

# Kongsberg Automotive

Second quarter 2014 | July 11, 2014



# Group highlights for Q2 2014

## REVENUES

- ▶ Revenues of EUR 254.4 million in line with guiding
- ▶ Market outlook for Q3 indicates revenue level of EUR 230 million

## FINANCIALS

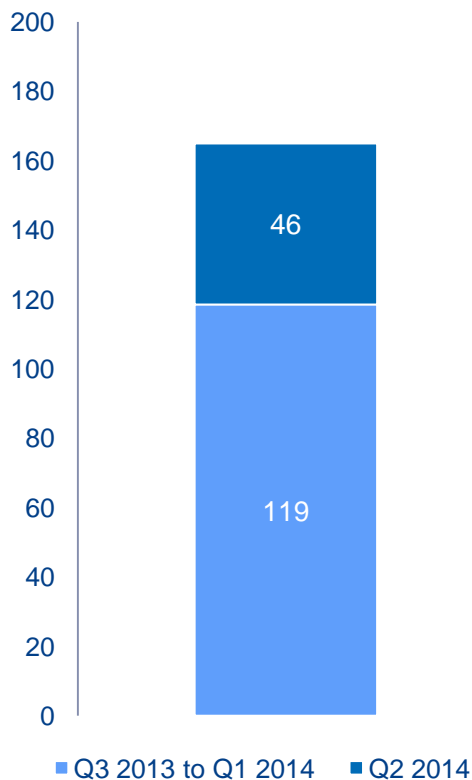
- ▶ EBIT was EUR 17.8 million in Q2, in line with Q2 2013
- ▶ Operating profit in line with last year, despite 3% lower revenues, due to operational improvements
- ▶ Financial gearing ratio reduced to 2.2x NIBD/EBITDA

## MARKETS

- ▶ Europe: Flat Q2 in Light vehicle segment but bright spot for the premium brands
- ▶ North America: Steady growth in Commercial vehicle segment

# New business wins

**New business wins LTM**  
EUR Million



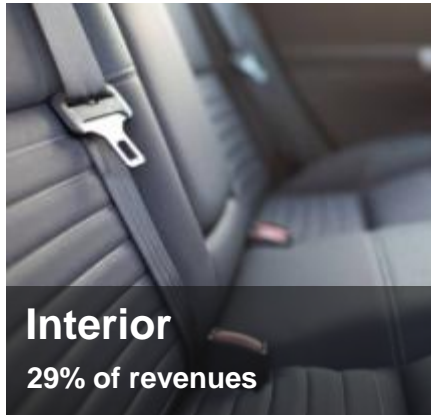
- ▶ EUR 46 million per annum of new business booked in Q2 2014
- ▶ After a period of strong operational focus, the attention needs to move more towards growth
- ▶ Increased focus on BRIC and innovations are key levers to strengthen our growth momentum





**Hans Peter Havdal, President & CEO**  
**OPERATIONAL REVIEW**

# Q2 2014: Business areas overview



**Interior**  
29% of revenues

**MARKET**

Safety and comfort related products for vehicle interiors



**Driveline**  
27% of revenues

**MARKET**

Gear shift systems for light duty vehicles



**Driver Control**  
25% of revenues

**MARKET**

Driver control systems, cabin suspension and vehicle dynamics for commercial vehicles



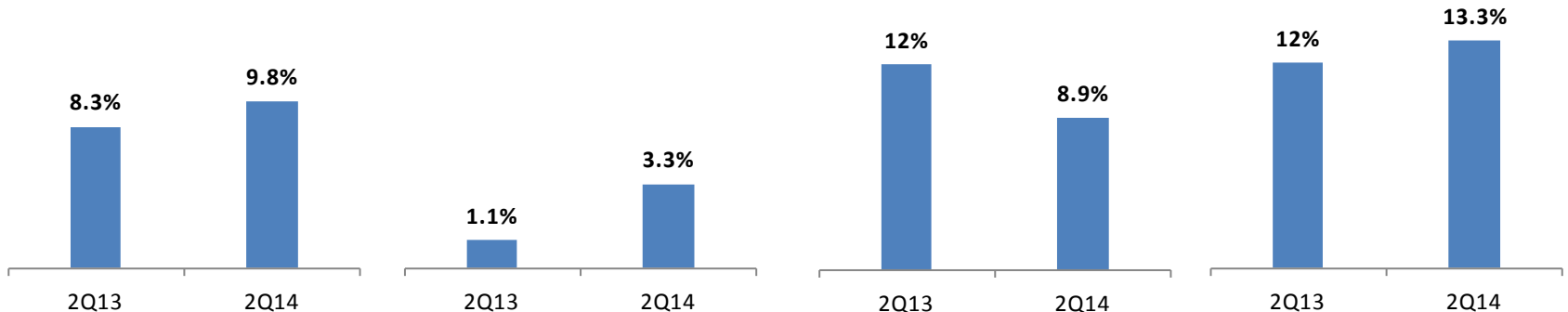
**Fluid Transfer**  
19% of revenues

**MARKET**

Fluid handling systems for commercial vehicles and passenger cars



EBIT-margin



COMMERICAL VEHICLES

## Highlights and performance

- ▶ **Operational update**
  - Increased R&D effort for Driver Control on developing Automated Manual Transmission (AMT) technology which is growing in mature markets
  - Increased R&D spend will continue
  - Industry still consolidates further with Volkswagen increasing ownership in Scania to 99.6% in Q2
    - KA has strong foothold in Scania
    - Opportunities for growth at VW/MAN



