

A wide-angle photograph of a modern city street at dusk. The street is flanked by tall buildings. The building on the left has a dark, textured facade with many small, irregularly placed windows. The building on the right is made of grey brick with large, rectangular windows, some of which are illuminated from within. In the background, other modern buildings and a street with a few cars and streetlights are visible under a twilight sky.

**KONGSBERG  
AUTOMOTIVE**  
Q2 2022  
EARNINGS CALL  
AUGUST 9, 2022



**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 2021 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.



## AGENDA

### EXECUTIVE SUMMARY

MARKET UPDATE

FINANCIAL UPDATE

SHIFT GEAR UPDATE

OUTLOOK

Q&A

## TODAY'S PRESENTERS



**JOERG BUCHHEIM**

*CEO // Zurich (Switzerland)*



**FRANK HEFFTER**

*CFO // Zurich (Switzerland)*



## EXECUTIVE SUMMARY

### REVENUE IMPROVED; EARNINGS PRESSURED BY COSTS

Comparisons are to 2021 results restated to exclude discontinued operation














<b>REVENUES</b>  <b>€225.6M</b>  Increase of 4.7% vs. Q2 2021	<b>ADJ. EBIT</b>  <b>€4.0M</b>  Impacted by abnormally high costs of raw materials, semiconductors and freight
<b>NEW BUSINESS</b>  <b>€168M</b>  Lifetime revenue of business wins during the quarter	<b>FREE CASH FLOW</b>  <b>€4.0M</b>  Decrease from the positive FCF of €12.9m in Q2 2021



## AT A GLANCE

### NATURE AND IMPACT OF DISRUPTIONS VARIED ACROSS GEOGRAPHIES AND PRODUCTS

#### REVENUE GROWTH VS MARKET GROWTH\*

	NORTH AMERICA		EUROPE		ASIA INCL. CHINA	
	KA	Market	KA	Market	KA	Market
PASSENGER VEHICLES	 +24.3%	 +11.7%	 -21.2%	 -4.9%	 -18.6%	 -2.6%
COMMERCIAL VEHICLES	 -14.9%	 +3.6%	 +15.6%	 -15.2%	 -34.0%	 -44.0%
OTHER	 +5.7%					

#### OUTPERFORMANCE IN KEY MARKETS

- > The automotive sector has seen divergent growth between vehicle and geographic segments
- > Some geographic segments saw significant volume reductions, driven by Covid-restrictions in China, supply chain interruptions from the war in the Ukraine, and continued problems with semiconductor supplies.
- > KA outperformed the overall market in areas such as Asian commercial vehicles, European commercial vehicles and North American passenger vehicles, but underperformed in others such as Asian and European passenger vehicles and North American commercial vehicles.

\* Change in revenue at constant currencies, and changes to vehicle production levels for selected regions and markets, from Q2 2022 to Q2 2021. The split across vehicle types does not correspond to our business unit segments – see p. 7 and 8 in the quarterly report for details.






## AT A GLANCE SUPPLY CHAIN SITUATION PARTLY OFFSET BY SHIFT GEAR COMMERCIAL AND OPERATIONAL EXCELLENCE



- Raw material prices in all areas, as well labor costs, have increased to historical highs, while shipping costs staying elevated.
- The situation has been exacerbated by extraordinary Covid-restrictions in key Chinese cities with serious lockdowns. This created problems both in Asia and the rest of the world, as global supply chains were disrupted.
- In Europe and North America, supply chain problems for semiconductors and other parts disrupted operations for many of our customers, as well as KA. In Q2, KA Americas results in particular has been strongly impacted by an extensive, extraordinary Semiconductor shortage for an individual OFH customer, which caused unforeseen Revenue and EBIT impacts
- However, we have noted first signs of improvements late in the quarter, and a rebound may be expected in H2.

