

# KONGSBERG AUTOMOTIVE

Third Quarter 2012



## Group highlights for the third quarter

### REVENUES

- ▶ Revenues of EUR 239.0 million, including positive currency effect of EUR 15.5 million
- ▶ Market outlook for Q4 indicates a revenue level of ca. EUR 245 million

### PROFITABILITY

- ▶ EBITDA of EUR 14.8 million, including restructuring cost of EUR 5.2 million
- ▶ Driveline, adjusted for restructuring costs, delivered an EBITDA margin of 4.2 % demonstrating an underlying margin improvement
- ▶ Commercial vehicle segment continued to deliver strong margins despite weak EU sales

### MARKET

- ▶ Continued to experience a positive North American market, offset by a slow European market

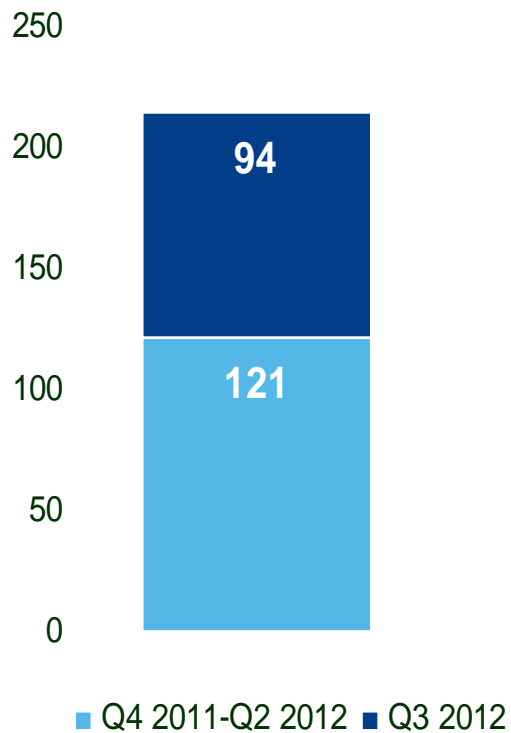
### OPERATIONS

- ▶ Completed closure of the operations in the facility in Dassel, Germany
- ▶ High level of business wins, EUR 94 million of annual sales won in the quarter

## New business wins last 4 quarters

### New business wins

EUR Million



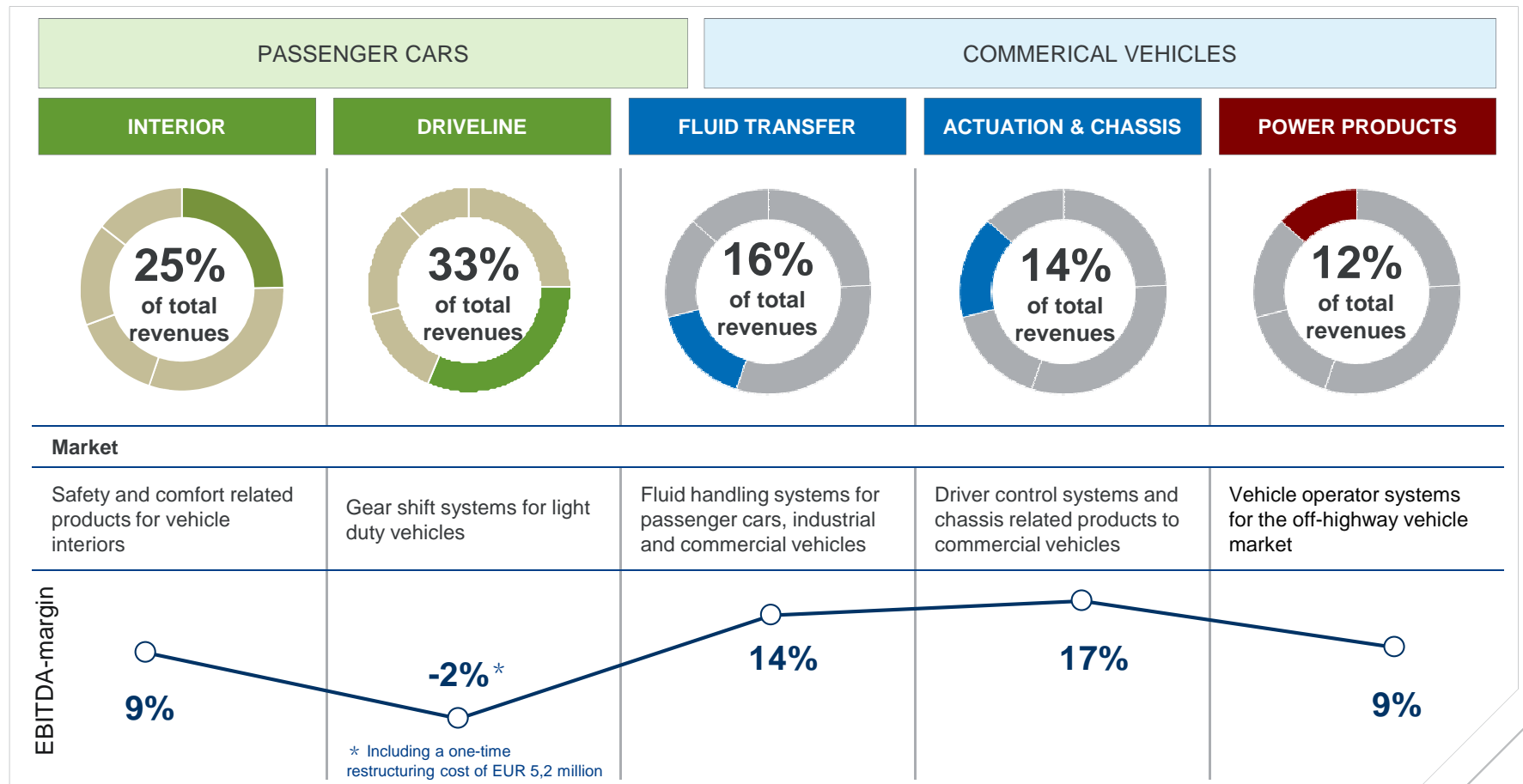
- ▶ High level of quarterly business wins of MEUR 94 per annum, confirms good order intake trend
- ▶ KA needs to secure business wins in the area of 15 % of annual revenue to compensate for expiring programs