PASSENGER CARS

## Highlights and performance

### ► Operational update

- Driveline continues to further improve margins & increase focus on profitable growth
- New program launch for Chrysler for automatic shifters
  - Volume 270.000 units annually from Nuevo Laredo (Mexico) facility
- Interior increasing market momentum by demonstrating new innovations
  - Successful Tech Day with BMW in May





**KA in the Premium automotive segment**  
**IMPORTANT BUSINESS WINS IN Q2**



## Premium automotive market & KA

- ▶ **Booked EUR 142 million in Q2 contract wins in premium segment**
- ▶ **Importance of premium segment for KA**
  - Continuous drive for innovation and quality
  - High content & value per car
  - Leveraging global footprint
  - Premium features migrate to medium segment with higher volumes



**Premium segment market characteristics:  
Innovative solutions and technologies in  
comfort, safety, fuel savings & sustainability**

## Premium segment contract wins across BAs

### Driveline

Shift by wire for AT plus MT shifter



**Major European OEM**

7year, EUR 119 million contract

SOP: Q4 2015

### Interior

Seat comfort systems



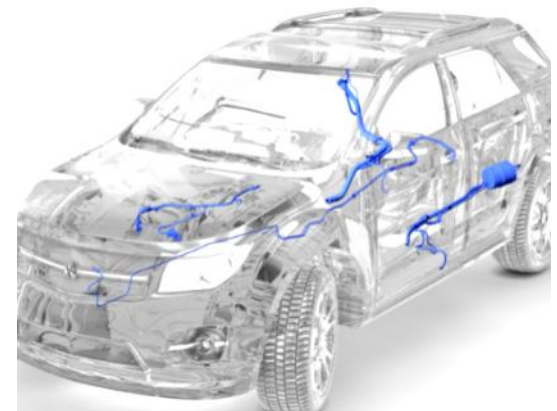
**European premium car maker**

7 year, EUR 15.4 million contract

SOP: Q1 2016

### Fluid Transfer

Air suspension lines



**Luxury SUV maker**

EUR 8 million over 7 years

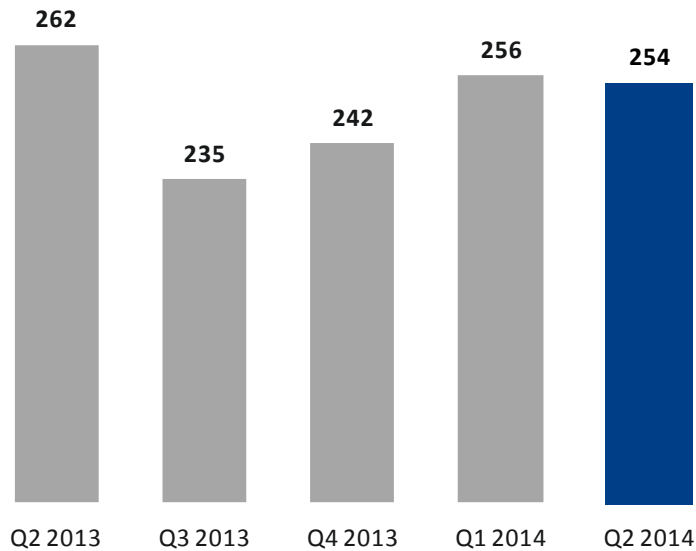
SOP: 2016



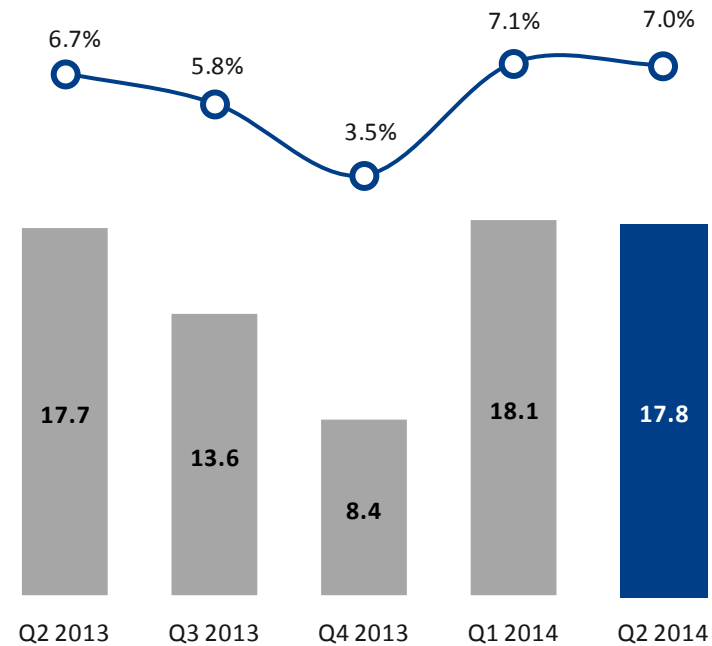
**Trond Stabekk EVP & CFO**  
**FINANCIAL UPDATE**

