

# KONGSBERG AUTOMOTIVE

Q3 PRESENTATION  
OCTOBER 2020



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# Kongsberg Automotive

## Forward-Looking Statements and Non-IFRS Measures

### Forward-Looking Statements

This presentation contains certain “forward-looking statements”. These statements are based on management’s current expectations and are subject to risks, uncertainty and changes in circumstances, which may cause actual results, performance, financial condition or achievements to differ materially from anticipated results, performance, financial condition or achievements. All statements contained herein that are not clearly historical in nature are forward-looking and the words “anticipate,” “believe,” “expect,” “estimate,” “plan,” and similar expressions are generally intended to identify forward-looking statements. We have no intention and are under no obligation to update or alter (and expressly disclaim any such intention or obligation to do so) our forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by law. The forward-looking statements in this presentation include statements addressing our future financial condition and operating results. Examples of factors that could cause actual results to differ materially from those described in the forward-looking statements include, among others, business, economic, competitive and regulatory risks, such as conditions affecting demand for products, particularly in the automotive industries; competition and pricing pressure; fluctuations in foreign currency exchange rates and commodity prices; natural disasters and political, economic and military instability in countries in which we operate; developments in the credit markets; future goodwill impairment; compliance with current and future environmental and other laws and regulations; and the possible effects on us of changes in tax laws, tax treaties and other legislation. More detailed information about these and other factors is set forth in the 2019 Kongsberg Automotive Annual Report, Kongsberg Automotive Quarterly Reports and various investor presentations published in conjunction with the 2020 capital increase.

### Non-IFRS Measures

Where we have used non-IFRS financial measures, reconciliations to the most comparable IFRS measure are provided, along with a disclosure on the usefulness of the non-IFRS measure, in this presentation.



# Key topics Q3 2020

## Markets & Revenues

- The Corona Virus and a weak start to the year 2020 have impacted the automotive industry heavily. Primarily due to the Chinese market, the market developments in the light duty vehicles markets have been markedly different than in the heavy-duty vehicles market.
  - The worldwide light duty vehicle production in Q3 2020 recovered nicely on a sequential basis. From a low point in Q2 2020 of 12.6 million vehicles produced, Q3 came in at 20.3 million units. The Q3 2020 production figures were only 3.5% behind the Q3 2019 production figures. It should be noted that China was the only region with significant growth YoY.
  - The heavy-duty vehicles market was very different from the light duty vehicle market. Although on a global basis, the YoY production figure decline was a similar 5.3%, it is highly skewed by very strong growth in China and strong declines in all other regions. In Q3 2020 China production represented almost half of the global heavy-duty vehicle production.
  - With the exception of the non-China heavy-duty vehicles, the Q3 production levels represent a stronger recovery from the Corona Virus impact than generally expected.
- Q3 2020 Kongsberg Automotive revenues amounted to MEUR 255.2, MEUR 24.0 (-8.6%) below Q3 2019, including negative currency translation effects of MEUR 10.7. At constant currencies, a representation of true volumes, the YoY decline was around 5% which is in line with the overall market development for the quarter.
- Driven by steadily improving order levels throughout the quarter, we recovered by September to volumes similar to those of 2019. It should be noted that on a constant currencies basis we had YoY growth in September.
- As was the case for the total market, the Kongsberg Automotive regional revenue developments varied strongly by region. Overall, strong revenue growth in China partially offset revenue declines in Europe and North America. The revenue levels in Q3 2020 are still impacted by the effects of the Corona Virus pandemic outside of China:
  - Quarterly revenues in Europe and in the Americas were lower by around 10% YoY and 17% YoY, respectively.
  - Quarterly revenues in China increased by around 32% YoY, attributable to the quick recovery from the Corona Virus pandemic effects, strong general vehicle demand and KA market share gains.
  - Q3 2020 revenues in all regions recovered quicker than expected in our previous outlook.
- We were awarded new business totaling MEUR 49.6 on an annualized revenue basis, corresponding to MEUR 223.8 in expected lifetime revenues during Q3 2020. Although weaker than previous years, we see this as a strong booking quarter taking the lower quoting activities from the OEMs into consideration.



# Key topics Q3 2020

## Performance

- Adjusted EBIT amounted to MEUR 13.9 in Q3 2020, the same as in Q3 2019, the adj. EBIT margin rose from 5.0% to 5.5%. At lower YoY revenues, we benefitted from strict cost controls, fixed cost reductions and somewhat lower material costs.
  - There were no significant translational FX impacts.
  - Compared to Q2 2020 the adjusted EBIT increased from MEUR -33,5 to MEUR 13,9 based on a revenue increase of MEUR 105 which implies a fall through of 48%.

## Cash Flow

- Change in cash for the current quarter was MEUR 14.5, including negative currency effects of MEUR 1.4.
  - The capital increase contributed MEUR 27.3 (Subsequent Offering).
  - The RCF line remains unused.
  - Free Cash Flow for the quarter amounted to negative MEUR 12.4, impacted by a business-driven working capital increase.
  - As previously announced, the Company entered into a receivable securitization agreement increasing its liquidity reserve by MEUR 60.0 with a three-year tenure. This securitization program was unused at the end of Q3 2020.
- The total liquidity reserve on September 30, 2020 amounted to MEUR 200.8.

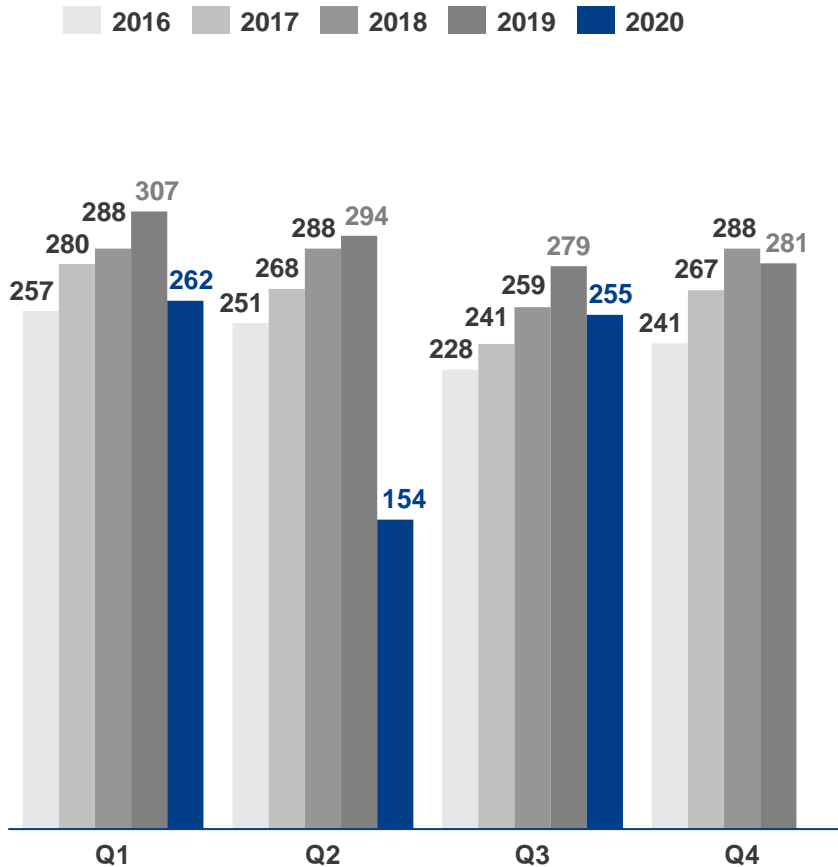
## Gearing

- The adjusted gearing ratio (NIBD/Adj. EBITDA) deteriorated from 3.0X in Q3 2019 to 5.8X in Q3 2020, again mainly driven by the effects of the Corona Virus pandemic.
  - The adjusted gearing ratio will continue to be impacted by the Q2 2020 figures until Q1 2021 as this is an LTM calculated ratio.
  - Sequentially, our adjusted gearing ratio improved from 6.1X in Q2 2020 to 5.8X in Q3 2020.

