

# Third Quarter Report 2018



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# HIGHLIGHTS 3rd QUARTER 2018

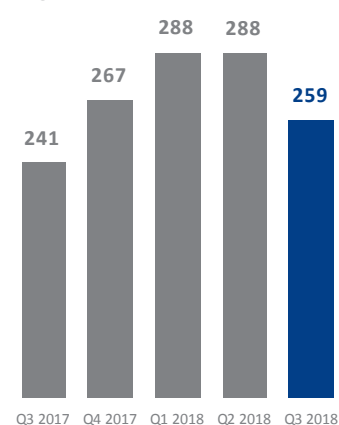
- Revenues were **MEUR 259.0** in the third quarter, MEUR 18.3 (+7.6%) above the third quarter last year, despite negative currency translation effects of MEUR 4.1.
- Adjusted EBIT amounted to **MEUR 13.1** in the third quarter, MEUR 5.4 above the third quarter last year.
- Annualized business wins in the third quarter amounted to **MEUR 98.9** bringing the total annualized business wins for the last twelve months to **MEUR 408.7**.
- The adjusted gearing ratio (NIBD/adj. EBITDA) was 2.1 for the third quarter 2018.
- The Group issued MEUR 275.0 senior secured notes in the international capital market and paid back the bank loan facilities.
- As a result of the capital increase we strengthened our liquidity position. Consequently, we discontinued all factoring programs in Q3, which negatively affected our Q3 operational cash flow.

## KEY FIGURES

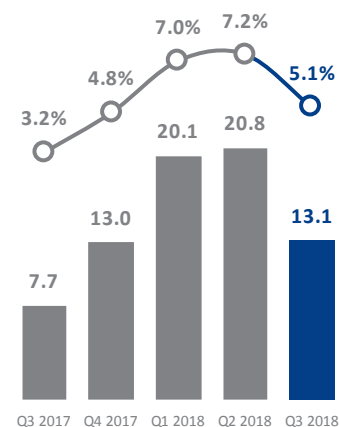
(MEUR)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
<b>Revenues</b>	<b>259.0</b>	<b>240.7</b>	<b>834.8</b>	<b>789.2</b>	<b>1056.6</b>
EBITDA	15.2	11.5	62.5	53.8	69.2
in % Revenues	5.9%	4.8%	7.5%	6.8%	6.5%
<b>Adjusted EBIT*</b>	<b>13.1</b>	<b>7.7</b>	<b>54.1</b>	<b>36.8</b>	<b>49.8</b>
in % Revenues	5.1%	3.2%	6.5%	4.7%	4.7%
EBIT	6.2	(0.2)	35.9	20.5	23.8
in % Revenues	2.4%	-0.1%	4.3%	2.6%	2.3%
<b>Net Profit / (Loss)</b>	<b>2.1</b>	<b>0.3</b>	<b>16.1</b>	<b>3.4</b>	<b>(8.0)</b>
Adjusted NIBD / EBITDA (LTM)	2.1	2.4	2.1	2.4	2.4
Equity ratio (%)	31.3%	28.5%	31.3%	28.5%	26.4%

\* Adjusted for restructuring costs, see section APM for the reconciliation.

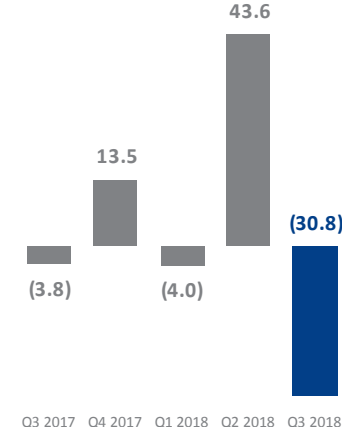
**Revenues**  
MEUR



**Adjusted EBIT**  
MEUR and in % Revenue



**Operating Cash Flow**  
MEUR



## CEO Letter

For the third quarter of 2018, we again experienced strong growth. On a constant currency basis our Q3 growth amounted to 9.4% year over year (YoY). At actual (reported) FX rates the YoY growth amounted to 7.6%. The difference is due to unfavourable FX effects with the Euro strengthening versus many of our main currencies from last year. The growth is attributable to the platforms where we supply parts to having higher production volumes than last year and our new programs ramping up in volumes. Of particular impact this quarter was the start up of more than 15 new customer programs in China. At actual FX rates, on 7.6% revenue growth, our adjusted EBIT grew by around 70%. Our “fall-through” positively benefitted from volume and operational savings. However, increased raw materials costs, additional tariffs, and negative FX effects offset some of the positive effects in the quarter. Due to the industrial seasonality, the third quarter is the weakest quarter in our fiscal year. Considering this, we are satisfied with our third quarter adjusted EBIT performance. Compared to last year, adjusted EBIT earned in Q3, 2018 is comparable to some of the best quarters we had last year.

On the restructuring front, we closed our Burton and Easley facilities where the production was moved to Poland and Mexico, respectively. The Poland move went well and the ramp-up in the new site was completed in this quarter. As previously reported, the move to Mexico continued to be challenging as we are moving into a greenfield facility and also transferring the supply chain from South Carolina to Mexico. We have had challenges both with the operational internal move and the supply chain transfer related to the South Carolina to Mexico move. We expect to finalize the Mexican transition activities by the end of 2018. As previously announced, learning from our experiences with our completed closures, we are delaying further plant closures until we have realized all the savings from the closures already completed, and stabilized the “receiving plants” to a level where these plants are well prepared to receive further transfers from future closures. We do not foresee any further plant closures announcements before the second half of 2019.

Over the past year, in addition to the issues associated with our restructuring efforts described above, we have faced challenges in our interior segment mainly relating to the ramp up of a product based on an advanced new technology. In the third quarter, we continued the operational performance improvement that we saw in Q2, 2018 in the interior segment. This contributed significantly to the overall improvement in YoY performance in the third quarter of 2018.

The automotive industry saw increased levels of uncertainty in Q3 2018. Escalating “trade war” actions by both, the US and China, contributed to uncertainty for the industry. Further concerns on the economic growth in China, uncertainties relating to the Brexit process, fears for potential consequences of the actions planned by the recently instated Italian government, delayed production in Europe driven by the new WLTP certification process, and increased raw material commodity prices completed the picture. This led some OEMs and automotive suppliers to issue profit warnings for 2018, which provided additional uncertainty and negative sentiment in the industry. Although Kongsberg Automotive is obviously not immune to this, we have generally not seen changes in our projected volumes so far this year albeit with some small exceptions. We should also not forget that we are benefitting from a general improvement program that has enabled us to improve our performance throughout 2018. As a result of this, we are largely holding our earlier outlook from our AGM with a small decline in expected 2018 earnings driven by raw material and tariff issues not known to us as recently as three months ago.

### NEW BUSINESS WINS

Our efforts to strengthen our new business wins continued to pay off in Q3, 2018. In the quarter, we were awarded new business wins of MEUR 99 in annualized revenues, an increase of almost 60% vs Q3 2017. This brings our LTM new business wins to MEUR 409, a new record for the company. On a 2018 YTD basis, we have accumulated new business wins of MEUR 286 in annualized revenues. This puts us in a good position to finish 2018 on a strong note.

### CAPITAL STRUCTURE

At the initiative of a major shareholder, a 10% capital increase at premium pricing was completed oversubscribed and finalized in July 2018 increasing our equity by around MEUR 40. The capital increase was executed as a private placement where all our largest shareholders were given the opportunity to participate. This strengthening of our balance sheet through the equity increase provides financial flexibility to further support organic growth and strategic initiatives. The capital increase reconfirms strong support from our largest shareholders who demonstrate support for KA and our improvement plans.

Also in July, we placed a 7-year MEUR 275 bond with a 5% coupon at par value. The proceeds were used to repay our bank debt. For the first time in the company’s history, we were credit rated. We achieved bond ratings of ba3 and bb- from Moody’s and S&P, respectively. Our overall corporate ratings were of Ba3 and B+ from Moody’s and S&P, respectively. We experienced strong investor interest from reputable debt investors for our bond which was solidly oversubscribed and finally completed on July 23rd.

