

Kongsberg Automotive

Fourth quarter 2019 - February 27, 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 and the Kongsberg Automotive Quarterly Reports.

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.

Highlights Q4 2019

Sales

- Revenues declined by MEUR 7.5 (-2.6%) YoY to MEUR 280.8. This includes positive FX effects of MEUR 1.8. On a fixed exchange rate basis, our revenues declined by 3.2% YoY.
- In Q4 we experienced strongly declining revenues in November and December to a greater degree than the decline in our customers' production rates.
 - We continued to gain market share in the passenger car market, mainly driven by strong P&C growth in China. Overall, on a constant currency basis we had virtually flat YoY revenues in the passenger car market in which production output declined by 5% in Q4.
 - In the truck market, on a constant currency basis, our revenues declined by 10% YoY in line with the reduction in global production volumes.
 - Revenues generated in other end-markets declined by 3% on a constant currency basis.
- We won a significant level of new business despite increasing market uncertainties. We were awarded new business totaling MEUR 89 on an annualized basis, corresponding to MEUR 427 in expected lifetime revenues.

Performance

- Adj. EBIT amounted to MEUR 15.1 which was MEUR 5.6 lower than in Q4 2018.
 - The primary reason for the shortfall to our guidance was the lower revenue levels in Q4 and the associated fall-through.
 - The positive impacts from improved operational performance were partly offset by inefficiencies in the Interior plant in Brzesc, Poland.
 - In Q4 2019 we had an inventory revaluation loss; in Q4 2018 we benefitted from a revaluation gain. This was driven by operational improvements and raw material pricing.

Cash Flow

- Total cash flow for the quarter was MEUR +1, mainly driven by working capital improvements.
- Our total liquidity reserve at the end of the quarter amounted to MEUR 65.2 of which MEUR 0.8 were restricted cash on hand.

Gearing

- Sequentially, the adjusted gearing ratio deteriorated slightly; from 3.0X to 3.1X. Excluding IFRS 16 effects, our LTM adjusted gearing ratio (NIBD/Adj. EBITDA) was 2.5X; a YoY increase of 0.6X.

Highlights FY 2019

Sales

- Group revenues increased by MEUR 38 to MEUR 1,161 including positive FX effects of MEUR 15.
- In FY 2019 Kongsberg Automotive revenues grew by 2% YoY at fixed exchange rates, despite declines in our main end markets.
 - Revenues in the passenger car market grew by 2.5% on a constant currency basis, supported by strong growth in China and in our Interior business. The global light vehicle production volume declined by 6% in 2019.
 - On a constant currency basis, revenues generated in the truck market increased by 3.5% in 2019. The global truck production volume declined by 3% in 2019.
 - Revenues generated in the industrial markets in Specialty Products declined by 3% on a constant currency basis.
- We were awarded with high levels of new business wins (NBW) in all our segments. In a challenging market environment NBW for FY 2019 totaled MEUR 330 on an annualized basis or MEUR 1,527 in expected life-time revenues.

Performance

- FY 2019 adjusted EBIT was MEUR 70.9; MEUR 3.8 less than in 2018.
 - Positive impact from higher volumes (+7) and net operational improvements (+5)
 - Margin decline due to stronger growth in lower margin segments and other mix effects (-6)
 - Fixed cost absorption effect due to lower revenues than planned (-5)
 - Increase in Mexican labor rates, higher raw material prices and tariffs (-6)
 - Implementation of IFRS 16, FX and other effects (+1)

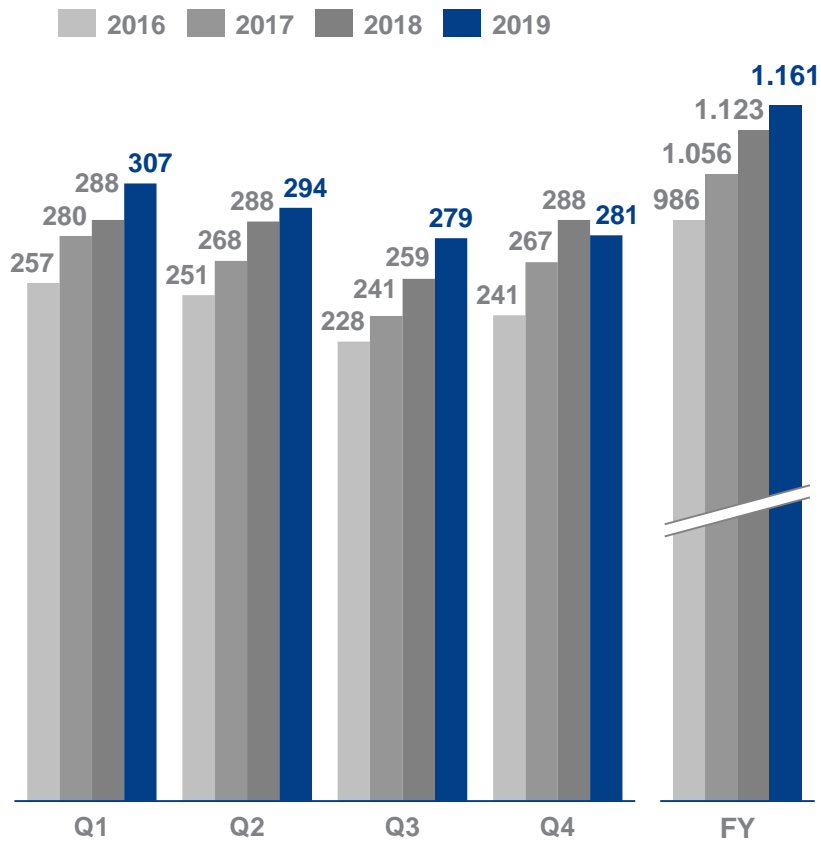
Cash Flow

- As we planned for stronger markets and higher volumes with a balanced cash flow, the decline in our end markets translated into significant lower cash from operations. As around 80% of our investments were tied to our NBW, we had little flexibility to adjust. We finished 2019 with a cash flow of MEUR -44.

Revenues and Adjusted EBIT

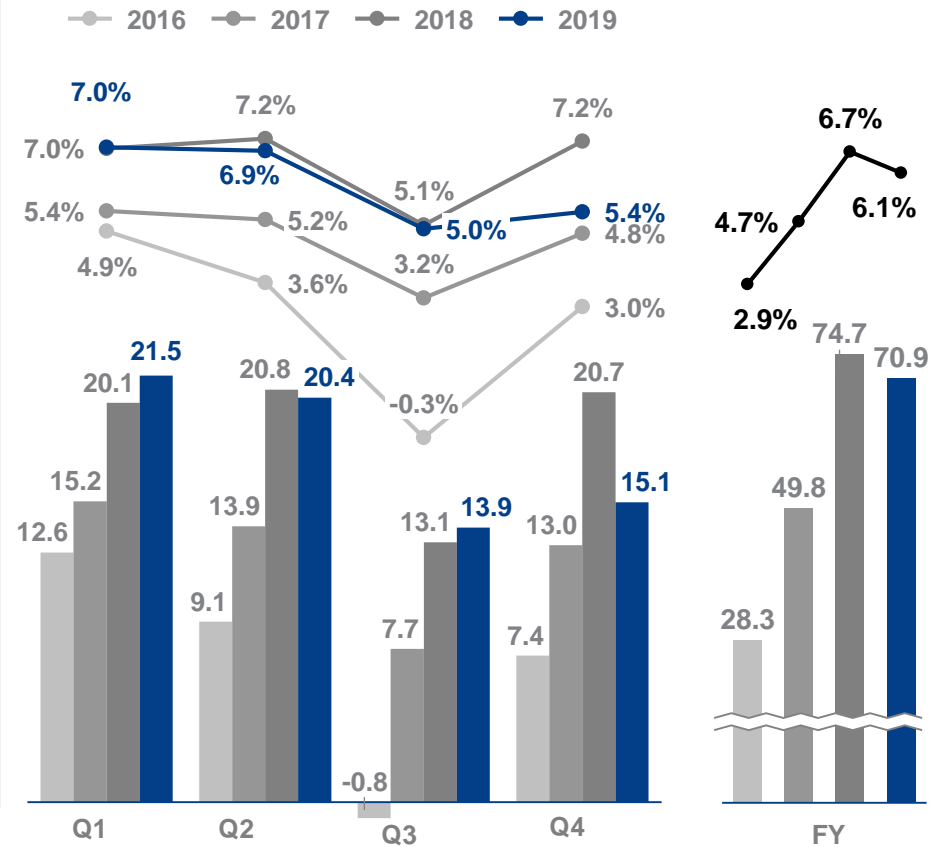
Q4 2019 revenue and adjusted EBIT figures were impacted by lower volumes

