CAPITAL MARKETS DAY 2013

KONGSBERG AUTOMOTIVE

Agenda

- **8:30 Kongsberg Automotive today and next steps**
  CEO Hans Peter Havdal
- **9:00 Financials**
  CFO Trond Stabekk
- **9:20 Automotive market outlook**
  VP IR & M&A Philippe Toth
- **9:35 Driveline – Focus areas & trends in the passenger car segment**
  EVP Joachim Magnusson
  VP Sales & Marketing Ian van Duijvenboode
- **10:15 Break**
- **10:30 Driver Control – Focus areas & trends in the commercial vehicle segment**
  EVP Jim Ryan,
  VP Sales & Marketing Håkon Amundsen
- **11:10 Purchasing strategy**
  EVP Anders Nyström
- **11:50 Talent management**
  EVP Jarle Nymoen & World Rally Champion Petter Solberg
- **12:20 Summary and closing remarks**
- **12:30 Lunch**

WHO WE ARE

Enhancing the driving experience

Hans Peter Havdal

President & CEO

Our mission

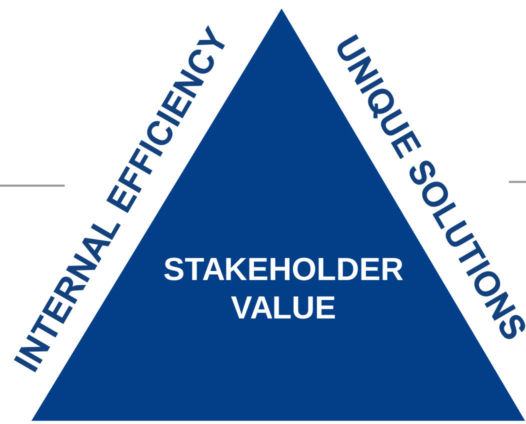
Kongsberg Automotive provides world class products to the global vehicle industry. Our products are **enhancing the driving experience**, making it **safer**, more **comfortable** and **sustainable**

- Safety is embedded in our driveline control systems, our interior products, chassis components and safety critical fluid handling products
- Comfort is a key feature in our interior- and driver control systems
- Sustainability is addressed through weight reduction, recycled materials and systems for hybrid- and downsized powertrains

Our Business Concept

Three levers to create stakeholder value

KA Lean framework
Strategic suppliers
Global reach



Drive innovations
Offer end user value
Competence partner

MARKET POSITION

Hold a leading position in our segments
Work with the most demanding global customers

OUR VALUES

Passionate

Accountable

Prepared

KEY OPERATIONAL INITIATIVES IN 2013

Internal efficiency	▸ Strong focus on increased efficiency in all plants ▸ Trimmed fixed cost base to competitive level in the Automotive segment ▸ Continued to strenghten our supplier base by developing preferred suppliers
Market segment	▸ Improved commercial terms with key customers and exited poor business ▸ Booked in total EUR 177 million of new business ▸ Established a platform for commercial vehicle growth through Driver Control
Unique solutions	▸ Next generation Shift-by-Wire launched at IAA motor show on Volvo concept car ▸ Bringing next generation Seat Ventilation system to the market ▸ Secured development contract for On-Board-Charger for city bus application

NEXT MOVES

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The global automotive environment

Risks and opportunities

A growing global market, but...

- Continued weak South European demand
- Emerging markets, particularly China, have gained critical importance
- BRIC share of LV sales expected to grow from 35% share in 2012 to 45% share in 2019

Global platforms gaining momentum

- OEMs executing global platform strategy
- Efficiencies through platform reduction
- Fewer, but bigger business opportunities

Global vehicle platform consolidation		
Volkswagen	**Year 2000**	**Year 2019**
Platforms	14	10
Vehicle models	37	81
General Motors		
Platforms	41	29
Vehicle models	127	87

The global automotive environment - cont'd

Risks and opportunities

Technology trends

- OEMs increasing technology/feature requirements
  - Higher component value per car
  - Higher barriers to entry
- Increased focus on safety, comfort, emission reduction and connected vehicles
  - OEMs more willing to pay for these features
  - Electronic content continue to increase
  - Engines & transmissions are being electronically controlled

Source: Lazard – Roland Berger, Global Automotive Study 2013

The global automotive environment - cont'd

Risks and opportunities

Alliances between OEMs to create efficiencies

- Daimler and Renault-Nissan strategic and technologic cooperation
- PSA and Dong Feng potential alliance
- Volvo group and Dong Feng CV joint venture in China

Impact on supplier industry

- Increased demand on global engineering & production capabilities
- Size matters, larger suppliers more able to maintain margins
- Product innovators are delivering above average margins through higher component value

Source: Lazard – Roland Berger, Global Automotive Study 2013

Next moves

Our strategic focus

- Drive innovations to support trend from mechanical to electric actuation
- Grow electronics capability across BAs
- Secure growth in BRIC regions; double BRIC revenues in 5 years
- Secure competence in critical areas through talent management

Strategic focus across Business Areas

- building a common platform

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- INTERIOR
- DRIVELINE
- DRIVER CONTROL
- FLUID TRANSFER

SUPPORT TREND FROM MECHANICAL TO ELECTRIC ACTUATION

GROW ELECTRONICS CAPABILITY

SECURE GROWTH IN BRIC REGIONS

BUILD A GLOBAL COMPETENCE BASE

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Matching external drivers

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INTERIOR

DRIVELINE

DRIVER CONTROL

FLUID TRANSFER

External drivers

SUPPORT TREND FROM MECHANICAL TO ELECTRIC ACTUATION

GROW ELECTRONICS CAPABILITY

SECURE GROWTH IN BRIC REGIONS

BUILD A GLOBAL COMPETENCE BASE

ENVIRONMENT

TECHNOLOGY

GLOBALIZATION

GLOBAL LEADERSHIP

Matching external drivers

INTERIOR

DRIVELINE

DRIVER CONTROL

FLUID TRANSFER

External drivers

SUPPORT TREND FROM MECHANICAL TO ELECTRIC ACTUATION

GROW ELECTRONICS CAPABILITY

DOWNSIZING
INCREASED TEMPERATURES

SECURE GROWTH IN BRIC REGIONS

BUILD A GLOBAL COMPETENCE BASE

ENVIRONMENT

TECHNOLOGY

GLOBALIZATION

GLOBAL LEADERSHIP

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FINANCIALS

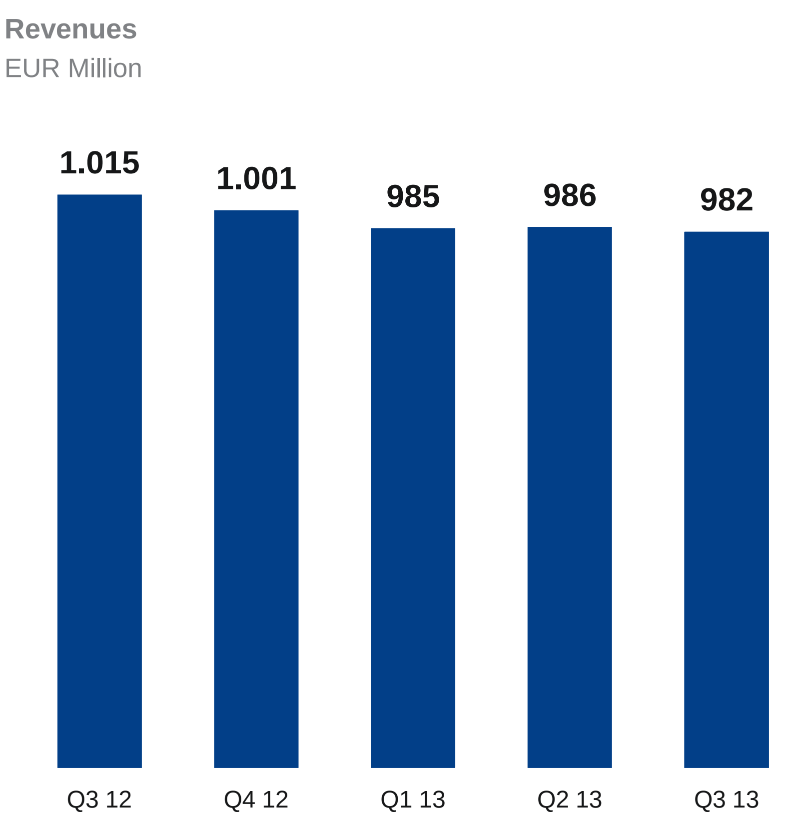
Trond Stabekk

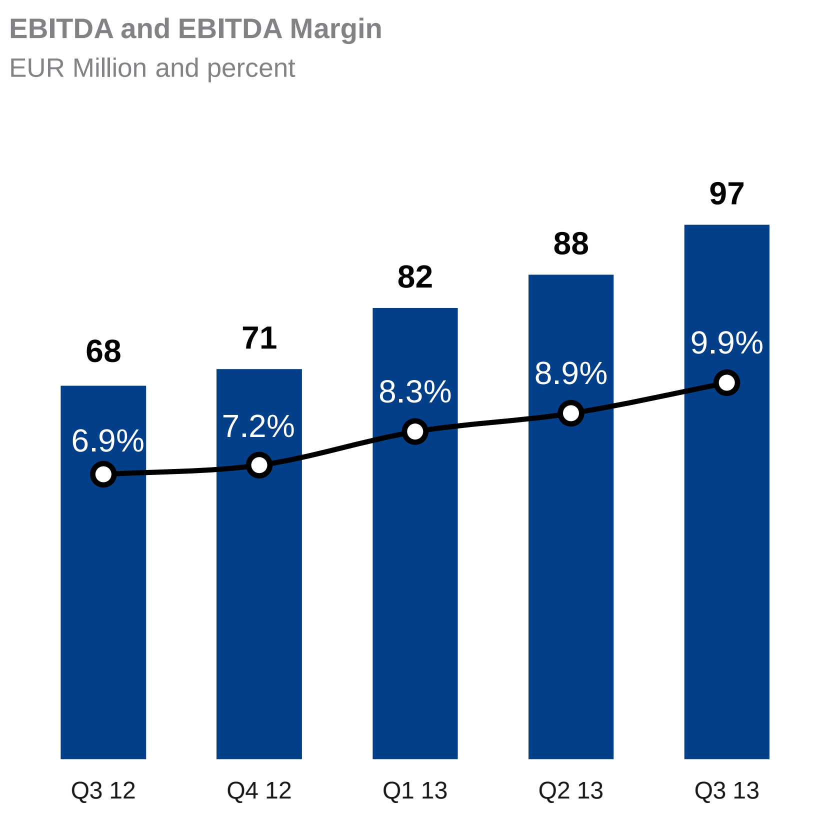
EVP& CFO

Recap on targets CMD 2012

- Strengthen operating margins
- Reduce the gearing
- Improve return on capital employed
- Selective growth (profit before growth in automotive)

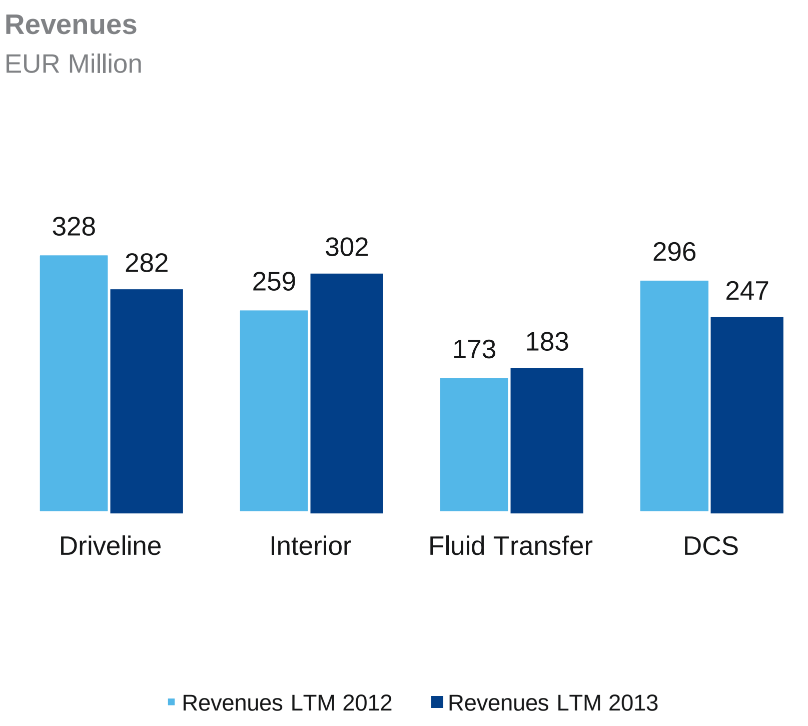
Group revenue and EBITDA (LTM=last twelve months)

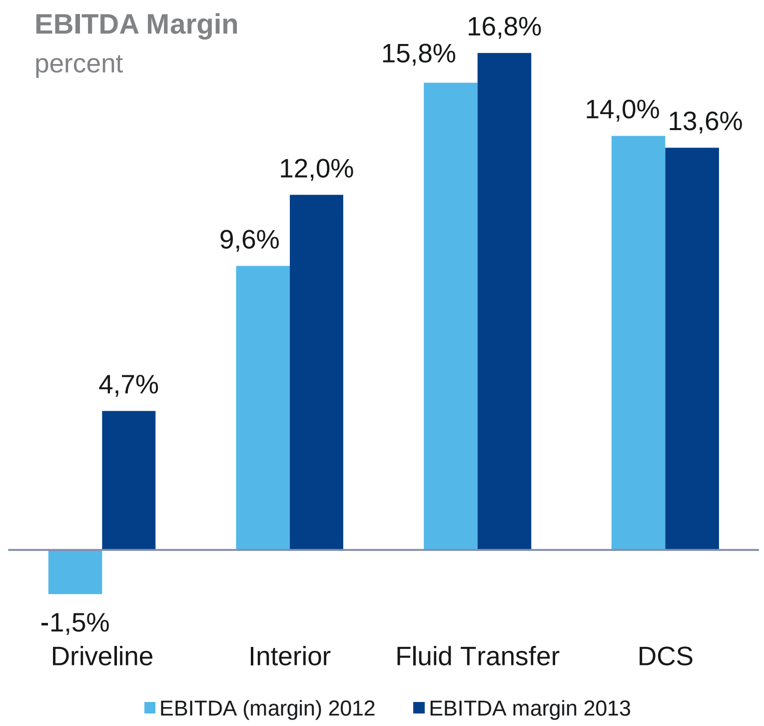




OPERATIONAL MARGINS

Revenues and EBITDA per segment (LTM)





GEARING

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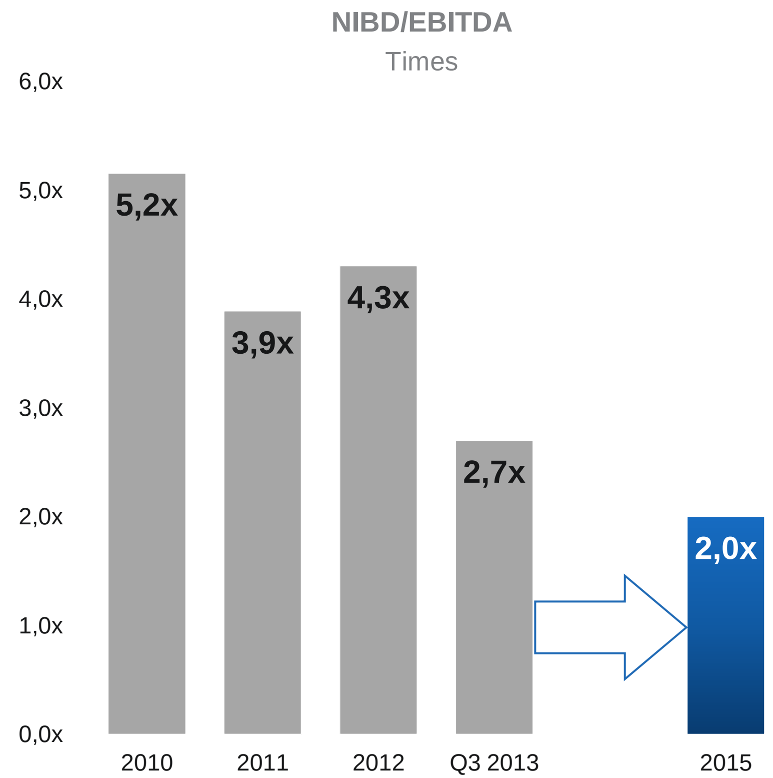
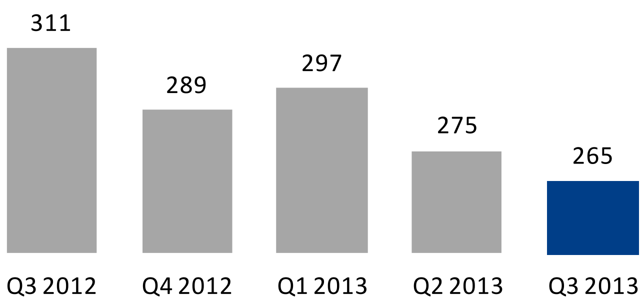
Focus on reducing debt and gearing level

- Targeting Net Debt/EBITDA ratio below 2x by 2015
- From Q3 2012 gearing reduced from 4.3 to 2.7
- Focus still to continue towards the 2.0 target in 2015

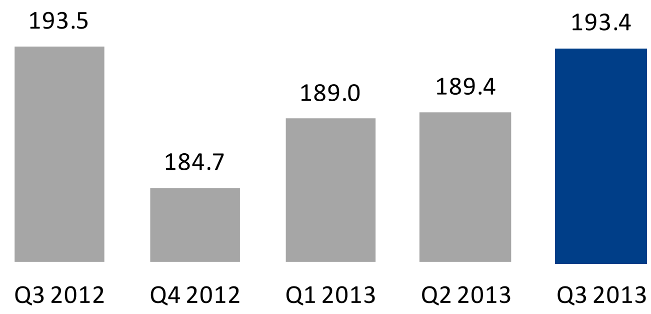


Improved Financial ratios

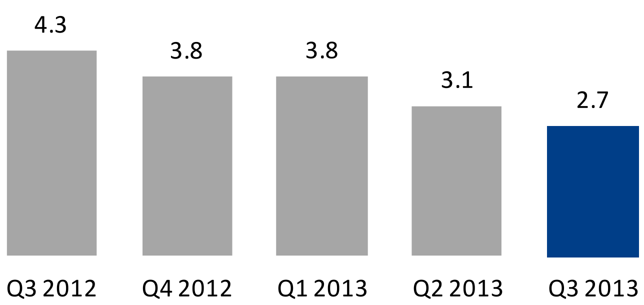
NIBD
EUR million



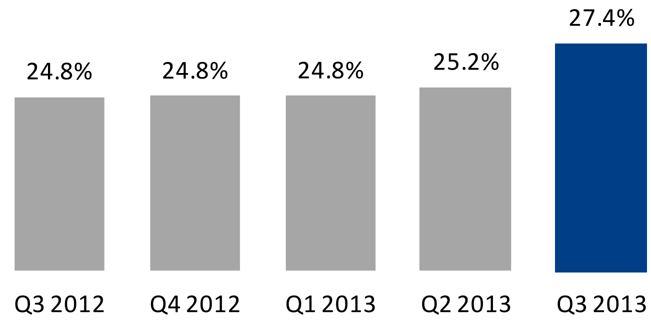
Equity
EUR million



NIBD/EBITDA
Times



Equity ratio
Percent

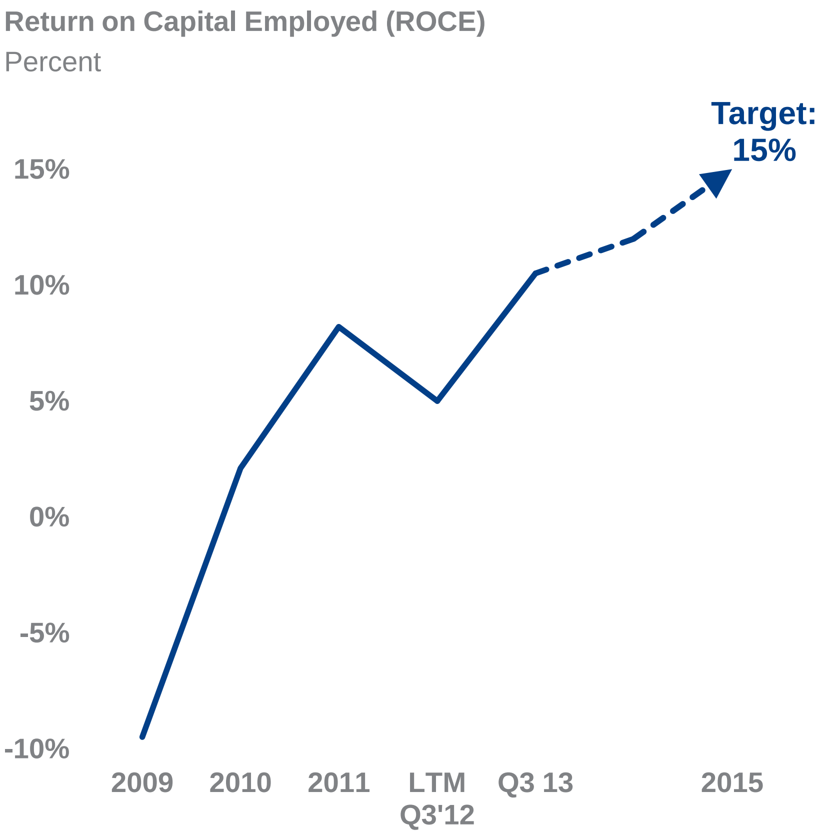


RETURN ON CAPITAL EMPLOYED

Targeting >15% ROCE by 2015

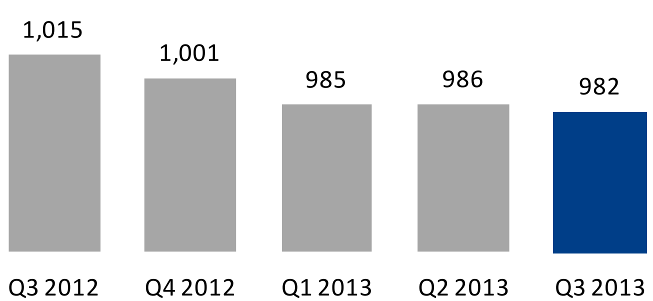
- **Multiple levers for improvement**
  - **Revenue growth** in high-margin segments
  - **Improved margins** in currently low-yielding segments
  - **Higher capital efficiency**, i.e. maintaining capital expenditure below D&A