**Hans Peter Havdal**  
**OPERATIONAL REVIEW**

## Q3 2012: Business area overview



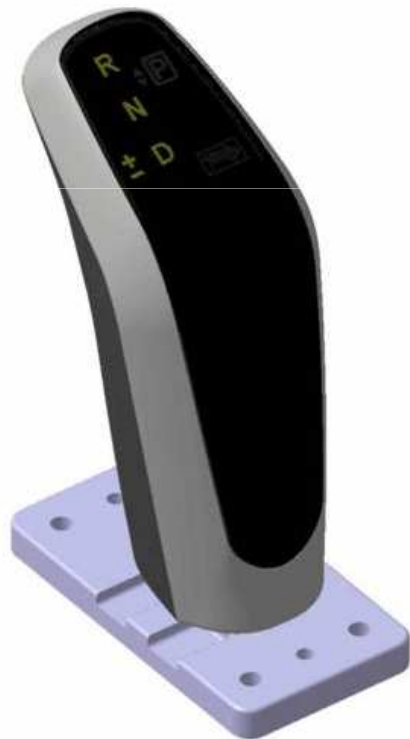
## Highlights and performance

- ▶ **Operational update**
  - On-going fixed cost reduction initiative is inline with the plan
  - All operations closed in Germany and final head count to be phased out in Q4-2012
  - Improved commercial terms reached with one out of three target customers. Agreements expected to be reached for the other two in Q4-2012
  - These initiatives will gradually improve the underlying profitability of the business area during Q4-2012
  
- ▶ **Market & Trends**
  - The US market is still going strong with a 12.4% YoY growth in Q3
  - EU market continue to be weak, -7.6% YoY
  - New launches in Q3 of European and Asian programs will strengthen business ahead:
    - Automatic Shifter to Jaguar Land Rover with a full year volume of 37.000 vehicles



DRIVELINE

## New contract- value EUR 181 million



- ▶ Contracts within Driveline core segments: Automatic gear shifters and shift by wire systems
- ▶ 6 different car models on a new platform in the period between 2015 and 2024
- ▶ C, D, E segment premium cars in Europe, North America and Asia
- ▶ Production from KA in Mullsjö, Sweden, likely expanded to Asia

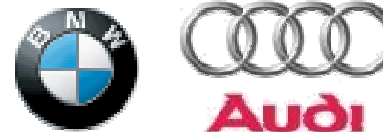
## Highlights and performance

### ► Operational update

- Q3 highlight was Interior segment's most significant contract, worth EUR 287 million (NOK 2.150 million) with a European OEM for the supply of seat comfort products to a total of 6 different car models on a new platform between 2015 and 2024
- Future business opportunities expected from a Supplier Day held at a North American OEM, with 300 of the company's top engineering and purchasing personnel in attendance

### ► Market & trends

- Benefited from good North American market
- Less exposure to southern EU OEMs
- Significant exposure to German premium OEMs:





INTERIOR

## New Contract – value EUR 287 million



- ▶ Seat comfort products: fixed, adjustable pneumatic lumbar support systems, seat heating, seat cooling ventilation.
- ▶ European OEM
- ▶ Same platforms as Driveline contract: 6 different car models on a new platform between 2015 and 2024
- ▶ SOP: H2 2014 at Pruszkow, Poland

**ACTUATION & CHASSIS**

## Highlights and performance

- ▶ **Operational update**
  - Initiated serial production in North America of clutch actuation system in KA plant in Easley, South Carolina
  - Volvo presented its new FH truck model at the IAA motor show with many KA products
  - Good aftermarket sale during the third quarter
  - High R&D activity level due to strong customer interest
  
- ▶ **Market & Trends**
  - Underlying demand declining in Europe due to economic uncertainty
  - Brazilian market is significantly down, but recovery is expected by 2013
  - North American market remains strong, and will start to benefit this business area from late 2012 due to new product launches



FLUID TRANSFER

## Highlights and performance

- ▶ **Operational update**
  - Moved production from Pickens facility to Easley facility in order to expand capacity and allow for future growth
- ▶ **Market & trends**
  - The North American market remained strong for both automotive and commercial vehicle segments
  - European market remains weak as expected
  - Continue to win new contracts strengthening our position as an expert niche supplier



