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Kongsberg Automotive

Capital Markets Day | 2015

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Agenda

09:00 Strategy and roadmap going forward

09:30 Automotive market outlook

09:45 Efficient powertrains in the Light Vehicle segment

10:15 Efficient powertrains trends in the Commercial Vehicle segment

10:45 Break

11:00 Growing within the Seat Comfort segment

11:30 Advanced Fluid Handling

12:00 Financial Review

12:20 Summary and closing remarks

12:30 Lunch

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Transition towards a more focused KA

Hans Peter Havdal, President & CEO

Strategy and roadmap going forward

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Focus on core products to build sustainable growth

- **Strategic review of all segments and products concluded with decision to focus on 3 key areas**
  - Seat Comfort
  - Efficient Powertrains
  - Advanced Fluid Handling
- **Directing R&D spend and investments to high-growth segments with unique offering**

Optimizing conventional product portfolio

- **Conventional products remain important in terms of scale and cash flow to fund further growth**
- **Continued review of segments to optimize product offering and reduce complexity**
  - Divestment of Light duty cables business unit in 2016
  - Phase out Head- and Armrests products

Financial platform with dividend potential

- **Securing a robust platform with dividend potential in the medium term**
  - Key focus on R&D spending and debt reduction in 2016 to create a sustainable platform for growth
  - Materialization of R&D investments in revenue growth from new contracts in 2017 will allow dividends to be prioritized

Transition toward a more focused KA

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Why

- OEM customers demanding more advanced products to meet customer expectations & new legislation
- Increased focus on end user experience; safety, comfort, connectivity & sustainability
- KA has high share of conventional products with modest growth potential

How

- Focus on most attractive growth opportunities is required
- Prioritize R&D funding & Capex towards growth platforms where KA offers best customer value
- Pursue selective growth opportunities for conventional products with limited investment needs
  - Emerging markets
  - Attractive niches

Our Automotive environment – key trends

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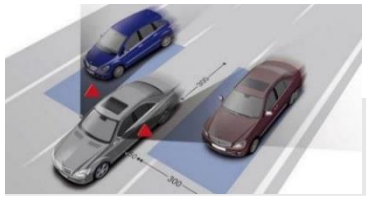
KA focus



SAFETY	EFFICIENCY	COMFORT	CONNECTIVITY

AUTONOMOUS DRIVING

- **OEMs are putting significant effort in developing more sophisticated vehicles**
- **Vehicle content value is increasing; but projects also getting more complex with more software and electronics content**
- **Projects are more R&D intensive, hence KA needs to prioritize**

Focus on core products required for product development leadership

Focusing on 3 growth platforms

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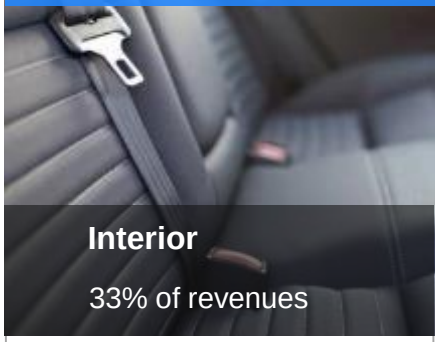
Seat Comfort



Interior

33% of revenues

PRODUCTS

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

Efficient Powertrains

Driveline

24% of revenues

PRODUCTS

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

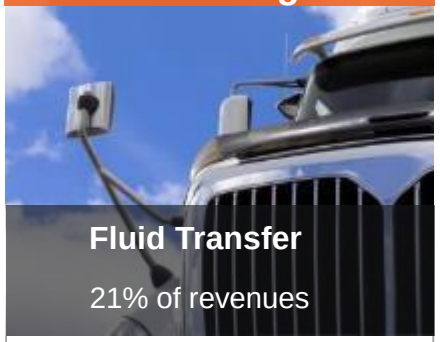
Driver Control

22% of revenues

PRODUCTS

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

Advanced Fluid Handling



Fluid Transfer

21% of revenues

PRODUCTS

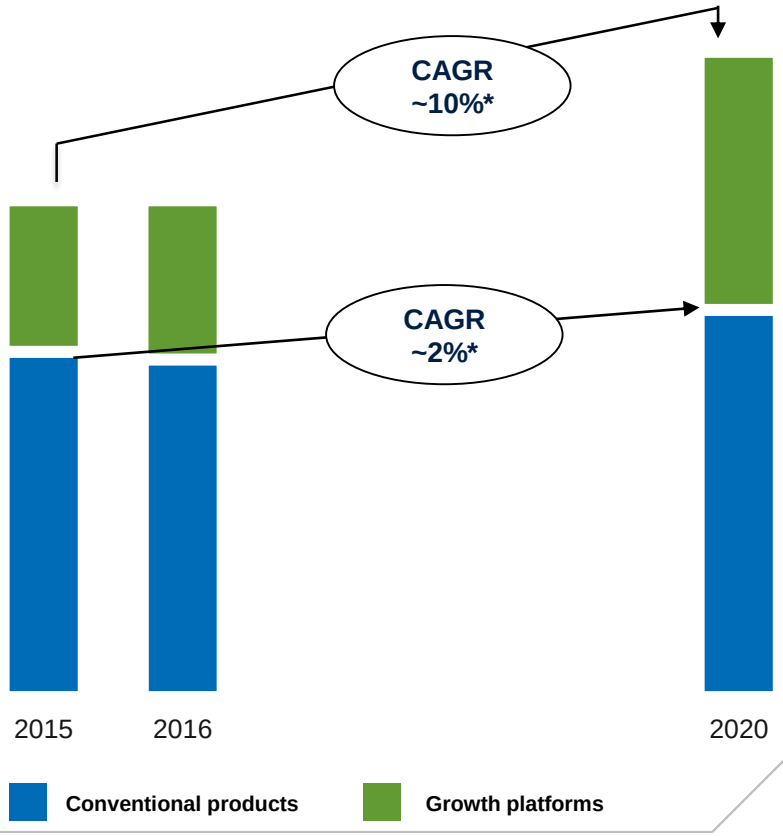
- Pipe/hose assemblies for powertrains
- Couplings and manifolds for air distribution systems
- Industrial applications
- Pipe/hose assemblies for chassis systems

Conventional products Growth platforms

Focus on growth platforms to regain momentum

- **Growth platforms expected to increase in revenue share from 30% to above 40% next 5 years**
  - R&D spending and capex will be focused on growth platforms
- **Conventional products are still key in next 5 year period**
  - Selective growth opportunities for conventional products with limited capex needs will be pursued
- **Current business mix creates a platform for organic growth and R&D funding**

Estimated sales (EURm)

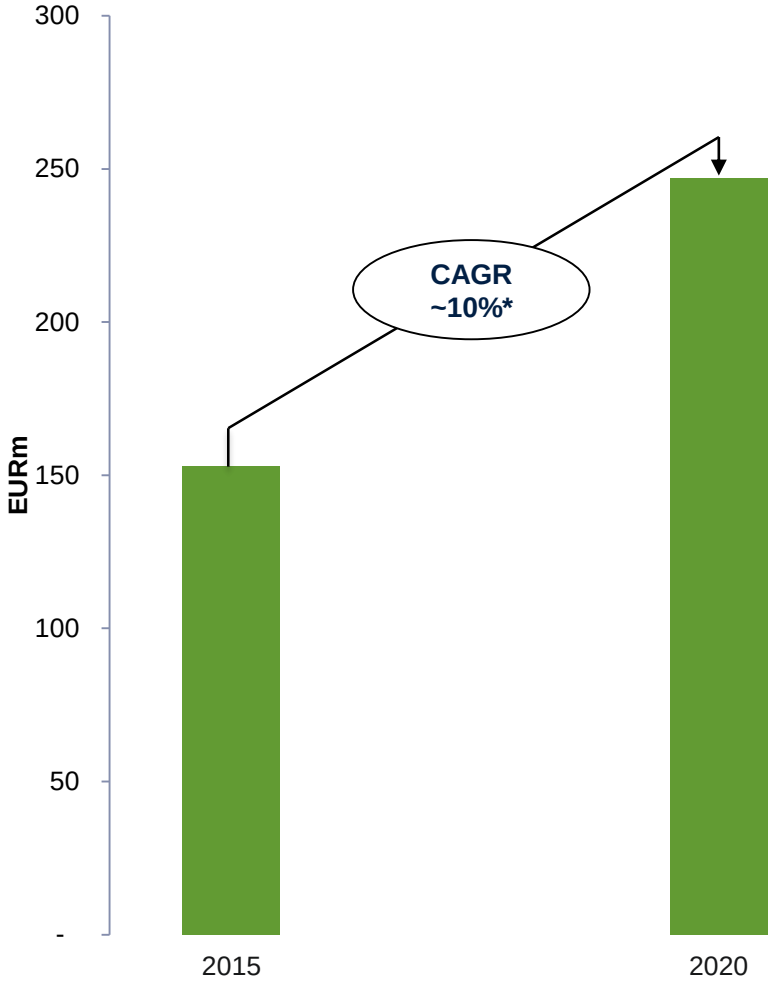


*Kongsberg Automotive estimates

Growth platforms: Seat comfort

- **Increased fitment rate in all segments within seat comfort**
- **Comfort value per vehicle is increasing**
- **KA offers unique product range & integration expertise**
- **Wide modular product offering from A- to S-class**

Estimated sales (EURm)

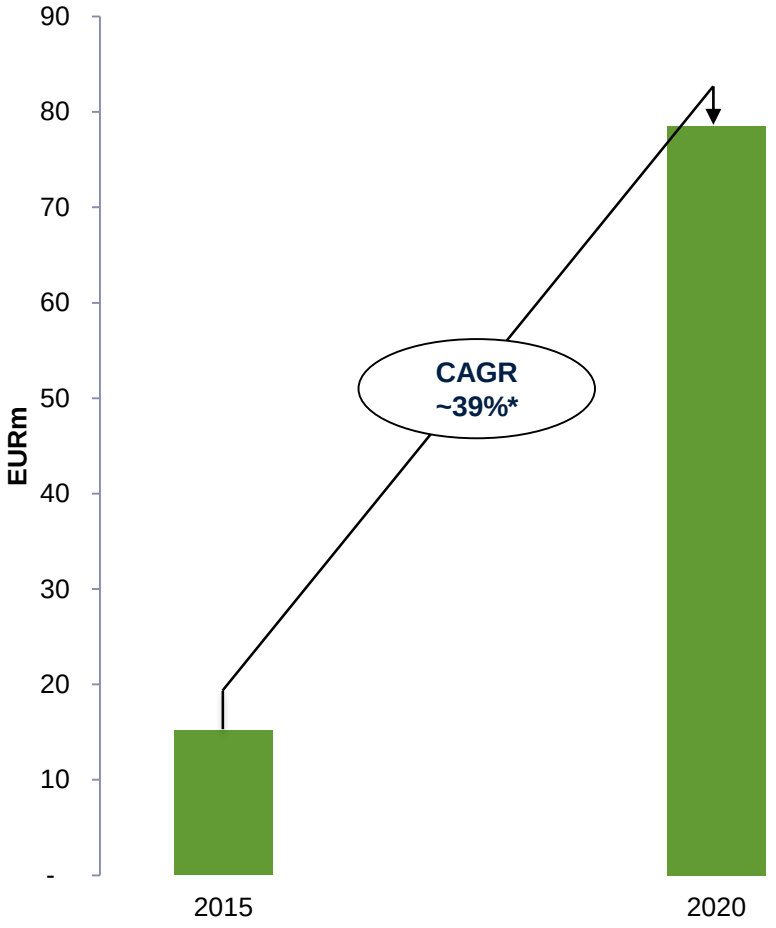


*Kongsberg Automotive estimates

Growth platforms: Efficient powertrains

- **Strong trend towards electronically controlled transmissions in cars & trucks**
- **KA entering AMT segment to match global market expansion**
- **KA bringing innovations in Shift-by-Wire & Power Electronics**
- **Valuable R&D competence synergies between Driveline and Driver Control**
  - Competence and experience from Driveline and Driver Control used in the development of powertrains of tomorrow

Estimated sales (EURm)

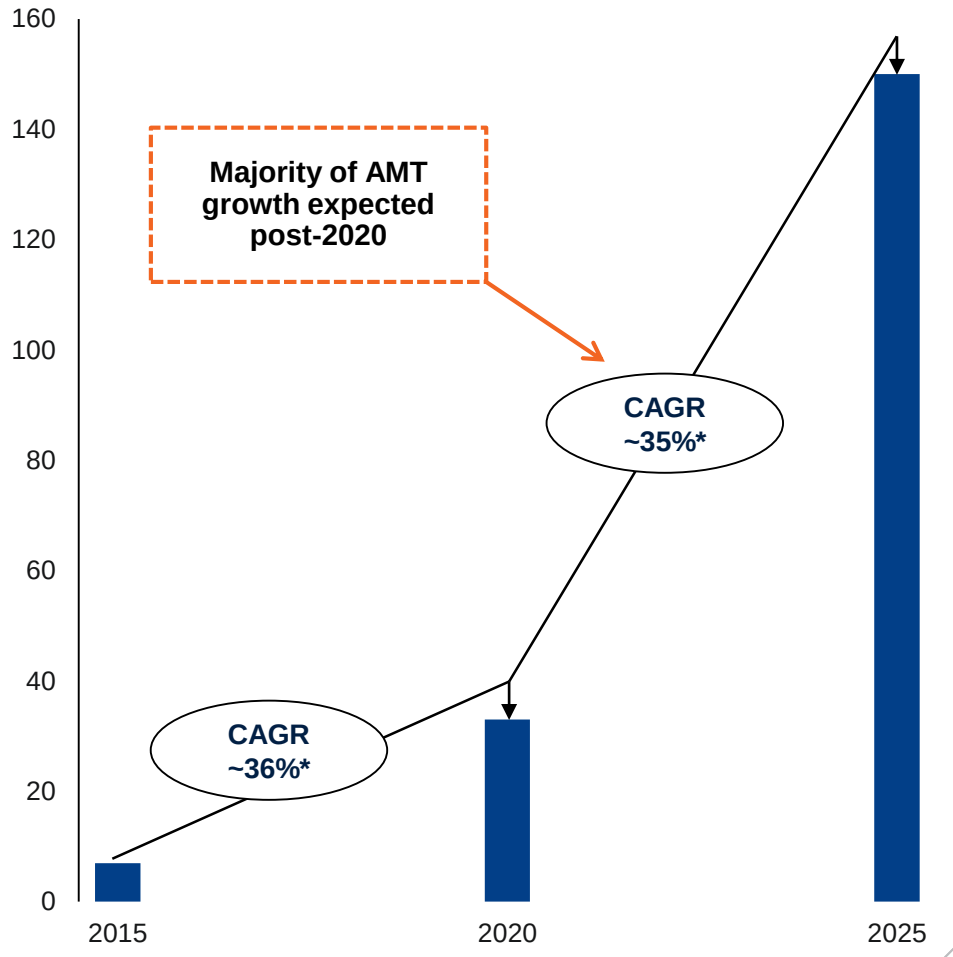


*Kongsberg Automotive estimates

Well positioned to take part in AMT growth

- **Strong positions with leading European truck producers generating opportunities**
  - High customer credibility provides basis for taking part of AMT technology transit
- **Timing is now – solid growth in AMT to come over the period**
  - High growth expected in the years after 2020, especially for AMT
- **Pursuing technology leadership within AMT by focused R&D spending**
  - Replacing a manual system with an AMT system increases our value per truck 5 times

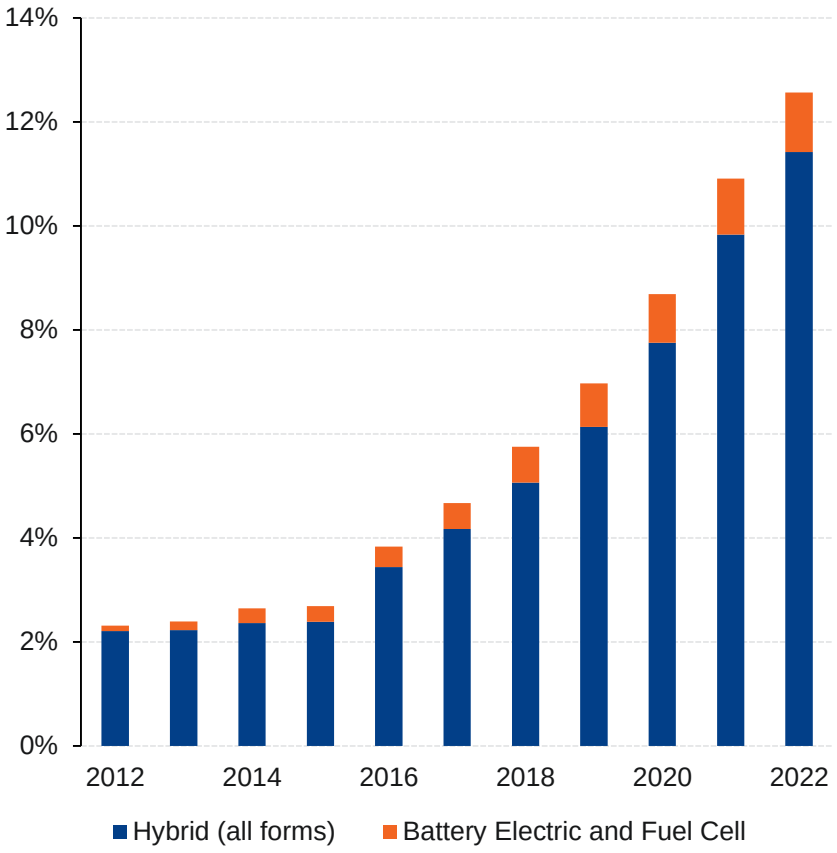
Estimated sales in AMT (EURm)



Growing importance of Hybrid/EV

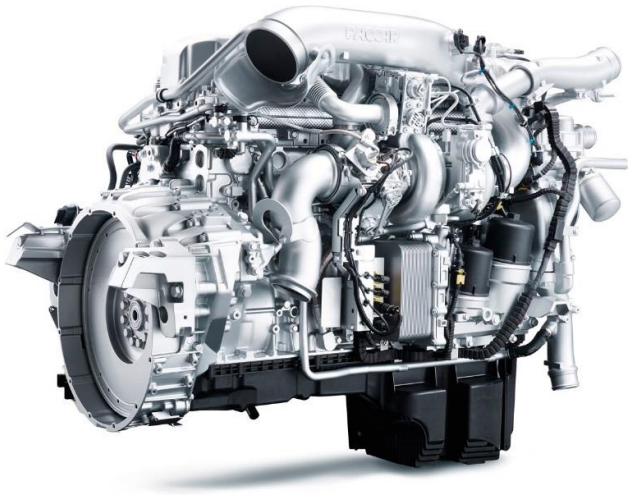
- **The EU's goal for average CO_2 emissions is 95 grams per kilometer**
  - Electrification is key in order to reach target
- **Strong growth in world electrification forecasted from 2015**
- **Wide range of vehicles require complex powertrains**
  - Hydrogen, hybrid, plug-in hybrid and fully-electric
- **KA is well positioned to benefit from global electrification with its innovative product range**

World electrification forecast

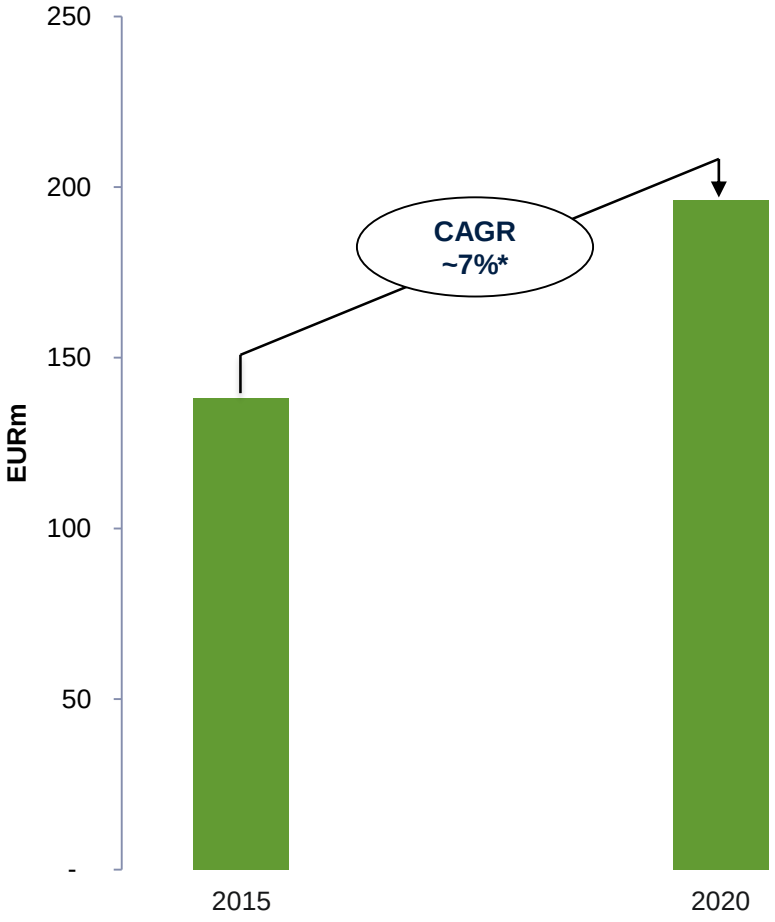


Growth platforms: Advanced Fluid Handling

- **Engine downsizing & turbo charging driving up engine temperatures**
- **KA offering unique high temperature products**
- **KA patented quick connectors reducing weight, complexity & assembly time**



Estimated sales (EURm)

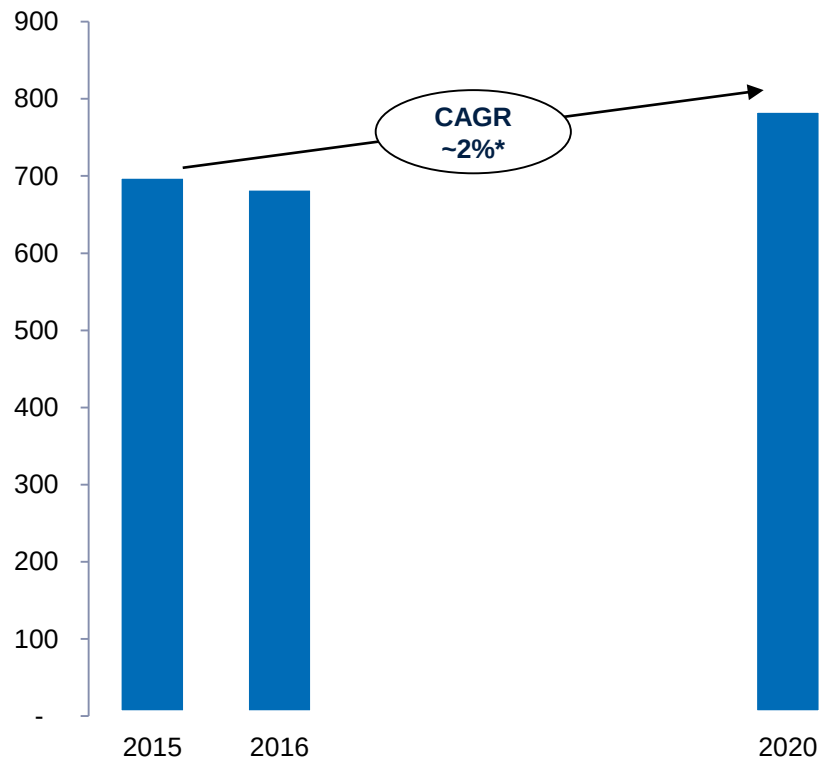


*Kongsberg Automotive estimates

Strategic review of all conventional products

- **Conventional products remain important in terms of scale and cash flow to fund further growth**
  - Focus on growth opportunities in emerging markets
  - Pursue attractive niches
- **Long-term strategic review of all segments and products**
  - Divestment of Light duty cables business unit in 2016
  - Phase out Head- and Armrests products (announced 2Q '15)
- **Continuous focus on optimization of product offering**
  - Reduce complexity
  - Reduce supplier base

Estimated sales (EURm)



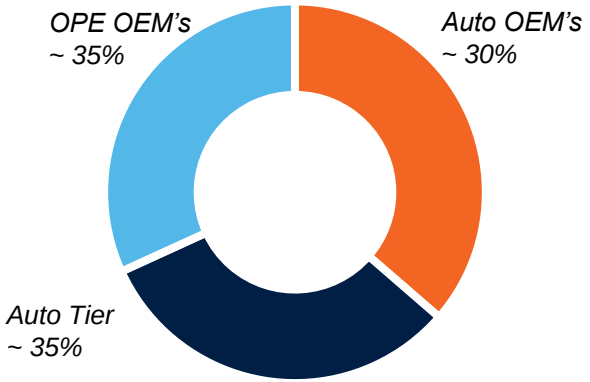
Divestment of LDC business unit

- **KA considers divestment of Light Duty Cable business**
  - LDC represents ~10% of group sales with high-teen margins and about 1 600 employees
  - Highly attractive & diversified blue chip customer base with long standing relations
- **The business unit has a well established position in the market and is expected to grow in line with global automotive market**
  - Low cost manufacturing footprint to serve regional and global customers
- **However, KA needs to prioritize R&D spending and will therefore optimize product mix**

LDC customer Base

Selected Auto OEMs	Jaguar, Ford, GM, Land Rover, Honda, Chrysler
Selected Auto Tier Ones	Johnson Controls, faurecia, Dana, Grammer, Lear Corporation, Magna, Recaro, brose
Selected OPE OEMs	Husqvarna, Bosch, John Deere, MTD, Toro, Global Garden Products, Stihl

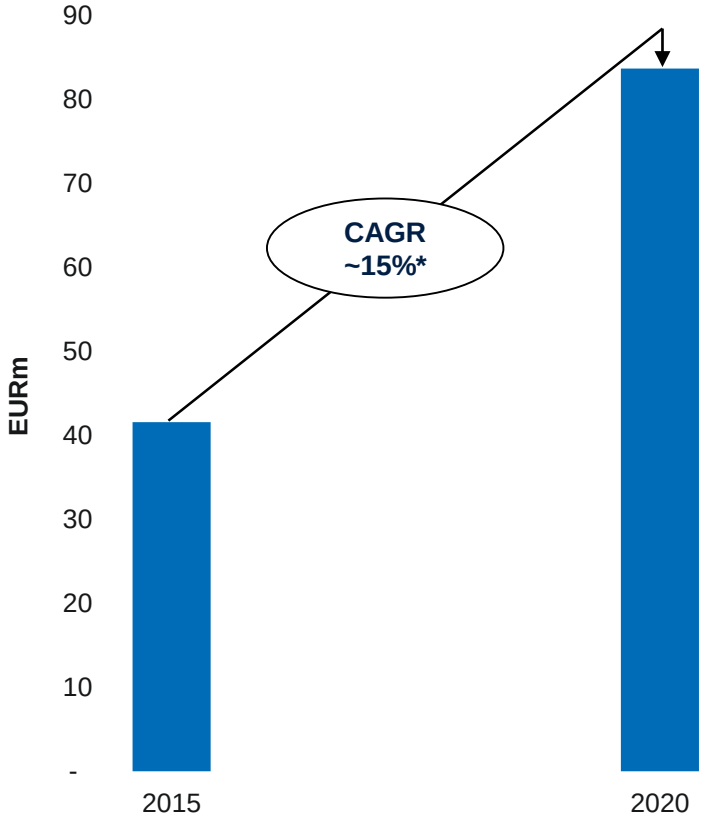
Sales split in segments



Selective growth opportunities for conventional products will be pursued

- **Promote manual transmission (MT) products in emerging markets**
- **Focus on fast growing geographies**
  - Capturing opportunities with limited capex
- **~40% of LTM business wins for manual transmission booked in Emerging Markets**
- **Emerging market growth balancing out mature market decline**

Estimated sales of MT products in Emerging Markets(EURm)



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FINANCIAL TARGETS AND OUTLOOK

Update of 2015 Financials

KEY FACTORS IMPACTING 2015

- **Higher R&D activity to support future growth opportunities**
- **Market head wind in Brazil and China, CV market down 30%**
- **Higher program launch cost within Driveline**

	CMD 2014	LTM Q3-2015
Revenue	In line with 2014 (979.1 m€)	1 011 m€
ROCE	13% in 2015	10%*
NIBD/EBITDA	< 2x by 2015	2.4x