ROCE significantly improved since CMD 2012 despite flat top line

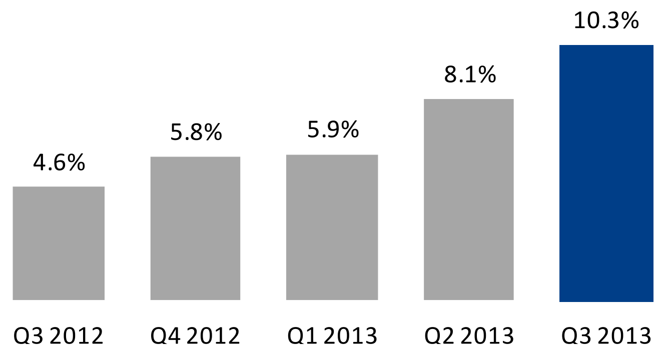


Improved ROCE (LTM = last twelve months)

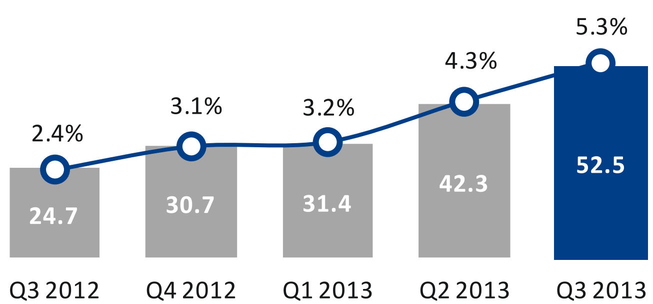
Revenues (LTM)
EUR Million



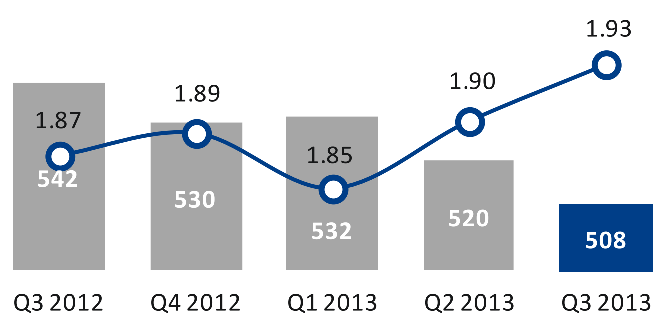
ROCE
Percent



EBIT and EBIT margin (Ltm)
EUR Million and percent

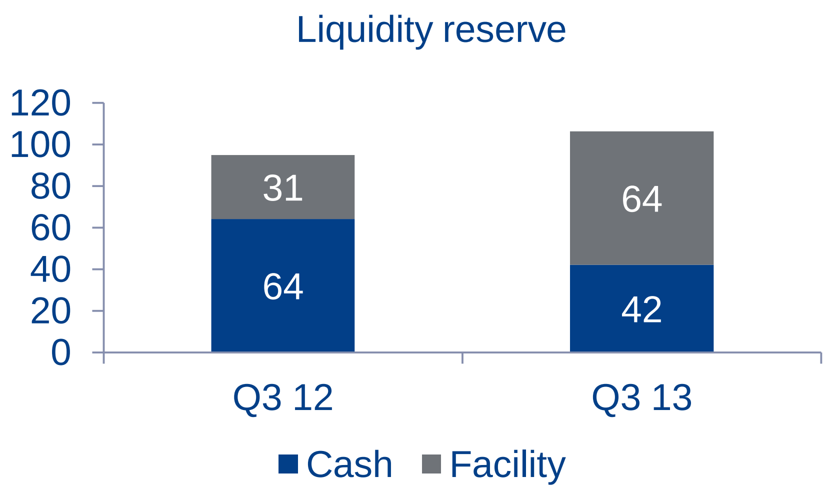


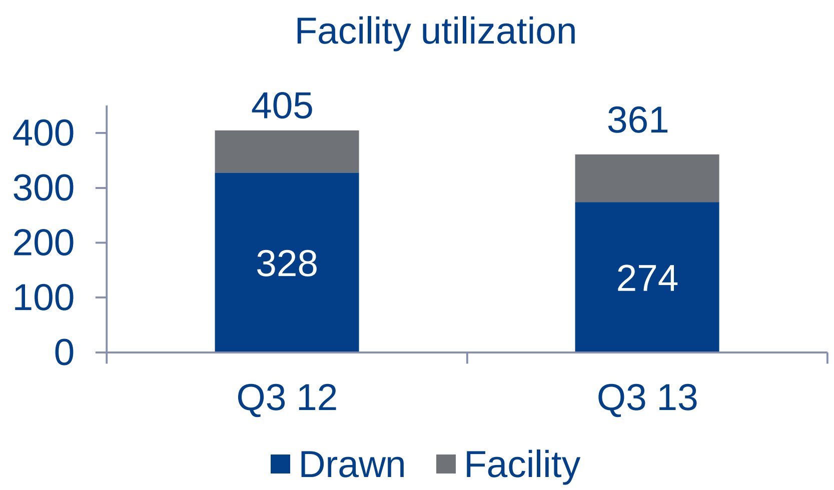
Avg. Capital Employed and turnover (Ltm)
EUR Million and Times



FUNDING CONSIDERATIONS

Liquidity and funding





- Liquidity reserve slightly improved
- Drawn amount reduced more than facility reduction

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Funding

- Have increased the flexibility through reduced gearing
- Key focus will still be to reduce debt
- Long term financing in place up to 2017
- Optimize capital structure to match strategy direction

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Summary

- **Have delivered on the path towards the targets**
  - Operational margins improved
  - Balance sheet deleveraged
  - Return on capital employed improved

- **Financial targets for 2015 remain**

MARKET OUTLOOK

Philippe Toth

VP Investor Relations and M&A

Agenda

- Global light vehicle production
- Market structure in BRIC for light vehicles
- Global commercial vehicle production
- Market structure in BRIC for commercial vehicles
- New estimated business wins in BRIC
- Market summary

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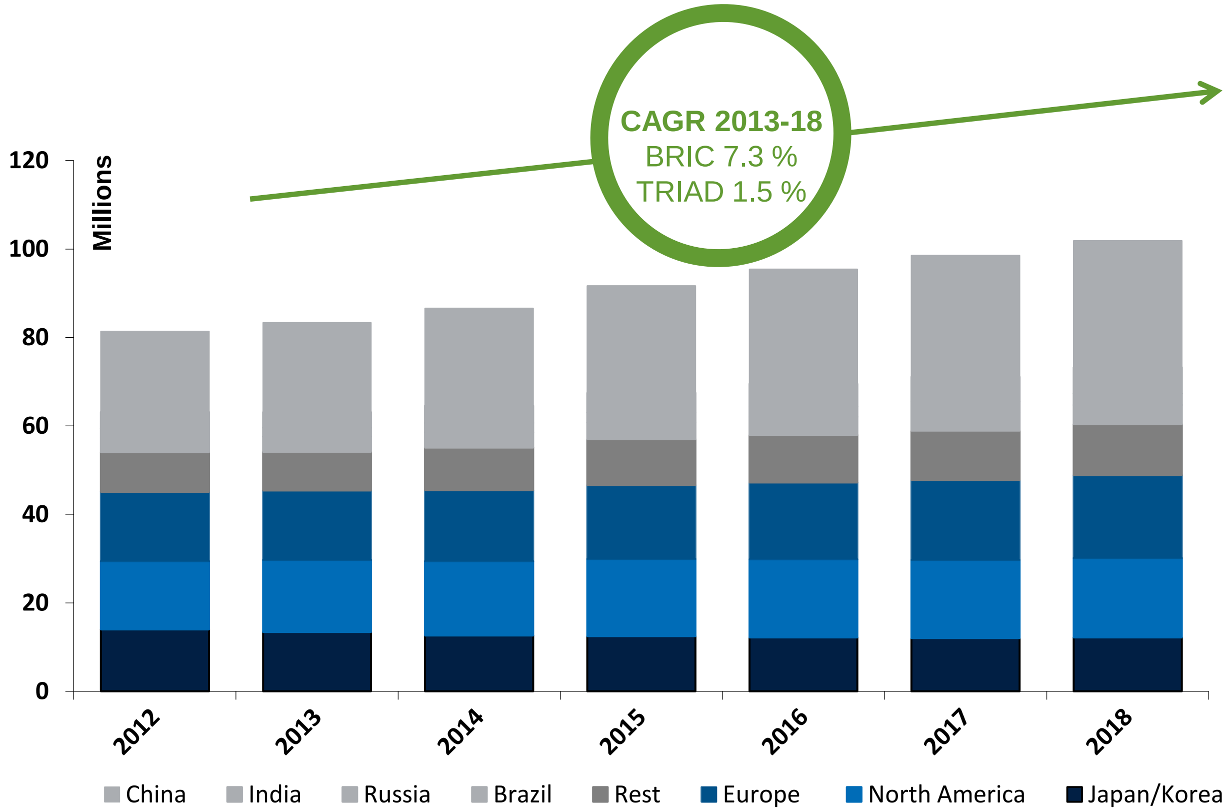
Market Outlook Passenger Vehicle

Global passenger car - production per region
Near-term volatility, Long-term growth trajectory

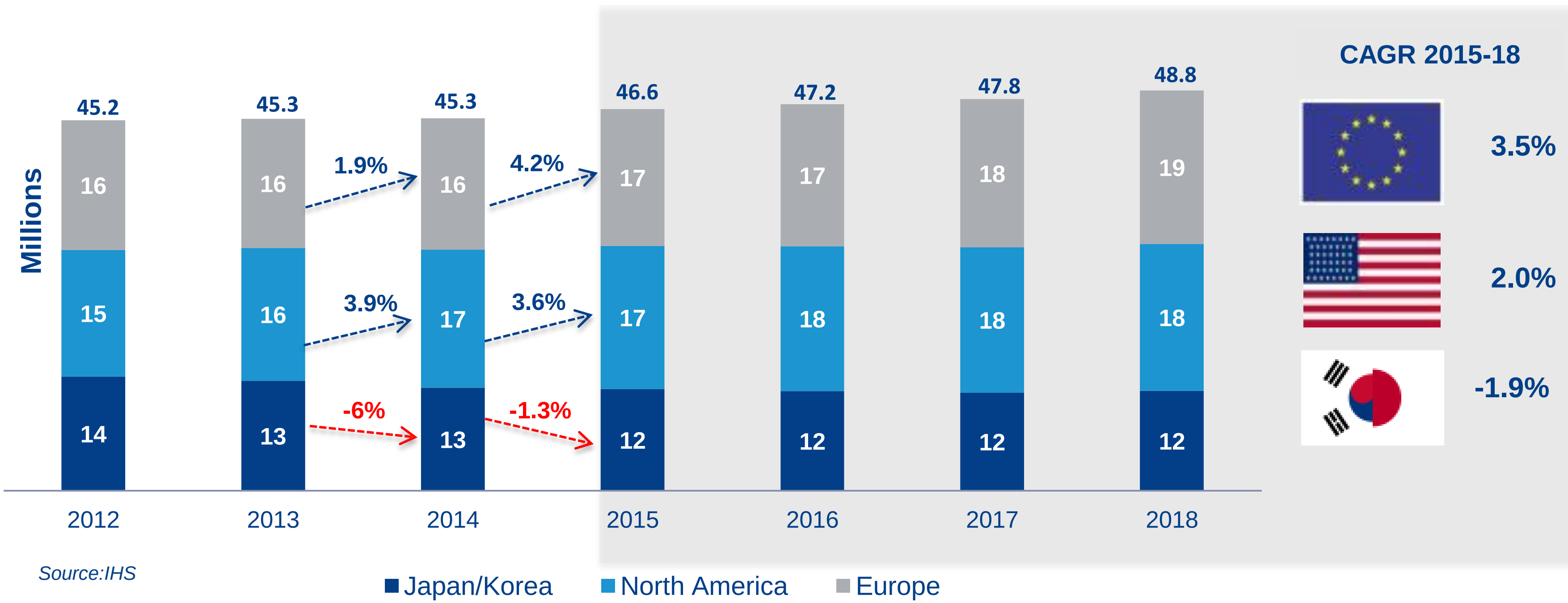


Source: IHS

- **Weak growth in TRIAD markets (Europe, North America and Japan/Korea)**
- **Growing industry in BRIC countries & emerging markets (Thailand, Indonesia, Iran and Turkey)**

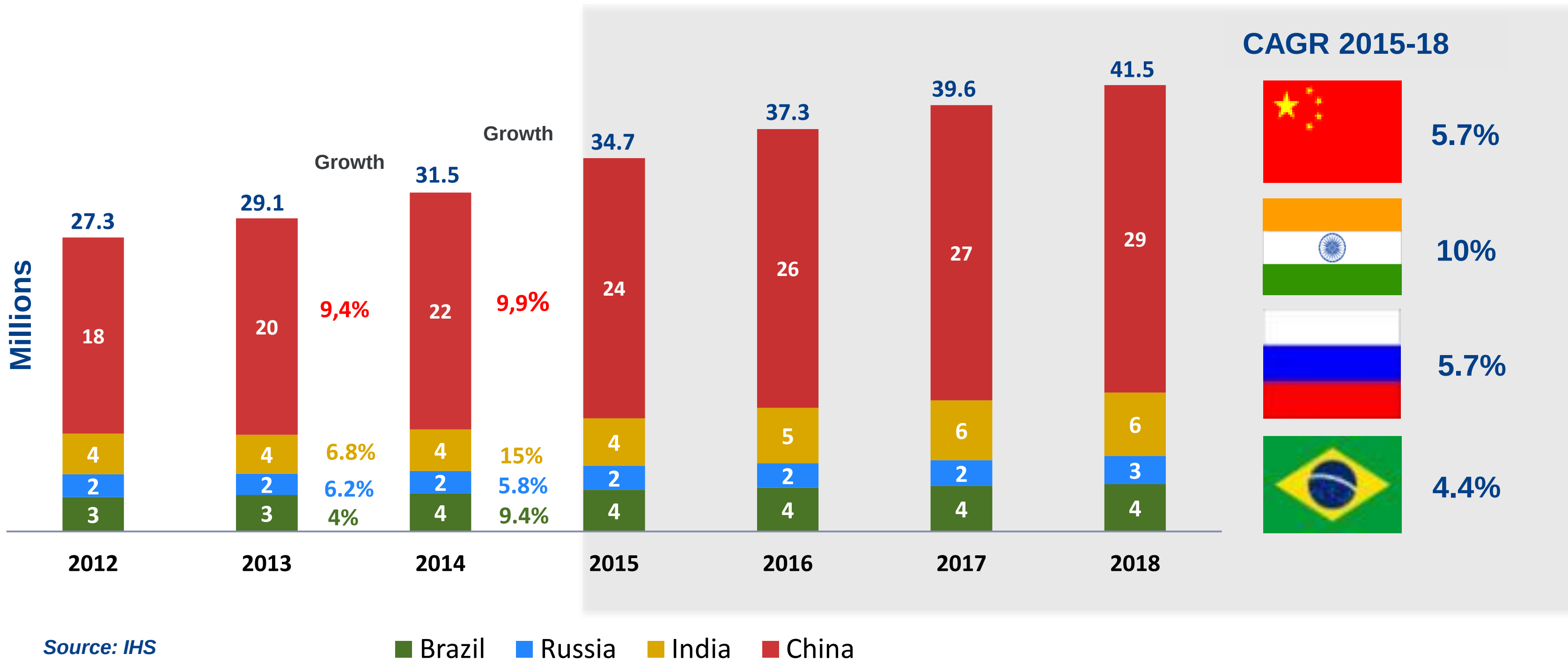
Triad markets LDV production

Market driven by replacement demand; average fleet age increasing



- Growing popularity of segment B and C cars, downscaling to fuel efficient cars
- OEMs increase comfort products per car
- NA production outlook follows demand recovery with import substitution & export activity
- Japanese/Korean OEMs localizing production in North America

BRIC countries LDV production
China ”cooling down” at 29 million cars by 2018



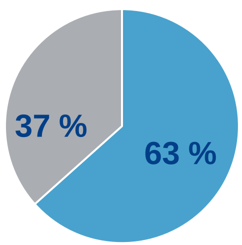
Source: IHS

- Growth driven by population and car density increases
- BRIC expected to demand same level of quality, safety & reliability as TRIAD by 2020

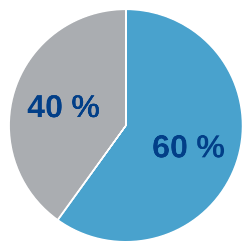
Different BRIC market structures

China

2013

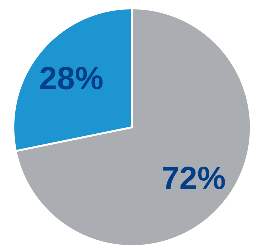


2018

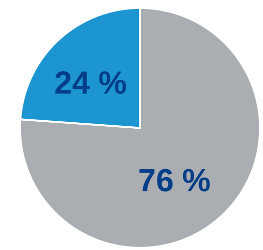


India

2013

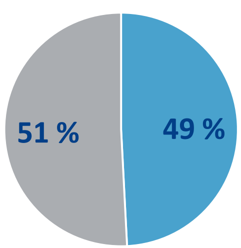


2018

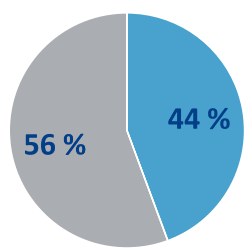


Russia

2013

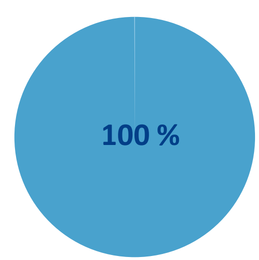


2018

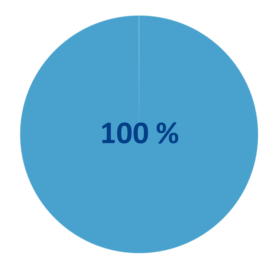


Brazil

2013



2018



Foreign OEM | Local OEM

Source: LMC; Roland Berger ; Company data

Growing addressable market for KA products

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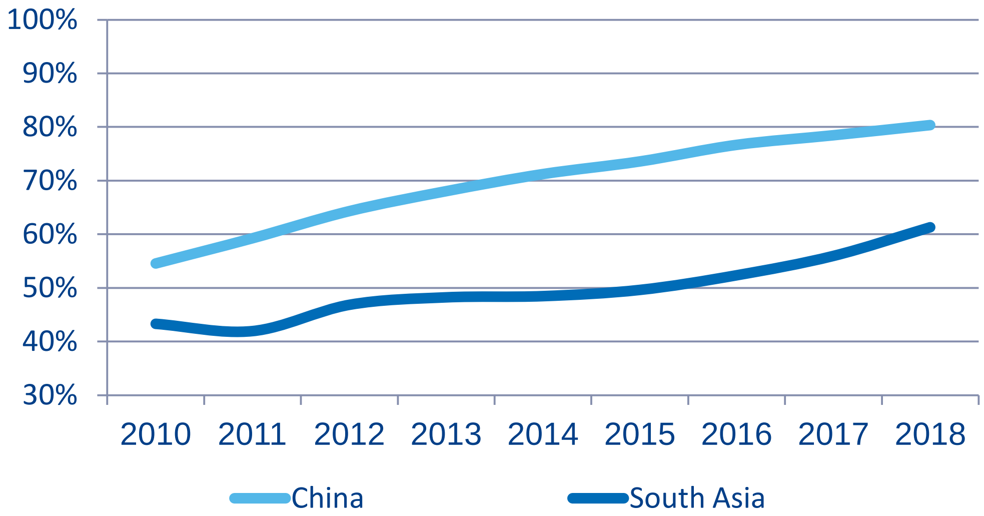

