CAPITAL MARKETS DAY 2013
Agenda

▸ 8:30  Kongsberg Automotive today and next steps  
      CEO Hans Peter Havdal

▸ 9:00  Financials  
      CFO Trond Stabekk

▸ 9:20  Automotive market outlook  
      VP IR & M&A Philippe Toth

▸ 9:35  Driveline – Focus areas & trends in the passenger car segment  
      EVP Joachim Magnusson  
      VP Sales & Marketing Ian van Duijvenboode

▸ 10:15  Break

▸ 10:30  Driver Control – Focus areas & trends in the commercial vehicle segment  
      EVP Jim Ryan,  
      VP Sales & Marketing Håkon Amundsen

▸ 11:10  Purchasing strategy  
      EVP Anders Nyström

▸ 11:50  Talent management  
      EVP Jarle Nymoen & World Rally Champion Petter Solberg

▸ 12:20  Summary and closing remarks

▸ 12:30  Lunch
WHO WE ARE

Enhancing the driving experience

Hans Peter Havdal
President & CEO
Our mission

Kongsberg Automotive provides world class products to the global vehicle industry. Our products are enhancing the driving experience, making it safer, more comfortable and sustainable

- **Safety** is embedded in our driveline control systems, our interior products, chassis components and safety critical fluid handling products

- **Comfort** is a key feature in our interior- and driver control systems

- **Sustainability** is addressed through weight reduction, recycled materials and systems for hybrid- and downsized powertrains
Our Business Concept

Three levers to create stakeholder value

- KA Lean framework
- Strategic suppliers
- Global reach

- Drive innovations
- Offer end user value
- Competence partner

Hold a leading position in our segments
Work with the most demanding global customers
OUR VALUES

Passionate

Accountable

Prepared
KEY OPERATIONAL INITIATIVES IN 2013

**Internal efficiency**
- Strong focus on increased efficiency in all plants
- Trimmed fixed cost base to competitive level in the Automotive segment
- Continued to strengthen our supplier base by developing preferred suppliers

**Market segment**
- Improved commercial terms with key customers and exited poor business
- Booked in total EUR 177 million of new business
- Established a platform for commercial vehicle growth through Driver Control

**Unique solutions**
- Next generation Shift-by-Wire launched at IAA motor show on Volvo concept car
- Bringing next generation Seat Ventilation system to the market
- Secured development contract for On-Board-Charger for city bus application
The global automotive environment

Risks and opportunities

A growing global market, but...
- Continued weak South European demand
- Emerging markets, particularly China, have gained critical importance
- BRIC share of LV sales expected to grow from 35% share in 2012 to 45% share in 2019

Global platforms gaining momentum
- OEMs executing global platform strategy
- Efficiencies through platform reduction
- Fewer, but bigger business opportunities

<table>
<thead>
<tr>
<th></th>
<th>Global vehicle platform consolidation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year 2000</td>
</tr>
<tr>
<td><strong>Volkswagen</strong></td>
<td></td>
</tr>
<tr>
<td>Platforms</td>
<td>14</td>
</tr>
<tr>
<td>Vehicle models</td>
<td>37</td>
</tr>
<tr>
<td><strong>General Motors</strong></td>
<td></td>
</tr>
<tr>
<td>Platforms</td>
<td>41</td>
</tr>
<tr>
<td>Vehicle models</td>
<td>127</td>
</tr>
</tbody>
</table>
The global automotive environment - cont’d

Risks and opportunities

Technology trends

▸ OEMs increasing technology/feature requirements
  – Higher component value per car
  – Higher barriers to entry

▸ Increased focus on safety, comfort, emission reduction and connected vehicles
  – OEMs more willing to pay for these features
  – Electronic content continue to increase
  – Engines & transmissions are being electronically controlled

Source: Lazard – Roland Berger, Global Automotive Study 2013
The global automotive environment - cont’d

Risks and opportunities

Alliances between OEMs to create efficiencies
- Daimler and Renault-Nissan strategic and technologic cooperation
- PSA and Dong Feng potential alliance
- Volvo group and Dong Feng CV joint venture in China

Impact on supplier industry
- Increased demand on global engineering & production capabilities
- Size matters, larger suppliers more able to maintain margins
- Product innovators are delivering above average margins through higher component value

Source: Lazard – Roland Berger, Global Automotive Study 2013
Next moves

Our strategic focus

▸ Drive innovations to support trend from mechanical to electric actuation
▸ Grow electronics capability across BAs
▸ Secure growth in BRIC regions; double BRIC revenues in 5 years
▸ Secure competence in critical areas through talent management
Strategic focus across Business Areas

- building a common platform

- SUPPORT TREND FROM MECHANICAL TO ELECTRIC ACTUATION
- GROW ELECTRONICS CAPABILITY
- SECURE GROWTH IN BRIC REGIONS
- BUILD A GLOBAL COMPETENCE BASE
Matching external drivers

- Interior
- Driveline
- Driver Control
- Fluid Transfer

- Support trend from mechanical to electric actuation
- Grow electronics capability
- Secure growth in BRIC regions
- Build a global competence base

External drivers

- Environment
- Technology
- Globalization
- Global leadership
Matching external drivers

- Support trend from mechanical to electric actuation
- Grow electronics capability
- Secure growth in BRIC regions
- Build a global competence base
- Downsizing
- Increased temperatures

