KONGSBERG AUTOMOTIVE

2016 Capital Markets Day
Kongsberg Automotive

Henning E. Jensen – President & CEO

November 8, 2016

Kongsberg Automotive
Forward-Looking Statements and Non-IFRS Measures

Forward-Looking Statements

This presentation contains certain “forward-looking statements”. These statements are based on management’s current expectations and are subject to risks, uncertainty and changes in circumstances, which may cause actual results, performance, financial condition or achievements to differ materially from anticipated results, performance, financial condition or achievements. All statements contained herein that are not clearly historical in nature are forward-looking and the words “anticipate,” “believe,” “expect,” “estimate,” “plan,” and similar expressions are generally intended to identify forward-looking statements. We have no intention and are under no obligation to update or alter (and expressly disclaim any such intention or obligation to do so) our forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by law. The forward-looking statements in this presentation include statements addressing our future financial condition and operating results. Examples of factors that could cause actual results to differ materially from those described in the forward-looking statements include, among others, business, economic, competitive and regulatory risks, such as conditions affecting demand for products, particularly in the automotive industries; competition and pricing pressure; fluctuations in foreign currency exchange rates and commodity prices; natural disasters and political, economic and military instability in countries in which we operate; developments in the credit markets; future goodwill impairment; compliance with current and future environmental and other laws and regulations; and the possible effects on us of changes in tax laws, tax treaties and other legislation. More detailed information about these and other factors is set forth in the 2015 Kongsberg Automotive Annual Report.

Non-IFRS Measures

Where we have used non-IFRS financial measures, reconciliations to the most comparable IFRS measure are provided, along with a disclosure on the usefulness of the non-IFRS measure, in this presentation.

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Bruce E. Taylor – Chairman of the board of directors

Events since last CMD (2015)

Executive Summary

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- Our structural costs are out of line – we will reduce them
- Our products are competitive from a "feature/function" standpoint. With lower costs, we will be even more competitive which will enable us to grow at a higher rate
  - Our Interior and Specialty Products segments have performed reasonably well both from a growth and profitability standpoint
  - Our Powertrain and Chassis business is sick and needs fixing
- We will improve our operating model by
  - granting more entrepreneurial freedom to our niche businesses.
  - centralizing more to tighten control and realize more synergies
  - Implementing a Principal Model with centralized headquarter functions
- Within three years, we will achieve EPS levels in excess of NOK 1.50 and EBIT levels in excess of 8%

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Executive Summary (continued)

- **Restructuring programs will be funded through our operational cash flow and within the constraints of our current balance sheet; capital increases are not required.**

	P&L with Restructuring Costs & Benefits				
In Mill. Euro	2015	2016	2017	2018	2019
Sales	**1.016**	**979**	**1.011**	**1.073**	**1.171**
Operating Costs	-983	-963	-989	-1.008	-1.065
EBIT	**52**	**35**	**44**	**89**	**110**
% of sales	**5,1%**	**3,6%**	**4,3%**	**8,3%**	**9,4%**
Restructuring		-7	-22	-24	-6
One-off Costs	-20	-11			
EBIT adj.	**32**	**17**	**22**	**65**	**104**
% of sales	**3,2%**	**1,7%**	**2,2%**	**6,0%**	**8,9%**
Financial Items	-29	9	-9	-8	-7
Profits Before Taxes	4	26	13	57	97
Taxes	-12	-20	-9	-22	-24
In %	-324%	-78%	-73%	-39%	-25%
Net Income	**-8**	**6**	**3**	**35**	**73**
EPS (NOK)	**-0,19**	**0,13**	**0,08**	**0,77**	**1,65**

Agenda

- **Our Vision**
- **Strategy review & competitive positioning of our Product Portfolio**
- **Market Overview**
- **How we will achieve our vision**
- **Revenue Projections**
- **Financial Costs & Benefits**
- **Conclusion & Wrap-up**

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Our Vision & Objective

Vision & Objectives
Short to medium term 2019/2020
	• Improve the operational platform and structural set-up of the company to secure financial strength and strategic flexibility
	  • Double EBIT margin from 4% to 8%
	  • Improve Net Income from €5-20M to €70 Million and deliver EPS of more than NOK 1.50 in 2019
	• Create sustainable competitive advantage by strategically position the company for further improvements and profitable growth within KAś core product portfolios

Our Longer Term Goal	• Become a world class company • Double digit EBIT margins • Net Income margins at around 2/3 of EBIT margins • Free Cash Flow similar to Net Income • Sustainable annual growth rates above the underlying market.
Objective	• Create shareholder value

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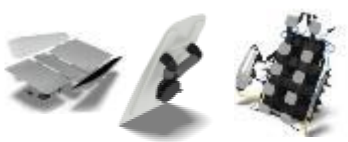
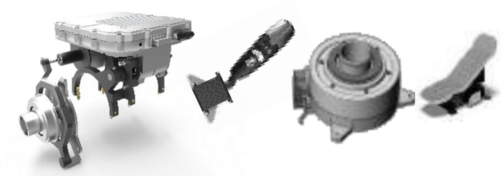
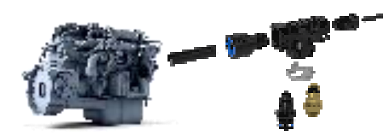
Current Business Area Structure

Interior	Driveline	Driver Control Systems	Fluid Transfer Systems
			

Interior Segment

Two main units, exclusively focused on the passenger car market

Light Duty Cables

- **Light Duty Cables** – cables are a cross KA-product line core competency; strong product technology and knowledge base

Interior Comfort Systems

- **Core Interior Comfort Systems** - market tailwind
  - Unique integration capabilities
  - KA is a technology leader in this area

Driveline Segment

Exclusively focused on the passenger car market

Gear Shift Systems

- Technology shift from mechanically based systems towards electronically controlled actuation systems, KA
  - Started late, but catching up
  - Well positioned for actuators
- KA has a significant structural cost issue requiring restructuring
- Focus on profitable growth for the new technology and maintain share in conventional mechanical systems . Current mechanical systems will have a long run-off phase

