

Kongsberg Automotive ASA

Fourth quarter 2017 - February 28, 2018



Highlights for Q4 2017

Revenues

- We achieved MEUR 267.4 in revenues which is an increase of MEUR 17.6 (7.1%) compared to Q4 2016, including negative currency translation effects of MEUR -9.8.

- Annualized business wins in the fourth quarter amounted to MEUR 122, bringing the total business wins for 2017 to MEUR 291. This compares to MEUR 119 and MEUR 281 for Q4 2016 and 2016, respectively.

Performance

- Adjusted EBIT was MEUR 13.0, up MEUR 5.6 compared to Q4 2016.
- We successfully closed the Heiligenhaus plant.
- We agreed to sell the ePower business in December, and closed the transaction on January 15th, 2018.

Gearing

- The adjusted gearing ratio at the end of Q4 2017 was 2.4x NIBD/EBITDA.
-

Q4 2017 concludes an eventful year 2017 (1/3)

Organizational changes

- ▶ 2017 was our first full year of improvement activities and we performed well in becoming a better organization and established a good spirit.
- ▶ We further worked on our improvement plan, communicated and implemented it rigorously.
- ▶ We strengthened our senior leadership team with a good mix of people from inside and outside and started to act as a global company.
- ▶ We also aligned our remuneration principles to the overall objectives of the company and those of our shareholders demonstrating our transition towards a performance-driven organization.
- ▶ From seven planned factory closures we completed two, two are solidly underway, one is still delayed and two have not yet been initiated due to the delay.
 - We are behind on one closure that again delays the last to closures as the receiving plants to a large extent are the same. We expect the one delayed closure to be finalized no later than the end of Q2, 2018.
- ▶ We completed the sale of our North American headrest and armrest business and agreed to sell our ePower business.
 - We also pruned our portfolio of some small sub-scale products as we closed down our Basildon and Heiligenhaus plant.
- ▶ Our new Headquarter is fully functional and the benefits are starting to show. Step one of our principal model was implemented in 2017.
 - One of our goals was to reduce our tax cost. In 2017, we were impacted by a non-cash write-down of our US deferred tax assets (MEUR 8) due to the US tax reform. Excluding this effect, we were satisfied that our overall tax cost was reduced significantly compared to our old business model.
 - Although the write down of our US deferred tax assets was a direct “hit” to our 2017 net income, the future cash and tax cost impacts of the reduced U.S. tax rates will, however, be positive for KA.

Q4 2017 concludes an eventful year 2017 (2/3)

Business update



- ▶ Our 2017 new business wins amounted to €291 million, up from last year's €281 million.
 - This ensures continued top line growth in coming years. It is particularly encouraging that the 2017 business wins consisted of many smaller programs compared to earlier years. This reduces our exposure to single large programs.
- ▶ After deciding to keep our Light Duty Cable (LDC) business, we have revitalized this business and are seeing good first results in the form of awarded business for LDC.
 - In 2017, we booked more new LDC business than in any of the preceding 5 years.
- ▶ We successfully launched possibly the biggest single program in KA's history within the P&C segment in our Nuevo Laredo facility for an automated manual heavy duty transmission program.
- ▶ Both the passenger car and commercial vehicle markets held up very well in 2017 with growth in most geographies for both markets.
 - From a profitability standpoint, this underlying growth helped make up for other external headwinds, particularly the increased raw material commodities pricing and some unfavorable exchange rate movements.

Q4 2017 concludes an eventful year 2017 (3/3)

Financial performance



- ▶ Our operational financial results improved year over year in all quarters of 2017.
 - Revenue grew slightly above 7 percent year over year, adjusted EBIT grew more than 75 percent.
 - The 2017 adjusted EBIT percentage was 4.7%, up from 2.9% in 2016.
- ▶ However, we had weak cash flow:
 - Inventories increased
 - restructuring activities,
 - sharply increased raw material prices, and
 - two plants ramping up in Poland
 - Receivables increased due to growth in our China business leading to longer average credit terms
- ▶ From a segment performance standpoint:
 - Specialty Products performed very well, especially in light of the commodities price challenges we faced throughout 2017.
 - We made good initial progress in Powertrain & Chassis, but realize that there is still a lot of work to do before we get to our targeted performance levels.
 - We unexpectedly deteriorated in the Interior segment, mostly due to growth pains and operational issues in the Interior Comfort Business Unit, something we are working hard on fixing in 2018.
 - A revitalized Light Duty Cable Business Unit, also part of the Interior segment, saw major improvements as the business unit improved performance significantly.
- ▶ In 2017, FX rate changes caused unrealized and non-cash FX losses of MEUR -3.9.
- ▶ Based on our 2017 achievement, we are looking with confidence into the future but are well aware that hard work is required to achieve our goals for 2018.

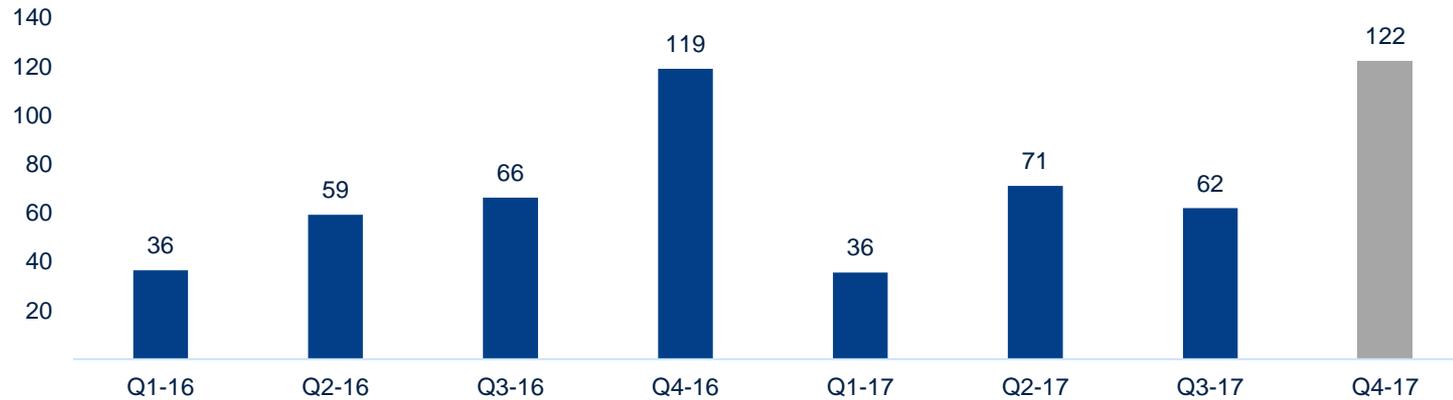


Market Summary

New business wins in Q4 2017

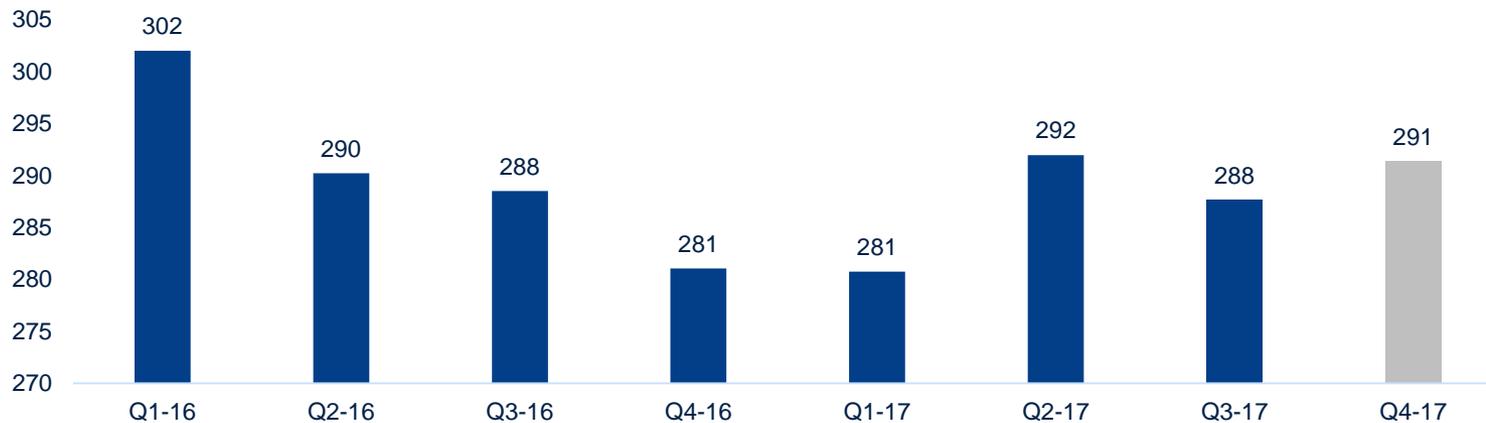
New business wins per quarter (per annum value)

