

Kongsberg Automotive

Second quarter 2020



Kongsberg Automotive

Forward-Looking Statements and Non-IFRS Measures

Forward-Looking Statements

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

Non-IFRS Measures

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

Key topics Q2 2020

Sales

- Revenues declined strongly by MEUR 140 (-48 %) YoY to MEUR 154, including negative currency translation effects of MEUR 3.9. The downturn in Q2 2020 is wholly driven by Corona virus pandemic related shortfalls in sales volume in European and North American KA plants:
 - Revenues in Europe and in the Americas declined by around 56% YoY and 57% respectively.
 - Revenues in China increased by around 25% YoY, attributable to the quick recovery from the Corona virus pandemic effects and KA market share gains in that market.
 - Revenues in all KA global locations ramped up quicker than originally expected during the month of June 2020, reaching a level of almost 75% of June 2019 levels.
- Despite great uncertainty around future customer demand, we were awarded new business totaling MEUR 43 on an annualized basis, corresponding to MEUR 160 in expected lifetime revenues during Q2 2020.

Performance

- Adj. EBIT was proportionate to the reduced revenue levels and amounted to MEUR -33 which was MEUR 54 lower than in Q2 2019. There were no significant translational FX impacts. The Adj. EBIT Q2 2020 figure excludes impairment losses of MEUR 83 triggered by the effects the Corona virus pandemic has on the current business outlook.

Cash Flow

- The free cash flow was MEUR -14 for the quarter
- The Capital Increase contributed MEUR 63 (private placement)
- We repaid our entire RCF outstanding balance
- Our liquidity reserve amounted to MEUR 126 including the entire available RCF line.
- Our usable liquidity reserve amounted to MEUR 112 including only the RCF amount that we can draw before subjecting ourselves to covenant testing.
- Total cash flow for the quarter was MEUR 49 including the complete RCF repayment and currency effects.

Gearing

- The adjusted gearing ratio (NIBD/Adj. EBITDA) deteriorated from 3.0X in Q2-19 to 6.1X in Q2 2020, again mainly driven by the effects of the Corona virus pandemic.

The Corona virus and its impact on the automotive industry

- The corona virus (Corona) has impacted the automotive industry significantly.
 - The Corona outbreak started in China slightly before the Chinese new year vacation (February 2020).
 - This led to shutdowns in China extending beyond the normal new year shut down periods.
 - Due to very strict and effective measures, China has returned to somewhat normal automotive operations in early April ramping up production volumes significantly.
 - As we all have since learned, the economic impact outside of China has been much stronger as the Corona virus has spread rapidly throughout the world.
 - North America and Europe effectively shut down from mid/late March through April and into May followed by a strong ramp up in June and July.
 - Although the supply chains in the automotive industry are very global, complex, and intertwined, the ramp up has gone unexpectedly well.
 - There are still uncertainties as to what the “new normal” will look like from a market perspective:
 - Although Corona virus infection rates have generally declined in KA’s main markets, there are still local spikes in Europe and regional outbreaks in North America, the consequences of which are unknown.
 - Especially in North America, where the recovery rate has been the highest, the vehicle inventory was much depleted during the lockdown period. The strong North American production recovery reflects to a large degree the “refilling” of the vehicle inventory at dealers. To what extent the vehicles that are currently produced in North America reflect vehicles sold is unknown.
 - Particularly in Europe, there seems to be a solid recovery in the heavy-duty truck market where many of our customers are optimistic for the second half of 2020.

Impact of the Corona virus on Kongsberg Automotive – an update

- During the last weeks of Q1 2020, KA took quick action in order to counter what we saw as the likely outcome of the Corona Virus pandemic. This included:
 - Reductions in employment (discontinuing agency workers, furloughs, short-time work, “permitteringer”) of more than $\frac{2}{3}$ of our work force,
 - Stringent working capital measures including “crisis management” of material inflows from suppliers,
 - Development of market scenarios and financial models to estimate liquidity needs.
- This was followed by action plans for the improvement of KA’s liquidity consisting mainly of the following:
 - Capital Increase: MNOK 1,000 through a private placement and subsequent offering – Completed
 - Increase in the RCF from MEUR 50 to MEUR 70 and in the utilization rate of our revolving credit facility (RCF) from 40% to 80% without subjecting KA to covenant testing leading to an increase in the liquidity of MEUR 36 - Completed
 - Initiation of a factoring program that would create a better balance between Accounts Payables and Receivables for up to MEUR 60 – Under Negotiation
- Following these measures, Kongsberg Automotive believes it is fully funded through 2021 under our current market assumptions.
 - A second wave of the Corona Virus pandemic could of course impact this position. However, we believe we have significant buffers to cover for additional negative Corona Virus pandemic effects.
 - Compared to our competition, Kongsberg Automotive has acted faster and with larger measures than most of our competitors. This should improve our competitive positioning going forward.
 - We have already seen some small effects of this as we have been able to pick up some smaller programs from competitors that have entered into financial difficulties following the outbreak of the Corona Virus pandemic.
- Due to the impact the Corona Virus pandemic has had and is expected to continue to have, we completed an impairment test for the entire company using reduced end market demand assumptions. Not surprisingly, since some of our business units were “tight” at the 2019 year-end impairment test, this led to a significant non-cash impairment charge of MEUR 83.
 - The impairment charge has been booked outside of adjusted EBIT in order to easier compare operational performance.

The impact of the Corona virus

– a revenue/market update

- The recovery from the lock down period has been steep and remarkable although the ramp ups, especially in North America started slightly later than originally assumed. Below is a table illustrating the revenue development for Q1, April, May, and June YOY for our China , non-China Off Highway & Industrial and Automotive (HD & LD) businesses:

YOY %	Q1	April	May	June	Q2
China	-8.4%	28.5%	30.3%	17.1%	25.0%
Off Highway & Industrial	-2.5%	-63.4%	-48.9%	-11.7%	-41.4%
Automotive (LD&HD)	-17.3%	-77.8%	-69.8%	-25.3%	-58.6%
Kongsberg Automotive	-14.1%	-64.8%	-57.8%	-18.4%	-47.6%

- As can be seen from the above table:
 - China revenues have developed very strongly in Q2 driven by the quick “Corona recovery” for China and market share gains from Kongsberg Automotive due to launching of new programs and China market share gains.
 - Off Highway and Industrial fell sharply in April and May driven by the complete shutdown of the largest customer followed by a strong recovery in June mostly driven by the largest customer being back to production and struggling “to satisfy end market demand”.
 - As expected, the pure automotive channel had the strongest April and May declines followed by a steeper recovery curve than our non-automotive businesses in June, primarily driven by North America.
- As presented in various investor presentations, we have seen and expect to continue to see dramatic changes to our revenue levels in FY 2020. In the most recent investor presentation (June 26), we estimated that we would be experiencing revenue levels for FY 2020 of MEUR 884 million reflecting a YOY decline of around 24%.
- Currently, based on updated orders and dialogue with our customers following the last investor presentation, we believe that we will have full year revenues of around MEUR 914, a YOY decrease of around 21%.
- The below table compares the estimated monthly YoY revenue development with the June 26 assumptions.

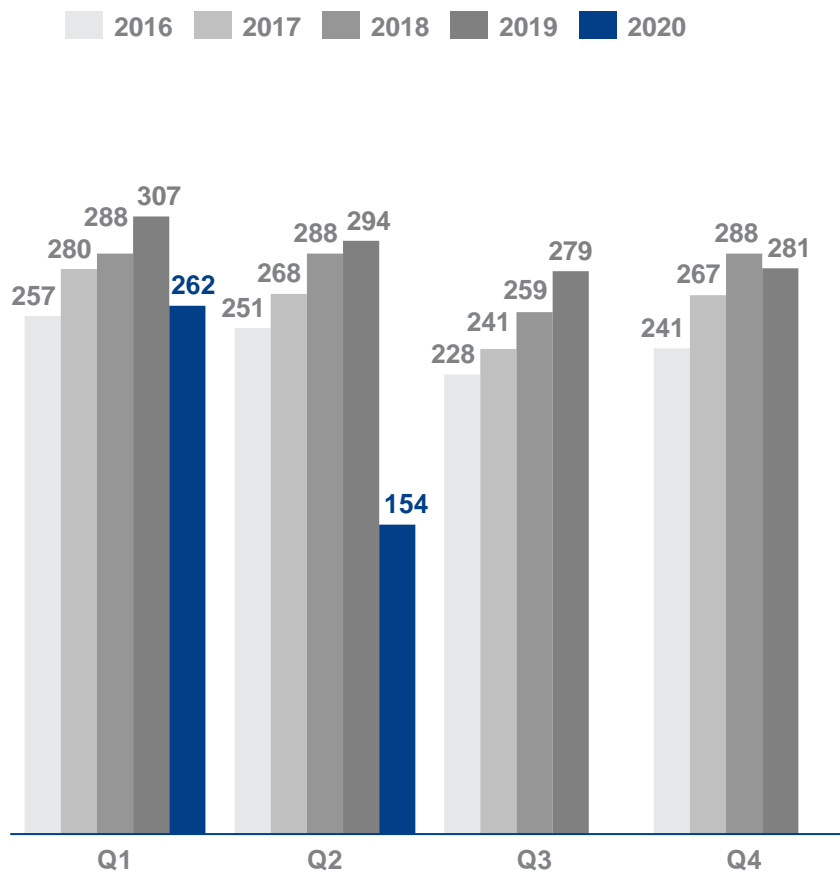
YOY Revenue development	July	August	September	October	November	December
Previous Presentation	-28%	-20%	-15%	-12%	-8%	-10%
This (updated) presentation	-14%	-11%	-8%	-13%	-7%	-13%
Δ to old assumptions in % points	14%	9%	7%	-1%	1%	-3%

- The above table reflects our current expectations which could change due to Corona virus related and or other economic effects not currently foreseen.
- For updated P&L effects, please see the summary section.

