

Enhancing the driving experience



# Kongsberg Automotive ASA

First quarter 2017 | May 9, 2017



## Highlights for Q1 2017 (continuing business)

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### Revenues

- Revenues of MEUR 270.7 in Q1 2017, up MEUR 26.9 (11.0%) from Q1 2016, including positive translation currency effects of MEUR 5.4
- Annualized business wins in the first quarter amounted to MEUR 35, maintaining the run-rate of last twelve months at MEUR 282

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### Performance

- Adjusted EBIT was MEUR 13.5 in Q1, an increase of MEUR 1.7 (14.8%) from Q1 2016
- The sale of the North American Headrest and Armrest business was completed in the first quarter. The business is reported as discontinued operations
- In March, KA announced the intention to close the Heiligenhaus facility in Germany.
  - The restructuring costs for the period amounted to MEUR 6.6; most of which relates to the accruals in conjunction with the proposed Heiligenhaus closure

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### Gearing

- The adjusted gearing ratio at the end of Q1 2017 was 2.86 X NIBD/EBITDA

Enhancing the driving experience



# Market Summary

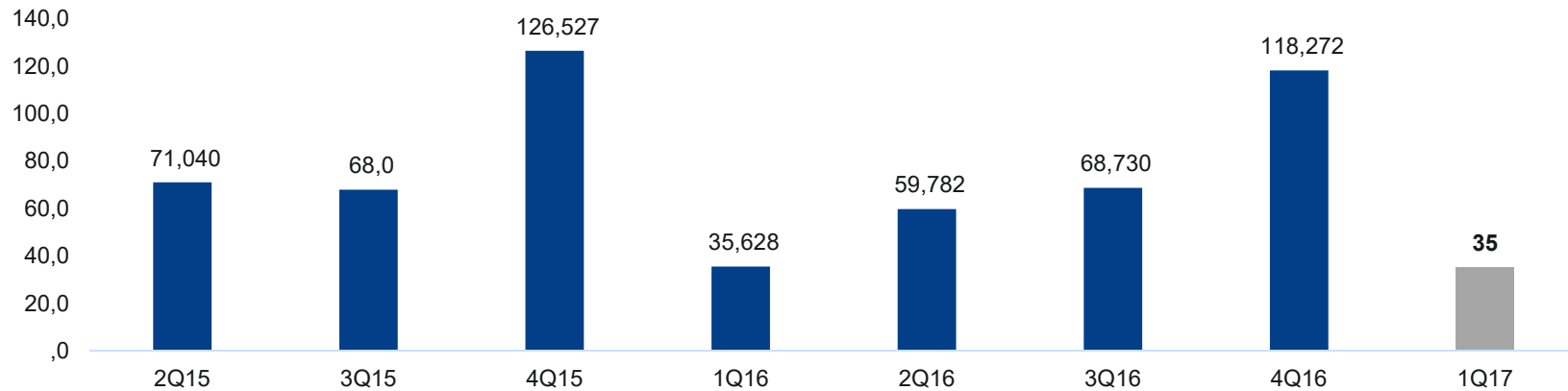


# New business wins in Q1 2017

## - Trend in line with pervious years

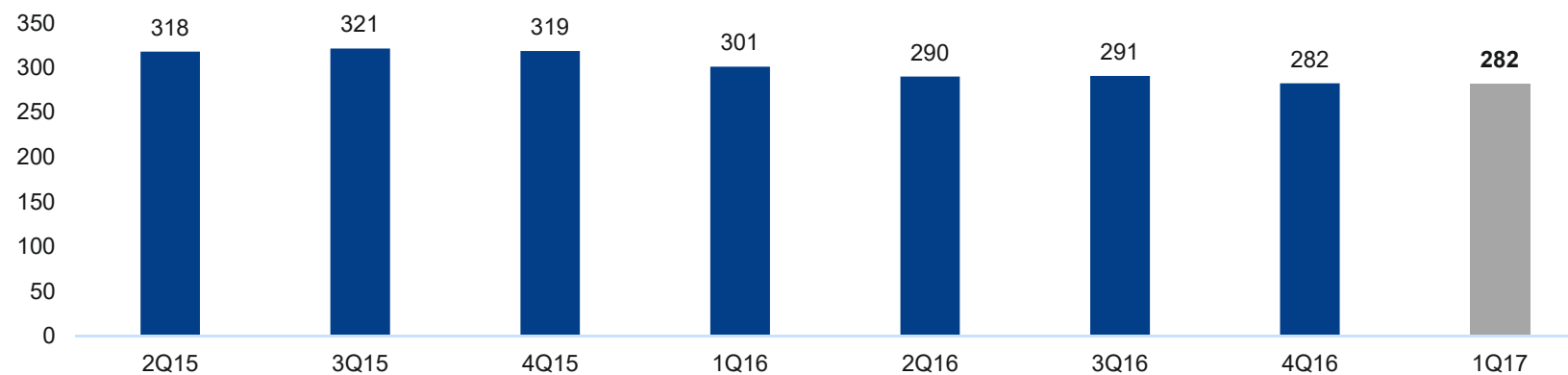
New business wins per quarter (per annum value)

