

Enhancing the driving experience



# Kongsberg Automotive ASA

Second quarter 2017 | July 28, 2017



## Highlights for Q2 2017

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### Revenues/ Business Wins

- Revenues were MEUR 268.1 in the second quarter, MEUR 27.1 (11.2%) above the second quarter last year, including positive currency translation effects of MEUR 0.6.
  - Annualized business wins in the second quarter amounted to MEUR 70 bringing the total business wins for the last twelve months to MEUR 290.
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### Performance

- Adjusted EBIT amounted to MEUR 13.9 in the second quarter, MEUR 4.9 above the second quarter last year.
  - During the second quarter the closure of the Basildon plant (UK) was completed.
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### Gearing

- The adjusted gearing ratio (NIBD/EBITDA) was 2.5 at the end of second quarter excluding discontinued operations.
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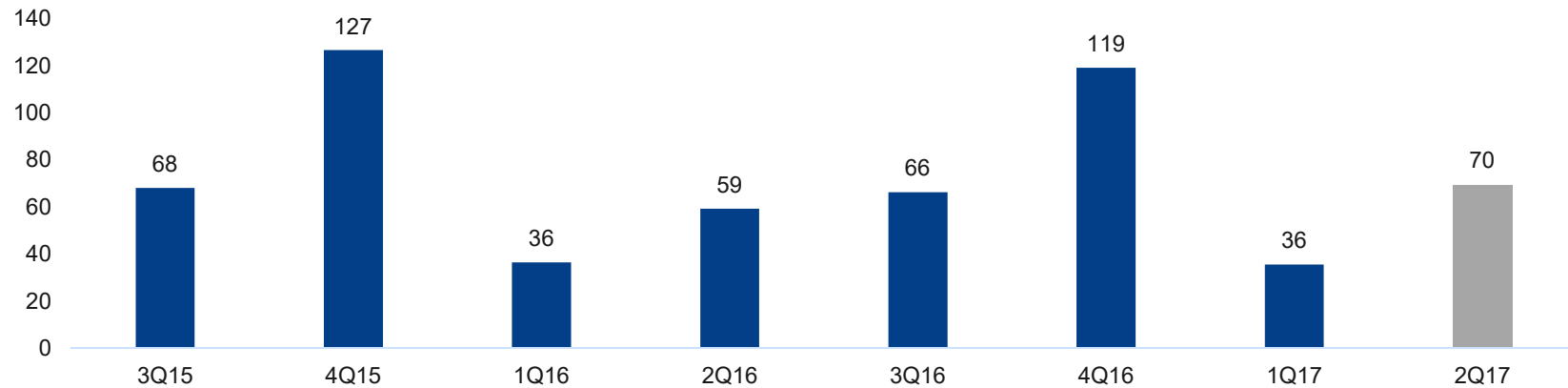
A long-exposure photograph of a city street at night, showing light trails from cars and illuminated buildings. The scene is dominated by blue and white light trails, with some red and yellow trails visible in the lower right. The buildings are tall and modern, with many windows lit up.

# Market Summary

# New business wins in Q2 2017

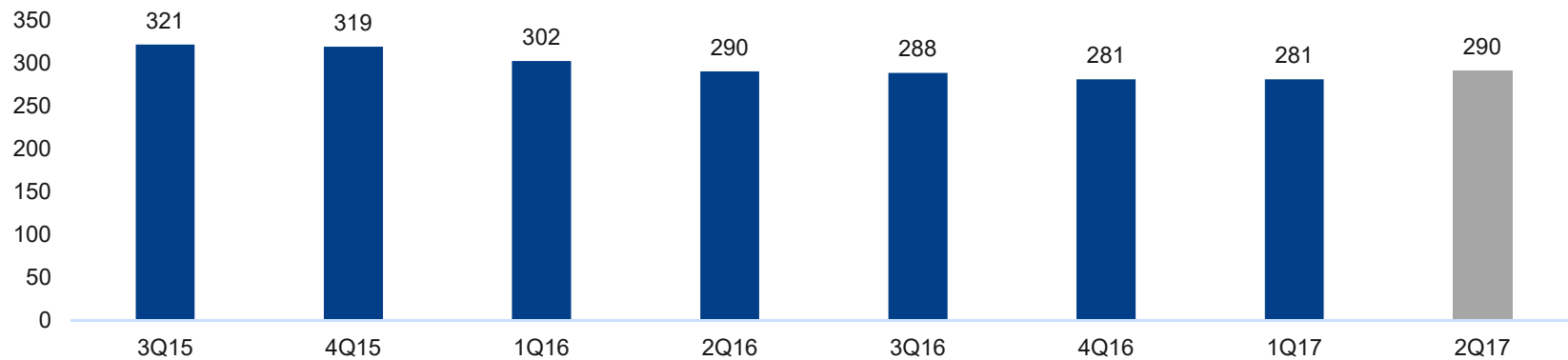
**New business wins per quarter (per annum value)**