**POWER PRODUCTS**

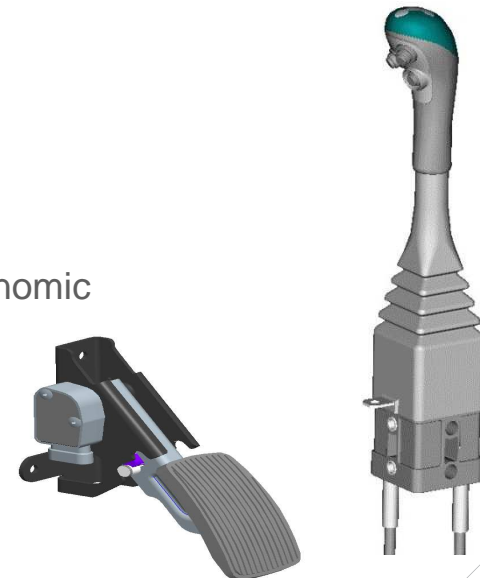
## Highlights and performance

▶ **Operational update**

- The transfer of production from Italy to Hungary is in the final phase and has been accomplished YTD with minimal negative financial impacts due to good cost controls and execution.

▶ **Market & trends**

- New product launches continue to provide revenue growth particularly for the electronic Tier 4 emission standards
- Order trend will continue to closely coincide with general economic conditions
- Weak European market offset by stronger North American market



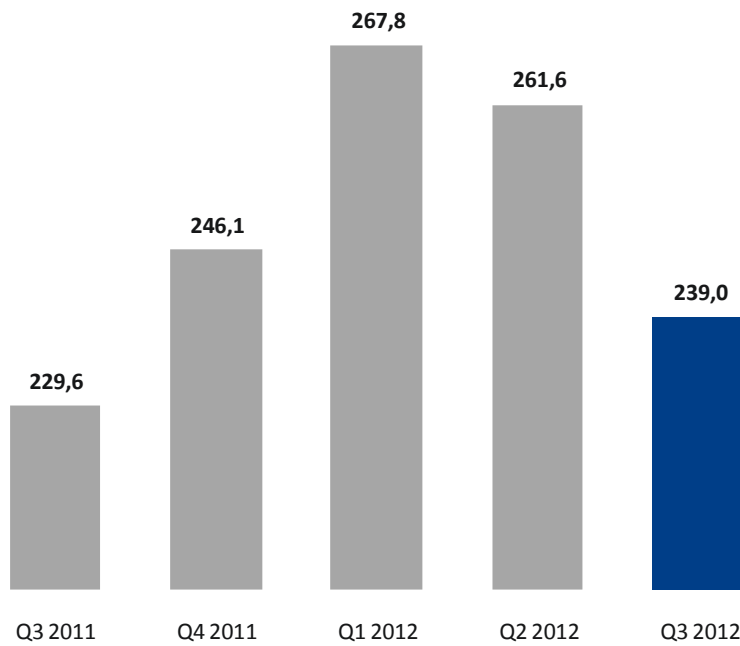




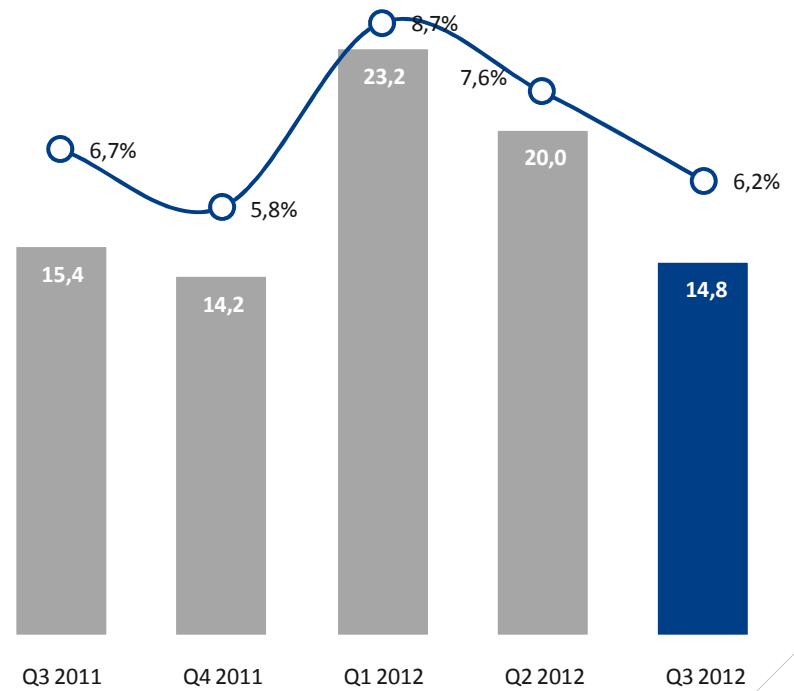
**Trond Stabekk**  
**FINANCIAL UPDATE**

