson Controls Inc.	\$16.6B	\$12.8B
ZF Friedrichshafen AG	\$15.8B	\$12.1B
LG Chem Ltd.	\$15.5B	&13.0B
Hyundai Mobis	\$14.4B	\$11.2B
TRW Automotive holdings Corp.	\$14.4B	\$11.6B
Delphi Automotive	\$13.8B	\$11.7B
Yazaki Corp.	\$12.5B	\$8.6B
Lear Corp.	\$11.9B	\$9.7B
Sumitomo Electric industries Ltd.	\$11.2B	\$8.9B
BASF SE	\$10.4B	\$6.8B
Toyota Boshoku Corp.	\$10.4B	\$10.2B
CalsoniKansei Corp.	\$8.8B	\$6.7B
JTEK Corp.	\$8.2B	\$5.9B

Our positions in a changing competitive environment

	AUTOMOTIVE	COMMERCIAL VEHICLES
Supplier ranking	<ul style="list-style-type: none"> ▪ Just bordering on the global top 100 supplier list ▪ Consolidation trend – the big get bigger 	<ul style="list-style-type: none"> ▪ Among the top 10-30 suppliers to the key customers
Volume versus margins	<ul style="list-style-type: none"> ▪ High volume market but small sales per unit 	<ul style="list-style-type: none"> ▪ Lower volume market but higher sales per unit
Customer relations	<ul style="list-style-type: none"> ▪ Customer relationships are in general weaker and competition is steep 	<ul style="list-style-type: none"> ▪ Strong and long-standing customer relationships
Geography	<ul style="list-style-type: none"> ▪ China and India increasing in importance, but limited KA content on domestic low end cars 	<ul style="list-style-type: none"> ▪ Global growth opportunity from strong European base
Technology	<ul style="list-style-type: none"> ▪ Technology lead in certain niches, commodity supplier in others 	<ul style="list-style-type: none"> ▪ Regarded as a technology partner

Our positions in a changing competitive environment

	AUTOMOTIVE	COMMERCIAL VEHICLES
Priorities	<ul style="list-style-type: none">▪ Profitability before growth	<ul style="list-style-type: none">▪ Allocate resources to continue strong profitable growth pattern
Direction	<ul style="list-style-type: none">▪ Further develop niche leadership positions based on technology and customer relationships	<ul style="list-style-type: none">▪ Optimize organizational structure to increase the leverage of our global resources and footprint
Structural initiatives	<ul style="list-style-type: none">▪ Exit unprofitable and cash draining products and customers	<ul style="list-style-type: none">▪ Expand through M&A to capture high-margin business opportunities

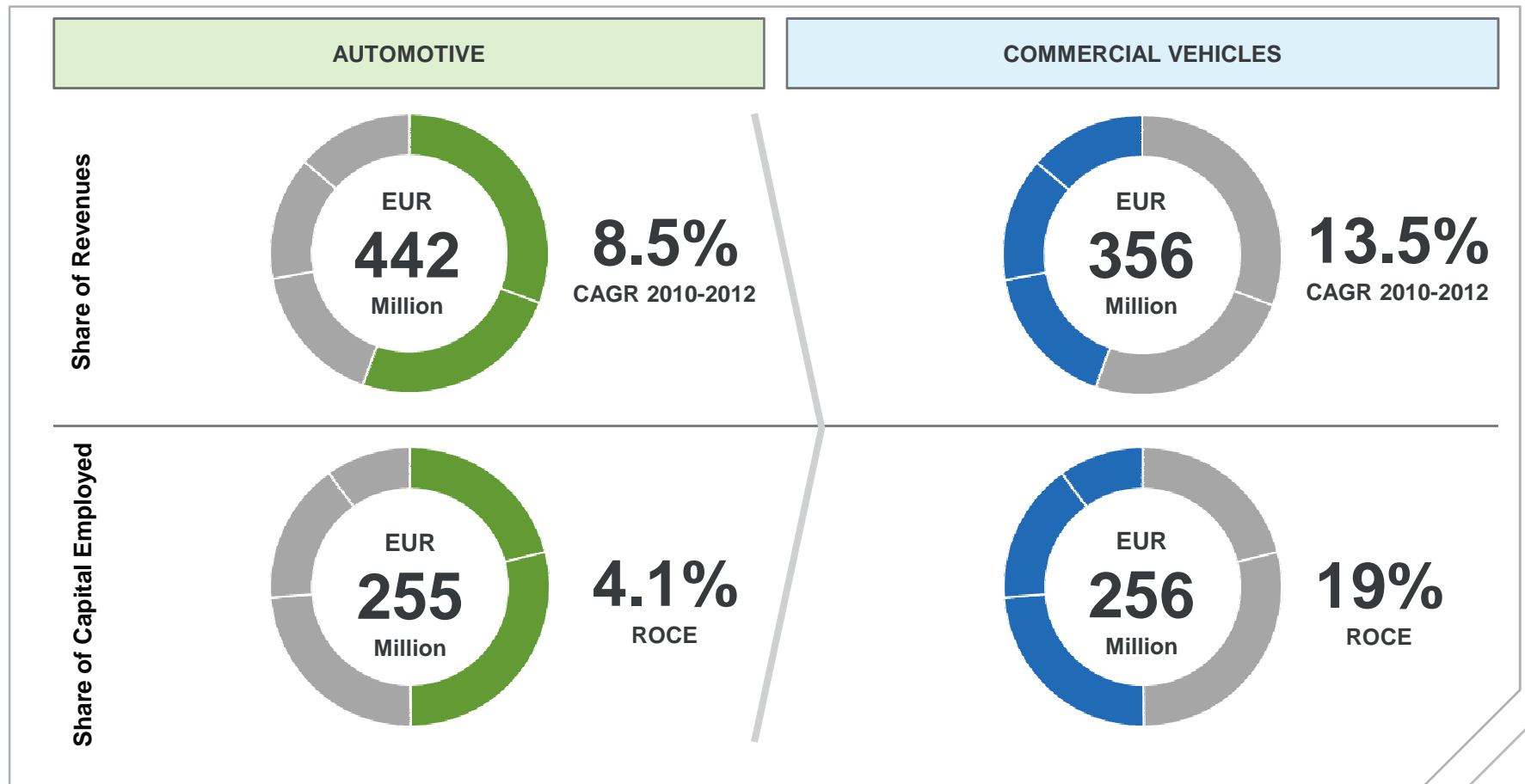
The way forward

- ▶ Build on our strengths
- ▶ Continue to grow with our key customers
- ▶ Selective business within the Automotive segment



Current situation

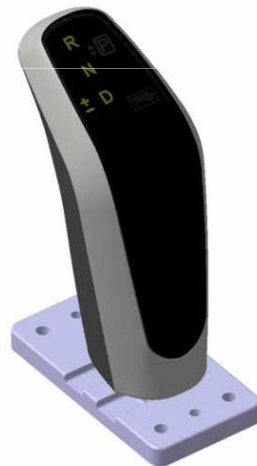
Shifting the balance towards higher-value businesses



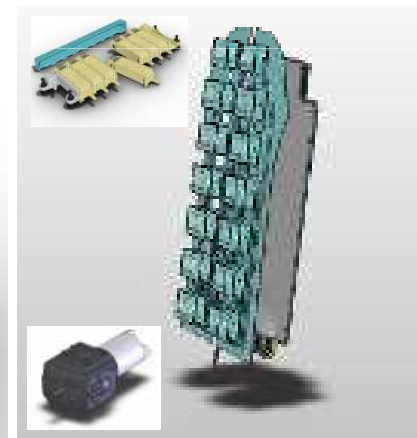
Focus on high technology businesses

AUTOMOTIVE

High-end shifters



Seat comfort



Key Global Brands





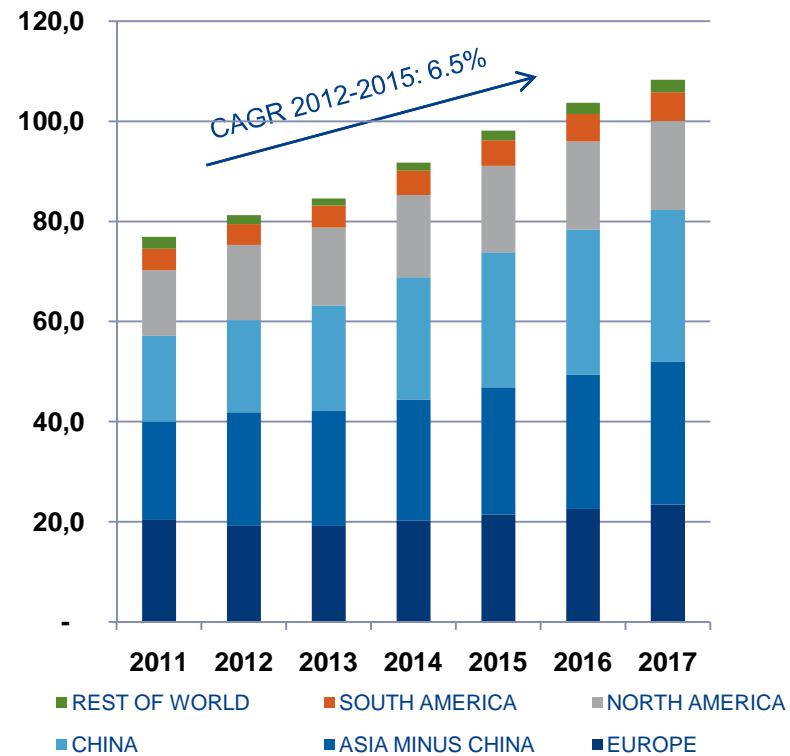
AUTOMOTIVE

Profit before growth

- ▶ **Build on leading positions in Seat Comfort segments**
- ▶ **Continue to develop shifter business for Automatic transmissions**
- ▶ **Continue cost optimization and operational efficiency programs**
- ▶ **Seeking the right contracts:**
 - Advanced technology content
 - Preferred global customers
- ▶ **Exit unprofitable business**

