

2nd Quarter 2020 Financial Results

Earnings Conference Call
and Webcast
July 24, 2020



veoneer

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This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this report other than statements of historical fact, including without limitation, statements regarding management's examination of historical operating trends and data, estimates of future sales (including estimates related to order intake), RD&E spend, operating margin, cash flow, taxes or other future operating performance or financial results, are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "may," "likely," "might," "would," "should," "could," or the negative of these terms and other comparable terminology, although not all forward-looking statements contain such words. We have based these forward-looking statements on our current expectations and assumptions and/or data available from third parties about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs.

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Business Highlights – 2nd Quarter 2020

Macro environment remains challenging as a result of COVID-19

Factors affecting our Market Outlook

- COVID-19 continues to create unprecedented challenges to the auto industry
- OEMs in China and Rest of Asia gradually recovered during the quarter, still below pre-crisis volumes
- OEMs in Europe and North America were essentially shut-down through May, gradual recovery in June
- Some optimism in the 3rd quarter call-offs, however we remain cautious about a H2'20 recovery

Market Adjustment Initiatives program

- MAI actions are expected to off-set the lower contribution effects from the lower sales
- Zenuity integration completed, continue to make progress on the VBS divestiture

Cash Flow / Liquidity

- Maintaining strong cash position, \$851 million as of June 30, 2020.
- MAI actions delivering results, on track to significantly improve our cash flow vs. 2019 and liquidity position, despite the effects caused by the pandemic
- Continue to reduce capital expenditures, some temporary timing effects impacted working capital during the quarter ~\$30 million

New program launches / Order Intake

- Continue to see some launch delays during an unprecedented upcoming launch period
- Order intake² for H1'20 was >\$300 million, while LTM is >\$600 million

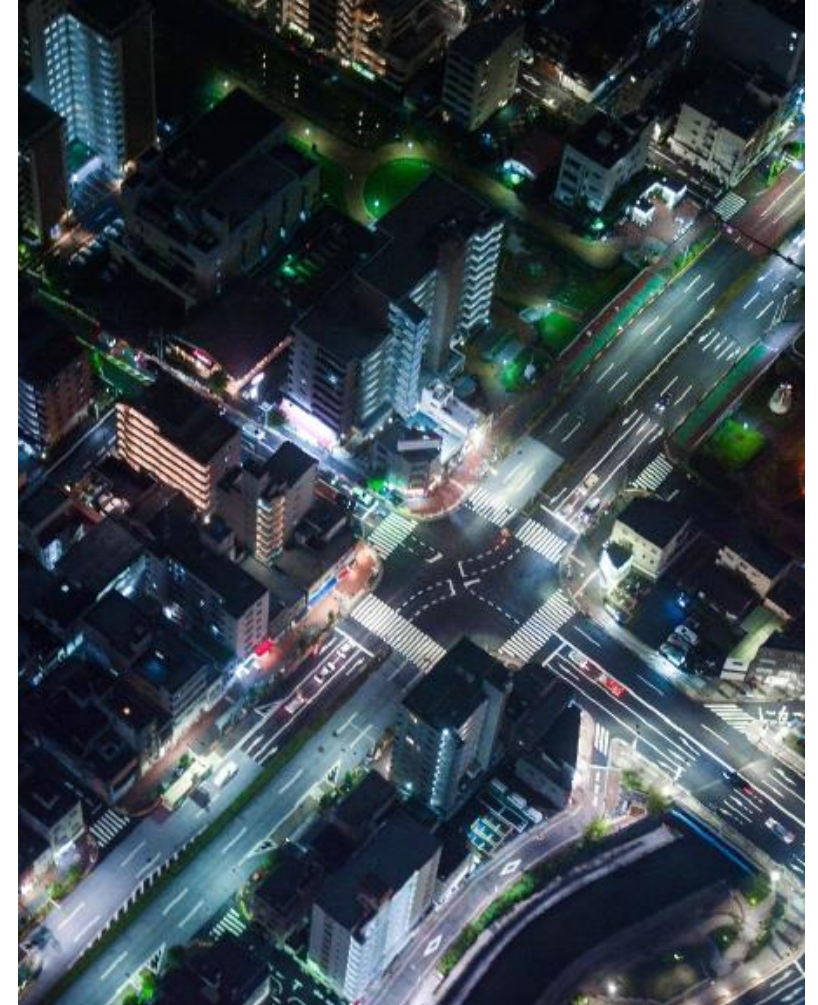
¹ Light Vehicle Production, ² Order Intake - Estimated future average annual sales, Order Book - Estimated total future sales, ³ Veoneer Brake Systems -US operations.