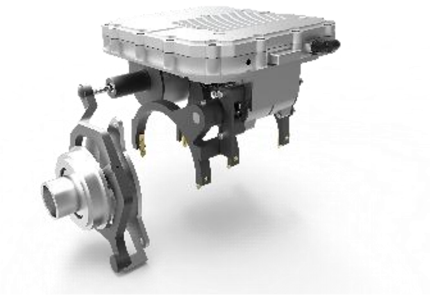
Driver Control Systems

Focused on Trucks & Buses and Off Highway applications, with two very separate product lines

On Highway

Similar to the Driveline business with exception that we also supply heavy duty chassis components

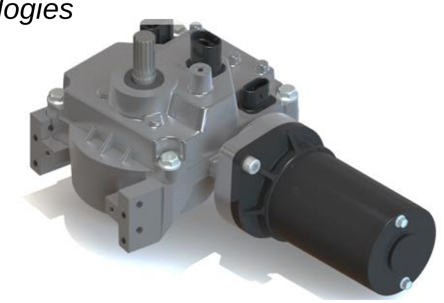
- Significant technology shift from mechanically based systems towards electronically controlled actuation systems, although, (as opposed to the passenger car market) the base transmissions have not changed significantly
  - The technology shift is attractive to KA as overall vehicle content increases with new products.
- KA started late but is catching up which is evidenced by recent significant wins
- The On-Highway business has a significant structural cost issue. We will restructure in order to improve margins



Off Highway

Highly specialized unit focused on a wide variety of end markets with various products and technologies

- Significant growth potential
- Focus on defending current niches and defining new applications for our base technologies.
- In the Off Highway area, there is plenty of room for innovation. We have more degrees of freedom and a lot of options. We feel very good about this product line.



Fluid Transfer Systems

Three very different businesses

Air Couplings

Exclusively focused on air brake applications for trucks and buses

- KA is the technology leader with strongly growing market share
  - Although the products themselves are not the price leader, we are leading from a "total cost of ownership" perspective due to significantly easier assembly processes for the OEMs

Specialty Hoses and Hose & Tube Assemblies

Specialty Hoses for harsh applications –used for passenger cars, trucks & buses, and industrial markets

- KA is the technology leader in spite of coming off of patent protection
- Growing market with increasing competition
- Focus on product differentiation and scale benefits vs competition

Applications both for passenger cars, trucks & buses, and for industrial markets

- Very fragmented market with many players and applications, focus on our strength with tailor-made applications for difficult packaging situations.
  - Some structural costs issues which raises the need for some restructuring actions
  - We are performing well in this competitive market. This is a good solid product line with some upwards potential through structural cost improvements.

Positioning of our product portfolio

- Our product portfolio consists of**:**
  - two significant product/technology areas with industry scale
    - Interior, and
    - Powertrain & Chassis Products (within our Driveline and DCS segments)

  and
  - an attractive collection of higher margin niche businesses operating in markets with good profitable growth potential

- A common denominator across most of businesses is our cross-segment core competency in cables, an area where we are competitive and have scale.

Following our strategic review, we see no need for a significant change in our product line strategy, but there is a need for more product line specific focus and increased operational intensity.

To realize the potential of our product portfolio, we will take out structural costs.

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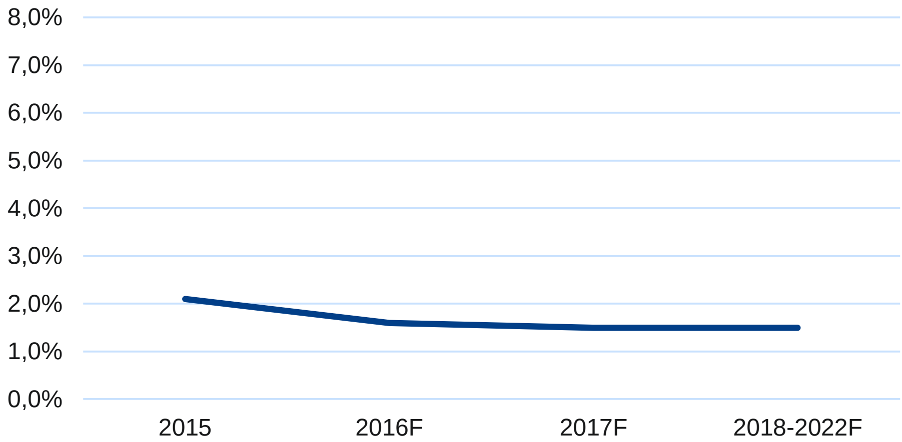
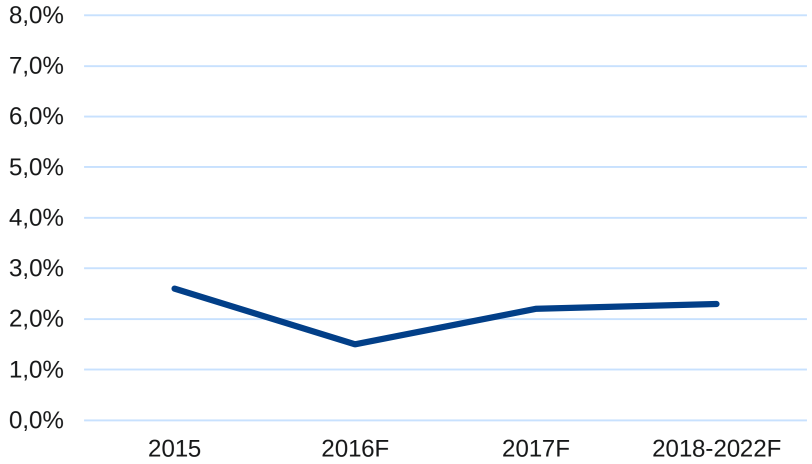
Real GDP Forecast – slow growth

