

Enhancing the driving experience



Kongsberg Automotive ASA

Second quarter 2016 | July 14 , 2016



Highlights for Q2 2016

Operational & financial

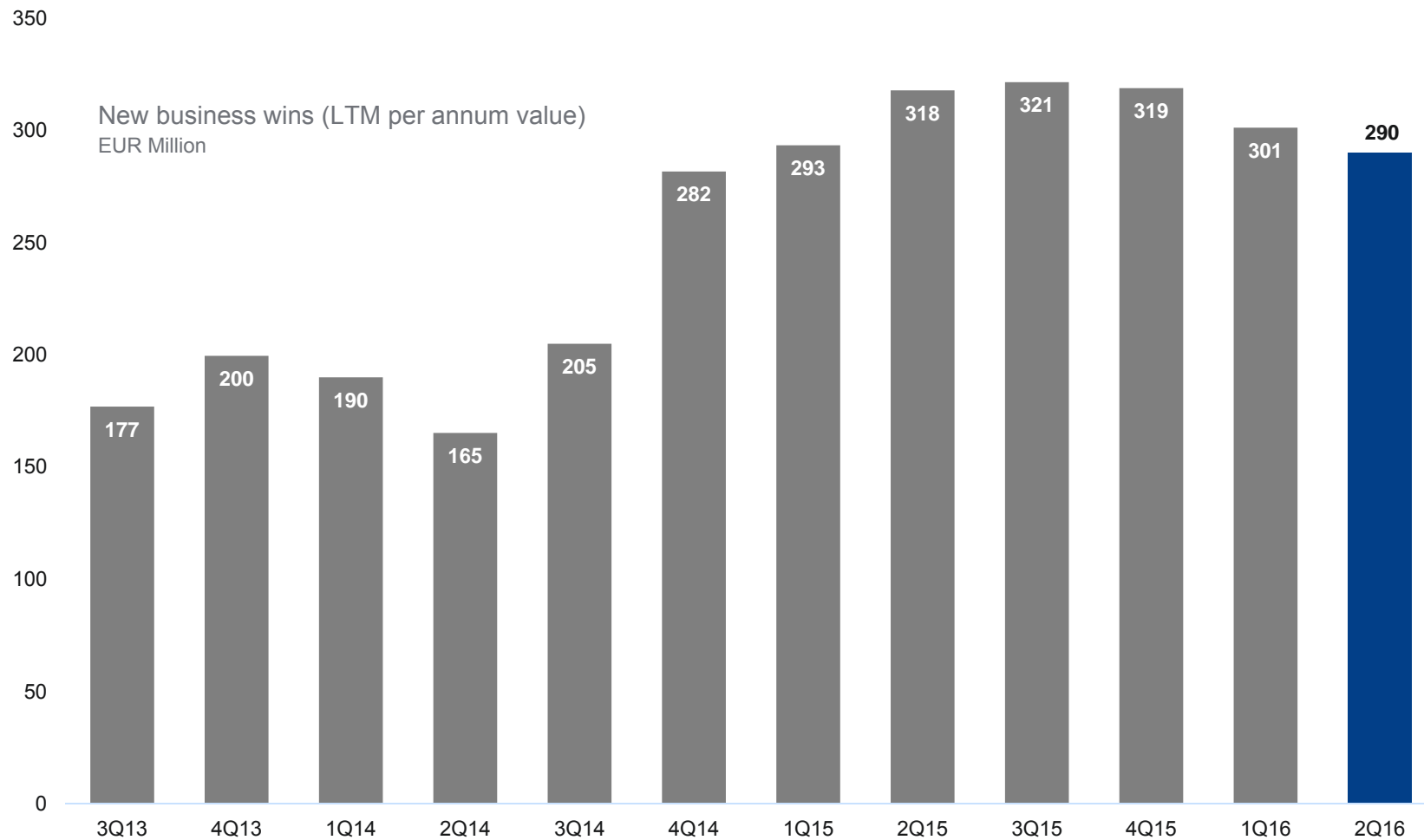
- Henning Jensen started as CEO at the end of Q2, Bruce Taylor replaced him as Chairman of the Board
- Revenues of EUR 252.1 million in Q2, EUR 2.9 million below Q2 2015 before negative currency effects of EUR 11.0 million
- EBIT was EUR 10.5 mill. (4.2%), vs. adjusted EBIT of EUR 14.7 mill. (5.5%) in Q215
- Gearing ratio at 2.2x NIBD/EBITDA
- Annualized business wins in Q2 of EUR 60 million bringing the last twelve month run rate to EUR 290 million
- KA is undergoing a thorough review of structural costs with the goal of sustainably improving operating margin & EPS performance