H1'20 Recap

MAI¹ program is mitigating the effects of COVID-19 on our business

- VNBS-Asia divestiture in combination with the Nissin Kogyo dispute resolution generated ~\$190 million of net cash proceeds
- Zenuity split completed, integrating ~200 associates in the VNE systems team
- Continue to make progress on the VBS divestiture
- Finalized negotiations of certain customer engineering reimbursements and continued reduction of gross engineering and SG&A costs
- Successful launch of Polestar 2 including the Zenuity software stack and introduction of our Gen4 Mono-vision camera
- Unprecedented launch readiness on track despite certain customer delays
- Order intake opportunities remain robust, however some customer delays
 - Awarded business with 8th vision OEM, 13th radar OEM and 6th software OEM
- Operating loss and cash flow before financing activities² improved year-over-year \$79 million and \$262 million respectively
- Successful ramp-up of our facilities and remote working of most support staff



¹ Market Adjustment Initiatives (MAI), ² Non-U.S. GAAP measure.

Important Technology Launches in 2020

Our delivery of new technologies to multiple new vehicle platforms is progressing well

Q1'20

Mono-Vision Gen4

- 2nd Gen. Object Det., Lane Det., Road Boundary, Free Space
- Traffic Light Det., Support Object Enhanced Map
- EU NCAP 2020
- Lead launch: **Polestar 2**



Z1 Software (Zenuity)

- EU NCAP 2020
- Traffic Jam Assist
- Lead launch: **Polestar 2**

L2/L2+ Smart ECU Gen2

- Highly scalable SoC solution to support object fusion up to L2+ Feature content
- Confirmed 3 OEMs
- Lead launch: **Volvo**



Q2'20

Thermal Sensing Gen4 (NiVi)

- 12 μ m FIR sensor, VGA resol. (640x512), 32° Hor. Fov (24°, 50° or 70°), ~25% size red.
- Lead launch: **US based Premium brands**



Stereo Vision Gen4

- 2nd Gen. 3D Object Det., Parking Assist, Small Object Det.
- EU NCAP 2020
- Lead launch: **EU based Premium Brand**



Q3'20

Regenerative Braking

- Integrated 1 box brake by wire solution
- Lead launch: **US based OEM**



Stereo Vision

- Custom Solution
- Lead launch: **Asian based OEM**



Driver Monitoring System

- Drowsiness, Distraction, Attention Zones, Identification, Precise Eye Gaze
- Lead launch: **US based OEM**



SW Features (Zenuity) (standalone)

- Lane Keeping
- Lead launch: **EU based Premium Brand**

Q4'20

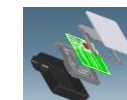
Map Host & Precise Positioning Module

- Mapping hosting
- Precise GEO Positioning with Correction Services
- Lead launch: **US based Premium brands**