Global production forecast

Million units



Source: LMC Automotive Ltd. 2012. All rights reserved in all countries

Focus on global leading Commercial Vehicle OEMs

COMMERCIAL

Driver interface products



Key Global Brands



SCANIA

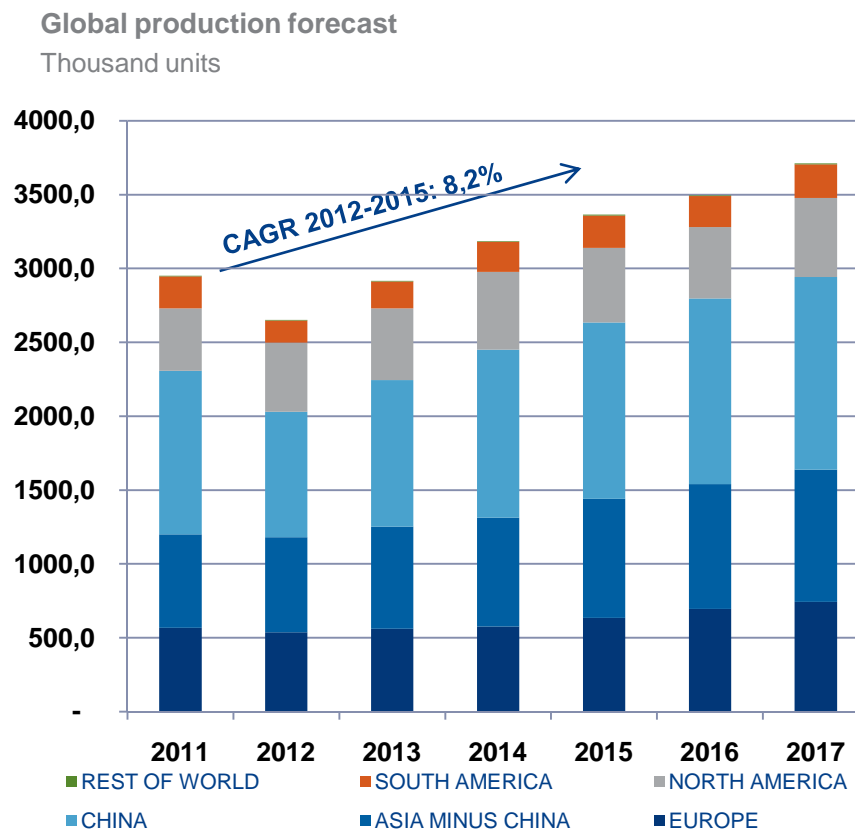
PACCAR



COMMERCIAL

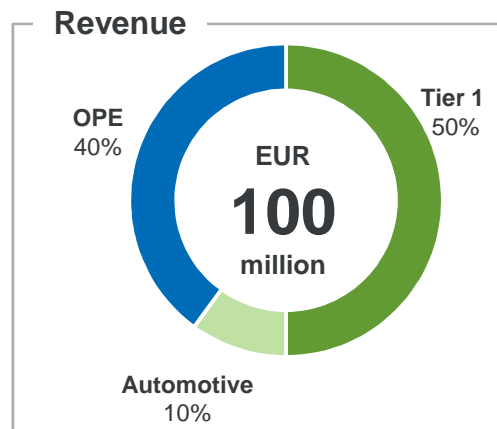
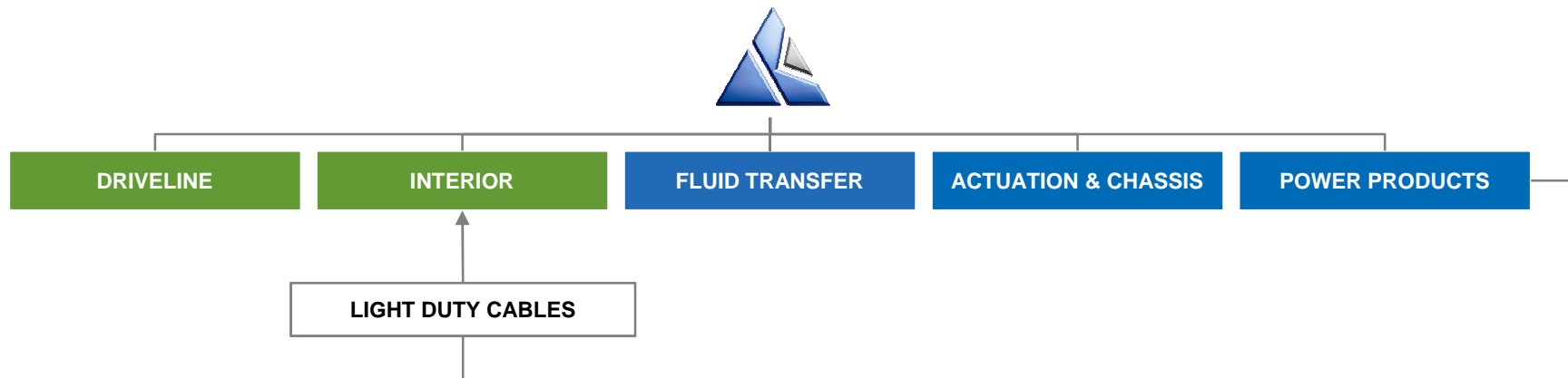
Supporting profitable growth trend

- ▶ Prepare for geographic expansion from strong European base
- ▶ Further strengthen innovation to sustain technology leadership
- ▶ Evaluate strategic alternatives for acquisition
- ▶ Optimize organizational structure to support growth

