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Kongsberg Automotive ASA

Third quarter 2018 - November 7, 2018

Q3 2018 Highlights

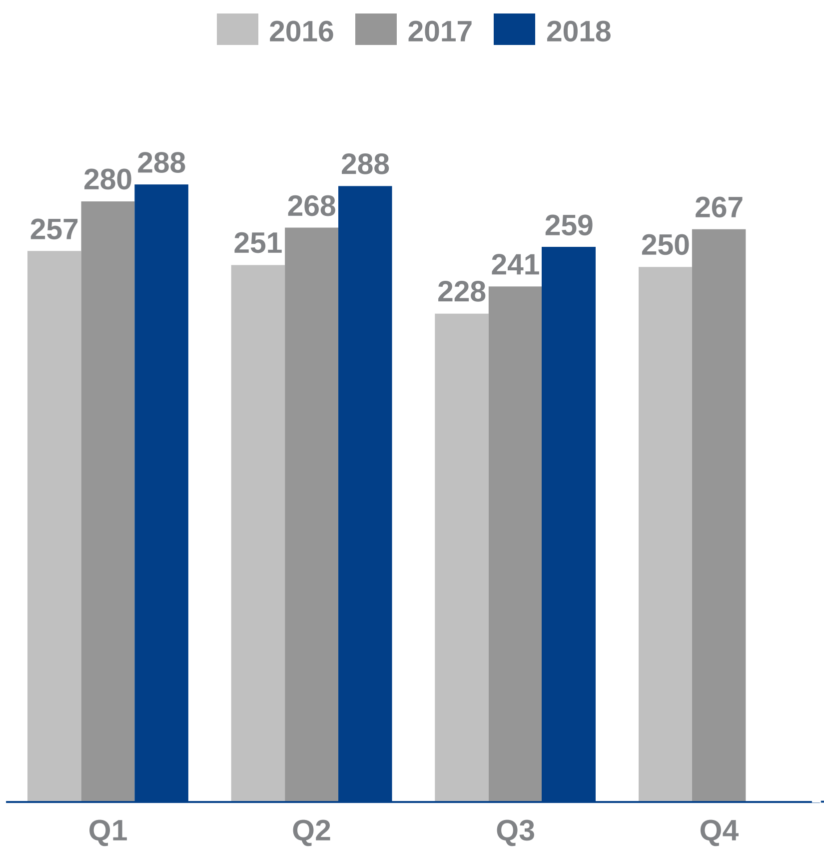
Continued improvements in turbulent times

- Revenues increased YoY by MEUR 18.3 (~8%) to MEUR 259 including negative FX effects of MEUR 4.1.
- Adj. EBIT increased YoY by 5.4 from MEUR 7.7 to MEUR 13.1 including negative FX effects of MEUR 1.0.
- New Business Wins of MEUR 99, an increase of 60% vs Q3 2017.
  - LTM New Business Wins of MEUR 409.
- We strengthened our capital structure; finalizing the 10% capital increase and issuing a MEUR 275 / 7-year 5% bond.
- Free cash flow of MEUR <4.5> mainly due to an increase in working capital after discontinuing our factoring program and seasonality.
- The LTM adjusted gearing ratio (NIBD/Adj. EBITDA) was 2.1

Revenue and Adjusted EBIT

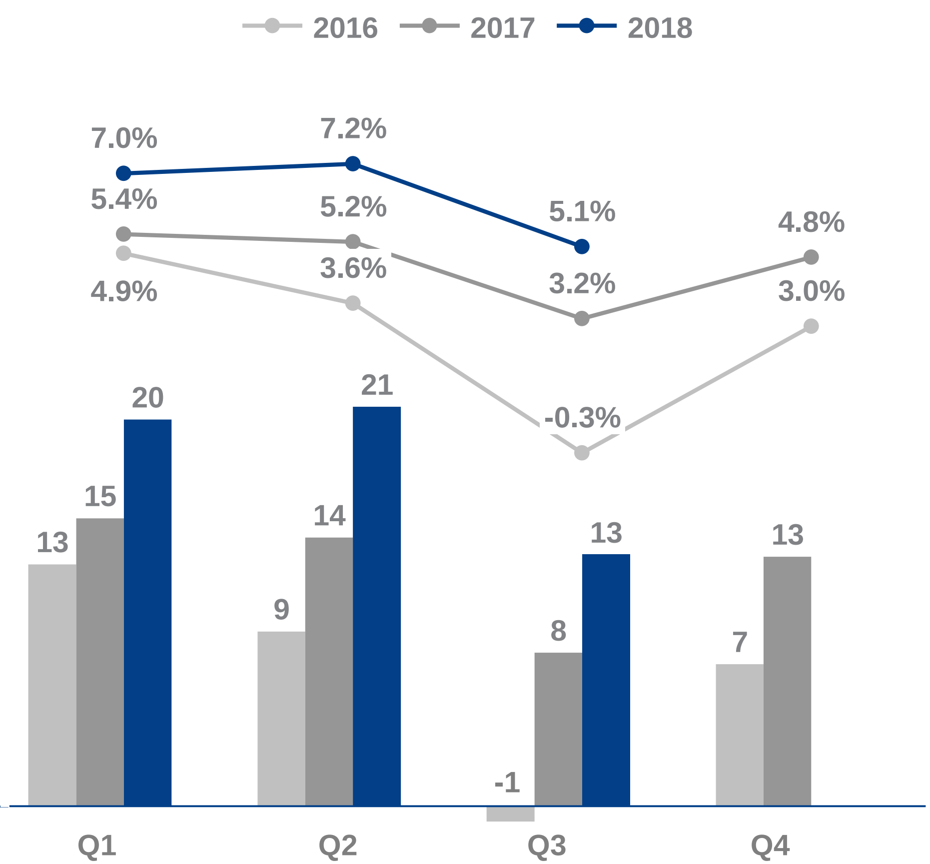
Revenues and profitability continue to consistently improve YoY

Revenues
MEUR



Revenue including HRAR

Adjusted EBIT
MEUR and percent



EBIT adjusted for restructuring - see details in the quarterly report.