EUR Million



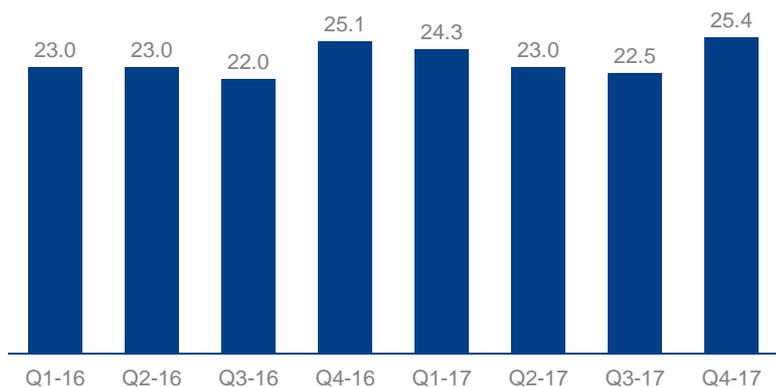
New business wins LTM (per annum value)

EUR Million



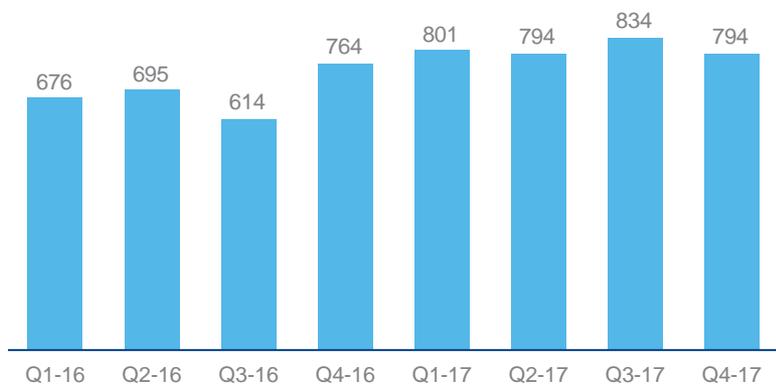
Market summary

Global Passenger Car Production, Units in millions



Source: IHS Light Vehicle Production Base, December 2017

Global Truck Production, Units in thousands



Source: LMC Global Commercial Vehicle Forecast, Q4 2017

Global Passenger Car Production

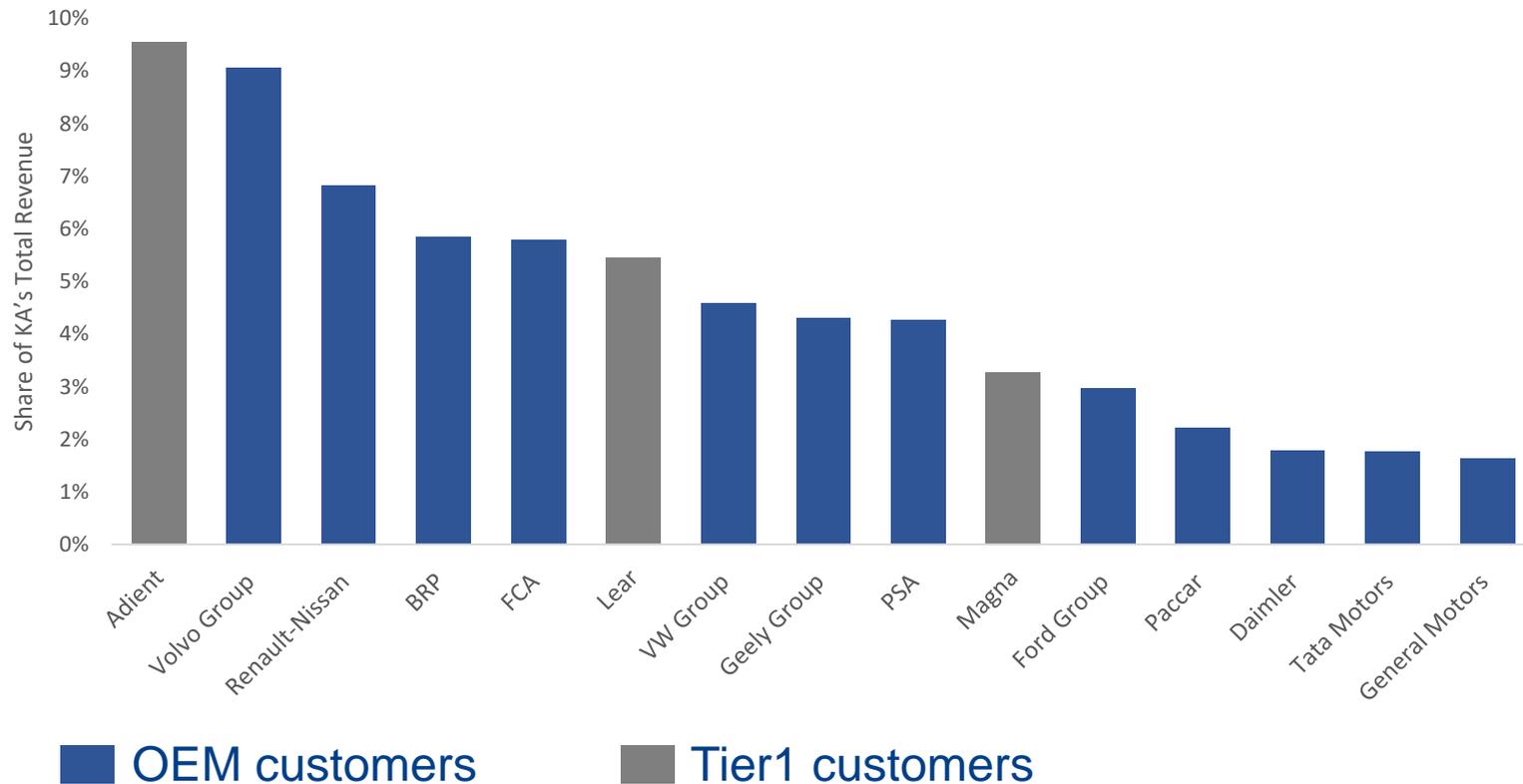
- Global light vehicles production was 95.3 million units in 2017, which was up 2.3% from last year.
- Production in Europe increased 3.7% compared to 2016, main driver were France, Russia and Turkey.
- North American production decreased by 3.9% in 2017. The US and Canadian market even decreased by more than 8%. However, the US market had a strong shift towards more higher priced vehicles.
- Production in South America, has shown the long awaited turn around and increased by 20.3% in 2017.
- Growth in Asia was moderate in 2017 with 2.0% in China and 3.2% outside of China.