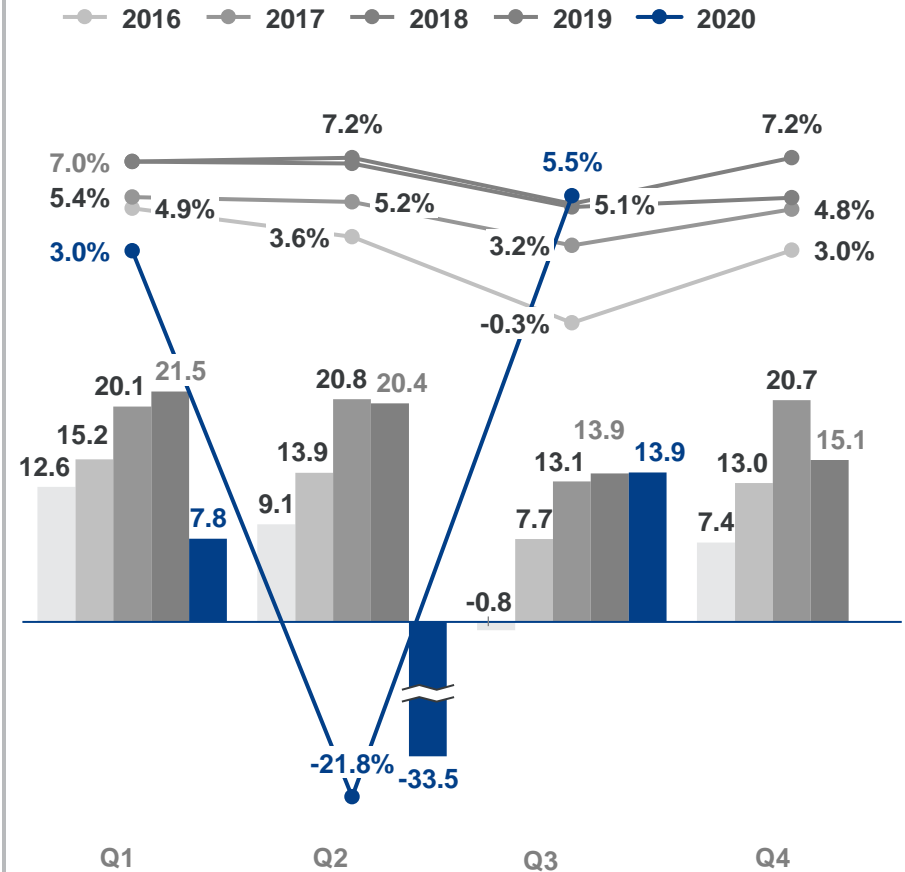


# Revenues and Adjusted EBIT

Revenues  
MEUR



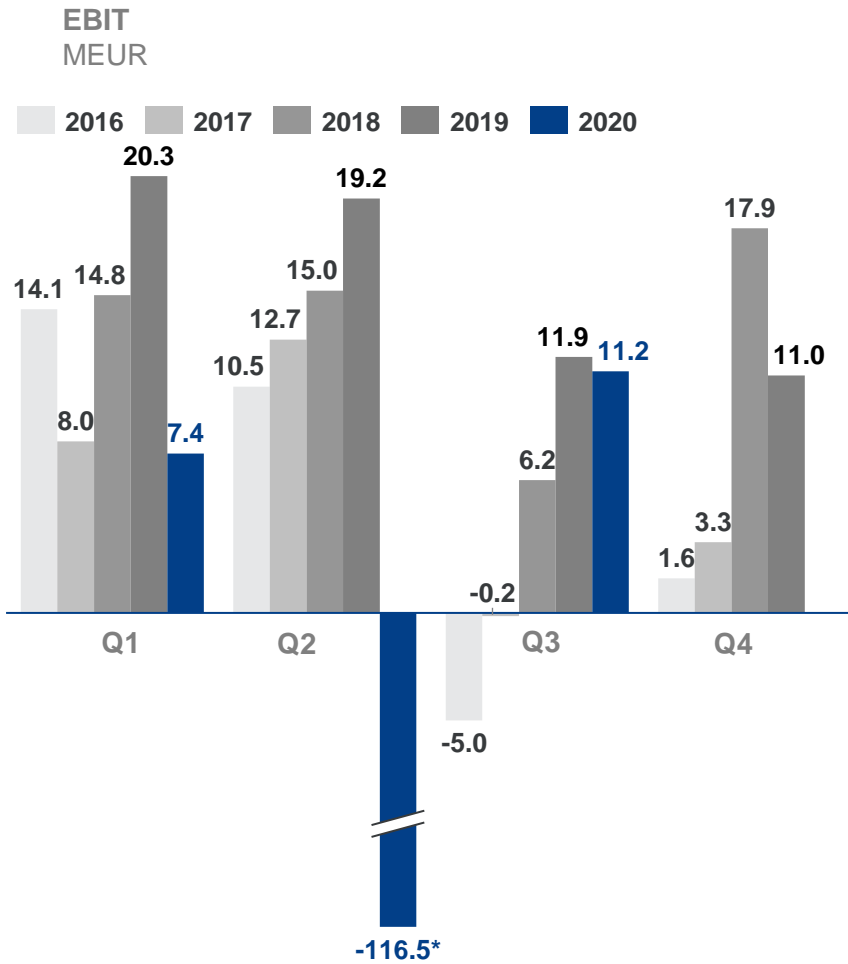
Adjusted EBIT  
MEUR and percent



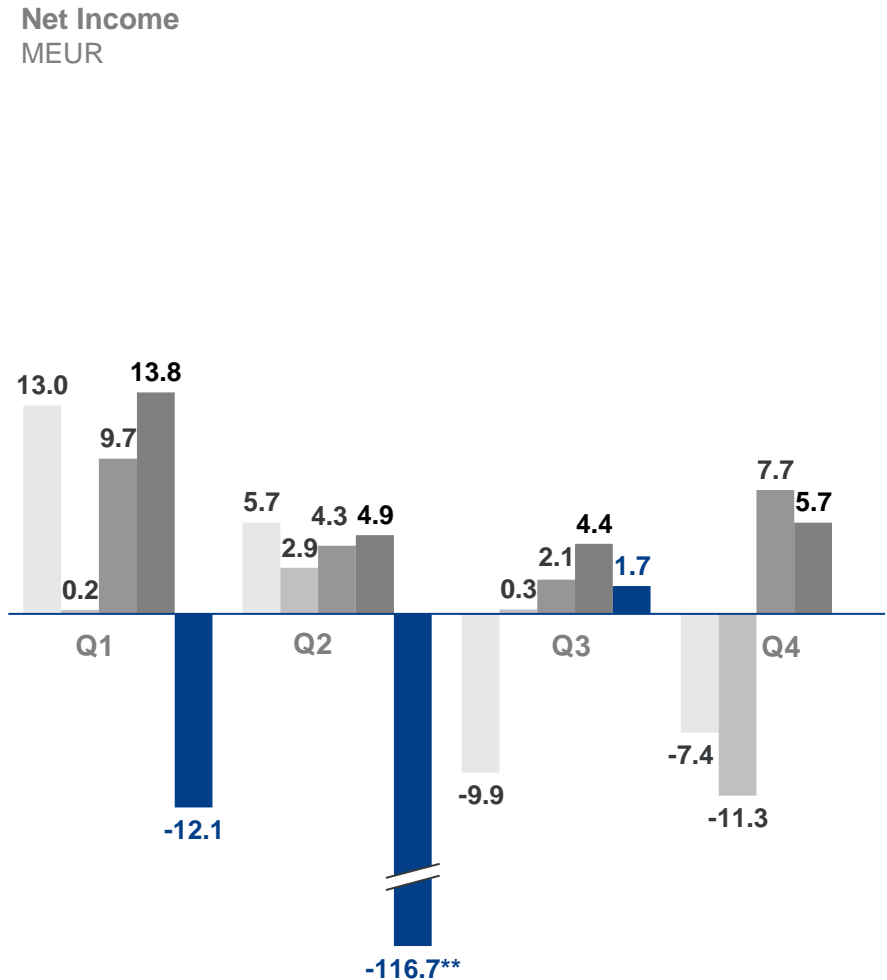
Revenues including HRAR

EBIT adjusted for restructuring and impairment (Q2 2020) - see details in the quarterly report.

# EBIT and Net Income



\* EBIT in Q2 2020 includes the impairment losses of MEUR 82.7



\*\* Net income in Q2 2020 is impacted by the impairment losses of MEUR 77.4 (net of tax)

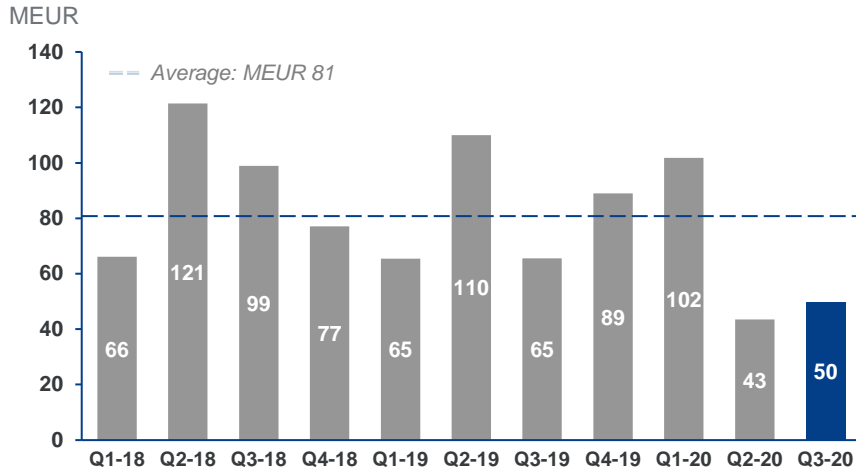
# NEW BUSINESS WINS



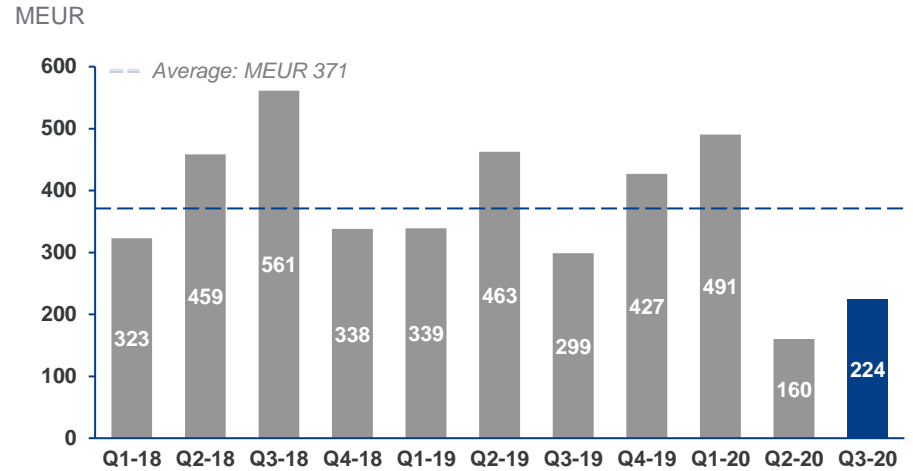
# New business wins – KA Group

Q3 2020 bookings still impacted by COVID-19 related low market activities

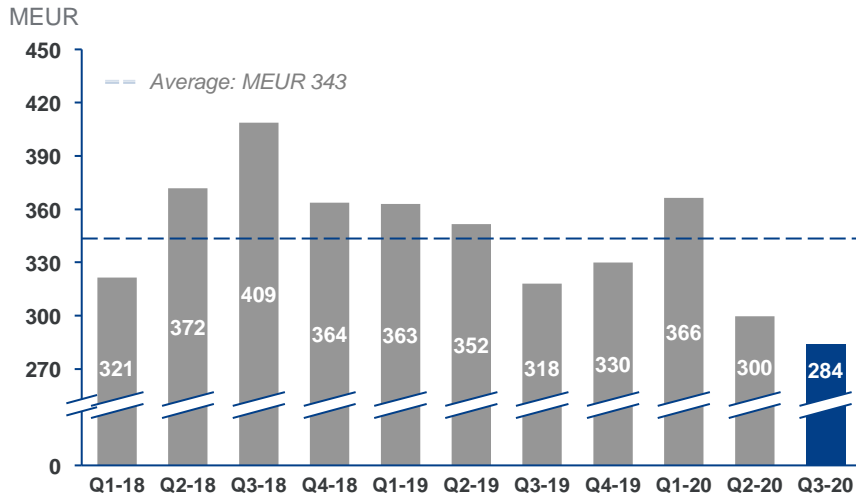
New business wins per quarter (per annum revenues)



