# Highlights for Q3 2016

## Revenues
- Revenues of MEUR 228.0 in Q3, MEUR 1.4 below third quarter last year excluding negative translation currency effects of MEUR 4.0
- Annualized business wins in Q3 of EUR 69 million bringing the last twelve month run rate to EUR 291 million

## Performance
- EBIT was MEUR -5.0 (-2.2%), vs. an EBIT of MEUR 10.4 (4.5%) in the third quarter last year
- The third quarter EBIT was impacted by one off items of MEUR 10.8. In addition, we incurred MEUR 0.8 of restructuring costs
- Reclassification of commercial currency loss from financial items to operations, negatively impacted prior periods Revenue and EBIT but had not effect on Net Income

## Gearing
- Gearing ratio at 2.9x NIBD/EBITDA. A waiver for the bank covenant of 2.75 has been agreed with the banks
Introduction

- Q3 has been an eventful quarter for Kongsberg Automotive, despite the usual summer vacation shutdowns in most of our markets.

- The automotive industry has many particular characteristics for a supplier
  - In the medium to long term, we drive our top line by winning new programs.
  - However,
    - in the short term, we have very little influence over our revenue line as we are dependent on the success of the OEM vehicle programs we currently supply.

- Solid financial performance requires a flexible cost structure that can be scaled swiftly up or down depending on customer orders.
  - This is an operating model that Kongsberg Automotive hasn’t sufficiently developed.
    - The result is that we have decremental earnings effects when revenues decrease slightly, without getting equally large incremental earnings effects when revenues increase.

<table>
<thead>
<tr>
<th></th>
<th>Q1 15</th>
<th>Q2 15</th>
<th>Q3 15</th>
<th>Q4 15</th>
<th>Q1 16</th>
<th>Q2 16</th>
<th>Q3 16</th>
<th>Q3 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>€ 269,2</td>
<td>€ 265,1</td>
<td>€ 233,4</td>
<td>€ 248,3</td>
<td>€ 257,2</td>
<td>€ 250,7</td>
<td>€ 228,0</td>
<td>€ 228,0</td>
</tr>
<tr>
<td>EBIT</td>
<td>€ 15,9</td>
<td>€ 13,8</td>
<td>€ 10,4</td>
<td>€ 11,8</td>
<td>€ 12,6</td>
<td>€ 9,1</td>
<td>€ 6,7</td>
<td>€ -5,0</td>
</tr>
<tr>
<td></td>
<td>5,9%</td>
<td>5,2%</td>
<td>4,5%</td>
<td>4,8%</td>
<td>4,9%</td>
<td>3,6%</td>
<td>2,9%</td>
<td>-2,2%</td>
</tr>
</tbody>
</table>

- Later today, at our CMD we will present our three-year plan for improving the company’s performance
Market Summary
Market summary

Global Light Vehicle Production

- Light Vehicle production up 4.6% in Q3 2016 YoY
  - High growth in China (+21%) and decline in Europe (-2.1%), North America grow 2.8%

Global Commercial Vehicle Production

- Commercial Vehicle production down 1.4% in Q3 2016 YoY
  - High growth in China (+27.2%), but decline in North America (-25.6%) and South America (-14.9%). Flat in Europe (-0.4%)

Source: LMC Automotive – Oct 2016
New business wins in Q3 2016

- Continued good momentum in order intake

**New business wins per quarter (per annum value)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q15</td>
<td>53</td>
<td>60</td>
</tr>
<tr>
<td>2Q15</td>
<td>71</td>
<td>69</td>
</tr>
<tr>
<td>3Q15</td>
<td>68</td>
<td></td>
</tr>
<tr>
<td>4Q15</td>
<td>127</td>
<td></td>
</tr>
<tr>
<td>1Q16</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>2Q16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3Q16</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**New business wins LTM (per annum value)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q15</td>
<td>293</td>
<td>290</td>
</tr>
<tr>
<td>2Q15</td>
<td>318</td>
<td>290</td>
</tr>
<tr>
<td>3Q15</td>
<td>321</td>
<td>290</td>
</tr>
<tr>
<td>4Q15</td>
<td>319</td>
<td>290</td>
</tr>
<tr>
<td>1Q16</td>
<td>301</td>
<td>291</td>
</tr>
<tr>
<td>2Q16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3Q16</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Operational Summary
One – time items in the quarter

EBIT relevant items: in total MEUR 11.7

- As a consequence of classifying our HR/AR business as a «discontinued business», we have written off all fixed and intangible assets for this product line. This is in addition to last year’s write-off of intangibles in the amount of MEUR 19.5. The Q3 write-off amount is MEUR 1.6.

