

KONGSBERG AUTOMOTIVE

Q1 2021 EARNINGS CALL

MAY 12, 2021



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 2020 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.



TODAY'S PRESENTERS



JOERG BUCHHEIM

CEO

Zurich (Switzerland)

> President and CEO joined in May 2021



NORBERT LOERS

CFO

Zurich (Switzerland)

> CFO since January 2017





➤ EXECUTIVE SUMMARY

FINANCIAL HIGHLIGHTS & NBW

MARKET SUMMARY

SEGMENT HIGHLIGHTS

GROUP FINANCIAL UPDATE

OUTLOOK

Q&A





SALES

A great quarter with **sales higher than MEUR 300**

ADJ. EBIT

Despite massive impacts from the global raw materials supply crisis, Q1 was one of the best earnings of the last four years with an **adj. EBIT of MEUR 20.0** and a **margin of 6.6%**

FREE CASH FLOW¹

KA achieved the cash-flow break-even already in Q1 with **MEUR 4.8 positive cash flow**

NEW BUSINESS WINS

Good bookings maintained in Q1 2021 after challenging COVID-19-driven market environment in 2020 with continuous **> 1.2 book-to-bill performance**

LIQUIDITY

Our **liquidity reserve further increased to MEUR >200** driven by positive cash flows

1. 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.

HIGHLIGHTS Q1 2021

-
- SALES**
- > Q1 2021 sales amounted to MEUR 302.8, MEUR 40.7 (15.6%) above Q1 2020, despite negative currency translation effects of MEUR 12.0
 - > At constant currencies, the YoY growth was around 20.1% which is above the overall market development for the quarter
 - > The emerging global raw materials crisis started to impede our customers and our order conversions
-
- ADJ. EBIT**
- > Adj. EBIT in Q1 2021 grew significantly amounting to MEUR 20.0 compared to MEUR 7.8 in Q1 2020, an increase of 157.6% YoY, despite the electronic components supply chain crisis
 - > The whole automotive industry suffers under the accelerating global raw materials crisis. That concerns foremost semiconductors, but also resin, metals and transportation capacities. This directly impacted our Q1 EBIT by MEUR -7.6
 - > Excluding these negative effects, the adj. EBIT % would reach an all-time high of >8.0%
-
- FREE CASH FLOW**
- > In Q1 2021, Free Cash Flow totaled MEUR 4.8 continuing the cash flow improvement we have started to show in Q3 2020
 - > This included MEUR 21.0 negative effect from the typical Q1 working capital increase and MEUR -6.9 semiannual bond interest payment, offset by relatively low investments of only MEUR -6.0 and positive MEUR 6.9 translational FX effects
-
- NEW BUSINESS WINS**
- > Driven by steadily improving order levels throughout the quarter - volumes of business wins are close to the average from the last 3 years
 - > New business wins amounted to MEUR 91.7 on an annualized sales basis, corresponding to MEUR 347.1 of expected lifetime sales during Q1 2021
-
- GEARING**
- > The adjusted gearing ratio (NIBD/adj. EBITDA) on LTM basis was 4.2 compared to 3.5 in Q1 2020 due to the negative impact of Covid-19 pandemic on adj. EBITDA in Q2 and Q3 2020



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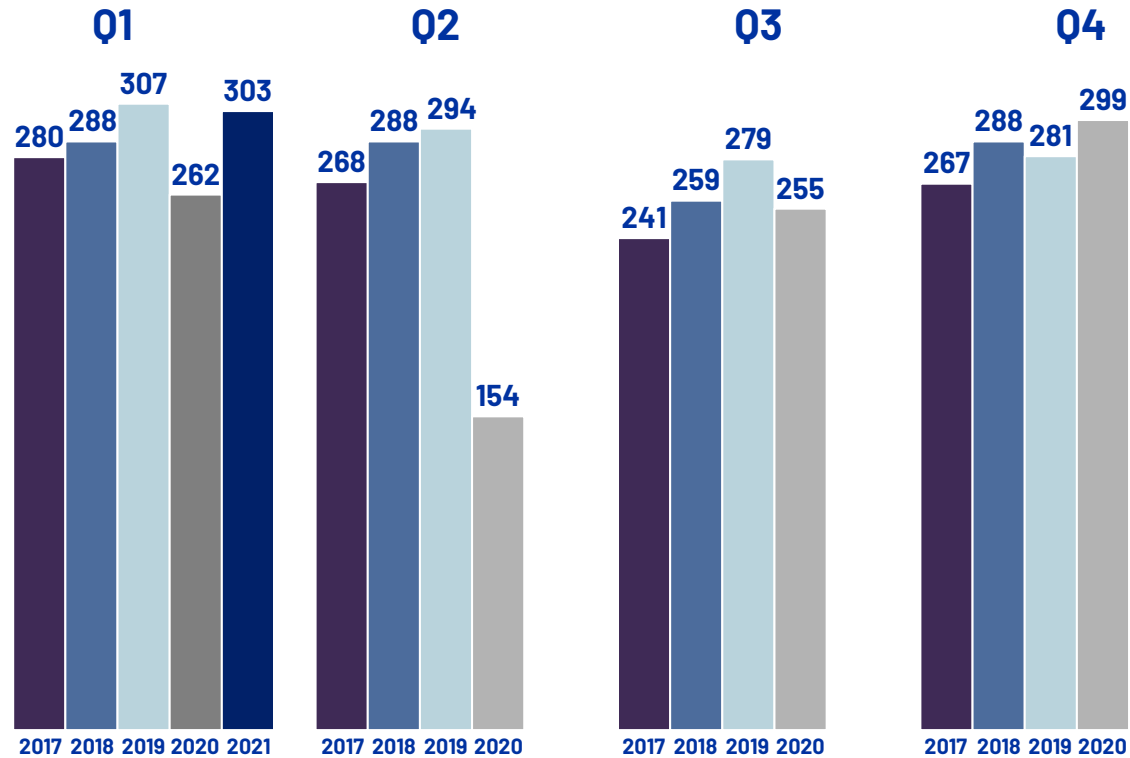
Q&A