Revenues MEUR



Revenues including HRAR

Adjusted EBIT MEUR and percent

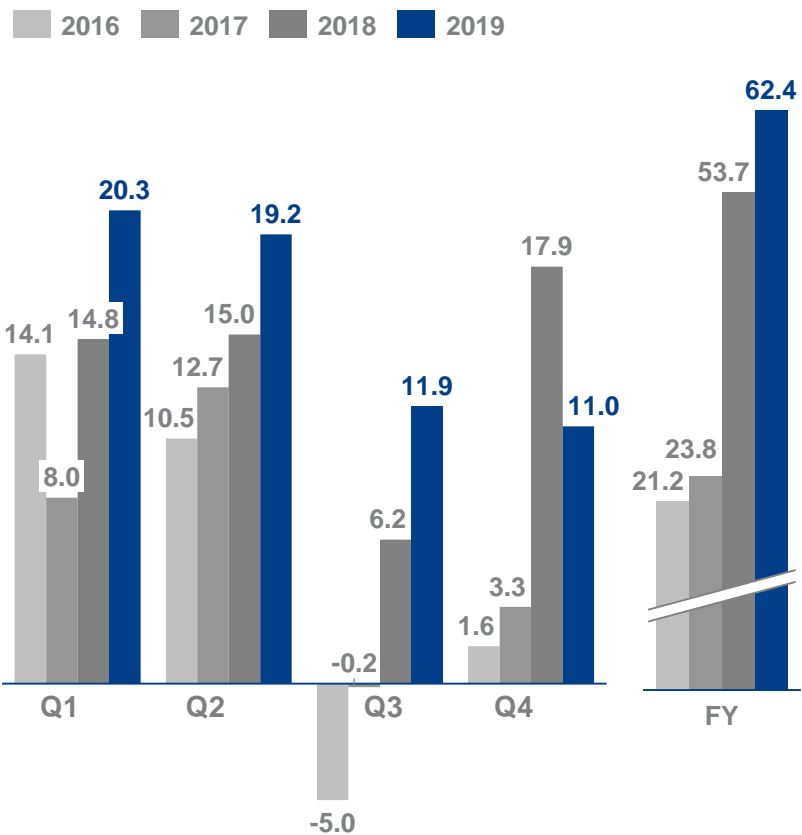


EBIT adjusted for restructuring - see details in the quarterly report.

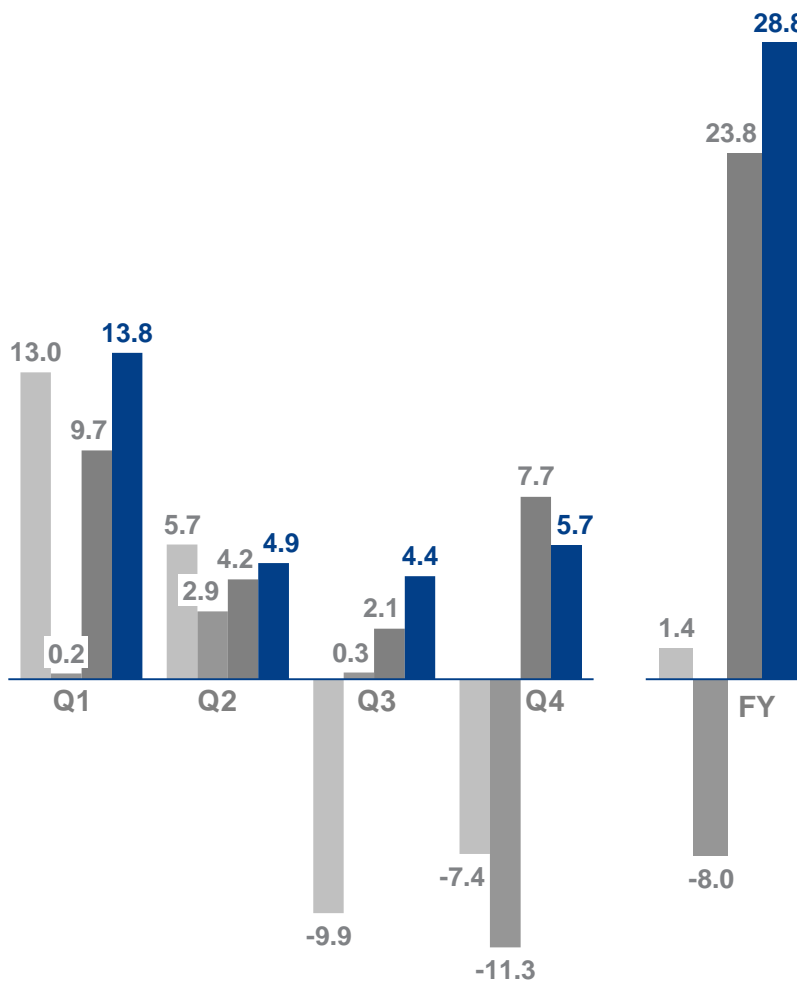
EBIT and Net Income

Full-year growth is driven by higher revenues & lower restructuring costs

EBIT
MEUR



Net Income
MEUR



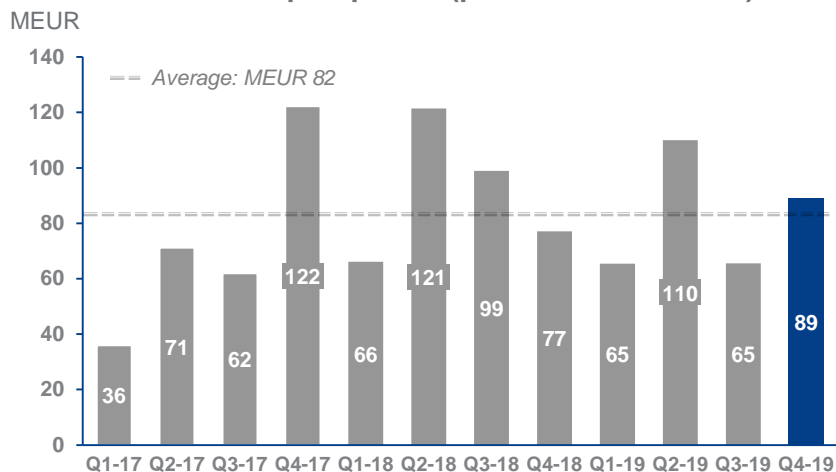


New Business Wins

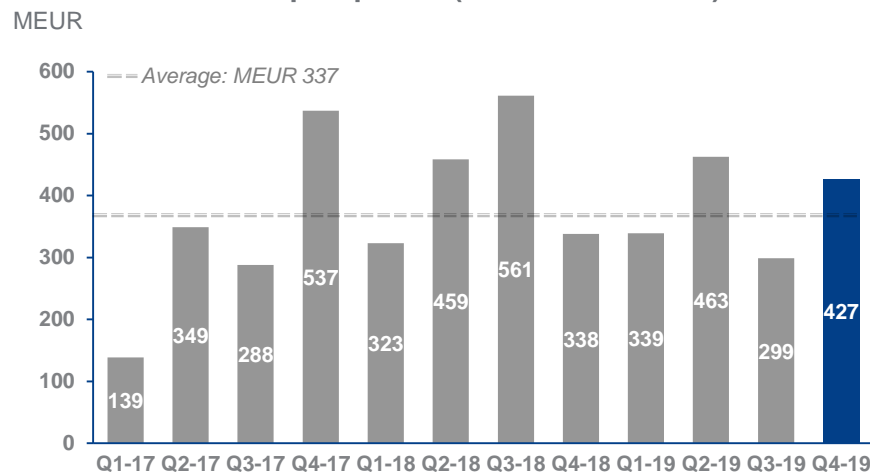
New business wins – KA Group

Strong booking quarter in a challenging market environment

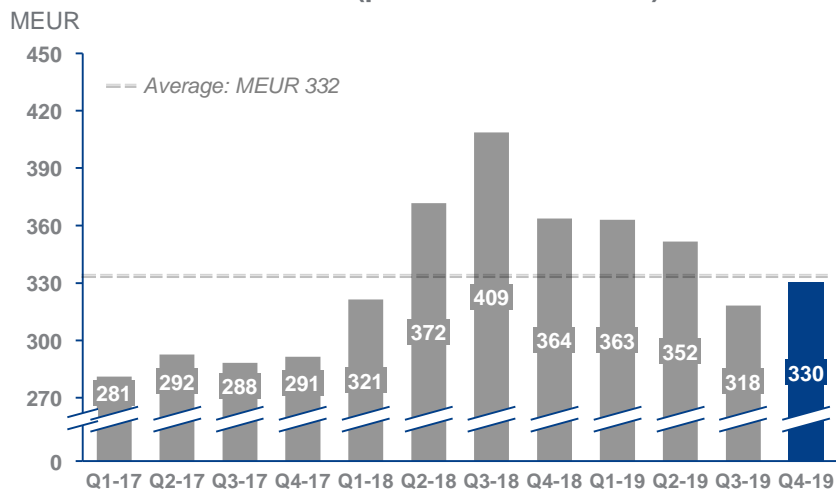
New business wins per quarter (per annum revenues)



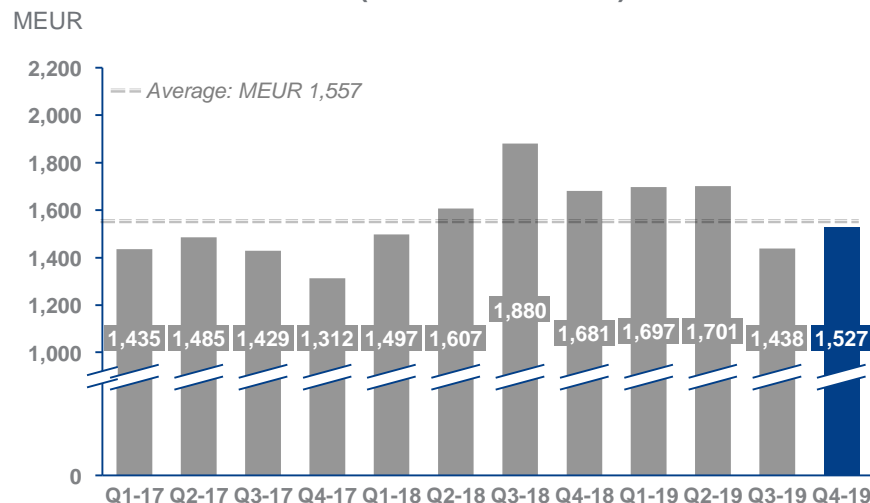
New business wins per quarter (lifetime revenues*)