The combination of the capital increase and the refinancing provides a stable long-term capital structure and liquidity position for KA. As a result of our strengthened liquidity position, we discontinued our factoring activities in Q3 2018.

### MARKET CONDITIONS

Our overall market growth expectations for 2017 and 2018 as presented during our Capital Markets’ Day in November 2017 were again largely confirmed in Q3 2018. The only bigger deviations are lower passenger car production in Europe and North America which is offset by higher production in China and higher truck production in China than expected, but this has limited impact on our business.

### Global Passenger Car Production

Global light vehicles production in Q3 2018 was above 22m, a YoY decrease of 0.7%, 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 measurement standards (WLTP), which slow down the production output at least temporarily. Production output in Germany alone was over 200k units lower than last year. However, a majority of this decline is expected to be recovered in 2019. Increasing inventory levels in China pressured 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 (60k units). Like Q2-18, a majority of this drop was due to China where production YoY declined by 27.0% (95k units), primarily due to the significant advancement of production completed in 2017. 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%.

### OUTLOOK

The underlying assumptions for our outlook is that there are no significant changes in market conditions, foreign exchange rates, raw material pricing, and tariff levels compared to the situation at the end of Q3. Based on current information, we largely confirm our 2018 guidance from the 2018 AGM with a small decline in expected 2018 earnings driven by raw material and tariff issues not known to us as recently as three months ago. For Q4, 2018, we expect revenues of MEUR 293. As we will present in our Capital Markets Day presentation later on the day of our Q3, 2018 earnings release, we project FY 2018 revenues of around MEUR 1,128 and FY 2018 adjusted EBIT of around MEUR 75.

For 2019, we will provide a full update at our 2018 Capital Markets Day on November 7, 2018.



# GROUP FINANCIALS

## SELECTED FINANCIAL INFORMATION - PROFIT AND LOSS

(MEUR)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
<b>Revenues</b>	<b>259.0</b>	<b>240.7</b>	<b>834.8</b>	<b>789.2</b>	<b>1056.6</b>
OPEX	(243.8)	(229.2)	(772.3)	(735.4)	(987.4)
<b>EBITDA</b>	<b>15.2</b>	<b>11.5</b>	<b>62.5</b>	<b>53.8</b>	<b>69.2</b>
<i>in % Revenues</i>	5.9%	4.8%	7.5%	6.8%	6.5%
Depreciation, amortization and impairment	(9.0)	(11.7)	(26.6)	(33.3)	(45.4)
EBIT	6.2	(0.2)	35.9	20.5	23.8
<i>in % Revenues</i>	2.4%	-0.1%	4.3%	2.6%	2.3%
<b>Adjusted EBIT *</b>	<b>13.1</b>	<b>7.7</b>	<b>54.1</b>	<b>36.8</b>	<b>49.8</b>
<i>in % Revenues</i>	5.1%	3.2%	6.5%	4.7%	4.7%
Net financial items	(2.8)	1.2	(9.4)	(6.8)	(17.4)
<b>Profit/(Loss) before taxes</b>	<b>3.4</b>	<b>1.1</b>	<b>26.5</b>	<b>13.6</b>	<b>6.4</b>
Income taxes	(1.2)	(0.8)	(10.4)	(10.3)	(14.4)
<b>Net Profit / (Loss)</b>	<b>2.1</b>	<b>0.3</b>	<b>16.1</b>	<b>3.4</b>	<b>(8.0)</b>

\* See section APM for the reconciliation.

### REVENUES

Revenues for the Group amounted to MEUR 259.0 in the third quarter of 2018. The revenues were MEUR 18.3 (+7.6%) above the same period last year, despite negative currency translation effects of MEUR 4.1. Revenue increased in all segments with a strong contribution especially by both Interior Systems and Powertrain & Chassis Products.

In the Interior segment, which serves the passenger car end markets, revenues increased by MEUR 8.1 (+13.9%) compared to the third quarter of 2017, despite negative currency translation effects of MEUR 0.5. The revenue growth took place in all regions with especially strong contribution from the North American and Chinese markets following the business wins of previous years.

In the Powertrain & Chassis Products segment, which serves the passenger car and commercial vehicle end markets, revenues increased by MEUR 6.9 (+7.2%) compared to the same quarter in 2017, despite negative currency translation effects of MEUR 2.3. The revenue increase has mainly been driven by a strong North American market particularly in the commercial vehicle business.

In the Specialty Products segment, which serves the passenger car, commercial vehicle end markets and general industrial customers, revenues increased by MEUR 3.3 (+3.8%) compared to the same quarter in 2017, despite negative currency translation effects of MEUR 1.4. The growth was mainly driven by the Couplings business in all regions and the Off Highway business in North America.

### ADJUSTED EBIT / EBIT

Adjusted EBIT for the Group was MEUR 13.1 in the third quarter of 2018, an increase of MEUR 5.4 compared to the third quarter of 2017. The effects of higher volumes were partially offset by costs for new product launches, ongoing operational optimization projects, unfavourable raw material costs and electronic component costs.

Including restructuring cost of MEUR 6.9, EBIT in Q3 2018 amounted to MEUR 6.2, compared to MEUR -0.2 in Q3 2017.

### NET FINANCIAL ITEMS

Net financial items came to an expense of MEUR 2.8 in the third quarter of 2018, compared to an income of MEUR 1.2 in the same period in 2017 (see Note 5).

The main drivers were currency gains of MEUR 0.4 in Q3 2018 compared to currency gains of MEUR 3.9 in Q3 2017, and higher interest expenses following the bond issuance.

### PROFIT BEFORE TAX / NET PROFIT

Profit before tax amounted to MEUR 3.4 in the third quarter of 2018, an improvement of MEUR 2.3 compared to the same quarter in 2017. The positive change in EBIT was partially offset by the negative change in net financial items but was strengthened by a reduced tax rate.

# GROUP FINANCIALS

## SELECTED FINANCIAL INFORMATION - CASH FLOW

(MEUR)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Cash flow - Operating activities	(30.8)	(3.8)	8.9	24.8	38.3
Cash flow - Investing activities	(12.8)	(13.1)	(39.2)	(32.2)	(49.3)
Cash flow - Financing activities	43.4	19.6	44.1	9.3	18.2
Currency effects on cash	(0.9)	(0.6)	(1.1)	(1.9)	(2.3)
Change in cash	(1.2)	2.2	12.7	(0.1)	4.9
Cash at beginning period	53.3	32.3	39.5	34.6	34.6
<b>Cash at period end</b>	<b>52.2</b>	<b>34.5</b>	<b>52.2</b>	<b>34.5</b>	<b>39.5</b>
<i>Of this, restricted cash</i>	<i>0.4</i>	<i>0.9</i>	<i>0.4</i>	<i>0.9</i>	<i>1.6</i>

### CASH FLOW FROM OPERATING ACTIVITIES

Cash generated by operating activities decreased by MEUR 27.0 in comparison with the same quarter last year. The decrease was primarily driven by a significant reduction of factoring activities, which negatively impacted the net working capital.

Restructuring had a negative cash effect of MEUR 6.8 in the quarter.

### CASH FLOW USED IN INVESTING ACTIVITIES

Cash used in investing activities amounted to MEUR 12.8 in the third quarter of 2018, MEUR 0.3 less than the same quarter last year. Investments continued to be made in capacity expansions to accommodate current and future manufacturing requirements, as well as some maintenance investments.

### CASH FLOW FROM FINANCING ACTIVITIES

Cash generated by financing activities was MEUR 43.4 in the third quarter, compared to MEUR 19.6 in the same quarter last year.

The main driver of this increase has been the net proceeds of MEUR 40.3 received in July, following the "Private Placement" of 40,676,812 shares in June.

Net drawing of debt amounted to MEUR 4.3 in the third quarter, compared to MEUR 21.1 in the same period last

year, following the issuance of MEUR 275.0 senior secured notes in the international capital market. It led to proceeds in Q3 of MEUR 271.2 after deducting the fees that have been already paid to date. These proceeds were used to repay MEUR 266.5 outstanding under the former loan facilities.

In addition to the newly issued notes, a new revolving credit facility of MEUR 50.0 was contracted with fees amounting to MEUR 0.4.