External drivers

- Environment
- Technology
- Globalization
- Global leadership
FINANCIALS

Trond Stabekk
EVP & CFO
Recap on targets CMD 2012

▸ Strengthen operating margins

▸ Reduce the gearing

▸ Improve return on capital employed

▸ Selective growth (profit before growth in automotive)
Group revenue and EBITDA (LTM=last twelve months)

<table>
<thead>
<tr>
<th></th>
<th>Revenues (EUR Million)</th>
<th>EBITDA and EBITDA Margin (EUR Million and percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 12</td>
<td>1.015</td>
<td>68 (6.9%)</td>
</tr>
<tr>
<td>Q4 12</td>
<td>1.001</td>
<td>71 (7.2%)</td>
</tr>
<tr>
<td>Q1 13</td>
<td>985</td>
<td>82 (8.3%)</td>
</tr>
<tr>
<td>Q2 13</td>
<td>986</td>
<td>88 (8.9%)</td>
</tr>
<tr>
<td>Q3 13</td>
<td>982</td>
<td>97 (9.9%)</td>
</tr>
</tbody>
</table>
OPERATIONAL MARGINS
Revenues and EBITDA per segment (LTM)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Revenues LTM 2012</th>
<th>Revenues LTM 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Driveline</td>
<td>328</td>
<td>282</td>
</tr>
<tr>
<td>Interior</td>
<td>259</td>
<td>251</td>
</tr>
<tr>
<td>Fluid Transfer</td>
<td>173</td>
<td>183</td>
</tr>
<tr>
<td>DCS</td>
<td>296</td>
<td>247</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Segment</th>
<th>EBITDA Margin 2012</th>
<th>EBITDA Margin 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Driveline</td>
<td>4.7%</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Interior</td>
<td>9.6%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Fluid Transfer</td>
<td>15.8%</td>
<td>16.8%</td>
</tr>
<tr>
<td>DCS</td>
<td>14.0%</td>
<td>13.6%</td>
</tr>
</tbody>
</table>
GEARING
Focus on reducing debt and gearing level

- Targeting Net Debt/EBITDA ratio below 2x by 2015
- From Q3 2012 gearing reduced from 4.3 to 2.7
- Focus still to continue towards the 2.0 target in 2015
Improved Financial ratios

NIBD EUR million

<table>
<thead>
<tr>
<th>Quarter</th>
<th>NIBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2012</td>
<td>311</td>
</tr>
<tr>
<td>Q4 2012</td>
<td>289</td>
</tr>
<tr>
<td>Q1 2013</td>
<td>297</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>275</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>265</td>
</tr>
</tbody>
</table>

Equity EUR million

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2012</td>
<td>193.5</td>
</tr>
<tr>
<td>Q4 2012</td>
<td>184.7</td>
</tr>
<tr>
<td>Q1 2013</td>
<td>189.0</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>189.4</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>193.4</td>
</tr>
</tbody>
</table>

NIBD/EBITDA Times

<table>
<thead>
<tr>
<th>Quarter</th>
<th>NIBD/EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2012</td>
<td>4.3</td>
</tr>
<tr>
<td>Q4 2012</td>
<td>3.8</td>
</tr>
<tr>
<td>Q1 2013</td>
<td>3.8</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>3.1</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>2.7</td>
</tr>
</tbody>
</table>

Equity ratio Percent

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Equity ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2012</td>
<td>24.8%</td>
</tr>
<tr>
<td>Q4 2012</td>
<td>24.8%</td>
</tr>
<tr>
<td>Q1 2013</td>
<td>24.8%</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>25.2%</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>27.4%</td>
</tr>
</tbody>
</table>
RETURN ON CAPITAL EMPLOYED
Targeting >15% ROCE by 2015

- **Multiple levers for improvement**
  - **Revenue growth** in high-margin segments
  - **Improved margins** in currently low-yielding segments
  - **Higher capital efficiency**, i.e. maintaining capital expenditure below D&A

ROCE significantly improved since CMD 2012 despite flat top line

![Return on Capital Employed (ROCE) Graph](image-url)

<table>
<thead>
<tr>
<th>Year</th>
<th>ROCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>-10%</td>
</tr>
<tr>
<td>2010</td>
<td>-5%</td>
</tr>
<tr>
<td>2011</td>
<td>0%</td>
</tr>
<tr>
<td>LTM Q3’12</td>
<td>5%</td>
</tr>
<tr>
<td>Q3 13</td>
<td>10%</td>
</tr>
<tr>
<td>2015</td>
<td>15%</td>
</tr>
</tbody>
</table>

**Target:** 15%
Improved ROCE (LTM = last twelve months)

Revenues (LTM) EUR Million
Q3 2012: 1,015
Q4 2012: 1,001
Q1 2013: 985
Q2 2013: 986
Q3 2013: 982

EBIT and EBIT margin (Ltm) EUR Million and percent
Q3 2012: 2.4%, 24.7
Q4 2012: 3.1%, 30.7
Q1 2013: 3.2%, 31.4
Q2 2013: 4.3%, 42.3
Q3 2013: 5.3%, 52.5

ROCE Percent
Q3 2012: 4.6%
Q4 2012: 5.8%
Q1 2013: 5.9%
Q2 2013: 8.1%
Q3 2013: 10.3%

Avg. Capital Employed and turnover (Ltm) EUR Million and Times
Q3 2012: 1.87, 542
Q4 2012: 1.89, 530
Q1 2013: 1.85, 532
Q2 2013: 1.90, 520
Q3 2013: 1.93, 508
FUNDING CONSIDERATIONS
Liquidity and funding

- Liquidity reserve slightly improved
- Drawn amount reduced more than facility reduction
Funding