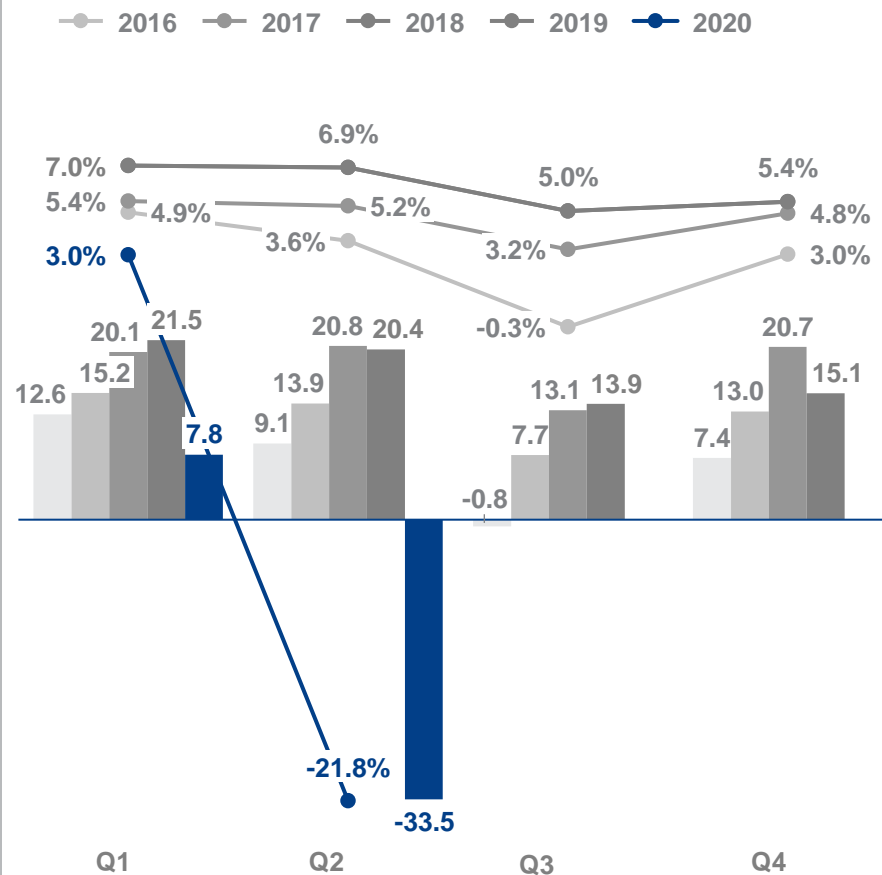
Revenues and Adjusted EBIT

Q2 2020 revenue and adjusted EBIT were impacted by COVID-19 effects

Revenues
MEUR



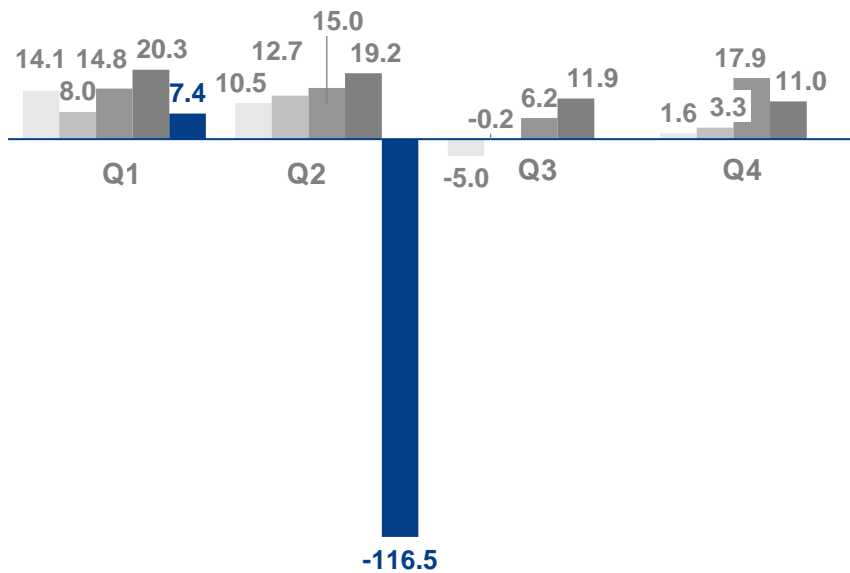
Adjusted EBIT
MEUR and percent



EBIT and Net Income

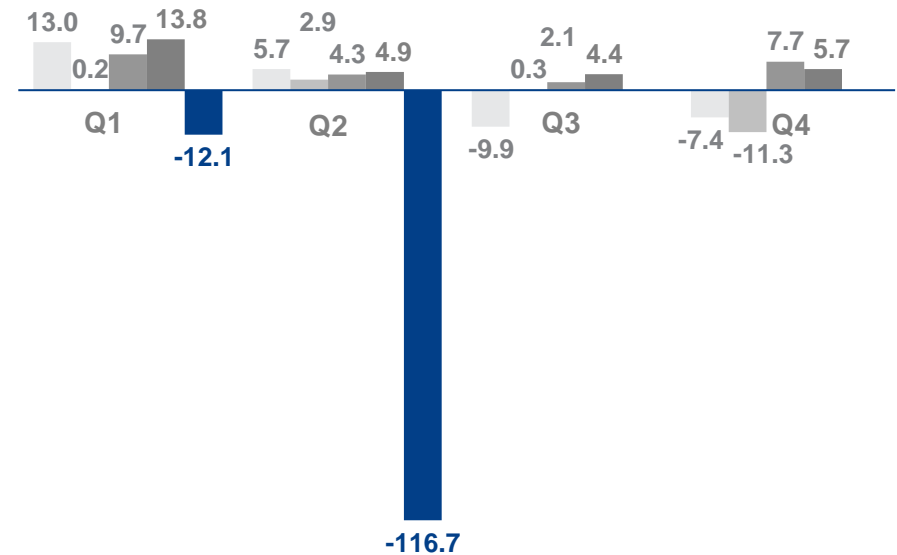
EBIT MEUR

2016 2017 2018 2019 2020



EBIT in Q2 2020 includes the impairment losses of MEUR 82.7

Net Income MEUR



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

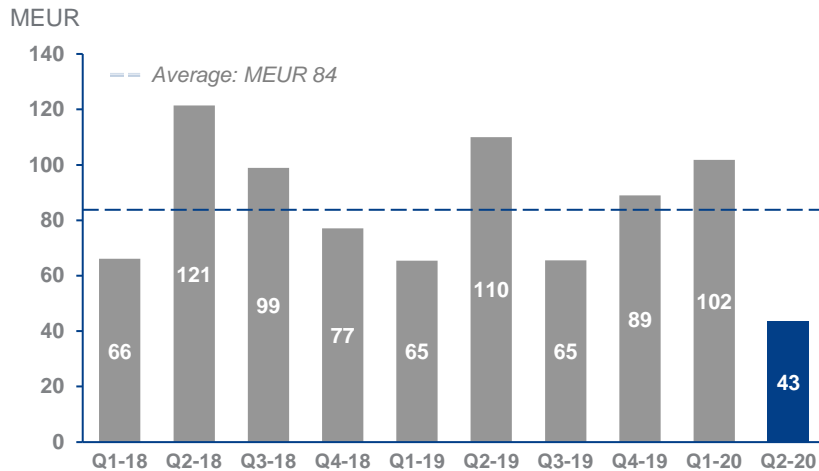


New Business Wins

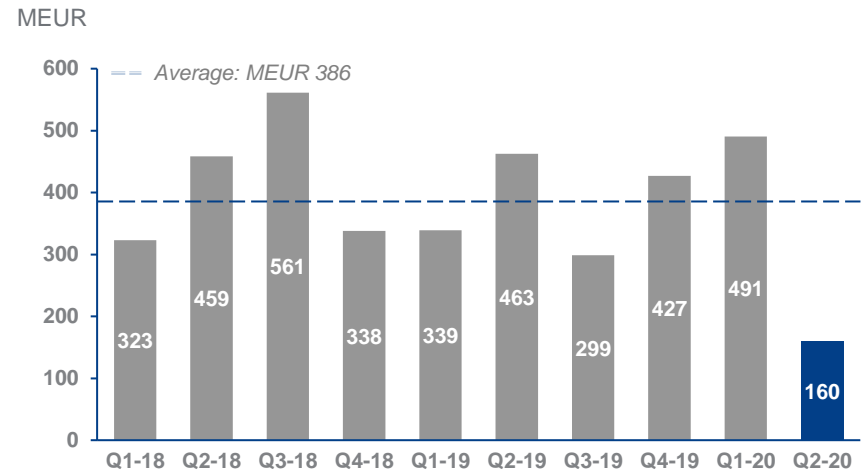
New business wins – KA Group

Q2 2020 bookings heavily impacted by COVID-19 related market decline