EUR Million



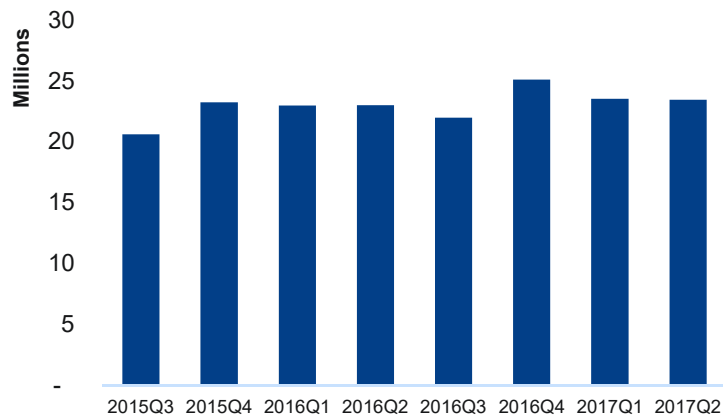
**New business wins LTM (per annum value)**

EUR Million



# Market summary

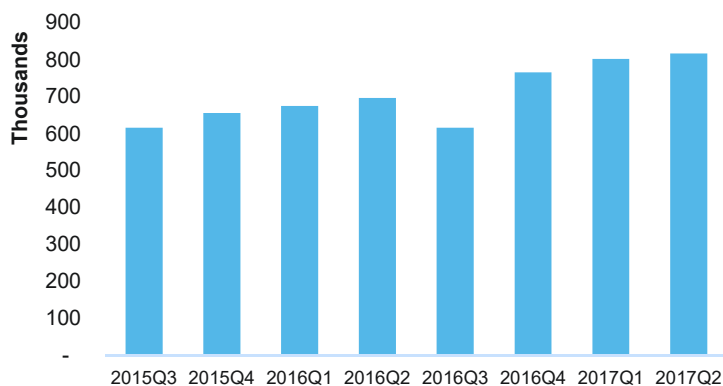
## Global Light Vehicle Production



### ▶ Global Light Vehicle production

- H1 is up by +2.6% (4.3 million vehicles ) in 2017 versus 2016 (46.9). Growth in Europe +1.2%, growth in China +3.1% and a slight decline in North America -0.5%. South America is up by +15%.
- Expected global growth for FY 2017 is 1.8% YoY, from 93.1 million units to 94.8. This means for Europe +2.8%, China +1.0%, Japan/Korea +4%, North America -1.6% and South America +10%.

## Global Commercial Vehicle Production



### ▶ Global Commercial Vehicle production

- H1 was up 20% in H1 2017, with a full year forecast for 2017 of 5% vs. prior year. The growth rates are dominated by the Chinese market.
- Expected FY growth mainly driven by the Chinese (+5%) and European (+6%) markets, in North America class 8 (> 15 tons) is slightly up (+2.5%), class 4-7 is also expected to improve over 2017, South America will grow by 3%.

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A long-exposure photograph of a city street at night, showing light trails from cars and illuminated buildings. The scene is dominated by blue and white light trails, with some red and yellow trails visible in the lower right. The buildings are tall and modern, with many windows lit up.

# Operational Summary

## Initiatives taken in H1 2017

- ▶ KA's cost restructuring plan closing 6 facilities is progressing as planned
  - Cost Competiveness:
    - In Q1 KA announced that the Heiligenhaus plant in Germany will be among the production facilities that will be closed. During Q2 we finalized negotiations with the works council which enables us to focus on the operational closing of this facility.
    - During the second quarter the closure of the Basildon plant (UK) was completed
    - The transfer of business and closure of manufacturing at Rollag (Norway) is in progress
  - Portfolio: KA completed the sales of its North American Headrest/Armrest business
    - KA sold the HR/AR business to Futuris Group: all contracts, employees, fixed assets and inventory were transferred to Futuris at the closing in mid March.
    - The sale enables KA to focus its Interior segment on the seat climate and support systems and Light Duty Cable products
  - Organization:
    - The Swiss based, operational headquarter in Zürich continued to be staffed up. We envision a target of 25-30 employees by year-end.

# Operational update

## Interior Systems

- ▶ Revenues of MEUR 63.3 in Q2, up MEUR 4.8 compared to Q2 2016
  - Positive currency translation effects of MEUR 1.5
  - The increase was mainly related to growth in both the European and Chinese comfort business, partly offset by a decrease in the North American Light Duty Cable business
  
- ▶ Adjusted EBIT was MEUR 1.8 in Q2, down MEUR 2.2 compared to Q2 2016
  - The decline in EBIT was related to increased industrialization costs, one-off costs related to supplier issues and additional sales givebacks and rebates. The negative impact was partially offset by higher sales volume, some operational improvements, and lower R&D expense.
  