New business wins LTM (per annum revenues)



New business wins LTM (lifetime revenues*)

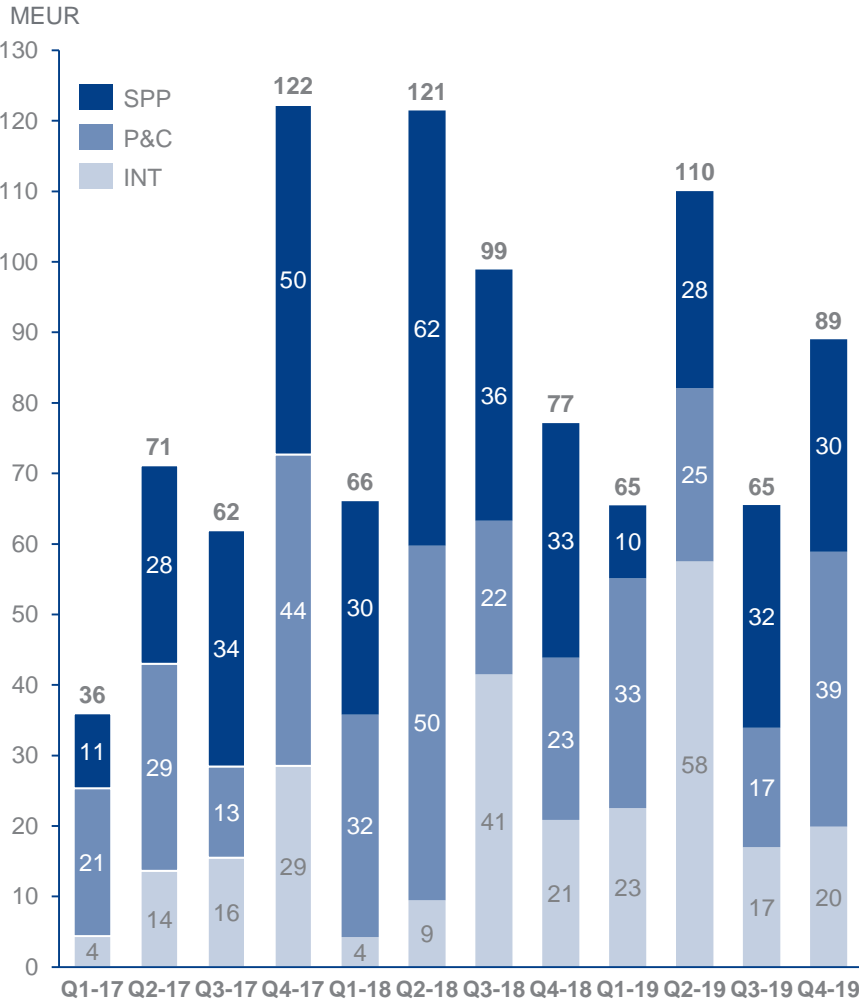


*Lifetime revenue assumptions are based on IHS and LMC production estimates at the time of the booking.

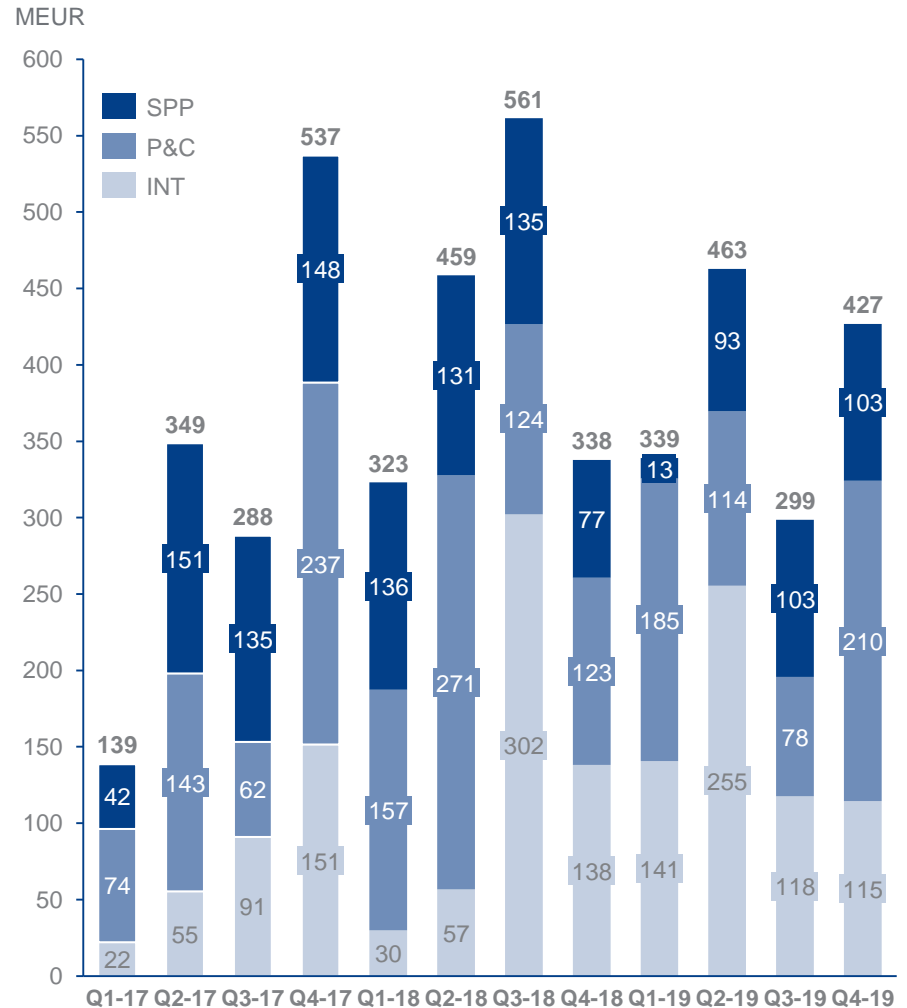
New business wins by segment

New business wins secure future growth in all segments

New business wins per quarter (per annum revenues)



New business wins per quarter (lifetime revenues*)

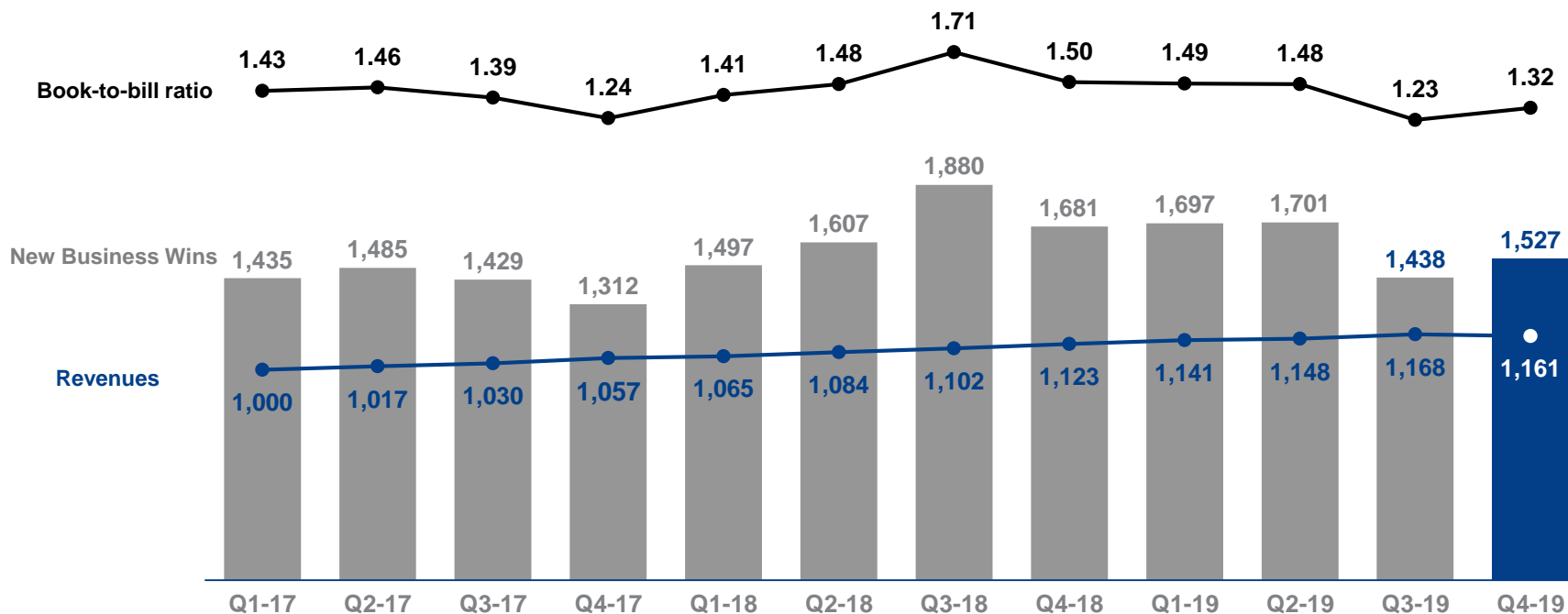


*Lifetime revenue assumptions are based on IHS and LMC production estimates at the time of the booking.