Radar 77Ghz Gen1.3

- Cost and performance optimized
- Lead launch: **Japan based Premium brand**



Safe Stop Module (SSM) ECU

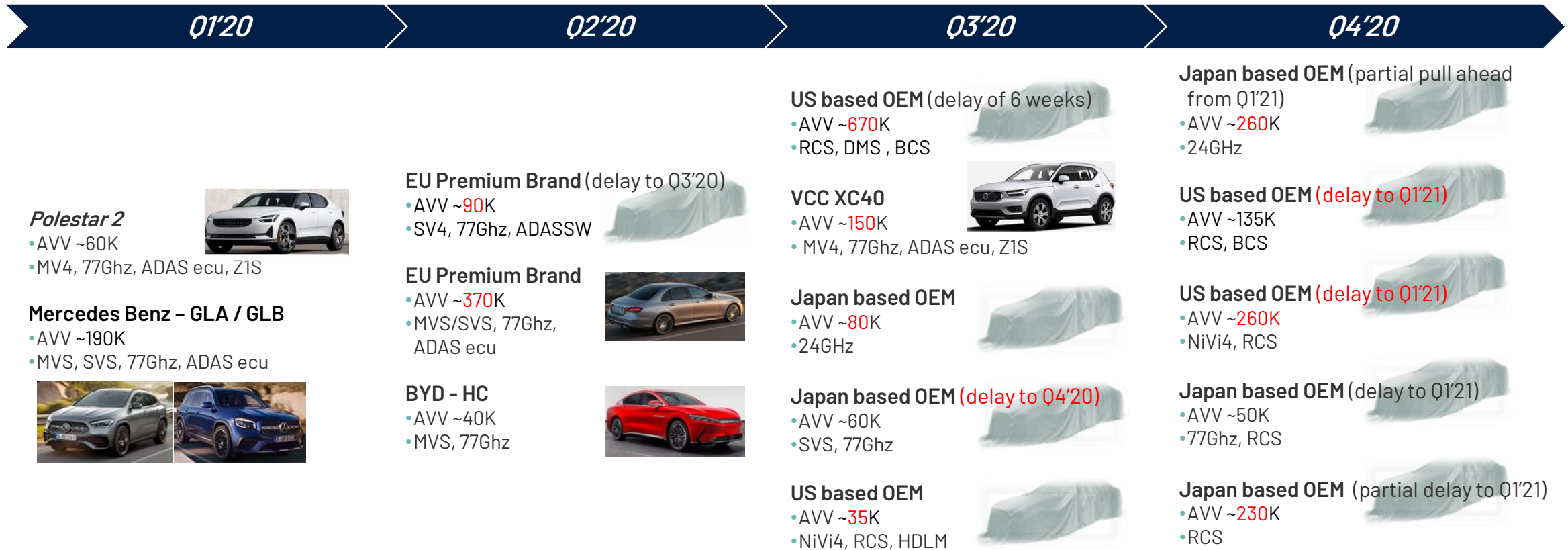
- Standalone Ecu including Zenuity software
- Lead launch: **Robo-taxi**



Products - *MV4* (Gen4 Mono Vision), *SV4* (Gen4 Stereo Vision), *77Ghz & 24Ghz Radar*, *NiVi4* (Gen4 Thermal Sensing Night Vision), *ADAS ecu* (Advanced Driver Assist System electronic control unit), *ADAS SW* (ADAS Software), *DMS* (Driver Monitoring System), *ZIS* (Zenuity Software).

2020 is an important Customer launch year

Top 15 in 2020 ~\$480M average annual sales, average CPV ~\$270



AVV- Average Vehicle Volume, CPV- Content per Vehicle Volume, Products- MVS(Mono Vision System), SVS(Stereo Vision System), MV4(Gen4 Mono Vision), SV4(Gen4 Stereo Vision), 77Ghz & 24Ghz Radar, NiVi4(Gen4 Thermal Sensing Night Vision), ADAS ecu(Advanced Driver Assist System electronic control unit), ADAS SW(ADAS Software), DMS(Driver Monitoring System), Z1S(Zenuity Software), HDLM(High Definition Mapping), RCS(Constraint Control System), BCS(Brake Control System).