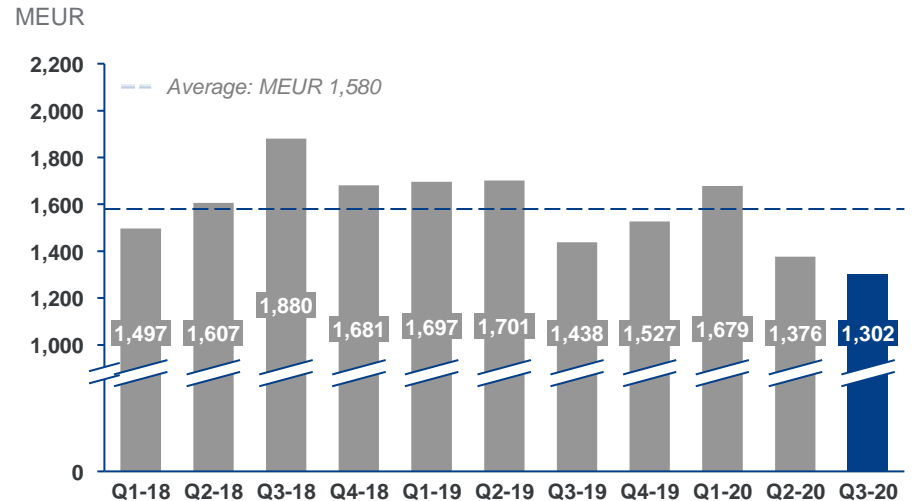
New business wins per quarter (lifetime revenues\*)



New business wins LTM (per annum revenues)



New business wins LTM (lifetime revenues\*)



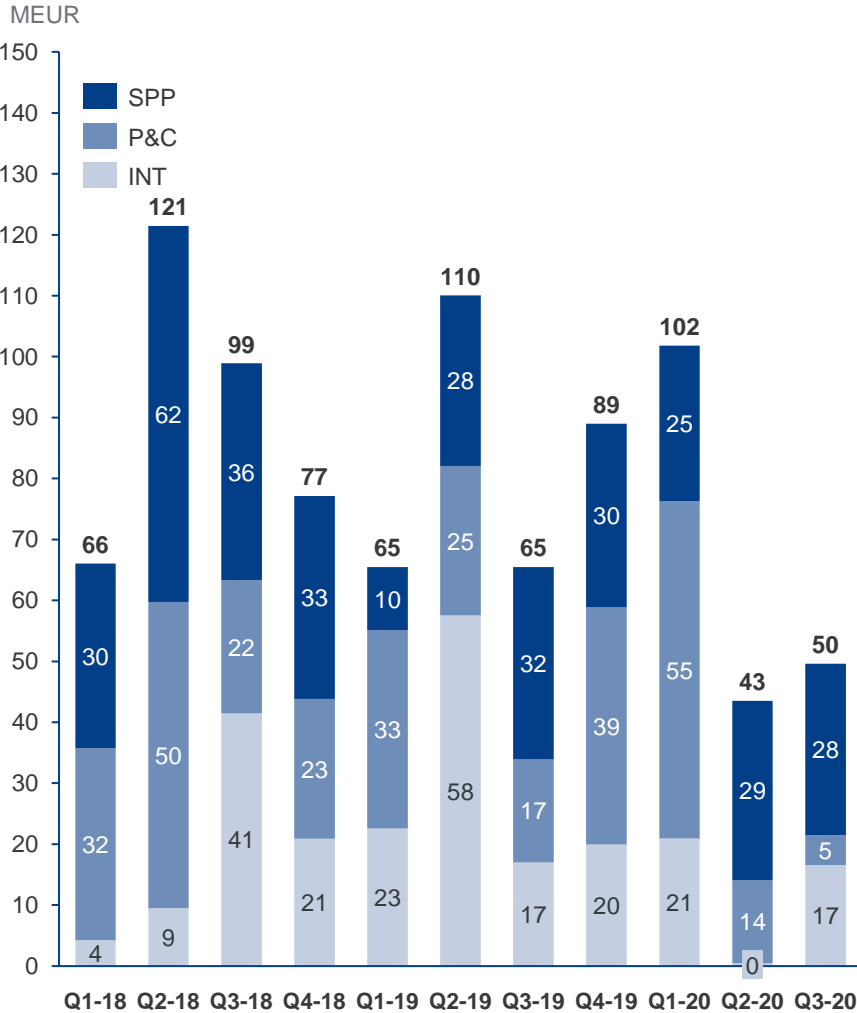
\*Lifetime revenue assumptions are based on IHS and LMC production estimates at the time of the booking.



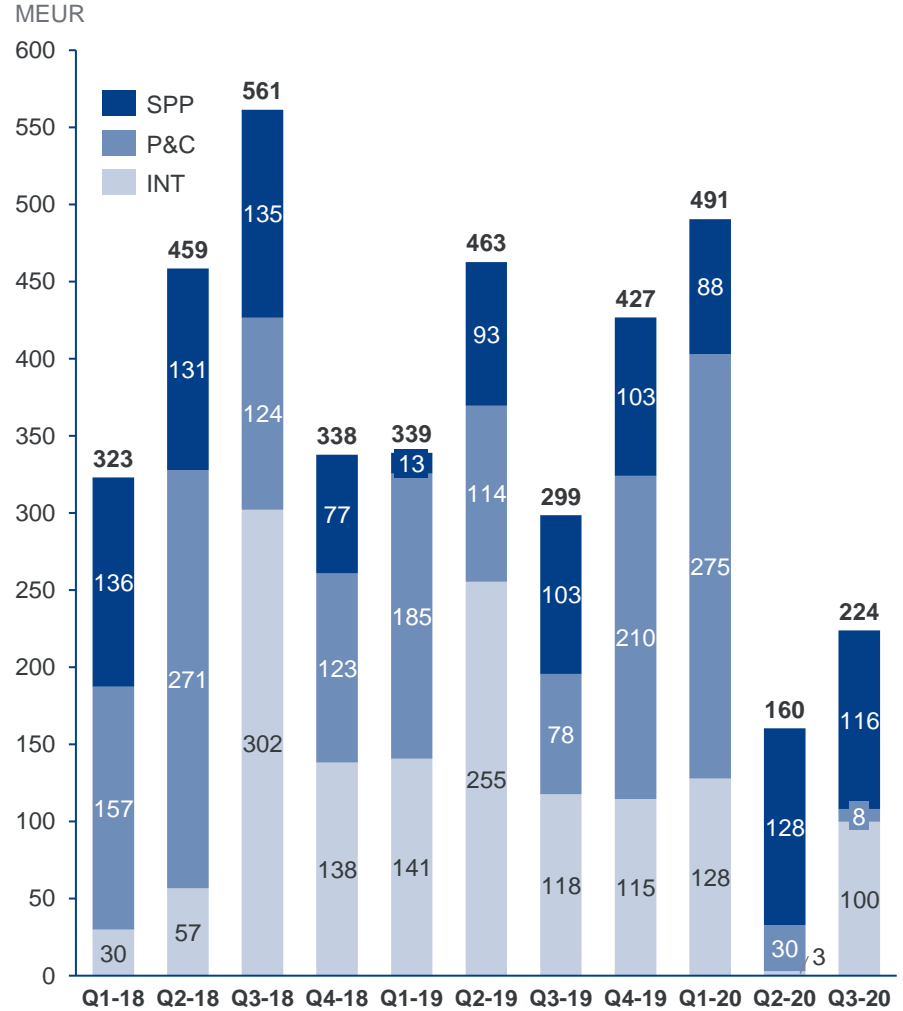
# New business wins by segment

New business wins secure future growth in all segments

New business wins per quarter (per annum revenues)



New business wins per quarter (lifetime revenues\*)



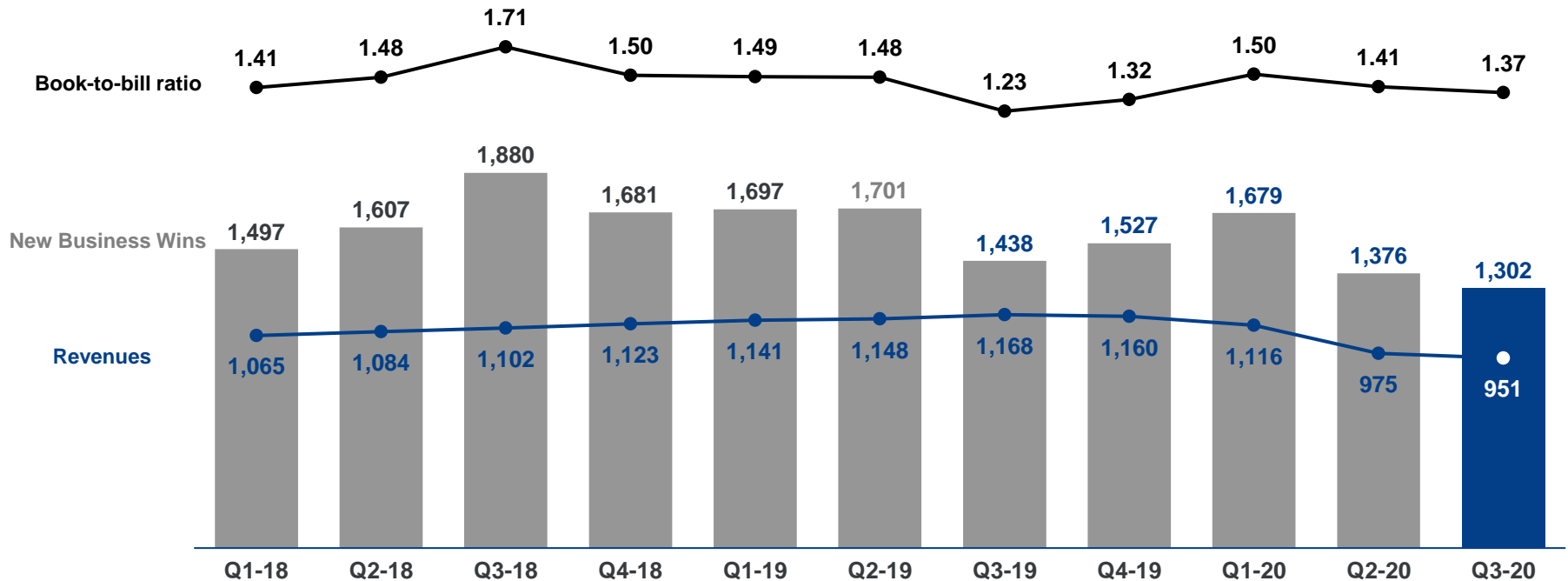
\*Lifetime revenue assumptions are based on IHS and LMC production estimates at the time of the booking.