Source: Company data

- **Drivers for increase of addressable markets**
  - Improving road infrastructure
  - Stricter emission regulations
  - Owners focus on total cost of ownership
  - More focus on comfort and safety features

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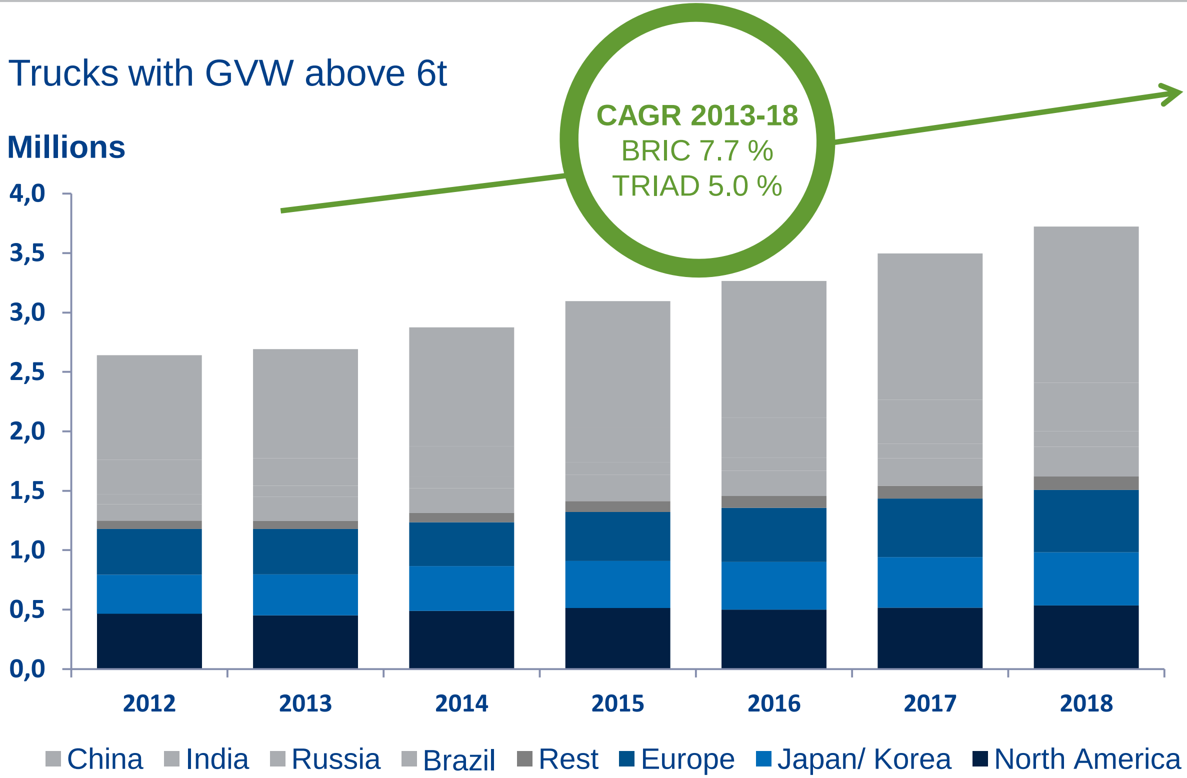
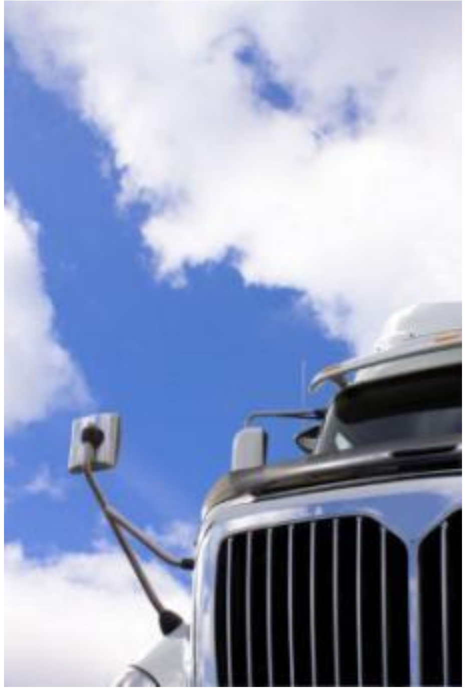
Market Outlook Commercial Vehicles

Global Commercial Vehicle production per region
Growth industry in spite of temporary market fluctuations

Trucks with GVW above 6t

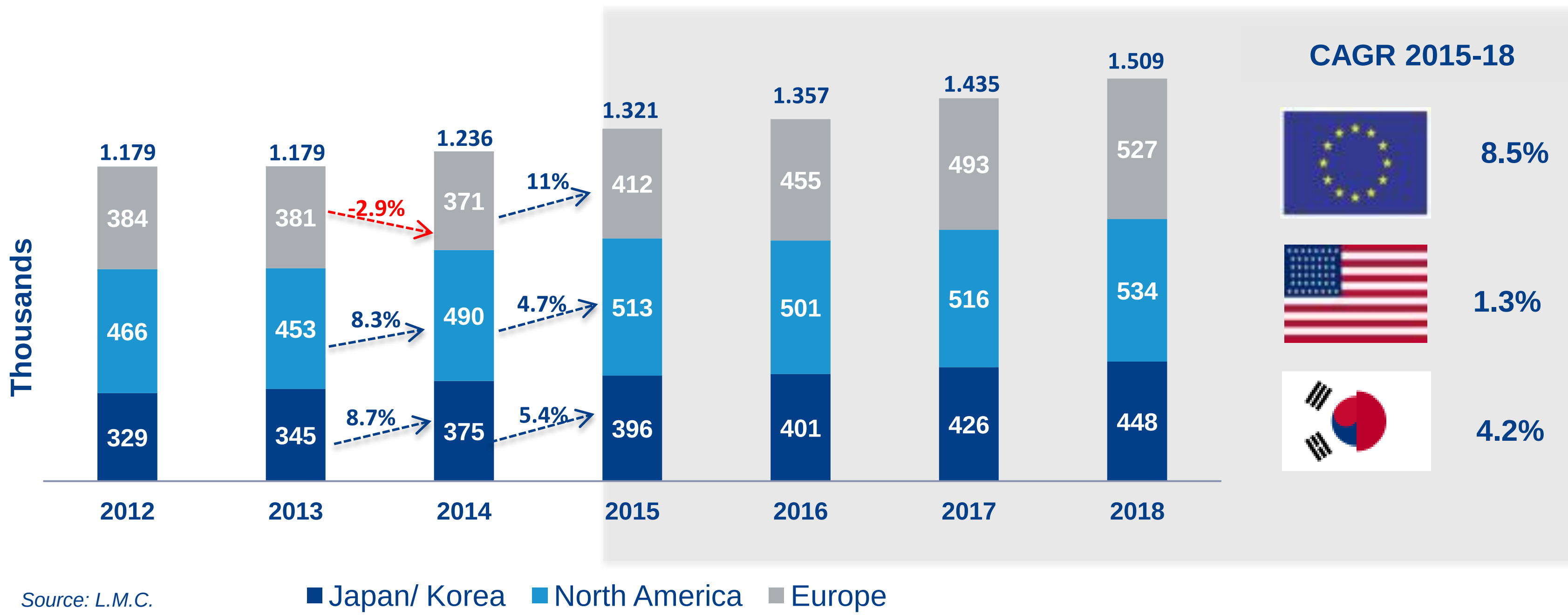




Source: L.M.C.

Growth of global CV market is going to accelerate compared to last decade

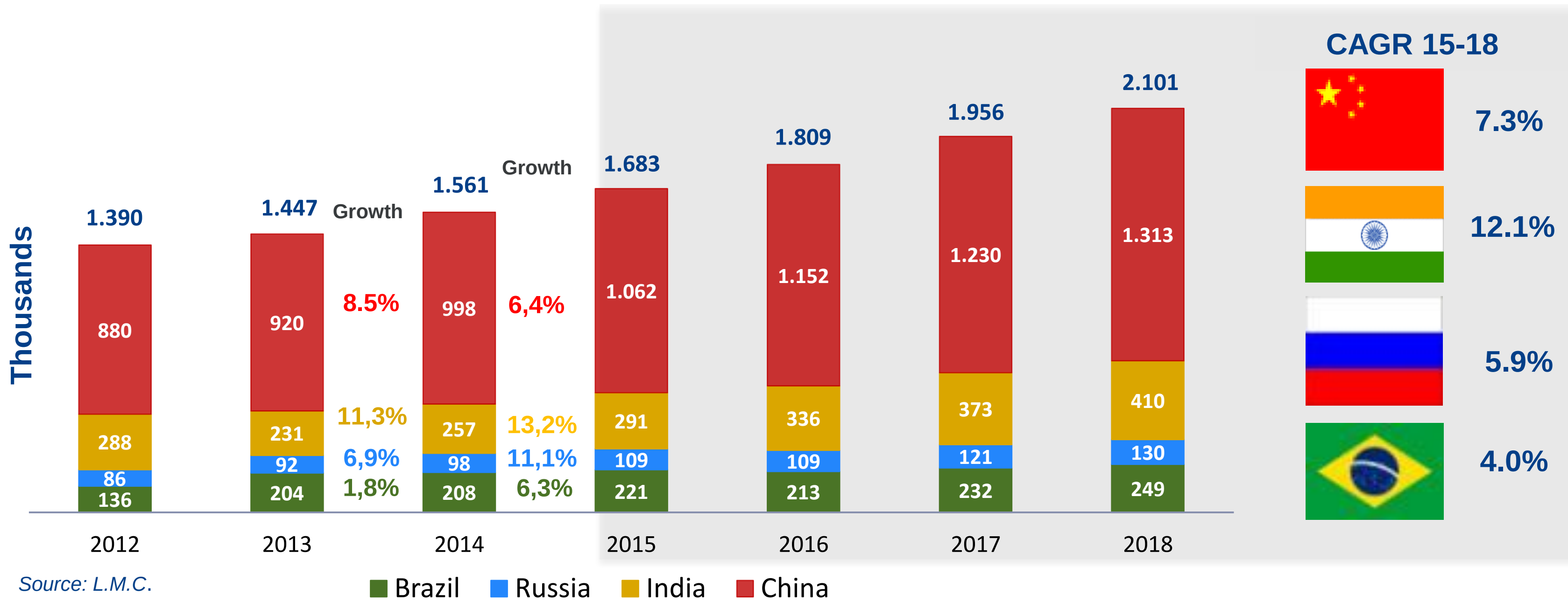
TRIAD countries CV production
Recovery toward long term growth



Source: L.M.C.

- Slow first quarter in 2014 for EU due to EURO6 introduction
- North America mixed macro signals but 2014 seems to capture 2013 lost demand
- Strong CAGR in TRIAD markets from 2015 to 2018 due to pent-up demand

BRIC countries CV production
China the biggest market



Source: L.M.C.

- **Steady high growth in Asia, which will represent nearly 60% of the market in 2018**
- **Rising demand of technically more sophisticated trucks**

Different BRIC market structure

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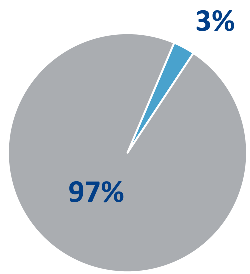
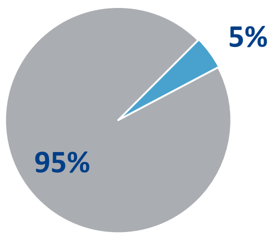
China

2013



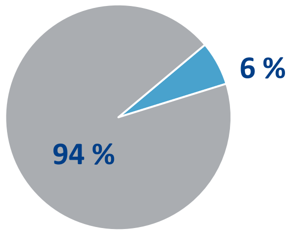
FAW
DFM
CNHTC
FOTON

2018



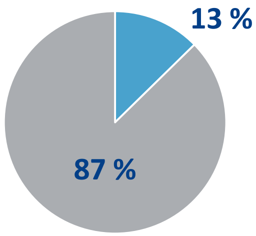
India

2013



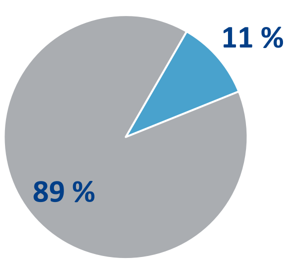
TATA
ASHOK LEYLAND
Mercedes-Benz
EICHER
AMW

2018



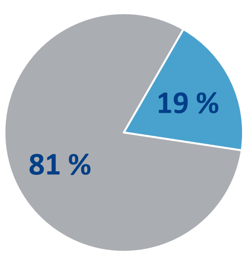
Russia

2013



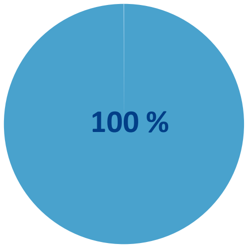
KAMAZ
SCANIA
VOLVO

2018



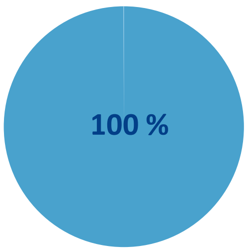
Brazil

2013



Mercedes-Benz
VOLVO
Ford
SCANIA

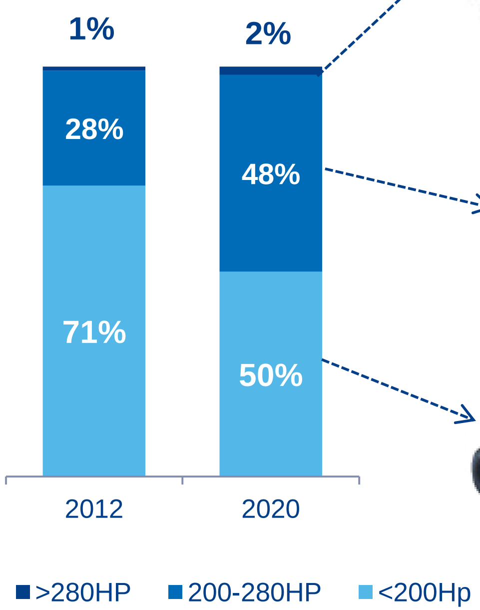
2018



Foreign OEM   Local OEM

Source: LMC; Roland Berger ; Company data

Example change in Indian vehicle market



~EUR 90 000,-
Fully addressable

~EUR 40 000,-
Gradually more addressable

~EUR 20 000,-
Not addressable yet

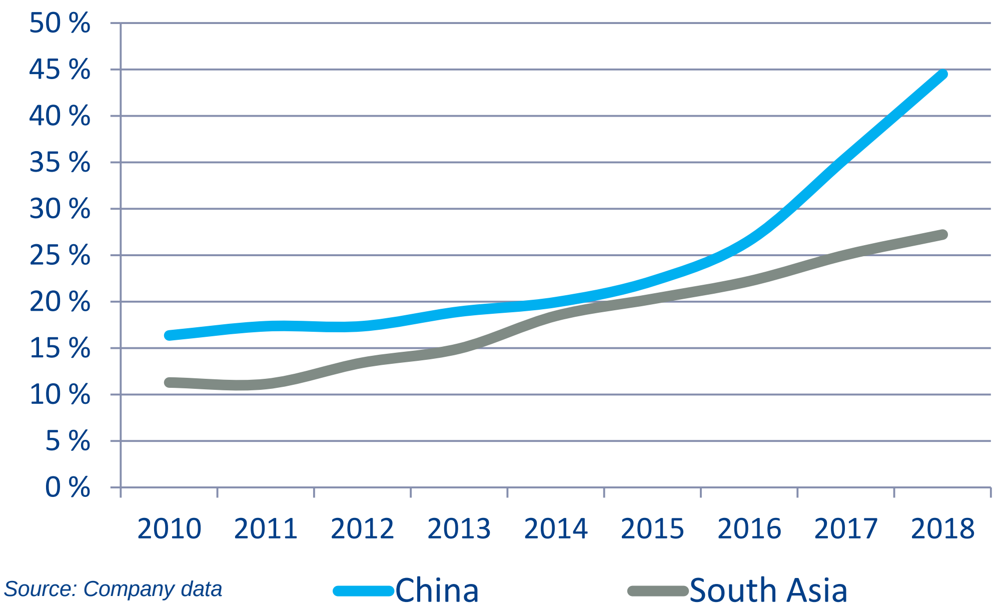
EUR100-200k depending on motorization equipment

Total KA revenue in the Volvo FH 1000 EUR

Customer change of requirments

• Total cost of ownership	• Better reliability
• Emission compliancy	• Longer warranty periods
• Higher engine power	• Higher comfort

Growing addressable market for KA products

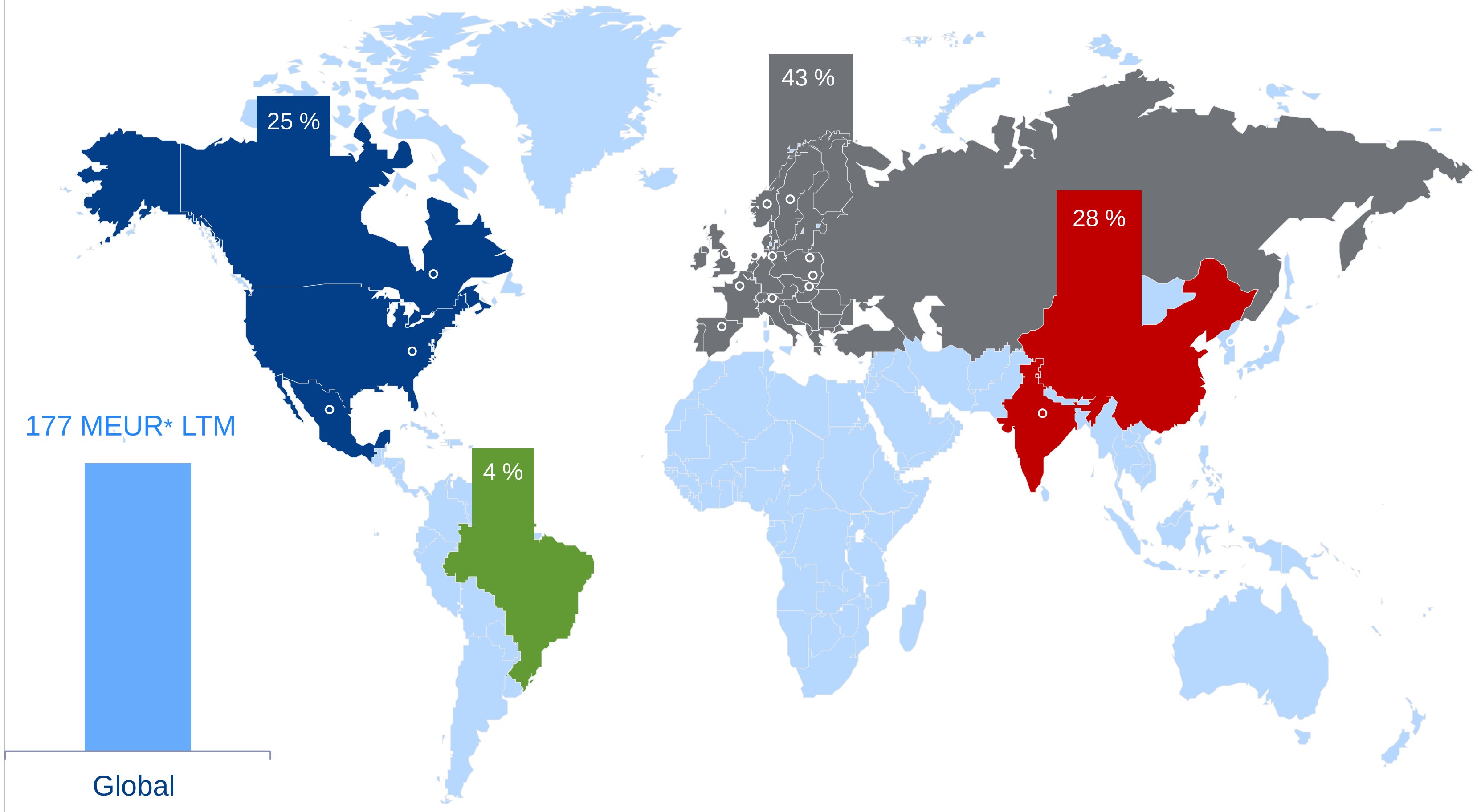


Source: Company data

- **Drivers for increase of addressable markets**
  - Improving road infrastructure
  - Stricter emission regulations
  - Better enforcements of overload regulations
  - Owners focus on total cost of ownership

Estimated business wins 2013

Significant booked business in BRIC in 2013



* Per annum value

- KA new business wins exceed 15 % of LTM revenue; confirms good trend on order intake
- 32 % of total new business in last 12 months booked in BRIC countries vs. current BRIC revenue of 9 %

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Market summary

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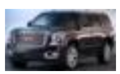
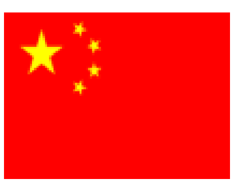
Market summary and outlook