# Revenue and EBIT

Revenues  
EUR million



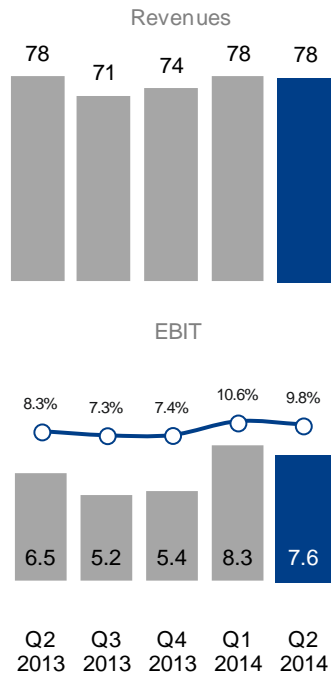
EBIT and EBIT margin  
EUR million and percent



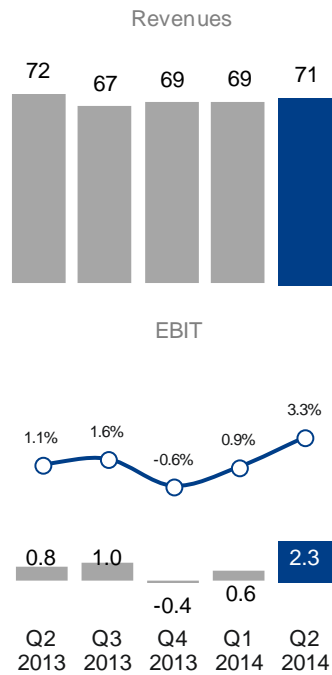
# Segment financials 2<sup>nd</sup> quarter

## Revenues and EBITDA margin EUR million and percent

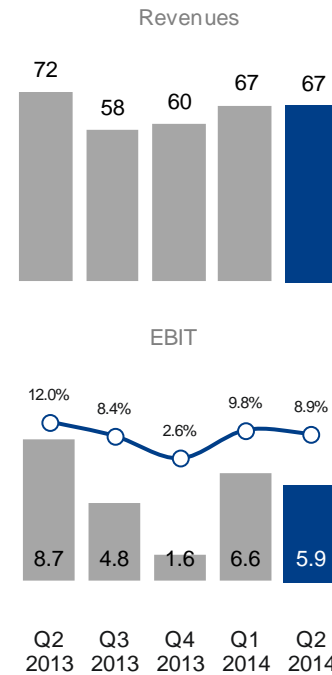
### Interior



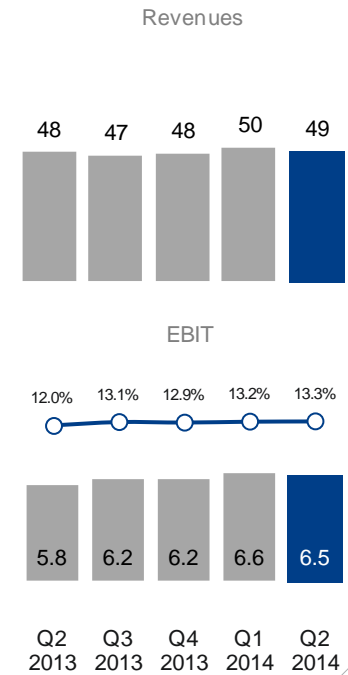
### Driveline



### Driver Control



### Fluid



## Consolidated income statement

EUR Million	Twelve months ending				
	30.06.13	30.09.13	31.12.13	31.03.14	30.06.14
<b>Revenues</b>	<b>985.8</b>	<b>981.5</b>	<b>990.9</b>	<b>994.5</b>	<b>987.0</b>
OPEX	-898.3	-884.5	-893.8	-894.0	-887.1
<b>EBITDA</b>	<b>87.5</b>	<b>97.0</b>	<b>97.1</b>	<b>100.5</b>	<b>99.9</b>
<i>EBITDA (%)</i>	8.9%	9.9%	9.8%	10.1%	10.1%
D&A	-45.2	-44.6	-43.9	-42.7	-41.9
<b>EBIT</b>	<b>42.3</b>	<b>52.5</b>	<b>53.2</b>	<b>57.8</b>	<b>57.9</b>
<i>EBIT (%)</i>	4.3%	5.3%	5.4%	5.8%	5.9%
Financial items	-29.6	-35.3	-40.4	-32.7	-29.4
<b>Profit before taxes</b>	<b>12.7</b>	<b>17.2</b>	<b>12.8</b>	<b>25.1</b>	<b>28.5</b>
Tax	-6.9	-8.1	-6.2	-9.4	-12.3
<b>Net profit</b>	<b>5.8</b>	<b>9.1</b>	<b>6.6</b>	<b>15.7</b>	<b>16.3</b>