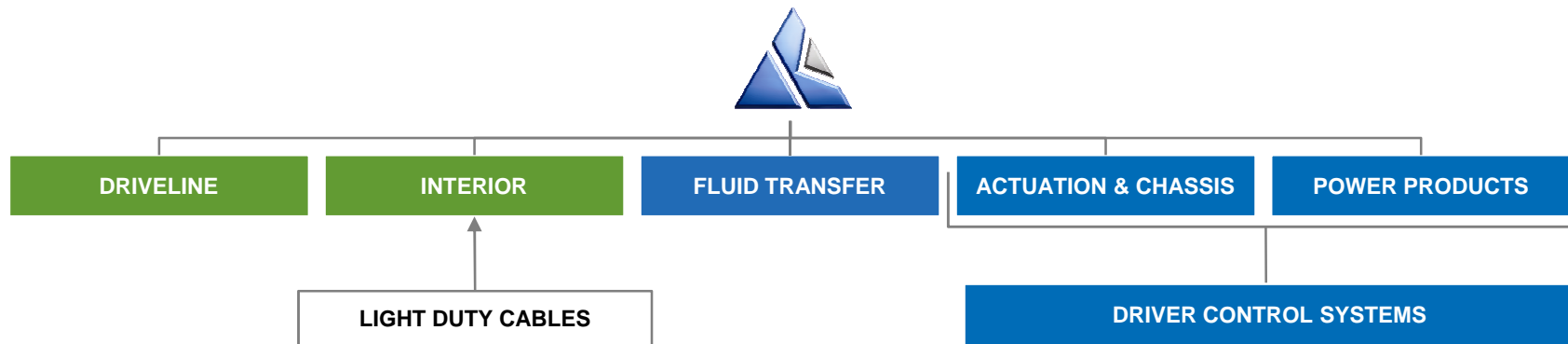


Source: LMC Automotive Ltd. 2012. All rights reserved in all countries

Creating a new business structure



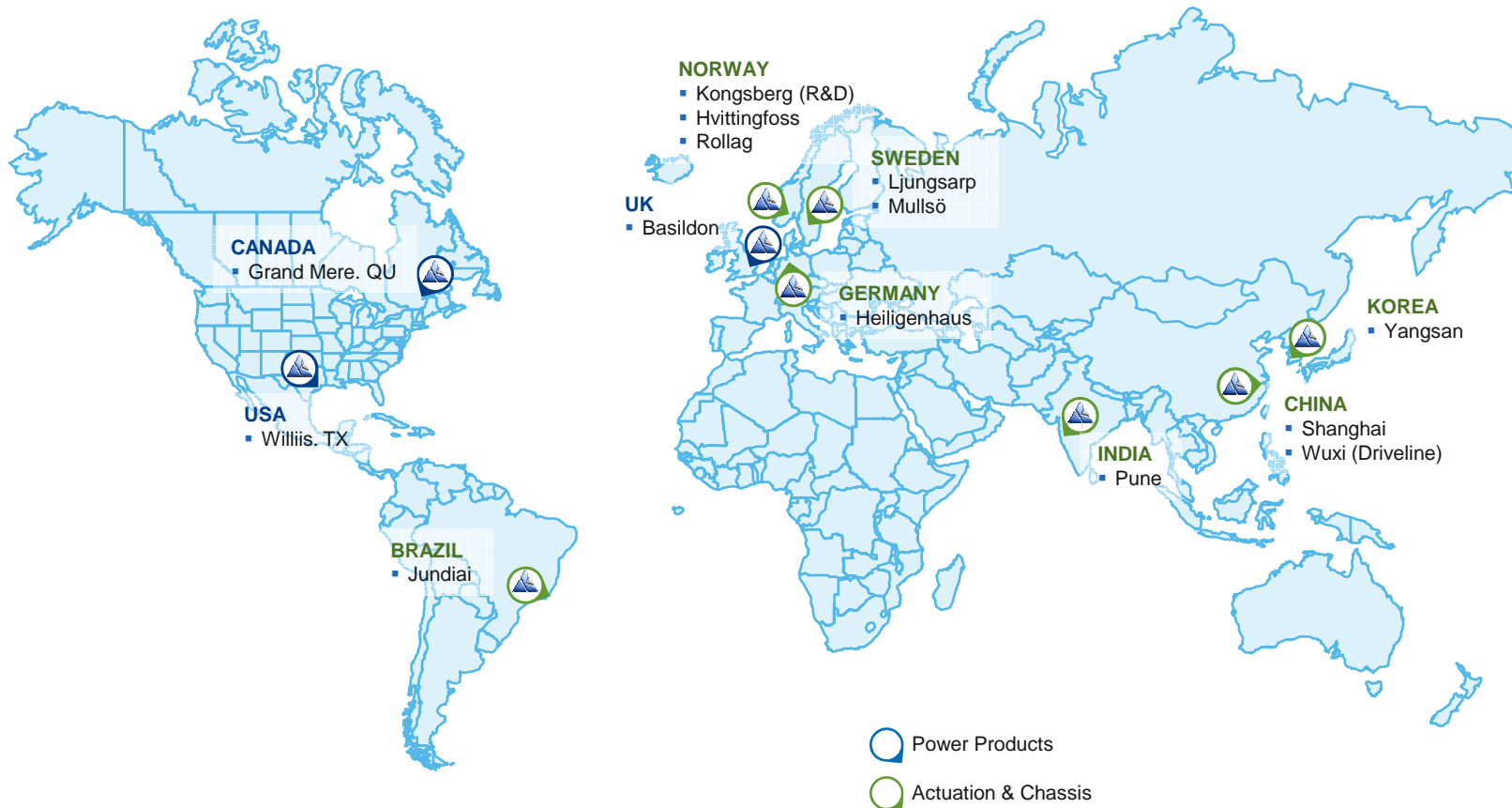
Creating a new business structure



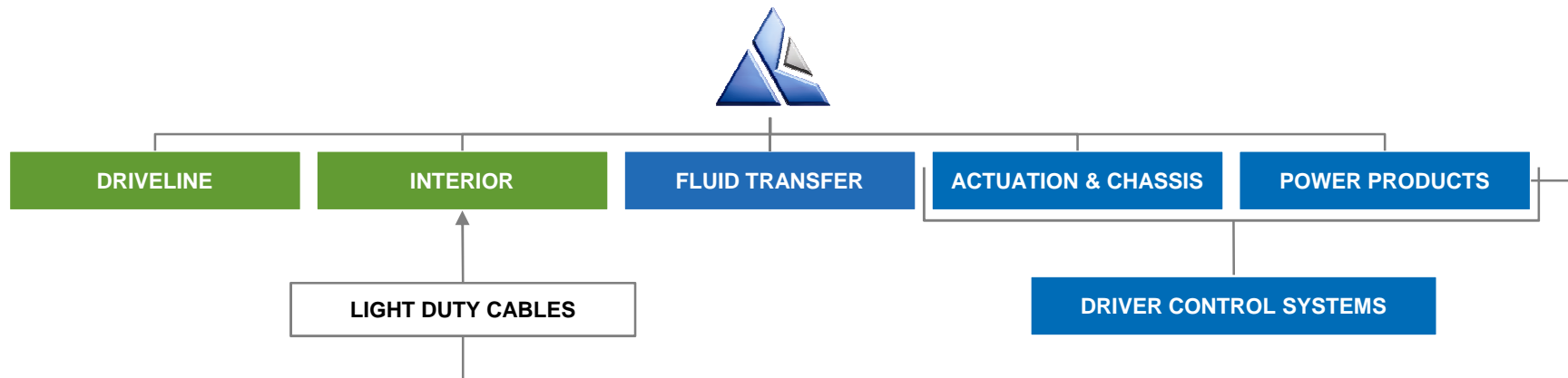
On-highway / off-highway



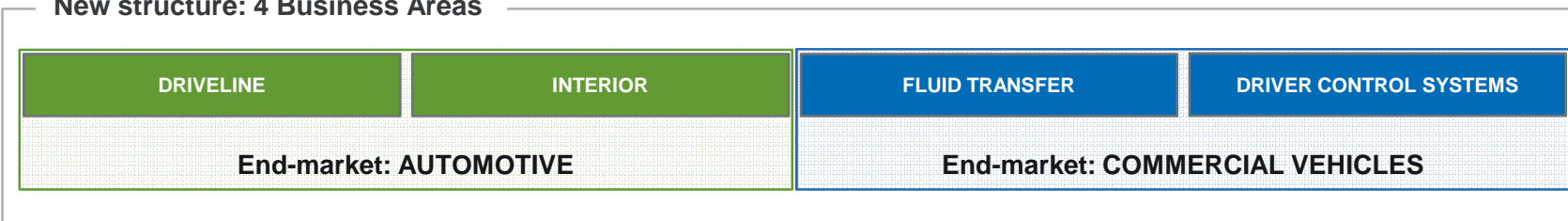
Leveraging combined resources



Creating a new business structure



New structure: 4 Business Areas



Summary – Changes to the current strategy

- ▶ Shifting efforts towards higher value business
- ▶ Combining A&C and Power Products to form a strong growth platform
- ▶ Expand Driver Control Systems portfolio on a global basis
- ▶ Profitability before growth in Automotive



Building a platform for growth

Combining Actuation & Chassis and PPS business areas

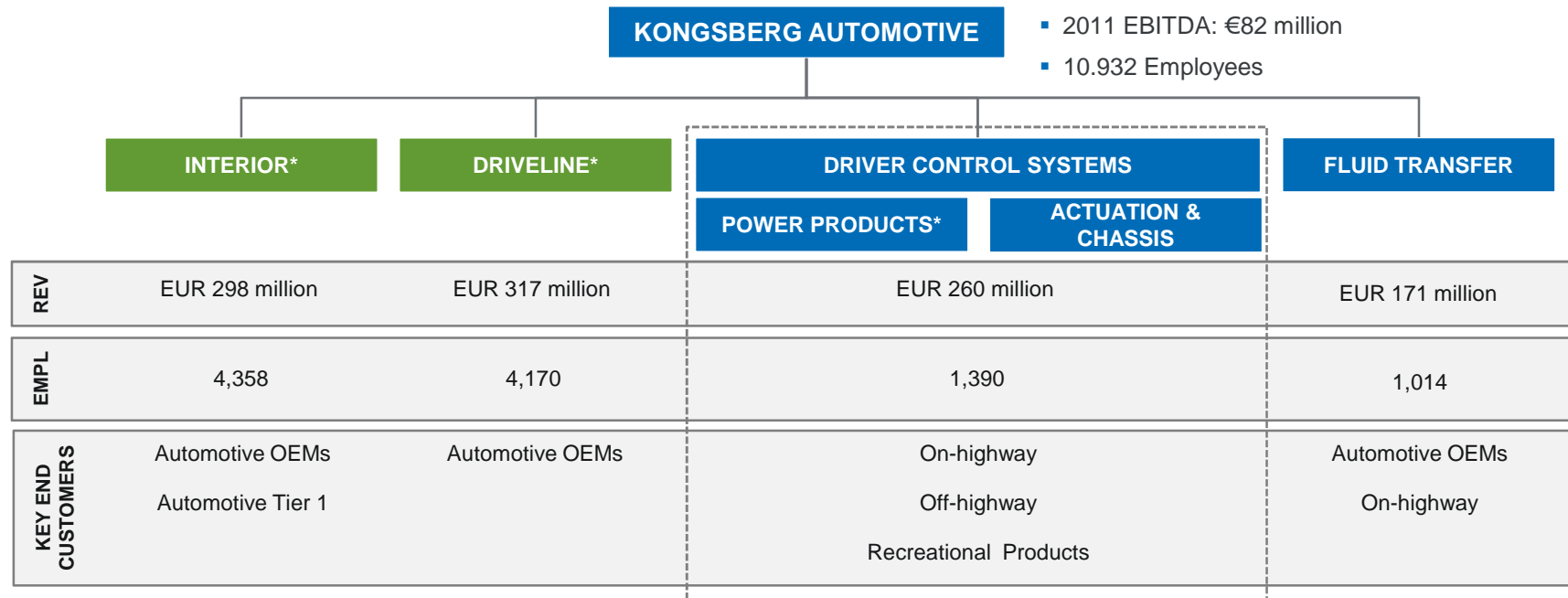


Strengthening Commercial Vehicles Focus

- ▶ **Accelerate growth within commercial vehicles (CV), to create a more balanced and profitable business**
- ▶ **Merge A&C and PPS to strengthen growth platform within Commercial Vehicles**
- ▶ **Create a unique and comprehensive offering for commercial vehicle Man to Machine interface controls**

Integration to Driver Control Systems

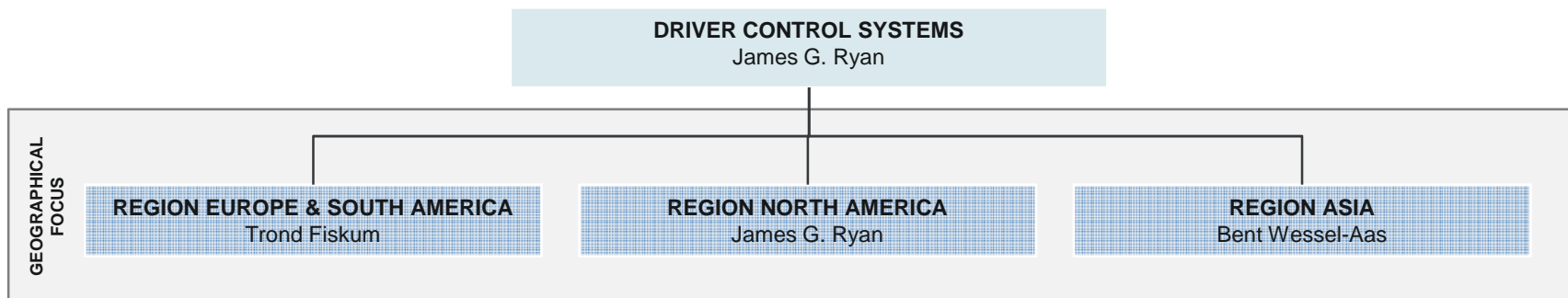
- 2011 Trade Sales: €999 million
- 2011 EBITDA: €82 million
- 10.932 Employees



Combination based on underlying core competences around Man to Machine Interfaces

* Adjusted for Light duty cable

Organizational structure – A geographical focus to enhance growth



- ▶ Regional heads to have full P&L and business responsibility
- ▶ Support front end activities, customer relations and strategic planning

ACTUATION & CHASSIS

Products and key customers

Driveline control systems and chassis related products to CV



Main product categories

Gearshift Systems



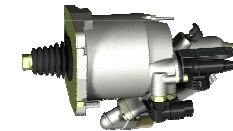
Vehicle dynamics



Steering columns



Clutch Actuation



SCANIA

DAF

POWER PRODUCTS

Products and key customers

Products for off-highway vehicles and recreational products



Main product categories

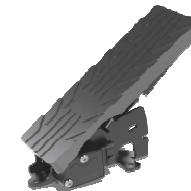
Controls / Shifters



Controls & Cables



Pedals



Electronics & Displays



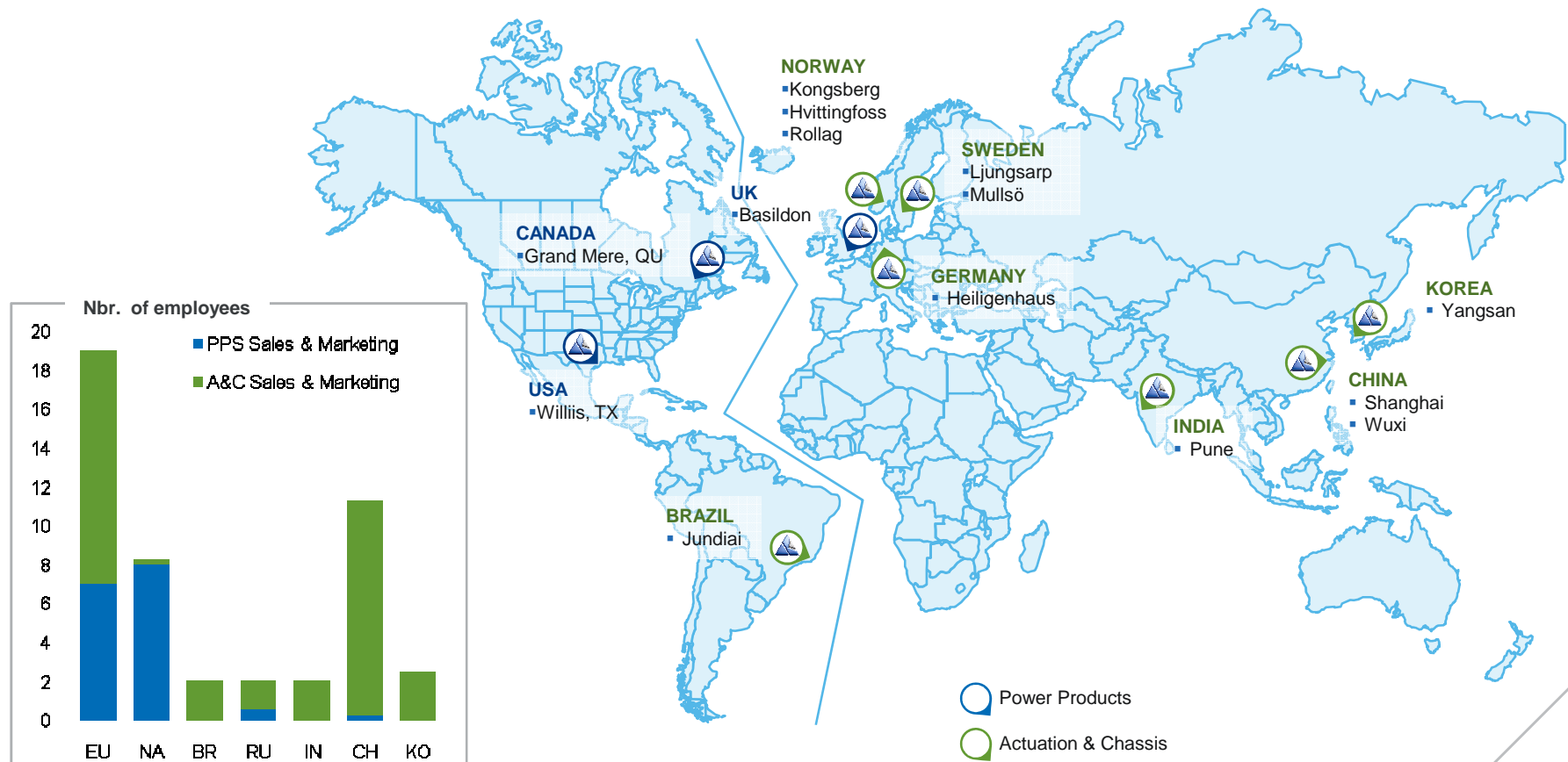
Combined value proposition: Taking the driver's position