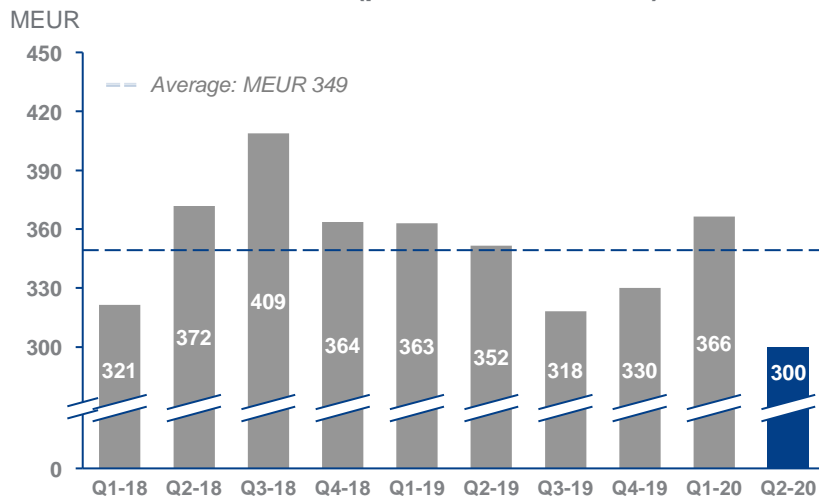
New business wins per quarter (per annum revenues)



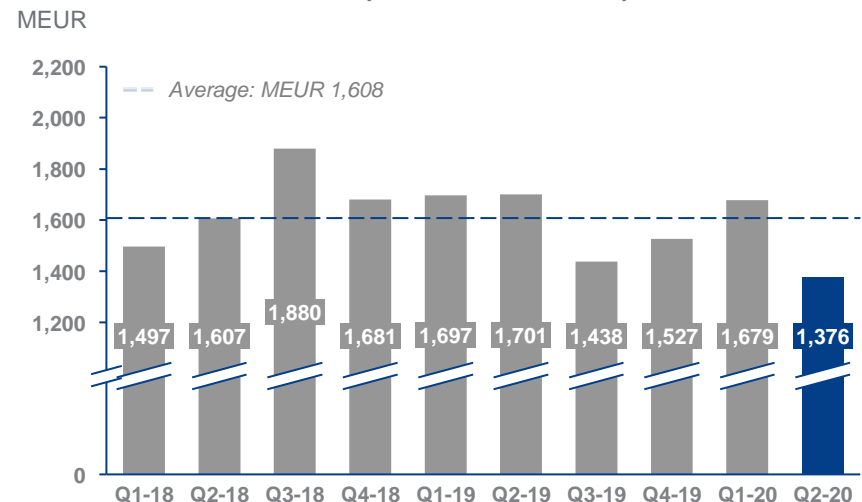
New business wins per quarter (lifetime revenues*)



New business wins LTM (per annum revenues)



New business wins LTM (lifetime revenues*)

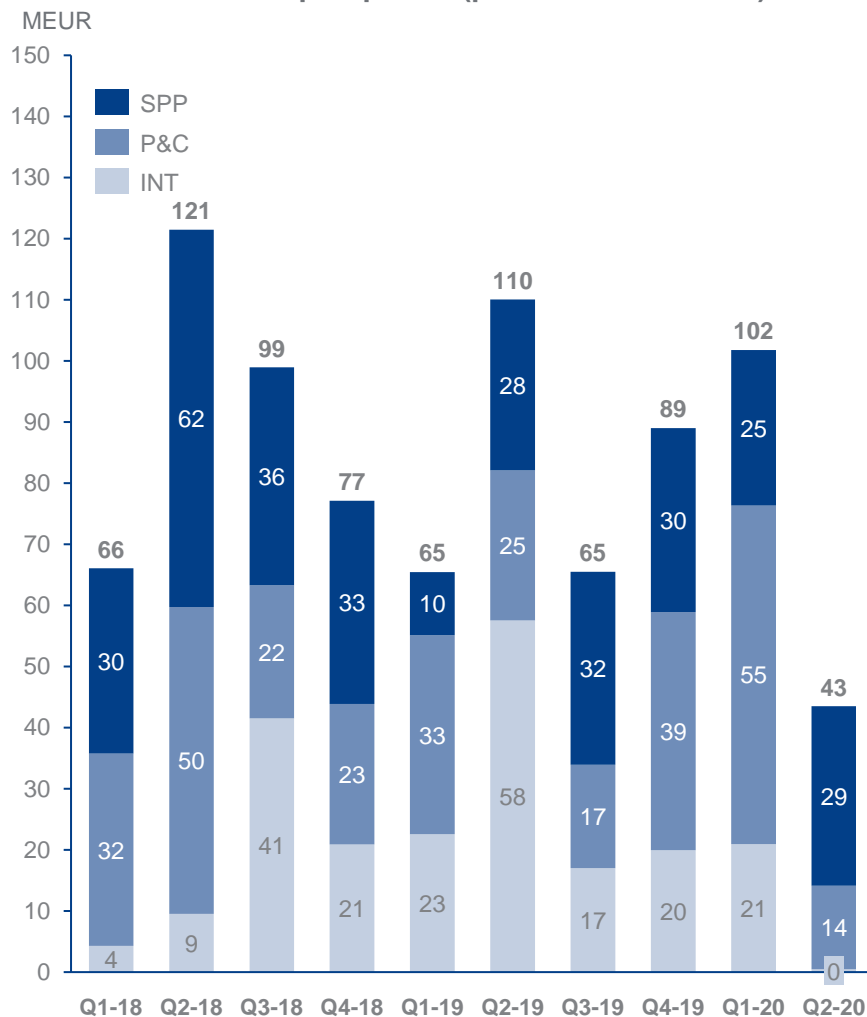


*Lifetime revenue assumptions are based on IHS and LMC production estimates at the time of the booking.

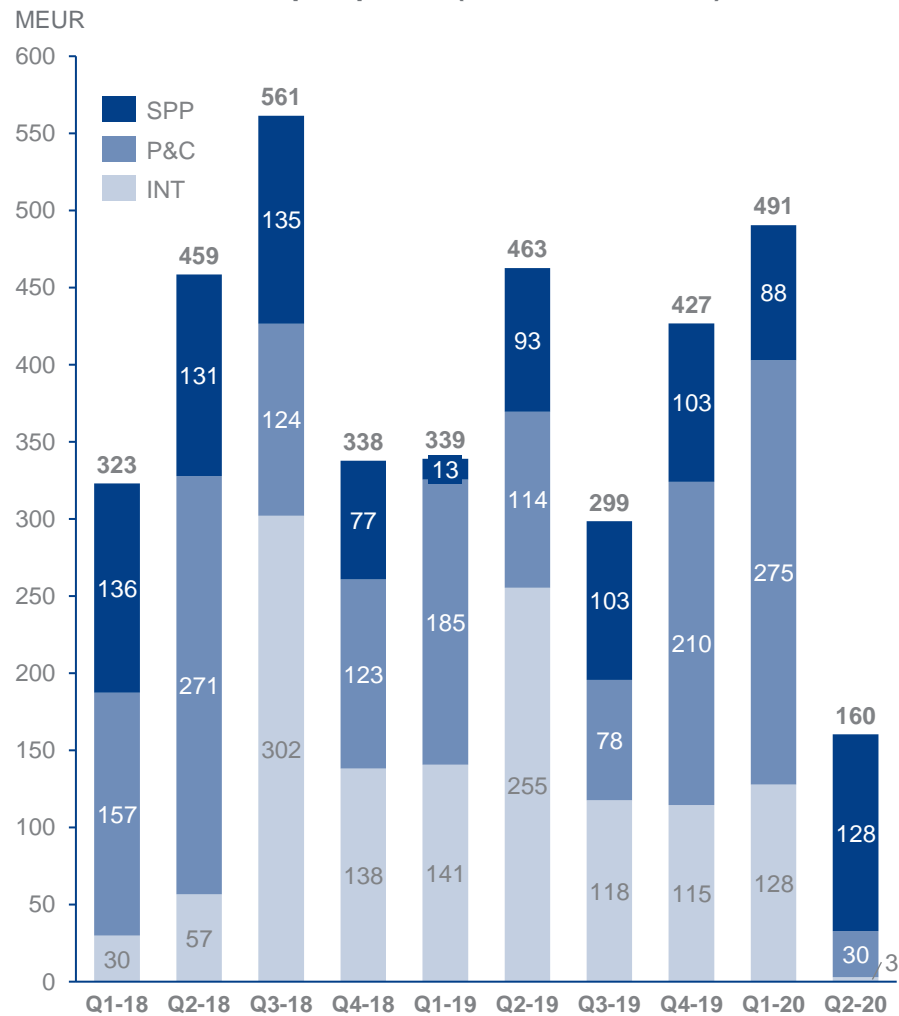
New business wins by segment

New business wins secure future growth in all segments

New business wins per quarter (per annum revenues)



New business wins per quarter (lifetime revenues*)