REVENUES AND ADJUSTED EBIT

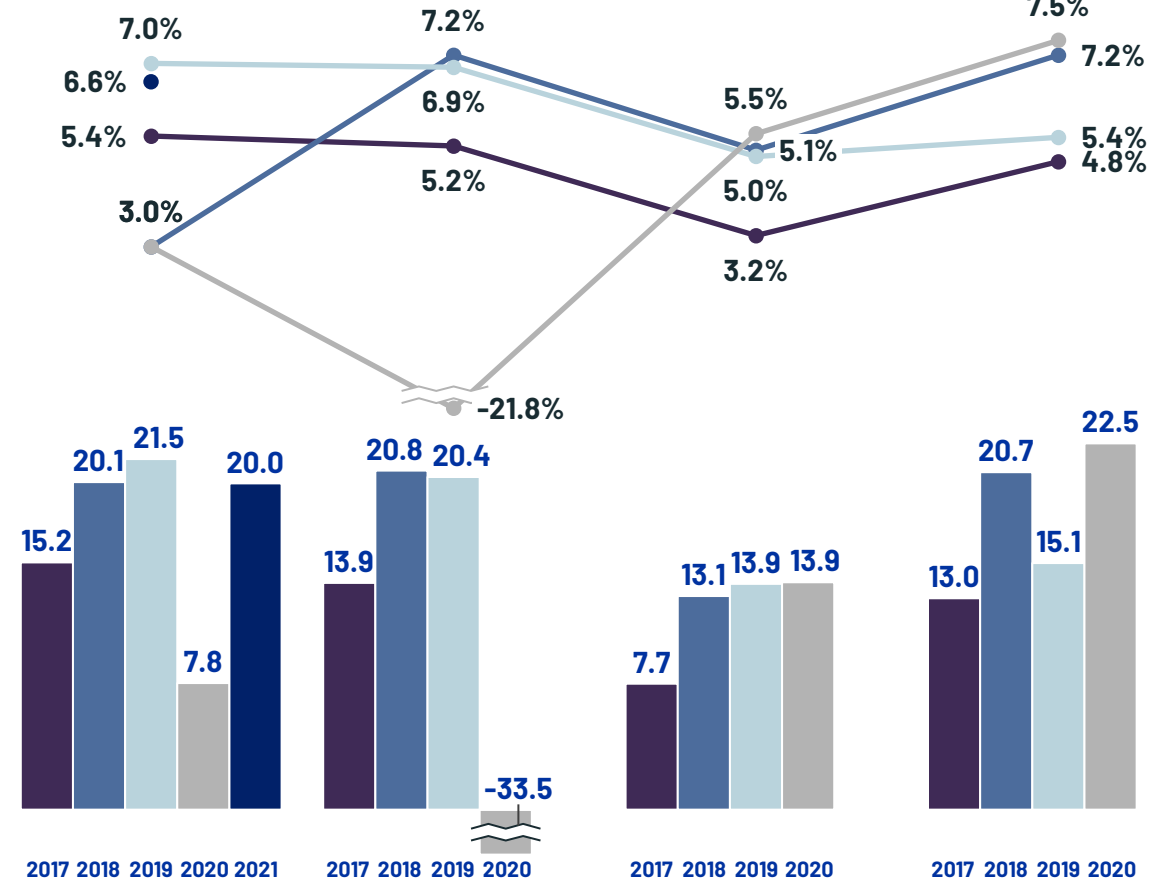
QUARTERLY SALES, MEUR

2017 2018 2019 2020 2021



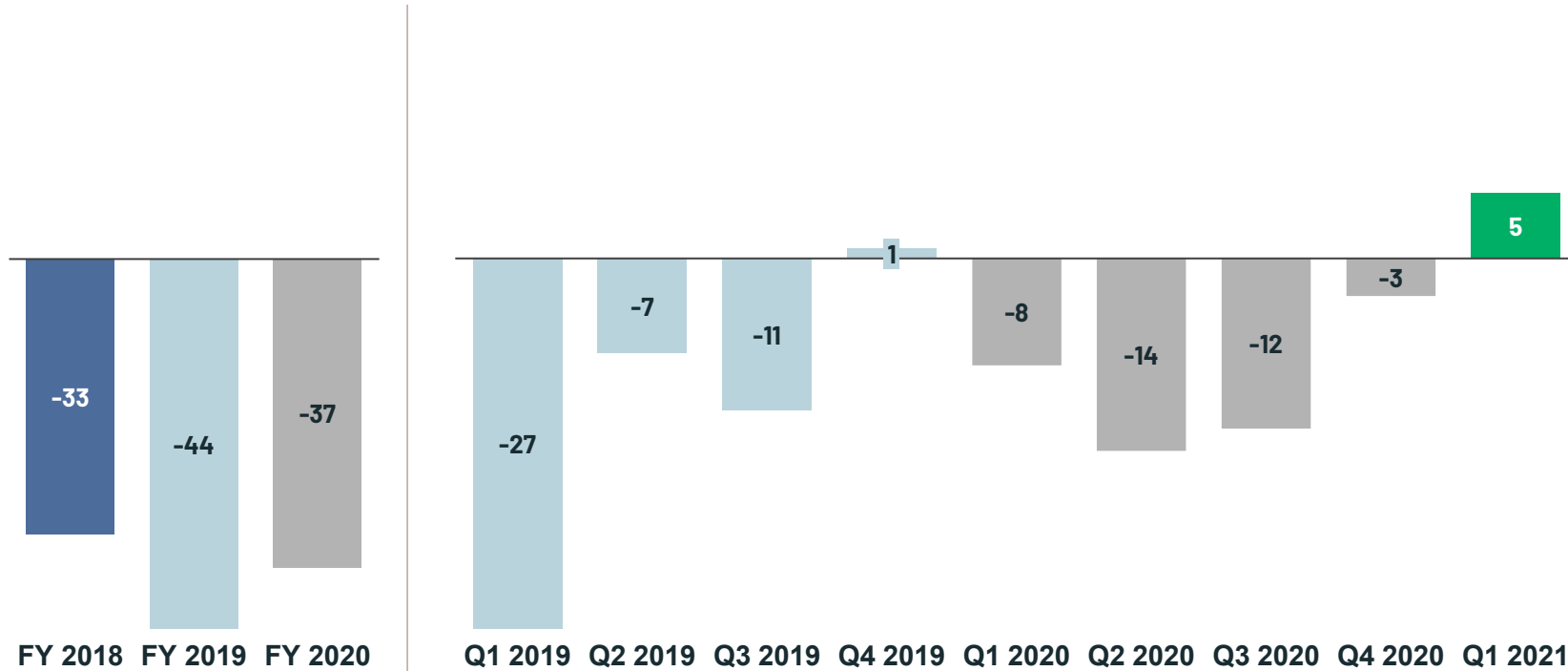
QUARTERLY ADJ. EBIT, MEUR AND % OF SALES

2017 2018 2019 2020 2021



FREE CASH FLOW: STABLE FCF IN Q1 SHOWS POSITIVE UPWARD TREND IN THE FUTURE

FREE CASH FLOW¹, MEUR



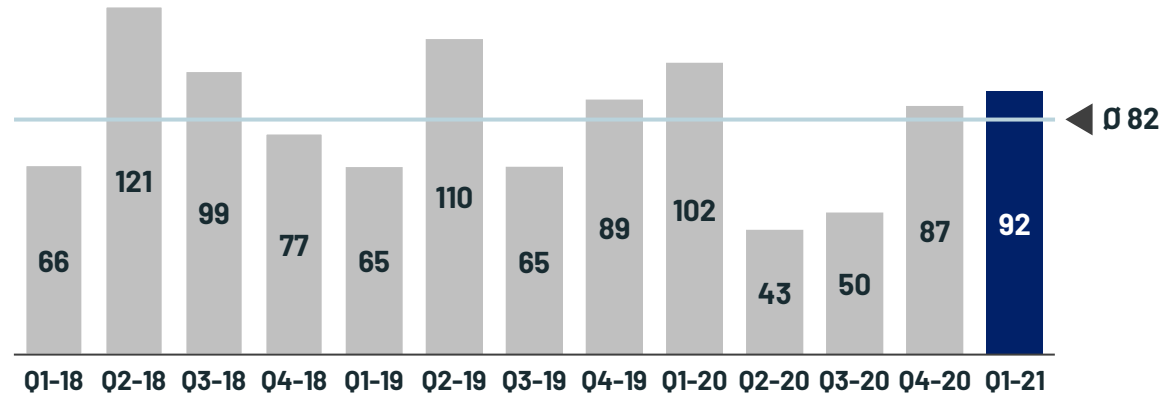
Q1 2021 FCF DETAILS

Operating activities	+17
Therein: Overall NWC increase	-21
Investing activities	-6
Financing cost	-13
Therein: payments of interests on bond and lease liabilities	-8
Therein: Repayment of IFRS 16 lease liabilities	-3
Currency and translation effects on cash flow	+7
Total	+5

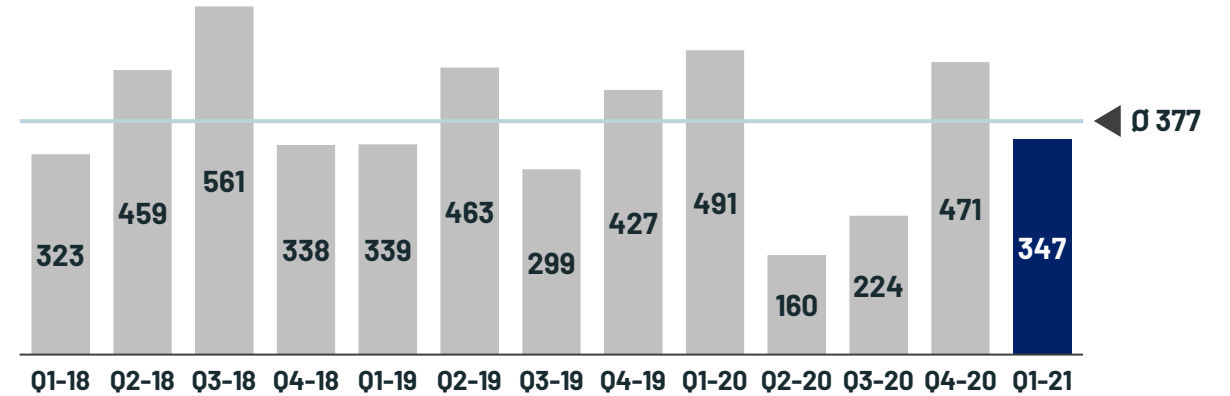
1. Free Cash Flow is measured based on sum of cash flow from operating activities, investing activities, financial activities and currency effects on cash (together described as Change in cash), excluding net draw-down/repayment of debt and proceeds received from capital increase/purchase of treasury shares.

NEW BUSINESS WINS: BOOKINGS IN Q1 2021 RETURNED TO THE AVERAGE PRE-COVID 19 LEVELS

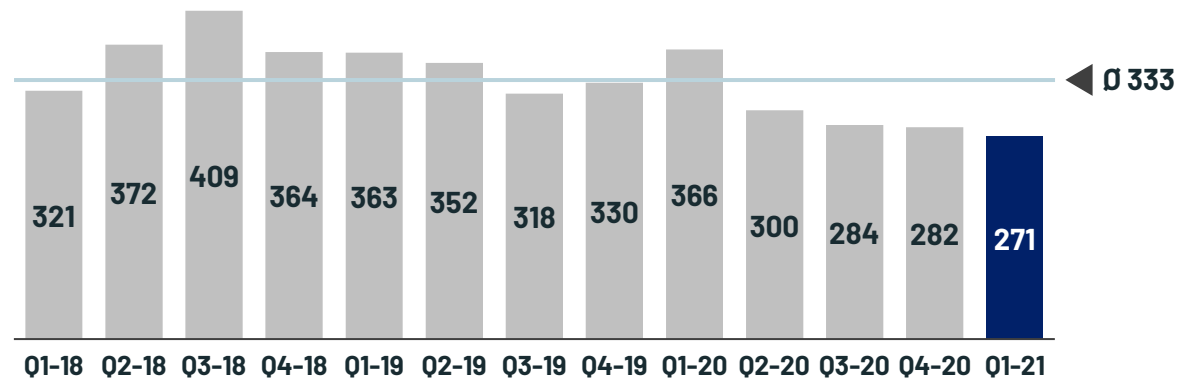
NEW BUSINESS WINS PER QUARTER, PER ANNUM SALES, MEUR



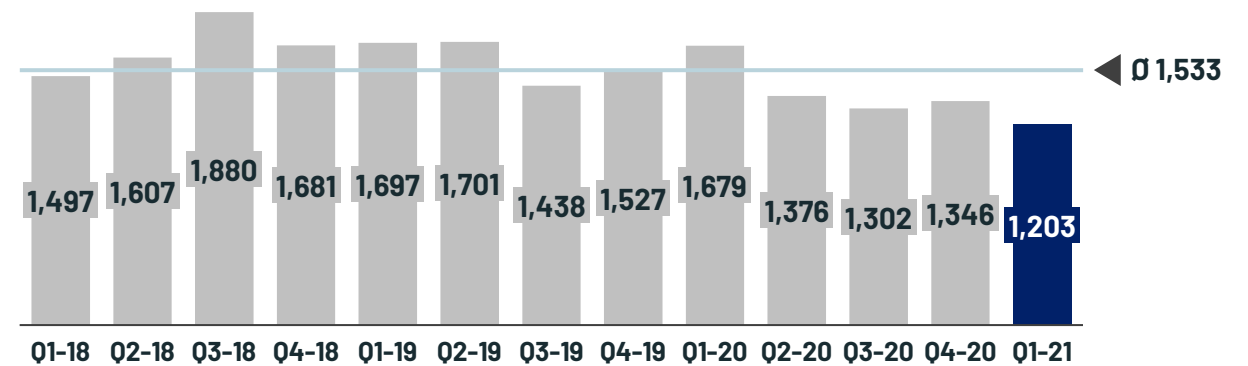
NEW BUSINESS WINS PER QUARTER, LIFETIME SALES¹, MEUR