- Have increased the flexibility through reduced gearing
- Key focus will still be to reduce debt
- Long term financing in place up to 2017
- Optimize capital structure to match strategy direction
Summary

▸ Have delivered on the path towards the targets
  – Operational margins improved
  – Balance sheet deleveraged
  – Return on capital employed improved

▸ Financial targets for 2015 remain
MARKET OUTLOOK

Philippe Toth
VP Investor Relations and M&A
Agenda

- Global light vehicle production
- Market structure in BRIC for light vehicles
- Global commercial vehicle production
- Market structure in BRIC for commercial vehicles
- New estimated business wins in BRIC
- Market summary
Market Outlook Passenger Vehicle
Global passenger car - production per region
Near-term volatility, Long-term growth trajectory

CAGR 2013-18
BRIC 7.3 %
TRIAD 1.5 %

- Weak growth in TRIAD markets (Europe, North America and Japan/Korea)
- Growing industry in BRIC countries & emerging markets (Thailand, Indonesia, Iran and Turkey)

Source: IHS
Triad markets LDV production

Market driven by replacement demand; average fleet age increasing

- Growing popularity of segment B and C cars, downscaling to fuel efficient cars
- OEMs increase comfort products per car
- NA production outlook follows demand recovery with import substitution & export activity
- Japanese/Korean OEMs localizing production in North America

Source: IHS
BRIC countries LDV production
China "cooling down" at 29 million cars by 2018

- Growth driven by population and car density increases
- BRIC expected to demand same level of quality, safety & reliability as TRIAD by 2020
Different BRIC market structures

China

- 2013: 37% Foreign OEM, 63% Local OEM
- 2018: 40% Foreign OEM, 60% Local OEM

India

- 2013: 28% Foreign OEM, 72% Local OEM
- 2018: 24% Foreign OEM, 76% Local OEM

Russia

- 2013: 51% Foreign OEM, 49% Local OEM
- 2018: 56% Foreign OEM, 44% Local OEM

Brazil

- 2013: 100% Foreign OEM
- 2018: 100% Foreign OEM

Source: LMC; Roland Berger; Company data
Growing addressable market for KA products

Drivers for increase of addressable markets

- Improving road infrastructure
- Stricter emission regulations
- Owners focus on total cost of ownership
- More focus on comfort and safety features

Source: Company data
Market Outlook Commercial Vehicles
Global Commercial Vehicle production per region
Growth industry in spite of temporary market fluctuations

Trucks with GVW above 6t

Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>India</th>
<th>Russia</th>
<th>Brazil</th>
<th>Rest</th>
<th>Europe</th>
<th>Japan/Korea</th>
<th>North America</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CAGR 2013-18
BRIC 7.7 %
TRIAD 5.0 %

Growth of global CV market is going to accelerate compared to last decade

Source: L.M.C.
TRIAD countries CV production
Recovery toward long term growth

- Slow first quarter in 2014 for EU due to EURO6 introduction
- North America mixed macro signals but 2014 seems to capture 2013 lost demand
- Strong CAGR in TRIAD markets from 2015 to 2018 due to pent-up demand
BRIC countries CV production
China the biggest market

- Steady high growth in Asia, which will represent nearly 60% of the market in 2018
- Rising demand of technically more sophisticated trucks
## Different BRIC market structure

<table>
<thead>
<tr>
<th>Country</th>
<th>2013</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>97%</td>
<td>95%</td>
</tr>
<tr>
<td>India</td>
<td>94%</td>
<td>87%</td>
</tr>
<tr>
<td>Russia</td>
<td>89%</td>
<td>81%</td>
</tr>
<tr>
<td>Brazil</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: LMC; Roland Berger; Company data
Example change in Indian vehicle market

- 71% in 2012 to 28% in 2020
  - 1% >280HP, Fully addressable
  - 2% 200-280HP, Gradually more addressable
  - 50% <200Hp, Not addressable yet
  - 48% in total

- 50% ~EUR 90 000,- Fully addressable
- 48% ~EUR 40 000,- Gradually more addressable
- 1% ~EUR 20 000,- Not addressable yet

Customer change of requirements

- Total cost of ownership
- Emission compliance
- Higher engine power
- Better reliability
- Longer warranty periods
- Higher comfort

Total KA revenue in the Volvo FH 100 EUR

EUR100-200k depending on motorization equipment

Enhancing the driving experience
Growing addressable market for KA products

Drivers for increase of addressable markets

- Improving road infrastructure
- Stricter emission regulations
- Better enforcements of overload regulations
- Owners focus on total cost of ownership

Source: Company data
Estimated business wins 2013
Significant booked business in BRIC in 2013

- KA new business wins exceed 15% of LTM revenue; confirms good trend on order intake
- 32% of total new business in last 12 months booked in BRIC countries vs. current BRIC revenue of 9%

177 MEUR* LTM

* Per annum value
Market summary
### Market summary and outlook

**Global industry growth**

<table>
<thead>
<tr>
<th>Country/region</th>
<th>Expected 2014 growth rate</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>EURO</td>
<td>2.3%</td>
<td>• Rebound expected in Europe in 2014 or 2015</td>
</tr>
<tr>
<td></td>
<td>0.9%</td>
<td>• Recovery in infancy, EURO VI to boost Q4-2013 with a negative impact on Q1-2014</td>
</tr>
<tr>
<td>USA</td>
<td>3.4%</td>
<td>• Production growth rate moderate, yet recovery progresses</td>
</tr>
<tr>
<td></td>
<td>8.3%</td>
<td>• Demand pushed forward from 2013 rather than lost</td>
</tr>
<tr>
<td>China</td>
<td>14%</td>
<td>• China growth seen remaining in low double digit over the next 3 years</td>
</tr>
<tr>
<td></td>
<td>8.5%</td>
<td>• Healthy growth outlook, but cooler than last decade growth rate</td>
</tr>
</tbody>
</table>

