



KONGSBERG
AUTOMOTIVE



Q3 2009
Status and Outlook
Oslo, 23.10.2009

Welcome

Agenda

- ▶ Highlights Q3
- ▶ Financial Overview
 - Group
 - Divisions
- ▶ Share issues
- ▶ Outlook
- ▶ Q&A



Highlights Q3



Highlights 3rd quarter

- ▶ **Positive EBITDA (MEUR 5.4) for the first time since 3rd quarter 2008 due to the effects from continuous cost improvements during 2009 supported by higher revenues.**
- ▶ **Revenues at MEUR 157 were above previous two quarters due to stronger growth in several market segments partly driven by incentive programs. Low stock levels in the market have pushed the production volumes to fill the pipelines.**
- ▶ **Continue to improve net working capital ratio**
- ▶ **Refinancing of the balance sheet completed. Raised MEUR 159 in gross proceeds from share issues.**
- ▶ **Expect 4th quarter revenues to be around MEUR 165**

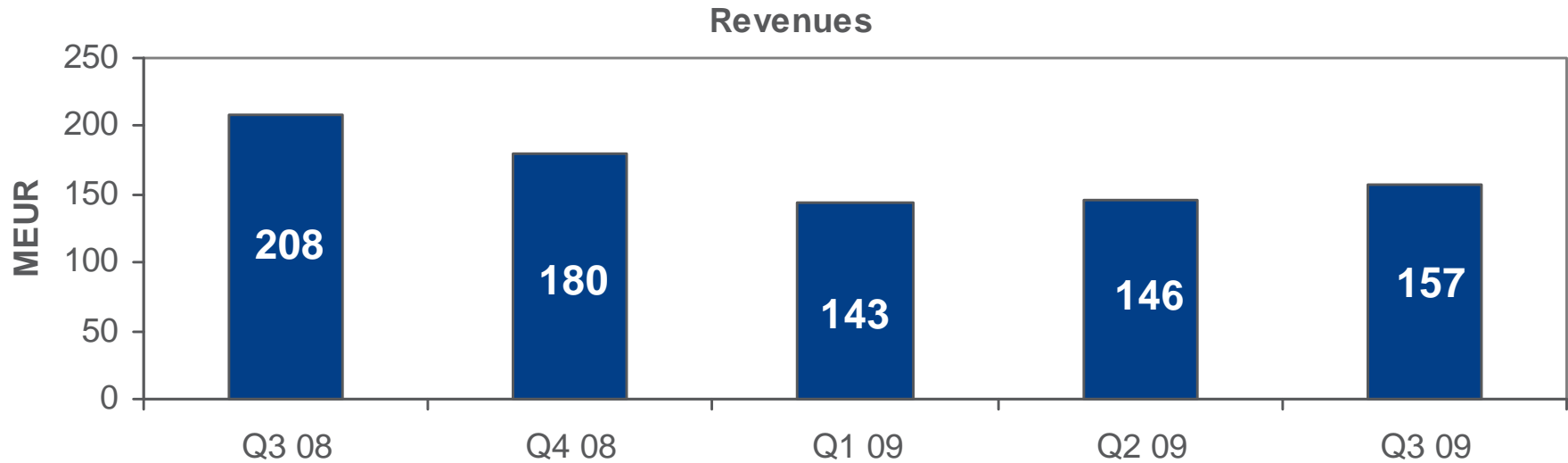


Financial overview

KA Group



Revenues per quarter KA Group

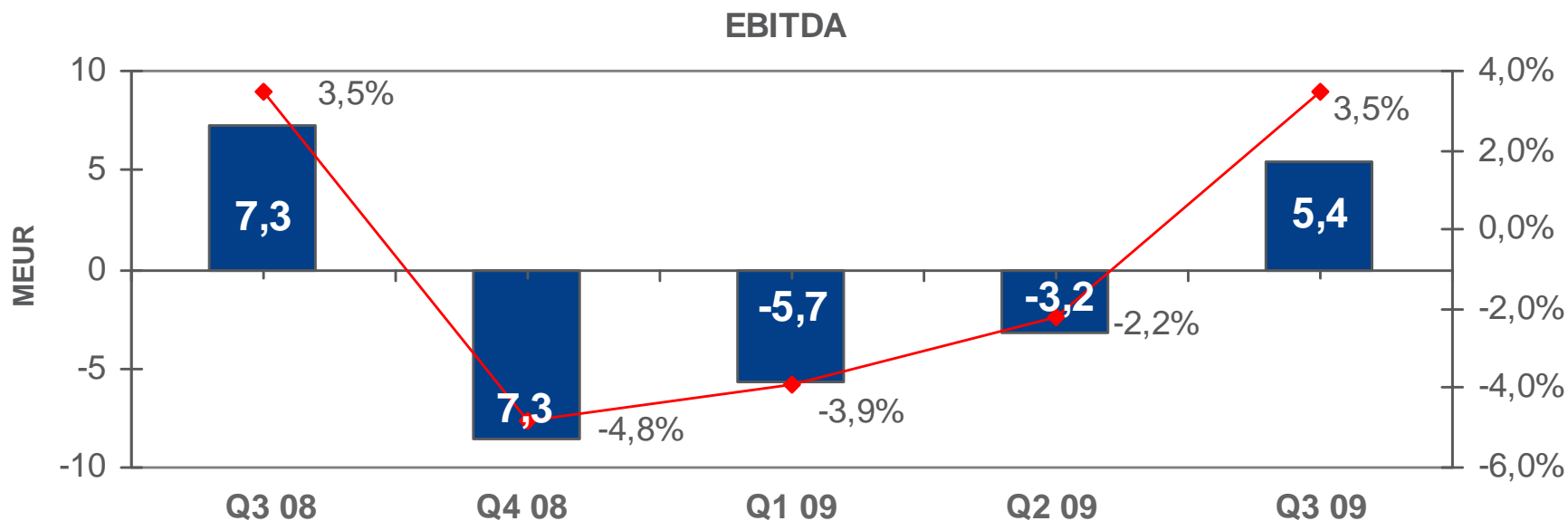


KEY DRIVERS

- ▶ Adjusted for negative currency effects of MEUR 3.4, revenues were down MEUR 48.3 YoY (23%) reflecting lower production of cars and other vehicles.
- ▶ Vehicle sales are influenced by the economy in general, available credit, incentives and stock levels.



