

An aerial, top-down view of a multi-lane bridge crossing a wide river. The water is a deep blue with white foam from rapids or waves. A single blue car is driving on the bridge. The bridge has metal railings on both sides. The overall scene is dynamic and industrial.

# ANNUAL REPORT 2020



**KONGSBERG**  
AUTOMOTIVE

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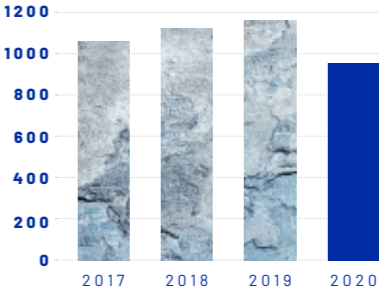
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# KEY FIGURES

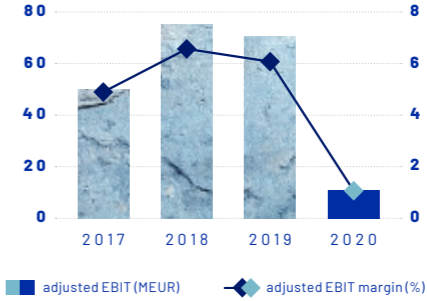


# KEY FIGURES GROUP

## REVENUES //////////////////////////////////// amounts in MEUR

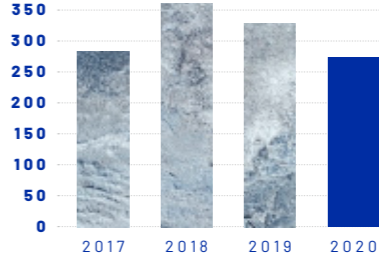


## ADJUSTED EBIT\* AND MARGIN //////////////////////////////////// amounts in MEUR and %



\* Refer to the Alternative Performance Measures section

## BUSINESS WINS //////////////////////////////////// amounts in MEUR annual sales



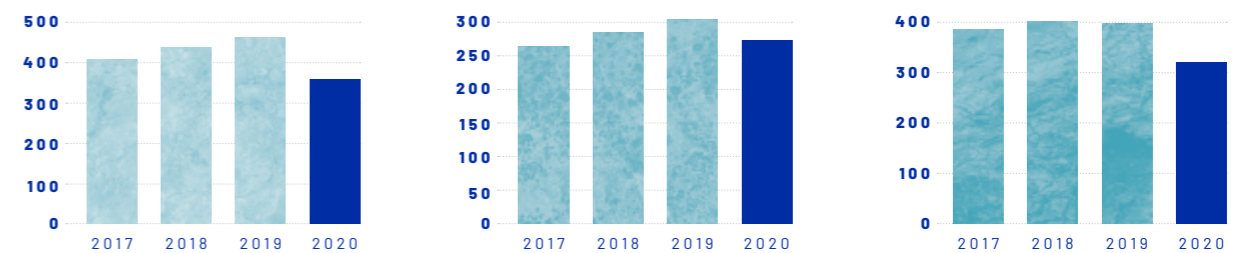


**OUR MISSION AND PURPOSE STATEMENT IS TO BE THE GLOBAL PARTNER OF CHOICE FOR OUR CUSTOMERS, EMPLOYEES AND STAKEHOLDERS BY PROVIDING ADVANTAGEOUS SOLUTIONS THAT ENHANCE THE DRIVING EXPERIENCE.**

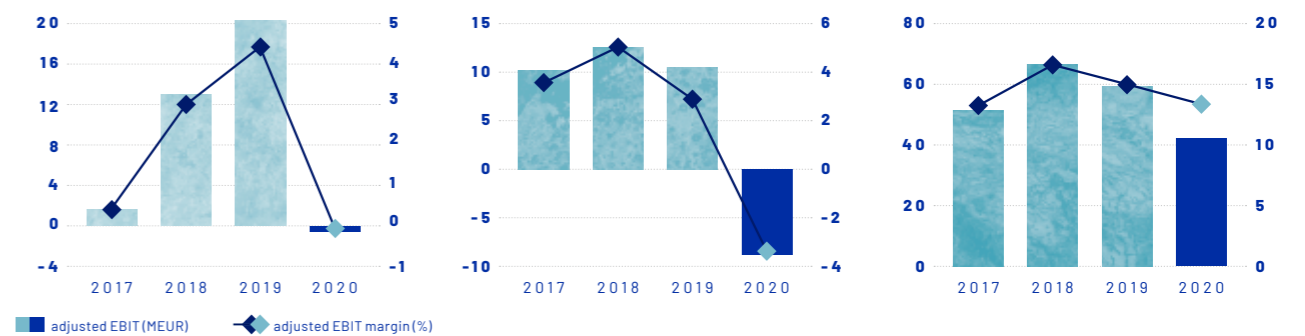
# KEY FIGURES BUSINESS SEGMENTS

## POWERTRAIN & CHASSIS      INTERIOR      SPECIALTY PRODUCTS

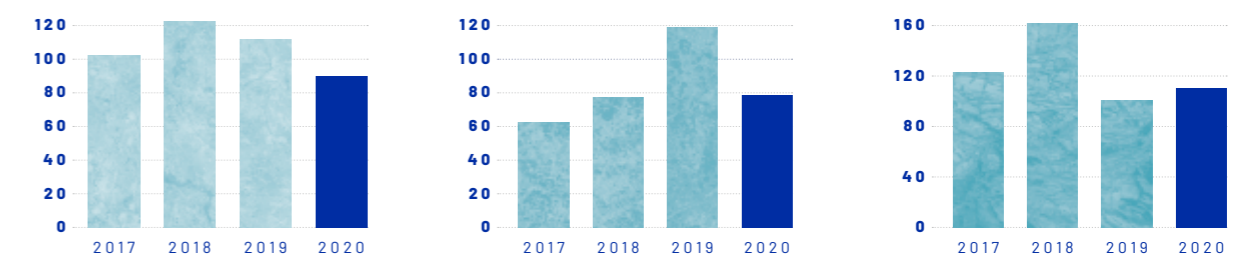
### REVENUES MEUR



### ADJUSTED EBIT\* AND MARGIN MEUR and %



### BUSINESS WINS MEUR annual sales



\* Refer to the Alternative Performance Measures section

# DEAR KONGSBERG AUTOMOTIVE SHAREHOLDERS

2020 was dominated by the COVID-19 pandemic. From its first notable impact in China during the middle of the first quarter 2020, the disease spread rapidly across the globe, and brought many of the world's economies to their knees by the end of the first quarter. In the automotive industry, this led to production shutdowns. At first, these were limited to China, but following hard lockdowns in various countries (most notably France), the industry's complex supply chains broke down, leaving OEMs around the world with no choice but to halt their production. At the same time, consumer confidence evaporated and vehicle sales plummeted: there was great uncertainty as to how long lockdowns and shutdowns would last or, perhaps even more importantly, what the markets would look like once economies started recovering.

## COVID-19 CRISIS MANAGEMENT

At Kongsberg Automotive, we immediately entered into crisis management mode. Our agenda addressed our four principal concerns: safeguarding the health and safety of our employees, ensuring operational stability and delivery capability, maintaining customer satisfaction, and securing sufficient liquidity.

By leveraging our China purchasing organization early and by converting some internal production facilities, we were able to provide a sufficient quantity of PPE (personal protective equipment) to our employees. We ensured our supply of parts through close collaboration with our suppliers: in some cases, this led to a change in supplier or deployment of an alternative logistics solution.

## EQUITY REFINANCING

To assess liquidity needs, we immediately estimated the impact on our company in a large number of possible scenarios. Ultimately, we grouped those into three scenarios to present to our investors: the low, medium, and high case. Depending on the case, we had liquidity needs ranging from EUR 90 million to EUR 130 million above and beyond the effects of cost savings efforts and working capital reduction initiatives. The board of directors and executive

management team decided to launch an equity raise in April. On May 19, we announced the successful completion of the private placements portion of the equity raise followed by shareholder approval. On July 23, we announced the successful completion of a subsequent offering, which was put in place to at least partially compensate shareholders that did not participate in the equity raise for dilution effects. In total, we raised approximately EUR 90 million of additional capital.

The successful capital increase fundamentally enabled us to secure important complementary liquidity measures. We increased our revolving credit facility (RCF) and renegotiated certain terms that effectively increased the available liquidity from the RCF. In addition, we completed a receivables securitization program in the third quarter.

The combination of operational savings, substantial improvements in the management of working capital, the equity raise, change in size and terms of the RCF, and the accounts receivables securitization program led to a very significant liquidity reserve of EUR 197 million by year-end 2020 – a considerable safety buffer against possible future threats. Compared to most of our competitors we have improved our position, strengthening Kongsberg Automotive's competitive edge.

## NEW BUSINESS WINS

2020 was not all about the COVID-19 and its effects on our business. Despite devoting significant attention to crisis management, we were able to stay focused on improving and developing our business. Naturally, the sourcing activities of our customers declined, but innovation and development both at our customers and within Kongsberg Automotive continued. Consequently, our 2020 new business wins based on expected annualized revenue amounted to more than EUR 282 million; this is a decrease of less than 20 percent from last year's EUR 330 million. From a lifetime revenue perspective, we booked approximately EUR 1,350 million of new business in 2020. This by far exceeded normalized annual revenue levels and confirms growth for the future. With these new business wins, we are continuing

to build a strong revenue foundation that ensures top-line growth in the coming years in both relative and absolute terms. It is particularly encouraging that these 2020 business wins were well balanced among our three business segments and that our most profitable segment, Specialty Products, is catching up with the other segments in terms of new business wins. Our strategy to shift our focus to program opportunities where we felt we had a competitive advantage continued to be a success in 2020.

## OPERATIONS

We increased the operational excellence and efficiency in our plants while reducing working capital. All new product launches took place as planned. We are proud of our colleagues' dedication, commitment, and professionalism.

## SALES

In 2020, our revenue declined by around 16.5 percent from EUR 1,161 million to EUR 969 million. On constant currencies, revenues generated in the truck market decreased by 12.6 percent. In Europe, we were able to outperform the market, while negative growth in the U.S. was in line with market developments. The revenues in China increased by 28.6 percent.

The revenues in the passenger car market declined by 12.8 percent on a constant currency basis. The decline in revenues in Europe was in line with market development, whereas we could outperform the markets in North America and China. Most notably, in 2020, Kongsberg Automotive's China passenger car revenues grew by 34 percent, proving the recognition of Kongsberg Automotive as a trusted supplier in this important region of automotive industry entrants and high EV adoption.

## CASH FLOW

Our cash flow was weak, with a net 2020 negative cash flow of EUR 37 million (net negative cash flow in 2019 was EUR 44 million). This was primarily caused by the significant decline in revenue of EUR 192 million and the related contribution margins.

## SEGMENT PERFORMANCE

From a segment performance standpoint, Specialty Products performed well and maintained earnings as a percentage of revenue. It was cash flow positive despite revenue declines of 18 percent from its previous year. We experienced the largest decline in earnings and significant negative cash flows in the Interior segment. However, it should be noted that this segment completed its operational improvement plans, particularly in our Polish manufacturing facilities. Powertrain & Chassis had the biggest decline in revenue, but was successful in crisis management and, most notably, delivered significant positive cash flows after years of negative cash flows. We have continued to invest in future product innovation and production facilities to avoid jeopardizing future business.

## OUTLOOK FOR 2021

As the markets started rebounding strongly towards the end of the third quarter and further strengthening in the fourth, we started seeing increasing shortages of electronics components. These were driven by semiconductor companies shifting volumes towards industries that experienced growth during COVID-19-related shutdown periods. As production capacities in the semiconductor industry are very much fixed, this came at the cost of production volumes for other industries, such as the automotive industry. This effect is expected to last through the first two quarters of 2021 because production schedules in the semiconductor industry have long lead times. During this period, we will experience additional costs and potential delivery shortages for some of the electronics and PCBs (printed circuit board) that are part of many of our high-tech products.

In 2020, Kongsberg Automotive also underwent changes in leadership with the departure of Henning Jensen. During his tenure, Mr. Jensen substantially improved Kongsberg Automotive's performance, and we would like to thank him for all his contribution to the company. The undersigned assumed leadership of the company on an

interim basis until Joerg Buchheim will assume the position of CEO on or before May 1, 2021.

Looking forward to 2021, we have not overcome COVID-19 yet. Although vaccines have been developed, demand far exceeds production capacities, and lockdowns of varying degrees continue to be in place. It is generally expected that the current uncertain market conditions will continue until full vaccination coverage will mitigate the effects of the pandemic.

Notwithstanding the ongoing pandemic and current market dynamics, our focus for 2021 is on defending the strong market positions of our products, delivering positive cash flows in both halves of 2021, further building on the operational performance that we achieved during 2020, expanding our reach, and driving product innovation. We now need to prove our ability to deliver positive cash flows. Likewise, it is important to capitalize on the tremendous operational improvements accomplished in 2020.

Kongsberg Automotive is very thankful to our communities, shareholders, customers, suppliers, and bank partners for helping us to get through possibly the most challenging year in our history. Furthermore, we would like to express our heartfelt appreciation for our employees, who worked hard, relentlessly, and with determination. We mourn with the families of colleagues that died last year from COVID-19.

We sincerely hope that 2021 offers us all the opportunity to recover from the events of the last year. As a business, our outlook is very positive: we have an excellent customer base, cutting-edge products, future-proof technologies, a growing order book, and a steadfast commitment to delivering our potential. Our experiences during the pandemic have reshaped the company, not in its external appearance, but in its internal qualities, and have prepared us well for the challenges ahead. By driving our improvement plan to further strengthen our performance, we look forward to making 2021 a great year.

Sincerely,



*N. Loers*  
**Norbert Loers**  
co-CEO ad interim and CFO



*Robert Pigg*  
**Robert Pigg**  
co-CEO ad interim and SVP Off-Highway

# KONGSBERG AUTOMOTIVE AT A GLANCE

# A PLACE IN HISTORY

THE STORY OF KONGSBERG AUTOMOTIVE IS OF ORDINARY PEOPLE CREATING AN EXTRAORDINARY COMPANY. ITS ORIGINS TRACE BACK TO THE HISTORIC NORWEGIAN DEFENSE CONTRACTOR KONGSBERG VÅPENFABRIKK. THE FIRST COMMERCIAL AUTO PARTS TO BE PRODUCED AND DELIVERED WERE BRAKES AND DRIVE SHAFTS FOR VOLVO IN THE LATE 1950s. SINCE THEN, KONGSBERG AUTOMOTIVE HAS DEVELOPED FROM A SCANDINAVIAN AUTO PARTS SUPPLIER TO A GLOBAL LEADER IN ONE OF THE MOST COMPETITIVE AND COMPLEX INDUSTRIES IN THE WORLD.



**1957**

**KONGSBERG  
VÅPENFABRIKK**  
STARTS PRODUCTION  
OF BRAKES FOR  
VOLVO TRUCKS



**1987**

**KONGSBERG  
AUTOMOTIVE**  
IS ESTABLISHED



**1995**

LISTED ON  
OSLO STOCK  
EXCHANGE



**2004**

ACQUISITION OF  
COUPLINGS PRODUCER  
RAUFOSS UNITED



**2008**

ACQUISITION OF  
**TELEFLEX GMS**  
(SYSTEMS FOR GEAR  
SHIFT, SEAT COMFORT,  
AND FLUID SYSTEMS)



**2017**

OPERATIONAL  
HEADQUARTERS  
MOVED TO ZURICH

# BUSINESS HIGHLIGHTS

## POWERTRAIN & CHASSIS

- ▶ Powertrain & Chassis (P&C) won several new business contracts, including for the delivery of gear shift systems to a North American Tier1 supplier worth EUR 182.6 million in lifetime revenues. Production will take place mainly at the segment's largest plant in China.
- ▶ May 2020 saw the start of production for a fully electric clutch actuator built in KA's Hvittingfoss, Norway plant. On-Highway's new product for truck transmission will serve a European OEM.
- ▶ P&C continues to gain market share in China, as the segment continues to win significant business among Chinese car makers where revenues increased by 39% year-over-year and fourth-quarter revenues have more than tripled since 2018. P&C's market share for shift-by-wire passenger cars in China grew to 14% during 2020.
- ▶ Profitability improvement initiatives in the Driveline business saw significant productivity gains in KA's Vrable, Slovakian plant, where the contribution margin improved by 14% in the third quarter versus the third quarter of 2018 baseline.

## INTERIOR

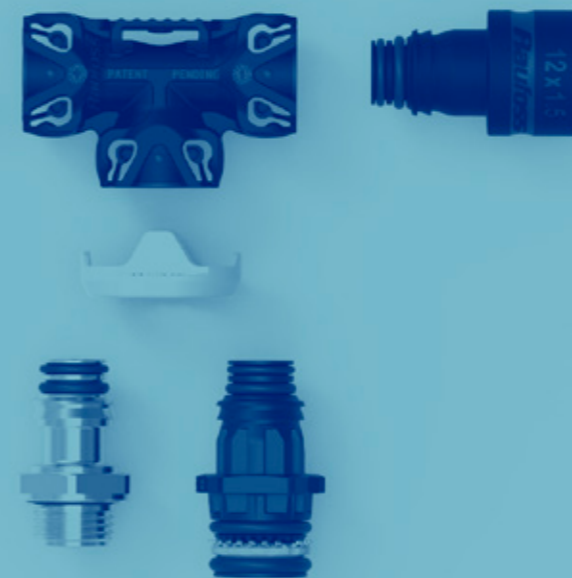
- ▶ Business wins in Interior secured in 2020 amounted to EUR 79.2 million in annualized revenues, corresponding to EUR 557.4 million in lifetime revenue. The majority of these contracts are scheduled to launch between 2024 and 2025.
- ▶ The segment was awarded two large contracts to supply seat support systems to a European car maker and a U.S. car maker, respectively. In expected annualized revenues, the programs total EUR 17.0 million and EUR 11.6 million, corresponding to EUR 153.3 million and EUR 80.9 million in expected lifetime revenues.
- ▶ A new plant in Shuofang, China was established to support the growth of Interior Comfort Systems (ICS) in China. The first new projects in the new plant were launched in October 2020. Other new product launches will follow in early 2021. Ultimately, the new plant will be the production facility for all new and current ICS business in China.
- ▶ The Interior Comfort Systems Electronics technical center in India was completed in 2020 and will be opening its doors to over 35 employees in the first quarter of 2021.

## SPECIALTY PRODUCTS

- ▶ Couplings won a new business contract worth EUR 130 million in lifetime revenues to supply the Raufoss ABC™ system to a major OEM in North America. The program is expected to go into production in a few years. In its endeavor to further expand its manufacturing footprint, the business unit launched production in KA's Cluses plant in France, in order to be closer to its current and future southern European customers and to meet demand in the future.
- ▶ Fluid Transfer Systems (FTS) continued to win new business in both the automotive and industrial markets. This includes a contract with one of the world's largest 4x4 luxury vehicle manufacturers for battery coolant assemblies for electric vehicles. FTS also booked over EUR 27 million of recurring annualized business in the industrial market, including orders for its new Ultiflex smooth bore convoluted product.
- ▶ Off-Highway continued to win new business in the powersports market with both new technologies and new products. These programs are expected to deliver EUR 30 million in lifetime revenues.

## FULL-YEAR PERFORMANCE

- ▶ Strong revenue recovery in quarters three and four of 2020 following the revenue drop in the second quarter of 2020 due to COVID-19 pandemic
- ▶ High level of new business booked across all segments in the fourth quarter of 2020
- ▶ Revenues and adjusted EBIT in China have reached all-time highs. Revenue for the Wuxi plant exceeded 1,0 billion RMB for the first time
- ▶ Better controllability of variable and fixed costs due to the implementation of new processes
- ▶ Continuous operational improvements in all business segments





# WORLDWIDE

KONGSBERG AUTOMOTIVE (KA) IS REPRESENTED IN 41 LOCATIONS, COVERING THE WORLD'S KEY AUTOMOTIVE MARKETS. KA FOLLOWS ITS CUSTOMERS TO WHERE THEY ARE LOCATED IN ORDER TO SERVE AND SUPPORT THEM IN THE BEST POSSIBLE WAY. THE ORGANIZATION IS COMMITTED TO MAINTAINING WORKFORCE FLEXIBILITY: 15% OF ITS TOTAL WORKFORCE ARE AGENCY WORKERS, COMPARED TO 11% IN 2019.



**11,234**  
EMPLOYEES IN  
**19**  
COUNTRIES  
WORLDWIDE

## NORTH & SOUTH AMERICA 4,098 EMPLOYEES

work at Kongsberg Automotive's sites in North and South America, consisting of eight manufacturing sites and two tech centers. Mexico is home to the largest Kongsberg Automotive workforce with 3,042 employees. The tech centers are located in the USA and Canada.

## EUROPE 5,506 EMPLOYEES

work in Kongsberg Automotive's largest region. The three largest manufacturing sites are located in Brzesc and Pruszkow in Poland with 2,528 employees and in Vrable in Slovakia with 903 employees. Additionally, Kongsberg Automotive has three European tech centers, which are located in Germany, Sweden, and Norway.

## ASIA 1,630 EMPLOYEES

work in this increasingly important market. Kongsberg Automotive operates six manufacturing sites spread across China, India, and Korea. The biggest manufacturing site is in Wuxi, China with 1,052 employees. Furthermore, KA has two tech centers which are located in China and India.



FOR MORE THAN 60 YEARS, KONGSBERG AUTOMOTIVE'S CULTURE HAS BEEN THE BASIS OF ITS ACHIEVEMENTS AND IT WILL CONTINUE TO CARRY THE GROUP INTO THE FUTURE. OUR VALUES SERVE AS GUIDES IN OUR EVERYDAY WORK LIFE, OUR WORK RELATIONS AND DAY-TO-DAY DECISION-MAKING.

**INTEGRITY**

Keeping our promises demonstrates our integrity. We seek to maintain a spirit of transparency and honesty in everything we do. This obligates us to guide each other, our customers, and other stakeholders in the best possible direction.

**TEAMWORK**

Be supportive of each other's efforts. Be loyal to one another and to business decisions. Involve and include across functions and units. Care for each other, both professionally and personally.

**ACCOUNTABILITY**

We accept responsibility for our actions and live by our Code of Conduct. We are transparent in our reporting and make decisions through experience and good judgment.

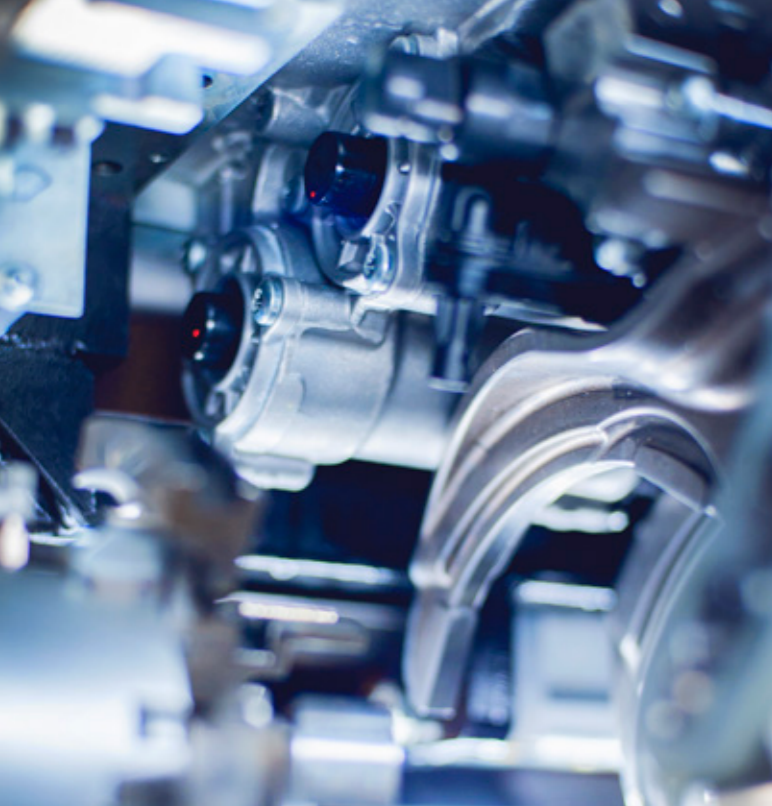
**CREATIVITY**

Creativity is problem-solving, and we believe in solving the impossible. We never settle for the first, easiest, or quickest solution. We carefully analyze, research, and create custom solutions that make our products stand out.

# CUSTOMERS

KONGSBERG AUTOMOTIVE IS PROUD TO SERVE LEADING OEMS AND TIER1 SUPPLIERS IN AUTOMOTIVE, COMMERCIAL VEHICLE, AND OFF-HIGHWAY MARKETS GLOBALLY.





# POWERTRAIN & CHASSIS

The Powertrain & Chassis (P&C) segment of Kongsberg Automotive (KA) is a global leader in the design, manufacture, and testing of custom powertrain and chassis solutions that enhance the driving experience. KA engineers and manufactures products for world-leading makers of passenger cars and commercial vehicles. Its engineering presence now extends from primary design centers in Europe to the Americas and Asia.

### TURNING THE CORNER

Intense improvement plans during the past three years have resulted in better productivity, performance, and ultimately better profitability for P&C. These improvement actions in conjunction with strong efforts towards winning new contracts have reshaped P&C into a strong contributor to the overall success of KA.

Two Asian OEMs awarded Kongsberg Automotive the title of Supplier of the Year for its performance during 2020. KA celebrated significant safety milestones during the year, achieving ten years without an accident in its Yangsan, Korea facility and more than two years without an accident in Wuxi, China.

KA's financial performance in 2020 was exceptional despite COVID-19. Profitability improved significantly during the second half of 2020: new business contracts worth EUR 92 million were signed, significant improvements in net working capital management were made, and KA's Wuxi, China plant set new top line sales records.

Restructuring, downsizing, dramatically improving quality, nurturing key customer relationships, and generally improving operating capabilities globally provides P&C with a solid foundation to support strong growth in the automotive passenger car and commercial truck markets. These operational improvements and the significant new business wins in key electronic shifting and actuator

products allow this renewed, dynamic P&C division to turn onto a new, more profitable pathway.

P&C is now more competitive in the growing markets for mechatronic modules, especially for electromobility applications.

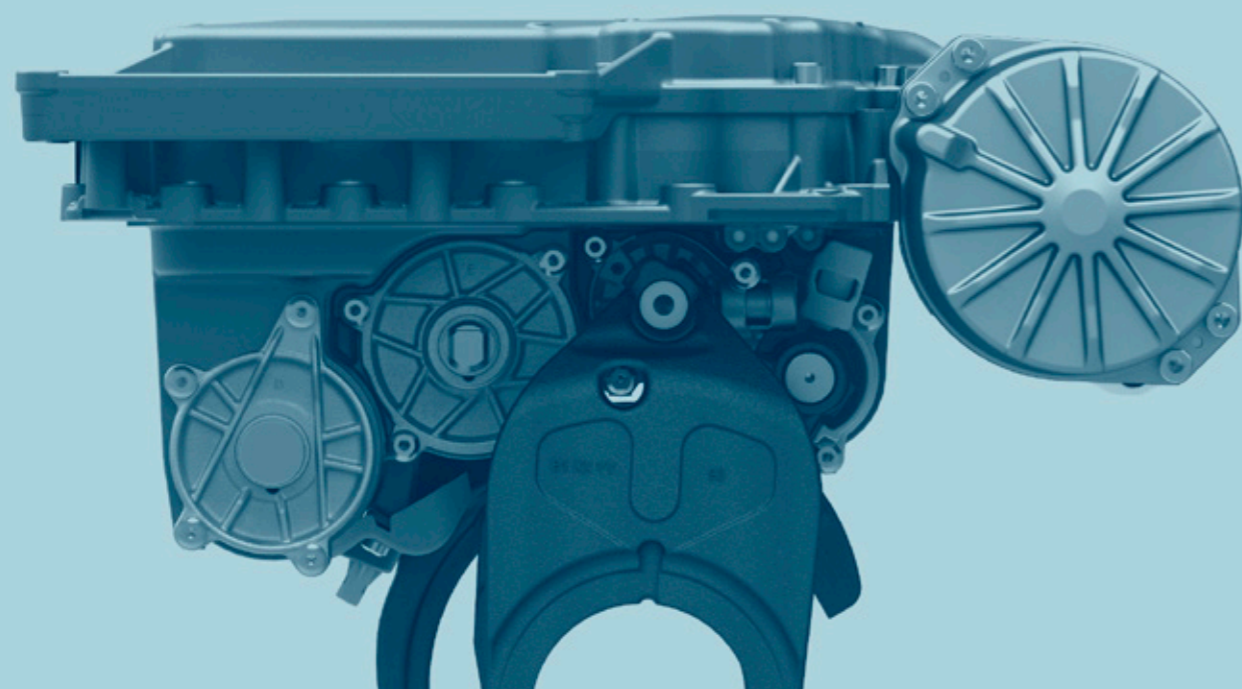
KA's wide range of in-house resources allows it to create custom solutions for OEM and Tier1 customers in many powertrain applications, including new market entries for EV propulsion. Customers have come to recognize KA as a trusted source for mechatronic solutions.

### PRODUCT PIPELINE

In 2020, KA extended its programs in traditional shifter and cable applications while investing heavily in electric products, enabling a greener transportation industry of the future.

KA's On-Highway business unit continues its strong growth. After positive developments in the Americas, the Chinese market is seeing a rapid increase in demand of AMT transmission technology.

KA continues to develop its shift-by-wire products in Europe and Asia. OEMs building the newest hybrid or electric vehicles require functional safety guidelines; KA's next generation of shift-by-wire products intends to meet those needs.



- > GEAR SHIFTERS FOR AUTOMATIC AND MANUAL TRANSMISSIONS
- > SHIFT CABLES AND TOWERS
- > GEAR AND CLUTCH CONTROL SYSTEMS INCLUDING ACTUATORS
- > VEHICLE DYNAMICS PRODUCTS FOR CABINS AND AXLES



# INTERIOR

Kongsberg Automotive (KA) develops and supplies a world-class range of interior comfort systems, light-duty cables, and actuators for the passenger car, commercial vehicle, and off-highway markets. Interior's innovations offer car makers easy integration, customization, and a real cost advantage. With its complete range of seat comfort products, developed and manufactured in-house, Interior is leading the market for integrated climate and comfort supply.

#### MEETING COMMITMENTS

After beginning rollout in 2019, Kongsberg Automotive's reliable manufacturing processes and top-tier quality are now fully installed across all Interior sites. In addition, Interior has deployed automation solutions in most product streams across all regions and piloted newer technologies in order to further enhance process efficiency.

During 2020, an already strong order book has become even stronger, despite the challenges the year has offered. KA has been awarded new contracts with both existing and new OEMs and Tier1 customers.

#### ADDING VALUE

Kongsberg Automotive's quality, service, and flexibility continues to be recognized by OEMs. This services short-term needs and provides value to the long-term plans of KA's customers. KA's product range is recognized as being well suited for coming developments, such as vehicle electrification and autonomous driving.

A new electromechanical actuator was launched by the Light-Duty Cable business area, expanding the product portfolio for medium-force applications. Keeping consumer convenience in mind, seat controls and cables are designed to ensure ease of use in any environment.

Interior is currently developing next-generation pneumatic core components to future-proof KA's portfolio to coming specifications and anticipated functions in seat support, multi-contour, and seat massage systems.

The trend of moving seat ventilation systems away from active conditioning continues. Consequently, KA has seen further orders of high-profile programs utilizing seat ventilation systems. These systems offer significantly more energy-efficient cooling.

#### PRODUCT PIPELINE

Product evolution continues at Kongsberg Automotive, and so do new program launches with major OEMs.

The market for vehicle surface heating is seeing growth in both fitment rate and demand for ancillary products, such as panel heaters for the driver's side of the vehicle, also referred to as "comfort cocoons".

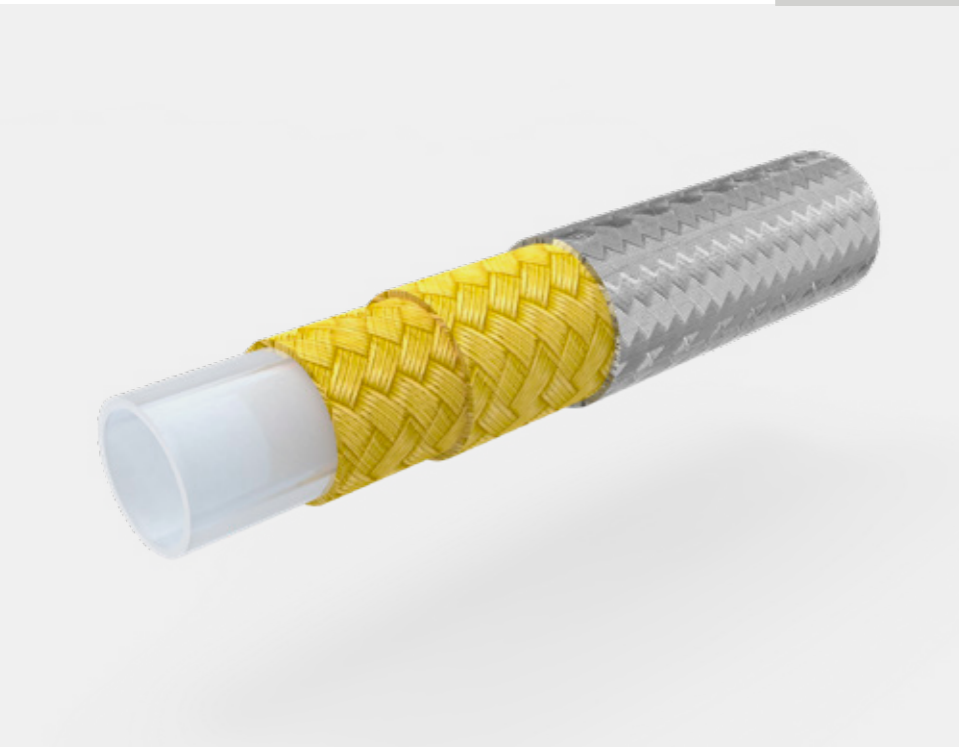
- > SEAT CLIMATE SYSTEMS
- > SEAT SUPPORT SYSTEMS
- > LIGHT-DUTY CABLES
- > ELECTROMECHANICAL ACTUATORS
- > PANEL HEAT SYSTEMS FOR ELECTRIC CARS



# SPECIALTY PRODUCTS

**Kongsberg Automotive (KA)'s Specialty Products segment consists of three business units: Couplings, Fluid Transfer Systems, and Off-Highway. These niche product business units are driven by an entrepreneurial focus on innovation and growth.**

- > COMPRESSED AIR COUPLINGS
- > FLUID TRANSFER SYSTEMS INCLUDING SPECIALIZED HOSES, TUBES, AND ASSEMBLIES
- > OFF-ROAD PRODUCTS FOR VARIOUS INDUSTRIES, INCLUDING STEERING COLUMNS, DISPLAYS, PEDALS, AND HAND CONTROLS
- > OTHER NEW INNOVATIVE PRODUCTS UNDER DEVELOPMENT



## COUPLINGS

KA's Compressed Air Couplings business unit is a technology leader focused on supplying state-of-the-art products to the global commercial vehicle market.

