Kongsberg Automotive Business Update

April 3, 2020

The corona pandemic has a significant impact on the global economy and in particular on the automotive industry, where vehicle production has been temporarily suspended across most European and North American OEMs and to a certain degree in Asia as well. These OEM plant closures at almost all customers of Kongsberg Automotive in almost all regions except China and South Korea will result in significant revenue declines at most automotive players in the current year, the extent of which cannot yet be accurately estimated. The OEM plant closures have been announced as temporary, however, there is great general uncertainty as to how long they will last. The length of the closure periods will depend primarily on the further development and seriousness of the corona pandemic and at what speed and volume capabilities the global supply chains of the automotive industry can resume previous output levels. Thus, the impact on Kongsberg Automotive from the corona pandemic is equally difficult to estimate.

From a pure automotive standpoint, what was initially triggered by health concerns led to mandatory shutdowns in certain countries and to insurmountable supply chain challenges for OEMs in other countries effectively shutting down the automotive industry, predominantly in Europe and North America. It is unknown and impossible to accurately estimate when, whether or to what extent the end user vehicle demand will return to previous levels. The likelihood of a downcycle seems high.

Already in the last full week of March, Kongsberg Automotive revenues declined by more than 50%. In the week that started March 30, we saw the declines widening which will most likely be followed by further declines in following weeks. With the dramatic impact on income and cash flow being caused by such very strong revenue declines we have attempted to estimate our cash flows under various scenarios. Such scenarios have varying degrees of revenue decline in the various regions for different shut down period durations. In conclusion, we see that Kongsberg Automotive will most likely have liquidity needs in addition to our current liquidity reserves of between €90 million and €150 million for the FY 2020 at a peak level. Dependent on the severity and duration of the shutdowns, we estimate the peak liquidity needs taking place in the July to September timeframe. We intend to fund this liquidity need through a combination of debt and equity financing. The liquidity need range is wide, driven by the wide range of underlying assumptions we have used for our various scenarios.

In the liquidity need estimations, we have considered the cost savings actions that we have already implemented and will expand further depending on the short-term revenue development. We have stopped orders and incoming material flows and reduced and or delayed our capital expenditures. We have also taken strong action on our personnel costs. At the beginning of the year, we had a global headcount of 11,390 (10,908 “FTE”) people. Since then, we have terminated practically all of our more than 600 temporary and agency employees. In addition, we have furloughed or used “short-time work” and similar instruments for more than 6,500 employees. As of today, we have a full-time headcount of less than 3,900 people, around one third of our full-time headcount pre-corona. The financial fall through on these headcount reduction measures are significantly less than the two thirds reduction in headcount mainly due to local labor laws still requiring us to pay varying degrees of the regular pay during such temporary layoffs. Obviously, all non-essential discretionary spending has been halted. Most of our plants are still operating albeit at very low utilization levels to serve the customers that are still operational. Our Chinese plants are operating almost at normal levels. As of today, only 4 of the Kongsberg Automotive plants are completely shut down.

We have also taken measures to improve our liquidity and are pleased to announce initial progress in these activities. We have entered into an increase in our Revolving Credit Facility (RCF) of € 20 million. This increase in the RCF will be provided by Danske Bank and has a tenure of 18 months. All other terms are identical to the terms of our existing Super Senior Revolving Facility Agreement dated 23 July 2018. Following this increase in our RCF, the total Super Senior Revolving Facility available to Kongsberg Automotive amounts to €70 million. Danske Bank has been of great support in this process and we wish to thank Danske Bank for their commitment to being one of our major banking partners.

In addition to the increase in our RCF of €20 million, we intend to raise around €100 million through a capital increase, most likely consisting of a mixture of convertible bonds and shares. This obviously will require shareholder approval which we will seek shortly by inviting for an extraordinary general shareholders' meeting. We are also seeking to utilize "corona packages" from various governments as we qualify if these can be obtained on favorable terms although realistically, additional liquidity from such government programs will most likely not be significant relative to our overall liquidity needs. Furthermore, we intend to set up factoring and supply chain financing programs providing us with flexible liquidity in the event that our liquidity needs will be closer to the high end of the liquidity need range mentioned earlier. We also have the ability to further increase our RCF by up to €10 million and to acquire financing backed by assets that are currently unencumbered.

With the above-mentioned items we believe Kongsberg Automotive will be well financed although, as earlier mentioned, it is indeed very difficult to estimate the future market dynamics. The high end of our liquidity need estimate assumes around three months of shutdowns, at the level we currently experience. This is longer than what many industry analysts generally expect.

Kongsberg Automotive has engaged SpareBank 1 Markets as financial advisor and Advokatfirmaet Wiersholm as legal advisor for the intended capital increase process.

As we have mentioned earlier, we are pursuing strategic sales of some of our non-core business units. Although we have received indication of interest from multiple parties, it is unlikely that we will be able to complete such divestiture transactions within 2020. Even in these difficult times, though, we try to stay true to our overall strategy and direction and continuously improve Kongsberg Automotive as a company.

Due to the considerable uncertainties regarding the course and duration of the corona pandemic, we cannot provide an updated outlook for 2020 for the time being.

We at Kongsberg Automotive all hope to return to normality as soon as possible and to resume providing the most competitive products and solutions to our customers when our economy restarts. For now, we give all our strength to keep everybody safe and manage an unprecedented crisis.

We will hold a conference call today, Friday April 3rd @ 10:00 CEST to inform our stakeholders. For dial in and connection information, please see details at www.kongsbergautomotive.com.

This announcement contains certain forward-looking statements that are based on the current assumptions and forecasts of Kongsberg Automotive. Various known and unknown risks, uncertainties and other factors could cause Kongsberg Automotive's actual results, its financial position, growth or performance to differ materially from the estimates presented herein. Kongsberg Automotive assumes no responsibility whatsoever to update such forward-looking statements or to conform them to future events or developments.

About Kongsberg Automotive

Kongsberg Automotive provides world-class products to the global vehicle industry. Kongsberg Automotive's business has a global presence with revenues of more than EUR 1.1 billion and approximately 11,000 employees in 19 countries in 2019. The company is headquartered in Zurich, Switzerland. The parent company is based in Norway and our stock is publicly traded on the Oslo Stock Exchange.