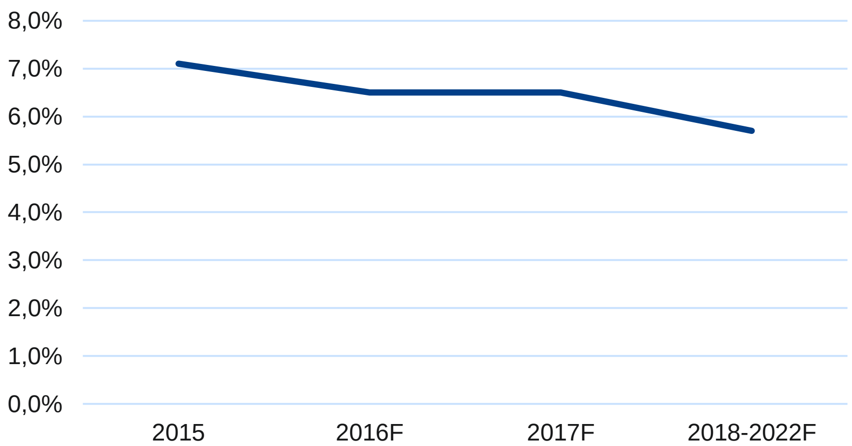
Eurozone



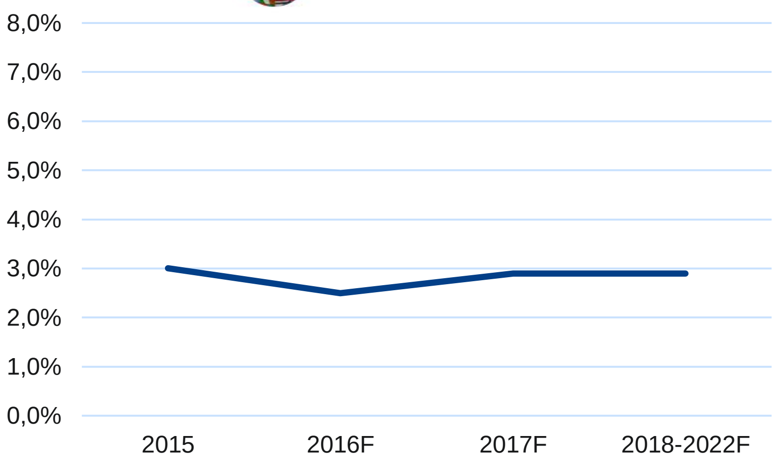
US



China

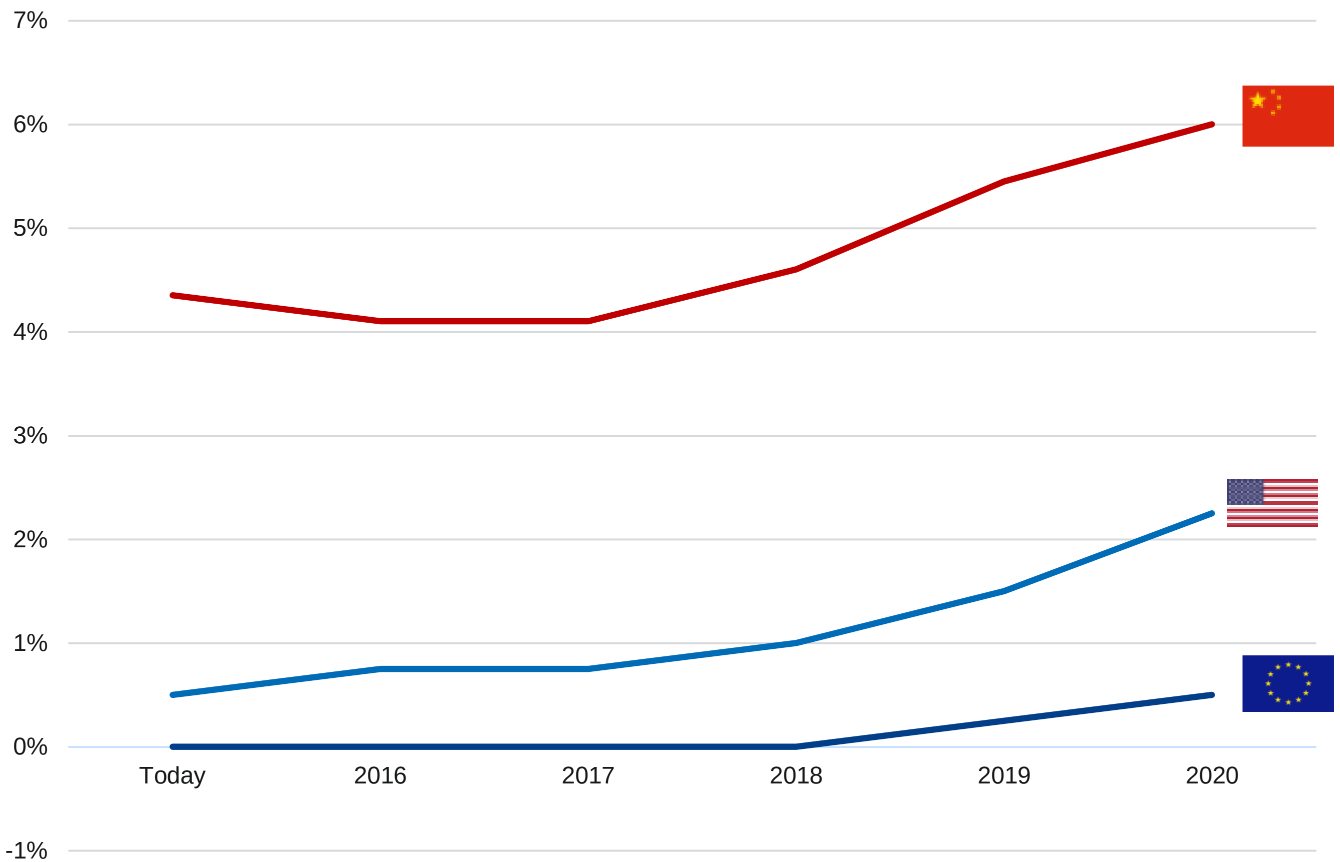


Global



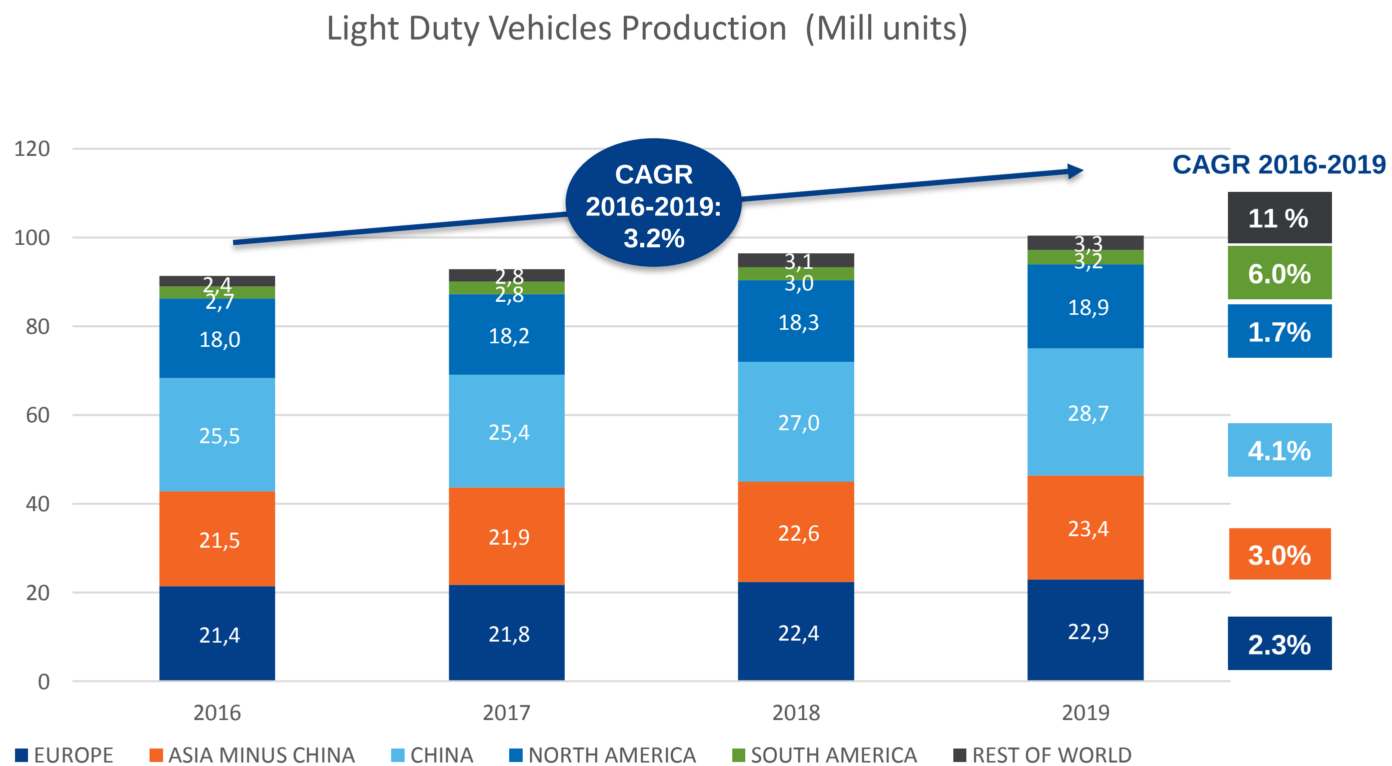