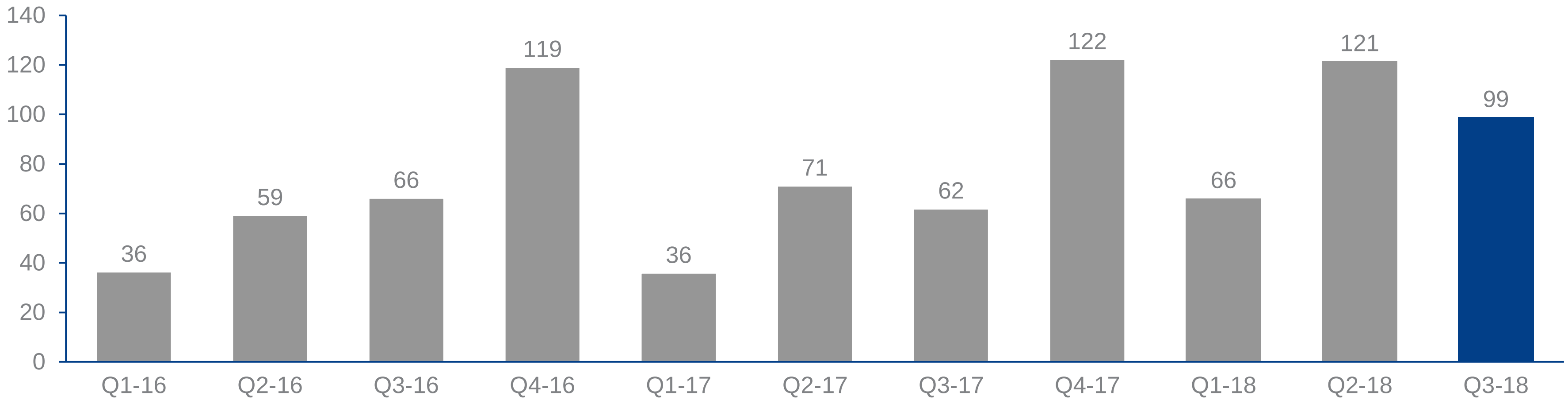
Market Summary

New business wins

LTM bookings at very high levels

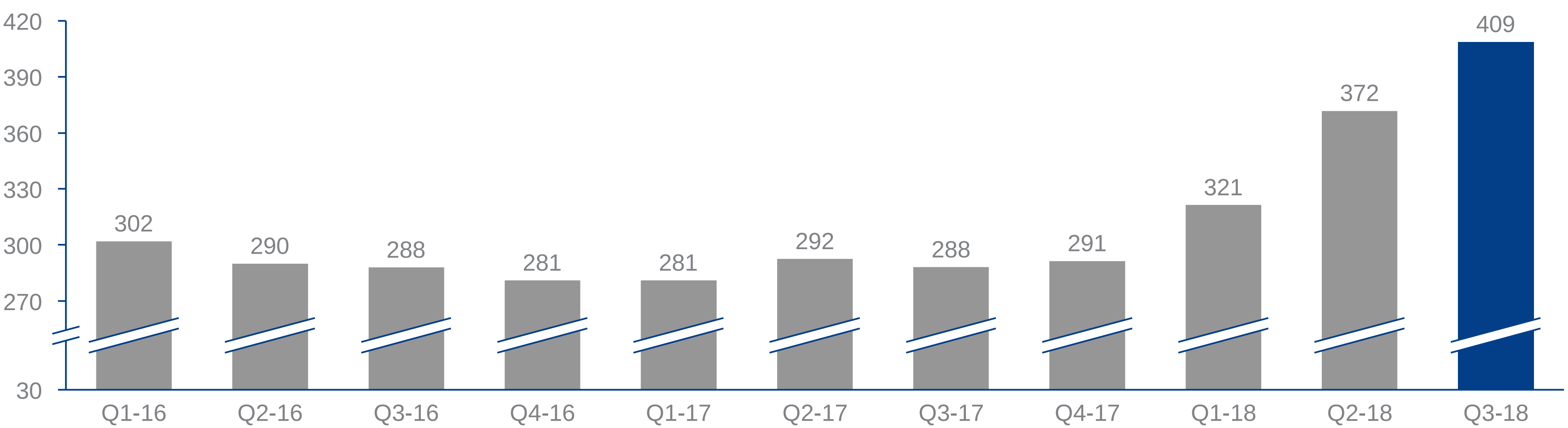
New business wins per quarter (per annum value)

MEUR



New business wins LTM (per annum value)