Global industry growth

Country/region	Expected 2014 growth rate		Outlook
		2.3%	• Rebound expected in Europe in 2014 or 2015
		0.9%	• Recovery in infancy, EURO VI to boost Q4-2013 with a negative impact on Q1-2014
		3.4%	• Production growth rate moderate, yet recovery progresses
		8.3%	• Demand pushed forward from 2013 rather than lost
		14%	• China growth seen remaining in low double digit over the next 3 years
		8.5%	• Healthy growth outlook, but cooler than last decade growth rate

Source: LMC Automotive – October 2013

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Driveline - focus areas & trends in Passenger Car segments

– EVP Joachim Magnusson, VP Sales & Marketing Ian van Duijvenboode

Agenda

- **Business environment**
- **2013 New Business Wins in BRIC**
- **Technology trend: Shift by Wire**
  - AT/Shift by Wire trends globally
  - Kongsberg Driveline market positioning
- **A winner in the market**

Driveline systems - market positioning

- **True global Tier1 supplier for gear shifter systems**
- **Targeting standardization and modularization in design**
- **Close to our strategic customers**
- **Bring innovations to the market**
- **Enhancing the driving experience**
  - Shift feel
  - Superior human machine interface
  - Aesthetic design

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Strategic customer environment

- Efficiency through standardization and modularization

OEM	Current platforms	2020 Target platforms
CHRYSLER	22	16
Ford	12	8
RENAULT NISSAN	10	9
VOLVO	3	2
PSA PEUGEOT CITROËN	11	7

- **Global OEMs consolidate platforms to achieve efficiencies**
- **Platforms going from regional to global**
- **JV between OEMs, (e.g. PSA & GM in Europe)**
- **Volumes per platform increasing**

KA Driveline Global Footprint

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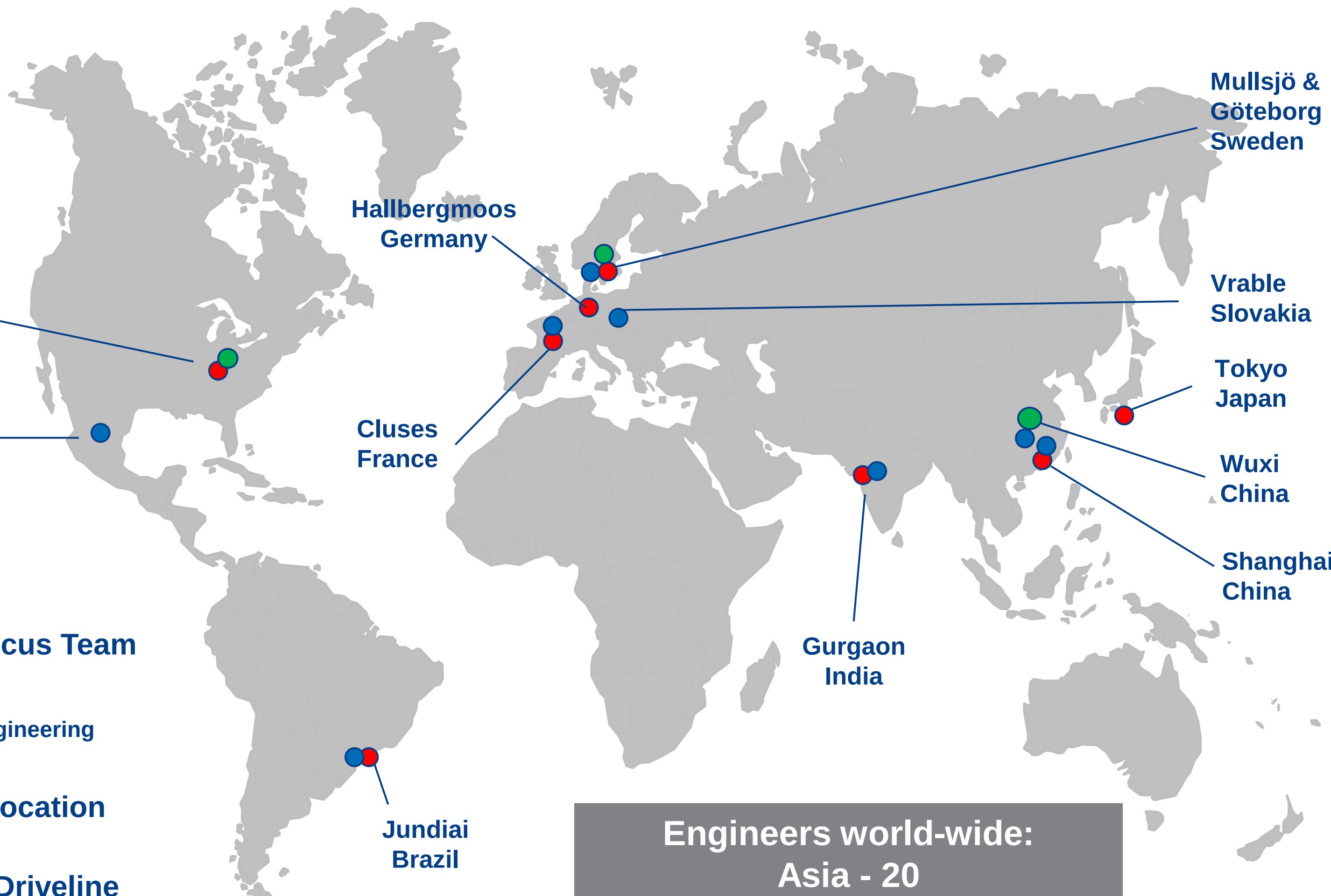
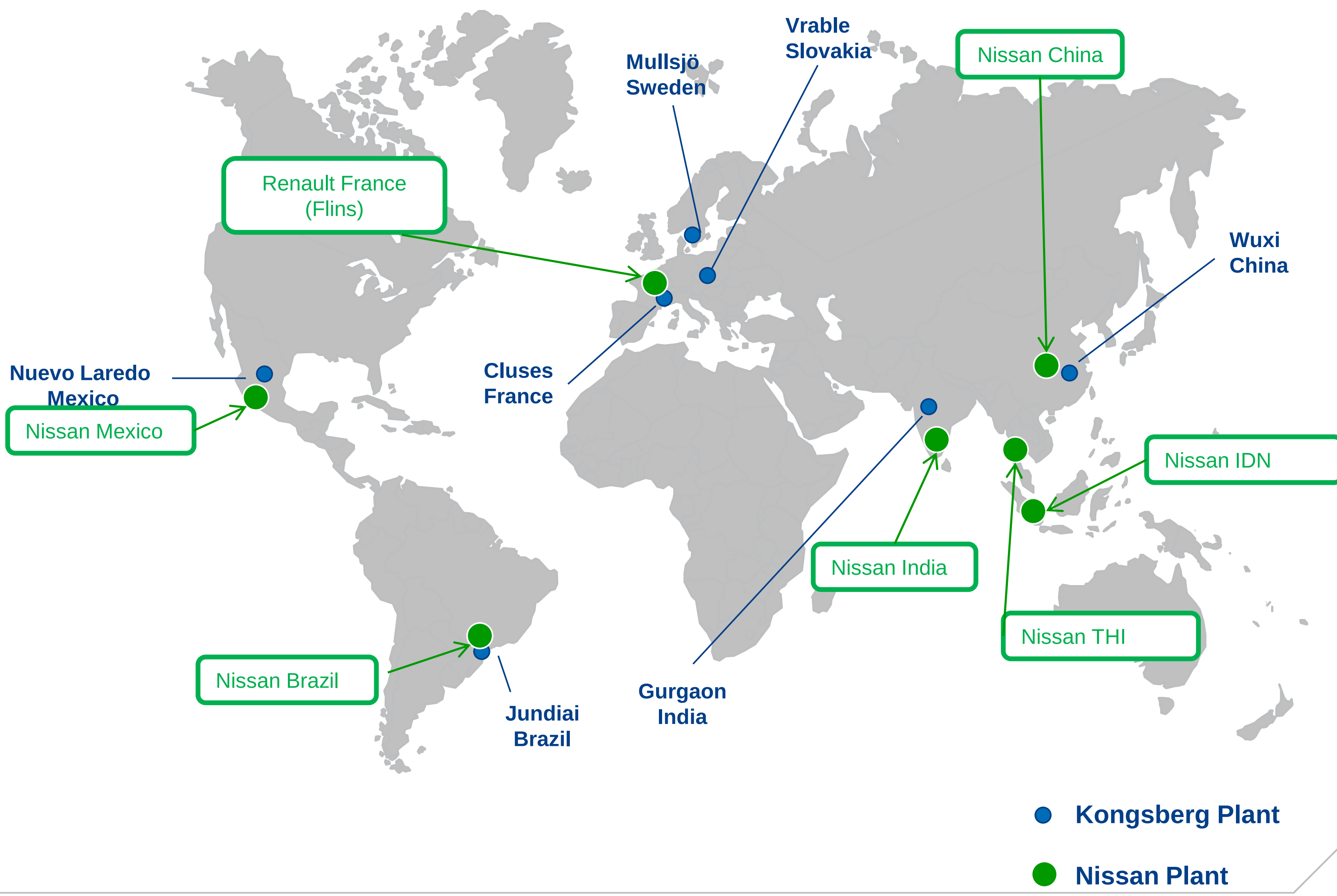


- Customer Focus Team
  - Sales
  - Program
  - Application Engineering
- Production Location
- Tech Center Driveline

Engineers world-wide:
Asia - 20
Europe -110
America -30

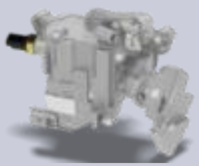
KA and Nissan – a perfect match

Example of Nissan platform



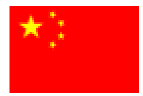
Examples of multi-region supply

- Supporting our strategic customers locally

Product	Europe	North America	Asia	South America
Shift tower 	✓		✓	✓
AT SBW* 		✓	✓	
AT Shifter* 	✓		✓	

*AT SBW: Automatic Shift by wire, AT Shifter: Automatic Shifter

Fragmented market; 2 global system suppliers

Supplier						Automatic Mechanical	Automatic Shift by wire	Manual
Kongsberg	✓	✓	✓	✓	✓	✓	✓	✓
Dura	✓	✓	✓	✓	✓	✓	✓	✓
Tokai Rika /Tram		✓	✓			✓	✓	
Lemförder	✓	✓	✓			✓	✓	✓
GHSP		✓	✓			✓	✓	
SL		✓	✓			✓	✓	
Kostal	✓	✓	✓			✓		

- **2 global suppliers making all complete gear shifter systems**
- **BRIC is key to unlocking market growth**

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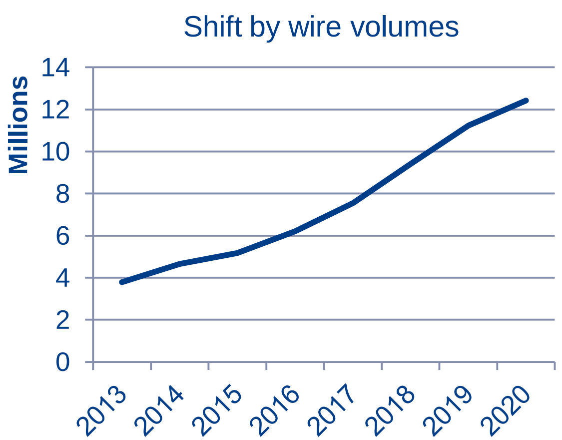
Technology change in the market

- **External market drivers towards Automatic transmissions**
  - Comfort
  - Fuel efficiency and legislation
- **AT installed in B-segment cars**
- **Shift by wire technology leading the market with 17% CAGR**



Source: IHS and company estimate

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Business environment summary

OEMs demand global supplier footprint	Increase competitive pressure	Innovation & technology key to growth in SBW
• BRIC presence more important then ever	• OEMs are consolidating supplier base • More revenue for winners	• 17% CAGR expected

Driveline Agenda

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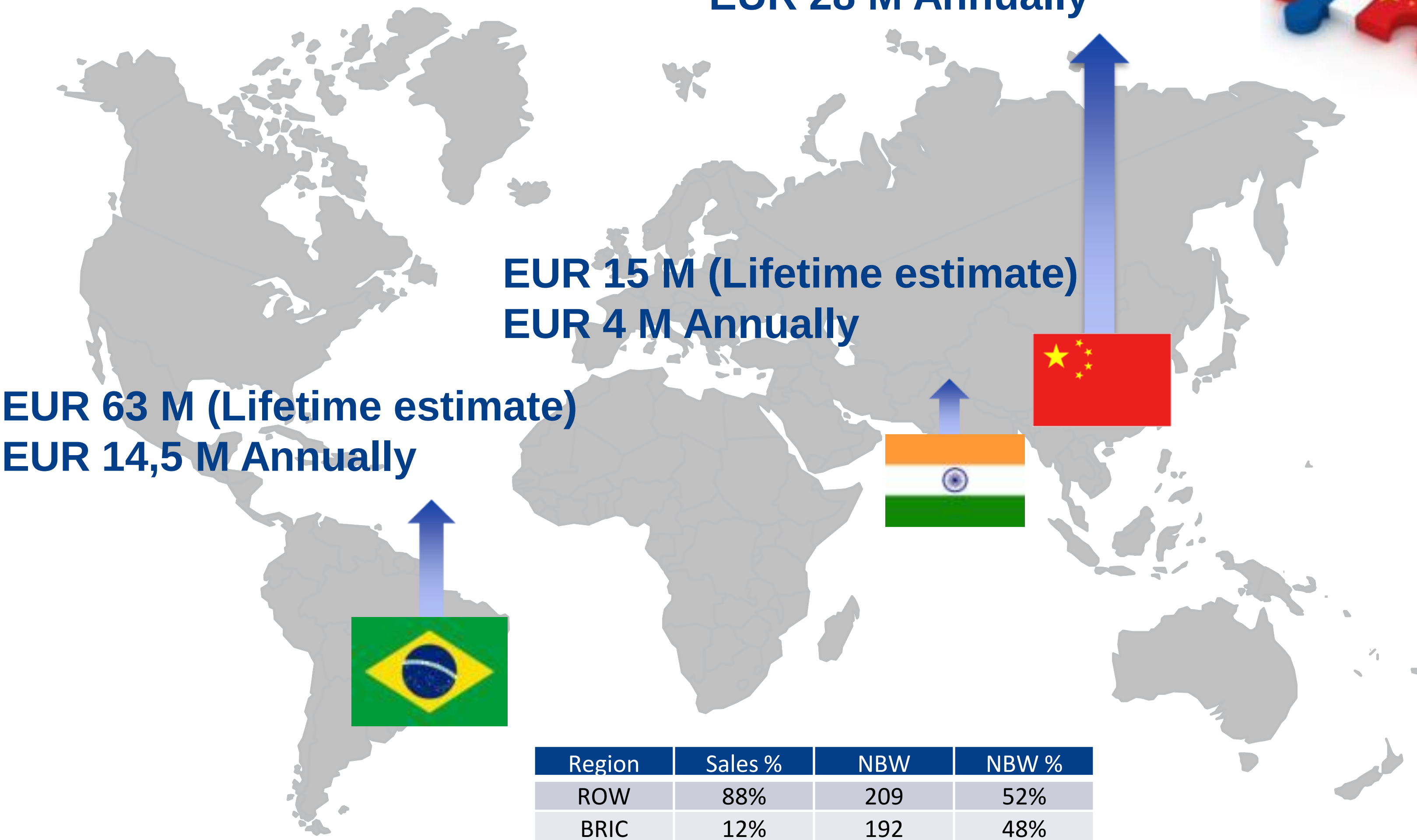
2013 New Business wins for Driveline in BRIC

48% of New business win in BRIC

EUR 116 M (Lifetime estimate)
EUR 28 M Annually

EUR 15 M (Lifetime estimate)
EUR 4 M Annually

EUR 63 M (Lifetime estimate)
EUR 14,5 M Annually



Region	Sales %	NBW	NBW %
ROW	88%	209	52%
BRIC	12%	192	48%

Securing BRIC growth ahead

Growth strategy aligned with strategic customers

Strategy centered around footprint match

EUR 192 M lifetime wins 2013

Driveline Agenda

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- **Technology trend: Shift by Wire (SBW)**
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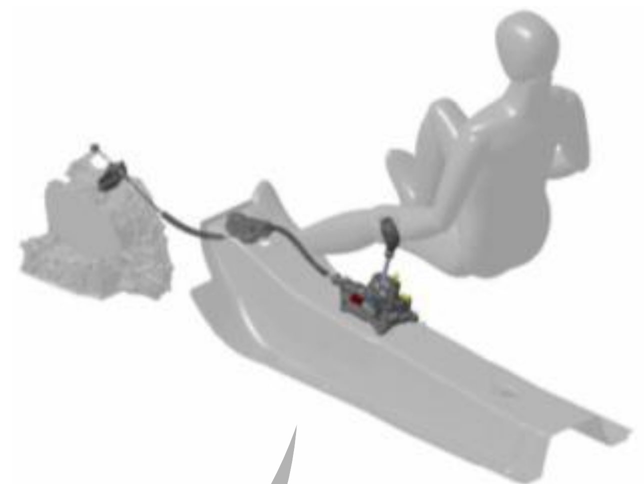
What is Shift by wire?

"From mechanical to electronic actuation"

From: Mechanical Actuation



- **Removes mechanical link between gear lever and gearbox**
  - Gear changes through actuator or electronic gearbox
- **The gear shifter communicates with the transmission electronically**

To: Shift By Wire

Market drivers for Shift by wire

- **Design freedom**
  - Design options: Joystick, Buttons, Steering column
  - Freedom for gearshifter location
  - Space saving
  - Shift feel
- **Safety**
  - Self parking
  - Block incorrect gear shifting from driver
- **CO_2 emissions**
  - Focus on vehicles with low weight
  - Self driving vehicles
  - Automatic transmission superior to manual
- **Reduce noise and vibration**
  - Isolates cabin from engine bay

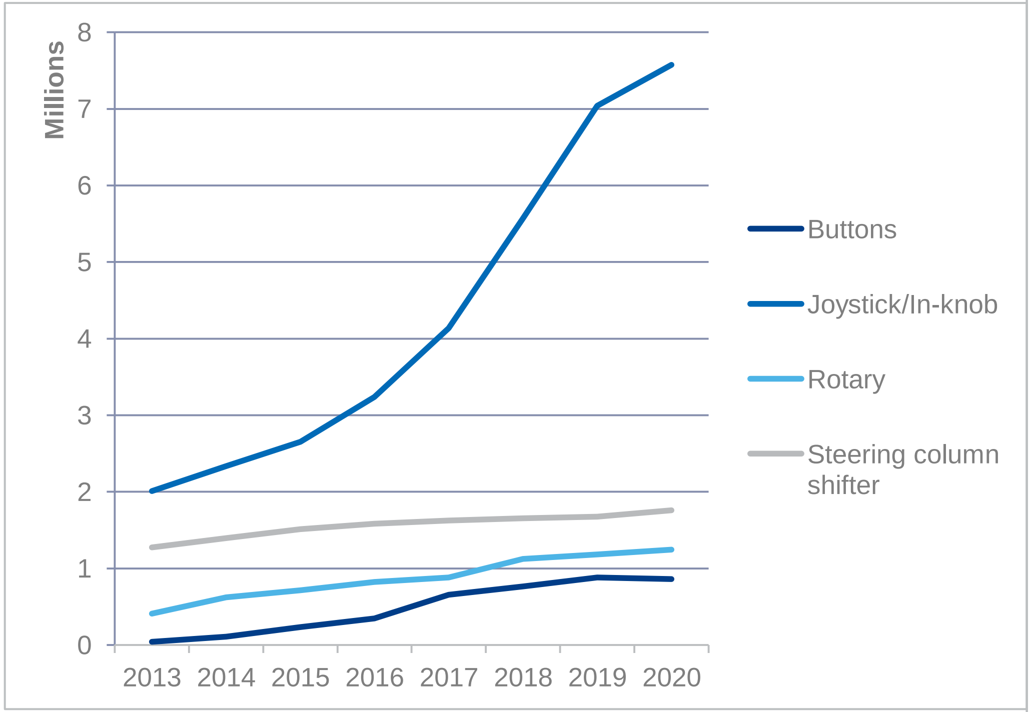
Shift by wire technology

Technology	Joystick	Steering column	Rotary	Buttons
				
Manufacturer	Audi Volvo Chrysler JLR KIA	Daimler RR	JLR Chrysler	Aston Martin Ford

- **4 key technologies for shift by wire**
- **Joystick stands out as market leader**