Source: PwC – Global Economy watch: Projections

Interest rate outlook of major economies



Source: Trading economics & Company estimates

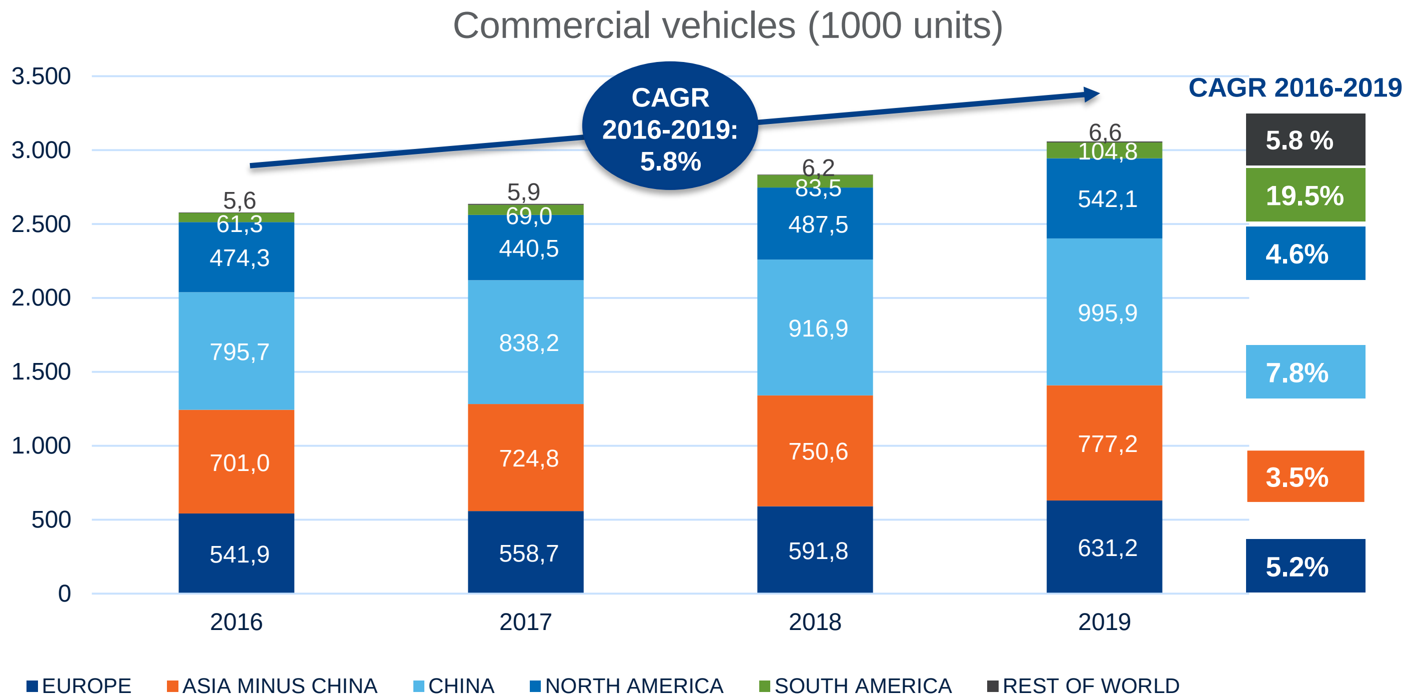
Light Duty vehicle production reaching 100 million units by 2019