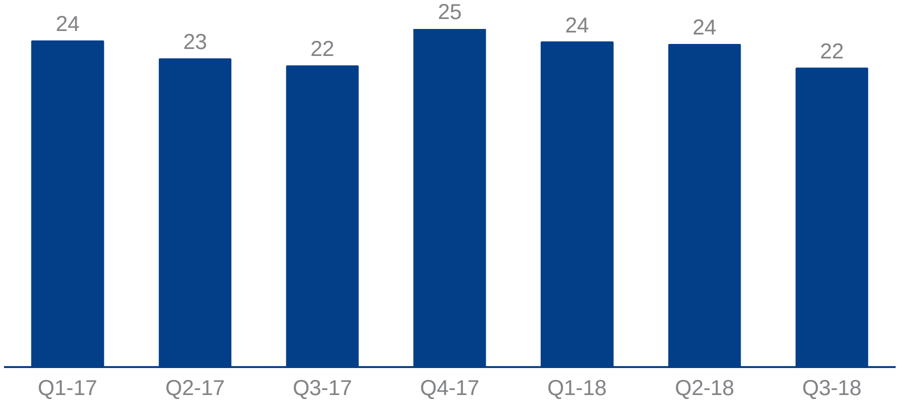
MEUR



Market summary

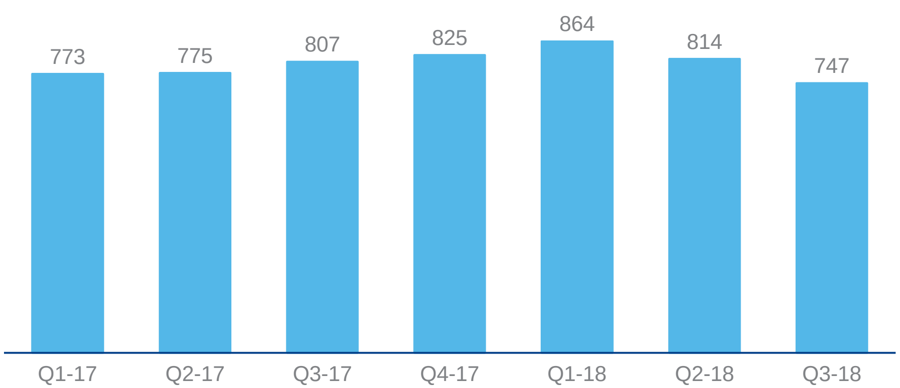
Somewhat slower output pace, which is expected to be recovered in 2019

Global Passenger Car Production, Units in millions



Source: IHS Light Vehicle Production Base, September 2018

Global Truck Production, Units in thousands



Source: LMC Global Commercial Vehicle Forecast, Q3 2018

Global Passenger Car Production

- Global light vehicles production in Q3 2018 was 22.3m, a YoY decrease of 0.7%, equivalent to approx. 200k units.
- China and Europe were mainly responsible for the decline where production YoY fell with 4.0% and 2.7%, respectively, offset by North America where production increased by 3.2%.
- The YoY drop in Europe was primarily driven by new emission standard (WLTP) which is slowing down the production output at least temporarily. Production output in Germany alone was over 200k units lower. However, a majority of this set back is expected to be recovered in 2019.
- Increasing inventory levels in China pressures the OEMs to manage stock levels which contributed to the YoY fall in production in China.

Global Truck Production

- The production of medium and heavy-duty commercial vehicles fell by 7.4% YoY, equivalent to approx. 60k units.
- A vast majority of this drop was due to China where production YoY declined by 27.0%, equivalent to approx. 95k units, primarily due to the significant advancement of production completed in 2017. This was partly offset by India which produced 16k units more than same quarter last year.
- North and South America continued the strong growth seen in previous quarters with YoY growth rates of 7.9% and 11.8%, respectively.
- In Europe, the truck YoY growth rate came in at 2.5%.

Segment Highlights

Segment financials last five quarters

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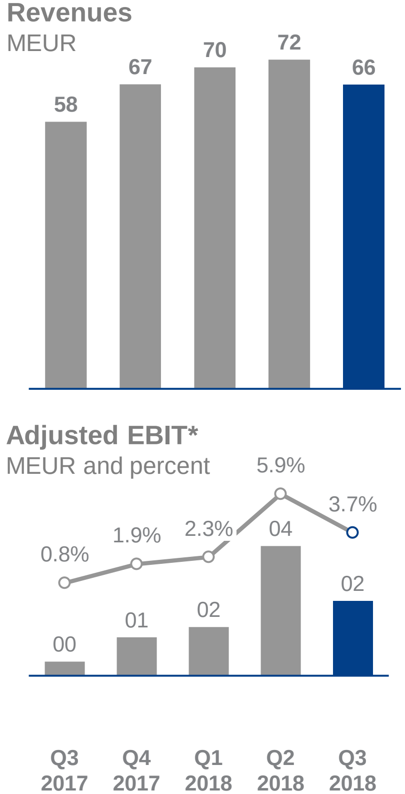
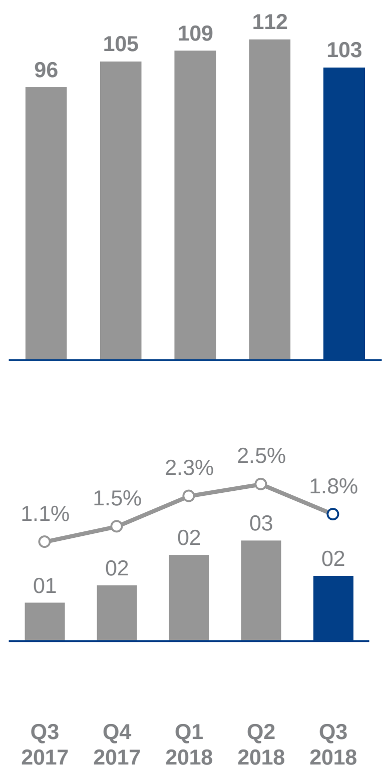
Interior Products



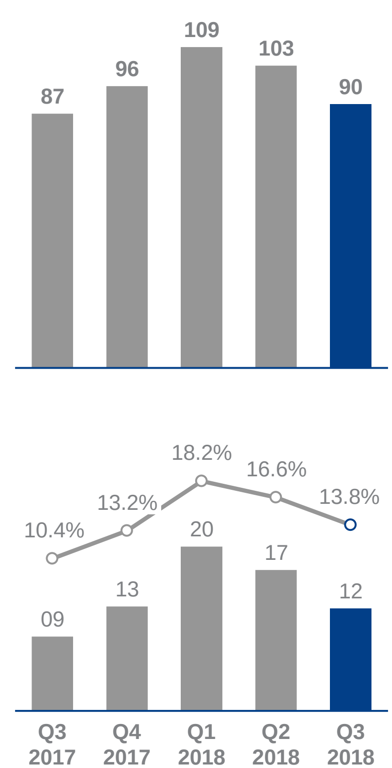
Continued improvement in operational performance

Powertrain & Chassis



Continued slow, but steady improvements

Specialty Products



Continued strong performance

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

Interior Products Segment - Update

Focus on operational improvements

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- Interior New Business Wins (NBW) amounted to approx. MEUR 42 annualized.
  - Wins include seat support solutions for one European and one North American OEM, worth combined estimated annual revenues of MEUR 36. These programs have planned SOP in 2020/21 and a total program life time of 6 and 8 years.
- Revenues increased by MEUR 8.1 (~14%) compared to Q3 2017.
  - Revenues of MEUR 66.4, including negative FX translation effects of MEUR 0.5.
  - The revenue increase is mainly due to volume ramp-up of new programs in the ICS business unit across all continents.
- Adjusted EBIT increased by MEUR 2.0 compared to Q3 2017.
  - Adjusted EBIT of MEUR 2.4 including negative FX translation effects of MEUR 0.1.
  - We continue making progress in our main Poland plant as our focus remains on operational improvements.
- Footprint activities
  - Ramping up the second Polish plant is on track; we plan completion in Q1/Q2 2019.

