



**KONGSBERG AUTOMOTIVE**  
Fourth Quarter 2012

# Group highlights for the fourth quarter

## REVENUES

- ▶ Revenue for the year amounted to EUR 1 billion, which is in line with the guidance
- ▶ Revenues of EUR 232.6 million in the fourth quarter
  - including a favourable currency effect of EUR 8,9 million
  - significant sales drop in December due to additional customer plant shutdowns

## PROFITABILITY

- ▶ Despite drop in volumes EBITDA in fourth quarter improved by EUR 4.8 million to EUR 19.0 million compared to fourth quarter 2011
- ▶ Fourth quarter cash flow from operations of EUR 36.3 million, EUR 17.3 million above EBITDA, due to positive net working capital development
- ▶ Commercial vehicle segment continue to deliver good margins despite market headwind

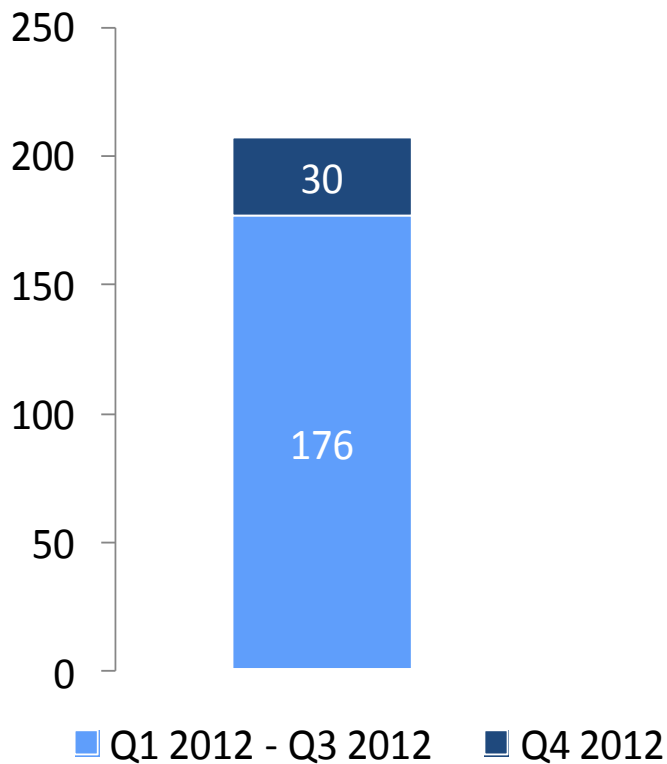
## MARKET

- ▶ Continue to experience a positive North American market, offset by a slow European market
- ▶ Revenues for 2013 are expected to be slightly lower than 2012. Revenues for 1st quarter are expected to be at approx EUR 245 million.

## New business wins last 4 quarters

### New business wins

EUR Million



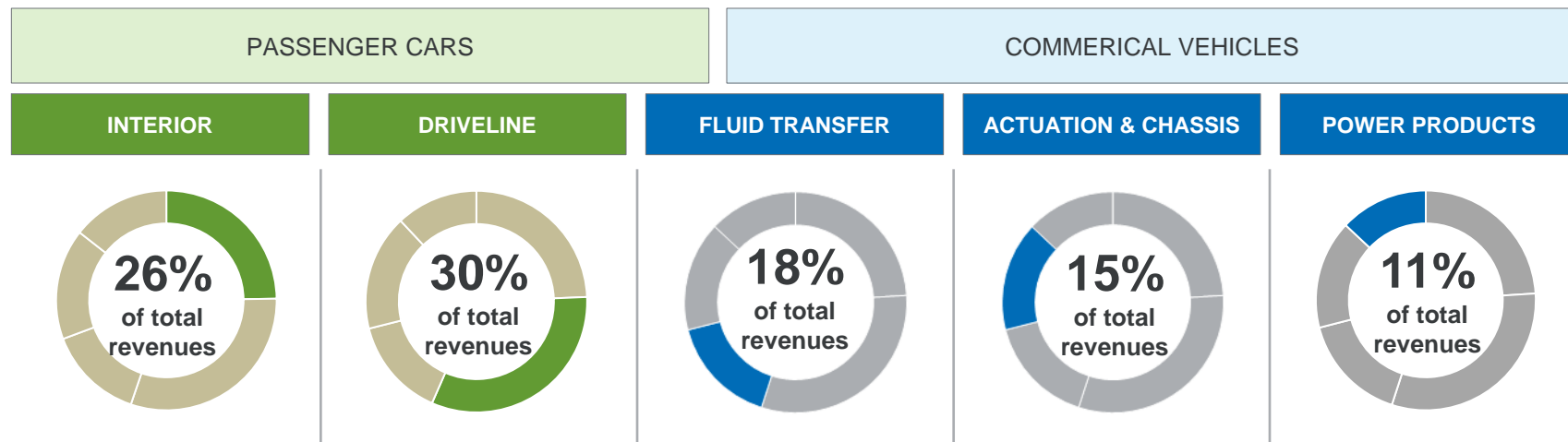
- ▶ EUR 30 million per annum of new business booked in Q4-2012 confirms good trend on order intake
- ▶ KA needs to secure business wins in the area of 15 % of annual revenue to compensate for programs running out





Hans Peter Havdal  
**Operational Review**

# Q4 2012: Business area overview



**Market**

Safety and comfort related products for vehicle interiors

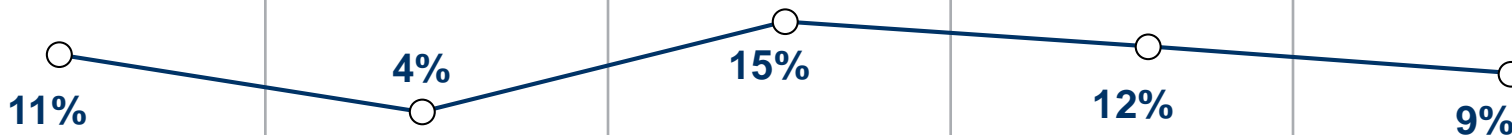
Gear shift systems for light duty vehicles

Fluid handling systems for passenger cars, industrial and commercial vehicles

Driver control systems and chassis related products to commercial vehicles

Vehicle operator systems for the off-highway vehicle market

EBITDA-margin



## Highlights and performance

### ► Operational update

- The focus in 2013 will be on further improving margins, and actions related to continuous capacity adjustment
- Our fixed cost reduction initiative in combination with improved pricing is helping to compensate for lower sales in southern EU
- Focus is now on optimizing and stabilizing our operations in Vrable, Slovakia, following the closure of our former German operations
- These initiatives will continue to improve the underlying profitability of the business area during 2013

### ► Market & Trends

- The US market shows continued strong growth with a 8,5% YoY increase
- The drop in revenues was mainly due to a general decline in sales in the European market (-10,1% YoY) and customers reducing inventories in December



## Highlights and performance

### ▶ Operational update

- Significant progress in the Russian car market by winning a seat heat contract worth EUR 16M with delivery between 2013 and 2021.
- Interior has in addition won multiple contracts to deliver seat comfort products to a European premium brand.