* Adjusted results

Growth is a key element to strengthen ROCE

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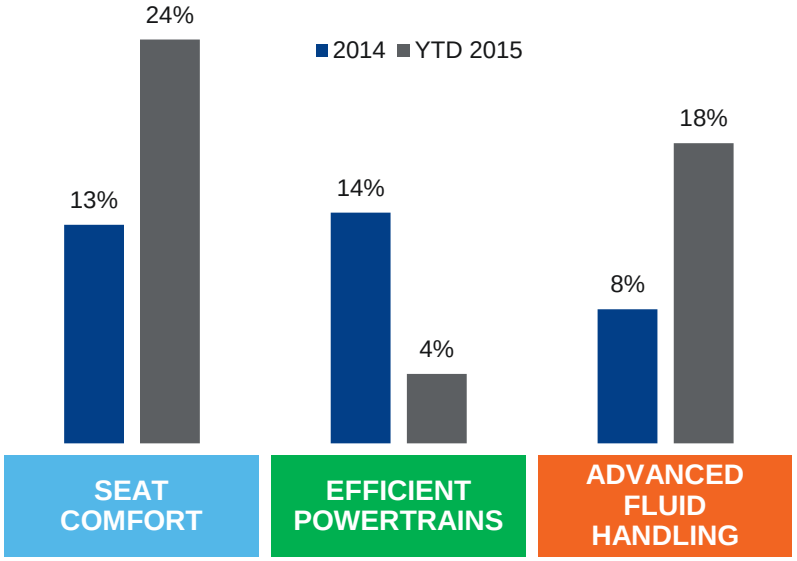
- **KA has delivered solid operational improvements**
- **Gross Profit improved by 6% since 2010**
  - Reduction of manufacturing footprint from 41 to 33 plants
  - Annual continuous improvement/Lean activities in all plants
  - Purchase cost improvements of about 2% annually
  - Increased LCC workforce
  - Mitigated customer LTA's
- **2.5% of the GP increase is brought to the EBIT line, the remainder is prioritized towards funding long term growth**
  - Increased R&D efforts
  - Increased Sales and marketing efforts

Top line growth required to harvest benefits from operational gearing

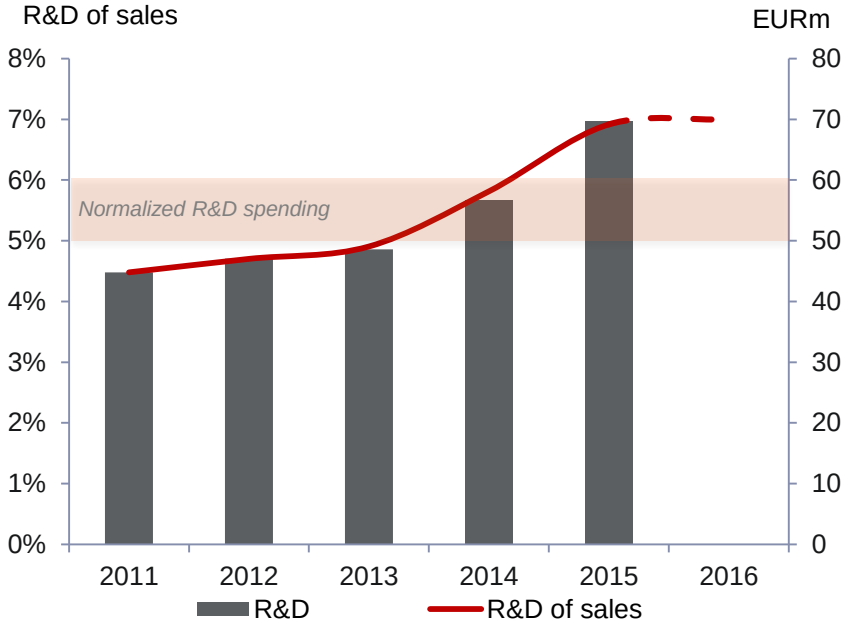
Converting R&D to new business

LTM new business wins



- **LTM new business wins pr. 3Q15 at EUR 321m p.a. value**
- **Increase proportion of new business related to growth platforms from 2014 (~35%) to 2015 (~47%)**

R&D spending

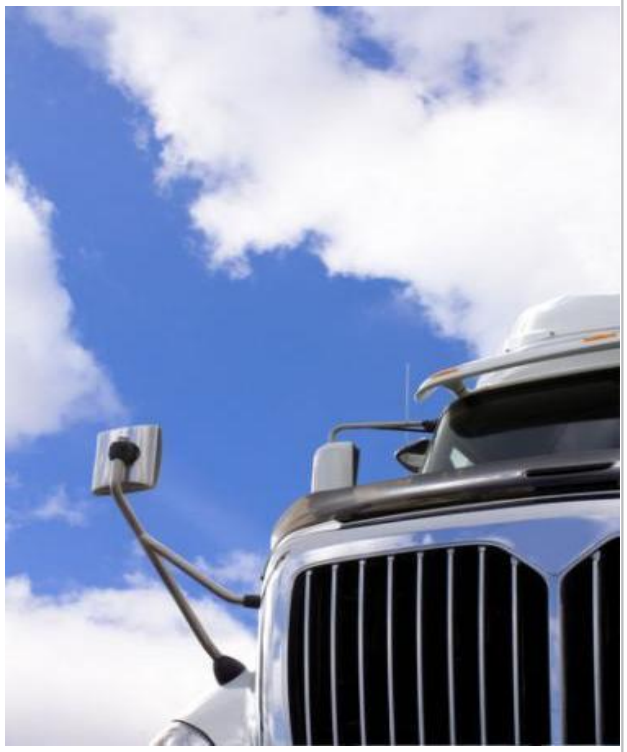


- **Increased R&D to develop new technology**
- **Supporting growth platforms**
- **Normalized R&D spending expected to fluctuate around 5-6% of sales**

Securing a robust platform with medium term dividend potential

Dividend Policy update:

- Kongsberg Automotive shall create good value for its shareholders, employees and society
- Returns to shareholders will be a combination of changes in share price and dividends
- The Board of Directors' intention is that dividends will be approximately 30% of the company's net income provided that the company has an efficient capital structure



Standing by our long term targets

KPI	Targets	Comments
Organic growth	**3 – 5% annually**	~10% CAGR (2015-2020) on growth platforms ~2% CAGR (2015-2020) on conventional products
ROCE	**> 13%**	Ambition to deliver above 13 % ROCE
NIBD/ EBITDA	**< 1.5**	• Continue deleveraging to increase financial robustness • Will allow a higher range in periods to facilitate dividends and non-organic growth

Materialization of R&D with revenues from new contracts will lift top line in 2017 and allow dividends to be prioritized

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Market Outlook

Philippe Toth, SVP Business Development and Investor Relations

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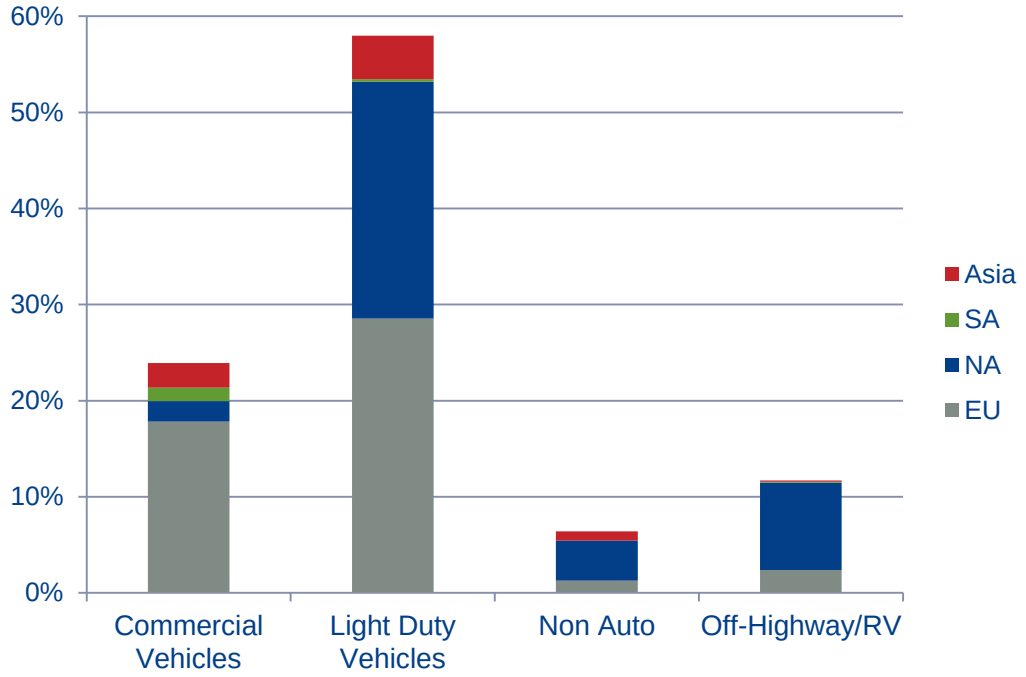
Market drivers

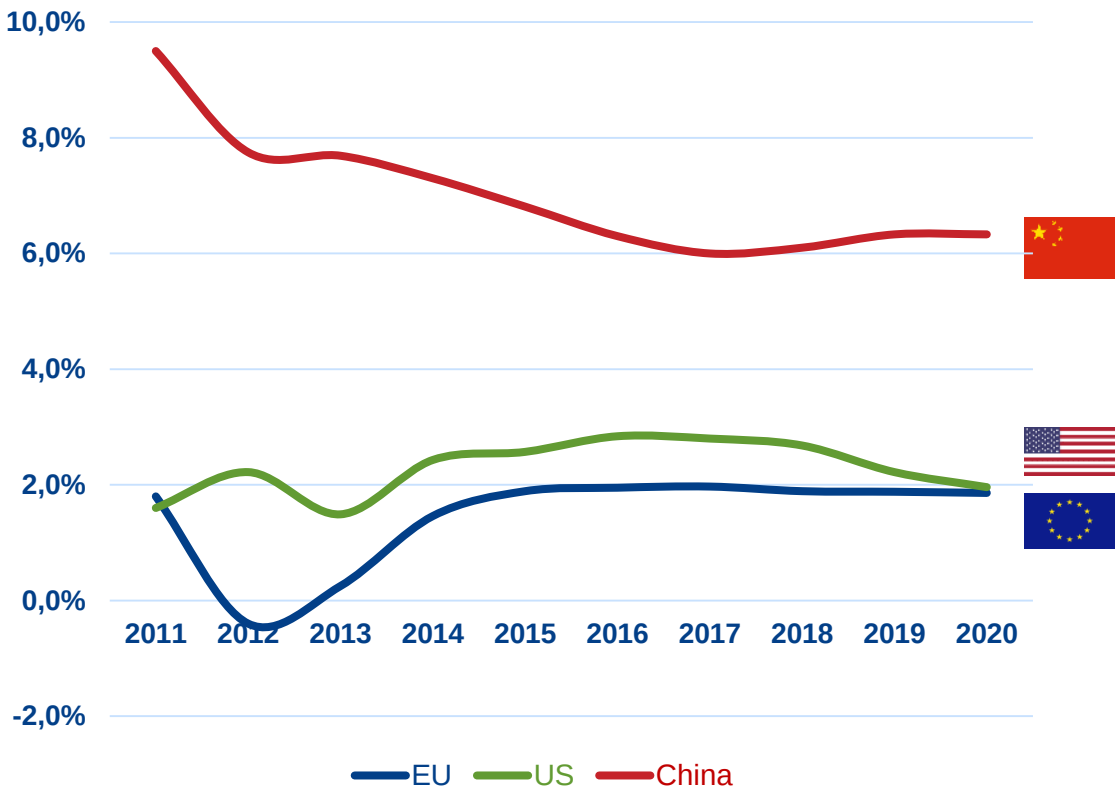
- **Regional demand**
  - Production moving to the regions where the demand is
- **OEMs platform strategy**
- **Regulations**
  - Efficient powertrain
  - Electrification and hybridization push
- **Market requirements and expectations**
  - Consumer focus on comfort and luxury features

Group exposure by end-markets & regions



- CV segment is mainly exposed toward European underlying growth
- LDV segment is fairly balanced between North America and Europe
- Off-highway and Recreational Vehicle segment is mainly driven by North American growth

GDP growth – in large economies



- World GDP growth stable around 2.5 to 2.7%
- Eurozone steady improvement
- North America stable, some improvement
- Slow down in China a new reality

Source: IMF World Economic Outlook (WEO), October 2015

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MARKET OUTLOOK - PASSENGER VEHICLES

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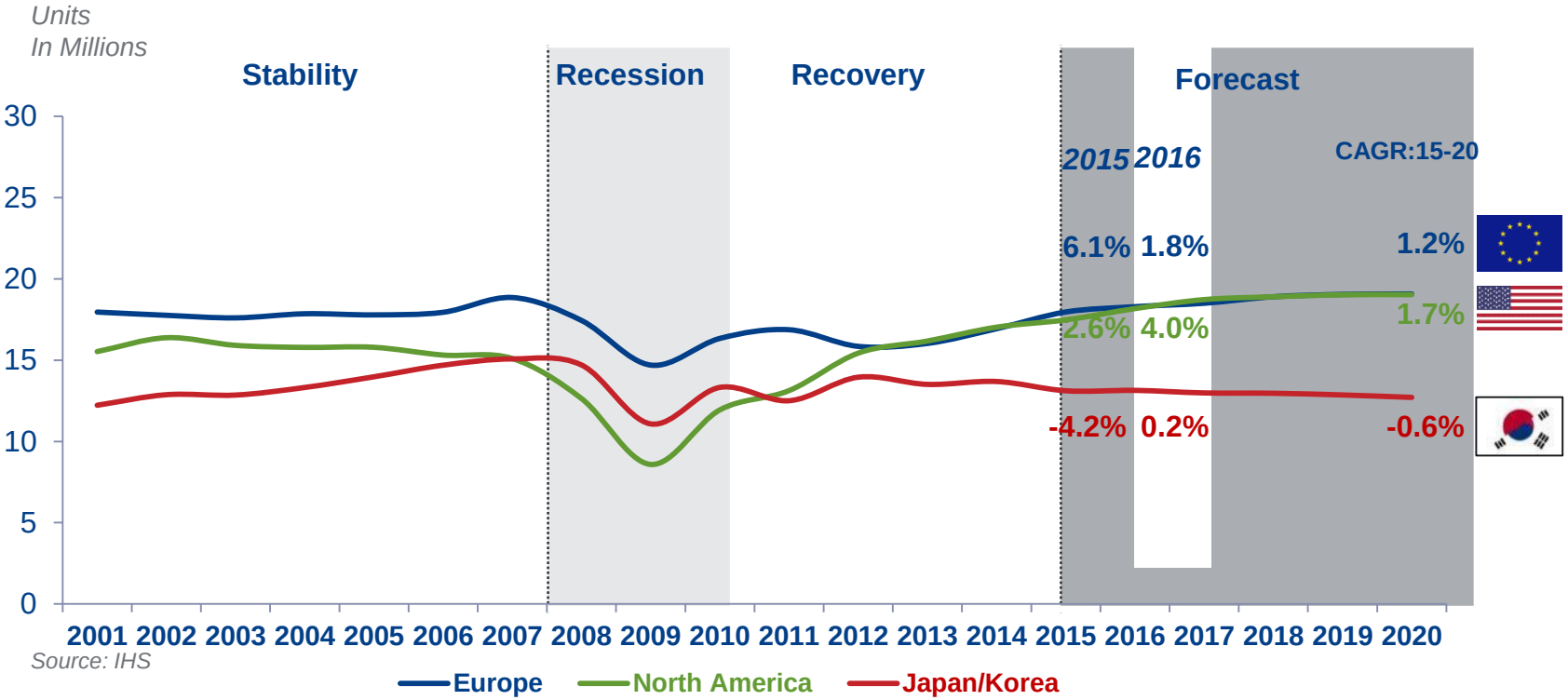
Triad markets LDV production



Good recovery in Western Europe driven by replacement demand

Stable growth in North America, will flatten towards 2020

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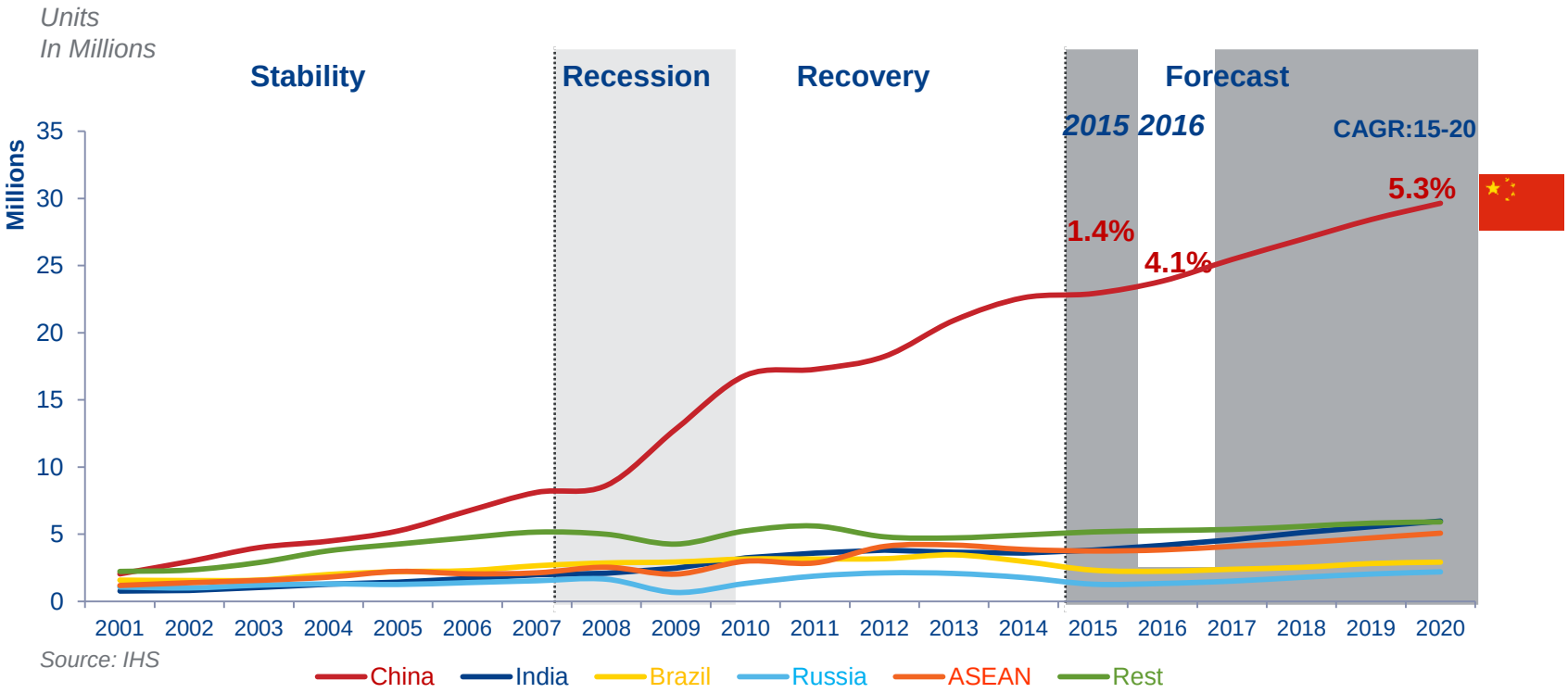
Emerging markets LDV production



Chinese market stabilizes at lower levels. 2016 will be driven by tax cut incentives

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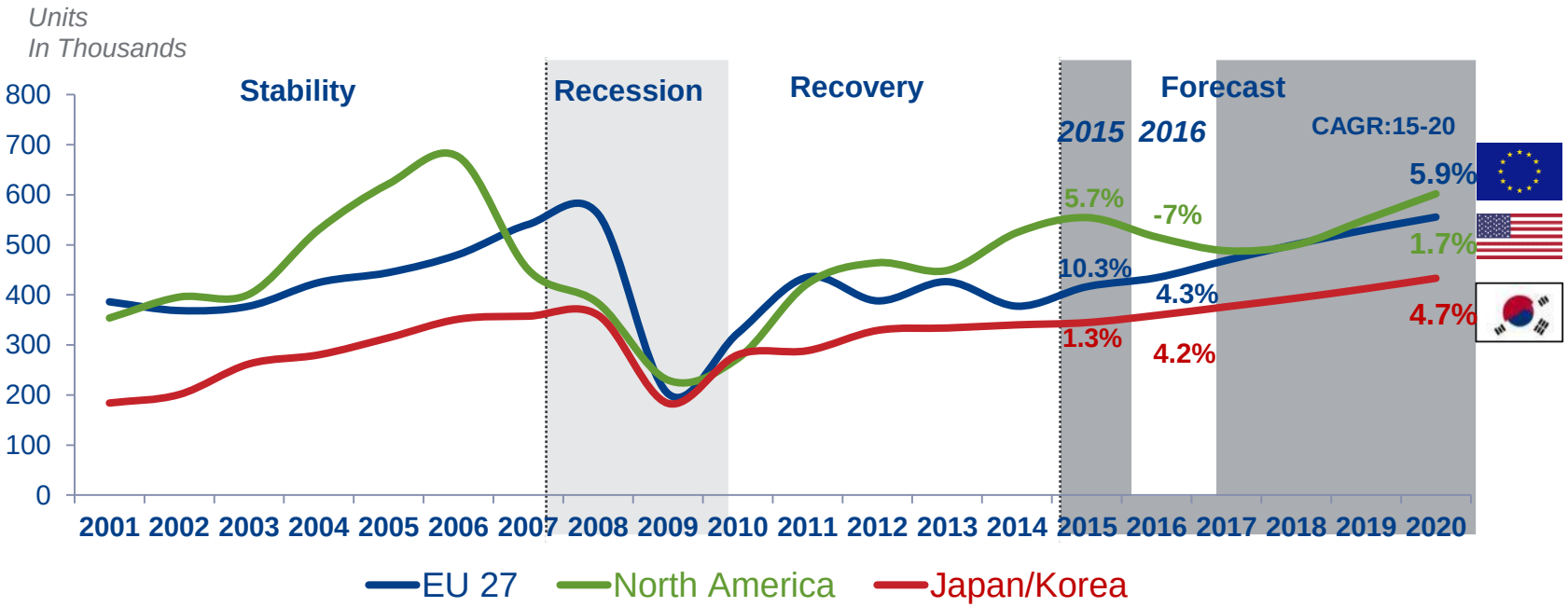
MARKET OUTLOOK – COMMERCIAL VEHICLES

Triad markets CV production

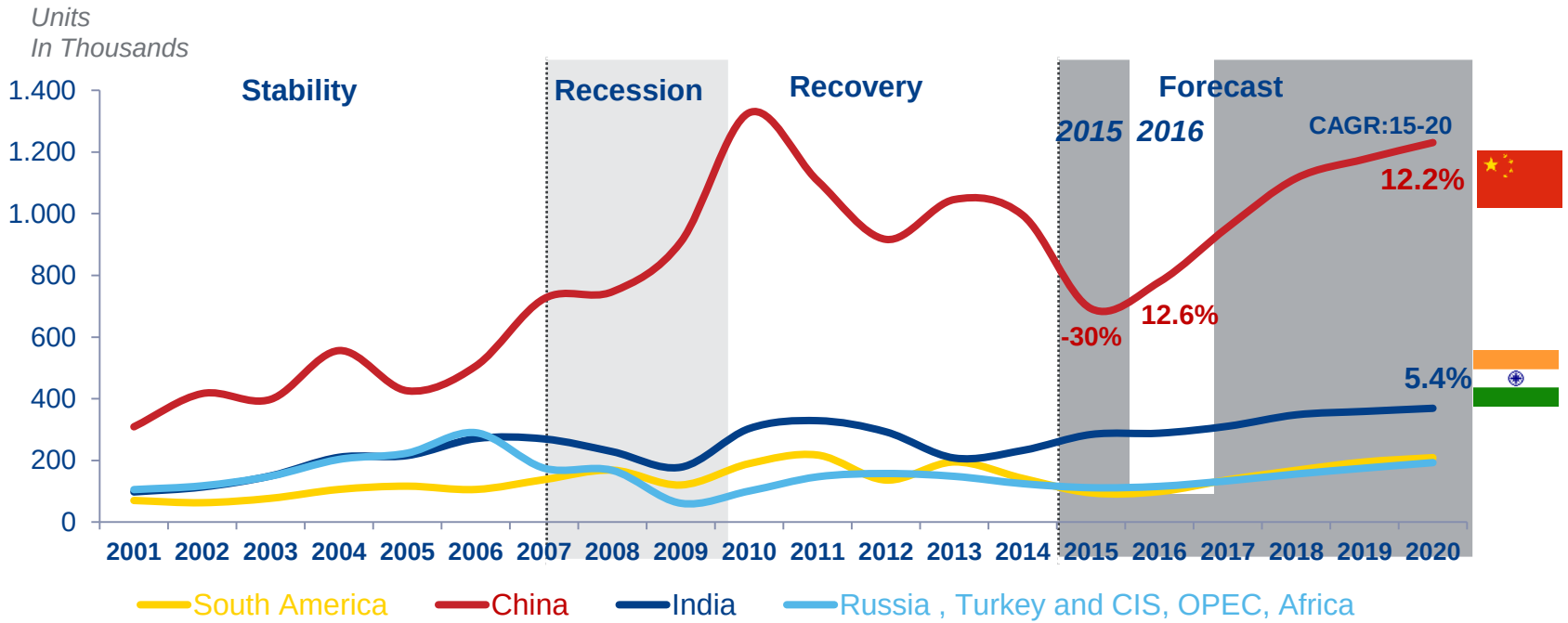


Source: LMC

Mature market (EU, Japan) performing strongly

Soft landing in North America in 2016

Emerging markets CV production



Source: LMC

Emerging market remain in turmoil

China will see some improvements in 2016 after strong decline in 2014 and 2015

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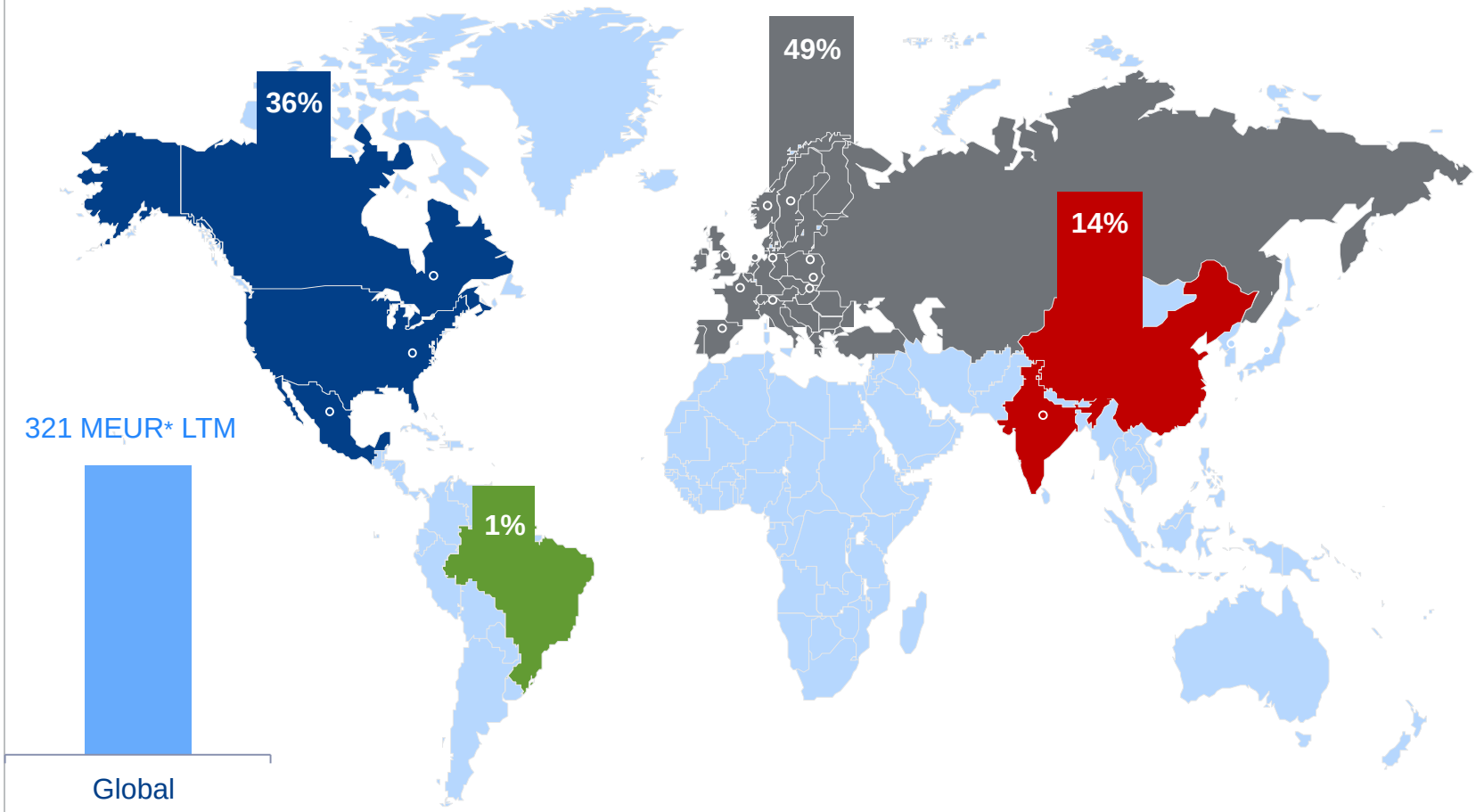
NEW BUSINESS WINS