The focus on safety, durability, and sustainability ensures delivery of high-quality engineered products to a wide range of customers in the commercial vehicle segment. The Raufoss ABC™ product range provides customers with advantageous, flexible solutions that can be tailored to their specific requirements. KA's couplings ensure an airtight system and maximal system air flow ensuring a fast brake reaction. The optimized system builds provide the lowest possible lifetime cost for the vehicle owner. The Couplings business unit has transformed from a single manufacturing location to having a global presence, serving customers on location globally. Couplings expanded its manufacturing footprint by launching production in KA's Cluses plant, to better serve and expand its customer base in southern Europe. To increase production capabilities not only in Europe, but also in China and North America, Couplings has invested further in automation.

Couplings has continuously grown its market share in China, Europe, and the Americas over the past decade. The global vehicle market appreciates the benefits of lighter weight, easier assembly, high functionality, flexibility, safety, quick and easy system testing, and validation, resulting in a growing demand.

Product development: Couplings' engineering and development activities were focused on innovation projects, expanding the product portfolio for new applications and markets.

## FLUID TRANSFER SYSTEMS

KA's Fluid Transfer Systems (FTS) business unit is an innovative supplier of technical hoses and hose assemblies.

FTS has continued to secure new business contracts in the commercial vehicle segment with market leading OEMs, including development contracts for next-generation coolant systems for hybrid trucks.

FTS has won several new business contracts in its passenger car business and has developed greater market access with battery coolant lines for electric vehicles and air-suspension assemblies for both electric and hybrid cars.

In various industrial markets, FTS supplies PTFE hoses and assemblies for hoses. In 2020, KA's patented Ultiflex™ product line continued to gain market share in both food and pharmaceutical applications while KA's industrial smooth-bore PTFE hose range maintained market leadership.

Despite the unique challenges that 2020 presented, FTS is well-positioned to harness the expected market recoveries in all the industries it serves.

## OFF-HIGHWAY

KA's Off-Highway business unit supplies engineered solutions in steering systems as well as both mechanical and electro-mechanical driver controls to the following markets: powersports, construction, agriculture, and outdoor power equipment.

In 2020, Off-Highway continued to expand its product portfolio with new electronic driver controls for powersports and outdoor power equipment applications. These new products answer demands coming from both existing and new KA customers and allowed the Off-Highway business unit to grow.

Despite 2020's challenges, Off-Highway continued to grow, developing new products and expanding its customer base in all market segments served. This has put KA and Off-Highway in a very good position to take advantage of the expected market recoveries in 2021.



**BOARD OF  
DIRECTORS'  
REPORT**



The headwinds that the automotive industry has been facing since 2018 culminated in a complete shutdown of the industry early in 2020, when COVID-19 struck. The pandemic took KA by surprise, as the efforts started in 2019 to reverse the group's negative 2019 cash flow performance were stunted. KA had also planned to continue the operational improvements across all business units and actively manage the product portfolio. However, going into the crisis with a weak balance sheet meant putting all plans on hold in order to focus instead on securing the capital needed to put the group back on track to pursue its strategic objectives after the pandemic.

KA completed a successful capital raise through the combination of a private placement and a subsequent "repair" offering, secured a substantial increase in its RCF capacity, and completed a receivables securitization program, leading to a total liquidity reserve of EUR 200 million which, in combination with KA's demonstrated ability to flex its costs in response to the crisis, readies the organization even for potentially rocky roads ahead.

Therefore, KA emerged from the pandemic better equipped to resume its efforts to improve cash generation, optimize the product portfolio, and improve capital productivity. In addition, the group has completed a holistic strategic review aiming to reposition the company strategically.

The Board of Directors secured the appointment of Joerg Buchheim, as Chief Executive Officer to lead KA going forward. Mr. Buchheim is a top automotive executive, who has a successful track record in both growing and realigning automotive supplier businesses.

To ensure a smooth leadership transition and KA's continued focus on business performance, Norbert Loers and Robert Pigg will continue as co-CEOs ad interim until Joerg Buchheim has been onboarded. The Board would like to take this opportunity to thank both Norbert Loers and Robert Pigg for their outstanding work and dedication in carrying out their dual responsibilities and professionally leading the company over the transition period.

## LIGHT VEHICLE PRODUCTION

The global production of light vehicles totaled 74.5 million units in 2020, which corresponds to a decrease of 16.2% compared to 2019. The significant decline was primarily driven by the impact of COVID-19 around the globe, lockdown measures, and automotive OEM plant shutdowns.

Production in China decreased by 4.2% to 23.6 million vehicles in 2020. In the Chinese market, despite a very tough beginning of 2020, the local light vehicle production was the least impacted by COVID-19 globally. The surge in COVID-19 cases led to very strict prevention measures: the strict lockdown resulted in a production output slump of 45.7% compared to the first quarter of 2019. Even with double-digit output increases year-over-year in the second (11.3%) and third quarter (11.6%), the losses from the first quarter could not be compensated. The rebound of sales and production in China was partially supported by stimulative policies introduced by the government and accumulated savings. Thanks to the strong retail performance in the two preceding quarters, numbers in the fourth quarter were better than initially forecasted, increasing by 5.9% compared to 2019. However, it is worth mentioning that production already slowed down in the fourth quarter of 2019.

Production levels in Asia outside of China were severely affected by the COVID-19 pandemic, as output levels declined by 19.6%, or approximately 4.2 million vehicles, to 17.3 million units. Japanese production was hit hard by extended lockdowns in several prefectures, uncertainty, and reoccurring spikes in COVID-19 cases. Output in the region decreased by almost 1.5 million units (16.2%) on an annual basis.

Production in Europe declined by 21.6%, or approximately 4.6 million units, to 16.6 million vehicles in 2020, as local governments ordered people to stay home in an effort to contain the spread of COVID-19. After most of the OEM plants were shut down for several weeks, production ramp-up was fairly slow. The uncertainty surrounding the Brexit deal throughout 2020 and stricter emission standards (Euro 6d) coming into force also contributed to

a lower output. The countries in Western and Central Europe, except Italy and Belgium, suffered the steepest decline, which was only partially offset by a minor increase in the last quarter of 2020.

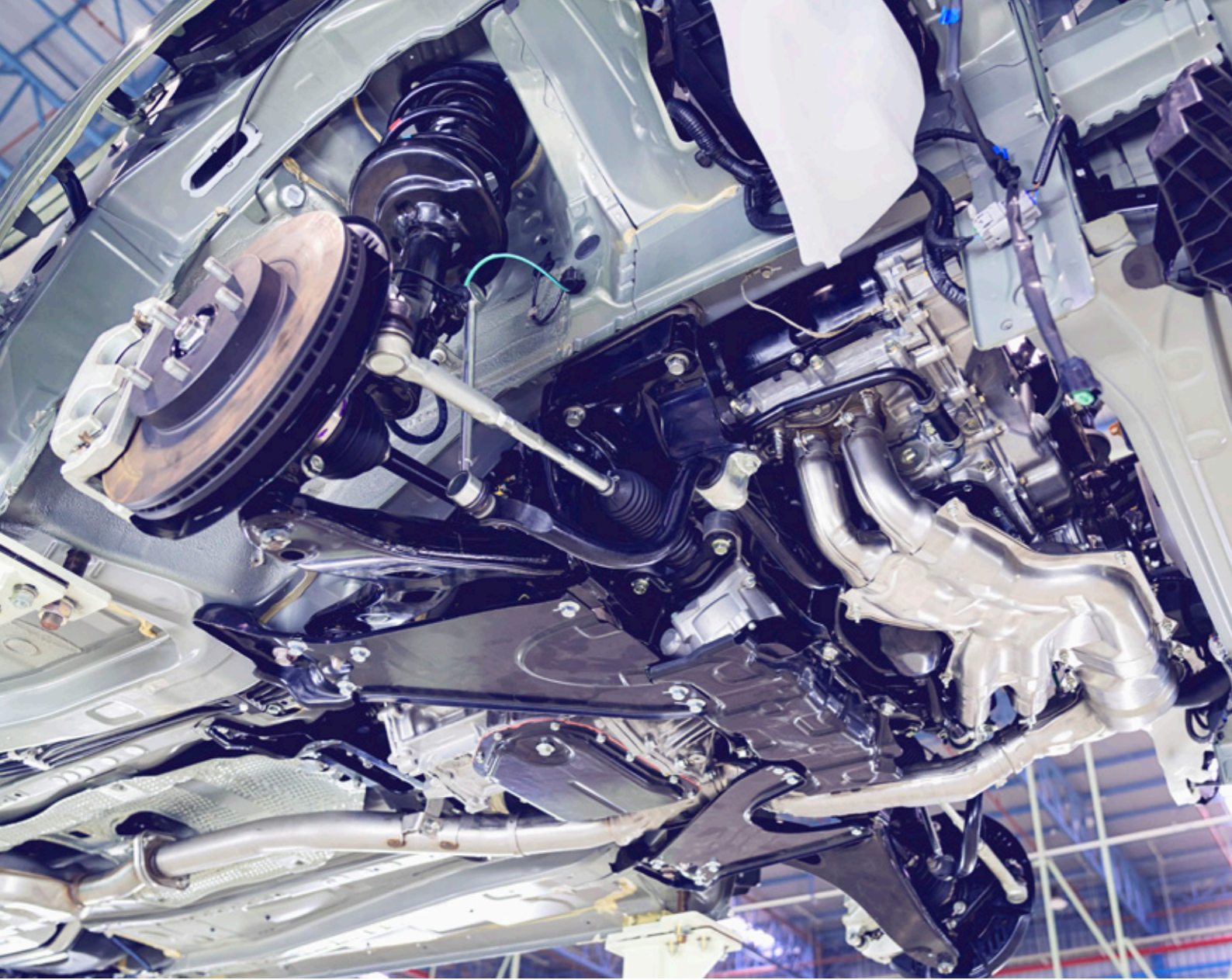
In North America, light vehicles production reached 13.0 million vehicles in 2020, a decline of 20.1% (3.3 million units) compared to the previous year. Most of the decline in 2020 has occurred in the second quarter with a 67.6% (2.9 million units) production drop year-over-year due to plant shutdowns. In the third and fourth quarter, many manufacturers struggled to maintain production levels with the increasing number of COVID-19 cases negatively impacting all operational aspects. The weak U.S. economy and higher unemployment rate were driving down automotive demand, making it even more difficult to regain losses incurred in the first half of the 2020.

South American production levels developed negatively as well, declining the most across all regions by 31.4% in 2020, as output totaled 2.3 million vehicles. While plants were closed as in other regions, the re-opening process was much slower due to the additional obligation to validate safety protocols with authorities. Sanitary requirements combined with low demand caused plants to operate below half of their capacity.

Finally, production levels in the Middle East declined noticeably by 15.1% to 1.7 million vehicles for 2020. All four quarters were below 2019 output levels, with the second quarter seeing the biggest drop at 38.2%. Additionally to COVID-19's negative impact, the political instability and new industrial assembly regime has worsened the production environment in 2020 and future outlook for the region.

## TRUCK PRODUCTION

Global truck production decreased by 2.7% in 2020 to 3.16 million vehicles. After suffering a year-over-year production decline of 24.6% in the first quarter, the second quarter saw a year-over-year decline as well, falling by 9.4%. A strong performance in quarter three, mainly in China, contributed to considerable growth by 17.6%



# FINANCIAL PERFORMANCE

## GROUP

Group revenues were negatively impacted by the effects of the COVID-19 pandemic and decreased from EUR 1,160.9 million to EUR 969.3 million, including negative currency translation effects of EUR 29.2 million. On constant currencies, revenues generated in the truck market decreased by 12.6%, mainly attributable to the sharp declines in Europe (-12.5%) and the U.S. (-30.4%). In Europe, KA was able to outperform the market, while negative growth in the U.S. was in line with local market developments. The revenues in China increased by 28.6%, which was slightly below market growth.

The revenues in the passenger car market declined by 12.8% on a constant currency basis. The revenues declined in Europe by 21.6% and in North America by 13.5%, respectively, offset by strong growth in China at 34.0%. KA outperformed the markets in North America and China.

The slowdown of sales by EUR 162.3 million at constant currencies led to a decrease of adjusted EBIT by EUR 60.2 million from EUR 70.9 million in 2019 to EUR 10.7 million in 2020. Through strict cost control the group managed to minimize the negative impact of the governmental lockdowns imposed in the second quarter of 2020.

## SEGMENTS

Revenues from the Interior segment amounted to EUR 272.5 million, compared to EUR 304.0 million in 2019, a decrease of EUR 31.4 million (-10.3%), including negative currency-translation effects of EUR 8.1 million. The main drivers of the decrease were customer shutdowns and implemented lockdown measures in Europe and the U.S. in the second quarter of 2020, when revenues declined by EUR 37.0 million year-over-year. In the third quarter of 2020, however, revenues reached the level of the same quarter in 2019 and in the fourth quarter of 2020, revenues even exceeded the preceding year's fourth quarter by EUR 13.3 million. Due to the overall reduced sales level, adjusted EBIT decreased by EUR 19.0 million from EUR 10.3 million in 2019 to a loss of EUR 8.7 million in 2020.

Powertrain & Chassis revenues amounted to EUR 372.9 million, compared to EUR 461.1 million in 2019, a decrease of EUR 88.2 million (-19.1%), including negative currency translation effects of EUR 11.0 million. The revenue decline can mainly be attributed to heavily decreased sales in Europe and the United States, where revenues dropped by EUR 69.1 million and EUR 30.9 million, respectively (on constant currencies basis), partially offset by an increase in China of EUR 25.8 million. Adjusted EBIT decreased by EUR 19.6 million to a loss of EUR 0.6 million. The negative impact of significantly reduced overall sales level was mitigated by the additional revenues in China, in conjunction with strictly controlled variable and fixed costs in the European and American plants.

(122,684 units), continuing in the fourth quarter with a 11.3% growth.

Production in Europe fell by 25.2% to 418,883 units, as output levels were lower in all four quarters compared to the corresponding periods in 2019. Europe was one of the regions most impacted by COVID-19 across the globe. Strict prevention measures, including quarantine requirements to contain spread of the virus, led to both lower demand and reduced production capacity.

North American production declined significantly in 2020, with a year-over-year decrease of 28.3%. Widespread restrictions across the region limited output to 68,555 units. This five-year record low corresponds to a 61.4% decline year-over-year. Only the last quarter saw a slight year-over-year increase of 3.8% (136,396 units), although this is measured against an already weak fourth quarter of 2019.

Truck production in South America did not carry its momentum from 2019 into 2020. A surge in COVID-19 infections resulted in nationwide lockdowns and plant shutdowns, causing the production volume to plummet by

21.7% year-over-year. The first quarter was relatively stable, reporting a decrease of only 2.4%. The subsequent second and third quarters saw the full impact of the pandemic, as output fell by 67.6% and 27.1% compared to corresponding periods in 2019. In the last quarter of 2020, production grew considerably by 20.6% to 31,694 units.

The Asia-Pacific region recovered well after a tough start to 2020, reporting a full-year production of almost 2.2 million trucks, corresponding to a year-over-year increase of 13.7%. Output in the first quarter declined by 28.1% year-over-year, as it was heavily impacted by strict lockdowns to contain the spread of COVID-19. Following extensive shutdowns, OEMs swiftly regained full capacity. As demand had accumulated, the government subsidies helped propel the production levels to increases in the following quarters by 23.5%, 52.7%, and 20.3%, respectively.





Specialty Products revenues amounted to EUR 324.0 million in 2020 versus EUR 395.7 million in 2019, a decrease of EUR 71.7 million (-18.1%), including negative currency translation effects of EUR 10.1 million. Declines in the commercial vehicle market and the industrial / off-highway end markets were the main drivers for the overall revenue development in this segment, with Europe and North America reporting the lowest revenues. However, this decrease was slightly offset by the increased Couplings business revenues in China. Adjusted EBIT for the Specialty Products business segment was EUR 42.4 million compared to EUR 58.8 million in 2019, a decrease of EUR 16.4 million (-27.9%). Strong productivity in the growing Chinese market, favorable foreign exchange rate effects and positive development of brass and resin prices for Couplings products mitigated the negative impact of lower revenues on the adjusted EBIT of that segment.

EBIT of the Interior and Powertrain & Chassis segments was impacted by impairment triggered by the COVID-19 pandemic. This resulted in an impairment of goodwill for the Interior segment in the amount of EUR 52.2 million and for Powertrain & Chassis in an impairment of goodwill and other intangible and tangible assets in the amount of EUR 30.4 million.

#### NET FINANCIAL ITEMS

Net financial items amounted to negative EUR 47.0 million, compared to negative EUR 18.9 million in 2019. Interest expenses, mainly related to the bond, were at the same level as in 2019 and amounted to EUR 15.6 million. In addition, interest expense of EUR 5.3 million was reported in relation to lease liabilities, which was at the same level in 2019. The biggest negative driver for the increase of financial expenses was the unrealized and realized for-

eign currency losses at EUR 23.0 million mainly due to the weakening NOK, compared to currency gains of EUR 3.0 million in 2019.

#### NET PROFIT

Total net loss for the year amounted to EUR 118.0 million compared to the net profit of EUR 28.8 million in 2019. The loss before taxes of EUR 123.2 million (versus a profit before taxes of EUR 43.5 million in 2019) lead to the total tax income of EUR 5.2 million (versus tax expense of EUR 14.8 million in 2019) which corresponds to an effective tax rate of 4% (versus 34% in 2019). The biggest impact on the effective tax rate was the impairment of the goodwill at EUR 58.7 million for IFRS purposes, which does not lead to a corresponding tax income.

#### CAPITAL

The group's interest-bearing debt amounted to EUR 376.8 million as of December 31, 2020, which included lease liabilities of EUR 103.4 million. As of December 31, 2020, the shareholders' equity totaled EUR 245.5 million, a decrease of EUR 37.4 million (-13.2%) compared to EUR 282.9 million at the end of 2019. During the concluded year, there were the following movements in equity:

- ▶ Private placement capital increase in the total amount of NOK 700,000,000 (EUR 63.4 million net of transaction fees) completed in the second quarter of 2020,
- ▶ Successful completion of the subsequent offering capital increase in the total amount of NOK 300,000,000 (EUR 27.3 million net of transaction fees) in the third quarter of 2020,
- ▶ Total comprehensive income of negative EUR 129.0 million for the whole year of 2020, consisting of net loss of EUR 118.0 million and other comprehensive income

of negative EUR 11.0 million, mainly impacted by the impairment losses of EUR 82.7 million recorded in the second quarter of 2020.

The equity ratio was 27.3% at the end of the year compared to 30.6% in 2019.

#### CASH FLOW

In 2020, the group generated a positive cash flow from operating activities in the amount of EUR 74.1 million, compared to EUR 51.4 million in 2019. This was mainly attributable to improved working capital management. The group invested EUR 60.6 million in property, plant, equipment, and intangible assets, a decrease of EUR 4.4 million from EUR 65.0 million in 2019. The cash flow from financing activities amounted to EUR 41.6 million. The net proceeds in the amount of EUR 89.7 million from the private placement and the subsequent offering were partially offset by the repayment of the revolving credit facility (RCF) in the amount of EUR 10.0 million, repayment of lease liabilities of EUR 13.5 million as well as interest payments of EUR 24.1 million, of which EUR 5.3 million are related to IFRS 16. The net change in cash during 2020 was an increase of EUR 42.2 million.

#### LIQUIDITY

The group's total liquidity reserve amounted to EUR 197.0 million at the end of the year, compared to EUR 64.4 million in 2019. The unutilized RCF as of December 31, 2020, amounted to EUR 70.0 million. In 2020, Kongsberg Automotive entered into a receivables securitization agreement that increased its liquidity reserve by MEUR 60.0.

#### BUSINESS WINS

New business wins for the year amounted to EUR 281.6 million in annual revenues versus EUR 330.0 million in 2019. This corresponds to a 14.5% decrease compared to last year. The new business wins in 2020 generated EUR 1.346 million in lifetime revenues compared to EUR 1.527 million in 2019.

#### KONGSBERG AUTOMOTIVE ASA - THE PARENT COMPANY

In 2020, the parent company generated total operating (inter-company) revenues of EUR 2.1 million compared to EUR 10.5 million in 2019. Due to the transfer price adjustments triggered by the COVID-19 pandemic the trademark fee as well as the mark-up on service fees were set to zero resulting in an operating loss of EUR 1.9 million (versus a profit of EUR 4.3 million in 2019). The parent company had net negative financial items of EUR 12.3 million in 2019, compared to net positive financial items of EUR 14.2 million in 2019. This is caused by a reduction in financial income of EUR 10.8 million mainly related to a decrease in interest income following a reduced amount of loans to subsidiaries. In addition, the financial expenses increased by EUR 15.7 million which is mainly attributable to unrealized currency losses related to the debt towards KA Group AG. The net loss for the year 2020 amounted to EUR 10.7 million (versus net profit of EUR 12.7 million in 2019). As of December 31, 2020, Kongsberg Automotive ASA's equity totaled EUR 427.4 million (EUR 366.1 million in 2019).

In accordance with the Dividends Policy, the Board of Directors will propose to the 2021 Annual General Meeting that no dividend be paid for 2020. The Board of Directors proposes the parent company's net result of negative EUR 10.7 million be transferred to retained earnings.

# OPERATIONS

Kongsberg Automotive continued its focus on improving and expanding its global manufacturing capabilities in 2020. A new manufacturing plant was opened in Shuofang, China for the Interior Comfort Systems business unit. The Couplings business unit manufactured its first products at the Cluses plant in France. KA's manufacturing initiatives changed in 2020 due to COVID-19. Focus shifted from operational excellence, lean manufacturing, and implementation of continuous improvement programs to production downscaling, stringent cost controls, fixed cost reductions, and a strong working capital management. These measures allowed KA to limit the cash burn in the second quarter of 2020 and put the organization in a good position for the ramp-up in quarters three and four.

## INTERIOR

The Interior segment consists of the two business units Light-Duty Cables and Comfort Systems. In 2020, the Interior segment continued to drive operational excellence through productivity programs across all its plants around the globe. The pandemic challenged the efficiency and effectiveness of existing operational processes. Yet, despite lockdowns and aggressive ramp-ups, the Interior facilities adapted well to the changed conditions and exceeded customers' expectations in all regions. In addition to reacting to the challenges presented by the pandemic, deploying growth plans continued to be a major focus. Interior completed its expansion of the Asian operation with a new plant in Shuofang, China, to better serve the market. In 2021, the focus continues to be on strengthening KA's culture of continuous improvement, optimizing investments, and innovating the manufacturing process.

## POWERTRAIN & CHASSIS

The Powertrain & Chassis (P&C) segment serves the passenger car and commercial vehicles businesses. P&C continued to source critical material locally and promote the integration of key production processes. Improvement of operational productivity and the successful launch of new products continue to be main focal points within

the Powertrain & Chassis segment. P&C made significant improvements in operational efficiency, inventory management, and lean production in all of its global sites during 2020.

## SPECIALTY PRODUCTS

The Specialty Products segment consists of Off-Highway, Couplings, and Fluid Transfer Systems. These business units develop and deliver specialized niche products with a strong entrepreneurial focus on innovation and customer benefits. The Specialty Products segment leadership team expanded production capability and capacity to support growth in all regions and further strengthen its competitiveness.



# ENGINEERING AND DEVELOPMENT

**The group's net overall spending on engineering and development totaled 5.7% of sales in 2020. Kongsberg Automotive's (KA) global engineering workforce consisted of 515 resourceful engineers.**

## **INTERIOR COMFORT SYSTEMS AND LIGHT-DUTY CABLES**

In 2020, KA Interior continued to expand its electronic and software engineering presence by growing its technology center in India. The new technology center enables Interior to accelerate electronics engineering and product innovation and to offer more products with enhanced functionalities to customers.

Customer Focus Teams comprised of Sales, Engineering, and Program Management continue the relentless service and relationships built with KA's key customer base. Mutual trust and service appreciation continues to generate new business contracts in all target markets, especially in premium and electric vehicles.

Interior Comfort Systems has enhanced its demonstrator interfaces and installations throughout the year. This allows customers to experience the functional feel of KA's complete product portfolio first-hand.

Light-Duty Cables continued the development of a new medium-force electromechanical actuator. This expands KA's product offering for new and existing customers, now serving environments with less strict demands for strength to actuate the desired application.

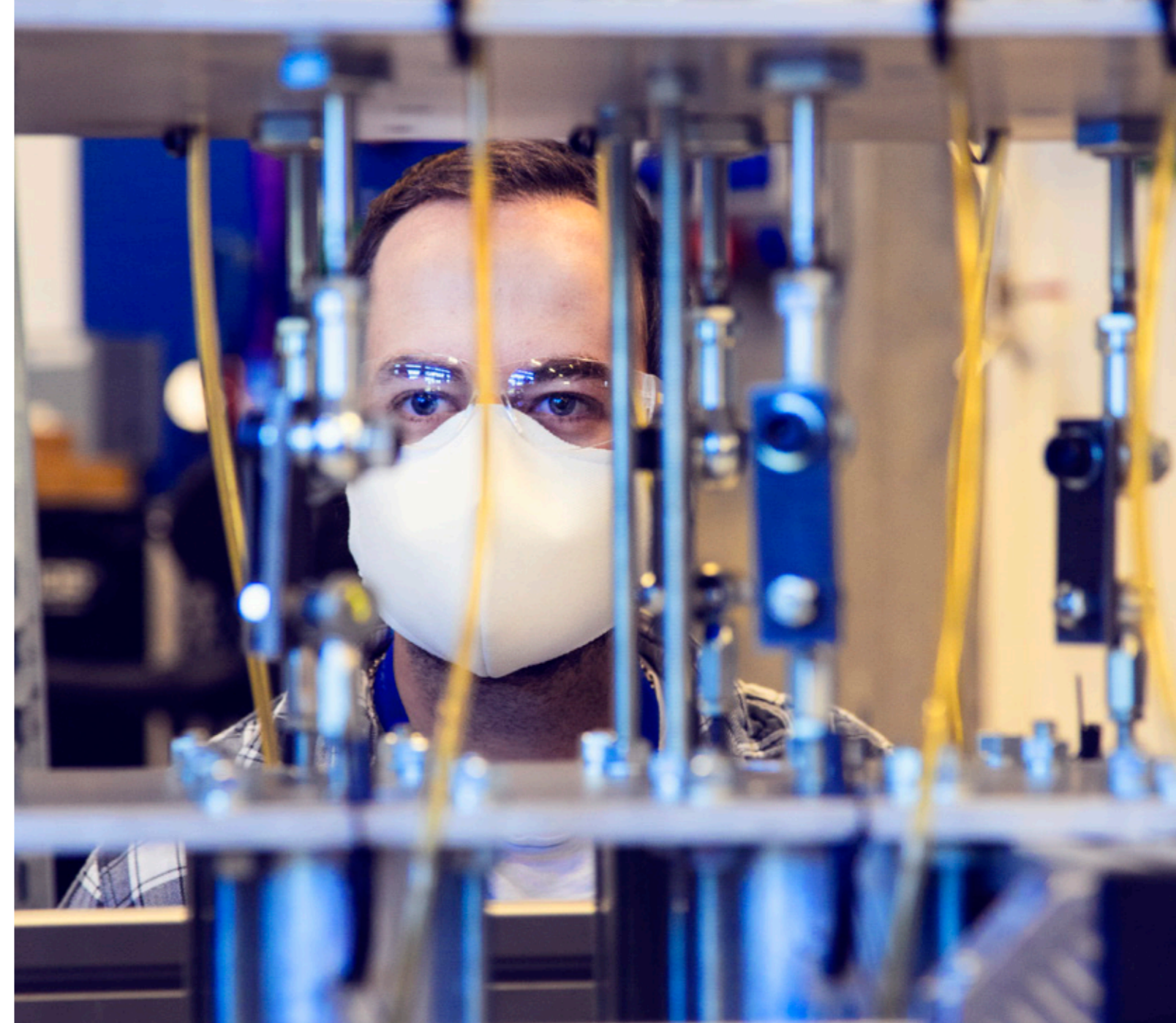
## **POWERTRAIN & CHASSIS**

Powertrain & Chassis (P&C) launched new shift-by-wire products in the Driveline product line as well as a new fully electric clutch actuator for the On-Highway portfolio during 2020.

Highly engineered mechatronic assemblies continue to be the focus of most new product developments. Each new application brings unique requirements for functional safety. P&C has already delivered products to meet rigorous ISO26262 ASIL B and ASIL C functional safety standards. ASPICE certification is a key requirement of KA's customer base and KA continues to expand its capabilities and certification in this critical development area. KA continues active development for eAWD, hybrid, and EV platforms.

For Europe, the Americas, and Asia, highly engineered gear control and clutch actuation solutions have been developed. KA continues to expand its engineering capabilities globally to support these ever-increasing customer demands.

Powertrain & Chassis products are leading the way into e-mobility with both shift-by-wire human interfaces and complex hybrid & EV transmission control solutions.



## **OFF-HIGHWAY**

In 2020, Off-Highway continued to strengthen and expand its engineering teams with additional electronic and software engineering personnel. These additional resources allowed KA to expand its existing product portfolio with new electronic power steering products and electronic hand controls.

## **COUPLINGS AND FLUID TRANSFER SYSTEMS**

In 2020, Couplings' engineering and development activities were focused on innovation projects, expanding the product portfolio for new applications and markets.

COVID-19 did not affect the new product launch plan for 2020, as KA was able to satisfy 100% of customer needs. In addition, the market reacted very positively to new products such as the Twist Lock Module, opening up further opportunities for KA and short-term growth. Research

& development capacity was expanded in the Americas and Asia to support business growth and product launches for 2020 and beyond.

Fluid Transfer Systems (FTS) continued to secure new business contracts with new Tier1 and new OEM customers. KA's unique fluoro-comp™ light-weight, high-temperature hose product serves customers in the area of turbo lines for downsized combustion engines in hybrid vehicles in the passenger cars segment. KA developed a new manufacturing process and product for light-weight, large-bore coolant lines for electric heavy trucks. As a result of this innovation, KA recently won a development project with a large global OEM for this technology. FTS continue to engineer a variety of bespoke assemblies and bulk hose products for KA's industrial target market, which includes pharma and fire-safety applications.

The Board of Directors of Kongsberg Automotive ASA has established a set of general principles and guidelines for corporate governance. These principles cover the Board of Directors' responsibility for determining the group's risk profile, approving the organization of the business, allocating responsibility and authority, as well as providing requirements with respect to reporting lines and information, risk management, and internal control. The tasks and responsibilities of the Board of Directors and the CEO are laid out in separate directives covering the Board of Directors and the CEO, respectively.

The Board of Directors has issued directives to ensure adoption and compliance with the group's principles and guidelines for corporate governance. The group's guidelines for corporate responsibility summarize how work in this area is to be integrated into the group's corporate governance processes for investments, product development, procurement, and the wellbeing of employees. The Board determines the group's objectives in the field of corporate responsibility.

Guidelines for investor relations intend to ensure that investors, lenders, and other stakeholders are provided with reliable, timely, and identical information. As an extension of the general principles and guidelines, a Code of Conduct has been adopted that applies to all group employees and elected officers. Uniform regulations for risk management, internal control, financial reporting, handling of insider information, and primary insiders' own trading activities have also been adopted.

Kongsberg Automotive complies with the latest version of the Norwegian Code of Practice for Corporate Governance. The group's compliance with the requirements of each of the 15 main principles of the Norwegian Code of Practice for Corporate Governance and the provisions of section 3–3b of the Norwegian Accounting Act is further detailed in the Corporate Governance section of the annual report. This information is also available on the company's website.

## GOING CONCERNS

In accordance with section 3–3a of the Norwegian Accounting Act, the Board hereby confirms that the consolidated financial statements and the financial statements of the parent company have been prepared on going concern assumptions and that there are reasonable grounds to make such an assumption.

## OPERATIONAL RISK

Kongsberg Automotive supplies products that are safety-critical. Suppliers in the automotive industry face the possibility of substantial financial liability for warranty claims relating to potential product or delivery failures. This liability represents a potential risk. Working methods and validation procedures implemented by the company are designed to minimize this risk.

Kongsberg Automotive is normally contracted as a supplier with a long-term commitment. The commitment is usually based on a vehicle platform for which volumes are estimated and not guaranteed. Even if present commitments are cost-reimbursable, they can be adversely affected by many factors and short-term variances including shortages of materials, equipment and labor, political risk, customer default, industrial disputes, accidents, environmental pollution, the prices of raw materials, the implementation of new tariffs and other unforeseen problems, changes in circumstances that may lead to cancellations, and other risk factors beyond the control of the group.

## RISK MANAGEMENT

Responsibility for the group's financial risk management is mostly centralized, and the risk exposure is continuously monitored. The group has identified a specific risk catalog in line with ISO 31000 and classified all risks according to their potential impact.

The group constantly evaluates its financial, infrastructure, marketplace, and reputational risks and has developed procedures and strategies to mitigate all risks classified as "high". For more information regarding risk management, see note 23.

**Due to the group's capital structure and the nature of its operations, the group is exposed to the following financial risks: market risk (including foreign exchange rate risk, raw material price risk, and interest rate risk), credit risk, and liquidity and capital management risk.**

## FOREIGN EXCHANGE RATE RISK

The group operates in many different geographical markets and the resulting net assets, earnings, and cash flows are influenced by multiple currencies. Kongsberg Automotive is exposed to foreign exchange rate risk in transaction and translation exposures. Transaction exposures include commercial transactions and financing transactions both internally and externally. Translation exposures relate to net investments in foreign entities which are converted to EUR in the consolidated financial statements. This concerns European operations in non-Euro-area countries which have costs in local currencies and revenues primarily in EUR, as well as Canadian and Mexican operations, which have revenues primarily in USD. The group seeks to align its revenue and cost base to reduce the currency exposure on a net cash flow basis.

## RAW MATERIAL PRICE AND AVAILABILITY RISK

The group is exposed to market fluctuations in the price and the availability of the following major raw materials: steel, copper, zinc, aluminum, polymer resins, and electronics. A sudden fluctuation in the market conditions could therefore impact the group's financial position, revenues, profits, and cash flow. Raw material sourcing costs are also exposed to customs and duties and politically driven changes of those.

## INTEREST RISK

Interest risk is linked to long-term debt and is primarily driven by changes in EUR and USD interbank lending interest rates. The risks are related to how the company's borrowing costs will change in relation to changes in interest rates.

## CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk with financial institutions and other parties because of cash-in-bank and customer trade receivables arising from operating activities. Credit risks are considerable in the automotive industry. The group closely monitors outstanding amounts and rapidly implements actions if receivables become overdue. Kongsberg Automotive has good routines for receivables in place and losses in this area have been minimal in the past.

## LIQUIDITY AND CAPITAL RISK

The capital of the group consists of shareholders' equity, borrowings, and third-party financing. Total capital is defined as total equity plus net debt and is managed to safeguard the business as a going concern, to maximize returns for its owners, and to maintain an optimal capital structure to minimize the weighted average cost of capital.

All activities around cash funding, borrowings, and financial instruments are centralized within the Kongsberg Automotive Treasury department. The development of net interest-bearing debt and liquidity reserve is closely monitored.

## RATING RISK

The group is subject to non-public solvency ratings by external business partners and institutions and to public ratings by the rating agencies Moody's and Standard and Poor's.