Powertrain & Chassis (P&C) Segment - Update

Managing growth and costs at the same time

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- P&C New Business Wins (NBW) amounted to approx. MEUR 22 annualized.
  - Major win includes Shift By Wire actuators to a European Tier1 supplier and with expected SOP in 2020.
- Revenues grew by MEUR 7.0 (~7%) compared to Q3 2017.
  - Revenues of MEUR 102.7, including negative FX translation effects of MEUR 2.3.
  - Volume increase of existing products in North America and new programs in China were the main contributors.
- Adjusted EBIT increased by MEUR 0.8 compared to Q3 2017.
  - Adjusted EBIT of MEUR 1.9 including negative FX translation effects of MEUR 0.5.
  - Higher fixed manufacturing costs and operating expenses impacted the YoY improvement.
- Footprint activities
  - As previously announced, based on our experiences with our recent plant closures, we are putting further plant closures on hold until we have properly integrated and optimized the receiving facilities. We estimate that this will take place well into 2019. As a result of this, we are currently not planning to announce any further plant closures before at the earliest in the second half of 2019.

Specialty Products Segment - Update

Performance on high level

- Specialty Products New Business Wins (NBW) amounted to approx. MEUR 36 annualized.
  - Couplings won a contract with an major Truck OEM with an annual value of approximately MEUR 14.
  - Fluid Transfer Systems won a program with a major European OEM with an annual value of approximately MEUR 6.
- Revenues grew by MEUR 3.3 (~4%) compared to Q3 2017.
  - Revenues amounted to MEUR 90.0, including negative FX translation effects of MEUR 1.4.
  - Strong growth in Off-Highway driven by power sport products as one of our major customers is gaining market share.
- Adjusted EBIT increased by MEUR 3.4 compared to Q3 2017 excluding FX effects
  - Adjusted EBIT of MEUR 12.4 with no significant FX translation effects.
- Footprint activities
  - Due to strong new business wins we are expanding the Coupling facility in Raufoss, Norway. We are also expanding the Couplings related regional manufacturing in Asia and North America.
  - The ramp up of our new Mexican facility from our closed from Easley facility was challenging throughout the quarter and led to unplanned restructuring transitioning costs. Towards the end of the quarter we saw improvements in customer deliveries. We expect the ramp up effects to be significantly smaller in Q4.

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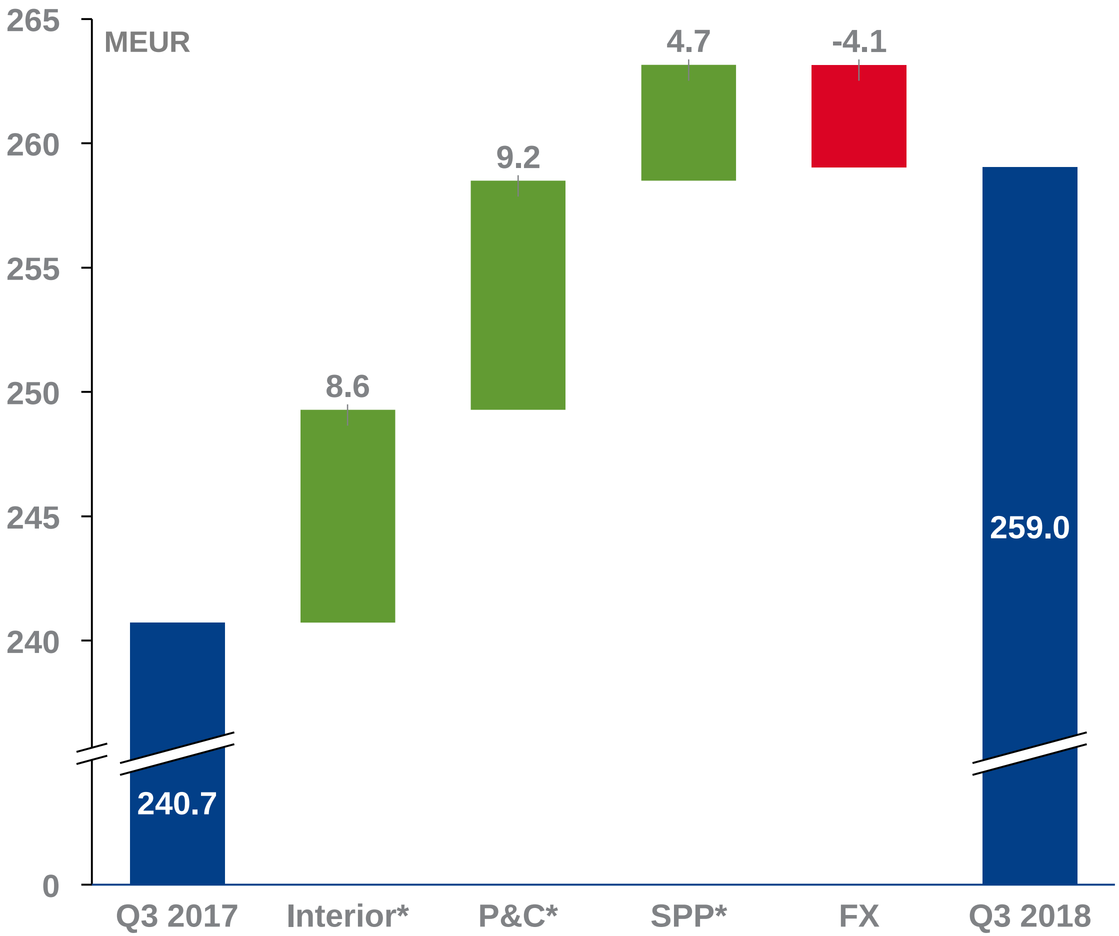
Norbert Loers