EBITDA per quarter KA Group

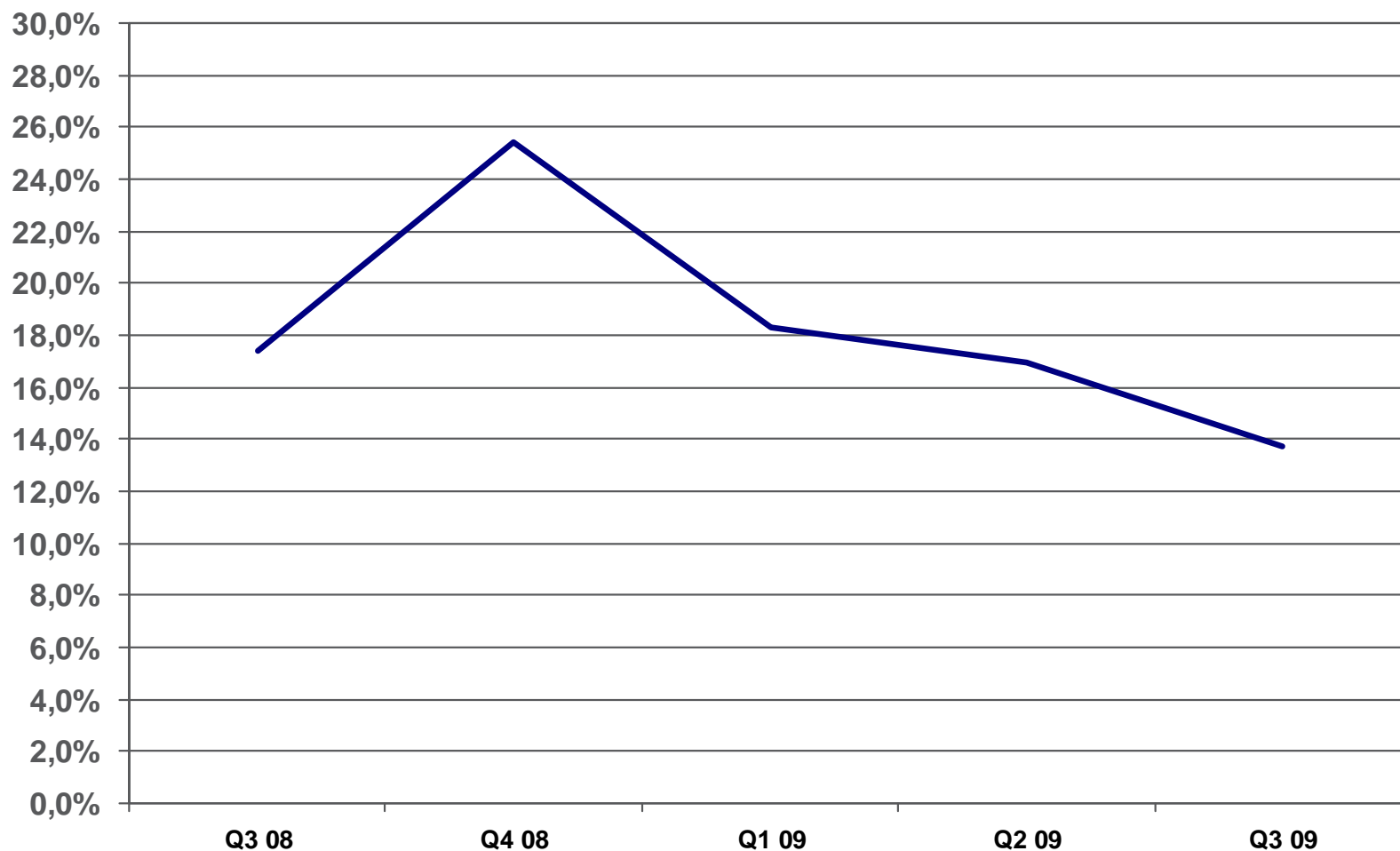


KEY DRIVERS

- ▶ Back at positive EBITDA mainly due to cost cuts giving an operational gearing
- ▶ Negative currency effect YoY of MEUR 1.0



