



Dear Shareholder

2020 was a year unlike any other. The COVID-19 pandemic and its consequences occupied the thoughts and actions of an entire world and for Veoneer, just as for the world at large, health and safety emerged as the primary focus of all activities. Second to the health effects were the economic consequences. The automotive industry was not immune, and the second quarter of the year saw global car production almost cut in half compared to the year before, after which a strong rebound commenced, one which is still on-going. Fundamentally this rebound has been a positive development which on the flip side is also creating challenges for global supply chains and logistics.

I am grateful for the efforts and support from all our associates and the commitment from our shareholders and other stakeholders during this unique year. It has allowed Veoneer to stick to its plans from the beginning of the year, showing organic growth, improving financials, deliver new technologies and key vehicle launches and being able to set a stake in the ground for the timing of reaching positive cash flow and operating income.

Covid -19 Actions

In February, we initiated our crisis response by creating health and operational crisis management teams. This included strict health protocols and measures at all our facilities to avoid the spread of the virus within Veoneer. In addition, daily reviews to secure our operations and logistics allowed Veoneer to meet commitments to our customers while ensuring the health and safety of our associates. We also initiated work at home, where at the peak more than 4,000 of Veoneer's associates were working remotely. The initial actions turned out to be effective and we have by and large retained the same type of Covid-19 measures throughout the year and into 2021. This has allowed us to keep our operations relatively unaffected, while at the same time we have kept building for the future. We have also had some cases of

Covid-19, unfortunately including tragic losses of associates, and my thoughts goes to all who have been personally touched by the pandemic and have lost near and dear ones.

Current Trends in Automotive

In 2020 the strength of the trend toward electrification surprised many and this transition will continue to be rapid. In automation the trend is equally strong, but maybe slightly more multifaceted. On one hand the efforts toward fully autonomous driving are continuing, but refocusing towards last the mile delivery and robo-taxis in well-defined geofenced areas. The general-purpose self-driving car is still many years away. At the same time, the trend toward more driver support and collaborative driving is stronger than ever. New constellations are being formed almost on a weekly basis and billions of dollars are being invested into this trend, which promises to make driving safer, more convenient and more environmentally friendly. We continue to see the Active Safety market grow strongly, at least the next decade.

Underlying all these developments are the rise of software as an increasing force in the automotive industry. It takes many shapes and forms in everything from infotainment and radically improved connectivity to software for perception and driving policy, which enables decision making and actuation in the areas of Active Safety, collaborative and autonomous driving.

Veoneer's Focus and Financial Performance

Veoneer is at the center of the trend of automation. We are 100% focused on creating hardware, software, systems and solutions for safer and more convenient driving. We have been consistent in following an evolutionary strategy. We see that automakers are gradually introducing more and more Active Safety technology every year; they also introduce it across broader sections of their vehicle programs. We are supporting our OEM customers

in this development and we are also driving it from a new product creation perspective. As a consequence of regulatory trends and customer needs, we are further sharpening our focus to be: A leading component supplier of a full suite of Restraint Control and Active Safety products, including vision, radar, electronic control units, driving monitoring, thermal sensing and lidar. A leading developer of a full suite of software for ADAS, collaborative and automated driving. A system integrator with the ability to industrialize and integrate our own as well as third party products in millions of vehicles annually in an effective way.

During 2020 we took critical strategic steps to further develop our portfolio and competitive position:

- We dissolved Zenuity, our software JV with Volvo Cars, and more than 200 software engineers became part of Veoneer,
- We exited the brake control business, as we did not see brake control becoming an integral part of future Active Safety solutions,
- We decided to focus our lidar strategy to be a system integrator and industrialization partner to core lidar technology providers,
- We concentrated our ADAS, collaborative and autonomous software development, including the software engineers from Zenuity, in one dedicated unit, rebranded Arriver™,
- We entered a strategic collaboration agreement with Qualcomm Technologies to build a world leading solution in ADAS and AD, ready for commercial launches in 2024.

The Arriver™-Qualcomm collaboration is particularly important as an integrated hardware-software solution is critical in the next generation cars to deliver the performance and quality needed when cars get increasingly higher levels of automation. Cooperating with Qualcomm will allow us to create and open and scalable software and SoC solution, different from other solutions available in the market today. We believe that we, over time, are creating one of the world leading systems that will run the automated car of the future.

We had a year of strong operational and financial execution. Despite a negative full year effect on organic sales of approximately \$250 million from the Covid-19 pandemic and a further \$17 million from negative currency effects, our strategic focusing of our business outlined above, combined with our on-going efficiency measures under our Market Adjustment Initiative program (MAI) allowed us to improve virtually all financial metrics.

Our negative operating cash flow was \$133 million lower than the previous year and our operating loss was reduced by \$93 million. We reduced our spend in RD&E by \$155 million and in SG&A by \$24 million. Further we reduced our capital expenditure by \$122 million and had a net working capital improvement of approximately \$100 million.

These financial improvements combined with our strategic focusing allowed us to end the year with a cash balance of \$758

million, which was significantly better than our anticipation at the beginning of the pandemic.

Sustainability Program

Our ultimate sustainability commitment lies in our company purpose, "Creating Trust in Mobility". Trusted technology means safe technology and the next step in a meaningful reduction of the 1.4 million traffic deaths lies in preventing accidents to occur in the first place – something all our technologies contribute to.

As a young company, we continue to develop our sustainability program. Since its inception the program has had four clear focus areas: our people, our customers, our business partners and the environment. During 2020, we added climate as a specific focus area. We also initiated a sustainability forum with participants from all parts of Veoneer reporting into the executive management team that reports on sustainability matters to the Board of Directors, which have ultimate oversight of the program. Everything related to sustainability can be found in our dedicated Sustainability Report.

Outlook


We intend to keep our sharp focus on all cost areas and seek further efficiency improvements. Combined these actions and the return to organic growth in the fourth quarter of 2020, which we expect to continue in 2021 and beyond, gives us the confidence to reintroduce some mid-term target indications for the company. We estimate strong organic sales growth to continue and expect net sales of approximately \$2.5 billion in 2023. We also expect to arrive to a sustainable operating profit and positive free cash flow during 2023.

2020 was a very important launch year for Veoneer and the same will hold true in 2021. We will continue to have a sharp focus on launches as they are driving our organic growth and showcase the capabilities of our technologies and we will continue to drive the MAI's for further efficiencies in 2021.

For 2021, we expect our organic sales growth to exceed 25% and our Active Safety organic sales growth to be approximately 45%. We expect our operating loss for the full year 2021 to improve as compared to 2020 and our cash balance to be more than \$400 million at the end of the year. We expect our operating loss and cash flow performance to improve sequentially during 2021.

I would like to thank our associates, shareholders and other stakeholders for your continued support and commitment to Veoneer.

Ultimately our focus is to create value for all our stakeholders.


Jan Carlsson
Chairman, President & CEO
Stockholm, Sweden
February 19, 2021

*Non-U.S. GAAP measure. See Annual Report on Form 10-K for more information.