Source: LMC

- **Steady growth in Europe held back by Russian downturn**
- **China stagnation in 16-17, but "new normal" growth from 2018 expected**
- **Assumption of South America recovery from present crisis in 2017 is uncertain**

Commercial Vehicle production reaching 3 millions units by 2019



Source: LMC

- **North America down until 2018, then recovery. This is "normal" cyclical behavior**
- **Assumption of South America recovery from present crisis in 2017 is uncertain**

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Our Improvement Plan – Three pillars

Organizational Structure, Centralization	• Operationally reorganize & merge Driveline and On-Highway DCS • Grant more entrepreneurial freedom to our niche businesses through the creation of a Specialty Products Segment. • Centralize more to tighten control and realize more synergies • Implement Principal Model as our operational business structure with centralized headquarter functions

Improve our Cost Competiveness	• Restructuring
	  - Reduce the manufacturing footprint
	  - Reduce admin costs
	• Fixing the basics
	  - Manage Economics properly
	  - Improve operational execution
	• This will reduce our fixed structural costs and improve earnings fall-through on future growth

Actively Manage our Portfolio	• Revised structure creates focus and facilitates more appropriate resource allocation

How we will achieve our vision

- **Adapt our organization to better capture the potential of our various businesses through:**
  1. Increased focus on our various businesses
  2. Increase centralization and regionalization for stronger operational control and effectiveness

- **Improve Operational Execution and Effectiveness**
  1. Improve annual productivity
  2. Reduce footprint (too many locations)
  3. Reduce overhead costs with improved Systems & Processes

- **Actively manage our product portfolio and appropriately resource businesses with profitable growth opportunities**

Adapting our organization to better capture our business potential

- **KA has not previously had a centralized HQ location. We will centralize more to tighten control and realize more synergies for the big units, but also grant more entrepreneurial freedom to our niche businesses in the Specialty Products Segment.**
  - A key part of our planned centralization is to create operational corporate headquarters in Switzerland, ideally located from a customer and KA footprint point of view.

- **To better align our organizational structure with the opportunities and challenges of our business units we will re-organize and re-segment our businesses into three main segments.**
  - **Interior**
    - interior comfort and our light duty cable businesses with a strong focus on innovation and market share growth in a fast growing market.
  - **Powertrain & Chassis Products**
    - passenger car and heavy duty/truck/bus businesses within powertrain and chassis products with strong focus on catch-up in technologies, market position and structural cost reductions.
  - **Specialty Products**
    - specialized niche products with a strong entrepreneurial focus on innovation and fitment rates.

Re-segmenting our businesses & changing the organization structure accordingly

Business Segments				Ops		Staff					
FTS	DCS	DS Driveline	Interior Systems	Purchasing	Quality	IR and M&A	CFO	HR	Legal	Corporate/ Elims	KA Consolidated
Sales € 215,0	Sales € 256,1	Sales € 249,8	Sales € 330,1							€ -35,0	€ 1.016,0
EBIT € 31,3	EBIT € 16,8	EBIT € -1,9	EBIT € 27,9	(excludes write-down of 19.5)						€ -22,2	€ 51,9
EBIT% 14,6%	EBIT% 6,5%	EBIT% -0,8%	EBIT% 8,4%								5,1%
consists of:	consists of:		consists of:							consists of:	
Air Couplings € 64,5	On Highway € 136,8		Comfort € 195,0							ePower	
Hose &Tube As: € 150,5	Off Highway € 119,3		LDC € 105,0							Elims	
			HR/AR € 30,1							Corp Exp.	
Revenues € 215,0	Revenues € 256,1		Revenues € 330,1								

New Structure w/2015 Financials (adjusted in accordance with Q3 report)

Disc. Ops	Business segments			Ops		Staff					
HR/AR	Specialty Products	Powertrain & Chassis Products	Interior Systems	Purchasing	Quality	IR and M&A	CFO	HR	Legal	Corporate/ Elims	KA Consolidated
Sales € 30,1	Sales € 334,6	Sales € 386,6	Sales € 300,0							€ -35,3	€ 1.016,0
EBIT € 0,4	EBIT € 39,9	EBIT € -1,2	EBIT € 27,5							€ -14,7	€ 51,9
EBIT% 1,3%	EBIT% 11,9%	EBIT% -0,3%	EBIT% 9,2%								5,1%
	consists of:	consists of:	consists of:							consists of:	
	Off Highway € 119,3	Driveline € 249,8	Comfort € 195,0							Elims	
	Air Couplings € 64,5	On HWY DC € 136,8	LDC € 105,0							Corp Exp.	
	Hose&Tube As: € 150,5										
	ePower € 0,3										
	Revenues € 334,6	Revenues € 386,6	Revenues € 300,0								

Innovations will also be housed in Specialty Products

How we will achieve our vision

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- **Actively manage our product portfolio and appropriately resource businesses with profitable growth opportunities**

Improve operational execution & effectiveness

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- **Substantial structural cost restructuring:**
  - Reduce operational footprint from 31 to 25 plants within the next three years
    - Most of the closures are in Europe, mainly in the Powertrain & Chassis Products Segment
  - Improve systems and process efficiencies which will take out significant admin costs
    - KA has very fragmented systems with a lot of partly repetitive manual work involved
  - The restructuring program should be seen as “long overdue”
- **As we stated in our vision, this is the first and most important step towards KA performing at industry benchmarks.**
  - Our planned actions are consistent with the “three laws” in the automotive industry:
    - Keep innovating through long development and production cycles
    - Be Cost Competitive and Manage Economics
    - Don’t disrupt the production lines of the customers
- **Our operational improvement plan is aggressive, but operationally prudent. It isn’t operationally feasible to go deeper in the first three years.**
- **As we improve on our “basics”, we can further reduce structural costs. In combination with “fixing the basics” this represents the heart of our operational performance improvement plan.**

Improve operational execution & effectiveness, cont.