Global Truck Production

- Production of medium and heavy-duty commercial vehicles increased by 17.2% in 2017 to 3.2 million vehicles. The strong growth in 2017 derived mainly from the Chinese market (+38.5%) where advanced truck purchases extended into 2017 driven by expectation for future tightened emissions regulations.
 - Production in Europe increased by 5.1%, Asian production outside of China only increased by 0.9% in 2017.
 - The North and South American production bounced back after decreases in 2016 with growth rates of 8.9% and 35.5% respectively in 2017.

KA's customer base

- ▶ We sell to OEMs and Tier 1 companies
- ▶ KA has a diversified and well-balanced customer base





Operational Summary

Interior

Operational update for Q4 2017

Pro forma without HR/AR business sold in Q1 2017

- ▶ Revenues of MEUR 66.5, up MEUR 6.5 compared to Q4 2016
 - Revenue growth in both the European and Chinese comfort business was offset by a decrease in both the North American business.
 - Negative currency effects of MEUR 1.1
- ▶ Adjusted EBIT of MEUR 1.2, up MEUR 0.3 compared to Q4 2016
 - The still unsatisfactory low EBIT was related to continuing industrialization costs of new production lines, negative FX effects and negative change in raw material prices. This was partially offset by higher sales volume and lower R&D costs.
- ▶ In Q4, Interior booked new business wins worth a total of MEUR 28.5 annualized, primarily in China

Powertrain & Chassis

Operational update for Q4 2017

- ▶ Revenues of MEUR104.8, up by MEUR 10.9 from Q4 2016
 - Revenue growth in all regions
 - Negative currency effects of MEUR -4.2
- ▶ Adjusted EBIT of MEUR 1.6, up 1.2 MEUR compared to Q4 2016
 - Higher sales volumes and cost improvements, partially offset by plant and product start-up costs and increased raw material prices
- ▶ In Q4, Powertrain & Chassis booked new business wins worth a total of MEUR 44.2 annualized
 - Shift by Wire products to a major Chinese OEM, with estimated annual value of approximately MEUR 19.5
 - SOP in early 2019 from KA's manufacturing facility in Wuxi, China
- ▶ Rationalizing the footprint and reduction of fixed costs
 - The closure of the Heiligenhaus plant (Germany) was completed in Q4
 - The closure of the Rollag plant (Norway) is progressing and is now expected to be completed in Q2 2018

Specialty Products

Operational update for Q4 2017

- ▶ Revenues of MEUR 96.1, up MEUR 9.4 from Q4 2016
 - The sales growth was mainly driven by growth in the Couplings commercial vehicle business in China and FTS industrial business in Europe
 - Negative currency effect of MEUR -4.5
- ▶ Adjusted EBIT of MEUR 12.7, up MEUR 3.0 compared to Q4 2016
 - Higher sales volume partially offset by increased material and freight costs
- ▶ In Q4, Specialty Products booked new business wins worth MEUR 49.6 annualized
 - Couplings was awarded contract to supply couplings to a major global truck manufacturer with estimated annual value of MEUR 7.0
- ▶ Closure of the manufacturing plants in Easley and Burton are progressing in line with plan
 - The operations will be discontinued by the third and fourth quarters of 2018, respectively



Norbert Loers
Financial Update

Special financial analysis items for 2017

Sale of Headrest Armrest Business

- In line with the audited annual report 2017, but different from Q1 to Q3 2017 quarterly reports, the North American headrest and armrest business will not be reported as „discontinued business“. Consequently, HR/AR figures are included in 2017 actual and 2016 comparative figures. In 2016, HR/AR accounted for revenues of MEUR 41.9 (Q4: MEUR 9,1) and Adjusted EBIT MEUR 0.6 (Q4: MEUR 1.0).

Interest Expense and FX effects

- Compared to 2016, our interest expense increased by MEUR 3.2 (Q4: MEUR 1.3) in 2017 driven by higher waiver period interest margins and higher underlying LIBOR rates for the USD portion of the bank loan.
- FX rate changes caused unrealized and non cash FX losses of MEUR -7.8. These losses were not anticipated in our CMD 2017 guidance on „financial items“.

Taxes and Net Profit

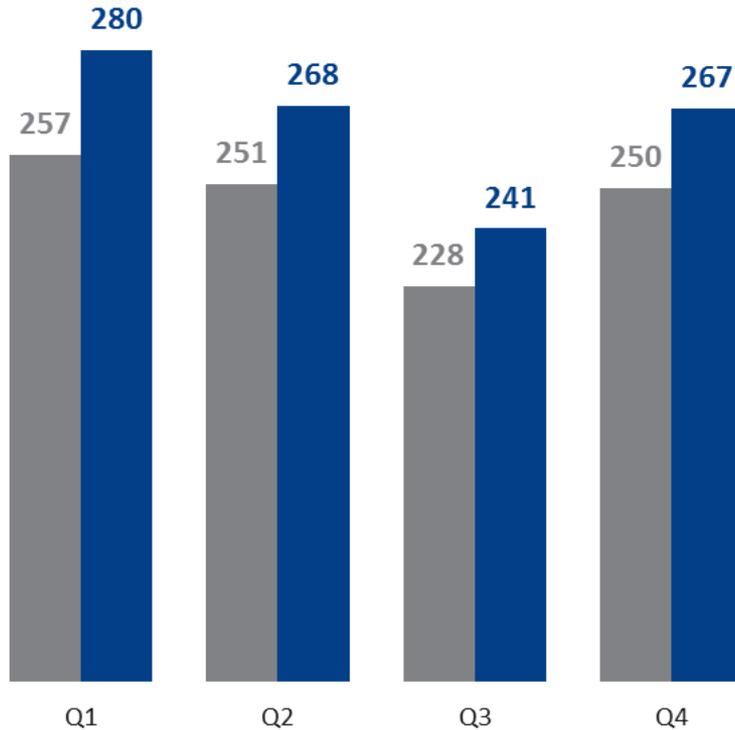
- Per Dec 31st, the US tax reform triggered an extraordinary non cash write-down of our U.S. deferred tax asset (“DTA”) by MEUR -8.0. Although this is a direct “hit” to our 2017 net income, the future cash and tax cost impacts of the reduced U.S. tax rates are positive for KA.

Net Profit

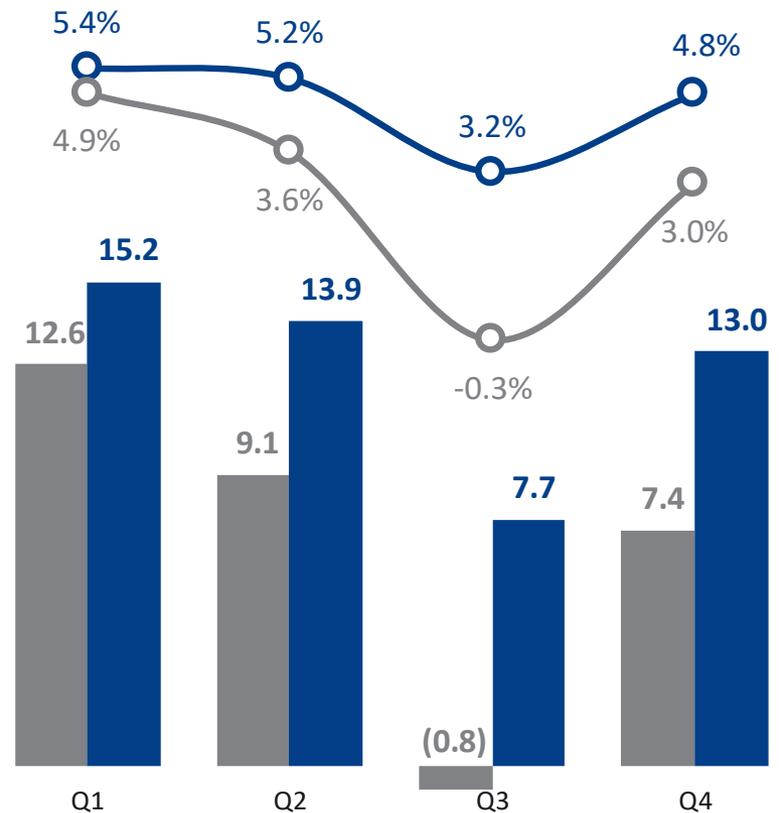
- Both the FX and tax non cash effects (the MEUR -7.8 FX loss and the -8.0 DTA write-down) negatively impacted our Q4 Net Income by a combined MEUR -15.8 versus the CMD 2017 guidance. Without these unexpected effects, our Net Income would have been MEUR 4.5; in line with our CMD guidance of MEUR 4.0.