Interest payments in the third quarter consisted of the interests paid for the former loan facilities in the month of July until repayment. Interests on the new notes for both the third and fourth quarters 2018 will be paid on January 15, 2019.

No treasury shares have been purchased or sold during the third quarter of 2018.

### CHANGE IN CASH

Cash decreased by MEUR 1.2 during the third quarter, resulting in a cash position of MEUR 52.2 at the end of the quarter.

### LIQUIDITY RESERVE

The liquidity reserve was MEUR 101.7 at the end of the third quarter, compared to MEUR 105.4 at year-end 2017. No amount has been drawn under the new revolving credit facility during Q3 2018.

# GROUP FINANCIALS

## SELECTED FINANCIAL INFORMATION - FINANCIAL POSITION

(MEUR)	30.09.18	30.09.17	31.12.17
Non-current assets	367.2	359.3	358.9
Cash and cash equivalents	52.2	34.5	39.5
Other current assets	368.1	313.2	323.6
<b>Total assets</b>	<b>787.5</b>	<b>707.0</b>	<b>721.9</b>
Equity	246.1	201.3	190.7
Interest bearing debt	269.3	244.8	257.8
Other liabilities	272.1	260.9	273.5
<b>Total equity and liabilities</b>	<b>787.5</b>	<b>707.0</b>	<b>721.9</b>
NIBD	217.2	210.4	218.4
Equity ratio	31.3%	28.5%	26.4%

### ASSETS

Total assets were MEUR 787.5 at the end of the third quarter, an increase of MEUR 65.5 from year-end 2017.

The increase of assets was mainly driven by the reduction of the factoring activities increasing trade receivables, an improvement of cash position, as well as capital expenditures for investments.

### EQUITY

Equity as of September 30, 2018 increased by MEUR 55.4 to MEUR 246.1 in comparison with December 31, 2017.

One of the main drivers was the capital increase following the Private Placement. Its registration resulted in an increase of share capital by MEUR 2.2 and share premium by MEUR 37.6, translated from NOK as of September 30, 2018. The net profit for the year of MEUR 16.1 also contributed to the equity increase.

This was partially offset by negative translation differences after tax of MEUR 2.4.

The equity ratio increased by 4.8 percentage points to 31.3%.

### INTEREST BEARING DEBT

Long-term interest bearing debt amounted to MEUR 269.3 at the end of the third quarter, an increase of MEUR 11.5 compared to year-end 2017.

The increase in net borrowing is due to the issued notes of MEUR 275.0 in comparison with the former loans of MEUR 257.9 as of December 31, 2017. The capitalized transaction costs were MEUR 6.9 for the notes, while as of December 31, 2017 the remaining unamortized fees amounted to MEUR 1.4 for the facility loans.

### NET INTEREST BEARING DEBT

At the end of the third quarter 2018, net interest bearing debt amounted to MEUR 217.2, a decrease of MEUR 1.2 compared to year-end 2017.



# INTERIOR PRODUCTS

## SEGMENT REPORTING

Interior Products is a global leader in the development, design and manufacture of seat comfort systems and mechanical and electro-mechanical light-duty motion controls to Tier 1 and OEM customers. The product range includes seat adjuster cables and other cabling systems, lumbar support and side bolsters, seat heating, ventilation and massage systems and head restraints.

Interior Products addresses the passenger car market, with particularly strong positions on premium car platforms in

Europe and North America. The product penetration for products such as seat heating, seat ventilation and massage systems are especially high in medium to high end cars, while headrests and light duty cables are found in all ranges of cars. Customers include all major European and North American car and seat manufacturers and most premium OEMs such as Adient, Magna, Faurecia, Lear, Jaguar, Land Rover, Audi, Volvo Cars, Daimler and BMW.

## KEY FIGURES

(MEUR)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
<b>Revenues</b>	<b>66.4</b>	<b>58.3</b>	<b>208.5</b>	<b>197.4</b>	<b>263.9</b>
<b>Adjusted EBITDA</b>	<b>5.3</b>	<b>3.1</b>	<b>16.3</b>	<b>16.5</b>	<b>20.4</b>
<i>in % Revenues</i>	<i>7.9%</i>	<i>5.4%</i>	<i>7.8%</i>	<i>8.3%</i>	<i>7.7%</i>
<b>Adjusted EBIT</b>	<b>2.4</b>	<b>0.5</b>	<b>8.3</b>	<b>8.8</b>	<b>10.1</b>
<i>in % Revenues</i>	<i>3.7%</i>	<i>0.8%</i>	<i>4.0%</i>	<i>4.5%</i>	<i>3.8%</i>
<b>Restructuring</b>	<b>(1.0)</b>	<b>(0.3)</b>	<b>(3.2)</b>	<b>(0.7)</b>	<b>(1.5)</b>
<b>EBIT</b>	<b>1.4</b>	<b>0.1</b>	<b>5.0</b>	<b>8.1</b>	<b>8.6</b>
<i>in % Revenues</i>	<i>2.1%</i>	<i>0.2%</i>	<i>2.4%</i>	<i>4.1%</i>	<i>3.2%</i>
<b>Investments</b>	<b>(3.9)</b>	<b>(5.3)</b>	<b>(14.9)</b>	<b>(14.0)</b>	<b>(22.7)</b>
<b>Capital Employed *</b>	<b>178.2</b>	<b>154.6</b>	<b>178.2</b>	<b>154.6</b>	<b>161.3</b>

\* Includes PP&E, intangible assets, inventories, trade receivables and trade payables

## FINANCIAL UPDATE

Revenues in Interior Products increased by MEUR 8.1 (+13.9%) to MEUR 66.4 in the third quarter 2018 compared to the same quarter in 2017, despite negative currency effects of MEUR 0.5. The revenue growth took place in all regions with especially strong contribution from the North American and Chinese markets following the business wins of previous years.

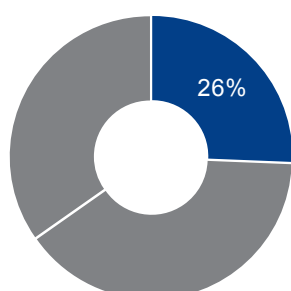
Adjusted EBIT was MEUR 2.4 in the third quarter, an increase of MEUR 2.0 compared to the third quarter 2017. The third quarter adjusted EBIT margin increased by 2.9 percentage points to 3.7%. The positive movement in EBIT related to volume increase and benefits from on-going operational

improvement activities was partially offset by cost increases of raw material and electronic components, as well as ongoing industrialization costs and operational optimization projects.

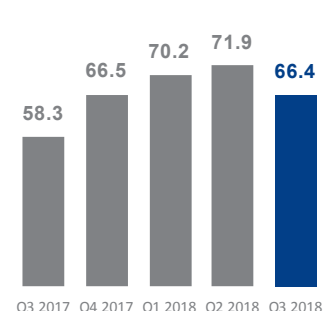
## COMMERCIAL & OPERATIONAL UPDATE

The business wins for the third quarter amounted to MEUR 41.5 in annual sales for the Interior Products segment. The strong increase in business wins in comparison to the third quarter of 2017, reflects the interest of our customers in the Interior products, especially on our seat support solutions with two new business contracts awarded (estimated combined annual value of MEUR 36.0.)

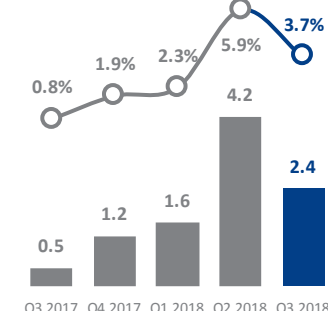
Group revenue share  
Q2 2018



Revenues  
MEUR



Adjusted EBIT  
MEUR and in % Revenue



# POWERTRAIN & CHASSIS PRODUCTS

## SEGMENT REPORTING

Powertrain & Chassis Products is a global Tier 1 supplier of driver control and driveline products into the passenger and commercial vehicle automotive markets. The portfolio includes custom-engineered cable controls and complete shift systems, clutch actuation systems, vehicle dynamics, shift cables and shift towers for transmissions.