KA has experienced margin deteriorations because of lack of growth and the inability to properly manage economics.

- **We will manage economics**
  - Historically, our plans have assumed revenue growth as the main driver of improving our operating margins and as these have not materialized, our operating margins have declined slowly.
  - We will develop the discipline to offset inflation and price through purchasing and operational savings.

- **Focus on operational execution since we have had too many problems**
    - Quality, Delivery, & Service
    - Flawless launches – we have (had) too many costly problems in this area.
    - Lean / Cost Focus
    - Optimize supply chains

Improve operational execution & effectiveness, cont.

Restructuring Costs & Benefits

In Mill. Euro	2016	2017	2018	2019	Later	Total 2016-2019
Cash restructuring Costs	7	11	22	6	1	46
Non – Cash restructuring Costs		1	0			2
Total Restructuring Costs	**7**	**12**	**22**	**6**	**1**	**48**
System Improvements Cost		10	2			12
Total Restructuring & Improvements Costs	**7**	**22**	**24**	**6**	**1**	**60**
Annual incremental Benefits from restructuring		3	14	10	3	
Annual Run-Rate Benefits from restructuring		**3**	**18**	**28**	**31**	

- Note that the overall mathematical restructuring payback for the restructuring projects is around 18 months on average – by investing €48 million we will realize €30 million in annual benefits.
  - Actual payback is longer due to the front loading of restructuring costs
  - The plant closures have a payback of around three years on average

- Note that the cash effect may not be in the same year as indicated, the table above indicates when the accounting charge will be taken.

This restructuring program targets annual benefits of around €30 million by 2020 at a cost of around €48 million.

How we will achieve our vision

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- **Adapt our organization to better capture the potential of our various businesses through:**
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- **Improve Operational Execution and Effectiveness**
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- **Actively manage our product portfolio and appropriately resource businesses with profitable growth opportunities**

Actively manage our product portfolio

- **We will:**
  - keep and develop LDC
  - still seek to sell the headrest/armrest (HR/AR) business
  - reconfigure ePower
  - not seek to divest any other parts of our portfolio.
- **We are:**
  - not in a fire sale mode and we will not sell businesses at unattractive discounts
  - open for future acquisitions as long as they make strategic sense
- **The revised organizational/business unit structure facilitates a more appropriate resource allocation in line with profitable growth opportunities.**
  - This enables us to select projects and allocate capital more wisely.

KA's current product portfolio is well positioned and attractive with good upside potential through our planned performance improvements

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- **Revenue projections**
- Financial Costs & Benefits
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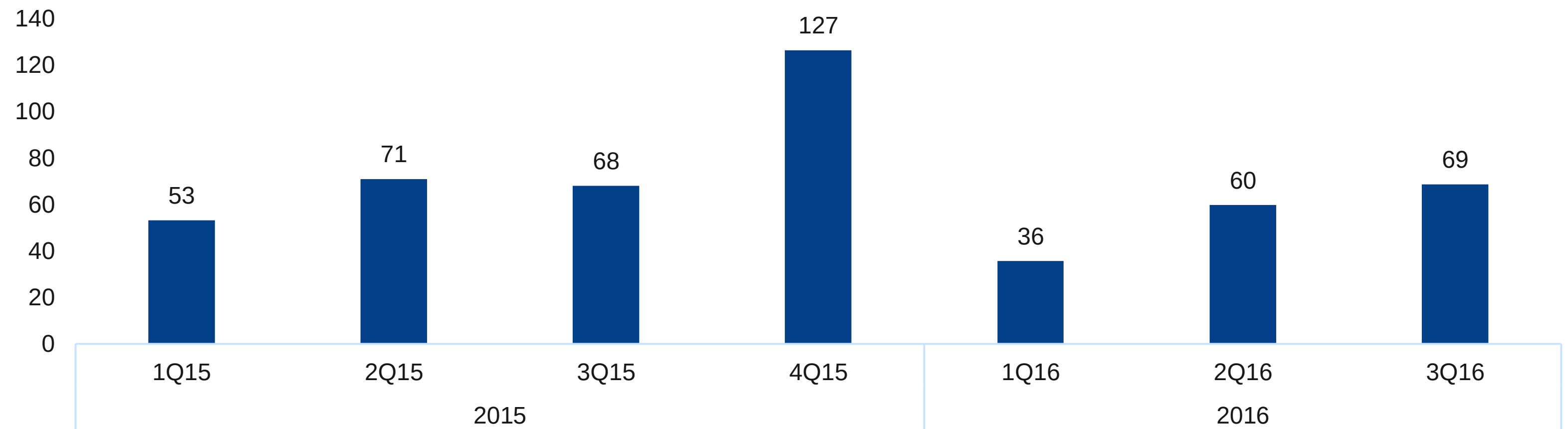
New Business Wins

We continue to book business at an attractive pace. Although we will not book as much as we did in 2015, our 2016 business wins are in line with our revenue projections.