Update & Outlook

- Divestment of LDC & head/arm rest businesses proceeding along expected timelines
- Revenues for Q3 2016 expected to be slightly lower than Q3 last year

New business wins in Q2 2016

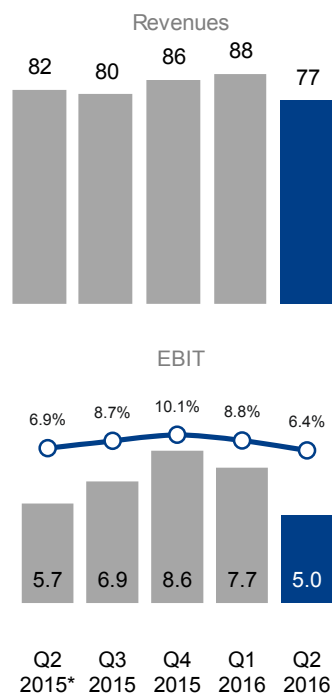
- ▶ Annualized new business wins of EUR 60 million booked in Q2 2016
- ▶ Continued good momentum in order intake



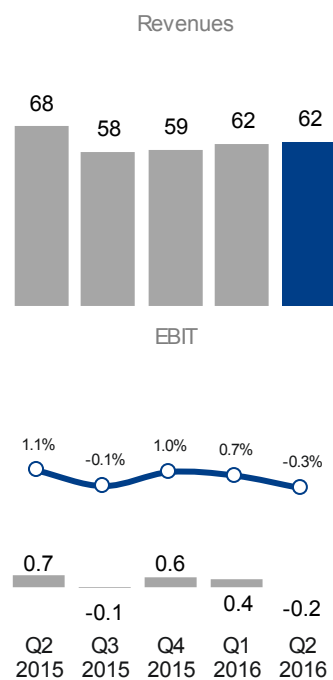
Segment financials Q2 2016

Revenues and EBIT margin EUR million and percent

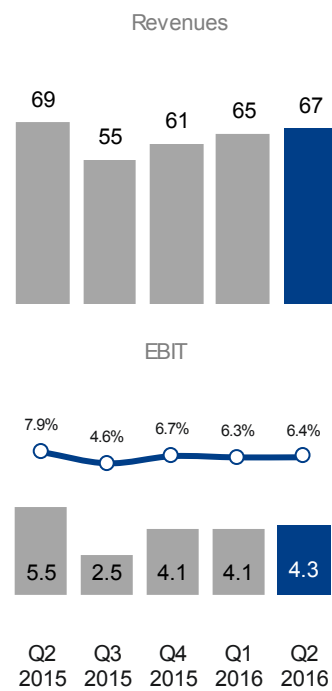
Interior



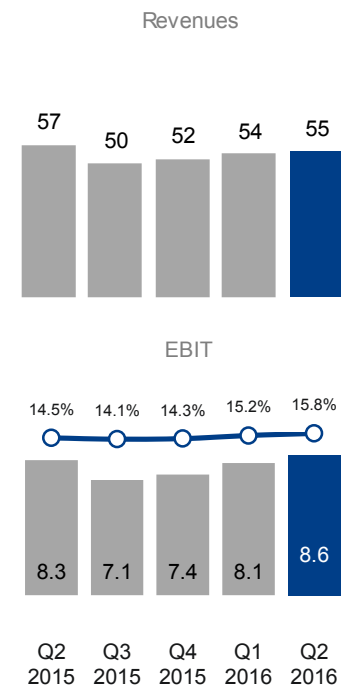
Driveline



Driver Control



Fluid



* Excludes EUR 19.5 million in Goodwill write-off

Operational update

Interior

- ▶ Revenues down EUR 4.3 mill. to EUR 77.3 mill. in Q2
 - Negative currency effects of EUR 3.2 mill.
 - Strong European premium car segment more than offset by weak Outdoor Power Equipment (OPE) market in North America

- ▶ Q2 EBIT was EUR 5.0 mill., down EUR 0.7 mill., adjusted for write-off last year
 - Negative currency effect of EUR 0.3 mill.
 - Lower sales volume & additional engineering spend offset by operational improvements

- ▶ Two major program launches in Q216
 - Seat heat for FCA with yearly volume of 133K units
 - Seat support for VCC with yearly volume of 240k units
 - Both from Pruszkow, Poland facility

Operational update

Driveline

- ▶ Revenues down EUR 5.6 mill. to EUR 62.3 mill. in Q2
 - Negative currency effects of EUR 0.9 mill.
 - Drop in volume due to end of productions
 - Non-KA related recall last year, where KA supplied significant portion of replaced products

- ▶ EBIT declined EUR 0.9 mill to EUR -0.2 mill.
 - Negligible currency effects
 - Lower volumes partially offset by operational improvements