### ▶ Market & trends

- Benefited from good North American market
- Less exposure to southern EU OEMs
- Further growth opportunities in Russia



## Highlights and performance

### ▶ Operational update

- A new contract with a leading Indian manufacturer of Commercial Vehicles with start of production in Q1 2013, represents a breakthrough for KA in this important growth market
- High rate of new business wins in fourth quarter, especially in emerging markets
- High R&D activity level due to strong customer interests in A&C product offering and introduction of EURO VI emission standard in Europe
- Higher aftermarket sale in 2012 than 2011

### ▶ Market & Trends

- Underlying demand is still soft in Europe due to economic uncertainty.
- The Chinese truck production slowed down reflecting reduced GDP growth
- North American market remains strong and will show an increasing impact to this area based on new contracts





## Highlights and performance

### ► Operational update

- Most successful year for new business wins, total awarded life time value EUR 108M in 2012
- Launch of a global program for Ford Focus of brake vacuum assemblies from our plants in Epila (Spain), Wuxi (China) and Nuevo Laredo (Mexico)

### ► Market & trends

- Weak European market, partially offset by higher automotive sales volumes in North America
- Continue to win new contracts strengthening our position as an expert niche supplier

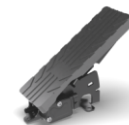


**POWER PRODUCTS**

## Highlights and performance

### ► Operational update

- Kongsberg Automotive Electronic Center of Excellence has been launched in the Grand Mere (Canada) facility. Electronic content is found in about 30% of all KA
- A new shifter launched in the fourth quarter for a global construction vehicle manufacturer
- Steering column products are launched in China to support key customer globalization- and localization projects there



### ► Market & trends

- A poor summer has negatively impacted the Lawn and Garden market as well as Agricultural product sales in North America
- European economic turbulence has caused construction vehicle production to slow