Book-to-bill performance

High number of new business wins over the last 3 years ensure long term growth relative to the market

● Revenues (LTM in MEUR)
 ■ NBW (Lifetime rev*, LTM) in MEUR



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

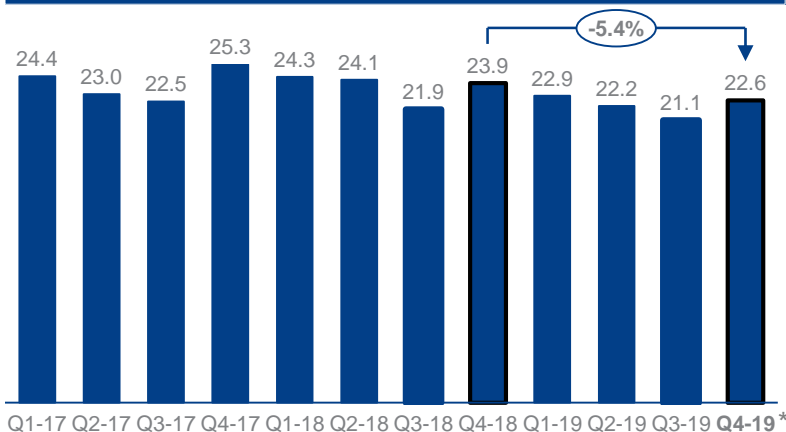


Market Summary

Q4 2019 market summary

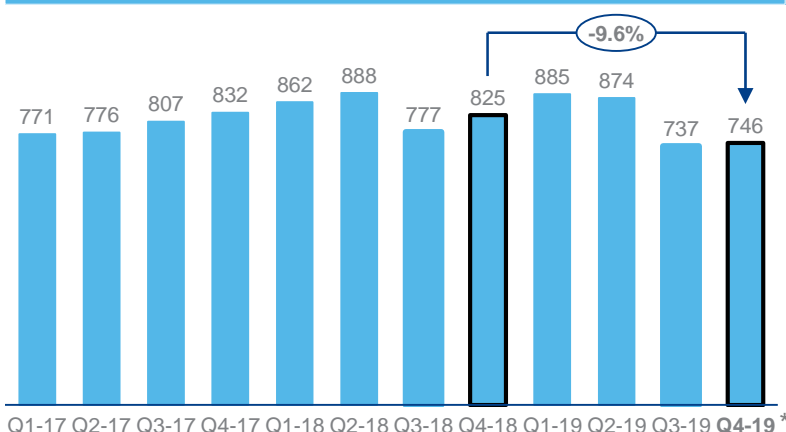
Challenging passenger car and truck markets in all major regions

Global Passenger Car Production, Units in millions



Source: IHS Light Vehicle Production Base, January 2020

Global Truck Production, Units in thousands



Source: LMC Global Commercial Vehicle Forecast, Q4 2019

Global Passenger Car Production

Production Volumes	Q4-19 vs. Q4-18	FY 2019 vs. FY 2018
Europe	-5.6% (-304k units)	-4.2% (-921k units)
North America	-8.9% (-374k units)	-3.9% (-669k units)
South America	-7.5% (-62k units)	-4.0% (-152k units)
China	+1.2% (+83k units)	-8.4% (-2,269k units)
APAC w/o China	-10.2% (-584k units)	-3.9% (-867k units)
RoW	-9.5% (-53k units)	-22.4% (-577k units)
Total	-5.4% (-1.3m units)	-5.8% (-5.5m units)

Global Truck Production

Production Volumes	Q4-19 vs. Q4-18	FY 2019 vs. FY 2018
Europe	-10.5% (-16k units)	-2.1% (-12k units)
North America	-13.5% (-20k units)	+5.1% (+31k units)
South America	+4.9% (+1k units)	+4.2% (+4k units)
China	+0.1% (+0.2k units)	+0.3% (+4k units)
APAC w/o China	-23.6% (-45k units)	-17.8% (-138k units)
RoW	56.8% (+1k units)	+13.9% (+1k units)
Total	-9.6% (-79k units)	-3.3% (-110k units)

*) IHS and LMC estimates. Kongsberg Automotive assumes that the final numbers will be lower.

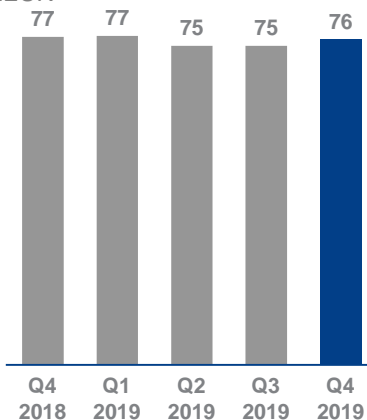


Segment Highlights

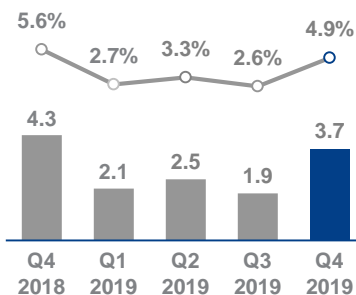
Segment financials last five quarters

Interior

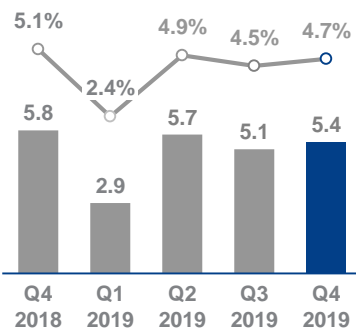
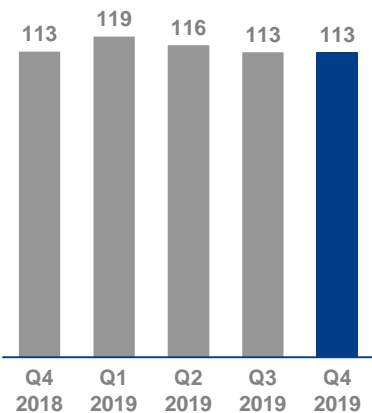
Revenues
MEUR



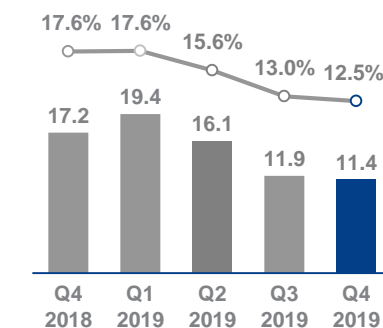
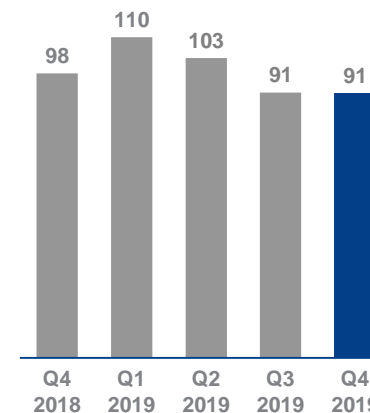
Adjusted EBIT*
MEUR and percent



Powertrain & Chassis



Specialty Products



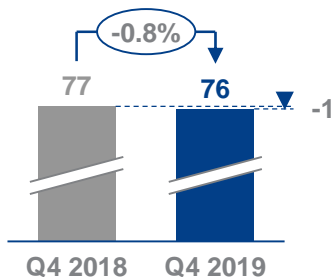
*Excluding restructuring costs, see details in the quarterly report.

Interior

Revenues

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

The revenue development in the segment was similar in both business units.

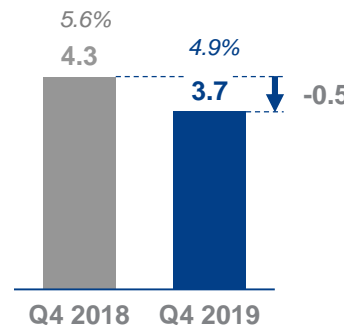


Adj. EBIT

The unsatisfactory margin development was mainly driven by operational inefficiencies in the ICS plants in Poland. This was offset by releasing an accrual for an onerous contract.

Our LDC business improved its overall financial performance and delivered positive results, similar to the results in Q4 2018, as opposed to previous quarters in 2019.

The segment profitability was impacted by unfavorable inventory revaluation effects, compared to positive effects in 2018.



Operations

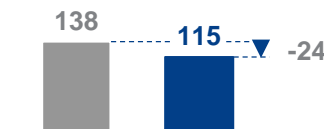
Interior finalized the transfer of the seat heat production from Pruszkow to Brzesc. However, the new facility in Brzesc is still operating below planned performance levels.

We opened a new technology center in India with focus on electronics and software engineering.

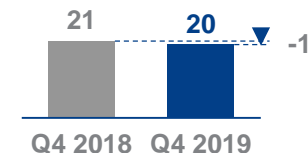
Interior reduced in Q4 its overall trade working capital TWC (trade accounts receivables plus inventories minus trade account payables) by MEUR 7 sequentially.

New Business Wins

Lifetime revenues



Annualized revenues



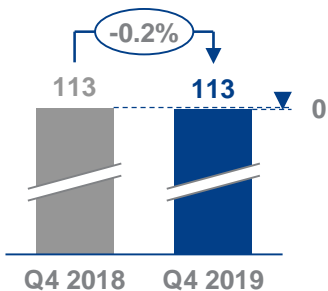
Interior had strong Q4 bookings.