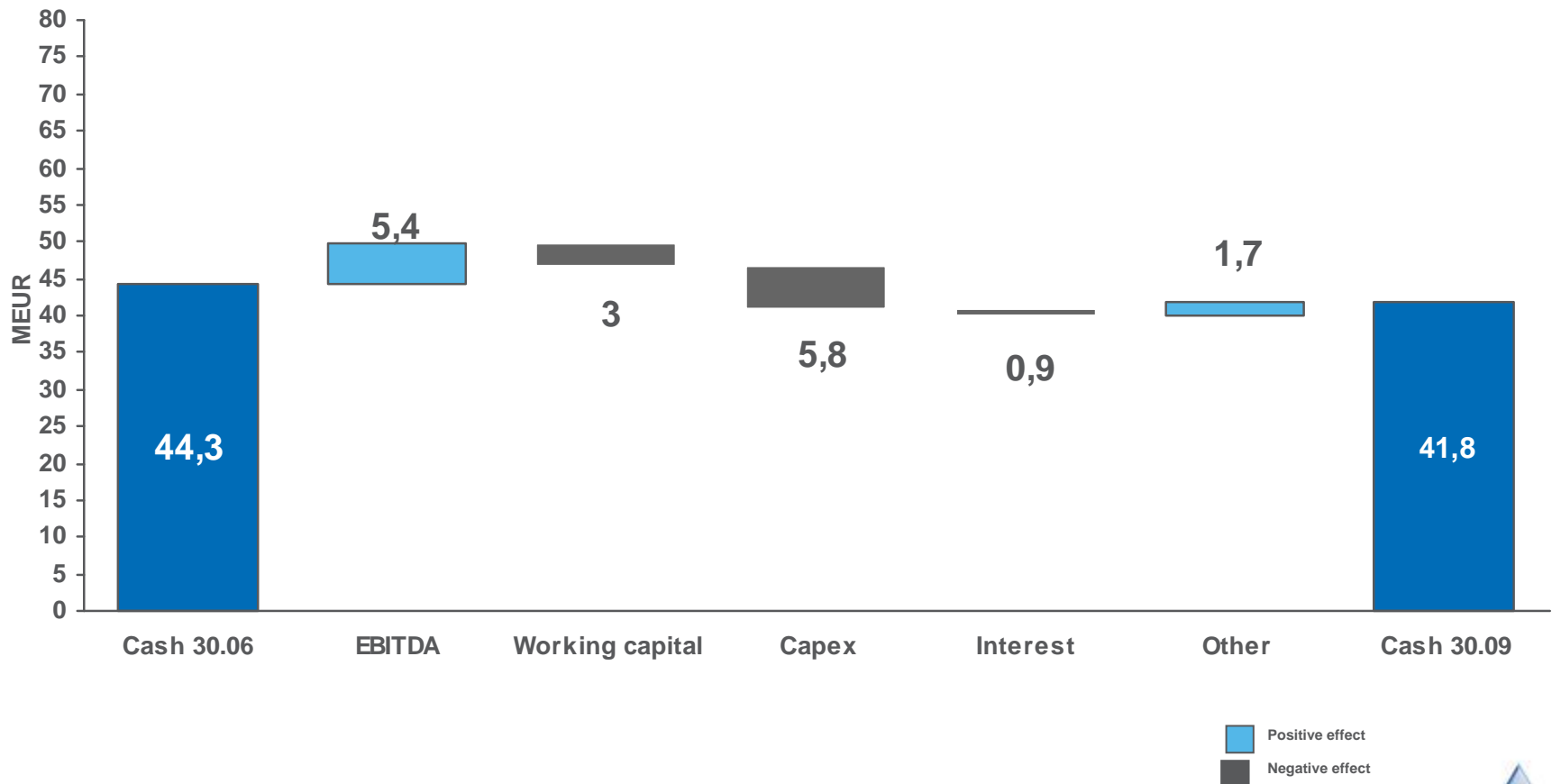
Net working capital in % of revenues



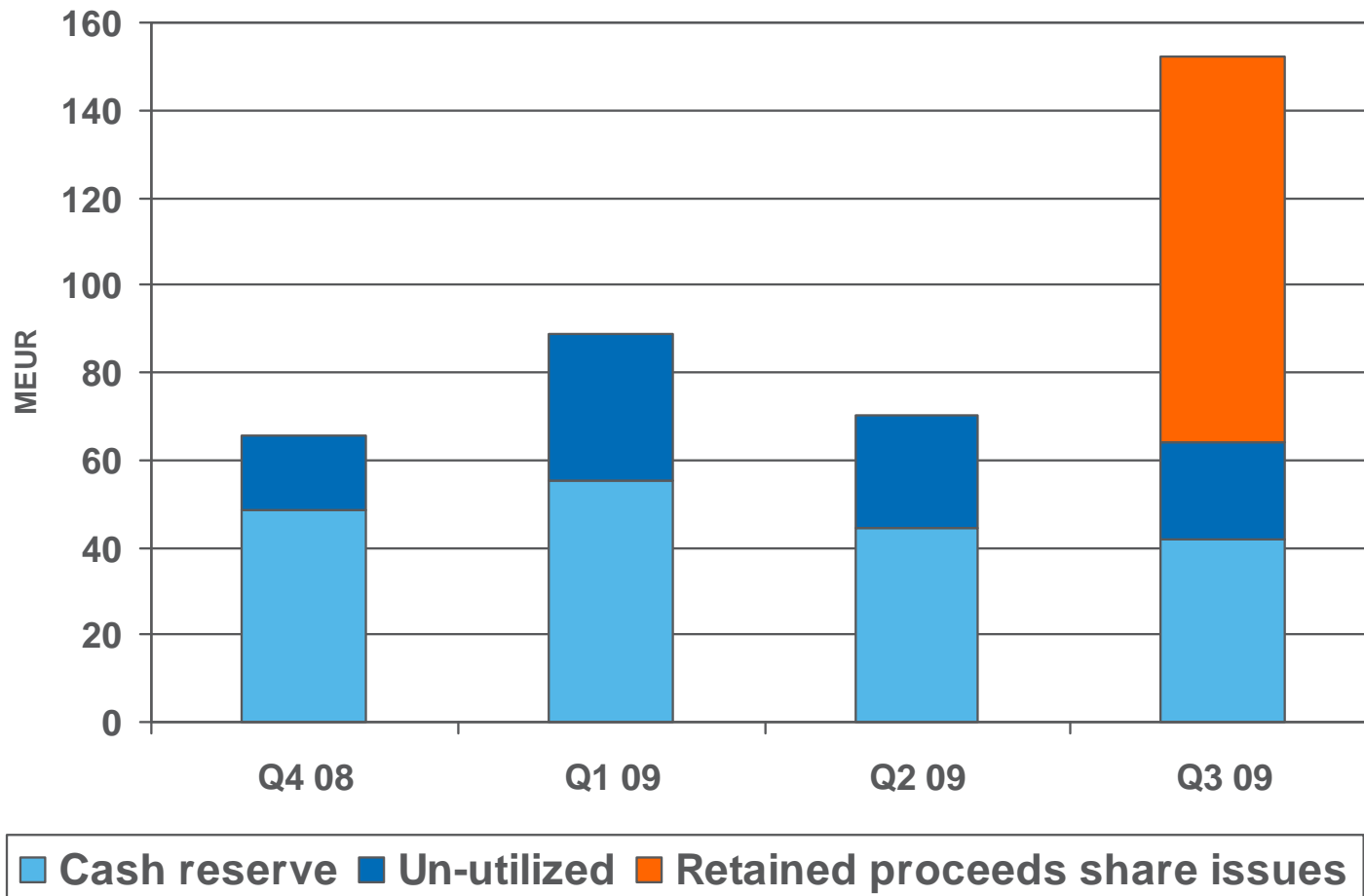
Continue to improve working capital ratio



Cash flow 3rd quarter 2009



Available funds end of 3rd quarter



Liquidity effect 1 Oct 2009 – 1 July 2011 of financial restructuring

	Cash MEUR	P&L effect
Lower interest (cash margin)	7.0	38.0
Reduced amortization on loans	57.0	
Liquidity from share issue retained KA	89.0	
Total improved liquidity	153.0	



P&L Q3 2009

Income statement ME UR	3rd Quarter		YTD		31.12.08
	2009	2008	2009	2008	
Revenue	156.6	208.3	445.9	726.3	905.9
Opex	(151.1)	(201.0)	(449.3)	(671.8)	(860.1)
EBITDA	5.4	7.3	(3.4)	54.5	45.8
EBITDA %	3.5 %	3.5 %	-0.8 %	7.5 %	5.1 %
Depreciation and Amortization	(12.0)	(11.0)	(35.2)	(34.1)	(46.9)
EBIT	(6.6)	(3.7)	(38.6)	20.4	(1.1)
EBIT %	-4.2 %	-1.8 %	-8.7 %	2.8 %	-0.1 %
Financial items	25.3	(36.3)	33.7	(53.3)	(141.1)
Profit before taxes	18.7	(40.0)	(5.0)	(32.9)	(142.2)
Taxes on ordinary profit	(7.1)	12.0	(4.9)	9.8	47.9
Net profit	11.6	(28.0)	(9.9)	(23.1)	(94.3)

Comment:

Positive net profit in the 3rd quarter as a consequence of positive currency effects on conversion of the debt



Balance sheet

Balance Sheet MEUR	30.09.09	Effect of share issues	Proforma 30.09.09
Deferred tax asset	52,1		52,1
Intangible assets	257,6		257,6
Plant, building, and property	146,1		146,1
Other Non-current Assets	6,5		6,5
Total Non-Current Assets	462,2	-	462,2
Inventories	67,3		67,3
Account receivables	114,3		114,3
Other Short term receivables	22,8		22,8
Cash and cash equivalents	41,9	51,3	93,2
Current assets	246,3	51,3	297,6
Assets	708,5	51,3	759,8
Total Equity	35,3	151,0	186,3
	-		
Interest bearing loans and borrowings	425,8	(39,2)	386,6
Other long term liabilities	56,6		56,6
Total Long term liability	482,4	(39,2)	443,2
Bank overdraft	24,7	(24,7)	(0,0)
Other short term liabilities, interest bearing	35,8	(35,8)	0,0
Accounts payable	74,4		74,4
Other short term liabilities	56,0		56,0
Short Term Liability	190,8	(60,5)	130,3
Total liability	673,2	(99,7)	573,5
Total Equity and Liabilities	708,5	51,3	759,8



Financial overview divisions

Automotive
Systems



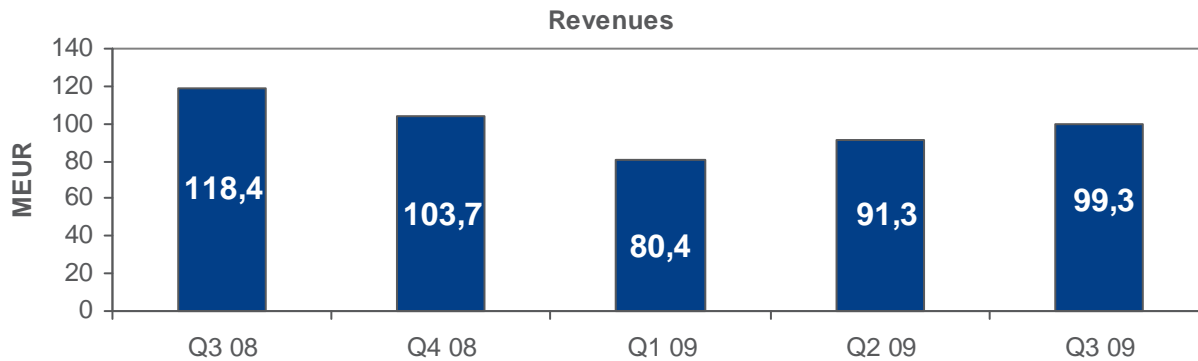
Commercial Vehicle
Systems



Power Products
Systems

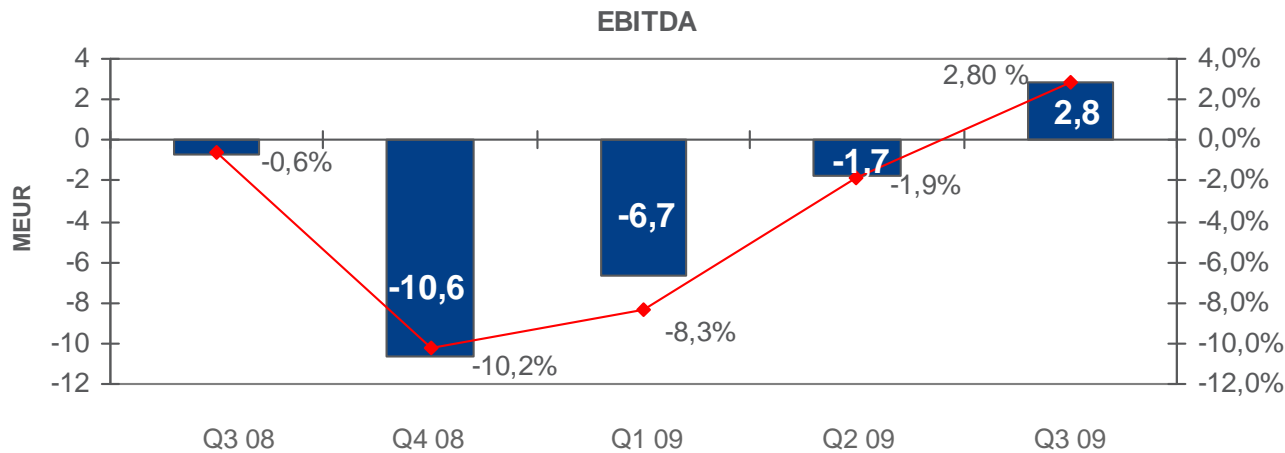


Automotive Systems



KEY DRIVERS

- Adjusted for negative currency effects of MEUR 2.0, revenues are down MEUR 19.2 YoY (16 %) reflecting weaker market