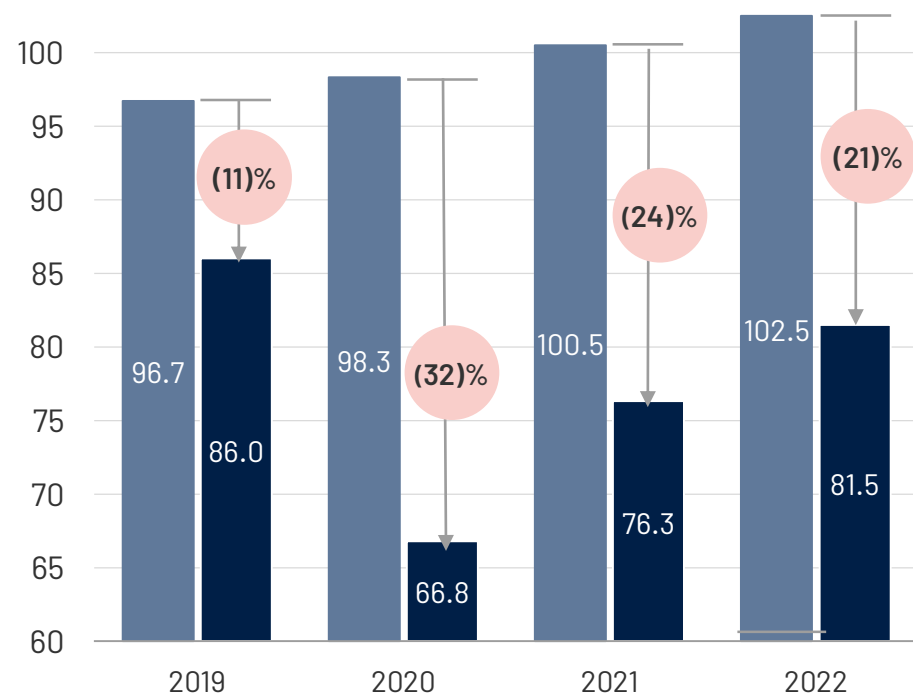
2019 to 2022 LVP¹ Outlook

Reduced ~87 million vehicles since spin-off, from ~84 million last quarter

Light Vehicle Production Global

Units in millions

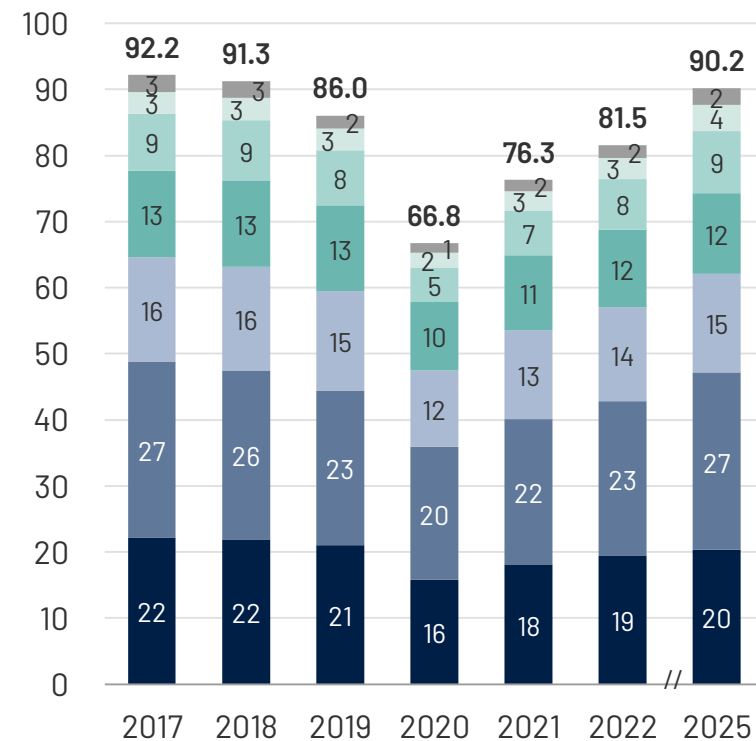
July 2018 July 2020











Light Vehicle Production

Units in millions

CAGR
2019-2022



-  (2)% Global
-  (2)% Middle East/Africa
-  (1)% South America
-  (3)% South Asia
-  (3)% Japan/S. Korea
-  (2)% North America
-  0% Greater China
-  (3)% Europe

¹ Light Vehicle Production according to IHS July 16, 2020

Customer Status – Active Safety

Awarded business from 17 OEMs globally as of June 2020

Customer	Radar		Vision ¹		Thermal Sensing			ADAS ECU			LIDAR		RoadScape			DMS (Driver Monitoring)		Features (Software)														
Customer 1																																
Customer 2																																
Customer 3																																
Customer 4																																
Customer 5																																
Customer 6																																
Customer 8																																
Customer 9																																
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Total	20	18	13	18	13	8	11	10	6	14	12	4	12	4	1	8	2	3	12	9	2	13	9	6								
	Bid List		Technical Qualification		Awarded Business																											

¹ Mono and Stereo Vision with VNE developed algorithms

Active Safety Milestones – H1'20

- Technically qualified with 18th OEM for radar
- Radar business awarded with 13th OEM
- Vision business awarded with 8th OEM
- Technically qualified with 9 OEMs for DMS
- On the bid list with 13 OEMs for software
- Technically qualified with 9th OEM for software
- Software business awarded with 6th OEM

Changes during H1'20

UN Regulation for Automated Lane Keeping System (ALKS)

Why is it important?