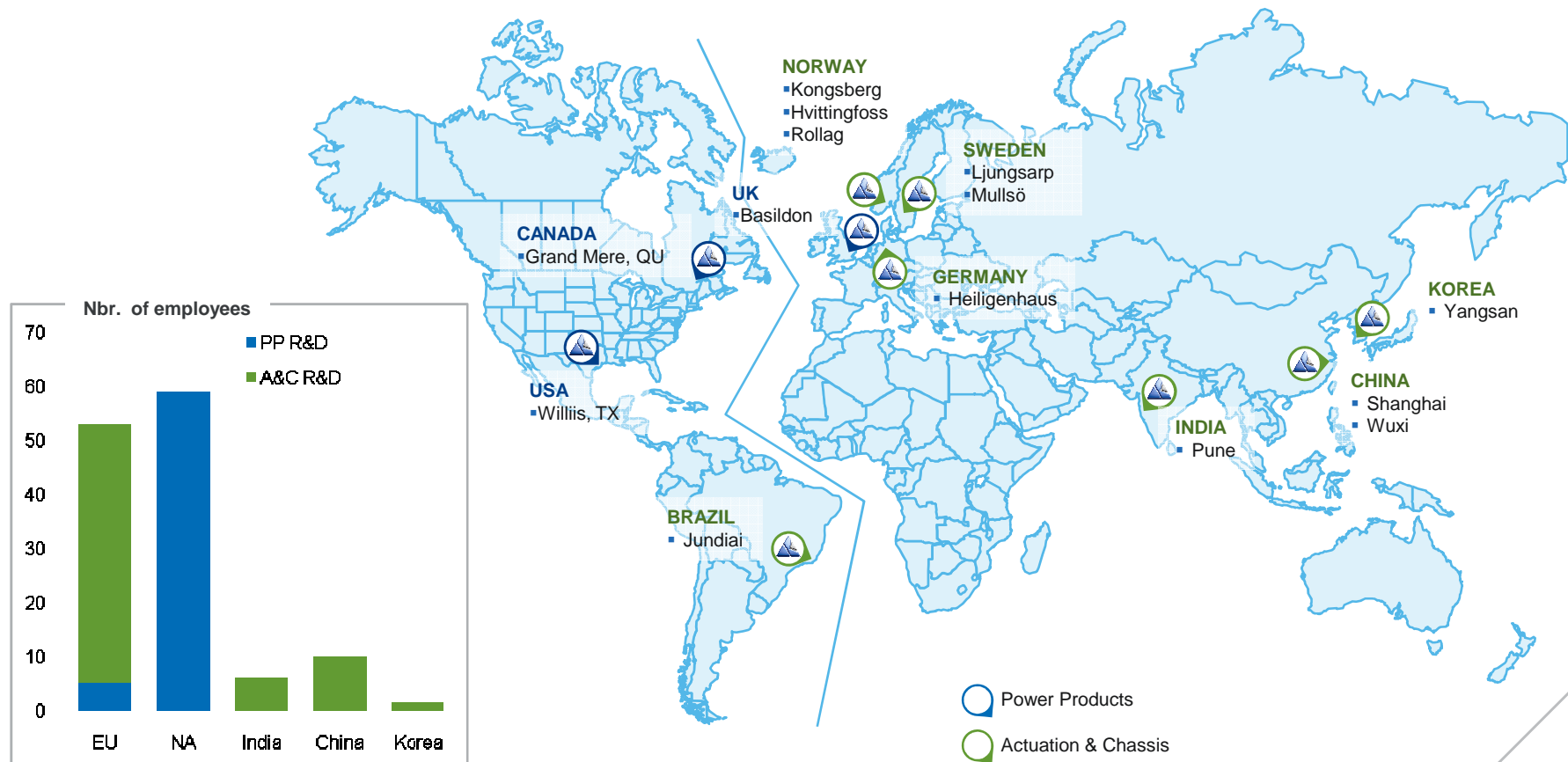
Combined value Proposition: Taking the driver's position



Leveraging a combined Sales and Marketing network...



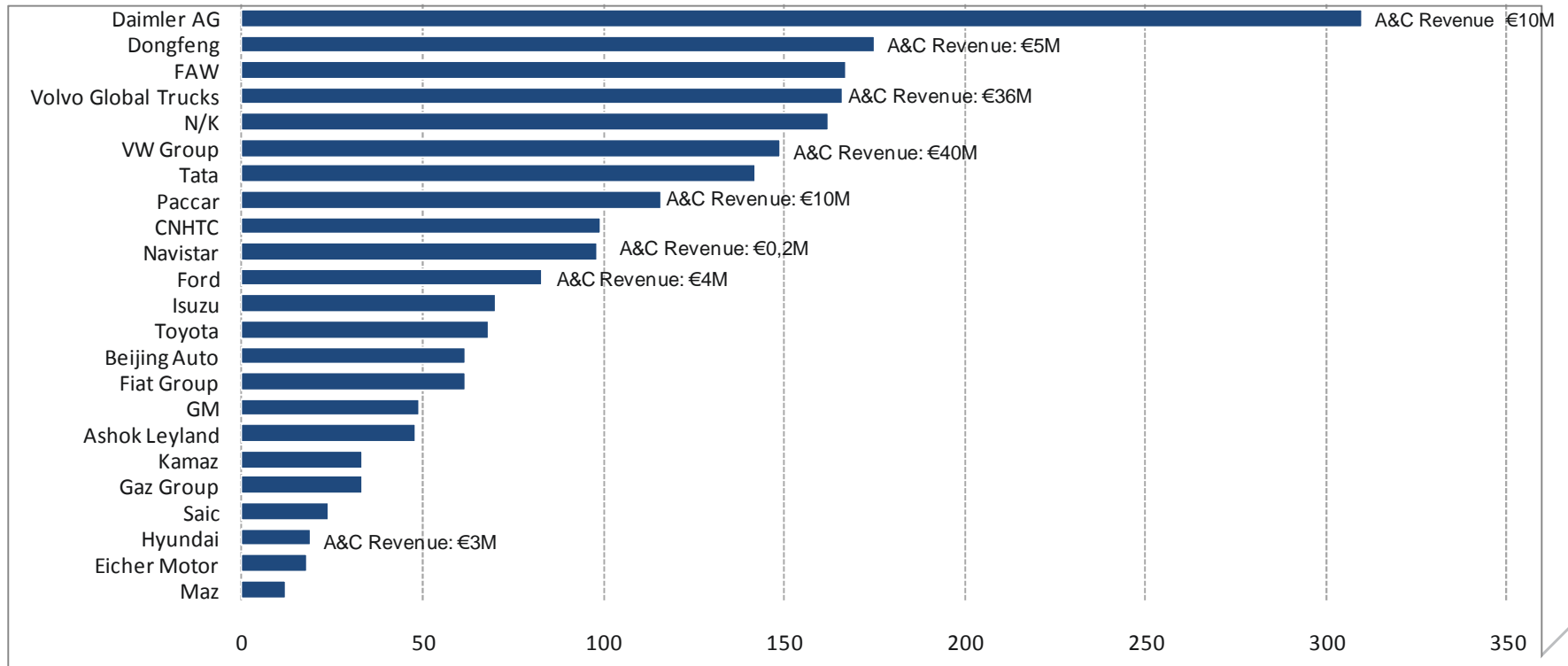
...and a global R&D network



Strong A&C position with the leading CV OEMs

Global truck sales >6t (2005-2011 average)

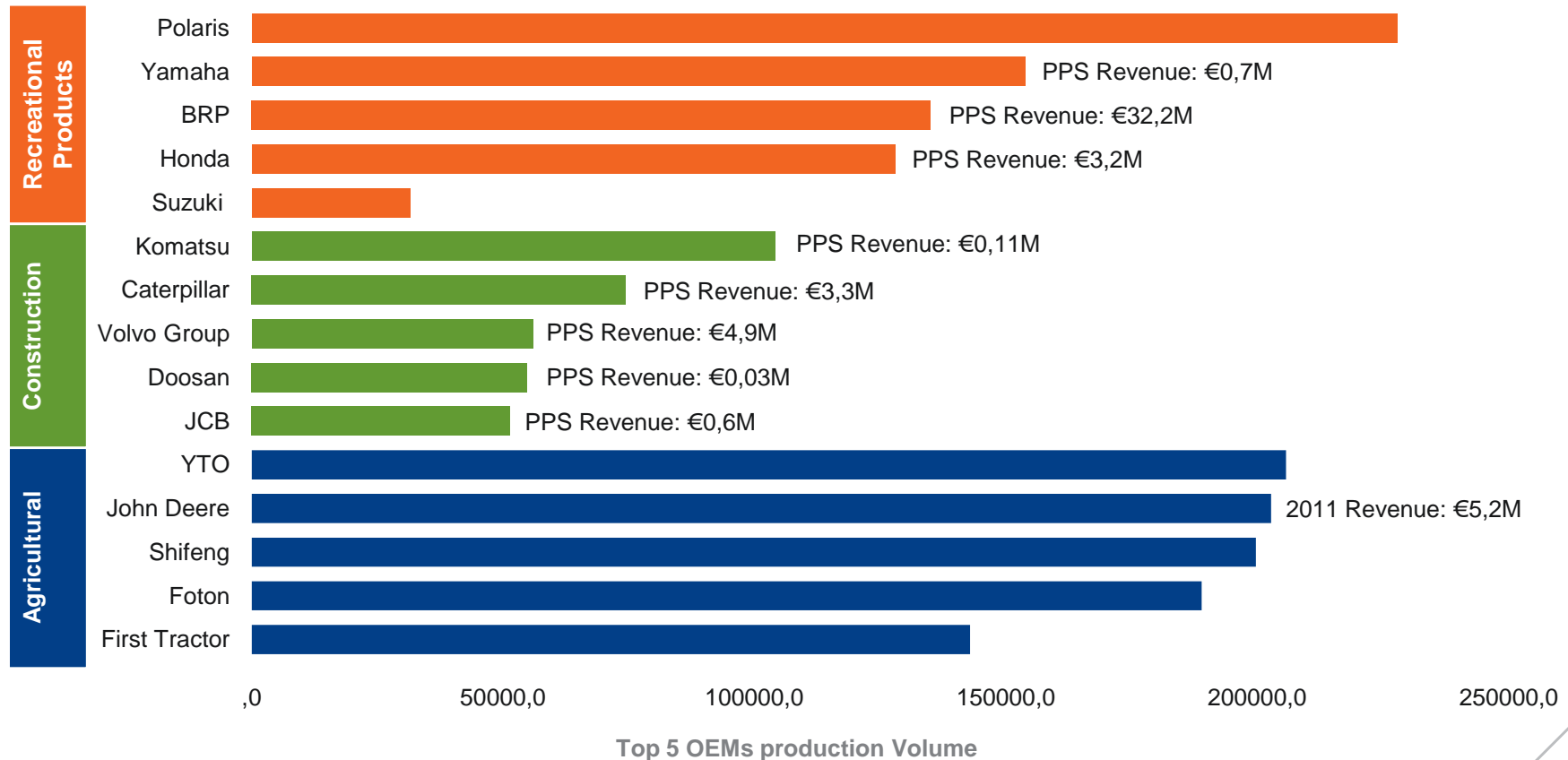
Units (thousand)