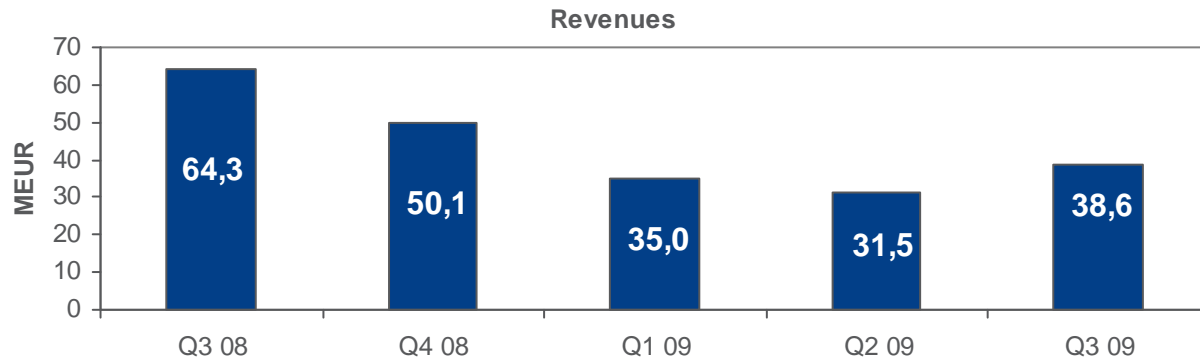


KEY DRIVERS

- EBITDA continuously improved during 2009 due to higher volumes and cost reductions

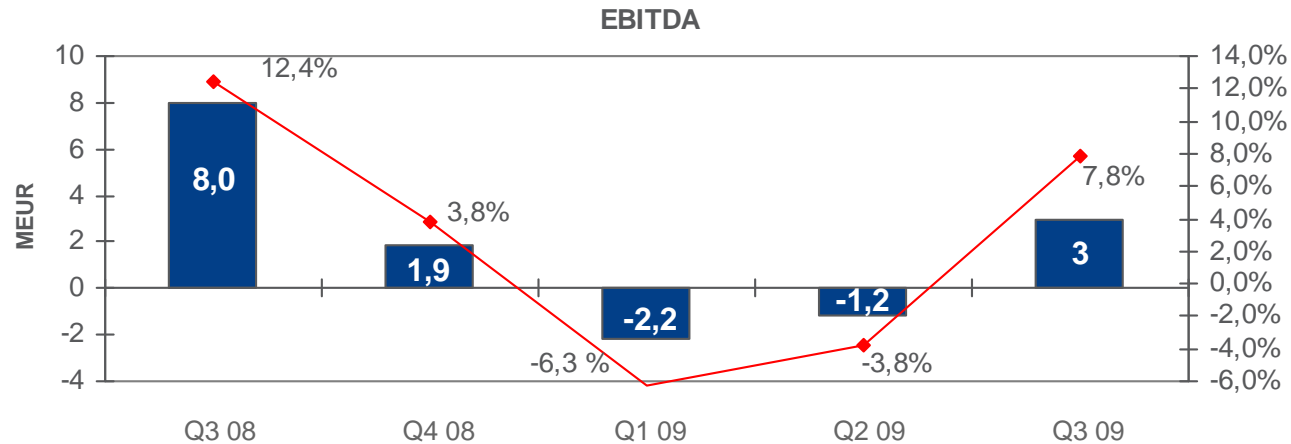


Commercial Vehicle Systems



KEY DRIVERS

- Adjusted for negative currency effects of MEUR 2.0, revenues are down MEUR 26 YoY (40 %), improved volumes from Q2

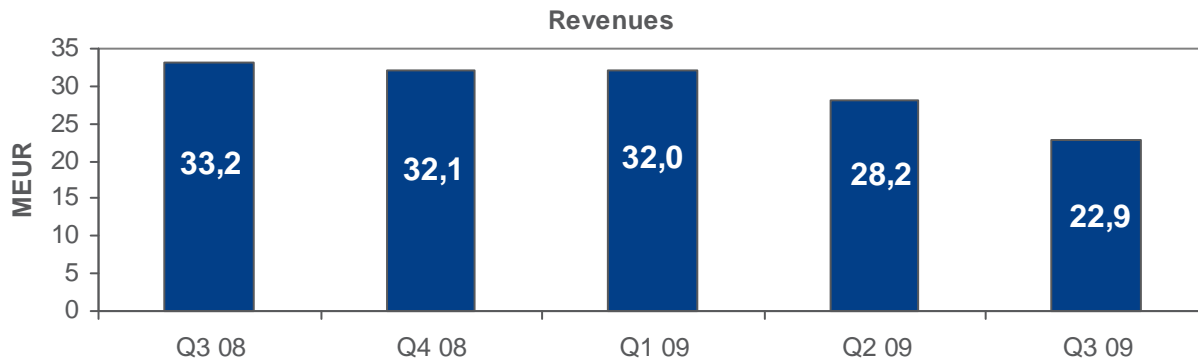


KEY DRIVERS

- Improved margins in Q3 mainly because of higher volumes and cost cutting

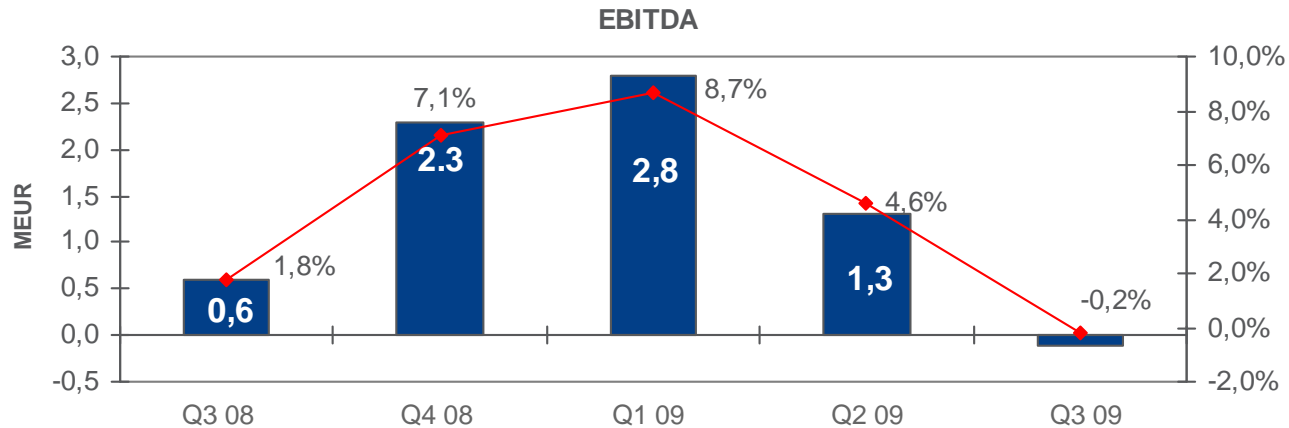


Power Products Systems



KEY DRIVERS

- ▶ Divested product line represents a decline of approx 2 MEUR. Adjusted for that Q3 09 is down MEUR 10.2 (27 %) Vs. Q3 08 reflecting the PPS markets in general



KEY DRIVERS

- ▶ Lower volumes effecting margins
- ▶ Lower sales partly compensated by reduction on cost level



SHARE ISSUES



Share issues

- ▶ **The company has raised equity (MEUR 159) at a share price of NOK 4.00**
- ▶ **Approved by the General assembly on 25th of September**
- ▶ **The purpose of the share issues was to improve the capital structure. This will enable the company to take advantage of new market opportunities**
- ▶ **A re-negotiation of the loan agreement with the banks was a part of the total solution**
- ▶ **Based on the retained liquidity from the share issues and the new loan terms the company will improve the liquidity position with 153 MEUR over the next two years relative to the pre-issue position**