- **ALKS is a trigger for further regulatory development towards full speed Lev3+ systems**
 - Harmonized requirements across participating UN states
 - Market pusher for Driver Availability Recognition, DSSAD (data storage) and CyberSecurity
 - Will set minimal requirements for key components (e.g. Sensor range to the front, rear, side; etc)
- **Opportunity to open European market for Hands-Off L2+. ALKS could be used as a reference for equivalent requirements at lower automation levels (e.g. "Super Cruise" like features)**
 - Chance to overcome opposition of sceptical governments if following requirements could be aligned with similar principles:
 - Safety Concept
 - Driver Monitoring
 - Lane Change
 - Emergency Maneuver & Risk Mitigation Maneuver

* mentioned in NHTSA RfC, potentially NCAP relevant

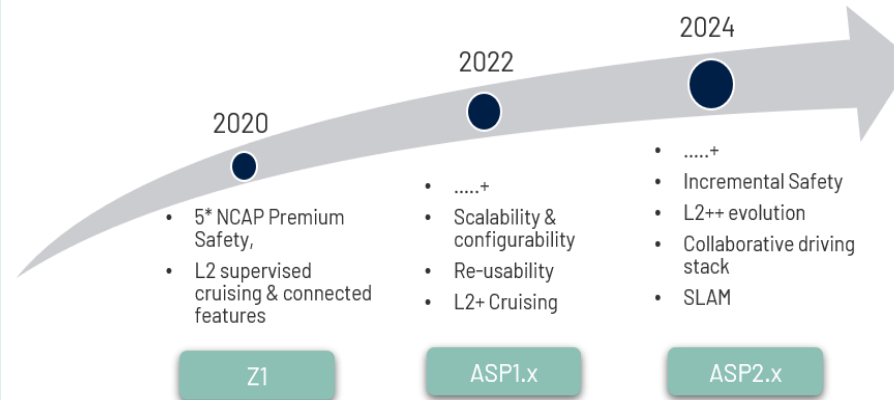
Software and Systems Strategy for Collaborative Driving

Designed for the commercial opportunities of the next decade

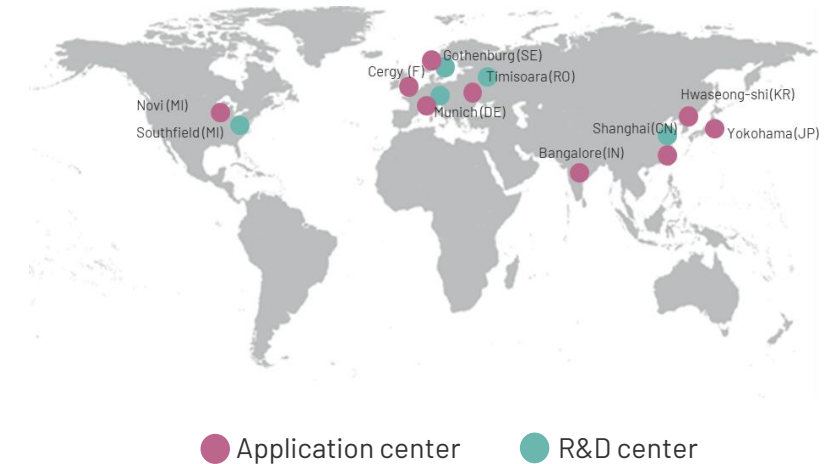
In-house competence

- 450 + associates
- Perception/Sensor fusion
- Localization
- Vehicle control
- HMI & UX
- Drive Policy
 - Safety/NCAP & connected feature stack
 - Collaborative driving (incl. hands-off) feature stack
- Integration & System Engineering
- V&V and Data Collection

Scalable Architecture



Global Presence



Human Machine Interface (HMI), User Experience (UX), Verification and Validation (V&V), Simultaneous Localization and Mapping (SLAM), Active Safety Platform (ASP)

Financial Highlights – 2nd Quarter 2020

Market Adjustment Initiatives are mitigating the negative impact of COVID-19 on our operating results

Operating Results

- *Organic Sales¹ decline ~53%, slightly lower than expected due to a slower LVP² recovery in the North America and Europe*
- *Operating loss of \$64M, better than expected due to above normal engineering reimbursements and JV recoveries*
- *Underlying cost structure improvements continue to gain traction as a result of the market adjustment initiatives, thereby lowering the loss run-rate*