- ▶ 2 contracts for premium car maker
 - Supply of SBW shifter with est. annual value of EUR 3 mill. & EUR 4 mill.
 - Both programs have SOP in 2019 with life time of 8 years

Operational update

Fluid Transfer

- ▶ Revenues down EUR 2.6 mill. to EUR 54.6 mill. in Q2
 - Negative currency effects of EUR 2.8 million
 - Strength in Europe for air coupling systems to the CV market partially offset by weak CV and industrial market in North America

- ▶ EBIT rose by EUR 0.3 mill to EUR 8.6 mill.
 - Negative currency effects of EUR 0.2 mill., offset by favorable product mix and reduction of material costs

- ▶ Solid order intake within this business segment with solid future opportunities
 - 4 significant contracts in pipe/hose assemblies for powertrain; combined est. annual sales of EUR 8 mill.
 - SOP in 2017 and 2019

Operational update

Driver Control

- ▶ Revenues down EUR 2.1 million to EUR 66.8 mill. in Q2
 - Negative FX effects of EUR 4.3 mill.
 - Strong Commercial Vehicle business in Europe & recreational vehicle business in North America partly offset by weaker CV production in North America, South America & Asia

- ▶ EBIT declined EUR 1.2 mill to 4.3 mill.
 - Negative FX effects of EUR 0.3 mill.
 - Unfavorable product mix and start-up costs with new low-cost factory in Poland

Improvement measures & initiatives

- ▶ **Need to significantly improve our performance**
 - Started review of all aspects of our business
 - Clear and executable path to sustainably higher operating margin and EPS levels
 - Will include restructuring activities

- ▶ **Our goal is to deliver long term earnings growth**
 - Building on existing customer, product portfolio & engineering skills
 - Balancing short term financial performance with restructuring initiatives, continued investments in R&D, and pursuit of new business opportunities

- ▶ **These measures will improve our performance and reduce sensitivity to industry cyclicality**

- ▶ **More to come at the next Capital Markets Day in November**

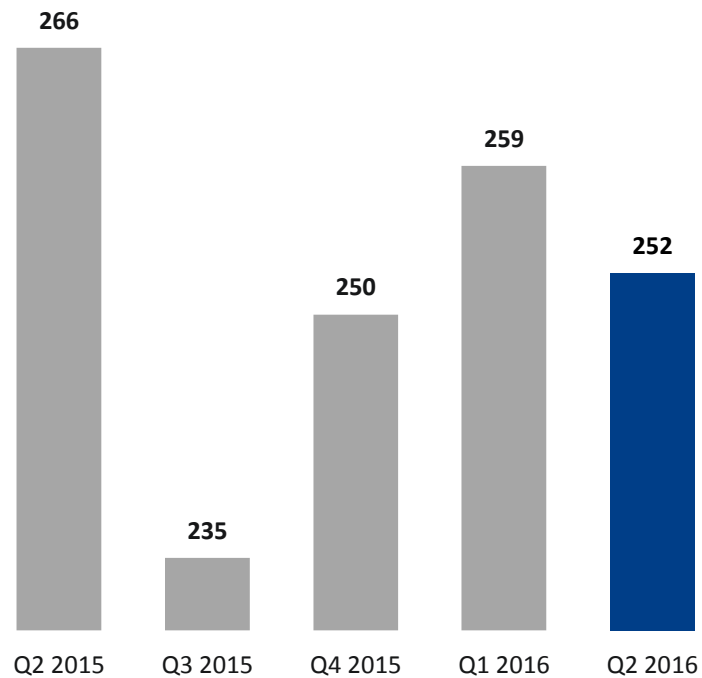
Enhancing the driving experience

A long-exposure photograph of a bridge's steel truss structure. The bridge is illuminated at dusk or dawn, with light trails from traffic on the road below. A semi-transparent blue horizontal band is overlaid across the middle of the image, containing the text.

