Kongsberg Automotive ASA

Fourth quarter 2015 | February 12, 2016
# Highlights

| Q4 2015 financials | • Revenues of EUR 249.5 million, q-on-q growth of 3.8%  
• EBIT of EUR 13.1 million (margin 5.3%) vs. Q4 2014 of EUR 5.7 million (margin 2.4%)  
• Strong product mix and fixed cost management |
|-------------------|---------------------------------------------------------------|
| Growth in new business | • New business wins in Q4 at EUR 127 million p.a. value  
• Two-thirds of the Q4 new business value from Growth Platforms |
| Market developments | • Europe: Both light & commercial vehicle production increased in 4Q15, but some KA mature products less impacted by this growth  
• Brazil & China: Commercial vehicle production continue to be at low level |
| Foundation for growth | • Focus on core products to build sustainable growth  
• R&D investments are high and directed to growth platforms |
Progress within growth platforms

**Seat Comfort**
- Next generation Seat ventilation
  - European premium OEM
- New product area contract
  - Interior panel heating to Premium SUV
- Continue to increase market share in premium car segment

**Efficient Powertrains**
- Japanese OEM contract for SBW shifters
  - B-segment cars in Indian market
- OBC for plug in hybrid electric car
  - Significant break through in Chinese market
- Contract for AMT gear shifters to top truck maker
  - North American market
- AMT contract for premium truck OEM
  - Supply to Europe and the Americas
- Significant progress in gaining future market share

**Advanced Fluid Handling**
- ABC coupling systems
  - To leading Chinese bus maker and global supplier of truck breaking systems

Booked in 4Q15
New business wins

- Good order intake: EUR 127 million p.a. of new business wins booked in Q4 2015
- EUR 319 million for new business booked in 2015 – an all time high level
- Approx. 54% in growth platforms
Converting R&D to new business

LTM 4Q15 new business wins

- New business wins in 2015 accumulated to 319MEUR per annual value
- Increased proportion of new business related to growth platforms from 2014 (~35%) to 2015 (~54%)

R&D spending

- Increased R&D to develop new technology
- Supporting growth platforms
- Normalized R&D spending expected to fluctuate around 5-6% of sales
Operational update

- Global supply of seat heat and seat ventilation to mid-size luxury vehicles
  - European premium OEM
  - worth an estimated EUR 76* million over 10 years
  - Production in Pruszkow, Poland, & later Reynosa, Mexico & Wuxi, China

- New product area contract: Panel heating
  - Door panel heating to global European based premium automaker
    - To enhance interior comfort in cold climates and in electrified vehicles with no waste heat from combustion engine
  - Strong growth potential with more electrified vehicles & strong comfort trend in vehicles

*Estimated life time value
Operational update

- Significant AMT segment contract win confirms strategy & ambition
  - EUR 100m* contract over 5 years
    - Reduces fuel consumption, minimizes maintenance cost & enhances driver comfort
    - Production ramp up in 2020, from KA facilities in Europe & Americas
  - In line with EUR 150 million ambition in annual sales in AMT segment within 10 years

- Shift-by Wire
  - Strategic contract secured with Japanese OEM in Indian market
  - B-segment cars

*Estimated life time value
Operational update

- **Important Air Handling contracts in China with total lifetime value of EUR 41m**
  - For couplings to leading bus maker

- **Air couplings to European system supplier**
  - Worth EUR 17m over lifetime

- **Two product launches in Air Handling segment and strong growth in Q4**
  - Both programs related to Couplings for Scania with annual volumes at 500,000 and 800,000 units of couplings
  - Booked in 2013 and supplied from KA Raufoss
Financial Update
Group Revenue and EBIT

Revenues
EUR million

- Q4 2014: 240
- Q1 2015: 270
- Q2 2015: 266
- Q3 2015: 235
- Q4 2015: 250

EBIT and EBIT margin
EUR million and percent

- Q4 2014: 5.7%
- Q1 2015: 16.7%
- Q2 2015*: 14.7%
- Q3 2015: 11.5%
- Q4 2015: 13.1%

* Excludes EUR 19.5 million in Goodwill write-off
Trend overview of business areas

**Interior**

- Revenues (EUR million):
  - Q4-14: 77
  - Q1-15: 83
  - Q2-15: 82
  - Q3-15: 80
  - Q4-15: 86

- EBIT (EUR million) and EBIT margin (%):
  - Q4-14: 6.3%
  - Q1-15: 8.0%
  - Q2-15: 7.0%
  - Q3-15: 8.7%
  - Q4-15: 10.1%