Powertrain & Chassis Products serves the passenger car and the commercial vehicle market, with particularly strong positions in Europe and the Americas. With a global footprint, Powertrain & Chassis is able to support customers worldwide. Key customers include Ford, General Motors, FCA, Volvo, Scania, DAF, John Deere, PSA and Renault-Nissan.

## KEY FIGURES

(MEUR)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
<b>Revenues</b>	<b>102.7</b>	<b>95.7</b>	<b>323.6</b>	<b>302.6</b>	<b>407.4</b>
Adjusted EBITDA	5.7	5.3	18.6	12.7	18.4
<i>in % Revenues</i>	5.6%	5.5%	5.7%	4.2%	4.5%
<b>Adjusted EBIT</b>	<b>1.9</b>	<b>1.1</b>	<b>7.2</b>	<b>(0.1)</b>	<b>1.5</b>
<i>in % Revenues</i>	1.8%	1.1%	2.2%	0.0%	0.4%
Restructuring	(1.3)	(2.3)	(5.3)	(7.3)	(13.1)
<b>EBIT</b>	<b>0.5</b>	<b>(1.2)</b>	<b>1.9</b>	<b>(7.4)</b>	<b>(11.5)</b>
<i>in % Revenues</i>	0.5%	-1.2%	0.6%	-2.4%	-2.8%
Investments	(5.7)	(5.8)	(16.1)	(15.9)	(19.1)
Capital Employed *	175.6	156.7	175.6	156.7	154.2

\* Includes PP&E, intangible assets, inventories, trade receivables and trade payables

## FINANCIAL UPDATE

Revenues in Powertrain & Chassis increased by MEUR 6.9 (+7.2%) to MEUR 102.7 in the third quarter 2018 compared to the same quarter in 2017, despite negative currency effect of MEUR 2.3. The revenue increase has mainly been driven by a strong North American market particularly in the commercial vehicle sector.

Adjusted EBIT was MEUR 1.9 in the third quarter, an increase of MEUR 0.8 compared to the third quarter 2017. The third quarter adjusted EBIT margin increased by 0.7 percentage points to 1.8%. The main drivers for the increase were the higher sales volumes and the continuing benefits from

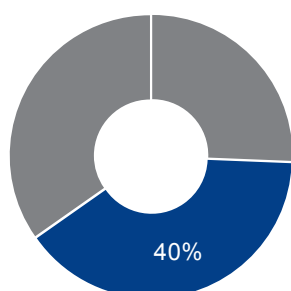
completed restructuring activities that were partially offset by a price increase of raw material, fixed manufacturing costs and operating expenses.

## COMMERCIAL & OPERATIONAL UPDATE

Business wins amounted to MEUR 21.8 in the third quarter 2018, following a strong first half of the year. This figure includes an awarded business to supply electronic actuators to a European Tier1 supplier with an expected SOP in 2020.

Operational efficiency improvement measures, product introduction preparation and continuing ramp up of new manufacturing lines remains a strong focus.

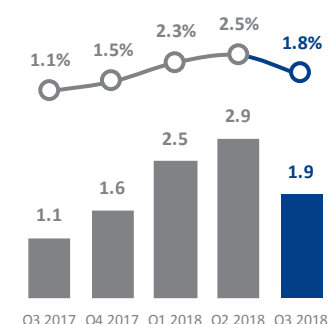
Group revenue share  
Q2 2018



Revenues  
MEUR



Adjusted EBIT  
MEUR and in % Revenue



# SPECIALTY PRODUCTS

## SEGMENT REPORTING

The Specialty Products segment designs and manufactures fluid handling systems for both the automotive and commercial vehicle markets, couplings systems for compressed-air circuits in heavy-duty vehicles, operator control systems for power sports, construction, agriculture, outdoor power equipment, power electronics and MRF

technology based products.

Key customers include Volvo Trucks/Group, Scania, Navistar, Paccar/DAF, Ford, Jaguar Land Rover, Club Car, John Deere, CAT, Husqvarna, CNH and BRP and several Tier 1 customers in addition to an industrial customer base.

## KEY FIGURES

(MEUR)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
<b>Revenues</b>	<b>90.0</b>	<b>86.7</b>	<b>302.4</b>	<b>289.2</b>	<b>385.3</b>
Adjusted EBITDA	14.5	12.5	55.8	49.3	65.5
<i>in % Revenues</i>	<i>16.2%</i>	<i>14.4%</i>	<i>18.5%</i>	<i>17.0%</i>	<i>17.0%</i>
<b>Adjusted EBIT</b>	<b>12.4</b>	<b>9.0</b>	<b>49.4</b>	<b>38.4</b>	<b>51.1</b>
<i>in % Revenues</i>	<i>13.8%</i>	<i>10.4%</i>	<i>16.3%</i>	<i>13.3%</i>	<i>13.3%</i>
Restructuring	(3.6)	(4.0)	(6.5)	(6.7)	(8.7)
<b>EBIT</b>	<b>8.8</b>	<b>5.1</b>	<b>42.9</b>	<b>31.7</b>	<b>42.4</b>
<i>in % Revenues</i>	<i>9.7%</i>	<i>5.8%</i>	<i>14.2%</i>	<i>11.0%</i>	<i>11.0%</i>
Investments	(3.2)	(2.0)	(11.2)	(4.7)	(8.3)
Capital Employed *	183.0	175.0	183.0	175.0	171.5

\* Includes PP&E, intangible assets, inventories, trade receivables and trade payables

## FINANCIAL UPDATE

Revenues in Specialty Products increased by MEUR 3.3 (+3.8%) to MEUR 90.0 in the third quarter 2018 compared to the same quarter in 2017, despite negative currency effect of MEUR 1.4. The growth was mainly driven by the Couplings business in all regions and Off Highway business in North America.

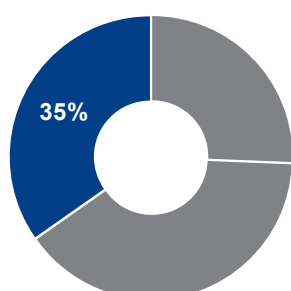
Adjusted EBIT was MEUR 12.4 in the third quarter, an increase of MEUR 3.4 compared to the same quarter 2017. The third quarter adjusted EBIT margin increased by 3.4 percentage points to 13.8%. This was driven by higher sales volumes, which were partially offset by exposure to increased raw material costs and exceptional freight costs.

## COMMERCIAL & OPERATIONAL UPDATE

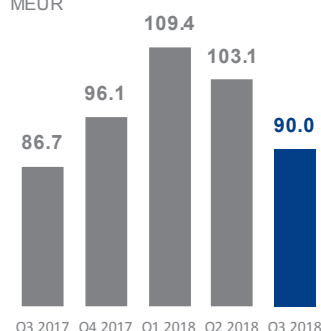
During the third quarter of 2018, total business wins amounted to MEUR 35.6 in annual sales. One of the key business awards was achieved by Couplings with a major truck OEM (estimated annual value of MEUR 13.9) and Fluid Transfer Systems with a major European OEM (estimated annual value of MEUR 6.1).

Further ramp up and transition activities in the transfer target plants in Mexico and Poland are being performed in order to achieve the productivity improvement targets and realign the modified supply chain relationships.