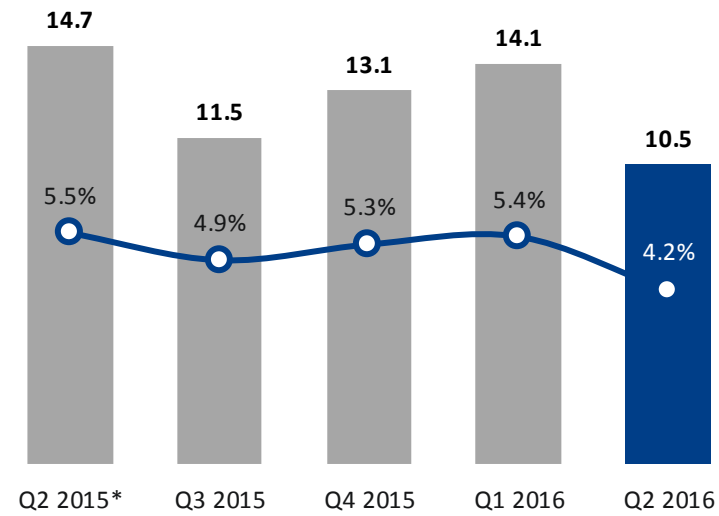
Trond Stabekk, CFO
FINANCIAL UPDATE

Revenue and EBIT

Revenues
EUR million



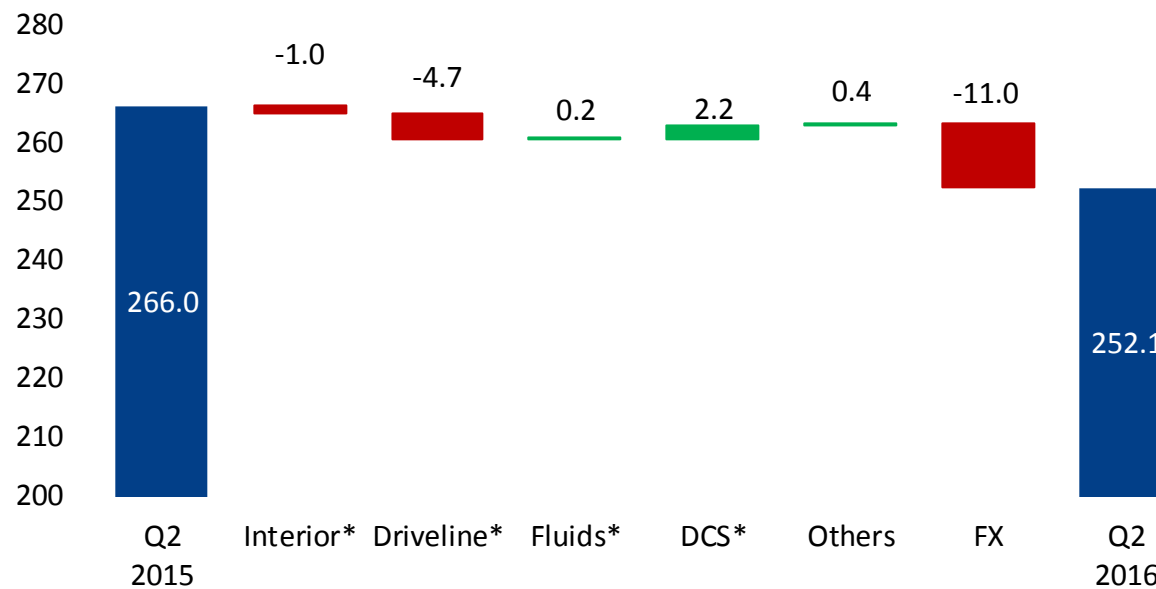
EBIT and EBIT margin
EUR million and percent



* Excludes EUR 19.5 million in Goodwill write-off

Revenue development

Revenues
EUR million



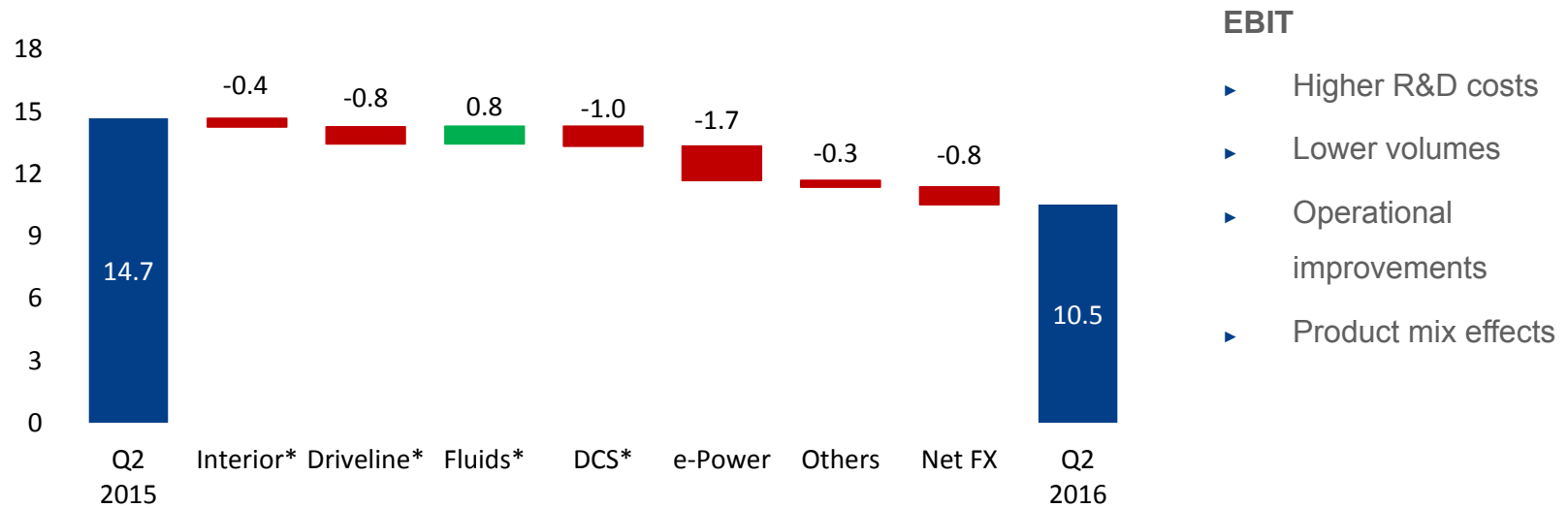
Revenues:

- ▶ EUR 13.9 (-5.2%) million below second quarter 2015
- ▶ Currency effects EUR 11 mill
- ▶ Non KA related recall sales last year
- ▶ End of productions
- ▶ Slightly better EU truck market
- ▶ Negative OPE market

* Variances excluding FX effects

EBIT development (adjusted EBIT)*

EBIT
EUR million



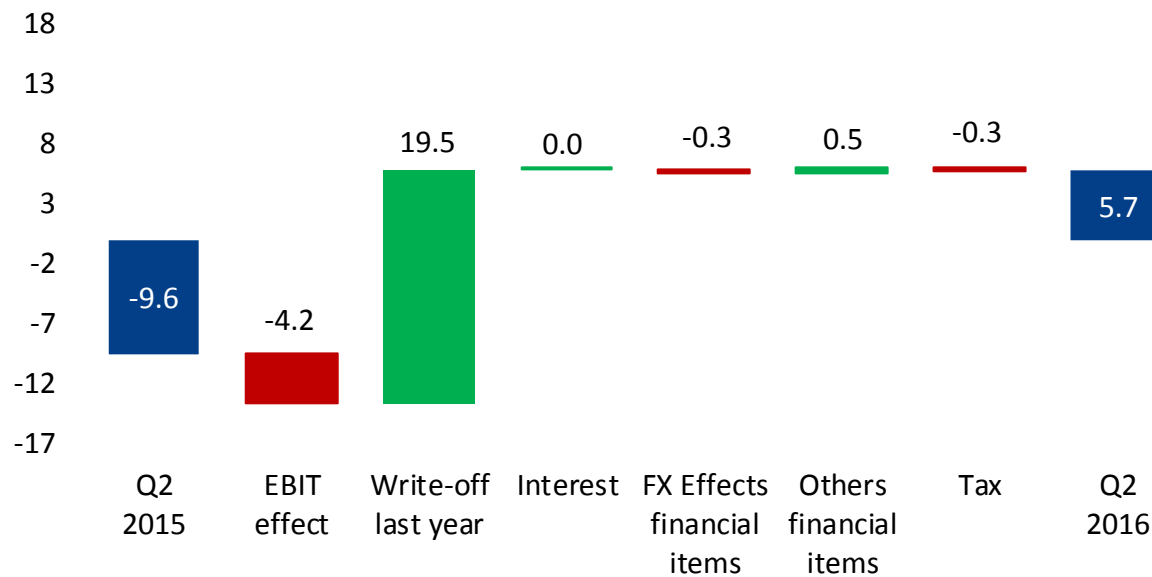
EBIT

- ▶ Higher R&D costs
- ▶ Lower volumes
- ▶ Operational improvements
- ▶ Product mix effects