SHIFT GEAR		
<b>GEAR I</b>		<b>PERFORMANCE IMPROVEMENT</b>
<b>EUR 19.5M</b> IMPROVEMENT ACHIEVED YTD		<b>EUR 52M</b> IMPROVEMENT EXPECTED FOR FY 2022

- All these external effects have caused **production inefficiencies** driven by supply-chain constraints and volatile customer demand schedules across the mobility industry, as seen in temporary higher costs and inventory levels.
- KA's performance improvement program **Shift Gear, with 300 employees directly or indirectly involved, has countered this to a certain extent - contributing MEUR 19.5 in H1 through operational improvements, purchasing excellence, commercial price increases and stringent cash management.**
- We expect further improvements from price increases to customers, continuous improvement and cost reductions in H2 2022.



## AT A GLANCE

### DIVESTMENTS AND DISCONTINUED OPERATIONS

#### SHIFT GEAR

GEAR II



PORTFOLIO TRANSFORMATION  
FOCUS ON MODERN & CORE

SOLD:  
**LDC**

- On April 6, 2022, Kongsberg Automotive successfully completed the sale of its Light Duty Cable (LDC) business unit to Suprajit Engineering Limited for an enterprise value of MEUR 37.7.
- Kongsberg Automotive received the initial proceeds of MEUR 38.1 from this sale transaction.
- The divestments made so far have improved our financial headroom, reducing net interest-bearing debt to EUR 125.5m and increasing our liquidity reserve to EUR 218.7m.

#### IMPACT OF DIVESTMENT

**€37.7M**  
TRANSACTION VALUE



## AT A GLANCE

### DIVESTMENTS AND DISCONTINUED OPERATIONS

#### SHIFT GEAR

GEAR II



PORTFOLIO TRANSFORMATION  
REDUCE DEPENDENCY

SALE AGREED:

**CANADA**

CUSTOMIZED PLANT  
FOR BRP POWERSPORTS



SIGNED ON  
AUGUST 9<sup>TH</sup>

- > The Shawinigan plant of KA's Off-highway division produces sensors, actuators, power steering and other parts for **powersports applications**, largely dedicated to a single client, BRP Inc. (BRP)
- > On **August 9, 2022**, the two companies entered into a **definitive agreement** to sell part of this plant to BRP for a total enterprise value of **CAD 136 million** (EUR 104 million)
- > The transaction allows BRP to **vertically integrate** this production, while KA will focus the freed-up resources to focus on scaling up within Specialty products their OFF-HIGHWAY markets when it comes to **Agriculture, Construction, Material Handling and further new markets**

#### SIZE OF BUSINESS

FULL YEAR FORECAST RESULTS

€~74M

UNIT REVENUE  
(FY22 EST)

€9M

ADJ. EBIT  
(FY22 EST)

#### IMPACT OF DIVESTMENT

€104M

TRANSACTION VALUE





EXECUTIVE SUMMARY

# MARKET UPDATE

FINANCIAL UPDATE

SHIFT GEAR UPDATE

OUTLOOK

Q&A



# GLOBAL MARKET SITUATION STILL PRECARIOUS DUE TO MACROECONOMIC AND GEOPOLITICAL DISRUPTIONS

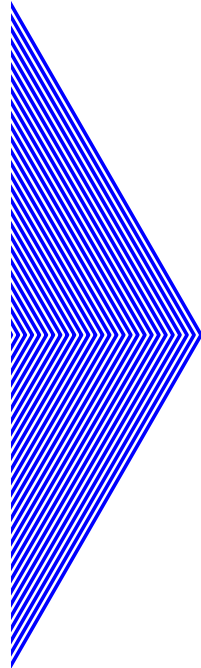
## CURRENT TRIGGERS FOR DISRUPTION

**COVID-19**  
(ESP. SHANGHAI LOCKDOWN)

**UKRAINE WAR**

**SEMICONDUCTOR SHORTAGE**

**INFLATION**



## MACROECONOMIC FACTORS AFFECTING GLOBAL MARKET ENVIRONMENT

Raw material prices have peaked in Q2, with the first signs of stabilization seen late in the quarter, with some metals such as nickel still elevated due to Ukraine war

Shanghai Lockdown due to zero-COVID policy continued to **disrupt supply chains**, and reduced Chinese production by 44% in the quarter

Semiconductor shortage still impacting production at many OEMs, with up to **2 million fewer vehicles built** due to production cancellations