Financial Update

Q3 2018 - Revenue development

Revenue growth in all segments despite negative FX effects

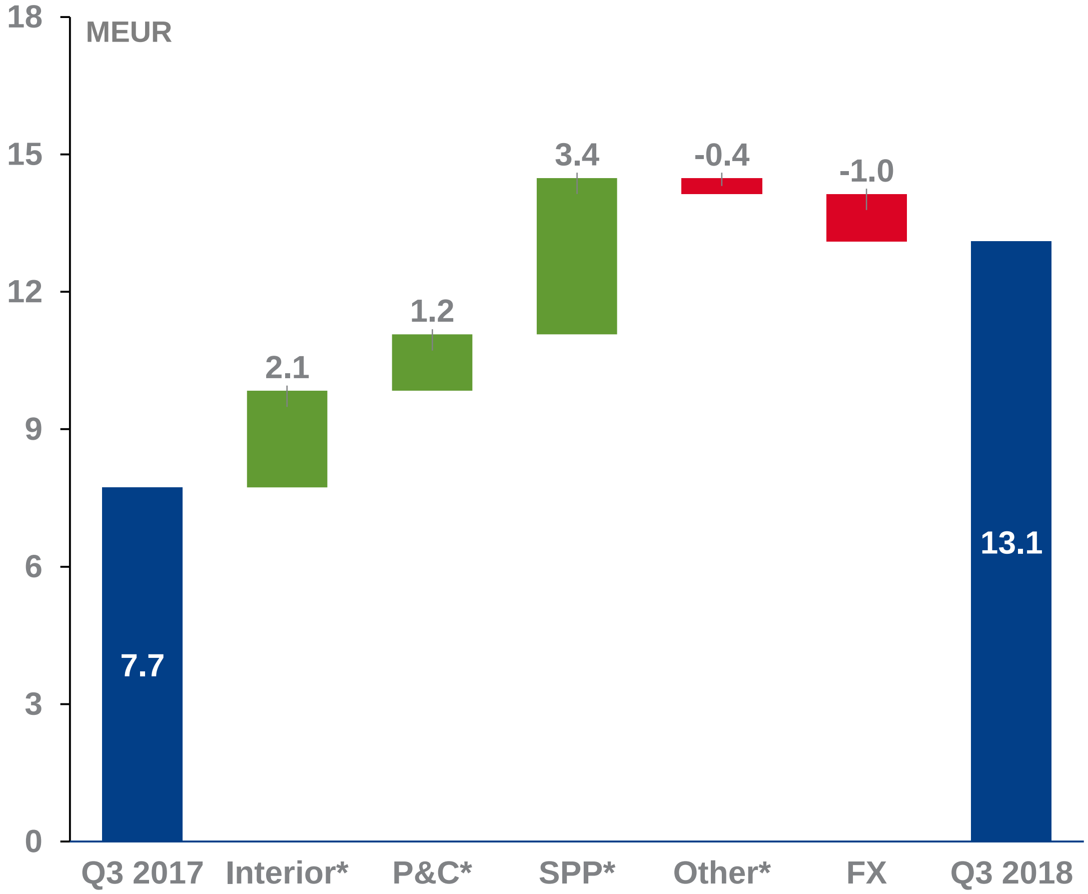


- **Group**
  - Revenue MEUR 18.3 (7.6%) above Q3 2017.
- **Interior**
  - Revenue growth in all regions with strong contribution from the North American and Chinese markets following the business wins of previous years.
- **P&C**
  - Sales increase driven by strong North American performance due to ramp up of a major program.
- **Specialty Products (SPP)**
  - Couplings with sales growth in all regions.
  - Off Highway growth through the North American Power Sports segment.
- **FX translation effects & Other**
  - Interior: MEUR -0.5
  - P&C: MEUR -2.3 mainly SEK and BRL
  - SPP: MEUR -1.4 mainly CAD and NOK