* Variances excluding FX effects and write-off effect from last year

Net Profit development

Net Profit
EUR million

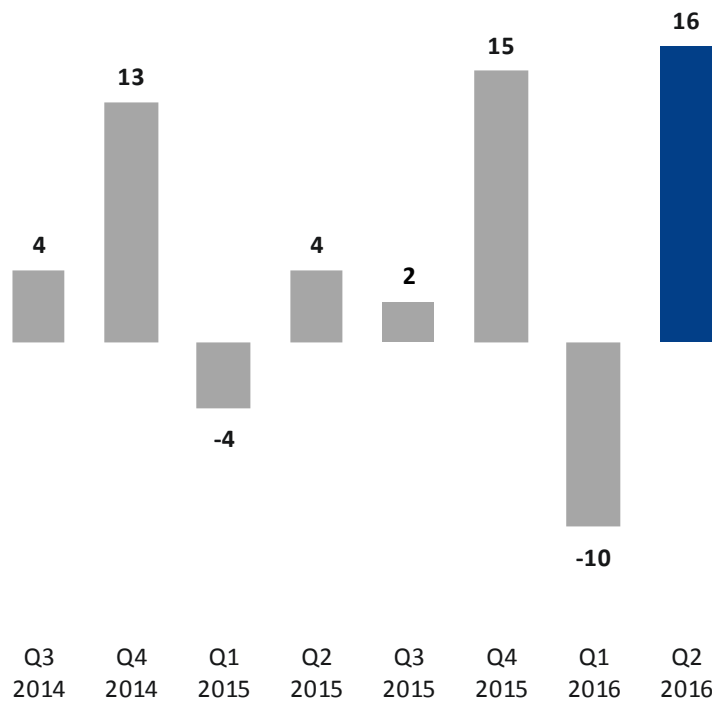


Net profit:

- ▶ Second quarter last year impacted by write-off related to the Headrest and Armrest business.