# Book-to-bill performance

High number of new business wins over the last 2 years ensure long term growth relative to the market

● Revenues (LTM in MEUR)  
 ■ in MEUR



\*Lifetime revenue assumptions are based on IHS and LMC production estimates at the time of the booking.

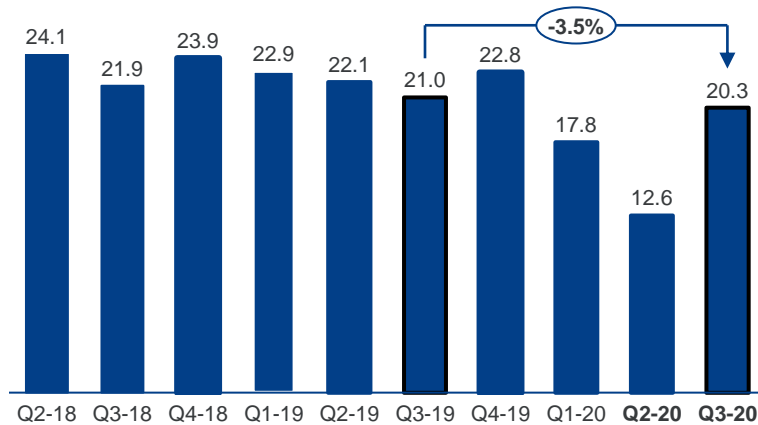
# MARKET SUMMARY



# Q3 2020 market summary

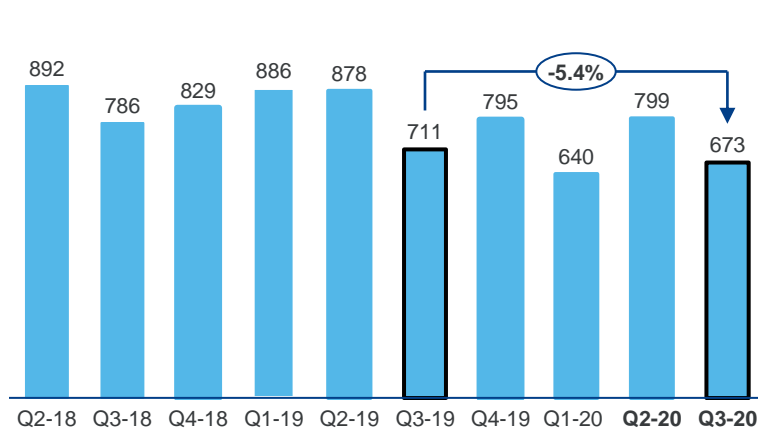
China shows positive market development in Q3 2020, with the rest of the world still suffering from COVID-19

## Global Passenger Car Production, Units in millions



Source: IHS Light Vehicle Production Base, October 2020

## Global Truck Production, Units in thousands



Source: LMC Global Commercial Vehicle Forecast, September 2020

## Global Passenger Car Production

Production Volumes	Total Q3-20	Q3-20 vs. Q3-19
Europe	4.3m units	-7.7% (-0.4m units)
North America	4.0m units	+0.5% (+0.1m units)
South America	0.7m units	-21.4% (-0.2m units)
China	6.4m units	+10.6% (+0.6m units)
APAC w/o China	4.5m units	-14.7% (-0.8m units)
RoW	0.4m units	-11.3% (-0.1m units)
<b>Total</b>	<b>20.3m units</b>	<b>-3.5% (-0.7m units)</b>

Note that Outside of China, the production volumes declined by 8.8%

## Global Truck Production

Production Volumes	Total Q3-20	Q3-20 vs. Q3-19
Europe	97.1k units	-25.7% (-33.6k units)
North America	113.7k units	-32.0% (-53.4k units)
South America	25.4k units	-21.4% (-6.9k units)
China	328.3k units	+32.3% (+80.1k units)
APAC w/o China	106.6k units	-18.2% (-23.7k units)
RoW	1.5k units	-29.0% (-0.6k units)
<b>Total</b>	<b>672.6k units</b>	<b>-5.4% (-38.1k units)</b>

Note that Outside of China, the production volumes declined by 25.6%

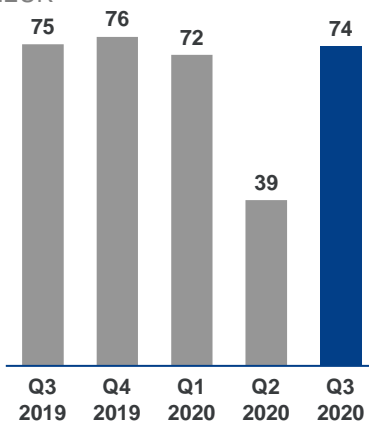
An aerial, black and white photograph of a large-scale construction or mining site. The terrain is heavily disturbed, showing numerous tracks from heavy machinery. In the center, a long, straight road or conveyor belt structure runs horizontally across the frame. Several pieces of heavy equipment, including what appear to be trucks and excavators, are scattered across the site. The overall scene conveys a sense of intense industrial activity.

# SEGMENT HIGHLIGHTS

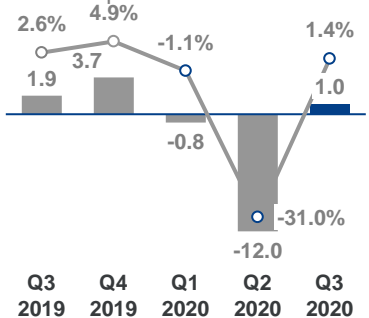
# Segment financials last five quarters

## Interior

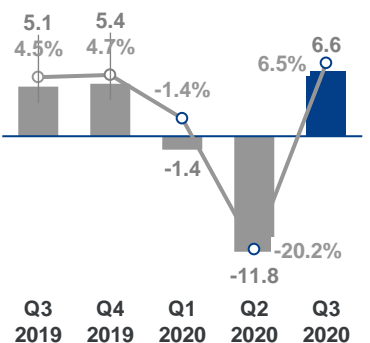
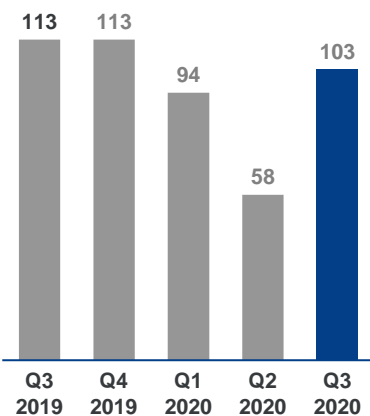
Revenues  
MEUR



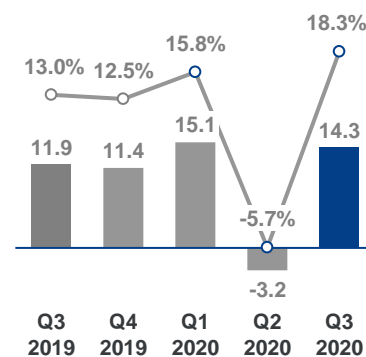
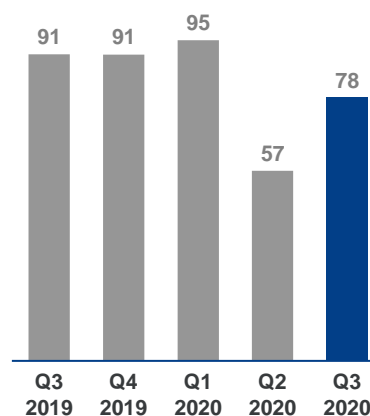
Adjusted EBIT\*  
MEUR and percent



## Powertrain & Chassis



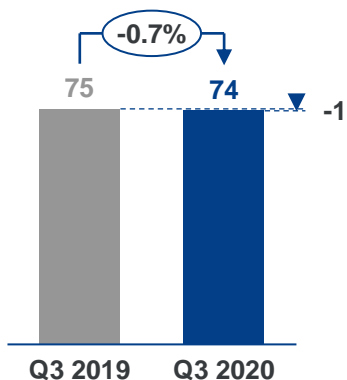
## Specialty Products



\*Excluding restructuring costs and impairment losses (Q2 2020), see details in the quarterly report.

# Interior

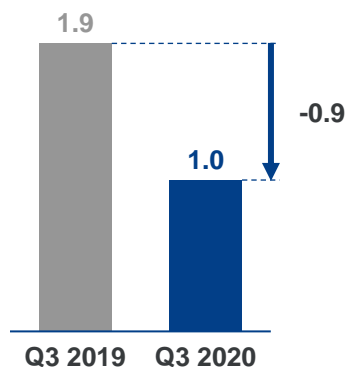
## Revenues



The Interior segment consists of two business units: Interior Comfort Systems (ICS) and Light Duty Cables (LDC).

Revenues in Q3 2020 showed a slight increase YoY excluding negative currency translation effects of MEUR 2.8. The Interior segment mainly serves the premium passenger car market which has performed well on a relative basis after the Corona Virus imposed lockdowns, particularly in China and North America.

## Adj. EBIT



Excluding one-time effects, the Adj. EBIT has improved YoY through strict cost discipline offsetting increased freight costs of MEUR 0.5 driven by material shortages driven by strong spikes in customer demand.

Customer development assets of MEUR 1.5 were written down during the quarter.

## Operations

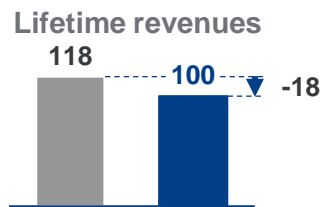
All plant operations are “back to normal” and – with the normalizing volumes - benefit now from the operational improvements achieved last year and the cost control measures implemented this year.