* IHS Global truck sales > 6t. 2005 – 2011 Average

Strong PPS position with the leading Off-highway OEMs

Off-highway end-markets



Collaboration successes, and future potential

- ▶ PPS and A&C share similar markets, have untapped synergies that will bring shareholder value
- ▶ Significant cross-over and benefits realized from collaboration
 - Steering Column Sales
 - A&C entering the North American market with Paccar
 - Chinese Pedal Business Development
 - Russian Market Development
 - New Product Innovation
 - Close dialogue with Executive Management at customers



Growth potential examples

On Highway Pedal

- ▶ New composite pedal design for On-Hwy applications
- ▶ Localized sensor in LCC
- ▶ Leverage existing technology
- ▶ Start targeting the A&C existing customer base
- ▶ Global manufacturing strategy

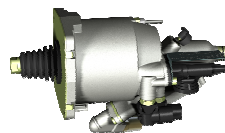


BRIC

- ▶ Leverage the existing local resources with aligned objectives
- ▶ Growth using the existing portfolio for both PPS and A&C
- ▶ Leverage global key customer relationships
- ▶ Target key global accounts who have established presence in the BRIC regions

Clutch Actuation North America

- ▶ Secure the existing opportunities
- ▶ Establish dedicated on highway local front end support
- ▶ Target North American market leaders








Steering Column

- ▶ Secure the existing opportunities and open up new
- ▶ Strengthen the technical local support
- ▶ Target North America Off-Highway



Strong customer positioning

- KA has an excellent position with the leading CV brands

LEADING BRANDS		 SCANIA		MAN 	
AVERAGE REVENUE PER VEHICLE	€320	€380	€250	€120	€120
PRODUCTS EXAMPLES	<ul style="list-style-type: none"> ▪ Shift fork ▪ V-stay ▪ Clutch servo ▪ I-shift ▪ Reservoir 	<ul style="list-style-type: none"> ▪ Cabin ARB ▪ Servo ▪ Master ▪ Lever ▪ Sleeve 	<ul style="list-style-type: none"> ▪ Cabin ARB ▪ Clutch servo ▪ Master ▪ MGS 	<ul style="list-style-type: none"> ▪ HGS ▪ CGS ▪ Clutch Servo 	<ul style="list-style-type: none"> ▪ HGS ▪ CGS ▪ Clutch Servo

- A combined portfolio and footprint offers a great opportunity to increase KA content on a global basis

Examples of combined growth potential

- ▶ Average revenue per truck: **€140**
- ▶ Addressable on-highway market: **1.9 million trucks**



- ▶ Average revenue per vehicle: **€50**
- ▶ Addressable off-highway market: **1.7 million vehicles**



Potential combined average revenue per vehicle: **210€**

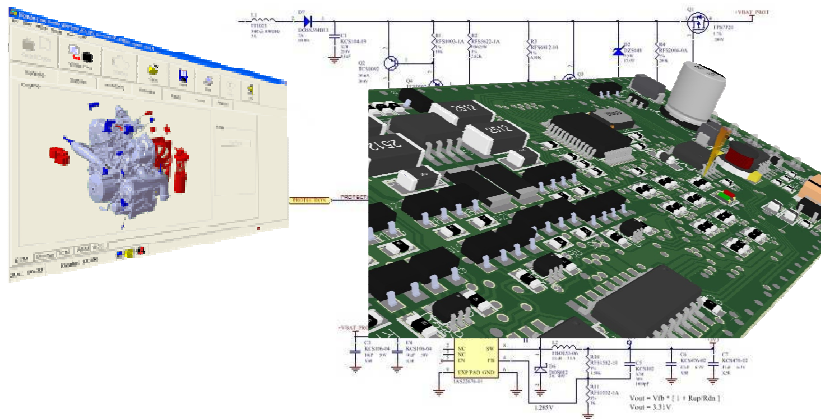
Leverage core competences

ACTUATION & CHASSIS

- ▶ Clutch and gear technology
- ▶ Material technology
- ▶ Lean product development

POWER PRODUCTS

- ▶ Mechatronic systems
- ▶ Electronics Hardware & Software
- ▶ System integration



Combined Value Proposition: Taking the driver's position



Summary

- ▶ Opportunities to gain growth through closer collaboration
- ▶ Leveraging existing resources for better utilization of current infrastructure will yield greater profit potential
- ▶ Closer collaboration will increase the probability of winning new businesses
- ▶ Technology synergies enhance the potential for new products and innovations leading to greater growth



Capital Markets Day, November 6

Fluid Transfer Systems, Jonathan Day



Fluid Transfer – Supporting KA’s direction ahead

- ▶ **Commercial Vehicles focus**
 - Well balanced product and customer portfolio
 - 75 % of BA revenues
- ▶ **Delivering growth and margins**
 - 28.5% revenue growth in 2011 vs. 2010
 - 14% EBITDA (Q312)
- ▶ **Well aligned with KA’s direction**