Free Cash Flow

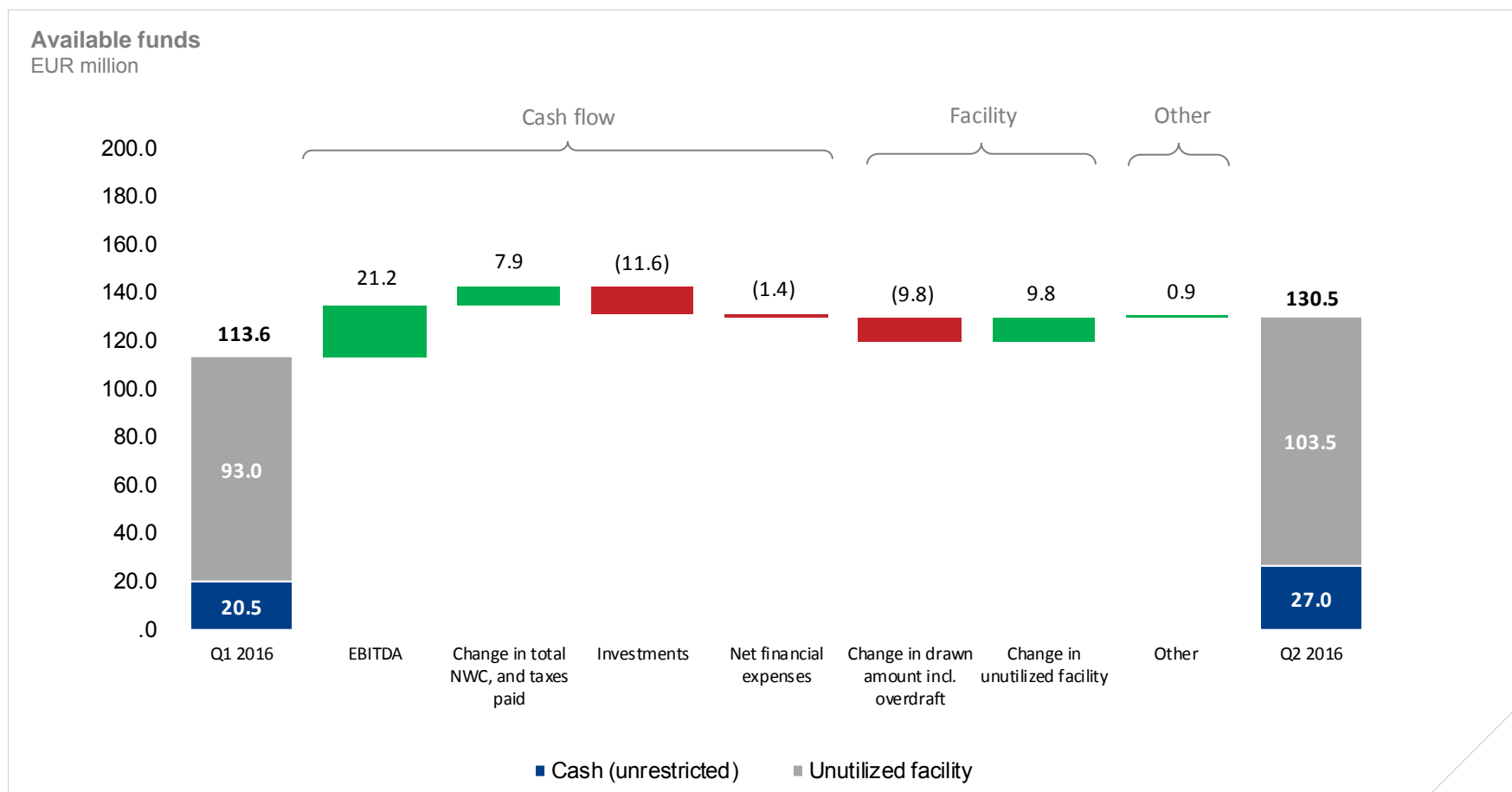
Free Cash Flow
EUR million



Second quarter Free Cash Flow before debt repayments

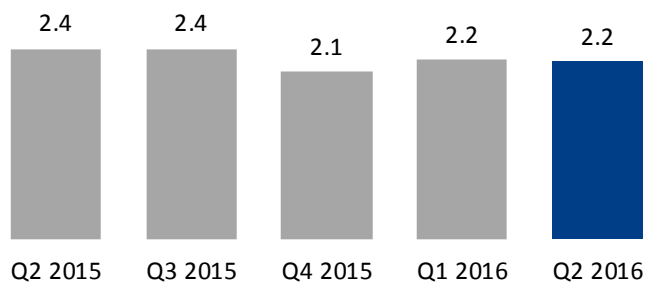
- ▶ Trend is improving
- ▶ Q1 understated due to accounting error, Q2 overstated as its corrected, YTD cash flow not influenced

Cash flow and facility development

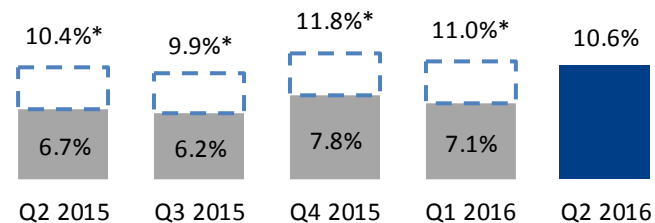


Financial ratios

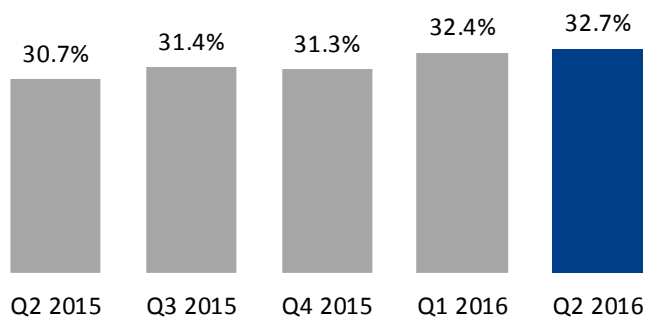
NIBD/EBITDA
Times



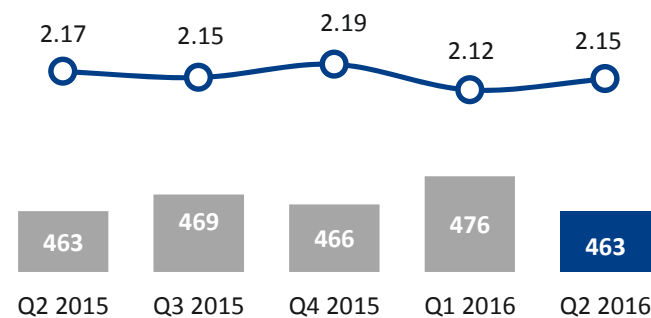
ROCE (Ltm)
Percent



Equity ratio
Percent



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



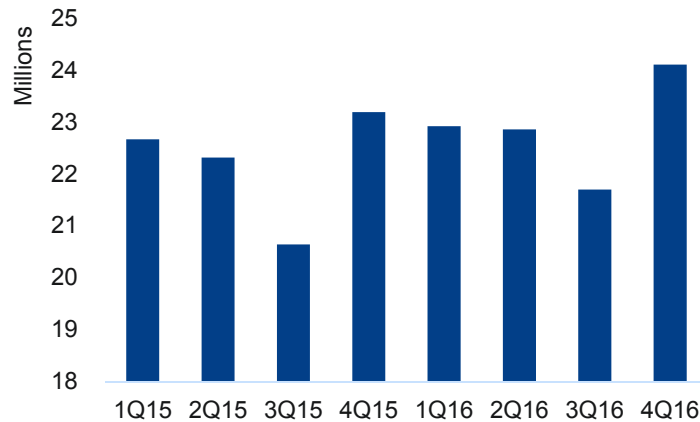
Enhancing the driving experience

A vibrant nighttime photograph of a city street. The scene is dominated by light trails from moving vehicles, creating streaks of white, red, and blue light across the road. In the background, several tall skyscrapers are illuminated with blue and white lights, their windows glowing. The overall atmosphere is modern and dynamic.