EUR Million



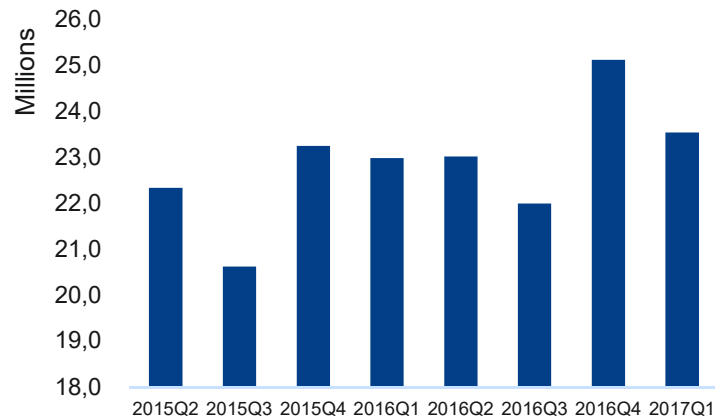
New business wins LTM (per annum value)

EUR Million



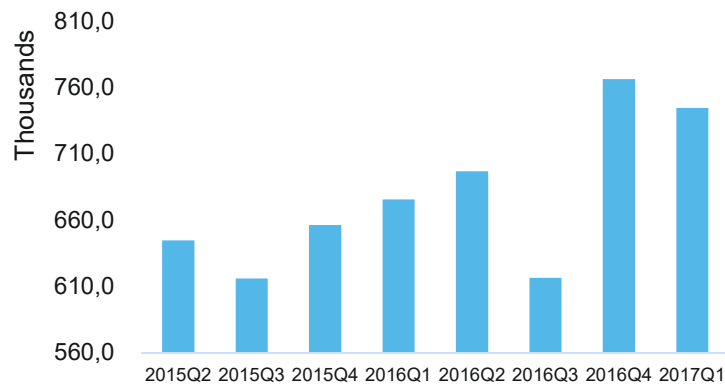
# Market summary

## Global Light Vehicle production



- ▶ Light Vehicle production up YoY 2.4% in Q1 2017
  - Flat production in China (-0.8%), in Europe (+5.3%) and in North America (+2.3%)
  - Expected growth for FY2017 is 2.0% YoY (approx. 94.9 million vehicles)

## Global Commercial Vehicle production



- ▶ Commercial Vehicle (CV) production YoY up 10.2% in Q1 2017
  - Significant growth in China (+35.7%), still decline in North America (-17.5%) and South America (-7.5%). High growth in Europe (+8.0%)
  - CV production is expected to be flat in 2017, approx. 2.8 million vehicles

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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 Q1 2017

- ▶ KA's cost restructuring plan - which includes reducing the manufacturing footprint from 31 to 25 facilities – is progressing as planned
  - Cost Competiveness:
    - In Q1 KA announced the intention to close the Heiligenhaus plant
      - In December 2016, KA initiated measures relating to closing its Basildon, UK facility
  - Portfolio: KA completed the sales of its North American Headrest/Armrest business
    - KA sold the HR/AR business to Futuris Group (Futuris), and all contracts, employees, and other assets were transferred to Futuris at the closing the deal 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 new Business segments organization is in place
    - The new Swiss based, operational headquarter in Zürich is operational
    - Mr. Norbert Loers, assumed his position as KA's CFO in January 2017

## Operational update (continuing business)

### Kongsberg Automotive

#### Revenues

- ▶ Strong quarterly revenues with 11% growth YoY
- ▶ Growth rate at constant FX rates was 9%

#### Adjusted EBIT

- ▶ YoY sales / adj. EBIT increase amounted to MEUR 26.9 / 1.7
- ▶ On a constant currency basis this represents an improvement of MEUR 17.1 in revenues and MEUR 1.3 adj. EBIT
  
- ▶ The main drivers behind the adj. EBIT improvement were (MEUR);
  - Translational FX +0.4
  - Volume / Seasonality / Mix +1.7
  - Raw Materials (commodities) headwind (1.1)
  - Performance +0.7