Source: LMC Automotive – October 2013
Driveline - focus areas & trends in Passenger Car segments
– EVP Joachim Magnusson, VP Sales & Marketing Ian van Duijvenboode
Agenda

- Business environment
- 2013 New Business Wins in BRIC
- Technology trend: Shift by Wire
  - AT/Shift by Wire trends globally
  - Kongsberg Driveline market positioning
- A winner in the market
Driveline systems - market positioning

▸ True global Tier1 supplier for gear shifter systems

▸ Targeting standardization and modularization in design

▸ Close to our strategic customers

▸ Bring innovations to the market

▸ Enhancing the driving experience
  ▪ Shift feel
  ▪ Superior human machine interface
  ▪ Aesthetic design
Strategic customer environment

- Efficiency through standardization and modularization

<table>
<thead>
<tr>
<th>OEM</th>
<th>Current platforms</th>
<th>2020 Target platforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHRYSLER</td>
<td>22</td>
<td>16</td>
</tr>
<tr>
<td>Ford</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>RENAULT NISSAN</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>VOLVO</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>PSA PEUGEOT CITROEN</td>
<td>11</td>
<td>7</td>
</tr>
</tbody>
</table>

- Global OEMs consolidate platforms to achieve efficiencies
- Platforms going from regional to global
- JV between OEMs, (e.g. PSA & GM in Europe)
- Volumes per platform increasing
KA Driveline Global Footprint

- **Customer Focus Team**
  - Sales
  - Program
  - Application Engineering

- **Production Location**

- **Tech Center Driveline**

Engineers world-wide:
- Asia - 20
- Europe - 110
- America - 30
KA and Nissan – a perfect match

Example of Nissan platform
### Examples of multi-region supply
- Supporting our strategic customers locally

<table>
<thead>
<tr>
<th>Product</th>
<th>Europe</th>
<th>North America</th>
<th>Asia</th>
<th>South America</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shift tower</td>
<td><img src="image1" alt="Shift tower" /></td>
<td><img src="image2" alt="Check" /></td>
<td><img src="image2" alt="Check" /></td>
<td><img src="image2" alt="Check" /></td>
</tr>
<tr>
<td>AT SBW*</td>
<td><img src="image3" alt="AT SBW" /></td>
<td><img src="image2" alt="Check" /></td>
<td><img src="image2" alt="Check" /></td>
<td><img src="image2" alt="Check" /></td>
</tr>
<tr>
<td>AT Shifter*</td>
<td><img src="image4" alt="AT Shifter" /></td>
<td><img src="image2" alt="Check" /></td>
<td><img src="image2" alt="Check" /></td>
<td><img src="image2" alt="Check" /></td>
</tr>
</tbody>
</table>

*AT SBW: Automatic Shift by wire, AT Shifter: Automatic Shifter
**Fragmented market; 2 global system suppliers**

<table>
<thead>
<tr>
<th>Supplier</th>
<th>European</th>
<th>American</th>
<th>Chinese</th>
<th>Indian</th>
<th>Brazilian</th>
<th>Automatic Mechanical</th>
<th>Automatic Shift by wire</th>
<th>Manual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kongsberg</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Dura</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Tokai Rika /Tram</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Lemförder</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>GHSP</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>SL</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Kostal</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

- 2 global suppliers making all complete gear shifter systems
- BRIC is key to unlocking market growth
Technology change in the market

- External market drivers towards Automatic transmissions
  - Comfort
  - Fuel efficiency and legislation

- AT installed in B-segment cars

- Shift by wire technology leading the market with 17% CAGR

Shift by wire volumes

Source: IHS and company estimate
Business environment summary

**OEMs demand global supplier footprint**
- BRIC presence more important than ever

**Increase competitive pressure**
- OEMs are consolidating supplier base
- More revenue for winners

**Innovation & technology key to growth in SBW**
- 17% CAGR expected
Driveline Agenda

- Business environment
- 2013 New Business Wins in BRIC
- Technology trend: Shift by Wire
  - AT/Shift by Wire trends globally
  - Kongsberg Driveline market positioning
- A winner in the market
2013 New Business wins for Driveline in BRIC
48% of New business win in BRIC

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales %</th>
<th>NBW</th>
<th>NBW %</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROW</td>
<td>88%</td>
<td>209</td>
<td>52%</td>
</tr>
<tr>
<td>BRIC</td>
<td>12%</td>
<td>192</td>
<td>48%</td>
</tr>
</tbody>
</table>

EUR 116 M (Lifetime estimate)
EUR 28 M Annually

EUR 15 M (Lifetime estimate)
EUR 4 M Annually

EUR 63 M (Lifetime estimate)
EUR 14.5 M Annually
Securing BRIC growth ahead

Growth strategy aligned with strategic customers

Strategy centered around footprint match

EUR 192 M lifetime wins 2013
Driveline Agenda

▸ Business environment

▸ 2013 New Business Wins in BRIC

▸ Technology trend: Shift by Wire (SBW)
  – AT/Shift by Wire trends globally
  – KA Driveline market positioning

▸ A winner in the market
What is Shift by wire?