Regional business awards last twelve months



* Expected per annum value

- Continue trend toward booking more business in BRIC than current revenue exposure
- ~47% new business booked within growth platforms

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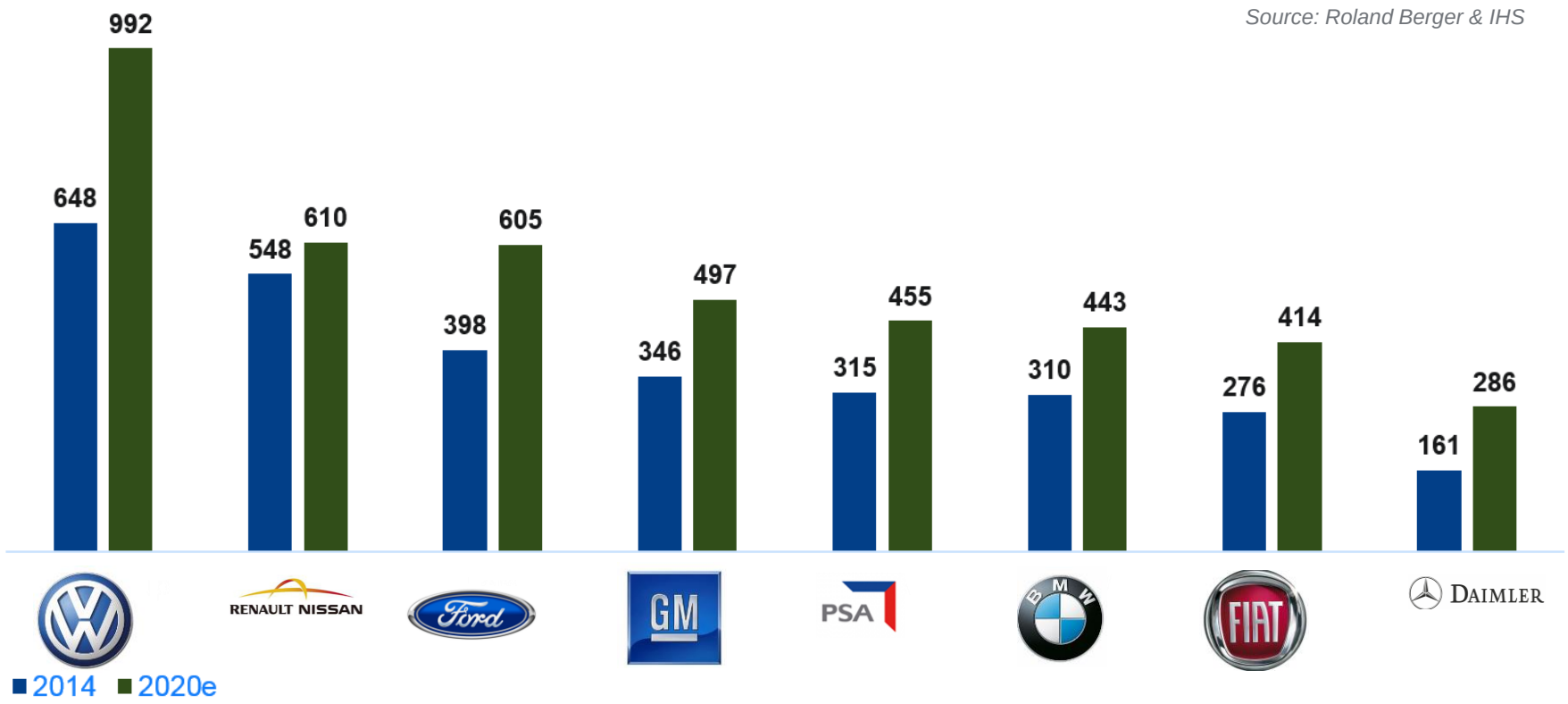
KA TOP CUSTOMERS

Average volume per platform rising further



KA Global footprint and technology leadership will support OEM platform strategy

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REGULATIONS

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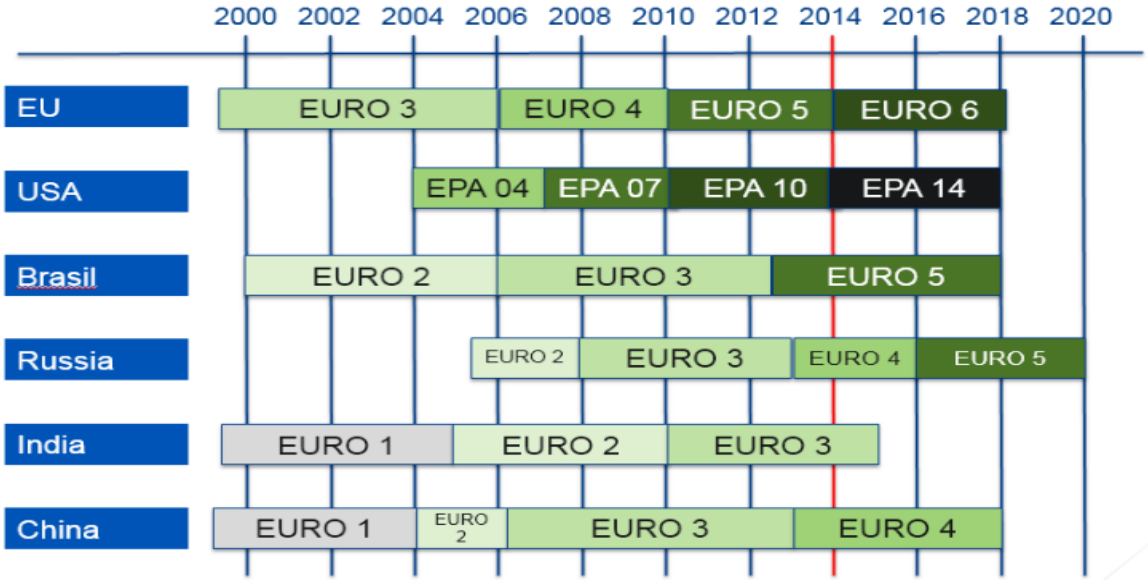
Emissions regulations are tightening world wide

Commercial Vehicle



- Toxic gas emissions regulated by EURO and EPA standards (CV shown)
- VW issues will spur changes in control methods
- High engine cost and requirements for low sulphur content is main delay factor for implementing in emerging markets

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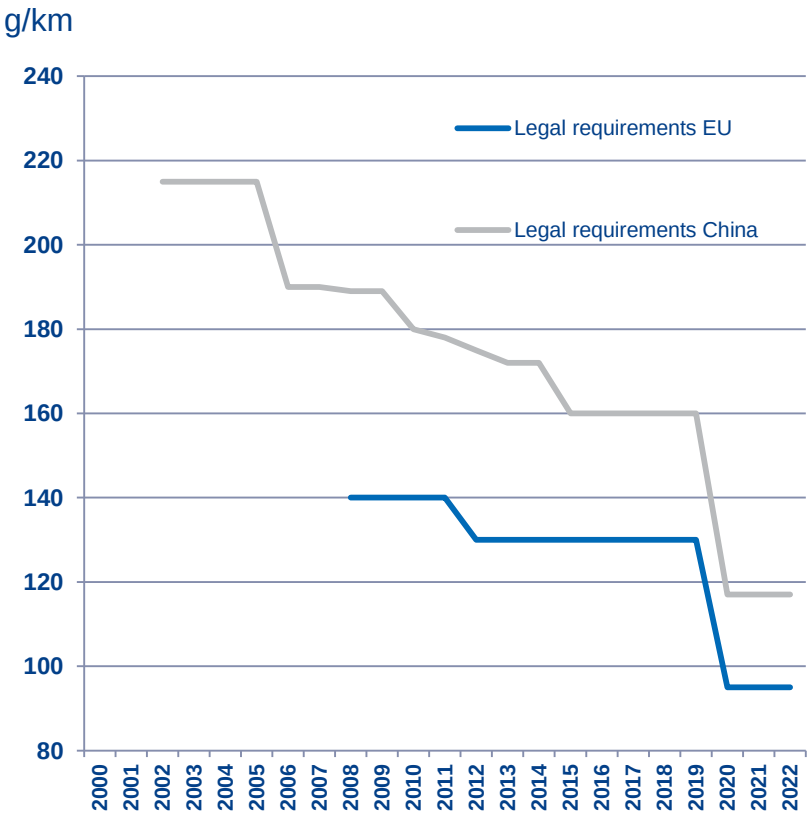
CO_2 emissions fleet reduction targets



- **Green-House-Gas emission regulations under discussions for new test regime that can compare to real life use as discrepancy between tests methods and real life**
- **Discussions have started on implementing GHG emission ruling in EU also for heavy commercial vehicles. Test regime for this already agreed upon (ref: VECTO)**

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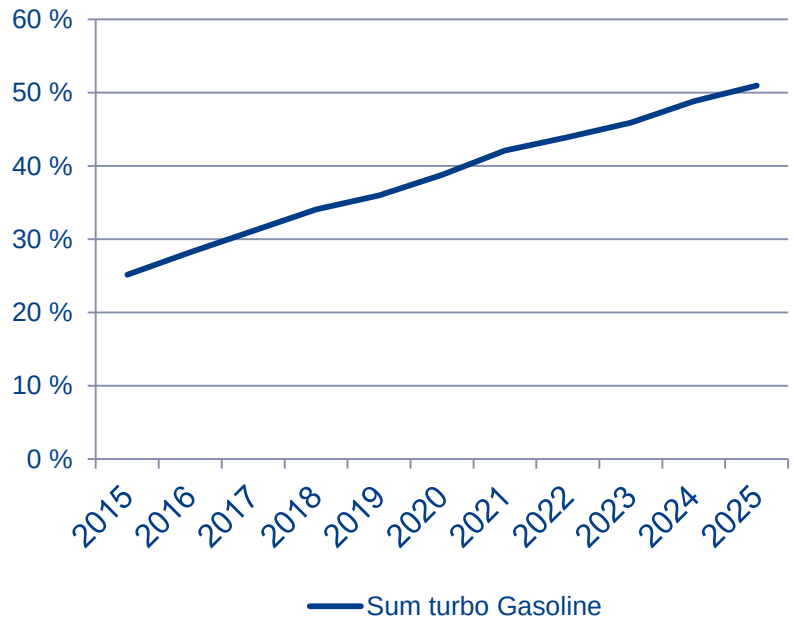
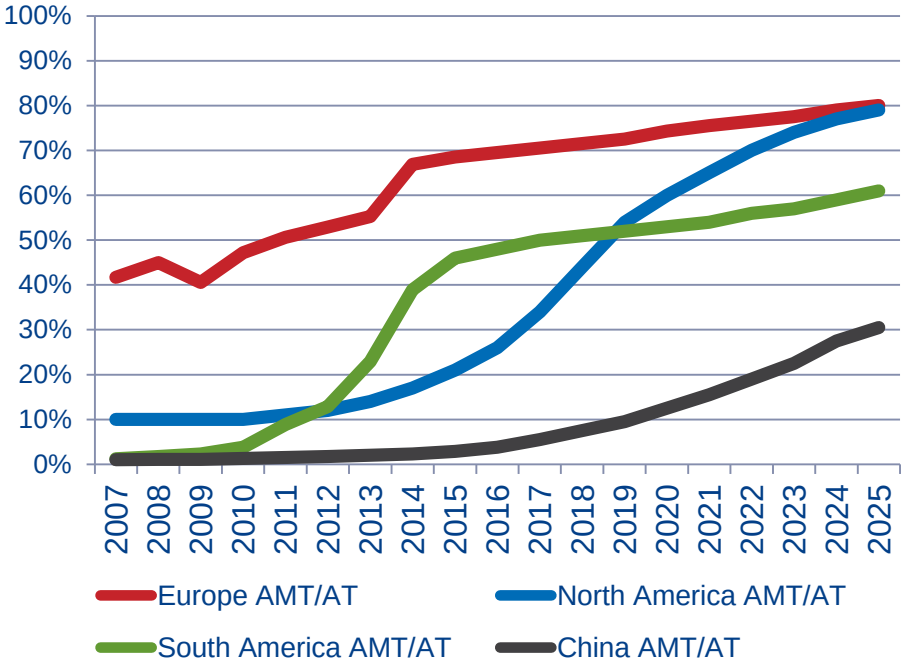
Lowering emissions & increasing automation

Increased Turbo Fitment (PV)



Increased AMT Gearboxes share (CV)



Favorable to FTS Fluorocomp® high temperature products

In line with DCS focus on AMT products and R&D efforts

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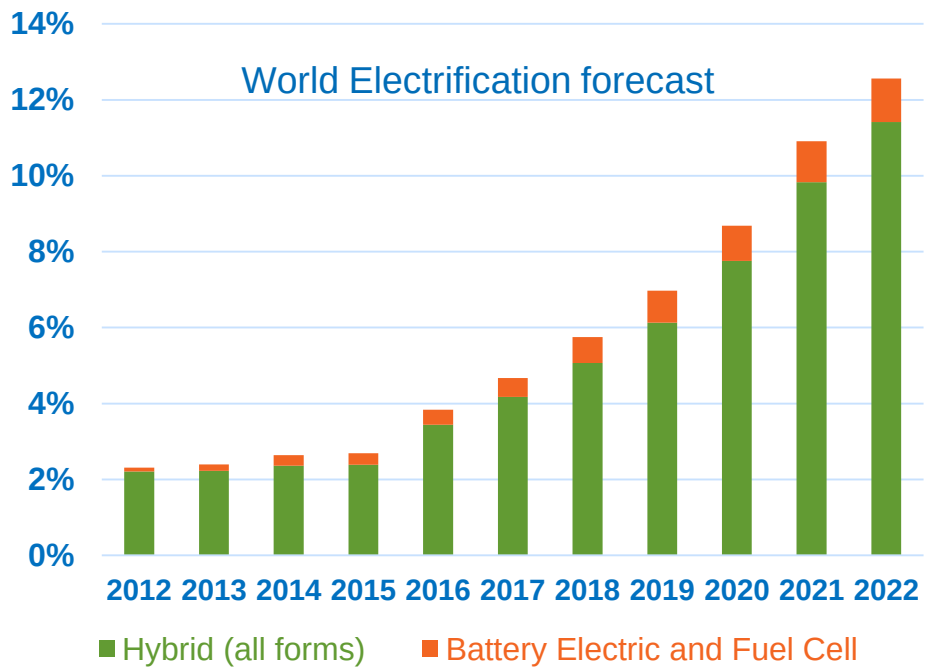
New powertrain solutions will be required



- World electrification production estimated to grow strongly from 2015
- Europe & China will head the growth due to emission and local pollution legislation
- Electrification costs will be on-par with ICE vehicles ca. 2022-24

In line with KA focus on Power Electronic business

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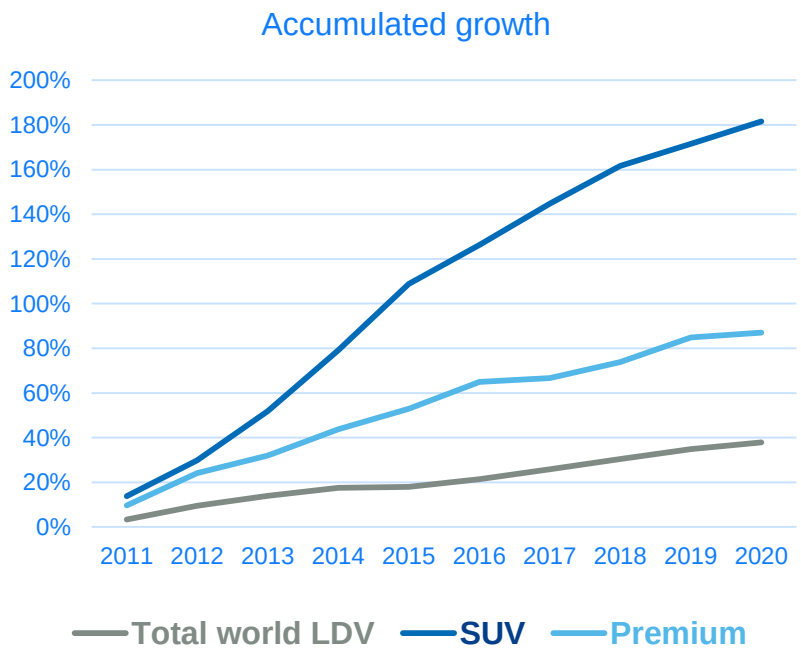
Market

REQUIREMENTS AND EXPECTATIONS

Increasing consumers expectation



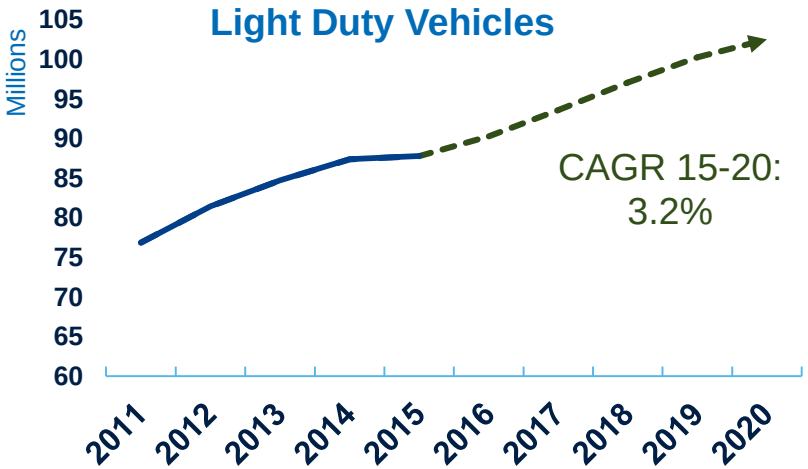
- **Consumers want higher comfort and advanced features**
  - Premium car segment and SUV's grow more than LV market
- **Interior Systems is well exposed to the seating comfort segment**
- **Driveline is well exposed with its Shift by Wire & automated gearshift systems to the premium segment**

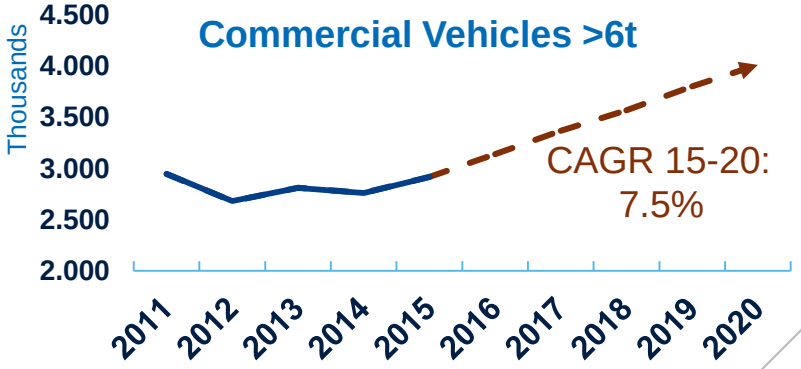
Source: IHS

Summary

- **Growing global production of vehicles**
- **Legislation push will drive**
  - Efficient powertrains
  - Further electrification of powertrains
- **OEMs to increase average vehicle per platform**
- **Consumer needs will drive higher products features per car**

Market outlook





Source: IHS & LMC

KONGSBERG
AUTOMOTIVE

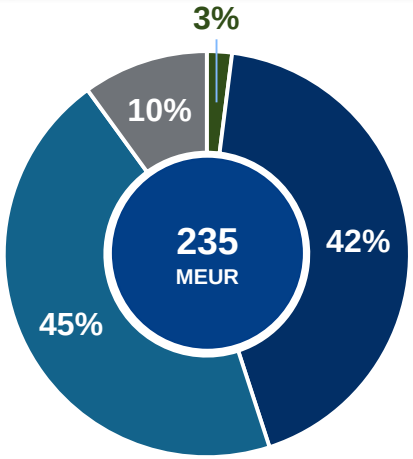
Efficient powertrains in the Light Vehicle Segment

Ian van Duijvenboode, VP Sales & Marketing, Driveline

Driveline product lines

KONGSBERG AUTOMOTIVE

LTM Q3 2015 sales



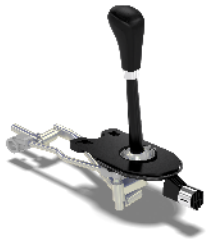
- SbW
- Conventional AT systems
- Conventional MT systems
- Other

LVP CAGR (2015-2020): 3.2%

Product lines

- By Wire technology is key growth area and key for future efficient powertrains & autonomous driving.
- Market growth of 15% CAGR

- Automatic shifters will still have significant market share mid term, but slow growth



- Manual shifters will still be the main solution for emerging markets

KA growth expectations

Above market

In line With market

In line with market

Efficient powertrains - a growing trend

- We see strong future growth opportunities for our products in power electronics and shift by wire

- Efficient powertrains are on every OEMs agenda as future mobility will demand **more power, less consumption and CO_2/NOx emission reduction**

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Bringing new technology to the market

TRANSITION TOWARD SHIFT BY WIRE ACTUATION

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From mechanical to by wire actuation

Shift By Wire is a must for

Autonomous drive vehicles

Car has to go between gears by it self
Auto park functions require by wire

Innovative shifter designs

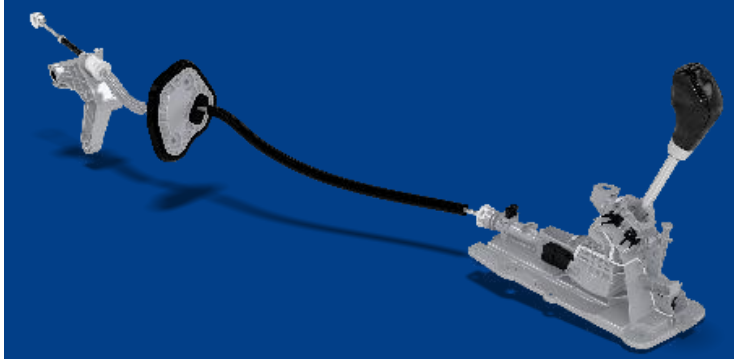
Crystal in your gear lever
Rotate between gears

Electric & hybrid cars

KONGSBERG AUTOMOTIVE

"A true shift by wire system supplier"

Conventional AT system with cable

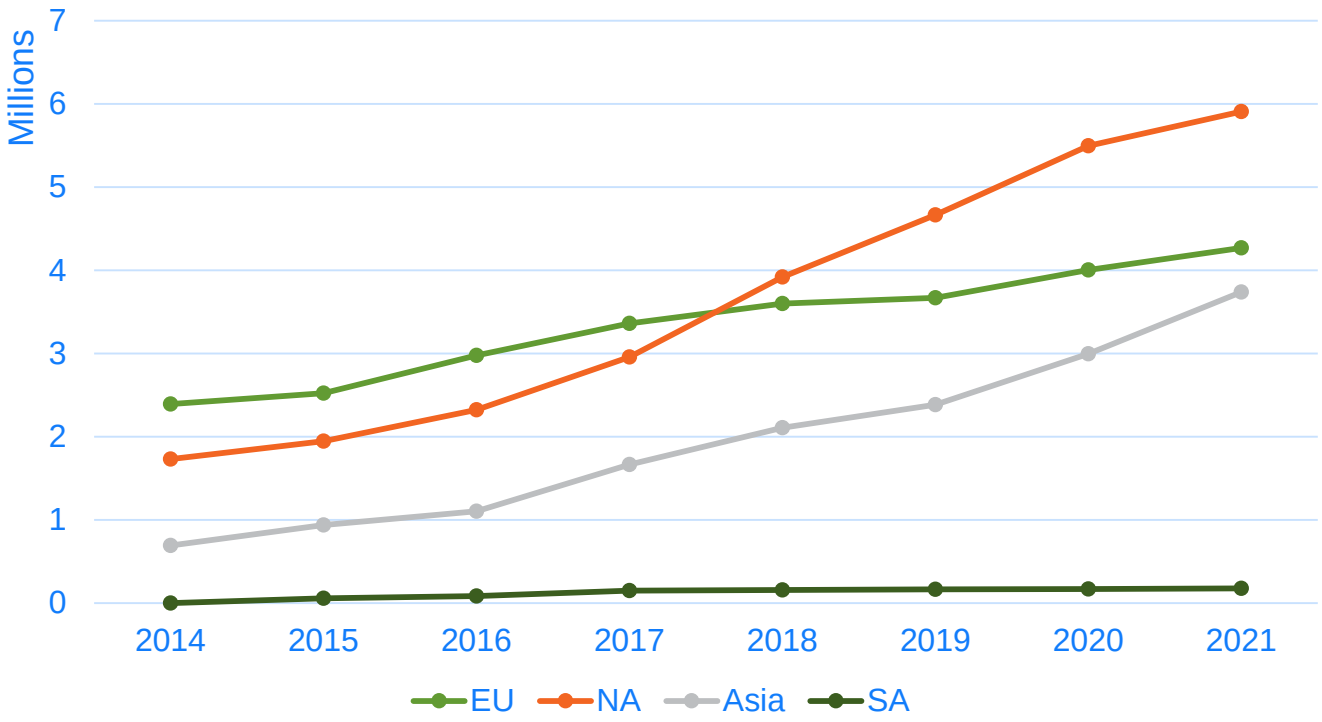


- Mechanical connection to transmission
- Used in all markets but modest growth

Shift By Wire system

- Actuator allows for shift by wire on non electronic transmissions (Traditional)
- Design freedom
- Autonomous cars

Shift By Wire have growth in all major regions



- Success in North America and China is key for growth
- EU has highest penetration today – slower growth

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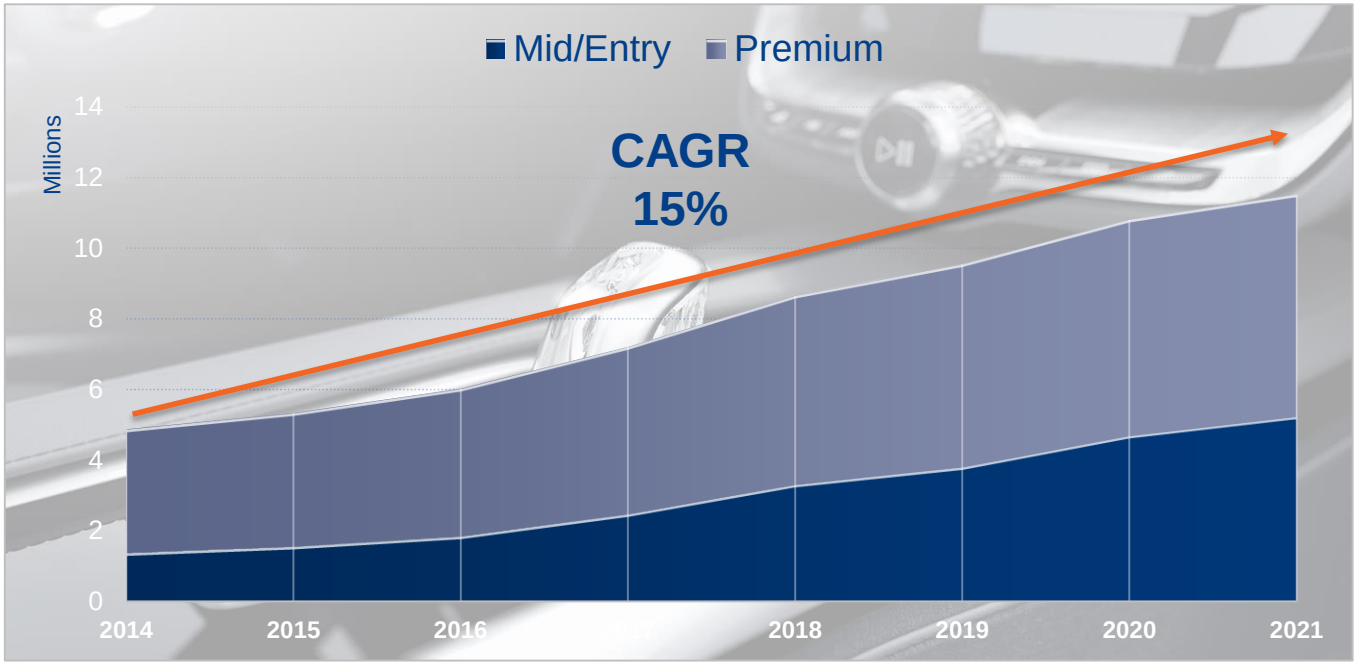
Shift by wire technology moving down in segment

Million units



- Shift by was a premium car only technology
- Biggest growth comes from mid segment cars
- From E&D to C and now B & A segment

Source: Company estimate

KONGSBERG AUTOMOTIVE

Shift by wire technology

"A pallet of designs to chose from"