Market Summary & Outlook

Market summary & outlook

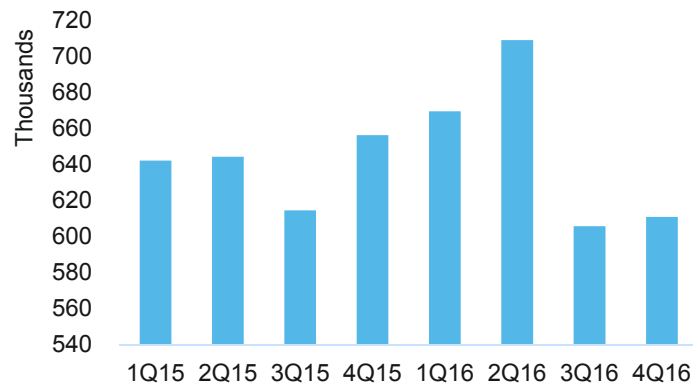
Global Light Vehicle Production



► **Light Vehicle production up 1.8% in 1H 2016**

- Higher growth in China (+5.2%), North America (+4.3%), Europe (+2.7%)
- Forecasted 3.2% growth for FY2016 to 91.5 million vehicles

Global Commercial Vehicle Production



► **Commercial Vehicle production up 7.2% in 1H 2016**

- Driven by growth in Asia (China +18.5) & Europe (+6.3%); North America -11%
- Production for FY 2016 expected to grow by 1.5%

Summary

- ▶ Corrective measures & initiatives to sustainably improve operating margin & EPS performance
- ▶ US automotive market growth rates expected to slow. Macro uncertainties regarding BREXIT impact and market demand
- ▶ No signs of major changes in overall trend lines for the industry
- ▶ Next 2 quarters expected to be flat with combined 2H 2016 revenues of EUR 480 mill.





Thank you for your attention!
Questions & answers

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Appendix

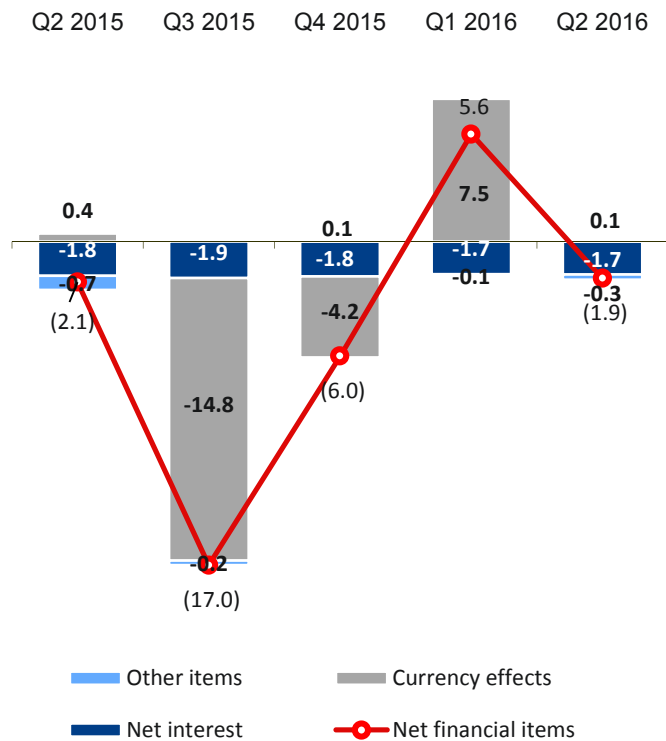
Consolidated income statement

EUR Million	Twelve months ending				
	30.06.15	30.09.15	31.12.15	31.03.16	30.06.16
Revenues	1004.9	1010.8	1020.1	1008.8	994.9
OPEX	-909.3	-916.0	-917.5	-910.7	-901.7
EBITDA	95.6	94.8	102.6	98.1	93.2
<i>EBITDA (%)</i>	9.5%	9.4%	10.1%	9.7%	9.4%
D&A	-64.8	-65.8	-66.1	-64.2	-44.0
EBIT	30.8	29.0	36.5	33.9	49.2
<i>EBIT (%)</i>	3.1%	2.9%	3.6%	3.4%	4.9%
Financial items	-34.7	-49.2	-32.8	-19.5	-19.3
Profit before taxes	-3.9	-20.2	3.7	14.4	29.9
Tax	-10.7	-5.3	-12.0	-15.7	-16.0
Net profit	-14.7	-25.5	-8.3	-1.3	14.0

- ▶ REVENUE run rate impacted by negative currency effects
- ▶ Adjusted EBIT run rate impacted lower sales volumes and increased R&D activity to support future growth opportunities
- ▶ Net profit run rate impacted by the write-off in the second quarter last year

Financial items

Net financial items
EUR million



- ▶ Positive change in valuation of currency contracts
 - Partially offset by higher unrealized currency losses