## Revenue and EBITDA

Revenues  
EUR Million

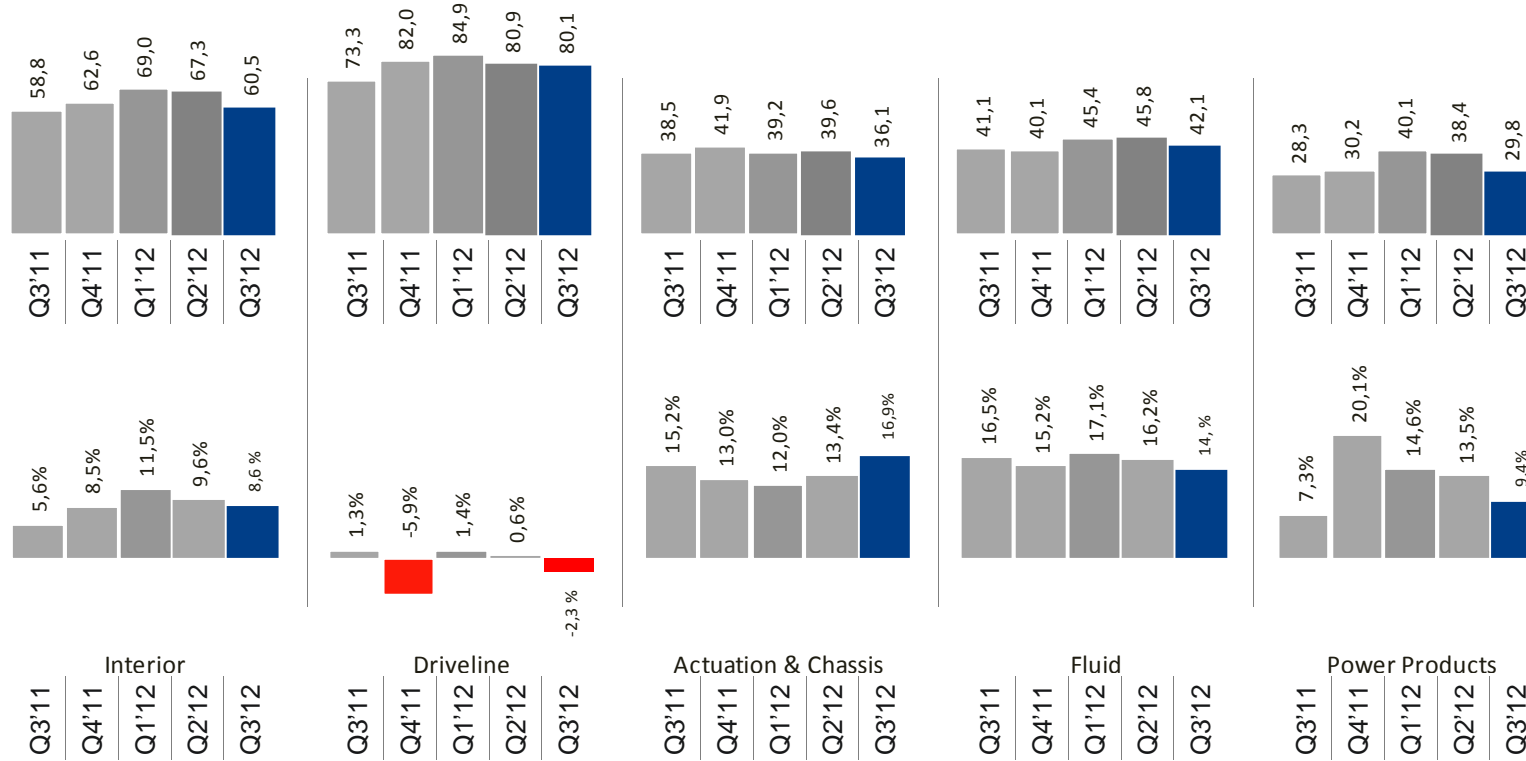


EBITDA and EBITDA Margin  
EUR Million and percent



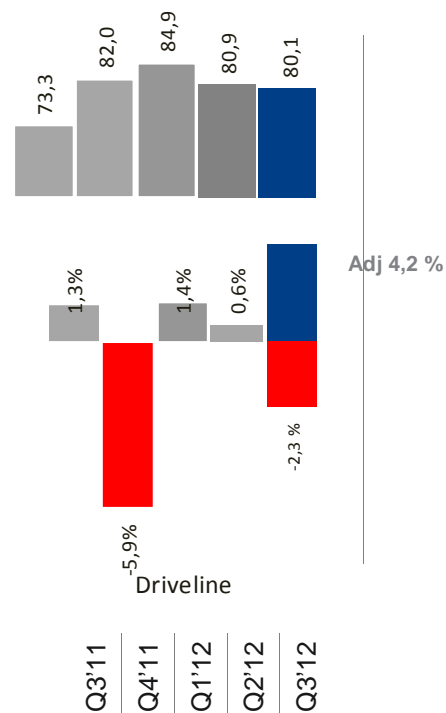
# Segment financials 3rd quarter

Revenues and EBITDA margin  
EUR Million and percent



# Driveline profitability

Revenues and EBITDA margin  
EUR Million and percent



- Adj for restructuring cost the underlying EBITDA margin improved from 1.3 % to 4.2 %
- First wave of effects from implemented improvement actions
- Dassel operations closed