- ▶ New business wins worth a total of MEUR 12.0 in annualized revenues
  - Light Duty Cable contract awarded from a major Japanese car manufacturer
    - Est. annual value of MEUR 3.5
    - SOP in late 2018; to be manufactured in Mexico



## Operational update

### Powertrain & Chassis

- ▶ Revenues of MEUR 104.5 in Q2, up MEUR 14.5 compared to Q2 2016
  - The revenue increase came across all our businesses
  - The sales growth in Europe is mainly related to both, the passenger car business and the commercial vehicle business.
  - The sales growth in China mainly related to new programs for shift systems for the passenger car business.
- ▶ Adjusted EBIT was MEUR 0.1 in Q2, up MEUR 1.4 compared to Q2 2016
  - EBIT margin increased by 1.6 percentage points to 0.1%. The main drivers for the increase were higher sales volumes, partially off-set by plant and product start-up costs (MEUR 2.2)
- ▶ New business wins worth a total of MEUR 20.9 in annual value
  - Supply of Gear Shift Systems to a major transmission maker, with est. annual value of MEUR 14.6
    - SOP in 2018 from KA's manufacturing facility in Nuevo Laredo, Mexico
- ▶ Restructuring
  - Basildon (UK) is closed
  - Heiligenhaus (Germany) is progressing according to plan and in the phase of planning the operational transfers and subsequent closing
  - Rollag (Norway) is progressing slightly behind plan due to unexpected volume increases from the main customer.