Revenue and Adjusted EBIT

Revenues*
MEUR

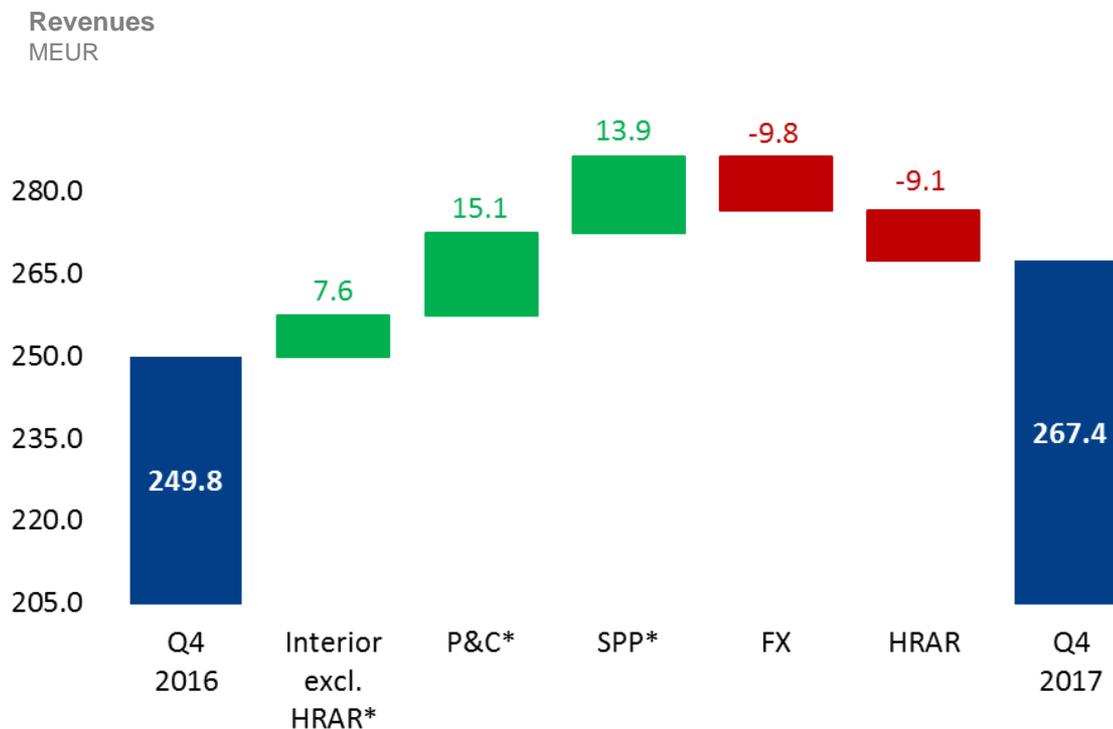


Adjusted EBIT and Adjusted EBIT margin**
MEUR and percent



Note: *) Including HRAR; **) EBIT adjusted for restructuring. See details in the quarterly report.

Q4 2017 - Revenue development

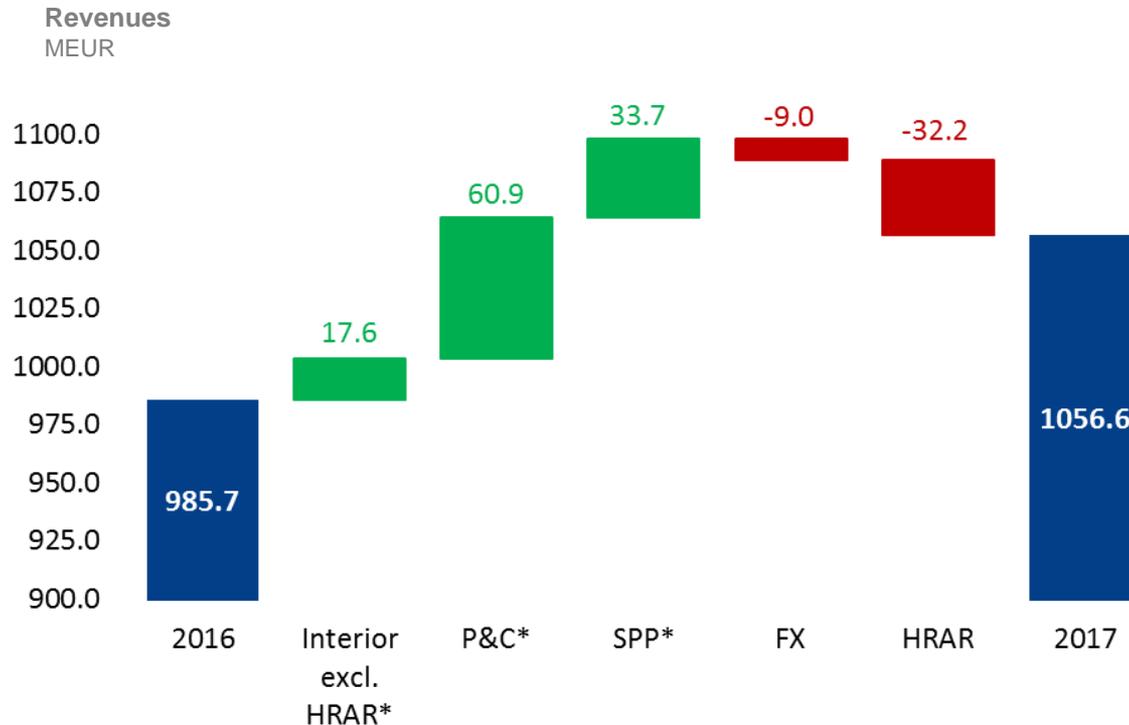


Revenue:

- ▶ **MEUR 17.6** (7.1%) above the fourth quarter 2016
- ▶ Growth in all segments
- ▶ Growth driven by Europe and China
- ▶ New programs