- In the past, we missed accruing for a restructuring project for MEUR 3.4. This was accrued for in Q3.

- In the third quarter we settled a GMS related product liability claim with a customer which predated the 2008 GMS acquisition for MEUR 3.9.

- We accrued for a 2014 product liability case for the amount of the deductible of our product liability insurance for MEUR 0.6.

- We accrued for future losses of MEUR 1.0 related to a loss-making program.

- We wrote off capitalized engineering of MEUR 0.3 for a program where we were desourced in 2015.

- We also incurred restructuring costs of MEUR 0.8 for a reduction in force program that we set in motion in Q3.
Revenue and EBIT

Revenues EUR million

Q3 2015 | Q4 2015 | Q1 2016 | Q2 2016 | Q3 2016
---|---|---|---|---
233 | 248 | 257 | 251 | 228

* Adjusted for one-offs and restructuring of EUR 11.7 million (see details in the quarterly report)

EBIT and EBIT margin EUR million and percent

Q3 2015 | Q4 2015 | Q1 2016 | Q2 2016 | Q3 2016
---|---|---|---|---
10.4 | 11.8 | 12.6 | 9.1 | -5.0

4.5% | 4.8% | 4.9% | 3.6% | 2.9%*

6.7* |

-2.2%
Revenue development

Revenues
EUR million

Q3 2015: 233.4
- Interior*
- Driveline*
- Fluids*
- DCS*
- Others*
- FX

Q3 2016: 228.0

* Variances excluding FX effects
EBIT development

Adjusted EBIT: EUR 3.7 (-35.5%) million below third quarter 2015

* Variances excluding FX translation effects, one-offs and restructuring costs
Segment financials 3rd quarter

Revenues and EBIT margin
EUR million and percent

**Interior**

<table>
<thead>
<tr>
<th>Q3 2015</th>
<th>Q4 2015</th>
<th>Q1 2016</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>80</td>
<td>86</td>
<td>88</td>
<td>77</td>
</tr>
<tr>
<td>EBIT</td>
<td>6.9</td>
<td>8.6</td>
<td>7.7</td>
<td>5.0</td>
</tr>
</tbody>
</table>

**Driveline**

<table>
<thead>
<tr>
<th>Q3 2015</th>
<th>Q4 2015</th>
<th>Q1 2016</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>57</td>
<td>58</td>
<td>60</td>
<td>61</td>
</tr>
<tr>
<td>EBIT</td>
<td>-2.0%</td>
<td>-1.2%</td>
<td>-1.8%</td>
<td>-2.6%</td>
</tr>
</tbody>
</table>

**Driver Control**

<table>
<thead>
<tr>
<th>Q3 2015</th>
<th>Q4 2015</th>
<th>Q1 2016</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>55</td>
<td>61</td>
<td>65</td>
<td>67</td>
</tr>
<tr>
<td>EBIT</td>
<td>4.6%</td>
<td>6.7%</td>
<td>6.3%</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

**Fluid**

<table>
<thead>
<tr>
<th>Q3 2015</th>
<th>Q4 2015</th>
<th>Q1 2016</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>50</td>
<td>52</td>
<td>54</td>
<td>55</td>
</tr>
<tr>
<td>EBIT</td>
<td>7.1</td>
<td>7.4</td>
<td>8.1</td>
<td>8.6</td>
</tr>
</tbody>
</table>
Operational update

Interior Systems

- Revenues of EUR 72.7 mill. in Q3, down EUR 6.9 mill compared to 3Q15
  - Negative currency effects of EUR 1.2 mill.
  - Lower sales in the global headrest due to programs phasing out and the Outdoor Power Equipment (OPE) segments.
  - Slight slowdown in the production of premium vehicles

- EBIT was EUR 0.2 mill. in Q3, down EUR 6.7 mill compared to 3Q15
  - Lower sales volume & additional engineering spend to support innovations, new programs and future growth opportunities (MEUR 2.1)
  - EUR 1.6 mill of write – off related to headrest business in North America

- Interior booked MEUR 26 in annual value of new business in third quarter

- Major contract won for premium electric car
  - Supply of Seat Heat with est. annual value of EUR 8.7 mill,
  - SOP in late 2017 and will be delivered from Reynosa facility (Mexico)
Operational update

Driveline

- Revenues of EUR 56.0 mill. in Q3, down EUR 1.3 mill compared to 3Q15
  - Negative currency effects of EUR 0.5 mill.