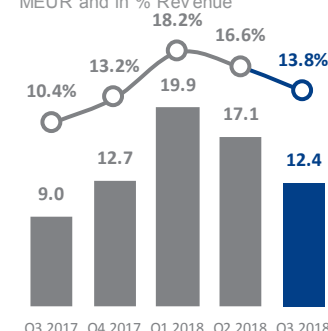
Group revenue share  
Q2 2018



Revenues  
MEUR



Adjusted EBIT  
MEUR and in % Revenue



# CONDENSED CONSOLIDATED FINANCIAL STATEMENT

## STATEMENT OF COMPREHENSIVE INCOME

(MEUR)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
<b>Revenues</b>	<b>259.0</b>	<b>240.7</b>	<b>834.8</b>	<b>789.2</b>	<b>1056.6</b>
OPEX	(243.8)	(229.2)	(772.3)	(735.4)	(987.4)
<b>EBITDA</b>	<b>15.2</b>	<b>11.5</b>	<b>62.5</b>	<b>53.8</b>	<b>69.2</b>
<i>in % Revenues</i>	<i>5.9%</i>	<i>4.8%</i>	<i>7.5%</i>	<i>6.8%</i>	<i>6.5%</i>
Depreciation, amortization and impairment	(9.0)	(11.7)	(26.6)	(33.3)	(45.4)
EBIT	6.2	(0.2)	35.9	20.5	23.8
<i>in % Revenues</i>	<i>2.4%</i>	<i>-0.1%</i>	<i>4.3%</i>	<i>2.6%</i>	<i>2.3%</i>
<b>Adjusted EBIT *</b>	<b>13.1</b>	<b>7.7</b>	<b>54.1</b>	<b>36.8</b>	<b>49.8</b>
<i>in % Revenues</i>	<i>5.1%</i>	<i>3.2%</i>	<i>6.5%</i>	<i>4.7%</i>	<i>4.7%</i>
Net financial items	(2.8)	1.2	(9.4)	(6.8)	(17.4)
<b>Profit/(Loss) before taxes</b>	<b>3.4</b>	<b>1.1</b>	<b>26.5</b>	<b>13.6</b>	<b>6.4</b>
Income taxes	(1.2)	(0.8)	(10.4)	(10.3)	(14.4)
<b>Net Profit / (Loss)</b>	<b>2.1</b>	<b>0.3</b>	<b>16.1</b>	<b>3.4</b>	<b>(8.0)</b>
Other comprehensive income:					
Translation differences on foreign operations	(0.2)	(1.7)	(17.2)	(12.2)	(3.8)
Tax on translation differences	(0.1)	3.0	0.2	4.7	2.8
Translation differences on non-foreign operations **	2.8	(8.1)	14.6	(3.6)	(6.4)
Remeasurement of net PBO	0.0	0.0	0.0	0.0	(0.1)
Tax on net PBO remeasurement	0.0	0.0	0.0	0.0	0.0
Other comprehensive income	2.4	(6.8)	(2.4)	(11.1)	(7.5)
<b>Total comprehensive income</b>	<b>4.6</b>	<b>(6.6)</b>	<b>13.6</b>	<b>(7.7)</b>	<b>(15.4)</b>
Net profit attributable to:					
Equity holders (parent comp)	2.1	0.3	16.1	3.4	(8.0)
Non-controlling interests	(0.0)	0.0	(0.0)	(0.0)	(0.0)
<b>Total</b>	<b>2.1</b>	<b>0.3</b>	<b>16.0</b>	<b>3.3</b>	<b>(8.0)</b>
Total comprehensive income attributable to:					
Equity holders (parent comp)	4.6	(6.6)	13.6	(7.7)	(15.5)
Non-controlling interests	0.0	(0.0)	0.0	0.0	0.0
<b>Total</b>	<b>4.6</b>	<b>(6.6)</b>	<b>13.6</b>	<b>(7.7)</b>	<b>(15.4)</b>
Earnings per share (EUR):					
Basic earnings per share	0.00	0.00	0.04	0.01	(0.02)
Diluted earnings per share	0.00	0.00	0.04	0.01	(0.02)

\* Adjusted for restructuring costs, see section APM for the reconciliation.

\*\* Items that will not be reclassified to profit or loss in subsequent periods.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENT

## STATEMENT OF FINANCIAL POSITION

(MEUR)

	30.09.18	30.09.17	31.12.17
Deferred tax assets	15.3	29.6	23.7
Intangible assets	162.8	165.7	162.0
Property, plant and equipment	182.2	163.0	169.7
Other non-current assets	6.9	1.0	3.5
<b>Non-current assets</b>	<b>367.2</b>	<b>359.3</b>	<b>358.9</b>
Inventories	110.0	97.1	104.7
Accounts receivable	209.5	174.6	180.0
Other short term receivables	48.6	41.4	38.9
Financial instruments	0.0	(0.0)	0.0
Cash and cash equivalents	52.2	34.5	39.5
<b>Current assets</b>	<b>420.2</b>	<b>347.7</b>	<b>363.1</b>
<b>Total assets</b>	<b>787.5</b>	<b>707.0</b>	<b>721.9</b>
Share capital	23.7	21.6	20.7
Share premium reserve	216.2	179.1	171.4
Other equity	2.6	(3.0)	(4.9)
Non-controlling interests	3.5	3.5	3.6
<b>Total equity</b>	<b>246.1</b>	<b>201.3</b>	<b>190.7</b>
Interest bearing loans and borrowings	269.3	244.8	257.8
Deferred tax liabilities	16.7	22.8	19.5
Other long term liabilities	19.3	20.5	19.5
<b>Non-current liabilities</b>	<b>305.3</b>	<b>288.1</b>	<b>296.8</b>
Bank overdraft	(0.0)	0.0	(0.0)
Other short term liabilities, interest bearing	0.1	0.1	0.1
Accounts payable	128.0	113.2	130.6
Other short term liabilities	107.9	104.3	103.7
<b>Current liabilities</b>	<b>236.1</b>	<b>217.5</b>	<b>234.5</b>
<b>Total liabilities</b>	<b>541.4</b>	<b>505.7</b>	<b>531.2</b>
<b>Total equity and liabilities</b>	<b>787.5</b>	<b>707.0</b>	<b>721.9</b>

# CONDENSED CONSOLIDATED FINANCIAL STATEMENT

## STATEMENT OF CHANGE IN EQUITY

(MEUR)	30.09.18	30.09.17	31.12.17
<b>Equity as of start of period</b>	<b>190.7</b>	<b>208.6</b>	<b>208.6</b>
Net profit for the period	16.1	3.4	(8.0)
Translation differences	(2.6)	(15.8)	(10.2)
Tax on translation differences	0.2	4.7	2.8
Remeasurement of the net pension benefit obligation	0.0	0.0	(0.1)
Tax on remeasurement of the net pension benefit obligation	0.0	0.0	0.0
<b>Total comprehensive income</b>	<b>13.6</b>	<b>(7.7)</b>	<b>(15.4)</b>
Options contracts (employees)	(1.2)	0.0	0.1
Increase in Equity and Treasury shares	39.8	(0.2)	(2.5)
Other changes in non-controlling interests	0.0	0.0	0.0
Other paid in equity	2.3	0.0	0.0
IFRS 15 and IFRS 9 first adoption*	0.7	0.0	0.0
Other changes in equity	0.1	0.6	0.0
<b>Equity as of end of period</b>	<b>246.1</b>	<b>201.3</b>	<b>190.7</b>

\* Adjustments of the opening balance due to first time adoption of IFRS 15 (MEUR +2.5) and IFRS 9 (MEUR -1.8), see Note 1 - Disclosure