Note: *) Variances excluding FX translation effects

Full Year 2017 - Revenue development

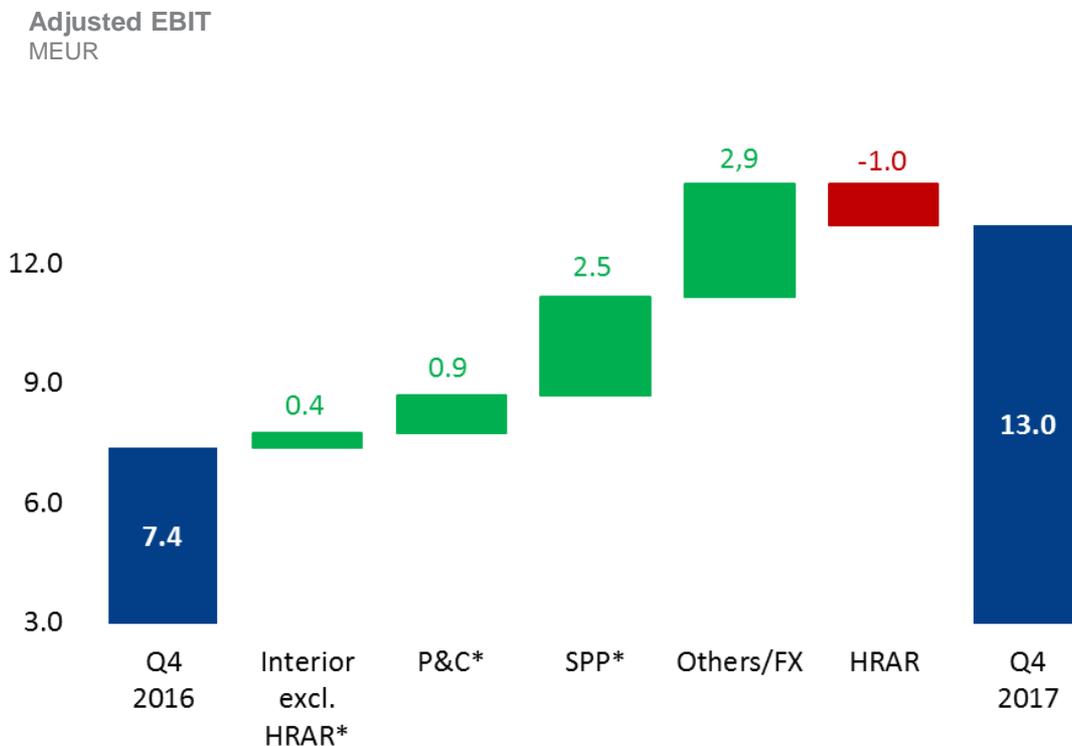


Revenue:

- ▶ **MEUR 70.9** (7.2%) above 2016
- ▶ Growth in all segments
- ▶ Growth mainly driven by Europe and China
- ▶ Interior: mainly driven by the phasing out programs in the global head-restraint business in North America, partly offset by increased sales in the Interior comfort business in Europe and China.
- ▶ P&C: growth mainly related to increased sales of gear shift systems in the passenger car business in Europe, China and America.
- ▶ SPP: mainly driven by strengthened air couplings business in Europe and China, and increased sales in Europe for the commercial vehicle business.

Note: *) Variances excluding FX translation effects

Q4 2017 - Adjusted EBIT development

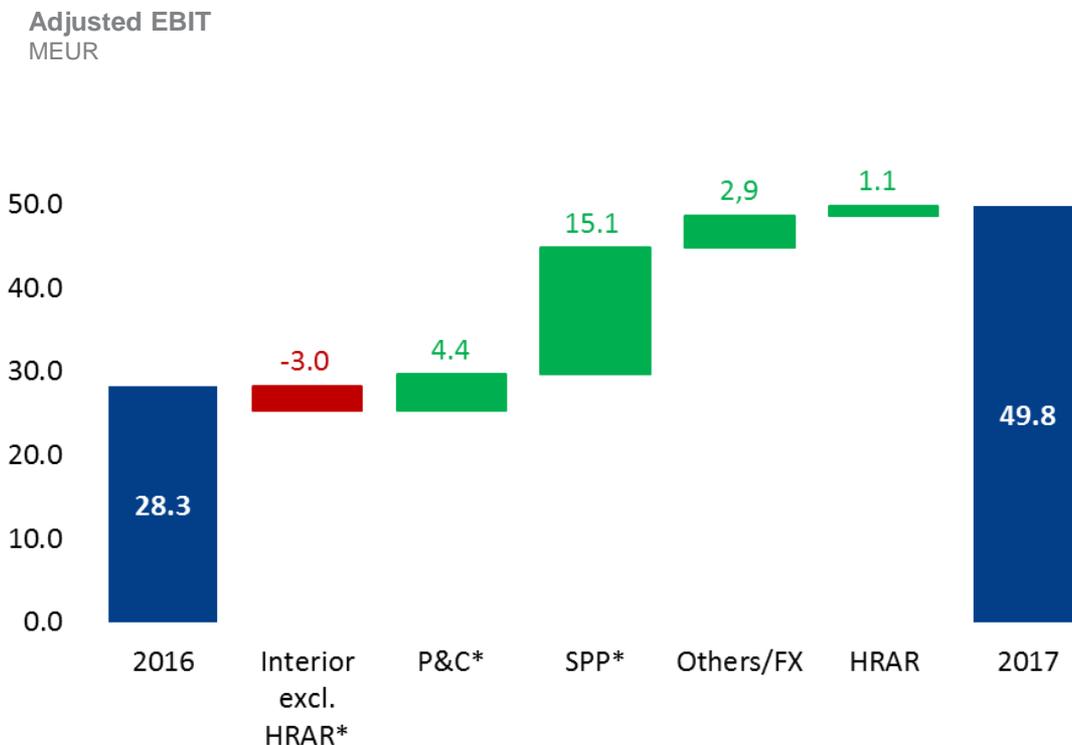


Adjusted EBIT:

- ▶ **MEUR 5.6** above the fourth quarter 2016
- ▶ Interior: Only small improvements due to operational challenges, raw material and negative transactional FX effects. Partially offset by the higher sales volumes.
- ▶ P&C: Positive impacts from higher volumes and lower R&D costs, partially offset by the increase of raw material prices and start-up costs
- ▶ SPP: Driven by higher sales volumes and lower R&D costs in part offset by costs increase in material and freight
- ▶ Other: Mainly reduced group overhead costs

Note: *) Variances excluding FX translation effects and restructuring costs

Full Year 2017 - Adjusted EBIT development

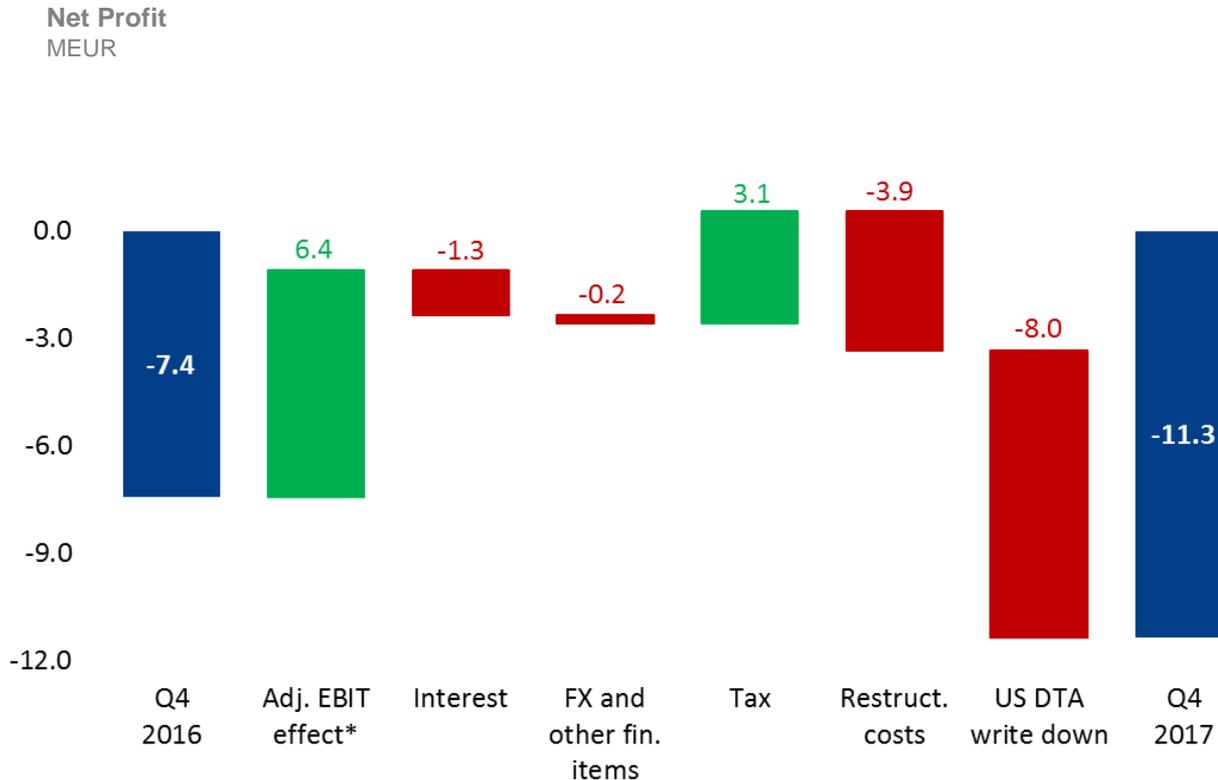


Adjusted EBIT:

- ▶ **MEUR 21.5** above 2016
- ▶ Interior: related to negative changes in raw material prices and higher costs related to supplier issues, partially offset by lower engineering and development costs.
- ▶ P&C: mainly related to the effect of higher volumes, partially offset by product start-up costs and increased raw material prices.
- ▶ SPP: driven by higher sales volumes, partially offset by increased raw material costs.
- ▶ Other: Mainly reduced group overhead costs

Note: *) Variances excluding FX translation effects and restructuring costs

Q4 2017 - Net Profit development

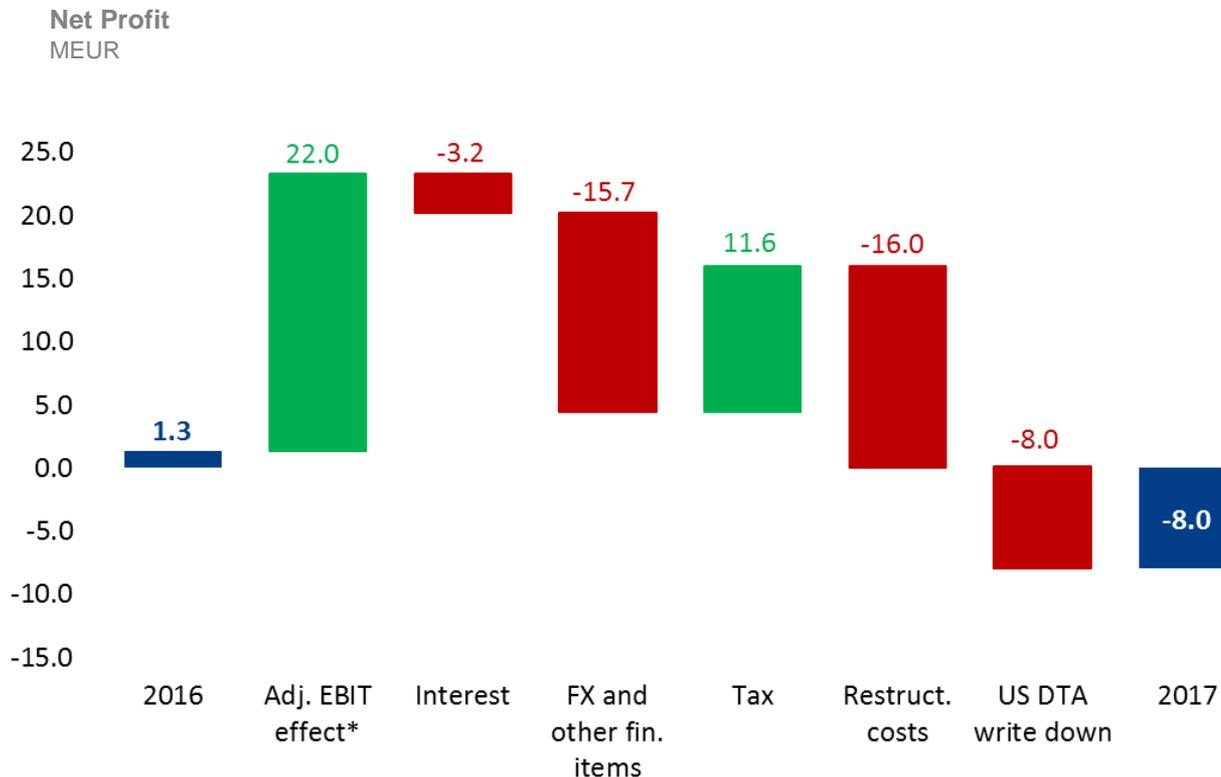


Net profit:

- ▶ Q4 2017 follows the same drivers as for the full year 2017 (see comments following slide)

Note: *) Variance excluding FX translational effects

Full Year 2017 - Net Profit development



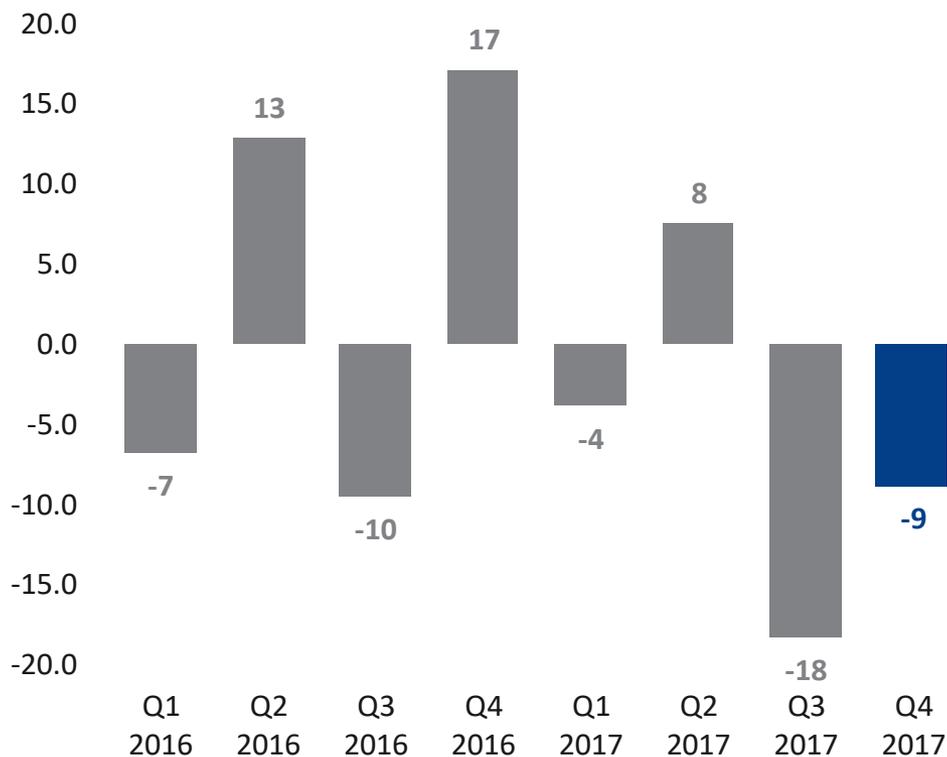
Net profit:

- ▶ Higher adjusted EBIT driven by stronger sales volume
- ▶ Higher interest cost by increased interest margins and LIBOR
- ▶ Influenced by a one-time MEUR -8.0 tax effect in USA
- ▶ Impacted by higher restructuring cost