Within Q3 2020, the segment keeps focusing on maintaining high labor productivity/efficiency (constantly increasing ratio revenue per employee throughout the quarter), controlling variable and fixed costs.

The new Chinese plant contributed to the sales growth which was driven by increased production of premium vehicles and “New Energy Vehicles”. China revenues for this vehicle segment grew by 50% from around MEUR 6 to MEUR 9 YoY.

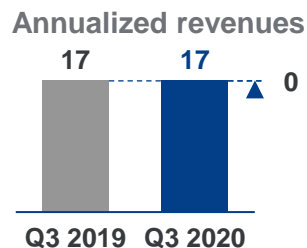
Moreover, during the quarter there were some ongoing stock-build ups for the relocation of production lines to the new Shuofang plant.

## New Business Wins



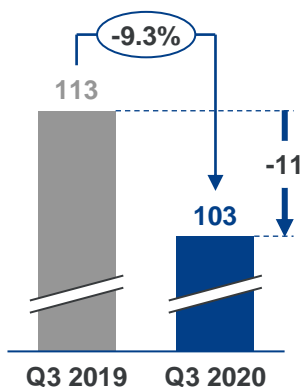
High new business wins level in Q3 2020 has significantly made up for shortcomings in Q2 2020.

Within the quarter, Interior was awarded two large contracts: one to supply seat heat systems to a major premium US car maker and one to supply seat support systems to a major European car maker with start of production in Q2 2022. The programs totals MEUR 2.7 and MEUR 2.0 in expected annualized revenues and MEUR 24.5 and MEUR 16.3 in expected lifetime revenues.



# Powertrain and Chassis (P&C)

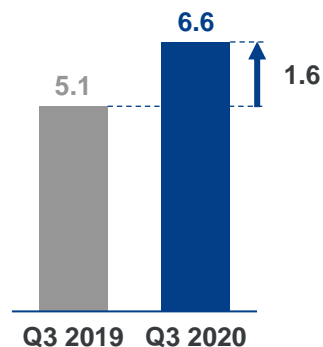
## Revenues



The Power and Chassis segment consists of two business units: On-Highway (ONH) and Driveline (DRL) serving the passenger car and heavy-duty vehicles industries, respectively.

The decline was mainly driven by the lingering low revenue levels in Europe and US which were positively offset by growth in China where revenues in Q3 2020 reached an all-time high through an increase of KA's market share in the Chinese passenger car market.

## Adj. EBIT



Higher profitability in Q3 2020 has benefited from the additional revenues and more efficient control of variable and fixed costs in the European and American plants.

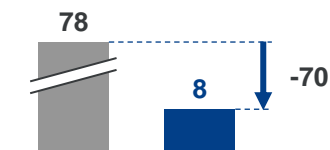
## Operations

All plant operations are "back to normal" and – with the normalizing volumes - benefit now from the operational improvements achieved last year and the cost control measures implemented this year.

On our supply side, we are in process to replace some suppliers who struggled with the current market environment and ceased deliveries to their customers.

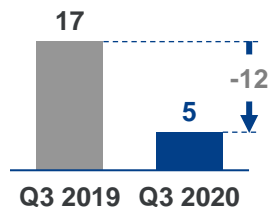
## New Business Wins

### Lifetime revenues



Market activities for new business awards were in general very low. New Business Wins included a shift by wire project to a Chinese customer with expected annualized revenues of MEUR 0.7 and MEUR 2.9 in expected lifetime revenues.

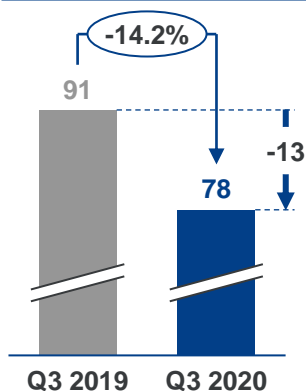
### Annualized revenues





# Specialty Products

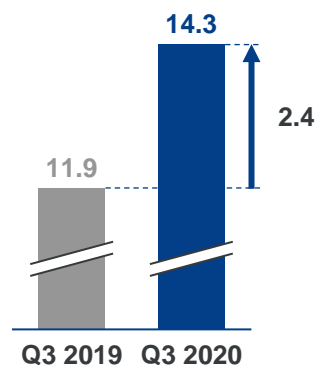
## Revenues



The Specialty Products segment consists of three business units: Couplings (COU), Fluid Transfer Systems (FTS) and Off-Highway (OFH).

The revenue development in this segment was mainly driven by weaker heavy-duty vehicle end markets and specific passenger car platforms in addition to slower ramping up after the lockdown period in Off-Highway. This was partly offset by strong performance from Couplings mainly driven by the Chinese customers. Excluding negative currency effects, Couplings had flat revenues YoY.

## Adj. EBIT



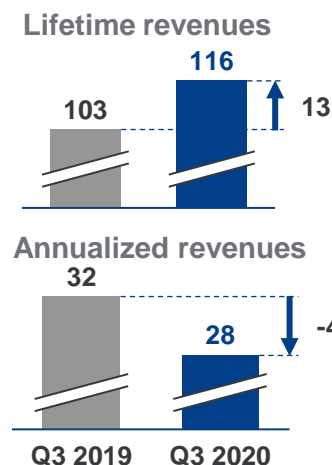
The YoY increase in Adj. EBIT is attributable to favorable foreign exchange rate effects, positive operational efficiency improvements plus some effects from of brass and resin raw material prices reductions.

## Operations

Like the other segments, all plant operations are “back to normal” and – with the normalizing volumes - benefit now from the operational improvements achieved last year and the cost control measures implemented this year.

We have made the first shipments of serial products from the new Couplings manufacturing facility in Cluses.

## New Business Wins

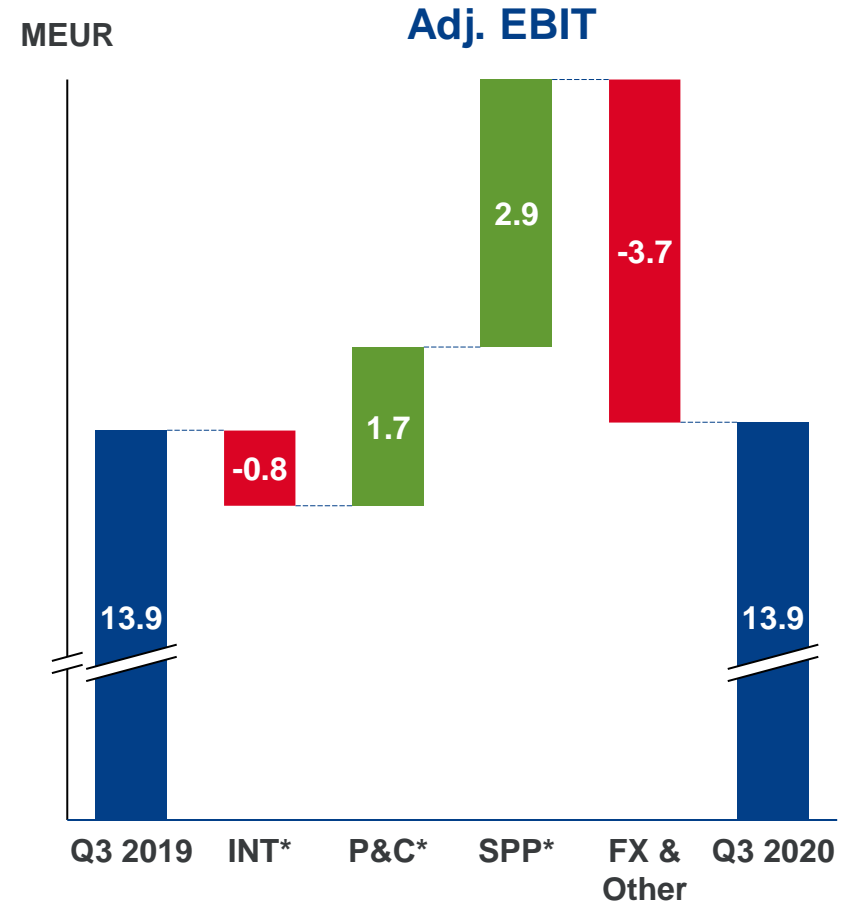
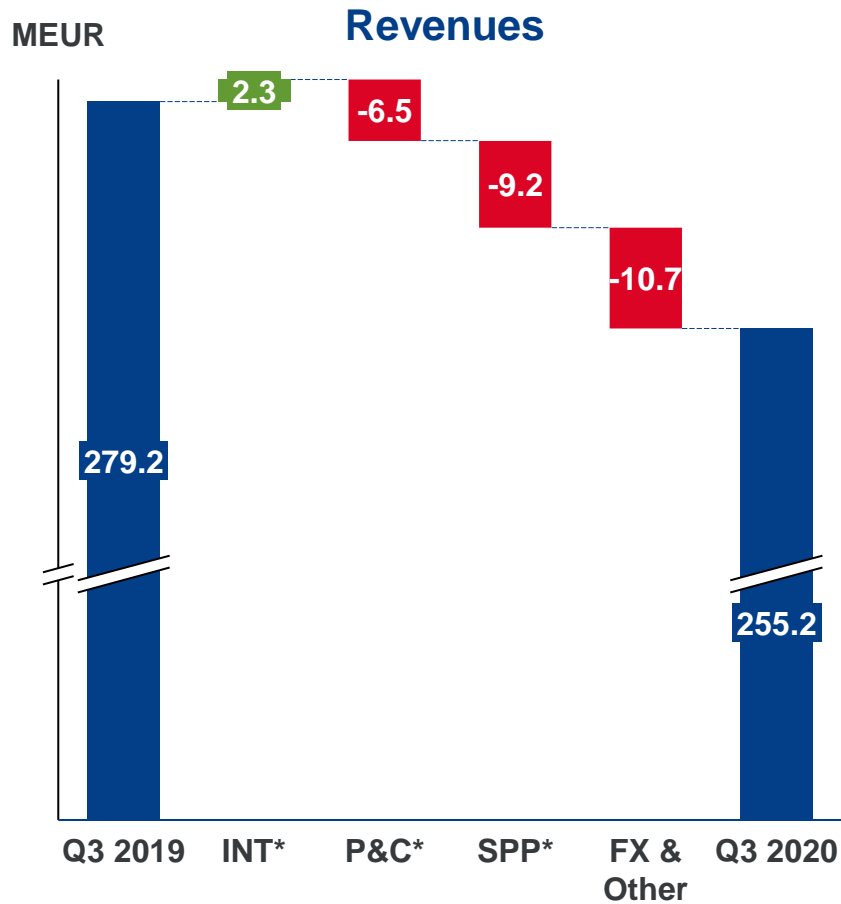


The new business wins included fluid transfer systems to a major European car maker and mechanical cabling projects to a premium European OEM. These programs account for approximately MEUR 2.9 and MEUR 2.3 in annualized revenues, respectively, or MEUR 20.2 and MEUR 11.6 in expected lifetime revenues, respectively.