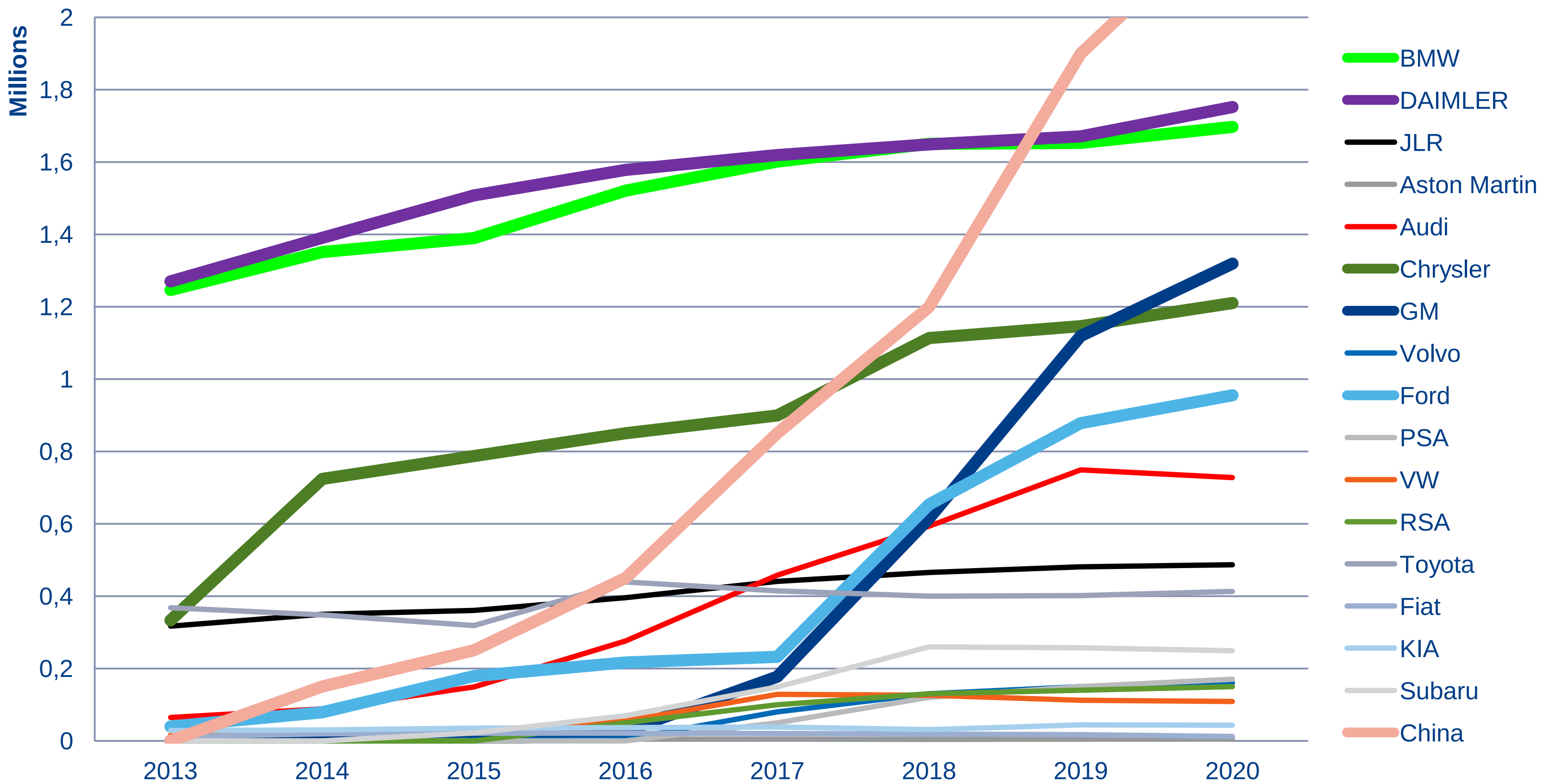
Key technology trends in SBW

- Joystick leads growth
- Increased interest in rotary
- Slow growth for buttons and steering column shifter



Source: IHS and company estimate

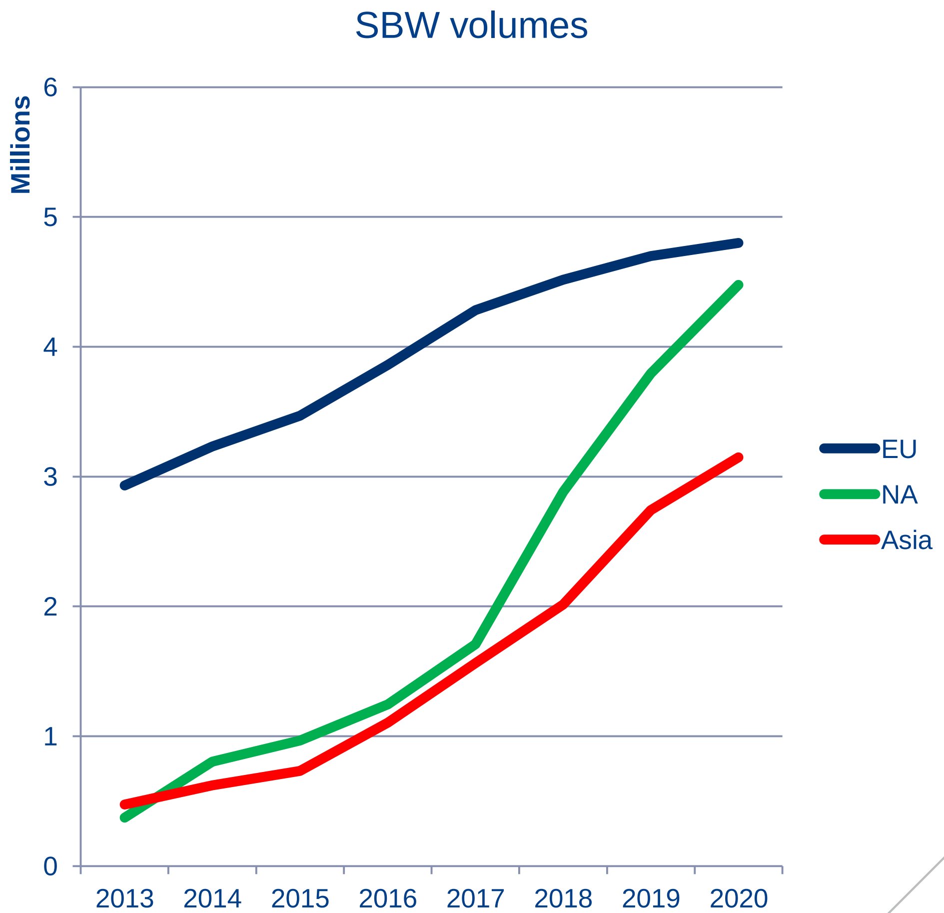
Shift by wire customer trends



Source: IHS and company estimate

Regional Shift by wire markets

- **EU leading SBW adoption**
  - Premiums have SBW
  - Mid-segment starting SBW
- **Slower start in NA**
  - Aggressive growth projected
- **Asia starting SBW adoption**
  - China will drive growth



Source: IHS and company estimate

Shift By Wire segmentation

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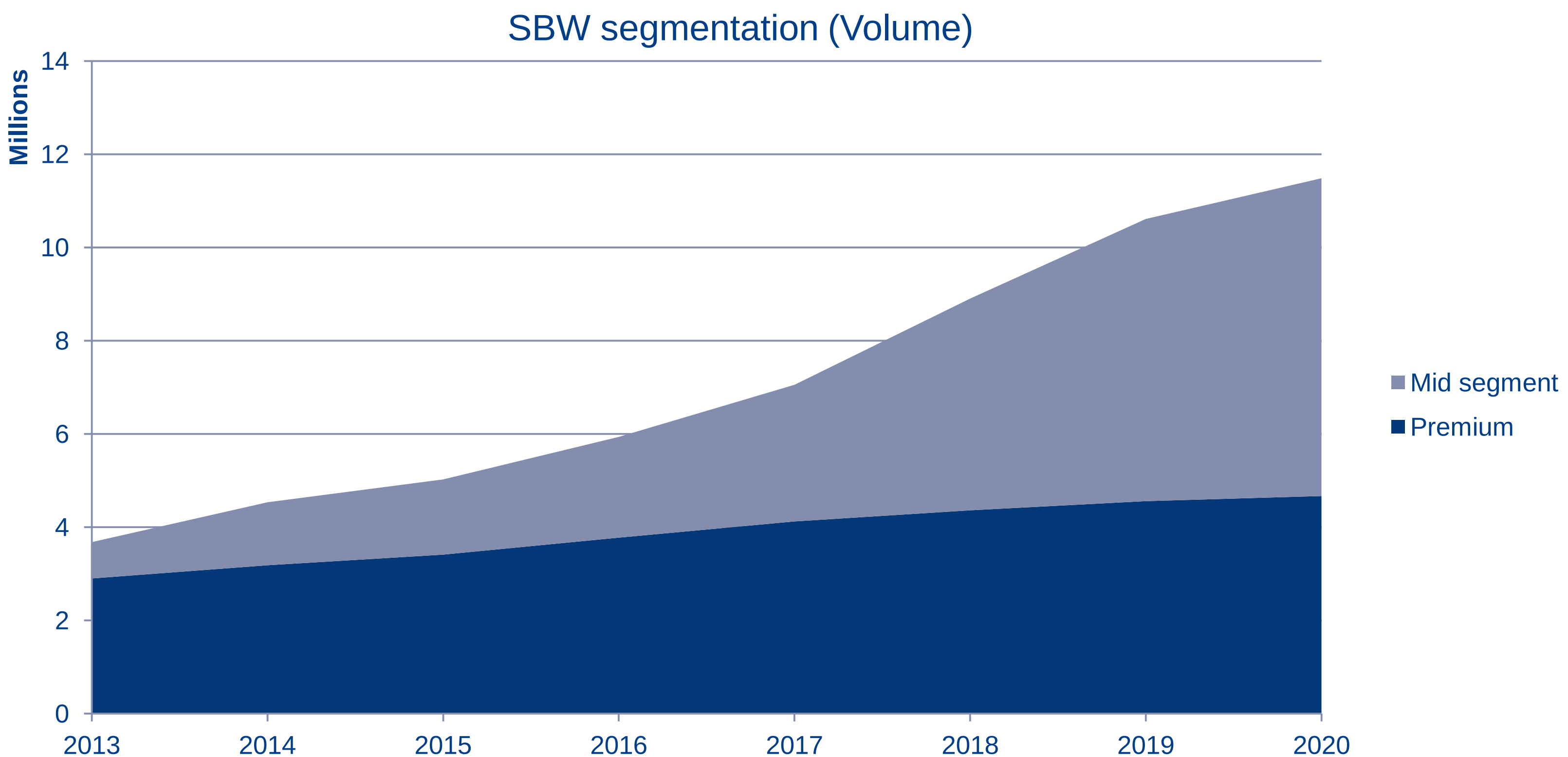

Source: IHS and company estimate

- **Premium segment mature**
- **Growth from mid segment**

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KA Shift by wire expertise
- Volvo 'Concept Coupe'

- KA SBW shifter in Volvo Cars 'Concept Coupe' unveiled at IAA
- SBW with crystal knob
  - provides a unique feeling
  - Shifter contains best in class packaging and safety features
- Volvo concept was awarded best concept from autoblog

Voice of the customer
”Volvo Concept Coupe”

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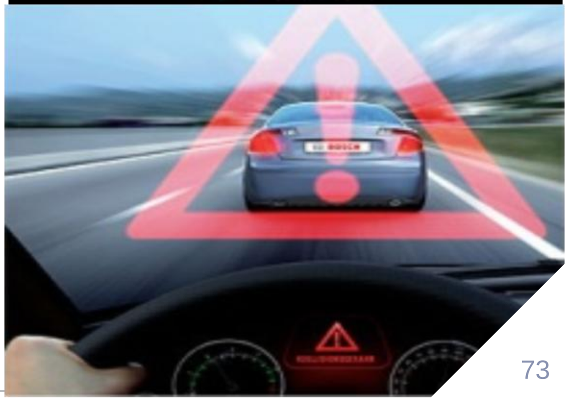
KA's shift by wire strategy

- **Innovation**
  - Focus on 2 technologies
    - Joystick
    - Rotary
  - World class packaging and weight (560 → 156 g)
  - Safety features
    - *"Make before break"*
- **Enhancing the driving experience**
  - World class shift feel
  - World class human machine interface
- **Systems capabilities**
  - From driver to gearbox
- **Target growing mid-segment**

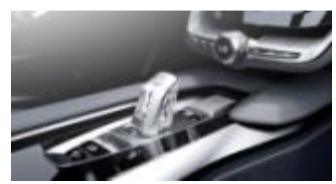


Investment in marketing

ONE
SBW concept car customer global tour 2013

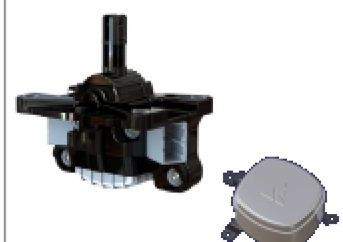
Auto Shanghai Show
April 2013

IAA Frankfurt VCC Concept car
Sep 2013



Car Training Institute

CTi Transmission Symposium Berlin
Dec 2013



Driveline Agenda

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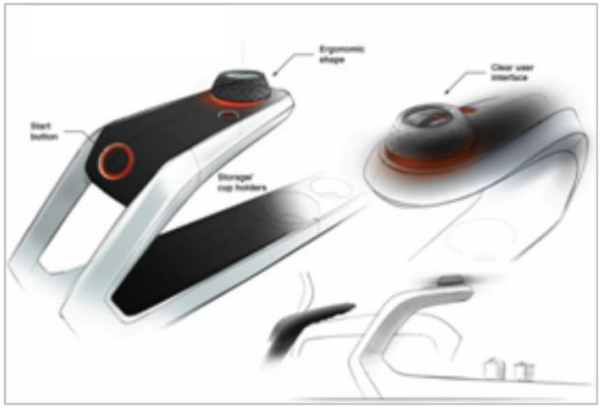

A winner in the market

Global & follow OEMs footprint

More revenue per platform

Secure business growth in BRIC

EUR 192M business wins 2013

Innovation in key technology

Shift by wire 17% CAGR

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Driver Control – Trends & focus in commercial vehicles

– EVP Jim Ryan, VP Sales & Marketing Håkon Amundsen

Agenda

- **Main trends in the truck industry**
- **A global business**
  - Driver Control a global supplier
  - BRIC countries
- **Technology trends**
  - Electronics strategy
  - Automated Manual Transmissions
  - Hybrid vehicles

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Opportunities & challenges in the truck industry

OEM growth

- TRIAD OEMs to turn attention to emerging market to capture growth

Total cost of ownership

- Reducing fuel consumption is key

Environmental pressure

- Emission legislation in all markets requires OEMs to invest in more R&D

Comfort & safety

- Stricter safety regulations in TRIAD & emerging markets
- Comfort features to increase in emerging marktes

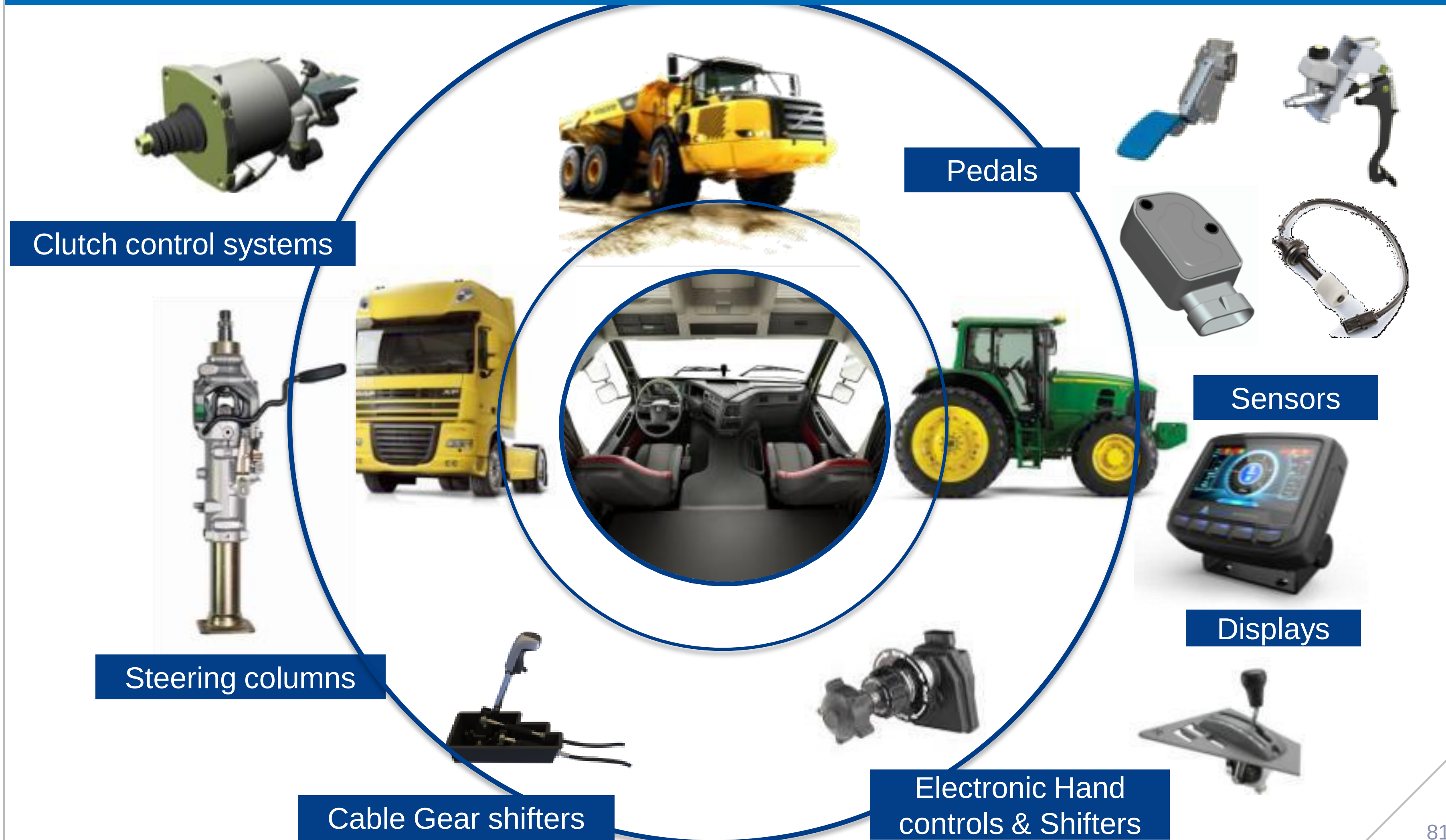
Increase of globalization of TRIAD OEMs
Shift from mechanical to electronic engine- and transmission controls
Hybridization of powertrain

DRIVER CONTROL

A GLOBAL PLAYER IN DRIVER INTERFACE

Product Portfolio

An integrated portfolio focused on ‘*Man to Machine Interface*’



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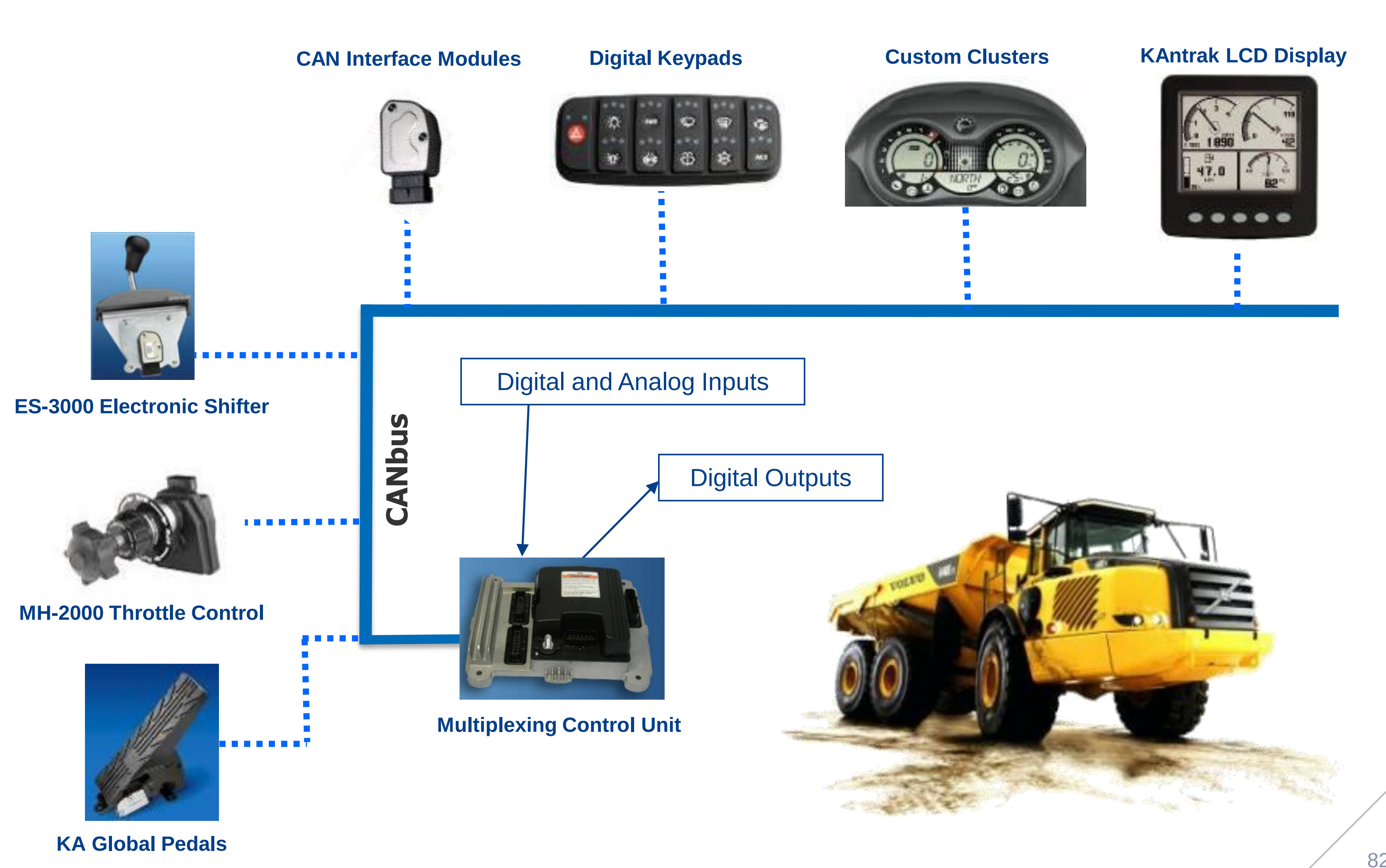
Integrated systems between Driver and Powertain