NEW BUSINESS WINS LTM, PER ANNUM SALES, MEUR



NEW BUSINESS WINS LTM, LIFETIME SALES¹, MEUR

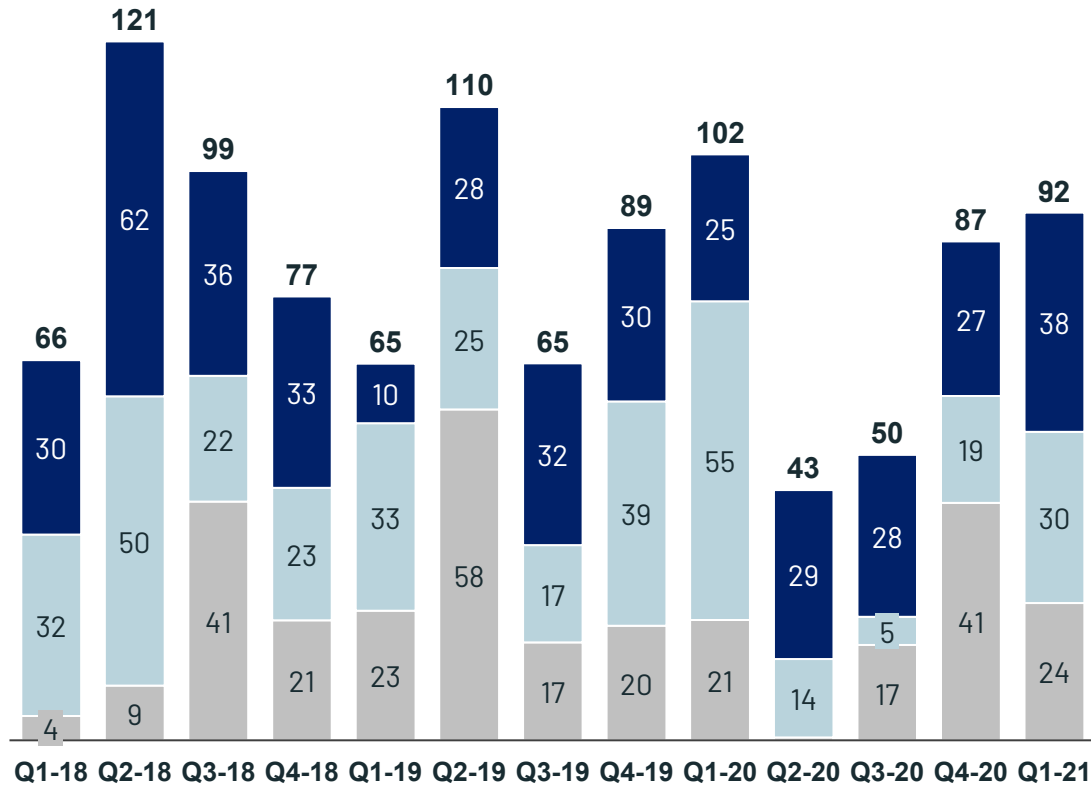


1. Lifetime sales assumptions are based on IHS and LMC production estimates at the time of the booking

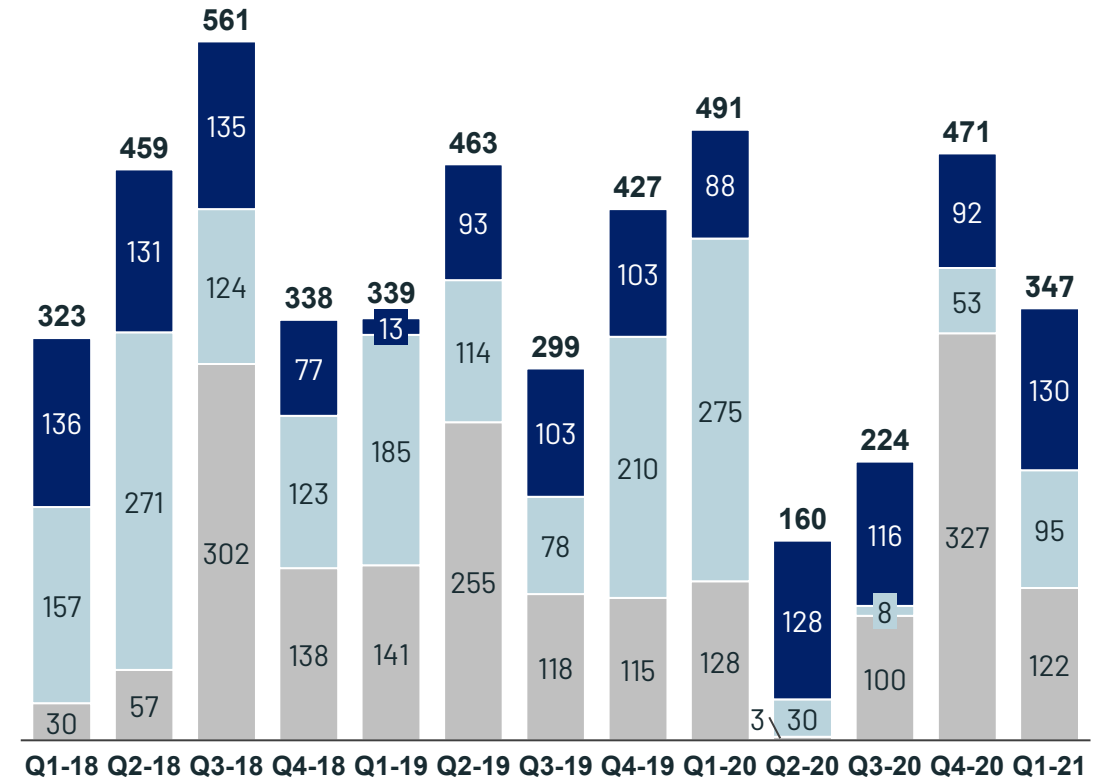
NEW BUSINESS WINS PER SEGMENT: PRE-COVID-19 LEVELS MAINTAINED IN Q1 2021 SECURING FUTURE GROWTH

■ SPP ■ P&C ■ INT

NEW BUSINESS WINS PER QUARTER, PER ANNUM SALES, MEUR



NEW BUSINESS WINS PER QUARTER, LIFETIME SALES¹, MEUR

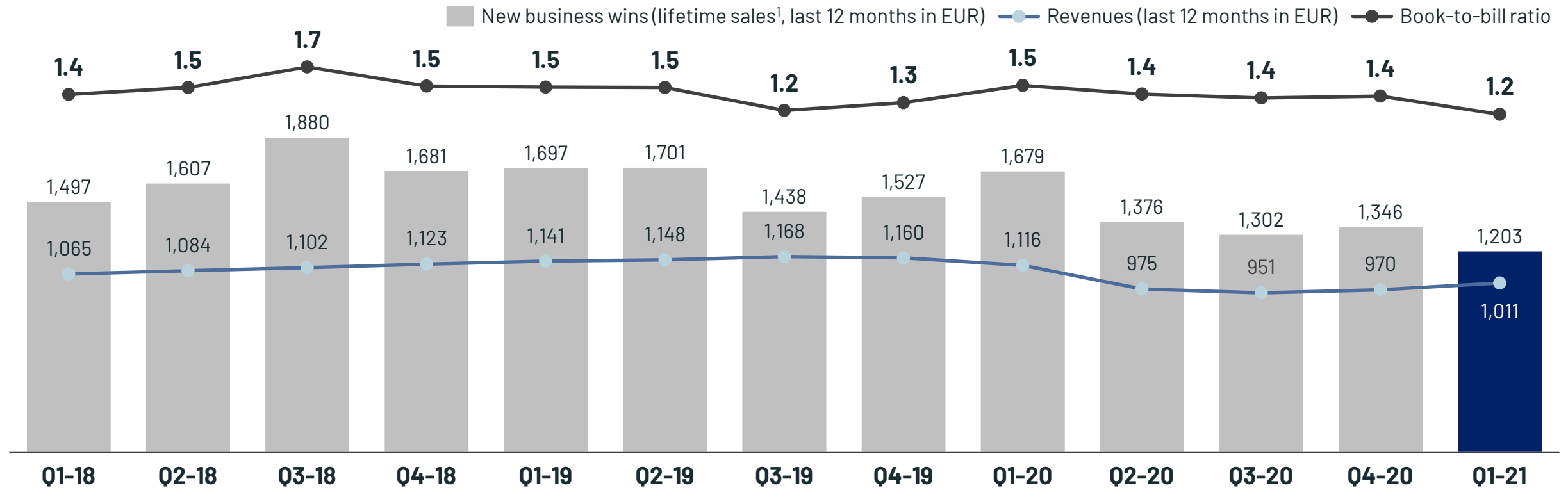


1. Lifetime sales assumptions are based on IHS and LMC production estimates at the time of the bookings

BOOK-TO-BILL PERFORMANCE:

BOOKED BUSINESS VOLUMES EXCEEDING REVENUES TO SECURE FUTURE GROWTH

BOOK-TO-BILL PERFORMANCE, MEUR



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

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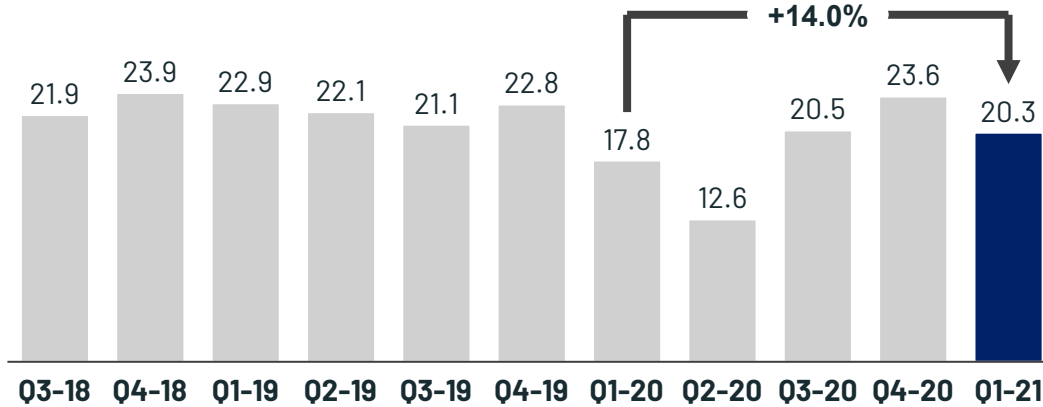
Q&A