FLUID TRANSFER

Products and key customers

Fluid handling systems for light duty and commercial vehicles



Main product categories

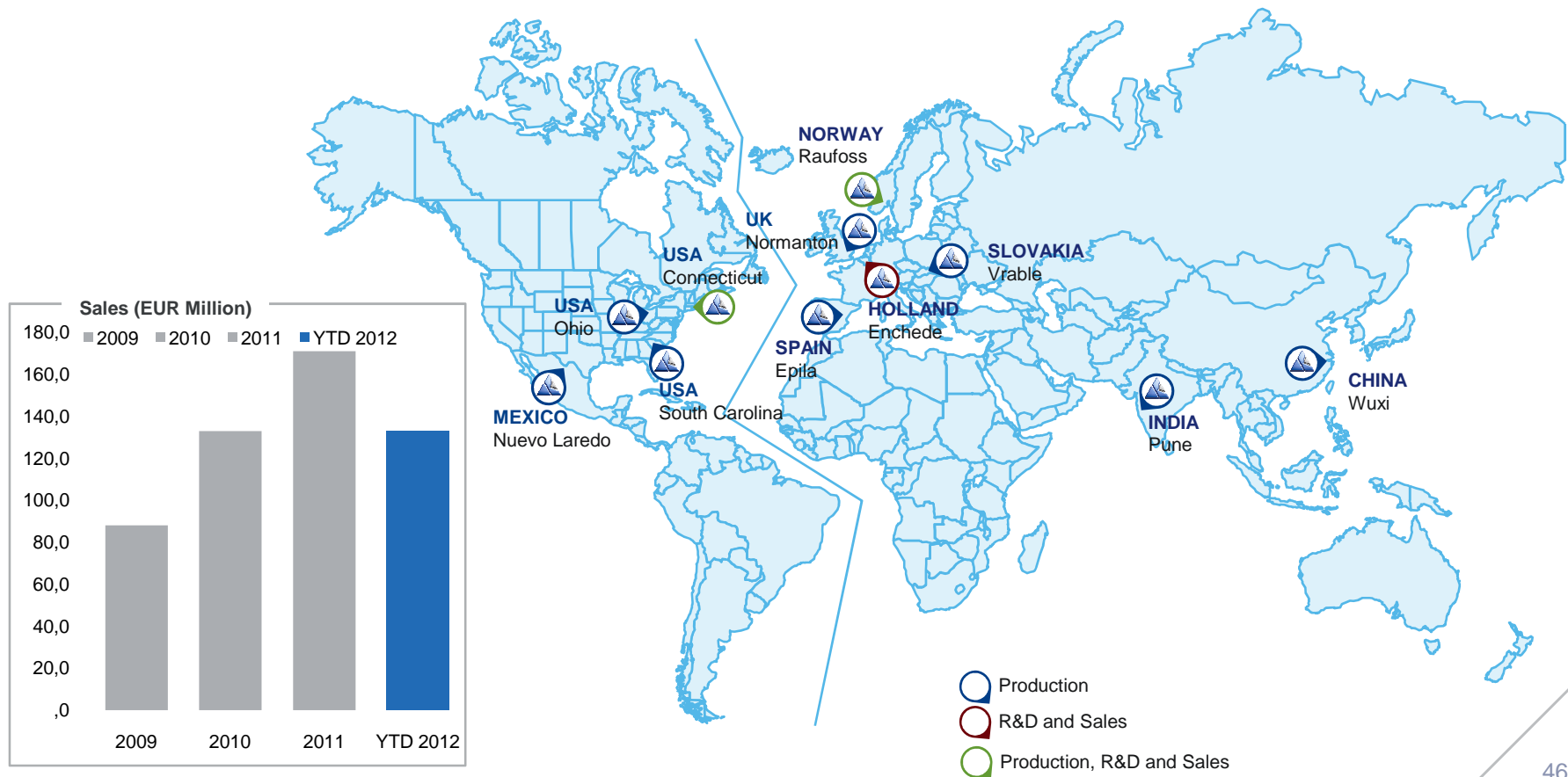
Fluid Handling Systems



Air Couplings



Global footprint Fluid Transfer Systems

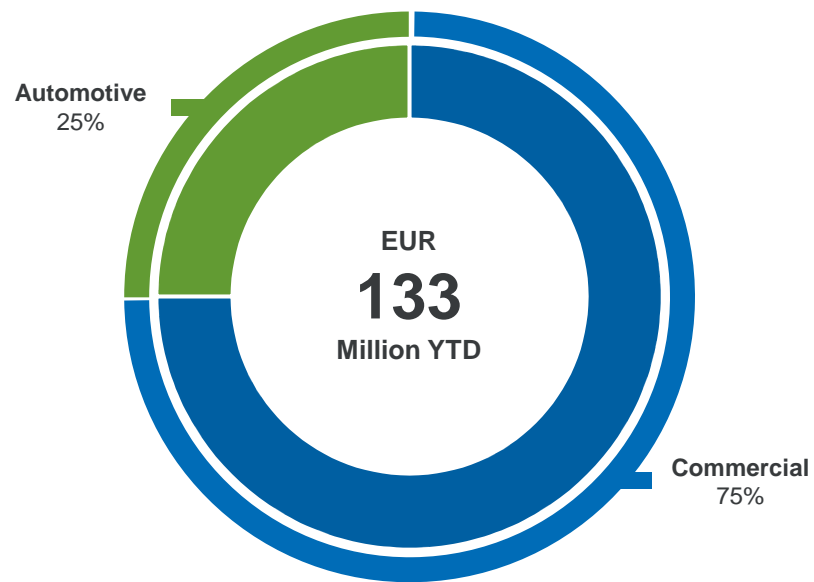




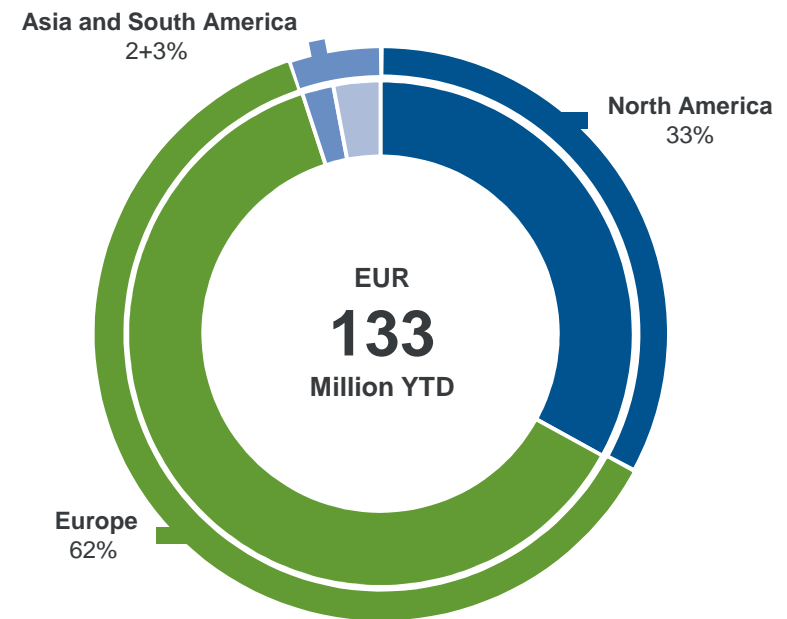
MARKETS AND PRODUCTS

Fluid Transfer sales YTD-2012

Sales by market segment
EUR Million



Sales by region
EUR Million



FTS – The Fluid Handling Specialist

Commercial Vehicle Fluid Components



Low Pressure Fuel Pipes

ABC Air Couplings

Turbo & Emission Controls

Airbrake Assemblies

Coolant & Hydraulics

BRK Couplings

Automotive Fluid Components



Alternative Fuel Systems
Chassis: CNG Fuel Assemblies

Chassis & Powertrain Fuel Lines

Powertrain: Diesel Particulate Filter / SCR lines

Chassis: Crankcase Ventilation

Fuel Filler Systems / Fuel Lines (under floor)

Powertrain: Turbo Oil, Coolant Feed & Drain

Brake Booster

Air Suspension Lines

Hydraulic Brake Hose/ PTFE hose

Chassis: Oil Cooler Lines (High Performance Engines)



Technology trends providing opportunities for FTS

Tighter emission requirements driving new technologies in engine designs

Downsizing engine

Increased Gasoline Direct Injection (GDI) technology

Cooled EGR system, after treatment

Bio fuels – different blends & sources



Extra equipment to reduce emissions create higher pressures and temperatures

Increased turbocharger boosting

Higher injection pressures

Higher number of hose assemblies required to cool

More aggressive fuels



Adapt FTS product portfolio to new demands and legislations

Turbo feed and drain lines

Fluorocomp®

Bio-fuel Line

Strong growth drivers for FTS

Customers, products and innovations

Commercial Vehicle Fluid Components

Automotive Fluid Components

BRANDS



NAVISTAR[®]

WABCO



PRODUCTS

- Air, Oil & Coolant lines
- Air Brake Couplings
- Air Brake Systems

- Oil & Coolant lines
- Fuel Lines

- ABC Couplings
- KArtridge
- Manifolds

- Air Suspension
- Fuel Lines
- Selective Power Train

INNOVATIONS

- Tube Connections (ORFS)
- Large Bore Bending
- Induction Brazing
- Manifolds
- Valves & Electronic Switches
- ABC Couplings

- Tube Connections
- Large Bore Bending
- Fluorocomp[®]

- Composite Materials
- Smart Design Engineering

- Unique Forming Technology
- Metal Bending

FOCUS ON
GROWTH

FOCUS ON
HIGH END NICHES

Summary: Supporting KAs future direction

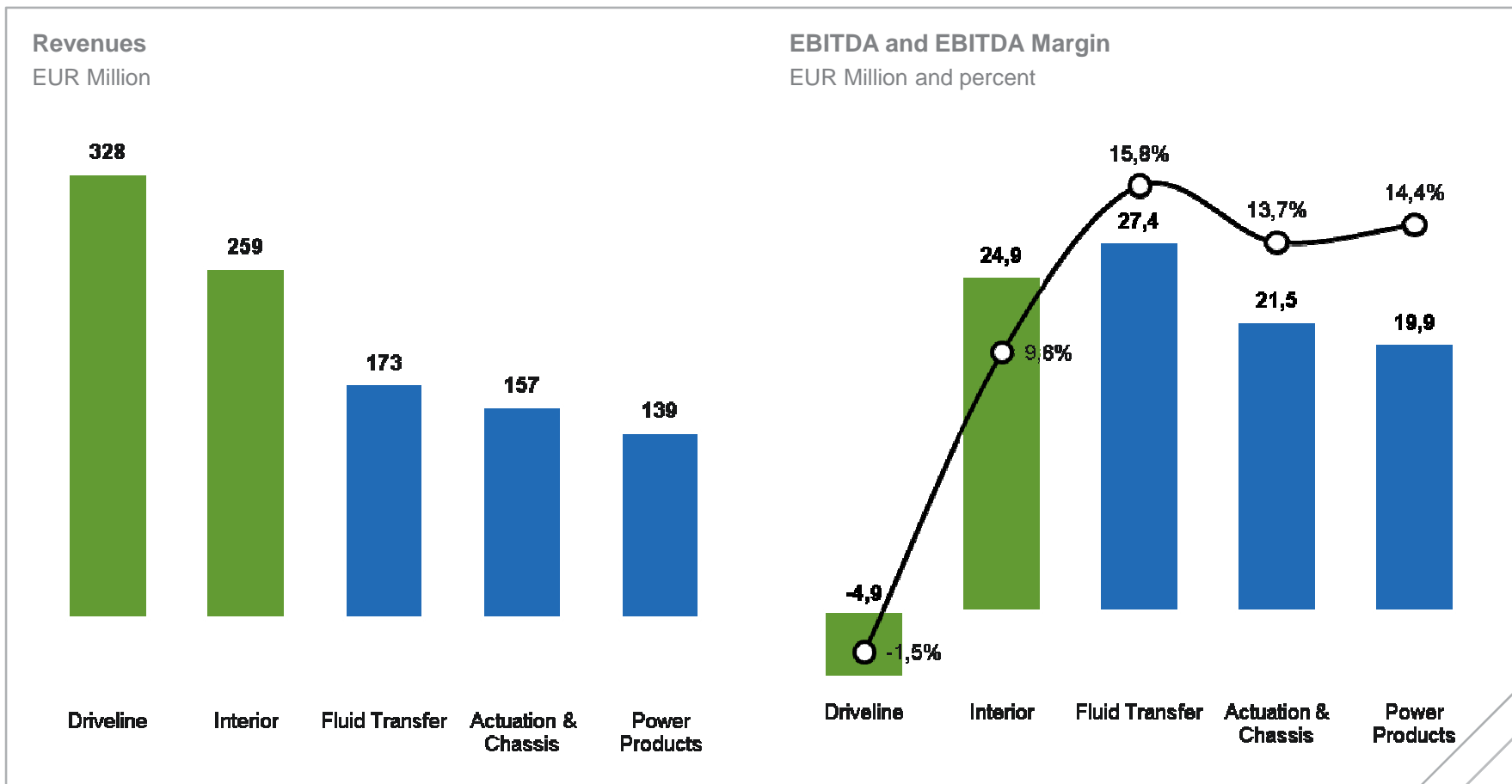
- ▶ CV focused business, high-end Automotive niche
 - DAF Paccar fastest growing customer in Fluids
 - Volvo significant in Commercial Vehicle sector
 - Premium brand Jaguar Land Rover is growth area in Automotive
- ▶ Established global footprint
- ▶ Technology trends providing growth drivers
- ▶ Delivering robust growth and good margins