## PENSION LIABILITY RISKS

The evaluation of the group's pension liabilities is subject to changes in actuarial assumptions such as discount rates and local pension evaluation guidelines.



#### REGULATORY AND TAX RISKS

The group is subject to a wide variety of laws, tax regulations, government, and supranational policies that may change in significant ways. There can be no assurance that laws, tax regulations, and policies or their practical application by authorities will not be altered in ways that will require modification of business models and objectives or affect returns on investments. For regulatory and tax risks, the group consults professional advisors and implements recommended actions. For further risk analysis, see note 23 to the financial statements.

### OTHER RISKS

#### POLITICAL RISKS

Political instability in countries relevant to KA's supply chain, production facilities, and product destinations may cause or intensify operational, product supply availability, and free trade risks.

#### HEALTH AND SAFETY RISKS

In the times of a global pandemic, KA's employees, employees of KA's suppliers, and customers are all potentially exposed to COVID-19, a highly infectious disease. To protect its own employees and to comply with all specific regulations, KA has developed and implemented connected measures, policies, and contingency plans.

#### STRATEGIC RISKS

As a supplier of advanced technology into the automotive and industrial markets, KA is exposed to competitive efforts of both established and new market players to gain market share at KA's expense. KA actively mitigates this risk by its new product development initiatives and fostering customer relationships to remain a supplier of choice to its customers.

KA is also exposed to potential strategic M&A activities by its suppliers, customers, or competitors that may negatively impact KA's market position. KA constantly observes and monitors its business environment for possible and manifest M&A events in the market environment and has developed response strategies for different scenarios.

#### RISKS RELATED TO PRODUCT DEVELOPMENT

Product development and product improvement activities are associated with a range of risks. These risks include delays in time-to-market, deviations from product specification and quality requirements, deviations from development budgets, and potential infringement of third-party intellectual property rights. KA manages these risks with dedicated teams of highly qualified engineers, technicians, IP counsels, and other product development staff, as well as well-equipped modern development facilities and test laboratories and dedicated controls.

#### RISKS ASSOCIATED WITH PURCHASING

Risks in the procurement process include the risk of supplier insolvencies, late deliveries, quality defects, and new non-tariff trade-barriers. To mitigate these risks, KA selects its suppliers carefully to meet financial solvency and commercial and technical capability requirements and measure supplier performance KPIs constantly.

#### PRODUCTION-RELATED RISKS

In manufacturing processes, bottlenecks and delays can occur as a result of insufficient production resources. This can relate to production material, production utilities, production manpower, or production equipment. KA manages these risks by means of a comprehensive and risk-avoiding production material resources replenishment (MRP) planning process, by hiring and training sufficient and skilled production staff, and by maintaining its production equipment in good order.

#### PROJECT MANAGEMENT-RELATED RISKS

The launch of new products requires comprehensive and long-term planning customer project management. Project management holds an important coordination role at the intersection of different business functions: sales, product development, purchasing, production equipment suppliers, plant operations, quality, and finances. There are risks related to poor communication, selecting wrong manufacturing equipment, missing project timelines, and cost budgets. Historically, on some projects some of these risks did occur. To lessen these risks going forward, KA relies on effective project management and intensive management supervision.

#### LEGAL PROCEEDINGS

Kongsberg Automotive is subject to a few legal proceedings and legal compliance risks in the United States and other parts of the world, including the matters described in the Contingent Liabilities section. Reserves have been established for these and other legal matters as appropriate in line with IFRS guidelines. However, the estimation of legal reserves for possible losses involves significant judgment and may not reflect the full range of uncertainties and unpredictable outcomes inherent in litigation. Consequently, actual losses arising from particular matters may exceed current estimates and adversely affect the results of operations.

#### BREXIT RISK

Kongsberg Automotive supplies UK-based customers from plants based in the EU. Its UK-based Normanton plant in return sources its products from EU-based third-party suppliers. Inversely, KA's Normanton plant supplies products to EU-based customers. Additionally, KA's EU-based plants source products from UK-based third-party suppliers. The total costs for logistics and import and export costs associated with these transactions and the timeliness of the

supply chain may be adversely affected by Brexit. Based on the final procedures the European Union and the British government agreed upon, Kongsberg Automotive expects no major or only little adverse effects on its business.

#### CYBERCRIME RISK

The group uses various digital technologies for communication and process management. Like other multinational companies, KA is facing active cyber threats which pose risks to the security of its processes, systems, and networks as well as the confidentiality, availability, and integrity of data. There is a risk that confidential information may be stolen or that the integrity of its portfolio may be compromised, for example through attacks on KA's networks, social engineering, data manipulation in critical applications, and a loss of critical resources, resulting in financial damages. The cyber security measures KA implemented cover the whole group's information systems and technologies (IS&T), ranging from managerial systems and applications to KA's operational environment such as manufacturing and research & development (R&D). In addition, KA mitigates these risks by employing several measures including employee training, comprehensive monitoring of its networks and systems, external services to examine and benchmark its cyber security standards, and maintenance of backup and protective systems such as firewalls and virus scanners.

#### COVID-19-RELATED RISKS

The COVID-19 pandemic and its effects on KA's business will continue well into the year 2021. Many of the above-mentioned risk categories have intensified; this relates specifically to raw material price risks, general supply chain and logistics risks, health and safety risks, political risks, and certain financial risks.

# EMPLOYEES

# COMMITMENT TO EMPLOYEES

**By the end of 2020, the group employed 11,234 people in full-time equivalents (FTEs), which reflects an increase of 326 FTEs from the end of 2019.**

Kongsberg Automotive (KA) is an international organization with a multicultural mindset. KA operates in 19 countries all around the world with diverse focuses; its locations range from manufacturing sites and tech centers to warehouse sites. The largest KA workforces are located in Mexico, Poland, and China.

In order to secure and plan for the future of the organization, a professional succession planning process is in place. This process is reviewed annually to ensure an equitable gender and ethnicity balance within the group. Women currently make up 47% of the total workforce and 17% of the executive management (Global Leadership Team). The organization's policy is to ensure equal access to development opportunities for all employees.

The Board of Directors of Kongsberg Automotive ASA consists of eight members: three women, of which two are shareholder-elected directors, and five men, of which four are shareholder-elected directors.

Kongsberg Automotive recognizes the importance of attracting and retaining skilled and motivated personnel at all levels of the organization. Employees are expected to have a strong commitment to the business, the group's ethical guidelines (Code of Conduct), and Kongsberg Automotive's core values: Integrity, Accountability, Creativity, and Teamwork.

Kongsberg Automotive is committed to a culture of diversity and inclusion, where all employees are valued for their unique differences and contributions to the success of the organization. This commitment is defined in the group's Diversity Policy and reflected in KA's recruitment and promotion processes.



In 2020, Kongsberg Automotive continued with the second wave of SAP-SuccessFactors implementation, KA's global cloud-based People Management Solution, a project which started in 2019. This Human Resources Information System solution provides easy access to employee master data, personalized e-learning content, and improved talent management. Additionally, the performance module allows better alignment of goals from a top-to-bottom perspective. This platform is seamlessly integrated with KA's recruitment process, resulting in a positive experience for candidates. In 2020, the digital HR transformation journey advanced to ensure a modern and agile HR function that caters to the needs of all stakeholders.

**For Kongsberg Automotive (KA), it is of utmost importance to have a committed and motivated team of talented engineers, managers, skilled production workers, and specialized technicians. In order to attract and retain the most talented people, KA aims to be an employer of choice in the 19 countries where it operates. Among other things, KA offers employee benefits and competitive compensation as part of its value proposition to its workforce and future employees.**

#### KA DIALOG

In world-class organizations, involvement and commitment of the entire workforce is gained and maintained through communication. Communicating business goals and objectives as well as welcoming employees' input at every level are vital parts of business success. An informed and committed workforce will help KA achieve its business goals and ultimate mission.

The KA Dialog is a global initiative that measures the effectiveness of KA's communications at a local level. The tool assesses employees' awareness and understanding of central business issues and strengthens the link between their actions and the organization's success. The KA Dialog tool also enables communication flow from employees to the management, allowing KA to know what employees value in an employer.

#### STAYING WITH KA

KA Dialog insights also reveal why employees choose to stay with Kongsberg Automotive: positive encouragement to deliver, rewarding good performance, competitive salary, on-the-job safety, atmosphere, diversity of the workforce, a focus on internal promotions, and professional performance management processes globally. Kongsberg Automotive holds the wellbeing of its employees in high regard and enables them to make an impact.

#### MAKING A DIFFERENCE

KA values the desire of its employees to have a positive impact, recognizing it at the local plant level. Their efforts to make a difference in the workplace and in their communities are recorded and broadcast on KAI, the organization's intranet.

While management and plant staff can be proud of the impact they have on the quality of work, many also enjoy having a positive effect on the quality of life. Together, KA management and employees regularly involve themselves in causes that are dear to them, via fundraising and gift-giving campaigns that draw on the charitable nature of KA's employees.

In April 2020, during the first wave of the COVID-19 pandemic, Kongsberg Automotive reconfigured its seat heat mat factories to manufacture non-medical, reusable face masks in factories in Europe and Mexico, including child-sized masks. The KA team donated more than 6,000 face masks to various local aid organizations in Germany, Austria, Poland, and France. Contributing KA's capabilities and manufacturing expertise towards limiting the spread of COVID-19 has been a rewarding experience for the entire organization.

KA also cares about the families of its employees: during the onset of the COVID-19 pandemic, KA's Mexico team coordinated the "Food Truck Initiative", enabling employees to move their grocery shopping to KA plants in Mexico which allowed them to stay safe by avoiding crowded shops. KA also distributed hygiene kits to its employees, including hand sanitizer, masks, and cleaning wipes to limit the spread of the virus.

Family days, recognition of employees, celebration of anniversaries, health days, and other similar arrangements are important events which are held at many of KA's locations across the world to create a sense of togetherness, family, and appreciation. This year, however, no such events have been held. Kongsberg Automotive is looking forward to reporting on such events again some time in the near future.

# HEALTH, SAFETY, AND ENVIRONMENT

**Kongsberg Automotive (KA) prioritizes the health, safety, and wellbeing of its employees and seeks to minimize environmental impact. KA's well-established Health & Safety Policy and Environmental Policy articulate the key actions necessary to achieve the highest industry standards in HSE performance and KA's business objectives. These commitments are communicated throughout the organization.**

The authorities in the countries where the group operates set Health, Safety, and Environmental (HSE) standards in the form of legislation, regulations, and specific requirements. KA's businesses comply with these, as well as with internal HSE requirements. The group sets expectations for all units and requires improved performance and regular assessment of progress.

All manufacturing facilities have aligned their safety management systems to the new ISO 45001 standard. A number of facilities have successfully been externally certified to this safety standard in 2020. Certification of all plants is scheduled to be completed by the end of 2021.

2020 also saw the successful external certification of all KA manufacturing locations to the ISO 14001 Environmental Management Systems standard; this standard ensures that units consider the environmental impact of their work and set appropriate targets for improved performance. As a supplier, Kongsberg Automotive also meets the HSE expectations of its customers.

Objectives and plans for continuous improvement of HSE performance were set and communicated in early 2020. Key performance indicators were reviewed regularly by the top levels of the organization; adjustments were made immediately as the need arose. As a result, the group continues to report good performance with respect to HSE.

Employees' absences due to illnesses are tracked by the organization. Manufacturing unplanned absence in 2020 was approximately 6.2% on average, this was higher than previous years due to the effects of the COVID-19 pandemic.

## SAFEGUARDING EMPLOYEES' HEALTH

The COVID-19 pandemic dictated health-related measures at KA's facilities to mitigate the spread of the virus.

From January onwards, employees were informed regularly regarding COVID-19. In February, the organization activated the contingency plan and introduced pandemic plans.

The pandemic was monitored and controlled by the group's Corporate Disaster Team, supported by local Disaster Teams in each facility. Hygiene measures were introduced and controlled to ensure stringent action in all facilities. As a result, transmission at KA's facilities has been minimal, with most infections occurring outside. Employees and their families have been supported by local human resources teams. In 2020, approximately 340 employees tested positive for COVID-19. Most only experienced minor symptoms and recovered fully. Sadly, three employees passed away due to COVID-19 – Kongsberg Automotive would like to extend its condolences to the victims' families.

## SAFETY RECORD IMPROVES

Safety activities continued the focus on eliminating unsafe conditions at the manufacturing plants. Despite the challenges due to the pandemic (including rapidly changing situations, such as employee turnover, new processes and protocols), the safety performance improved.

In 2020, the group reported 16 injuries, an impressive improvement of 33% over last year's reported 24 injuries; 17 manufacturing locations reported zero accidents in 2020. This is an improvement from 15 locations in 2019. The group averaged less than one accident for every million person hours worked in 2020. The results achieved indicate an improving performance level for the year and a reduction in number of injuries by 66% over the last four years. In 2020, the group also achieved four calendar months



**33% REDUCTION**  
IN INJURIES FROM 2019  
KA'S BEST EVER PERFORMANCE

with zero accidents. These results support the focus that Kongsberg Automotive has placed on necessary resources, employee engagement, training and awareness, improved work processes, and ergonomics analysis.

## ENVIRONMENTAL REPORTING

All manufacturing units collected energy consumption data for electricity and fossil fuels used for production. Their target for 2020 was to decrease yearly energy consumption by 1% relative to total product sales ("Energy Intensity"). The Energy Intensity remained constant in 2020 at 102 kilowatt hours used in production for every EUR 1000 of total product sales, the same as 2019. This was mainly due to the impact of the COVID-19 pandemic, as manufacturing utilization was reduced especially in the second quarter.

While Energy Intensity was the primary key performance indicator, manufacturing units reported that the absolute energy use fell by 13% to 109 million kilowatt hours from approximately 125 million kilowatt hours in 2019.

This decrease in energy consumption is not just due to the COVID-19 pandemic. KA focused on energy conservation initiatives in its facilities: many locations switched to LED lighting, and two locations have mounted solar panels on their roofs, further reducing energy usage.

Pollution control is important to Kongsberg Automotive and the communities where it operates. In 2020, the group's aim was a reduction of 1% of the yearly amount of waste sent to landfills or requiring special treatment as compared to annual sales; this is the "Waste Index". All units sought opportunities to reuse and recycle. Notably, eleven manufacturing locations were landfill-free in 2020. Kongsberg Automotive's Waste Index improved by 16% in 2020 to 1.33kg/1000€ compared to 1.58 in 2019. The group's absolute amount of waste was reduced by 27% to 1.4 million kilograms in 2020 from 1.9 million kilograms in 2019.

Even though its business is not water intensive, KA understands its responsibility to use natural resources efficiently. KA therefore measures water usage at each plant and sets an annual target for each to reduce its usage by 1% from the previous year. Manufacturing facilities worked to reduce water use and realize conservation opportunities resulting in a 14% reduction in overall water usage. In 2020, a total of 108,993m<sup>3</sup> of water was used, compared to 125,610m<sup>3</sup> in 2019.

The group reports no fires resulting in significant property damage or causing interruption to daily business for the year. Additionally, no unauthorized releases to the environment requiring disclosure to legal authorities occurred.

# CORPORATE RESPONSIBILITY



**In 2020, Kongsberg Automotive took a big step on its journey to being more sustainable by making the commitments to purchase 100% renewable energy by 2030 and achieve carbon-neutral production by 2039.**

For Kongsberg Automotive, corporate responsibility (CR) means managing operations so that the business has an overall positive impact on society and the planet.

Incorporating CR with Kongsberg Automotive (KA)'s core activities helps KA achieve its strategic objectives. As a responsible organization, KA complies with local rules and norms as well as with its own Code of Conduct and Corporate Responsibility Policy. In 2020, the group continued to implement practices consistent with a responsible organization.

The Global Leadership Team (GLT) is ultimately responsible for CR and regularly reviews performance. The Executive Vice President HR & Communications leads the CR program and is a member of the GLT.

#### **EXPECTED EMPLOYEE CONDUCT**

The group's Code of Conduct sets the organization's expectations for acting responsibly. Its guidelines help ensure that all employees act in compliance with the law and internationally recognized standards for ethics expected from a top-tier automotive supplier. The Code of Conduct is available in thirteen languages for a global workforce and communicated to all employees.

Kongsberg Automotive does not tolerate corruption or bribery and encourages reporting of suspected misconduct. All personnel are required to comply with the Code of Conduct when performing their work and when representing the group. Employees are expected to report concerns about suspected breaches. KA promotes the Compliance Reporting Procedure throughout the organization and on its public website. The process allows concerns to be reported in a confidential and anonymous manner, without fear of retaliation. KA provides employees with training and guidance, including descriptions of the types of activities that should be reported. Training, designed with a focus on relevant

ethical dilemmas to ensure employees understand the Code and their responsibilities, is held through classroom training, workshops, and an e-learning program.

#### **LABOR RIGHTS AND ASSESSMENT OF SUPPLIERS**

The group manages CR performance through a rigorous framework of policies and procedures. The United Nations Global Compact and Universal Declaration of Human Rights are considered when evaluating human rights issues and labor practices relevant to Kongsberg Automotive. The group applies fair labor practices while respecting the national and local laws of the communities where it operates and will not tolerate or engage in forced or exploitative labor. The group promotes the International Labor Organization's fundamental principles including the right to freedom of association and the elimination of child labor, forced labor, and discrimination linked to employment. The group fully supports the Convention on the Rights of the Child, which states that all children have the right to leisure and education: neither Kongsberg Automotive nor its partners shall exploit children as a labor force.

Suppliers are expected to adopt similar standards and assurances. The group's commitment to ethical and socially responsible sourcing are outlined in the Supplier Declaration and Supplier Sustainability Manual. A supplier assessment process is in place to vet new suppliers and ensure existing suppliers meet requirements consistent with a responsible organization. In addition, KA's purchasing organization can access training in supplier sustainability topics as part of their standard development. A due diligence process has been established to identify the possible presence of conflict minerals in KA's supply chains. The group has a robust process to query and track suppliers and to embrace principled sourcing practices. No material risks in this area have been identified.





**CDP**  
CLIMATE  
CHANGE  
REPORT



## CULTURE

The group is committed to providing a respectful, inclusive workplace free from harassment, discrimination, violence and intimidation. The Diversity Policy helps to promote a culture of respect.

KA also encourages its employees to be involved in their communities and to support issues such as education, health, social responsibility, and advocacy for children. The group's product offering supports the sustainability and CR requirements of its customers. KA will inform stakeholders of its efforts towards these goals and ensure their involvement in meeting the organization's own CR goals. In summary, Kongsberg Automotive is committed to promoting a CR culture that considers stakeholder interests, aligns with its business growth strategy, and achieves outcomes consistent with its Corporate Responsibility Policy and Code of Conduct.

## ANTI-DISCRIMINATION

Kongsberg Automotive is committed to equal opportunity and fair treatment. This is reflected in the group's Code of Conduct of 2018 which all directors, managers, and employees have committed to by their signatures. It follows from the code that discrimination on the basis of an individual's race, color, religion, sex, age, national origin, ethnicity, disability, and sexual orientation is prohibited within KA. This commitment is reflected in KA's employment practices and decisions regarding recruitment, hiring, training, promotion, compensation, and benefits and must be based solely on the individual's qualifications and work performance.

## CLIMATE CHANGE

The group's vision is to make a meaningful contribution to society's efforts to tackle climate change and support KA's customers' strategic goals to offer more sustainable products. Kongsberg Automotive works to reduce the carbon emissions created by its business operations and its products, helping customers meet their ambitions of

making lower emission producing end products. KA also uses its influence to create positive change in its supply chains and change work practices around the world to be more sustainable.

As a global manufacturing organization, KA understands the devastating effects that climate change is having at the moment and for many years to come around the planet. More than ever, it is important for businesses to act sustainably.

In 2020, KA recognized the responsibility it has to contribute to limiting global temperature rise and to be a leader for automotive supply chains in responding to climate change. The group made the ambitious commitment to manufacture carbon-neutral products by 2039, a key part of which is the target to purchase 100% renewable energy for all its plants and offices by 2030.

Through the Carbon Disclosure Project (CDP), the group reports annually on climate change risks and the management thereof and efforts to reduce the carbon emissions created by its manufacturing activities. KA's latest CDP Climate Change report is available on its [website](#) and via the QR code above.

## CLIMATE CHANGE GOVERNANCE

The Board of Directors and Global Leadership Team (GLT) are responsible for the organization's strategic direction regarding climate change. They regularly review material climate change issues that are raised through either KA's business segments (operational issues) or its corporate climate change experts (strategic issues).

The group's plants, with the support of Corporate functions, are responsible for the day-to-day management of risks and opportunities related to climate change at their sites. Organization-wide initiatives are set by corporate teams. A Delegation of Authority process is in place, through which significant climate change risks and decisions on mitigation actions are raised to the governance bodies for discussion.

## CLIMATE CHANGE RISKS & OPPORTUNITIES

KA's key climate change-related risks and opportunities can be summarized as follows:

### > CHANGING MARKET

KA's customers have a focus on lowering the emissions generated by their products. They require lighter and more efficient products from their supply chain. For products designed a number of years ago, there is a risk that the market may become restricted for them.

### > DISRUPTION TO SUPPLY CHAINS BY EXTREME WEATHER

As extreme weather events become more severe and/or more frequent globally, there is a risk that supply chains are disrupted, which impacts production. KA monitors its supply chains for the probability of disruption by extreme weather events. Where a high risk of disruption is identified, KA works on mitigation actions with its suppliers.

### > INCREASED COSTS OF ENERGY AND SUPPLIES

Volatility in energy and commodity prices may lead to higher prices and reduced profitability.

### > COST OF CARBON

There is a risk that governments, in response to the need to act decisively to meet their Paris Agreement commitments, introduce a cost to carbon through legislation in order to incentivize businesses to aggressively reduce carbon emissions.

### > IMPACT OF GREATER CHANGES IN TEMPERATURES AND WEATHER ON MANUFACTURING FACILITIES

There is a risk that higher or lower seasonal temperatures than usual, more frequent hurricanes, higher levels of snowfall, etc. could impact manufacturing facilities leading to CAPEX expenditure to ensure safe and efficient work environments.

## CLIMATE CHANGE OPPORTUNITIES

### > DEVELOPMENT OF NEW PRODUCTS OR SERVICES IN RESPONSE TO CHANGES IN CUSTOMER REQUIREMENTS

KA's automotive customers have a focus on reducing the emissions generated by their products. This leads them to require lighter and more efficient components for their products from their supply chain that help achieve higher fuel efficiency, reduce end-product weight, and use less energy.

### > RESOURCE EFFICIENCY

Reducing energy usage and waste in manufacturing facilities leads to more efficient processes and equipment being installed, resulting in reduced OPEX spend.

### > RECYCLING

The move to circular economies and a focus on reducing, reusing, and recycling materials to eliminate waste to landfill presents an opportunity to design products that require less raw material inputs.

### > USE OF LOWER-EMISSION SOURCES OF ENERGY

Increasing the amount of renewable energy used presents an opportunity to KA. 34% of purchased electricity is generated from renewable sources. Five of KA's manufacturing facilities – four in Scandinavia and the Brazilian facility – purchase 100% renewable electricity. Two facilities have installed solar panels that provide some of the energy they use.

## 2020 CARBON EMISSIONS PERFORMANCE

In 2020, the group's CO<sub>2</sub> emissions were approximately 42,180 metric tons of CO<sub>2</sub>, a 9% decrease from the 46,260 metric tons of CO<sub>2</sub> emitted in 2019. This decrease was primarily driven by a reduction in absolute energy usage due to the impact of the pandemic on operations throughout the year.

# OUTLOOK

# BOARD OF DIRECTORS

Kongsberg Automotive's (KA) outlook significantly depends on the performance of its end markets. Production rates are expected to increase in KA's two most important end markets: passenger cars (light vehicles) and commercial vehicles (trucks and buses). The agricultural machine and construction equipment markets, too, are likely to recover to some extent in 2021. In KA's other end markets, most notably the powersports market, the industrial markets, and the aftermarket moderate market recovery are expected.

Unfortunately, COVID-19 is not yet overcome. At the time of the creation of this annual report, during February 2021, European and American markets are experiencing varying degrees of lockdowns and suffer from serious raw material shortages, especially for electronics. This has now started to affect the automotive industry with first production losses.

It is generally expected that the current uncertain market conditions will continue until near full vaccination coverage of the population is achieved, mitigating the economic impact of the COVID-19 pandemic.

Apart from these current uncertainties, KA's order books for the first half of 2021 is very solid and all KA plants and teams are set-up to deliver sound operational results.

## RESULTING REVENUE AND CASH FLOW OUTLOOK FOR KONGSBERG AUTOMOTIVE

In 2021, KA revenues are expected to reach pre-pandemic levels of 2019. The reason to believe in higher than market growth is the strong order book resulting from successful business wins over the last years. The assumptions behind are no major changes in exchange rates, no large-scale lockdowns, and sufficient availability of key raw material.

The focus of KA for 2021 is on delivering positive cash flows in both halves of 2021, and further improving the operational performance levels that were achieved in 2020.

## KONGSBERG AUTOMOTIVE'S BOARD HAS EIGHT DIRECTORS. FIVE ARE ELECTED BY SHAREHOLDERS AND THREE BY EMPLOYEES.



**Firas Abi-Nassif**  
Chairman



**Emese Weissenbacher**  
Board member



**Ellen M. Hanetho**  
Board member



**Gerard Cordonnier**  
Board member



**Peter Schmitt**  
Board member



**Tonje Sivesindtjæst**  
Employee elected



**Leif Håvard Strømhaug**  
Employee elected



**Bjørn Ivan Ødegård**  
Employee elected

**N. Loers**

**Norbert Loers**  
co-CEO ad interim and CFO

**Robert Pigg**

**Robert Pigg**  
co-CEO ad interim and SVP Off-Highway

Kongsberg, February 25, 2021  
The Board of Directors and co-CEOs ad interim of Kongsberg Automotive ASA



**FINANCIAL  
STATEMENTS  
OF THE GROUP**

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MEUR	NOTE	2020	2019
<b>Operating revenues</b>	7	<b>969.3</b>	<b>1,160.9</b>
<i>Operating expenses</i>			
Raw material expenses		(437.7)	(513.0)
Change in inventories		(14.0)	(17.6)
Salaries and social expenses	8	(282.8)	(323.8)
Other operating expenses	9	(178.5)	(196.1)
Depreciation & Write-off of tangible assets	13, 14	(43.7)	(42.9)
Amortization & Write-off of intangible assets	12	(6.2)	(5.1)
Impairment losses	15	(82.7)	0.0
<b>Total operating expenses</b>		<b>(1,045.5)</b>	<b>(1,098.4)</b>
<b>Operating profit / (loss)</b>		<b>(76.2)</b>	<b>62.4</b>
<i>Financial items</i>			
Financial income	10	0.2	3.8
Financial expenses	10	(47.2)	(22.7)
<b>Net financial items</b>		<b>(47.0)</b>	<b>(18.9)</b>
<b>Profit / (loss) before taxes</b>		<b>(123.2)</b>	<b>43.5</b>
Income taxes	11	5.2	(14.8)
<b>Net profit / (loss)</b>		<b>(118.0)</b>	<b>28.8</b>
<i>Other comprehensive income</i>			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Translation differences on foreign operations		(2.9)	(0.8)
Tax on translation differences		1.4	(0.6)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Translation differences on non-foreign operations		(9.4)	3.7
Remeasurement of net PBO	20	(0.1)	(3.3)
Tax on net PBO remeasurement		0.0	0.2
<b>Other comprehensive income</b>		<b>(11.0)</b>	<b>(0.8)</b>
<b>Total comprehensive income for the year</b>		<b>(129.0)</b>	<b>28.0</b>
<i>Net profit / (loss) attributable to</i>			
Equity holders (parent company)		(118.4)	28.6
Non-controlling interests		0.4	0.2
<b>Total</b>		<b>(118.0)</b>	<b>28.8</b>
<i>Total comprehensive income attributable to</i>			
Equity holders (parent company)		(129.3)	27.8
Non-controlling interests		0.3	0.2
<b>Total</b>		<b>(129.0)</b>	<b>28.0</b>
<i>Earnings per share:</i>			
Basic earnings per share, Euros	19	(0.02)	0.06
Diluted earnings per share, Euros	19	(0.02)	0.06

## CONSOLIDATED STATEMENT OF CASH FLOWS

MEUR	NOTE	2020	2019
<i>Operating activities</i>			
Profit / (loss) before taxes		(123.2)	43.5
Depreciation & Write-off of tangible assets	13, 14	43.7	42.9
Amortization & Write-off of intangible assets	12	6.2	5.1
Impairment losses	12, 13, 14, 15	82.7	0.0
Interest income	10	(0.2)	(0.6)
Interest and other financial items	10	24.2	22.5
Taxes paid		(11.9)	(14.4)
(Gain) / loss on sale of non-current assets		(0.3)	(0.3)
Changes in trade receivables	17	(21.1)	(6.0)
Changes in inventory	16	14.0	17.6
Changes in trade payables	24	7.3	(29.1)
Currency differences	10	23.0	(3.0)
Difference between pension funding contributions paid/pensions paid and the net pension cost	20	(1.0)	0.9
Changes in other items*		30.7	(27.7)
<b>Cash flow from operating activities</b>		<b>74.1</b>	<b>51.4</b>
<i>Investing activities</i>			
Capital expenditures, including intangible assets	12, 13	(60.6)	(65.0)
Proceeds from sale of fixed assets		1.8	1.2
Interest received	10	0.2	0.6
<b>Cash flow used by investing activities</b>		<b>(58.6)</b>	<b>(63.3)</b>
<i>Financing activities</i>			
Proceeds from increases in equity		89.7	(0.0)
Payments for purchase of treasury shares		(1.3)	0.0
Net drawdown of debt	21	(9.3)	10.3
Interest paid and other financial items		(24.1)	(21.3)
Repayment of lease liabilities		(13.5)	(11.9)
<b>Cash flow used by / from financing activities</b>		<b>41.6</b>	<b>(22.9)</b>
<b>Currency effects on cash</b>		<b>(14.9)</b>	<b>0.7</b>
Net change in cash		42.2	(34.0)
Net cash as at January 1		25.2	59.2
<b>Net cash as at December 31</b>		<b>67.4</b>	<b>25.2</b>
Of this, restricted cash		0.4	0.8

\* Includes changes in accruals, provisions, contract assets and contract liabilities, other current receivables like receivables from public duties, customer developments and prepaid expense, and other non-current assets.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MEUR	NOTE	2020	2019
<b>ASSETS</b>			
<i>Non-current assets</i>			
Deferred tax assets	11	28.7	19.9
Intangible assets including goodwill	12, 15	93.2	160.3
Property, plant and equipment	13, 15	228.8	232.1
Right-of-use assets	14, 15	94.3	103.8
Other non-current assets	17	11.1	15.3
<b>Total non-current assets</b>		<b>456.1</b>	<b>531.5</b>
<i>Current assets</i>			
Inventories	16	88.9	102.9
Trade and other receivables	17	261.1	239.0
Cash and cash equivalents	21	67.4	25.2
Other current assets	17	24.5	28.3
<b>Total current assets</b>		<b>441.9</b>	<b>395.4</b>
<b>Total assets</b>		<b>898.0</b>	<b>927.0</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
Share capital	18	100.8	22.8
Treasury shares	18	(1.3)	0.0
Share premium		209.1	207.6
Other reserves		44.9	42.5
Retained earnings		(112.2)	6.3
<b>Attributable to equity holders</b>		<b>241.4</b>	<b>279.2</b>
Non-controlling interests		4.1	3.8
<b>Total equity</b>		<b>245.5</b>	<b>282.9</b>
<i>Non-current liabilities</i>			
Deferred tax liabilities	11	14.9	21.8
Retirement benefit obligations	20	19.3	20.1
Interest-bearing liabilities	21	273.4	270.5
Non-current lease liabilities	14	89.6	92.2
Other non-current interest-free liabilities	22	2.0	1.5
<b>Total non-current liabilities</b>		<b>399.3</b>	<b>406.1</b>
<i>Current liabilities</i>			
Other current interest-bearing liabilities	25	0.0	10.0
Current lease liabilities	14	13.8	13.8
Current income tax liabilities	11	1.9	7.0
Trade and other payables	24	237.5	207.0
<b>Total current liabilities</b>		<b>253.2</b>	<b>237.9</b>
<b>Total liabilities</b>		<b>652.5</b>	<b>644.0</b>
<b>Total equity and liabilities</b>		<b>898.0</b>	<b>927.0</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM	OTHER RESERVES	RETAINED EARNINGS	EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
<b>Equity as at 01.01.2019</b>	<b>22.6</b>	<b>0.0</b>	<b>205.8</b>	<b>43.9</b>	<b>(22.4)</b>	<b>249.9</b>	<b>3.6</b>	<b>253.5</b>
Equity increase	0.0		0.0			0.0		0.0
Sale of treasury shares		0.0		0.0		0.0		0.0
Share-based compensation				1.4		1.4		1.4
<i>Total comprehensive income for the year:</i>								
Profit for the year					28.6	28.6	0.2	28.8
<i>Other comprehensive income:</i>								
Translation differences	0.2		1.8	0.9		2.9	0.0	2.9
Tax on translation differences				(0.6)		(0.6)		(0.6)
Remeasurement of net defined pension liability				(3.3)		(3.3)		(3.3)
Tax on remeasurement of net pension liability		0.0		0.2		0.2		0.2
<b>Total comprehensive income for the year</b>	<b>0.2</b>	<b>0.0</b>	<b>1.8</b>	<b>(2.8)</b>	<b>28.6</b>	<b>27.8</b>	<b>0.2</b>	<b>28.0</b>
<b>Equity as at 31.12.2019</b>	<b>22.8</b>	<b>0.0</b>	<b>207.6</b>	<b>42.5</b>	<b>6.2</b>	<b>279.1</b>	<b>3.8</b>	<b>282.9</b>
Equity increase	77.5		13.2			90.7		90.7
Purchase of treasury shares		(1.3)				(1.3)		(1.3)
Share-based compensation				2.1		2.1		2.1
<i>Total comprehensive income for the year:</i>								
Loss for the year					(118.4)	(118.4)	0.4	(118.0)
<i>Other comprehensive income:</i>								
Translation differences	0.5		(11.7)	(1.0)		(12.1)	(0.1)	(12.2)
Tax on translation differences				1.4		1.4		1.4
Remeasurement of net defined pension liability				(0.1)		(0.1)		(0.1)
Tax on remeasurement of net pension liability				0.0		0.0		0.0
<b>Total comprehensive income for the year</b>	<b>0.5</b>	<b>0.0</b>	<b>(11.7)</b>	<b>0.3</b>	<b>(118.4)</b>	<b>(129.2)</b>	<b>0.3</b>	<b>(129.0)</b>
<b>Equity as at 31.12.2020</b>	<b>100.8</b>	<b>(1.3)</b>	<b>209.1</b>	<b>44.9</b>	<b>(112.2)</b>	<b>241.4</b>	<b>4.1</b>	<b>245.5</b>

### Specification of constituent elements of equity:

- Share capital: par value for shares in issue
- Treasury shares: par value for own shares and premium over par value for own shares
- Share premium: premium over par value for shares in issue
- Other reserves: translation differences, premium treasury shares, warrants, share options, and OCI
- Retained earnings: accumulated retained profits and losses
- Non-controlling interests: NCI share in group's equity

Kongsberg, February 25, 2021

The Board of Directors and co-CEOs ad interim of Kongsberg Automotive ASA

**Firas Abi-Nassif**  
Chairman (Sign.)

**Emese Weissenbacher**  
Board member (Sign.)

**Ellen M. Hanetho**  
Board member (Sign.)

**Gerard Cordonnier**  
Board member (Sign.)

**Peter Schmitt**  
Board member (Sign.)

**Tonje Sivesindtjet**  
Employee elected (Sign.)

**Leif Håvard Strømhaug**  
Employee elected (Sign.)

**Bjørn Ivan Ødegård**  
Employee elected (Sign.)

**Norbert Loers**  
co-CEO ad interim and CFO (Sign.)

**Robert Pigg**  
co-CEO ad interim and SVP Off-Highway (Sign.)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 REPORTING ENTITY

Kongsberg Automotive ASA ('the company' or 'the parent company') and its subsidiaries (together the "group") develop, manufacture, and sell products to the automotive industry worldwide. The company is a limited liability company incorporated and domiciled in Norway.