# Operational update

## Interior Systems

- ▶ Revenues of MEUR 66.1 in Q1, up MEUR 4.2 compared to Q1 2016
  - Positive currency effects of MEUR 1.0
  - 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 4.8 in Q1, down MEUR 0.4 compared to Q1 2016
  - The decline in EBIT was related to one-off costs and increased engineering costs (MEUR 0.4), partially offset by higher sales volume and operational improvements
  - Increased engineering costs due to upcoming launches
  
- ▶ In Q1 Interior booked new business worth a total of MEUR 3.9 in annual value
  - Very high quoting activities going on in early and advances stages
  
- ▶ Divestiture of the North American Head and Armrest business completed in Q1 2017
  - This includes a transfer of 170 employees in the Milan / USA facility

# Operational update

## Powertrain & Chassis

- ▶ Revenues of MEUR 102.3 in Q1, up by EUR 17.8 mill. from Q1 2016
  - Positive currency effects of EUR 2.3 million
  - The revenue increase came from both the European and Chinese businesses, and non-product revenues
  - A higher level of new programs drove the increase in revenues
  
- ▶ Adjusted EBIT was MEUR -1.3 in Q1, up EUR 0.9 mill compared to 1Q16
  - Higher sales volumes and cost improvements, partially offset by plant and product start-up costs and increased engineering efforts (MEUR 1.4)
  
- ▶ In Q1 Powertrain & Chassis booked new business worth a total of MEUR 20.9 in annual value
  - Supply of actuators to a major Chinese OEM, with est. annual value of MEUR 7.9
    - SOP in 2019 from KA's manufacturing facility in Wuxi, China
  
- ▶ The transfers of production and closures of the Rollag and Basildon facilities are progressing according to plan.
  
- ▶ The intention to close of the Heiligenhaus facility was announced.

# Operational update

## Specialty Products

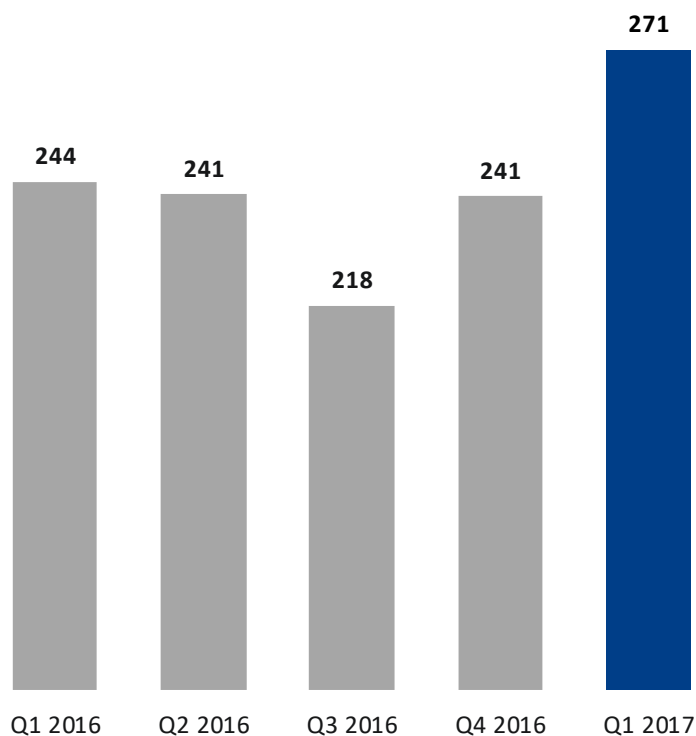
- ▶ Revenues of MEUR 103.0 mill. in Q4, up MEUR 5.6 from Q1 2016
  - Positive currency effect of MEUR 2.0
  - The increases in sales was driven by growth in Europe for fluid handling systems, and couplings sales in the commercial vehicle business.
  - Off-highway sales declined, mainly related to the North American recreational vehicle business
  
- ▶ Adjusted EBIT increased by MEUR 2.0, to MEUR 14.8 in Q1 2017
  - Higher sales volume and a favorable product mix
  - Significant headwinds from increased raw material commodity prices
  
- ▶ In Q1 Specialty Products booked new business worth MEUR 10.6 in annual value
  - Supply of PTFE to a major tier 1 with est. annual value of MEUR 1.4
  - Supply from KA's Suffield facility (U.S), with SOP from the second half of 2018