# FINANCIAL UPDATE

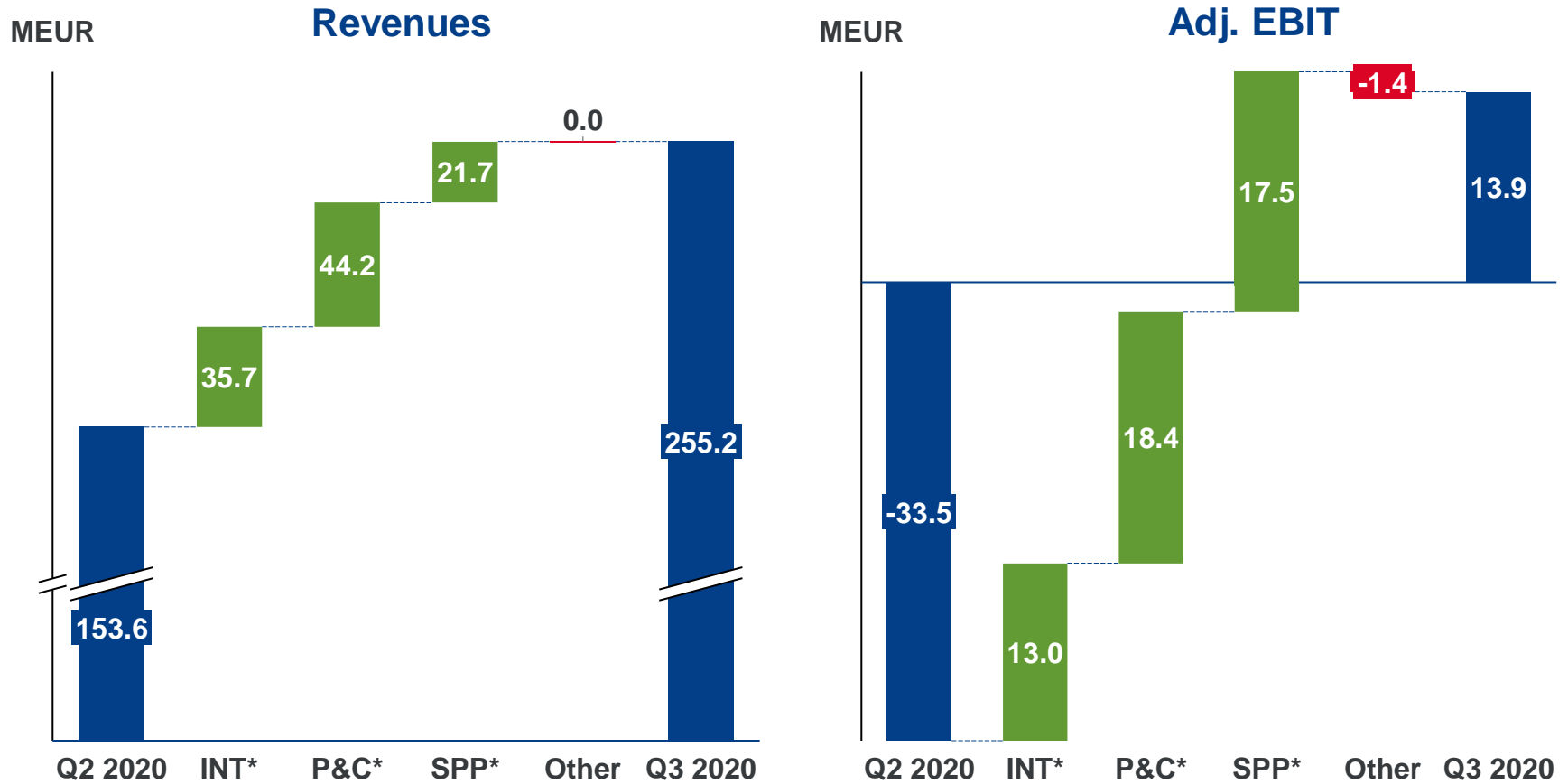


# Q3 2019 vs Q3 2020 - Revenue and adjusted EBIT development



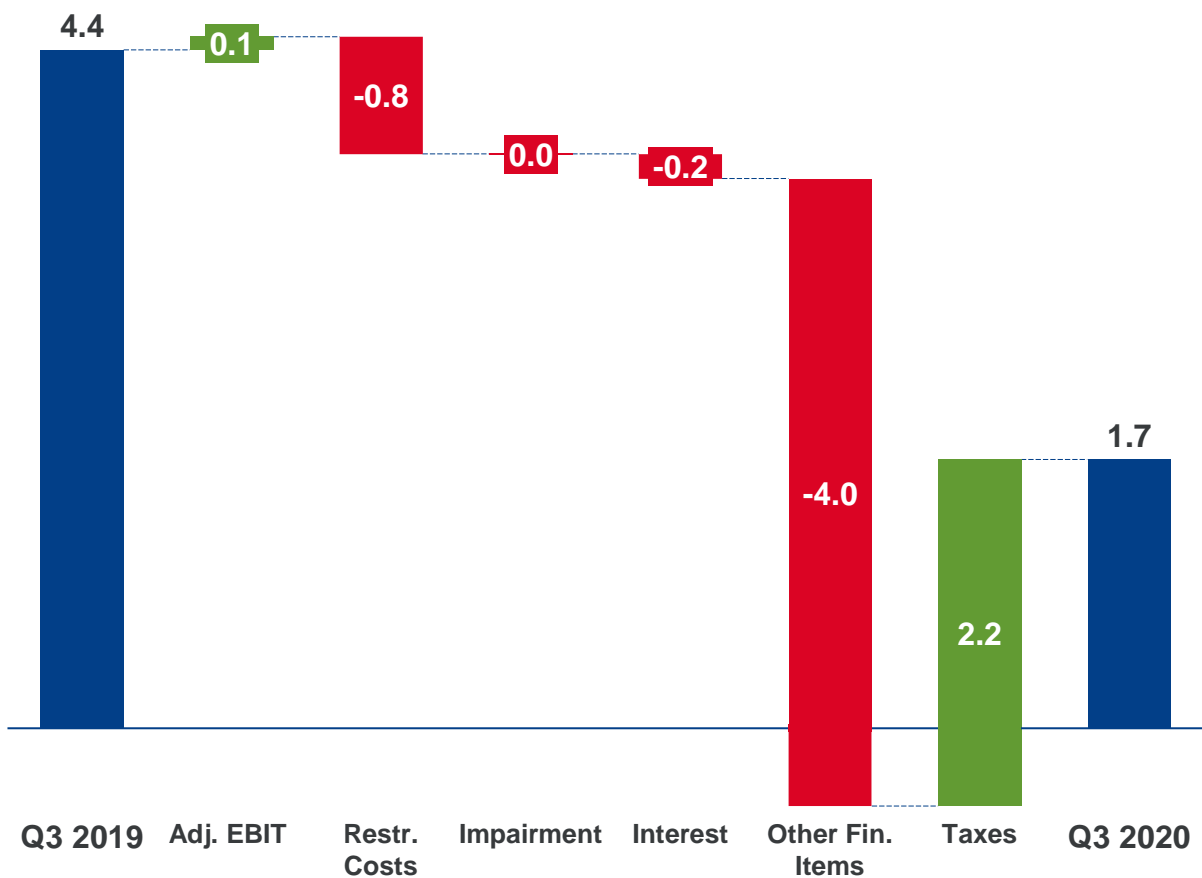
\* Variances excluding FX translation effects

# Q2 2020 vs Q3 2020 - Revenue and adjusted EBIT development



\* Variances excluding FX translation effects

# Q3 2019 vs Q3 2020 – Net Income development



## ▶ Adjusted EBIT

Despite revenues being MEUR 24.0 less than Q3 2019, adj. EBIT has even slightly improved.

## ▶ Interest

The interest expenses remained at the same level as in Q3 2019 (MEUR 5.4 in Q3 2020 vs. MEUR 5.2 in Q3 2019).

## ▶ Other financial items

Other financial expenses were MEUR -5.4 compared to MEUR -1.3 in Q3 2019, especially due to non-cash unrealized FX effects (loss of MEUR 5.1 in Q3 2020 vs. loss of MEUR 1.0 in Q3 2019).

## ▶ Taxes

Tax income in Q3 2020 amounted to MEUR 1.2 compared to the tax charge of MEUR 1.0 in Q3 2019.

# Q2 2020 vs Q3 2020 – Net Income development



## ▶ Adjusted EBIT

Compared to Q2 2020 the adjusted EBIT increased from MEUR -33,5 to MEUR 13,9 based on a revenue increase of MEUR 105.

## ▶ Impairment losses

In Q2 2020 the Company recorded impairment losses of MEUR 82.7.

## ▶ Interest

The interest expenses remained at the same level as in Q3 2020 (MEUR 5.4 in Q3 2020 vs. MEUR 5.3 in Q2 2020).

## ▶ Other financial items

Other financial expense were MEUR -5.4 compared to MEUR -1.5 in Q2 2020, especially due to unrealized FX effects (loss of MEUR 5.1 in Q3 2020 vs. gain of MEUR 0.1 in Q2 2020).

## ▶ Taxes

Tax income in Q3 2020 amounted to MEUR 1.2 compared to MEUR 6.4 in Q2 2020.