Trond Stabekk
FINANCIALS & FINANCIAL STRATEGY

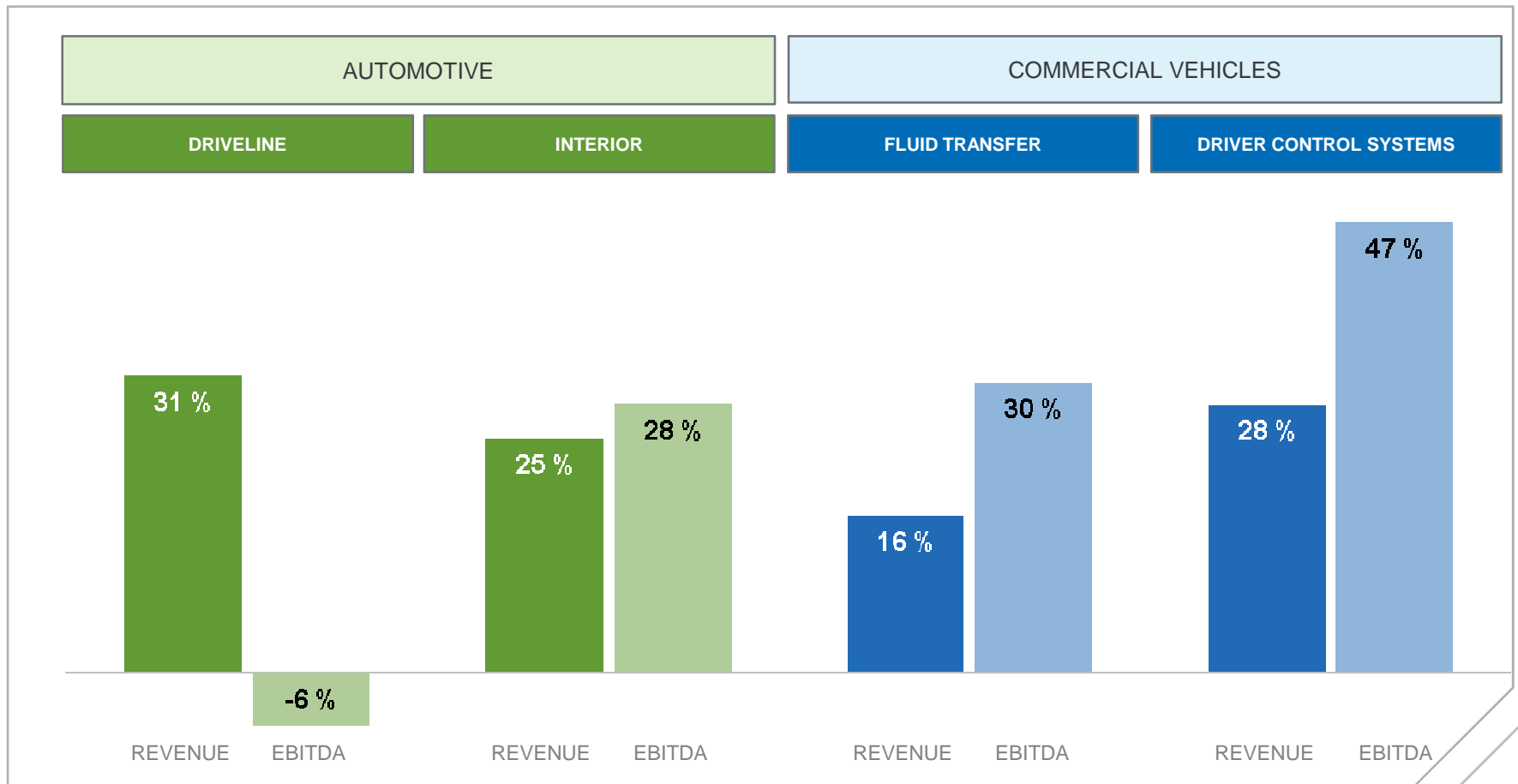
Status revenue and EBITDA per segment (LTM)



LTM = Last 12 months

Revenue and EBITDA composition in new structure

Based on last 12 month figures





AMBITIONS & TARGETS



Our 3-year ambitions

	Automotive	Commercial Vehicle
Revenue	Profit before growth	CAGR > 8%
Margin	Improve	Sustain
Group		
Revenue	Selective growth focus	
Margin	Gradually improving margin	
ROCE	> 15% by 2015	
NIBD/EBITDA	< 2x by 2015	

- ▶ **Our ambition is to grow earnings, sharply improve our return on capital, and greatly enhance our financial flexibility**

Selective growth focus

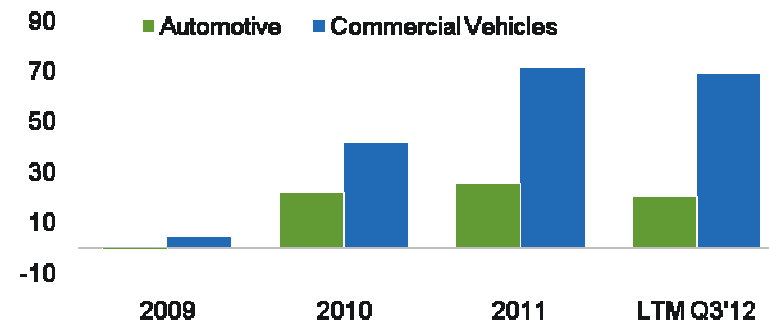
- ▶ **Market expected to grow 6% - 8% annually from 2012 to 2015**
- ▶ **Focusing on selected segments playing to KOA's strengths**
- ▶ **Commercial Vehicles**
 - Targeting average revenue growth above 8%
- ▶ **Automotive**
 - Focus on profit before growth
 - Selective approach to products lines and customers
 - Exit unprofitable product lines, customers



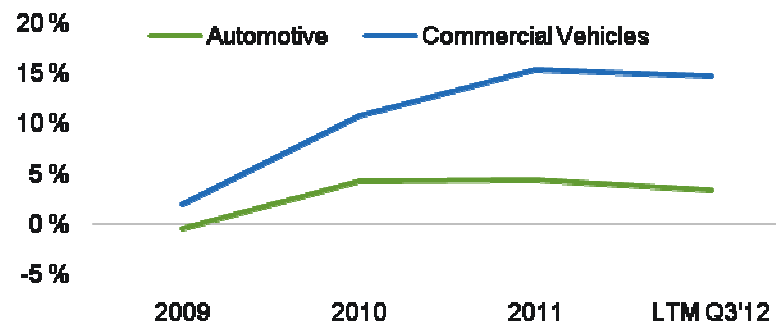
Improving operational margins

- ▶ **Structural improvement**
 - Margin support from change in revenue mix; higher growth in high-margin segments
- ▶ **Commercial Vehicles**
 - Continuous improvement focus
 - Utilizing footprint by combining PPS and A&C
 - **TARGET: SUSTAIN MARGINS**
- ▶ **Automotive**
 - Measures been taken in unprofitable segments
 - Further profitability improvements
 - **TARGET: IMPROVE MARGINS**

EBITDA
EUR Million

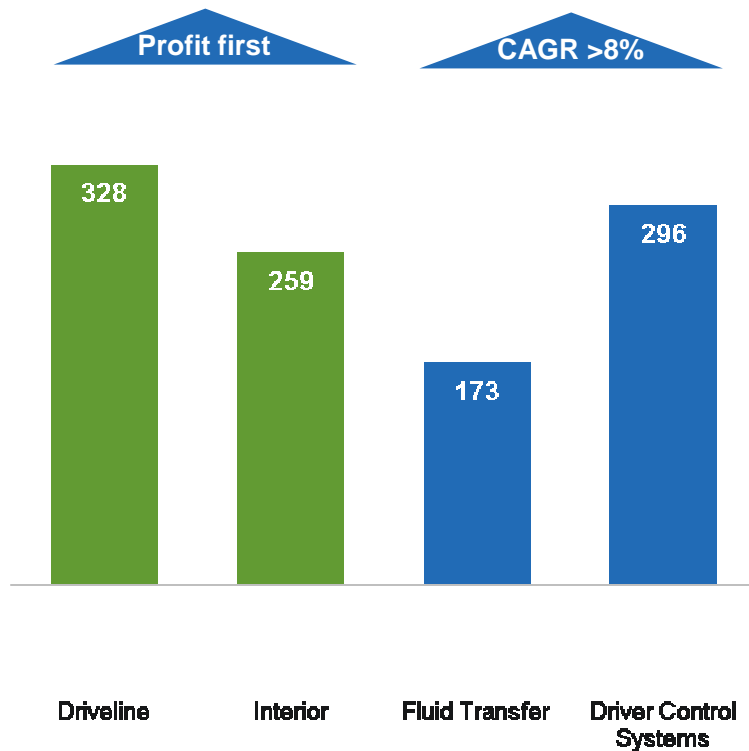


EBITDA margin
Percent

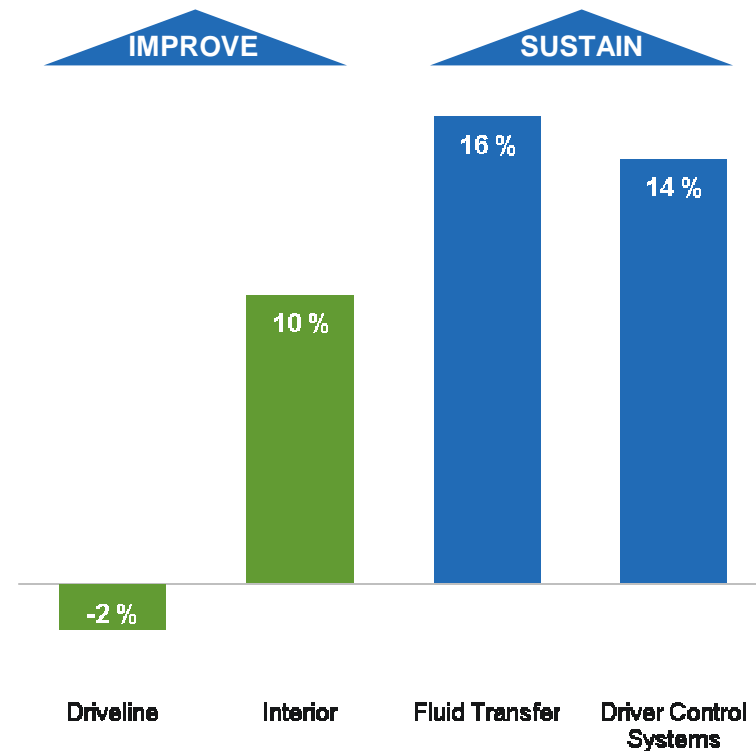


Revenues and EBITDA margin targets

Revenues, LTM
EUR Million



EBITDA margin, LTM
Percent



Targeting >15% ROCE by 2015

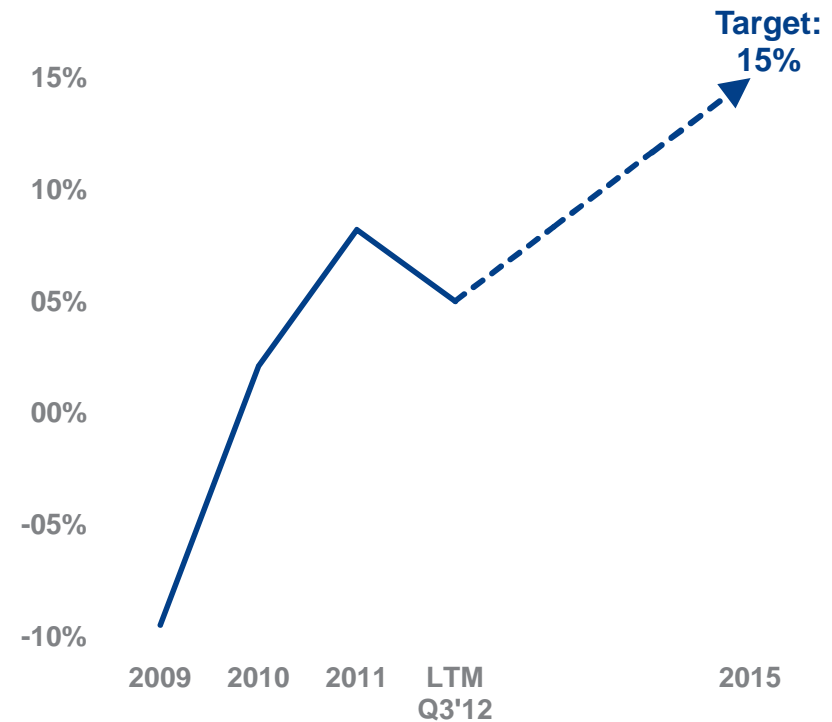
► Multiple levers

- Revenue growth in high-margin segments
- Improved margins in currently low-yielding segments
- Higher capital efficiency, i.e. maintaining capital expenditure below D&A