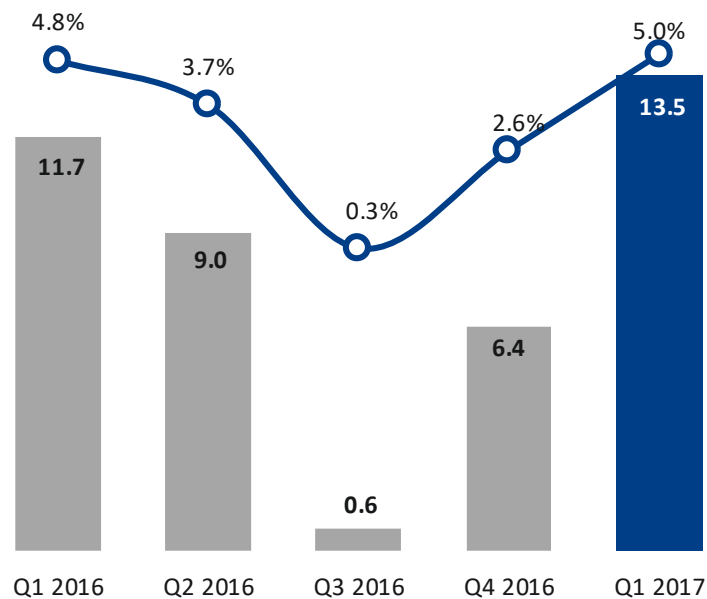
Norbert Loers  
Financial Update

# Revenue and Adjusted EBIT (continuing business)

Revenues\*  
MEUR



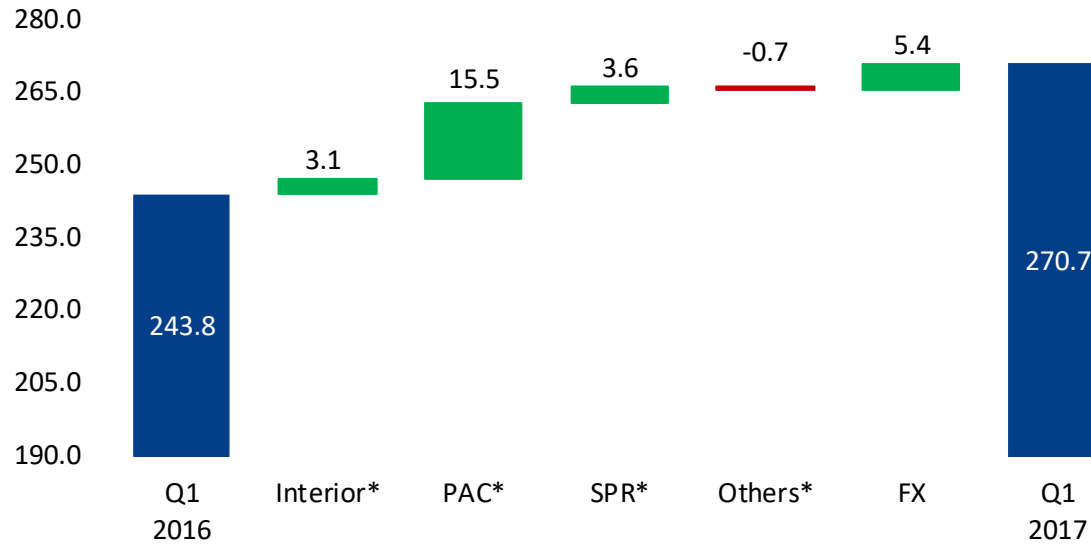
Adjusted EBIT and Adjusted EBIT margin\*  
MEUR and percent



\* Revenues from continued business and EBIT adjusted for restructuring. See details in the quarterly report.