The wins include significant business with a premium US OEM, where ICS was nominated to supply seat heat systems. LDC won a contract to supply electromechanical actuation cables to the same customer.

Combined, these contracts amount to MEUR 7 in annualized revenues or MEUR 50 in expected lifetime revenues.

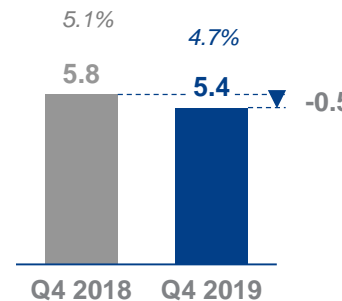
Powertrain and Chassis (P&C)

Revenues



The passenger car growth of 4.5% was offset by the strong market driven decline in the truck business of -7.5%. The main driver for the passenger car growth was market share gains in China.

Adj. EBIT



The increase in new profitable passenger car business in China partly offset declines in the North American truck and in the European passenger car business.

Cost reductions through improved operational and purchasing efficiencies impacted margins positively.

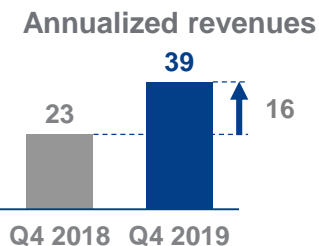
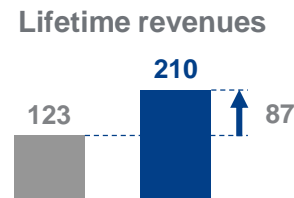
The segment profitability was impacted by unfavorable inventory revaluation effects, compared to positive effects in 2018.

Operations

Operational improvements continue across all European facilities, having established stability following the new product launches earlier in the year.

The segment maintained its overall TWC of MEUR 82 versus Q3.

New Business Wins

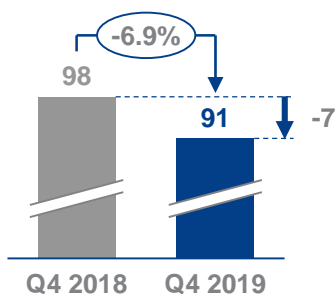


Again, P&C performed well in New Business Wins.

Within the quarter, P&C was awarded a contract to supply a gear shift system to a major European truck manufacturer. The program totals MEUR 8 in annualized revenues or MEUR 57 in expected lifetime revenues and has an expected start of production in early 2022.

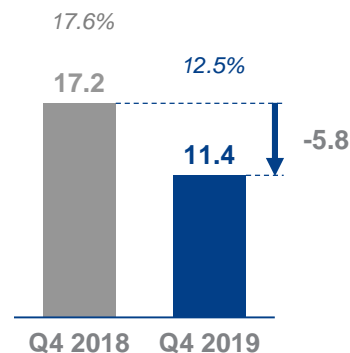
Specialty Products Segment

Revenues



The YoY revenue decrease in the segment was primarily driven by a considerable decline in the truck market. Couplings and FTS, with the higher exposure to the truck market, experienced strong declines of -10%. Off-Highway was relatively stable. Although small, the weakest end market was our trailer customers.

Adj. EBIT



The profitability decrease was mainly driven by the volume decline.

In addition establishing a global manufacturing footprint for Couplings global customers did affect adj. EBIT negatively.

The segment profitability was impacted by unfavorable inventory revaluation effects, compared to positive effects in 2018.

Operations

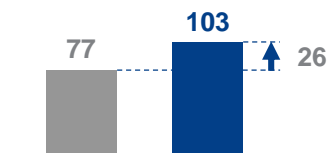
A further ramp-up of the new Couplings manufacturing activities in our existing facility in France was completed. This will allow for additional insourcing of currently outsourced manufacturing activities.

Our facility in Brzesc is ready for new production launches for the FTS business in early 2020.

The segment reduced its overall TWC by MEUR 9 sequentially.

New Business Wins

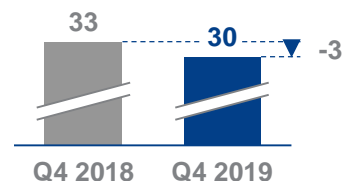
Lifetime revenues



The segment achieved high levels of new business wins.

The wins include pedals and throttle control systems to a US golf cart manufacturer in Off-Highway. This program accounts for approximately MEUR 6 in annualized revenues, or MEUR 23 in expected lifetime revenues.

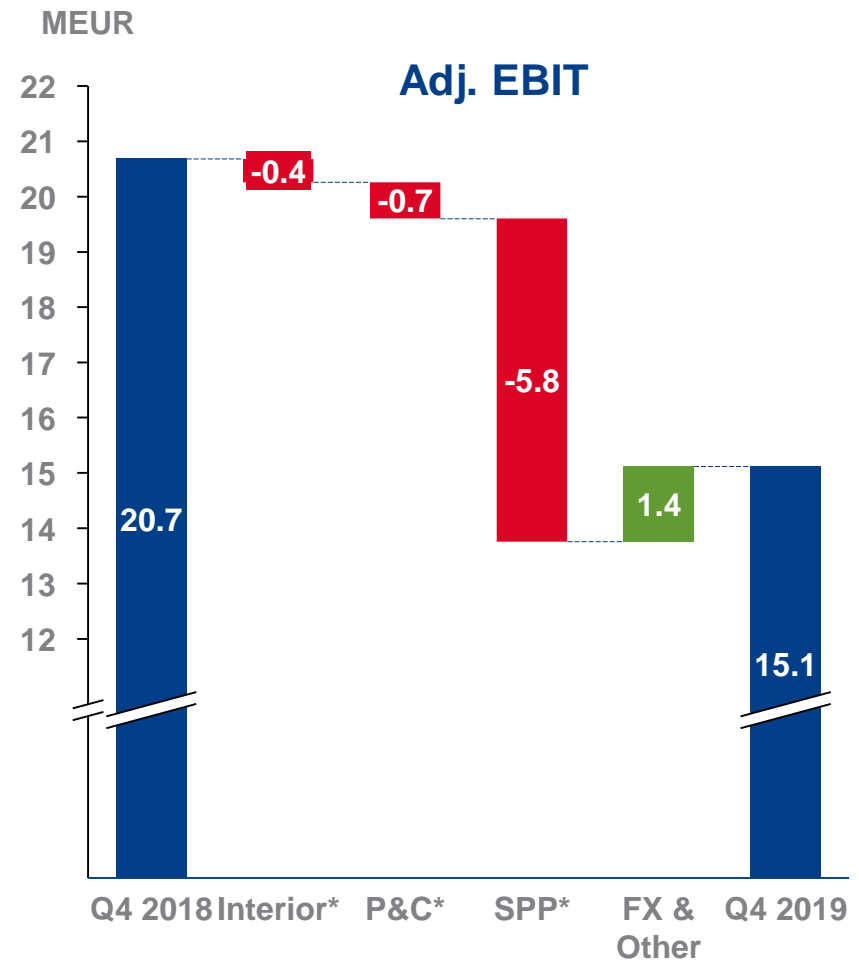
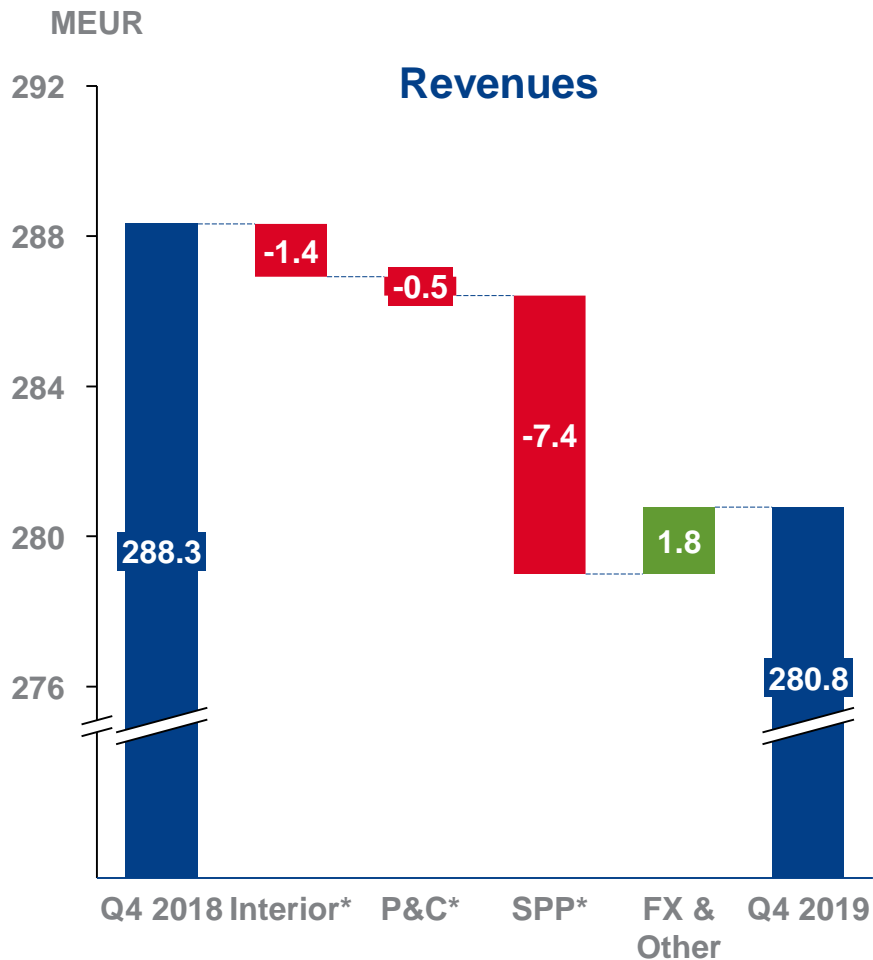
Annualized revenues