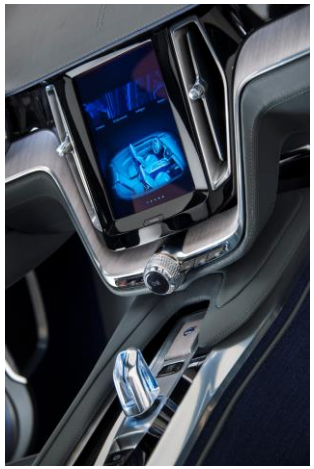
Technology

Joystick

Rotary

Buttons

Steering column



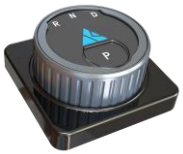
Strategic direction to support
3 of 4 technologies

KONGSBERG AUTOMOTIVE

Technology differ between OEMs

”It´s not one solution – many OEMs use more then one design”

FCA FIAT CHRYSLER AUTOMOBILES



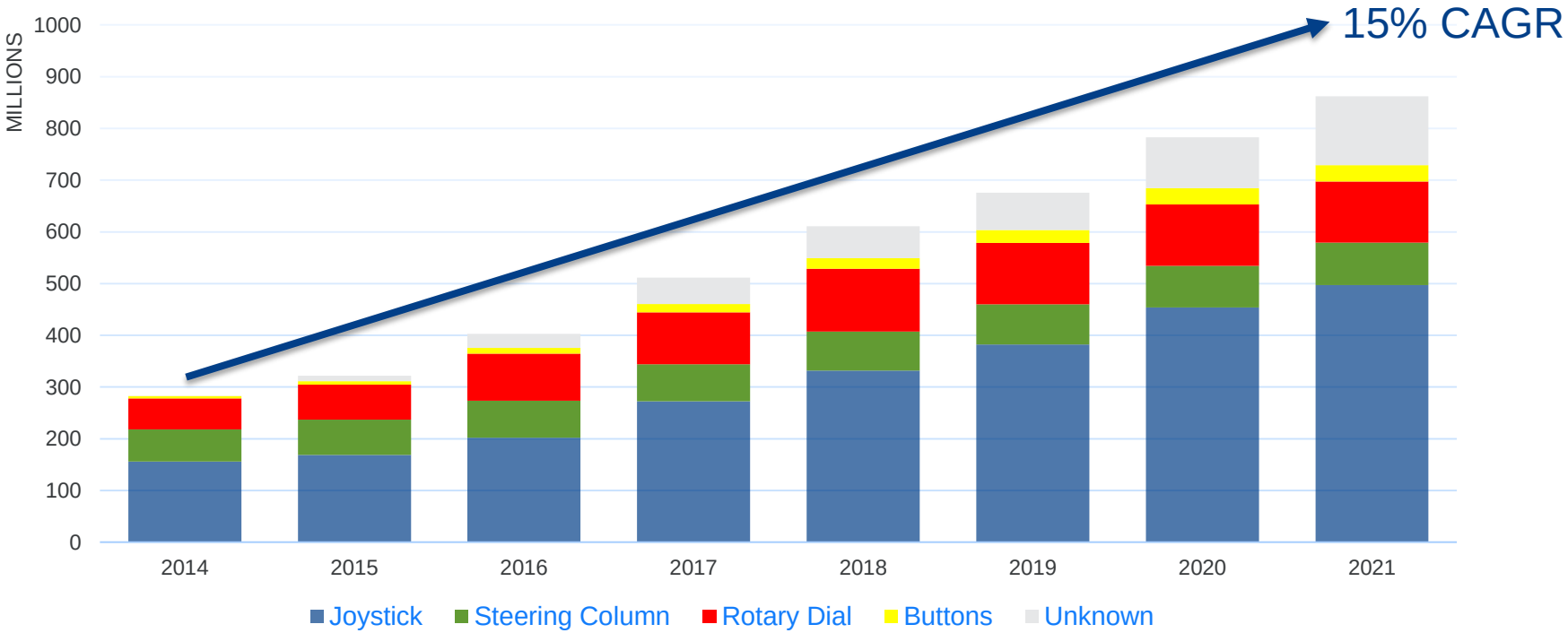
Ford

KA’s strategic direction to support all 3 technologies

KONGSBERG AUTOMOTIVE

Shift By Wire addressable market

"Fast growth – dominated by Joystick technology" (Million €)



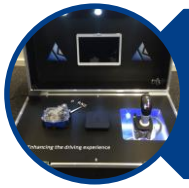
- **SBW expected to grow 15% CAGR**
- **Innovation in these areas is the enabler for new customer development**

How to capture the growth

We bring innovation to our customers

EU SBW Democar

3 exchangeable SBW concepts & Actuator (Full system)



SBW Suitcase

SBW & Actuator (Full system)

Rotary SBW on Tablet

Prototype to be in car Feb 2016

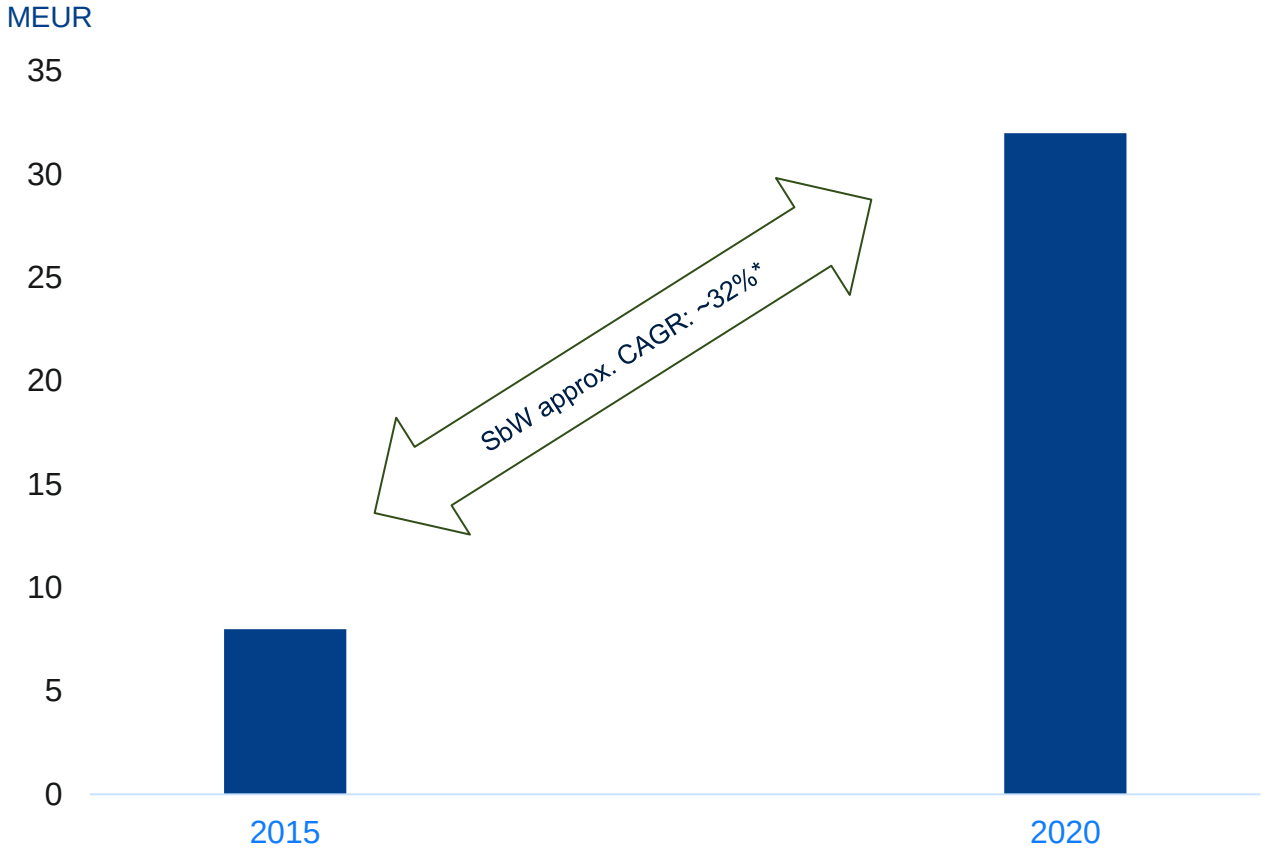
SBW Democar China

SBW Shifter and actuator (Full system)

NA SBW Democar

3 exchangeable SBW concepts & Actuator (Full system)

SbW – high growth segment



KA CAGR (2015-2020): ~32%

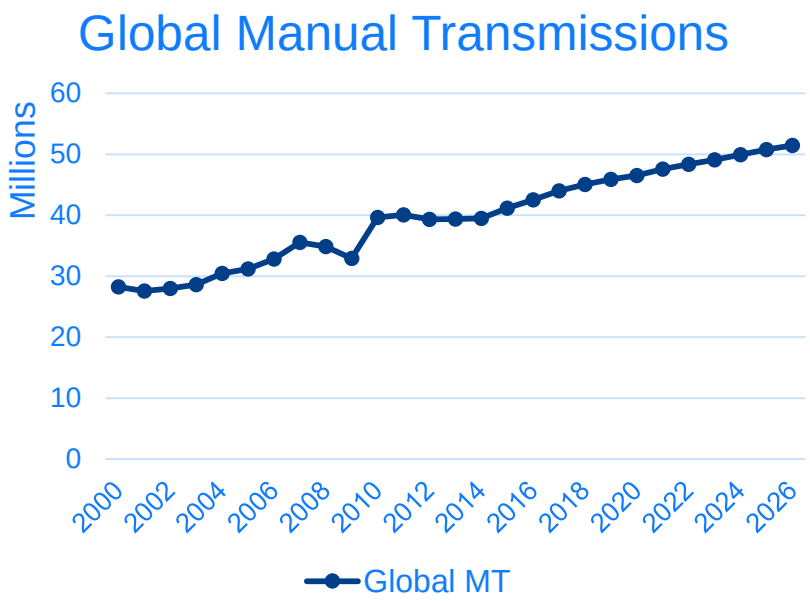
SBW CAGR (2015-2020): 15%

**Kongsberg Automotive estimates*

KONGSBERG AUTOMOTIVE

Still important future for Manual transmissions

Market share	2000	2014	2026
MT	51%	47%	46%

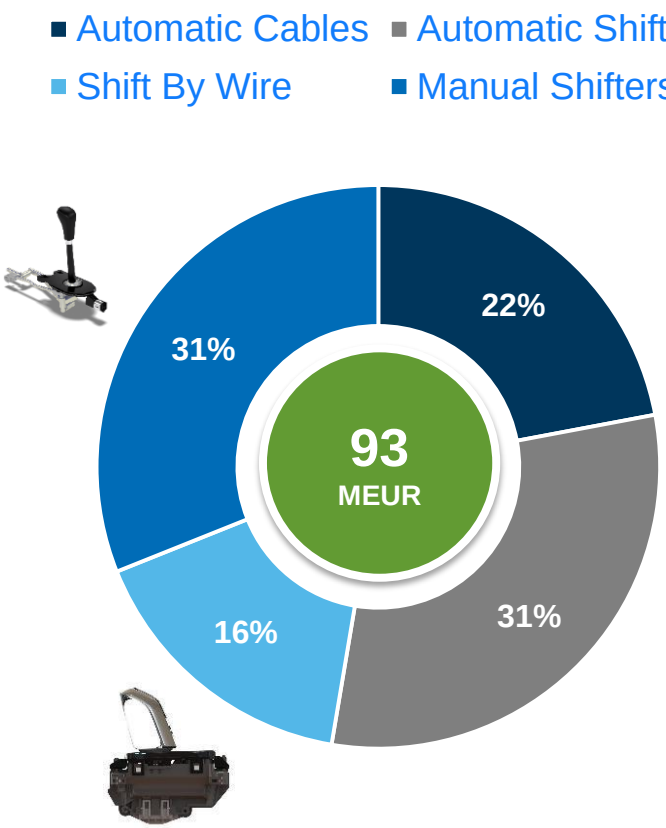


- **Manual transmissions remain important for KA**
  - *Growth driven from emerging markets*
- **In 2026 over 50 million cars will be produced with manual transmission**

Source: IHS

KONGSBERG AUTOMOTIVE

Driveline contract wins in 2014



- Total business wins in 2014 worth annual 93M€
- 69% of new business in automatic
- 16% in growth platform SBW

- Recently booked a breakthrough contract secured on full SBW system with actuator SOP 2017

Summary and key take away

- **Shift By Wire market expected to grow with 15% CAGR**
  - NA & Asia key growth regions
  - SbW moving down to mid & entry segment cars
- **Joystick & rotary are the market leaders**
- **Manual shifters still important in emerging markets**
- **93M€ worth of new business wins in 2014**

KONGSBERG AUTOMOTIVE

ELECTRIFICATION AND HYBRIDIZATION

KONGSBERG AUTOMOTIVE

External market drivers

By 2021, the EU fleet average to be achieved by all new cars is **95 grams** of CO_2 per kilometer

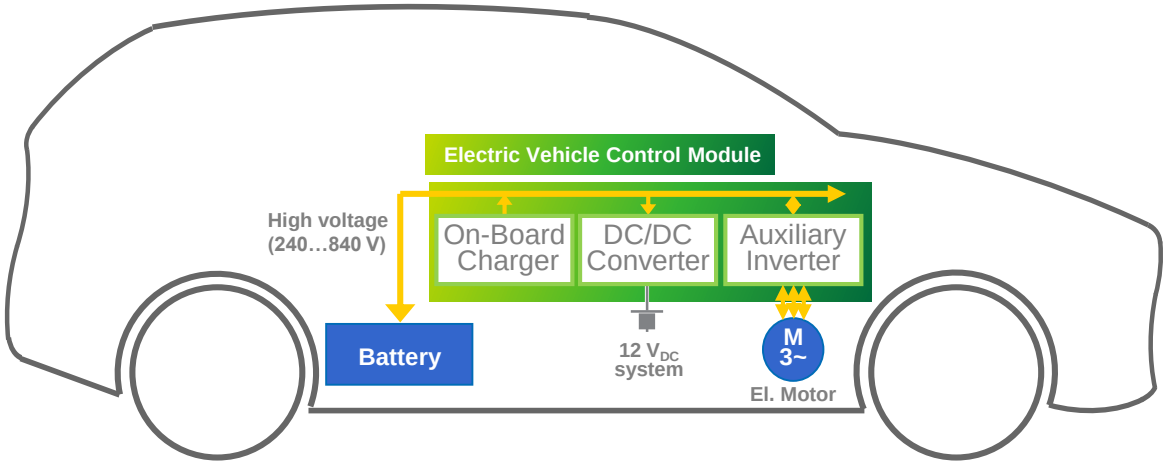
Dieselgate has accelerated the electrification push

ICE has reached it´s efficiency peak - electrification is the only way forward

Government incentives in several countries

Product Focus of ePower

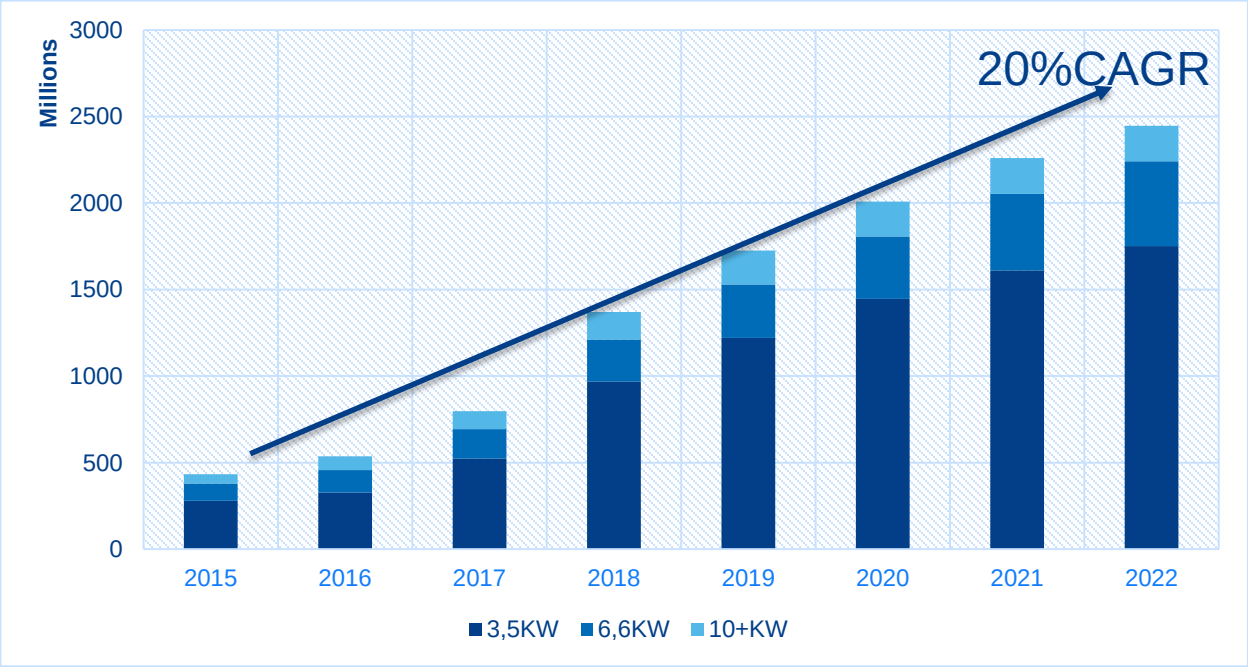
Kongsberg will prioritize On Board Charger development



Our teams of experts, develop unique knowledge about power electronics for hybrid and electrical drivelines

KONGSBERG AUTOMOTIVE

On Board Charger
A growing addressable market



- On board Charger market dominated by 3,5kW technology
- Pure Electric vehicles (6,6 and up) still small but starts to have growth
- Market growth from 400M€ to 2,5B€

Source: Company estimate

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KA product positioning OBC

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3,5 kW

Primary plug-in Hybrid vehicles

6,6 kW

Primary pure electric vehicles

KONGSBERG AUTOMOTIVE

11-20 kW

Long ranger electric passenger car and Truck / Buss

On Board Charger products key features

3,5 kW

- Best in class package – easiest to fit in hybrid cars
- Modular HW customer applications concentrated to few parts
- Modular SW customers and generic SW separated

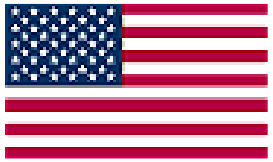
11 kW

- Scalable customizable power levels for trucks/buses
- Modular HW customer applications concentrated to few parts
- First 800V OBC to market

Capturing growth

KONGSBERG AUTOMOTIVE

3



Start marketing activities in 2017

Build relation with 3-4 target customers

2

Build relation with 3-4 target customers

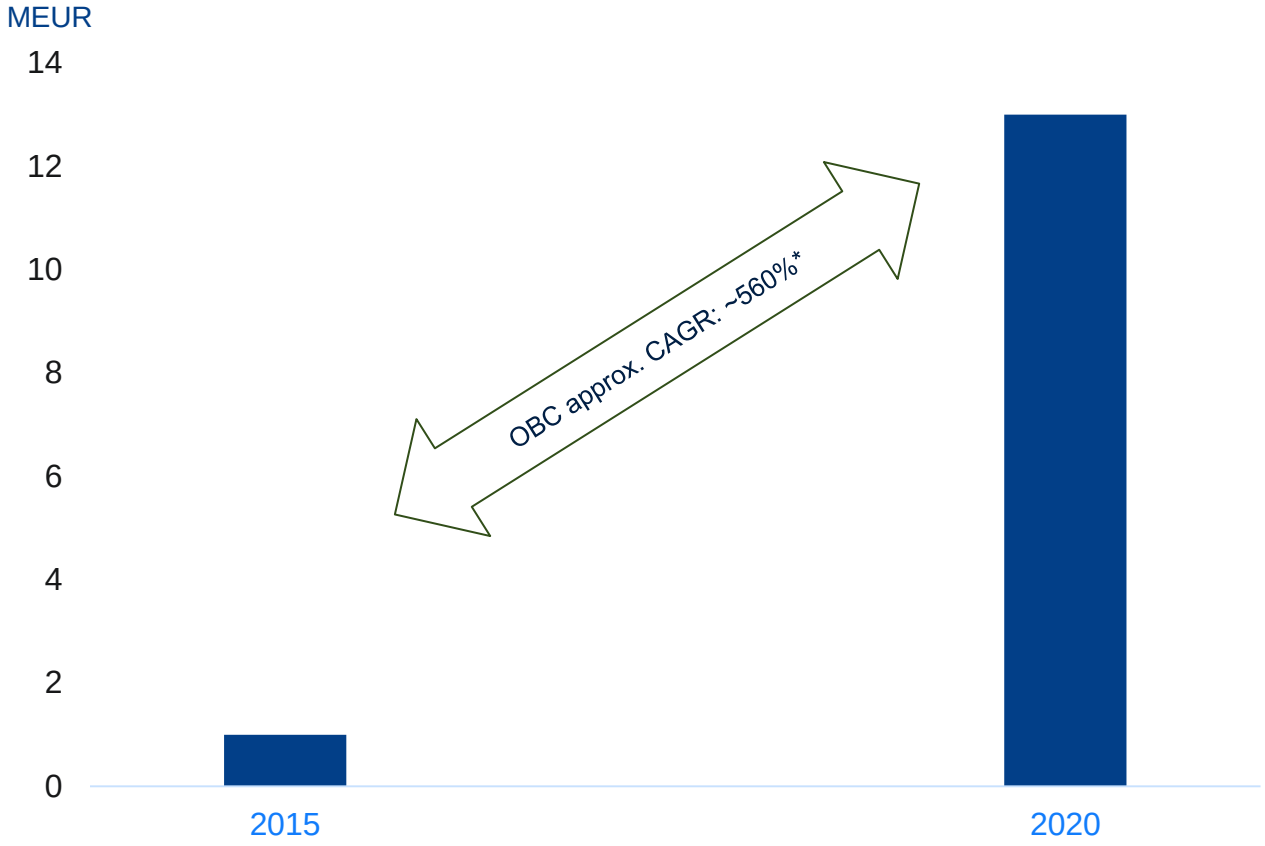
- **Win home market – 2 contracts secured in EU**
- **Expand with selected key customers**
- **Prioritizing OBC development**

Key business win

3,5 kW On Board Charger

- **European premium OEM for a C segment car**
- **Production start in 2017**
- **Plug-in hybrid vehicle to be produced in Europe & China**
- **Estimated Lifetime business value 40M€**

OBC – above market growth



KA OBC CAGR (2015-2020): ~580%

OBC market CAGR (2015-2020): 20%

**Kongsberg Automotive estimates*

Summary and key take away

- **Electrification is key to reach CO2 reduction targets**
- **Fast growing market for plug-in hybrids vehicles**
- **KA 3,5 kW sets a new standard in efficiency**
  - KA has secured commercial contracts for passenger cars & busses
  - Growth activities ongoing to secure next customers

KONGSBERG
AUTOMOTIVE

Efficient powertrains trends in the Commercial Vehicle segment

Espen Moe – VP Driver Control

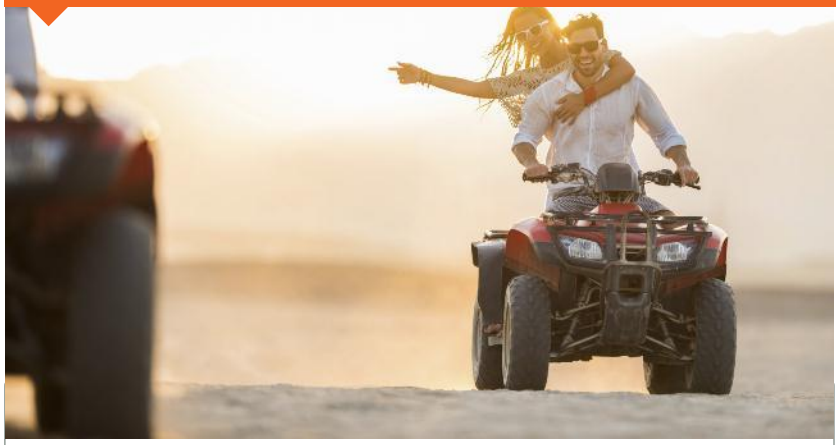
Driver Control Systems

COMMERCIAL VEHICLES

Product areas:
Gear & clutch systems for manual transmissions (MT)
Automated Manual Transmissions (AMT)
Vehicle Dynamics

Markets:
Truck
Bus

OFF HIGHWAY VEHICLES

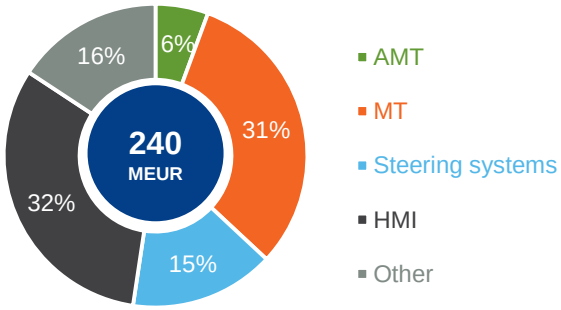


Product areas:
Steering columns
Electronic Power Steering
Displays & Key pads
Pedals & hand controls

Markets:
Agriculture,
Construction,
Power sports

Overview of Driver Control Systems

KONGSBERG AUTOMOTIVE

2015 estimated sales	Product lines	KA growth expectations
	AMT segment is expected to grow above the global CVP growth	Above market
	MT segment will decline as AMT penetration rate is increasing globally	In line With Market
	Steering systems is expected to grow above market	Above market
	HMI should enjoy an average industry growth rate	In line With Market

Customers

VOLVO, SCANIA, DAIMLER, CNH INDUSTRIAL, BRP, MAN, PACCAR, DONGFENG Trucks, HYUNDAI, JOHN DEERE

KONGSBERG AUTOMOTIVE

Commercial Vehicles

OUR STRATEGY

AMT development is a key part of our growth

- AMT development is where we see strong future opportunities for KA
- Globally we see a **rapid shift** from MT to AMT in the commercial vehicle market
- KA has a **strong position** among key OEMs to take part in this growth

Technology shift within commercial vehicles

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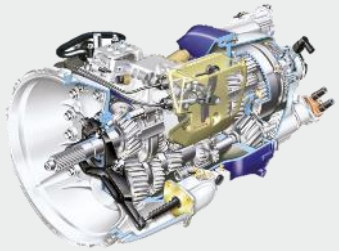
Trends	Market solutions
Fuel efficiency Lower emissions Driver comfort Safety	From **manual transmissions**… …to **automated transmissions**

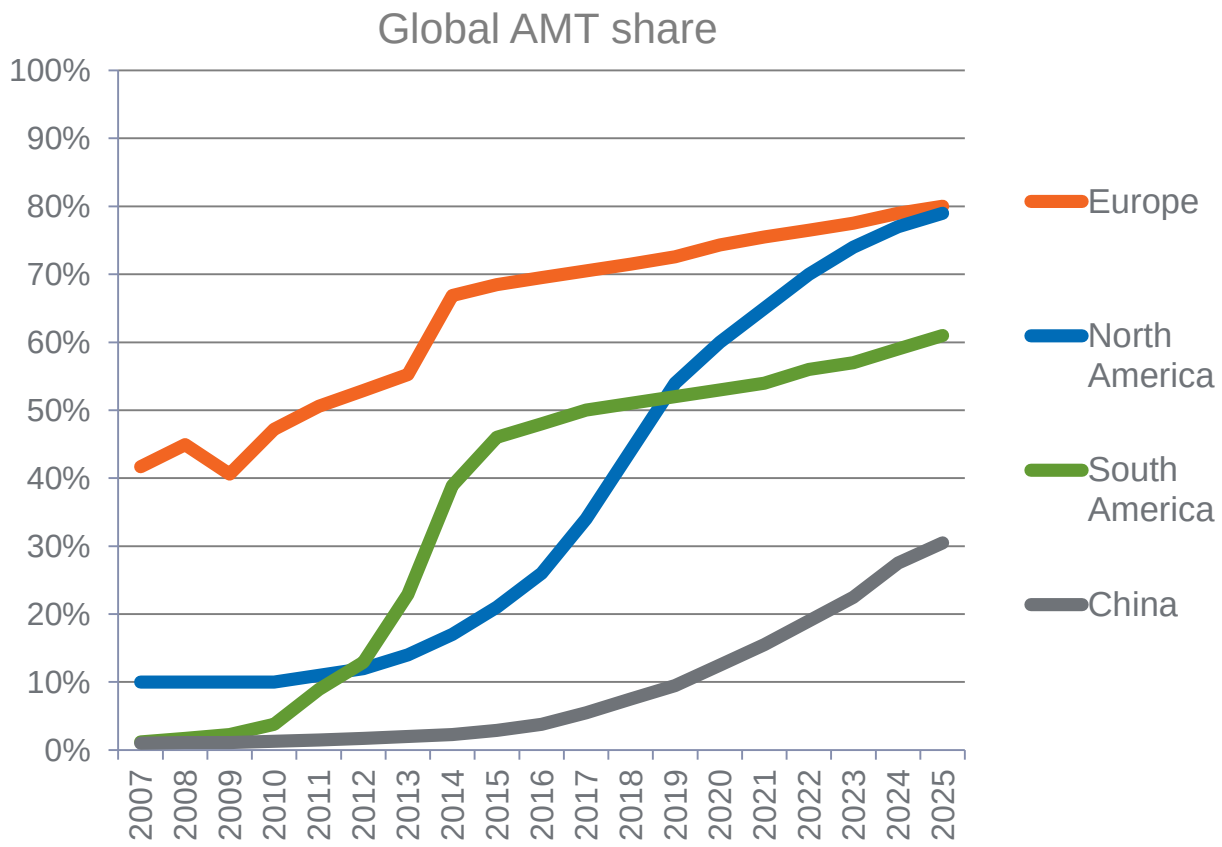


Benefits of automated transmissions

- Computer operated clutch and gearing => no clutch pedal
- Higher fuel efficiency
- Increased driver comfort and safety