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Global win strategy

Strategic customer focus

Focus on leading OEMs in each vehicle segment

Leverage European position to emerging markets

Customer intimacy

Through global reach with production & engineering support in customer proximity

Bringing new innovations to the market

Preferred supplier status via unique product offering

Wide product range enables OEMs to reduce supplier base

Increased content per vehicle

SCANIA VOLVO DFM PACCAR DAF MAN HYUNDAI BRP AGCO JOHN DEERE CAT SANY

A global footprint, matching customer needs

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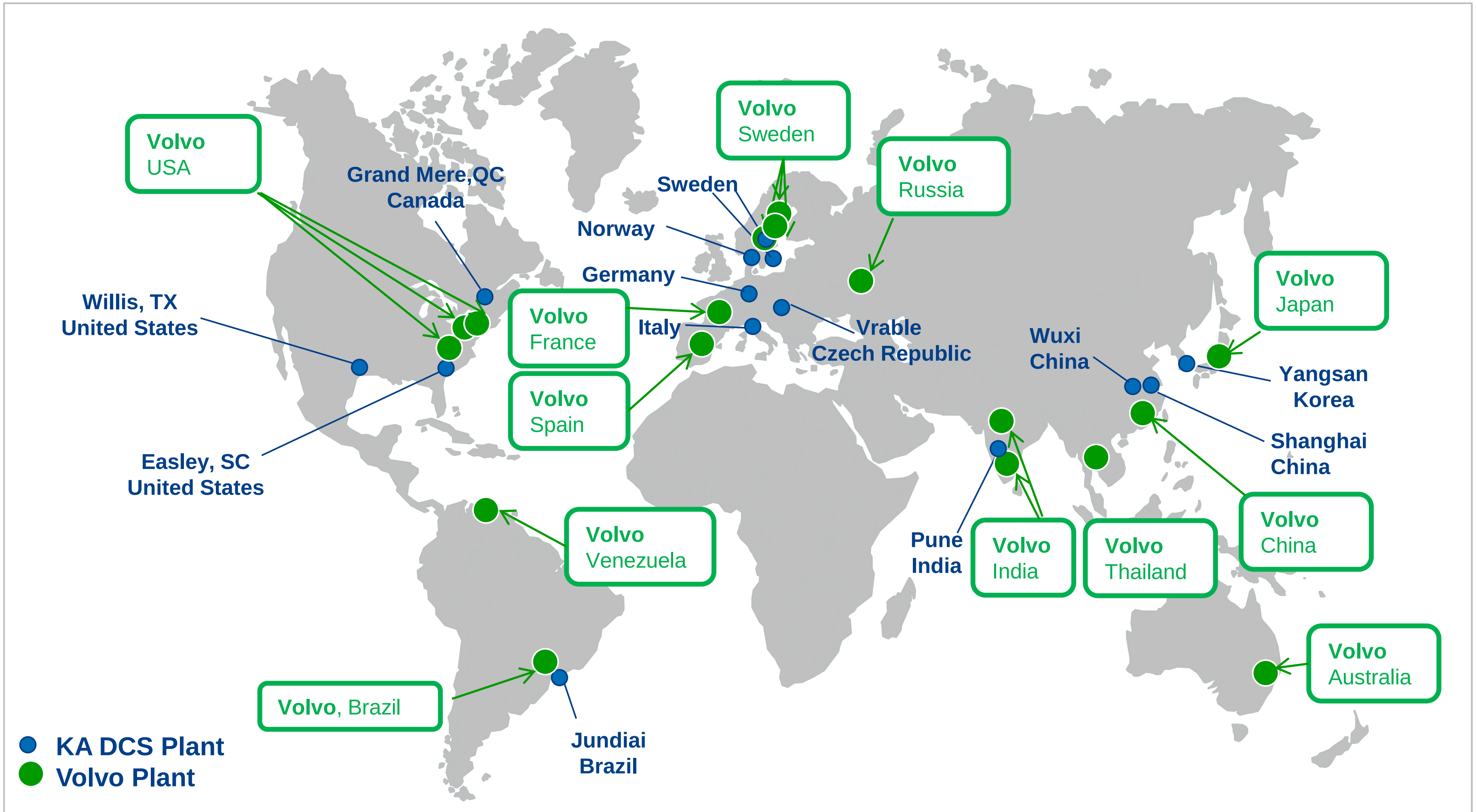

DCS and Volvo Trucks - a perfect match

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A GLOBAL BUSINESS

BRIC COUNTRIES

BRIC business - building on our strengths

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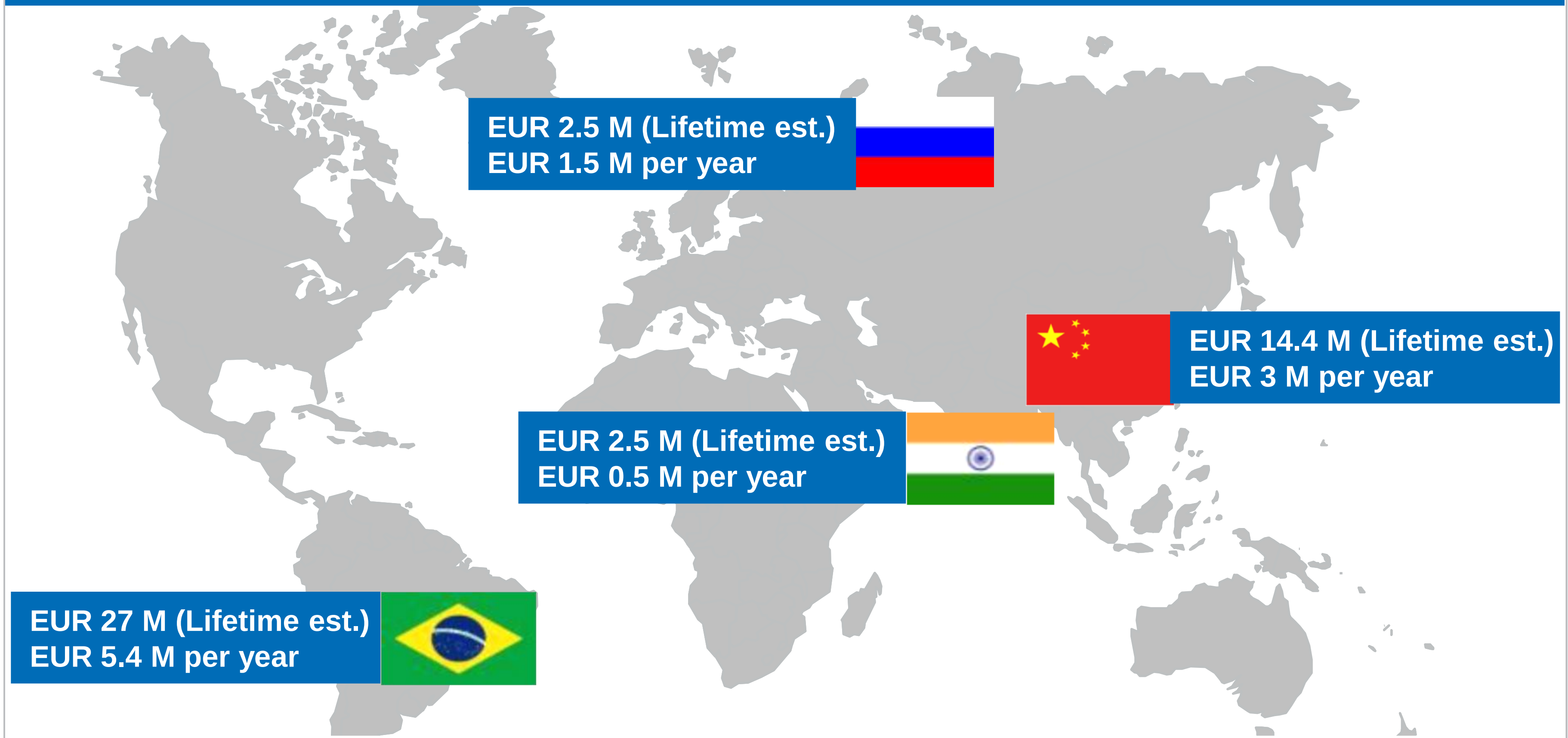
32% of all new business wins YTD 2013 from BRIC countries



Region	Sales	Sales %	NBW	NBW %
TRIAD	EUR 194M	81%	EUR 21.8M	68%
BRIC	EUR 46M	19%	EUR10.4M	32%

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Established BRIC footprint
Serving both domestic & foreign OEMs

Global capabilities enhanced by local customer focused teams

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On-highway growth: PACCAR example

- **KA serves PACCAR in Europe, North America & South America**
  - Supplies products across business areas
  - Integrated teams coordinate and support global PACCAR activity & offering
- **Trends open for more content per vehicle in all regions**
  - Globalization of platforms and demand for same technology and support across the globe
- **Strong KA product portfolio and global footprint provides growth opportunities at PACCAR**

Supplied today:

Growth potential:

On-highway segment:
Leveraging a strong European platform – PACCAR example

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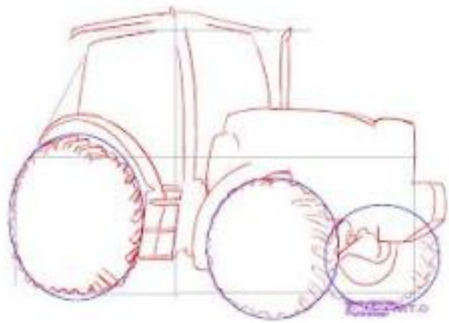
Off-highway growth: Example

- A global tractor maker launched largest project ever - to produce the first Global tractor on 3 continents and in 5 locations
- KA offers a wide range of generic and modular steering columns
  - To meet requirements of the world's top maker of off-highway vehicles
- KA has competence and experience
  - Custom design steering systems to meet customer demands from different regions



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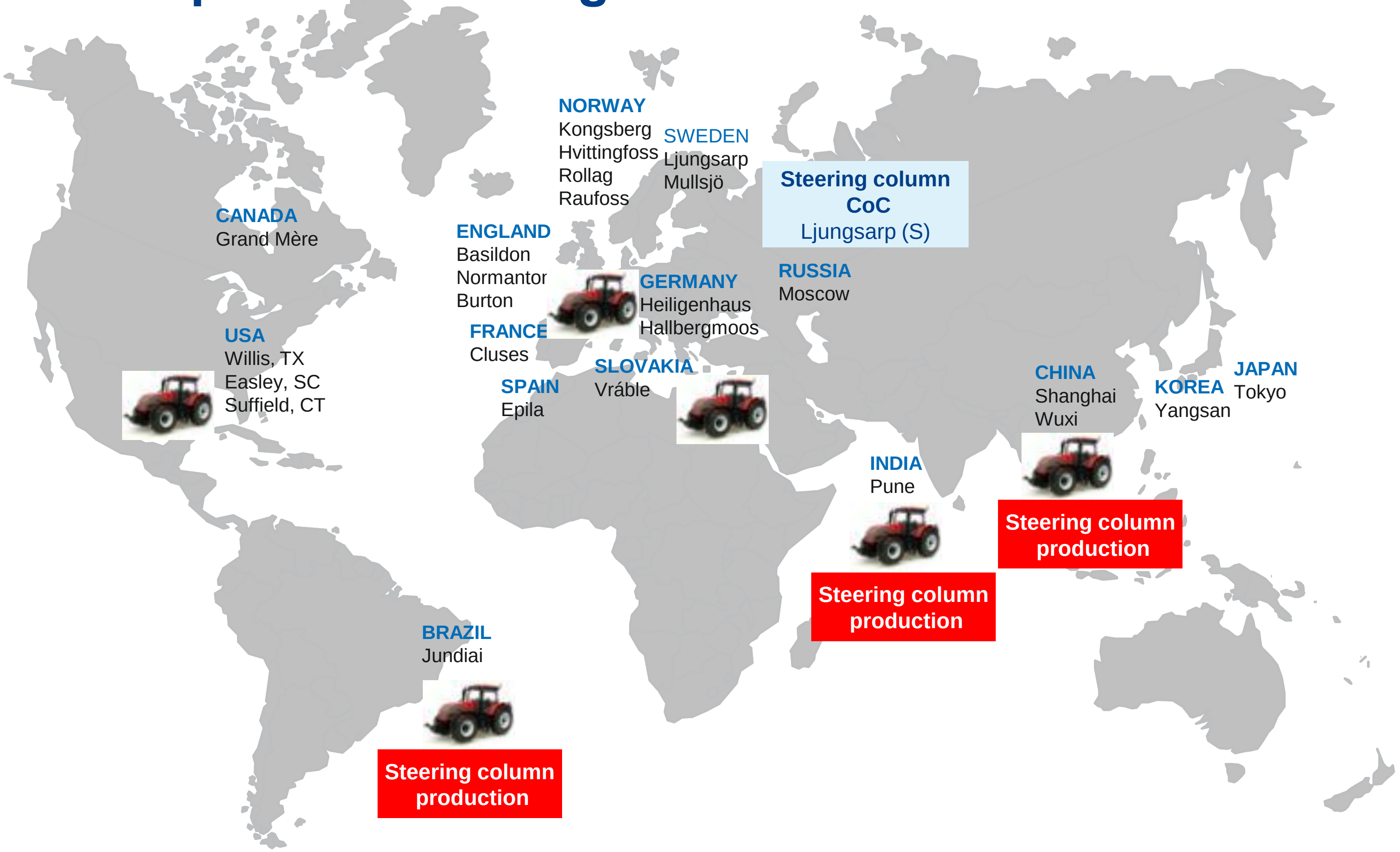
Off-highway segment:
Global footprint with strong local 'Customer Focus Teams'



DCS – A global partner in the CV market

Growth strategy aligned with strategic TRIAD customers and emerging leaders

Strategy centered around footprint match and product technology spread

Localize TRIAD product technology in BRIC markets

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TECHNOLOGY TRENDS

ELECTRONICS STRATEGY

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Electronic content is found in 30% of all KA products

- *Content will increase in coming years*

Trend	Market Solutions	Consequence for KA	Strategic topics
Fuel efficiency Environmental regulation	Hybridization Increased use of Electric actuation Control-By-Wire	Increased demand for systems combining electronics and mechanics Electronic components in many more of our product families	Vehicle driveline: More demand for Control-By-Wire products Mechatronic design and Mfg capability

KA to focus on electronics in growth ahead

Electronics centers of Excellence in Europe & North America

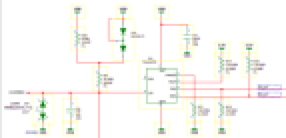
- **Leveraging technologies and resources to:**
  - Maximize profits
  - Build expertise
  - Create mass
- **Developing products and people to:**
  - Maintain growth and market position
  - Build competence

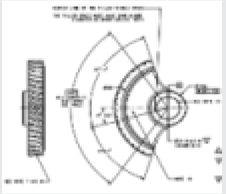
- **Partnering with suppliers to:**
  - Create a competitive advantage (Cost and technology)
  - Increase speed to market and product portfolio

Building critical mass in electronics

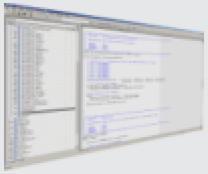
KA controls the value chain

Electronic design
↓
Mechanical design
↓
Hardware
↓
Software
↓
Integrated mechatronic


Electronic Schematic


Mechanical function


Electronic assembly


Embedded Software


Control System

TECHNOLOGY TRENDS

AUTOMATED MANUAL TRANSMISSIONS

Drivers behind shift to AMT

Total cost of ownership

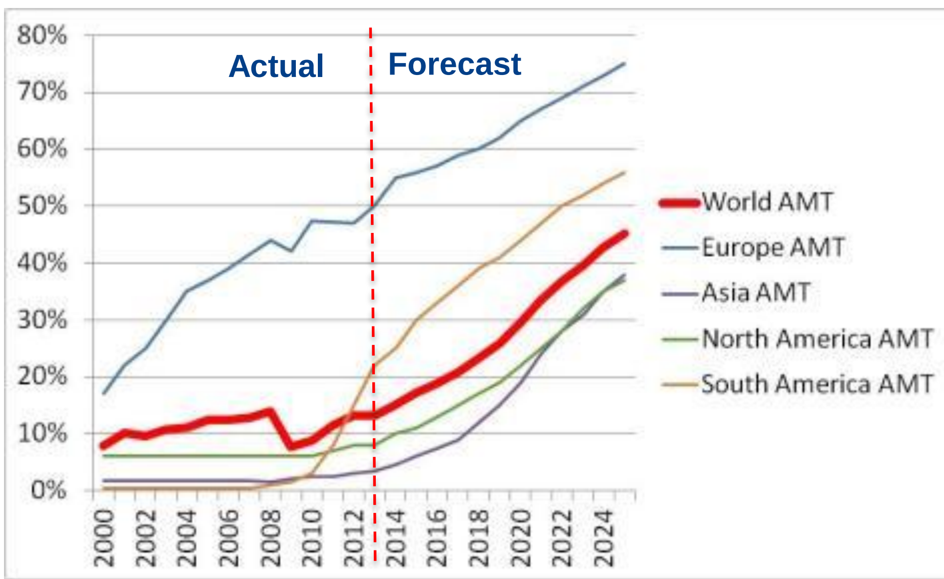
- Reducing fuel consumption
- Less driver dependence

Environmental pressure

- Reduce CO2 emissions

Comfort & safety

- Reducing shifting effort

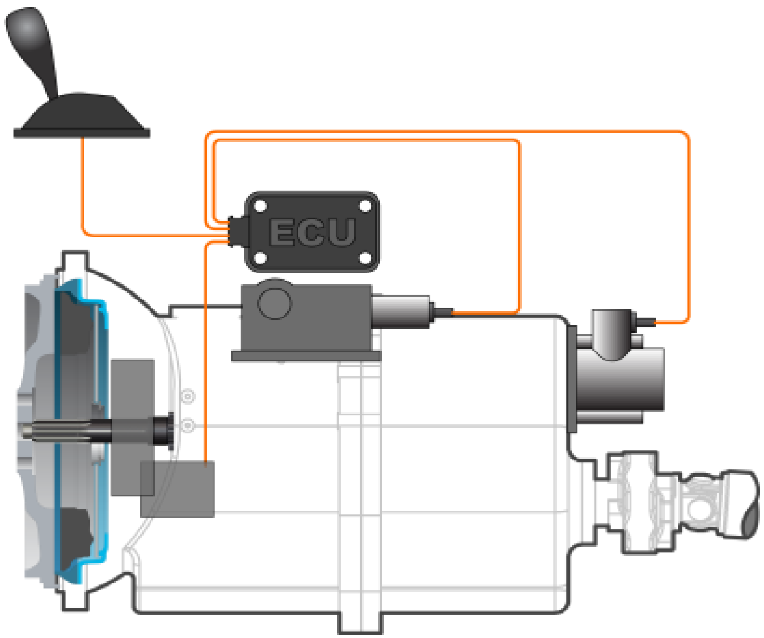


AMT volume development 2000-2025 (KA forecast)

Ongoing shift to AMT technology in Europe to continue

Other regions lag, but are expected to grow rapidly over 10-15 years

Automated Manual Transmissions - AMT

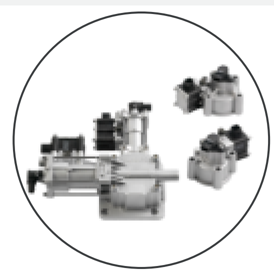


Shifter

Leverage shift by wire with Driveline

Actuator

Leverage electronics CoEs



Leverage system integration for unique offering

Growth focus via 3 integrated system elements = Increased content value

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TECHNOLOGY TRENDS

HYBRID VEHICLES

KA awarded first business on hybrid vehicles

- **KA's e-Power Nordic AB unit nominated for first serial development program**
  - Onboard charger for a hybrid city bus
  - Customer is a global OEM, among the market leaders