“From mechanical to electronic actuation”

- Removes mechanical link between gear lever and gearbox
  - Gear changes through actuator or electronic gearbox
- The gear shifter communicates with the transmission electronically
Market drivers for Shift by wire

▸ Design freedom
  – Design options: Joystick, Buttons, Steering column
  – Freedom for gearshifter location
  – Space saving
  – Shift feel

▸ Safety
  – Self parking
  – Block incorrect gear shifting from driver

▸ CO2 emissions
  – Focus on vehicles with low weight
  – Self driving vehicles
  – Automatic transmission superior to manual

▸ Reduce noise and vibration
  – Isolates cabin from engine bay
Shift by wire technology

- 4 key technologies for shift by wire
- Joystick stands out as market leader
Key technology trends in SBW

- Joystick leads growth
- Increased interest in rotary
- Slow growth for buttons and steering column shifter

Source: IHS and company estimate
Shift by wire customer trends

Source: IHS and company estimate
Regional Shift by wire markets

- **EU leading SBW adoption**
  - Premiums have SBW
  - Mid-segment starting SBW

- **Slower start in NA**
  - Aggressive growth projected

- **Asia starting SBW adoption**
  - China will drive growth

![SBW volumes chart](source: IHS and company estimate)
Shift By Wire segmentation

- Premium segment mature
- Growth from mid segment

Source: IHS and company estimate
KA Shift by wire expertise
- Volvo ‘Concept Coupe’
  - KA SBW shifter in Volvo Cars ‘Concept Coupe’ unveiled at IAA
  - SBW with crystal knob
    - provides a unique feeling
    - Shifter contains best in class packaging and safety features
  - Volvo concept was awarded best concept from autoblog
Voice of the customer
"Volvo Concept Coupe"
KA’s shift by wire strategy

▸ **Innovation**
  – Focus on 2 technologies
    • Joystick
    • Rotary
  – World class packaging and weight (560 → 156 g)
  – Safety features
    • “Make before break”

▸ **Enhancing the driving experience**
  – World class shift feel
  – World class human machine interface

▸ **Systems capabilities**
  – From driver to gearbox

▸ **Target growing mid-segment**
Investment in marketing

- SBW concept car customer global tour 2013
  [Image of car]
- Auto Shanghai Show April 2013
  [Image of event]
- IAA Frankfurt VCC Concept car Sep 2013
  [Image of concept car]
- CTi Transmission Symposium Berlin Dec 2013
  [Image of transmission]

Enhancing the driving experience
Driveline Agenda

▸ Business environment

▸ 2013 New Business Wins in BRIC

▸ Technology trend: Shift by Wire
  – AT/Shift by Wire trends globally
  – Kongsberg Driveline market positioning

▸ A winner in the market
A winner in the market

Global & follow OEMs footprint
*More revenue per platform*

Secure business growth in BRIC
*EUR 192M business wins 2013*

Innovation in key technology
*Shift by wire 17% CAGR*
Driver Control – Trends & focus in commercial vehicles

– EVP Jim Ryan, VP Sales & Marketing Håkon Amundsen
Agenda

- Main trends in the truck industry
- A global business
  - Driver Control a global supplier
  - BRIC countries
- Technology trends
  - Electronics strategy
  - Automated Manual Transmissions
  - Hybrid vehicles
# Opportunities & challenges in the truck industry

<table>
<thead>
<tr>
<th>OEM growth</th>
<th>Total cost of ownership</th>
<th>Environmental pressure</th>
<th>Comfort &amp; safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>• TRIAD OEMs to turn attention to emerging market to capture growth</td>
<td>• Reducing fuel consumption is key</td>
<td>• Emission legislation in all markets requires OEMs to invest in more R&amp;D</td>
<td>• Stricter safety regulations in TRIAD &amp; emerging markets</td>
</tr>
<tr>
<td><img src="image1.png" alt="Graph" /></td>
<td><img src="image2.png" alt="Dollar Sign" /></td>
<td><img src="image3.png" alt="CO2" /></td>
<td><img src="image4.png" alt="Car" /></td>
</tr>
</tbody>
</table>

- **Increase of globalization of TRIAD OEMs**
- **Shift from mechanical to electronic engine- and transmission controls**
- **Hybridization of powertrain**
DRIVER CONTROL

A GLOBAL PLAYER IN DRIVER INTERFACE
Product Portfolio

An integrated portfolio focused on ‘Man to Machine Interface’

- Clutch control systems
- Pedals
- Sensors
- Displays
- Steering columns
- Electronic Hand controls & Shifters
- Cable Gear shifters
Integrated systems between Driver and Powertain

- CAN Interface Modules
- Digital Keypads
- Custom Clusters
- KAntrak LCD Display

Components:
- ES-3000 Electronic Shifter
- MH-2000 Throttle Control
- KA Global Pedals
- Integrated systems between Driver and Powertain
- Digital and Analog Inputs
- Digital Outputs

Enhancing the driving experience
Global win strategy

Strategic customer focus
Focus on leading OEMs in each vehicle segment
Leverage European position to emerging markets

Customer intimacy
Through global reach with production & engineering support in customer proximity
Bringing new innovations to the market

Preferred supplier status via unique product offering
Wide product range enables OEMs to reduce supplier base
Increased content per vehicle
A global footprint, matching customer needs
BRIC business - building on our strengths