Cash Flow / Liquidity

- *Cash flow progressing in line with our expectations for FY'20*
- *Operating cash flow \$(107)M, includes \$30M of unfavorable timing effects*
- *Cash flow before financing activities¹ of \$(141) million, includes ~\$(30) million related to VBS-US operations*

Investments for Growth

- *CapEx investments of \$24M or 13% of sales to support important 2020-21 launches*
- *The majority of the investments are related to increasing manufacturing capacity and RD&E infrastructure*
- *Continue to closely monitor and explore initiatives to minimize or delay cash requirements in the near-term and mid-term*

¹ Non-U.S. GAAP measure, ² Light Vehicle Production, ³ the 2019 year-end cash position of \$859 million excludes \$35 million of cash in assets held for sale.

Veoneer Group – 2nd Quarter 2020

Financial Summary and change vs. prior year

Dollars in Millions (except where specified)	Q2'20	Q2'19	Chg. vs. Prior Year	Comments
Net Sales	\$184	\$489	\$(305)	• Organic sales ¹ \$(218)M including RCS ² \$(106)M and AS ² \$(103)M mostly due to LVP ² impact from COVID-19, VNBS ² -Asia divestiture \$(81)M, currency \$(6)M
Gross Profit %	\$3 1.9%	\$77 15.7%	\$(74) (13.8)pp	• Lower LVP, volume and product mix impact causing lower organic sales, net currency effects \$(2) million, VNBS-Asia impact \$(13) million
RD&E, net %	\$(44) (24.1)%	\$(159) (32.4)%	\$115 8.3 pp	• ~530 Associate decrease (excluding VNBS-Asia divestiture effect) driving lower RD&E costs, ~\$80 million higher than normal engineering reimbursements, VNBS-Asia benefit \$7 million
Operating Loss %	\$(64) (34.8)%	\$(137) (28.0)%	\$73 (6.8)pp	• Lower LVP, volume and product mix impact, offset by lower RD&E, net and lower SG&A \$12 million, lower amortization and NK ² recovery of \$20 million. Includes currency benefit of \$1 million and VNBS-Asia benefit of \$2 million
Operating Cash flow	\$(107)	\$(70)	\$(37)	• The operating loss improvement was more than offset by the negative swing in net working capital ¹
CapEx %	\$24 13.0%	\$50 10.2%	\$(26) 2.8pp	• Lower CapEx investment in the Brake Systems segment, facility expansions and engineering related IT

¹ Non U.S. GAAP measure, ² Restraint Control Systems (RCS), Active Safety (AS), Light Vehicle Production (LVP), Veoneer Nissin Brake Systems (VNBS), Nissin Kogyo (NK).



Veoneer Group – 2nd Quarter 2020

Financial Summary and sequential change vs. prior quarter in 2020

Dollars in Millions (except where specified)	Q2'20	Q1'20	Chg. vs. Prior Quarter	Comments
Net Sales	\$184	\$362	\$(178)	• Organic sales ¹ \$(153)M including RCS ² \$(62)M, AS ² \$(84)M, as well as VNBS-Asia divestiture \$(24)M, and currency translation impact \$(1)M
Gross Profit %	\$3 1.9%	\$53 14.5%	\$(50) (12.6)pp	• Lower LVP along with product and customer mix impact
RD&E, net %	\$(44) (24.1)%	\$(131) (36.1)%	\$87 12.0pp	• Reduced ~190 Associates (excludes VNBS ² -ASIA), improved resource management and outsourcing, resulting in lower gross costs and higher than normal engineering reimbursements
Operating Loss %	\$(64) (34.8)%	\$(122) (33.8)%	\$58 (1.0)pp	• Volume and product mix impact was more than offset by lower RD&E, net and NK ² recovery
Operating Cash flow	\$(107)	\$(9)	\$(98)	• Mainly due to the net working capital ¹ negative timing effects and the negative impact on receivables and inventory due to COVID-19, and Q1'20 was positively impacted by \$67M from the VNBS-Asia divestiture
CapEx %	\$24 13.0%	\$27 7.5%	\$(3) 5,5pp	• Lower CapEx in the Brake Systems segment, facility expansions and engineering related IT



¹ Non U.S. GAAP measure, ² Restraint Control Systems (RCS), Active Safety (AS), Veoneer Nissin Brake Systems (VNBS), Nissin Kogyo (NK).