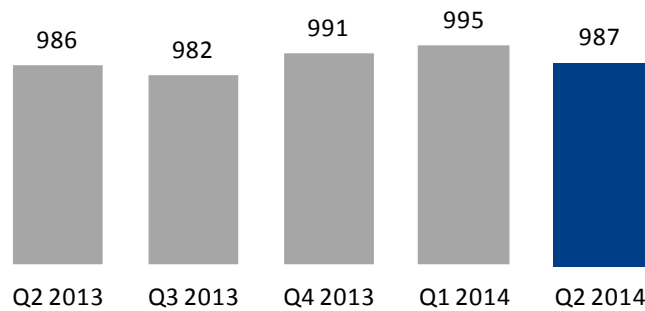
▶ **REVENUE** run rate in line with full year guiding

▶ **EBIT** run rate kept despite lower revenues

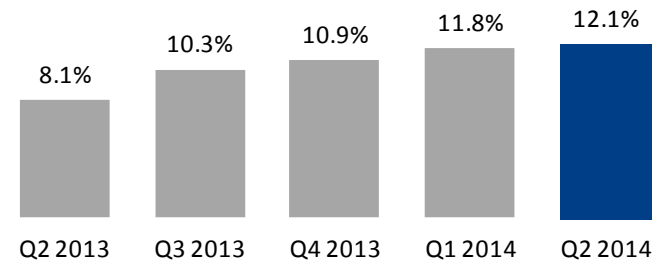
▶ **Improved NET PROFIT**

# Financial KPIs

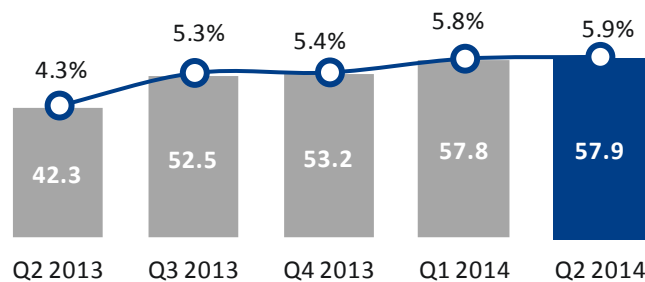
**Revenues (Ltm)**  
EUR million



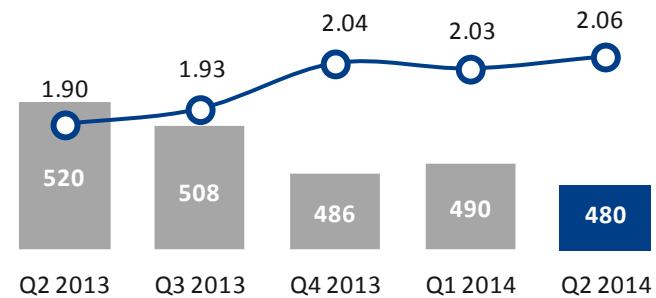
**ROCE (Ltm)**  
Percent



**EBIT and EBIT margin (Ltm)**  
EUR million and percent



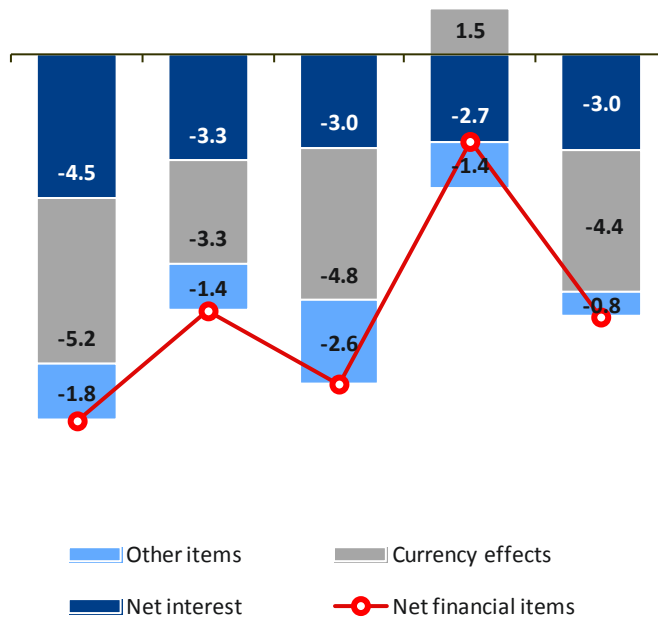
**Avg. Capital Employed and turnover (Ltm)**  
EUR million and Times