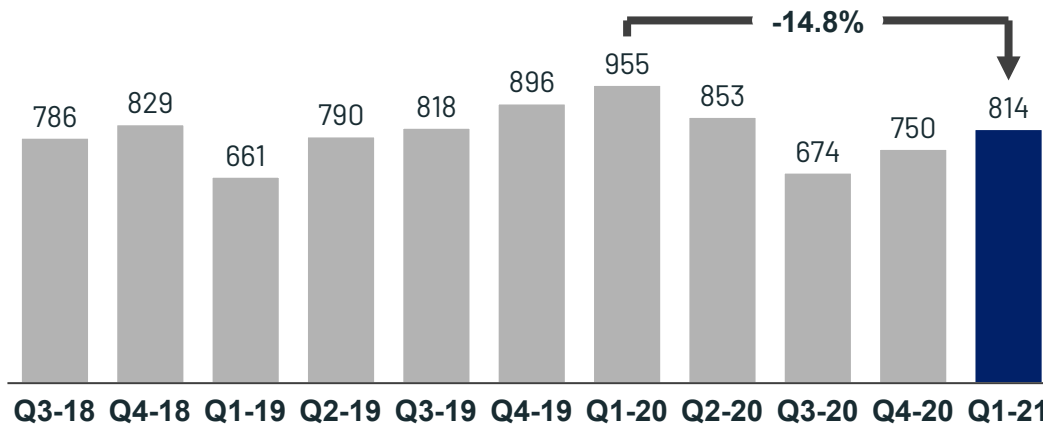
MARKET TRENDS: CHINA SHOWS POSITIVE DEVELOPMENT IN PASSENGER CAR MARKET BUT SIGNIFICANT DOWNTURN IN TRUCK MARKET IN 2021

MARKET DEVELOPMENT

GLOBAL PASSENGER CAR PRODUCTION, in million units



GLOBAL TRUCK PRODUCTION, in thousand units



REGION	Q1-21 vs. Q1-20	2021 vs. 2020
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China	+77.1%	+5.4%
APAC w/o China	+3.4%	+11.9%
Europe	-0.9%	+12.4%
North America	-4.5%	+20.4%
South America	+3.9%	+27.1%
Rest of World	-1.0%	+12.8%
Total	+14.0%	+11.9%
Total (excl. China)	-0.2%	+15.0%

China	-37.4%	-16.9%
APAC w/o China	+23.4%	+21.6%
Europe	+13.5%	13.6%
North America	+18.3%	+8.3%
South America	+11.5%	+11.6%
Rest of World	+10.7%	+10.8%
Total	-14.8%	-1.4%
Total (excl. China)	+18.1%	+13.9%

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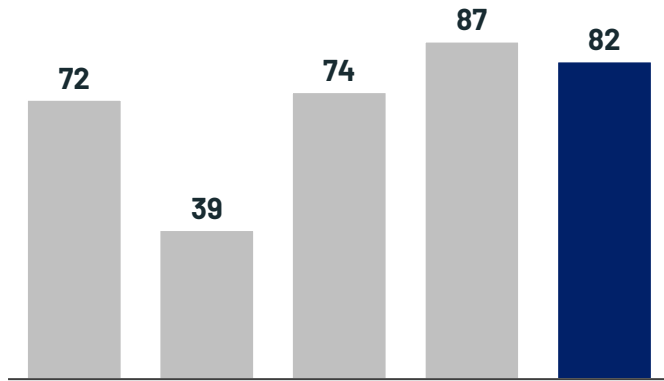


SEGMENT FINANCIALS:

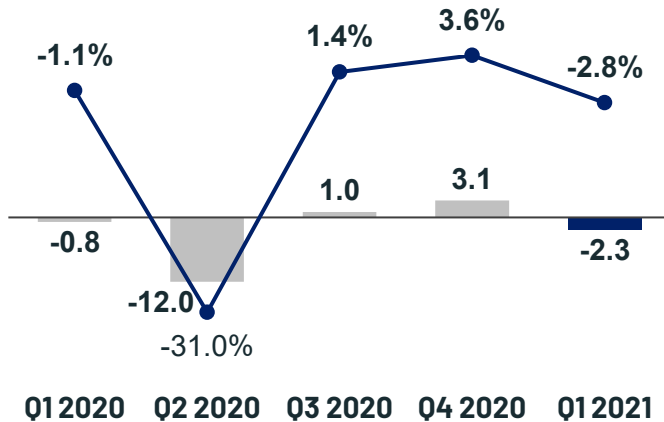
STRONG LEVELS FROM Q4 2020 MAINTAINED IN Q1 2021

INTERIOR (INT)

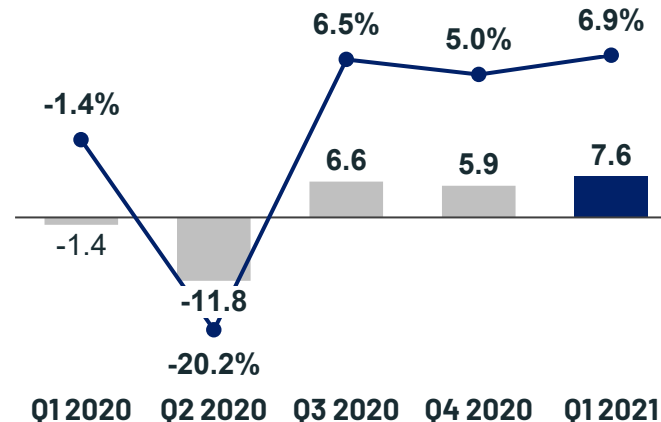
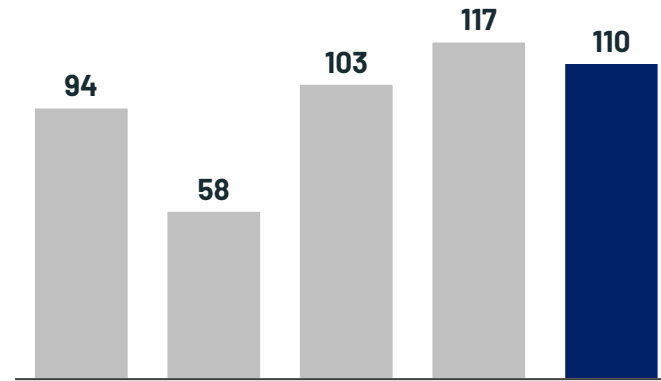
SALES, MEUR



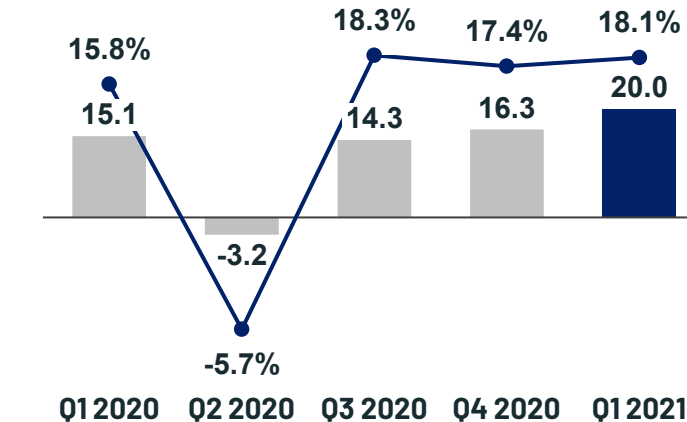
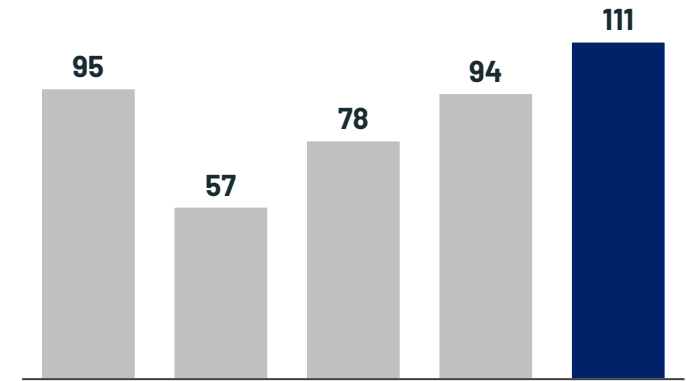
ADJUSTED EBIT¹, MEUR



POWERTRAIN & CHASSIS (P&C)



SPECIALTY PRODUCTS (SPP)

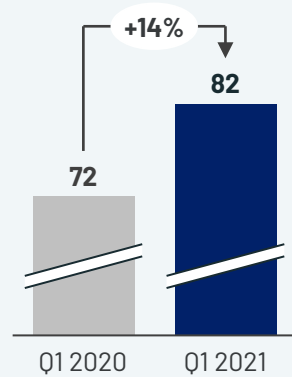


1. Excluding restructuring costs and impairment in Q2 2020, see details in the quarterly report

INTERIOR (INT) SEGMENT: STRONG TOP LINE PERFORMANCE AND NEW BUSINESS WINS

Adj. EBIT margin (%)

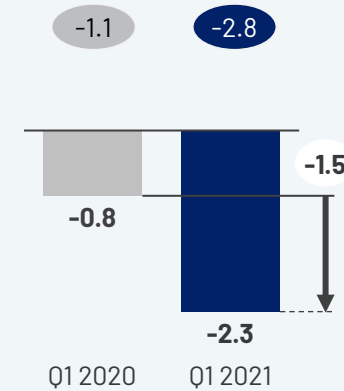
SALES, MEUR



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

Revenues of MEUR 82.2 in Q1 2021 significantly exceeded the revenue level in Q1 2020, despite negative currency translation effects of MEUR 4.5. This increase was supported by the strong performance of the premium and new energy vehicle markets in China.

ADJ. EBIT, MEUR



Adj. EBIT in Q4 decreased in % of sales and in absolute values compared to Q1 2020.

The positive effects of higher sales volume were eliminated by massive negative impacts of about ~6 MEUR of EBIT effects caused by the increasing constraints of the global supply chain crisis.

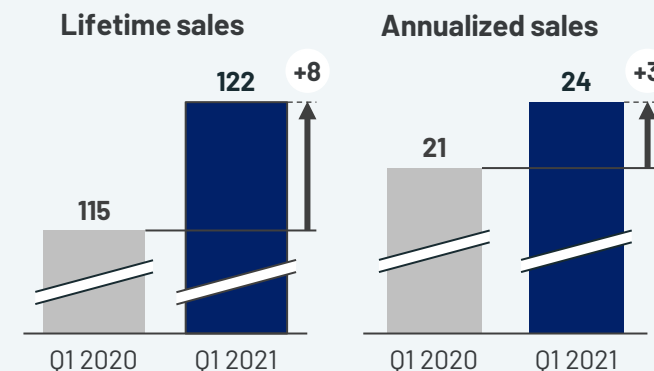
OPERATIONS

In Q1 2021, all Interior plants operated well with high-capacity utilization rates and benefitted from the continuous improvement initiatives launched in 2020.