32% of all new business wins YTD 2013 from BRIC countries

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales</th>
<th>Sales %</th>
<th>NBW</th>
<th>NBW %</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRIAD</td>
<td>EUR 194M</td>
<td>81%</td>
<td>EUR 21.8M</td>
<td>68%</td>
</tr>
<tr>
<td>BRIC</td>
<td>EUR 46M</td>
<td>19%</td>
<td>EUR10.4M</td>
<td>32%</td>
</tr>
</tbody>
</table>
Established BRIC footprint
Serving both domestic & foreign OEMs

Global capabilities enhanced by local customer focused teams
On-highway growth: PACCAR example

- KA serves PACCAR in Europe, North America & South America
  - Supplies products across business areas
  - Integrated teams coordinate and support global PACCAR activity & offering

- Trends open for more content per vehicle in all regions
  - Globalization of platforms and demand for same technology and support across the globe

- Strong KA product portfolio and global footprint provides growth opportunities at PACCAR
On-highway segment: Leveraging a strong European platform – PACCAR example
Off-highway growth: Example

- A global tractor maker launched largest project ever - to produce the first Global tractor on 3 continents and in 5 locations

- KA offers a wide range of generic and modular steering columns
  - To meet requirements of the world’s top maker of off-highway vehicles

- KA has competence and experience
  - Custom design steering systems to meet customer demands from different regions
Off-highway segment: Global footprint with strong local ‘Customer Focus Teams’
DCS – A global partner in the CV market

Growth strategy aligned with strategic TRIAD customers and emerging leaders

Strategy centered around footprint match and product technology spread

Localize TRIAD product technology in BRIC markets
**Electronic content is found in 30% of all KA products**

- *Content will increase in coming years*

<table>
<thead>
<tr>
<th>Trend</th>
<th>Market Solutions</th>
<th>Consequence for KA</th>
<th>Strategic topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel efficiency</td>
<td>Hybridization</td>
<td>Increased demand for systems combining electronics and mechanics</td>
<td>Vehicle driveline: More demand for Control-By-Wire products</td>
</tr>
<tr>
<td>Environmental regulation</td>
<td>Increased use of Electric actuation</td>
<td>Electronic components in many more of our product families</td>
<td>Mechatronic design and Mfg capability</td>
</tr>
<tr>
<td></td>
<td>Control-By-Wire</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**KA to focus on electronics in growth ahead**
Electronics centers of Excellence in Europe & North America

- **Leveraging** technologies and resources to:
  - Maximize profits
  - Build expertise
  - Create mass

- **Developing** products and people to:
  - Maintain growth and market position
  - Build competence

- **Partnering with suppliers to**:
  - Create a competitive advantage (Cost and technology)
  - Increase speed to market and product portfolio

Building critical mass in electronics
KA controls the value chain

- Electronic design
- Mechanical design
- Hardware
- Software
- Integrated mechatronic

- Electronic Schematic
- Mechanical function
- Electronic assembly
- Embedded Software
- Control System
TECHNOLOGY TRENDS

AUTOMATED MANUAL TRANSMISSIONS
Drivers behind shift to AMT

Ongoing shift to AMT technology in Europe to continue

Other regions lag, but are expected to grow rapidly over 10-15 years
Automated Manual Transmissions - AMT

Growth focus via 3 integrated system elements = Increased content value

Shifter
- Leverage shift by wire with Driveline

Actuator
- Leverage electronics CoEs
- Leverage system integration for unique offering
TECHNOLOGY TRENDS

HYBRID VEHICLES
KA awarded first business on hybrid vehicles

- KA’s e-Power Nordic AB unit nominated for first serial development program
  - Onboard charger for a hybrid city bus
  - Customer is a global OEM, among the market leaders
Focusing on Power Electronics

Core business: development of power electronic units connected between the battery, the electric motors and the grid
## Current product range overview

<table>
<thead>
<tr>
<th>Product</th>
<th>Function</th>
<th>Customer feedback</th>
</tr>
</thead>
<tbody>
<tr>
<td>DC/DC converter</td>
<td>Convert 220-650V from energy storage to all auxiliaries on 12/24V</td>
<td>Among the smallest on market Reliable impression of layout, details and components used</td>
</tr>
<tr>
<td>On board charger</td>
<td>Charge 220-650 V energy storage from grid</td>
<td>Attractive small package and high power density (kW/kg) Leading edge technology</td>
</tr>
<tr>
<td>Inverter</td>
<td>Control electric motor and provide required power from energy storage</td>
<td>Among the smallest on market Safety strategy edge know-how</td>
</tr>
</tbody>
</table>
## Technology trends summary

<table>
<thead>
<tr>
<th>Market trends</th>
<th>KA focus areas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increased use of Electric actuation</strong></td>
<td>• Leverage of cross BA activities with Driveline particularly within Shift-by-Wire</td>
</tr>
<tr>
<td>Control-By-Wire</td>
<td>• Leverage Electronics CoE’s</td>
</tr>
<tr>
<td><strong>Hybridization</strong></td>
<td>• Leverage system integration for unique offering</td>
</tr>
<tr>
<td></td>
<td>• Leverage power electronic competencies within ePower</td>
</tr>
</tbody>
</table>
PURCHASING STRATEGIES

Anders Nyström
Executive Vice President, Purchasing
Agenda

- Overview of KA’s external spend
  - Direct material
  - Indirect material and services
- Direct material strategy & efficiencies
- Indirect material strategy & efficiencies
- CSR in the supply base
## Direct materials spend profile