## Operational update

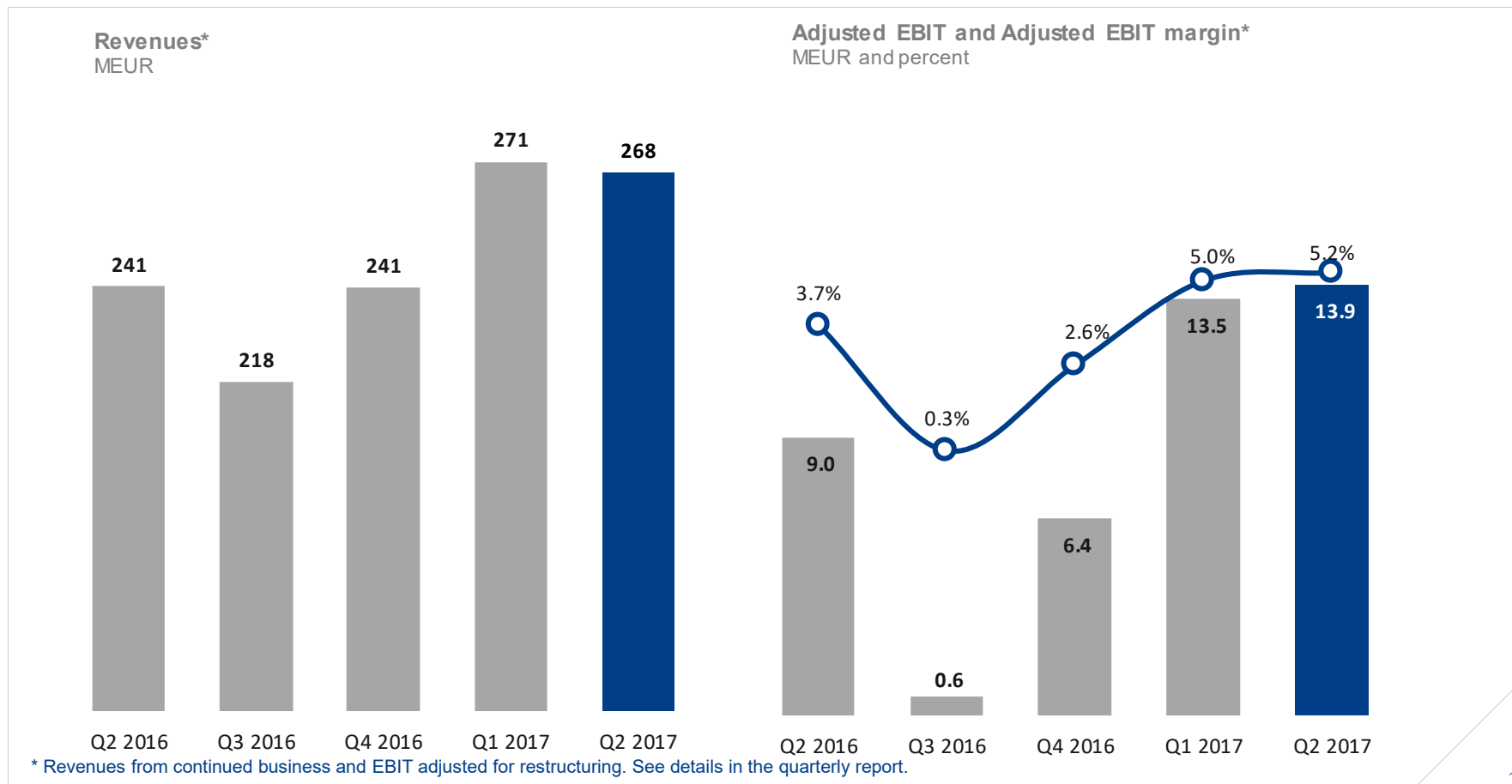
### Specialty Products

- ▶ Revenues of MEUR 99.6 mill. in Q2, up MEUR 5.6 from Q2 2016
  - Negative currency effect of MEUR -1.0
  - The revenue increase was due to growth globally for the FTS business unit, both in the automotive and commercial vehicle markets, and in the Couplings business unit.
  - Off-highway sales increased slightly, mainly related to the Outdoor Power Equipment and the 1North American recreational vehicle business
  - Off-highway sold non-core industrial cable business for MGBP 0,6 in the course of the Basildon plant closure
  
- ▶ Adjusted EBIT increased by MEUR 4.1 to MEUR 14.6 in Q2 2017
  - Higher sales volume and a favorable product mix
  
- ▶ New business wins worth a total of MEUR 28.1 in annual value
  - Supply of PTFE hose to a major tier 1 customer with estimated annual revenues of MEUR 15
    - Supply from KA's Grand River and Suffield facilities (U.S), with initial ramp-up in the second half of 2017