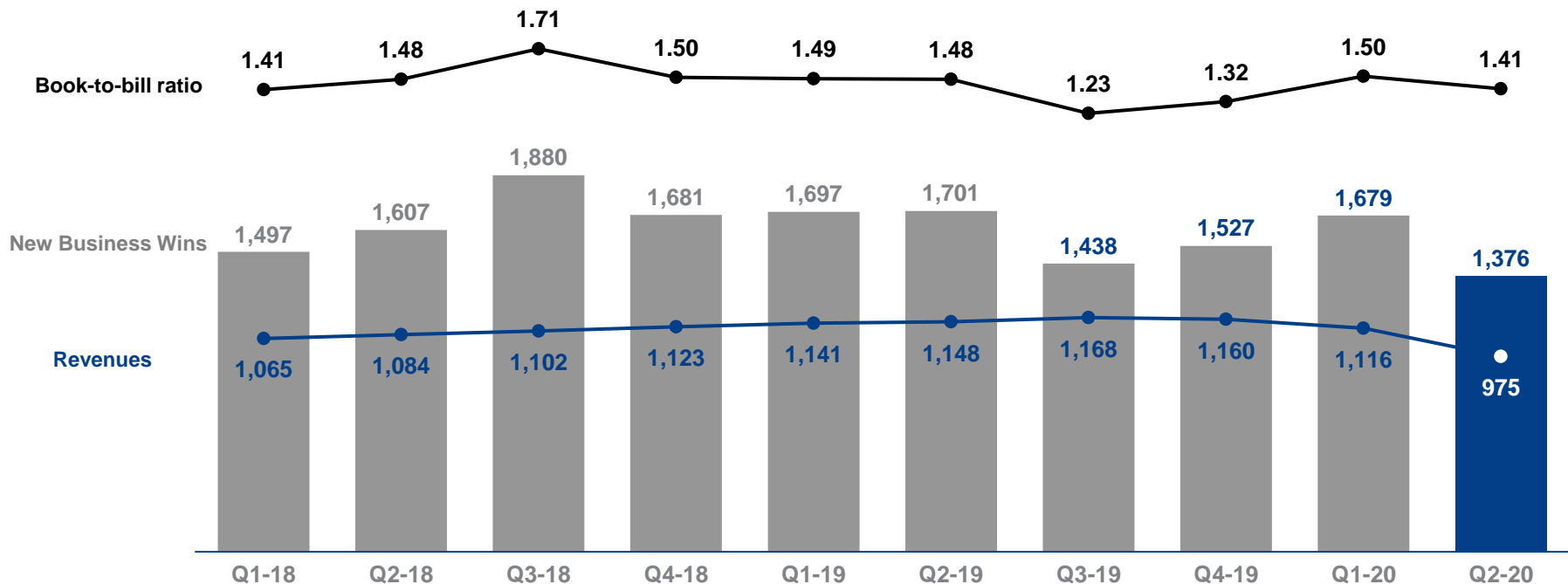
*Lifetime revenue assumptions are based on IHS and LMC production estimates at the time of the booking.

Book-to-bill performance

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



● Revenues (LTM in MEUR)
 ■ in MEUR



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

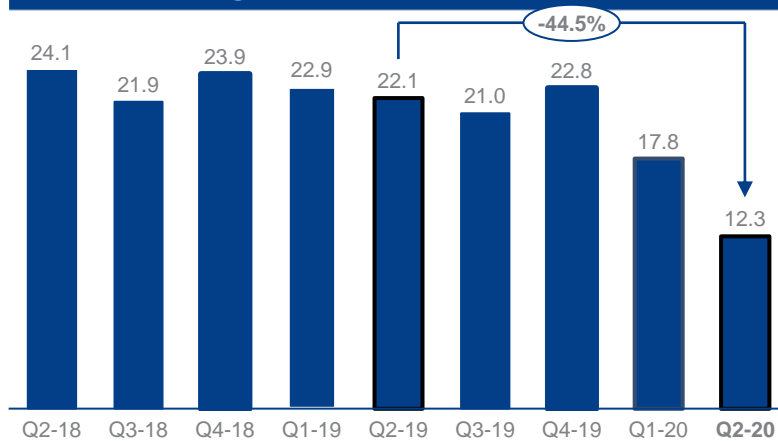


Market Summary

Q2 2020 market summary

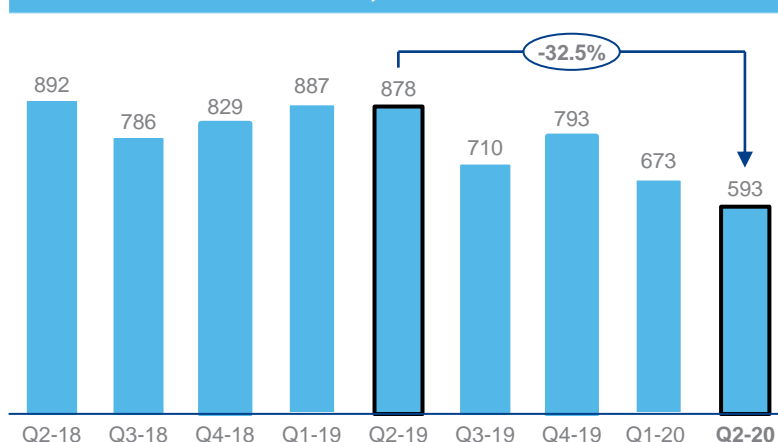
The market development in Q2 2020 was heavily impacted by the Corona virus pandemic

Global Passenger Car Production, Units in millions



Source: IHS Light Vehicle Production Base, June 2020

Global Truck Production, Units in thousands



Source: LMC Global Commercial Vehicle Forecast, June 2020

Global Passenger Car Production

Production Volumes	Q2-20 vs. Q2-19
Europe	-62.3% (-3.5m units)
North America	-69.1% (-2.9m units)
South America	-82.0% (-0.7m units)
China	+9.1% (+0.5m units)
APAC w/o China	-55.1% (-2.9m units)
RoW	-47.2% (-0.2m units)
Total	-44.5% (-9.9m units)

Note that Outside of China, the production volumes declined by around 62%

Global Truck Production

Production Volumes	Q2-20 vs. Q2-19
Europe	-57.3% (-83k units)
North America	-74.2% (-132k units)
South America	-63.1% (-20k units)
China	+1.8% (+7k units)
APAC w/o China	-34.3% (-57k units)
RoW	-29.5% (-1k units)
Total	-32.6% (-286k units)

Note that Outside of China, the production volumes declined by around 60%

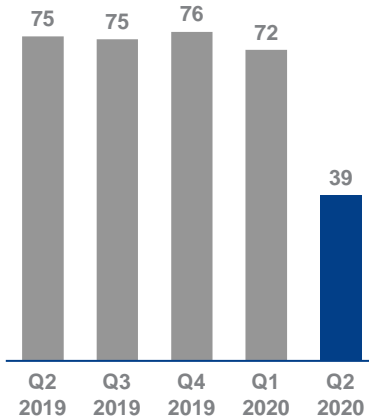


Segment Highlights

Segment financials last five quarters

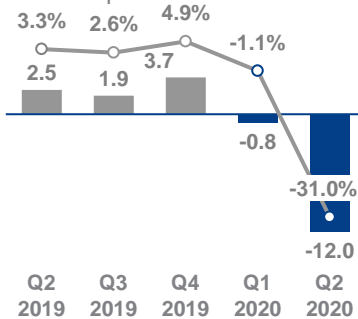
Interior

Revenues
MEUR

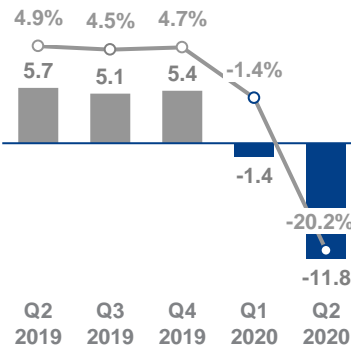
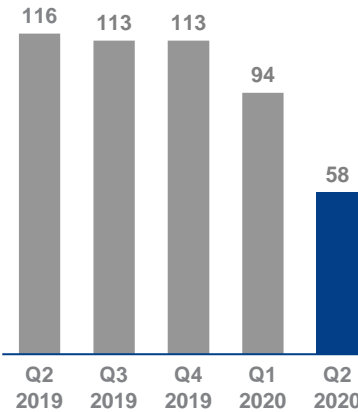


Adjusted EBIT*

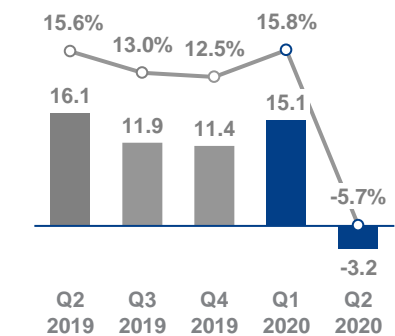
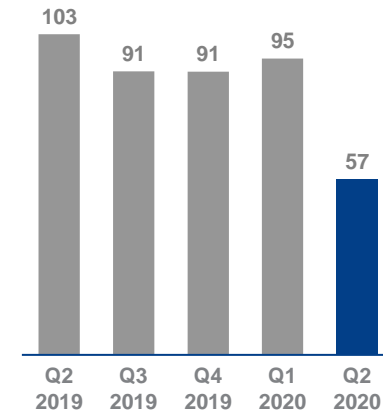
MEUR and percent



Powertrain & Chassis



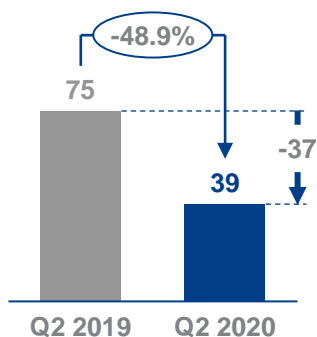
Specialty Products



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

Interior

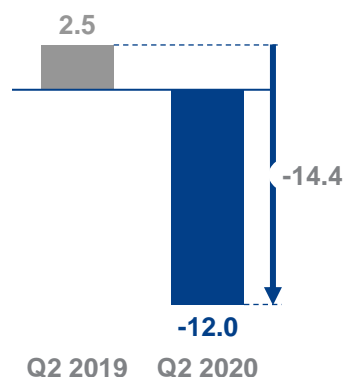
Revenues



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

With a significant share of the business in Europe and the United States, customer shutdowns in these regions and implemented lockdown measures contributed the most to the unfavorable revenue development.