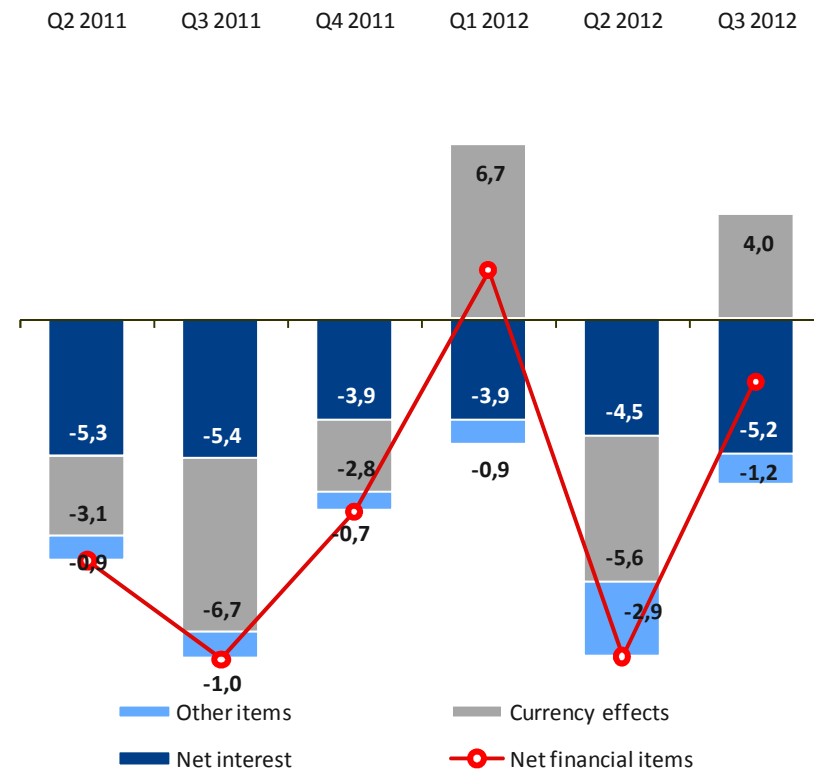


## Consolidated income statement

EUR Million	Quarters					Twelve months ending	
	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	30.09.2012	30.06.2012
<b>Revenues</b>	<b>239.0</b>	<b>261.6</b>	<b>267.8</b>	<b>246.1</b>	<b>229.6</b>	<b>1,014.5</b>	<b>1,005.1</b>
OPEX	(224.2)	(241.6)	(244.6)	(231.9)	(214.3)	(942.3)	(932.4)
<b>EBITDA</b>	<b>14.8</b>	<b>20.0</b>	<b>23.2</b>	<b>14.2</b>	<b>15.4</b>	<b>72.2</b>	<b>72.8</b>
EBITDA (%)	6.2%	7.6%	8.7%	5.8%	6.7%	7.1%	7.2%
D&A	(11.5)	(13.3)	(10.4)	(12.5)	(10.3)	(47.7)	(46.5)
<b>EBIT</b>	<b>3.4</b>	<b>6.7</b>	<b>12.8</b>	<b>1.7</b>	<b>5.0</b>	<b>24.5</b>	<b>26.5</b>
EBIT (%)	1.4%	2.6%	4.8%	0.7%	2.2%	2.4%	2.6%
Financial items	(2.4)	(13.0)	1.9	(7.4)	(13.1)	(20.9)	(31.6)
<b>PBT</b>	<b>1.0</b>	<b>(6.3)</b>	<b>14.7</b>	<b>(5.7)</b>	<b>(8.0)</b>	<b>3.7</b>	<b>(5.3)</b>
Tax	(0.2)	1.6	(3.8)	2.9	2.4	0.5	3.1
<b>Net profit</b>	<b>0.8</b>	<b>(4.6)</b>	<b>10.9</b>	<b>(2.8)</b>	<b>(5.6)</b>	<b>4.3</b>	<b>(2.1)</b>