However, the global supply chain crisis hit our Interior segment hardest, caused by its high content of high-tech products depending on semiconductors.

We expect a continuation of these issues well into the remainder of 2021.

NEW BUSINESS WINS, MEUR



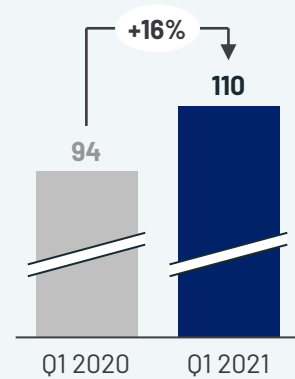
Business wins in Q1 2021 amounted to MEUR 122.3 of lifetime revenues (MEUR 23.9 in annualized revenues) in the first quarter 2021.

Within the quarter, Interior was awarded one large contract to supply seat support systems to a major American automobile manufacturer. The program totals MEUR 7.5 in expected annualized revenues and MEUR 44.5 in expected lifetime revenues.

POWERTRAIN AND CHASSIS (P&C) SEGMENT: IMPROVED SALES AND ADJ. EBIT PERFORMANCE AND LOWER NEW BOOKINGS

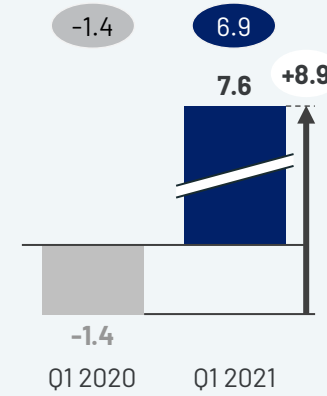
Adj. EBIT margin (%)

SALES, MEUR



The Powertrain and Chassis segment consists of two business units: On-Highway (ONH) and Driveline (DRL). Revenues in Q1 2021 showed an increase of MEUR 15.5 despite a negative translation effect of MEUR 3.9. This was mainly due to the lingering market expansion in both Passenger Car and Commercial Vehicles in China.

ADJ. EBIT, MEUR



Higher profitability is driven by strong sales volume and productivity enhancements partially offset by material shortages of electronic components, resin, and steel throughout the automotive sector.

Moreover, adj. EBIT in Q1 2020 was negatively impacted by Chinese legislation that led to full payment of salaries in China during the COVID-19 related shutdown period.

The P&C segment suffered negative impacts of MEUR ~2 of EBIT effects, caused by the increasing constraints of the global supply chain crisis.

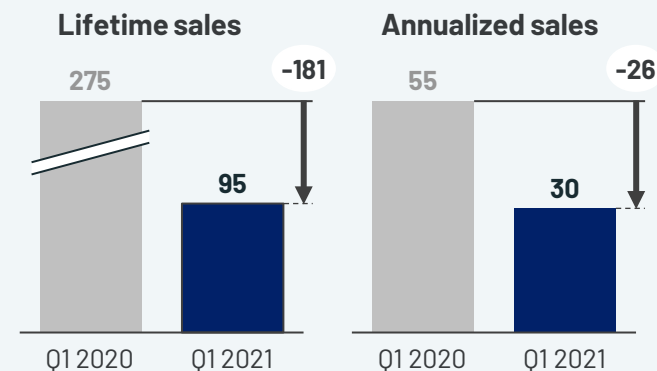
OPERATIONS

In Q1 2021, most P&C plants operated well with high-capacity utilization rates and also benefitted from the continuous improvement initiatives launched in 2020 and the strong market demand.

The global supply chain crisis impacted the P&C segment to a lesser extent, caused by various high-tech products depending on semiconductors.

We expect a continuation of these issues well into the remainder of 2021.

NEW BUSINESS WINS, MEUR



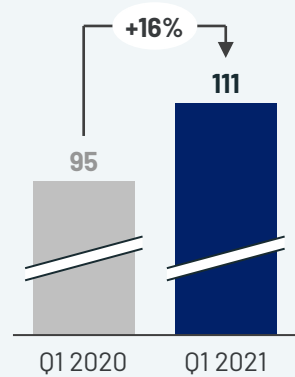
Business wins have continued to increase steadily over the last three quarters and amounted to MEUR 94.6 of lifetime revenues (MEUR 29.7 in annualized revenues) in the first quarter of 2021.

Within the quarter, Powertrain & Chassis was awarded two large contracts: one to supply vehicle dynamics to a major European automobile manufacturer and one to supply electronic actuators to a Chinese automobile manufacturer with start of production in Q1 2022 and Q3 2021.

SPECIALTY PRODUCTS (SPP) SEGMENT: CRISIS-RESISTANT SEGMENT WITH STRONG SALES AND MARGINS

Adj. EBIT margin (%)

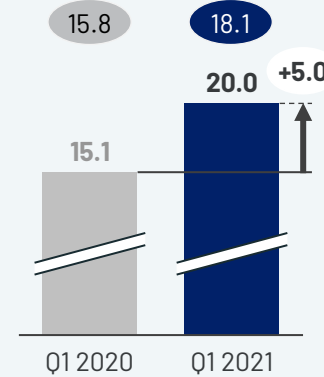
SALES, MEUR



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

Revenues in Q1 2021 showed an increase of MEUR 15.3 despite a negative translation effect of MEUR 3.5. This was driven by a strong performance from the Couplings with revenues increase of MEUR 8.6 compared to Q1 2020.

ADJ. EBIT, MEUR



The YoY increase of MEUR 5.0 is driven by higher sales volumes.

This increase was only marginally impacted by the global supply chain crisis effects in Q1 2021.

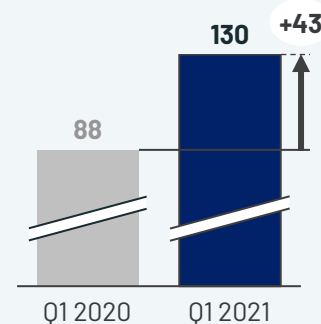
OPERATIONS

All plant operation are "back to normal" and we are benefiting from the operational improvements and cost control measures put in place earlier in 2020 and very strong customer demand.

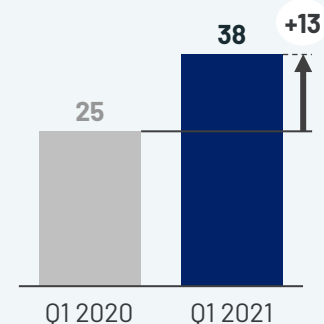
The global supply chain crisis had only limited effects due to the nature of the segment's products.

NEW BUSINESS WINS, MEUR

Lifetime sales



Annualized sales



During the first quarter 2021, total business wins amounted to MEUR 130.1 of lifetime revenues (MEUR 38.1 in annualized revenues).

Within the quarter, Fluid Transfer System was awarded a contract with a major American OEM. This program totals MEUR 5.0 in expected annualized revenues and MEUR 15.0 in expected lifetime revenues.

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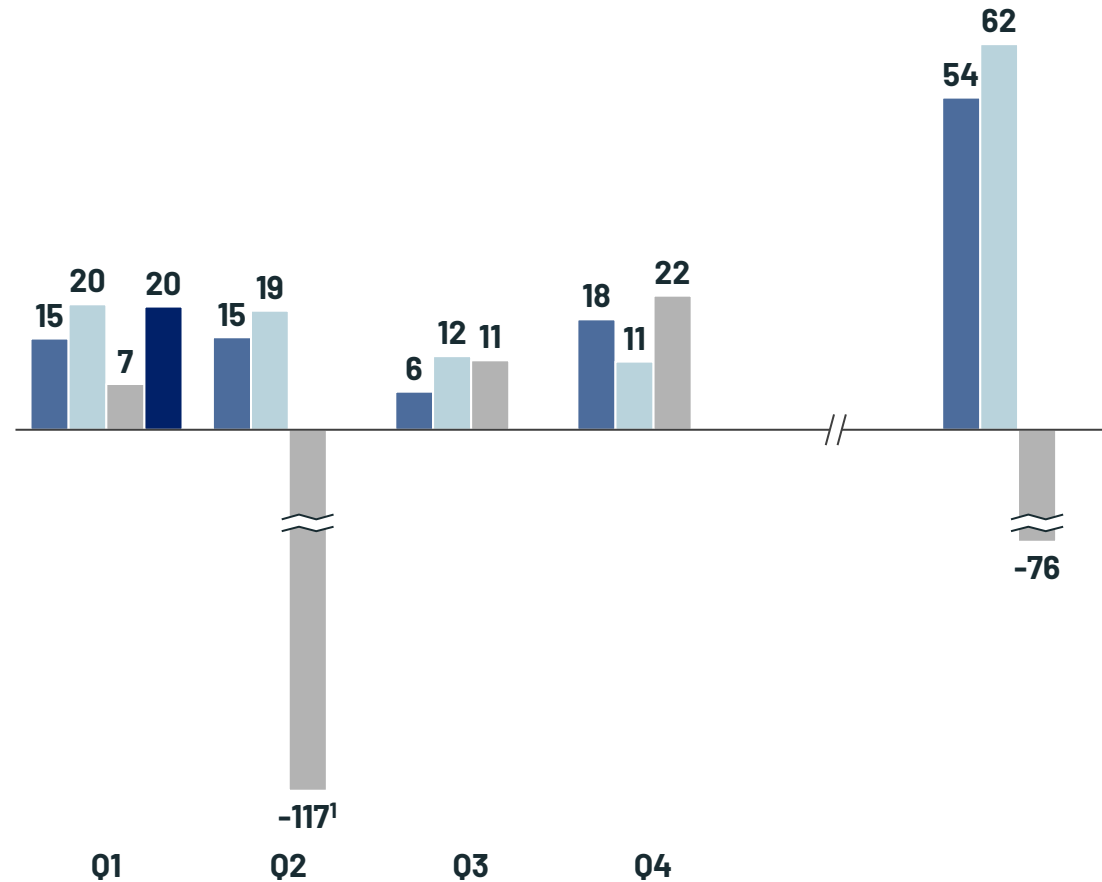
OUTLOOK
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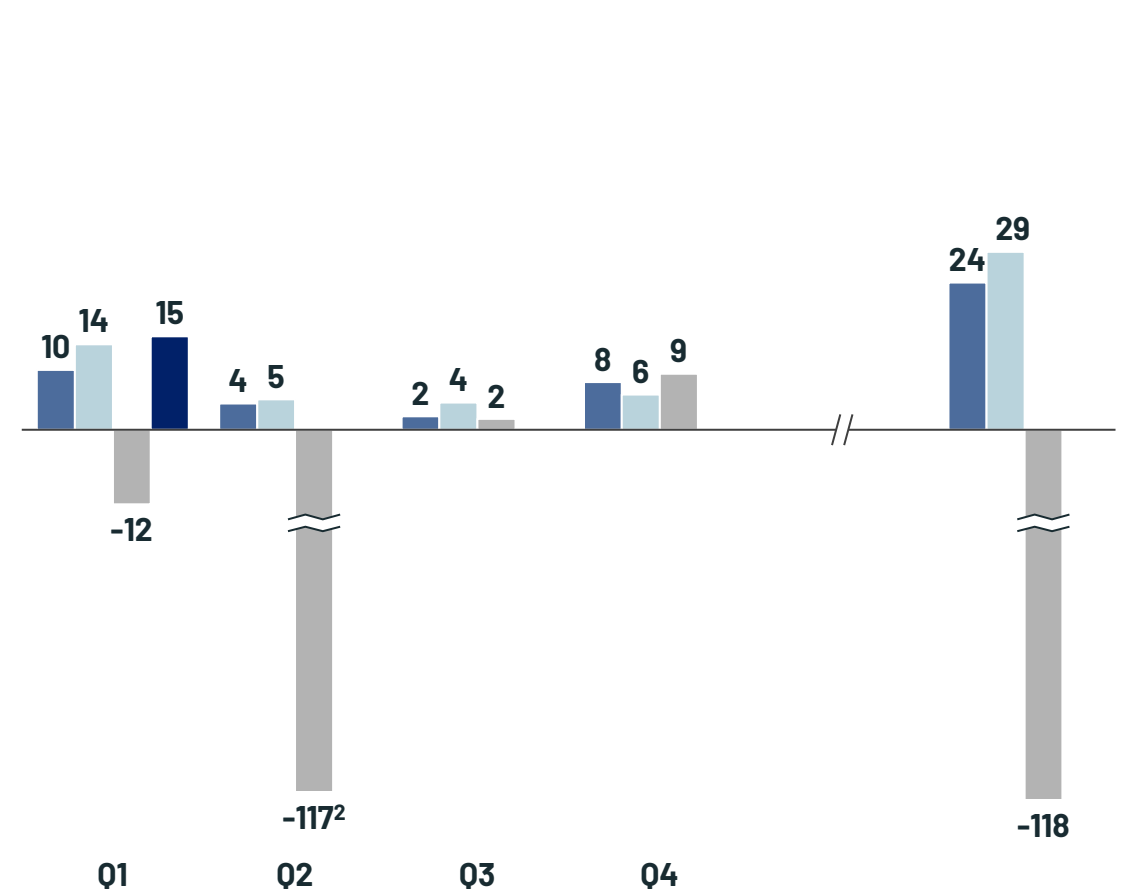
EBIT & NET INCOME: QUARTERLY PROFITABILITY REACHED PRE-CORONA LEVEL