The address of its registered office is Dyrmyrgata 48, NO-3601 Kongsberg, Norway. The company is listed on the Oslo Stock Exchange. The group's consolidated financial statements were authorized for issue by the Board of Directors on February 25, 2021.

### NOTE 2 STATEMENT OF COMPLIANCE

The group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as endorsed by the EU.

### NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability the group considers the characteristics of the asset or liability if market participants would do so. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value-in-use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date,
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly, and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of Kongsberg Automotive ASA and its subsidiaries as of December 31 each year. The financial statements of subsidiaries are prepared

for the same reporting periods as the company, using consistent accounting principles.

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December each year. Control is achieved when the company:

- has the power over the investee,
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the parent company obtains control directly or indirectly and continue to be consolidated until the date when such control ceases. All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the group are eliminated in full.

Changes in the parent company's direct or indirect ownership interests in subsidiaries that do not result in losing control of the subsidiaries are accounted for as equity transactions. The carrying amounts of the controlling interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the parent company.

If the parent company loses its direct or indirect control of a subsidiary, the group should recognize a gain or loss on the loss of control in the income statement, which is calculated as the difference between (i) the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All components of the other comprehensive income (OCI) that are attributable to the subsidiary are to be reclassified on the loss of control from the equity to the income statement or directly to retained earnings.

### NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognized in the income statement as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognized at fair value, except as noted below:

- Deferred tax assets or liabilities arising from assets acquired and liabilities assumed shall be recognized or measured in accordance with IAS 12,
- Liabilities related to the acquiree's employee benefit arrangements shall be recognized and measured in accordance with IAS 19,
- Right-of-use assets and lease liabilities shall be recognized and measured in accordance with IFRS 16,
- A liability or an equity instrument related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the acquirer shall be measured in accordance with IFRS 2, and
- Assets classified as held for sale and discounted operations are measured in accordance with IFRS 5.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. Non-controlling interests that are present ownership interests and entitle their holder to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at fair value or a non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

As of December 31, 2020, there is a non-controlling interest recognized only in one subsidiary. The group has chosen to measure at the proportionate share of the recognized amounts of the acquiree's identifiable net assets.

#### Goodwill

Goodwill arising on business acquisitions is carried at cost established at the acquisition date, less accumulated impairment losses (if any).

For purposes of impairment testing, goodwill is monitored by the Management at the level of each of the group's cash-generating units (CGUs) which are part of the respective operating segments identified in note 7.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the income statement and is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the income statement on disposal.

#### Functional and presentation currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognized using exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the year-end exchange rates. Non-monetary items carried at fair value that are denominated in foreign currencies are translated using the exchange rates at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For presentation purposes, the assets and liabilities of the group's foreign operations are translated into Euro using the exchange rates at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income, accumulated in equity, and attributed to non-controlling interests as appropriate.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the parent company are reclassified to the income statement.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated using the exchange rate at the end of each reporting period. Exchange differences arising are recognized in comprehensive income.

Exchange differences on monetary items are recognized in the income statement (in financial items) in the period in which they arise except for monetary items receivable from or payable to a foreign operation for which the settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation). These are recognized initially in other comprehensive income and reclassified from equity to the income statement on the repayment day of the monetary items.

The group presents its consolidated financial statements in Euros. The presentation currency of the parent company is Euro, whilst its functional currency is Norwegian Kroner. The reason for the use of Euros is to enable all amounts in the published financial statements of both the group and the company to be presented in the same currency. All financial information presented in Euro has been rounded to the nearest thousands, except when otherwise indicated.

#### Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group's Executive Committee (led by the CEO).

#### Intangible assets other than goodwill

*Internally generated intangible assets – research and development expenditure*

Research expenditures are expensed as incurred. An internally generated intangible asset arising from the development of specific projects is recognized only when all of the following criteria can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or for sale,
- the entity's intention to exercise the right to use or to sell the asset,
- the entity's ability to use or sell the intangible asset,
- the entity's asset will generate probable future economic benefits,
- the availability of adequate resources to complete the development and to use or sell the asset,

### NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- the entity's ability to reliably measure the expenditure incurred during its development.

The amount initially recognized for the internally generated asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in the income statement in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. The amortization period is five years.

#### Software

Costs associated with maintaining computer software are expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognized as intangible assets when the abovementioned criteria are demonstrated to be fulfilled.

Development expenses that do not meet these criteria are expensed as incurred and are not recognized as an asset in a subsequent accounting period.

Software costs are amortized over their estimated useful lives, which shall not exceed three years.

#### Other intangible assets – acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date, which is regarded as their cost.

After initial recognition, intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

The useful life of patents is considered to be up to 21 years, the useful life of customer relationship is estimated to be 10 years.

#### Property, plant & equipment (PP&E)

PP&E are stated at historical cost less accumulated depreciation and impairment losses. The assets are depreciated over their useful economic lives using the straight-line method.

Historical costs include expenditures that are directly attributable to the acquisition of the asset and to make the non-current asset available for use. Subsequent costs, such as repair and maintenance costs, are expensed when incurred unless increased future economic benefits arise as a result of repair and maintenance work. Such costs are recognized in the Statement of Financial Position as additions to non-current assets. Straight-line depreciation is calculated at the following rates:

Land	Not depreciated
Buildings	3–4%
Production machinery and tooling	10–25%
Computer equipment	33%

#### Right-of-use assets and lease liabilities

The group leases various manufacturing facilities, offices, warehouses, equipment, and vehicles. Rental contracts are typically made for fixed periods of 6 months to 10 years but may have extension or termination options.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease

terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the group under residual value guarantees,
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments should be discounted using:

- the interest rate implicit in the lease; or
- if the interest rate implicit in the lease cannot be readily determined, the lessee's incremental borrowing rate.

The interest rate implicit in the lease is likely to be like the lessee's incremental borrowing rate in many cases. This is because both rates, as they are defined in IFRS 16, take into account the credit standing of the lessee, the length of the lease, the nature and quality of the collateral provided and the economic environment in which the transaction occurs.

Management has assessed that the fixed coupon of the bond issued in July 2018, properly reflects the incremental borrowing rate on a group level.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. For the classification in the statement of cash flow the interest payments on the lease liabilities follow the same principles as other interests.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The group assesses its right-of-use assets for impairment after any significant changes in operations as well as on an annual basis. There was one such impairment triggering event in 2019 due to the restructuring

### NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

initiated in 2017. This assessment of individual right-of-use assets for impairment is performed in addition to the group's overall impairment testing.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

The group uses tooling machines which are owned by specific customers to produce parts for the customer. Under the new standard, these contracts do not constitute a lease as the group has no authority to direct the use of the machinery.

#### *Taxes on leases*

In most of the jurisdictions in which the group operates, tax deductions are received for lease payments as they are paid, thus the tax base of the right-of-use asset as well as the lease liability is zero at the inception of the lease. Subsequently, as the straight-line depreciation of the assets initially exceeds the rate at which the debts reduces, a net liability arises resulting in a deductible temporary difference on which a deferred tax asset is recognized if recoverable.

#### **Impairment of PP&E, intangible assets (other than goodwill), and right-of-use assets**

The group tests on an annual basis whether these assets have suffered any impairment as well as if any indication arises, due to changes in circumstances, that the carrying amount is not fully recoverable. The recoverable amount of the asset is determined in order to assess the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in the income statement.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

#### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a first-in, first-out (FIFO) basis. Cost of raw materials comprise purchase price, inbound freight, and import duties. Cost of finished and semi-finished goods include variable production costs and fixed costs allocated on normal capacity. Interest costs are not included. Net realizable value represents the estimated

selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Value adjustments are made for obsolete materials and excess stock.

#### **Financial instruments**

Financial assets and financial liabilities are recognized when a group entity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the income statement.

#### **Financial assets**

##### *Subsequent measurement*

All recognized financial assets are subsequently measured at either amortized cost or fair value based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The group holds loans and receivables (including trade receivables and other receivables, bank balances and cash) within the business model that aims to collect the contractual cash flows. Consequently, these assets are subsequently measured at amortized cost using the effective interest method, less any potential impairments.

##### *Amortized cost and effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

##### *Impairment of financial assets*

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. For trade receivables the group applies the simplified approach which requires expected lifetime losses to be recognized from initial recognition of the receivables. See note 17 for further details.

##### *Derecognition*

The group derecognizes a financial asset when the contractual rights to the cash flow from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

#### **Financial liabilities**

The group recognizes and measures its financial liabilities (including borrowings and trade and other payables) at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Financial derivative instruments**

The group uses financial derivative instruments to reduce risks associated with currency rate risk. See note 24.

These derivatives are not designated as hedging instruments. The derivatives are measured at fair value. Changes in fair value are recognized in the income statement as financial income or expenses, depending upon whether they represent gains or losses.

#### **Taxes payable and deferred taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current tax payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The group's current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries in which the company's subsidiaries operate.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax asset is realized or the deferred tax liability settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized. Deferred tax positions are netted within the same tax entity.

#### **Employee benefits – retirement benefit cost, and termination benefits**

Payment to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable), and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to the income statement. Past service cost is recognized in the income statement when the amendment of a plan occurred. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailment and settlements),
- net interest expense or income on benefit obligations and/or plan assets,
- remeasurement, and
- administration costs.

The group presents the first two components of defined benefit cost in the income statement in the line item Salaries and social expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer or the termination benefit and when the entity recognized any related restructuring costs.

#### *Pension plans in the group*

The company and its Norwegian subsidiary Kongsberg Automotive AS have defined benefit and defined contribution pension plans. The plans were changed from defined benefit to defined contribution in 2004. The defined benefit plan was continued for employees who had already retired.

Defined benefit pension plans also exist in two subsidiaries in Germany (closed pension plans for both German subsidiaries), one subsidiary in France, and one subsidiary in Switzerland. The other subsidiaries have either no pension plan or defined contribution pension plans for employees.

The former early-retirement arrangement in Norway was replaced in 2011. Financing of the early-retirement arrangement is now done by an annual fee, which represents the final cost for the companies included. The arrangement is defined as a multi-employer plan and is accounted for as a defined contribution pension plan. Norwegian employees are included in this scheme.

The defined contribution plans in Norway have legislative limitations when it comes to maximum salary as calculation basis for tax deductibility. Norwegian employees with salaries that exceed this limit will be granted an addition to the pension that includes the salary above the maximum limit. This obligation will only materialize if the person is employed in the company at the time of retirement. This plan is accounted for as a defined benefit pension plan.

In the case of defined contribution plans, the contributions are recognized as expense in the period in which they occurred.

#### **Short-term and other long-term employee benefits**

A liability is recognized for benefits employees are entitled to in respect of wages and salaries, annual leave, and sick leave for the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for the service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be settled before twelve months after the end of the reporting period in exchange for the related service rendered during the financial reporting period.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimate future cash outflow expected to be made by the group in respect of services provided by employees up to the reporting date.

#### **Share-based payments**

Equity-settled share-based payments to employees and others providing services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 18.



### NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In 2018 a new Long-Term Incentive Plan (LTIP) for management and key employees was implemented. The award consists of two equity instruments, (i) Stock Options (SO) and (ii) Restricted Stock Units (RSU). Both instruments are based on a service condition to vest.

The SO may be exercised at the earliest three years after the grant date. Regarding the RSU, one third of the RSU granted vests annually in the following three years each. There is no obligation for the employer to settle the RSU in cash.

In addition, the SO is based on a performance condition, defined as the company's total shareholder return (TSR) measured relatively to a defined peer group.

Whereas that performance condition has been reflected in the fair value of the SO, the service condition for the RSU must not be considered when determining the fair value of the RSU. Instead the number of shares expected to vest will be re-estimated on a regular basis. The fair value of the SO as of grant date was determined based on a Monte Carlo simulation. The fair value of RSU was the share price at the grant date. As both instruments are based on a service condition to vest, the expense is recorded on a pro rata basis.

In 2020 the Long-Term Incentive Plan was suspended. However, the LTIP participants were offered the opportunity to subscribe to the company's new shares on the same terms as the shares were offered in the Private Placement and the Subsequent Offering to the company's shareholders at par value (0.10 NOK) up to a maximum investment equivalent of 25% of their annual base salary. This was recorded as an immediate expense measured at the difference of the market value on the grant date minus par value.

#### Provisions

Provisions are recognized when the group has a present obligation (legal or constructive) because of a past event. Moreover, it is probable that the group will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

#### Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

#### Restructuring provisions

A restructuring provision is recognized when the group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

#### Warranties

Provisions for expected cost of warranty obligations under local sale of goods legislation are recognized at the date of the sale of the relevant products, at management's best estimate of the expenditure required to settle the group's obligation.

#### Government support

During the year Kongsberg applied for and received support from governments in several countries as a direct result of the COVID-19 pandemic. These government support programs were set up to cover labor and other fixed costs of production and were therefore reported directly as a reduction of these expenses. The grants received are further detailed in notes 8 and 9.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all its liabilities. Equity instruments issued by the company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the company's own equity instruments.

#### Revenue recognition

The group is in the business of providing products to the global vehicle industry. In doing so the group provides services covering engineering and tooling, as well as the manufacturing and delivery of automotive parts. Engineering services is development of customized designs in collaboration with the customer. Tooling is the production of equipment such as cutting tools and molds needed in manufacturing of parts. Tooling can be highly customized or developed to produce standardized products to a wider range of customers. Product parts are the continuous supply of automotive parts such as seat heaters, cables, driver control systems, and fluid transfer systems.

Engineering, tooling, and product sales may be contracted in separate agreements (concluded at different points in time) or may be contracted in one agreement. In either case any binding obligation for the customer with respect to parts is created only upon issuance of purchase orders. The group has determined that engineering, tooling and the delivery of product parts are separate and distinct for the customer and therefore constitute separate performance obligations under IFRS 15, when the control is transferred. As is normal in the automotive industry, the customer does not guarantee to purchase a minimum quantity of parts. The prices agreed in the contracts for the single performance obligations are considered to be the stand-alone selling prices and are therefore used for recognizing revenue.

#### Engineering

Before manufacturing and sale of automotive parts start, the group normally undertakes application engineering to tailor the design of a part to customer needs. Where the control resulting from the engineering is transferred to the customer, the group recognizes any consideration received from the customer as revenue. The group has determined that the performance obligation from the engineering is satisfied at a point in time and upon transfer of control over the results of the engineering. Transfer of control normally takes place when engineering is complete, and the tooling phase is initiated. Consideration received from the customer may be agreed as installments following the progress of the engineering, as a lump sum pay-

### NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ment upon completion of the engineering phase, or may be explicitly included in the piece price over a certain specific sales volume. Consideration received in advance is deferred and recognized as contract liability. Any consideration to be received through the allocation to the piece price is recognized as revenue and accrued as receivable upon transfer of control to the customer if the consideration for the engineering is a guaranteed amount.

#### Tooling

After the engineering phase, and before manufacturing and sale of automotive parts start, the group manufactures, or has manufactured, the tooling for use in the subsequent production of automotive parts. Where the control over tooling is transferred to the customer, the group recognizes any consideration received from the customer as revenue. The group has determined that the tooling performance obligation is satisfied at a point in time and upon finally approved transfer of control over the tooling to the customer. Transfer of control normally takes place in connection with start of production of the automotive parts. Consideration from the customer may be agreed as installments following the manufacturing progress of the tooling, as a lump sum payment upon final approval of the tooling by the customer or may explicitly be included in the piece price. Revenue is recognized at a point in time upon transfer of control and final approval of the tooling by the customer. Consideration received in advance of transfer is deferred and recognized as contract liability. Any consideration to be received through piece price is recognized as revenue and accrued as receivable upon approval of the tooling by the customer if the consideration for the tooling is a guaranteed amount.

#### Product sales

The sale of manufactured automotive products is satisfied upon transfer of control of the automotive products to the customer, which in general is upon delivery to the customer. Each delivery is considered as a performance obligation that is satisfied at a point in time.

### NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In application of its accounting policies the group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities which are not readily available from other sources. The estimates and judgments are based on historical experience and other factors, including expectations of future events that are deemed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgments in applying accounting policies

The following are the critical judgments that the group has made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

#### Variable consideration

Revenue will be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

A few contracts with customers entitle the customer to price reductions after exceeding defined volume thresholds, per year. Such variable considerations are estimated at contract inception and updated thereafter based on continuously updated volume projections.

As it is common industry practice, most of the contracts have variable elements in the form of year-on-year price reductions or staggered rebates. The group has determined that the price reductions reflect the competition in the industry and therefore are not to be considered as a loyalty bonus. Revenue recognition is therefore based on the sales price for each delivery to the customer.

#### Warranty obligations

The group generally provides for warranties for general repairs and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under IFRS 15, which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

#### Incremental contract costs

Incremental costs are costs that would not have been incurred had that individual contract not been obtained, e.g. nomination fees. These costs are recognized as an asset if they are expected to be recovered from the customer through the awarded contract.

An asset recognized as part of the capitalization of contract costs is amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. In case of nomination fees, the recognized amortization for the period shall be presented as a reduction of the external sales and booked on the appropriate income statement account.

#### Lease extension and termination options

The group has a number of leases with options to terminate early or extend the term of the lease. When determining the lease liability of the group, the following principles were applied to options. No leases will be terminated early as the leases are necessary for regular operations of the group unless there are clear indications otherwise. All extension options on buildings and equipment used in production, sales and engineering have been included in the lease liability as these are core operations which require significant investment to move and are therefore reasonably certain to be kept in use for as long as possible under current conditions, unless there are clear indications otherwise. Leases used in administrative and supporting functions were determined to be more flexible and were therefore individually assessed by management to determine if they met the reasonably certain criteria.

#### Incremental borrowing rate used to discount the lease payments

More than 95% of the value of right-of-use assets relate to buildings. As

#### NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

any lease building by any subsidiary (lessee) requires a guarantee from the group, the credit standing of any lessee does not exceed the group's credit standing.

In addition, considering the average of the remaining lease term of all leases, the fixed coupon of the bond issued in 2018 was assessed to properly reflect the incremental borrowing rate at the group level at the date of initial application of the IFRS 16 standard.

A sensitivity analysis was performed on the lease portfolio to and it was found that an increase in the IBR of 0.5% would result in a decrease in the group's lease liability of approximately MEUR 3.1 with a decrease of 0.5% having an approximately MEUR 3.2 increase in the lease liability.

##### *Consolidation of SPE*

On 25 September 2020, the company entered into an accounts receivable securitization program (the "Program") where trade receivables generated by the company's subsidiaries in the United States, Canada, Slovakia and Poland were sold to Kongsberg Automotive Finance B.V., a special purpose entity domiciled and incorporated in the Netherlands (the "SPE"). As sales of the company's products to customers occurred, trade receivables were sold to the SPE at an agreed upon purchase price. Part of the consideration was received upfront in cash and part was deferred in the form of senior subordinated and junior subordinated loans notes issued by the SPE to the parent company and Kongsberg Automotive AS.

In determining whether to consolidate the SPE, the company has evaluated whether it has control over the SPE, in particular, whether it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Receivables are sold to the SPE under a true sale opinion with legal interest transferred from the selling subsidiaries to the SPE. While the sale of receivables to the SPE is without credit recourse, the company continues to be exposed to the variable returns from its involvement in the SPE as it is exposed to credit risk as a subordinated lender to the SPE and it earns a variable amount of remuneration as master servicer of the receivables, as well as any excess return from additional service fee, including the loss or gain due to the effect of foreign exchange rates.

As master servicer, the company is responsible for the cash collection and management of any impaired receivables. Finacity, in addition to being intermediate subordinated lender, is the backup servicer and has the unilateral right to remove the company as master servicer and manage impaired receivables. Considering the risk exposure for each lender, it is not considered that Finacity has a risk exposure such as to be considered substantive. Therefore, the company is considered to have control over the SPE as it is exposed to variable returns and has the ability to affect those returns through its power over the investee.

As a result of consolidating the SPE, the trade receivables purchased by the SPE are included in the group's consolidated statement of financial position, along with loans (see note 21) and cash held by the SPE.

##### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### *Impairment*

Determining whether goodwill and other assets are impaired requires an estimation of the value-in-use of the cash-generating units to which

these assets have been allocated. The value-in-use calculation requires the group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The cash-generating units in the group are the business units (Interior segment: Light-Duty Cables and Comfort Systems; Powertrain & Chassis segment: Driveline and On-Highway; Specialty Products segment: Fluid Transfer Systems, Couplings, and Off-Highway). The forecasts of future cash flows are based on the group's best estimates of future revenues and expenses for the cash-generating units to which these assets have been allocated. A number of assumptions and estimates can have significant effects on these calculations and include parameters such as macroeconomic assumptions, market growth, business volumes, margins, and cost effectiveness. Changes to any of these parameters, following changes in the market conditions, competition, strategy or other factors, affect the forecasted cash flows and may result in impairment.

The carrying amount of goodwill as at December 31, 2020 was MEUR 85.4 (2019: MEUR 149.1). Total impairment losses of MEUR 82.6 were recognized in Q2 2020, out of which MEUR 58.7 was the impairment of the Goodwill. In 2019 there was no impairment recognized. Details of the impairment test calculation are set out in note 15.

##### *Recoverability of internally generated intangible assets – research and development expenditure*

Significant investments are made towards product improvements and innovation to secure the group's position in the market. Estimates and judgments used when deciding how the costs should be accounted (charged to the income statement or capitalized as an asset) will have a significant effect on the statement of comprehensive income and statement of financial position. Internally generated intangible assets are subject to impairment reviews as described in note 3.

The carrying amount of internally generated intangible assets for patents and development expenditure at December 31, 2020 was MEUR 9.2 (2019: MEUR 8.3). Refer to notes 3 and 12 for further information.

##### *Deferred tax asset*

Deferred income tax assets are recognized at MEUR 8.9 for tax losses carried forward only to the extent that realization of the related benefit is probable. Several subsidiaries have losses carried forward on which they have recognized deferred tax assets. The probability of their realization is determined by applying a professional judgment to forecast cash flows. These cash flows are based on assumptions and estimates and, accordingly, changes to the forecasts may result in changes to deferred tax assets and tax positions. Refer to note 11 for further information.

##### *Discount rate used to determine the carrying amount of the group's defined benefit obligation*

The Projected Benefit Pension Obligation (PBO) for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. A number of actuarial and financial parameters are used as bases for these calculations. The most important financial parameter is the discount rate. Other parameters such as assumptions as to salary increases and inflation are determined based on the expected long-term development.

#### NOTE 5 NEW STANDARDS AND INTERPRETATIONS

##### **New and amended standards and interpretations**

The group applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after January 1, 2020. The group has not chosen to adopt early any standards, interpretations or amendments that have been issued but are not yet effective.

##### **New and amended IFRS Standards that are effective for the current year**

The adoption of the following standards and interpretations has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendment to IFRS 16 concerning COVID-19 related Rent Concessions,
- Amendments to References to Conceptual Framework in IFRS Standards,
- Amendments to IFRS 3 – Definition of a Business,
- Amendments to IAS 1 and IAS 8 – Definition of Material,
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform, and
- IFRIC 23 Uncertainty over Income Tax Treatments – The group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The group has assessed that its accounting tax position is consistent with the tax treatment used or planned to be used in its income tax filings.

##### **New and amended standards and interpretations not yet adopted**

At the date of the authorization of these financial statements, the group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (effective as of January 01, 2021),
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract (effective as of January 01, 2022),
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use (effective as of January 01, 2022),
- Amendments to IFRS 3 – Reference to the Conceptual Framework (effective as of January 01, 2022),
- IFRS 17 Insurance Contracts and Amendments to IFRS 17 (effective as of January 01, 2023),
- Amendments to IAS 1 – Classification of liabilities as current or non-current (effective as of January 01, 2023),
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Optional),
- Annual Improvements to IFRS Standard 2018-2020 (effective as of January 01, 2022).

The group does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the group in future periods.

## NOTE 6 SUBSIDIARIES

ENTITY NAME	COUNTRY OF INCORPORATION	OWNERSHIP	OWNED BY PARENT COMPANY
Kongsberg Automotive Ltda	Brazil	100%	x
Kongsberg Inc	Canada	100%	
Kongsberg Automotive (Shanghai) Co Ltd	China	100%	
Kongsberg Automotive (Wuxi) Ltd	China	100%	x
Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd*	China	75%	
Shanghai Lone Star Cable Co Ltd	China	100%	
Kongsberg Automotive SARL	France	100%	x
Kongsberg Driveline Systems SAS	France	100%	
Kongsberg Raufoss Distribution SAS	France	100%	
SCI Immobilière La Clusienne	France	100%	
Kongsberg I GmbH	Germany	100%	
Kongsberg Actuation Systems GmbH	Germany	100%	
Kongsberg Automotive GmbH	Germany	100%	
Kongsberg Driveline Systems GmbH	Germany	100%	
Kongsberg Actuation Systems Ltd	Great Britain	100%	
Kongsberg Automotive Ltd	Great Britain	100%	
CTEX Seat Comfort (Holding) Ltd	Great Britain	100%	x
Kongsberg Power Products Systems Ltd	Great Britain	100%	
Kongsberg Automotive Hong Kong Ltd	Hong Kong	100%	
Kongsberg Interior Systems Kft	Hungary	100%	
Kongsberg Automotive (India) Private Ltd	India	100%	x
Kongsberg Automotive Driveline System India Ltd	India	100%	x
Kongsberg Automotive Japan KK	Japan	100%	x
Kongsberg Automotive Ltd	Korea	100%	x
Kongsberg Automotive S. de RL de CV	Mexico	100%	
Kongsberg Driveline Systems S. de RL de CV	Mexico	100%	
Kongsberg Fluid Transfer Systems, S. de R.L. de CV	Mexico	100%	
Kongsberg Interior Systems S. de RL de CV	Mexico	100%	
Kongsberg Actuation Systems BV	Netherlands	100%	
Kongsberg Automotive AS	Norway	100%	
Kongsberg Automotive Holding 2 AS	Norway	100%	x
Kongsberg Automotive Sp. z.o.o	Poland	100%	
Kongsberg Automotive s.r.o	Slovakia	100%	
Kongsberg Actuation Systems SL	Spain	100%	
Kongsberg Automotive AB	Sweden	100%	
Kongsberg Power Products Systems AB	Sweden	100%	
KA Group AG	Switzerland	100%	
Kongsberg Driveline Systems I LLC.	U.S.	100%	
Kongsberg Actuation Systems II LLC.	U.S.	100%	
Kongsberg Holding III Inc.	U.S.	100%	
Kongsberg Interior Systems II LLC.	U.S.	100%	
Kongsberg Automotive Inc.	U.S.	100%	
Kongsberg Power Products Systems I LLC.	U.S.	100%	
Kongsberg Automotive Finance BV**	Netherlands	100%	

\* Non-controlling interest refers to the 25% not owned of Shanghai Kongsberg Automotive Dong Feng Morse Co Ltd.

\*\* Special Purpose Entity (the "SPE") – consolidation is based on the assessment of control according to IFRS 10 (for further information see note 4)

## NOTE 7 SEGMENT INFORMATION

### Operating segments

The group has three reportable segments, which are the strategic business segments: Interior, Powertrain & Chassis, and Specialty Products.

The strategic business areas (segments) offer different products and services and are managed separately because they require different technology and marketing strategies. The group's risks and rates of return are affected predominantly by differences in the products manufactured. The three segments have different risk profiles in the short-term perspective, but over a long-term perspective the profiles are considered to be the same. The group's Executive Committee (led by the CEO) reviews the internal management reports from all strategic business areas on a monthly basis.

Information regarding the results of each reportable segment is included below. Performance is measured by EBITDA and EBIT as included in the internal management reports issued on a monthly basis. Segment EBIT is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments (also relative to other entities that operate within these industries).

Sales transactions and cost allocations between the business units are based on the arm's length principle. The results for each segment and the capital allocation elements comprise both items that are directly related to and recorded within the segment, as well as items that are allocated based on reasonable allocation keys.

The following summary describes the operations of each of the group's reportable segments:

### Interior

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

### Powertrain & Chassis

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

### Specialty Products

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

**NOTE 7 SEGMENT INFORMATION (CONTINUED)**

2020

MEUR	INTERIOR	POWERTRAIN & CHASSIS	SPECIALTY PRODUCTS	OTHERS*	TOTAL GROUP
Product sales	266.4	360.3	320.4	(0.1)	947.1
Tooling	3.0	6.1	2.3	0.0	11.4
Engineering	1.6	6.0	1.0	0.0	8.6
Other income	1.5	0.6	0.3	(0.0)	2.3
<b>Operating revenues</b>	<b>272.5</b>	<b>372.9</b>	<b>324.0</b>	<b>(0.1)</b>	<b>969.3</b>
<b>EBITDA</b>	<b>(44.8)</b>	<b>(13.0)</b>	<b>54.5</b>	<b>(23.0)</b>	<b>(26.3)</b>
Depreciation & Write-off of tangible assets	(16.4)	(14.6)	(11.0)	(1.7)	(43.7)
Amortization & Write-off of intangible assets	(0.3)	(5.2)	(0.4)	(0.3)	(6.2)
<b>Operating profit / (loss) – EBIT</b>	<b>(61.4)</b>	<b>(32.8)</b>	<b>43.1</b>	<b>(25.0)</b>	<b>(76.2)</b>
Impairment losses, thereof:	(52.3)	(30.4)	0.0	0.0	(82.7)
– allocated to goodwill	(52.3)	(6.5)	0.0	0.0	(58.8)
– allocated to assets other than goodwill	0.0	(23.9)	0.0	(0.0)	(23.9)
<i>Timing of revenue recognition</i>					
Performance obligations satisfied at a point in time	272.5	372.9	324.0	(0.1)	969.3
<i>Assets and liabilities</i>					
Goodwill	3.9	16.2	65.3	0.0	85.4
Other intangible assets	0.6	6.2	0.8	0.3	7.8
Property, plant and equipment	100.4	66.5	60.9	1.0	228.8
Right-of-use assets	32.7	26.7	24.2	10.8	94.3
Inventories	21.7	29.5	37.7	0.0	88.9
Trade receivables	36.0	101.3	47.6	53.0	237.9
Other assets	12.9	6.2	5.2	0.0	24.3
<b>Segment assets</b>	<b>208.1</b>	<b>252.5</b>	<b>241.8</b>	<b>65.1</b>	<b>767.5</b>
Unallocated assets				130.5	130.5
<b>Total assets</b>	<b>208.1</b>	<b>252.5</b>	<b>241.8</b>	<b>195.6</b>	<b>898.0</b>
Trade payables	39.7	55.9	28.5	13.6	137.8
Non-current lease liabilities	29.0	27.4	23.5	9.8	89.6
Current lease liabilities	4.7	5.4	2.1	1.7	13.8
<b>Segment liabilities</b>	<b>73.4</b>	<b>88.7</b>	<b>54.1</b>	<b>25.1</b>	<b>241.2</b>
Unallocated liabilities				411.3	411.3
<b>Total liabilities</b>	<b>73.4</b>	<b>88.7</b>	<b>54.1</b>	<b>436.3</b>	<b>652.5</b>
<b>Total equity</b>				<b>245.5</b>	<b>245.5</b>
<b>Total equity and liabilities</b>	<b>73.4</b>	<b>88.7</b>	<b>54.1</b>	<b>681.9</b>	<b>898.0</b>
Capital expenditure	(27.9)	(18.3)	(14.2)	(0.2)	(60.6)

\* The column "Others" mainly includes corporate expenses and balance sheet items related to tax, pension, and financing. See next section for specification of unallocated assets and liabilities.

For segment reporting purposes, the revenues are only external revenues; the related expenses are adjusted accordingly. The EBIT thus excludes IC profit.

**NOTE 7 SEGMENT INFORMATION (CONTINUED)**

2019

MEUR	INTERIOR	POWERTRAIN & CHASSIS	SPECIALTY PRODUCTS	OTHERS*	TOTAL GROUP
Product sales	299.4	442.1	388.4	0.0	1,129.9
Tooling	2.4	13.5	3.5	(0.0)	19.4
Engineering	1.7	5.1	3.7	0.0	10.6
Other income	0.4	0.5	0.1	0.1	1.0
<b>Operating revenues</b>	<b>304.0</b>	<b>461.1</b>	<b>395.7</b>	<b>0.1</b>	<b>1,160.9</b>
<b>EBITDA</b>	<b>23.3</b>	<b>37.9</b>	<b>69.4</b>	<b>(20.2)</b>	<b>110.4</b>
Depreciation	(12.9)	(16.2)	(11.7)	(2.1)	(42.9)
Amortization	(0.6)	(2.9)	(1.0)	(0.6)	(5.1)
<b>Operating profit / (loss) – EBIT</b>	<b>9.8</b>	<b>18.7</b>	<b>56.8</b>	<b>(22.8)</b>	<b>62.4</b>
<i>Timing of revenue recognition</i>					
Performance obligations satisfied at a point in time	304.0	461.1	395.7	0.1	1,160.9
<i>Assets and liabilities</i>					
Goodwill	57.6	22.9	68.6	0.0	149.1
Other intangible assets	0.5	8.9	1.1	0.6	11.2
Property, plant and equipment	90.4	79.9	60.6	1.3	232.1
Right-of-use assets	26.6	35.6	27.9	13.7	103.8
Inventories	19.2	38.4	46.6	(1.3)	102.9
Trade receivables	55.5	80.6	65.3	15.4	216.8
Other assets	13.0	9.8	3.7	1.8	28.3
<b>Segment assets</b>	<b>262.8</b>	<b>276.1</b>	<b>273.7</b>	<b>31.5</b>	<b>844.2</b>
Unallocated assets				82.8	82.8
<b>Total assets</b>	<b>262.8</b>	<b>276.1</b>	<b>273.7</b>	<b>114.3</b>	<b>927.0</b>
Trade payables	36.8	48.9	42.5	2.5	130.7
Non-current lease liabilities	23.1	29.8	27.2	12.1	92.2
Current lease liabilities	3.3	6.1	2.4	2.0	13.8
<b>Segment liabilities</b>	<b>63.2</b>	<b>84.8</b>	<b>72.1</b>	<b>16.7</b>	<b>236.7</b>
Unallocated liabilities				407.3	407.3
<b>Total liabilities</b>	<b>63.2</b>	<b>84.8</b>	<b>72.1</b>	<b>424.0</b>	<b>644.0</b>
<b>Total equity</b>				<b>282.9</b>	<b>282.9</b>
<b>Total equity and liabilities</b>	<b>63.2</b>	<b>84.8</b>	<b>72.1</b>	<b>707.0</b>	<b>927.0</b>
Capital expenditure	(25.3)	(22.8)	(16.7)	(0.2)	(65.0)

\* The column "Others" mainly includes corporate expenses and balance sheet items related to tax, pension, and financing. See next section for specification of unallocated assets and liabilities.