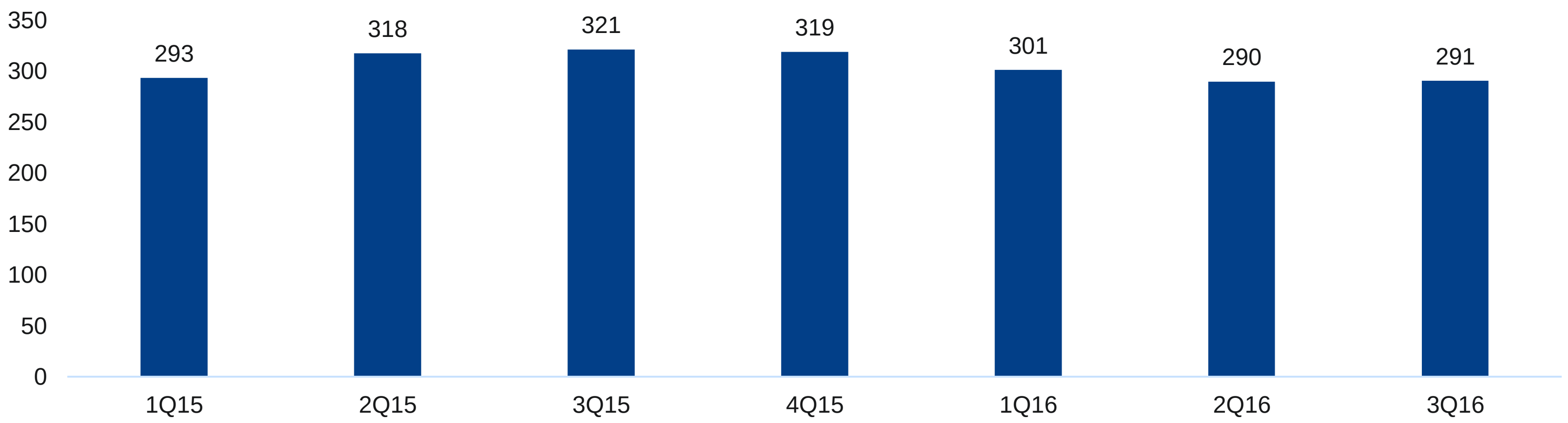
New business wins per quarter (per annum value)

EUR Million



New business wins LTM (per annum value)

EUR Million



Revenue projections

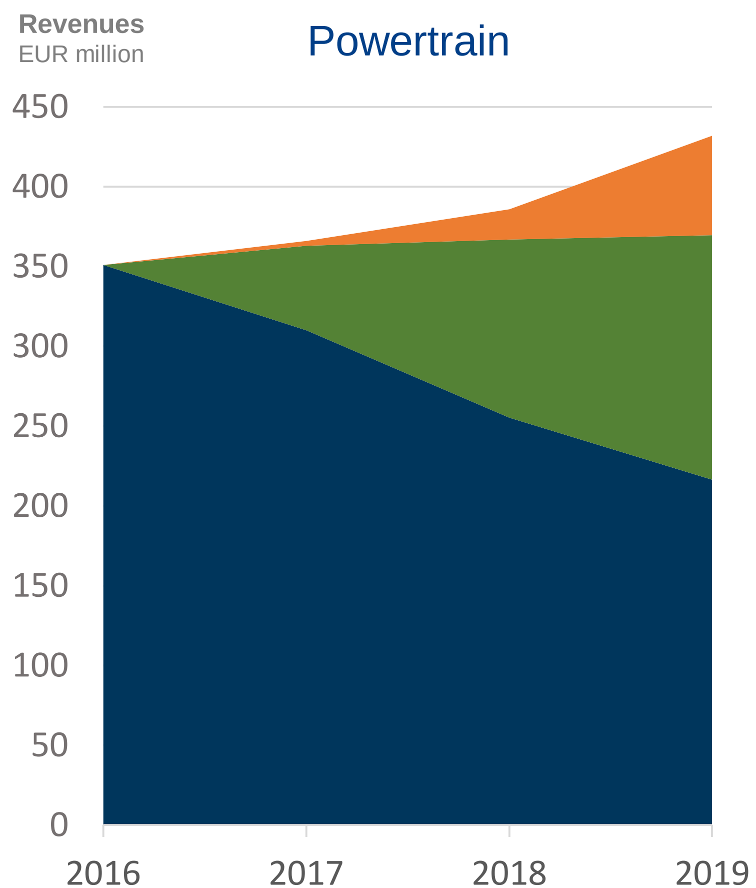
- Our Revenue plan includes known business awards and a weighting of future opportunities.
  - Programs are typically awarded two years in advance of the first revenues, so the figures should be fairly firm for the 2017-2018 timeframe.

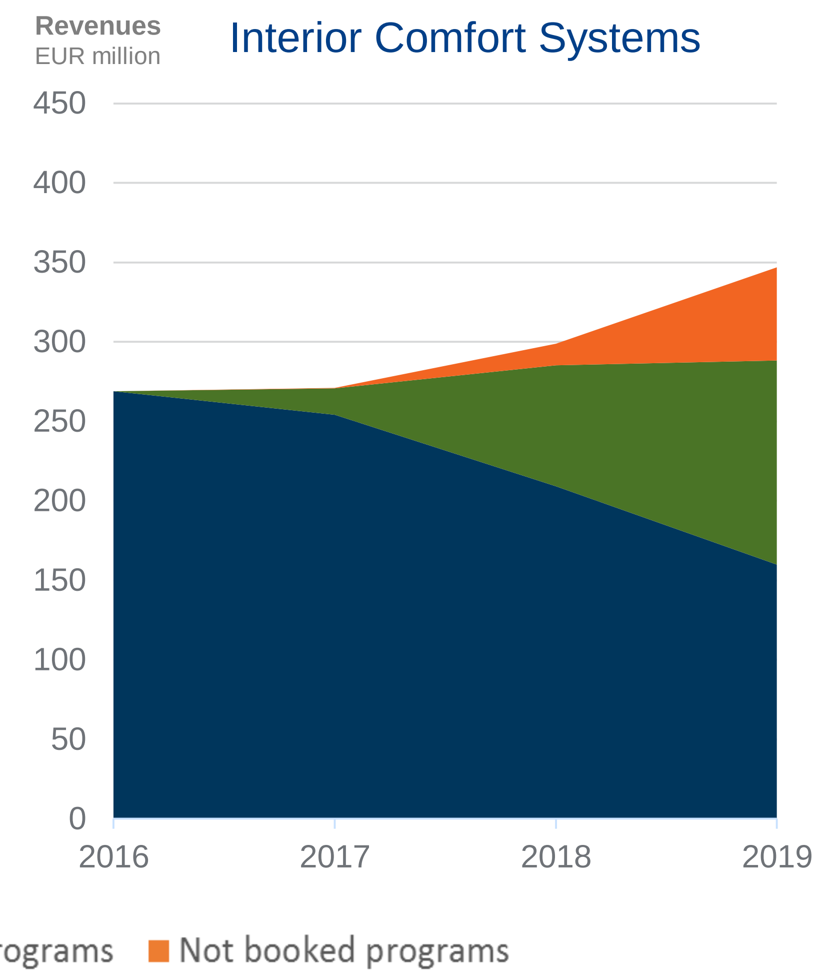
	Revenue Plan				Annual Growth Rates			
In Mill. Euro	2016	2017	2018	2019	16-17	17-18	18-19	CAGR 2016-2019
Power Train	351	366	386	432	4.2%	5.4%	12.1%	7.2%
Interior Comfort Systems	269	271	299	347	0.6%	10.6%	16.0%	8.9%
Specialty Products	323	338	352	371	4.4%	4.1%	5.5%	4.7%
KA continued Operations	**944**	**974**	**1,037**	**1,151**	**3.2%**	**6.4%**	**11.0%**	**6.8%**
Discontinued Operations	35	36	36	20				
KA Total	**979**	**1,011**	**1,073**	**1,171**	**3.2%**	**6.1%**	**9.1%**	**6.1%**