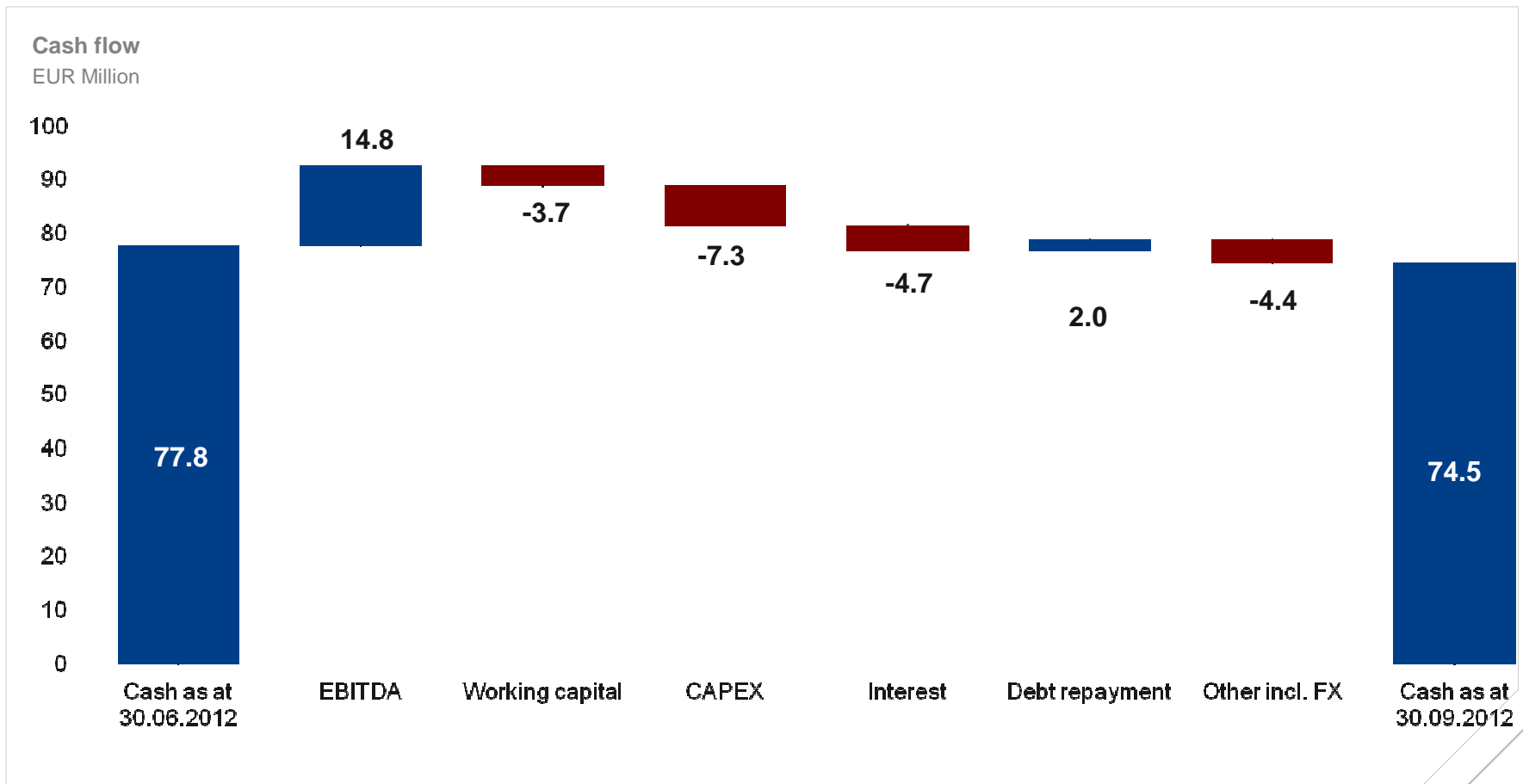
## Financial items

Net financial items  
EUR Million



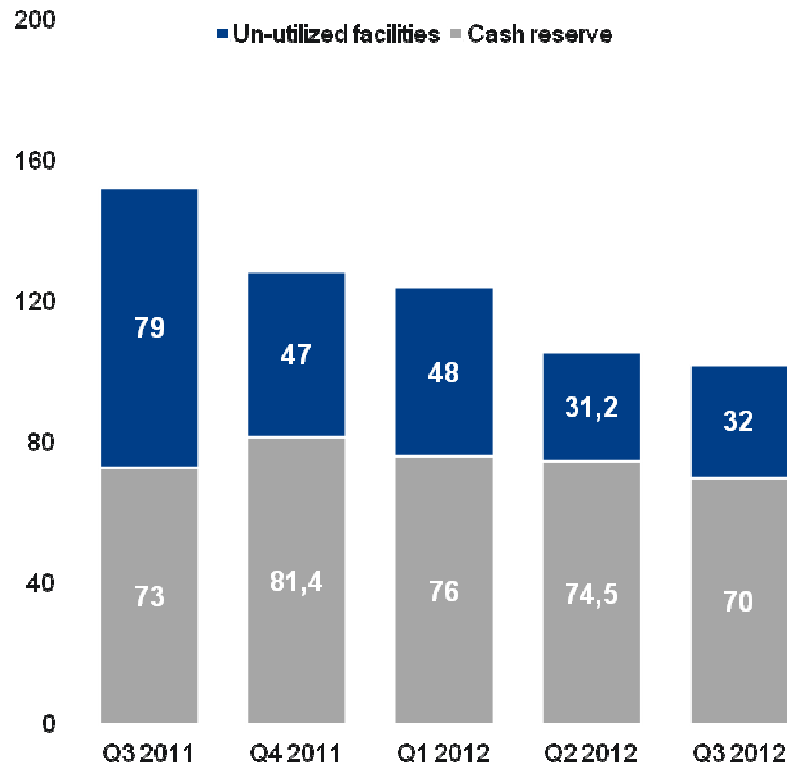
- ▶ First 9 months 2012 Net interest EUR 2.2 million lower compared to same period 2011
- ▶ FX effects contributing positively by EUR 4.0 million