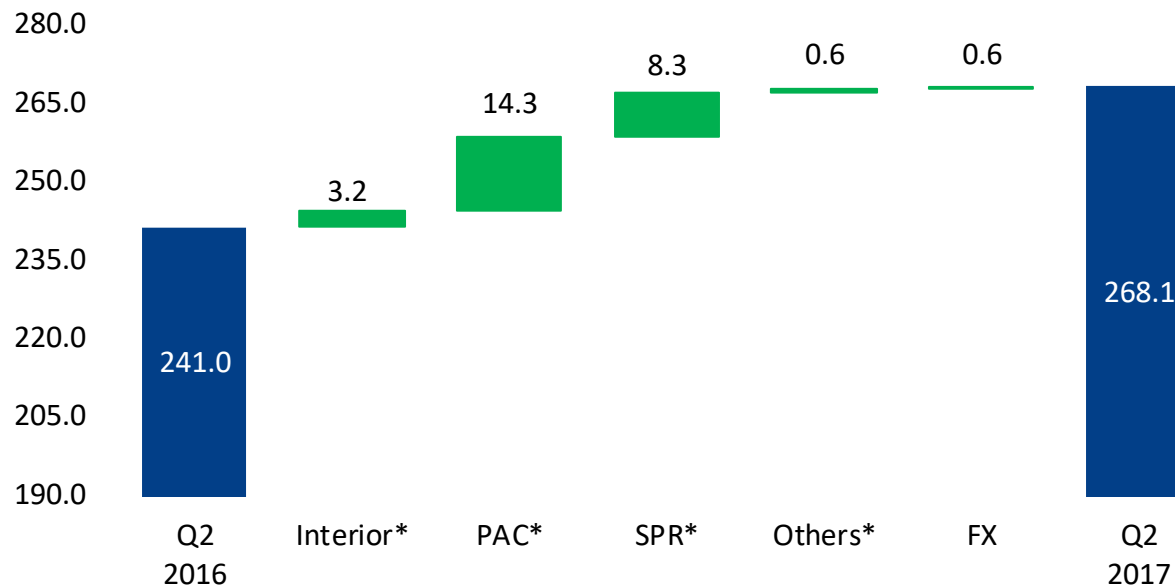
Norbert Loers  
Financial Update

## Revenue and Adjusted EBIT, continuing business



## Revenue development

Revenues continued business  
MEUR



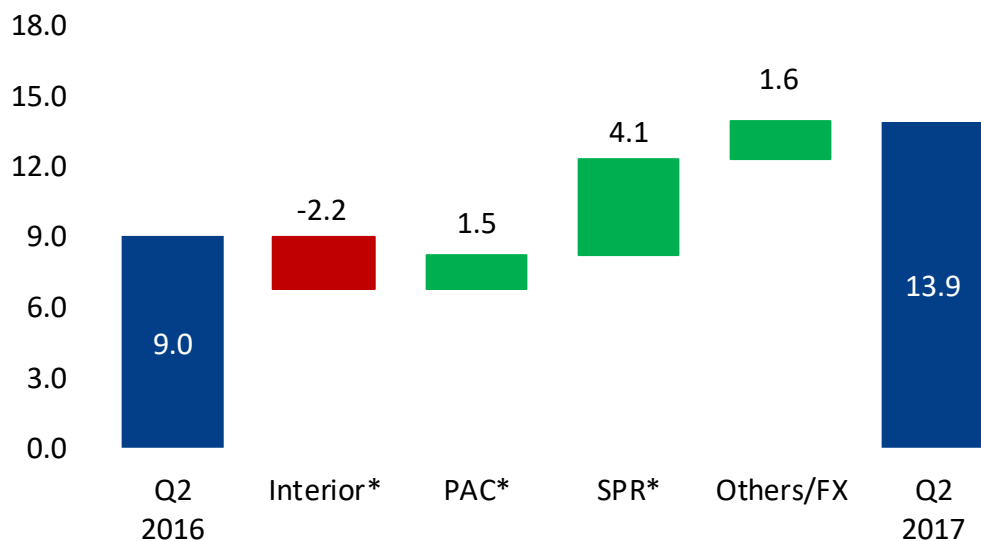
Revenue:

- ▶ MEUR 27.1 (11.2%) above the second quarter 2016
- ▶ Growth of all segments
- ▶ Growth across all regions: China, Europe and America
- ▶ New programs
- ▶ New launches

\* Variances excluding FX effects

## Adjusted EBIT development

Adjusted EBIT continued business  
MEUR



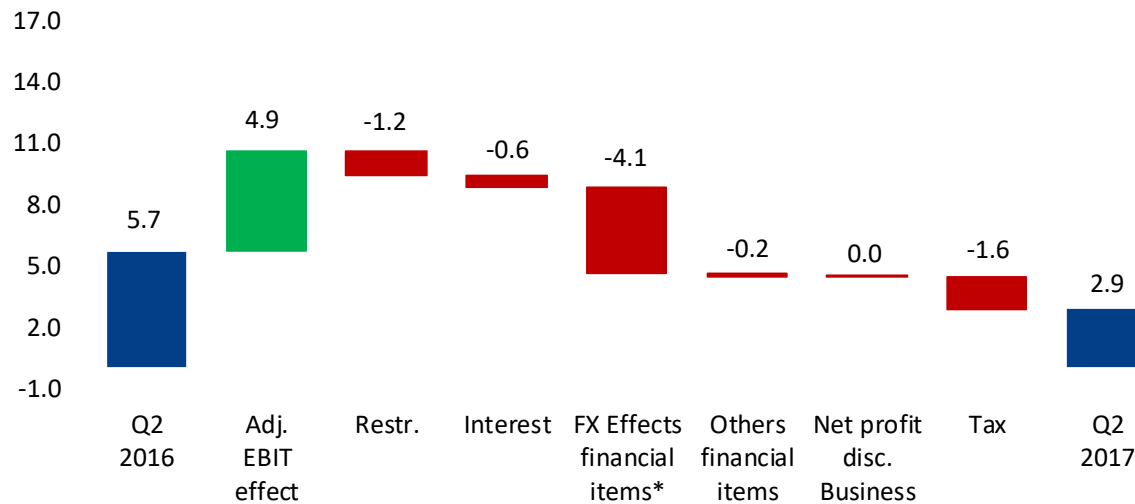
Adjusted EBIT:

- ▶ MEUR 4.9 (54.8%) above second quarter last year
- ▶ Interior: one-off impacts
- ▶ PAC: higher volume
- ▶ SPR: higher volume, favorable product mix
- ▶ Overall efficiency improvements