Technology shift within commercial vehicles

- **EU and NA** leaders in AMT technology
- **Europe and SA** to stabilize on high AMT level
- **NA** AMT share rapidly increase
- **China** will follow, but still significant MT share
- **EU** in AMT mid-cycle renewal



KA investing in AMT EU/NA and continue MT growth in Asia

Note: For heavy duty trucks with GVW>15 ton, Source: LMC, KA analysis

KA ambitions in the AMT segment
Recap from 2014

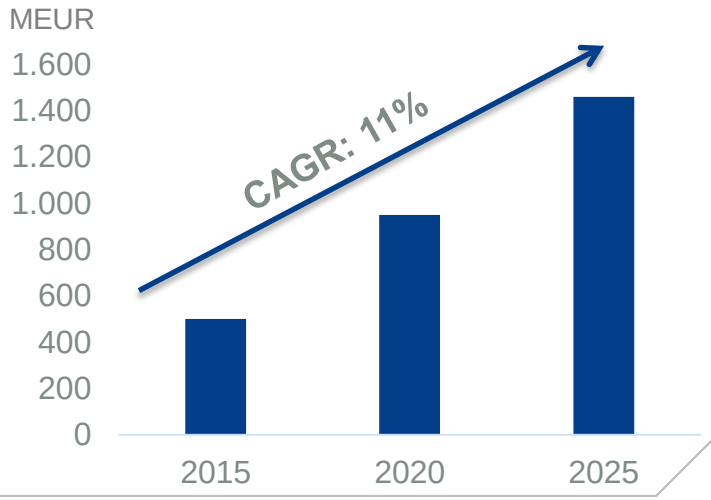
KA Targets

- KA target is to become a significant supplier of AMT actuator solutions to the global CV industry within the next 10 years
  - 1-2 major AMT business wins per year over the next 3-5 years
  - Market share above 10% by 2025

Market potential AMT Globally

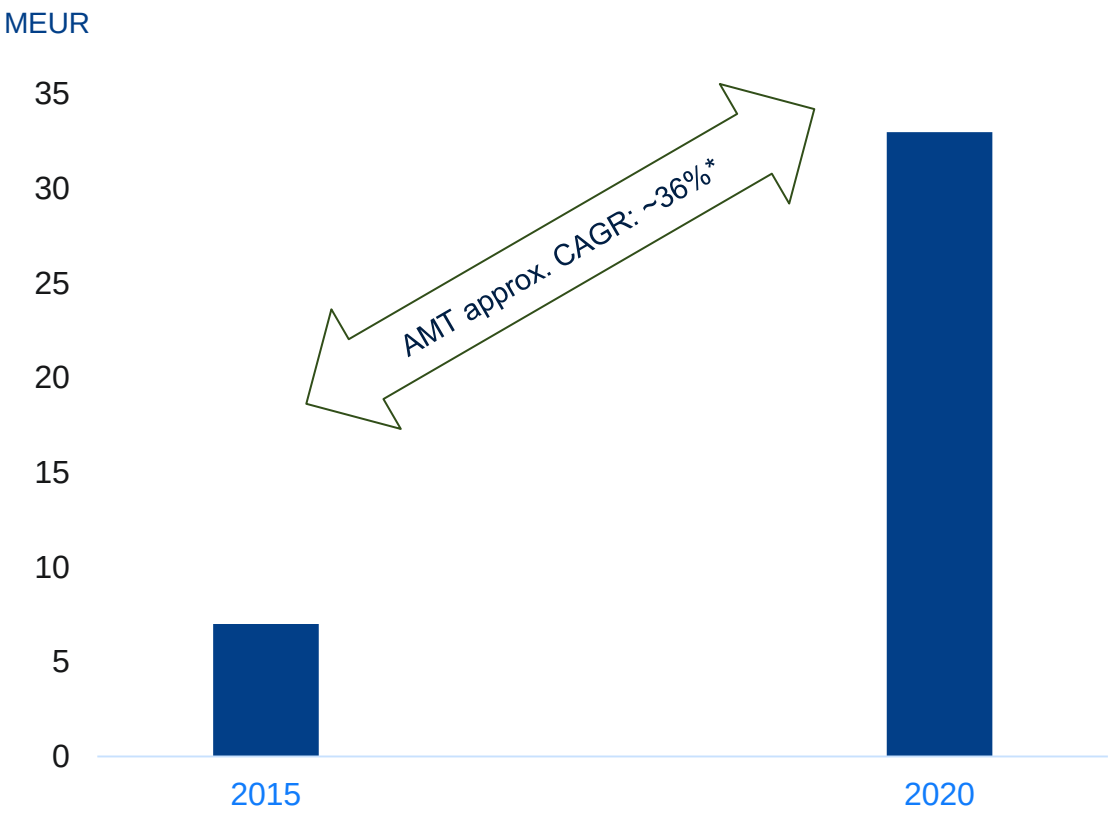
- Estimated market potential of EUR 1.5 bill. by 2025
- Major value within clutch & gear box actuation
- Key suppliers in the market:
  - Wabco
  - ZF Sachs
  - Knorr-Bremse

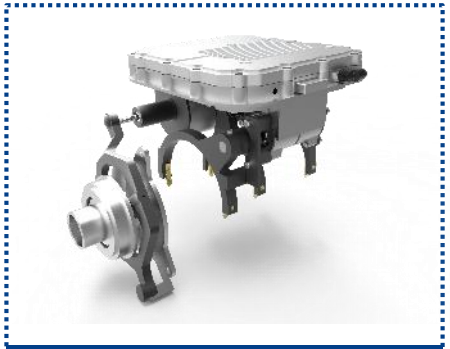
AMT SYSTEMS MARKET VALUE



Note: For trucks with GVW>6 ton, Source: LMC, KA analysis

AMT– above market potential segment





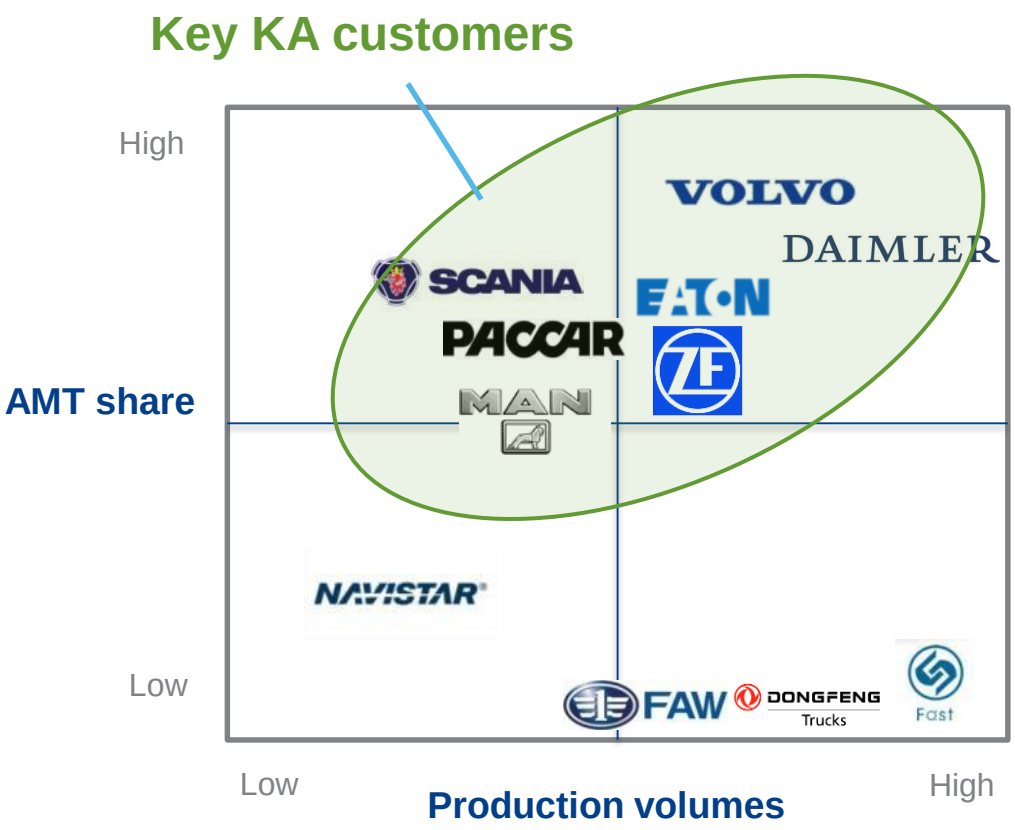
KA CAGR (2015-2020): ~36%

AMT CAGR (2015-2020): 11%

**Kongsberg Automotive estimates*

Our customers position in AMT segment

- European truck OEMs are AMT leaders
- Transmission OEMs like ZF (EU), Eaton (US) & Fast Gear (China) are KA customers
- Won significant programs in key markets
  - Average business wins: 27M€ annual, lifetime revenue: 141M€



Source: LMC, KA analysis

AMT Business overview

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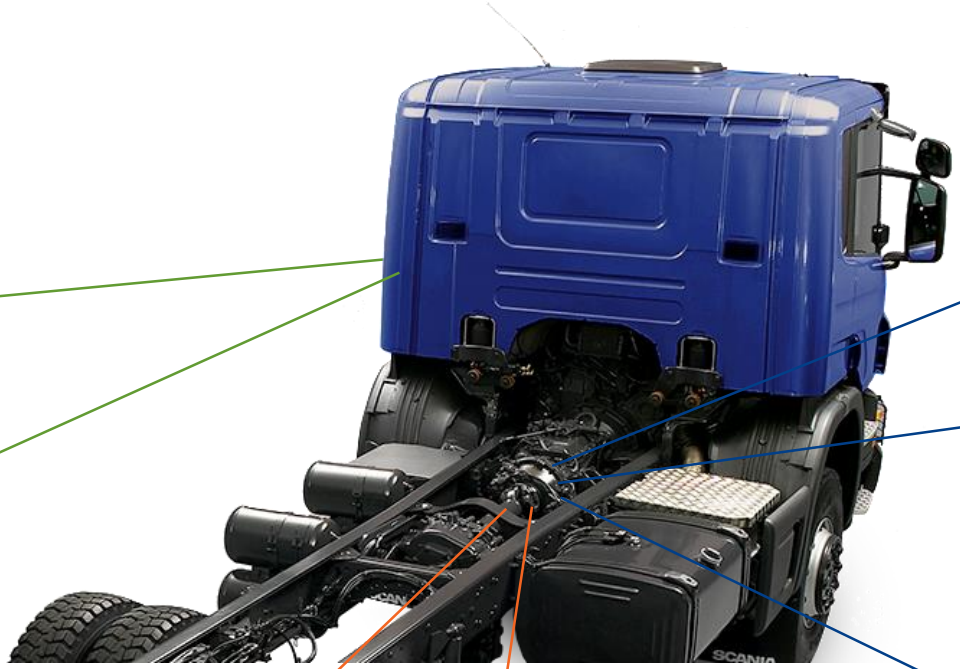


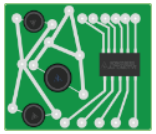
Gear shifters

Lever with knob

Stalk shifter

Gear box actuation

Gear Control Unit



Electronic Control Unit

Gear shift
and select actuators

Clutch actuation

Concentric
slave cylinder

External actuator

Strategic growth enablers AMT

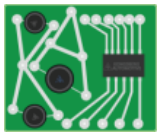
Engineering expertise and strong customer relations

Excellence in execution

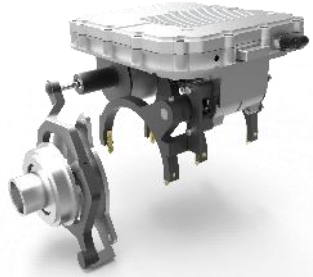
- Improved customer responsiveness
- Outperforming competition with our systems

Product engineering expertise

- Improved systems engineering



AMT actuation solutions



Global presence & local support

-Utilized global footprint

-Strengthened local customer teams

Modular product concepts

- Utilizing our modular building blocks across products

Strong customer relations

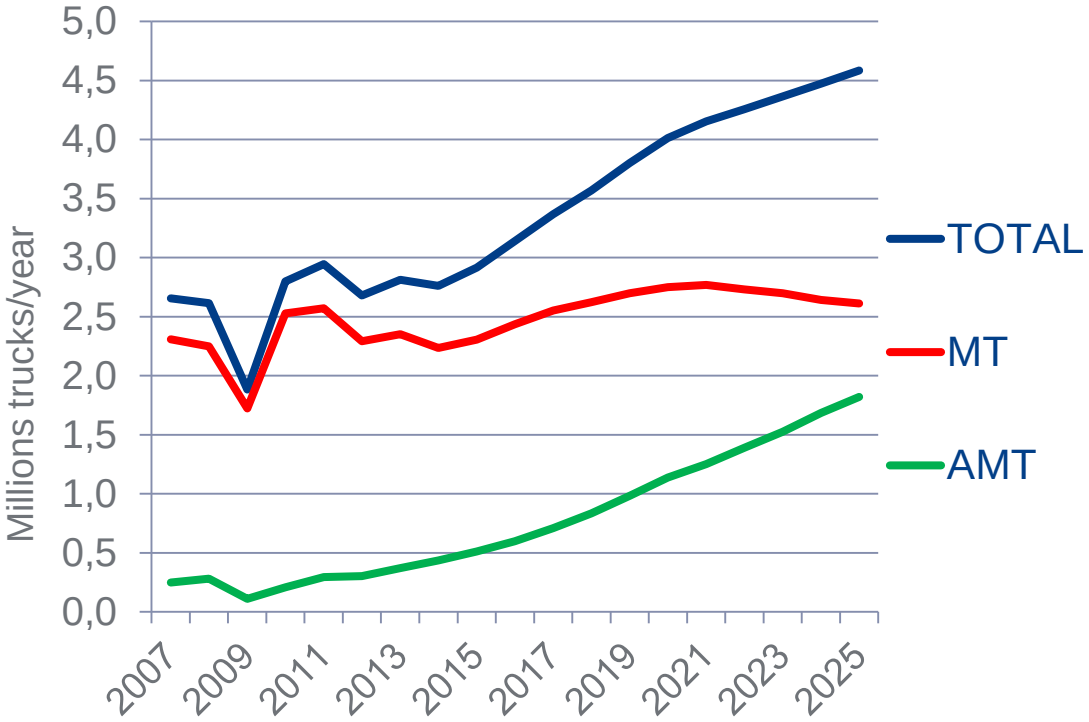
- Good cooperation with key customers

KA AMT achievements

- **Won 2 AMT projects**
  - Launching new business in NA
    - Gear actuation unit
    - AMT Shifter
- **KA well positioned for EU mid cycle renewal**
  - In development with major OEM for future AMT solutions to launch 2020
- **Utilizing existing patents and continuously applying for more**

Still significant size in the global MT market

- Initiated AMT journey for future growth
- MT volumes stabilizing in EU & KA to grow in Asia
- KA to benefit from a significant aftermarket in MT



KA will continue to grow in the MT market to fund ongoing AMT development

Note: For trucks with GVW>6 tons, Source: LMC, KA analysis

KA ambitions in the MT segment

Market trends Asia

- Increasing premium truck market
  - Euro5 emission standard 2018-2020
- Increased focus on total cost of ownership

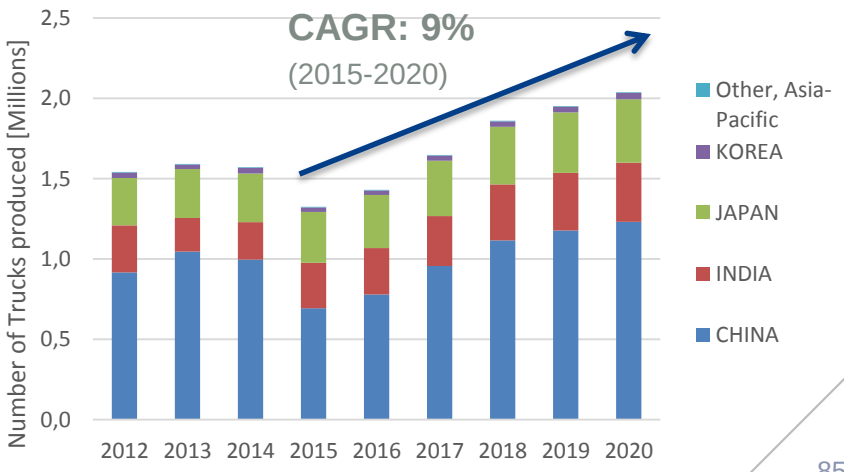
KA Targets

- Continue to grow within gear shift systems & clutch actuation systems in Asia

Market potential MT Asia

- Significant market size of MT in Asia
- Current competitors is a mix of local & global players
- KA # 1-2 globally in manual shifters & clutch operation

COMMERCIAL VEHICLES MARKET SIZE ASIA



Note: For trucks with GVW>6 ton, Source: LMC

KA MT strategy & achievements

- **Global presence and strong local competence in strategic markets**
  - Significant supplier of MT gear shift systems in Asia
- **KA has a strong position with key OEMs to take part in further growth**
- **KA Business wins within the MT segment in Asia 35% of total**

STRATEGIC OEMs

DFM, FOTON, SHAANXI, CAMC, YUTONG, Ford

ESTABLISHED PRODUCT PORTFOLIO

KONGSBERG
AUTOMOTIVE

Off Highway vehicles

OUR STRATEGY

Market development

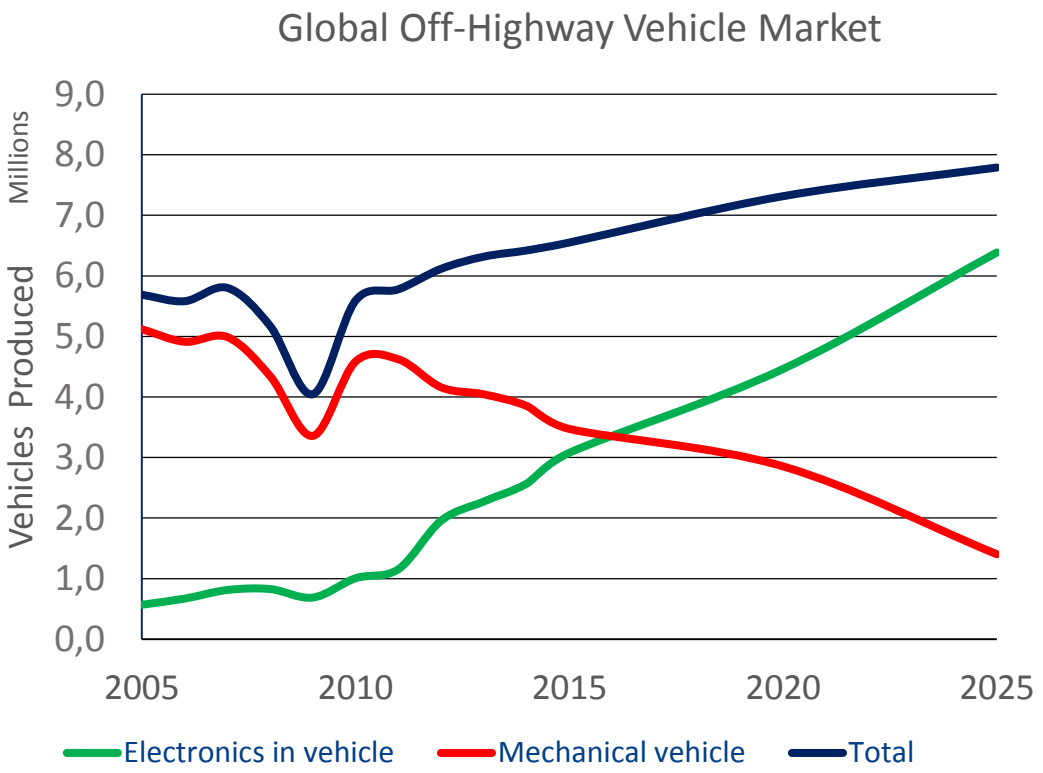
Trends	Market solutions
Lower Emissions Electrification Driver Assistance Safety	From **mechanical controls**… …to **electronic controls and systems**

Benefits of electronic controls and systems

- Increase in power & efficiency
- Telematics
- Safety with vehicle management
- Programmable features

Development in the Off Highway market

- **US and EU** electrification of vehicle systems continues to grow
- **BRIC** seeing a technology change due to effect of efficiency regulations
- Increased focus on safety



KA will continue to grow in the off-highway market with a focus in Steering Systems, & Electronic Controls

Note: Source: PSR, KA analysis

KA Ambitions in Steering Systems

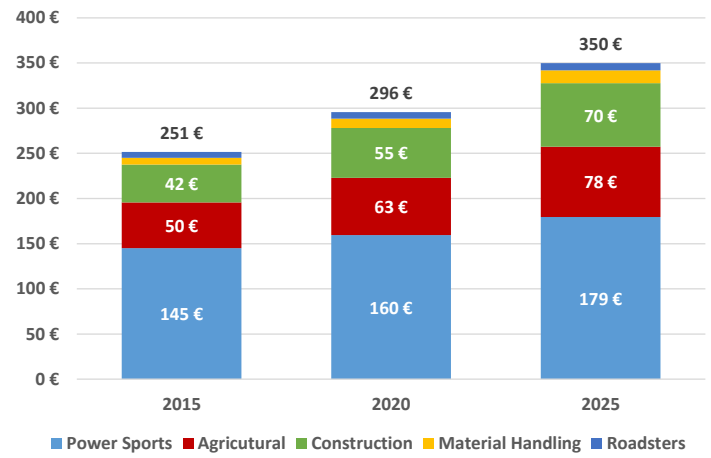
KA Targets

- Penetrate all of the Power Sports, Agriculture, and Construction markets with steering systems
- 2 - 3 platform wins per year over the next 3 years
- Market Share above 35% by 2025

Market Potential Globally

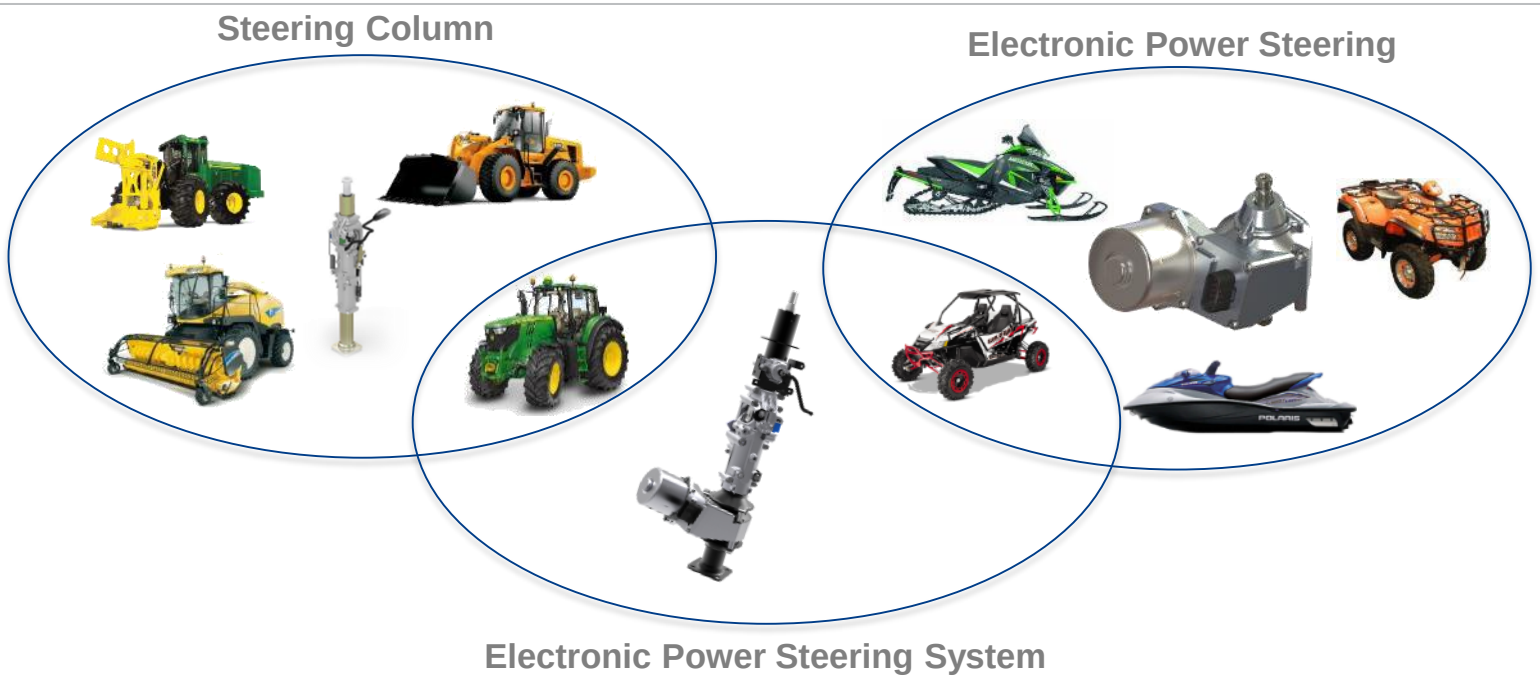
- Estimated market potential of EUR 350M by 2025
- Major value in the integrated EPS systems

STEERING SYSTEMS MARKET VALUE



Note: Source: PSR, KA analysis

Strategic Products, Vehicles, and Customers



STRATEGIC OEMs

- Electronic Power Steering is becoming a standard on all Power Sports vehicles
- Electronic Power Steering is an innovative product for Agriculture with the increase of the vehicle speed & vehicle connectivity.