# New, focused 4 Business Area structure up and running

## -A&C and PPS combined to Driver Control Systems from Jan. 1, 2013

### Commercial Vehicle focus

Build more balanced business portfolio for KA

Comprehensive man-to-machine interface portfolio in Driver Control Systems

### Tapping into more CV synergies

Share similar markets,

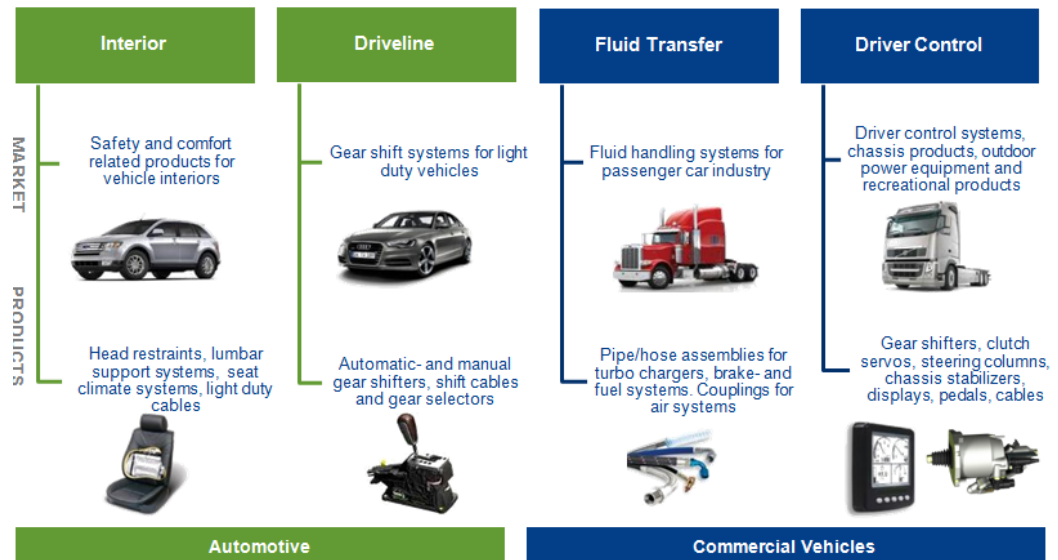
Complementary competencies

Utilizing global resources and footprint

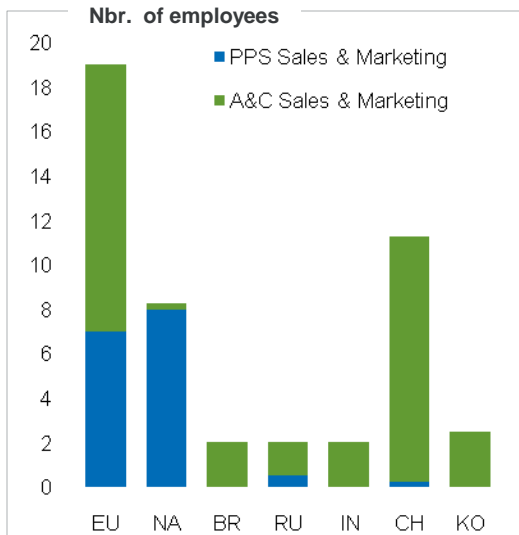
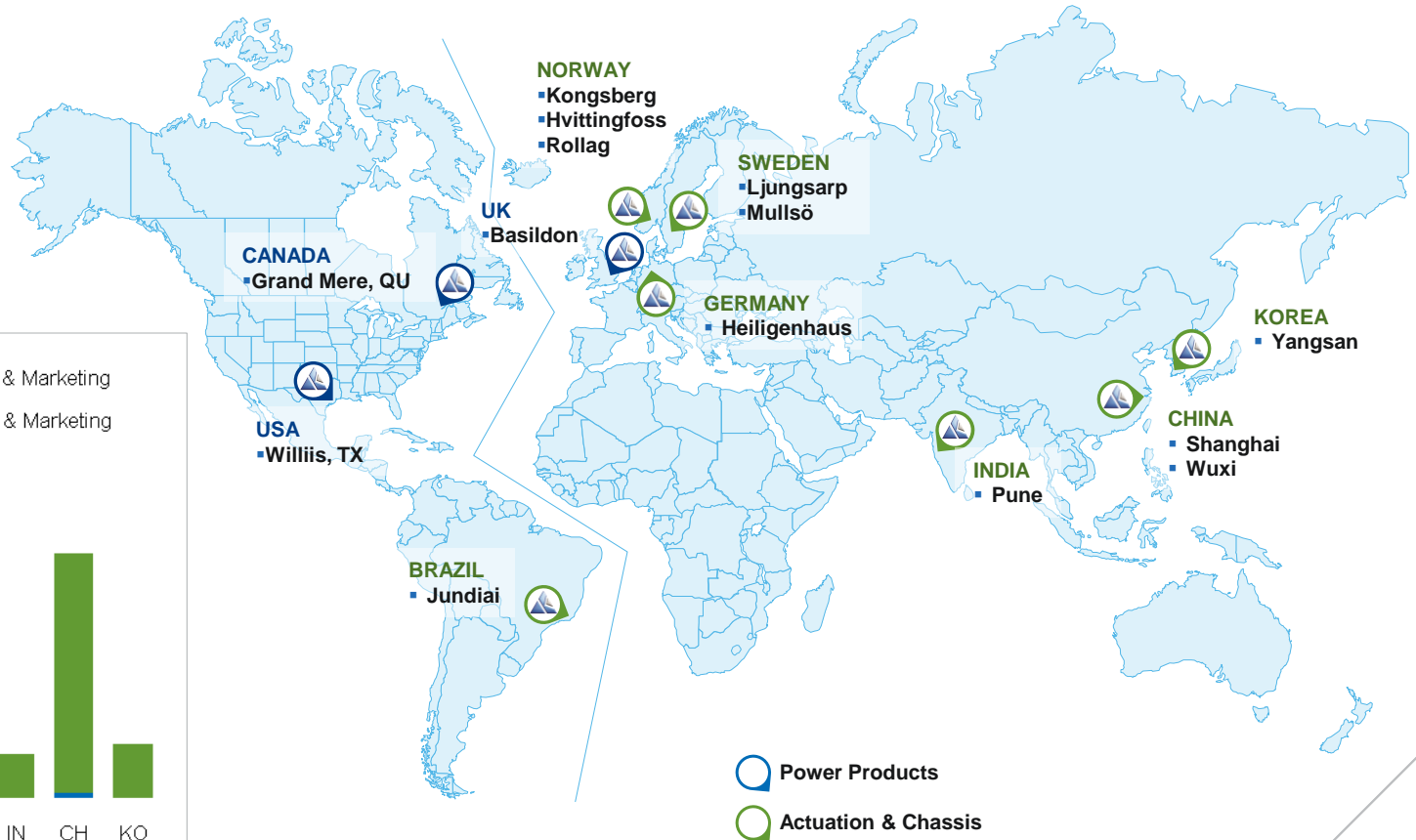
### Organization and people in place

Regional focus, in place from Jan 1. 2013

Energized and ready to create results and drive innovation



# DCS leveraging a combined Sales & Marketing network





Hans Peter Havdal

# BRIC COUNTRIES

## BRIC business and new opportunities

- ▶ **Recent contracts in Brazil, Russia, India, China**
  - Totalling EUR 83 million (avg. durations of 5.5 yrs)
  - Across CV and PV segments for domestic and global brands and with localized production
  - Leveraging European technology and quality as a base for expansion in key growth markets
- ▶ **Increased ownership in our JV with Dongfeng in China**
  - Acquired additional 24% stake bringing total to 75%
  - Opportunity for further growth in Asia as a supplier to Chinese truck makers
- ▶ **BRIC countries of growing importance ahead**
  - Approx. 8-10% revenues\* in 2013