* Excludes EUR 19.5 million goodwill write-off in Q2-15, Interior

**Driveline**

- Revenues (EUR million):
  - Q4-14: 64
  - Q1-15: 70
  - Q2-15: 68
  - Q3-15: 58
  - Q4-15: 59

- EBIT (EUR million) and EBIT margin (%):
  - Q4-14: 1.4%
  - Q1-15: 1.1%
  - Q2-15: -0.1%
  - Q3-15: 0.6%

**Driver Control**

- Revenues (EUR million):
  - Q4-14: 62
  - Q1-15: 71
  - Q2-15: 69
  - Q3-15: 55
  - Q4-15: 61

- EBIT (EUR million) and EBIT margin (%):
  - Q4-14: 3.1%
  - Q1-15: 6.6%
  - Q2-15: 7.9%
  - Q3-15: 4.6%
  - Q4-15: 6.7%

**Fluid Transfer**

- Revenues (EUR million):
  - Q4-14: 48
  - Q1-15: 56
  - Q2-15: 57
  - Q3-15: 50
  - Q4-15: 52

- EBIT (EUR million) and EBIT margin (%):
  - Q4-14: 9.5%
  - Q1-15: 15.3%
  - Q2-15: 14.5%
  - Q3-15: 14.1%
  - Q4-15: 14.3%

* Excludes EUR 19.5 million goodwill write-off in Q2-15, Interior
Revenue development

**Revenues:**

- EUR 9.2 (3.8 %) million above fourth quarter 2014
- End of production in Driveline program
- Exposure to South America and China
- Run-rate impacted by currency effects

* Variances excluding FX effects
EBIT development

* Variances excluding FX effects

- Favorable changes in product mix
- Higher volumes
- Operational improvements
- Lower net R&D costs

Q4 2014
- Interior*: 3.5
- Driveline*: 0.4
- Fluids*: 2.9
- DCS*: 2.4
- Others: -1.8
- Net FX: 0.0
- Total: 5.7

Q4 2015
- Total: 13.1
Net Profit development

Net profit:
- Lower interest expenses
- Positive change in unrealized FX effects
- Taxes impacted by reduction in deferred taxes and losses not capitalized
Free Cash Flow (LTM)

Last Twelve Months Free Cash Flow before repayment of debt

Free Cash Flow trend impacted by increased net working capital, investments and purchase of treasury shares as apposed to sale of treasury shares last year
Cash flow and facility development

Available funds
EUR million

<table>
<thead>
<tr>
<th>Available funds</th>
<th>Q3 2015</th>
<th>Q4 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash (unrestricted)</td>
<td>109.4</td>
<td>125.2</td>
</tr>
<tr>
<td>Unutilized facility</td>
<td>53.0</td>
<td>71.6</td>
</tr>
</tbody>
</table>

Cash flow

- EBITDA: 24.7
- Change in total NWC, and taxes paid: 12.9
- Investments: (20.8)
- Net financial expenses: (2.1)
- Other: 1.0

Other

Q4 2015:
- Cash (unrestricted): 56.4
- Unutilized facility: 53.6
Financial ratios

**Equity ratio**
- Percent
- Q4 2014: 30.5%
- Q1 2015: 30.7%
- Q2 2015: 29.6%
- Q3 2015: 30.0%
- Q4 2015: 30.7%

**ROCE (Ltm)**
- Percent
- Q4 2014: 11.8%
- Q1 2015: 11.1%
- Q2 2015: 10.4%
- Q3 2015: 9.9%
- Q4 2015: 7.8%

**NIBD/EBITDA**
- Times
- Q4 2014: 2.2
- Q1 2015: 2.4
- Q2 2015: 2.4
- Q3 2015: 2.4
- Q4 2015: 2.1

**Avg. Capital Employed and turnover (Ltm)**
- EUR million and Times
- Q4 2014: 463
- Q1 2015: 481
- Q2 2015: 463
- Q3 2015: 469
- Q4 2015: 466

**NIBD/EBITDA**
- Times
- Q4 2014: 2.11
- Q1 2015: 2.06
- Q2 2015: 2.17
- Q3 2015: 2.15
- Q4 2015: 2.19
Philippe Toth, SVP Business Development & IR
MARKET UPDATE
## Market summary and outlook