For segment reporting purposes, the revenues are only external revenues; the related expenses are adjusted accordingly. The EBIT thus excludes IC profit.

## NOTE 7 SEGMENT INFORMATION (CONTINUED)

### Operating segments – reconciliation to total assets

MEUR	2020	2019
Segment assets of reportable segments	702.4	812.7
Assets of segment Other	65.1	31.5
<i>Unallocated assets include:</i>		
Deferred tax assets	28.7	19.9
Other non-current assets	2.3	5.6
Cash and cash equivalents	67.4	25.2
Other current receivables	32.2	32.0
<b>Total assets of the group</b>	<b>898.0</b>	<b>927.0</b>

### Operating segments – reconciliation to total liabilities

MEUR	2020	2019
Trade payables of reportable segments	124.2	128.2
Non-current lease liabilities of reportable segments	79.8	92.2
Current lease liabilities of reportable segments	12.1	13.8
Liabilities of segment Other	25.1	2.5
<i>Unallocated liabilities include:</i>		
Deferred tax liabilities	14.9	21.8
Retirement benefit obligations	19.3	20.1
Interest-bearing loans and borrowings	273.4	270.5
Other non-current interest-free liabilities	2.0	1.5
Other current interest-bearing liabilities	0.0	10.0
Current income tax liabilities	1.9	7.0
Other short-term liabilities	99.7	76.5
<b>Total liabilities of the group</b>	<b>652.5</b>	<b>644.0</b>

### Operating segments – geographical areas

The following segmentation of the group's geographical sales to external customers is based on the geographical locations of the customers. The segmentation of non-current assets is based on the geographical locations of its subsidiaries. Non-current assets comprise intangible assets (including goodwill), right-of-use assets, and property, plant and equipment.

## NOTE 7 SEGMENT INFORMATION (CONTINUED)

### Sales to external customers by geographical location

MEUR	2020	%	2019	%
Europe	418.8	43%	551.8	48%
North America	347.9	36%	425.5	37%
South America	14.7	2%	27.8	2%
Asia	183.4	19%	150.3	13%
Other	4.5	0%	5.4	0%
<b>Total operating revenues</b>	<b>969.3</b>		<b>1,160.9</b>	

### Intangible assets, PP&E, and RoU by geographical location

MEUR	2020	%	2019	%
Europe	250.1	60%	303.8	61%
North America	115.1	28%	150.9	30%
South America	2.4	1%	3.7	1%
Asia	48.7	12%	37.8	8%
<b>Total Intangible assets, PP&amp;E, and RoU</b>	<b>416.3</b>		<b>496.3</b>	

### Major customers

Included are revenues of MEUR 130.2 (2019: MEUR 130.8) in 2020 which arose from sales to the group's largest customer. No other single customer contributed 10% or more to the group's revenues in 2020. In 2019, the group had one customer accounting for more than 10% of total revenues.

## NOTE 8 SALARIES AND SOCIAL EXPENSES

### Specification of salaries and social expenses as recognized in the Statement of Comprehensive Income

MEUR	2020	2019
Wages and salaries	209.4	232.6
Social security tax	38.4	45.2
Pension cost, defined benefit plans	0.3	1.5
Pension cost, defined contribution plans	8.9	9.7
Other employee-related expenses*	37.4	34.8
Government support – wages and salaries	(11.5)	0.0
<b>Total salaries and social expenses</b>	<b>282.8</b>	<b>323.8</b>

\* Other employee-related expenses include bonus costs.

As of December 31, 2020, the group had 11,234 employees, while as of December 31, 2019, the number of employees was 10,908.

## NOTE 9 OTHER OPERATING EXPENSES

### Specification of other operating expenses as recognized in the Statement of and Comprehensive Income

MEUR	2020	2019
<i>Operating expenses</i>		
Freight, packaging and customs duties charges	45.4	50.6
Facility costs	10.8	12.9
Consumables	28.6	34.5
Repairs and maintenance	13.5	16.7
Service costs / external services	13.3	17.7
Other costs	16.1	13.0
Government support – rent and other cost	(0.3)	0.0
<i>Administrative expenses</i>		
Utilities	0.9	1.0
Service costs / External services	26.4	33.0
Consumables	5.9	9.1
Travel costs	1.5	5.3
Other costs*	16.3	2.3
<b>Total other operating expenses</b>	<b>178.5</b>	<b>196.1</b>

\* Increase in 2020 is due to the occurrence of one-time events, such as release of provisions 2018 in 2019 (positive impact of MEUR 11.0) and one-time write-down of customer tooling of MEUR 2.9.

## NOTE 10 FINANCIAL ITEMS

### Specification of financial items as recognized in the Statement of Comprehensive Income

MEUR	2020	2019
Foreign currency gains*	0.0	3.0
Interest income	0.2	0.6
Other financial income	0.0	0.2
<b>Total financial income</b>	<b>0.2</b>	<b>3.8</b>
Interest expense	(15.6)	(15.9)
IFRS 16 interest expense	(5.3)	(5.3)
Foreign currency losses*	(23.0)	0.0
Account receivables securitization – expense	(0.5)	0.0
Other financial expenses	(2.8)	(1.5)
<b>Total financial expenses</b>	<b>(47.2)</b>	<b>(22.7)</b>
<b>Total financial items</b>	<b>(47.0)</b>	<b>(18.9)</b>

\* Includes unrealized currency loss of MEUR 21.6 and realized currency loss of MEUR 1.4 (2019: unrealized currency gain of MEUR 4.9 and realized currency loss of MEUR 1.9).

## NOTE 11 TAXES

### Tax recognized in Statement of Income

The major components of income tax expense:

MEUR	2020	2019
Current tax on profits for the year*	(12.2)	(14.1)
Adjustments in respect of prior years – current tax	3.6	(3.3)
<b>Total current tax</b>	<b>(8.6)</b>	<b>(17.4)</b>
Current year change in deferred tax	13.8	(3.9)
Impact of changes in tax rates	0.0	6.7
Adjustments in respect of prior years – deferred tax	0.0	(0.2)
<b>Total change in deferred tax</b>	<b>13.8</b>	<b>2.6</b>
<b>Total income tax (expense) / credit</b>	<b>5.2</b>	<b>(14.8)</b>

\* Includes withholding tax. Further details can be found in table below.

### Tax recognized in other comprehensive income

MEUR	2020	2019
Tax on translation differences	1.4	(0.6)
Tax on pension remeasurement	0.0	0.2
<b>Tax in other comprehensive income</b>	<b>1.4</b>	<b>(0.4)</b>

### Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

MEUR	2020	2019
<b>Profit / (loss) before taxes</b>	<b>(123.2)</b>	<b>43.5</b>
Expected tax calculated at Norwegian tax rate	26.8	(9.7)
Goodwill impairment	(12.9)	0.0
Other permanent differences / currency	(0.8)	0.5
Effect of withholding tax	(0.7)	(0.3)
Foreign tax rate differential	(1.2)	0.1
Impact of changes in tax rates and legislation	0.0	6.7
Losses not recognized as deferred tax assets	(6.0)	(7.1)
Write-down of deferred tax assets	(0.9)	0.0
Adjustments in respect of prior years and other adjustments	0.9	(5.1)
<b>Income tax (expense) / credit</b>	<b>5.2</b>	<b>(14.8)</b>
<b>Average effective tax rate</b>	<b>4%</b>	<b>34%</b>

## NOTE 11 TAXES (CONTINUED)

### Tax recognized in the Statement of Financial Position

#### Current tax liability

MEUR	2020	2019
Current income tax receivables*	0.4	0.0
Current income tax liabilities	(1.9)	(7.0)
<b>Total</b>	<b>(1.5)</b>	<b>(7.0)</b>

\* Included under "Other current assets".

#### Deferred tax

MEUR	2020	2019
Deferred tax assets	28.7	19.9
Deferred tax liabilities	(14.9)	(21.8)
<b>Total</b>	<b>13.8</b>	<b>(1.9)</b>

### Specification of deferred tax assets / (liabilities) recognized in the Statement of Financial Position

MEUR	OPENING BALANCE	CHARGED TO INCOME	CHANGES IN RATE	OCI	FX DIFF AND RECLASSIFICATION DUE TO GROUP CONTRIBUTION	CLOSING BALANCE
Property, plant and equipment	(1.3)	2.8	0.0	0.0	0.0	1.6
Intangible assets	(5.2)	1.9	0.0	0.0	0.3	(3.0)
Leases	0.5	1.5	0.0	0.0	0.0	2.0
Retirement benefits obligations	3.5	0.0	0.0	0.0	0.0	3.5
Losses carried forward	6.3	3.1	0.0	0.0	(0.4)	8.9
Trade receivables	2.6	1.5	0.0	0.0	(0.1)	3.9
Accrued expenses	2.6	1.4	0.0	0.0	(0.2)	3.8
Accrued interest	7.1	(1.8)	0.0	0.0	(0.5)	4.8
Unrealized exchange differences on long-term receivables / payables	(23.8)	3.3	0.0	0.0	1.5	(19.0)
Other temporary differences	5.8	0.2	0.0	1.4	(0.1)	7.3
<b>Net deferred tax assets / (liabilities)</b>	<b>(1.9)</b>	<b>13.8</b>	<b>0.0</b>	<b>1.4</b>	<b>0.5</b>	<b>13.8</b>

#### Measurement of deferred taxes

Deferred tax assets and liabilities are measured at the tax rates enacted.

#### Limitation and assumptions for the utilization of losses carried forward and deferred tax assets

The carrying amount of deferred tax assets is reviewed at each balance sheet date and recognized for unused tax losses and unused tax credits

to the extent that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. As part of the review, the group conducts comprehensive analyses of future profits within the legal entity as well as considering possibilities for utilization within the group. As at the year-end, the estimates indicated that tax losses of MEUR 4.8 will not be deductible within the foreseeable future.

## NOTE 11 TAXES (CONTINUED)

### Tax positions not recognized

MEUR	2020	2019
Tax positions not recognized	21.7	17.7
<b>Total</b>	<b>21.7</b>	<b>17.7</b>

### Remaining lifetime of tax losses (net tax value)

MEUR	2020	2019
Less than five years	2.4	3.2
5–10 years	5.9	0.4
10–15 years	0.5	0.0
15–20 years	0.0	3.2
Without time limit	21.8	17.2
<b>Total</b>	<b>30.6</b>	<b>24.0</b>

**NOTE 12 INTANGIBLE ASSETS**

MEUR	GOODWILL	CUSTOMER RELATIONSHIPS	PATENTS AND DEVELOPMENT	SOFTWARE AND OTHER	TOTAL
Cost	169.0	94.6	52.1	14.1	329.7
Accumulated amortization	(21.2)	(94.4)	(40.0)	(11.9)	(167.5)
<b>Book value at 31.12.2018</b>	<b>147.8</b>	<b>0.2</b>	<b>12.1</b>	<b>2.2</b>	<b>162.2</b>
Cost at 01.01.2019	169.0	94.6	52.1	14.1	329.8
Additions	0.0	0.4	0.4	1.0	1.8
Disposals accumulated cost	0.0	0.0	0.0	0.0	0.0
Translation differences on cost	1.7	1.0	0.1	0.2	3.0
<b>Acquisition costs at 31.12.2019</b>	<b>170.7</b>	<b>96.0</b>	<b>52.6</b>	<b>15.3</b>	<b>334.6</b>
Accumulated amortization at 01.01.2019	(21.2)	(94.4)	(40.0)	(11.9)	(167.5)
Amortization	0.0	(0.3)	(3.9)	(0.9)	(5.1)
Impairment loss	0.0	0.0	0.0	0.0	0.0
Disposals accumulated amortization	0.0	0.0	0.1	0.0	0.1
Translation differences on amortization	(0.4)	(1.1)	(0.1)	(0.2)	(1.8)
<b>Accumulated amortization at 31.12.2019</b>	<b>(21.6)</b>	<b>(95.8)</b>	<b>(43.9)</b>	<b>(13.0)</b>	<b>(174.3)</b>
Cost	170.7	96.0	52.6	15.2	334.6
Accumulated amortization	(21.6)	(95.8)	(43.9)	(13.0)	(174.3)
<b>Book value at 31.12.2019</b>	<b>149.1</b>	<b>0.2</b>	<b>8.7</b>	<b>2.2</b>	<b>160.3</b>
Cost at 01.01.2020	170.7	96.0	52.6	15.2	334.6
Additions	0.0	0.0	4.0	0.3	4.3
Disposals accumulated cost	0.0	0.0	(0.0)	(0.1)	(0.1)
Translation differences	(8.6)	(5.3)	(1.4)	(0.7)	(16.0)
<b>Acquisition costs at 31.12.2020</b>	<b>162.1</b>	<b>90.7</b>	<b>55.2</b>	<b>14.8</b>	<b>322.8</b>
Accumulated amortization at 01.01.2020	(21.6)	(95.8)	(43.9)	(13.0)	(174.3)
Amortization & Write-off of intangible assets	0.0	(0.1)	(4.9)	(1.2)	(6.2)
Impairment loss	(58.7)	0.0	(1.3)	(0.4)	(60.3)
Disposals accumulated amortization	0.0	0.0	0.0	0.1	0.1
Translation differences	3.6	5.3	1.2	1.1	11.2
<b>Accumulated amortization at 31.12.2020</b>	<b>(76.7)</b>	<b>(90.6)</b>	<b>(48.8)</b>	<b>(13.4)</b>	<b>(229.6)</b>
Cost	162.1	90.7	55.2	14.8	322.8
Accumulated amortization / impairment	(76.7)	(90.6)	(48.8)	(13.4)	(229.6)
<b>Book value at 31.12.2020</b>	<b>85.4</b>	<b>0.1</b>	<b>6.4</b>	<b>1.4</b>	<b>93.2</b>

**NOTE 12 INTANGIBLE ASSETS (CONTINUED)**
**Internally developed intangible assets**

MEUR	2020	2019
Internally developed intangible assets at 01.01.2020	8.3	9.8
Additions during the year	3.4	0.5
Amortization / impairment	(2.3)	(2.0)
Translation differences	(0.2)	0.0
<b>Internally developed intangible assets at 31.12.2020</b>	<b>9.2</b>	<b>8.3</b>
Non-capitalized development costs net of customer contribution	(44.1)	(41.0)
Amortization of internally developed intangible assets	(2.3)	(2.0)
<b>Total recognized development cost in the reporting period*</b>	<b>(46.4)</b>	<b>(43.0)</b>
Cash investment in development	(47.6)	(41.5)

\* Net amount, gross amount MEUR 54.9 in 2020 (2019: MEUR 53.7).

The internally developed intangible assets include capitalized costs related to the development of new products. These assets are included in "Patents and Development".



### NOTE 13 PROPERTY, PLANT AND EQUIPMENT (PP&E)

MEUR	LAND	BUILDINGS	EQUIPMENT	TOTAL
Cost	4.5	29.1	534.1	567.7
Accumulated depreciation	0.0	(20.6)	(350.8)	(371.4)
<b>Book Value at 31.12.2018</b>	<b>4.5</b>	<b>8.5</b>	<b>183.3</b>	<b>196.3</b>
Cost at 01.01.2019	4.5	29.1	534.1	567.7
Additions	0.0	0.5	63.3	63.8
Disposals accumulated cost	0.0	(0.0)	(7.2)	(7.2)
Translation differences	0.0	0.1	5.9	6.0
<b>Acquisition costs at 31.12.2019</b>	<b>4.5</b>	<b>29.7</b>	<b>596.1</b>	<b>630.3</b>
Accumulated depreciation at 01.01.2019	0.0	(20.6)	(350.8)	(371.4)
Depreciation	0.0	(1.2)	(27.6)	(28.8)
Impairment loss	0.0	0.0	0.0	0.0
Disposals accumulated depreciation	0.0	0.0	5.6	5.6
Translation differences	0.0	(0.1)	(3.5)	(3.6)
<b>Accumulated depreciation at 31.12.2019</b>	<b>0.0</b>	<b>(21.9)</b>	<b>(376.3)</b>	<b>(398.2)</b>
Cost	4.5	29.7	596.1	630.3
Accumulated depreciation	0.0	(21.9)	(376.3)	(398.2)
<b>Book Value at 31.12.2019</b>	<b>4.5</b>	<b>7.8</b>	<b>219.8</b>	<b>232.1</b>
Cost at 01.01.2020	4.5	29.7	596.1	630.3
Additions	0.0	0.3	59.4	59.7
Disposals accumulated cost	(0.9)	(1.1)	(7.9)	(10.0)
Translation differences	(0.0)	(0.9)	(31.5)	(32.4)
<b>Acquisition costs at 31.12.2020</b>	<b>3.6</b>	<b>28.0</b>	<b>616.1</b>	<b>647.7</b>
Accumulated depreciation at 01.01.2020	0.0	(21.9)	(376.3)	(398.2)
Depreciation & Write-off of tangible assets	0.0	(1.1)	(29.1)	(30.2)
Impairment loss	(1.2)	(0.6)	(15.1)	(16.9)
Disposals accumulated depreciation	0.0	0.9	7.2	8.1
Translation differences	(0.0)	0.7	17.6	18.3
<b>Accumulated depreciation at 31.12.2020</b>	<b>(1.2)</b>	<b>(22.0)</b>	<b>(395.7)</b>	<b>(419.9)</b>
Cost	3.6	28.0	616.1	647.7
Accumulated depreciation	(1.2)	(22.0)	(395.7)	(418.9)
<b>Book Value at 31.12.2020</b>	<b>2.4</b>	<b>6.0</b>	<b>220.4</b>	<b>228.8</b>

#### Impairment testing

See note 15 for information related to impairment testing of intangible assets, PP&E and right-of-use assets.

### NOTE 14 RIGHT-OF-USE ASSETS

MEUR	BUILDINGS	EQUIPMENT	TOTAL
Cost at 01.01.2019	103.3	3.0	106.3
Additions	9.7	1.3	11.0
Lease terminations	0.0	0.0	0.0
Translation differences	0.5	0.1	0.6
<b>Acquisition costs at 31.12.2019</b>	<b>113.5</b>	<b>4.4</b>	<b>117.9</b>
Accumulated depreciation at 01.01.2019	0.0	0.0	0.0
Depreciation	(13.2)	(0.9)	(14.1)
Impairment loss	0.0	0.0	0.0
Lease terminations	0.0	0.0	0.0
Translation differences	0.0	0.0	0.0
<b>Accumulated depreciation at 31.12.2019</b>	<b>(13.2)</b>	<b>(0.9)</b>	<b>(14.1)</b>
Cost	113.5	4.4	117.9
Accumulated depreciation	(13.2)	(0.9)	(14.1)
<b>Book value at 31.12.2019</b>	<b>100.3</b>	<b>3.5</b>	<b>103.8</b>
Cost at 01.01.2020	113.5	4.4	117.9
Additions	17.3	0.5	17.8
Lease terminations	(1.5)	(0.8)	(2.3)
Translation differences	(7.8)	(0.1)	(7.9)
<b>Acquisition costs at 31.12.2020</b>	<b>121.5</b>	<b>4.0</b>	<b>125.5</b>
Accumulated depreciation at 01.01.2020	(13.2)	(0.9)	(14.1)
Depreciation	(12.8)	(0.7)	(13.5)
Impairment loss	(4.3)	(1.2)	(5.6)
Lease terminations	1.1	0.0	1.1
Translation differences	0.9	0.0	1.0
<b>Accumulated depreciation at 31.12.2020</b>	<b>(28.3)</b>	<b>(2.8)</b>	<b>(31.2)</b>
Cost	121.5	4.0	125.5
Accumulated depreciation	(28.3)	(2.8)	(31.2)
<b>Book value at 31.12.2020</b>	<b>93.2</b>	<b>1.1</b>	<b>94.3</b>

#### Lease liabilities

MEUR	2020	2019
Non-current lease liabilities	89.6	92.2
Current lease liabilities	13.8	13.8
<b>Total lease liabilities</b>	<b>103.4</b>	<b>106.0</b>

## NOTE 14 RIGHT-OF-USE ASSETS (CONTINUED)

### Maturity analysis – contractual undiscounted cash flows

MEUR	2020	2019
Within one year	17.9	17.1
One to five years	54.8	55.9
More than five years	59.3	61.9
<b>Total undiscounted lease commitments</b>	<b>131.9</b>	<b>134.9</b>

In 2020, the group had total cash outflows of approximately MEUR 17.5 for all leases, including non-material leases which are not part of the group's IFRS 16 reporting.

### Amounts recognized in the statement of comprehensive income relating to leases

MEUR	2020	2019
Interest expense on lease liabilities (included in financial items)	(5.3)	(5.3)
Depreciation of right-of-use assets	(13.5)	(14.0)
Expenses relating to low value and short-term leases	(1.0)	(1.1)
<b>Total expenses relating to leases</b>	<b>(19.8)</b>	<b>(20.4)</b>

## NOTE 15 IMPAIRMENT LOSSES

The outbreak of the COVID-19 pandemic at the start of the year had a significant impact on the company's profitability and long-term viability. As a result of the COVID-19 pandemic, in Q2 2020 the group's Management performed an impairment test in accordance with the requirements of IAS 36 for cash generating units (CGUs) that exhibit indicators of impairment.

The group used the cash-generating unit's value-in-use to determine the recoverable amount. The projected cash flows were updated to reflect the decreased demand for products and services which was regarded as a triggering event to perform an impairment test in Q2 2020. Based on the market data inputs (LMC and IHS reports) available in Q2 2020, the market, and as such the group's, top line was expected to reach pre COVID-19 levels in 2023. However, due to the fact that the top line for some CGUs has already reached its pre COVID-19 level in Q4 2020, the outlook for 2022-2023 has been accordingly updated and presents a much more optimistic view than the one used in Q2 2020.

The business units Interior Comfort Systems, Light-Duty Cables, Driveline, On-Highway, Couplings, Fluid Transfer Systems and Off-Highway were identified as the respective CGUs.

### Cash flow projections and assumptions

The model was based on a three-year projection of discounted cash flows plus a terminal value (calculated using Gordon's growth model with the perpetual growth of 2%). The net discounted cash flows were calculated before tax.

The projected cash flows were derived from the business plans set up by the management of the business units and reviewed and finally approved by the top management in the course of the budget and strategic planning process covering the period until 2023. The business plans were based on the group's strategic three-year plan (STP), adjusted for

relevant recent changes in internal short-term forecasts and market data. Adjustments were made to exclude significant cash flows related to future restructuring, investments or enhancements. Assumptions on labor inflation, ranging from 2% to 7% depending on the region, as well as on raw material price development increasing by 0.7% on average, were provided centrally. The input data on developments of the relevant markets were taken from well-known external sources, such as LMC Automotive, IHS, and customers, in addition to all relevant internal information such as change in orders, customer portfolio, fitment rate for products, geographical development, market shares, etc.

### Discount rate assumptions

The required rate of return was calculated using the WACC method. The input data of the WACC was chosen by an individual assessment of each parameter. Information from representative sources and peer groups was used to determine the best estimate. The WACC was calculated to be 9.4% pre-tax. The same WACC was used for all CGUs, the reason being that the long-term risk profiles of the CGUs are not considered to be significantly different. The key parameters were set to reflect the underlying long-term period of the assets and time horizon of the forecast period of the business cases. The following parameters were applied:

- ▶ Risk-free interest rate: 0.44%. Based on 10-year governmental Eurobond rate and US treasury 10-year yield, weighted 50/50.
  - ▶ Beta: 1.76. Based on an estimated unlevered beta for the automotive industry levered to the group's structure.
  - ▶ Market Risk Premium: 5.31% (post tax). Based on market sources.
- Cost of debt: based on the group's cost of debt.

The discount rate has been adjusted to reflect the current market assessment of the risks specific to the group's business activity and was

## NOTE 15 IMPAIRMENT LOSSES (CONTINUED)

estimated based on the weighted average cost of capital for the group. Further changes to the discount rate may be necessary in the future to reflect changing risks for the industry and changes to the weighted average cost of capital.

### Sensitivity analysis and allocation of impairment as of 31.12.2020

The value in use depends on the free cash flow and discount rate. The cash flow will fluctuate in relation to changes in price, currency, and volume. Business awards, success of the car model, product fitment rates, government regulations, and economic conditions, in turn influence the volume.

#### On-Highway:

The value-in-use is significantly higher than the carrying value. The sensitivity analysis indicates a negative headroom only if discount rate increased by 4 percentage points and discounted cash flow was re-

duced by minimum 40%. Hence, no reasonable change in any of the key assumptions would cause the unit's recoverable amount to be lower than the carrying value.

#### Couplings:

The value-in-use is significantly higher than the carrying value. No reasonable change in any of the key assumptions would cause the recoverable amount to be lower than the carrying value.

#### Fluid Transfer Systems:

The value-in-use is considerably higher than the carrying value. No reasonable change in any of the key assumptions would cause the recoverable amount to be lower than the carrying value.

#### Off-Highway:

No reasonable change in any of the key assumptions would cause the recoverable amount to be lower than the carrying value.

MEUR	POWERTRAIN & CHASSIS		INTERIOR		SPECIALTY PRODUCTS				TOTAL
	ON-HIGHWAY	DRIVELINE	LIGHT DUTY CABLES	INTERIOR COMFORT SYSTEMS	COUPLINGS	FLUID TRANSFER SYSTEMS	OFF-HIGHWAY	OTHER / CORPORATE	
<i>– Goodwill</i>									
Book value as at 01.01.2020	16.3	6.6	34.0	23.6	0.2	53.7	14.7	0.0	149.1
Impairment	0.0	(6.5)	(33.0)	(19.2)	0.0	0.0	0.0	0.0	(58.7)
Additions, Disposals & Translation differences	(0.1)	(0.1)	(0.4)	(1.1)	0.0	(3.6)	0.3	(0.0)	(5.0)
<b>Book value as at 31.12.2020</b>	<b>16.2</b>	<b>0.0</b>	<b>0.6</b>	<b>3.3</b>	<b>0.2</b>	<b>50.1</b>	<b>15.0</b>	<b>0.0</b>	<b>85.4</b>
<i>– Other intangible assets</i>									
Book value as at 01.01.2020	1.2	7.8	0.1	0.5	0.3	0.7	0.1	0.6	11.2
Impairment	0.0	(1.6)	0.0	0.0	0.0	0.0	0.0	0.0	(1.6)
Amortization	(1.2)	(4.1)	(0.0)	(0.2)	(0.1)	(0.3)	(0.0)	(0.3)	(6.2)
Additions, Disposals & Translation differences	4.4	(0.3)	(0.0)	0.3	(0.0)	0.1	0.0	(0.0)	4.4
<b>Book value as at 31.12.2020</b>	<b>4.4</b>	<b>1.8</b>	<b>0.1</b>	<b>0.5</b>	<b>0.2</b>	<b>0.5</b>	<b>0.1</b>	<b>0.3</b>	<b>7.8</b>
<i>– Property, plant and equipment</i>									
Book value as at 01.01.2020	38.3	41.6	6.4	84.0	23.9	25.3	11.3	1.3	232.1
Impairment	0.0	(16.8)	0.0	0.0	0.0	0.0	0.0	0.0	(16.8)
Depreciation	(4.2)	(5.5)	(1.1)	(10.5)	(2.9)	(3.7)	(1.8)	(0.3)	(30.1)
Additions, Disposals & Translation differences	2.2	10.8	1.7	20.0	4.7	2.6	1.6	0.1	43.6
<b>Book value as at 31.12.2020</b>	<b>36.3</b>	<b>30.1</b>	<b>6.9</b>	<b>93.4</b>	<b>25.7</b>	<b>24.1</b>	<b>11.1</b>	<b>1.0</b>	<b>228.8</b>
<i>– Right-of-use assets</i>									
Book value as at 01.01.2020	19.8	15.8	2.3	24.2	14.4	10.9	2.6	13.7	103.7
Impairment	0.0	(5.6)	0.0	0.0	0.0	0.0	0.0	0.0	(5.6)
Depreciation	(2.0)	(2.5)	(1.2)	(3.6)	(1.0)	(1.1)	(0.4)	(1.7)	(13.5)
Additions, Disposals & Translation differences	(0.3)	1.4	2.1	8.7	0.0	(0.8)	(0.3)	(1.3)	9.6
<b>Book value as at 31.12.2020</b>	<b>17.5</b>	<b>9.1</b>	<b>3.1</b>	<b>29.4</b>	<b>13.4</b>	<b>9.0</b>	<b>1.9</b>	<b>10.8</b>	<b>94.2</b>
<b>Total impairment losses</b>	<b>0.0</b>	<b>(30.5)</b>	<b>(33.0)</b>	<b>(19.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(82.7)</b>

## NOTE 15 IMPAIRMENT LOSSES (CONTINUED)

### Driveline:

The impairment test showed that the Driveline as a CGU is highly sensitive to any changes in assumptions, meaning any sustained declines in free cash flow would trigger a need for additional impairment. However, reasonable increase of free cash flow combined with WACC closer to historic levels would lead to partial reversal of impairment of assets other than the goodwill booked in Q2 2020. Management is confident that Driveline's carrying value is properly supported by the group's strategic three-year plan (STP) and assumptions used.

### Light-Duty Cables:

The analysis and impairment test based on the group's STP indicate that value-in-use is significantly higher compared to Q2 2020, result-

ing from the more optimistic outlook in years 2022 and 2023. Therefore, no reasonable change in any of the key assumptions would cause the recoverable amount to be lower than the carrying value.

### Interior Comfort Systems:

The impairment test performed as of December 31, 2020 indicates a significantly higher value-in-use compared to Q2 2020. This is due to the more optimistic outlook for the years 2021-2023. The sensitivity analysis based on the group's STP indicates that no reasonable change in any of the key assumptions would cause the unit's recoverable amount to be lower than its carrying value.

## NOTE 16 INVENTORIES

### Specification of inventories

MEUR	2020	2019
Raw materials	55.3	62.8
Work in progress	14.3	18.7
Finished goods	19.3	21.4
<b>Total inventories</b>	<b>88.9</b>	<b>102.9</b>

### Provision for slow-moving and obsolete inventory

MEUR	2020	2019
Book value at 01.01.	(10.3)	(10.0)
Write-down	(7.2)	(2.4)
Products sold (previously written down)	0.0	0.6
Reversal	1.3	1.5
Foreign currency effects	0.5	(0.1)
<b>Book value at 31.12.</b>	<b>(15.6)</b>	<b>(10.3)</b>

During the year, in relation to the pandemic and impairment, the group also reviewed inventory to ensure its valuation was in line with expected sales. As a result of this review, a number of inventory items were moved into more conservative valuation categories resulting in a larger than usual write-down in 2020.

## NOTE 17 TRADE AND OTHER RECEIVABLES

### Specification of trade and other receivables

MEUR	2020	2019
Trade receivables	237.9	216.8
Public duties	11.8	10.3
Account receivables	1.3	1.1
Other short-term receivables	10.1	10.8
<b>Total trade and other receivables</b>	<b>261.1</b>	<b>239.0</b>

### Trade receivables maturity

MEUR	2020	2019
Not overdue	221.3	199.0
Overdue 1–20 days	11.0	11.6
Overdue 21–40 days	2.1	2.5
Overdue 41–80 days	1.1	1.6
Overdue 81–100 days	0.4	0.6
Overdue > 100 days	2.7	2.1
<b>Gross trade receivables</b>	<b>238.5</b>	<b>217.2</b>
Total provision for bad debt	(0.7)	(0.5)
<b>Net trade receivables</b>	<b>237.9</b>	<b>216.8</b>

The provision for bad debt has increased by MEUR 0.2 compared to 31.12.2019. Trade receivables are subject to constant monitoring. The impairment of receivables is reflected through provision for bad debt. Monthly assessments of loss risk, including forward-looking information, are performed and corresponding provisions are made at the entity level. The provision for bad debt reflects the total expected loss risk

on the group's trade receivables. The oldest trade receivables, overdue > 100 days, represent the highest risk level. Most of the impaired trade receivables are included in that category. Expected losses on trade receivables were MEUR 0.2 in 2020 (2019: MEUR 0.3). The risk for losses on receivables other than trade receivables is assessed to be insignificant. For risk management see note 23.

### Receivables by currency

MEUR	2020	2019
EUR	90.4	91.8
USD	62.9	69.1
CNY	75.4	51.9
NOK	10.5	4.6
Other	21.9	21.6
<b>Total receivables</b>	<b>261.1</b>	<b>239.0</b>

## NOTE 17 TRADE AND OTHER RECEIVABLES (CONTINUED)

### Other current assets

MEUR	2020	2019
Tooling for sale	11.8	11.4
Customer development for sale	2.3	6.2
Prepayments	9.3	10.8
Capitalized financing costs – current	0.7	0.0
Contract costs – current	0.5	0.0
<b>Total other current assets</b>	<b>24.5</b>	<b>28.3</b>

## NOTE 17 TRADE AND OTHER RECEIVABLES

### Other non-current assets

MEUR	2020	2019
Long-term receivables	2.4	2.9
Contract costs – non-current	6.4	6.8
Grants and others	1.1	5.6
Capitalized financing costs – non-current	1.2	0.0
<b>Total other non-current assets</b>	<b>11.1</b>	<b>15.3</b>

## NOTE 18 SHARE CAPITAL

### Shares

The share capital of the company is NOK 1,054,860,643.30 comprising 10,548,606,433 ordinary shares with a par value of NOK 0.10. The company holds 37,206,972 shares as treasury shares. For more information see the Statement of Changes in Equity. The company is listed on the Oslo Stock Exchange with the ticker code “KOA”.