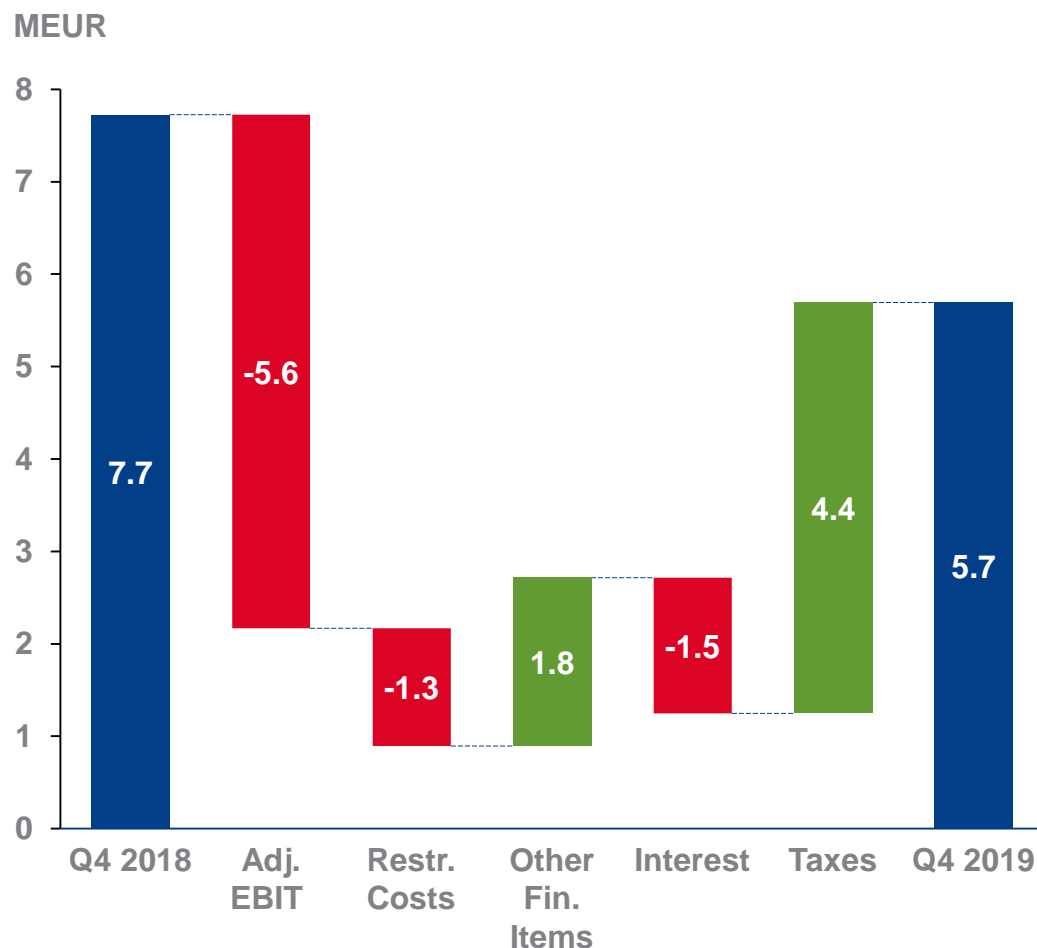
Norbert Loers
Financial Update

Q4 2019 - Revenue and adjusted EBIT development



* Variances excluding FX translation effects

Q4 2019 – Net Income development



▶ Group

At MEUR 5.7, net income was MEUR 2.0 below Q4 2018.

▶ Restructuring costs

Restructuring costs amounted to MEUR 4.1 in Q4 2019, which is an increase of MEUR 1.3 compared to Q4 2018 and included a RIF program in one of our Mexican facilities.

For the full year 2019, restructuring cost were reduced significantly following the completion of the production transfer projects from Germany, the UK, the US and Norway.

▶ Other financial items

Overall favorable net effect from unrealized and realized currency gains and losses.

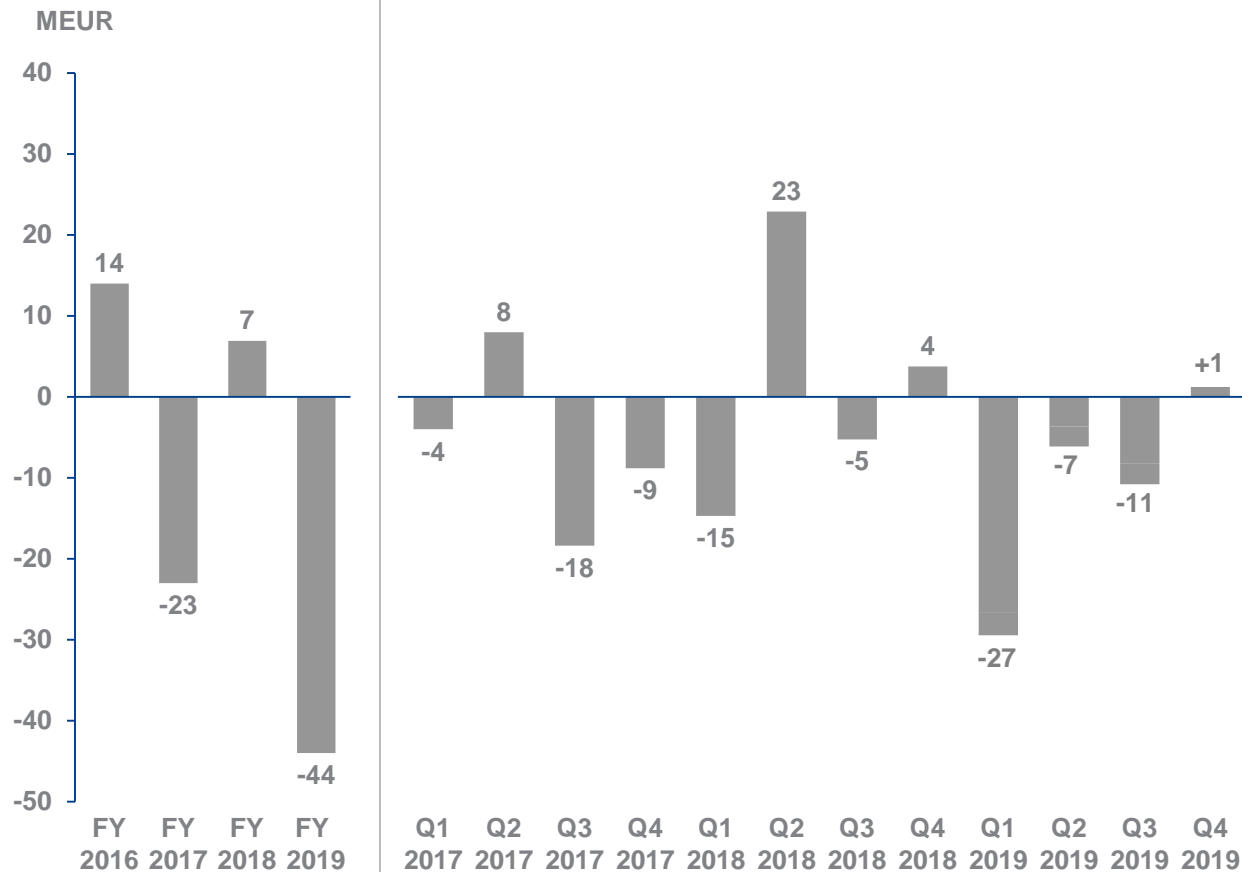
▶ Interest

IFRS 16 adoption resulted in MEUR 1.5 additional interest expenses. Other interest charges remained unchanged YoY.

▶ Taxes

In Q4 2019 income taxes totaled MEUR -0.2, which is a reduction of MEUR 4.2 vs. Q4 2018, mainly through FY true-up effects and a reduction in the overall full-year tax rate versus 2018.