# CONDENSED CONSOLIDATED FINANCIAL STATEMENT

## STATEMENT OF CASH FLOW

(MEUR)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
<i>Operating activities</i>					
Profit/(Loss) before taxes	3.4	1.1	26.5	13.6	6.4
Depreciation	7.9	8.2	23.1	22.7	30.9
Amortization	1.2	3.4	3.6	10.7	14.5
Interest income	(0.1)	(0.1)	(0.3)	(0.1)	(0.2)
Interest and other financial expenses*	0.7	2.4	6.2	7.2	10.1
Taxes (paid)/repaid	0.2	(0.8)	(2.6)	(4.6)	(13.0)
(Gain) / loss on sale of non-current assets	(0.3)	0.0	(1.2)	(1.1)	(1.0)
Changes in receivables	(18.1)	4.0	(29.5)	(18.3)	(20.5)
Changes in inventory	(5.7)	(8.5)	(5.3)	(20.4)	(26.1)
Changes in payables	(14.0)	(7.2)	(2.6)	2.3	19.7
Currency (gain)/ loss	(0.4)	(3.9)	1.0	(2.0)	5.4
Changes in value fin. derivatives	0.0	(0.0)	0.0	0.6	0.7
Changes in other items	(5.5)	(2.5)	(9.8)	14.3	11.5
<b>Cash flow - Operating activities</b>	<b>(30.8)</b>	<b>(3.8)</b>	<b>8.9</b>	<b>24.8</b>	<b>38.3</b>
<i>Investing activities</i>					
Investments	(12.9)	(13.1)	(43.3)	(35.4)	(52.7)
Sale of fixed assets	(0.0)	0.0	3.6	2.9	3.0
Investments in subsidiaries	(0.0)	0.0	(0.0)	0.0	0.0
Interest received	0.1	0.1	0.3	0.1	0.2
Proceeds from sale of subsidiaries	0.0	0.0	0.2	0.2	0.2
<b>Cash flow - Investing activities</b>	<b>(12.8)</b>	<b>(13.1)</b>	<b>(39.2)</b>	<b>(32.2)</b>	<b>(49.3)</b>
<i>Financing activities</i>					
Proceeds from increases in equity	40.3	0.0	40.4	0.0	0.0
Sale/purchase of treasury shares	0.0	0.8	0.0	(0.2)	(2.5)
Net drawing down / (repayment) of debt	4.3	21.1	10.4	16.5	30.6
Interest paid	(0.7)	(2.3)	(6.2)	(7.0)	(9.9)
Dividends paid	0.0	0.0	0.0	0.0	0.0
Other financial charges	(0.5)	(0.0)	(0.5)	(0.0)	(0.0)
<b>Cash flow - Financing activities</b>	<b>43.4</b>	<b>19.6</b>	<b>44.1</b>	<b>9.3</b>	<b>18.2</b>
Currency effects on cash	(0.9)	(0.6)	(1.1)	(1.9)	(2.3)
Change in cash	(1.2)	2.2	12.7	(0.1)	4.9
Cash at beginning period	53.3	32.3	39.5	34.6	34.6
<b>Cash at period end</b>	<b>52.2</b>	<b>34.5</b>	<b>52.2</b>	<b>34.5</b>	<b>39.5</b>
<i>Of this, restricted cash</i>	<i>0.4</i>	<i>0.9</i>	<i>0.4</i>	<i>0.9</i>	<i>1.6</i>

\* Includes Other financial items – See Note 5

## ALTERNATIVE PERFORMANCE MEASURES (APM)

This section describes the non-GAAP financial measures that are used in this report and in the quarterly presentation.

The following measures are not defined nor specified in the applicable financial reporting framework of the IFRS GAAP. They may be considered as non-GAAP financial measures that may include or exclude amounts that are calculated and presented according to the IFRS GAAP.

- EBIT/Adjusted EBIT
- EBITDA/Adjusted EBITDA
- Restructuring per segment
- Free Cash Flow
- NIBD
- Capital Employed
- ROCE
- Gearing Ratio/Adjusted Gearing Ratio

### EBIT/Adjusted EBIT

EBIT, earnings before interest and tax, is defined as the earnings excluding the effects of how the operations were financed, taxed and excluding foreign exchange gains & losses. Adjusted EBIT is defined as EBIT excluding restructuring items, which are defined as any incurred costs or sales reduction of an unusual or non-recurring nature in connection with the considered restructuring of the activities of the Group.

EBIT is used as a measure of operational profitability. In order to abstract restructuring one timers, the Group also lists the adjusted EBIT, the EBIT excluding restructuring items.

#### Adjusted EBIT reconciliation

(MEUR)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
EBIT (1)	6.2	(0.2)	35.9	20.5	23.8
Restructuring items (2)	6.9	7.9	18.2	16.3	26.0
Adjusted EBIT, (1) + (2)	13.1	7.7	54.1	36.8	49.8

### EBITDA/Adjusted EBITDA

Earnings before interest expenses and interest income, tax, depreciation, amortization and excluding foreign exchange gains and losses. Adjusted EBITDA is defined as EBITDA excluding restructuring items.

EBITDA is used as an additional measure of the Group's operational profitability, excluding the impact from depreciation and amortization.

#### Adjusted EBITDA reconciliation

(MEUR)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
EBITDA (1)	15.2	11.5	62.5	53.8	69.2
Restructuring items (2)*	7.0	6.7	18.1	14.9	23.2
Adjusted EBITDA, (1) + (2)	22.2	18.3	80.6	68.7	92.4

\* Excluding impairment, depreciation and amortization.

### Restructuring items per segment

(MEUR)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Interior	1.0	0.3	3.2	0.7	1.5
Powertrain & Chassis Products	1.3	2.3	5.3	7.3	13.1
Specialty Products	3.6	4.0	6.5	6.7	8.7
Others	1.0	1.3	3.2	1.6	2.7
Group total	6.9	7.9	18.2	16.3	26.0

The restructuring items in Q3 2018 mainly relate to transition costs with continuing integration efforts in the receiving plants.

# ALTERNATIVE PERFORMANCE MEASURES (APM)

## Free Cash Flow

Free Cash Flow is measured based on cash flow from operations, investments and financing excluding debt repayments.

Free Cash Flow is used in order to measure the Group's ability to generate cash. It allows the Group to view how much cash it generates from its operations after subtracting the cash flow from investing and financing activities excluding debt repayments. The Group considers that this measurement illustrates the amount of cash the Group has at its disposal to pursue additional investments or to repay debt.

(MEUR)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Cash flow - Operating activities	(30.8)	(3.8)	8.9	24.8	38.3
Cash flow - Investing activities	(12.8)	(13.1)	(39.2)	(32.2)	(49.3)
Cash flow - Financing activities	43.4	19.6	44.1	9.3	18.2
Net drawing down / (repayment) of debt	(4.3)	(21.1)	(10.4)	(16.5)	(30.6)
<b>Free Cash Flow</b>	<b>(4.5)</b>	<b>(18.4)</b>	<b>3.4</b>	<b>(14.6)</b>	<b>(23.4)</b>

## NIBD

Net Interesting Bearing Debt (NIBD), consists of interest-bearing liabilities less cash and cash equivalents.

The Group risk of default and financial strength is measured by the net interesting bearing debt. It shows the Group's financial position and leverage. As cash and cash equivalents can be used to repay debt, this measurement shows the net overall financial position of the Group.

(MEUR)	30.09.18	30.09.17	31.12.17
Interest bearing loans and borrowings	269.3	244.8	257.8
Other short term liabilities, interest bearing	0.1	0.1	0.1
Bank overdraft	(0.0)	0.0	(0.0)
Cash and cash equivalents	(52.2)	(34.5)	(39.5)
<b>Net Interesting Bearing Debt</b>	<b>217.2</b>	<b>210.4</b>	<b>218.4</b>

## Capital Employed

Capital Employed (CE) is equal to operating assets less operating liabilities. Operating assets and liabilities are items, which are involved in the process of producing and selling goods and services. Financial assets and obligations are excluded, as these assets are involved in raising cash for operations and disbursing excess cash from operations.

Capital Employed is measured in order to assess how much capital is needed for the operations/business to function and evaluate if the capital employed can be utilized more efficiently and/or if operations should be discontinued.

(MEUR)	30.09.18	30.09.17	31.12.17
Total assets	787.5	707.0	721.9
Deferred tax liabilities	(16.7)	(22.8)	(19.5)
Other long term liabilities	(19.3)	(20.5)	(19.5)
Current liabilities incl. other short-term interest bearing liabilities	(236.1)	(217.5)	(234.5)
<b>Capital Employed</b>	<b>515.4</b>	<b>446.2</b>	<b>448.5</b>

# ALTERNATIVE PERFORMANCE MEASURES (APM)

## ROCE (Last twelve Months)

Return on Capital Employed (ROCE) is based on EBIT for the last twelve months divided by the average of capital employed at the beginning and end of the period.

Return on Capital Employed is used to measure the return on the capital employed without taking into consideration the way the operations and assets are financed during the period under review. The Group considers this ratio as appropriate to measure the return of the period.

(MEUR)		Q3 2018		Q3 2017	FY 2017
Capital Employed beginning <sup>1</sup>	30.09 17	446.2	30.09 16	456.1	447.0
Capital Employed at end <sup>2</sup>	30.09 18	515.4	30.09 17	446.2	448.5
Adjusted EBIT last twelve months <sup>3</sup>		67.0		44.3	49.8
ROCE <sup>(3) / ((1) + (2)) * 2</sup>		13.9%		9.8%	11.1%

## Gearing Ratio / Adjusted Gearing Ratio

Gearing ratio is calculated as the net interest bearing debt divided by the last twelve months EBITDA, adjusted for restructuring items. This ratio is a measurement of the Group financial gearing and financial position.