\* Variances excluding FX translation effects and restructuring costs

## Net Profit development

Net Profit  
MEUR



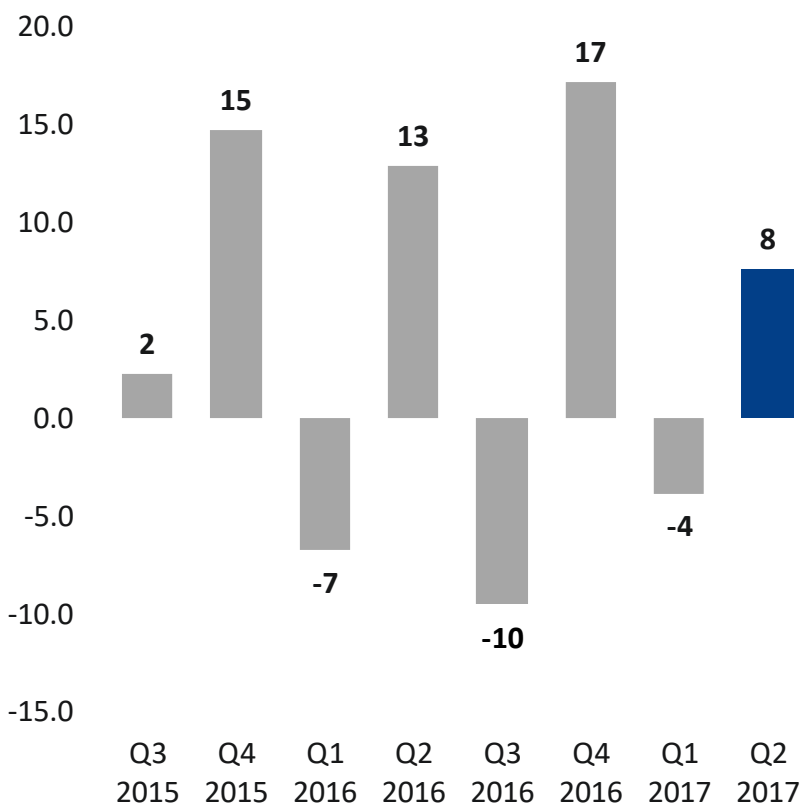
Net profit:

- ▶ Influenced by unrealized and realized FX effects
- ▶ Interest expenses impacted by new bank waiver
- ▶ Increased taxes

\*Including change in valuation of currency contracts

## Free Cash Flow

Free Cash Flow  
MEUR



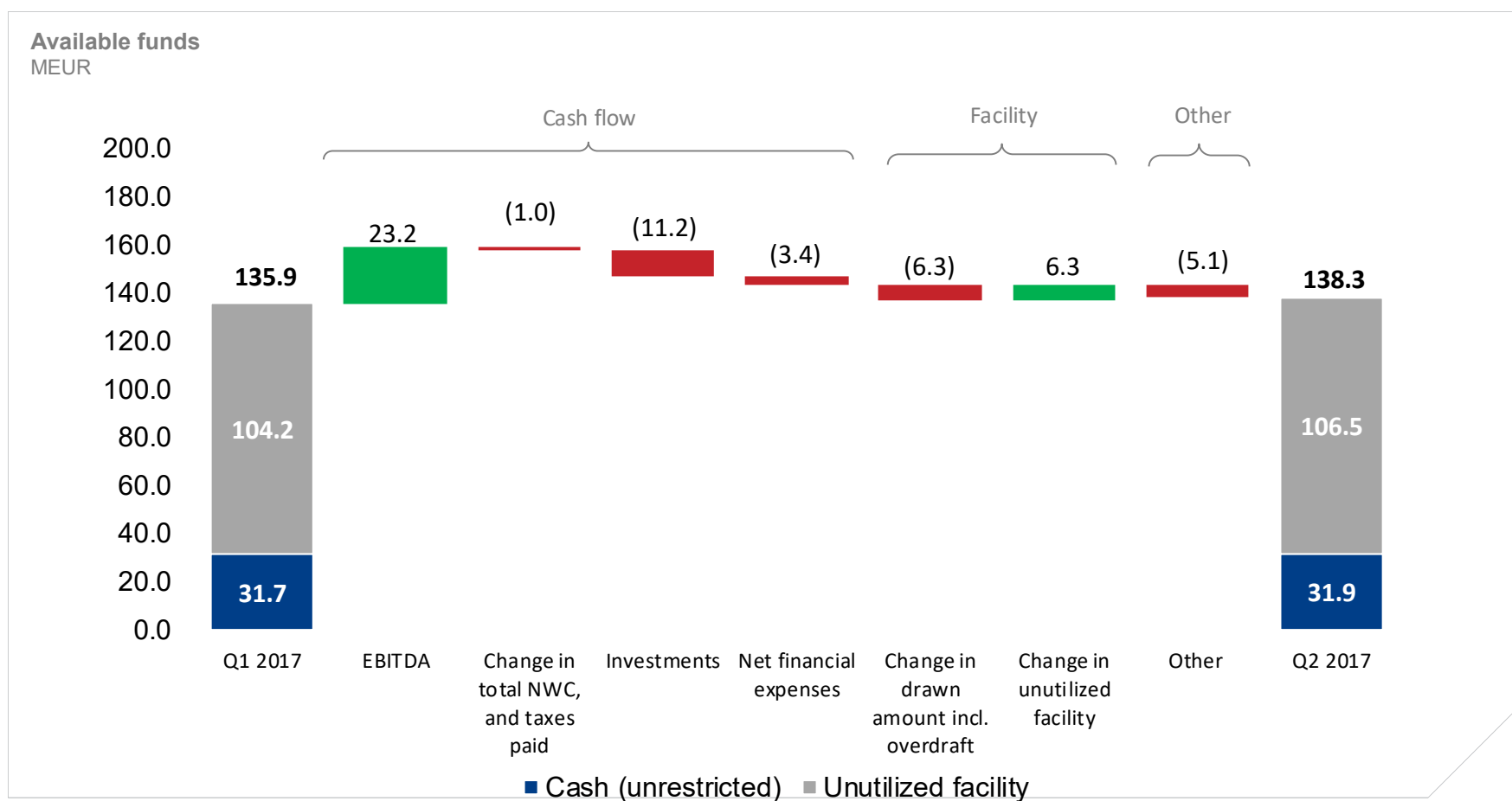
Free Cash Flow (Q2) before debt repayments:

- ▶ Cash Flow from operating activities: 22
- ▶ Cash Flow from investing activities: <11>
- ▶ Purchase of treasury shares: <1>
- ▶ Interest payments: <2>

Free Cash Flow is defined as CF from operating activities, minus investing activities, purchase of treasury shares and cash finance cost



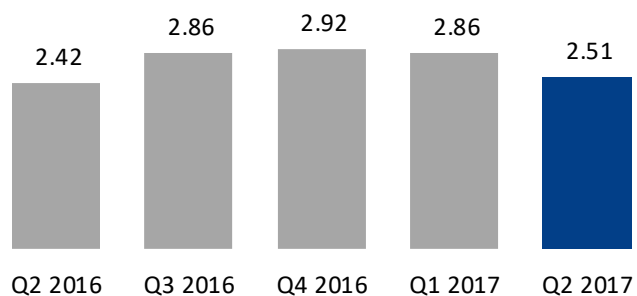
## Cash flow and facility development



## Financial ratios

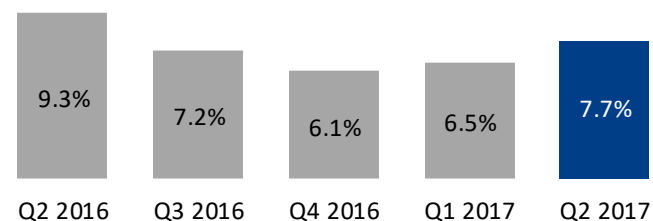
**Adjusted NIBD/EBITDA\*** (Ltm)