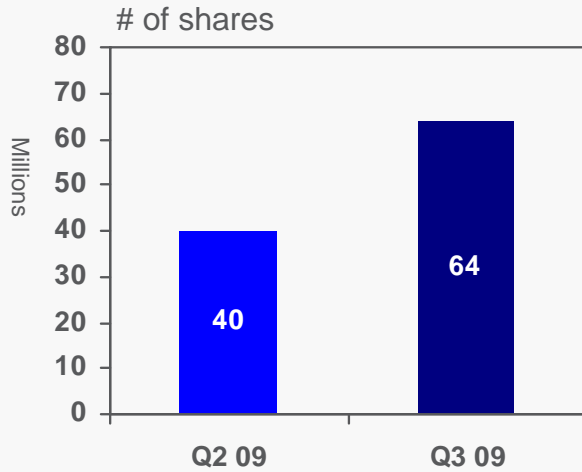


Main changes of renegotiated loan agreement

	Old structure	New structure
Termination Date:	19.12.2012	29.12.2013
Repayment:	<ul style="list-style-type: none"> ▶ MEUR 10 semi-annually from Q2 2009 ▶ MNOK 240 maturing 19.12.2010 ▶ Reduction of Revolving Credit by MNOK 200 on 15.01.2011 	<ul style="list-style-type: none"> ▶ MEUR 10 semiannually in 2011; ▶ MEUR 20 semi-annually in 2012 ▶ MEUR 20 June 2013 and residual amount on Termination date
Mandatory Prepayment:	Illegality, Change of Control, Insurance, Excess Cash Flow, Net Sales Proceeds	Illegality, Change of Control, Insurance
Margin:	<ul style="list-style-type: none"> ▶ Cash margin of 3% p.a. ▶ PIK margin of 3.25% 	<ul style="list-style-type: none"> ▶ Cash margin of 3% p.a ▶ Banks to receive warrants equaling present value of 0.25% cash margin
Fees:	Back-End Fee of MEUR 5	▶ Back-end Fee swapped with a warrant structure
Financial Covenants	<ul style="list-style-type: none"> ▶ Nominal Equity ▶ Nominal EBITDA ▶ Interest Cover Ratio ▶ Gearing Ratio ▶ Cash Flow Cover Ratio ▶ Capital Expenditure 	<ul style="list-style-type: none"> ▶ Nominal Equity (MEUR 50 plus 50% of gross proceeds in equity issue above MEUR 120) ▶ Minimum Liquidity (MEUR 50) ▶ Capital Expenditure restrictions (2009: 3%; thereafter 4% of revenue) ▶ Gearing ratio measured first time Q2 2011 (20% headroom to company budgets)



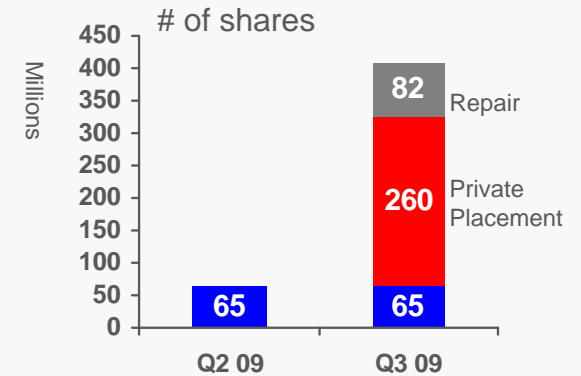
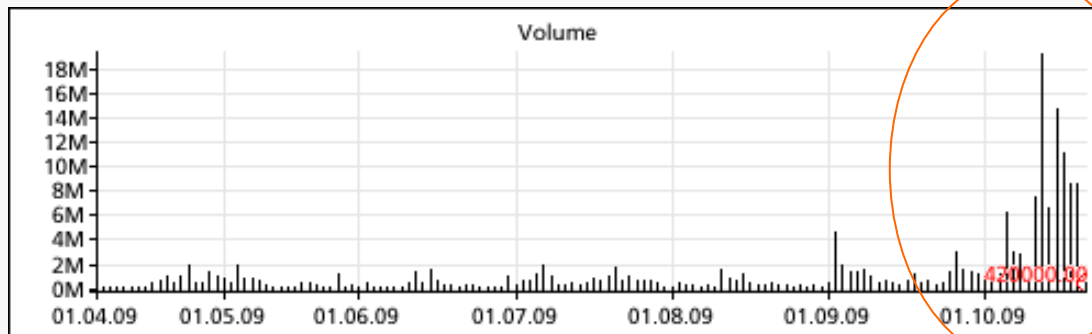
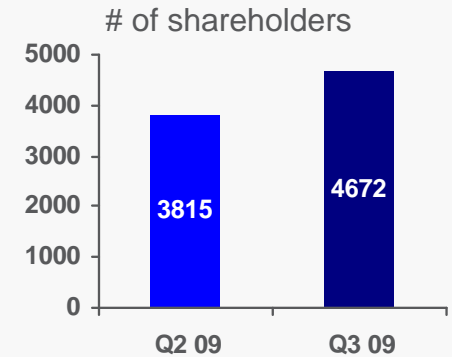
Share statistics after capital increase



October boost after placement

- 20 days into October, 92 million shares traded

Key changes after share issue



Figures are rounded off



Shareholders top 20 after placement

- as of 10/21/2009

Investor	Number of shares	% of total
DNB NOR BANK ASA EGENHANDELSKONTO	27,035,050	8.31
NORDEA BANK NORGE ASA MARKETS MARKET-MAKING DERIVATER	26,835,050	8.25
CREDIT SUISSE SECURITIES (USA) LLC	15,000,000	4.61
ODIN NORDEN	14,979,932	4.61
DEUTSCHE BANK AG LONDON	14,733,739	4.53
ODIN NORGE	14,652,774	4.51
FERD AS INVEST	11,250,000	3.46
SKAGEN VEKST	8,500,000	2.61
HOLBERG NORGE	7,250,000	2.23
MP PENSJON	5,150,000	1.58
CLEARSTREAM BANKING S.A.	4,384,790	1.35
HOLBERG NORDEN	4,125,000	1.27
PARETO SECURITIES ASA EMISJONSKONTO INNLAND	4,062,000	1.25
CITIBANK N.A. (LONDON BRANCH)	4,000,000	1.23
JPMORGAN CHASE BANK	3,904,761	1.20
KLP LK AKSJER	3,750,000	1.15
PERESTROIKA AS	3,677,800	1.13
DELPHI NORGE	3,000,000	0.92
ORION ABSOLUTT AS	3,000,000	0.92
DNB NOR SMB VPF	2,800,000	0.86

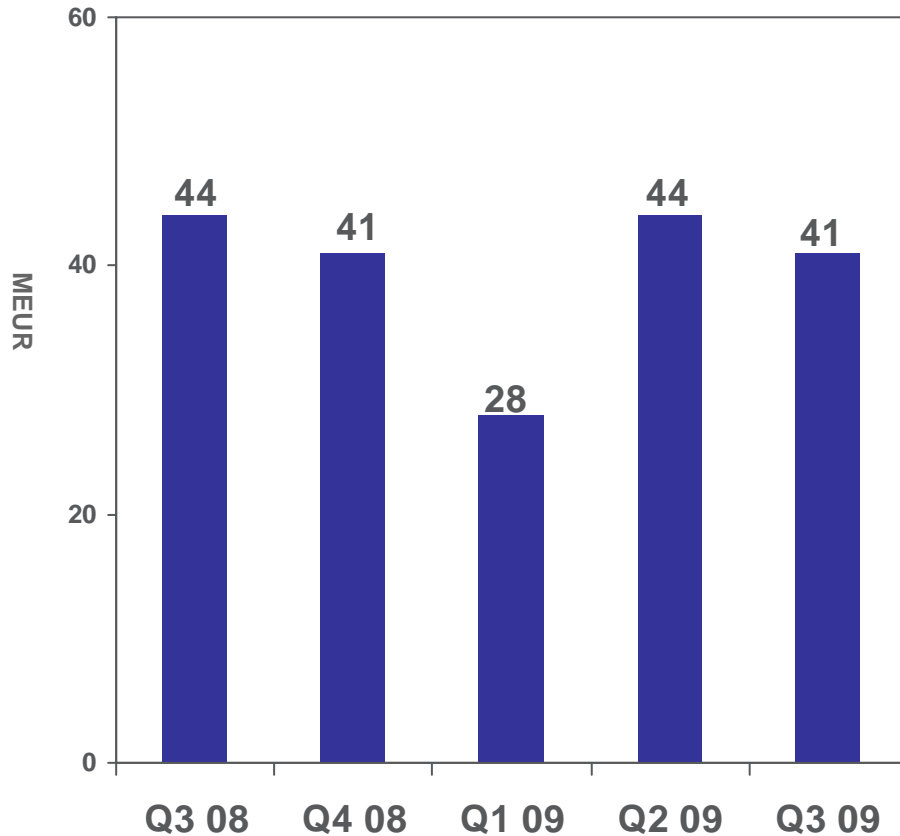


OUTLOOK



New business wins

New contracts (average annual sales)