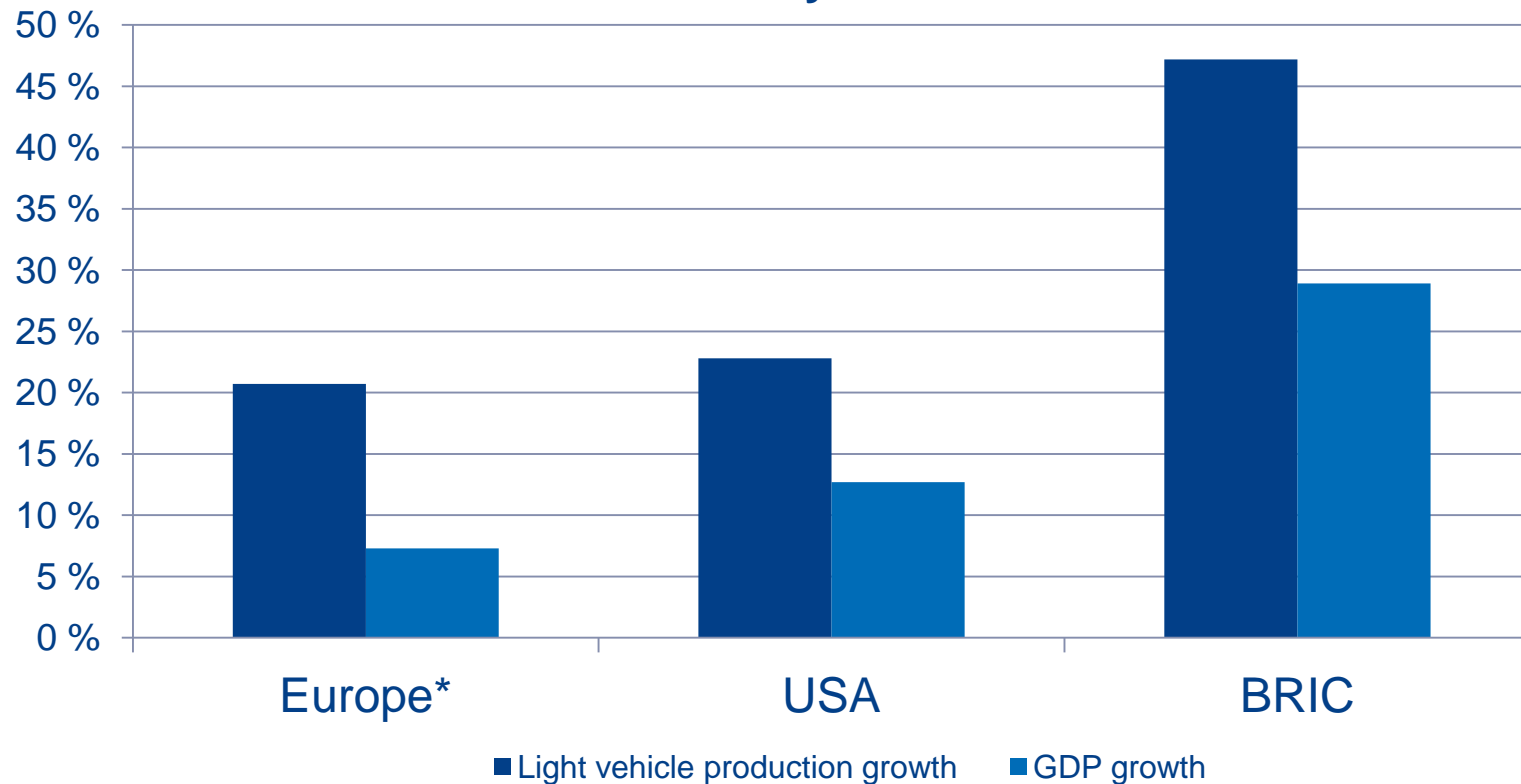


# KA has an established BRIC footprint





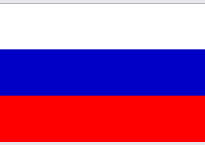





# BRIC growth outpacing established markets

**Growth summary 2012-2017**





## Overview of recent BRIC contracts for KA

Country	Segment	BA	Content	Customer	Life time value EUR million	Planned SOP
		DCS	Cabin stabilizers, clutch actuation, gearshift systems	Global brand	23	2013
		Interior	Seat heat technology	Domestic brand	16	2013
		DCS	Cable gear shift systems for manual transmissions	Domestic brand	23	2013
		Driveline	Gear shift systems for automated transmissions	Domestic brand, Geely	21	2014

## BRIC market developments – Volvo & Dongfeng CV

### Volvo acquiring 45% share in Dongfeng Commercial Vehicle

- ▶ **KA has strong & long ties with Volvo**
  - An exciting commercial opportunity.
    - KA's business with Renault VI increased when it was acquired by Volvo
- ▶ **KA has a strong China footprint**
  - SKADFM JV with Dongfeng delivering to Chinese Dongfeng trucks
  - Facilities in Wuxi (near Shanghai) delivering to the CV market
- ▶ **KA brings new technology to China**
  - European technology is attractive for Chinese producers with export ambitions, such as Dongfeng



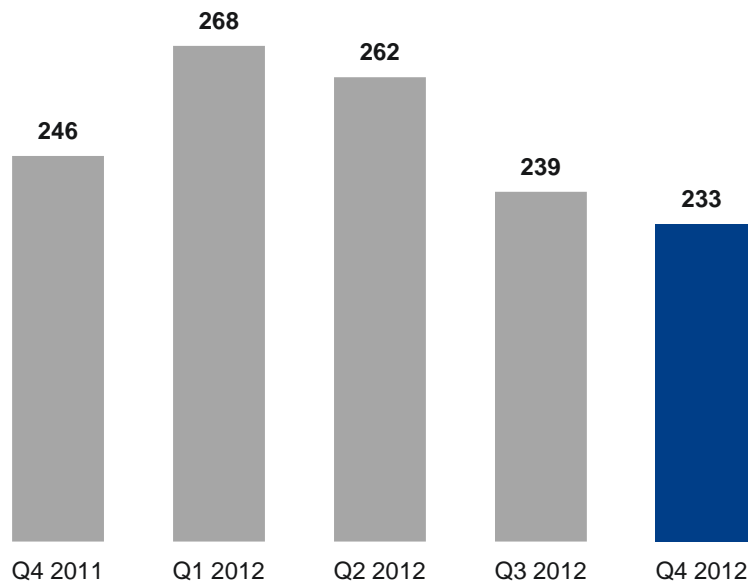
**KA's Commercial Vehicles focus provides growth opportunities with the existing portfolio and customer relations**