KA Steering System Achievements

- **Won two projects**
  - Launching Electronic Power Steering on three platforms with a NA Power Sports OEM
  - Launching a global Steering Column platform with a Agriculture OEM
- **KA is well positioned to capture the growth in all "Off-Highway" segments**
- **Currently in development on two new vehicle platforms**
  - Snowmobile (EPS)
  - Agriculture Tractor (EPS Integrated System)

Summary Driver Control Systems

A strong focus on customers, innovation and AMT development

Commercial vehicles

- **AMT:**
  - AMT market segment will grow significantly the next 5-10 years
  - KA has taken first step with this growth opportunity
  - KA aims to be a significant supplier of AMT actuation solutions
  - Continue high R&D efforts
- **MT:**
  - Focus on growth in Asia

Off Highway vehicles

- Gain significant growth by focusing on steering systems
- Expand from power sports into the agriculture and the construction market

MT & **Off Highway** portfolio growth important to fund **AMT initiative**

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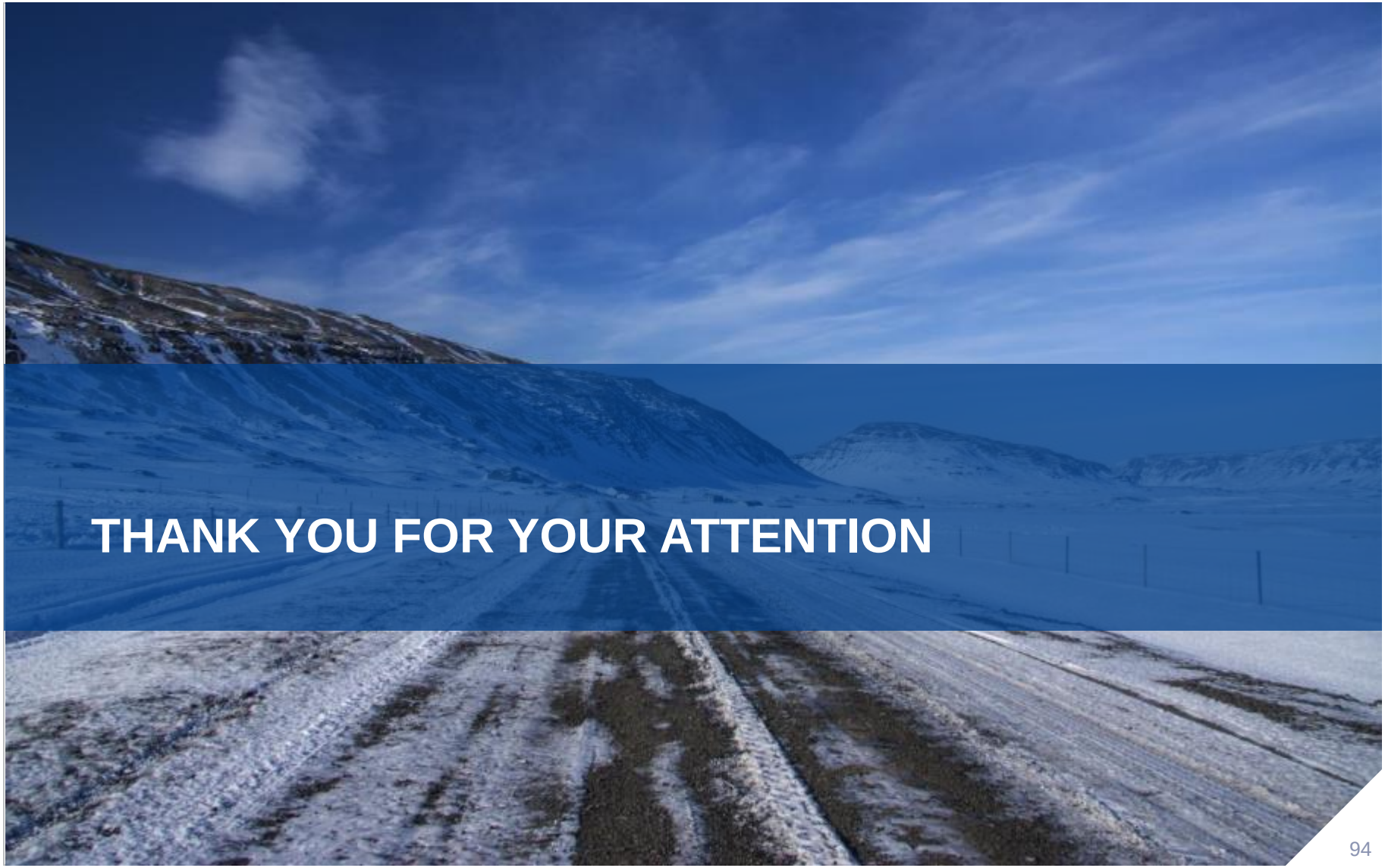

THANK YOU FOR YOUR ATTENTION

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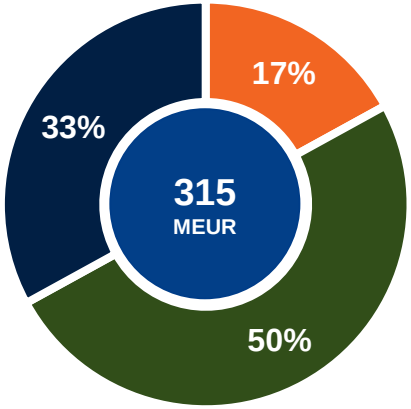
GROWING WITH SEAT COMFORT SEGMENT

Anders Nyström – EVP Interior

Interior

KONGSBERG AUTOMOTIVE

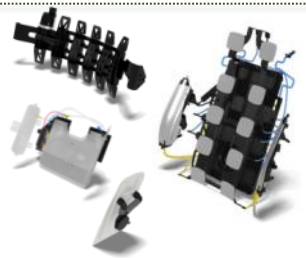
2015 estimated sales



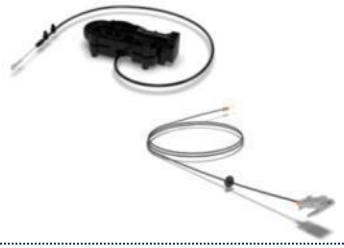
▪ HR&AR ▪ Comfort ▪ LDC

LVP CAGR (2015-2020): 3.2%

Product lines



- Comfort will grow above global light vehicle production on segment growth & market share growth in the seat support segment



- Light duty cables for automotive business will grow in line with global light vehicle production

- Head & arm rest will decline over the period as Interior will prioritize its comfort segment

KA growth expectations

Above market

In line With market

Below market

Seat comfort at the heart of our corporate strategy

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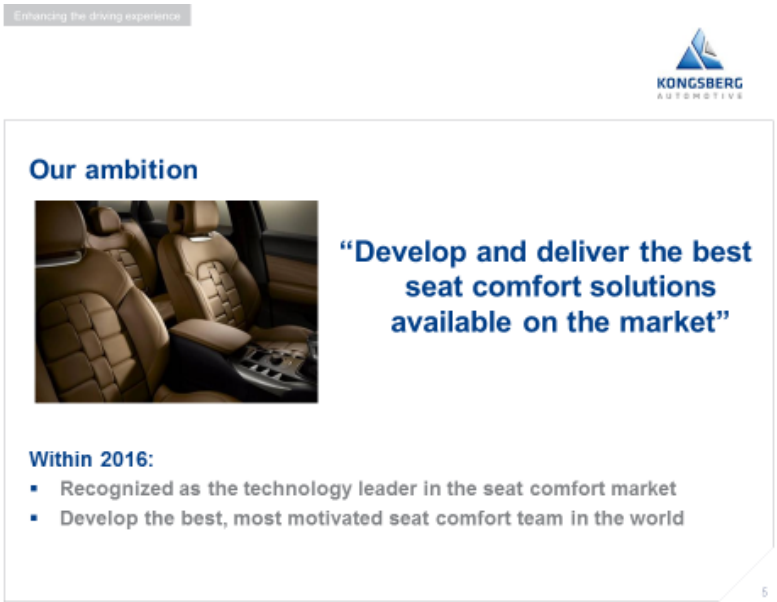
- Seat comfort is **one of three main growth platforms** where we see strong future growth opportunities for KA.
- Our customers are spending ever more on comfort features, and smart and comfortable vehicle interiors are becoming **important vehicle differentiators** for both premium cars, and high volume cars.

Excellence in innovation, customers and people

Ambition, commitment & execution

- **In 2014, we said:**



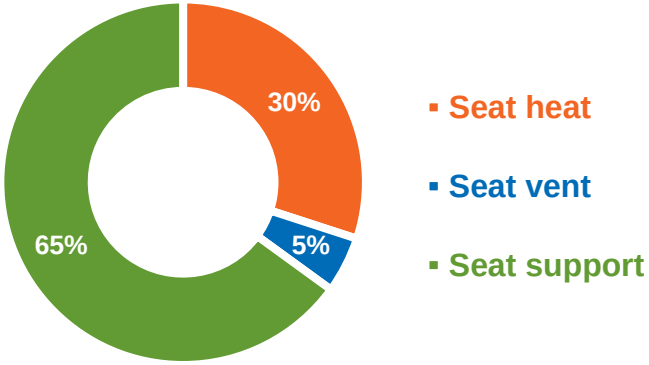
- **Since then, we have:**

1. Secured business at record levels last 12 months incl. **breakthrough contracts** with strategic customers
2. Re-organized to a **more customer-focused organization**
3. Increased **product development & innovation activities**

Breakthrough contracts

Strategic Supplier Agreement for seat comfort solutions to a **leading North American vehicle manufacturer** worth an estimated 50MEUR

New business wins LTM 3Q15



Two contracts for the supply of **seat heat systems** to two **European premium automakers**, with a combined estimated total value of 56MEUR

10-year agreement with a **European premium automaker** for the global supply of **seat heat and seat ventilation** to **mid-size luxury vehicles** worth 76MEUR

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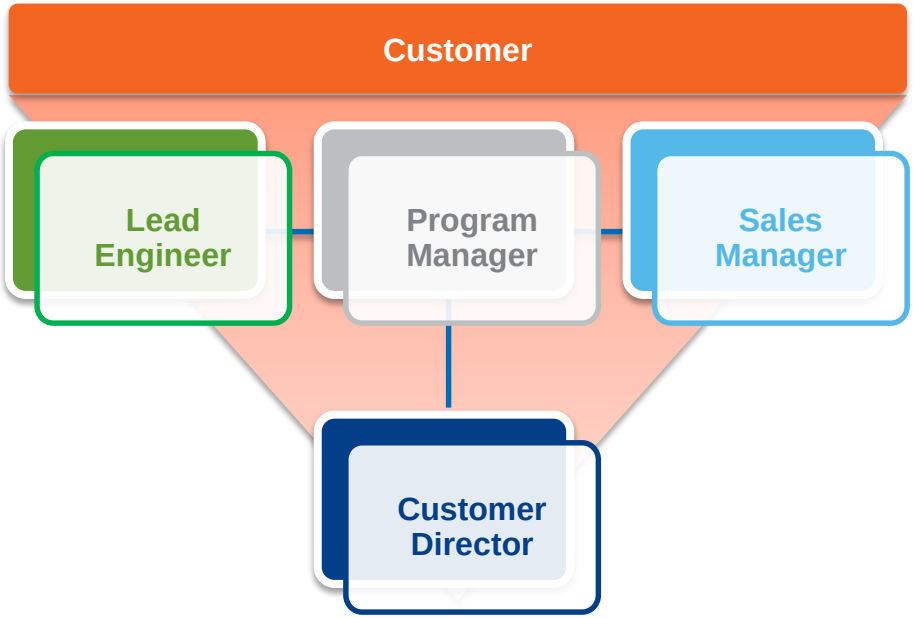
Customer-focused front end organization

Creating a more **customer-focused** & efficient front end with clear **ownership** of targets and mandate to act cross-functionally to **drive business growth**.



Increased investment in R&D for future growth

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Fast track innovation

- New generation pumps & valves
- New seat ventilation system
- Next generation seat heaters

Innovations into new vehicle programs

- Secure flawless project launches

Investing in future growth

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Driving the growth

TRENDS & CUSTOMER NEEDS

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Seat comfort trends

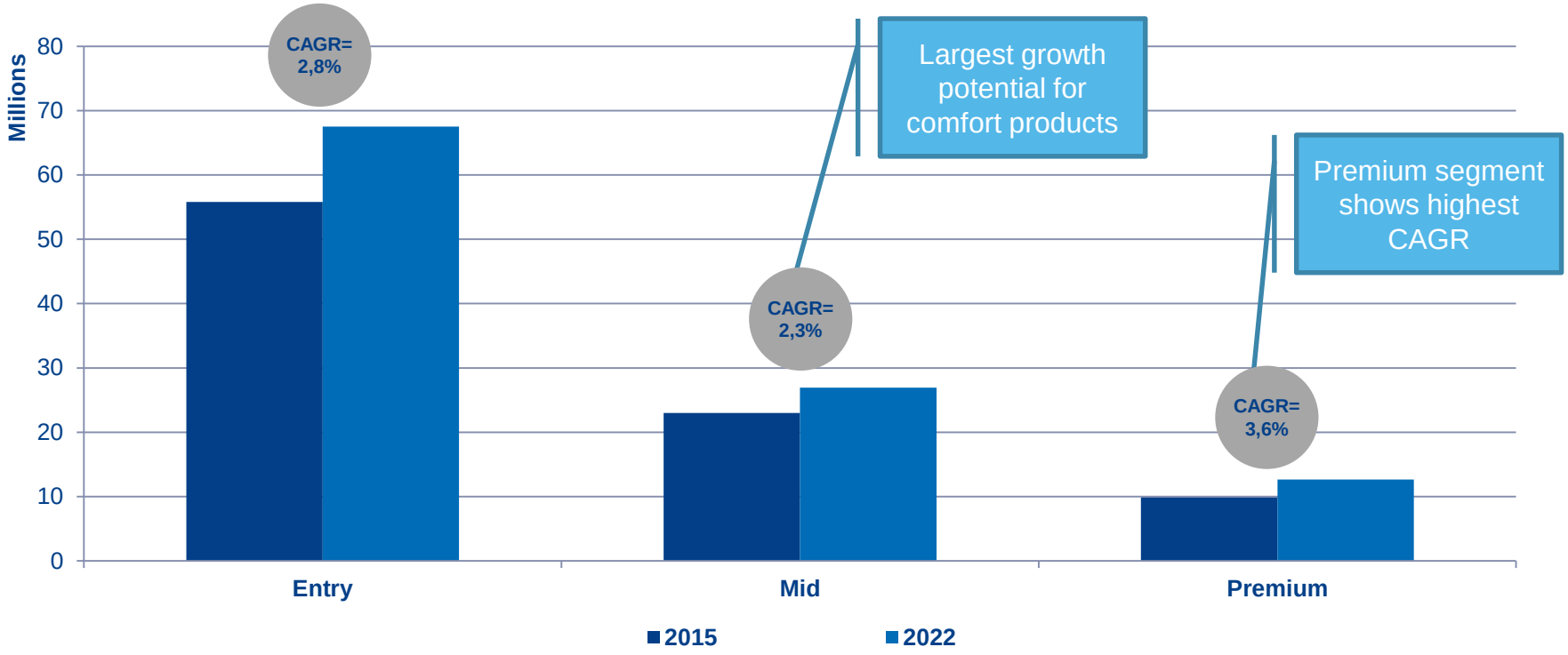
Less noise & less power usage

Luxury trickles down segments

Vehicle images used for illustration purposes only

Market growth

Global LV production growth per segment



Increasing fitment rates of all comfort systems

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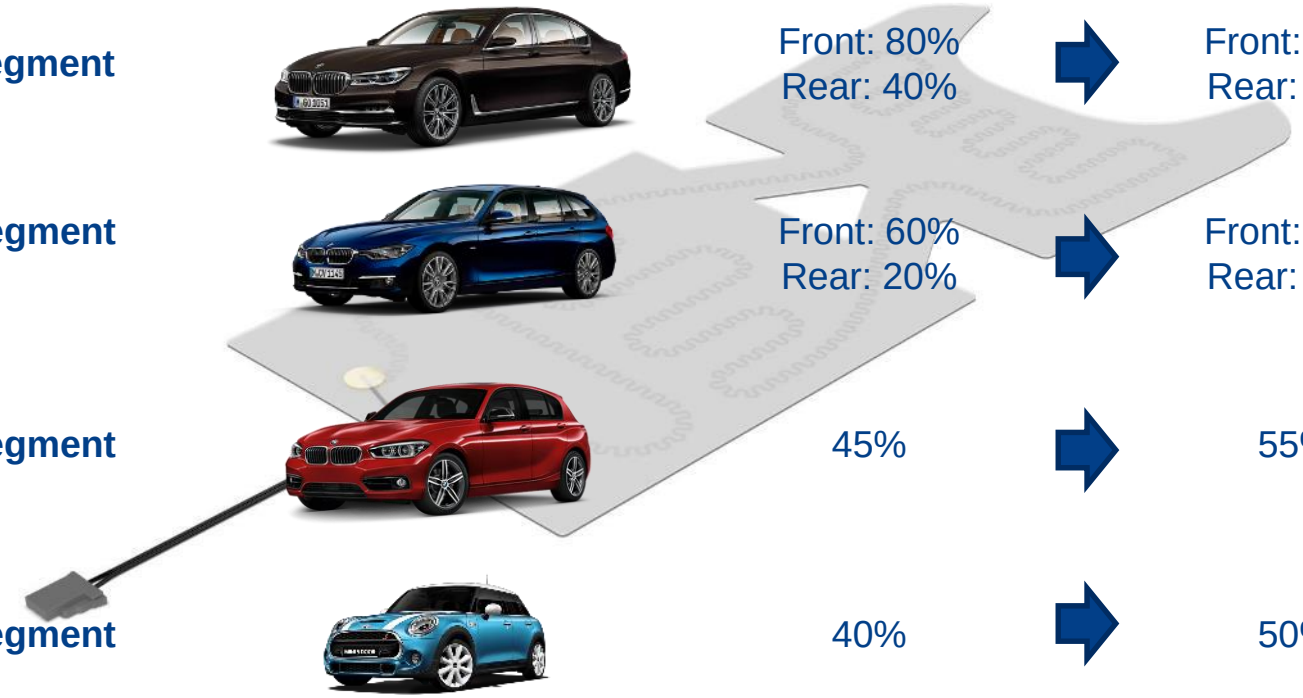
- **Examples of seat heat fitment rates in premium segment 2015 → 2020:**

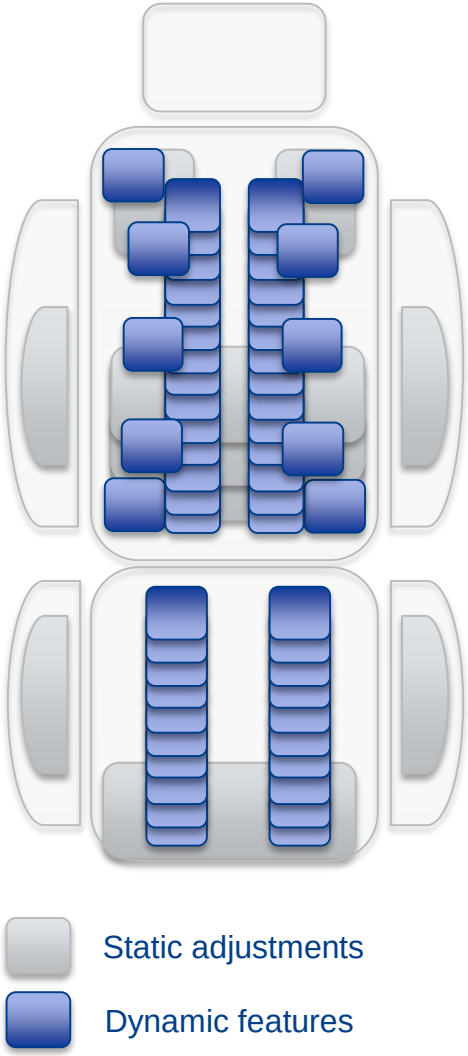


Vehicle images used for illustration purposes only

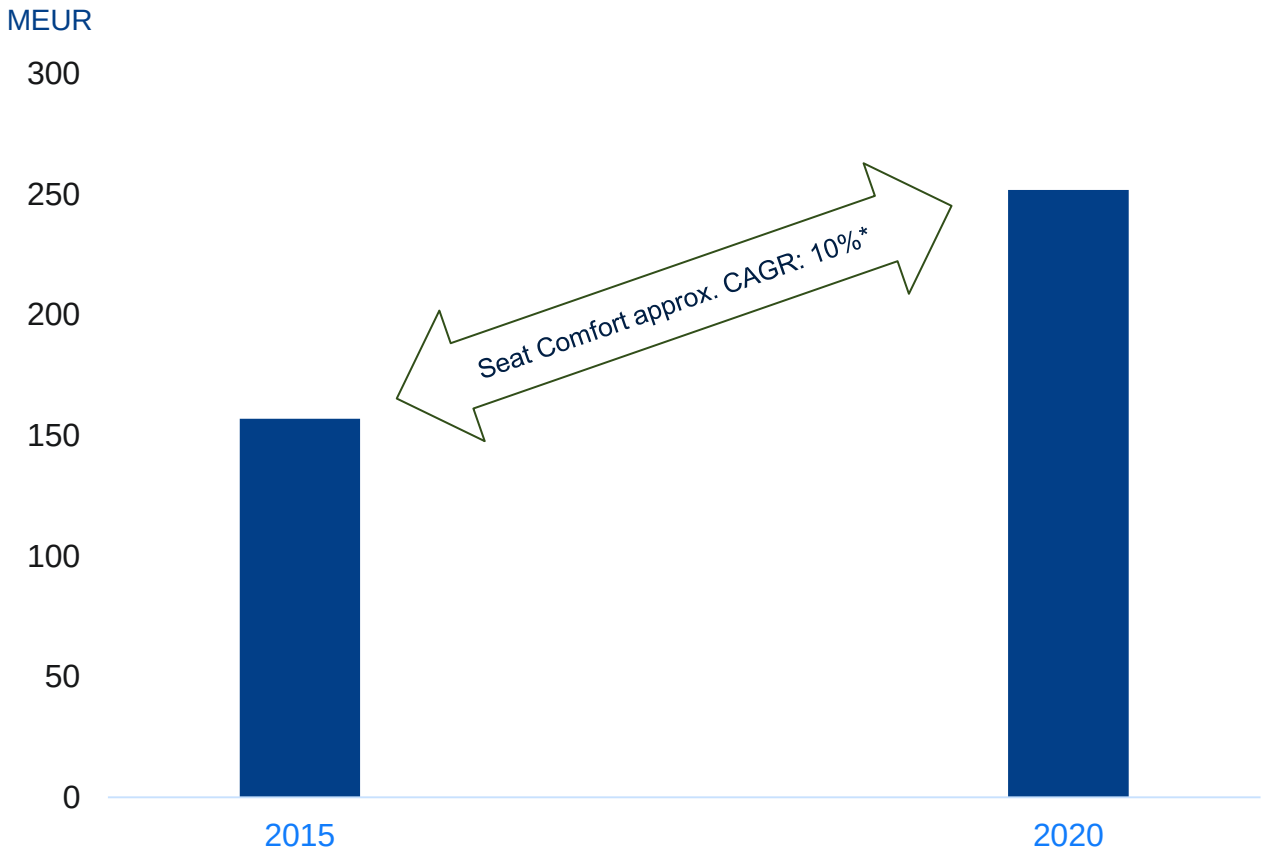
Increasing content per vehicle
Example: Multi-contour seat

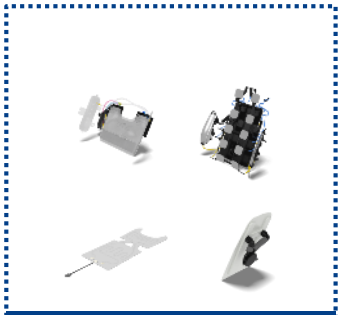
- **Premium OEMs strive and drive for high content of contour and dynamic pneumatic seat comfort features**

- **Configuration example includes**
  - adjustable side bolsters
  - lumbar support
  - shoulder support
  - backrest massage and
  - cushion massage



Seat Comfort – above market potential segment





KA CAGR (2015-2020): ~10%

PV CAGR (2015-2020): 3.2%

**Kongsberg Automotive estimates*

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Our product strategy

WELL POSITIONED FOR GROWTH

KONGSBERG AUTOMOTIVE

KA offers a wide range of comfort features

Key success factors

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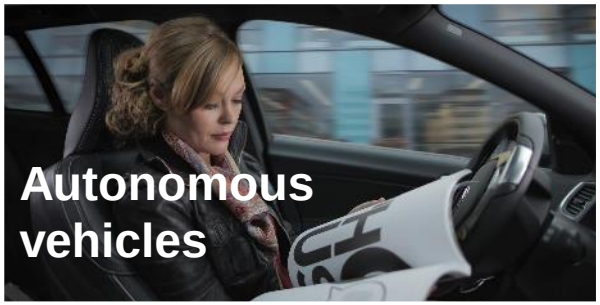
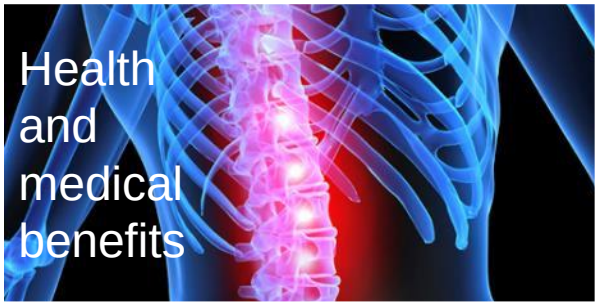
A look into the future

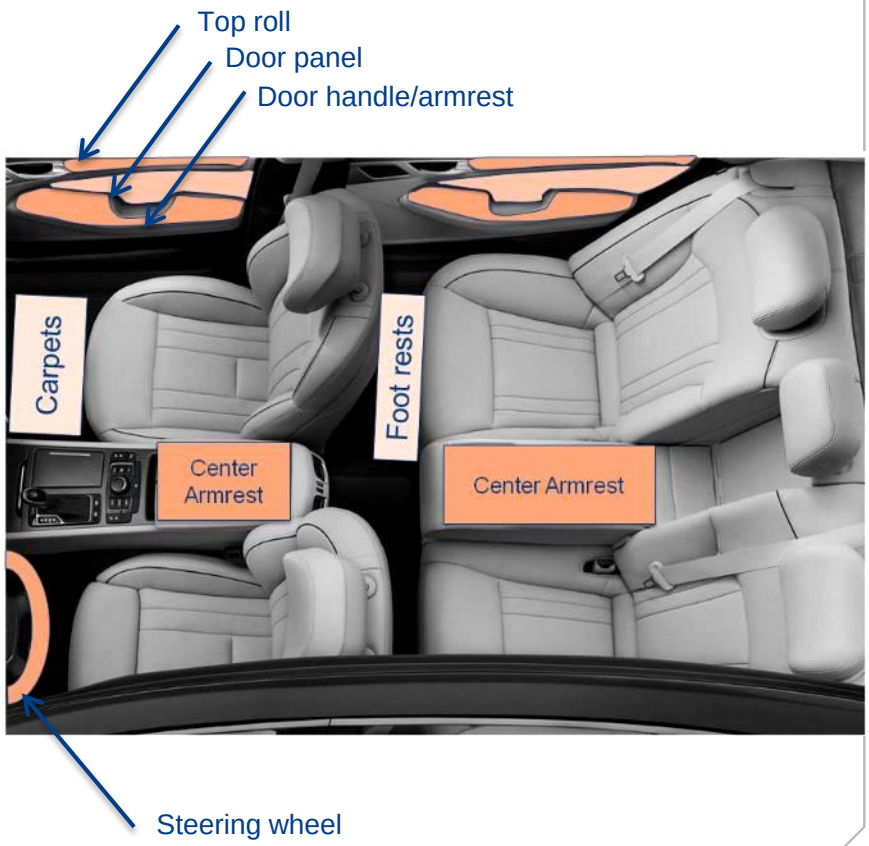




New market segments
Example: Panel heating

- Market demand from premium OEMs for **heated arm rests, door panels, foot rests and even floor mats** to offer ultimate comfort

- Shows **additional growth potential** for KA based upon **existing product technology**.