2018 2019 2020 2021

EBIT, MEUR



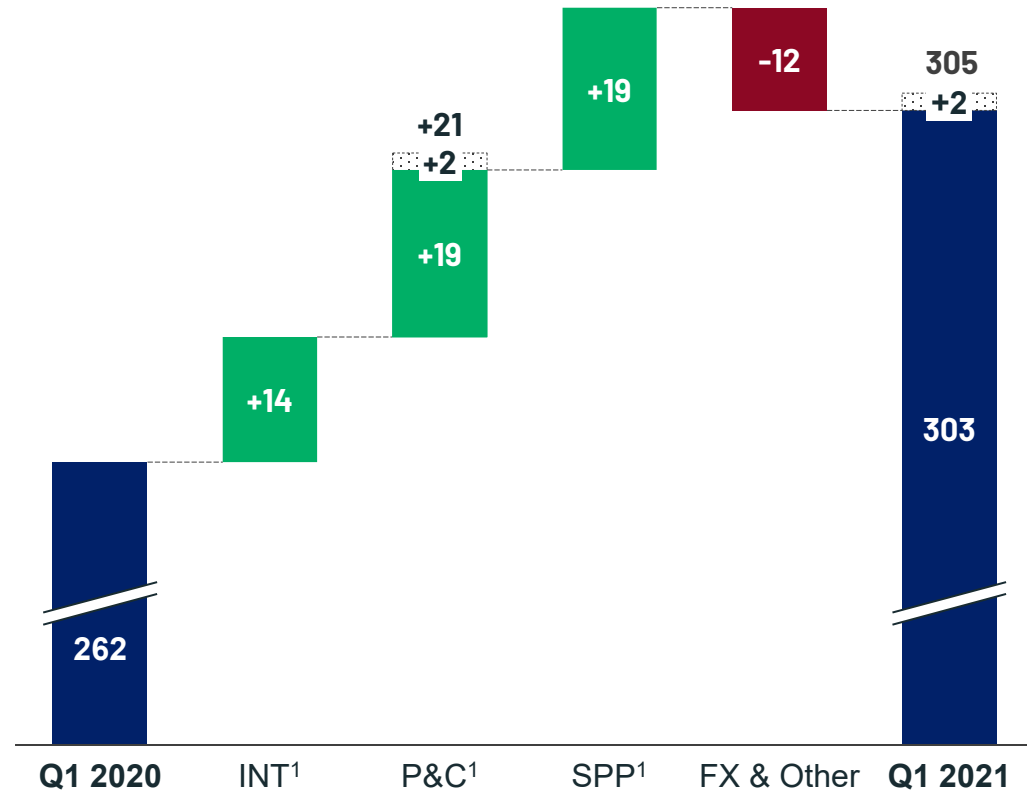
NET INCOME, MEUR



1. Includes impairment losses of MEUR 82.7
2. Impacted by impairment losses of MEUR 77.4 (net of tax)

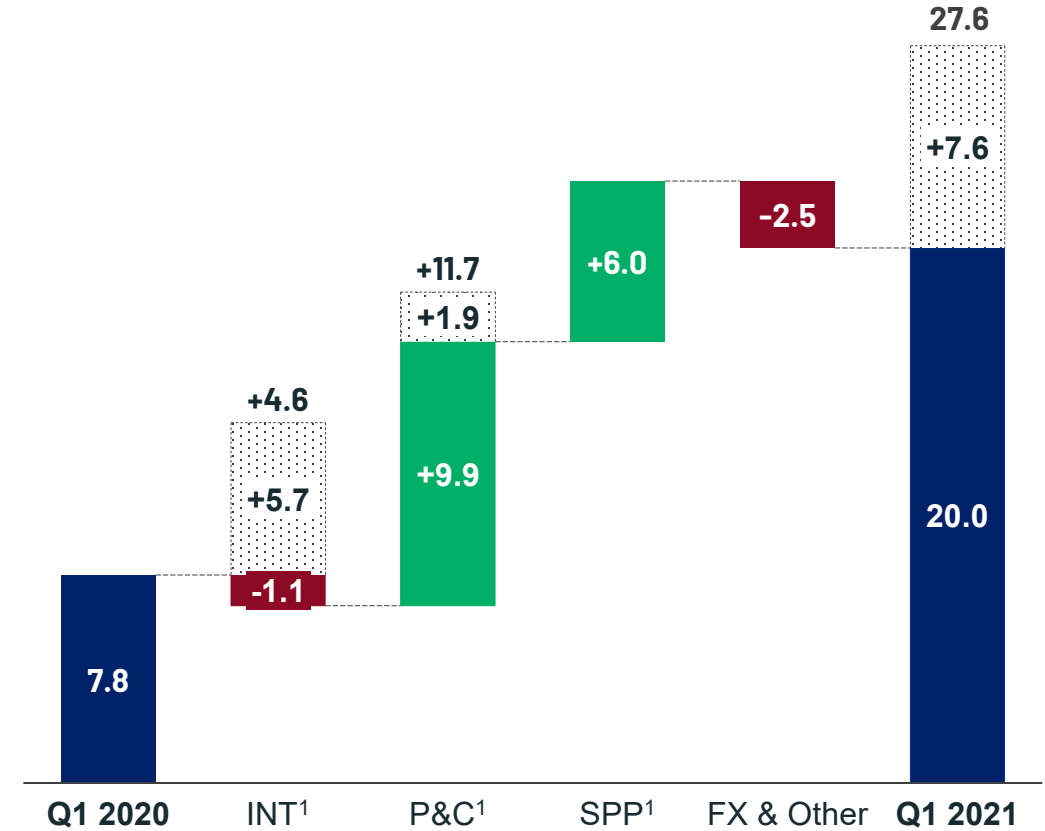
Q1 2021 SALES AND ADJ. EBIT: IMPROVED SALES PERFORMANCE ACROSS SEGMENTS REFLECTED IN ADJ. EBIT COMPARED TO Q1 2020