Q2/Q3 announcements 2009

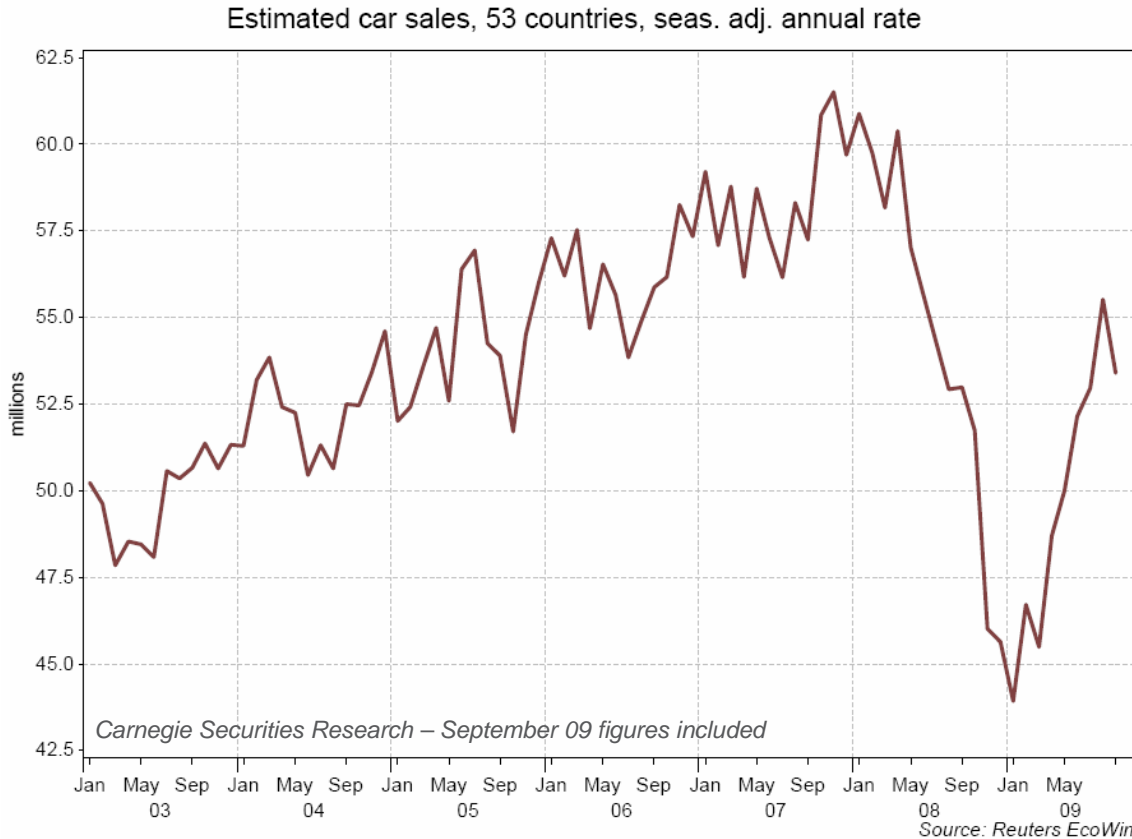
DATE / PRODUCT	MEUR
▶ 15/10 Air brake (truck)	25,0
▶ 15/8 Head restraints	13,5
▶ 10/8 Suspension (truck)	65,0
▶ 15/7 Fuel lines (truck)	2,0
▶ 13/7 Head Restraints (car)	45,0
▶ 8/7 Fuel Systems (truck)	8,6
▶ 7/7 Seat Heat (car)	3,4
▶ 2/7 Turbo lines (car)	3,0
▶ 1/7 Gearshift (truck)	26,0
▶ 20/5 Gearshift (EV)	2,9
▶ 28/4 Head Restraints (car)	38,0
▶ 23/4 Gearshift (EV)	4,5
TOTAL MEUR	236,9

- List of public announcements. Lifetime value.

- Smaller contracts not included



World car sales improving

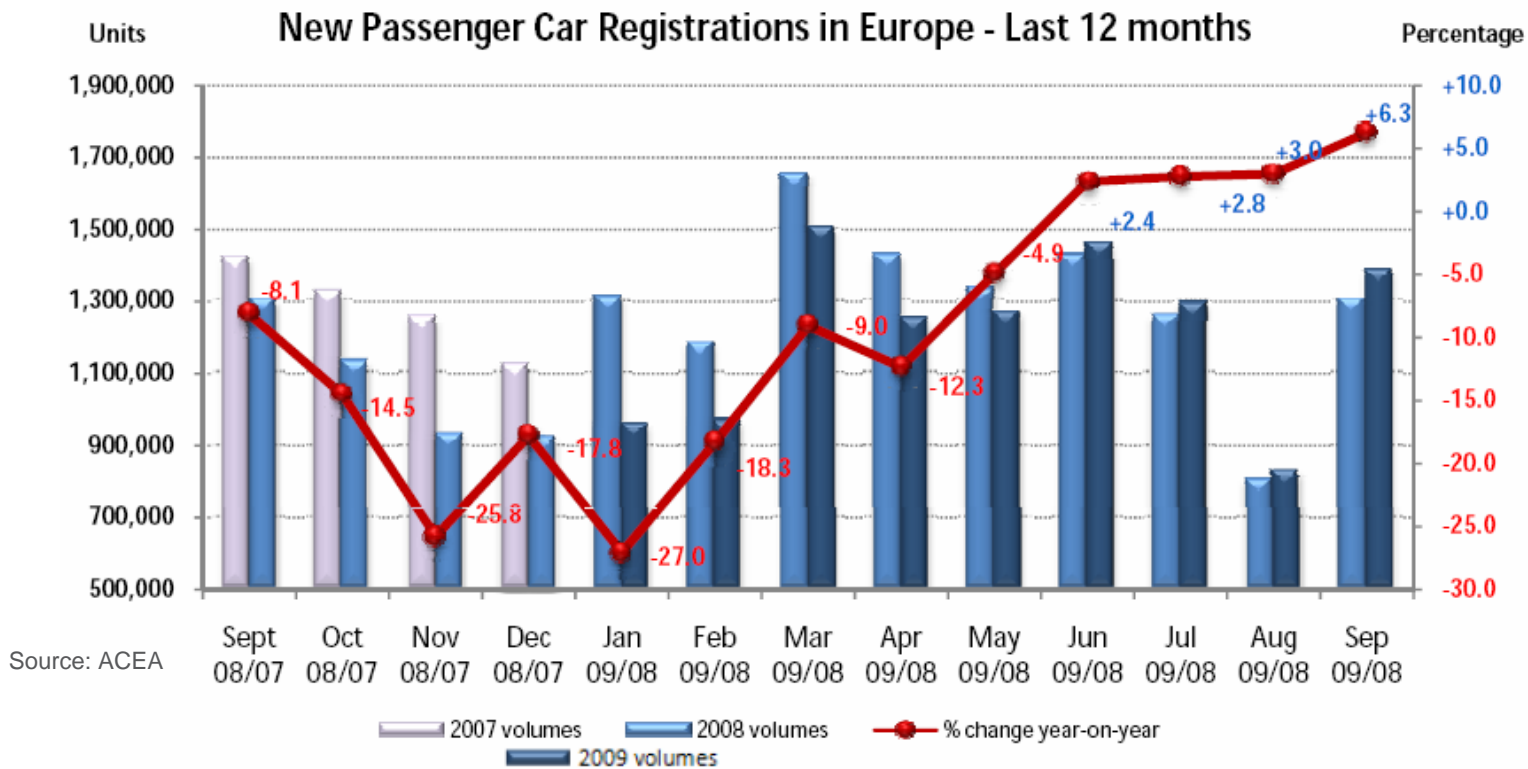


- ▶ **US**
 - Cash for clunkers boosted sales.
 - Annualized 14.1 mill. in August.
 - Sales then fell sharply in September, down 41% from August. Production fell “only” 13 % in September.
- ▶ **EU**
 - Impact from incentives.
 - Germany, Spain, France and UK all rose more than 10 % YoY in September.
- ▶ **Asia**
 - South Korea, China and India all rose more than 10 % YoY in September