Adj. EBIT



Adj. EBIT is in line with the reduced sales level. Variable and fixed costs were reduced in order to reflect the reduced revenues in Q2 2020 according to the rules and regulations in the countries where we operate.

Included in the adj. EBIT figures are costs for inventory write down of MEUR 2.2 and expensing of customer development of MEUR 1.4.

Operations

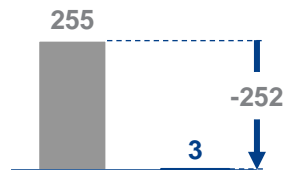
Due to the effects from the Corona virus pandemic, our plants in Europe and North America were shut down through in April and parts of May 2020. Beginning from May 2020, the production was slowly ramped up as lockdown measures were ceased. Variable and fixed costs were strictly controlled and adjusted to reduced sales level.

The Chinese production output exceeded the revenue levels in Q2 2019.

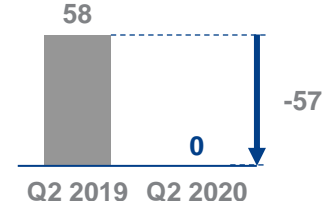
In April 2020 KA successfully opened a new plant in Wuxi, China, for ICS production.

New Business Wins

Lifetime revenues



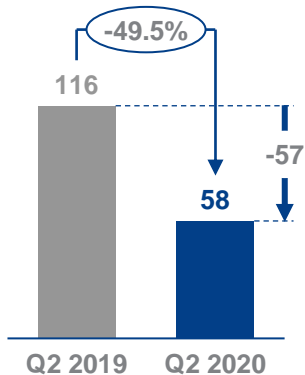
Annualized revenues



The general customer activity to award new businesses was very low in Q2 as purchasing activities from our customers were put on hold as the purchasing departments shifted priorities. Hence, we were only awarded contracts reflecting MEUR 3 in expected lifetime revenues in the Interior segment. This award relates to the supply of actuation cables to a major premium French and a major Chinese car maker.

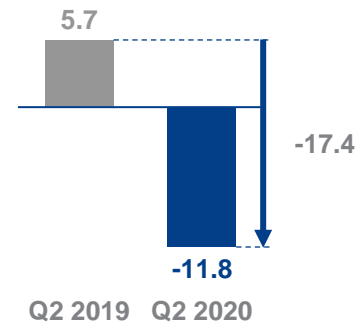
Powertrain and Chassis (P&C)

Revenues



Like Interior, P&C saw the largest revenue decline in Europe and North America due to plant shutdowns at our major customers.

Adj. EBIT



Adj. EBIT is in line with the reduced sales level. Variable and fixed costs were reduced in order to reflect the reduced revenues in Q2 2020 according to the rules and regulations in the countries where we operate.

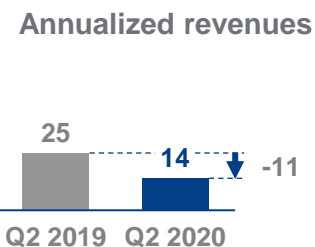
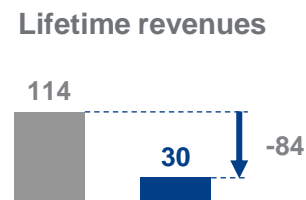
Included in the adj. EBIT figures are costs for inventory write down of MEUR 2.8.

Operations

Operations have been heavily impacted by the plant shutdowns through April 2020 in Europe and North America. The production restart and supply chain activities in May were well-controlled. Many customers strive to refill their inventories depleted by shut-down this year due to the COVID-19.

In Q2, the passenger car business unit of P&C was the hardest hit business unit by the corona virus related closures outside of China due to its higher concentration of Italian and French OEMs than our other segments.

New Business Wins



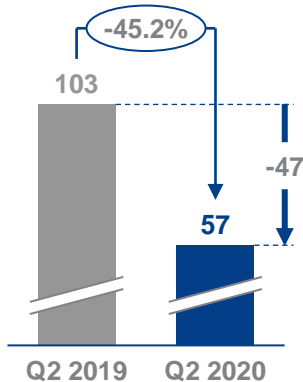
The general customer activity to award new businesses was very low in Q2 as purchasing activities from our customers were put on hold as the purchasing departments shifted priorities.

P&C suffered from significant decline (80%) in new orders in the passenger car market. New orders on the truck market were slightly higher than in Q2 2019.

The New Business Wins included a shift by wire project to a Chinese customer with expected annualized revenues of MEUR 4.5 or MEUR 17.7 in expected lifetime revenues.

Specialty Products

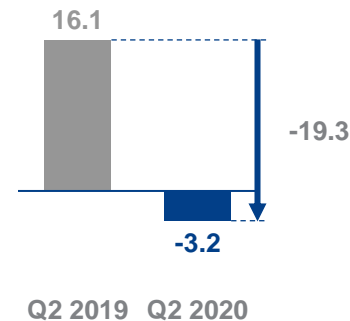
Revenues



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

The revenue declines in this segment were driven by the automotive business operations, as well as non-automotive business. The OFH business was harder hit by the lockdowns in April and May but recovered faster in June.

Adj. EBIT



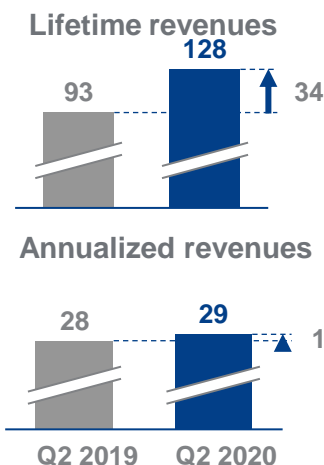
Adj. EBIT is in line with the reduced sales level. Variable and fixed costs were reduced in order to reflect the reduced revenues in Q2 2020 according to the rules and regulations in the countries where we operate.

Included in the adj. EBIT figures are costs for inventory write down of MEUR 5.2.

Operations

Operations have been heavily impacted by the plant shutdowns through April 2020 in Europe and North America. The production restart and supply chain activities in May were well-controlled. Many customers strive to refill their inventories depleted by shutdown this year due to the COVID-19.