# Financial items

**Net financial items**  
EUR million

Q2 2013    Q3 2013    Q4 2013    Q1 2014    Q2 2014



## ► Interest expenses reduced

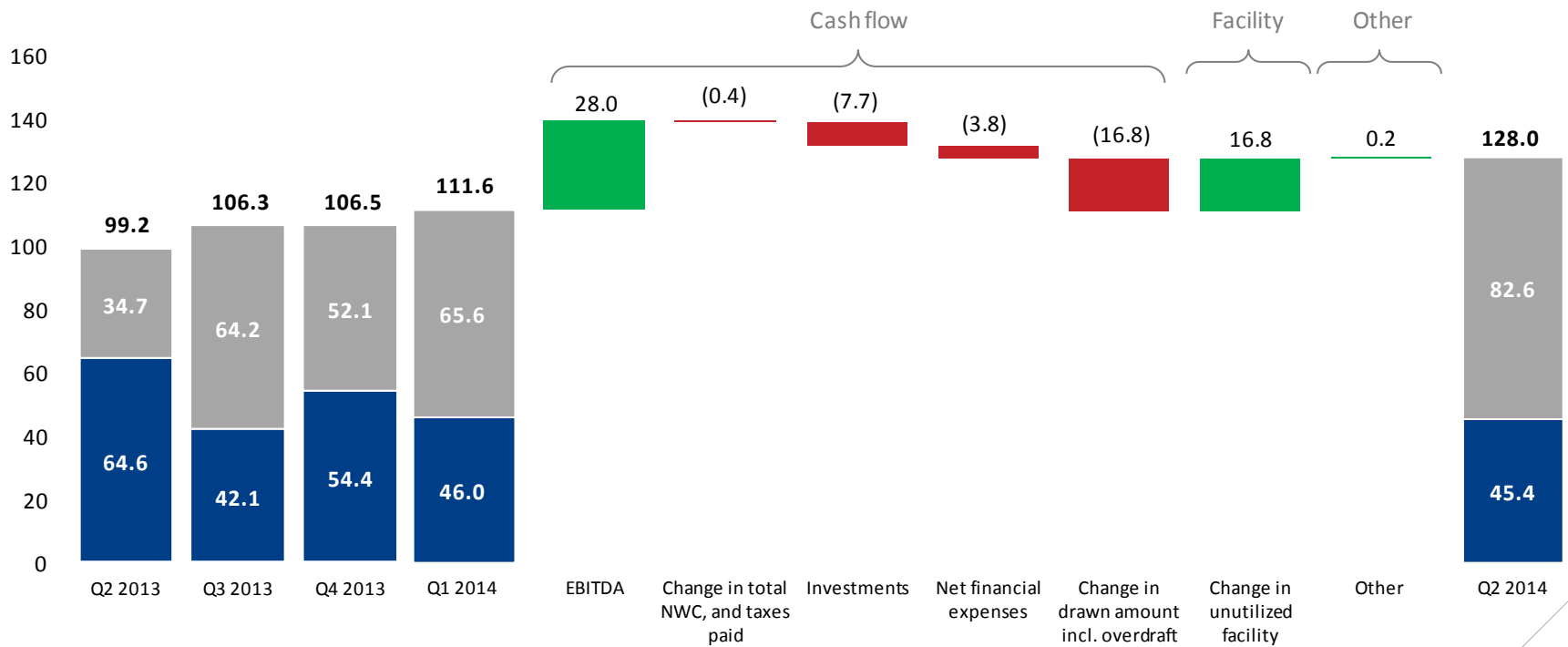
- Lower debt level
- Lower interest margin