	2020	2019
Number of shares in issue as at 01.01.	447,991,012	447,444,943
New shares issued	10,100,615,421	546,069
<b>Number of shares in issue as at 31.12.</b>	<b>10,548,606,433</b>	<b>447,991,012</b>
<b>Of these, treasury shares</b>	<b>37,206,972</b>	<b>98,454</b>

## NOTE 18 SHARE CAPITAL (CONTINUED)

The twenty largest shareholders in the company as at 31.12.2020 were as follows:

Shareholders and nominees	NO. OF SHARES	%	COUNTRY	TYPE OF ACCOUNT
MORGAN STANLEY & CO. INT. PLC.	2,382,450,907	22.6%	United Kingdom	Nominee
NORDNET BANK AB	567,445,308	5.4%	Sweden	Nominee
J.P. MORGAN BANK LUXEMBOURG S.A.	272,411,307	2.6%	Sweden	Nominee
SAXO BANK A/S	158,745,992	1.5%	Denmark	Nominee
DANSKE BANK A/S	150,092,486	1.4%	Denmark	Nominee
NORDEA BANK ABP	142,298,682	1.3%	Denmark	Nominee
VERDIPAPIRFONDET NORDEA KAPITAL	115,661,804	1.1%	Norway	Ordinary
AVANZA BANK AB	114,937,690	1.1%	Sweden	Nominee
VERDIPAPIRFONDET NORDEA NORGE VERD	102,176,318	1.0%	Norway	Ordinary
VERDIPAPIRFONDET NORDEA AVKASTNING	94,147,411	0.9%	Norway	Ordinary
EQUINOR PENSJON	89,910,000	0.9%	Norway	Ordinary
J.P. MORGAN BANK LUXEMBOURG S.A.	78,912,849	0.7%	Finland	Nominee
ARILD VIGEN CHRISTOFFERSEN	73,227,275	0.7%	Norway	Ordinary
VERDIPAPIRFONDET PARETO INVESTMENT	70,000,000	0.7%	Norway	Ordinary
COMMUTER 2 AS	69,200,000	0.7%	Norway	Ordinary
UBS SWITZERLAND AG	61,397,527	0.6%	Switzerland	Nominee
SWEDBANK AB	60,814,996	0.6%	Sweden	Nominee
J.P. MORGAN BANK LUXEMBOURG S.A.	58,879,463	0.6%	Luxembourg	Nominee
THE BANK OF NEW YORK MELLON SA/NV	48,697,962	0.5%	Denmark	Nominee
J.P. MORGAN BANK LUXEMBOURG S.A.	40,706,536	0.4%	Finland	Nominee
<b>Total twenty largest shareholders</b>	<b>4,752,114,513</b>	<b>45.0%</b>		
Other shareholders	5,796,491,920	55.0%		
<b>Number of shares in issue at 31.12.2020</b>	<b>10,548,606,433</b>	<b>100.0%</b>		
Number of shareholders	31,791			
Foreign ownership	45.3%			

Options at NOK 1.50, NOK 5.80, NOK 5.90 and NOK 6.20 expire after 7 years, and options at NOK 10.64 and NOK 7.87 are Performance Stock Options and expire 10 years after the date of grant. The company has no legal or constructive obligation to repurchase or settle the options in cash. See the Statement of Change in Equity for information on amounts recognized in 2020. Refer to note 3 for further information.

### Movements in share options (NOK)

NOK	2020		2019	
	AVERAGE EXERCISE PRICE	OPTIONS	AVERAGE EXERCISE PRICE	OPTIONS
Options at 01.01.	8.08	8,044,663	8.12	4,635,130
Granted	10.64	(28,164)	7.87	4,227,035
Forfeited	8.60	(928,852)	8.66	(604,896)
Expired	1.50	(85,334)	6.04	(65,000)
Exercised	0.00	–	1.82	(147,606)
<b>Options at 31.12.</b>	<b>8.07</b>	<b>7,002,313</b>	<b>8.08</b>	<b>8,044,663</b>

## NOTE 18 SHARE CAPITAL (CONTINUED)

### Outstanding options at the end of the year (NOK)

EXPIRY DATE	2020		2019	
	EXERCISE PRICE (NOK)	OPTIONS	EXERCISE PRICE (NOK)	OPTIONS
10.04.2020	–	–	1.50	65,334
10.04.2021	5.80	226,200	5.80	226,200
10.04.2022	5.90	470,586	5.90	475,586
10.04.2023	6.20	1,152,853	6.20	1,207,853
05.06.2028	10.64	1,697,660	10.64	1,996,415
15.05.2029	7.87	3,455,014	7.87	4,073,275
<b>Options as at 31.12.</b>		<b>7,002,313</b>		<b>8,044,663</b>

### Treasury shares

The company holds 37,206,972 treasury shares (2019: 98,454). 34,912,994 treasury shares were acquired in 2020.

### Restricted stock units

As a consequence of the capital increases in 2020 at NOK 0.10 per share, the amount of restricted stock units granted was adjusted by a factor of 23.3 as per the resolution of the Annual General Meeting held on June 30, 2020.

### Movements in restricted stock units (RSU)

NOK	2020	2019
RSU at 01.01.	3,270,018	1,572,552
Granted	(19,293)	2,447,200
Released	(22,305,196)	(468,463)
Forfeited	(5,286,438)	(281,271)
Adjusted	68,186,580	–
<b>RSU at 31.12</b>	<b>43,845,671</b>	<b>3,270,018</b>

### Outstanding restricted stock units at the end of the year

Grant (vesting date)	2020	2019
Grant 2019 (15.05.2020)	–	589,545
Grant 2018 (05.06.2020)	–	455,919
Grant 2019 (17.05.2021)	11,690,850	589,545
Grant 2018 (07.06.2021)	8,998,210	455,919
Grant 2019 (16.05.2022)	23,156,611	1,179,090
<b>RSU at 31.12</b>	<b>43,845,671</b>	<b>3,270,018</b>

## NOTE 19 EARNINGS AND DIVIDEND PER SHARE

### Earnings per share

	2020	2019
Net (loss) / profit attributable to equity shareholders (MEUR)	(118.4)	28.6
<b>Weighted average number of shares in issue</b>	<b>5,577.6</b>	<b>447.6</b>
Weighted average total number of ordinary shares	5,588.7	447.7
Weighted average number of treasury shares held	(11.1)	(0.1)
<b>Basic earnings per share, EUR</b>	<b>(0.02)</b>	<b>0.06</b>
<b>Weighted average number of shares in issue (diluted)</b>	<b>5,605.6</b>	<b>457.8</b>
Weighted average number of outstanding options	28.0	10.2
<b>Diluted earnings per share, EUR</b>	<b>(0.02)</b>	<b>0.06</b>

## NOTE 20 RETIREMENT BENEFIT OBLIGATIONS

### Dividend per share

EUR	2020	2019
Dividend per share paid	0.0	0.0
Dividend per share proposed	0.0	0.0

No dividend was proposed for 2020.

### Retirement benefit obligations recognized in the Statement of Financial Position

MEUR	2020	2019
Defined benefit pension obligation	18.8	19.8
Top hat, retirement provisions and other employee obligations	0.5	0.3
<b>Retirement benefit obligations</b>	<b>19.3</b>	<b>20.1</b>

### Defined benefit scheme – assumptions

MEUR	2020	2019
Discount rate	0.8%	1.0%
Rate of return on plan assets	0.2%	0.4%
Salary increases	1.2%	1.2%
Increase in basic government pension amount	0.9%	0.9%
Pension increase	0.5%	0.5%

The assumptions for the group are presented as a weighted average of the assumptions reported from respective subsidiaries.

**NOTE 20 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)**

**Defined benefit scheme – net periodic pension cost**

MEUR	2020	2019
Service cost	0.9	1.2
Interest on benefit obligations	0.2	0.3
Expected return on pension assets	0.0	0.0
Employee contributions	0.0	0.0
Effect of curtailment	(0.8)	0.0
Administration cost	0.1	0.0
Social security taxes	0.0	0.0
<b>Net periodic pension cost</b>	<b>0.3</b>	<b>1.5</b>
Remeasurement of net defined benefit liability	0.1	3.3
Actual return on plan assets	-9.5%	4.9%

**Defined benefit scheme – net pension liability**

MEUR	2020	2019
Pension liabilities and assets:		
Projected benefit obligation (PBO)	23.8	25.5
Fair value of pension assets	(5.0)	(5.7)
Unrecognized effects	0.0	0.0
<b>Net pension liability before social security taxes</b>	<b>18.8</b>	<b>19.8</b>
Social security taxes liabilities	0.0	0.0
<b>Net pension liability</b>	<b>18.8</b>	<b>19.8</b>

**Specification of carrying value of net pension liability**

MEUR	2020	2019
Retirement benefit obligation	23.8	25.5
Retirement benefit asset	(5.0)	(5.7)
<b>Net pension liability</b>	<b>18.8</b>	<b>19.8</b>

**NOTE 20 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)**

**Defined benefit scheme – change in net pension liability**

MEUR	2020	2019
Net pension liability as at 01.01.	19.8	16.4
Pension cost for the year	0.3	1.5
Remeasurement of net defined benefit liability	0.1	3.3
Paid pensions	(0.7)	(0.7)
Pension plan contributions	(0.6)	(0.6)
Translation differences	(0.2)	(0.1)
<b>Net pension liability as at 31.12.</b>	<b>18.8</b>	<b>19.8</b>

**Defined benefit scheme – sensitivities\***

MEUR	DBO AS AT 31.12.2020	DBO AS AT 31.12.2019
Actual valuation	18.8	19.8
Discount rate +0.5%	18.1	18.8
Discount rate -0.5%	19.8	21.0
Expected rate of salary increase +0.5%	19.1	20.0
Expected rate of salary increase -0.5%	18.8	19.7
Expected rate of pension increase +0.5%	19.7	20.7
Expected rate of pension increase -0.5%	18.1	19.0

\* The sensitivity does not include all schemes; however, it covers the significant part of the pension liability.

**Defined benefit scheme – average expected lifetime**

**Average expected lifetime at the balance sheet date for a person retiring on reaching age 65:**

Male employee	21 years
Female employee	24 years

**Average expected lifetime 20 years after the balance sheet date for a person retiring on reaching age 65:**

Male employee	23 years
Female employee	26 years

**Expected pension payment: The pension payment for 2021 is expected to be in line with the 2020 payment.**

## NOTE 21 INTEREST-BEARING LIABILITIES

### Interest-bearing liabilities as presented in the Statement of Financial Position

MEUR	2020	2019
Non-current interest-bearing loans and borrowings	278.4	276.4
Capitalized arrangement fees	(4.9)	(5.8)
Interest-bearing lease liabilities	103.4	106.0
Other current interest-bearing liabilities	0.0	10.0
<b>Total interest-bearing liabilities</b>	<b>376.8</b>	<b>386.5</b>

On July 23, 2018, the company completed an offering of MEUR 275.0 in aggregate principal amount of 5.000% Senior Notes due 2025 (the "Notes") pursuant to indentures among the company, the guarantors party thereto, and The Law Debenture Trust Corporation plc, as trustee. The group was in compliance with all applicable debt covenants at and for the year ended December 31, 2020.

The indentures for KA's outstanding Senior Notes contain customary terms and conditions, including amongst other things, incur or guarantee additional indebtedness or issue certain preferred stock, pay dividends, redeem capital stock and make other distributions, make certain other restricted payments or restricted investments, prepay or redeem subordinated debt or equity, create or permit to exist certain liens, impose restrictions on the ability of the Restricted Subsidiaries to pay dividends, transfer or sell certain assets, merge or consolidate with other entities, engage in certain transactions with affiliates, and impair the security interests for the benefit of the Holders of the Notes.

On September 25, 2020, the group entered into an Accounts Receivables Securitization Agreement with NORD/LB and Finacity Corporation (Finacity) to provide the group with a committed MEUR 60 facility at 1.75% interest-rate with a three years tenure, effective on October 19, 2020. The maximum commitment of MEUR 60 of Senior Notes is depending on the size of the Accounts Receivable pool meeting investment grade criteria. However, as no Senior Notes were issued to NORD/LB by Kongsberg Automotive Finance, B.V as of December 31, 2020, the

only non-current interest-bearing loans and borrowings in relation to the Securitization program is the Intermediate Subordinated Loan Notes of MEUR 1.4 received from Finacity with an interest rate of 25%.

Included is a government-backed loan of 0.8 MEUR that was applied for under a COVID-19 relief program.

Other current interest-bearing liabilities consist of the the Revolving Credit Facility (RCF) agreement entered in July 2018. The company entered into a RCF amendment agreement that increased firstly the available RCF from MEUR 50.0 to MEUR 70.0 and secondly the utilization rate from 40% to 80% at quarter ends without triggering a covenant test. As additional covenants, the company shall ensure that, in respect of each Month ending during the Relief Period, the Liquidity of the group as at the last Business Day of such Month (each such date constituting a "Liquidity Test Date"), shall not be less than MEUR 30 (the "Minimum Liquidity Covenant"). Furthermore, the company shall ensure that the Gross Margin for any Relevant Period which ends during the Relief Period is not less than MEUR 75. The Relief Period ends on March, 31, 2021. When the Relief Period ends, the company will be obliged to once again adhere to the covenants from the original RCF agreement signed in July 2018 meaning it will have to comply with a "springing covenant" on total net leverage of 3.50:1, tested at the end of each quarter, if cash utilizations exceed 40% of the total commitments under the RCF agreement.

### Specification of total interest-bearing liabilities by currency

MEUR	2020	2019
EUR	317.3	297.1
USD	18.8	8.1
Other currencies	45.7	87.2
Capitalized arrangement fees	(4.9)	(5.8)
<b>Total interest-bearing liabilities</b>	<b>376.8</b>	<b>386.5</b>

## NOTE 21 INTEREST-BEARING LIABILITIES

### Changes in liabilities arising from financing activities

MEUR	2020	2019
Opening balance as of 01.01.*	386.5	376.0
<i>Changes arising from cash flows:</i>		
Draw down of debt	2.2	10.3
Repayment of lease liabilities	(13.5)	(11.9)
Repayment of revolving credit facility	(10.0)	0.0
<i>Non-cash changes:</i>		
Additions – lease liabilities	17.7	11.0
Amortization of capitalized arrangement fees	0.9	0.9
Other non-cash changes	0.0	(0.3)
<i>Other:</i>		
Foreign exchange movement	0.0	0.0
Translation effect	(7.0)	0.5
<b>Closing balance as of 31.12.</b>	<b>376.8</b>	<b>386.5</b>

Included in the draw down of debt in 2020 is a government-backed loan of 0.8 MEUR that was applied for under a COVID-19 relief program.

### Liquidity reserve

The liquidity reserve of the group consists of cash and cash equivalents in addition to undrawn credit facilities.

MEUR	2020	2019
Cash and cash equivalents	67.4	25.2
Restricted cash	(0.4)	(0.8)
Undrawn RCF facility	70.0	40.0
Undrawn account receivables securitization facility	60.0	0.0
<b>Liquidity reserve</b>	<b>197.0</b>	<b>64.4</b>

## NOTE 22 OTHER NON-CURRENT INTEREST-FREE LIABILITIES

### Specification of other non-current interest-free liabilities

MEUR	2020	2019
Contract liabilities long-term	0.0	1.4
Provision for employee litigations	0.7	0.0
Long-term termination benefits for the former CEO	1.3	0.0
Other non-current interest-free liabilities	0.0	0.1
<b>Total other non-current interest-free liabilities</b>	<b>2.0</b>	<b>1.5</b>

## NOTE 23 RISK MANAGEMENT

### Finance risk management policies

The group's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance. The group exploits derivative financial instruments for potential hedging of certain risk exposures; however, the current usage of such instruments is limited.

### Foreign exchange risk

The group operates internationally in numerous countries and is exposed to foreign exchange risk arising from various currency exposures. The primary exposures are related to USD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations. As the group reports its financial results in EUR, changes in the relative strength of EUR to the currencies in which the group conducts business can adversely affect the group's financial development. Historically, changes in currency rates have influenced the top line development; however, it has not had a significant impact on operating profit since the costs usually offset the effects from the top line. Hence, the group seeks to align its revenue and cost base to reduce the currency exposure on a net cash flow basis.

Management is monitoring the currency exposure on the group level. The group's treasury department uses the debt structure and profile to balance some of the net exposure of the cash flow from operations. The group's treasury function regularly evaluates the use of hedging instruments but currently has low usage of such instruments.

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is partially managed through borrowings denominated in the relevant foreign currencies.

### Sensitivity

As at December 31, 2020, if the currency USD had weakened/strengthened by 5% against the EUR with all other variables held constant, revenues would vary by -1.4% and 1.5% or MEUR (13.5) and MEUR 15.0. Operating profit would not have been significantly changed.

### Operational risk

#### Operation and investment risks and uncertainties

The group is usually contracted as a supplier with a long-term commitment. The commitment is usually based on the model platforms, which for passenger cars are typically 3 to 5 years, while on commercial vehicles it is typically 5 to 7 years and in some cases even longer. Purchase orders are achieved on a competitive bidding basis for either a specific period or indefinite time. Even if present commitments are cost reimbursable, they can be adversely affected by many factors and short-term variances including shortages of materials, equipment and work force, political risk, customer default, labor conflicts, accidents, environmental pollution, the prices of raw materials, unforeseen problems, changes in circumstances that may lead to cancellations, and other factors beyond the control of the group. In addition, some of the group's customer contracts may be reduced, suspended or terminated by the customer at any time upon the giving of notice. Customer contracts also permit the customer to vary the scope of work under the contract. As a result, the group may be required to renegotiate the terms or scope of such contracts at any time, which may result in the imposition of terms less favorable than the previous terms.

### Competition

The group has significant competitors in each of its business areas and across the geographical markets in which the group operates. The

group believes that competition in the business areas in which it operates will continue in the future. The group continuously monitors its competitive environment as it is constantly exposed to potential strategic M&A activities by the supplier, customers or competitors that may negatively impact the group's market position.

### Volatility in prices of input factors

The group's financial performance is dependent on prices of input factors, i.e. raw materials and different semi-finished components with a varying degree of processing, used in the production of the various automotive parts. Some of the major raw materials are:

- ▶ Steel including rod and sheet metal, cast iron, and machined steel components,
- ▶ Polymer components of rubber, foam, plastic components, and plastic raw materials,
- ▶ Copper,
- ▶ Zinc, and
- ▶ Aluminum.

During the financial year 2020, the steel, copper, zinc, aluminum, and polymer prices have slightly decreased during the first half of the year and have significantly increased during the second half of the year to reach higher levels than beginning of 2020. Nevertheless, the prices can be still subject to large fluctuations in response to relatively minor changes in supply and demand and a variety of additional factors beyond the control of the group, including government regulation, capacity, and general economic conditions.

A substantial part of the group's products based on steel and brass (copper and zinc) is sold to truck manufacturers. Business practice in the truck industry allows the group to some extent to pass increases in steel, aluminum, and brass prices over to its customers. However, there is a time lag of three to six months before the group can adjust the price of its products to reflect fluctuations in the mentioned raw material prices, and a sudden change in market conditions could therefore impact the group's financial position, revenues, profits and cash flow. When the market prices go down the adverse effect will occur. For products sold to passenger car applications, the group does not have the same opportunity to pass along increases in raw materials prices.

### Uninsured losses

The group maintains a number of separate insurance policies to protect its core businesses against loss and/or liability to third parties. Risks insured include general liability, business interruption, workers' compensation and employee liability, professional indemnity, and material damage.

### Interest rate risk

Through its refinancing via senior secured notes with a fixed coupon, the group is not exposed to interest rate risk for the duration of the notes.

### Credit risk

Credit risk is managed on the group and entity level. Credit risk arises mainly from trade with customers and outstanding receivables. The level of receivables overdue is monitored on a weekly basis. Historically the group has had limited loss on receivables. Applying forward-looking information, we do not see any material increase in the credit risk. Refer to note 17.

The automotive industry consists of a limited number of vehicle manufacturers; hence the five biggest customers will be around 34.4% of total sales. The group has a diversified customer base, where only

## NOTE 23 RISK MANAGEMENT (CONTINUED)

one individual customer represents more than 10% of the group's revenues. In addition, the customer base consists of solvent vehicle manufacturers and Tier 1 suppliers. In the group's opinion there is no concentration risk; however, due to the number of vehicle manufacturers and hence customers, concentration risk could be considered to exist.

### Funding and liquidity risk

Cash flow forecasting is performed by each operating entity of the group on a weekly basis for the following 15 weeks. The group keeps track of its liquidity requirements and monitors to ensure there is sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facility at all times. Surplus cash held by the operating entities over and above balance required for working

capital management are transferred to the group's treasury function. For information on the unused liquidity reserve, see note 21.

### Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and balance the risk profile.

The group monitors capital based on the gearing ratio and the level of equity. These ratios are calculated as net debt divided by EBITDA and equity divided by the total balance. The group has a treasury policy regulating the levels on these key ratios.

## NOTE 24 TRADE AND OTHER PAYABLES

### Specification of trade and other payables as presented in the Statement of Financial Position

	2020	2019
Trade payables	137.8	130.5
Accrued expenses	69.2	52.3
Provisions	14.9	7.9
Other short-term liabilities	15.6	16.4
<b>Total trade and other payables</b>	<b>237.5</b>	<b>207.0</b>

### Provisions

	WARRANTY RESERVE	RESTRUCTURING AND OTHER PROVISIONS	TOTAL 2020	WARRANTY RESERVE	RESTRUCTURING AND OTHER PROVISIONS	TOTAL 2019
Opening balance	3.2	4.6	7.9	3.8	6.3	10.1
Reclassification						
P&L charge	9.7	3.4	13.2	2.5	1.9	4.3
Payments	(2.6)	(1.4)	(3.9)	(1.0)	(2.3)	(3.3)
Release	(0.0)	(1.3)	(1.4)	(2.1)	(1.4)	(3.3)
Translation effect	(0.6)	(0.2)	(0.8)	0.1	0.1	0.0
<b>Closing balance</b>	<b>9.8</b>	<b>5.1</b>	<b>14.9</b>	<b>3.2</b>	<b>4.6</b>	<b>7.9</b>

The only remaining provision for restructuring is related to the closure of the plant in Rollag (Norway) and amounts to MEUR 1.4.



## NOTE 24 TRADE AND OTHER PAYABLES (CONTINUED)

### Maturity structure

MEUR	PROVISIONS	ACCRUED EXPENSES	OTHER SHORT-TERM LIABILITIES	TRADE PAYABLES	TOTAL 2020
Repayable 0–3 months after year-end	1.3	34.7	10.0	136.9	182.9
Repayable 3–6 months after year-end	9.2	15.0	2.6	0.9	27.7
Repayable 6–9 months after year-end	2.3	8.4	0.4	0.0	11.1
Repayable 9–12 months after year-end	2.1	11.1	2.6	(0.0)	15.8
<b>Total</b>	<b>14.9</b>	<b>69.2</b>	<b>15.6</b>	<b>137.8</b>	<b>237.5</b>

## NOTE 25 FINANCIAL INSTRUMENTS

### Classification, measurement, and fair value of financial instruments

2020

MEUR	LOANS AND RECEIVABLES AT AMORTIZED COST	FINANCIAL LIABILITIES AT AMORTIZED COST	TOTAL 2020	NON-FINANCIAL ASSETS AND LIABILITIES
Trade and other receivables	261.1		261.1	
Cash and cash equivalents	67.4		67.4	
Other current assets			0.0	24.5
Interest-bearing loans and borrowings		(273.4)	(273.4)	
Interest-bearing lease liabilities		(103.4)	(103.4)	
Other current interest-bearing liabilities		(0.0)	(0.0)	
Trade and other payables		(213.3)	(213.3)	(24.1)
<b>Total</b>	<b>328.5</b>	<b>(590.1)</b>	<b>(261.7)</b>	<b>0.4</b>
Fair value	328.5	(574.8)	(246.3)	0.4
Unrecognized gain / (loss)*		15.4	(15.4)	

\* Based on level 1 input. The bond was traded at 93.4% of its par value as at 31.12.2020 (102.4% as at 31.12.2019).

2019

MEUR	LOANS AND RECEIVABLES AT AMORTIZED COST	FINANCIAL LIABILITIES AT AMORTIZED COST	TOTAL 2019	NON-FINANCIAL ASSETS AND LIABILITIES
Trade and other receivables	239.0		239.0	
Cash and cash equivalents	25.2		25.2	
Other current assets			(0.0)	28.3
Interest-bearing loans and borrowings		(270.5)	(270.5)	
Interest-bearing lease liabilities		(106.0)	(106.0)	
Other current interest-bearing liabilities		(10.0)	(10.0)	
Trade and other payables		(189.1)	(189.1)	(17.9)
<b>Total</b>	<b>264.2</b>	<b>(575.6)</b>	<b>(311.4)</b>	<b>10.4</b>
Fair value	264.2	(588.1)	(323.9)	10.4
Unrecognized gain / (loss)*		(12.5)	(12.5)	

\* Based on level 1 input.

## NOTE 26 REMUNERATION AND FEES FOR MANAGEMENT, BOARD OF DIRECTORS (BOD), AND AUDITOR

### Remuneration and fees recognized in the Statement of Comprehensive Income

KEUR	2020	2019
Total remuneration of the Board of Directors	280.7	270.0
Gross base salary to the former CEO*	509.9	638.2
Former CEO's RSU / option (long-term incentive)	221.0	168.3
Pension costs to the former CEO	99.9	103.9
Other remuneration to the former CEO	122.4	94.4
Management salaries other than to the CEO	3,097.5	2,657.7
STI, LTI costs** and other remuneration of management other than the Former CEO	1,340.6	711.2
Pension costs of management other than the CEO	283.5	269.4
<b>Total – Board of Directors and Senior Management</b>	<b>5,955.5</b>	<b>4,913.1</b>

\* Prorated salary to September 2020.

\*\* Long-term incentives plans – share based compensation. The amounts represent the expenses accounted for in 2020 according to IFRS 2.

### Specification of remuneration to Board of Directors

NAME	KEUR	COMPENSATION COMMITTEE	AUDIT COMMITTEE	BOD FEES	TOTAL 2020	TOTAL 2019
Firas Abi-Nassif*	Chair	5.6	0.0	47.6	53.2	57.9
Emese Weissenbacher	Board member (from 15.05.2019)	0.0	8.1	41.0	49.2	25.9
Ellen M. Hanetho	Board member	0.0	6.5	41.0	47.6	42.6
Gerard Cordonnier	Board member (from 15.05.2019)	4.2	1.2	41.0	46.4	29.2
Peter Schmitt	Board member (from 15.05.2019)	4.2	0.0	41.0	45.2	24.6
Ernst F. Kellermann	Board member (until 15.05.2019)	0.0	0.0	0.0	0.0	16.8
Gunilla Nordstrom	Board member (until 15.05.2019)	0.0	0.0	0.0	0.0	15.5
Thomas Falck	Board member (until 15.05.2019)	0.0	0.0	0.0	0.0	20.1
Bjørn Ivan Ødegård	Employee representative	0.0	0.0	12.1	12.1	11.7
Jon-Ivar Jørnby	Employee representative (until 31.01.2020)	0.7	0.0	2.0	2.7	14.0
Tonje Sivesintajet	Employee representative (from 01.01.2019)	2.1	0.0	12.1	14.2	11.7
Leif Håvard Strømhaug	Employee representative (from 31.01.2020)	0.0	0.0	10.1	10.1	0.0
<b>Total – BOD and Senior Management</b>		<b>16.8</b>	<b>15.8</b>	<b>248.1</b>	<b>280.7</b>	<b>270.0</b>

\* Remuneration for Firas Abi-Nasif is paid to Teleios Capital Partners.

### Specification of remuneration to the Nomination Committee

NAME	KEUR	2020	2019
Tor Himberg-Larsen	Committee chairman	7.7	15.1
Synnøve Gjønnnes	Committee member	1.7	0.0
Hans Trogen	Committee member	1.1	1.9
Heidi Finskas	Committee member	0.0	1.3
<b>Total – Nomination Committee</b>		<b>10.5</b>	<b>18.3</b>

**NOTE 26 REMUNERATION AND FEES FOR MANAGEMENT, BOARD OF DIRECTORS (BOD), AND AUDITOR (CONTINUED)**

**Specification of remuneration to Senior Management other than Board of Directors**

2020								
NAME	KEUR	UNTIL/FROM	BASE SALARY	STI*	LTI**	PENSION	OTHER***	TOTAL 2020
Norbert Loers****	Co-CEO ad interim & CFO		483.4	178.0	88.3	69.8	41.2	860.7
Ralf Voss*****	President, Interior	Until 05.08.2020	191.7	0.0	0.0	0.0	17.3	209.0
Scott Paquette*****	President, Interior	From 29.09.2020	80.8	0.0	0.0	0.0	6.2	87.0
Bob Riedford	President, P&C		361.2	0.0	75.5	50.5	206.5	693.8
David Redfearn	EVP, Fluid Transfer		188.8	0.0	30.0	50.3	27.1	296.1
Linda Nyquist-Evenrud	SVP, Couplings		170.2	0.0	26.3	8.3	22.4	227.2
Robert Pigg****	Co-CEO ad interim & SVP, Off-Highway		350.1	96.3	36.1	0.0	63.7	546.2
Jon Munthe	General Counsel		166.2	0.0	29.8	8.3	17.6	221.9
Dzeki Mackinowski	EVP, Purchasing		310.1	0.0	29.1	41.5	89.0	469.7
Marcus von Pock	EVP, HR & Communications		290.4	0.0	44.1	31.7	56.2	422.4
Virginia Grando	EVP, Quality		242.9	0.0	36.0	17.0	46.9	342.9
Doug Tushar	SVP, IS&T		205.7	0.0	0.0	0.0	62.1	267.8
Ralf Hoppe*****	VP	Until 31.03.2020	56.0	0.0	0.0	6.0	14.8	76.8
<b>Total – Senior Management other than CEO</b>			<b>3,097.5</b>	<b>274.3</b>	<b>395.3</b>	<b>283.5</b>	<b>670.9</b>	<b>4,721.5</b>

\* Short-term incentive plan – includes performance-based compensation element for interim role as Co-CEO.

\*\* Long-term incentive plans – share based compensation. The amounts represent the expenses accounted for in 2020 according to IFRS 2.

\*\*\* All other elements of remuneration including performance-related one-time payments.

\*\*\*\* Base salary includes additional compensation for interim role as Co-CEO.

\*\*\*\*\* Values determined on a pro-rata temporis basis.

2019								
NAME	KEUR	UNTIL/FROM	BASE SALARY	BONUS	LTI*	PENSION	OTHER**	TOTAL 2019
Norbert Loers	Co-CEO ad interim & CFO		404.5	0.0	69.7	63.9	55.2	593.3
Ralf Voss	President, Interior		287.2	0.0	48.9	0.0	29.5	365.6
Bob Riedford	President, P&C		347.6	0.0	59.5	53.0	37.2	497.3
David Redfearn	EVP, Fluid Transfer		180.6	0.0	27.3	41.4	7.1	256.4
Linda Nyquist-Evenrud	SVP, Couplings		169.7	0.0	26.3	7.4	0.8	204.2
Robert Pigg	Co-CEO ad interim & SVP, Off-Highway		224.5	0.0	29.4	0.0	22.6	276.5
Jon Munthe	General Counsel		190.5	0.0	25.0	7.4	0.8	223.7
Lovisa Söderholm***	EVP, Purchasing	Until 01.05.2019	55.8	0.0	1.6	18.0	1.1	76.5
Dzeki Mackinowski	EVP, Purchasing	From 01.05.2019	187.0	0.0	17.5	23.9	98.2	326.6
Marcus von Pock	EVP, HR & Communications		273.0	0.0	34.6	31.8	35.5	374.9
Virginia Grando	EVP, Quality		222.2	0.0	28.3	16.4	29.9	296.8
Doug Tushar***	SVP, IS&T	From 17.09.2019	61.2	0.0	3.5	0.0	6.0	70.7
Ralf Hoppe	VP	From 01.10.2019	53.9	0.0	0.0	6.2	15.7	75.8
<b>Total – Senior Management other than CEO</b>			<b>2,657.7</b>	<b>0.0</b>	<b>371.6</b>	<b>269.4</b>	<b>339.6</b>	<b>3,638.3</b>

\* Long-term incentives plans – share based compensation.

\*\* Including statutory and social security employer contributions.

\*\*\* Value determined on a pro-rata temporis basis.

The Management participates in a short-term incentive (STI) bonus scheme and a long-term incentive (LTI) scheme. Details on schemes in note 28.

**NOTE 26 REMUNERATION AND FEES FOR MANAGEMENT, BOARD OF DIRECTORS (BOD), AND AUDITOR (CONTINUED)**

**Outstanding number of share options granted to Senior Management**

ISSUED IN STRIKE PRICE, NOK EXPIRY YEAR	2020 N/A N/A	2019 7.87 2029	2018 10.64 2028	2016 6.20 2023	2015 5.90 2022	2014 5.80 2021	2013 1.50 2020
Henning E. Jensen		474,081	204,291	180,753			
Norbert Loers		171,700	101,880				
Ralf Voss							
Scott Paquette							
Bob Riedford		147,553	86,259				
David Redfearn		57,307	35,768	125,000	50,000	50,000	33,334
Linda Nyquist-Evenrud		52,392	28,895	15,000	15,000	15,000	12,000
Robert Pigg		73,002	38,519	50,000	50,000		
Jon Munthe		57,261	35,089	50,000	50,000		
Dzeki Mackinowski		85,850					
Marcus von Pock		86,903	49,582				
Virginia Grando		70,741	40,752				
Doug Tushar			28,164				
<b>Total options</b>		<b>1,276,790</b>	<b>649,199</b>	<b>420,753</b>	<b>165,000</b>	<b>65,000</b>	<b>45,334</b>

**Outstanding number of restricted stock units (RSU) granted to Senior Management**

In 2020, no restricted stock units were issued and granted to the Senior Management.

As consequence of the capital increases in 2020 at NOK 0.10 per share, the amount of granted Restricted Stock Units (RSUs) were adjusted by a factor of 23.3 as per the resolution of the Annual General Meeting held on June 30, 2020.

ISSUED IN VESTING IN	2019	2020	2021	2022
Henning E. Jensen	4,795,769		1,598,590	3,197,179
Norbert Loers	1,736,945		578,982	1,157,963
Ralf Voss				
Bob Riedford	1,492,645		497,548	995,096
David Redfearn	579,751		193,250	386,500
Linda Nyquist-Evenrud	529,982		176,661	353,321
Robert Pigg	738,494		246,165	492,329
Jon Munthe	579,261		193,087	386,174
Dzeki Mackinowski	868,508		289,503	579,005
Marcus von Pock	879,132		293,044	586,088
Virginia Grando	715,636		238,545	477,091
Doug Tushar				
<b>Total RSU</b>	<b>12,916,122</b>		<b>4,305,374</b>	<b>8,610,748</b>

## NOTE 26 REMUNERATION AND FEES FOR MANAGEMENT, BOARD OF DIRECTORS (BOD), AND AUDITOR (CONTINUED)

### Specification of fees paid to the auditors

KEUR	2020	2019
Statutory audit services to the parent company (Deloitte)	165.9	150.4
Statutory audit services to subsidiaries (Deloitte)	519.4	576.2
Statutory audit services to subsidiaries (Other)	50.8	34.0
Non-audit services (Deloitte)	11.3	56.1
Tax services (Deloitte)	459.5	352.3
<b>Total</b>	<b>1,207.0</b>	<b>1,169.0</b>

## NOTE 27 SHARES OWNED BY MANAGEMENT AND BOARD OF DIRECTORS AS AT 31.12.2020

### BOARD OF DIRECTORS

NAME	POSITION	NO. OF SHARES
Firas Abi-Nassif*	Chair	0
Ellen M. Hanetho	Board member	1,127,770
Emese Weissenbacher	Board member	0.0
Gerard Cordonnier	Board member	0.0
Peter Schmitt	Board member	0
Bjørn Ivan Ødegård	Employee representative	219,713
Tonje Sivesindtjet	Employee representative	0
Leif Håvard Strømhaug	Employee representative	0.0
<b>Total number of shares</b>		<b>1,347,483</b>

\* Does not own personally shares but is shareholder of Teleios Capital Partners, which owns 2,382,450,907 shares.