New Business Wins



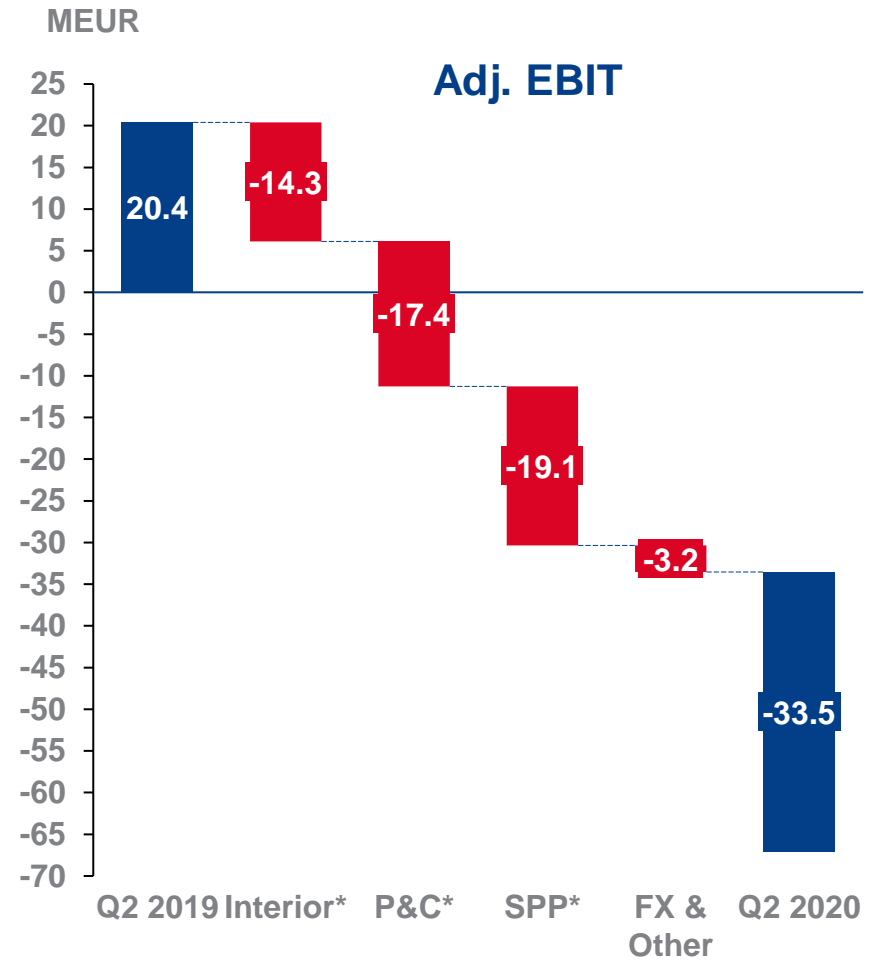
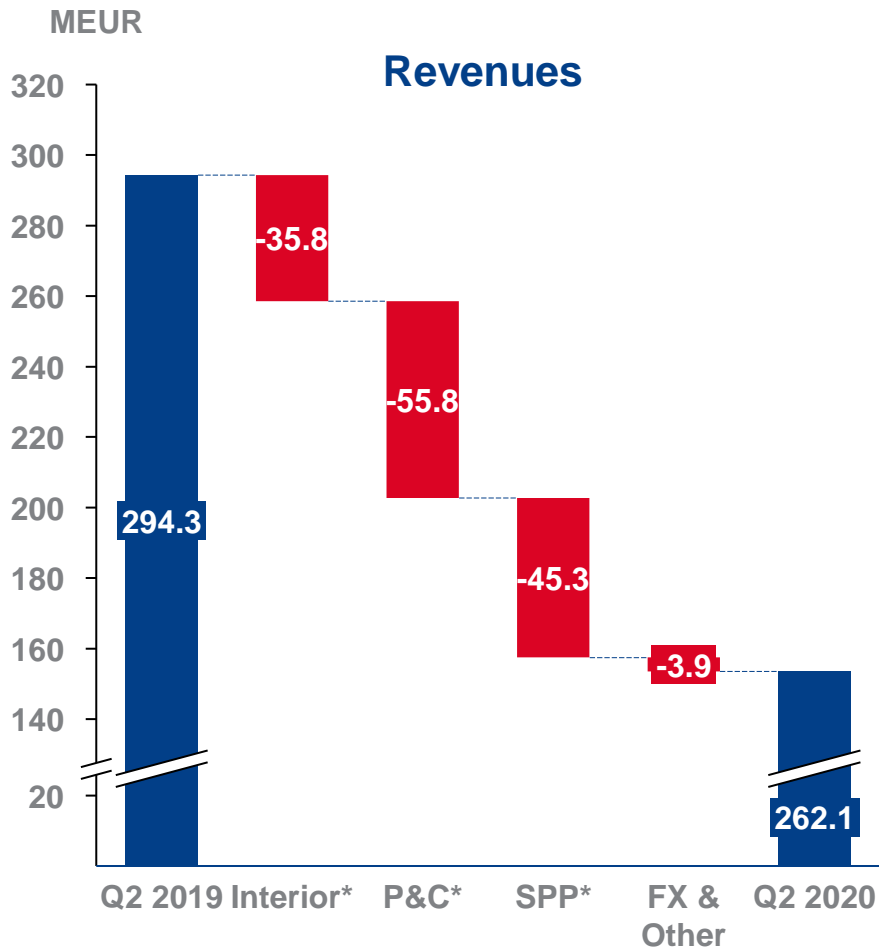
The general customer activity to award new businesses was very low in Q2 as purchasing activities from our customers were put on hold as the purchasing departments shifted priorities. In spite of this, Specialty Products sustained solid booking figures primarily due to program sourcing activities that had taken place over the last couple of quarters.

The main new business win is a Couplings project to a premium European OEM. This program account for around MEUR 12.5 in annualized revenues, or MEUR 86 in expected lifetime revenues.

Norbert Loers

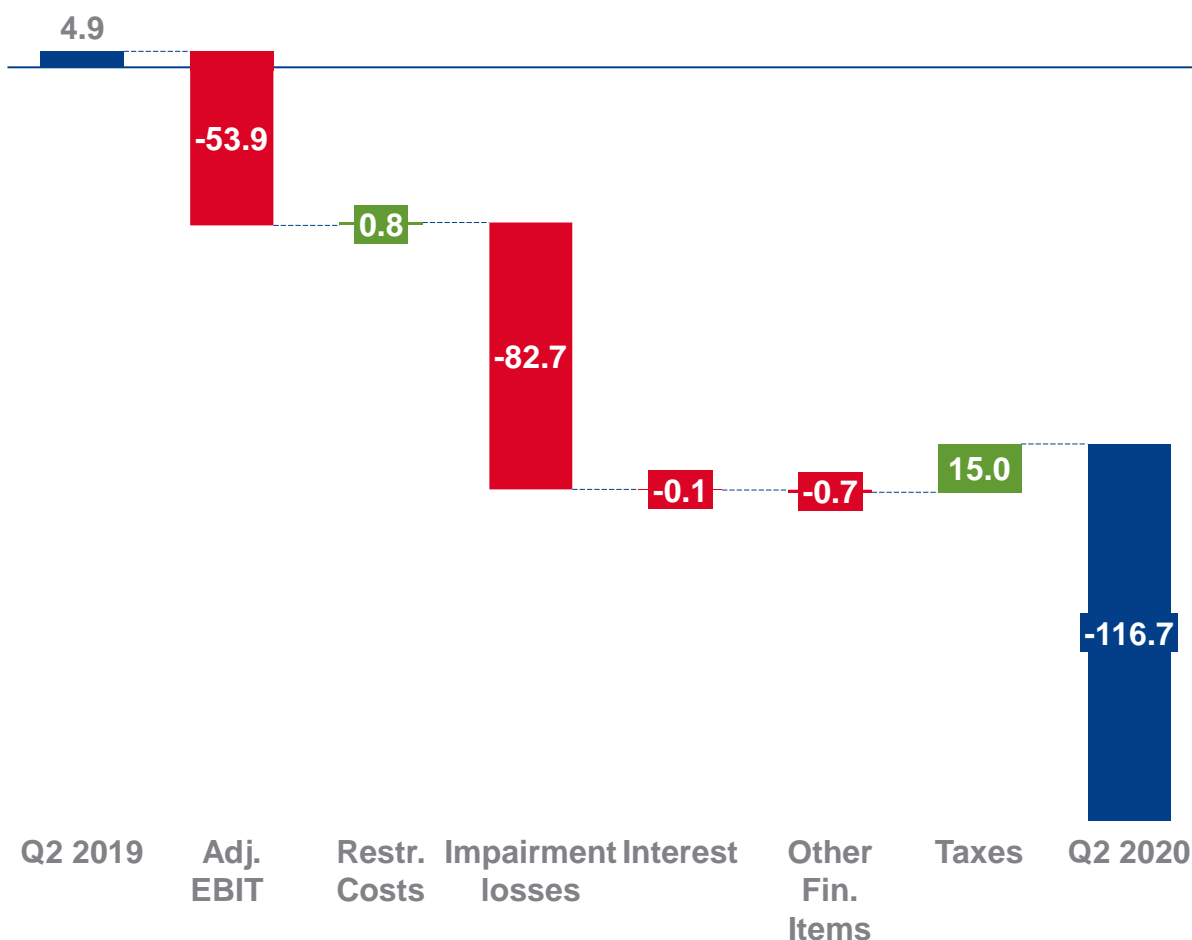
Financial Update

Q2 2020 - Revenue and adjusted EBIT development



* Variances excluding FX translation effects

Q2 2020 – Net Income development



▶ **Adj. EBIT**

Significant lower Adj. EBIT levels driven by lower volumes caused by the outbreak of COVID-19

▶ **Impairment losses**

COVID-19 has been identified as a triggering event, resulting in an impairment of a portion of assets in the amount of MEUR 82.7 (thereof MEUR 58.8 allocated to the Goodwill)

▶ **Interest**

The interest expenses remained at the same level as in Q2 2019 (MEUR 5.2 in Q2 2020 vs. MEUR 5.1 in Q2 2019)

▶ **Other financial items**

Other financial expense were MEUR -1,5 compared to MEUR -0,2 in Q2 2019 and unrealized FX effects (gain of MEUR 0.1 in Q2 2020 vs. a loss of MEUR 0.5 in Q2 2019).

▶ **Taxes**

Tax income in Q2 2020 was impacted by the permanent differences in relation to the impairment of Goodwill at MEUR 12.9 and the valuation allowances on deferred tax assets at MEUR 10.5.