### Global industry growth

<table>
<thead>
<tr>
<th>Country/region</th>
<th>2016 growth estimate</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>+ 2.3%</td>
<td>Modest growth in Europe. Western Europe up, Russia pulls down</td>
</tr>
<tr>
<td></td>
<td>+ 1.3%</td>
<td>Modest growth in EU production for both internal sales and export</td>
</tr>
<tr>
<td>USA</td>
<td>+ 2.3%</td>
<td>Growth continues in 2016, but trails off around midyear</td>
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<tr>
<td></td>
<td>- &lt;15%</td>
<td>Peak reached in 2015, expects significant decline in 2016</td>
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<tr>
<td>China</td>
<td>+ 5.6%</td>
<td>The Light Duty market in positive development</td>
</tr>
<tr>
<td></td>
<td>+ 5.0%</td>
<td>The CV market is also expected to slowly recover</td>
</tr>
</tbody>
</table>

Source: LMC Automotive – Jan 2016
# Automotive development trends

## Drivers
- Increased user experience
  - Comfort
- Legislation
  - CO2 reduction
- Legislation
  - NOx reduction

## End segment
### Premium segment & SUVs
- CAGR 2015-20 ~ 5.4%

### EV’s & Hybrids
- CAGR 2015-20 ~ 16%

## KA Focus
- Full range of premium seat comfort solutions
- SBW technology solutions
- Power electronics solutions from ePower

## Trucks
- CAGR 2015-20 ~ 6%
- Light weight couplings
- High temperature hoses
- AMT solutions

## Increasing fitment rate
- Down segment
- Product content increase per vehicle
A growing automotive market

Market segment outlook

- **Light Duty Vehicles**
  - CAGR 15-20: 3.2%
  - 2011: 70
  - 2020: 105

- **Commercial Vehicles >6t**
  - CAGR 15-20: 7.5%
  - 2011: 2700
  - 2020: 4500

KA's exposure by end-markets & regions

- **Commercial Vehicles**
- **Light Duty Vehicles**
- **Non Auto**
- **Off-Highway/RV**

Source: IHS & LMC
Hans Peter Havdal, CEO
STRATEGY & OUTLOOK
Our strategic priorities

Focus on core products to build sustainable growth

- Seat Comfort
- Efficient Powertrains
- Advanced Fluid Handling

Optimizing conventional product portfolio

- Continued review of segments to optimize product offering

Financial platform with dividend potential
Targeting 3-5% annual growth towards 2020

- Growth platforms expected to increase in revenue share from 30% to above 40% next five years
  - R&D spending and capex will be focused on growth platforms

- Conventional products are still key in next 5 year period
  - Selective growth opportunities for conventional products with limited capex needs will be pursued

- Current business mix creates a platform for organic growth and R&D funding

*Kongsberg Automotive estimates*
Summary and outlook

▸ Strong momentum in new business wins in 2015
  – Booked strategic contracts in growth platforms
  – ~ 54% total new business wins related to growth segments

▸ Outlook for main addressable markets in North America & Europe shows modest growth in 2016

▸ KA expects Q1 2016 revenues of approx. EUR 250 million
Focusing on 3 growth platforms

Interior
33% of revenues

Driveline
24% of revenues

Driver Control
22% of revenues

Fluid Transfer
21% of revenues

PRODUCTS

Seat Comfort
- Seat climate systems
- Seat support systems
- Head restraints
- Arm rests
- Light duty cables

Efficient Powertrains
- Shift by Wire systems
- Inverters & converters
- On Board Chargers
- Automatic & manual gear shifters
- Shift cables & towers

Driver Control
- AMT systems
- Inverters & converters
- On Board Chargers
- Manual gear- and clutch systems
- Steering columns
- Chassis stabilizers
- Throttle- & brake pedals

Advanced Fluid Handling
- Pipe/hose assemblies for powertrains
- Couplings and manifolds for air distribution systems
- Industrial applications
- Pipe/hose assemblies for chassis systems

Conventional products
Growth platforms
## Financial calendar 2016

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Interim Reports</th>
<th>Presentation</th>
</tr>
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<tbody>
<tr>
<td>Q1 2016</td>
<td>14(^{th}) of April 2016</td>
<td>15(^{th}) of April 2016</td>
</tr>
<tr>
<td>Q2 2016</td>
<td>13(^{th}) of July 2016</td>
<td>14(^{th}) of July 2016</td>
</tr>
<tr>
<td>Q3 2016</td>
<td>20(^{th}) of October 2016</td>
<td>21(^{th}) of October 2016</td>
</tr>
</tbody>
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