### Senior Management

NAME	POSITION	NO. OF SHARES
Norbert Loers	Co-CEO ad interim & CFO	5,121,033
Scott Paquette	President, Interior	0
Bob Riedford	President, Powertrain & Chassis	1,395,603
David Redfearn	EVP, Fluid Transfer	3,601,759
Linda Nyquist-Evenrud	SVP, Couplings	2,874,492
Robert Pigg	Co-CEO ad interim & SVP, Off-Highway	503,908
Jon Munthe	General Counsel	935,385
Dzeki Mackinowski	EVP, Purchasing	10,308,600
Marcus von Pock	EVP, Human Resources & Communications	2,962,991
Virginia Grando	EVP, Quality	1,051,738
<b>Total number of shares</b>		<b>28,755,509</b>

## NOTE 28 STATEMENT OF REMUNERATION OF MANAGEMENT

The group needs to be able to attract and retain capable executives who are able at all times to secure shareholders' and other stakeholders' interests in the best possible manner. One important element in order to achieve this is to offer each leader a competitive compensation package which is in alignment with the market and other stakeholders' interests.

### Remuneration governance

The Board has appointed a Compensation Committee (CC) that is headed by the Chair of the Board. The CC monitors decisions on matters regarding remuneration and terms for executives, based on clear and transparent principles. In addition, it reviews global short-term (STI) and long-term incentive (LTI) plans and makes recommendations to the Board of Directors.

The CEO's remuneration package, and any adjustments thereof, are first reviewed by the CC and then approved by the Board. The remuneration packages for the executives reporting directly to the CEO, including adjustments of these, are proposed by the CEO and approved by the CC.

### Remuneration structure

The structure of total remuneration should be highly performance- and success-oriented to ensure that shareholder and management interests are aligned. As part of KA's reward approach, performance based short-term and long-term incentives in relation to base salary and total compensation increase with higher responsibility.

In 2017, the Board commissioned external consultants, Willis Tower Watson, to benchmark the company's remuneration principles and philosophy for its executives. The directions given to the consultants were to suggest a remuneration system that was at market median levels for median market performance, above market median for above-market performance, and below market median for below-median performance levels. The result was a report that made recommendations for base salary, benefits, and short- and long-term incentives. The main difference between the old and the new remuneration principles is a shift from short-term to longer-term incentives. The Board decided to adopt the recommendations from Willis Tower Watson, in some cases effective immediately, and in other cases through a phased approach. As a consequence of this decision, in 2018 and 2019 a strong focus was made to implement a consistent and transparent incentive structure for the TOP 200 population embedded into a strong communication roll-out.

### Principles for base salary

The fixed salary should reflect the individual's area of responsibility and performance over time. The company offers base salary levels which are competitive, but not market leading in the market in which we operate. Salaries are regularly benchmarked versus salary statistics provided by a global compensation consultant (Willis Towers Watson) and other relevant market data.

### Variable compensation and incentive schemes

*The company's short-term incentive plan (STI):*

The Management Incentive Plan (MIP) is a short-term incentive plan with a timeframe of one year. The MIP is a worldwide incentive program designed to motivate and incentivize eligible employees for the contributions they make towards meeting the company's financial and business objectives. The plan is based on very transparent and measurable pillars:

- Earnings (group and (if applicable) business segment or unit),
- New business wins (group / business segment / unit), and
- Group cash flow.

The performance goals for the MIP are recommended by the CC and approved by the Board.

The target bonus for the CEO is 80% of gross base salary. The average actual bonus payout in the last five years for the CEO is 43.4% of gross base salary.

For all other participants the individual target bonus ranges – according to role and responsibility – between 55% and 10% of gross base salary, with the chance to achieve a maximum of 200% of the target bonus. The maximum cash bonus is capped at 100% of gross base salary.

For 2020 there was no cash bonus paid to all eligible participants under the MIP framework, as the defined fundamental qualifier (related to a certain level of earnings) was not reached.

*Management Incentive Plan / Short-Term Incentives (STI)*

Due to the overall negative effects of the COVID-19 pandemic, the company has not achieved the profitability targets for the year 2020, thus no STI bonuses were earned. However, the Board of Directors has agreed on specific bonus schemes for the two newly appointed Co-CEOs based on targets to be achieved in Q4 2020. Moreover, the company has also accrued for non-STI one-time allowances to a group of executives and middle management presented to and approved by the Compensation Committee.

*Special bonus substitute*

To reward outstanding performance during 2020 and to mitigate the unwanted negative effects from a second year without any short-term incentive, the management suggested to the CC a bonus substitute program based on new targets related to earnings and cash flow, adjusted to the new reality of a COVID recovery phase. This program amounts to 25% of the original MIP costs. This was presented and approved by the CC and it will cover the same scope of executives who normally participate into the MIP program.

*Special retention program*

As the company is pursuing multiple potential activities including M&A activities, it was determined that there was a need for securing the continued service of key members of the company management. Consequently, a retention scheme was introduced in 2019 going until the end of 2022 for selected CEO direct reports in the form of an extension of the employer notice period of 1–3 years for the respective managers.

*The company's long-term incentive plan (LTI):*

The Board of Directors has established in the past years share option programs for executives and selected managers that have been approved by shareholders in the Annual General Meeting and have been outlined in KA's Annual Report. It is the company's conviction that it is positive for long-term value creation in the group that this management population hold shares and share options in the company. In 2017, there was no grant of share options but only a cash subsidy for taken investments in shares, to ensure a transition into the new LTI system.

The new LTI plan design introduced in 2018 offers an equally weighted mix of two plan types. Half of the respective LTI target value will be allocated into performance-contingent stock options (SO), the other half is based on time-vested restricted stock units (RSU).

The vesting of the performance-contingent stock options is based on KA's Total Shareholder Return (TSR) performance against a defined relative peer group of dedicated automotive companies. Only in the case, we clearly outperform this peer group with more than one standard deviation from average will 100% of granted stock options vest. With a performance at average level of KA's peer group, 75% of options

## NOTE 28 STATEMENT OF REMUNERATION OF MANAGEMENT (CONTINUED)

will vest. If we are lower than one standard deviation from average, no manager will receive any performance-contingent stock options. The vesting period is defined as three years from grant, and the overall life-time of the plan is additionally seven years to exercise (10 years in total).

The time-vested restricted shares will have a defined vesting period of three years. In 2018 – to mitigate the cash flow impacts of the substantial pay-mix adjustment – there has been a staggered vesting for each vesting year of one third of the total restricted shares. In 2019 the staggered vesting offered 25% in year 1, 25% in year 2, and 50% in year 3.

Based on the individual LTI target of each eligible participant, the number of performance-contingent stock options and restricted shares were derived.

Approximately 150 executives (mainly KA's Global Leadership Team, the Senior Leadership Team and managers with confirmed legacy of LTI eligibility) are defined as eligible and 25 key employees at lower levels have been selected; the individual LTI target value is based on the role and responsibility and is increased with higher responsibility/grade (between 70% and 10% of base salary).

However, in 2020 in view of the global situation related to COVID-19 effects, it was decided to suspend the LTI grants for one year. For this reason, no employee received a grant in 2020. Regarding the comprehensive Share Ownership Guidelines, which includes an individual holding of shares in the amount of between 50% and 200% of gross base salary over the period of the next five years, it has been decided to prolong the compliance period for one more year, allowing participants to gather shares for six years.

### Principles for benefits

In addition to fixed and variable salary, other benefits such as health insurance, internet, and telephone might be provided. The total value of these benefits should be modest and only account for a limited part of the total remuneration package.

Principles for company car and car allowance shall be allowed to vary in accordance with local conditions.

### Pension:

Executives participate in the same pension plans as other employees within the legal entities in which they are employed.

## NOTE 29 COMMITMENTS AND GUARANTEES

### Commitments

Due to the implementation of IFRS 16, the group's operating lease commitments are now disclosed in note 14. In relation to low-value and short-term leases that are not presented as lease liabilities, the group is committed to an expected expense of MEUR 0.8 in 2021.

### Guarantees

The issued notes are guaranteed on a senior basis by:

- Parent Guarantor (Kongsberg Automotive ASA),
- Kongsberg Automotive Holding 2 AS, Kongsberg Automotive AS, Kongsberg Automotive AB, Kongsberg Power Products Systems AB, Kongsberg Driveline Systems SAS, Kongsberg Raufoss Distribution SAS, Kongsberg Actuation Systems Ltd, Kongsberg Automotive Slovakia s.r.o., Kongsberg Interior Systems Kft., Kongsberg Automotive Sp. z.o.o., Kongsberg Inc., Kongsberg Holding III, Inc., Kongsberg Actuation Systems II, LLC, Kongsberg Power Products Systems I, LLC, Kongsberg Automotive, Inc., Kongsberg Driveline Systems I, LLC, Kongsberg Interior Systems II, LLC, and KA Group AG.

### General information

A parent guarantee has been submitted for two legal entities in the United Kingdom. A statement of the legal entities for which a parent guarantee is submitted is stated in the note on group companies and participating interests.

The company has issued notices of liability in respect of the legal entities listed in the following table pursuant to the section 479C of the United Kingdom Companies Act 2006:

- Kongsberg Actuation Systems Ltd
- Kongsberg Power Products Systems Ltd

The RCF relief was granted under the condition of additional Norwegian collateral, namely real estate and operating assets of Kongsberg Automotive AS.

## NOTE 30 CONTINGENT LIABILITIES

The following is an overview of current material disputes involving either the company or its subsidiaries.

### Endeavor group, LLC v Kongsberg Power Products System I, LLC (U.S.)

Kongsberg Power Products Systems I, LLC is contesting a claim by a neighboring property owner for compensation for use of a detention

pond on the neighboring property in Willis, Texas. Water runoff from the Kongsberg property was diverted to the neighboring property at a time when both parcels were owned by a predecessor of Kongsberg. Kongsberg does not believe that the plaintiff is entitled to significant compensation.

## NOTE 31 SUBSEQUENT EVENTS

### Reverse split of the company's shares

The company has consolidated its shares by a consolidation factor of 10:1, increasing par value per share from NOK 0.10 to NOK 1. In order to facilitate the share consolidation, the company increased the share capital by NOK 0.70 (7 shares each of par value NOK 0.10) to obtain a total number of shares outstanding divisible by 10.

## NOTE 32 RELATED-PARTY TRANSACTIONS

Kongsberg Automotive ASA is listed on the Oslo Stock Exchange and is the group's ultimate parent. The group has no material transactions with related parties.

### Key management and BOD compensation

See note 26 – includes remuneration for Senior Management and the Board of Directors.

A blue-tinted photograph of a desert landscape. In the foreground, there is a signpost with a rectangular sign on the left and a vertical pole on the right. In the middle ground, a truck is driving on a road, kicking up dust. The background shows rolling sand dunes under a clear sky.

# **FINANCIAL STATEMENTS OF THE PARENT COMPANY**



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## STATEMENT OF COMPREHENSIVE INCOME

MEUR	NOTE	2020	2019
<b>Operating revenues</b>	24	2.1	10.5
<i>Operating expenses</i>			
Salaries and social expenses	5	(0.2)	(0.2)
Other operating expenses	6	(3.5)	(5.4)
Depreciation and impairment	10, 11	(0.0)	(0.0)
Amortization and impairment	9	(0.3)	(0.6)
<b>Total operating expenses</b>		<b>(4.0)</b>	<b>(6.2)</b>
<b>Operating profit / (loss)</b>		<b>(1.9)</b>	<b>4.3</b>
<i>Financial items</i>			
Financial income	7	18.9	29.7
Financial expenses	7	(31.2)	(15.5)
<b>Net financial items</b>		<b>(12.3)</b>	<b>14.2</b>
<b>Profit / (loss) before taxes</b>		<b>(14.2)</b>	<b>18.5</b>
Income taxes	8	3.5	(5.7)
<b>Net profit / (loss)</b>		<b>(10.7)</b>	<b>12.7</b>
<i>Other comprehensive income</i>			
Translation differences		(19.5)	3.0
Remeasurement of net PBO	14	0.0	0.0
<b>Other comprehensive income</b>		<b>(19.5)</b>	<b>3.0</b>
<b>Total comprehensive income for the year</b>		<b>(30.2)</b>	<b>15.7</b>

## STATEMENT OF CASH FLOWS

MEUR	NOTE	2020	2019
<i>Operating activities</i>			
Profit / (loss) before taxes		(14.2)	18.5
Depreciation	10, 11	0.0	0.0
Amortization	9	0.3	0.6
Reversal of impairment		(3.2)	0.0
Interest income	7	(18.7)	(25.3)
Interest expenses and other financial expenses	7	16.5	14.9
Taxes paid		(0.4)	(0.9)
Changes in trade receivables	12	(102.8)	(10.5)
Changes in trade payables	17	(17.1)	(6.6)
Currency differences	7	11.1	(3.8)
Dividends received	7	(0.2)	(0.6)
Changes in other items*		(1.8)	(3.5)
<b>Cash flow used by operating activities</b>		<b>(130.5)</b>	<b>(17.3)</b>
<i>Investing activities</i>			
Investments in group loans – SPE		(4.4)	0.0
Proceeds from sale of fixed assets	9, 10	0.0	(0.2)
Repayment of group loans		36.1	0.0
Investments in subsidiaries		0.1	(8.9)
Interest received	7	18.7	25.3
Dividends received	7	0.2	0.6
<b>Cash flow from investing activities</b>		<b>50.8</b>	<b>16.9</b>
<i>Financing activities</i>			
Proceeds from increases in equity		89.7	(0.0)
Payments for purchase of treasury shares		(1.3)	0.0
Interest paid	7	(16.5)	(13.9)
<b>Cash flow used by / from financing activities</b>		<b>71.9</b>	<b>(13.9)</b>
<b>Currency effects on cash</b>			
		<b>7.7</b>	<b>2.3</b>
Net change in cash		0.0	(12.0)
Net cash at January 1		0.0	12.0
<b>Net cash as at December 31</b>		<b>0.0</b>	<b>0.0</b>
Of this, restricted cash		0.0	0.0

\* Comprises changes in other current receivables, other short-term liabilities, and provisions.

## STATEMENT OF FINANCIAL POSITION

MEUR	NOTE	2020	2019
<b>ASSETS</b>			
<i>Non-current assets</i>			
Intangible assets	9	0.2	0.5
Property, plant and equipment	10	0.0	0.0
Right-of-use assets	11	0.1	0.1
Investments in subsidiaries	4	289.7	307.5
Loans to subsidiaries and other non-current assets	24	355.8	412.4
Other non-current assets		0.7	0.2
<b>Total non-current assets</b>		<b>646.4</b>	<b>720.7</b>
<i>Current assets</i>			
Trade and other receivables	12, 24	144.5	31.7
Cash and cash equivalents		0.0	0.0
<b>Total current assets</b>		<b>144.5</b>	<b>31.7</b>
<b>Total assets</b>		<b>790.9</b>	<b>752.4</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
Share capital	13	100.7	22.7
Treasury shares	13	(1.3)	0.0
Share premium		209.1	207.6
Other reserves		(36.6)	(30.4)
Retained earnings		155.5	166.2
<b>Total equity</b>		<b>427.4</b>	<b>366.1</b>
<i>Non-current liabilities</i>			
Deferred tax liabilities	8	15.2	21.0
Retirement benefit obligations	14	0.3	0.3
Interest-bearing liabilities	15	269.2	268.3
<b>Total non-current liabilities</b>		<b>284.6</b>	<b>289.6</b>
<i>Current liabilities</i>			
Current income tax liabilities	8	0.0	0.1
Trade and other payables	17, 24	78.8	96.6
<b>Total current liabilities</b>		<b>78.8</b>	<b>96.7</b>
<b>Total liabilities</b>		<b>363.4</b>	<b>386.3</b>
<b>Total equity and liabilities</b>		<b>790.9</b>	<b>752.4</b>

## STATEMENT OF CHANGES IN EQUITY

MEUR	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM	OTHER RESERVES	RETAINED EARNINGS	TOTAL EQUITY
<b>Equity as at 01.01.2019</b>	<b>22.5</b>	<b>0.0</b>	<b>205.8</b>	<b>(32.8)</b>	<b>153.5</b>	<b>349.0</b>
Equity increase	0.0		0.0			0.0
Sale of treasury shares		0.0		0.0		0.0
Share-based compensation				1.4		1.4
<i>Total comprehensive income for the year:</i>						
Profit for the year					12.7	12.7
<i>Other comprehensive income:</i>						
Translation differences	0.2		1.8	1.0		3.0
<b>Total comprehensive income for the year</b>	<b>0.2</b>	<b>0.0</b>	<b>1.8</b>	<b>1.0</b>	<b>12.7</b>	<b>15.7</b>
<b>Equity as of 31.12.2019 / 01.01.2020</b>	<b>22.7</b>	<b>0.0</b>	<b>207.6</b>	<b>(30.4)</b>	<b>166.2</b>	<b>366.1</b>
Equity increase	77.5		13.2			90.7
Purchase of treasury shares		(1.3)		0.0		(1.3)
Share-based compensation				2.1		2.1
<i>Total comprehensive income for the year:</i>						
Loss for the year					(10.7)	(10.7)
<i>Other comprehensive income:</i>						
Translation differences	0.5		(11.7)	(8.3)		(19.5)
Tax on translation differences				0.0		0.0
Remeasurement of net defined pension liability				0.0		0.0
Tax on remeasurement of net pension liability				(0.0)		(0.0)
<b>Total comprehensive income for the year</b>	<b>0.5</b>	<b>0.0</b>	<b>(11.7)</b>	<b>(8.3)</b>	<b>(10.7)</b>	<b>(30.2)</b>
<b>Equity as of 31.12.2020</b>	<b>100.7</b>	<b>(1.3)</b>	<b>209.1</b>	<b>(36.7)</b>	<b>155.5</b>	<b>427.4</b>

Kongsberg, February 25, 2021

The Board of Directors and co-CEOs ad interim of Kongsberg Automotive ASA

**Firas Abi-Nassif**  
Chairman (Sign.)

**Emese Weissenbacher**  
Board member (Sign.)

**Ellen M. Hanetho**  
Board member (Sign.)

**Gerard Cordonnier**  
Board member (Sign.)

**Peter Schmitt**  
Board member (Sign.)

**Tonje Sivesindtjet**  
Employee elected (Sign.)

**Leif Håvard Strømhaug**  
Employee elected (Sign.)

**Bjørn Ivan Ødegård**  
Employee elected (Sign.)

**Norbert Loers**  
co-CEO ad interim and CFO (Sign.)

**Robert Pigg**  
co-CEO ad interim and SVP Off-Highway (Sign.)

## NOTES

### NOTE 1 REPORTING ENTITY

Kongsberg Automotive ASA ('the company') is a limited liability company incorporated and domiciled in Norway. The address of its registered office is Dyrmyrgata 48, NO-3601 Kongsberg, Norway. The company is listed on the Oslo Stock Exchange. The company is the ultimate parent of the group and serves the purpose of holding company in the group. The information provided in the consolidated financial state-

ments covers the company to a significant degree. For a description of the operating activities of the subsidiaries of Kongsberg Automotive ASA, please refer to the consolidated financial statement of the group. The company financial statements were authorized for issue by the Board of Directors on February 25, 2021.

### NOTE 2 STATEMENT OF COMPLIANCE

The company's financial statements are prepared in accordance with simplified IFRS according to the Norwegian accounting Act § 3-9, and

regulations regarding simplified application of IFRS issued by the Ministry of Finance on January 21, 2008.

### NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The company's significant accounting principles are consistent with the accounting principles of the group, as described in note 3 of the group's Consolidated Financial Statement. Where the notes for the

company are substantially different from the notes for the group, it is shown accordingly. Otherwise, refer to the notes to the group's Consolidated Financial Statements.

### NOTE 4 INVESTMENTS IN SUBSIDIARIES

Entity name	COUNTRY OF INCORPORATION	OWNERSHIP 2020	2020	2019
Kongsberg Automotive Holding 2 AS	Norway	100%	226.8	240.8
KA Group AG	Switzerland	0%	50.7	53.8
Kongsberg Automotive (Wuxi) Ltd	China	100%	6.9	7.3
Kongsberg Automotive Ltda	Brazil	100%	2.3	2.4
Kongsberg Automotive Ltd	Korea	100%	1.7	1.8
Kongsberg Automotive (India) Private Ltd	India	100%	0.8	0.9
Kongsberg Automotive Driveline System India Ltd	India	100%	0.4	0.4
Kongsberg Automotive Japan KK	Japan	100%	0.1	0.1
Kongsberg Automotive SARL	France	100%	0.0	0.0
CTEX Seat Comfort (Holding) Ltd	Great Britain	100%	0.0	0.0
<b>Total investments in subsidiaries</b>			<b>289.7</b>	<b>307.5</b>



#### NOTE 4 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

##### Investment in Kongsberg Automotive Holding 2 AS

In 2020 there were no additional investments made in subsidiaries. The change in the carrying value of investments is fully attributable to the translation differences.

##### Impairment testing

The company has performed impairment tests on all its companies owned or financed directly by Kongsberg Automotive ASA.

The following assets have been considered for impairment: Share investments; intercompany loans to group companies, IC receivables. The impairment assessment is made on "Net Investment" level (all direct loans, receivables and share investments are considered together). Shares are impaired before loans, and loans before receivables.

In a first step, the net investment was compared to the carrying value of the equity of the respective subsidiaries. The equity carrying value is considered as a conservative valuation of the company value.

In a second step, the net investment was compared to the enterprise value. The enterprise value has been derived from the net present value of all future cash flows including terminal value. The principal model has been taken into account as well as all assumptions used for the three-year strategic planning in the cash flow estimation of each tested subsidiary.

##### Discount rate assumptions

The required rate of return was calculated using the WACC method. The same WACC was used as calculated for group impairment purposes. For details please refer to group note 15.

##### Impairment test results and conclusion

Based on the results from the impairment test performed, the company concluded that there is no requirement for impairment indicated as at 31.12.2020.

#### NOTE 5 SALARIES AND SOCIAL EXPENSES

MEUR	2020	2019
Wages and salaries	0.3	0.2
Social security tax	0.0	0.0
Pension cost (defined benefit plans)	0.0	(0.1)
Pension cost (defined contribution plans)	(0.1)	0.0
Other employee-related expenses	0.0	0.1
<b>Total salaries and social expenses</b>	<b>0.2</b>	<b>0.2</b>

The company had no employees as of 31.12.2020 and there were no employees as of 31.12.2019 either. Wage and salaries comprise directors' fees.

#### NOTE 6 OTHER OPERATING EXPENSES

MEUR	2020	2019
<i>Administrative expenses</i>		
Service costs	3.5	4.2
Other costs	0.0	1.2
<b>Total other operating expenses</b>	<b>3.5</b>	<b>5.4</b>

#### NOTE 7 FINANCIAL ITEMS

MEUR	2020	2019
Dividend and other financial income	0.2	0.6
Foreign currency gains*	0.0	3.8
Account receivables securitization – income	0.8	0.0
Interest income	17.9	25.3
<b>Total financial income</b>	<b>18.9</b>	<b>29.7</b>
Interest expense	(16.4)	(15.5)
Foreign currency losses*	(11.1)	0.0
Account receivables securitization – expense	(0.1)	0.0
Other items	(3.6)	(0.0)
<b>Total financial expenses</b>	<b>(31.2)</b>	<b>(15.5)</b>
<b>Total financial items</b>	<b>(12.3)</b>	<b>14.2</b>

\*Includes unrealized currency loss of MEUR 12.2 (2019: unrealized gain of MEUR 3.9).

#### NOTE 8 TAXES

##### Tax recognized in Statement of Income

The major components of income tax expense:

MEUR	2020	2019
Current tax on profits for the year*	(1.5)	(3.3)
Adjustments in respect of prior years – current tax	0.0	(1.7)
<b>Total current tax expense</b>	<b>(1.5)</b>	<b>(5.0)</b>
Current year change in deferred tax	5.2	(0.7)
Impact of changes in tax rates	0.0	0.0
Adjustments in respect of prior years – deferred tax	(0.2)	0.0
<b>Total change in deferred tax</b>	<b>5.0</b>	<b>(0.7)</b>
<b>Total income tax expense</b>	<b>3.5</b>	<b>(5.7)</b>

\* Includes withholding tax of MEUR 0.4 in 2020. Further details can be found in table below.

##### Tax recognized in other comprehensive income

No tax was recognized in other comprehensive income in 2020 and 2019

**NOTE 8 TAXES (CONTINUED)****Reconciliation of Norwegian nominal statutory tax rate to effective tax rate**

MEUR	2020	2019
<b>Profit / (loss) before taxes</b>	<b>(14.2)</b>	<b>18.5</b>
Expected tax calculated at Norwegian tax rate	3.1	(4.0)
Dividends (permanent differences)	0.2	0.0
Other permanent differences	2.0	0.0
Effect of withholding tax	0.4	0.0
Impact of changes in tax rates and legislation	0.0	0.0
Adjustments in respect of prior years and other adjustments	(2.2)	(1.7)
<b>Income tax (expense) / credit</b>	<b>3.5</b>	<b>(5.7)</b>
<b>Average effective tax rate</b>	<b>25%</b>	<b>31%</b>

Income tax credit of MEUR 1.0 in relation to the transaction fees related to the capital raise was recorded directly to the equity.

**Tax recognized in the Statement of Financial Position****Current tax**

MEUR	2020	2019
Current income tax receivables	0.0	0.0
Current income tax liabilities	0.0	(0.1)
<b>Total</b>	<b>0.0</b>	<b>(0.1)</b>

**Deferred tax**

MEUR	2020	2019
Deferred tax liability	(15.2)	(21.0)
<b>Total</b>	<b>(15.2)</b>	<b>(21.0)</b>

Deferred tax positions are netted within the tax entity.

**NOTE 8 TAXES (CONTINUED)****Specification of deferred tax assets / (liabilities) recognized in the Statement of Financial Position**

MEUR	OPENING BALANCE	CHARGED TO INCOME	CHANGES IN RATE	OCI	EXCHANGE DIFFERENCES	CLOSING BALANCE
Property, plant and equipment	0.1	0.0	0.0	0.0	0.0	0.1
Retirement benefits obligations	1.2	(1.1)	0.0	0.0	0.0	0.1
Losses	0.0	0.0	0.0	0.0	0.0	0.0
Account receivables	1.1	2.7	0.0	0.0	0.0	3.8
Unrealized FX on long-term receivables / payables	(23.9)	3.3	0.0	0.0	1.4	(19.2)
Other temporary differences	0.5	0.0	0.0	0.0	(0.5)	0.0
<b>Net deferred tax asset / (liability)</b>	<b>(21.0)</b>	<b>4.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.9</b>	<b>(15.2)</b>

**Tax positions not recognized**

The company had no unrecognized positions in 2020 and 2019.

**Remaining lifetime of tax losses (net tax value)**

The company had no tax loss carry forwards in 2020 and 2019.

**NOTE 9 INTANGIBLE ASSETS**

MEUR	CUSTOMER RELATIONSHIPS	SOFTWARE AND OTHER	TOTAL
Cost at 01.01.2019	0.2	4.4	4.6
Additions	0.0	0.0	0.0
Disposals accumulated cost	0.0	0.0	0.0
Translation differences on cost	0.0	0.0	0.0
<b>Acquisition costs at 31.12.2019</b>	<b>0.2</b>	<b>4.4</b>	<b>4.6</b>
Accumulated amortization at 01.01.2019	(0.2)	(3.3)	(3.5)
Amortization/impairment loss	0.0	(0.6)	(0.6)
Disposals accumulated amortization	0.0	0.0	0.0
Translation differences on amortization	0.0	0.0	0.0
<b>Accumulated amortization at 31.12.2019</b>	<b>(0.2)</b>	<b>(3.9)</b>	<b>(4.1)</b>
Cost	0.2	4.4	4.6
Accumulated amortization	(0.2)	(3.9)	(4.1)
<b>Book value at 31.12 2019</b>	<b>0.0</b>	<b>0.5</b>	<b>0.5</b>
Cost at 01.01.2020	0.2	4.5	4.6
Additions	0.0	0.0	0.0
Disposals accumulated cost	0.0	0.0	0.0
Translation differences	(0.0)	(0.3)	(0.3)
<b>Acquisition costs at 31.12.2020</b>	<b>0.2</b>	<b>4.2</b>	<b>4.4</b>
Accumulated amortization at 01.01.2020	(0.2)	(3.9)	(4.1)
Amortization/impairment loss	0.0	(0.3)	(0.3)
Disposals accumulated amortization	0.0	0.0	0.0
Translation differences	0.0	0.2	0.2
<b>Accumulated amortization at 31.12.2020</b>	<b>(0.2)</b>	<b>(4.0)</b>	<b>(4.2)</b>
Cost	0.2	4.2	4.4
Accumulated amortization	(0.2)	(4.0)	(4.2)
<b>Book value at 31.12 2020</b>	<b>0.0</b>	<b>0.2</b>	<b>0.2</b>

**NOTE 10 PROPERTY, PLANT AND EQUIPMENT (PP&E)**

MEUR	EQUIPMENT
Cost at 01.01.2019	0.8
Additions	0.0
Lease terminations	0.0
Translation differences	0.0
<b>Acquisition costs at 31.12.2019</b>	<b>0.8</b>
Accumulated depreciation at 01.01.2019	(0.8)
Depreciation / impairment loss	0.0
Lease terminations	0.0
Translation differences	0.0
<b>Accumulated depreciation at 31.12.2019</b>	<b>(0.8)</b>
Cost	0.8
Accumulated depreciation	(0.8)
<b>Book value at 31.12.2019</b>	<b>0.0</b>
Cost at 01.01.2020	0.8
Additions	0.0
Lease terminations	0.0
Translation differences	(0.0)
<b>Acquisition costs at 31.12.2020</b>	<b>0.8</b>
Accumulated depreciation at 01.01.2020	(0.8)
Depreciation / impairment loss	(0.0)
Lease terminations	0.0
Translation differences	0.0
<b>Accumulated depreciation at 31.12.2020</b>	<b>(0.8)</b>
Cost	0.8
Accumulated depreciation	(0.8)
<b>Book value at 31.12.2020</b>	<b>0.0</b>

## NOTE 11 RIGHT-OF-USE ASSETS

MEUR	BUILDINGS	TOTAL
Cost at 01.01.2019	0.0	0.0
Additions	0.2	0.2
Disposals accumulated cost	0.0	0.0
<b>Acquisition costs at 31.12.2019</b>	<b>0.2</b>	<b>0.2</b>
Accumulated depreciation at 01.01.2019	0.0	0.0
Depreciation	(0.1)	(0.1)
Disposals accumulated depreciation	0.0	0.0
<b>Accumulated depreciation at 31.12.2019</b>	<b>(0.1)</b>	<b>(0.1)</b>
Cost	0.2	0.2
Accumulated depreciation	(0.1)	(0.1)
<b>Book Value at 31.12 2019</b>	<b>0.1</b>	<b>0.1</b>
Cost at 01.01.2020	0.2	0.2
Additions	0.0	0.0
Disposals accumulated cost	0.0	0.0
<b>Acquisition costs at 31.12.2020</b>	<b>0.2</b>	<b>0.2</b>
Accumulated depreciation at 01.01.2020	(0.1)	(0.1)
Depreciation	(0.0)	(0.0)
Disposals accumulated depreciation	0.0	0.0
<b>Accumulated depreciation at 31.12.2020</b>	<b>(0.1)</b>	<b>(0.1)</b>
Cost	0.2	0.2
Accumulated depreciation	(0.1)	(0.1)
<b>Book Value at 31.12 2020</b>	<b>0.1</b>	<b>0.1</b>

### Lease liabilities

MEUR	2020	2019
Non-current lease liabilities	0.1	0.1
Current lease liabilities	0.0	0.0
<b>Total lease liabilities</b>	<b>0.1</b>	<b>0.1</b>

### Maturity analysis – contractual undiscounted cash flows

MEUR	2020	2019
Within one year	0.1	0.1
One to five years	0.1	0.1
More than five years	0.0	0.0
<b>Total undiscounted lease liabilities</b>	<b>0.2</b>	<b>0.2</b>

## NOTE 12 TRADE AND OTHER RECEIVABLES

During 2019, the group changed from a notional cash pool under Kongsberg Automotive ASA to a physical cash pool with KA Group AG as the master header for the group and Kongsberg Automotive ASA as a sub-header for some of the European entities. Therefore, the company held no cash as at 31 December 2020 and its cash held by KA Group AG was included as In-house bank under trade and other receivables.

### Specification of trade and other receivables

MEUR	2020	2019
Trade receivables	0.0	0.0
Short-term group loans and receivables	21.1	20.4
In-house bank	122.7	11.1
Other short-term receivables	0.5	0.0
<b>Receivables</b>	<b>144.3</b>	<b>31.5</b>
Prepayments	0.2	0.1
<b>Total trade and other receivables</b>	<b>144.5</b>	<b>31.7</b>

### Receivables by currency

MEUR	2020	2019
NOK	125.3	1.5
EUR	19.1	18.7
USD	0.0	11.5
Other	0.1	0.0
<b>Total trade and other receivables</b>	<b>144.5</b>	<b>31.7</b>

## NOTE 13 SHARE CAPITAL

Refer to note 18 in the group's statements.

## NOTE 14 RETIREMENT BENEFIT OBLIGATIONS

### Retirement benefit obligations recognized in the Statement of Financial Position

MEUR	2020	2019
Defined benefit pension obligation	0.0	0.0
Top hat, retirement provisions and other employee obligations	0.3	0.3
<b>Retirement benefit obligations</b>	<b>0.3</b>	<b>0.3</b>

## NOTE 14 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

### Defined benefit scheme – assumptions

MEUR	2020	2019
Discount rate	0.0%	2.6%
Rate of return on plan assets	0.0%	2.6%
Salary increases	0.0%	2.8%
Increase in basic government pension amount	0.0%	2.5%
Pension increase	0.0%	2.5%

### Defined benefit scheme – net periodic pension cost

The company had no defined benefit scheme – net periodic pension costs in 2020 and 2019.

### Defined benefit scheme – net pension liability

MEUR	2020	2019
<i>Pension liabilities and assets:</i>		
Projected benefit obligation (PBO)	0.0	0.0
Fair value of pension assets	0.0	0.0
Unrecognized effects	0.0	0.0
<b>Net pension liability before social security taxes</b>	<b>0.0</b>	<b>0.0</b>
Social security taxes liabilities	0.0	0.0
<b>Net pension liability</b>	<b>0.0</b>	<b>0.0</b>

### Specification of carrying value of net pension liability

MEUR	2020	2019
Retirement benefit obligation	0.0	0.0
Retirement benefit asset	0.0	0.0
<b>Net pension liability</b>	<b>0.0</b>	<b>0.0</b>

### Defined benefit scheme – change in net pension liability

MEUR	2020	2019
Net pension liability as at 01.01.	0.0	0.1
Pension cost for the year	0.0	0.0
Remeasurement of net defined benefit liability	0.0	0.0
Paid pensions	0.0	(0.1)
Pension plan contributions	0.0	0.0
Translation differences	0.0	0.0
<b>Net pension liability as at 31.12.</b>	<b>0.0</b>	<b>0.0</b>

### Expected pension payment:

No pension payment for 2021 is expected as the net pension liability as of 31.12.2020 amounted to MEUR 0.0.