Q4 2019 Total Cash Flow*



- ▶ **Operating cash flow MEUR +25.5**
Overall NWC reduction of MEUR 15.6
Cash out related to restructuring activities amounted to MEUR -1.3 for Q4 2019.
- ▶ **Investment cash flow MEUR -17.0**
Investments mainly to support current and future business growth.
- ▶ **Cash flow from financing MEUR -6.6**
Interest bearing debt related interest payments: MEUR -0.9
IFRS 16 interest payments: MEUR -1.6
Repayment of IFRS 16 lease liabilities MEUR -4.1
- ▶ **FX effects on cash MEUR -1.2**

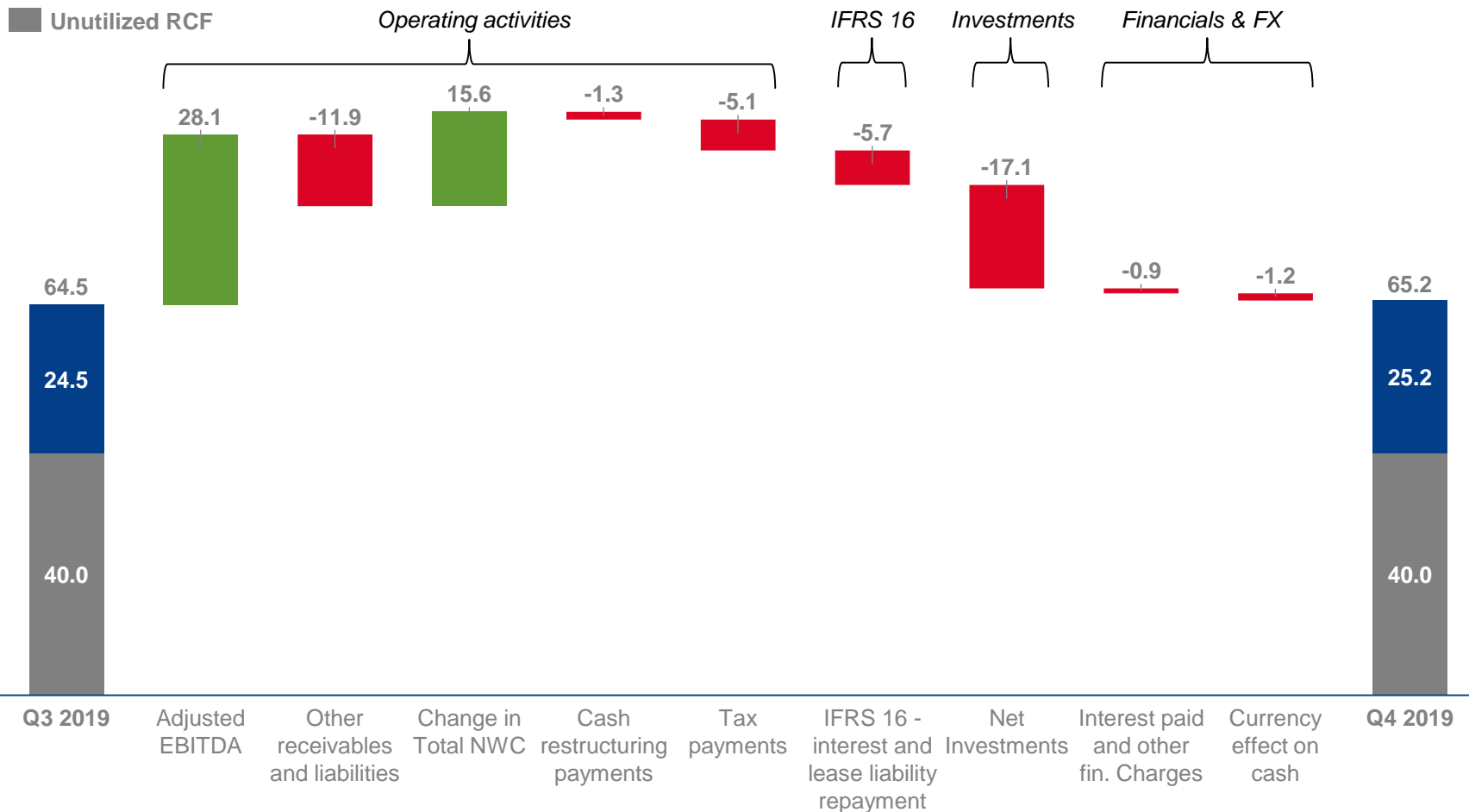
*Total Cash Flow = Cash flow from operating activities ± cash flow from investments ± cash flow from financing excluding net draw of RCF

Q4 2019 - Liquidity development

MEUR

■ Cash*

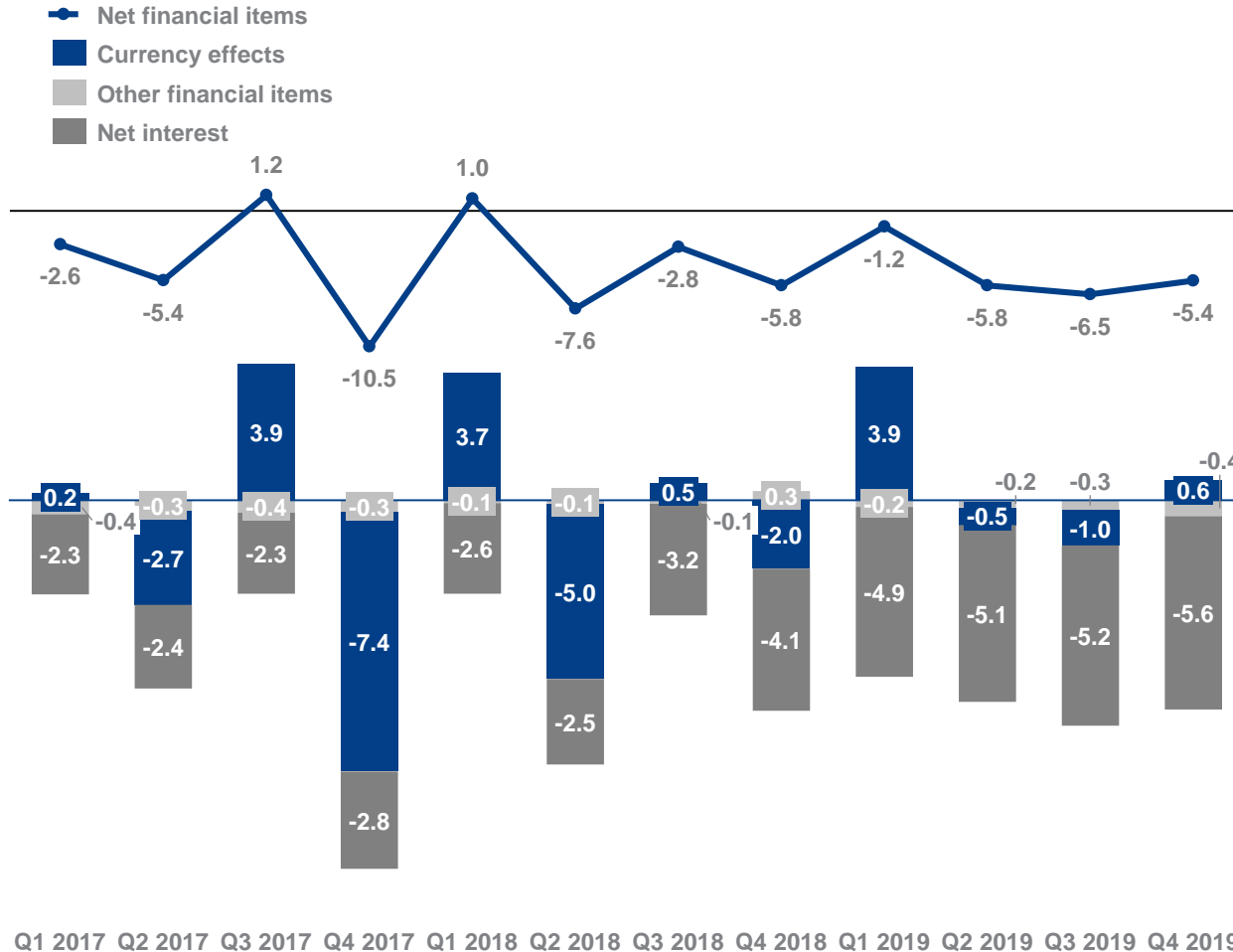
■ Unutilized RCF



*Including MEUR 0.8 in restricted cash.

Net financial items - Breakdown

MEUR



► **Currency effects**

The currency effects in Q4 2019 are made up of an unrealized currency gain of MEUR 2.5 and of a realized currency loss of MEUR 1.9

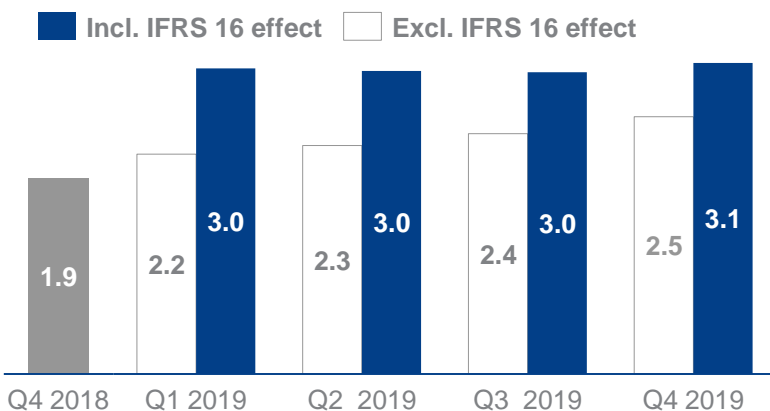
► **Interest**

The main elements were the IFRS16 interest cost of MEUR -1.6 and accrued interest expense for the bond of MEUR -3.7.