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Maximizing the growth potential

BEING WITH THE RIGHT CUSTOMERS

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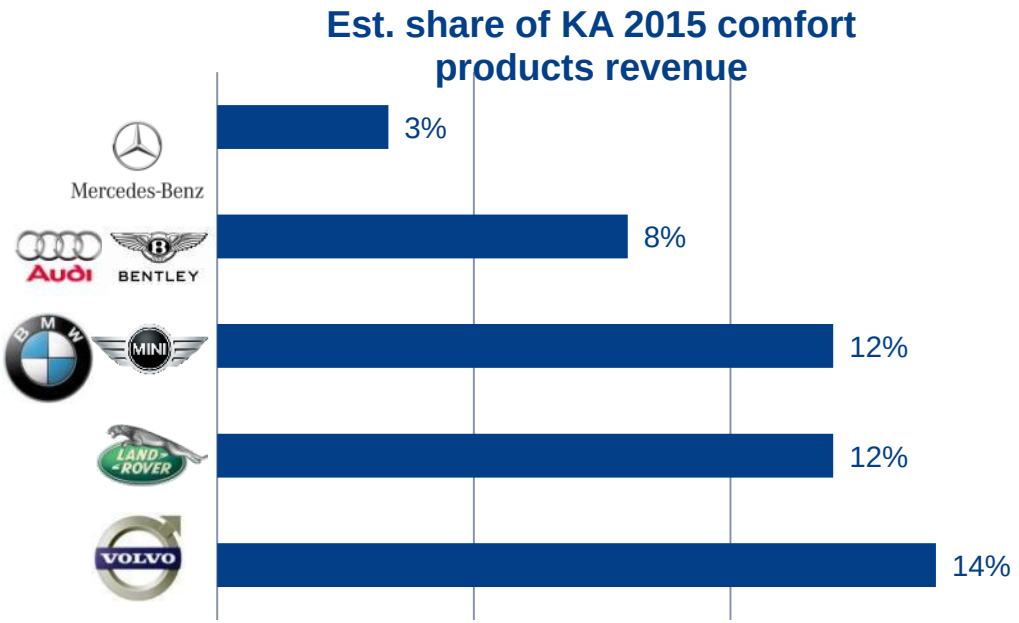
Premium OEMs

- Premium OEMs deliver **high content & fitment rates** for comfort products & have **strong and reliable sales.**
- KA's comfort products are **well positioned with premium OEMs today**
- Plan to capitalize further on this



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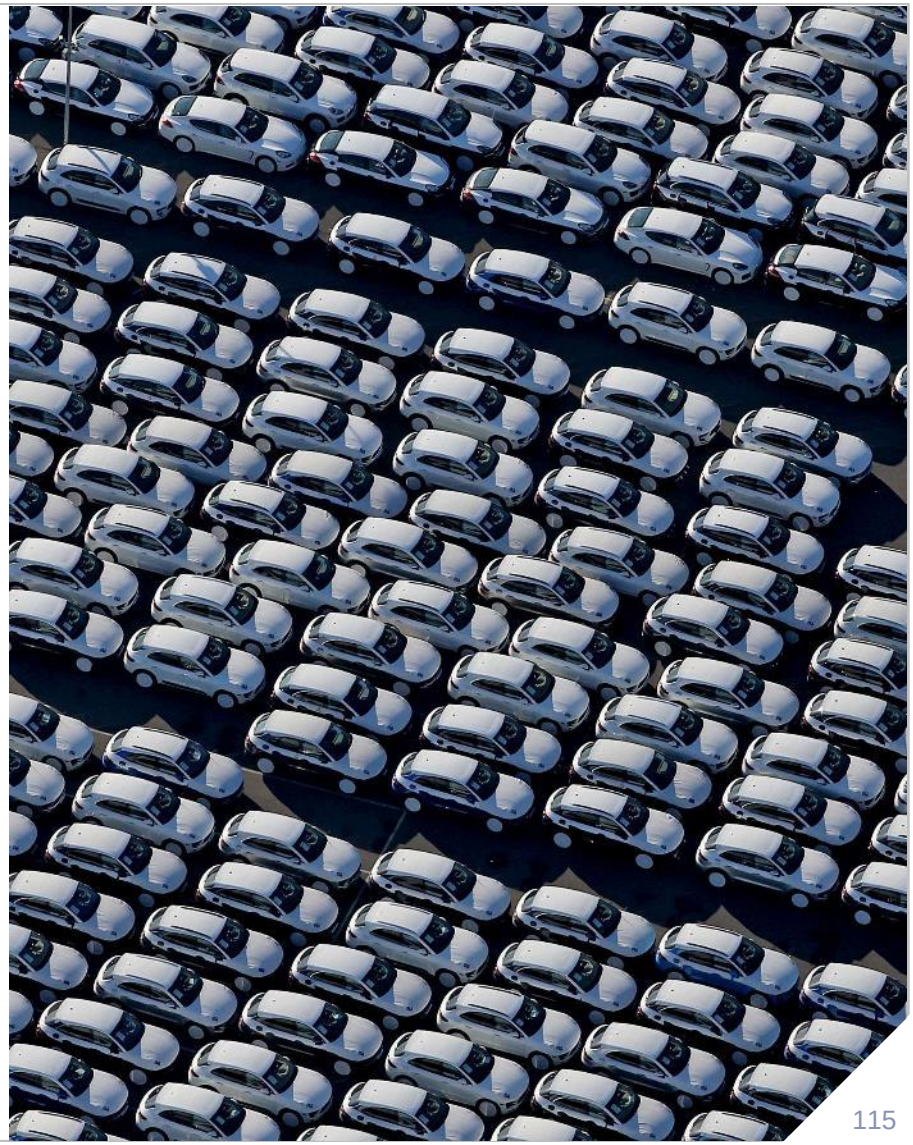
Selected growth with volume OEMs

- Increasing seat comfort product penetration to mid & low segments (A, B & C) and vehicle price classes (Mid & Entry)
- Modular & scalable products support this growth by offering more standardized options for volume market
- KA targeting selected growth with volume OEMs



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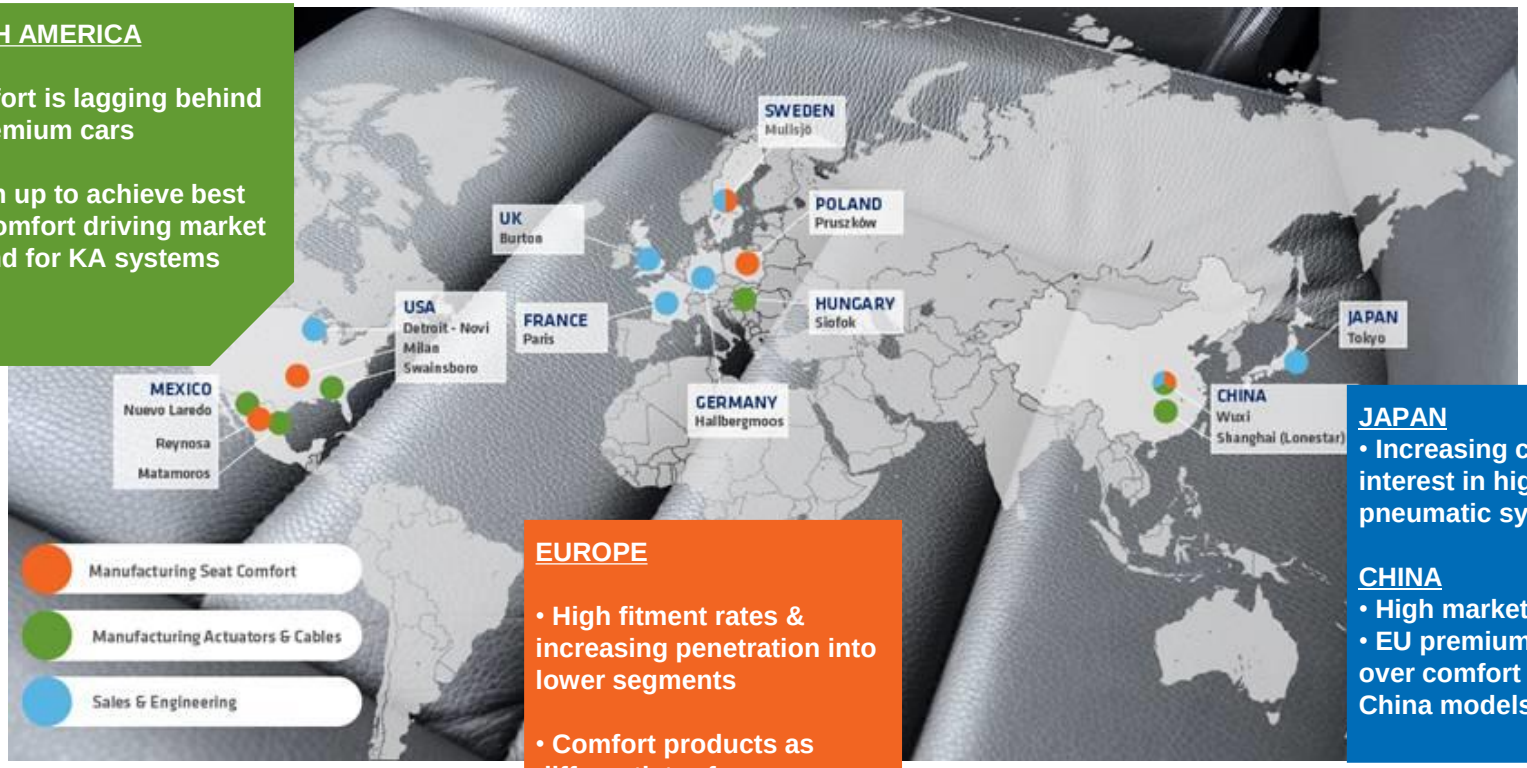
Well-positioned to capture growth in all major regions

NORTH AMERICA

- Comfort is lagging behind EU premium cars
- Catch up to achieve best seat comfort driving market demand for KA systems



EUROPE

- High fitment rates & increasing penetration into lower segments
- Comfort products as differentiator for consumers

JAPAN

- Increasing customer interest in high-end pneumatic systems

CHINA

- High market growth rates
- EU premium OEMs carry over comfort features into China models

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Questions?

THANK YOU FOR YOUR ATTENTION

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ADVANCED FLUID HANDLING

David Redfearn – VP S&M Fluid

Advanced Fluid Handling – Our focus & journey

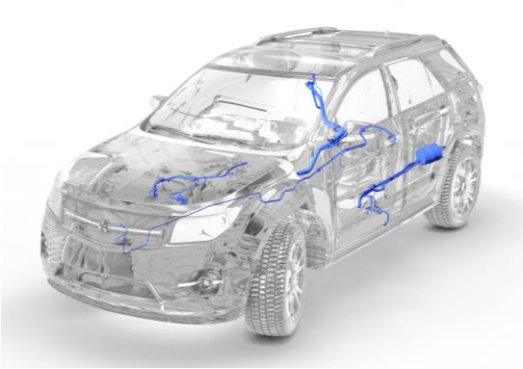
KONGSBERG AUTOMOTIVE

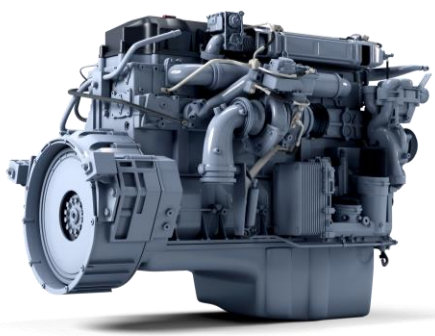
Business focus

- **Growth opportunities & competitive advantages as a supplier of air handling & high performance hose products for vehicle & industrial markets**

Our Journey

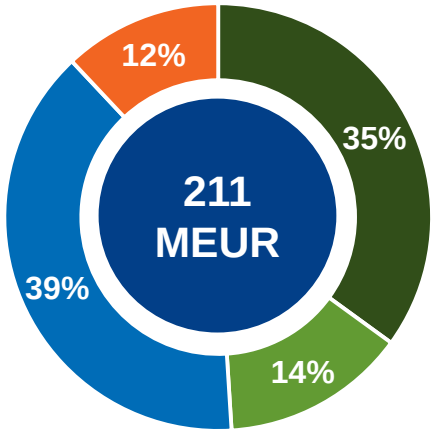
- Implemented business area focus teams; Introduced advanced manufacturing processes & equipment
- Breakthroughs: contract for China; new product development for US market
- Globalizing current & future product portfolio
- Engineering the industry's most innovative, reliable, and safety orientated products matching industry trends & customer needs





KONGSBERG AUTOMOTIVE

Fluid Transfer Systems - Product lines

LTM Q3 2015 sales	Product lines	KA growth expectations
	▸ CV OEMs further adoption of lightweight couplings with safety features should yield an above average global CV growth	Above market
	▸ Product development allows to grow for target segment as well to reduce manufacturing costs by automotive approach	Above market
	▸ Niche player in high performance tube products (powertrain CV and PV)	In line with market
	▸ Small player in standard tube products (PV chassis)	Below market

- Couplings
- Industrial
- Tube assemblies high performance
- Tube assemblies

CVP CAGR (2015-2020): 7.5%
PVP CAGR (2015-2020): 3.2%

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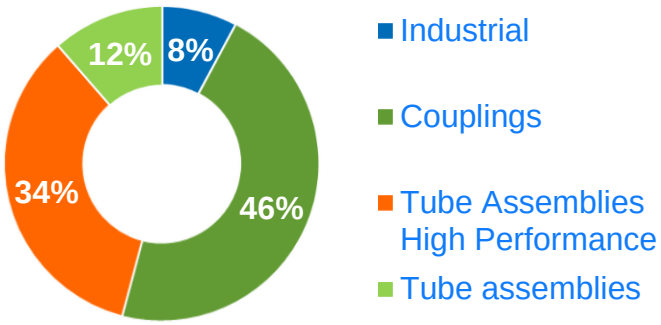
Breakthrough contracts

Secured 100% supply award for **European Truck Manufacturer** on ABC coupling range & received first award from **China** based OEM
€45m

New business wins Q4 2014 – Q3 2015



Industrial Business awards for PTFE hose and assembly portfolio totaling
€9.5m

Awards for fluoro-comp high temperature hose increasing presence with global OEM
€37m

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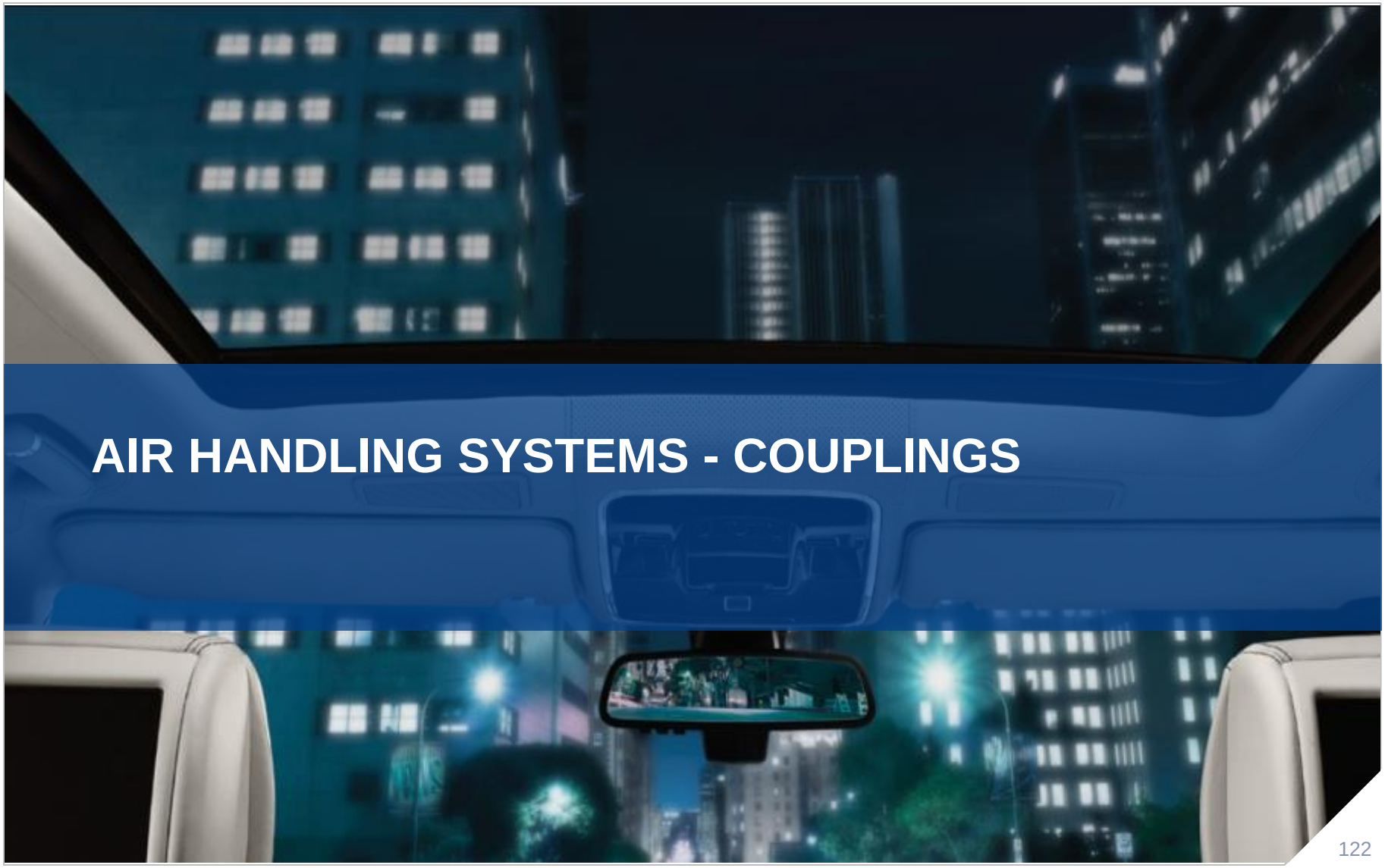

AIR HANDLING SYSTEMS - COUPLINGS

CV Airbrake Couplings – Growth drivers

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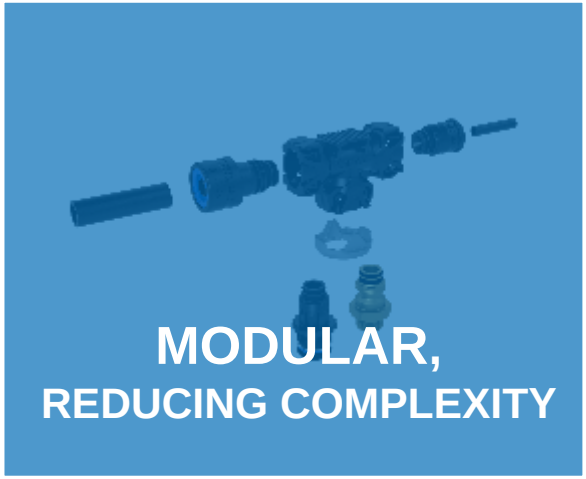
SAFETY FEATURES BUILT IN



MODULAR,
REDUCING COMPLEXITY

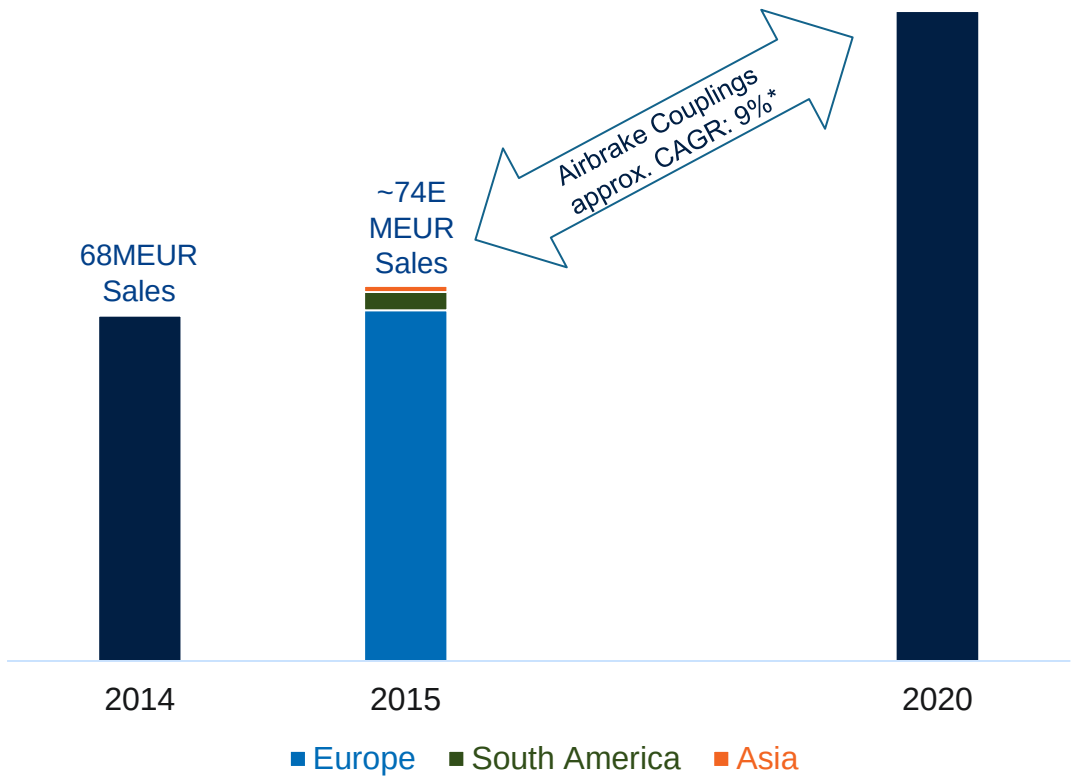
QUICK CONNECTIONS,
REDUCING ASSEMBLY TIME

GLOBAL LEGISLATION

LIGHTER
SAVING CO2

INCREASED DURABILITY,
REDUCING EMISSIONS

Airbrake Couplings - within a high potential segment



*Kongsberg Automotive estimates

- EU dominance continues
- USA product launch
- Asia fitment increases
- Increased air actuation in Truck & Bus area

Well positioned to enter USA and Asia

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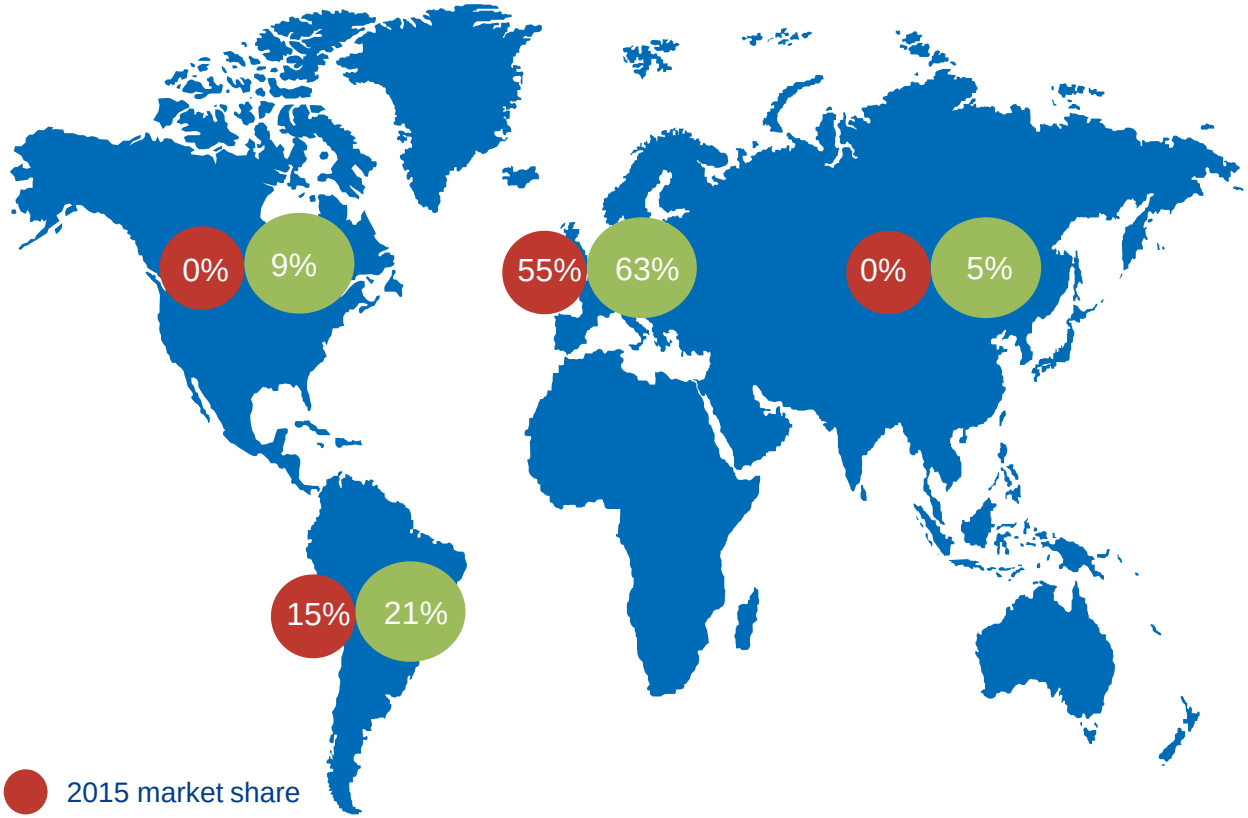
Airbrake Couplings

EU dominance, USA launch, Asia fitment rate increases



CAGR (2015-2020): 9 %

CV CAGR (2015-2020): 7.5 %

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HIGH PERFORMANCE TUBE ASSEMBLIES

KONGSBERG
AUTOMOTIVE

Fluoro-Comp®

A KONGSBERG AUTOMOTIVE PRODUCT

Tube Assemblies CV+PV Powertrain – Growth Drivers

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SAFETY
FIRE RESISTANCE
CRASH RESISTANCE

BIO FUELS

ENGINE DOWNSIZING

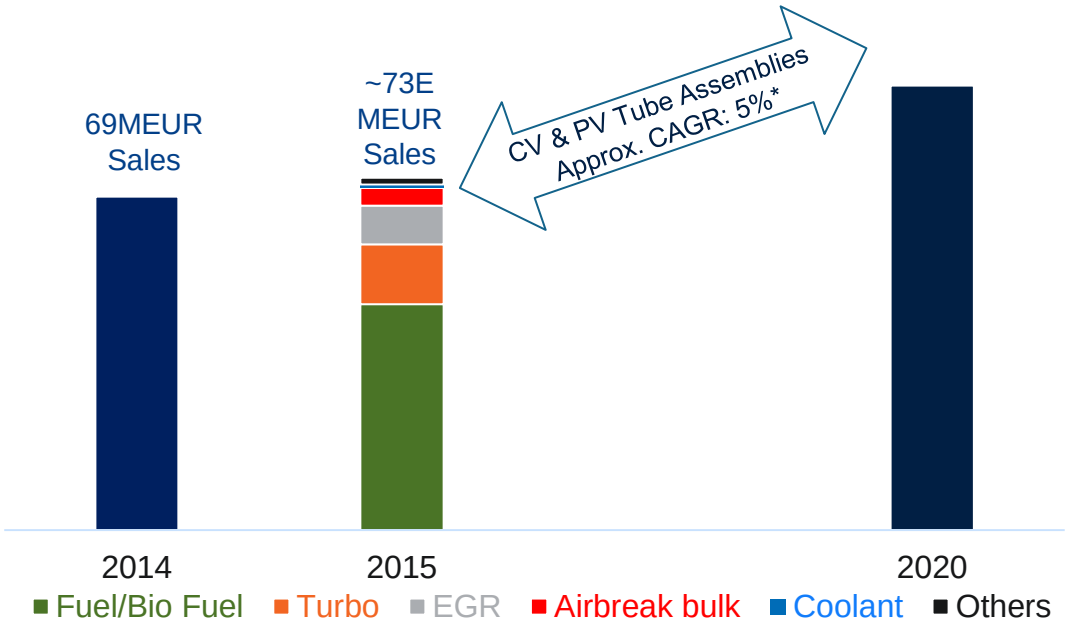
GLOBAL LEGISLATION
VEHICLE EMISSIONS

WASTE HEAT RECOVERY

FUEL REDUCTION
TAILPIPE EMISSIONS

KONGSBERG AUTOMOTIVE

Tube Assemblies Powertrain for CV & PV



- Fluoro-Comp global growth
- Increased fitment in Asia
- Downsizing & safety driving growth
- Globalization opportunity