Focusing on Power Electronics

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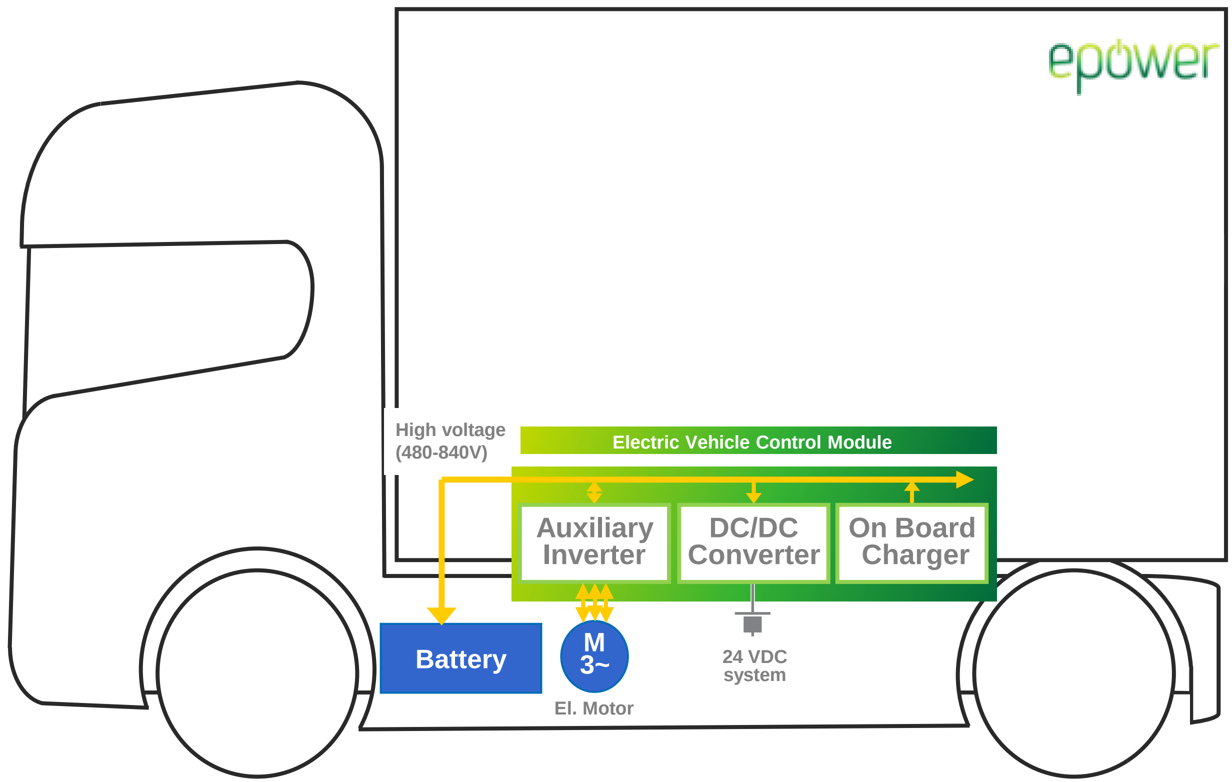

Core business: development of power electronic units connected between the battery, the electric motors and the grid

Current product range overview

Product	Function	Customer feedback
DC/DC converter 	Convert 220-650V from energy storage to all auxiliaries on 12/24V	Among the smallest on market Reliable impression of layout, details and components used
On board charger 	Charge 220-650 V energy storage from grid	Attractive small package and high power density (kW/kg) Leading edge technology
Inverter 	Control electric motor and provide required power from energy storage	Among the smallest on market Safety strategy edge know-how

Technology trends summary

Market trends	KA focus areas	
Increased use of Electric actuation	• Leverage of cross BA activities with Driveline particularly within Shift-by-Wire	
Control-By-Wire	• Leverage Electronics CoE's • Leverage system integration for unique offering	
Hybridization	• Leverage power electronic competencies within ePower	

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PURCHASING STRATEGIES

Anders Nyström
Executive Vice President,Purchasing

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Agenda

- **Overview of KA's external spend**
  - Direct material
  - Indirect material and services
- **Direct material strategy & efficiencies**
- **Indirect material strategy & efficiencies**
- **CSR in the supply base**

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Direct materials spend profile

Total spend external suppliers	EUR 500m
Number of active suppliers	2 500
Spend by commodity	
Electronics	17 %
Metal raw materials	15 %
Plastic raw materials	11 %
Machined metal parts	10 %
Leather & textiles	8 %
Castings	8 %
Plastic injection moldings	7 %
Metal stampings	6 %
Rubber parts	6 %
Springs & fasteners	5 %
Wire, rope & cable	5 %
Other	2 %

Indirect materials and services - spend profile

Investment	EUR million
Machines	10
Tools	5
Returnable packing material	5
Other	12
Expense	
Freight	23
External services	12
Leasing & rental	10
Energy	10
Machine spares & consumables	7
Other	16
Total spend	**110**

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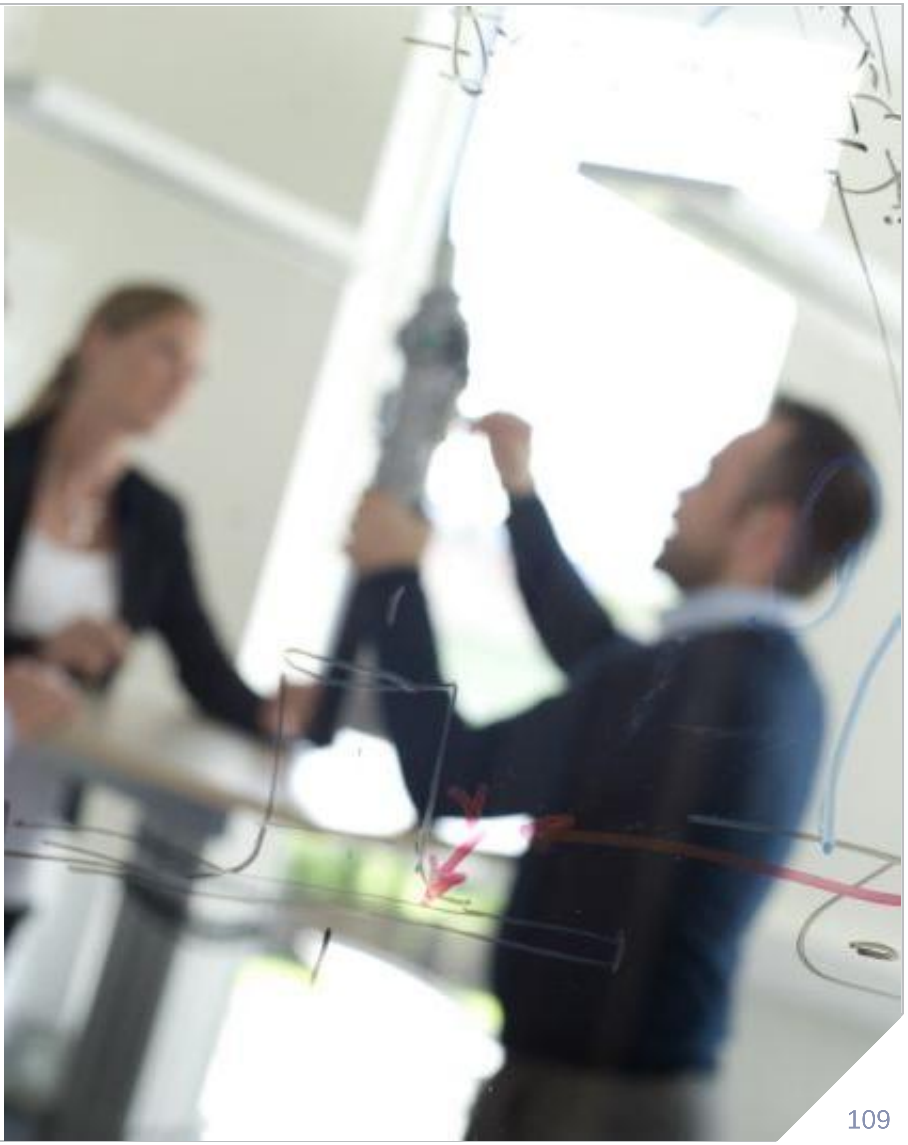
Main challenges

- Drive cost savings in line with industry efficiency expectations
- Build right geographical supplier footprint
- Right-size supply base & raise standards
- Extract right technology from supply base at the right time



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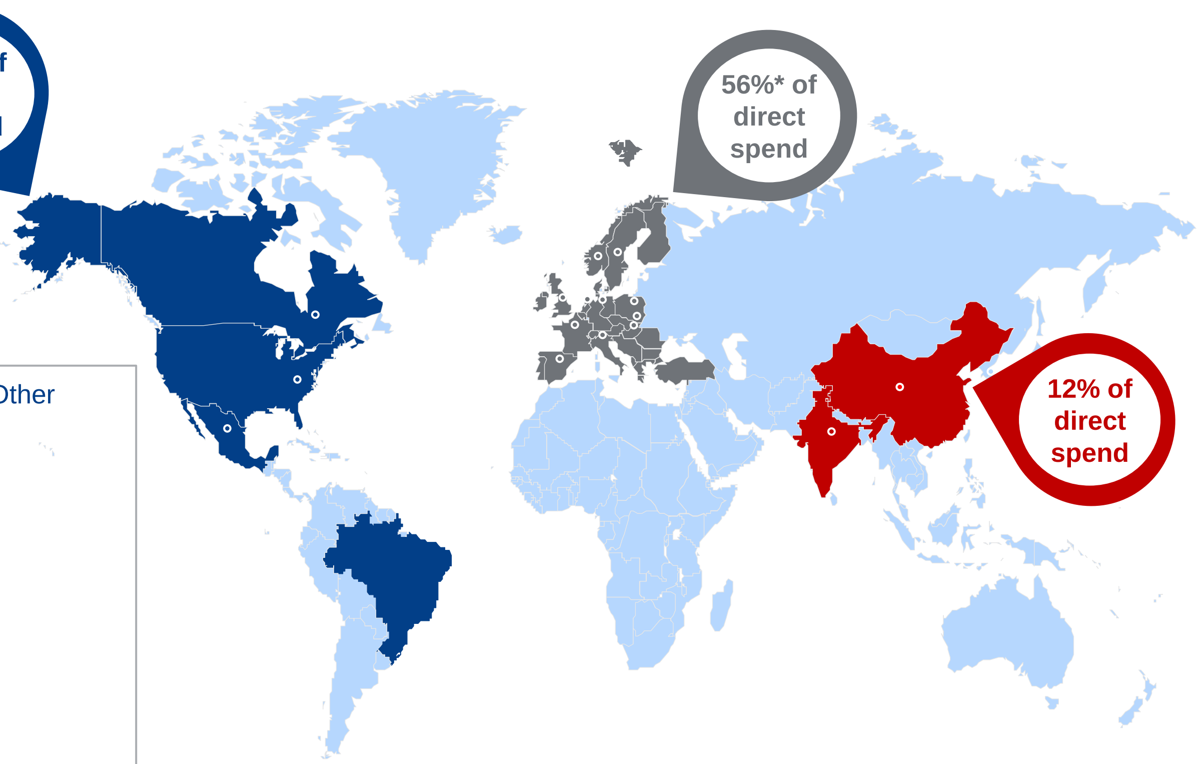
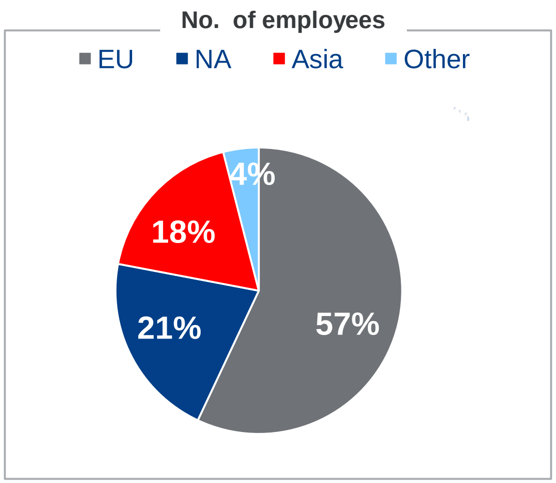
Global Purchasing Organization





*Including ROW which is 1%

Direct Materials spend 500 MEUR

Strategic elements

Strategic elements

Purchasing

DIRECT MATERIAL STRATEGIES & EFFICIENCIES

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Supply Base Management

- Define the future state supply base and document in Commodity Strategies.
- Qualify and continously develop preferred suppliers
- Map supplier performance
- Execute strategy through sourcing of new business to preferred suppliers
- Actively and passively exit non-preferred suppliers

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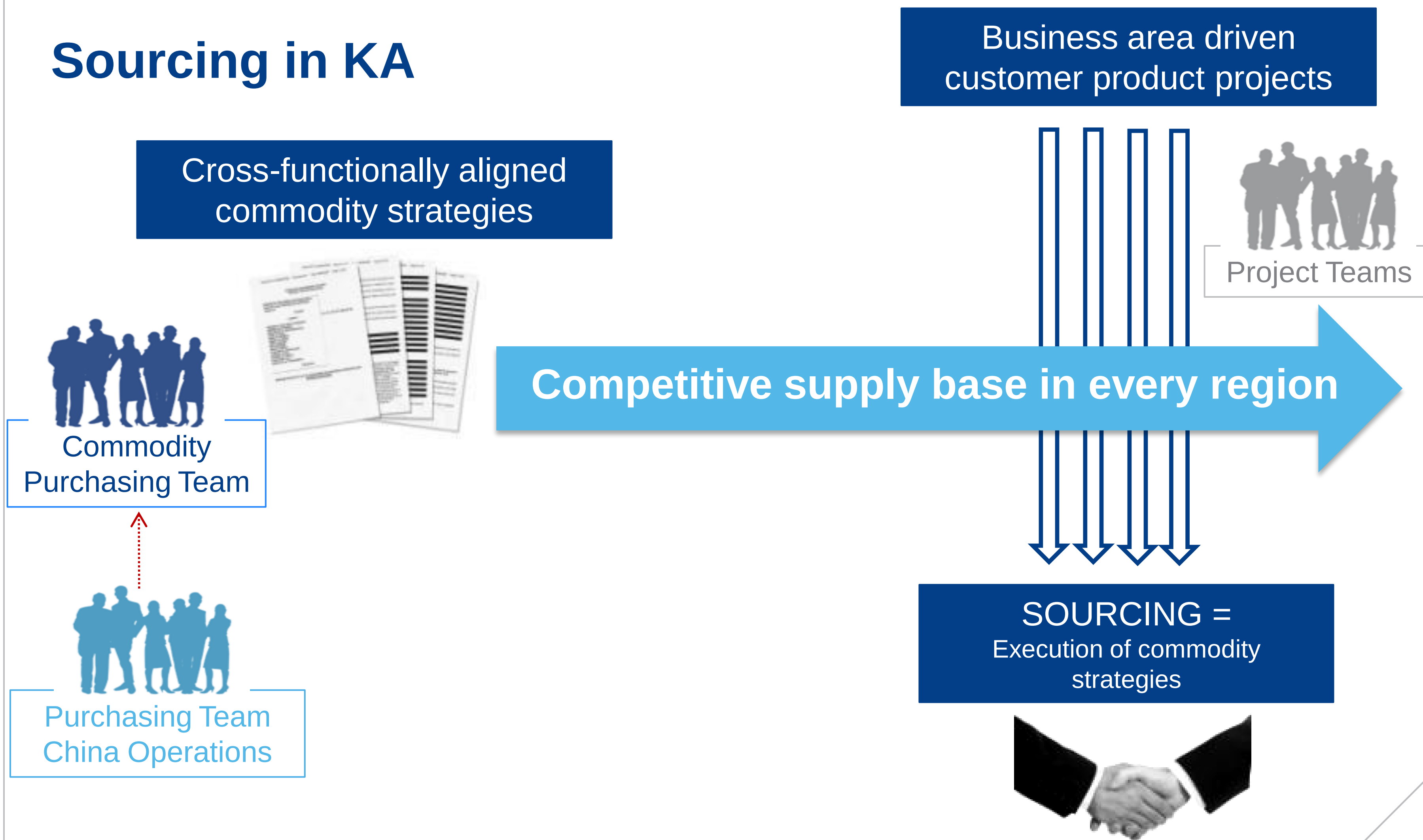
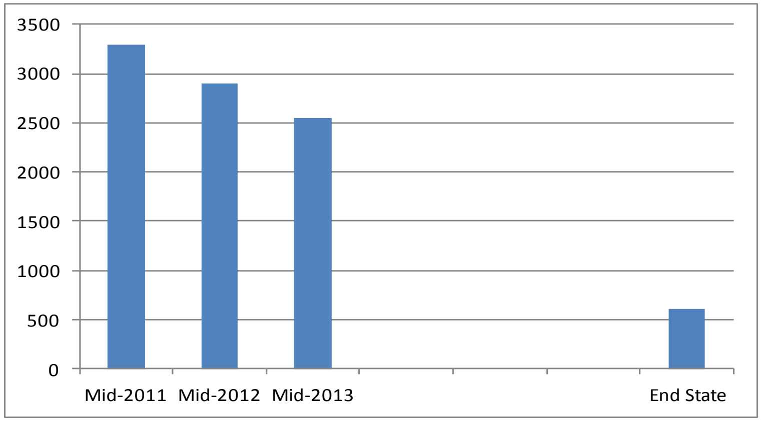
Sourcing in KA

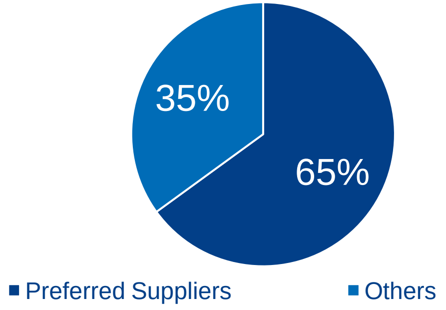


Supply base metrics

No. of active production suppliers



Spend allocation



95% of new business awards to Preferred suppliers

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Benefits

- **Economies of scale**
  - with preferred suppliers, volume efficiencies and negotiating power.
- **Supplier ’familiarity’**
  - With KA specifications, processes, systems and people reduces complexity and leadtime
- **Resource efficiency**
- **Risk reduction**

Example

Co-ordinated sourcing of Electronic Control Units cross BA's in 2013

- Volume of multiple projects across BA's was bundled in one business award to an existing preferred supplier

- Negotiation resulted in reduced new product price and 12% reduction in price on existing business

Purchasing

INDIRECT MATERIAL STRATEGY & EFFICIENCIES

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Strategy – Gradually consolidating indirect buy

- **Starting with the high-impact categories**
  - with a regional or global supply base
- **Capture opportunities from long term capex plans and spend across the enterprise**
- **Focused categories:**

– Major machine investments	EUR 10m	**38% of global indirect spend**
– Injection molding tools	EUR 5m	
– Freight	EUR 23m	
– Air travel	EUR 8m	

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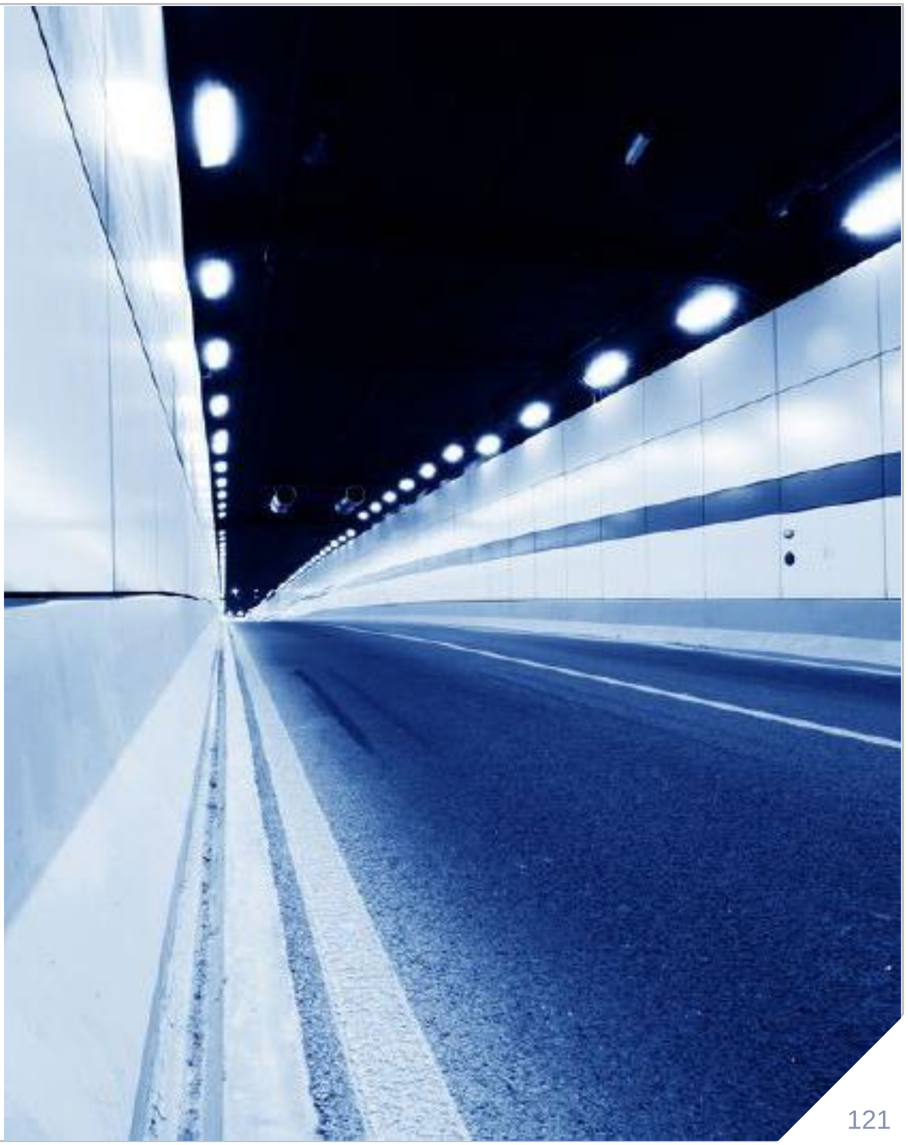
Measures & benefits