# Cash flow and facility development

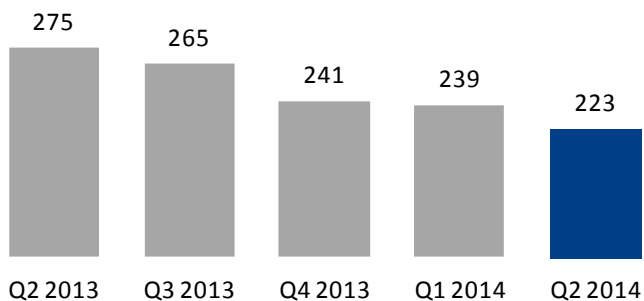
Available funds  
EUR Million

■ Cash ■ Unutilized facility

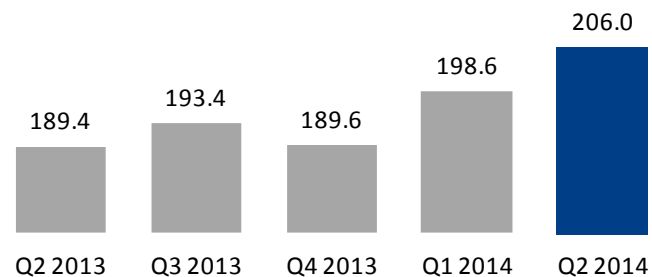


## Financial ratios

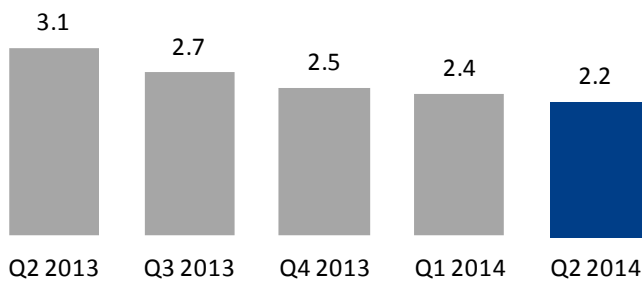
**NIBD**  
EUR million



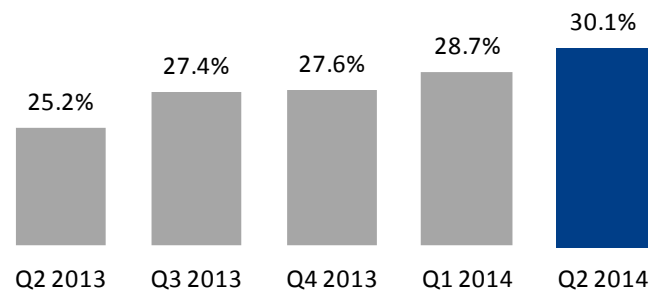
**Equity**  
EUR million



**NIBD/EBITDA**  
Times



**Equity ratio**  
Percent

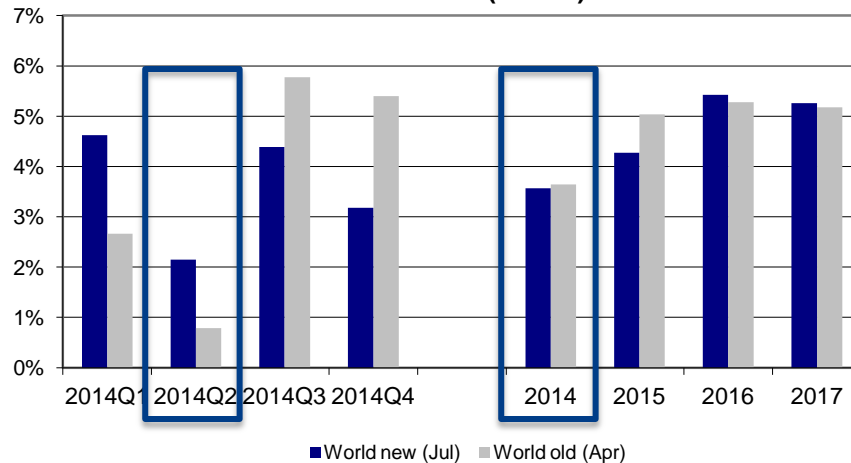




**Philippe Toth, VP Investor Relations and M&A**  
**MARKET UPDATE**

# Light vehicle production – Q2 & 2014 forecast

Light vehicle production growth: revised world estimates (ch Y/Y)



**0.3%**

Europe: Strong premium export and slight return of Western European demand (sales up 2% after 6 years of decline), -5% in Russia

**-0.4%**

North America: On level with last year, but strong selling rate will ensure growth for 2014

**11%**

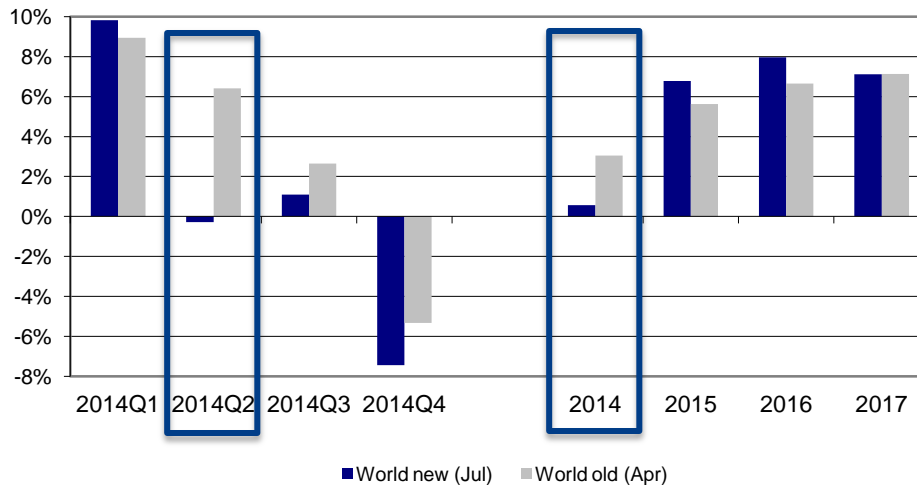
China: Continue strong positive growth, even as GDP growth is leveling off to 7-8%

**2.1%**

Total production: Q2-14 2.1% higher than Q2-13, mainly driven by growth in China. Total 2014 production expected to be around 87.8 million Light Duty Vehicles.

# Commercial vehicle production – Q2 & 2014 forecast

Medium and heavy duty truck production growth: revised world estimates (ch Y/Y)



**Europe: Decline in Russia and Turkey. Slightly better in western Europe, but market expected still to be weak in 2014**