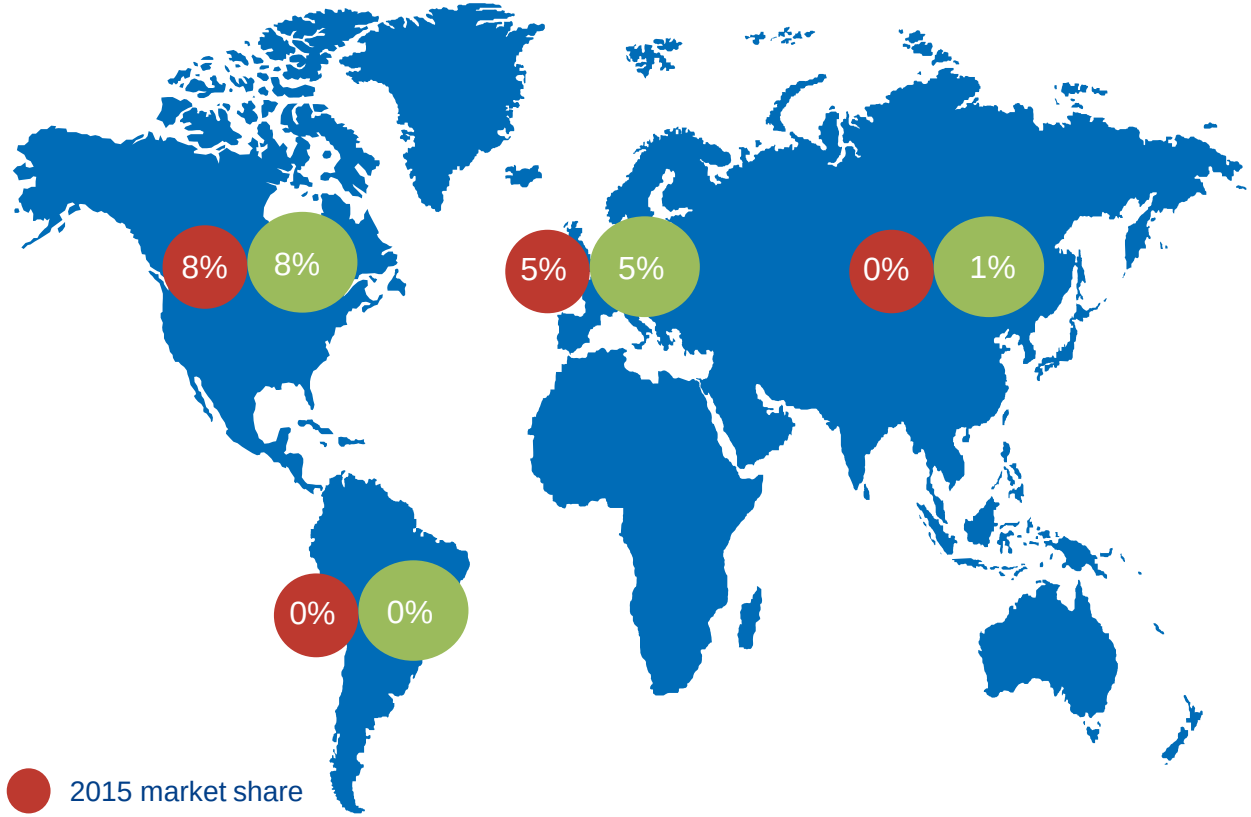
Kongsberg Automotive estimates

Focus on high performance tube assemblies

KONGSBERG AUTOMOTIVE

High Performance Tube Assemblies CV + PV

Downsizing & Emission drives fuel line growth



CAGR (2015-2020): 5 %

CV CAGR (2015-2020): 7.5%
PV CAGR (2015-2020: 3.2%

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INDUSTRIAL

Industrial – Growth Drivers

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PRODUCT DEVELOPMENT

CUSTOMER EXPERIENCE

LEVERAGE AUTOMOTIVE TOOLS

SUPPLY CHAIN MANAGEMENT

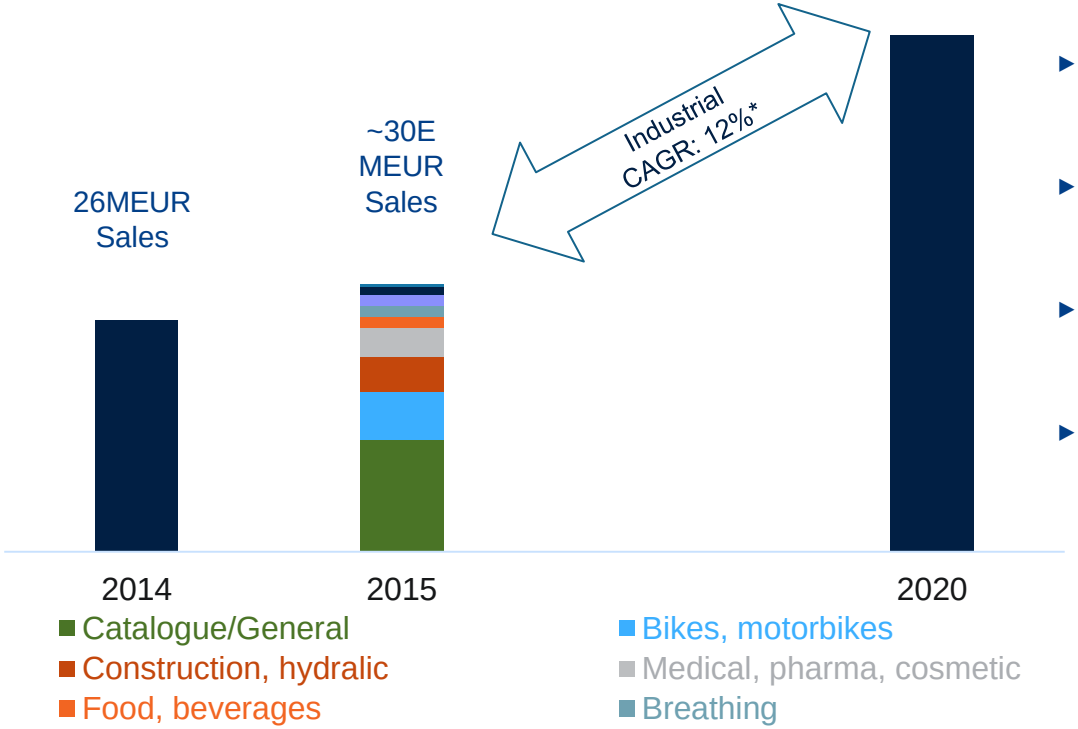
STATE OF ART EQUIPMENT

TRAINING CUSTOMERS

GLOBAL FOOTPRINT

Industrial

Attractive niche growth segment



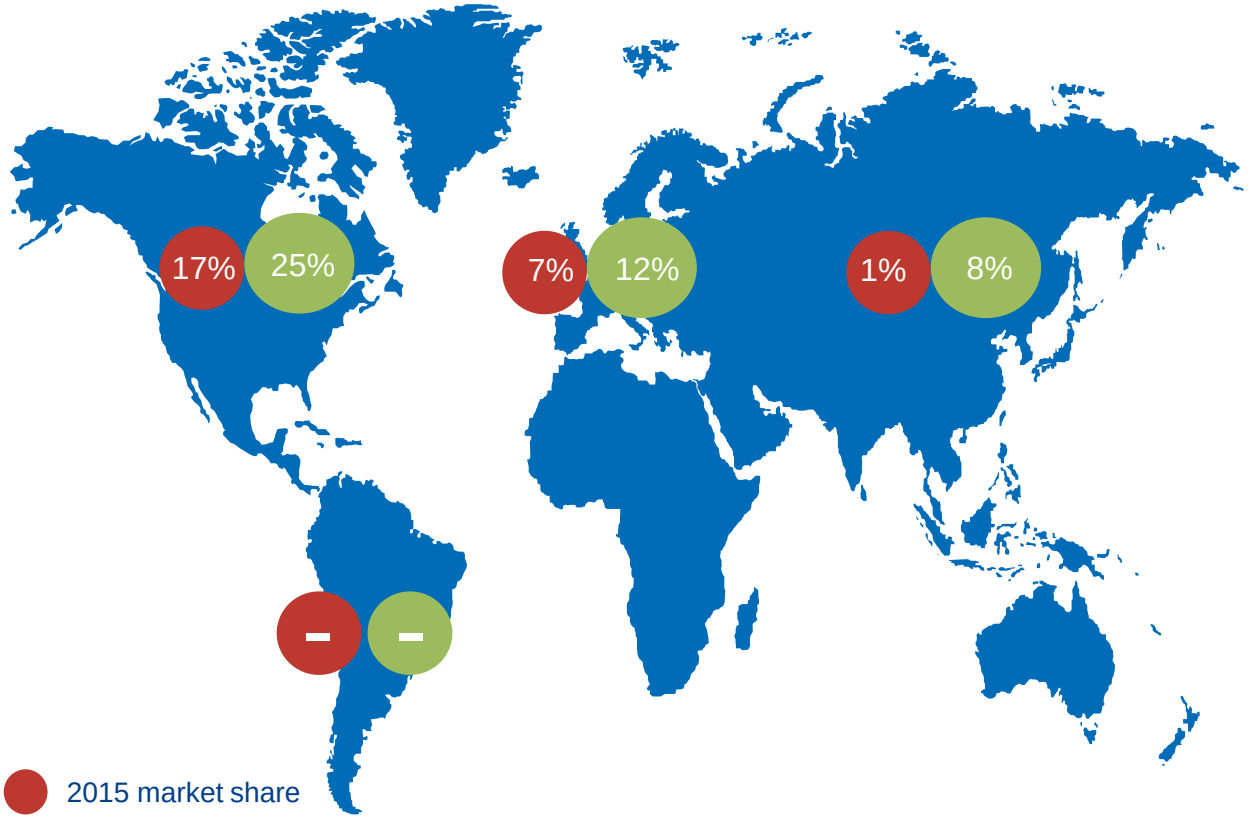
- One Stop shop for PTFE hose
- Wide segment base
- Increased product range
- Globalization opportunity

**Kongsberg Automotive estimates*

Focus within high end segments

Industrial

Strong growth with a broad segment portfolio & globalization



CAGR (2015-2020): 12 %

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BEING WITH THE RIGHT CUSTOMERS MAXIMIZING THE VALUE POTENTIAL

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Unparalleled Customer Relationships

Selected customers PV

TI Automotive, BMW, Ford, Volvo, Mercedes-Benz, Land Rover

Selected customers CV

MAN, Scania, Volvo, Daimler, Iveco, Renault, Paccar, Cummins, Deutz

Selected customers Industrial

Motion Industries (Keeping Industry in Motion), John Deere, Quooker, Interspiro, Hansa Flex, JCB

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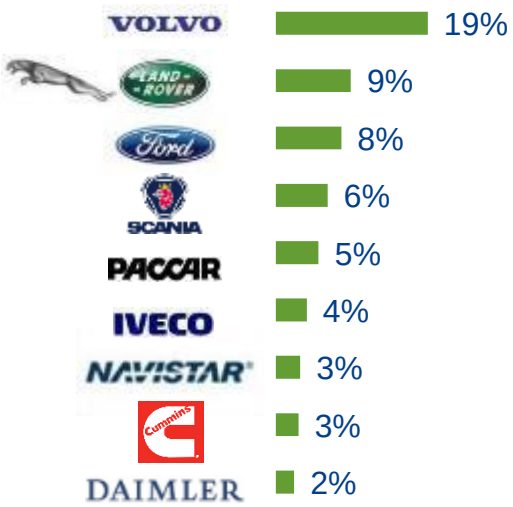
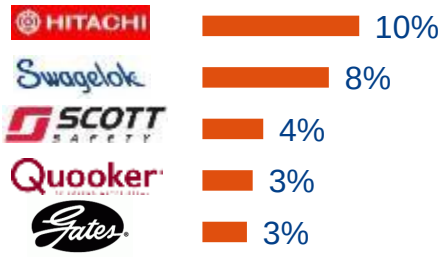
The Right partners

- CV customers leading the market in USA & EU with partnerships in Asia
- Customers value drivers such as safety & durability match those of KA FTS
- Largest Auto customer is the global leader in SUV segment & globalizing at high pace
- Wide Mix of Industrial customers that lead in each niche segment they serve

Est. share of KA 2015 revenue within CV+PV



Est. share of KA 2015 revenue within Industrial



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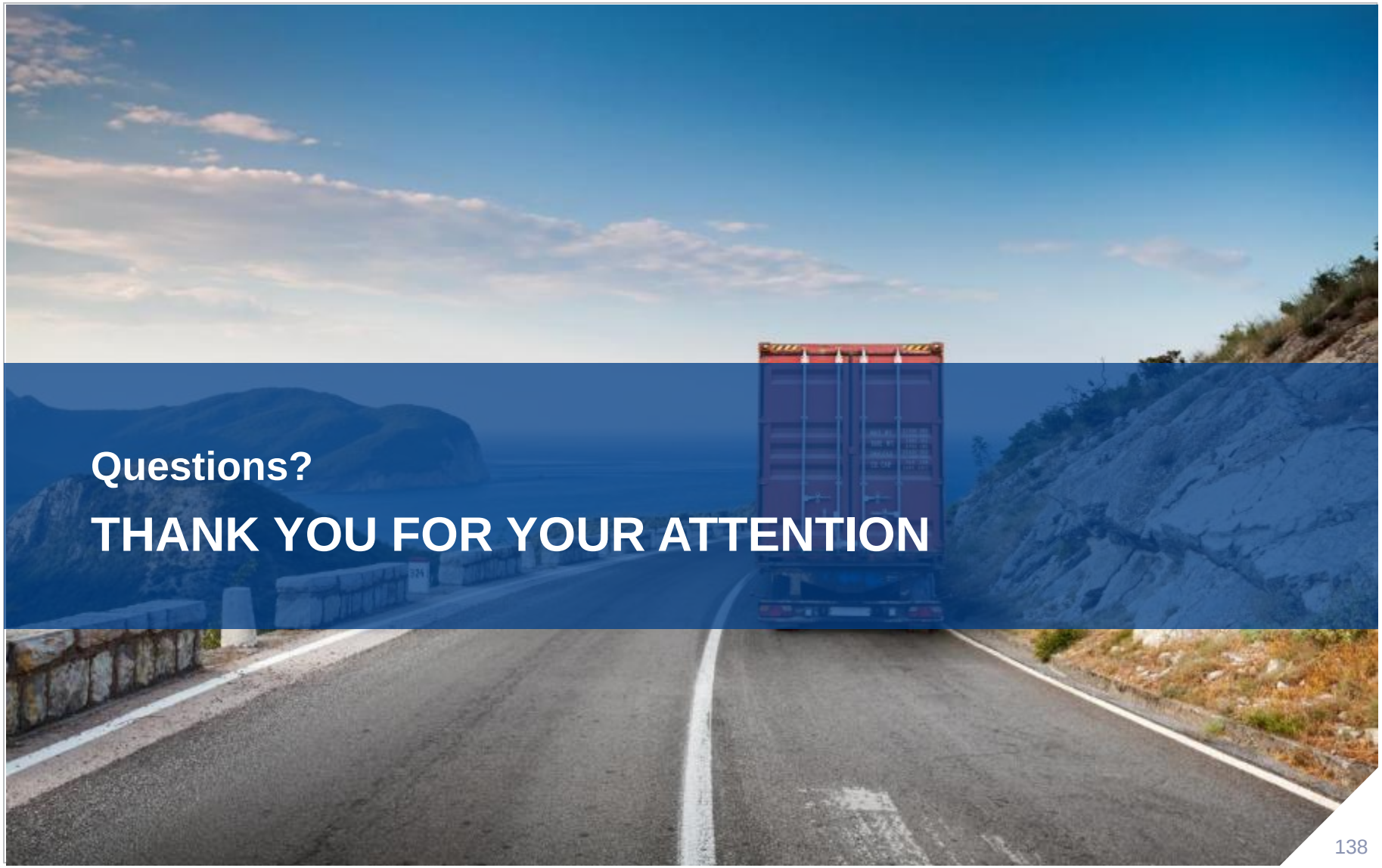

Questions?

THANK YOU FOR YOUR ATTENTION

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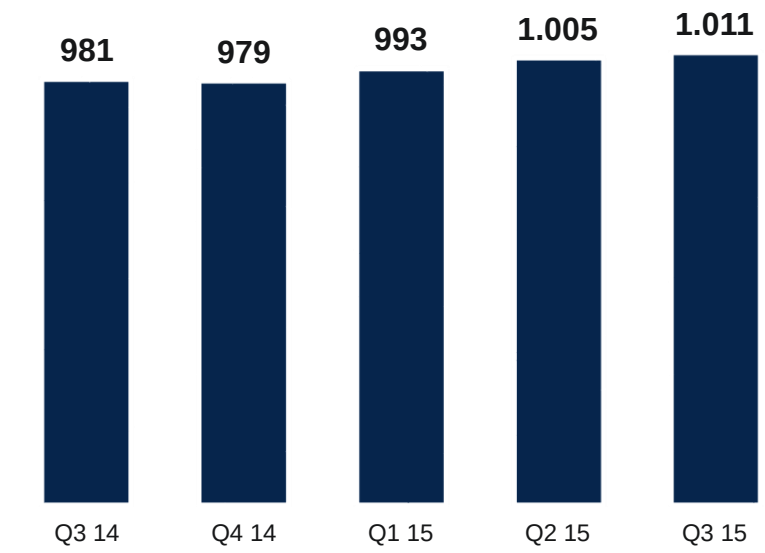
Financials

TROND STABEKK, EVP & CFO

Revenue growth still on the soft side

Revenues
EUR Million

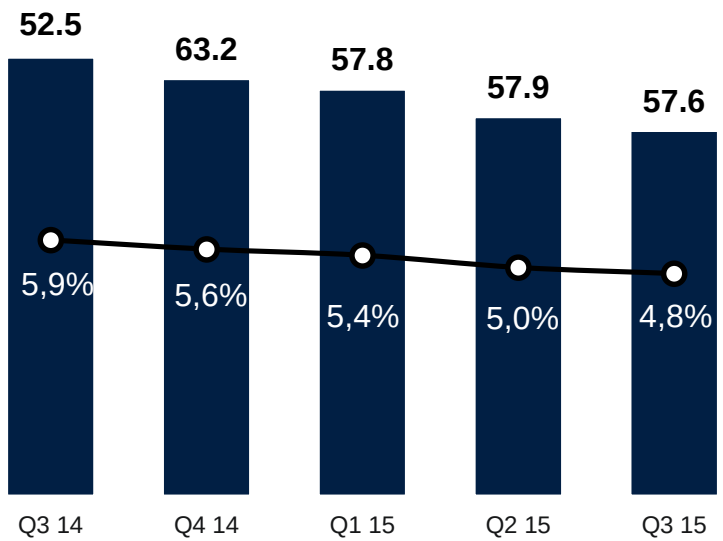


(LTM=last twelve months)

- **Trend influenced by exchange rates**
- **Underlying revenue down approx 2.5 %**

Slightly reduced run rate on Group EBIT

EBIT and EBIT Margin
EUR Million and percent



(LTM=last twelve months)

- **Positive improvements from productivity and reduced purchase prices**
- **Higher cost in R&D accross the group**
- **Some operational issues in Driveline related to launch in 2015**

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EBIT improvement levers over last 4 years

- Yearly contractual price reductions
- Inflation
- Increased R&D and project resources

- Improved gross margins through
- Improved productivity and material cost
- Reduced plant fixed cost

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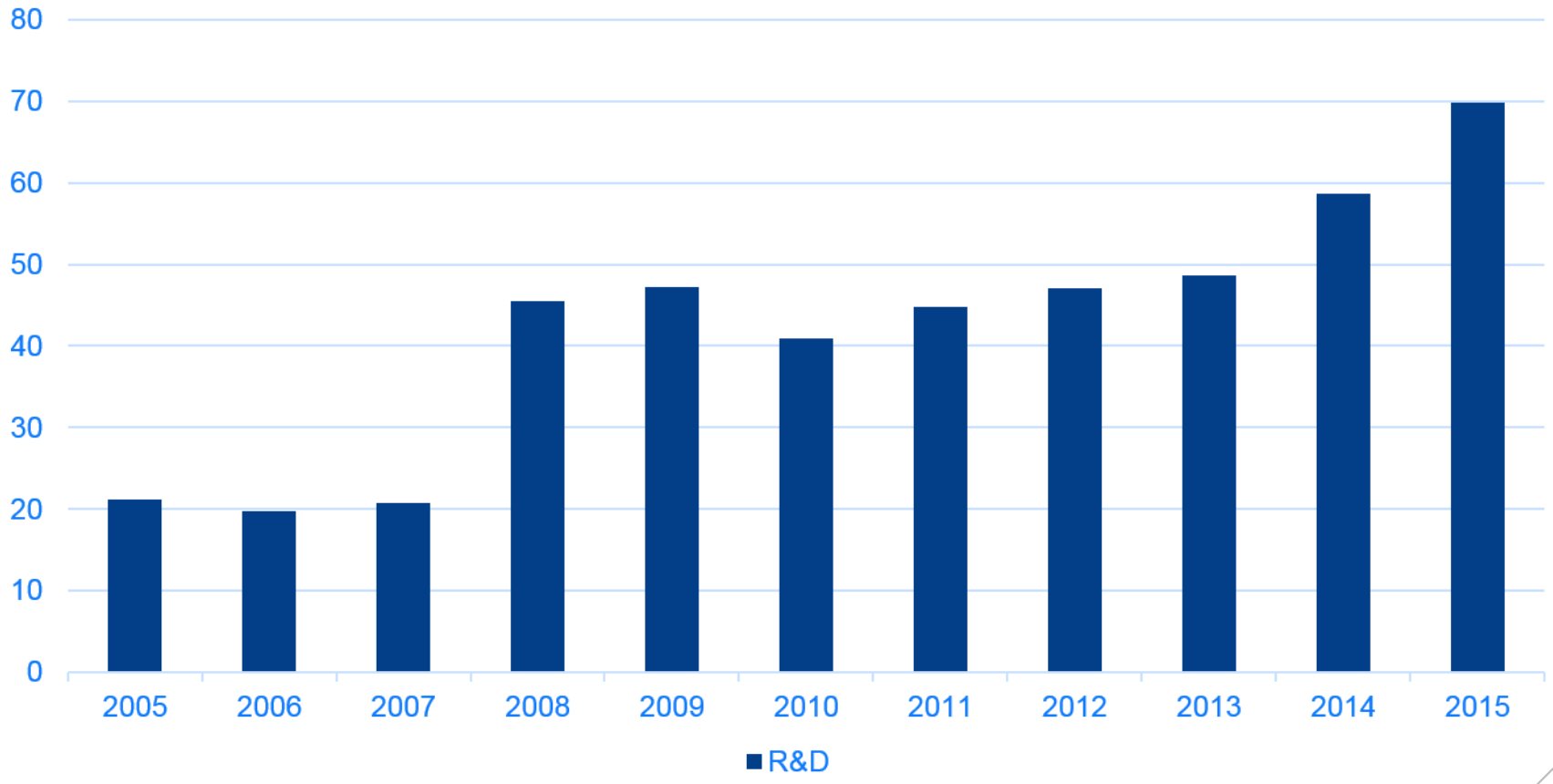
Significant increase in R&D to address future growth



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FINANCIAL TARGETS

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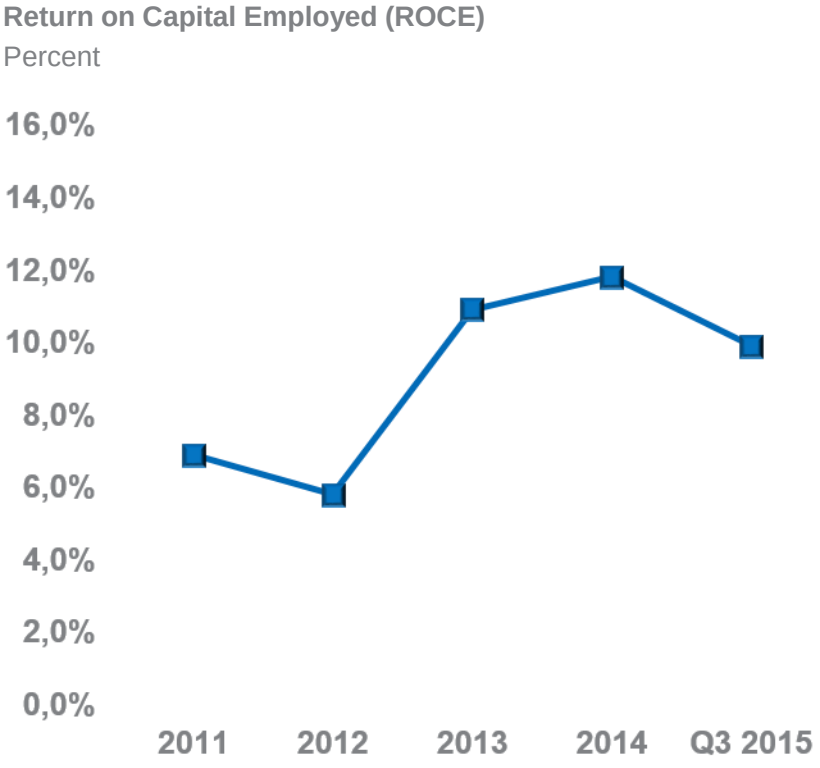
Ambition still above 13 % Return on capital employed

Multiple levers for improvement

Revenue growth has been slower than expected – key lever to deliver improvement

Improved margins in Driveline has been slower - increase in R&D has been higher than expected

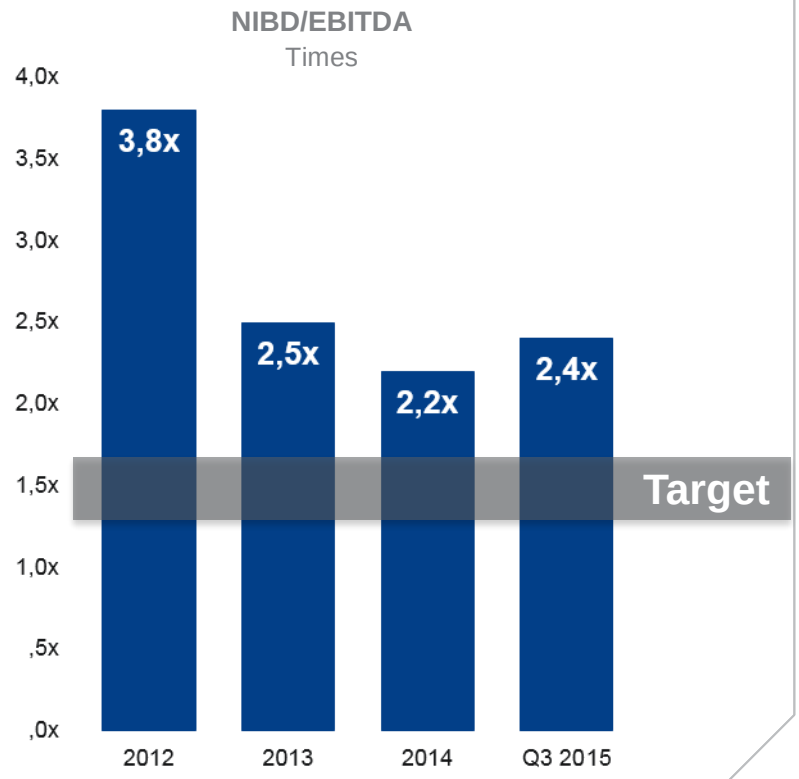
Higher capital efficiency, Have been positive, but still more to do on working capital



Focus to continue reduction in gearing towards target

Need to improve cash flow through

- Growth in top line
- Improved margin
- Continue to manage capital side



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TREASURY

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Current funding structure

- Loan agreement with DnB, Danske Bank and BNP Paribas
- Maturity 2018 with possible extension with 1 + 1 year gives ultimate maturity 2020
- Tranches in EUR (162 MEUR) and USD (172 MUSD)

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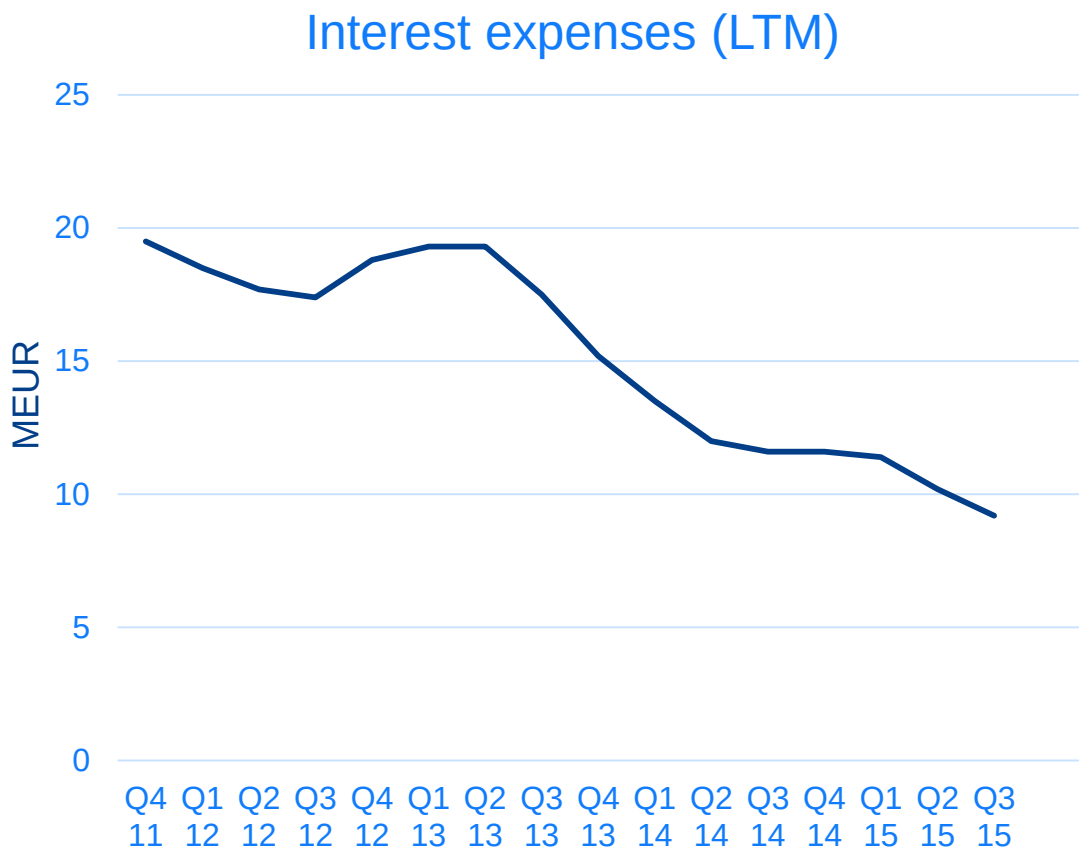
Significantly reduced interest expenses



- **Interest expenses reduced by 50 % over last 4 years through a combination of reduction in debt and improved terms**

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Summary

Revenue

- Need to continue with high level of business wins & launch orders booked over last years

EBIT

- Continue to improve margins in Driveline
- Continuous improvement in cost base
- Operational gearing of revenue growth

Capital employed

- Need to continue to optimize usage of asset base & working capital ratio and balance capex versus growth

Focus to improve return on capital employed

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Hans Peter Havdal, President & CEO

SUMMARY:
TRANSITION TOWARDS A MORE FOCUSED KA

Key takeaways

Focused strategy	• **Strategic review of all segments and products concluded with decision to focus on 3 growth platforms** – Seat Comfort – Efficient Powertrains – Advanced Fluid Handling
Enhancing growth with technology	• **Directing R&D spend and investments to high-growth segments with unique offering** • **Growth platforms expected to grow significant post 2020, timing for stepping up R&D effort is now**
Optimizing product portfolio	• **Conventional products remain important in terms of scale and cash flow to fund further growth** • **Continued review of segments and product offering to reduce complexity with divestment of Light Duty Cables unit in 2016, and phase out Head- and Armrests products**
Financial platform with dividend potential	• **Securing a robust platform with dividend potential in the medium term** – Key focus on R&D spending and debt reduction in 2016 to create a sustainable platform for growth – Materialization of R&D investments in revenue growth from new contracts in 2017 will allow dividends to be prioritized

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THANK YOU FOR YOUR ATTENTION

QUESTIONS & ANSWERS