Adjusted Gearing Ratio - including all restructuring items of the last twelve months and discontinued business

(MEUR)	Q3 2018	Q3 2017	FY 2017
EBITDA last twelve months	77.8	66.7	69.2
Restructuring items last 12 months *	26.4	20.3	23.2
<b>EBITDA last 12 months adjusted for restructuring items (1)</b>	<b>104.3</b>	<b>87.0</b>	<b>92.4</b>
NIBD (2)	217.2	210.4	218.4
<b>Adjusted Gearing Ratio (2)/(1)</b>	<b>2.08</b>	<b>2.42</b>	<b>2.36</b>

\* Excluding impairment, depreciation and amortization.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## NOTE 1 – DISCLOSURES

### GENERAL INFORMATION

Kongsberg Automotive ASA and its subsidiaries develop, manufacture and sell products to the automotive industry globally. Kongsberg Automotive ASA is a limited liability company, which is listed on the Oslo Stock Exchange. The consolidated interim financial statements are not audited.

### BASIS OF PREPARATION

This condensed consolidated interim financial information, for the nine months ended September 30, 2018, has been prepared in accordance with IAS 34 “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year-ended December 31, 2017, which have been prepared in accordance with IFRS.

### ACCOUNTING POLICIES

The accounting policies are consistent with those of the annual financial statements for the year-ended December 31, 2017, as described in those annual financial statements. Taxes on income in the interim periods are accrued using the estimated effective tax rate.

### IFRS 9 FINANCIAL INSTRUMENTS

The Group adopted IFRS 9 with effect from January 1, 2018 without restating comparative information. Reference is also made to the description in Note 5 of the 2017 Annual Report.

Impact on assets, liabilities and retained earnings as of January 1, 2018 are in MEUR:

#### Assets

Deferred tax asset	0.5
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<b>Total assets</b>	<b>0.5</b>
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#### Liabilities

Interest-bearing debt (non-current)	2.3
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<b>Total liabilities</b>	<b>2.3</b>
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<b>Net impact on equity (ret. earnings)</b>	<b>-1.8</b>
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Upon repayment of the former revolving facility, the previous adjustment has been released in the results of the year for an amount of MEUR 1.1.

As of September 30, 2018 the Group does not use factoring arrangements to sell trade receivables.

### RISK

Kongsberg Automotive continuously monitors its risk factors. Our activities are exposed to different types of risk.

The single most important risk that Kongsberg Automotive is exposed to is the development of demand in the end markets for light duty and commercial vehicles worldwide. Some of the most important additional risk factors are foreign-exchange rates, interest rates, raw material prices, credit risks, as well as an increasing tariffs risk. As we operate in many countries, we are vulnerable to currency risk. The most significant currency exposure for Kongsberg Automotive is associated with EUR, NOK and USD exchange rate. The greatest raw material exposures are for copper, zinc, aluminium and steel. As most of our revenues are earned from automotive OEMs and automotive tier-1 and -2 customers, the financial health of these automotive companies is critical to our credit risk.

### SEASONALITY

The Group quarterly results are to some extent influenced by seasonality. The seasonality is mainly driven by the vacation period in the third quarter and December each year having lower sales. Also, year-over-year seasonality differences may occur as a result of varying number of working days in each quarter.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## NOTE 1 – DISCLOSURES

### IFRS 15 REVENUE & CONTRACTS WITH CUSTOMERS

The Group adopted IFRS 15 with effect from January 1, 2018 using the modified retrospective method. This means that the Group applies IFRS 15 to only the most current period presented in these interim financial statements, and recognize the cumulative effect of the initial application as an adjustment to the opening balance of retained earnings at January 1, 2018. Reference is also made to the description in Note 5 of the 2017 Annual Report.

Impact on assets, liabilities and retained earnings as of January 1, 2018 are in MEUR:

#### Assets

Contract assets (non-current)	2.3
Contract assets (current)	1.0
<b>Total assets</b>	<b>3.3</b>

#### Liabilities

Contract liabilities (non-current)	0.0
Contract liabilities (current)	0.3
Deferred tax liabilities	0.5
<b>Total liabilities</b>	<b>0.8</b>

**Net impact on equity (ret. earnings) 2.5**

The net effect on retained earnings have been reduced compared to the note disclosure in the 2017 Annual Report following further analysis.

The net effect on retained earnings is mainly related to payment for engineering services and tooling equipment that is included as a specific addition to the piece price over a certain specific future sales volume and where delivery to the customer has been determined to have occurred in prior periods.

Quantitative revenue disclosures are presented in the segment section.

### Reconciliation of IFRS 15 adoption per main items as of September 30, 2018

(MEUR)	As reported	Adjustments	Without IFRS 15 adoption
<b>Statement of Financial position</b>			
Total non-current assets	367.2	2.9	370.1
Total current assets	420.2	0.7	420.9
<b>Total assets</b>	<b>787.5</b>	<b>3.6</b>	<b>791.1</b>
Total non-current liabilities	305.3	0.4	305.7
Total current liabilities	236.1	0.4	236.5
<b>Total liabilities</b>	<b>541.4</b>	<b>0.8</b>	<b>542.1</b>
<b>Total equity</b>	<b>246.1</b>	<b>2.8</b>	<b>249.0</b>
<b>Statement of comprehensive income - YTD</b>			
Operating revenues	834.8	0.1	834.9
Profit / (Loss) before taxes	26.5	0.1	26.5
Income taxes	(10.4)	(0.0)	(10.4)
Net Profit / (Loss)	16.1	0.0	16.1
<b>Total comprehensive income</b>	<b>13.6</b>	<b>0.0</b>	<b>13.7</b>
<b>Statement of cash-flows - YTD</b>			
Profit / (Loss) before taxes	26.5	0.1	26.5
Cashflow from operating activities	8.9	(0.1)	8.8
Cashflow from investing activities	(39.2)	0.0	(39.2)
Cashflow from financing activities	44.1	0.0	44.1
Currency effects on cash	(1.1)	0.0	(1.1)
<b>Net change in cash</b>	<b>12.7</b>	<b>0.0</b>	<b>12.7</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## NOTE 2 – SEGMENT REPORTING (THIRD QUARTER 2018)

Q3 2018 (MEUR)	Interior	Powertrain & Chassis	Speciality Products	Others *	Total Group
<b>Revenues **</b>	<b>66.4</b>	<b>102.7</b>	<b>90.0</b>	<b>0.0</b>	<b>259.0</b>
<b>Adjusted EBITDA</b>	<b>5.3</b>	<b>5.7</b>	<b>14.5</b>	<b>(3.4)</b>	<b>22.2</b>
Depreciation ***	(2.7)	(3.2)	(1.9)	(0.1)	(7.9)
Amortization ***	(0.2)	(0.6)	(0.3)	(0.1)	(1.2)
<b>Adjusted EBIT</b>	<b>2.4</b>	<b>1.9</b>	<b>12.4</b>	<b>(3.6)</b>	<b>13.1</b>
<i>Timing of revenue recognition</i>					
<b>Goods transferred at a point in time</b>	<b>66.4</b>	<b>102.7</b>	<b>90.0</b>	<b>0.0</b>	<b>259.0</b>
<i>Assets and liabilities</i>					
Goodwill	56.8	22.7	67.4	0.0	147.0
Other intangible assets	1.4	11.7	1.6	1.1	15.8
Property, plant and equipment	66.5	66.9	47.1	1.7	182.2
Inventories	22.4	40.3	48.9	(1.7)	110.0
Trade receivables	62.5	83.0	64.2	(0.1)	209.5
<b>Segment assets</b>	<b>209.6</b>	<b>224.8</b>	<b>229.2</b>	<b>0.9</b>	<b>664.5</b>
Unallocated assets				123.0	123.0
<b>Total assets</b>	<b>209.6</b>	<b>224.8</b>	<b>229.2</b>	<b>123.9</b>	<b>787.5</b>
Trade payables	31.4	49.2	46.3	1.1	128.0
Unallocated liabilities				413.3	413.3
<b>Total liabilities</b>	<b>31.4</b>	<b>49.2</b>	<b>46.3</b>	<b>414.5</b>	<b>541.4</b>
Capital expenditure	(3.3)	(5.2)	(3.1)	(0.2)	(11.7)

\* The column others includes corporate cost, transactions and balance sheet items related to tax, pension and financing. See next section for specification of unallocated assets and liabilities.