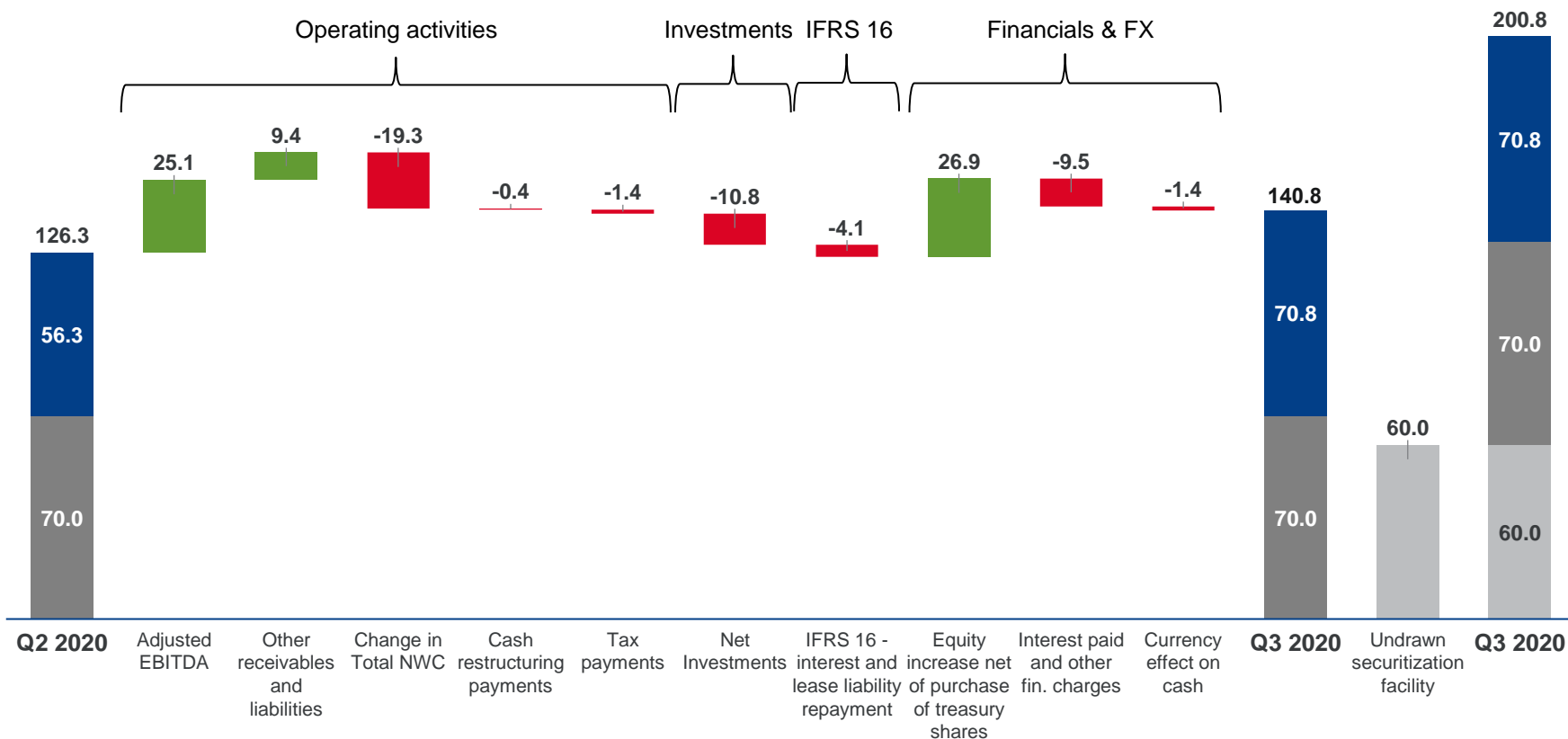
# Q3 2020 - Liquidity development

MEUR

■ Cash\*

■ Unutilized RCF

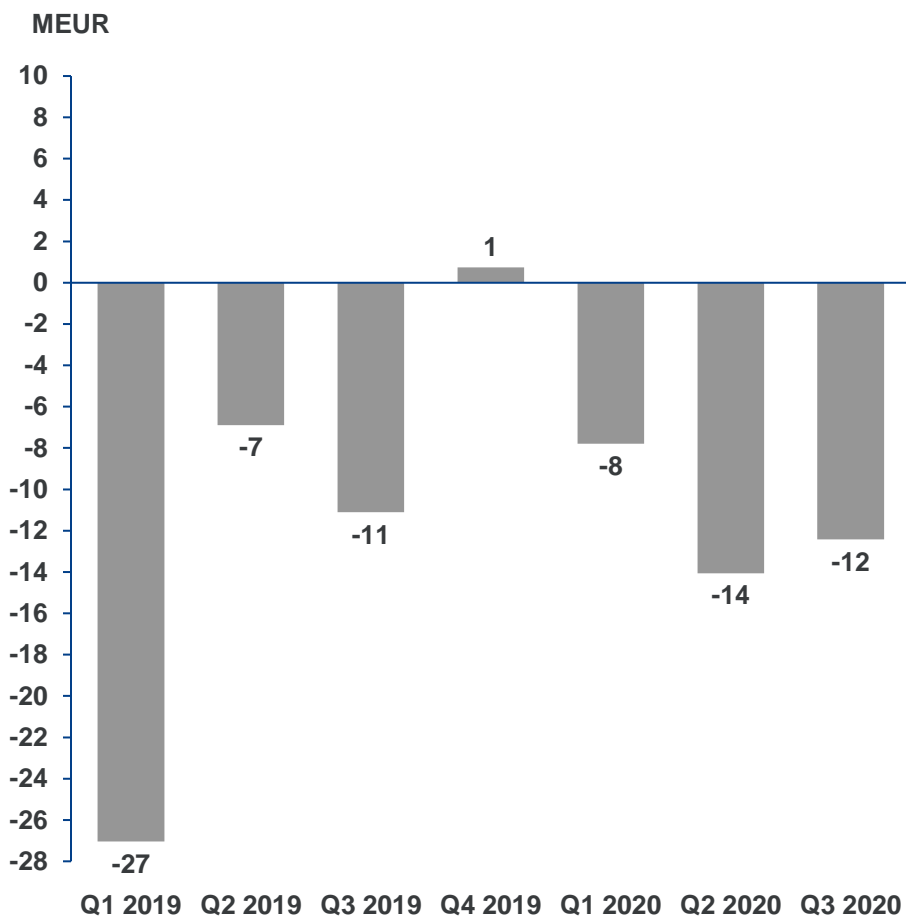
■ Undrawn Securitization facility



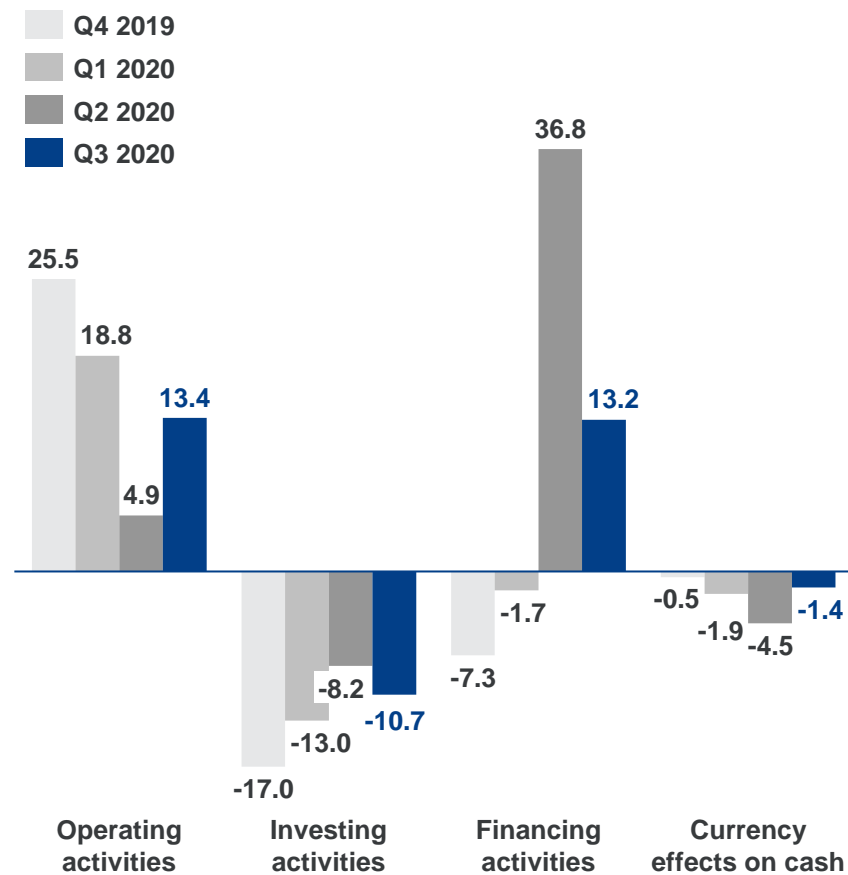
\*Including MEUR 0.4 in restricted cash.