- **Freight contract consolidation in Europe & North America**
  - EUR 3m (13%) savings on FY basis
- **Early involvement of professional buyer in major investment projects**
  - delivered EUR 1.2m (21% on orders placed) vs historical levels
- **Transfer to new tool-maker base in China**
  - EUR1.6m (32%) savings across the injection molding tool spend

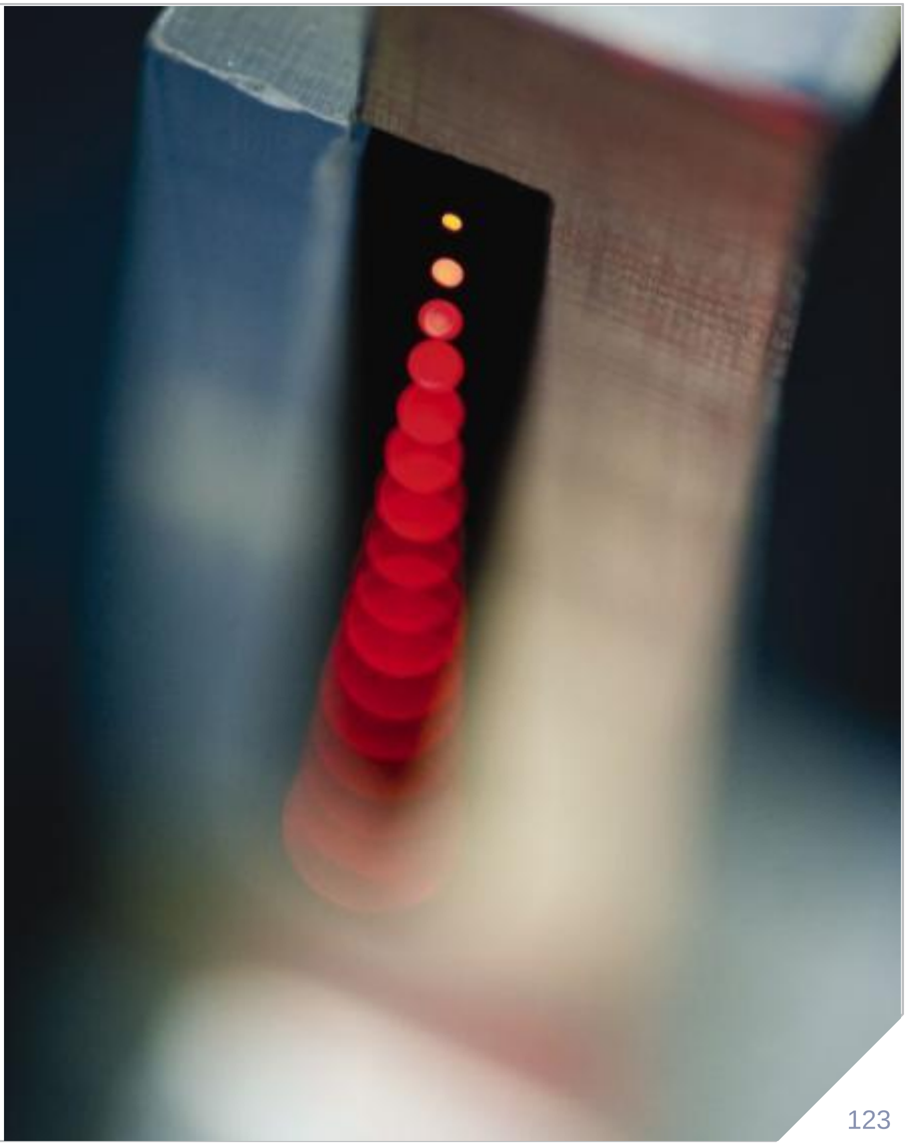


Purchasing

CSR IN THE SUPPLY BASE

Risk Exposure

- **KA – a global company with suppliers in all major regions**
- **China and India considered high risk regions**
- **229 suppliers in China, 32 in India, actively supplying KA**
  - All have accepted the Supplier Declaration, outlining KA's requirements in terms of Corporate Social Responsibility
- **Acceptance is not equal to understanding and adherence.**



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KA Strategy

Information → Training & self Assessment → Monitoring

Information	Training & self Assessment	Monitoring
	2013 -14	2015
•Supplier CSR declaration ○ A condition for doing buisness	•Suppliers in China & India trained in: ○ Business ethics ○ Working conditions ○ Environmental responsibility	•Supplier sites regularly monitored for adherence

Status: All preferred suppliers in China trained & undergoing self assesment

Training curriculum

- **Business ethics**
  - Working practice (respect and honesty)
  - Training & development
  - Integrity
- **Working conditions**
  - Harassment & discrimination
  - Health & safety
  - Wages & benefits
  - Working hours
  - Child labor
  - Forced labor
  - Freedom of association
- **Environmental responsibility**
  - Environmental management systems
  - Continuous improvement
  - Environmental perform

Summary

Strategic plan set in 2012 has momentum

Supply base reduction effort will leave only the best suppliers in the base

Cross-BA management of sourcing and supplier relations has delivered results

Savings on current business at historical high

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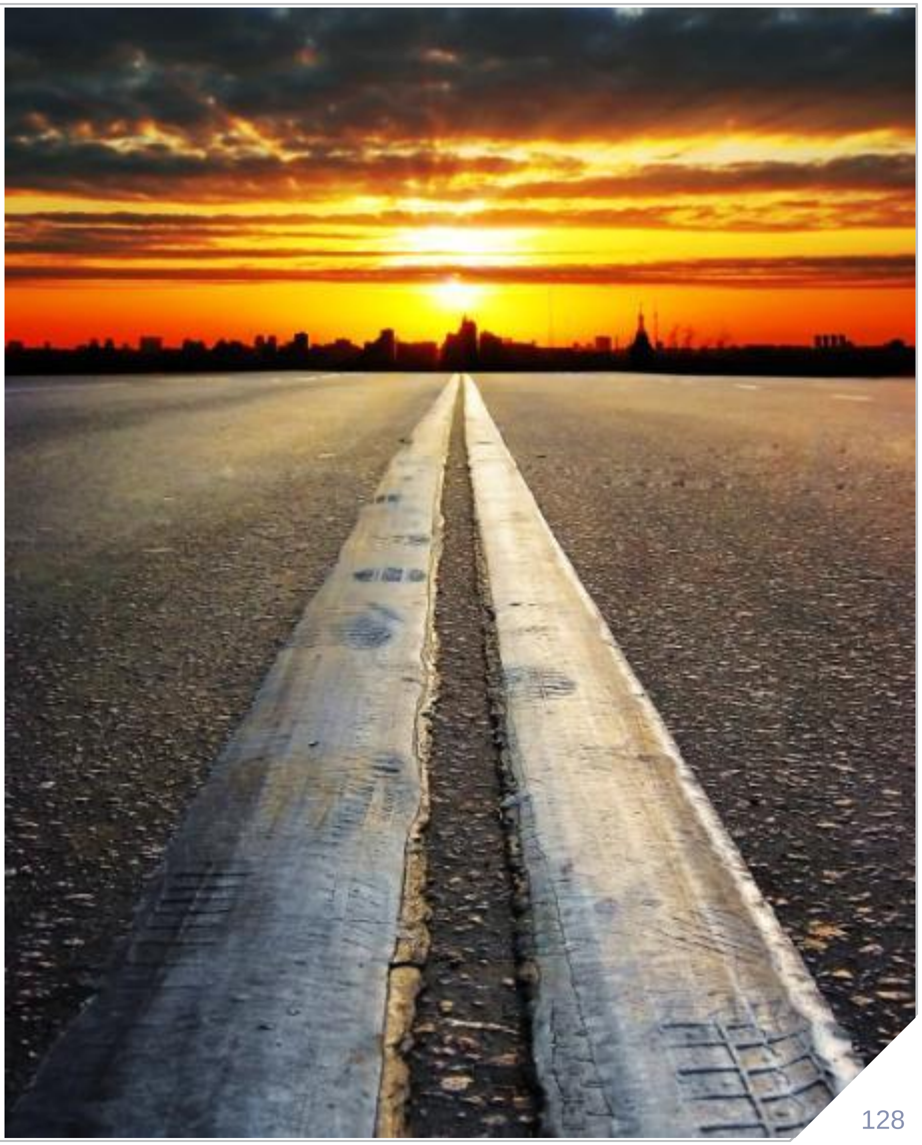
Attracting and retaining talent in a global industry

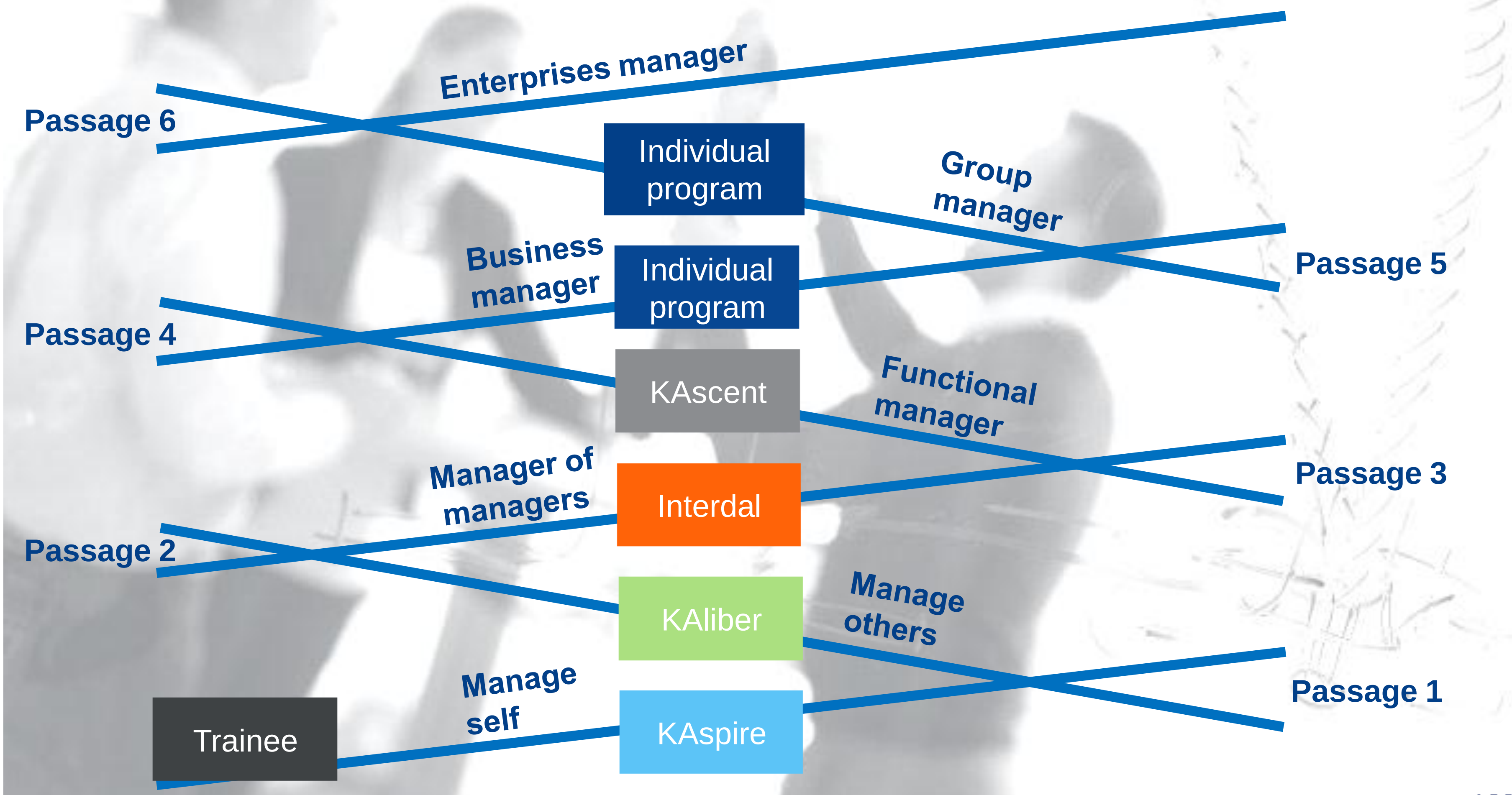
Jarle Nymoen, EVP Human Resources

Ambition

"To be a preferred employer with a reputation for having the best People development systems."



World class global leadership programs



YOUNG PROFESSIONALS

KAspire

KONGSBERG AUTOMOTIVE

KAspire - prepare & develop young professionals for more responsibility in KA

1	2	3	4	5
Preparation to Managerial Role	**Preparation to Managerial Role**	**Preparation to Managerial Role**	**Self Development/ Business Case Induction**	**Business Case Presentation ExCom**
3 day Workshop	**3 day Workshop**	**3 day Workshop**	**4 day Workshop**	**3 day Workshop**
The leadership that builds teams; group dynamics	The leadership that builds on differences; diversity	The leadership to lead yourself; individual development	Insight Diversity Personal Profile/ Cultural Imperative/ Recruitment	Group presentations / Program Summary and Difficult conversations

15 months

GLOBAL MANAGERIAL DEVELOPMENT

INTERDAL

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Interdal – preparing for a (new) managerial role in KA

1	2	3	4	5
Strategy, team and history	Finance, acquisition and environment	Sales, purchase and negotiations	Production/ The KA Way	Int. operations, cross-culture and ethics
7 day Workshop	7 day Workshop	8 day Workshop	6 day Workshop	6 day Workshop
CEO – Company history – Strategy – Team building – Relocation Case	**CFO** – Finance – Controlling – Mergers & Acquisitions	**EVP Purchase** – Sales & Marketing – Negotiations Case – Purchasing strategy	**EVP Driveline** – Lean, 5 S & Kaizen – Lean Case – The KA Way	**EVP BD** – International operations – Cross-Cultural Training – Ethics& Code of Conduct – EU
Kongsberg	Detroit	Shanghai	Poland	Ghent & Brussels

$\underbrace{\hspace{20em}}_{\text{15 months}}$

YOUNG GRADUATES

TRAINEE PROGRAM

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Trainee program - attracting ambitious graduates by presenting a career path in KA

2nd year

Cross-functional training **Production** → Cross-functional training **R&D** → Cross-functional training **Market** → Cross-functional training **Purchasing** → Cross-functional training **Finance** → **Project at a plant abroad**

1st year

Induction Program → **Trainee Functional Workshops** → **Team Building Workshop** → **Trainee Project** → **Personal development plan** → **BA Strategy Seminar**

Basis in Program

Regular meetings (monthly) meetings with Trainee program coordinator , Trainee Supporters and Trainees

Home Base; functional position, job duties and cross-departmental training in department .

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AUTOMOTIVE

HUMAN RESOURCES

KAPS TRAINEE PROGRAM

PETTER SOLBERG
ENGINEERING

KONGSBERG AUTOMOTIVE

Common Trainee program KA / Petter Solberg

Kongsberg Automotive

-Structure

- Leadership development

- R&D

- Purchase

- Industial

KAPS TRAINEEPROGRAM

Petter Solberg

- Adventure
- Energy
- Excitement
- Winner instinct
- Ultimate gearhead experience

PETTER SOLBERG WORLD RX TEAM

- KAPS
  - Innovative collaboration between PSRX and Kongsberg Automotive

- TEAMWORK & ACCOUNTABILITY
  - There's no "I" in Team
- PASSION
  - Always give 110%
- Goal
  - The first ever professional World Champion in 2 different motor sports

PSRX

PETTER SOLBERG WORLD RX TEAM

KAPS

TRAINEEPROGRAM

- RALLYCROSSRX
  - The world's fasted growing motor sport


TOTAL

Summary: KA - 2015 and beyond

CEO Hans Peter Havdal

Short term…
Confirm our 2015 targets

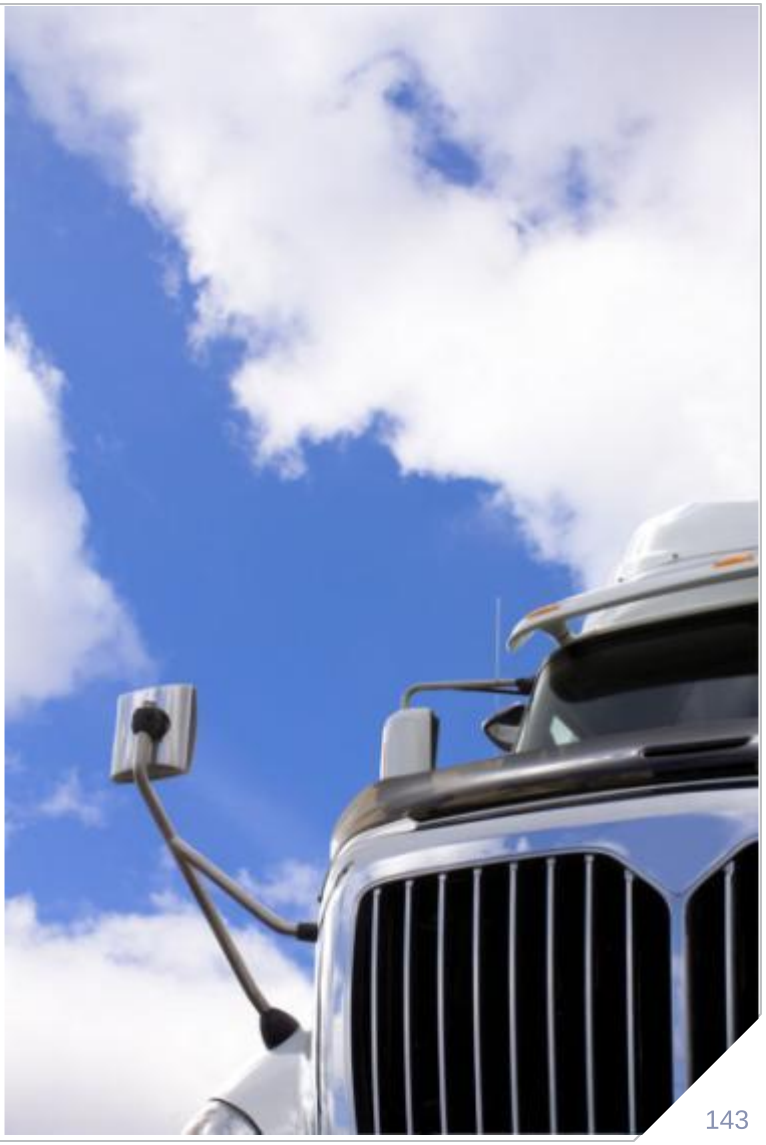
	Group
Revenue	Selective growth focus
Margin	Gradually improving margin
ROCE	> 15% by 2015
NIBD/EBITDA	< 2x by 2015

KONGSBERG AUTOMOTIVE

Support globalization of OEMs

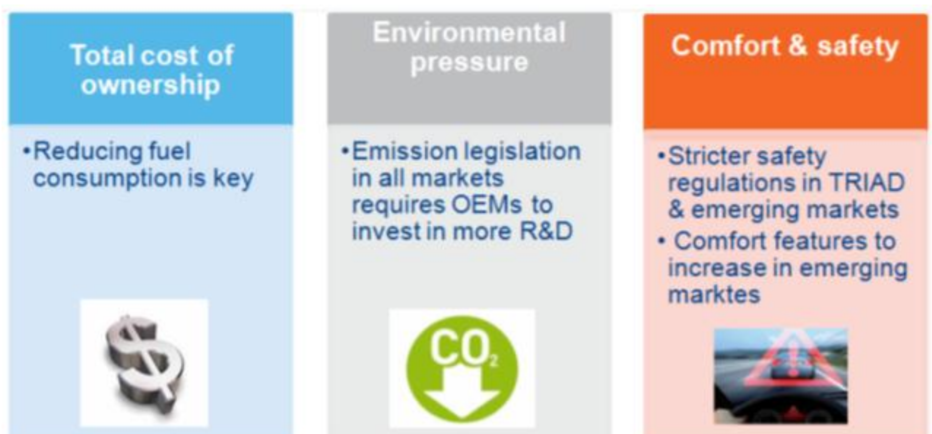
- **The industry is shaped by**
  - the rise of developing markets
  - globalization of vehicle platforms

- **KA has the global capabilities to supply the passenger- and commercial vehicle industries from its worldwide locations**



KA an innovative technology partner for global OEMs

- KA providing SBW solutions to both the Automotive and Truck OEMs
- Building critical mass within electronics, established CoEs and investing in R&D
- Providing leading safety and comfort features within our segments
- Developing strong global teams



THANK YOU FOR YOUR ATTENTION

QUESTIONS & ANSWERS