** Variances excluding FX translation effects*

Q3 2018 - Adjusted EBIT development

All segments contributing to an increased profitability

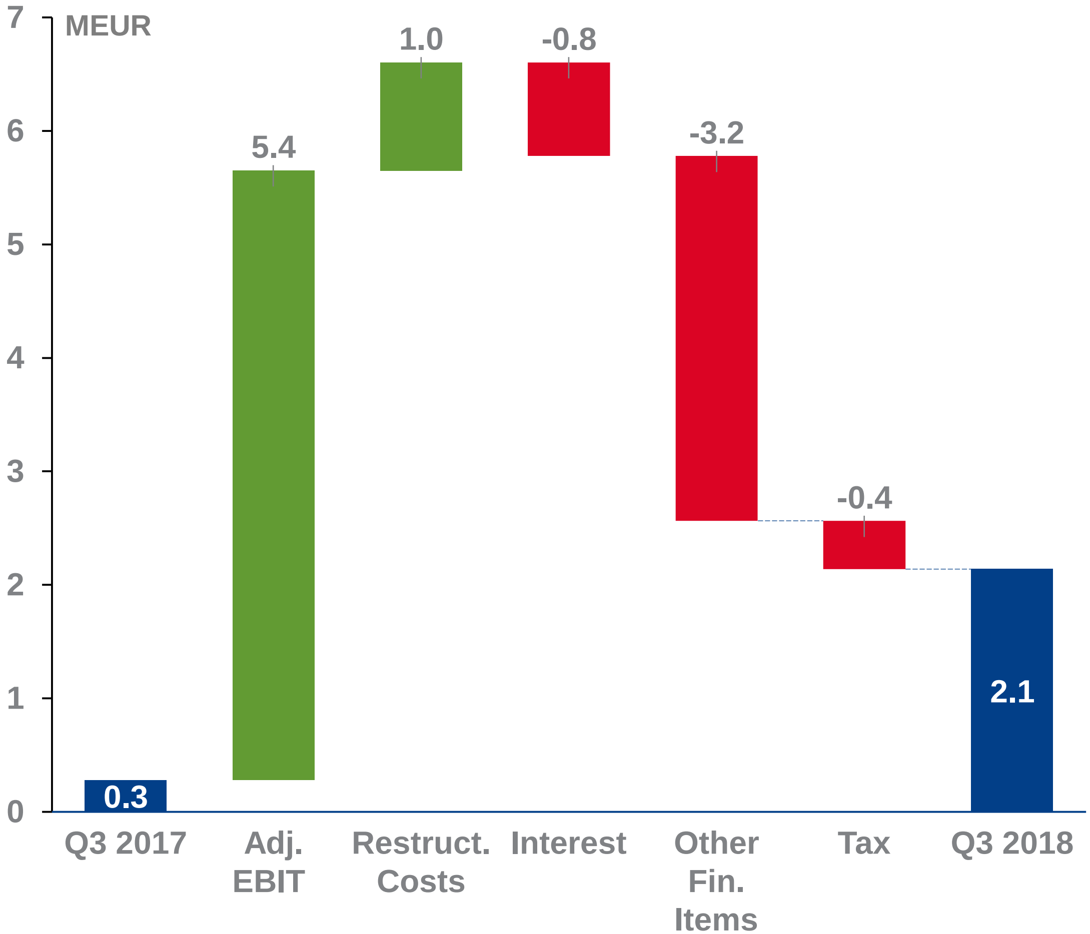


- **Group**
  - Adjusted EBIT MEUR 5.4 above Q3 2017.
- **Interior**
  - Continued improvements in operational performance largely offset by cost increases for raw material and electronic components.
- **P&C**
  - Higher sales volumes with continuing benefits from completed restructuring activities, partially offset by raw material price, fixed manufacturing costs and operating expenses higher than expected.
- **Specialty Products (SPP)**
  - Higher sales volumes, driven primarily by Couplings and Off Highway, partially offset by increased raw material costs and exceptional freight costs.

**Variance excluding FX translation effects*

Q3 2018 - Net Profit development

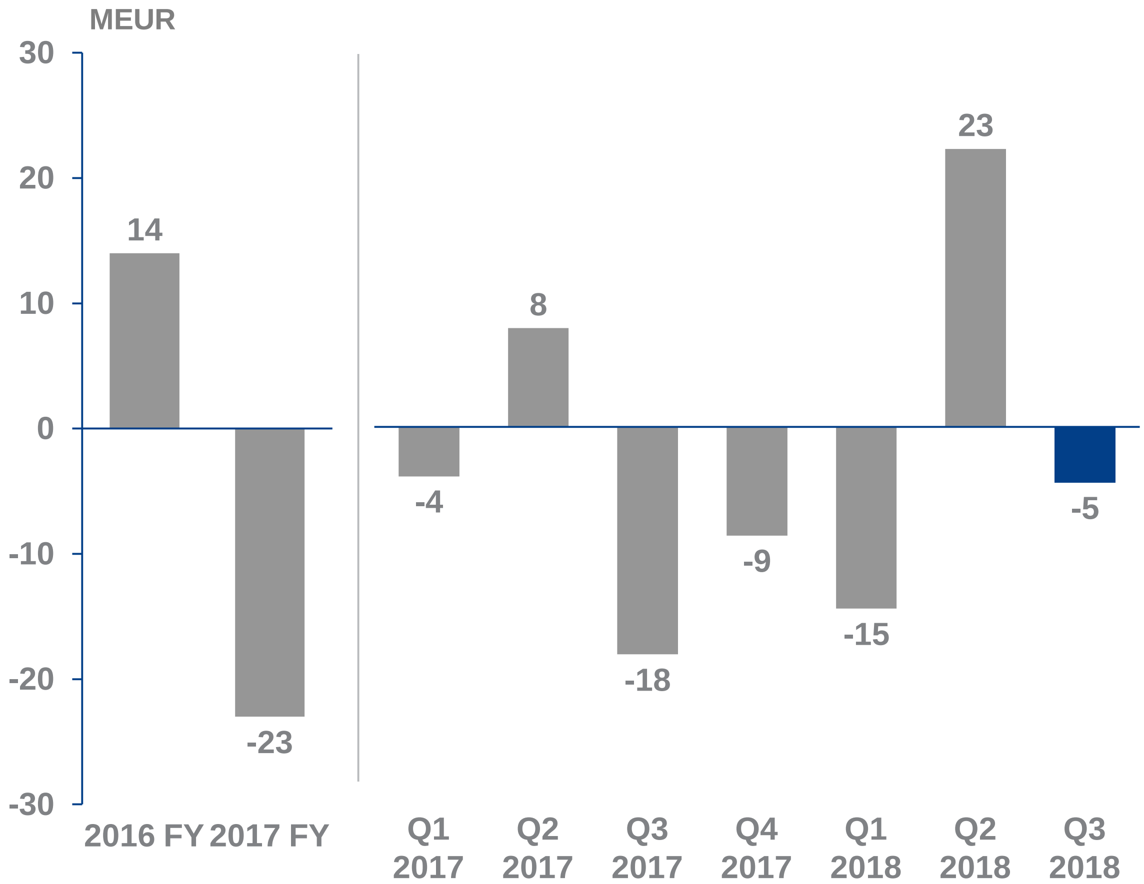
Increase in profitability partially offset by significantly lower currency gains