# Revenue development (continuing business)

Revenues continued business  
MEUR



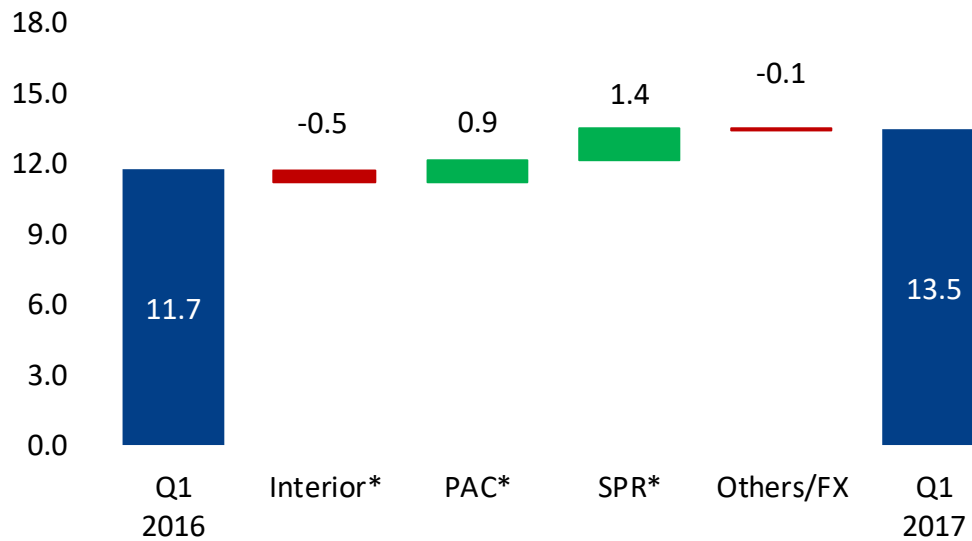
Revenue:

- ▶ MEUR 26.9 (11.0%) above the first quarter 2016
- ▶ Higher product sales and non-product sales
- ▶ Growth in Europe and China
- ▶ New programs

\* Variances excluding FX effects

# Adjusted EBIT development (continuing business)

Adjusted EBIT continued business  
MEUR

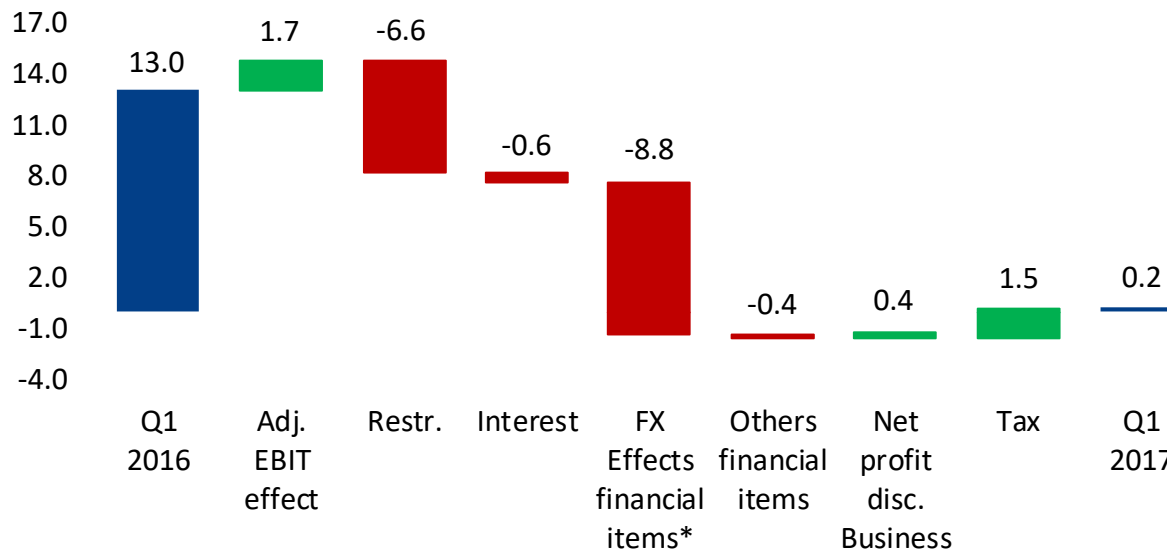


Adjusted EBIT: MEUR 1.7, MEUR 4.5 (14.8%) above first quarter last year

\* Variances excluding FX translation effects and restructuring costs

# Net Profit development (total Group)

Net Profit  
MEUR



Net profit:

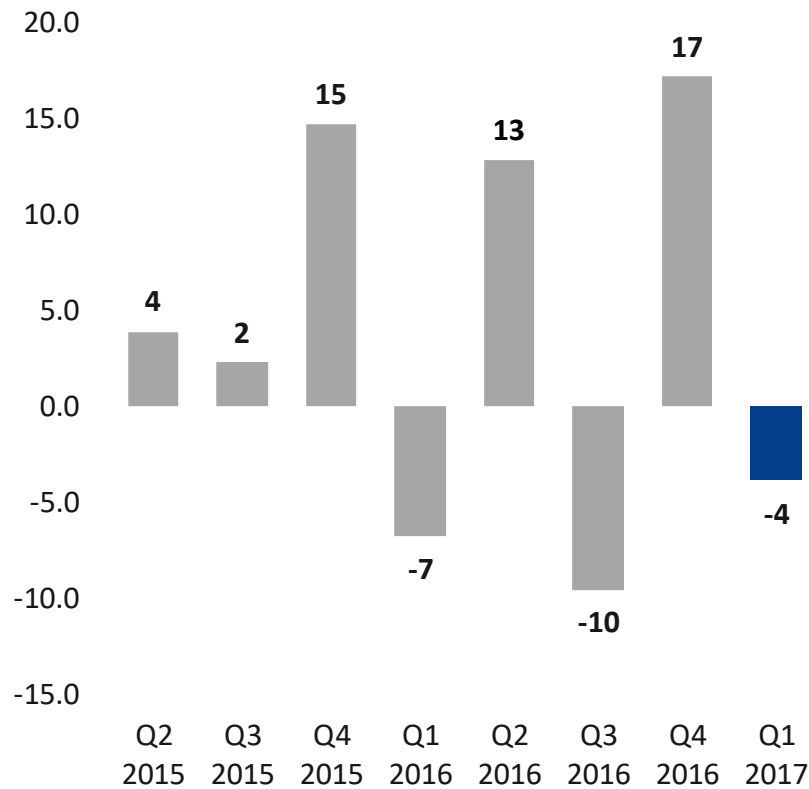
- ▶ Influenced by restructuring costs, and;
- ▶ unrealized and realized FX effects
- ▶ Interest expenses impacted by new bank waiver