SALES, MEUR



ADJ. EBIT, MEUR

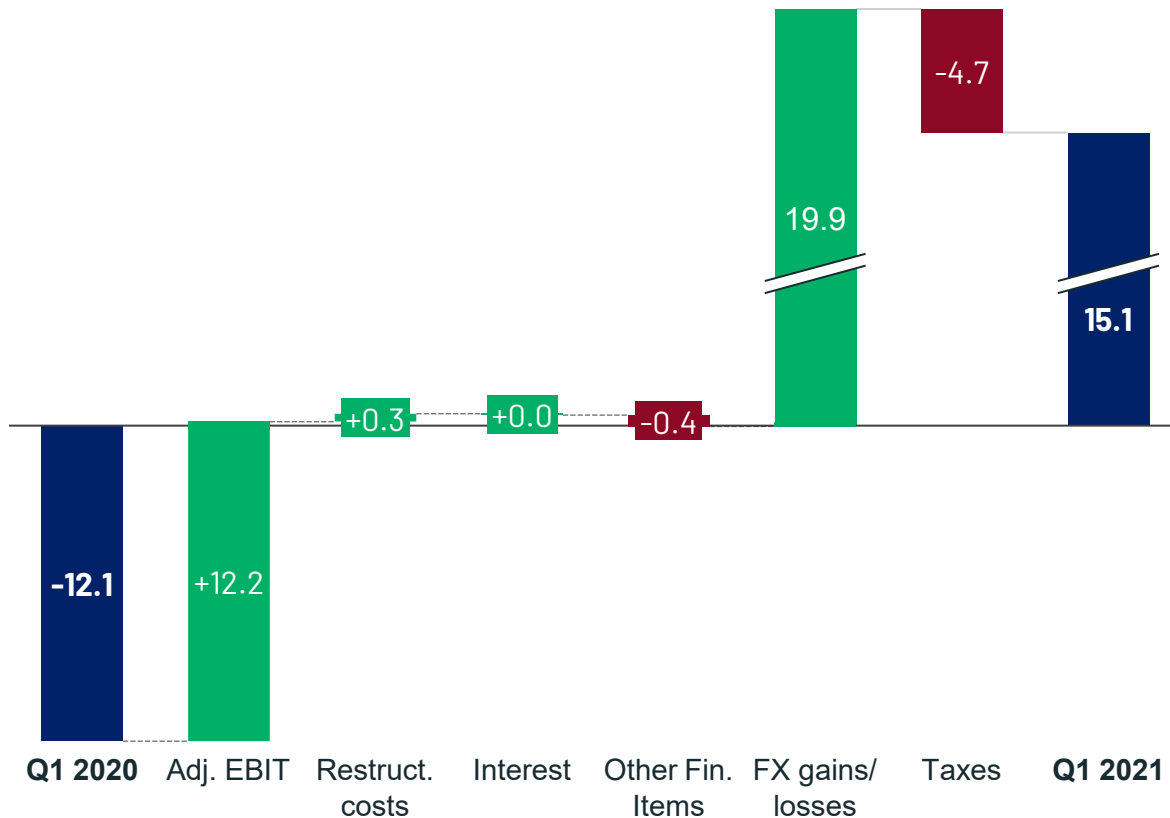
Impact of global supply chain crisis



1. Variances excluding FX translation effects

Q1 2020 VS Q1 2021 – NET INCOME DEVELOPMENT

NET INCOME DEVELOPMENT, MEUR



ADJUSTED EBIT

- » Adj. EBIT higher by MEUR 12.2 compared to Q1 2020

INTEREST

- » The interest expenses in Q1 2021 remained at the same level as in Q1 2020 (MEUR 4.9 in Q1 2021 vs. MEUR 4.9 in Q1 2020)

OTHER FINANCIAL ITEMS

- » Due to the introduction of AR securitization project in H2 2020, AR securitization related expenses of MEUR 0.4 were incurred in Q1 2021

FOREX GAINS/LOSSES

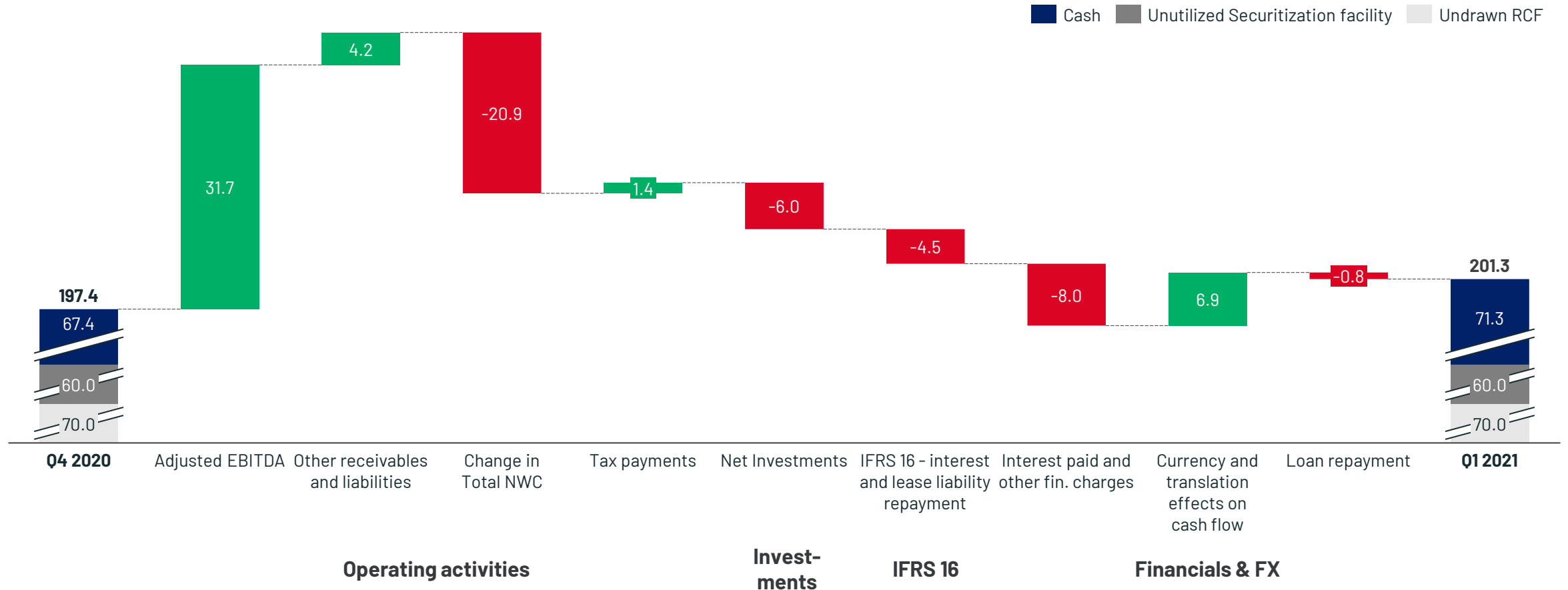
- » Foreign currency gains were MEUR 7.7 in Q1 2021 compared to the losses of MEUR 12.2 in Q1 2020. In first quarter of 2021 the Norwegian Krone strengthened against the Euro compared to Q1 2020 whereas the US dollar weakened against the Euro which is reflected in the shift from the unrealized currency losses of MEUR 12.8 in Q1 2020 to the unrealized currency gains of MEUR 6.2 in Q1 2021.

TAXES

- » Tax expense in Q1 2021 amounted to MEUR 6.8 compared to MEUR 2.1 in Q1 2020. The tax expense was in line with expectations.

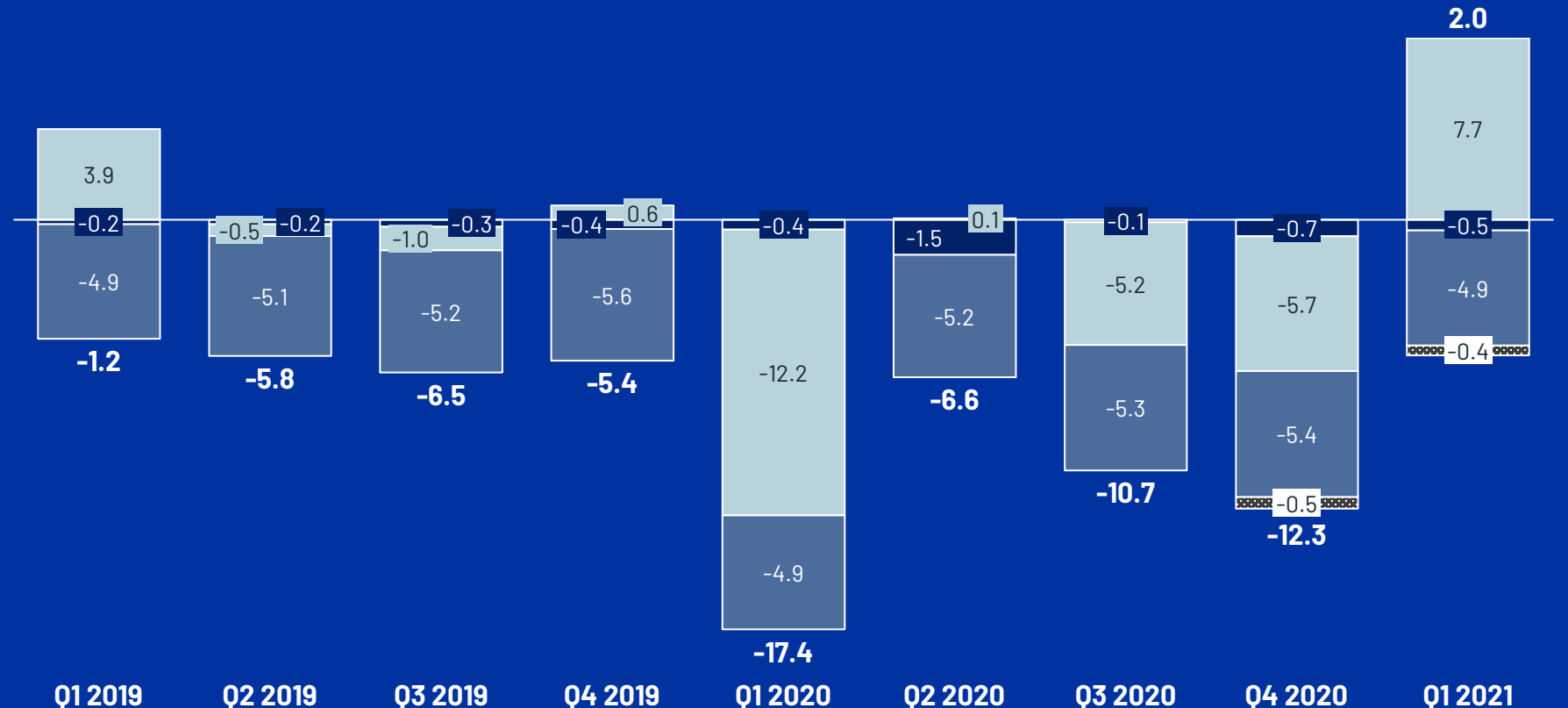
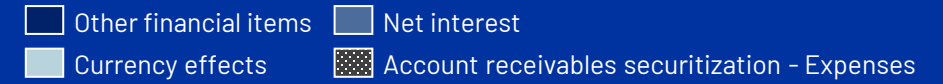
LIQUIDITY DEVELOPMENT: INCREASED SIGNIFICANT LIQUIDITY RESERVE FOLLOWS THE UPWARD TREND

LIQUIDITY DEVELOPMENT, MEUR



NET FINANCIAL ITEMS

NET FINANCIAL ITEMS, MEUR



FOREX GAINS/LOSSES

The foreign exchange effects in Q1 2021 are made up of:

- > realized foreign exchange gain of MEUR 1.6
- > unrealized foreign exchange gain of MEUR 6.1