Veoneer Group – 1st Half 2020

Financial Summary and change vs. prior year

Dollars in Millions (except where specified)	H1'20	H1'19	Chg. vs. Prior Quarter	Comments
Net Sales	\$546	\$984	\$(438)	• Organic sales ¹ \$(294)M including RCS ² \$(154)M, AS ² \$(127)M, as well as VNBS ² -Asia divestiture \$(128)M, and currency translation impact \$(16)M
Gross Profit %	\$56 10.3%	\$162 16.5%	\$(106) (6.2)pp	• Lower LVP due to COVID-19, along with product and customer mix impact, VNBS-Asia divestiture impact \$(19) million, currency impact \$(3) million
RD&E, net %	\$(175) (32.0)%	\$(315) (32.0)%	\$140 0.0pp	• Lower gross RD&E cost (excluding VNBS-Asia divestiture benefit of \$15 million), improved resource management and outsourcing, and higher than normal engineering reimbursements
Operating Loss %	\$(186) (34.1)%	\$(265) (27.0)%	\$79 (7.1)pp	• Lower RD&E, net and lower SG&A \$20 million more than offset the lower gross profit, along with \$25 million lower amortizations and NK recovery, VNBS-Asia divestiture benefit \$10 million, currency benefit \$5 million
Operating Cash flow	\$(116)	\$(160)	\$44	• Mainly attributable to the operating loss improvement
CapEx %	\$51 9.3%	\$109 11.1%	\$(58) (1.8)pp	• Lower CapEx in the Brake Systems segment, facility expansions and engineering related IT



¹ Non U.S. GAAP measure, ² Restraint Control Systems (RCS), Active Safety (AS), Veoneer Nissin Brake Systems (VNBS), Nissin Kogyo (NK).

Efficiency Improvements

- ✓ Customer and product focus
- ✓ Margin improvement
- ✓ Balance sheet and cash-flow efficiency

Market Adjustment Initiatives – Efficiency Improvements

Customer and Product focus

- ✓ *Focus on winning profitable orders within core product portfolio*
- ✓ *Strategic investments in new technologies*
- ✓ *Ongoing discussions with customers and suppliers on the terms and scope of contracts*

Margin improvement

- ✓ *2020 RD&E, net improve >\$100 million*
 - Focus on project management & RD&E efficiency, sub-contract and professional services, cost sharing RD&E with customers
- ✓ *Discretionary cost control*
- ✓ *P&L accountability*
 - Business unit and Product line
- ✓ *Footprint optimization*
 - Review for possible consolidation

Balance Sheet and Cash Flow efficiency

- ✓ *Capital Expenditures FY'20 expected to be < \$125 million*
 - Review and evaluate leasing and sub-contracting alternatives and manufacturing localization strategy
- ✓ *Operating Working Capital*
 - Optimization initiatives continue to further improve underlying working capital and mitigate effects of expected organic sales growth

2020 Outlook Update

Remains mainly unchanged from the previous quarter

- **FY'20 Organic Sales¹**

- We continue to see some new program customer launch delays during H2'20
- **Market Adjustment Initiatives** are estimated to offset the COVID-19 impact from lower organic sales on our operating results and cash flow
- **Organic sales** are expected to outperform the global LVP³, assuming no further launch delays
- Currency translation net effect on Sales of (1)%

- **FY'20 Outlook² Indication**

- **RD&E, net is expected to improve more than \$100 million from FY'19**, on a comparable basis,
- **Operating loss is expected to improve from FY'19**, on a comparable basis
- **Capital expenditures** are expected to be **less than \$125 million**
- **Cash flow before financing activities¹** is expected to be **~ \$(200) million during H2'20**

¹ Non U.S. GAAP measure, ² Full Year 2020 Outlook is based on the change from 2019 (on a comparable basis excluding the VNBS-Asia JV and excluding VBS US operations), ³ Light Vehicle Production (LVP).

Creating Trust in Mobility

Flawless Delivery

Customer-Centric Collaboration

Human-Centric Innovation

Thank You!

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