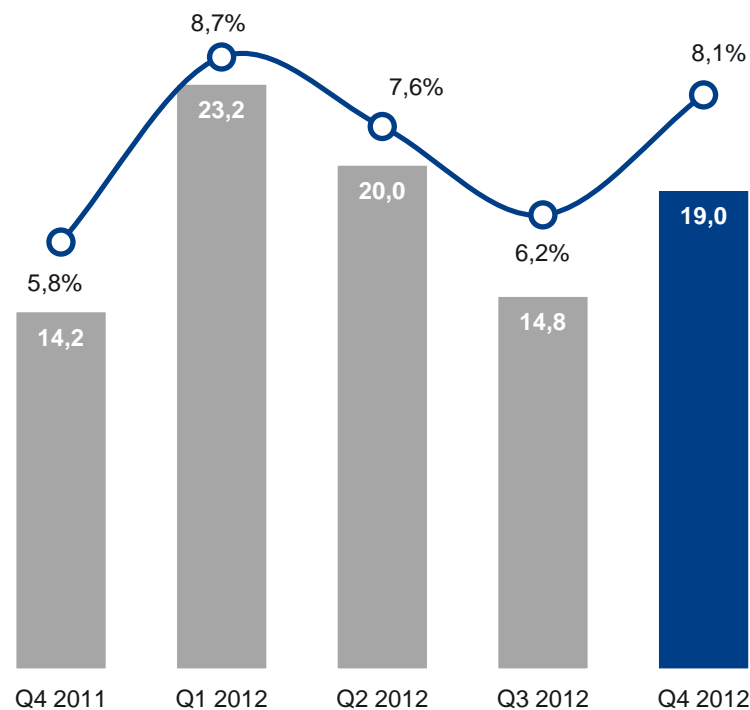
Trond Stabekk  
**Financial Update**

# Revenue and EBITDA

**Revenues**  
EUR Million

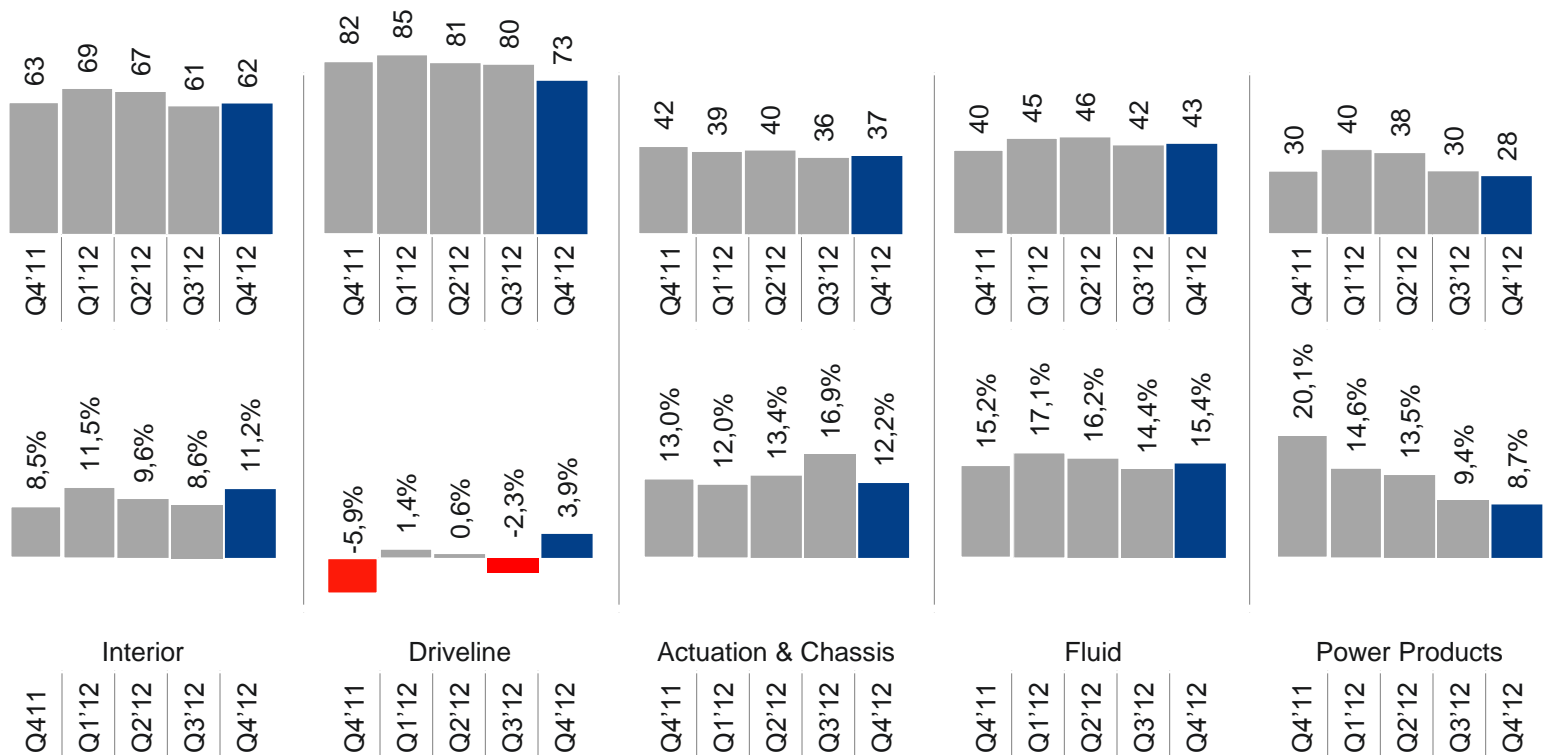


**EBITDA and EBITDA Margin**  
EUR Million and percent



# Segment financials 4th quarter

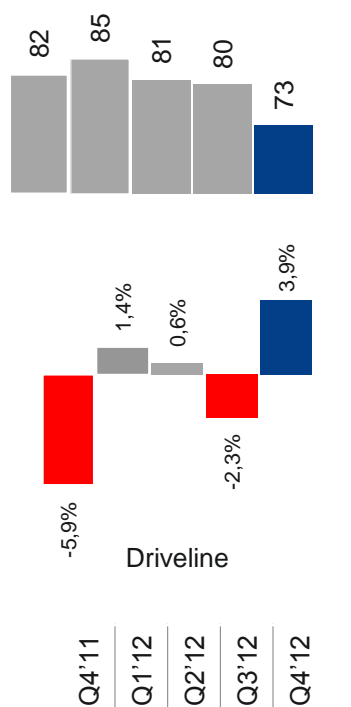
Revenues and EBITDA margin  
EUR Million and percent



## Driveline profitability

### Revenues and EBITDA margin

EUR Million and percent



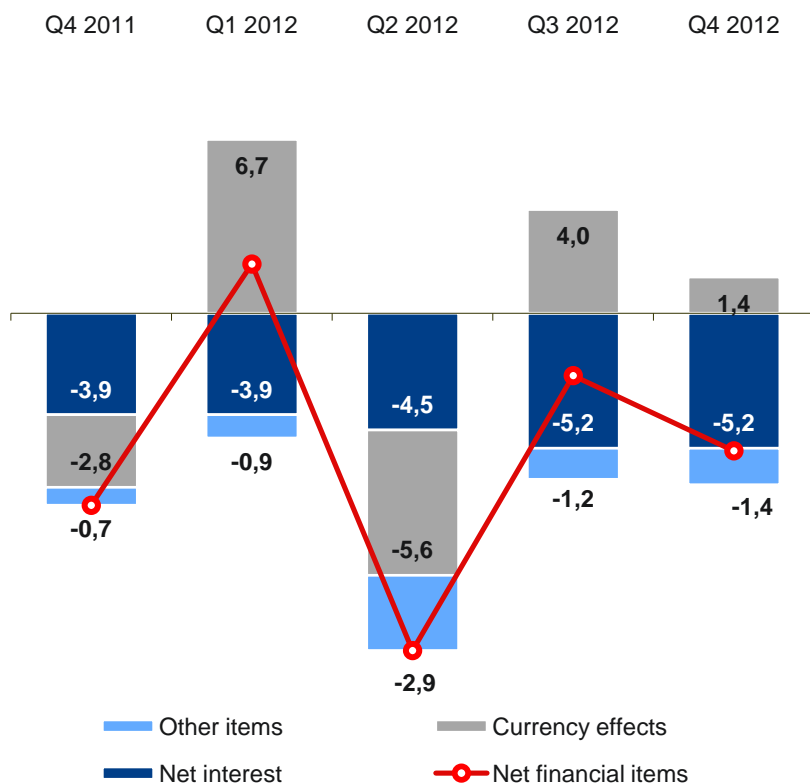
- ▶ The underlying margin improved despite low volumes in particular in December
- ▶ Continue to see improvement of implemented actions
- ▶ Dassel operations closed
- ▶ Settlement with customers on commercial discussions