Q2 2020 - Liquidity development

MEUR

■ Cash*

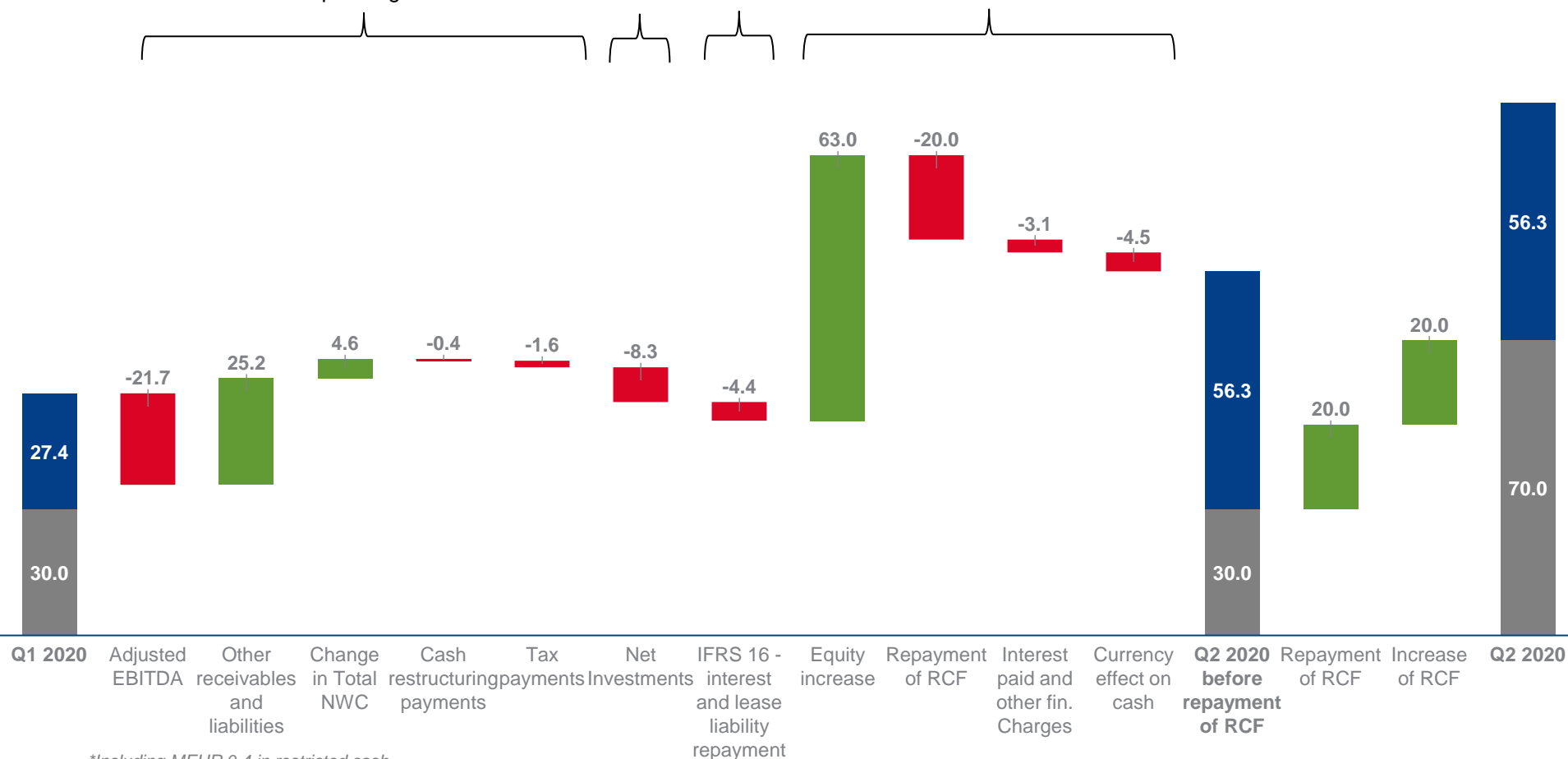
■ Unutilized RCF

Operating activities

Investments

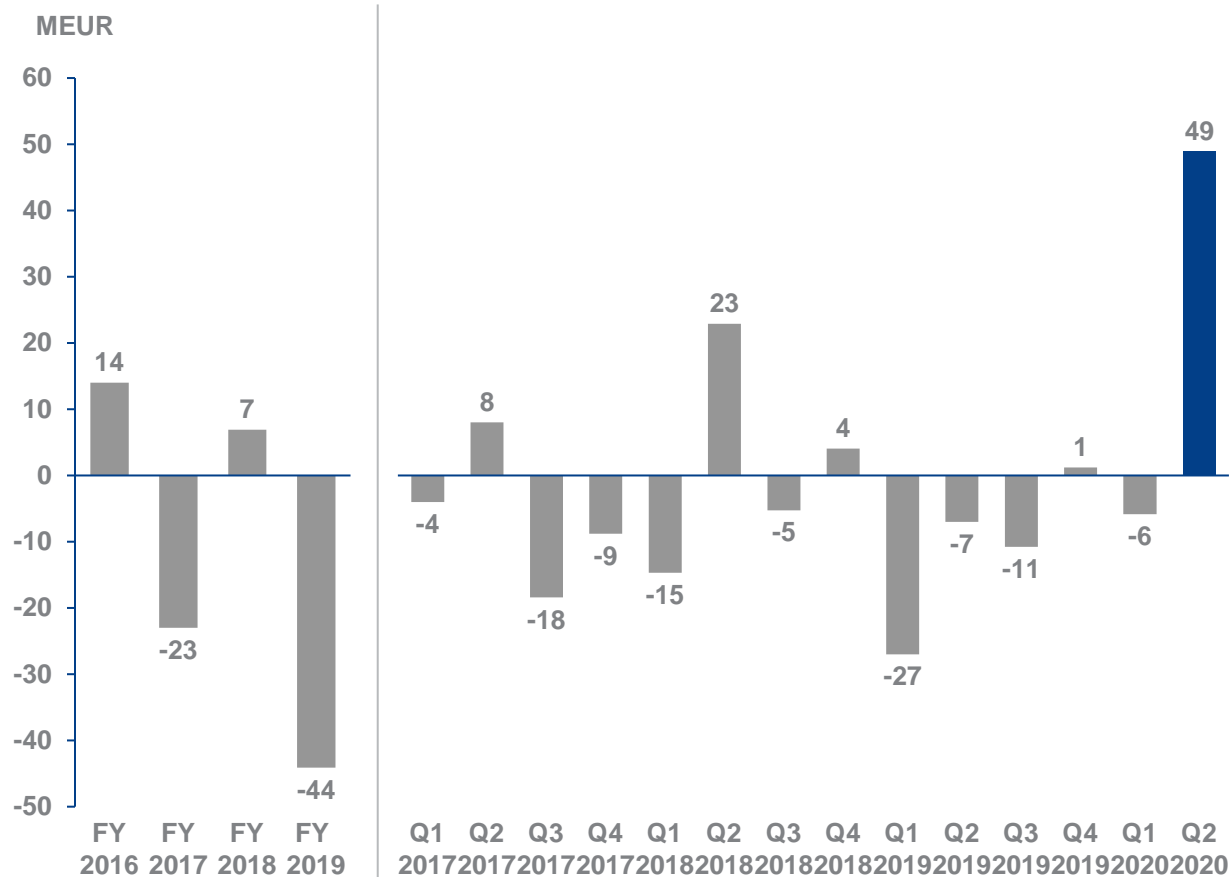
IFRS 16

Financials & FX



*Including MEUR 0.4 in restricted cash.

Q2 2020 Total Cash Flow*



► **Operating cash flow MEUR 4.9**

Change in net working capital amounted to MEUR 4.6 compared to a change of MEUR (4.3) in Q2 2019.

► **Investment cash flow MEUR -8.2**

- Investments in tangible assets: MEUR -8.1

► **Cash flow from financing** MEUR 56.8**

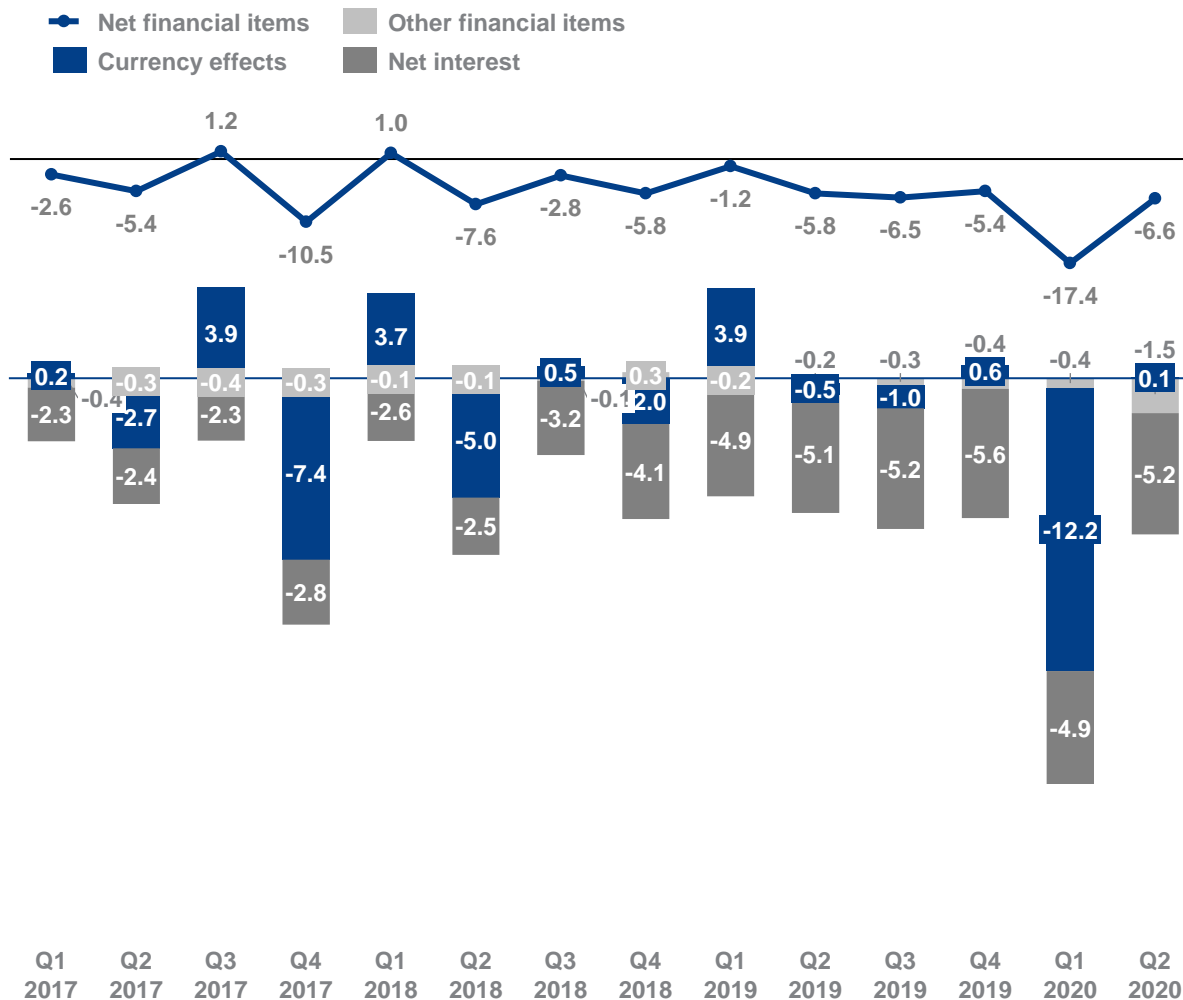
- Net proceeds from the equity increase: MEUR 63.0
- Other interest & financial items: MEUR -1.8
- IFRS 16 interest payments: MEUR -1.3
- Repayment of IFRS 16 lease liabilities MEUR -3.1