INTEREST

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

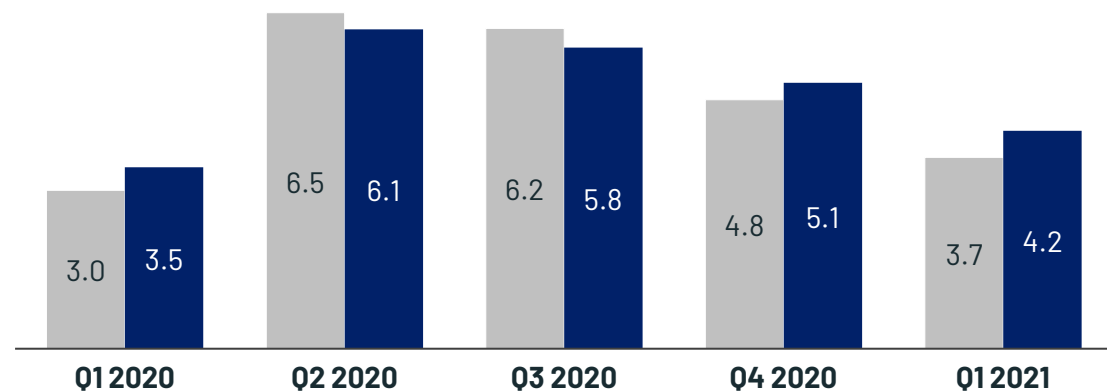
ACCOUNT RECEIVABLES SECURITIZATION - EXPENSES

This position includes expenses related to AR Securitization such as Commitment fees, Administrator fees, Servicing fees and so on

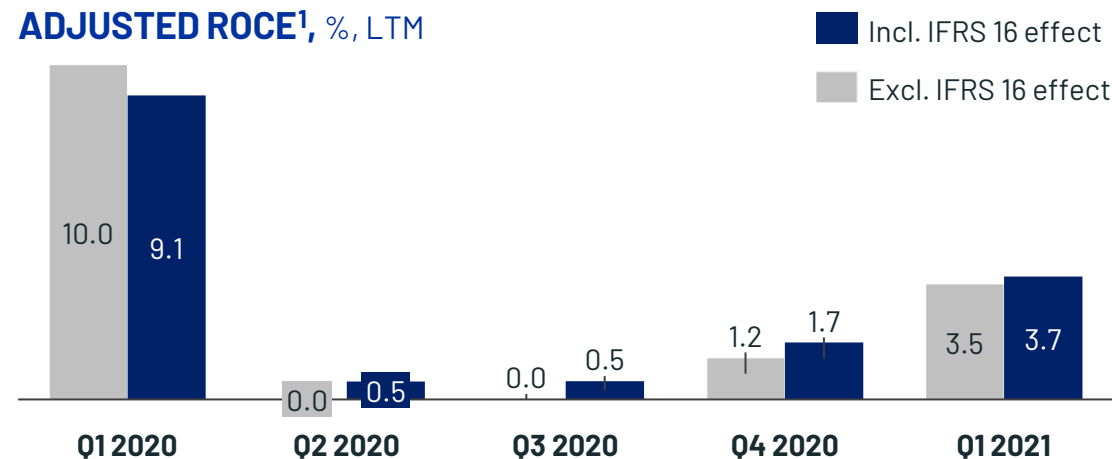
FINANCIAL RATIOS:

RECOVERED FROM COVID-19 SHOCK, YET MOSTLY STILL BELOW Q1 2020 LEVELS

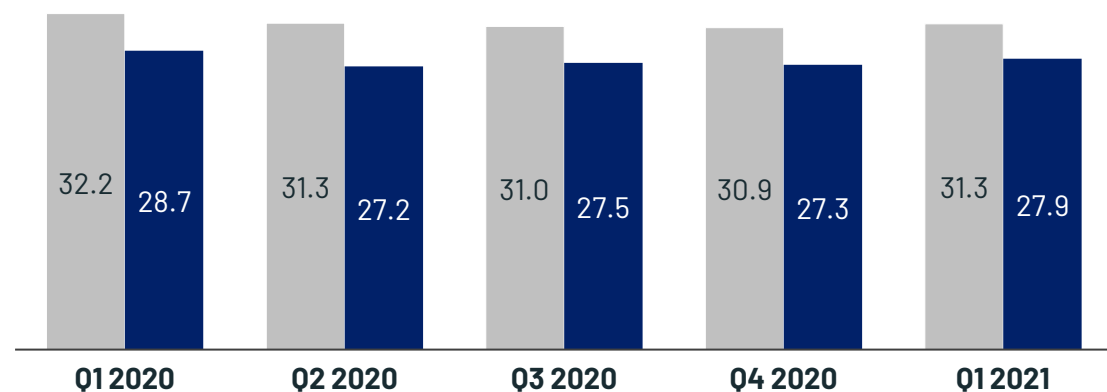
ADJUSTED GEARING RATIO¹, NIBD²/EBITDA, LTM



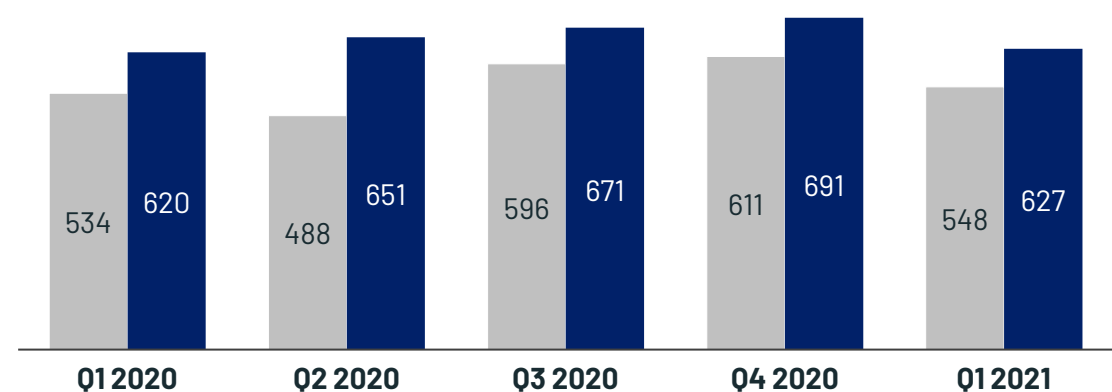
ADJUSTED ROCE¹, %, LTM



EQUITY RATIO⁴, %



CAPITAL EMPLOYED³, MEUR



1. Excluding restructuring costs and impairment losses in Q2 2020

2. Net interest bearing debt

3. Capital employed at quarter end

4. As the indices are calculated based on the figures from last 12 months, they are impacted by the capital increases in Q2 and Q3 2020

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OUTLOOK Q2 – Q4 2021

BACKGROUND

ORDER BOOK

- > As already demonstrated in Q1, our current order book would enable us to deliver in the remainder of the year very solid production and topline numbers.
 - > Quarterly revenues of ~300 MEUR allow a very efficient capacity utilization.
 - > But, the reliability of our order book depends on the overall availability of raw materials, especially semiconductors, resin and special metals to our customers and their suppliers.
 - > In Q2, we are now experiencing an increasing trend of OEM production postponements.
-

RAW MATERIAL SUPPLY CRISIS EFFECTS

- > The lack of sufficient global semiconductor industry capacity is creating increasing stress on all automotive suppliers and OEMs who depend on these products.
 - > For KA, this concerns primarily our Interior Comfort Systems business unit and our P&C passenger car business, who both have a high share of advanced, innovative products containing semiconductors. To a lesser, but still significant degree this concerns our P&C truck business and the Off Highway business unit.
 - > The shortage causes much longer lead-times, spot-market purchases at significantly higher costs and eventually own production shortfalls in case we cannot secure the needed raw materials in time.
-

FINANCIAL IMPACTS

- > In Q1 actuals, the raw material supply crisis already caused 7.6 MEUR excess material costs.
- > For the full year, we do now anticipate in our outlook ~40 MEUR excess direct material and freight cost.
- > These negative effects are mitigated by the assumed high production levels, very good operational efficiencies and positive mix effects.
- > **In balance KA maintains its full year guidance on adjusted EBIT at 60 MEUR**



OUTLOOK 2021

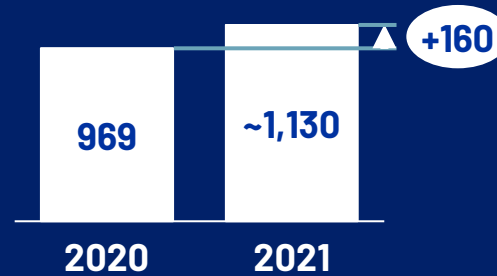
These forward-looking statements are based on several key assumptions on:

- > FX rates
- > Market demand
- > Electronics and other key components availability

1. As defined in APM section in annual report – 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 drawdown/repayment of debt and proceeds received from capital increase/purchase of treasury shares.

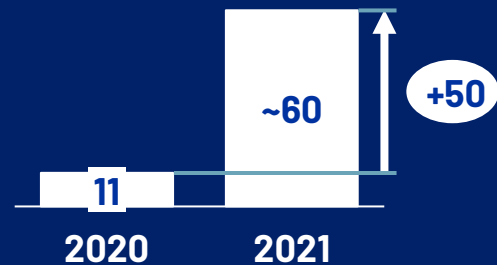
KA's globally and industrially well diversified business model can cope with the double effects of the ongoing Corona crisis and the raw material shortages. We take both into consideration, the supply shortage risks and the continuously strong order book and increase our previous FY outlook for revenues while maintaining the profit and cash flow guidance.

SALES



- > Defend strong position and build on our strong book-to-bill ratio in all segments incl. EV-related products, OFH & electronics
- > Further expand our global customer base and continue to gain market shares

ADJ. EBIT



- > Further build on operational improvements and stability achieved in the last years and continue to improve overall profitability
- > Effectively manage increasing shortages of electronics components while keeping additional costs to a minimum

FREE CASH FLOW¹



- > Generate cash with a positive Free Cash Flow in H1 2021 and in each following half-year
- > Capitalize on effective working capital mgmt. and realize CapEx efficiency improvements
- > Harvest cash generation from prior investments in restructuring, products, and growth



EXECUTIVE SUMMARY
FINANCIAL HIGHLIGHTS & NBW
MARKET SUMMARY
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> **Q&A**



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