Times



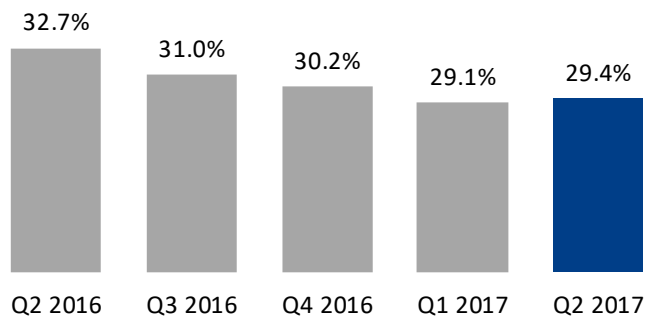
**Adjusted ROCE** (Ltm)\*

Percent



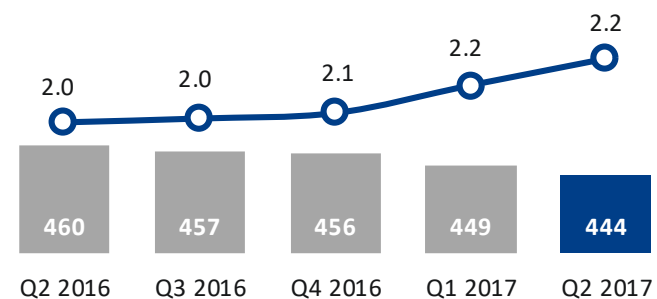
**Equity ratio**

Percent



**Avg. Capital Employed and turnover** (Ltm)\*

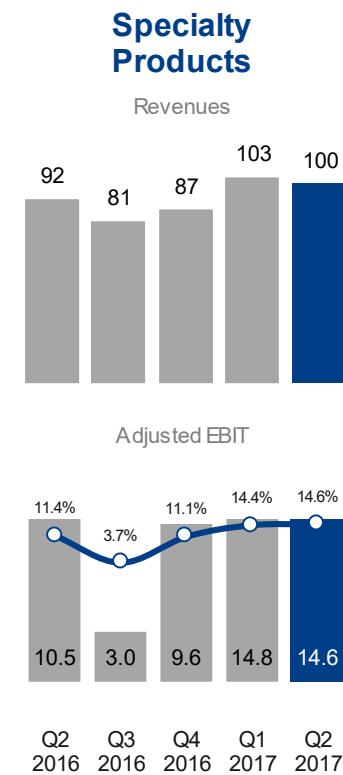
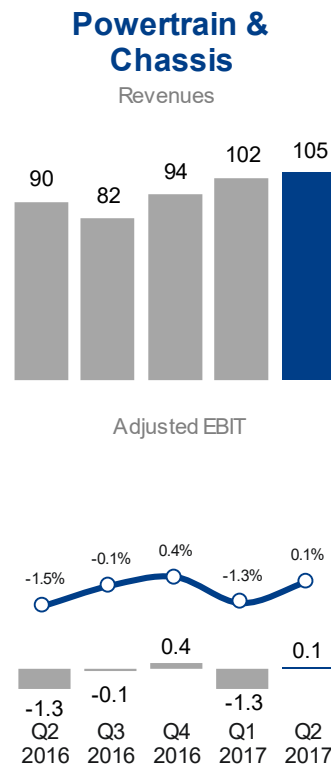
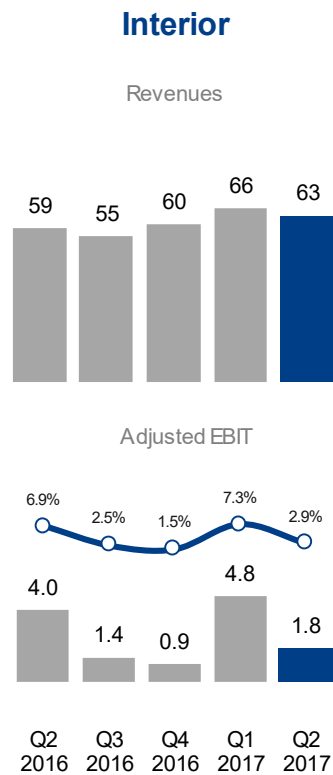
MEUR and Times



\*Continued business and excludes restructuring costs, see details in the quarterly report.

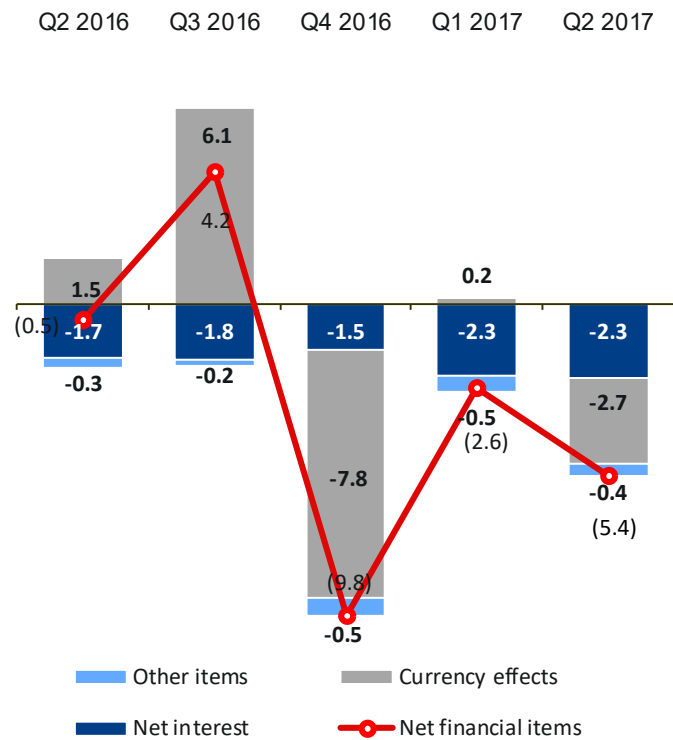
# Segment financials 2<sup>nd</sup> quarter, continued business

**Revenues and Adjusted EBIT**  
MEUR and percent



# Financial items

Net financial items  
MEUR



Net financial items:

- ▶ Change in currency effects drove the increase in net finance costs
- ▶ Increased interest expenses due to new waiver agreement

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A long-exposure photograph of a city street at night. The image shows several tall, modern skyscrapers with illuminated windows and facades. The street below is filled with light trails from moving vehicles, creating a sense of motion and energy. The overall color palette is dominated by blues and purples, with some warmer tones from the streetlights.

# Summary & Outlook

## Summary

- ▶ Restructuring program continues in 2017 as planned
- ▶ Initiatives taken according to plan outlined at CMD
  - The Basildon (UK) Closure is completed
  - Closure of the manufacturing facility in Heiligenhaus (Germany) is progressing according to plan
  - Transfer of business to prepare for the closure of the manufacturing plant in Rollag (Norway) is in progress, but slightly behind plan.
- ▶ Underlying market in H2 2017 is expected to be stable
  - Commercial vehicle segment expected to be slightly down vs. Q3 16
  - Modest growth (1.0%) in the Passenger vehicle segment expected
- ▶ Revenues in Q3 2017 are expected to be MEUR 225, up MEUR 7 compared to Q3 2016