\*related to non-cash unrealized FX gains in Q1 2016



## Free Cash Flow (continuing business)

Free Cash Flow  
MEUR

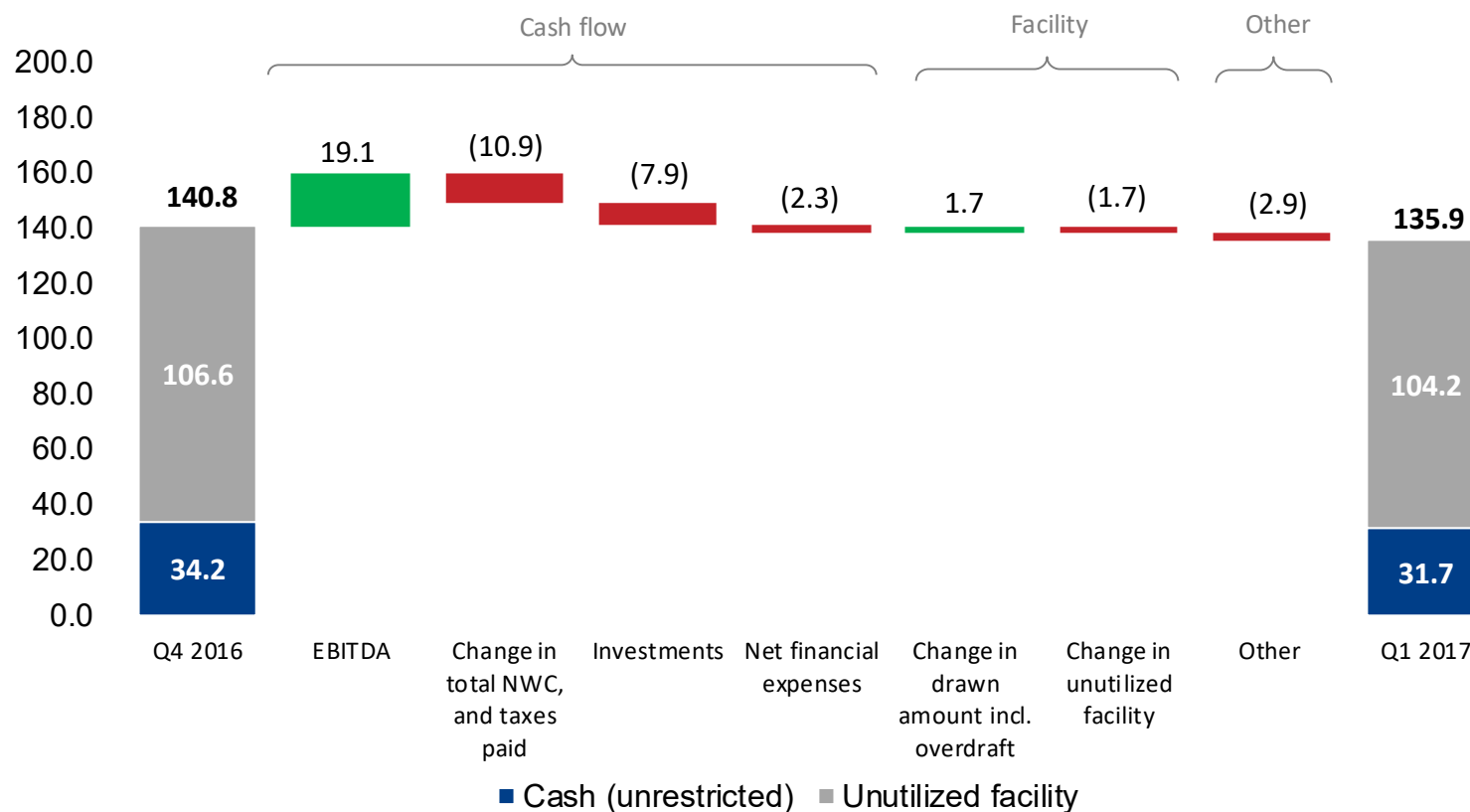


First quarter Free Cash Flow before debt repayments:

- ▶ Positive change in net working capital
- ▶ Operating profit, excluding restructuring costs
- ▶ Decrease in taxes paid
- ▶ Investments
- ▶ Sale of HR/AR adds 2,2 from the sale of HR/AR business

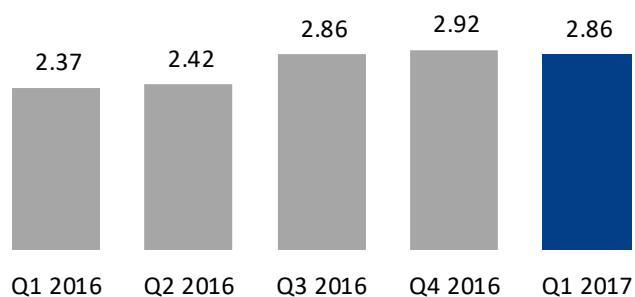
# Cash flow and facility development

Available funds  
MEUR

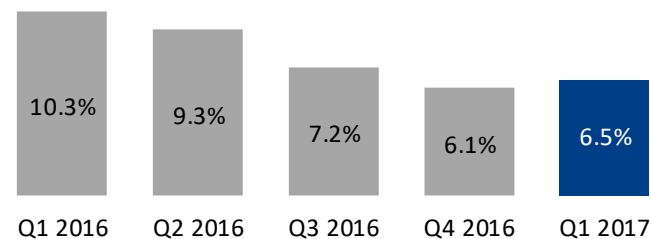


# Financial ratios

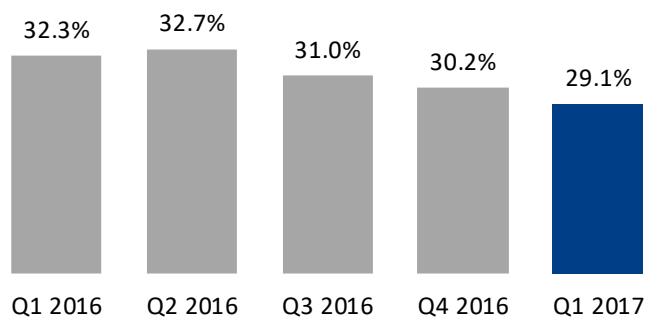
**Adjusted NIBD/EBITDA\*** (Ltm)  
Times