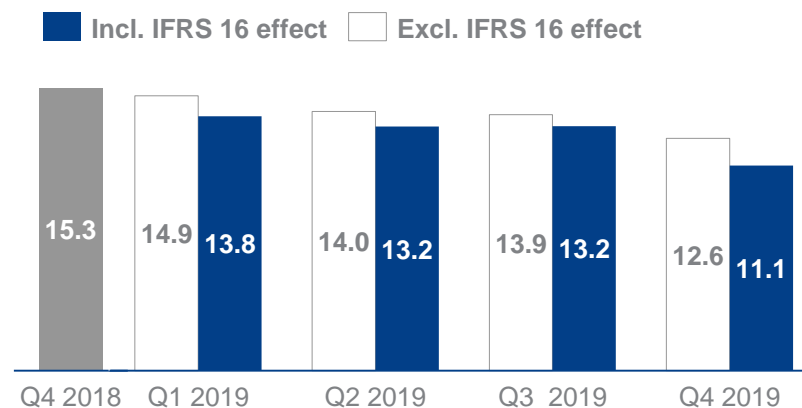
Q1 2017 Q2 2017 Q3 2017 Q4 2017 Q1 2018 Q2 2018 Q3 2018 Q4 2018 Q1 2019 Q2 2019 Q3 2019 Q4 2019

Financial ratios

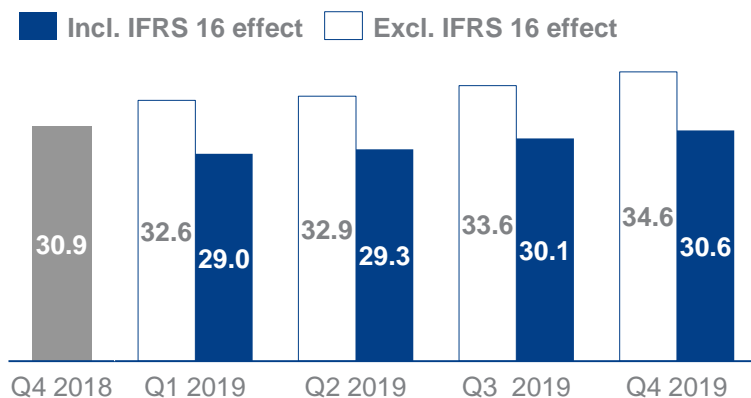
Adjusted gearing ratio* (NIBD/EBITDA, LTM)



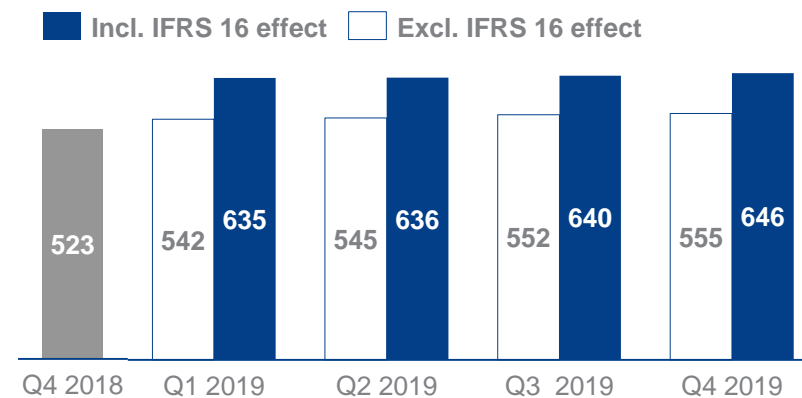
Adjusted ROCE* (% , LTM)



Equity Ratio (%)



Capital Employed (MEUR)**



* Excluding restructuring costs; ** Capital employed at quarter end



Summary

2019 Summary & Conclusion

- For 2019, Kongsberg Automotive achieved above-market revenue growth, maintained an adjusted EBIT margin greater than 6% and increased Net Income. Cash Flow performance was disappointing.
 - This despite a disappointing fourth quarter, which was impacted by unexpected, sharp and sudden declines in most of our end-markets in the second half of Q4.
 - From an adjusted EBIT standpoint, the main driver behind our Q4 YoY performance was the devaluation of inventory values in 2019 as opposed to a revaluation in 2018. This is somewhat good news as this indicates that the combination of raw material pricing and internal costs have declined versus the end of 2018.
 - From a Net Income standpoint, we benefitted from lower restructuring charges in FY 2019 as the restructuring costs of our 2016 program were significantly reduced. In Q4, we also benefitted from a true up of the FY taxes.
 - Throughout 2019, we experienced very challenging macro effects, especially in the overall end market demand compared to our plans and also in raw materials/tariffs.
 - Kongsberg Automotive had significant negative cash flow due to high investments and increases in working capital mainly driven by growth investments while not getting support from the anticipated top line growth.
- In a challenging market environment we were once again awarded with high levels of new business wins in all our segments, which will enable us to continue to deliver above-market top line performance.



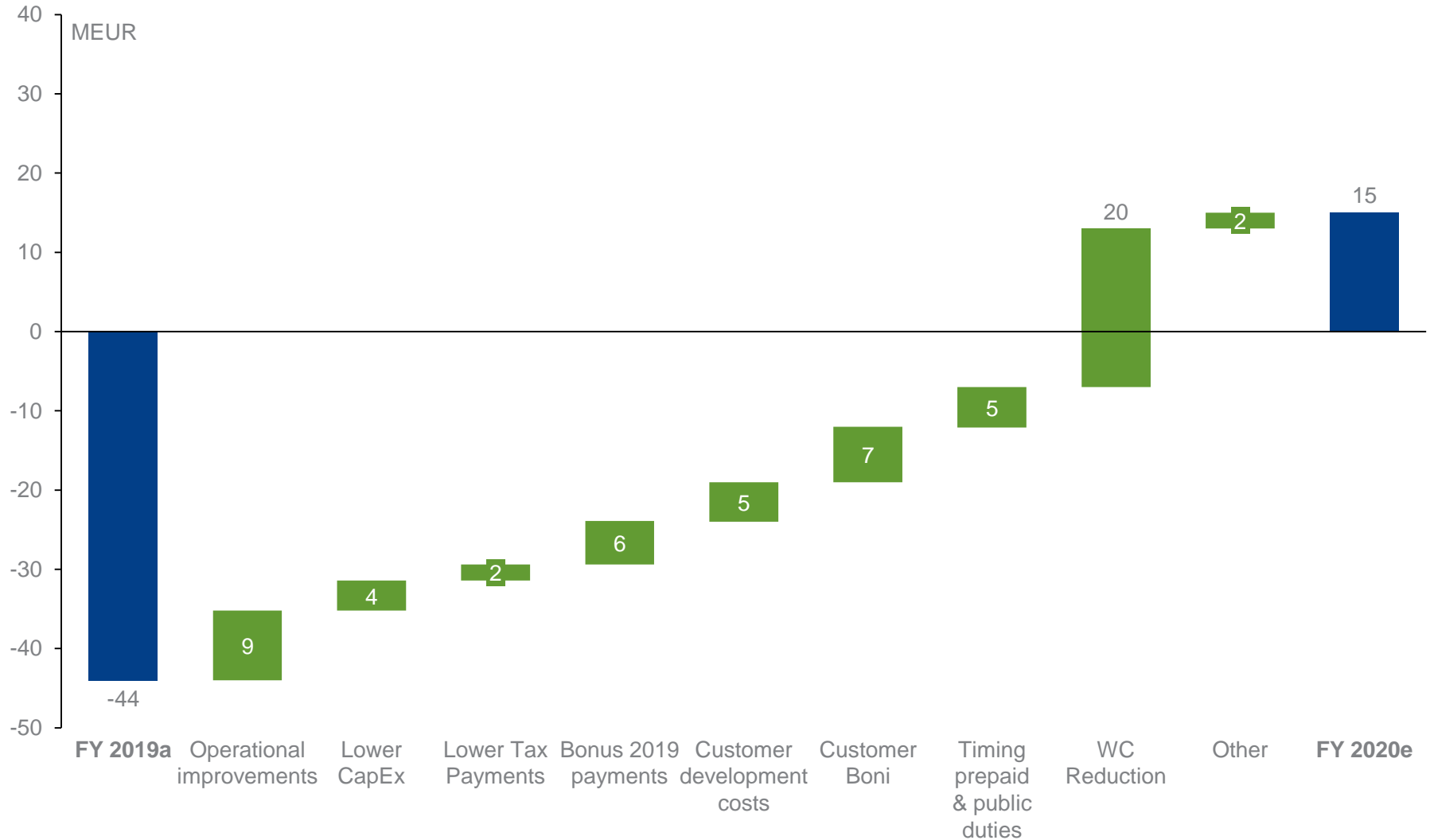
Outlook

- For 2020, we forecast declines in most of our end markets, and consequently we expect our revenues to come in at levels similar to those of 2019 as we see us performing slightly better than our end markets.
 - Based on our current orders, we expect Q1 2020 revenues to be around MEUR 275-280.
 - The Corona virus outbreak will have an impact, especially in the first quarter of 2020. However, at this stage it is still too early to quantify the implications on our business for FY 2020.
 - We have included MEUR 5-8 of Corona effects in our Q1 Outlook.
- Our main focus areas in 2020 will be to:
 - Manage our operations well in what we predict will be a year of somewhat “bumpy” end markets.
 - Focus on cash flow performance with the goal of delivering positive cash flows exceeding MEUR 15 for FY 2020, assuming flat YoY revenues.
 - From a seasonality standpoint, Q1 is still challenging as we predict negative Q1 2020 cash flows of around MEUR 23 due primarily to working capital seasonality and bi-annual interest payments.
 - This implies a Q2-Q4 positive cash flow of around MEUR 38 driven by concrete initiatives, mostly within working capital and CapEx.
 - Drive one or more strategic decisions especially in the form of portfolio trimming as we focus on our end market activities of the future.



Total Cash Flow*

FY 2020 improvements



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