## Consolidated income statement

EUR Million	Quarters					Twelve months ending	
	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	31.12.2012	30.09.2012
<b>Revenues</b>	<b>232.6</b>	<b>239.0</b>	<b>261.6</b>	<b>267.8</b>	<b>246.1</b>	<b>1,000.1</b>	<b>1,014.5</b>
OPEX	(213.6)	(224.2)	(241.6)	(244.6)	(231.9)	(924.1)	(942.3)
<b>EBITDA</b>	<b>19.0</b>	<b>14.8</b>	<b>20.0</b>	<b>23.2</b>	<b>14.2</b>	<b>77.0</b>	<b>72.2</b>
EBITDA (%)	8.1%	6.2%	7.6%	8.7%	5.8%	7.7%	7.1%
D&A	(11.2)	(11.5)	(13.3)	(10.4)	(12.5)	(46.3)	(47.7)
<b>EBIT</b>	<b>7.8</b>	<b>3.4</b>	<b>6.7</b>	<b>12.8</b>	<b>1.7</b>	<b>30.7</b>	<b>24.5</b>
EBIT (%)	3.3%	1.4%	2.6%	4.8%	0.7%	3.1%	2.4%
Financial items	(5.3)	(2.4)	(13.0)	1.9	(7.4)	(18.7)	(20.9)
<b>PBT</b>	<b>2.5</b>	<b>1.0</b>	<b>(6.3)</b>	<b>14.7</b>	<b>(5.7)</b>	<b>11.9</b>	<b>3.7</b>
Tax	(4.2)	(0.2)	1.6	(3.8)	2.9	(6.6)	0.5
<b>Net profit</b>	<b>(1.7)</b>	<b>0.8</b>	<b>(4.6)</b>	<b>10.9</b>	<b>(2.8)</b>	<b>5.3</b>	<b>4.3</b>

# Financial items

Net financial items  
EUR Million

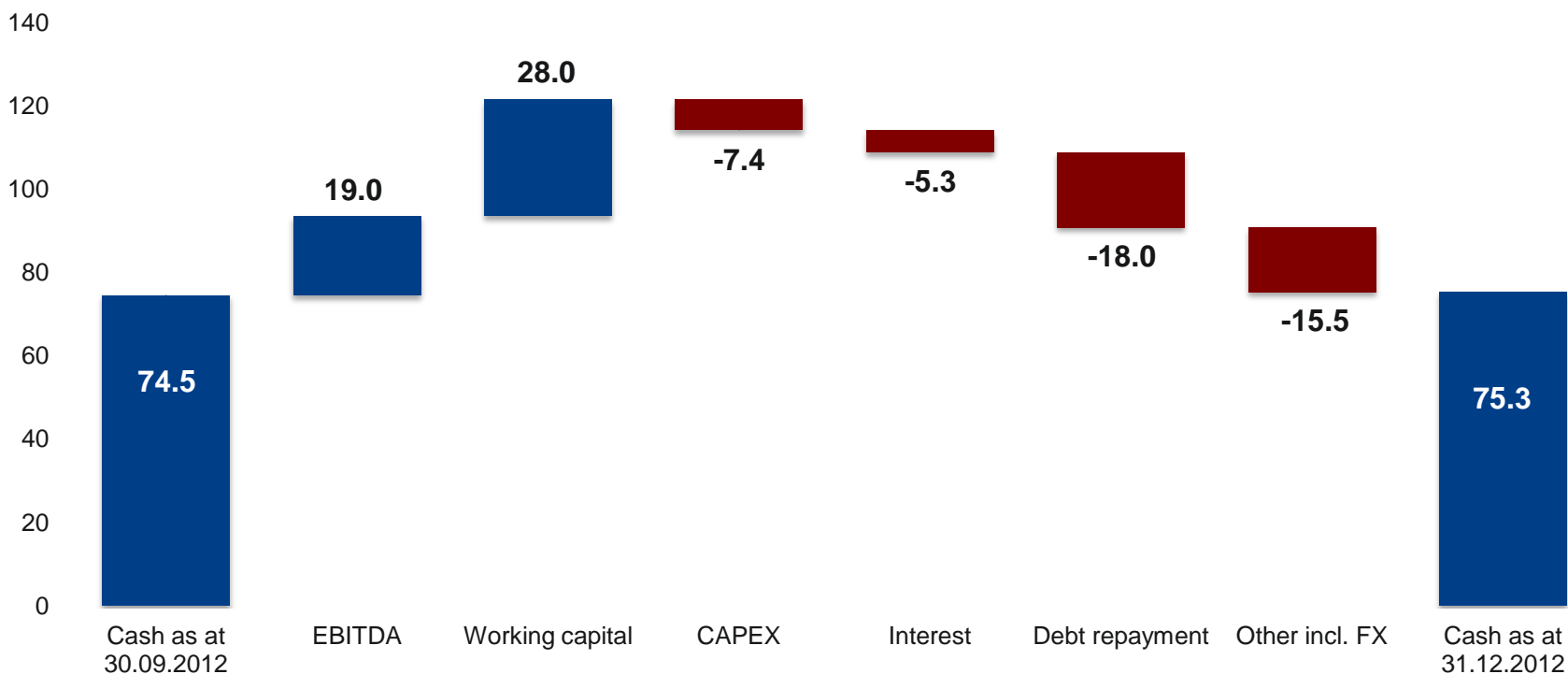


- ▶ 2012 Net interest EUR 2.4 million lower compared to 2011
- ▶ FX effects contributing positively by EUR 1.4 million