<table>
<thead>
<tr>
<th>Total spend external suppliers</th>
<th>EUR 500m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of active suppliers</td>
<td>2 500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Spend by commodity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronics</td>
<td>17 %</td>
</tr>
<tr>
<td>Metal raw materials</td>
<td>15 %</td>
</tr>
<tr>
<td>Plastic raw materials</td>
<td>11 %</td>
</tr>
<tr>
<td>Machined metal parts</td>
<td>10 %</td>
</tr>
<tr>
<td>Leather &amp; textiles</td>
<td>8 %</td>
</tr>
<tr>
<td>Castings</td>
<td>8 %</td>
</tr>
<tr>
<td>Plastic injection moldings</td>
<td>7 %</td>
</tr>
<tr>
<td>Metal stampings</td>
<td>6 %</td>
</tr>
<tr>
<td>Rubber parts</td>
<td>6 %</td>
</tr>
<tr>
<td>Springs &amp; fasteners</td>
<td>5 %</td>
</tr>
<tr>
<td>Wire, rope &amp; cable</td>
<td>5 %</td>
</tr>
<tr>
<td>Other</td>
<td>2 %</td>
</tr>
</tbody>
</table>
Indirect materials and services - spend profile

<table>
<thead>
<tr>
<th>Investment</th>
<th>EUR million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machines</td>
<td>10</td>
</tr>
<tr>
<td>Tools</td>
<td>5</td>
</tr>
<tr>
<td>Returnable packing material</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total spend</strong></td>
<td><strong>110</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expense</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Freight</td>
<td>23</td>
</tr>
<tr>
<td>External services</td>
<td>12</td>
</tr>
<tr>
<td>Leasing &amp; rental</td>
<td>10</td>
</tr>
<tr>
<td>Energy</td>
<td>10</td>
</tr>
<tr>
<td>Machine spares &amp; consumables</td>
<td>7</td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total spend</strong></td>
<td><strong>110</strong></td>
</tr>
</tbody>
</table>
Main challenges

▸ Drive cost savings in line with industry efficiency expectations
▸ Build right geographical supplier footprint
▸ Right-size supply base & raise standards
▸ Extract right technology from supply base at the right time
Global Purchasing Organization

32% of direct spend

56%* of direct spend

12% of direct spend

No. of employees

EU  NA  Asia  Other

4%  18%  21%  57%

*Including ROW which is 1%

Direct Materials spend 500 MEUR
Strategic elements

- Control of indirect spend
- Control of indirect spend
- Control of indirect spend
- Control of indirect spend
- Control of indirect spend
- Control of indirect spend
- Control of indirect spend
- Control of indirect spend
Strategic elements

- Profitability
- Predictability
- Flawless execution

Control of indirect spend
CSR
Org. efficiency
Buyer competence
Launch Quality
Supplier relationships
Supply base management
Purchasing

DIRECT MATERIAL STRATEGIES & EFFICIENCIES
Supply Base Management

- Define the future state supply base and document in Commodity Strategies.
- Qualify and continuously develop preferred suppliers
- Map supplier performance
- Execute strategy through sourcing of new business to preferred suppliers
- Actively and passively exit non-preferred suppliers
Sourcing in KA

Cross-functionally aligned commodity strategies

Business area driven customer product projects

Competitive supply base in every region

SOURCING =
Execution of commodity strategies

Commodity Purchasing Team

Purchasing Team China Operations

Project Teams
Supply base metrics

No. of active production suppliers

Spend allocation

95% of new business awards to Preferred suppliers
Benefits

▸ **Economies of scale**
  – with preferred suppliers, volume efficiencies and negotiating power.

▸ **Supplier ’familiarity’**
  – With KA specifications, processes, systems and people reduces complexity and leadtime

▸ **Resource efficiency**

▸ **Risk reduction**
Example
Co-ordinated sourcing of Electronic Control Units cross BA’s in 2013

- Volume of multiple projects across BA’s was bundled in one business award to an existing preferred supplier

- Negotiation resulted in reduced new product price and 12% reduction in price on existing business
Purchasing

INDIRECT MATERIAL STRATEGY & EFFICIENCIES
Strategy – Gradually consolidating indirect buy

- Starting with the high-impact categories
  - with a regional or global supply base
- Capture opportunities from long term capex plans and spend across the enterprise
- Focused categories:
  - Major machine investments EUR 10m
  - Injection molding tools EUR 5m
  - Freight EUR 23m
  - Air travel EUR 8m

38% of global indirect spend
Measures & benefits

▸ Freight contract consolidation in Europe & North America
  – EUR 3m (13%) savings on FY basis

▸ Early involvement of professional buyer in major investment projects
  – delivered EUR 1.2m (21% on orders placed) vs historical levels

▸ Transfer to new tool-maker base in China
  – EUR1.6m (32%) savings across the injection molding tool spend
Purchasing

CSR IN THE SUPPLY BASE
Risk Exposure

▸ KA – a global company with suppliers in all major regions

▸ China and India considered high risk regions

▸ 229 suppliers in China, 32 in India, actively supplying KA
  – All have accepted the Supplier Declaration, outlining KA’s requirements in terms of Corporate Social Responsibility

▸ Acceptance is not equal to understanding and adherence.
KA Strategy

- **Information**
  - Supplier CSR declaration
    - A condition for doing business

- **Training & self Assessment**
  - Suppliers in China & India trained in:
    - Business ethics
    - Working conditions
    - Environmental responsibility

- **Monitoring**
  - Supplier sites regularly monitored for adherence

2013 - 2014

2015
Status: All preferred suppliers in China trained & undergoing self assessment

Training curriculum

- **Business ethics**
  - Working practice (respect and honesty)
  - Training & development
  - Integrity