## Cash flow development

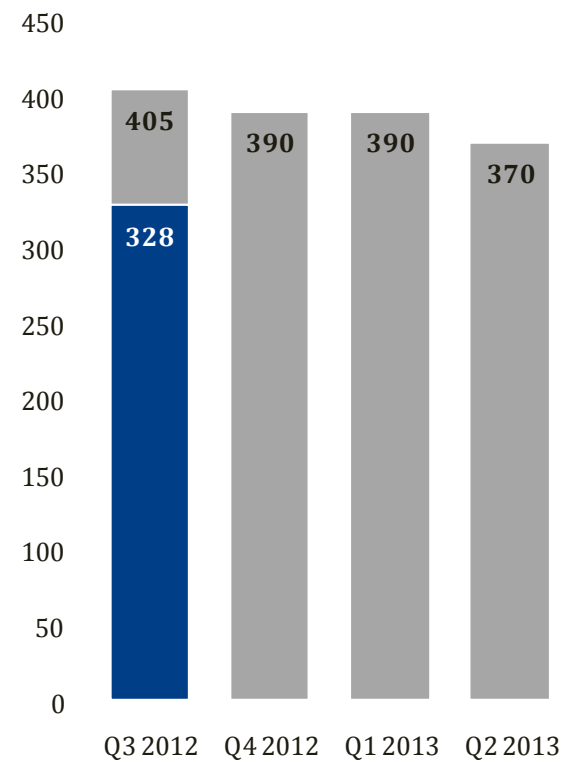


## Available funds and utilization

**Available funds**  
EUR Million



**Credit utilization**  
EUR Million



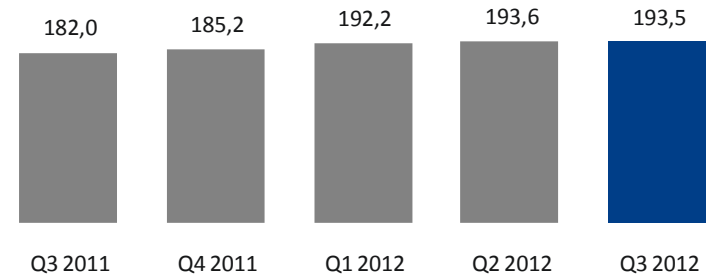


# Financial ratios

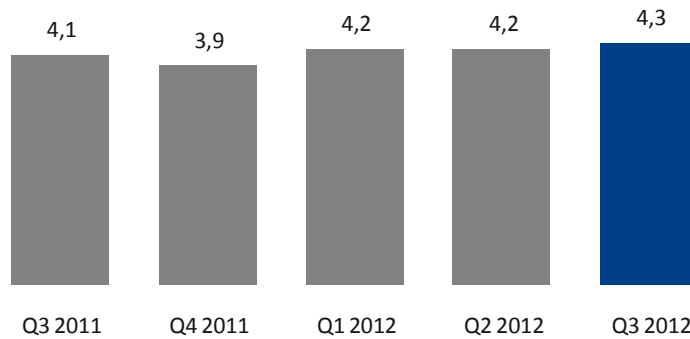
**NIBD**  
EUR Million



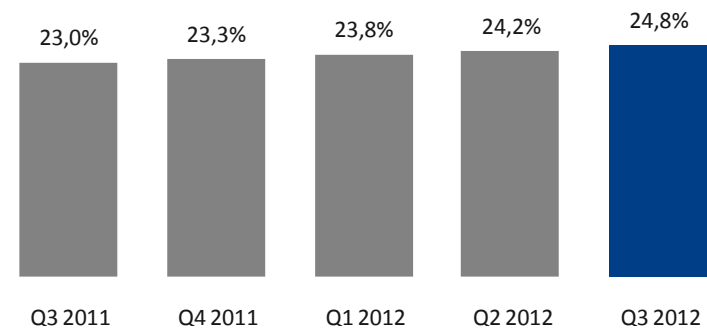
**Equity**  
EUR Million



**NIBD/EBITDA**  
Times



**Equity ratio**  
Percent





**Philippe Toth**  
**MARKET UPDATE**

## Production and revenue growth (YoY change)

North America	
CV production growth *	-0.5 %
LV production growth **	12.4 %
KA revenue growth***	7,9 %

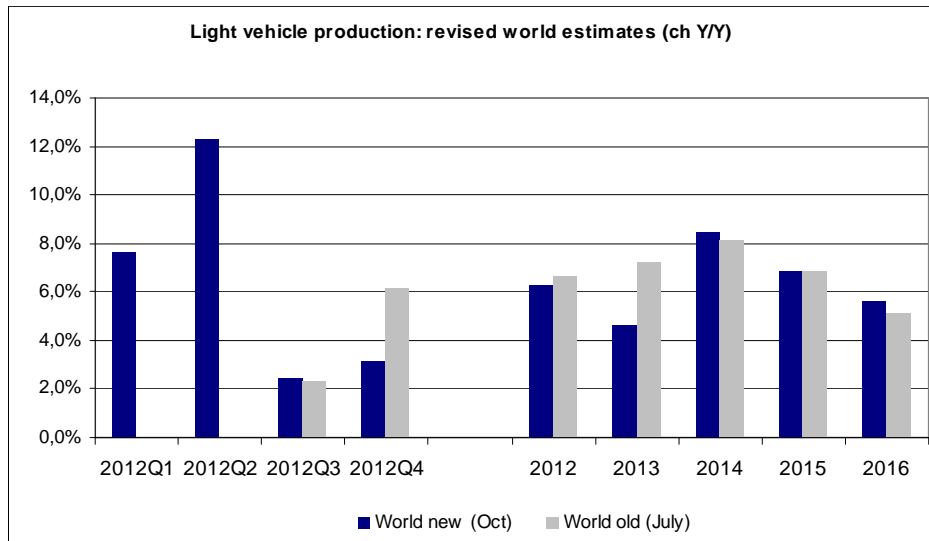
Europe	
CV production growth *	-9.5 %
LV production growth **	-7.6 %
KA revenue growth***	-11,2%