Note: *) Variance excluding FX translation effects

Free Cash Flow

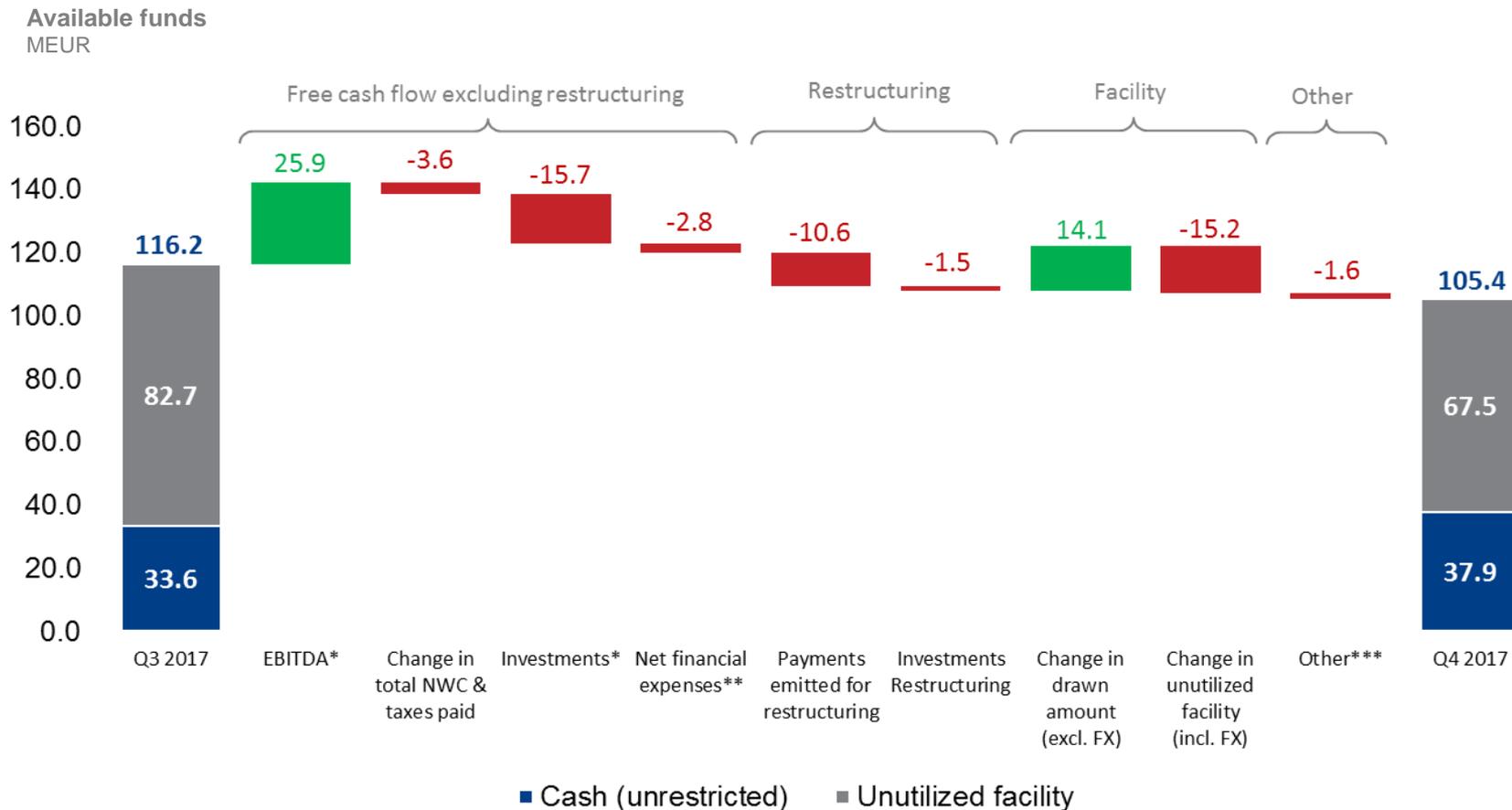
Net Free Cash Flow
MEUR



Fourth quarter Free Cash Flow before debt repayments:

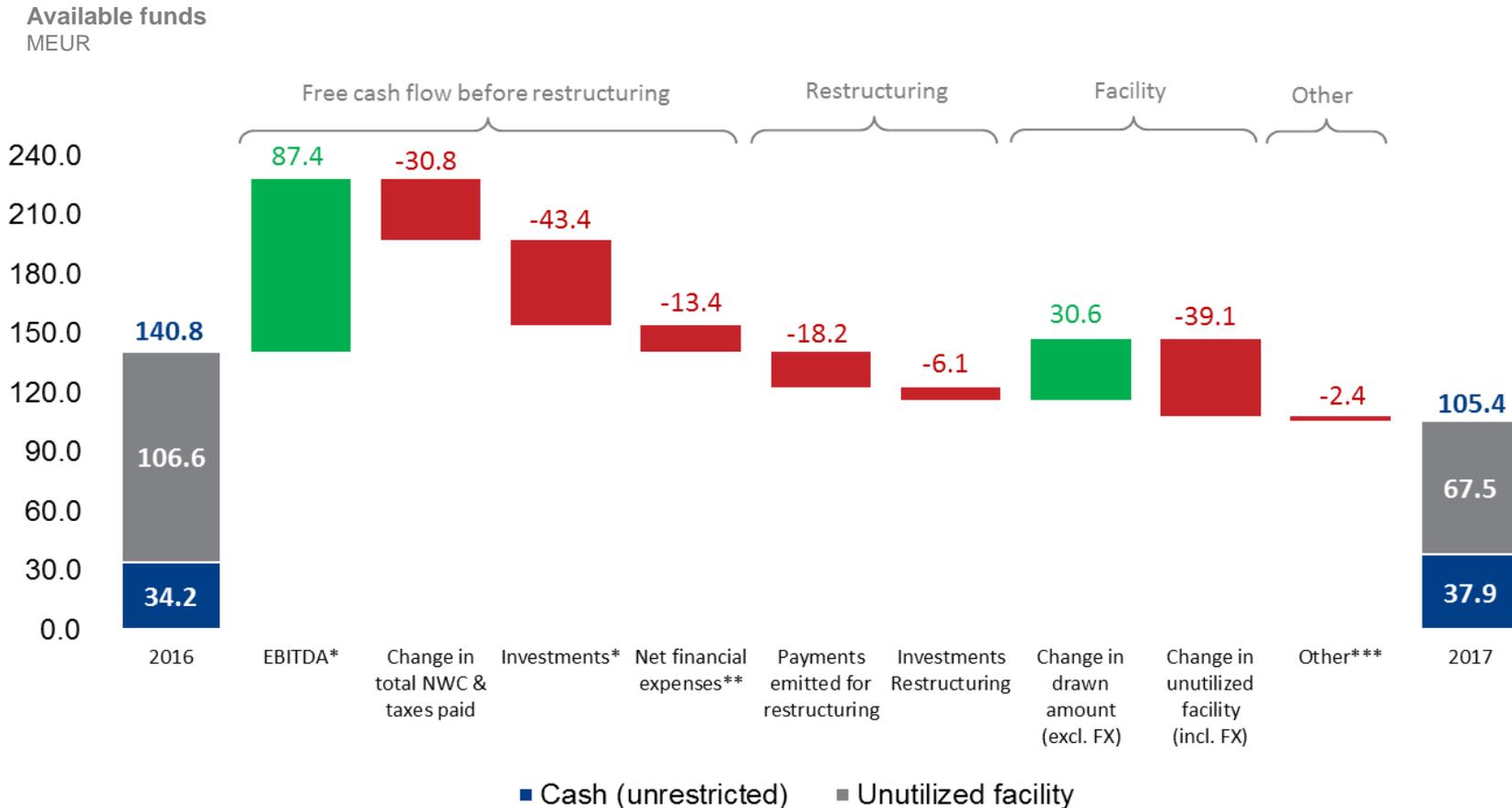
- ▶ Cash flow from operating activities decreased from MEUR 40.6 in Q4 2016 to MEUR 13.5 in Q4 2017 due to higher taxes paid, increase of Net Working Capital (restructuring bank build) and cash out related to restructuring (MEUR 10.6 cash out during the quarter)
- ▶ Investments of MEUR 17.2
- ▶ Increase of interest expenses due to bank waiver conditions and higher LIBOR rates