- **Working conditions**
  - Harassment & discrimination
  - Health & safety
  - Wages & benefits
  - Working hours
  - Child labor
  - Forced labor
  - Freedom of association

- **Environmental responsibility**
  - Environmental management systems
  - Continuous improvement
  - Environmental perform
Summary

Strategic plan set in 2012 has momentum

Supply base reduction effort will leave only the best suppliers in the base

Cross-BA management of sourcing and supplier relations has delivered results
Savings on current business at historical high
Attracting and retaining talent in a global industry

Jarle Nymoen, EVP Human Resources
Ambition

“To be a preferred employer with a reputation for having the best People development systems.”
World class global leadership programs

Passage 1

Passage 2

Passage 3

Passage 4

Passage 5

Passage 6

Individual program

KAscent

Interdal

KAliber

KAspire

Trainee

Manager of managers

Manage self

Manager of managers

Manage others

Functional manager

Group manager

Enterprises manager
YOUNG PROFESSIONALS

KAspire
KAspire - prepare & develop young professionals for more responsibility in KA

<table>
<thead>
<tr>
<th>Preparation to Managerial Role</th>
<th>Preparation to Managerial Role</th>
<th>Preparation to Managerial Role</th>
<th>Self Development/ Business Case Induction</th>
<th>Business Case Presentation ExCom</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 day Workshop</td>
<td>3 day Workshop</td>
<td>3 day Workshop</td>
<td>4 day Workshop</td>
<td>3 day Workshop</td>
</tr>
<tr>
<td>The leadership that builds teams; group dynamics</td>
<td>The leadership that builds on differences; diversity</td>
<td>The leadership to lead yourself; individual development</td>
<td>Insight Diversity Personal Profile/ Cultural Imperative/ Recruitment</td>
<td>Group presentations / Program Summary and Difficult conversations</td>
</tr>
</tbody>
</table>

15 months
GLOBAL MANAGERIAL DEVELOPMENT
INTERDAL
Interdal – preparing for a (new) managerial role in KA

- **Strategy, team and history**
  - 7 day Workshop
  - **CEO**
    - Company history
    - Strategy
    - Team building
    - Relocation Case
  - **Kongsberg**

- **Finance, acquisition and environment**
  - 7 day Workshop
  - **CFO**
    - Finance
    - Controlling
    - Mergers & Acquisitions
  - **Detroit**

- **Sales, purchase and negotiations**
  - 8 day Workshop
  - **EVP Purchase**
    - Sales & Marketing
    - Negotiations Case
    - Purchasing strategy
  - **Shanghai**

- **Production/ The KA Way**
  - 6 day Workshop
  - **EVP Driveline**
    - Lean, 5 S & Kaizen
    - Lean Case
    - The KA Way
  - **Poland**

- **Int. operations, cross-culture and ethics**
  - 6 day Workshop
  - **EVP BD**
    - International operations
    - Cross-Cultural Training
    - Ethics & Code of Conduct
    - EU
  - **Ghent & Brussels**

15 months
YOUNG GRADUATES

TRAINEE PROGRAM
Trainee program - attracting ambitious graduates by presenting a career path in KA

2nd year

- Cross-functional training: Production
- Cross-functional training: R&D
- Cross-functional training: Market
- Cross-functional training: Purchasing
- Cross-functional training: Finance
- Project at a plant abroad

1st year

- Induction Program
- Trainee Functional Workshops
- Team Building Workshop
- Trainee Project
- Personal development plan
- BA Strategy Seminar

Basis in Program

- Regular meetings: (monthly) meetings with Trainee program coordinator, Trainee Supporters, and Trainees
- Home Base: functional position, job duties, and cross-departmental training in department.
Common Trainee program KA / Petter Solberg

Kongsberg Automotive
- Structure
- Leadership development
  - R&D
- Purchase
- Industrial

Petter Solberg
- Adventure
- Energy
- Excitement
- Winner instinct
- Ultimate gearhead experience
• KAPS
  • Innovative collaboration between PSRX and Kongsberg Automotive

• TEAMWORK & ACCOUNTABILITY
  • There’s no “I” in Team

• PASSION
  • Always give 110%

• Goal
  • The first ever professional World Champion in 2 different motor sports
PETTER SOLBERG WORLD RX TEAM

**P6 RX**

KAPS

TRAINEE PROGRAM

- **RALLYCROSS RX**

  - The world’s fastest growing motor sport
Summary: KA - 2015 and beyond
CEO Hans Peter Havdal
Short term…
Confirm our 2015 targets

<table>
<thead>
<tr>
<th>Group</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Selective growth focus</td>
</tr>
<tr>
<td>Margin</td>
<td>Gradually improving margin</td>
</tr>
<tr>
<td>ROCE</td>
<td>&gt; 15% by 2015</td>
</tr>
<tr>
<td>NIBD/EBITDA</td>
<td>&lt; 2x by 2015</td>
</tr>
</tbody>
</table>
Support globalization of OEMs

- The industry is shaped by
  - the rise of developing markets
  - globalization of vehicle platforms

- KA has the global capabilities to supply the passenger- and commercial vehicle industries from its worldwide locations
KA an innovative technology partner for global OEMs

- KA providing SBW solutions to both the Automotive and Truck OEMs
- Building critical mass within electronics, established CoEs and investing in R&D
- Providing leading safety and comfort features within our segments
- Developing strong global teams
THANK YOU FOR YOUR ATTENTION
QUESTIONS & ANSWERS