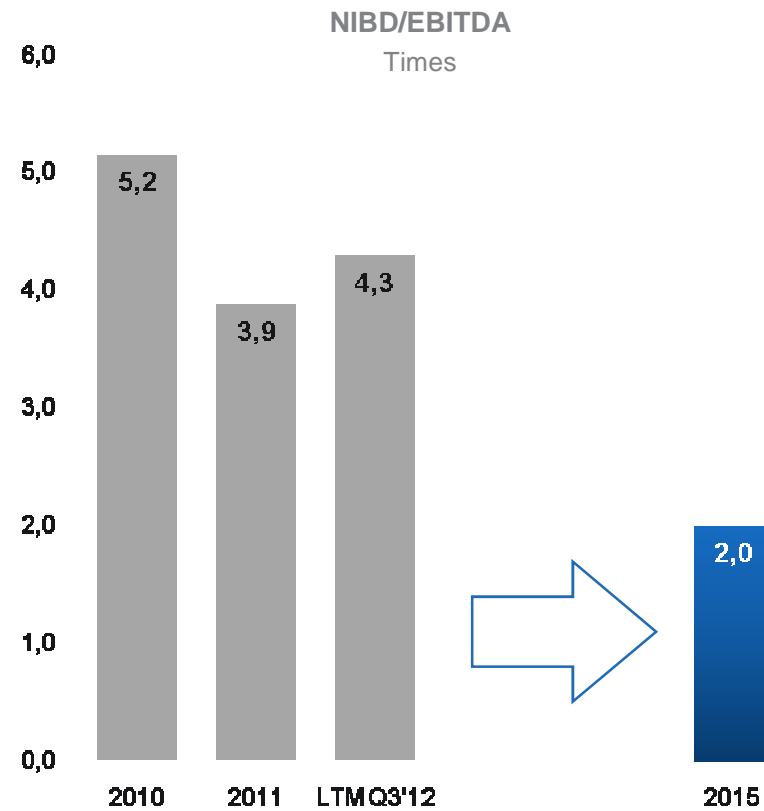
Implies significant improvement in both ROCE and ROE from historic and current levels

Return on Capital Employed (ROCE)
Percent



Seeking to reduce financial leverage

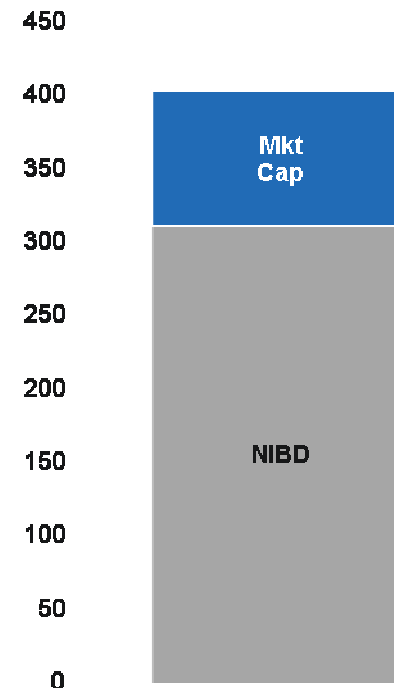
- ▶ Targeting Net Debt/EBITDA ratio below 2x by 2015
- ▶ Consistent with our targets for ROCE and capital intensity



Enterprise Value dynamics

- ▶ **Current Enterprise value based on LTM EBITDA implies a multiple of 5x**
- ▶ **Seeking to unlock shareholder value potential both through**
 - 1. Improving EBITDA growth**
 - 2. Reduced Net Debt**
- ▶ **Net debt currently accounts for 84 % of EV, offering significant leverage effect**

Current Enterprise Value
EUR Million





FUNDING CONSIDERATIONS

Funding objectives

- ▶ **Sound balance sheet structure**
 - Strengthen the equity ratio
 - Reduce the debt

- ▶ **Sufficient liquidity**
 - Increase cash flow

- ▶ **Optimized capital structure**
 - Increase financial flexibility



Strengthening the balance sheet

- ▶ **Equity to increase with improving results**
Equity ratio currently 5%-points below the 30% target
- ▶ **Stable asset base**
- ▶ **Retaining solid coverage for long-term assets**
- ▶ **Net Debt/EBITDA target <2x implies increased headroom**

Balance Sheets

EUR Million

800

700

600

500

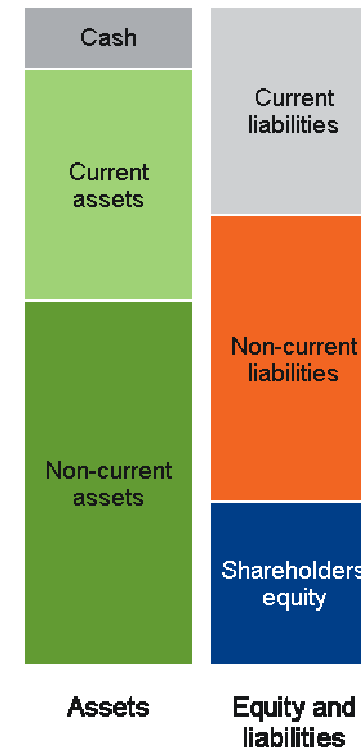
400

300

200

100

0



Liquidity and financial flexibility

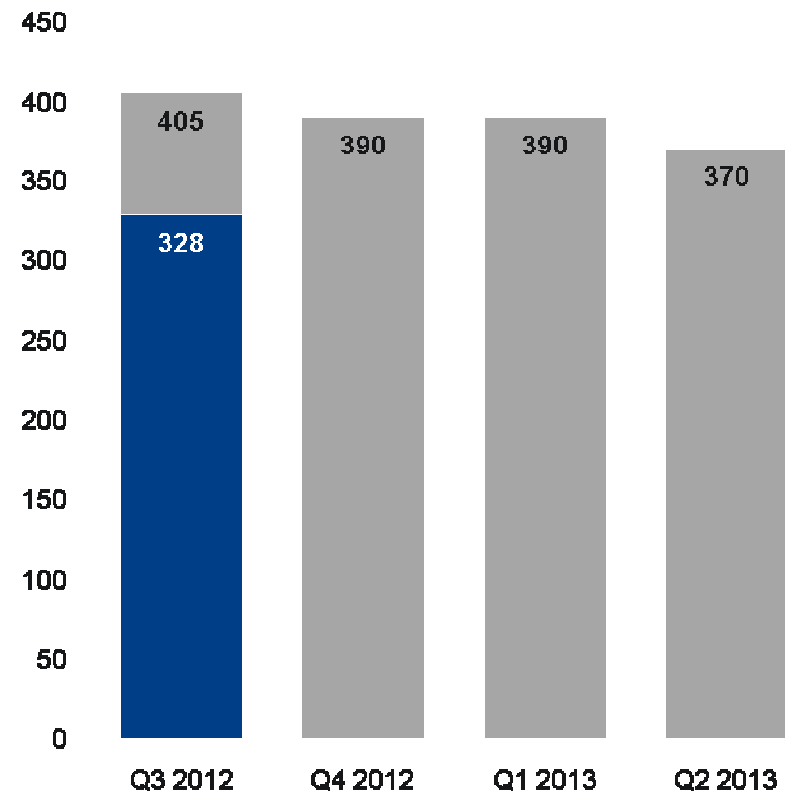
▶ **Current Free Cash Flow is insufficient**

- Debt amortization and interest payments of ~EUR 60 million annually

▶ **Free Cash Flow expected to improve**

- Revenue growth and margin improvement
- Continued cautious investment spending
- Working capital improvements

Credit utilization
EUR Million

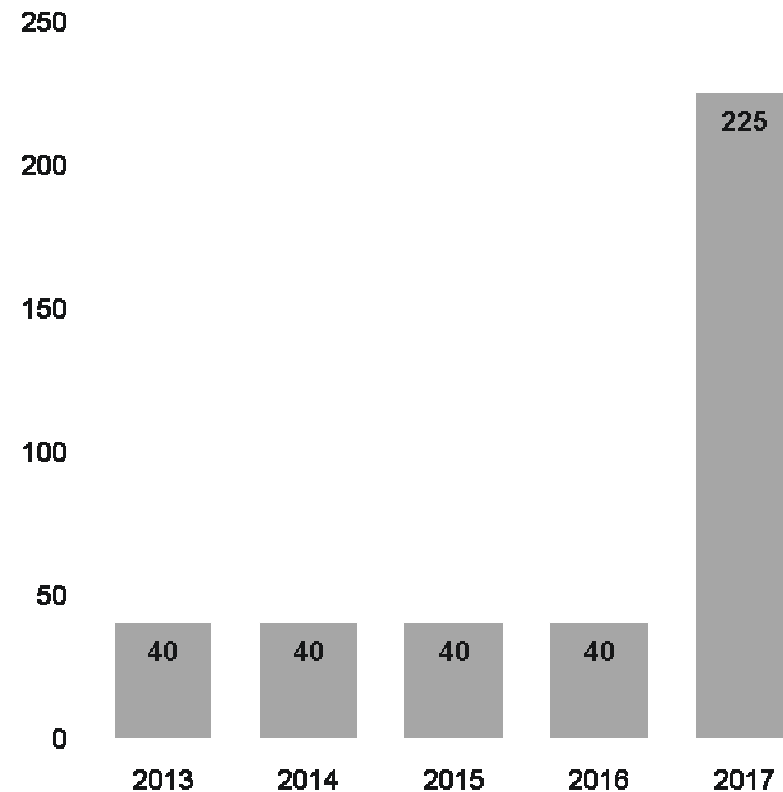


Further optimizing the capital structure

- ▶ **Secured 5-year bank loan at favourable terms earlier in 2012**
- ▶ **Seeking to further optimize the capital structure**
- ▶ **May consider opportunities in the corporate bond market**
 - Focus on enhancing flexibility at reasonable cost
 - Portioning out longer-term maturities

Maturity profile for EUR 385 million loans

EUR Million



Summary

- ▶ **Setting new 3-year targets**
- ▶ **Selective growth approach – Focus on margin improvement**
- ▶ **Enhancing financial flexibility – Seeking sharp reduction in debt to earnings ratios**
- ▶ **Targeting gradual improvement to 15% ROCE by 2015**

▶ **Delivering on targets to unlock shareholder values**



Hans Peter Havdal

SUMMARY AND CONCLUSION

Summary

Our vision

“Enhancing the driving experience”

- ▶ focusing on
 - driver control systems
 - comfort systems
 - optimized fluid handling



Summary

- ▶ Shifting efforts towards higher value business
- ▶ Profit before Growth in the Automotive segment
- ▶ Growth above market average in the Commercial segment



Our 3-years Group ambition

Revenue	Selective growth focus
Margin	Gradually improving margin
ROCE	> 15% by 2015
NIBD/EBITDA	< 2x by 2015

Summary

Our values



Passionate



Accountable



Prepared



QUESTIONS & ANSWERS