\*\* For segment reporting purposes the revenues are only external revenues, the related expenses are adjusted accordingly. The EBIT is thus excluding IC profit.

\*\*\* Excluding restructuring costs already excluded in Adjusted EBITDA

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## NOTE 2 – SEGMENT REPORTING (THIRD QUARTER 2017)

Q3 2017 (MEUR)	Interior	Powertrain & Chassis	Speciality Products	Others *	Total Group
<b>Revenues **</b>	<b>58.3</b>	<b>95.7</b>	<b>86.7</b>	<b>0.0</b>	<b>240.7</b>
<b>Adjusted EBITDA</b>	<b>3.1</b>	<b>5.3</b>	<b>12.5</b>	<b>(2.6)</b>	<b>18.3</b>
Depreciation ***	(2.1)	(3.0)	(1.9)	(0.1)	(7.1)
Amortization ***	(0.6)	(1.2)	(1.6)	(0.1)	(3.4)
<b>Adjusted EBIT</b>	<b>0.5</b>	<b>1.1</b>	<b>9.0</b>	<b>(2.8)</b>	<b>7.7</b>
<i>Timing of revenue recognition</i>					
<b>Goods transferred at a point in time</b>	<b>58.3</b>	<b>95.7</b>	<b>86.7</b>	<b>0.0</b>	<b>240.7</b>
<i>Assets and liabilities</i>					
Goodwill	56.5	22.8	67.4	0.0	146.7
Other intangible assets	2.8	10.7	4.0	1.4	19.0
Property, plant and equipment	52.4	65.0	44.4	1.2	163.0
Inventories	16.3	39.8	42.5	(1.4)	97.1
Trade receivables	51.6	64.9	58.2	(0.0)	174.6
<b>Segment assets</b>	<b>179.7</b>	<b>203.1</b>	<b>216.4</b>	<b>1.3</b>	<b>600.5</b>
Unallocated assets				106.5	106.5
<b>Total assets</b>	<b>179.7</b>	<b>203.1</b>	<b>216.4</b>	<b>107.8</b>	<b>707.0</b>
Trade payables	25.1	46.4	41.5	0.3	113.2
Unallocated liabilities				392.4	392.4
<b>Total liabilities</b>	<b>25.1</b>	<b>46.4</b>	<b>41.5</b>	<b>392.7</b>	<b>505.7</b>
Capital expenditure	(4.3)	(3.8)	(2.0)	(0.0)	(10.1)

\* The column others includes corporate cost, transactions and balance sheet items related to tax, pension and financing. See next section for specification of unallocated assets and liabilities.

\*\* For segment reporting purposes the revenues are only external revenues, the related expenses are adjusted accordingly. The EBIT is thus excluding IC profit.

\*\*\* Excluding restructuring costs already excluded in Adjusted EBITDA

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## NOTE 3 - SALES AND NON-CURRENT ASSETS BY GEOGRAPHICAL LOCATION

### 3.1 Sales to customers by geographical location

(MEUR)	2018		2017	
	YTD Sept.	%	YTD Sept.	%
Europe	422.0	51%	404.9	51%
Northern America	283.5	34%	263.9	33%
Southern America	19.6	2%	17.8	2%
Asia	106.3	13%	95.7	12%
Other	2.6	0%	6.9	1%
<b>Total operating revenues</b>	<b>834.8</b>		<b>789.2</b>	

### 3.2 Intangible assets, property, plant and equipment by geographical location

(MEUR)	2018		2017	
	30.09	%	30.09	%
Europe	195.1	57%	190.5	58%
Northern America	118.8	34%	114.3	35%
Southern America	1.8	1%	1.9	1%
Asia	29.3	8%	22.0	7%
<b>Total non-current assets</b>	<b>345.0</b>		<b>328.7</b>	

## NOTE 4 - INTEREST-BEARING LOANS AND BORROWINGS

### 4.1 Interest-bearing liabilities as presented in statement of financial position

(MEUR)	30.09.18	30.09.17	31.12.17
Non current interest-bearing loans and borrowings	276.2	246.3	259.2
Capitalized arrangement fees*	(6.9)	(1.5)	(1.4)
<b>Total interest-bearing liabilities</b>	<b>269.3</b>	<b>244.8</b>	<b>257.8</b>

(MEUR)	30.09.18	30.09.17	31.12.17
EUR	275.0	162.0	162.0
USD	0.0	83.0	95.9
Other currencies	1.2	1.3	1.3
Capitalized arrangement fee*	(6.9)	(1.5)	(1.4)
IFRS 9 - First time adoption	0.0	0.0	0.0
<b>Total interest-bearing liabilities</b>	<b>269.3</b>	<b>244.8</b>	<b>257.8</b>

\* The fees as of September 30, 2018 relate to bond emission costs, which are amortized over the duration of the bond period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## NOTE 4 – INTEREST-BEARING LOANS AND BORROWINGS

### 4.2 Liquidity reserve

The liquidity reserve of KA Group consists of cash equivalents in addition to undrawn credit facilities

(MEUR)	30.09.18	30.09.17	31.12.17
Cash reserve	52.2	34.5	39.5
Restricted cash	(0.4)	(0.9)	(1.6)
Undrawn facility*	50.0	82.7	67.5
<b>Liquidity reserve</b>	<b>101.7</b>	<b>116.2</b>	<b>105.4</b>

\*New MEUR 50.0 revolving credit facility

## NOTE 5 – NET FINANCIAL ITEMS

(MEUR)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Interest income	0.1	0.1	0.3	0.1	0.2
Interest expenses	(3.3)	(2.4)	(8.5)	(7.1)	(10.1)
Foreign currency gains (losses)*	0.4	3.9	(1.0)	2.0	(5.4)
Change in valuation currency contracts	0.0	0.0	0.0	(0.6)	(0.7)
Other financial items**	(0.1)	(0.4)	(0.3)	(1.3)	(1.5)
<b>Net financial items</b>	<b>(2.8)</b>	<b>1.2</b>	<b>(9.4)</b>	<b>(6.8)</b>	<b>(17.4)</b>

\* Includes unrealized currency loss of MEUR 4.1 and realized currency gain of MEUR 4.5 in Q3 2018 (Q2 2017: unrealized gain MEUR 4.0 and realized losses MEUR 0.1)

\*\* Other financial items include arrangement fees, interest component on pension liability, and other fees and charges.

## NOTE 6 – SUBSEQUENT EVENTS

No significant subsequent event occurred.

## OTHER COMPANY INFORMATION

### THE BOARD OF DIRECTORS

Bruce E. Taylor	Chairman
Thomas Falck	Shareholder elected
Gunilla Nordstrom	Shareholder elected
Ellen M. Hanetho	Shareholder elected
Ernst Kellermann	Shareholder elected
Jon-Ivar Jørnby	Employee elected
Bjørn Ivan Ødegård	Employee elected
Kari Brænden Aaslund	Employee elected

### EXECUTIVE COMMITTEE

Henning E. Jensen	President & CEO
Norbert Loers	Executive Vice President & CFO
Ralf Voss	Executive Vice President, Interior Systems
Bob Riedford	Executive Vice President, Powertrain & Chassis
Henning E. Jensen	Executive Vice President, Specialty Products (acting)
Lovisa Söderholm	Executive Vice President, Purchasing
Virginia Grando	Executive Vice President, Quality
Marcus von Pock	Executive Vice President, Human Resources & Communications
Jon Munthe	General Counsel

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### FINANCIAL CALENDAR

Publication of the quarterly financial statements:

	<i>Interim reports</i>	<i>Presentation</i>
3rd quarter 2018	November 7, 2018	November 7, 2018
4th quarter 2018	February 28, 2019	February 28, 2019

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