-5.6%

**North America: Continue growth from Q1, and estimated above 11% growth for 2014**

5.4%

**China: Slowing down relative to previous high growth**

2.3%

**South America: Highly volatile market due to political uncertainty leads to weak economical outlook**

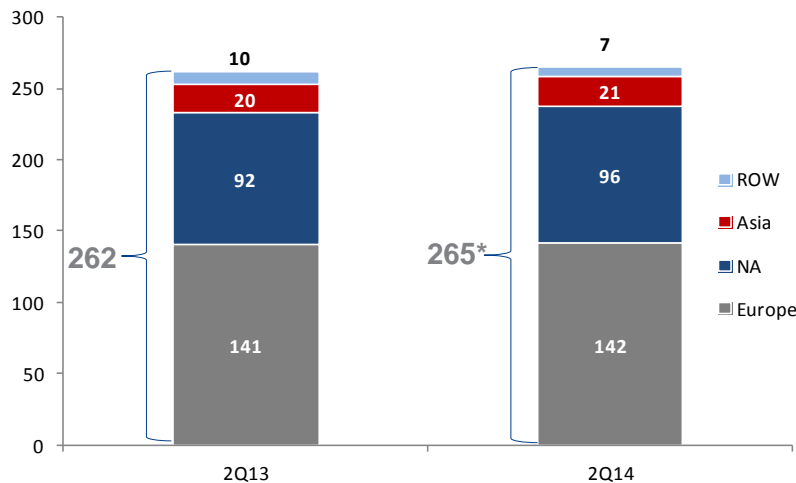
-19.9%

**World Wide: Growth in North America, with decline in South America and Europe and small growth in China, sets 2014 on a path to a level just above 2013. Global production in 2014 expected to be 2.82 million vehicles (+0.6%).**

-0.3%

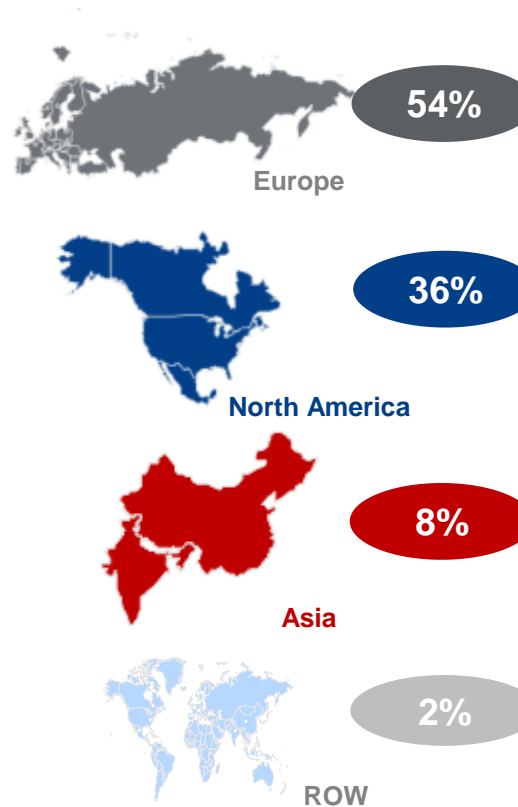
# Sales by region

Sales in MEUR by region\*



\* Adjusted for currency effect

Sales in % by region



Expected 2014 growth



Segment	Expected 2014 growth
Truck	- 8.4%
Car	2%
NA (Car)	11.5%
NA (Truck)	3%
Asia (Car)	2.1%
Asia (Truck)	5.6%

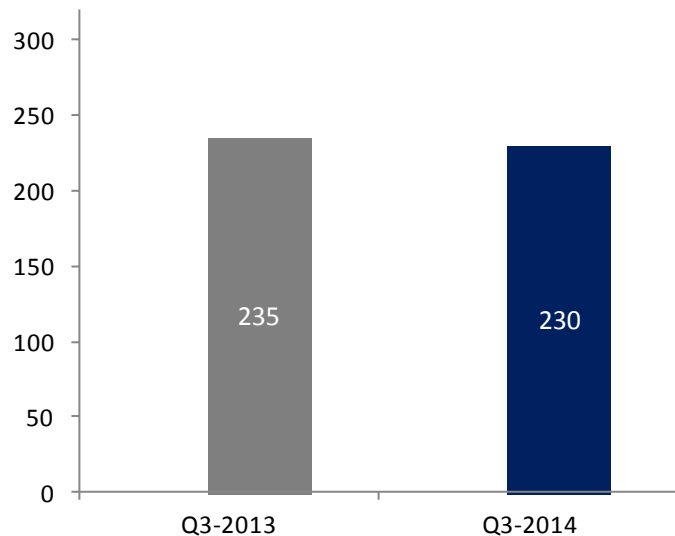
Source: LMC Automotive – July 2014



**Hans Peter Havdal**  
**SUMMARY & OUTLOOK**

## Summary and outlook

Company outlook for Q3 2014  
EUR Million



- ▶ **Operating profit in line with last year, despite 3% lower revenues, due to operational improvements**
- ▶ **Markets: North America & China remain positive while European outlook is still uncertain**
- ▶ **KA expects Q3 2014 revenues of approx. EUR 230 million**