- EBIT was EUR – 1.3 in Q3, a decrease of EUR 0.1 million compared to 3Q15
  - Operational improvements and fixed cost reduction, partially offset by higher development activities (EUR 1.4 mill), write – offs (EUR 0.3 mill) and warranty costs (EUR 0.5 mill.)

- Driveline booked MEUR 24 in annual value of new business in third quarter

- Two contracts for Chinese OEM’s
  - First one with supply of SBW and actuator
  - Second one with supply of SBW
  - Est. annual value of EUR 7 mill. & EUR 2 mill.
  - Both programs have SOP in late 2017 from Wuxi facility in China
Operational update

Fluid Transfer

- Revenues of EUR 47.7 mill. in Q3, down EUR 2.4 mill. compared to 3Q15
  - Negative currency effects of EUR 1.5 million
  - Weakness in the North American truck market partially offset by strength in Europe for air couplings systems to the commercial vehicle market

- EBIT was EUR 7.3 mill. in Q3, up EUR 0.3 mill compared to 3Q15

- Fluid Transfer booked total MEUR 4.8 in annual value of new business in third quarter
  - Continuing to win business in Couplings segment
Operational update

Driver Control

- Revenues of EUR 59.6 mill. in Q3, up EUR 4.6 million compared to 3Q15
  - Negative FX effects of EUR 0.9 mill.
  - The increases in sales was driven by continued improvement in the North American recreational vehicle business alongside with some smaller growth from Europe and China

- EBIT declined EUR 6.9 mill. in Q3, to EUR -4.4 mill. vs. 3Q15
  - Driven by the a legal case settlement of EUR 3.9 million,
  - Restructuring costs of EUR 3.4 million
  - EUR 0.6 due to product liability claim
  - Excluding the one – time and restructuring items EBIT increased by EUR 1.0 mill. compared to the 3Q15

- Driver Control booked MEUR 13.7 in annual value of new business in third quarter
Cash flow and facility development

Available funds
EUR million

Q2 2016
130.5
103.5
27.0

Q3 2016
120.8
89.7
31.2

Cash flow
- EBITDA: 7.6
- Change in total NWC, and taxes paid: (6.7)
- Investments: (8.2)
- Net financial expenses: (2.1)
- Change in drawn amount incl. overdraft: 13.7
- Change in unutilized facility: (13.7)
- Other: (0.2)

Facility

Other

Cash (unrestricted) • Unutilized facility
Free Cash Flow

Free Cash Flow
EUR million

13   -4      4       2       15   -6      13   -10
Financial ratios

**Equity ratio**
Percent

- Q3 2015: 31.4%
- Q4 2015: 31.3%
- Q1 2016: 32.4%
- Q2 2016: 32.7%
- Q3 2016: 31.0%

**ROCE (Ltm)**
Percent

- Q3 2015: 9.4%
- Q4 2015: 10.9%
- Q1 2016: 10.0%
- Q2 2016: 8.8%
- Q3 2016: 6.2%

*Excludes MEUR 19.5 in Goodwill write-off in Q2 2015, and one-offs of MEUR 10.8 and restructuring of MEUR 0.8 in Q3 2016*

**NIBD/EBITDA (LTM)**
Times

- Q3 2015: 2.4
- Q4 2015: 2.2
- Q1 2016: 2.4
- Q2 2016: 2.3
- Q3 2016: 2.9

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

- Q3 2015: 2.15
- Q4 2015: 2.18
- Q1 2016: 2.11
- Q2 2016: 2.14
- Q3 2016: 2.15

*Excludes MEUR 19.5 in Goodwill write-off in Q2 2015, and one-offs of MEUR 10.8 and restructuring of MEUR 0.8 in Q3 2016*
Conclusion

- Q3 was a quarter that highlighted the issues Kongsberg Automotive is facing

- There is clearly a need for change and improvement

- We will communicate our plan for improving Kongsberg Automotive in our Capital Markets Day event later today
  - As a result of this, we are not giving you any directions for Q4 in this Q3 Earnings review

- We are looking forward to welcoming you to the Capital Markets Day presentation starts at 14:30 today