- **Group**
  - Net Profit is MEUR 1.9 above Q2 2017 mainly driven by the operational result.
- **Restructuring costs**
  - Q3 2018 features mainly transition costs with continuing integration efforts in the receiving plants (MEUR 6.9)
  - Q3 2017 slightly higher restructuring cost (MEUR 7.9) with the announcements of the Easley and Burton closures.
- **Interest**
  - In line with increased level of borrowing and bond interest rate fixed at 5.00%.
- **Other financial items**
  - Consist of unrealized and realized currency gains and losses amounting to MEUR 0.4 in Q3 2018 vs. MEUR 3.9 in Q3 2017.
- **Tax**
  - Due to lower corporate tax rates in main jurisdictions and better overall tax efficiency

Free Cash Flow*

Seasonality in operational cash flow affects the quarter



- **Operational cash flow (MEUR -30.8)**
  - Reduced factoring activities and seasonality resulted in negative NWC of MEUR 37.8.
  - Cash out related to restructuring activities amounted to MEUR 6.8 for Q3 2018.
- **Investing cash flow (MEUR -12.8)**
  - Investments amounted to negative MEUR 12.8 mainly to support current and future business growth.
- **Financing cash flow (MEUR 43.6)**
  - Capital injection MEUR 40.3
  - Net old facility repayment and new Bond MEUR 4.3
  - Interest payments on old facility amounted to MEUR 0.6 in Q3 2018 for 2 weeks in July

**Cash Flow from operating activities +/- cash flow from investments – interest*

Q3 2018 – Liquidity reserve development

Significant factoring potential available

Excluding variation due to discontinuation of factoring activities

*** Variance excluding Restructuring*

Net financial items - Breakdown

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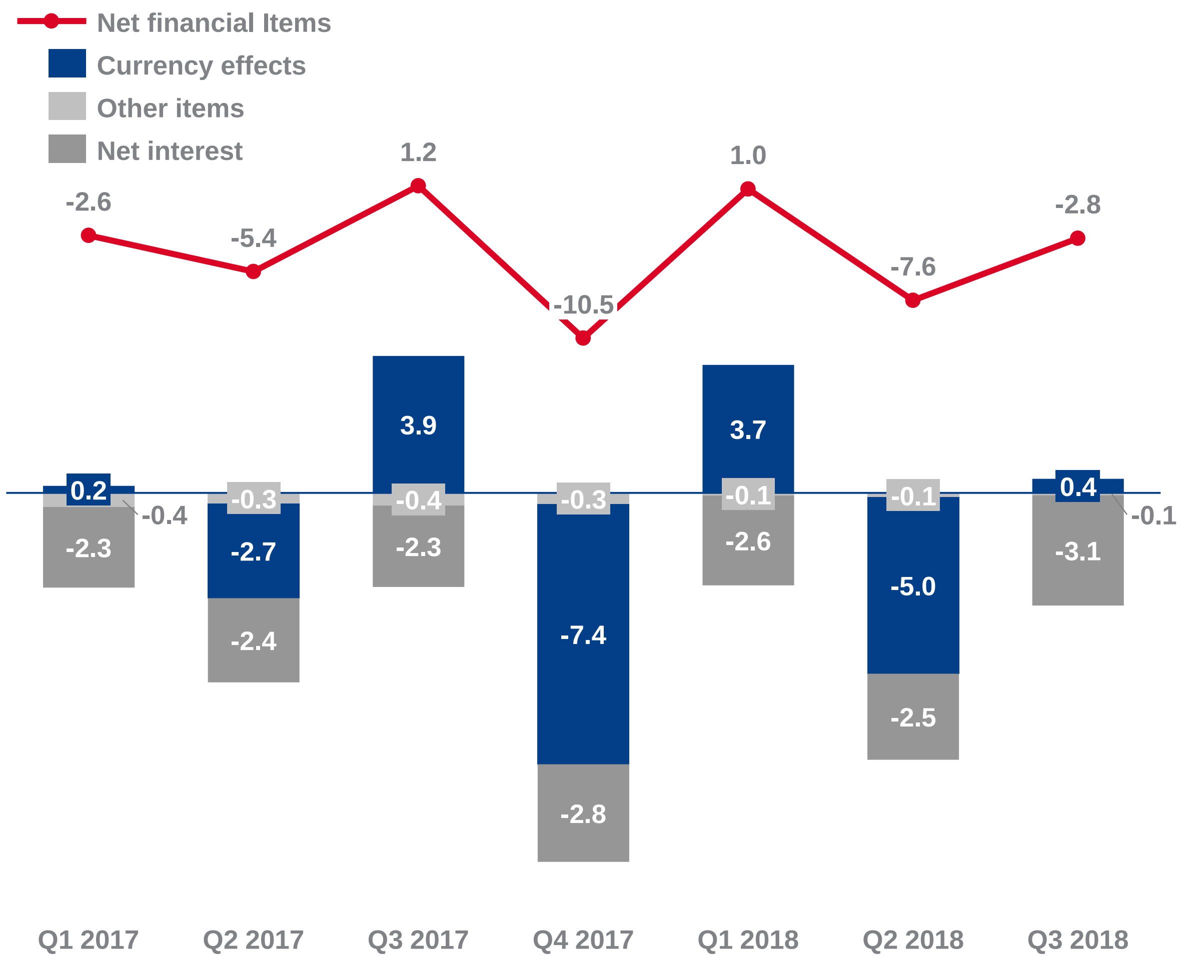
MEUR



- **Currency effects**
  - Old loan facility was repaid in July 2018.
  - The new Bond facility in EUR ends exposure to foreign exchange risks from external borrowings
  - Currency risks and effects on intercompany borrowings and trade receivable and trade payables will remain
- **Interest**
  - Higher overall interest expenditure compared to Q2 2018 following the placement of the bond.
  - The old facility interest was paid until July 23th, the new bond interest rate of 5.00% was applied for the remainder of the quarter