# Free Cash Flow\*



# Cash Flow Breakdown

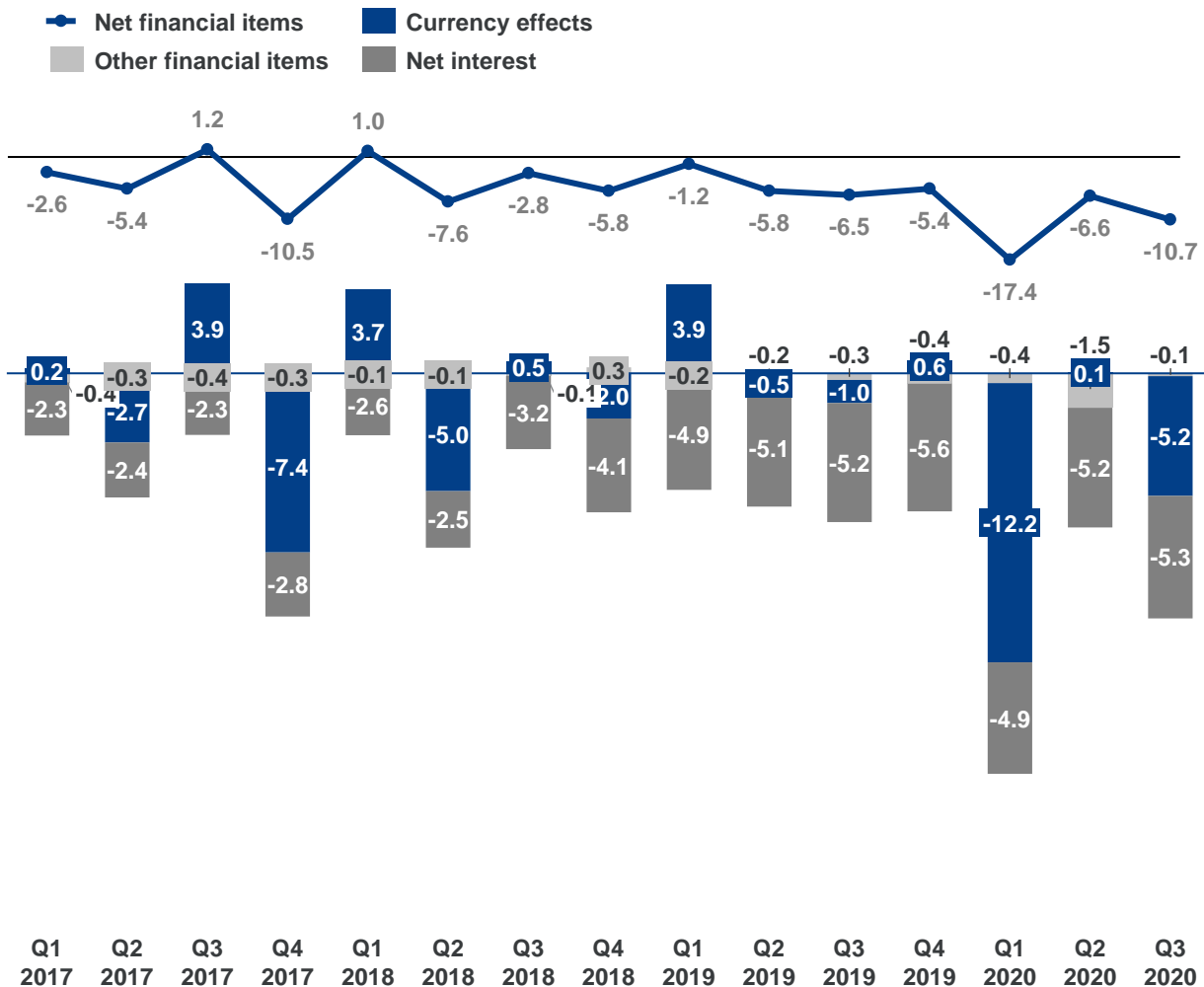


\*Free Cash Flow = Change in cash ± proceeds from capital increase/purchase of treasury shares ± net of draw-down/repayment of debt



# Net financial items - Breakdown

MEUR



## ► Currency effects

The currency effects in Q3 2020 are made up of:

- realized currency loss of MEUR 0.1.
- unrealized currency loss of MEUR 5.1.

## ► Other financial items

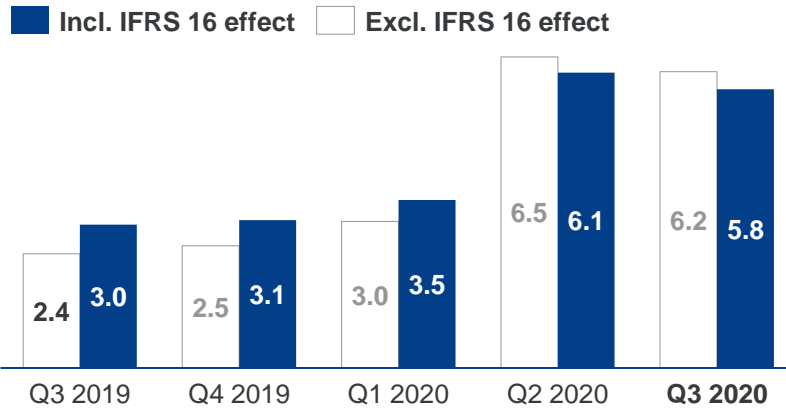
The costs incurred in relation to the securitization transaction signed in Q3 have been capitalized.

## ► Interest

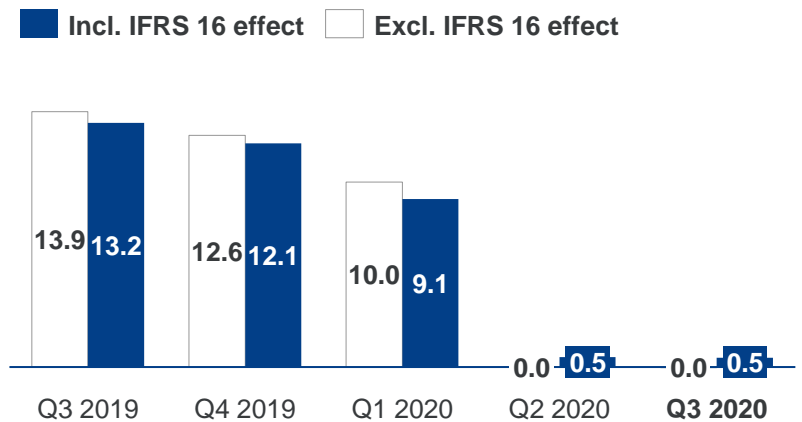
The main elements were the IFRS16 interest cost of MEUR 1.2 and accrued interest expense for the bond and RCF of MEUR 3.7.

# Financial ratios

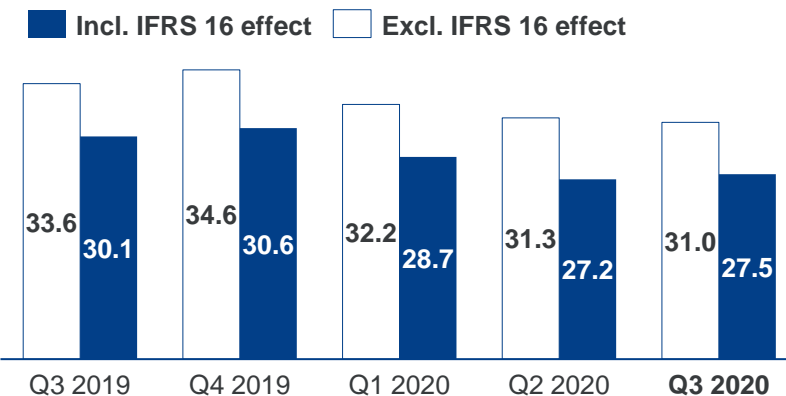
Adjusted gearing ratio\* (NIBD/EBITDA, LTM)



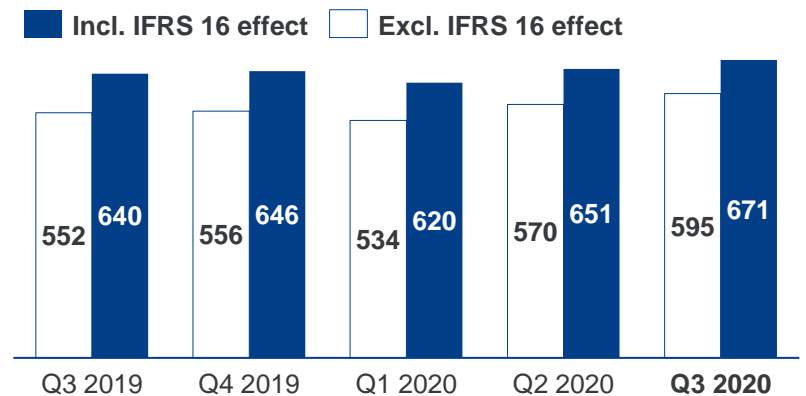
Adjusted ROCE\* (% , LTM)



Equity Ratio (%)\*\*



Capital Employed (MEUR)\*\*



\*Excluding restructuring costs

\*\*Capital employed at quarter end, excluding impairment losses in Q2 2020



# SUMMARY AND CONCLUSION



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## Summary & Conclusion

- With Q3 2020 revenues of MEUR 255.2 and Adj. EBIT of MEUR 13.9, Kongsberg Automotive had a YoY revenue decline of MEUR 24 in combination with an increase of the adj. EBIT margin from 5.0% to 5.5%.
  - This is mainly due to strict cost controls on all “managed” cost and fixed cost reduction but also benefits now from previous operational improvements.
- The P&L measures – together with a relatively small increase in working capital - limited the “cash burn” in Q3 to MEUR -12, a much-improved figure compared to earlier outlooks driven mainly by improved performance, cost controls and strong working capital management.
- The liquidity improvement plan initiatives were completed in the quarter leading to a very solid liquidity reserve of MEUR 200, that is very comfortable even for potentially rough roads ahead.
  - The capital increase process was completed through an oversubscribed “repair” capital raise.
  - The last component of the liquidity improvement initiatives was a receivables securitization program providing additional liquidity reserves of MEUR 60 (included in the figure above) with a three-year tenure.



# Outlook

- Despite adverse macroeconomic signals from the emerging pandemic second wave, our customer orders show strong signs of further recovery continuing into the fourth quarter. This has been a consistent trend for the last 4-5 months.
  - All our customers' plants and KA plants are "back to normality" although not all are back to pre-Corona Virus levels.
  - China continues to perform strongly.
- **Consequently, we raise our revenue outlook for FY 2020 from MEUR 914 to MEUR 945. The adjusted EBIT is expected to be at break even or a positive single-digit million number.**
  - This represents an increase of more than MEUR 25 from our previous outlook.
- From a cash flow standpoint, we estimate negative cash flows (excluding the capital raise, RCF and receivables securitization program effects) of around MEUR -47 for FY 2020.
  - This is an improvement of around MEUR 18 from the August 4th update.
- We estimate to have usable liquidity reserves around MEUR 187 at the end of 2020
- Our end markets continue to be volatile and difficult to forecast beyond the short term. The very recent developments with a sharp increase of Covid19 infection rates in our European countries of operation underline this further. We will provide a FY 2021 outlook at the beginning of 2021 if a general market stabilization allows for this.