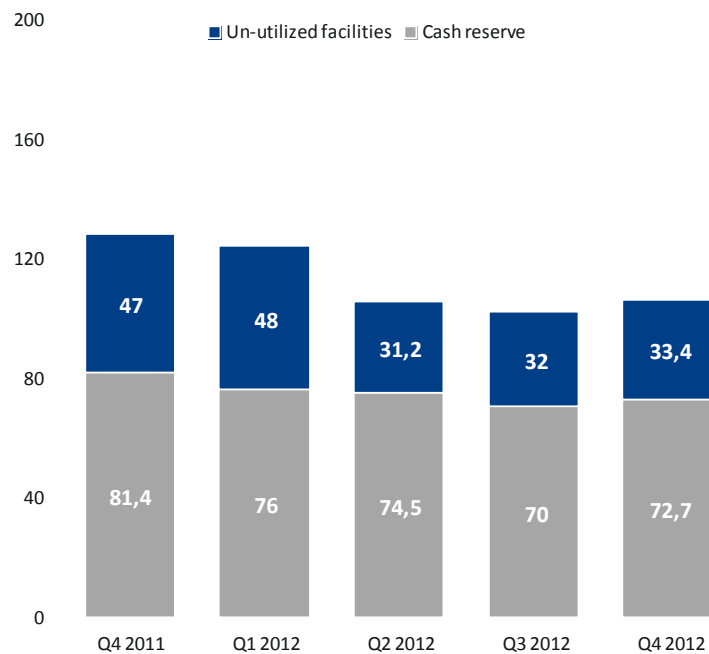
# Cash flow development

Cash flow  
EUR Million

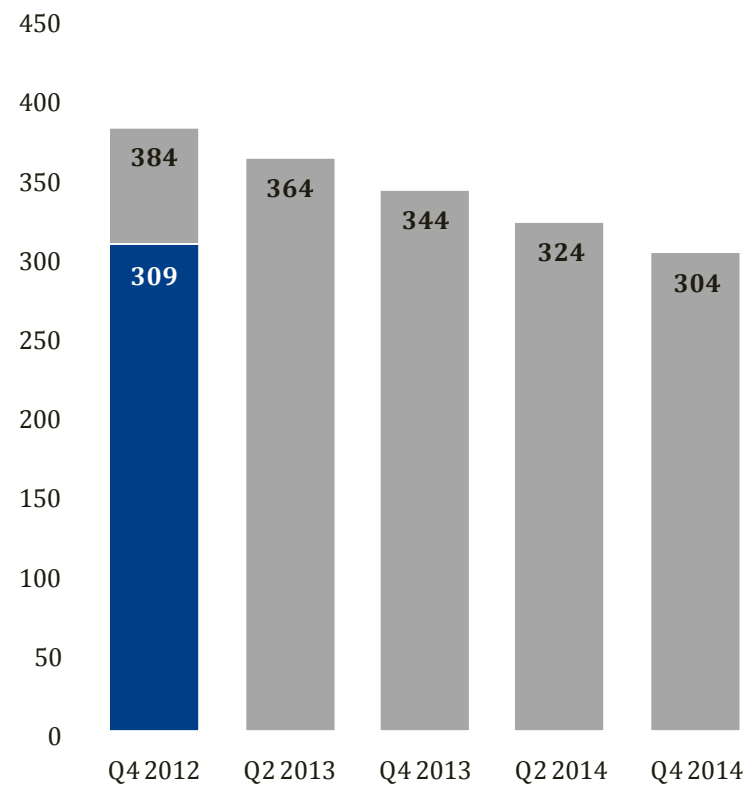


# Available funds and utilization

**Available funds**  
EUR Million

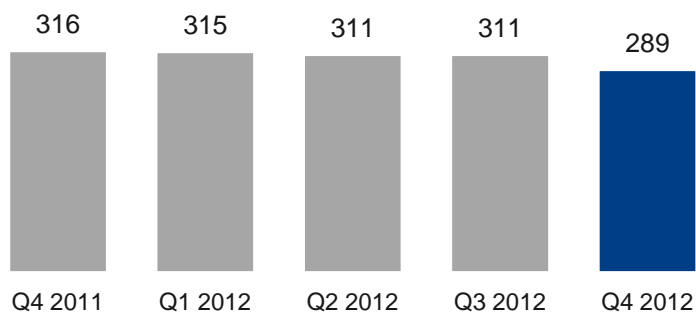


**Credit utilization**  
EUR Million

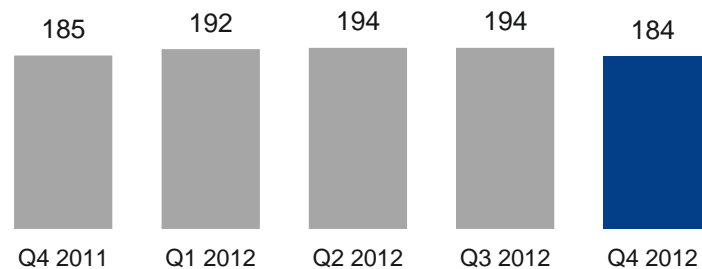


## Financial ratios

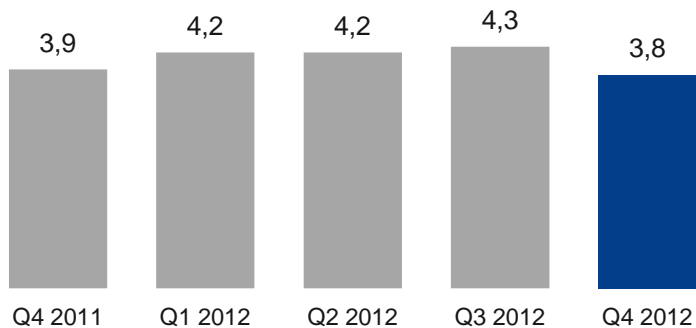
**NIBD**  
EUR Million



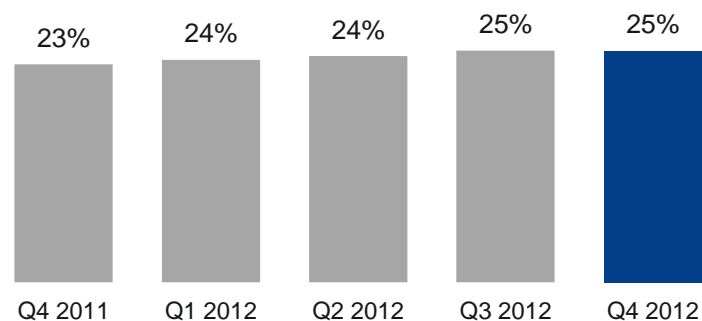
**Equity**  
EUR Million



**NIBD/EBITDA**  
Times



**Equity ratio**  
Percent





# Market Update

Philippe Toth

# Production and revenue growth (YoY change)

North America	
CV production growth *	-11,0 %
LV production growth **	8,5 %
KA revenue growth***	1,3%

32% of KA sales

Worldwide	
CV production growth *	-19,8 %
LV production growth **	0,3 %
KA revenue growth***	-9,1 %

Europe	
CV production growth *	-11,7 %
LV production growth **	-10,1 %
KA revenue growth***	-10,1%