Refinancing accounting effects

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- The one-time P&L effect (the sum of capitalization / amortization of fees, a reversal of an IFRS 9 fair value adjustment and an FX hedge) is close to zero
- The one-time overall cash effect from pay-back, the new funds inflow & payment of fees is also close to zero
- There will be a tax effect from turning cumulated unrealized FX losses into realized FX losses of a low single-digit MEUR.
- Going forward, we will report annual interest cost related to the bond & the new Revolving Credit Facility (RCF) composed of three elements:

– 5% interest p.a. of MEUR 275 bond	= MEUR 13.8
– Commitment fee on MEUR 50 RCF	= MEUR 0.4 (assuming no utilization of RCF)
– Amortization of capitalized fees	= MEUR 1.0 (non –cash item, as the fees were already paid)

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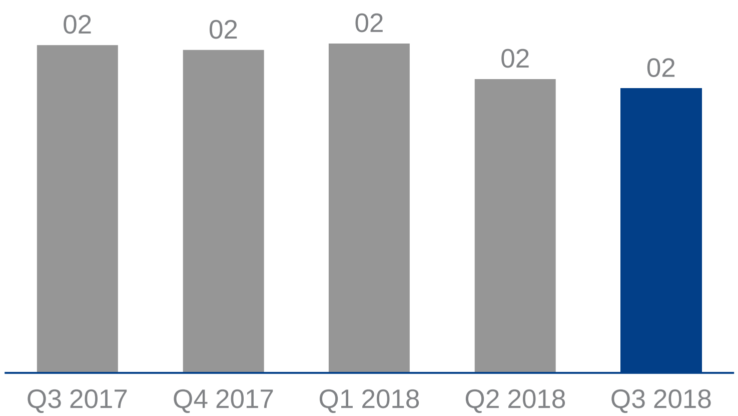
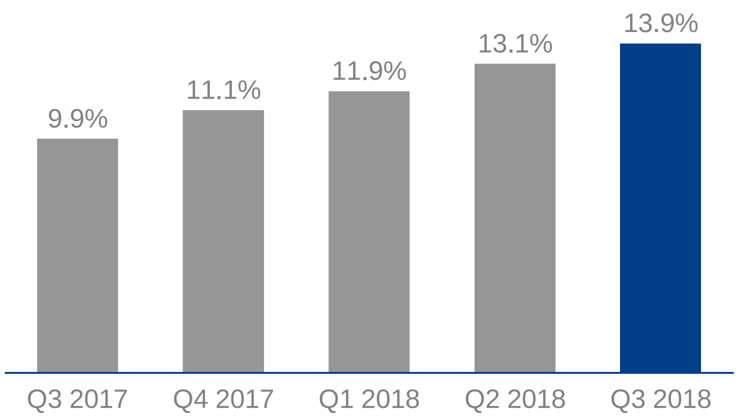
Financial ratios

Improved solidity and decreased gearing ratio

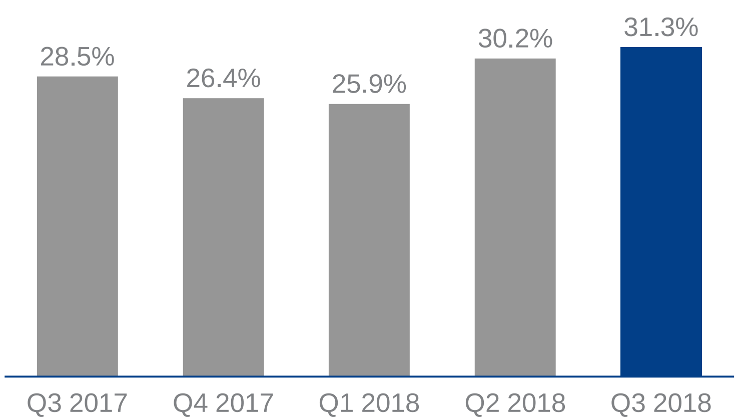
Adjusted gearing ratio (NIBD/EBITDA*)



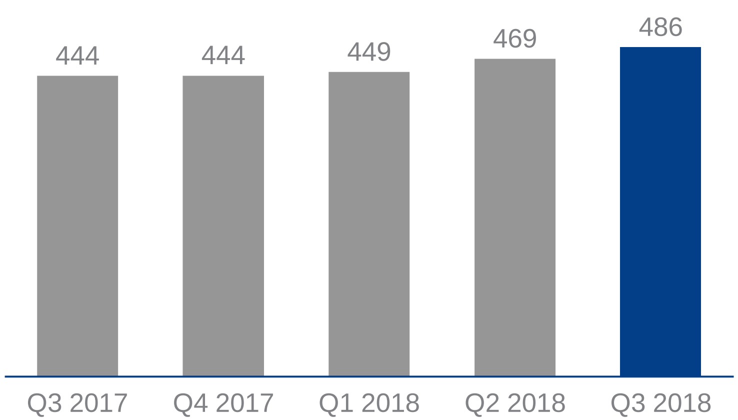
Adjusted ROCE** (LTM)



Equity Ratio***



LTM Capital Employed (MEUR)



Excluding restructuring costs; ** Including IFRS 15 and IFRS 9 adjustments on equities amounting to MEUR +0.7, * Q2 2018 has accounted for the ~MEUR 40 equity increase*

Summary & Outlook

Summary

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- The automotive industry saw increased levels of uncertainty in Q3 2018. Escalating “trade war” actions, concerns on the economic growth in China, on the Brexit process and delayed production in Europe driven by the new WLTP certification process, and increased raw material commodity prices completed the picture.
  - Although KA is obviously not immune to this, we have generally not seen changes in our projected volumes this year with some small exceptions.
- The combination of record new business wins, improved capital structure, and the reductions in our cost base makes us more resistant to economic cycles and less sensitive to the general concerns in the automotive industry.
- Continuing increases in raw material pricing and increased tariffs was a setback in Q3
- Seven consecutive quarters with top line, bottom line and margin improvements.
- Capital increase and debt refinancing completed.
  - Secures stable long term capital structure.
- We expect revenues of MEUR 293 in Q4 2018.
  - More details to follow in our Capital Markets Day presentation