## NOTE 15 INTEREST-BEARING LIABILITIES

### Interest-bearing liabilities as presented in the Statement of Financial Position

MEUR	2020	2019
Non-current interest-bearing loans*	274.0	274.0
Capitalized arrangement fees**	(4.9)	(5.8)
Interest-bearing lease liabilities	0.1	0.1
<b>Total interest-bearing liabilities</b>	<b>269.2</b>	<b>268.3</b>

\* Relates to the loan granted by KA Group AG.

\*\* Relates to the bond fees paid by Kongsberg Automotive ASA on behalf of Kongsberg Actuation Systems BV.

### Specification of total interest-bearing liabilities

MEUR	2020	2019
EUR	274.0	274.0
NOK	0.1	0.1
Capitalized arrangement fee	(4.9)	(5.8)
<b>Total interest-bearing liabilities</b>	<b>269.2</b>	<b>268.3</b>

### Changes in non-current interest-bearing liabilities

MEUR	2020	2019
Opening balance at 01.01.	268.3	267.3
Net cash flows	0.0	0.0
Foreign exchange movement	15.5	(2.4)
Translation effect	(15.5)	2.4
Other	0.9	1.0
<b>Closing balance at 31.12.</b>	<b>269.2</b>	<b>268.3</b>

## NOTE 16 RISK MANAGEMENT

The company's risk management is an integral part of the group's risk management. Refer to note 23 of the group's statements for the further information.

### Currency exposure

Management is monitoring the currency exposure on a group level. The group's treasury function uses the debt structure and profile to balance

some of the net exposure of the cash flow from operations. The group's treasury function regularly evaluates the use of hedging instruments but currently has low usage of such instruments.

### Interest risk

The company is exposed to very limited interest risk.

## NOTE 17 TRADE AND OTHER PAYABLES

### Specification of trade and other payables as presented in the Statement of Financial Position

MEUR	2020	2019
Trade payables	1.0	0.1
Short-term group liabilities	77.4	95.4
Accrued expenses	0.4	1.1
<b>Total trade and other payables</b>	<b>78.8</b>	<b>96.6</b>

### Provisions

The company had no provision as of December 31, 2020 and December 31, 2019.

### Maturity structure

MEUR	ACCRUED EXPENSES	TRADE PAYABLES	TOTAL 2020
Repayable 0–3 months after year-end	0.2	1.0	1.2
Repayable 3–6 months after year-end	0.1	0.0	0.1
Repayable 6–9 months after year-end	0.0	0.0	0.0
Repayable 9–12 months after year-end	0.1	0.0	0.1
<b>Total</b>	<b>0.4</b>	<b>1.0</b>	<b>1.4</b>

## NOTE 18 REMUNERATION AND FEES FOR MANAGEMENT, BOARD OF DIRECTORS, AND AUDITORS

Refer to note 26 in the group's consolidated financial statements.

## NOTE 19 SHARES OWNED BY MANAGEMENT AND BOARD OF DIRECTORS AS AT DECEMBER 31, 2020

Refer to note 27 in the group's consolidated financial statements.

## NOTE 20 STATEMENT OF REMUNERATION OF MANAGEMENT

Refer to note 28 in the group's consolidated financial statements.

## NOTE 21 COMMITMENTS AND GUARANTEES

### Guarantees

Some subsidiaries require a financial support guarantee from the Parent to satisfy the going concern assumption. The company has issued guarantees towards suppliers of subsidiaries. The risk exposure is assessed to be immaterial.

The total value of guarantees given by the Parent to subsidiaries is at MEUR 32.1 and MUS\$ 10.0.

In relation to the offering of senior secured notes, the company is the parent guarantor.

## NOTE 22 CONTINGENT LIABILITIES

Refer to note 30 in the group's consolidated financial statements.

## NOTE 23 SUBSEQUENT EVENTS

### Reverse split of the company's shares

The company has consolidated its shares by a consolidation factor of 10:1, increasing par value per share from NOK 0.10 to NOK 1.0. In order to facilitate the share consolidation, the company increased the share capital by NOK 0.70 (7 shares each of par value NOK 0.10) to obtain a total number of shares outstanding divisible by 10.

## NOTE 24 RELATED-PARTY TRANSACTIONS

The group's ultimate parent is Kongsberg Automotive ASA. The company has carried out the following transactions with related parties:

### Specification of revenues – Type of services

MEUR	2020	2019
Group benefits fees from subsidiaries	0.0	2.8
Service fee from KA Group AG	2.1	7.7
<b>Operating revenues</b>	<b>2.1</b>	<b>10.5</b>

Since 2017, the group benefit fee has been replaced by a new service fee from KA Group AG covering Kongsberg Automotive ASA's services benefiting the group. From 2018 onwards, the group benefit fee comprises trademark fees from KA Group AG. Due to the transfer price adjustments triggered by the COVID-19 pandemic the trademark fee as well as a mark-up on service fee were set to zero.

### Specification of revenues – Revenues by geographical location

MEUR	2020	2019
Switzerland	2.1	10.5
<b>Operating revenues</b>	<b>2.1</b>	<b>10.5</b>

## NOTE 24 RELATED-PARTY TRANSACTIONS (CONTINUED)

### Outstanding loans to other group companies

Loans to other group companies

MEUR	2020	2019
Kongsberg Automotive Holding 2 AS	336.7	355.8
Kongsberg Automotive Sp. z.o.o.	0.0	18.6
Kongsberg Automotive AB	11.5	11.0
Kongsberg Actuation Systems S.L.	(0.0)	10.0
Kongsberg Automotive Slovakia s.r.o.	(0.0)	10.0
Kongsberg Automotive Finance BV	4.4	0.0
Other group companies	3.2	7.0
<b>Total outstanding loans with other group companies</b>	<b>355.8</b>	<b>412.4</b>

Most of the company's loans to group companies have due dates exceeding one year. The interest rate on loans to group companies consist of the reference rate in the respective currency plus a margin. Margins on new intercompany loans are determined according to Moody's rating methodology.

### Short-term group receivables

MEUR	2020	2019
Kongsberg Actuation Systems S.L.U.	10.1	0.0
Kongsberg Driveline Systems GmbH	5.7	0.0
Kongsberg Automotive Hong Kong Ltd	0.0	11.2
Kongsberg Automotive (Wuxi) Ltd.	2.1	3.8
KA Group AG	0.8	0.5
Kongsberg Automotive Driveline Systems (India) Private Limited	0.0	0.8
Other group companies	2.4	4.0
<b>Total outstanding receivables to other group companies</b>	<b>21.1</b>	<b>20.4</b>

Current assets and liabilities have due dates within one year. The outstanding accounts are repayable on demand based on available liquidity in the respective subsidiary.

### Outstanding liabilities with other group companies

MEUR	2020	2019
Trade and other payable group companies*	77.4	95.4
<b>Total</b>	<b>77.4</b>	<b>95.4</b>

\* Mainly group contribution to Kongsberg Automotive Holding 2 AS (MEUR 68.9).

# CORPORATE GOVERNANCE



# CORPORATE GOVERNANCE

## 1 IMPLEMENTATION OF THE PRINCIPLES FOR CORPORATE GOVERNANCE

Kongsberg Automotive (KA)'s guidelines for Corporate Governance conform to the Norwegian Code of Practice for Corporate Governance of October 17, 2018 and the company's compliance with the 15 recommendations of the Code is explained in the following.

The Board of Directors has defined the company's core values which are reflected in the company's Code of Conduct. The Code of Conduct includes ethical guidelines and guidelines for corporate social responsibility, hereunder a ban on bribery, corruption and facilitation payments, prohibition of unlawful discrimination, and prohibition of forced and child labor. All suppliers to the company are required to confirm their adherence to these principles by signing a particular certificate. The company has further clear policies on environmental issues and health and safety. The policies are available on the company's website.

## 2 DEFINITION OF KA'S BUSINESS

The objective of the group is defined in the Articles of Association for the company, article 2:

*The company's objective is to engage in the engineering industry and other activities naturally related thereto, and the company shall emphasize development, marketing and manufacturing of products to the car industry. The company shall be managed in accordance with general business practice. The company may co-operate with, establish and participate in other companies.*

Article 2 provides a clear description of the actual business of the company at present. Further, the annual report contains a description of the company's objectives and principal strategies. The Board of Directors evaluates the company's objectives, strategies, and risk profile every year.

## 3 EQUITY AND DIVIDENDS

The company shall have an equity capital which over a period of time is at an appropriate level for its objective, strategy, and risk profile.

The company's Dividends Policy of November 26, 2015, states the following:

*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.*

In 2020, the share capital of KA was increased by a private placement of NOK 700,000,000 and a subsequent offering of NOK 300,000,000 to a total of NOK 1,044,799,101.20. Prior to the increase, the share capital had been reduced by reduction of the nominal value of each share from NOK 0.50 to NOK 0.10. The decrease and subsequent increase of the share capital was resolved in an Extraordinary General Meeting on June 15, 2020.

The share capital was subsequently increased to NOK 1,054,860,643.30 on August 4, 2020 following the issuance of 100,615,421 new shares to fulfil KA's long-term incentive plan.

The General Meeting held on June 30, 2020 granted a mandate to the Board of Directors to increase the share capital by up to NOK 36,000,000 for the purposes of fulfilling the long-term incentive plans.

The General Meeting of June 30, 2020 further granted a mandate to purchase up to 744,799,101 treasury shares.

The above mandates are time limited and expire at the earlier of the next ordinary General Meeting or June 30, 2021.



#### 4 EQUAL TREATMENT OF SHAREHOLDERS & TRANSACTIONS WITH RELATED PARTIES

KA has only one class of shares and all shareholders in KA enjoy equal rights. Transactions in own shares are carried out through the stock exchange or at prevailing stock exchange prices. Possible buybacks will be carried out at market prices.

In the event of transactions between the company and its shareholders, board directors or members of the executive management, or parties closely associated with such parties, an independent valuation will be obtained if such transactions are not immaterial, provided that the transactions are not to be approved by the General Meeting according to law. An independent valuation will also be obtained for transactions within the same group of companies even if such companies involved have minority shareholdings.

There have not been any significant transactions in 2020 between the company's shareholders, board directors or members of the executive management, or parties closely associated with such parties and the company.

#### 5 SHARES AND NEGOTIABILITY

The shares in KA are freely negotiable and there are no restrictions on negotiability of the shares.

#### 6 GENERAL MEETINGS

The notice of calling the General Meeting is published on the company's website: [www.kongsbergautomotive.com](http://www.kongsbergautomotive.com) no later than 21 days prior to the meeting. Furthermore, the notice is sent to all known shareholders on the same date. Supporting information, such as proposals for resolutions to be considered by the General Meeting and recommendations by the Nomination Committee, are enclosed with the notice and also made available on the website at the same time. The supporting material is sufficiently detailed and comprehensive to allow all shareholders to form a view on all matters to

be considered at the General Meeting. Documents that according to law shall be distributed to the shareholders may, according to the Articles of Association, be made available on the company's website.

Shareholders who wish to attend the General Meeting shall, according to the Articles of Association, notify the company or its announced representative no later than five days prior to the General Meeting.

The notice calling the General Meeting will provide information on procedures the shareholders must observe at the General Meeting, including the procedure for representation by proxy.

Shareholders who cannot attend the General Meeting may vote by proxy. Forms for the granting of proxies are enclosed with the summons to the General Meetings and are available on the website. The form of proxy includes provisions that allows for instructions on the voting on each individual agenda item. The company will nominate a person who will be available to vote on behalf of the shareholders as their proxy.

To the extent possible, members of the Board of Directors, the Nomination Committee, the Auditor, the Chief Executive Officer, and the Chief Financial Officer will be present at the General Meeting.

The General Meetings are usually opened by the Chairman of the Board of Directors. A person that is independent of the Board of Directors, the management, and the major shareholders is elected to chair the General Meeting and the shareholders are encouraged to propose candidates.

The General Meeting follows a procedure that allows the shareholders to vote on each individual matter, including on each individual candidate nominated for election.

The company's website will further provide information regarding the right of the shareholders to propose matters to be considered by the General Meeting.

The Articles of Association for the company do not prescribe any exception from chapter five of the Act on Public Limited Liability Companies.

#### 7 THE NOMINATION COMMITTEE

It follows from the Articles of Association for the company §5 that the company shall have a Nomination Committee consisting of three members elected by the General Meeting for three years at a time unless the General Meeting resolves otherwise. To ensure continuity, one member of the committee will normally be elected at each ordinary General Meeting.

The duties of the Nomination Committee are to propose candidates to the Board of Directors and to propose remuneration to the directors and members of the board committees.

The members of the Nomination Committee for 2020/2021 are Tor Himberg-Larsen (chairman), Synnøve Gjønnnes, and Lasse Johan Olsen.

The members of the Nomination Committee are independent of the board directors and the management and may not have other functions in the company. The General Meeting has adopted an instruction for the Nomination Committee, which is available on the company's website. The Committee's nominations and recommendations shall be enclosed with the summons for the General Meeting and be available on the company's website. The Nomination Committee stays in regular contact with major shareholders, board directors, and management.

The Nomination Committee's recommendation to the General Meeting includes reasons for its recommendation and relevant background information for the nominated candidates and current directors and furthermore an assessment of how the candidates meet the company's needs for expertise, capacity, and diversity.

Information about the Nomination Committee and the deadlines for submitting proposals to the Nomination Committee is available on the company's website, where the shareholders are encouraged to propose candidates for directorships.

The remuneration to the Nomination Committee is determined by the General Meeting.

#### 8 BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

The Board of Directors shall, according to the Articles of Association of the company, consist of three to nine members, of whom up to five members shall be elected by the General Meeting. The Board of Directors elects its chairman according to §6-1,2,2 of the Public Limited Liability Companies Act. The Board consists, at present, of the following directors elected by the General Meeting: Firas Abi-Nassif (chair), Ellen M. Hanetho, Emese Weissenbacher, Gerard Cordonnier, and Peter Schmitt. The following directors are elected by and among the employees: Tonje Sivesindtjet, Bjørn Ivan Ødegaard, and Leif Håvard Strømhaug. All directors of the Board elected by the General Meeting are elected for periods of one year and are eligible for re-election. All board elections are based on a simple majority. The Board directors are independent of the executive management and material business contacts of the company. More than two of the Board directors elected by the General Meeting are independent of the main shareholders.

Participation in board meetings and board committees in 2020 was as follows:

	BOARD MEETINGS	COMPENSATION COMMITTEE	AUDIT COMMITTEE
FIRAS ABI-NASSIF	24	3	
ELLEN M. HANETHO	25		7
EMESE WEISSENBACHER	17		7
GERARD CORDONNIER	24	3	1
PETER SCHMITT	25	3	
TONJE SIVESINDTJET	25	2	
BJØRN IVAN ØDEGÅRD	24		
LEIF HÅVARD STRØMHAUG	22		
JON-IVAR JØRNBY	2		

Leif Håvard Strømhaug replaced Jon Ivar Jørnby who resigned from the company as of January 31, 2020.

Due to COVID-19, all board meetings except two in January and February have been held as telephone conferences or through "Microsoft Teams".

Information about the shareholdings of the directors of the Board is included in the annual report and also available on the company's website.

## 9 THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors holds the ultimate responsibility for managing the group and for monitoring the day-to-day management and the group's business activities. The Board of Directors is also responsible for the establishment of control systems for the group. The Board's responsibilities further include the development and adoption of the company's strategies.

The Board of Directors has issued Rules of Procedure for the Board as well as instructions for the Chief Executive Officer of the company with the aim of establishing clear internal allocation of responsibilities and duties. Said procedure and instructions are available on the company's website. The Board schedules at least six board meetings per year. Additional board meetings are held when deemed necessary. The Board hires the CEO, defines the work instructions, and decides on the CEO's remuneration.

The Board of Directors has appointed a Compensation Committee and an Audit Committee. The members of said committees are independent of the executive management. The authority of the committees is to make recommendations to the Board.

The Board of Directors evaluates its performance and expertise regularly by self-assessment. The assessment is usually executed by questionnaires which are completed by each director, followed by a common review.

## 10 RISK MANAGEMENT, INTERNAL CONTROL AND FINANCIAL REPORTING

### 10.1 RISK MANAGEMENT AND INTERNAL CONTROL

Risk assessment is a management responsibility. Its objective is to identify, evaluate and manage risks that could reduce the individual unit's ability to reach its goals.

Developments in the automotive industry represent a material risk factor for the group's performance. Analyses are performed to estimate the impact of different development scenarios within the industry on the group's future performance and financial strength. This provides important input to the Board's overall discussions of risk appetite and risk allocation.

Assessment of operational risk is linked to the unit's ability to reach goals and implement plans. The process covers risks deriving from losses and failing profitability associated with economic cycles, altered framework conditions, changed customer behavior, etc., and the risk of losses resulting from inadequate or failing internal processes, systems, human error, or external events.

The assessment and handling of risk are integrated into the group's value-based management system. The management system is intended to ensure that there is a correlation between objectives and actions at all levels of the group, and the general principle of value creation for KA's stakeholders.

The group has a separate, independent Internal Auditing unit that has set up an internal auditing program. The manager of Internal Audit reports to the Board Audit Committee and to the CFO. Audit reports are sent to Group Management following each internal audit. The group's Board of Directors, including the Audit Committee, is kept informed on current status and approves the auditing program.

The group has implemented a Delegation of Authority (DOA) policy that defines the level of authority on company business decision-making and ensures effective entrepreneurial leadership. The DOA governs, for example, decisions on quotations to customers and investments in capital equipment.

### 10.2 FINANCIAL REPORTING

The Kongsberg Automotive group publishes quarterly financial statements in addition to the annual report. Internal reports are produced monthly and quarterly, in which the performance of each business area and product

segment is analyzed and evaluated against forecasts. KA's consolidated financial statements are prepared by the group accounting team, which reports to the Group CFO.

Prior to discussions with the Board, the Audit Committee performs a preliminary review of the quarterly financial statements and annual report with particular emphasis on subjective valuations and estimates that have been made. The external auditor attends all Audit Committee meetings.

A number of risk assessment and control measures are established in connection with the publication of the financial statements. Internal meetings are held with the business areas and subsidiaries, as well as a meeting with the external auditor, to identify risk factors and measures associated with material accounting items or other circumstances. Similar meetings are also held quarterly with various professional environments within the group, with a particular focus on any market changes, specific circumstances relating to individual investments, transactions, and operating conditions, etc.

The group addresses frequently occurring items affecting the accounting, recordkeeping, internal accounting controls, and financial reporting within the consolidated group through the KA Finance Manual. The document contains the most relevant accountancy- and reporting-related issues for all reporting units and sets presidency for a distinctive reporting throughout the group. The KA reporting process follows a standard schedule applicable to all reporting units.

Key members of the group accounting team receive a fixed annual compensation that is not affected by the group's financial performance. The segregation of duties in the preparation of the financial statements is such that the group accounting team shall not itself carry out asset valuations but shall perform a control to ensure compliance with the group companies' accounting processes.

## 11 REMUNERATION TO THE BOARD OF DIRECTORS

The remuneration paid to each Board director is specified in the notes to the annual accounts. The remuneration is proposed by the Nomination Committee and approved by the General Meeting. The directors hold no other assignment in the company than the directorships to the Board and memberships to committees to the Board.

The Board directors are not entitled to performance-related compensation and are not granted or entitled to any share options. The Board directors were not awarded any KOA shares in 2020. The Board directors did not receive any compensation from the company other than the remuneration for the directorship and remuneration for Board committees work as described in note 26.

## 12 REMUNERATION TO THE EXECUTIVE MANAGEMENT

The Board of Directors has established guidelines for the remuneration to the executive management. The remuneration to the management is reviewed annually by the Compensation Committee and the Board. The guidelines are available on the company's website and are presented to the annual General Meeting for advisory vote. Information about the remuneration paid to the executive management of the company is included in the notes to the annual accounts. Performance-related remunerations such as bonuses and share option programs are based on the company's financial results and are subject to absolute limits.

## 13 INFORMATION AND COMMUNICATION

The Board of Directors has established guidelines for the company's reporting of financial and other information based on openness and compliance with the requirement for equal treatment of all participants in the securities market. A financial calendar for the company is available on the company's website.

# DECLARATION TO THE ANNUAL REPORT 2020

All information distributed to the shareholders is made available simultaneously on the company's website.

## 14 TAKEOVERS

The Board of Directors has established guiding principles for how it will act in the event of a takeover bid. These are compliant with article 14 of the Code of Practice. The main elements of these principles are included in the Rules of Procedures for the Board of Directors and available on the company's website.

There are no defense mechanisms in the Articles of Association for the company or any underlying documents, nor are there implemented any measures to limit the opportunity to acquire shares in the company.

If an offer is made for the company's shares, the company's Board of Directors shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. The Board should consider whether to arrange a valuation by an independent expert.

The Board of Directors shall not seek to hinder or obstruct takeover bids for the company's activities or shares unless there are particular reasons for this.

## 15 AUDITOR

The Auditor presents the main elements of the plan for the auditing of the company to the Audit Committee on an annual basis. The Auditor participates in the meetings with the Audit Committee and in the board meeting that approves the financial statements and further, meets with the Board without the management of the company present at least once a year. The Auditor reviews the internal controls of the company and presents the result of the review to the Audit Committee annually together with identified weaknesses, if any, and proposals for improvements. The company has established guidelines for the Auditor's and associated persons' non-auditing work. Compensation to the Auditor is disclosed in a note to the Annual Accounts hereto and is also reported and approved by the General Meeting.

February 25, 2021

## Responsibility Statement

The co Chief Executive Officers ad interim and the Board of Directors confirm, to the best of their knowledge, that the financial statements for the period January 1 to December 31, 2020, have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the organization's and the group's assets, liabilities, financial position, and profit or loss of the entity and the group taken as a whole. They also confirm that the Board of Directors' report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risk and uncertainties facing the entity and the group.

Kongsberg, February 25, 2021

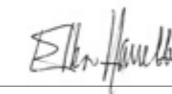
The Board of Directors and co-CEOs ad interim of Kongsberg Automotive ASA



**Firas Abi-Nassif**  
Chairman



**Emese Weissenbacher**  
Board member



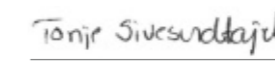
**Ellen M. Hanetho**  
Board member



**Gerard Cordonnier**  
Board member



**Peter Schmitt**  
Board member



**Tonje Sivesindtjæt**  
Employee elected



**Leif Håvard Strømhaug**  
Employee elected



**Bjørn Ivan Ødegård**  
Employee elected



**Norbert Loers**  
co-CEO ad interim and CFO



**Robert Pigg**  
co-CEO ad interim and SVP Off-Highway

# AUDITOR'S REPORT



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To the General Meeting of Kongsberg Automotive ASA

INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Kongsberg Automotive ASA, which comprise:

- The financial statements of the parent company Kongsberg Automotive ASA (the Company), which comprise the statement of financial position as at 31 December 2020, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Kongsberg Automotive ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2020, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Organisasjonsnummer: 980 211 282

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### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is:

- Impairment of goodwill and other intangible assets, right of use assets and property, plant and equipment (non-current assets)

### Impairment of goodwill and other intangible assets, right of use assets and property, plant and equipment (non-current assets)

Key audit matter	How the matter was addressed in the audit
Refer to note 15 to the Group financial statements for description of management's impairment testing process and key assumptions.	We challenged management's assumptions used in its impairment model for assessing the recoverability of the carrying value of goodwill and non-current assets. We focused on the appropriateness of CGU identification, methodology applied to estimate recoverable values, discount rates and forecasted cash flows. Specifically:
As disclosed in note 15 the carrying value of goodwill and non-current assets amounted to EUR 416.4 million at 31 December 2020. Impairment losses of EUR 82.6 million, of which EUR 58.7 million related to goodwill, were recognized in 2020.	<ul style="list-style-type: none"> <li>• We obtained a detailed understanding of management's process for performing the CGU impairment assessment. As part of this we assessed the design and implementation of the key controls.</li> <li>• We tested the methodology applied to estimate recoverable values as compared to the requirements of IAS 36, Impairment of assets;</li> <li>• We tested the mathematical accuracy of management's impairment models;</li> <li>• We obtained an understanding of and assessed the basis for the key assumptions for the Group's three-year strategic plan;</li> <li>• We evaluated and challenged management's cash flow forecasting included in the three-year plan and the growth rate beyond with reference to the recent and historical performance of the CGU's and external market forecasts and by performing sensitivity analysis;</li> <li>• We assessed the discount rate applied by benchmarking against independent data.</li> </ul>
Management's annual impairment testing is based on the Group's strategic three-year plan, adjusted for relevant recent changes in internal short-term forecasts and market data. Changes in these assumptions could have a significant impact on the value of goodwill and non-current assets.	
Transparent disclosures and clarity about sensitivities to key assumptions used in the valuations are critical to inform readers how management has made their assessments, given the uncertainty associated with the valuation of the recoverable amounts.	
Due to the inherent uncertainty involved in the forecasting and discounting of future cash flows, which are the basis of the assessment of recoverability of the cash generating units (CGU) and the level of management judgement involved, this has been identified as a key audit matter.	

<i>Impairment of goodwill and other intangible assets, right of use assets and property, plant and equipment (non-current assets)</i>	
<b>Key audit matter</b>	<b>How the matter was addressed in the audit</b>
	<p>We used Deloitte valuation specialists in our audit of the carrying value of goodwill and non-current assets.</p> <p>We considered the appropriateness of the related disclosures provided in note 15.</p>

**Other information**

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors and the Managing Directors for the Financial Statements**

The Board of Directors and the Managing Directors (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# ALTERNATIVE PERFORMANCE MEASURES (APM)

## Deloitte.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

#### Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

#### Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 25 February 2021  
Deloitte AS

Espen Johansen  
State Authorised Public Accountant (Norway)

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

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

- Operating profit / (loss) – EBIT / Adjusted EBIT
- EBITDA / Adjusted EBITDA
- Free Cash Flow
- NIBD
- Capital Employed
- Adjusted ROCE

### Operating profit / (loss) – EBIT/Adjusted EBIT

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

unusual or non-recurring nature in connection with the considered restructuring of the activities of the group.

EBIT is used as a measure of operational profitability. Consequently, the group also reports the adjusted EBIT, which is the EBIT excluding restructuring items and impairment losses.

2020

MEUR	INTERIOR	POWERTRAIN & CHASSIS	SPECIALTY PRODUCTS	OTHERS	GROUP
<b>Operating profit / (loss)</b>	<b>(61.4)</b>	<b>(32.8)</b>	<b>43.1</b>	<b>(25.0)</b>	<b>(76.2)</b>
Restructuring costs	0.0	0.0	0.0	0.1	0.2
Additional salaries and social expenses	0.5	1.7	0.5	2.7	5.4
Other additional operating expenses	0.0	0.1	(1.2)	(0.3)	(1.3)
Impairment losses	52.3	30.4	0.0	0.0	82.7
<b>Adjusted EBIT</b>	<b>(8.6)</b>	<b>(0.6)</b>	<b>42.4</b>	<b>(22.5)</b>	<b>10.7</b>
<i>Adjusted EBIT margin</i>	-3.2%	-0.2%	13.1%		1.1%

2019

MEUR	INTERIOR	POWERTRAIN & CHASSIS	SPECIALTY PRODUCTS	OTHERS	GROUP
<b>Operating profit / (loss)</b>	<b>9.8</b>	<b>18.7</b>	<b>56.8</b>	<b>(22.8)</b>	<b>62.4</b>
Restructuring costs	0.5	0.2	(0.9)	0.0	(0.2)
Additional salaries and social expenses	0.0	(0.0)	0.0	0.6	0.6
Other additional operating expenses	0.0	0.0	3.0	5.1	8.1
<b>Adjusted EBIT</b>	<b>10.3</b>	<b>19.0</b>	<b>58.8</b>	<b>(17.2)</b>	<b>70.9</b>
<i>Adjusted EBIT margin</i>	3.4%	4.1%	14.9%		6.1%

## EBITDA / Adjusted EBITDA

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

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

2020

MEUR	INTERIOR	POWERTRAIN & CHASSIS	SPECIALTY PRODUCTS	OTHERS	GROUP
<b>Operating profit / (loss)</b>	<b>(61.4)</b>	<b>(32.8)</b>	<b>43.1</b>	<b>(25.0)</b>	<b>(76.2)</b>
Depreciation & Write-off of tangible assets	16.4	14.6	11.0	1.7	43.7
Amortization & Write-off of intangible assets	0.3	5.2	0.4	0.3	6.2
<b>EBITDA</b>	<b>(44.8)</b>	<b>(13.0)</b>	<b>54.5</b>	<b>(23.0)</b>	<b>(26.3)</b>
Restructuring items	0.5	1.8	(0.7)	2.6	4.2
Impairment losses	52.3	30.4	0.0	0.0	82.7
<b>Adjusted EBITDA</b>	<b>8.0</b>	<b>19.2</b>	<b>53.9</b>	<b>(20.5)</b>	<b>60.6</b>
<i>Adjusted EBITDA margin</i>	2.9%	5.2%	16.6%		6.2%

2019

MEUR	INTERIOR	POWERTRAIN & CHASSIS	SPECIALTY PRODUCTS	OTHERS	GROUP
<b>Operating profit / (loss)</b>	<b>9.8</b>	<b>18.7</b>	<b>56.8</b>	<b>(22.8)</b>	<b>62.4</b>
Depreciation	12.9	16.2	11.7	2.1	42.9
Amortization	0.6	2.9	1.0	0.6	5.1
<b>EBITDA</b>	<b>23.3</b>	<b>37.9</b>	<b>69.4</b>	<b>(20.2)</b>	<b>110.4</b>
Restructuring items	0.5	0.2	2.1	5.6	8.5
<b>Adjusted EBITDA</b>	<b>23.8</b>	<b>38.1</b>	<b>71.5</b>	<b>(14.6)</b>	<b>118.9</b>
<i>Adjusted EBITDA margin</i>	7.8%	8.3%	18.1%		10.2%

## Free Cash Flow

Free Cash Flow is measured based on sum of cash flow from operating activities, investing activities, financial activities and currency effects on cash (together described as Change in cash), excluding net draw-down/repayment of debt and proceeds received from capital increase/purchase of treasury shares.

The group considers that this measurement illustrates the amount of cash the group has at its disposal to pursue additional investments or to repay debt.

MEUR	2020	2019
Cash flow from operating activities	74.1	51.4
Cash flow used by investing activities	(58.6)	(63.3)
Cash flow used by/from financing activities	41.6	(22.9)
Currency effects on cash	(14.9)	0.7
<i>Add back /less:</i>		
Proceeds from capital increase	(89.7)	0.0
Purchase of treasury shares	1.3	0.0
Net draw-down/repayment of debt	9.3	(10.3)
<b>Free Cash Flow</b>	<b>(37.0)</b>	<b>(44.3)</b>

## NIBD

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

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

MEUR	2020	2019
Interest-bearing loans and borrowings	273.5	270.5
Interest-bearing lease liabilities	89.6	92.2
Other short-term liabilities, interest-bearing	13.8	23.8
Cash and cash equivalents	(67.4)	(25.2)
<b>Net Interest-Bearing Debt</b>	<b>309.5</b>	<b>361.3</b>

## Capital Employed

Capital Employed is equal to operating assets less operating liabilities. Operating assets and liabilities are items, which are involved in the process of producing and selling goods and services. Long-term financial assets and obligations are excluded, as those are involved in raising cash for operations and disbursing excess cash from operations.

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

MEUR	2020	2019
Total assets	980.7	927.0
Deferred tax liabilities	(14.9)	(21.8)
Other long term liabilities	(21.3)	(21.6)
Current liabilities incl. other short-term interest bearing liabilities	(253.2)	(237.9)
<b>Capital Employed</b>	<b>691.2</b>	<b>645.6</b>

Capital Employed as at December 31, 2020, does not consider the assets' impairment of MEUR 82.7.

## ADJUSTED ROCE

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

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

## Return on Capital Employed

MEUR	2020	2019		
Capital Employed beginning <sup>(1)</sup>	01.01.2020	645.6	01.01.2019	629.2
Capital Employed at end <sup>(2)</sup>	31.12.2020	691.2	31.12.2019	645.6
Adjusted EBIT last twelve months <sup>(3)</sup>		10.7		70.9
<b>Adjusted ROCE<sup>(3) / ((1)+(2))*2</sup></b>		<b>1.6%</b>		<b>11.1%</b>

\* Capital Employed as at December 31, 2020, does not consider the assets' impairment of MEUR 82.7.

# CONSOLIDATED KEY FINANCIAL DATA

		2020	2019	2018	2017	2016	
<i>Operations and profit</i>							
1	Operating revenues	(MEUR)	969.3	1,160.9	1,123.1	1,056.6	985.7
2	Depreciation/Amortization/Write-off of intangible and tangible assets	(MEUR)	49.9	48.0	35.6	45.4	45.1
3	Operating profit / (loss)	(MEUR)	(76.2)	62.4	53.7	23.8	18.3
4	Profit / (loss) before taxes	(MEUR)	(123.2)	43.5	38.5	6.4	19.3
5	Net profit / (loss)	(MEUR)	(118.0)	28.8	23.8	(8.0)	1.3
6	Cash flow from operating activities	(MEUR)	74.1	51.4	43.2	38.3	70.8
7	Investment in property, plant and equipment	(MEUR)	59.7	63.5	63.9	47.4	48.1
8	Development expenses, gross	(MEUR)	54.9	53.7	63.2	67.4	80.9
9	Development expenses, net	(MEUR)	46.4	43.0	46.8	55.0	64.3
<i>Profitability</i>							
10	EBITDA margin	%	(2.7)	9.5	8.0	6.5	6.4
11	Operating margin	%	(7.9)	5.4	4.8	2.3	1.9
12	Net profit margin	%	(12.2)	2.5	2.1	(0.8)	0.1
13	Return on total assets	%	(8.3)	7.1	7.0	3.4	2.7
14	Return on capital employed (ROCE)	%	1.6	11.1	11.1	5.3	4.0
15	Return on equity	%	(44.8)	10.7	10.7	(4.0)	0.6
<i>Capital as at 31.12.</i>							
16	Total assets	(MEUR)	898.0	927.0	820.2	721.9	691.6
17	Capital employed	(MEUR)	691.2	645.6	522.9	448.5	447.0
18	Total equity	(MEUR)	245.5	282.9	253.5	190.7	208.6
19	Equity ratio	%	27.3	30.5	30.9	26.4	30.2
20	Liquidity reserve	(MEUR)	197.0	64.4	109.1	105.4	140.8
21	Long-term interest-bearing debt	(MEUR)	363.0	362.7	269.4	257.8	238.4
22	Interest coverage ratio		(1.6)	2.8	3.0	1.4	2.3
23	Current ratio (Banker's ratio)		1.7	1.7	1.7	1.5	1.6
<i>Personnel</i>							
24	Number of employees as at 31.12.		11,234	10,908	11,401	10,482	9,791

## Definitions

5	Profit after tax	14	Adjusted EBIT / Average capital employed
9	Gross expenses – Payments from customers	15	(Net profit / (loss)) / Average equity
10	(Operating profit / (loss)) + depreciation and amortization) / Operating revenues	17	Operating assets – Operating liabilities
11	(Operating profit / (loss)) / Operating revenues	20	Cash + Unutilized credit facilities and loan approvals
12	(Net profit / (loss)) / Operating revenues	22	(Operating profit / (loss)) / Financial expenses
13	(Operating profit / (loss)) / Average total assets	23	Current assets / Current liabilities





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