53% of KA sales

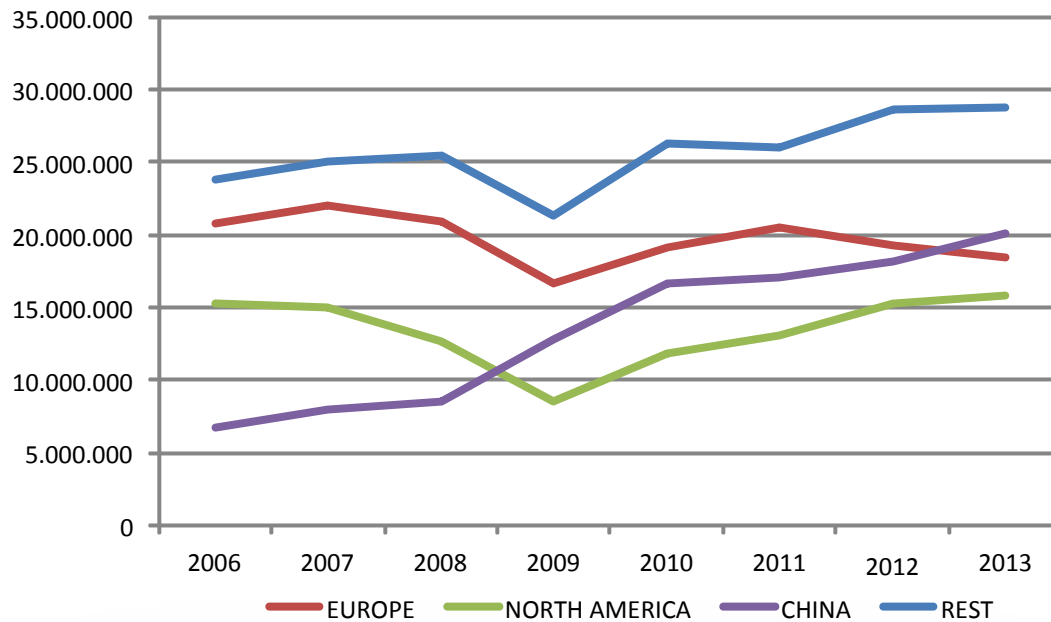
Asia	
CV production growth *	-22,4 %
LV production growth **	4,6 %
KA revenue growth***	-18,2 %

11% of KA sales

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

# Light vehicle production – 2013 forecast

Light Vehicle Production (GVW<6t)



**-4,2%**

**Europe:** Still a way to go before reaching 2006-8 levels. Region expects to see a decline in 2013. Fundamental problems in EU still unaddressed. In the EU zone slower GDP growth is likely to result in negative growth of -4,2%

**+10,5%**

**China:** Domestic driven market partly insulated from recessions elsewhere and forecasted to grow at 10,5% in 2013

**+2,9%**

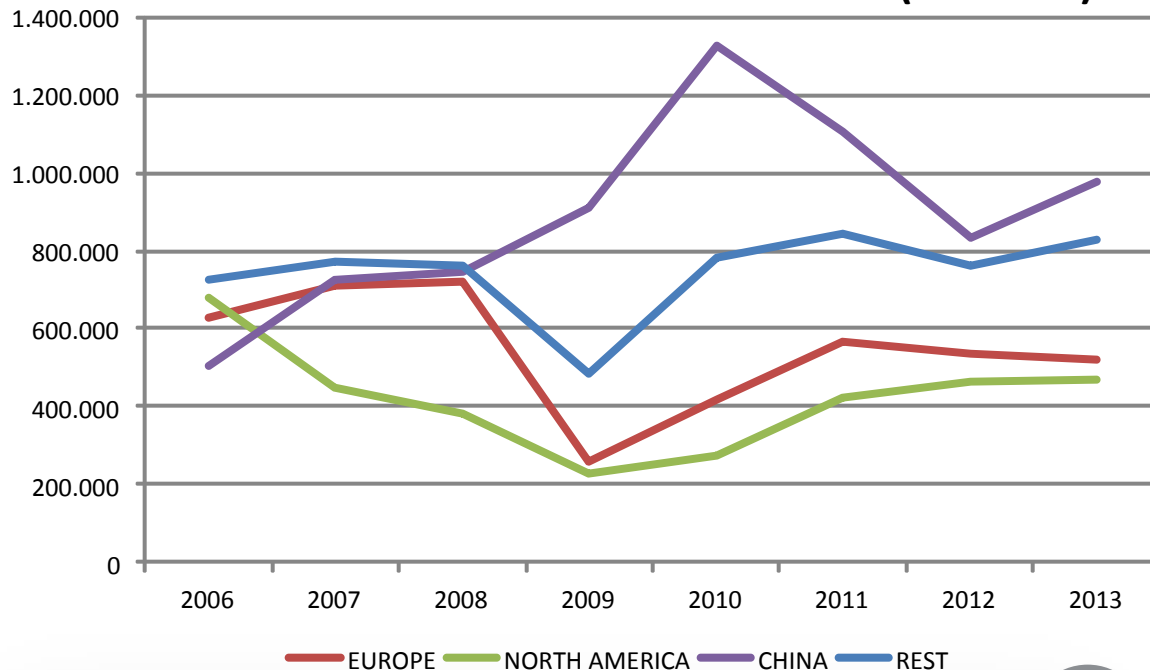
**North America:** Expected to grow in 2013 by 2,9% although at a tapered rate when compared to 2012. Pent-up demand continues to exist in the market as the average fleet age reaches an approx. 11 years in the U.S

**+2,0%**

**Global:** The Global LVP continues to head in a positive direction, thanks to BRIC growth

# Commercial vehicle production – 2013 forecast

## Commercial Vehicle Production (GVW>6t)



+7,8%

**Global:** The Global CVP is expected to recover in 2013 from falling 2012 demand (-11,6%), thanks to China growth and a revitalized North American market

-2,6%

**Europe:** Still a way to go before reaching 2006-7 levels. Volume reduction anticipated in 2013 from 2012  
Weak GDP growth expected

17,0%

**China:** Truck sales is expected to rebound. New government expected to introduce incentives to stimulate growth. Industrial production rising again. State IV emission regulations expected enforcement

+1,2%

**North America:** Expected to be mostly driven by replacement trends  
Fleet average age still high at approx 6,6 years












Hans Peter Havdal

# Summary and Outlook



## Summary and outlook 2013

	Expected market growth	Expected GDP growth	KA outlook
	 -4,2%  -2,6%	+ 0,8%	<ul style="list-style-type: none"> <li>• Decrease in revenue mainly within the Driveline business area</li> <li>• Interior should be less influenced due to its exposure to the premium segment</li> </ul>
	 +2,9%  +1,2%	+ 2,1%	<ul style="list-style-type: none"> <li>• The company expects its revenue to be stable in North America.</li> <li>• The off-highway segment impacting DCS is expected to be weaker</li> <li>• Automotive segment will provide growth</li> </ul>
	 +10,5%  +17,0%	+ 7,5%	<ul style="list-style-type: none"> <li>• Decrease in revenue in China mainly due to end of production for certain programs and exit of unprofitable Driveline contracts</li> </ul>

Source: LMC Automotive – January 2013 & BMI

**Revenues for 2013 is expected to be slightly lower than 2012.  
Revenues for 1st quarter are expected to be at approx EUR 245 million.**



# Questions & Answers