**September turned out better than expected.
Incentives an important driver.**



European car registrations up 6.3% YoY in September

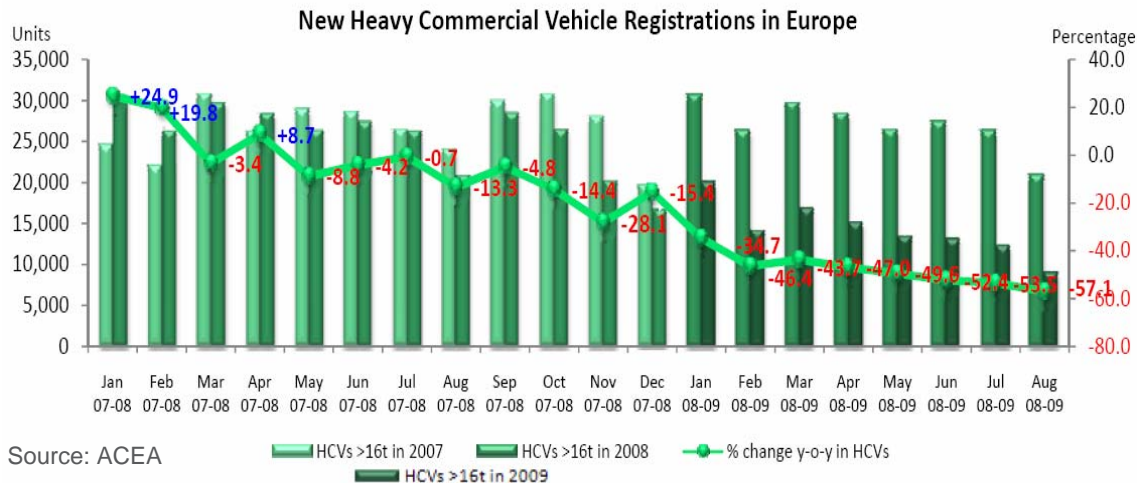


September results were boosted in incentive markets, and especially in those countries where these schemes will come to an end soon.



Truck registrations Europe

Registration is still low, but production is picking up



- ▶ Registration figures are typically three months behind production volumes
- ▶ Our CVS plants have reported incremental improvements over the last weeks
 - Early indicators for increased sale

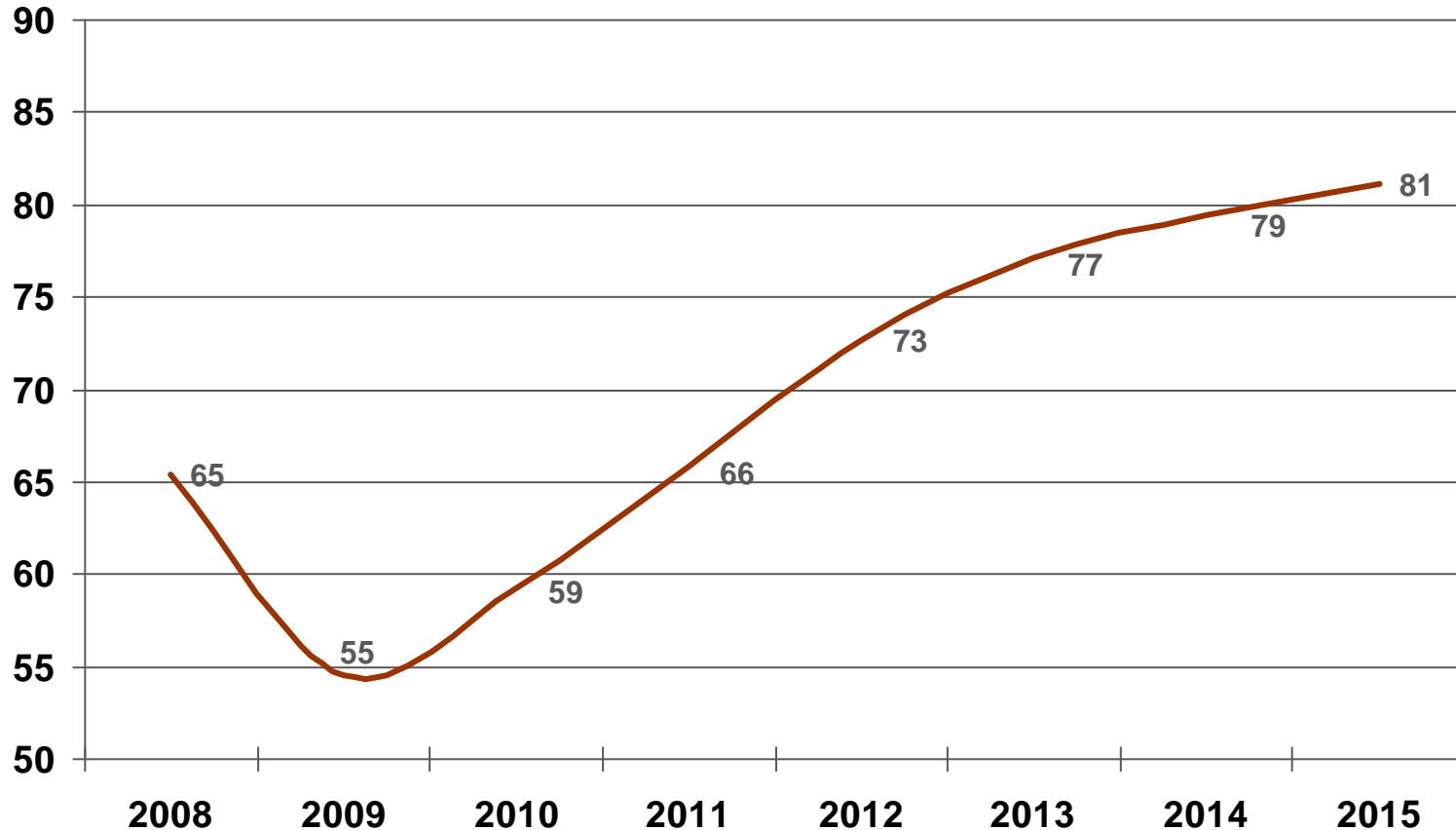
We see positive indicators - but still too early to conclude on recovery trend.