**Save the date:**  
**CAPITAL MARKETS DAY ON DEC. 3, 2014**



**Thank you for your attention!**  
**QUESTIONS & ANSWERS**



## Our values



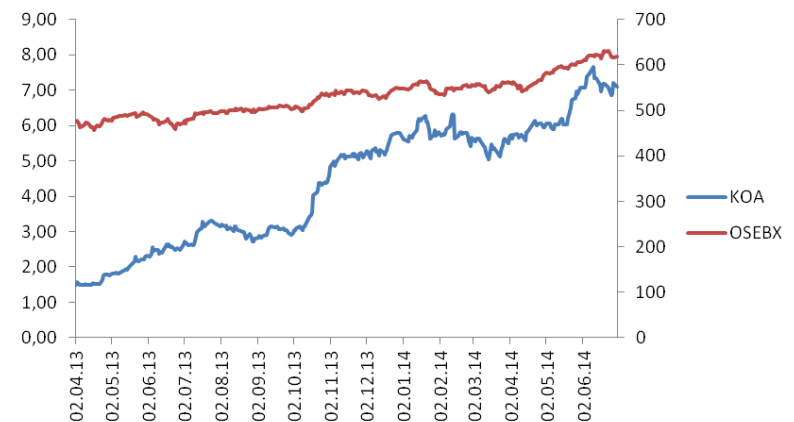


# APPENDIX

# Share price and shareholders

Data: 30.06.2014

Current Position	% Share Outstanding	Investor Name	Nationality
11.371.899	2,80	THE NORTHERN TRUST C NON-TREATY ACCOUNT	GBR
10.920.524	2,68	LANSDOWNE INVESTMENT	CYM
10.245.329	2,52	JP Morgan Chase Bank HANDELSBANKEN NORDIC	SWE
10.167.813	2,50	CITIBANK, N.A. S/A DFA-INTL SML CAP	USA
9.985.050	2,45	MP PENSJON PK	NOR
9.710.741	2,39	EUROCLEAR BANK S.A./ 25% CLIENTS	BEL
9.655.321	2,37	FOLKETRYGDFONDET	NOR
8.660.347	2,13	KLP AKSJE NORGE VPF	NOR
8.619.558	2,12	VPF NORDEA KAPITAL C/O JPMORGAN EUROPE	NOR
8.564.491	2,11	J.P. Morgan Chase Ba NORDEA RE:NON-TREATY	GBR
7.556.922	1,86	The Bank of New York NON-TREATY BNY Mello	LUX
7.551.606	1,86	CREDIT SUISSE SECURI (EUROPE) PRIME BROKE	GBR
7.528.492	1,85	JPMORGAN CHASE BANK, S/A ESCROW ACCOUNT	GBR
7.245.895	1,78	VERDIPAPIRFONDET DNB	NOR
6.981.502	1,72	VERDIPAPIRFONDET DEL JPMORGAN EUROPE LTD,	NOR
6.900.000	1,70	VICAMA AS	NOR
5.868.263	1,44	KONGSBERG AUTOMATIVE	NOR
5.850.175	1,44	KOMMUNAL LANDSPENSJO	NOR
5.500.000	1,35	ERLING NEBY AS	NOR
5.194.915	1,28	VERDIPAPIRFONDET DNB	NOR
<b>164.078.843</b>	<b>40,4</b>		



## The Board of Directors of Kongsberg Automotive Holding ASA



Ulla-Britt Fräjdin-Hellqvist

- *Chairwoman of the Board since 2010*
- *Other Corporate Affiliations:*
  - *Chairman of Data Respons ASA and SinterCast AB*
  - *Board member, Castellum, e-man, Fouriertransform, MicronicMydata, SEI and Tallberg Foundation*



Thomas Falck

- *Member of the Board since 2010*
- *Other Corporate Affiliations:*
  - *Chairman of Making Waves AS and Filmparken AS*
  - *Board member, EMS Seven Seas ASA, Vizrt ASA*
  - *Board of several fund-of-fund investment companies*



Malin Persson

- *Member of the Board since 2014*
- *Other Corporate Affiliations:*
  - *President and CEO of Chalmers University Foundation*
  - *Board member, Konecranes Plc, Helsinki, Hexpol AB, Stockholm and Becker Industrial Coating, Berlin*



Magnus Jonsson

- *Member of the Board since 2011*
- *Other Corporate Affiliations:*
  - *Board member, Powercell AB, LeanNova AB and Senseair AB*



Halvor Stenstadvold

- *Member of the Board since 2011*
- *Other Corporate Affiliations:*
  - *Chairman of SOS barnebyerNorge, Henie OnstadKunstsenter and Civita AS*
  - *Board member, Storebrand ASA, Statkraft SF/Statkraft AS, Navamedic ASA, SosChildrens Villages International and SOS CV USA*



Eivind Holvik

- *Member of the Board (Employee representative)*
- *Manager Research and Development, Kongsberg Automotive*



Tonje Sivesindtjæet

- *Member of the Board (Employee representative)*
- *Measuring Operator, Kongsberg Automotive*



Kjell Kristiansen

- *Member of the Board (Employee representative)*
- *HSE, Kongsberg Automotive*

## Financial calendar and Investor Relations contacts

### Financial calendar 2014

	Interim Reports	Presentation
Q2 2014	July 10. 2014	July 11, 2014
Q3 2014	15 Oct 2014	Oct 16. 2014
Q4 2014	TBD	TBD

Capital Market Day on 3<sup>rd</sup> December 2014

### IR contacts

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For more information, see: <http://www.kongsbergautomotive.com/investor-relations/>

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