Worldwide	
CV production growth *	-2.7 %
LV production growth **	2,4 %
KA revenue growth***	-2.7 %

Asia	
CV production growth *	2.3 %
LV production growth **	4.6 %
KA revenue growth***	3,4%

\* CV: Commercial Vehicles (GVW>6t) estimates by LCM  
 \*\* LV: Light Vehicle (GVW<6t) estimates by LCM  
 \*\*\*: adjusted for currency effect

## Light vehicle production – 2012 forecast



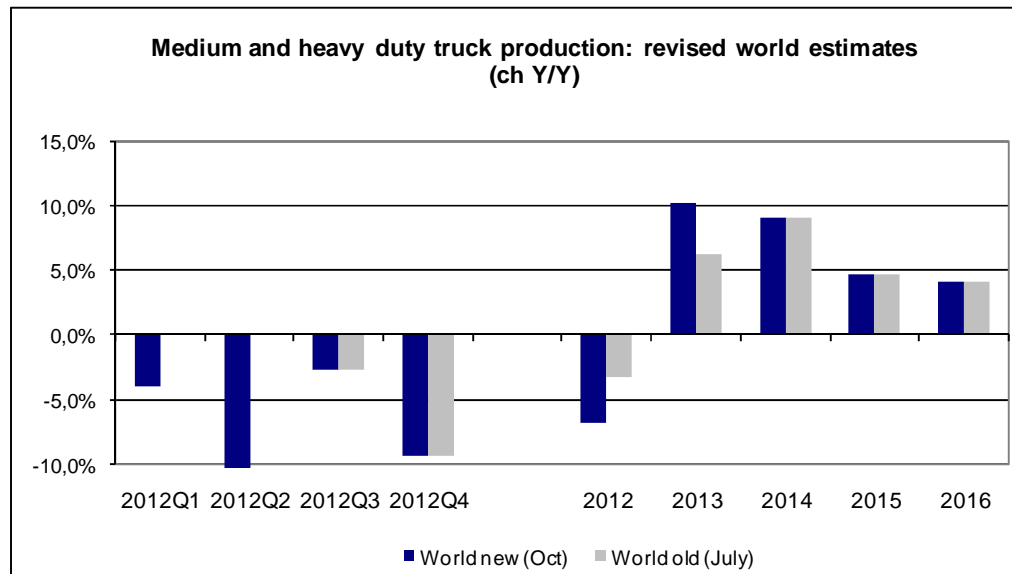
▶ **Total production**

- Total production revised down from 82 million to 81,7 millions vehicles in 2012 mainly due to the weak European and South American market

▶ **Production growth**

- The global production of light vehicles is expected to grow by 7 to 6 % in 2012
- In Europe, LV production in Q4 is expected to decline by 7.9%
- In all other regions, LV production in Q4 is expected to grow

## Commercial vehicle production – 2012 forecast



### ► Total production

- Total production of commercial vehicles is estimated to reach ca. 2.75 millions units in 2012.

### ► Production growth

- The commercial vehicle production is expected to slow down between 6 to 7 % in 2012
- CV production in Q4 is expected to decline in all regions
- The biggest drops would be seen in China and South America with a decline respectively by 10% and 25.6%





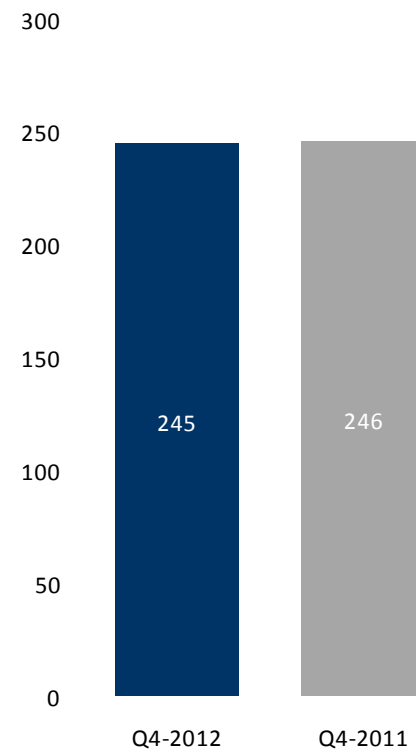
**Hans Peter Havdal**  
**SUMMARY AND OUTLOOK**



## Summary and outlook

### Company outlook for Q4 2012

EUR Million



- ▶ KA expects revenue of approx. EUR 245 million for Q4 2012
- ▶ Four out of five business areas are performing well
- ▶ Driveline is improving and remains the main focus

## Capital Markets Day, November 6

- ▶ **Venue**
  - At KA HQ in Kongsberg
- ▶ **Program**
  - Presentations by management
  - Lunch
  - Visit to R&D/Test center
  - Q&A session
- ▶ **Transportation**
  - Bus departs Vika Atrium at 0745h
  - Return to Vika Atrium by 1430h
- ▶ **Registration**
  - E-mail to [cmd@ka-group.com](mailto:cmd@ka-group.com) by Oct. 31.





**QUESTIONS & ANSWERS**