*Total Cash Flow = Cash flow from operating activities ± cash flow from investments ± cash flow from financing excluding net draw and/or repayment of RCF

** Excludes changes in amount drawn from the RCF

Net financial items - Breakdown

MEUR



► Currency effects

The currency effects in Q2 2020 are made up of:

- realized currency loss of MEUR 0.5.
- unrealized currency loss of MEUR 0.6.

► Other financial items

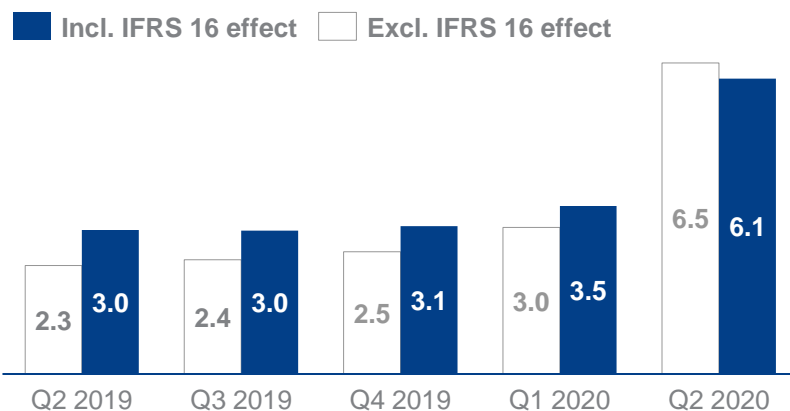
This position mainly includes the finance costs incurred in relation to the securitization process in Q2 2020.

► Interest

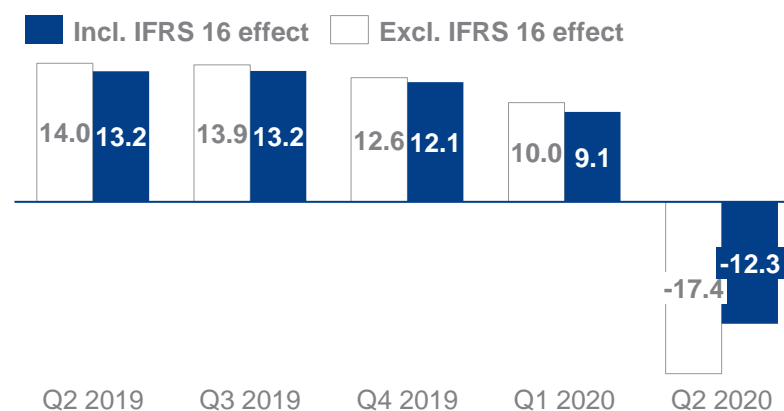
The main elements were the IFRS16 interest cost of MEUR 1.3 and accrued interest expense for the bond and RCF of MEUR 3.7.

Financial ratios

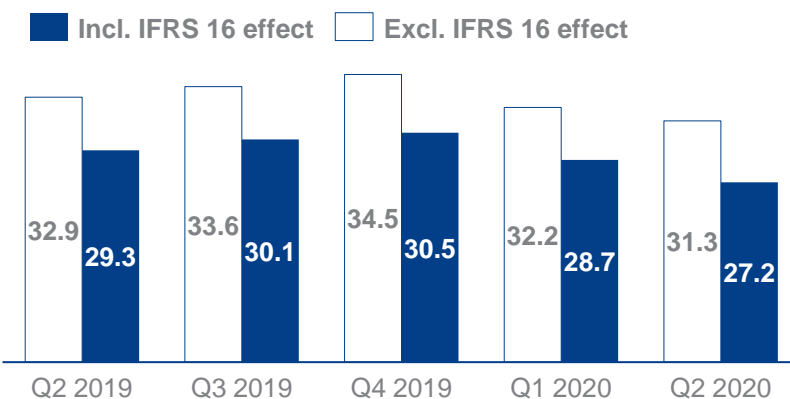
Adjusted gearing ratio* (NIBD/EBITDA, LTM)



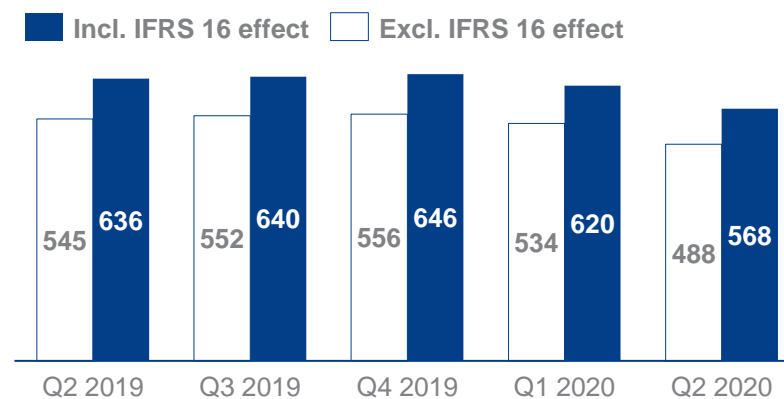
Adjusted ROCE* (% , LTM)



Equity Ratio (%)**



Capital Employed (MEUR)**



*Adjusted gearing ratio and Adjusted ROCE exclude impairment effects in the denominator but include the impairment effects in the nominator.

**Capital employed and Equity ratio have been calculated considering the impairment charge



Summary and Conclusion

Summary & Conclusion

- Q2 2020 was heavily impacted by the Corona Virus pandemic effects on revenues, earnings and cash flows. Ultimately, due to the softened market outlook, this also caused the non-cash impairment charge.
- We applied strict cost controls on all “managed” cost and cash categories and implemented labor actions for more than $\frac{2}{3}$ of our work force in the form of short-time labor, furloughs and headcount reductions.
- These measures – together with favorable cash effects from working capital - allowed us to limit the “cash burn” in Q2 to MEUR -14.
- The successful capital raise through the combination of a private placement and the subsequent offering in combination with the increase in RCF utilization allowed us to secure a level of liquidity reserves that should be sufficient at least through the end of 2021.
- We are very humble and grateful to our shareholders and banks (Danske Bank and JPMorgan) for the support in these activities.

Business Outlook

- Since June, we see a steady and continuing recovery of our order book. The reopening started in Europe and was followed by North America. The following ramp ups followed a steeper slope in North America than in Europe. China continues to perform strongly.
- Consequently, we revise our revenue outlook for FY 2020 to MEUR 914.
- We estimate that we will deliver a negative adj. EBIT for FY 2020 of around MEUR 20-23.
- This is an improvement of around MEUR 12-15 from the June 26 update and indicates a slight positive adjusted EBIT performance for the second half of 2020.
- From a cash flow standpoint, we estimate that we will have a cash burn (excluding the capital raise and the increased RCF funding) of around MEUR -65 for FY 2020 with the second half of 2020 amounting to a free cash flow around -40-45 in the second half of FY 2020 mostly driven by the increase in working capital.
- This is an improvement of around MEUR 10-15 from the June 26 update.
- We estimate to have usable liquidity reserves around MEUR 95 at the end of 2020, including proceeds from the subsequent offering.
- This revised usable liquidity reserve figure excludes any liquidity effects from our factoring program under negotiation which we expect to amount to up to MEUR 60.
- The usable liquidity reserve of MEUR 95 assumes a possible RCF utilization of 80%.