Q4 2017 - Cash flow and facility development



Note: *) Excluding Restructuring; **) Excluding unrealized foreign currency gains/losses; ***) Including MEUR 0.7 increase of restricted cash

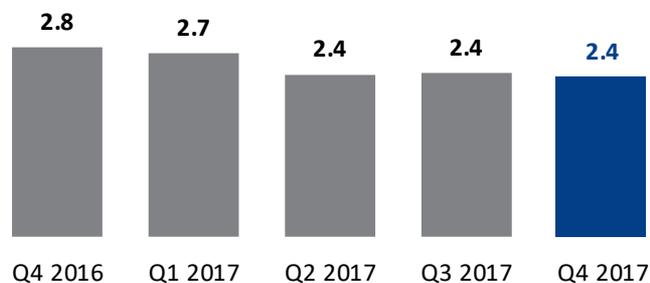
FY 2017 - Cash flow and facility development



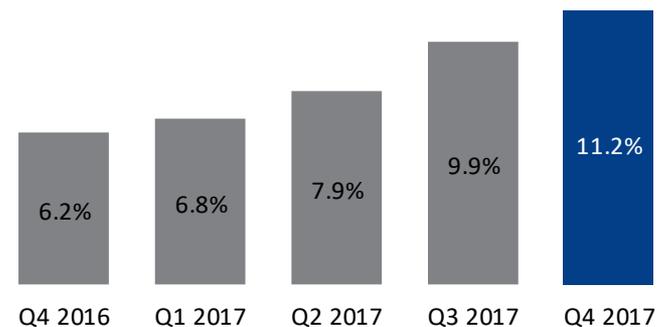
Note: *) Excluding Restructuring; **) Excluding unrealized foreign currency gains/losses; ***) Including MEUR 1.2 increase of restricted cash

Financial ratios

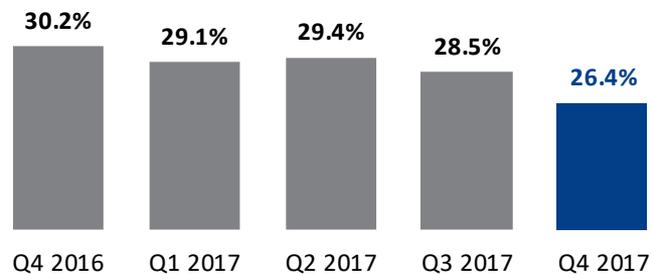
Adjusted NIBD/EBITDA* (Ltm)



Adjusted ROCE (Ltm)*



Equity ratio



Avg. Capital Employed
MEUR



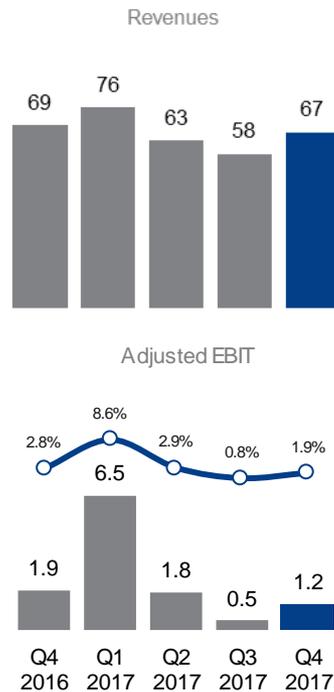
Note: *) Excluding restructuring costs, see details in the quarterly report.

Segment financials 4th quarter

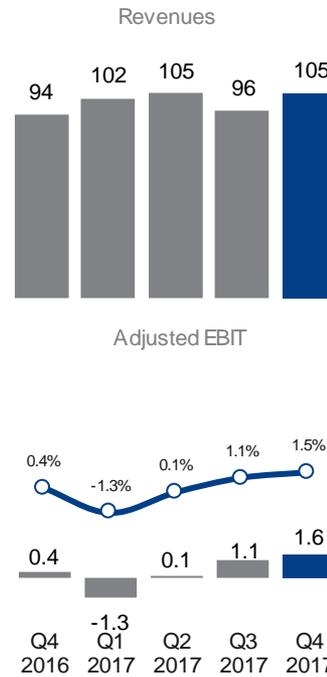
Revenues and Adjusted EBIT*

MEUR and percent

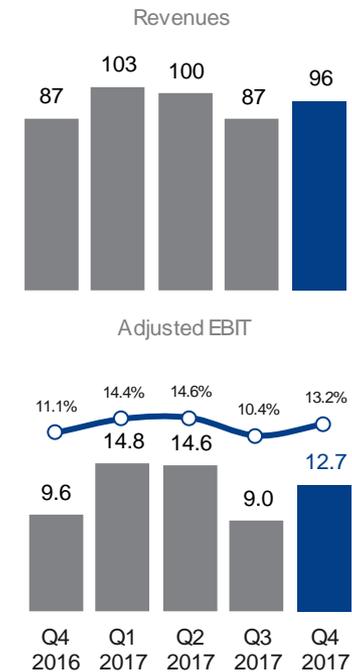
Interior*



Powertrain & Chassis



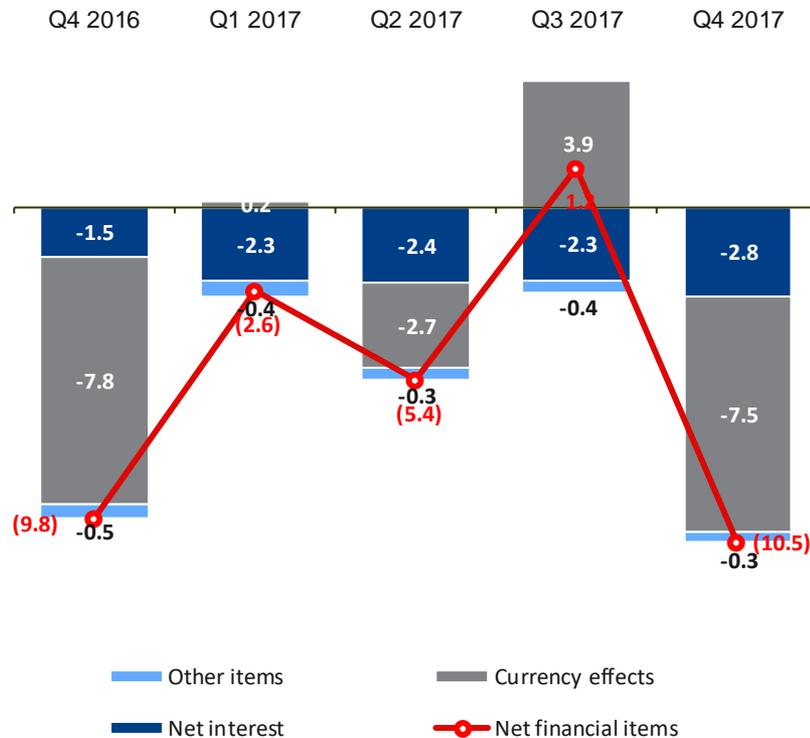
Specialty Products



Note: *) Including HRAR; **) Excluding restructuring costs, see details in the quarterly report.

Breakdown of financial items

Net financial items MEUR



Net financial items:

- ▶ Net interest in line with bank loan utilization
- ▶ Unrealized currency loss of MEUR 7.8 in Q4 2017



Summary & Outlook

Summary

- ▶ We delivered in 2017 consistent financial improvements year over year in all quarters of 2017 and achieved our Revenue and Adjusted EBIT projections outlined in the CMD 2016.
- ▶ We are confident, that 2018 will be a year of continued and measurable progress and that we will achieve our financials as outlined in the last CMD. We are certain that with our operational improvement projects, we will bring additional values to our customers, shareholders, employees and all other stakeholders of KA.
- ▶ Revenues in Q1 2018 are expected to be MEUR 280, an increase of MEUR 10 compared to Q1 2017 excl. HR/AR business.