Global recovery trend - world light vehicle production

- forecast updated September 2009

In million units



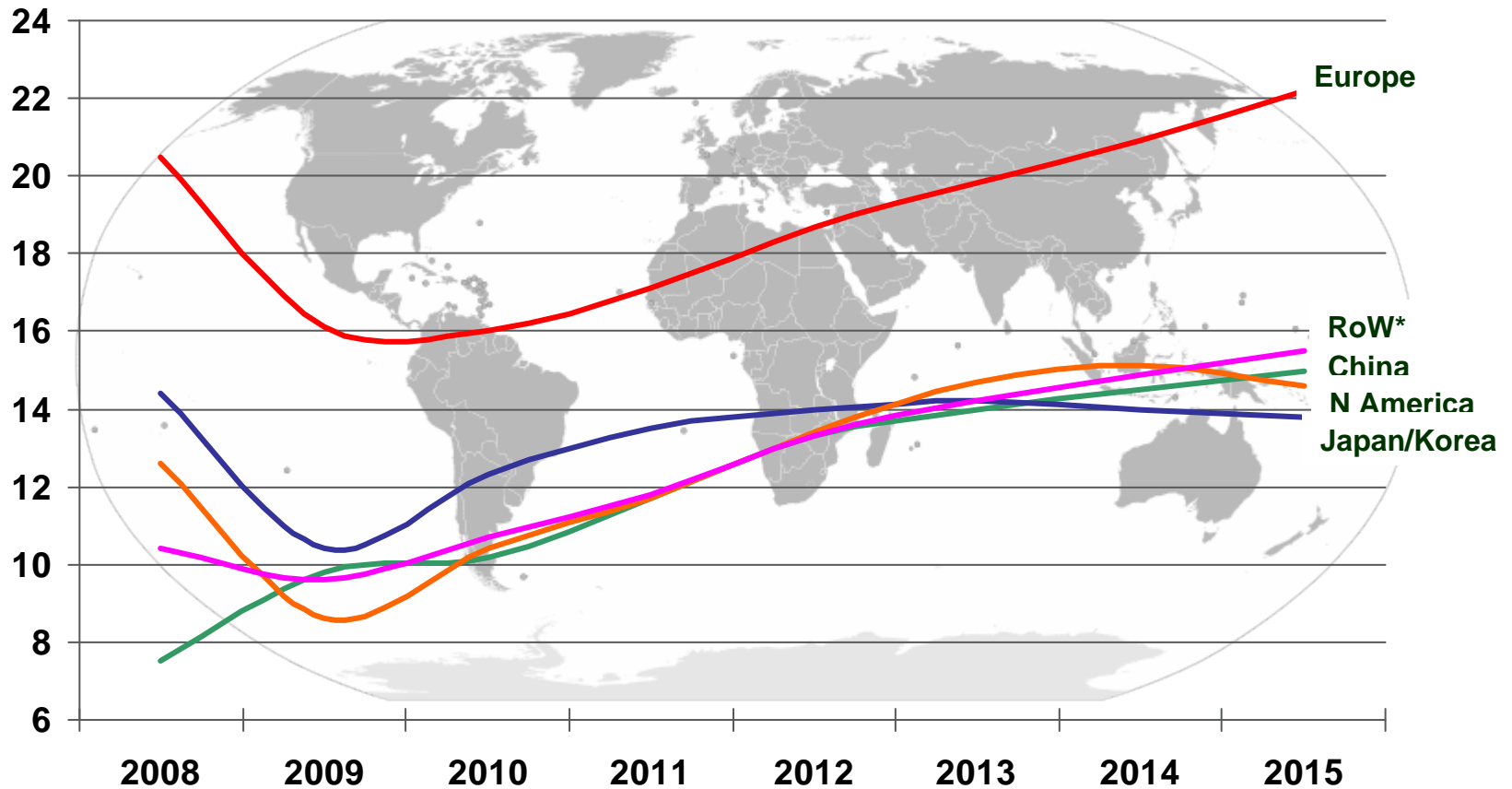
Source CSM

Long term trend optimistic. Window of opportunities.



Recovery trend breakdown - world light vehicle production

- forecast updated September 2009



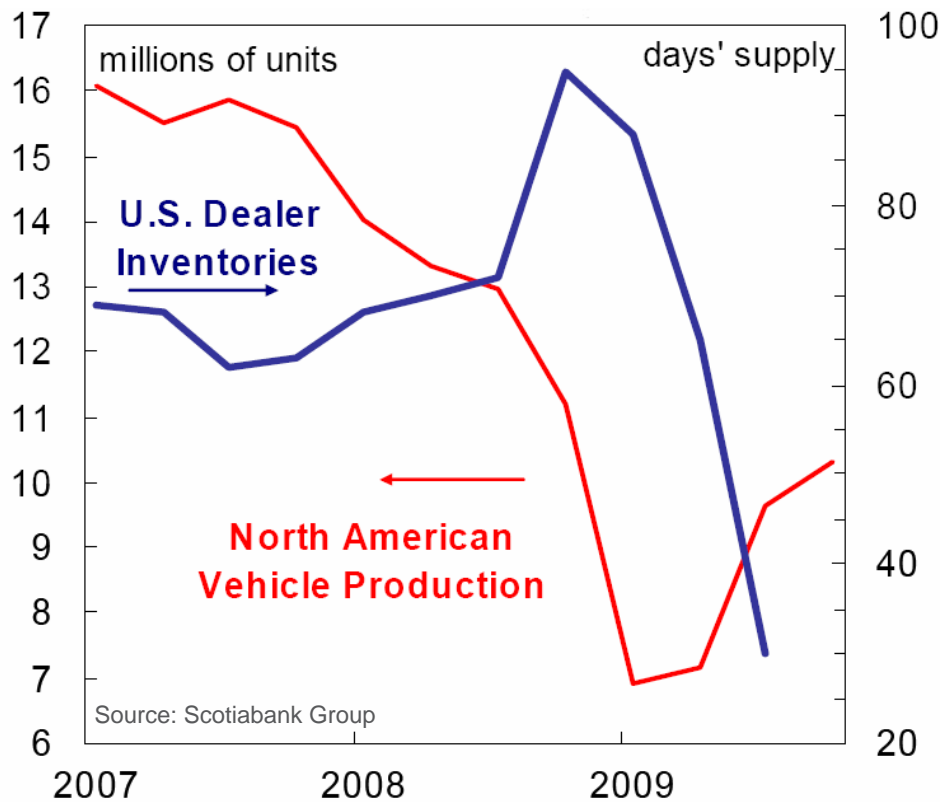
Source CSM

*RoW; South East Asia, South America and Middle East/Africa



We will continue to see low inventories going forward

- US Inventory Statistics



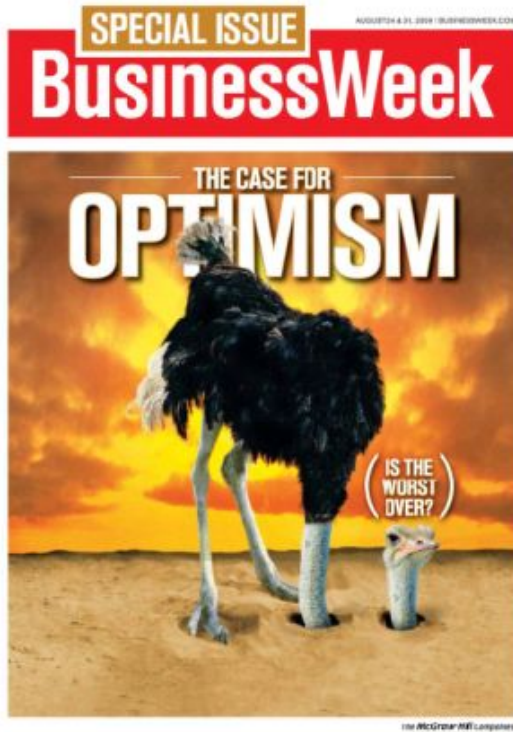
- ▶ Record low 30 days' supply down from a 'normal' 65 days'.
- ▶ Inventories are currently 20% less than the previous low, in August 1983.
- ▶ Asian-based manufactures, which now account for nearly half of overall North American vehicle output, had only 22 days' supply at the end of August.

We believe that inventories will stabilize at a lower level than previous "normal". This will improve the short term balance between dealer sales and production volumes.



The trend is positive

- but still big gaps between optimistic and pessimistic forecasts



- ▶ **Variation**
 - Some regions and countries perform well, while others lag behind.
- ▶ **Automotive**
 - Low stock levels and need to fill the pipe
 - Positive impacts from incentive programs in the past months
 - Customers reluctant to give volume indications for 2010
- ▶ **Commercial Vehicles**
 - Increase in production volumes, but European sale figures still very low
 - Previous production volumes were below sales – is now better correlated
 - Short order horizon

Our latest forecast for Q4 indicates revenues at MEUR 165





Q&A