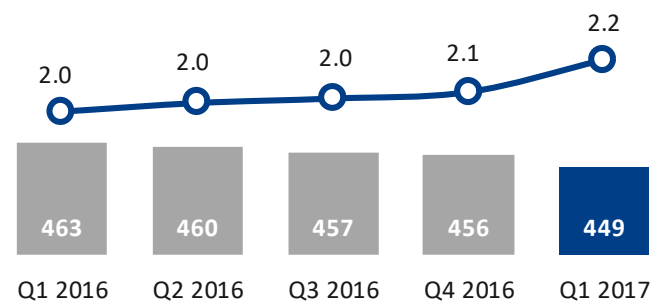
**Adjusted ROCE (Ltm)\***  
Percent



**Equity ratio**  
Percent



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

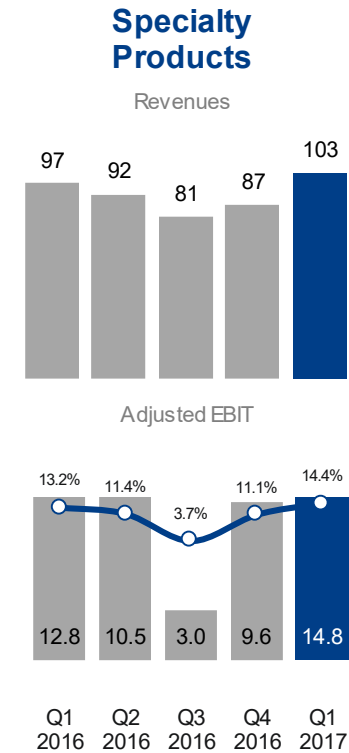
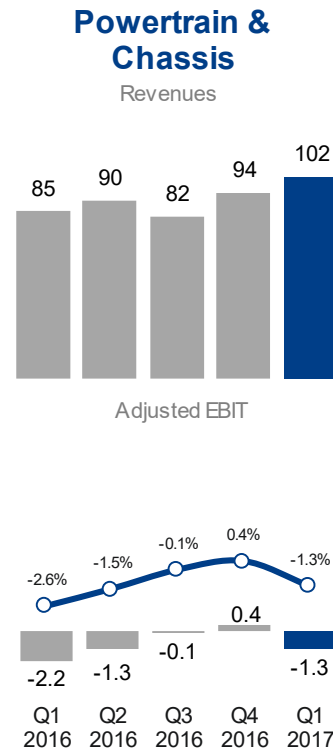
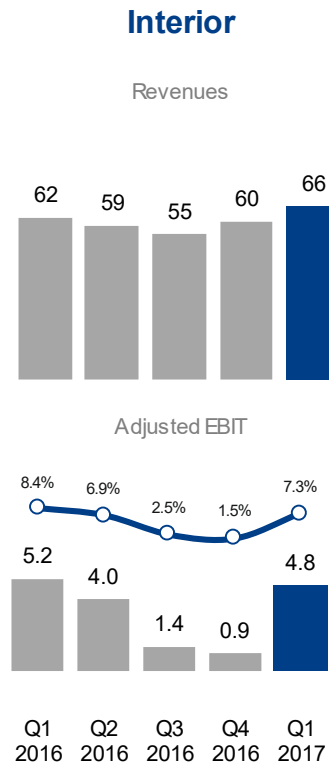


\*Continued business and excludes restructuring costs, see details in the quarterly report.



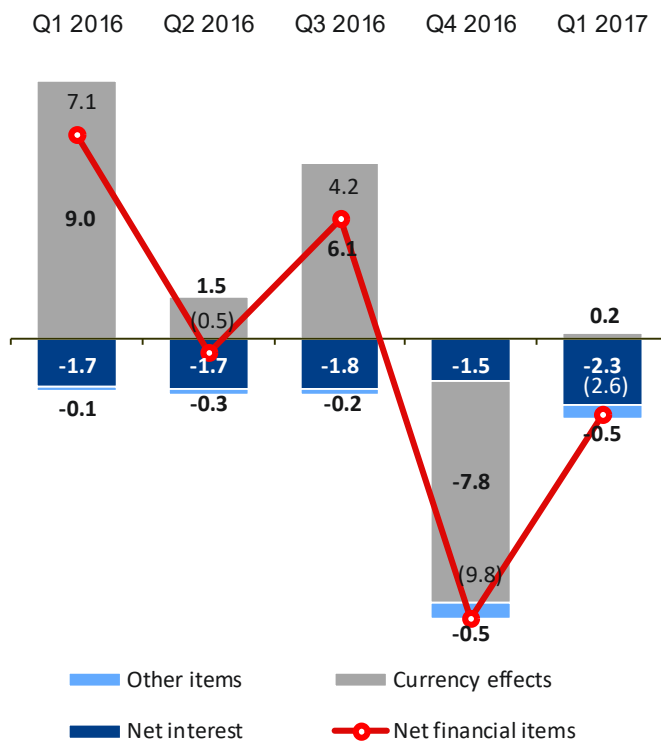
# Segment financials 1<sup>st</sup> quarter (continuing business)

## Revenues and Adjusted EBIT MEUR and percent



# Financial items

Net financial items  
MEUR



Net financial items:

- ▶ Change in currency effects related to non-cash unrealized FX gains in Q1 2016
- ▶ Increased interest expenses due to waiver agreement conditions

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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 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 and vehicle lights.

## Summary & Outlook

## Summary

- ▶ We expect the underlying markets to be fairly stable throughout 2017
  - Commercial vehicle segment is expected to be flat
  - Modest growth (2.0%) expected in the Passenger vehicle segment
  
- ▶ We expect Q2 2017 Revenues to be around MEUR 260, up MEUR 20 compared to Q2 2016
  
- ▶ Raw material commodity pricing continues to be challenging
  - There is some level of ramping taking place
  - Some of our sales contracts call for price adjustments based on material price movements on a retroactive basis
  
- ▶ We confirm our CMD plan:
  - 3 footprint closure actions underway