- This is our current view of our medium term revenues. We believe that as we gain traction on cost improvements we may grow faster.

** Note that we are estimating that we will change our future reporting structure so that only external sales are reported on a segment basis*
The main assumption behind these figures are the underlying market assumptions described earlier.

Revenue Projections





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Financial Overview – Introduction & Assumptions

- **The following financial overview is our plan for 2016 and the next three full years (without quarterly breakdowns)**
  - The effects of our planned re-segmenting have been included both for the costs and benefits
    - Restructuring costs have been separated out
  - For the financial overview, we have used the FX rates from August 2016 and assumed that these will not change over the plan period.

Financial overview – Outlook – by segment excluding restructuring costs

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		Including Restructuring Benefits			
In Mill. Euro		**2016**	**2017**	**2018**	**2019**
Powertrain	Sales	351	366	386	432
	EBIT	-6	0	21	35
	% of sales	-1.8%	-0.1%	5.5%	8.2%
Interior Comfort Systems	Sales	269	271	299	347
	EBIT	19	18	30	39
	% of sales	7.1%	6.7%	10.0%	11.3%
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	EBIT	38	43	57	59
	% of sales	11.8%	12.6%	16.1%	16.0%
Corp	EBIT	-16	-18	-24	-22
KA continued Operations	**Sales**	**944**	**974**	**1,037**	**1,151**
	EBIT	**35**	**42**	**84**	**112**
	% of sales	**3.7%**	**4.4%**	**8.5%**	**9.7%**
Discontinued Operations	Sales	35	36	36	20
	EBIT	0	1	2	-1
	% of sales	0.9%	3.0%	4.5%	-6.9%
KA Total	**Sales**	**979**	**1,011**	**1,073**	**1,171**
	EBIT	**35**	**44**	**89**	**110**
	% of sales	**3.6%**	**4.3%**	**8.3%**	**9.4%**

Financial overview – Outlook
Including restructuring costs

In Mill. Euro		2015	2016	2017	2018	2019
		P&L with restructuring costs & benefits				
KA excluding restructuring costs	**Sales**	**1,016**	**979**	**1,011**	**1,073**	**1,171**
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	% of sales	**5.1%**	**3.6%**	**4.3%**	**8.3%**	**9.4%**
Total Restructuring & Improvements Costs			7	22	24	6
Total One Off Costs		20	11			
KA including restructuring costs	**Sales**	**1,016**	**979**	**1,011**	**1,073**	**1,171**
	EBIT	**32**	**17**	**22**	**65**	**104**
	% of sales	**3.1%**	**1.7%**	**2.2%**	**6.0%**	**8.9%**

Financial overview - Outlook

	P&L with Restructuring Costs & Benefits				
In Mill. Euro	2015	2016	2017	2018	2019
Sales	**1.016**	**979**	**1.011**	**1.073**	**1.171**
Operating Costs	-983	-963	-989	-1.008	-1.065
EBIT	**52**	**35**	**44**	**89**	**110**
% of sales	**5,1%**	**3,6%**	**4,3%**	**8,3%**	**9,4%**
Restructuring & One Off cost		-7	-22	-24	-6
One-off Costs	-20	-11			
EBIT adj.	**32**	**17**	**22**	**65**	**104**
% of sales	**3,1%**	**1,7%**	**2,2%**	**6,0%**	**8,9%**
Financial Items	-29	9	-9	-8	-7
Profits Before Taxes	4	26	13	57	97
Taxes	-12	-20	-9	-22	-24
In %	-324%	-78%	-73%	-39%	-25%
Net Income	**-8**	**6**	**3**	**35**	**73**
EPS (NOK)	**-0,19**	**0,13**	**0,08**	**0,77**	**1,65**

Agenda

- Our Vision
- Strategy review & competitive positioning of our product portfolio
- Market Overview
- How we will achieve our vision
- Revenue Projections
- Financial Costs & Benefits
- **Conclusion & Wrap-up**

Conclusion

KONGSBERG AUTOMOTIVE

- What we have presented to you today are
  - Our plan for improving the performance of Kongsberg Automotive, and
  - A brief analysis and rationale for this plan.

- This will lead to
  - Significantly improved product competitiveness, particularly from a cost standpoint enabling us to grow more at an attractive profitability level
    - A major portion of the structural cost reduction is to reduce our manufacturing footprint from 31 to 25 plants
  - Kongsberg Automotive having three healthy segments
  - Kongsberg Automotive approaching industry profitability benchmarks
  - Corporate tax rates at industry standards

- By the end of 2019, we will deliver
  - In excess of 8% EBIT margins (more than 3X compared to 2016)
  - In excess of NOK 1.50 EPS (more than 10X compared to 2016)

- And all this while continuing to invest in engineering in order to safeguard our product competitiveness for the future

This is our plan that we will deliver – we hope you are as excited as we are!