Energy prices continue to drive inflation, to **+8.6% and +8.1% in US and Europe**, increasing the risk that **central banks attempts to control prices may trigger recessions** in major economies

Consumer confidence remains at **multi-year lows** in OECD global consumer confidence index due to intensified inflation pressure (OECD global consumer confidence index fell to 96.5 in June vs. 98.4 in February)

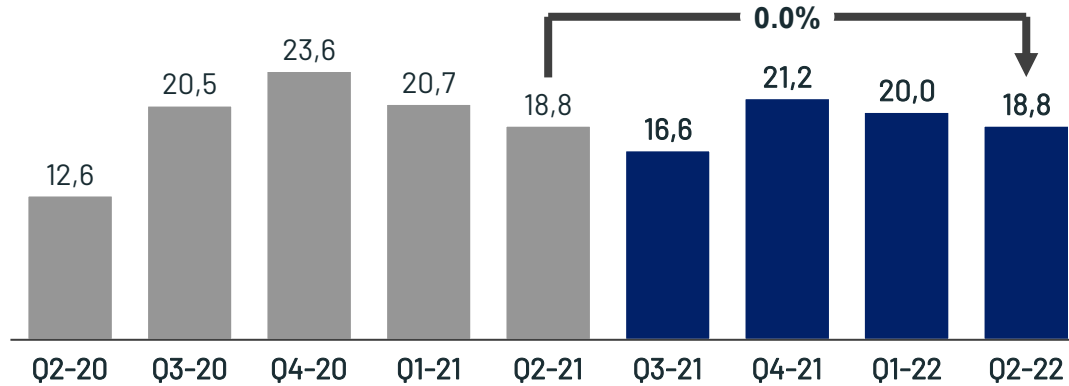


# MARKET TRENDS

## LOWER ACTIVITY OBSERVED IN TRUCK MARKET

### MARKET DEVELOPMENT

GLOBAL PASSENGER CAR PRODUCTION, in million units



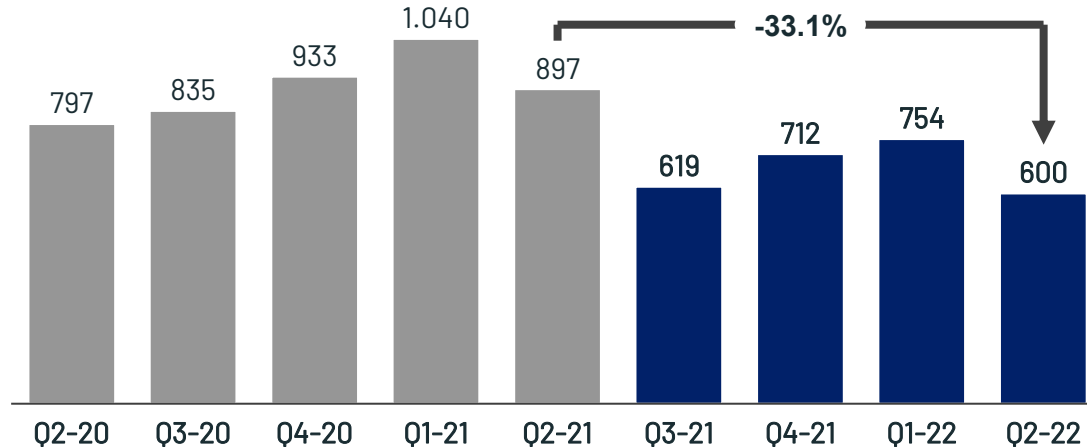
### REGION

### Q2-22 vs. Q2-21

### 2022 vs. 2021

China	-5.9%	+0.3%
APAC w/o China	+1.6%	+5.8%
Europe	-4.9%	+2.8%
North America	+11.7%	+12.7%
South America	+12.9%	+7.3%
Rest of World	+4.9%	+8.5%
<b>Total</b>	<b>0.0%</b>	<b>+4.7%</b>
<i>Total(excl. China)</i>	<i>+2.7%</i>	<i>+6.8%</i>

GLOBAL TRUCK PRODUCTION, in thousand units



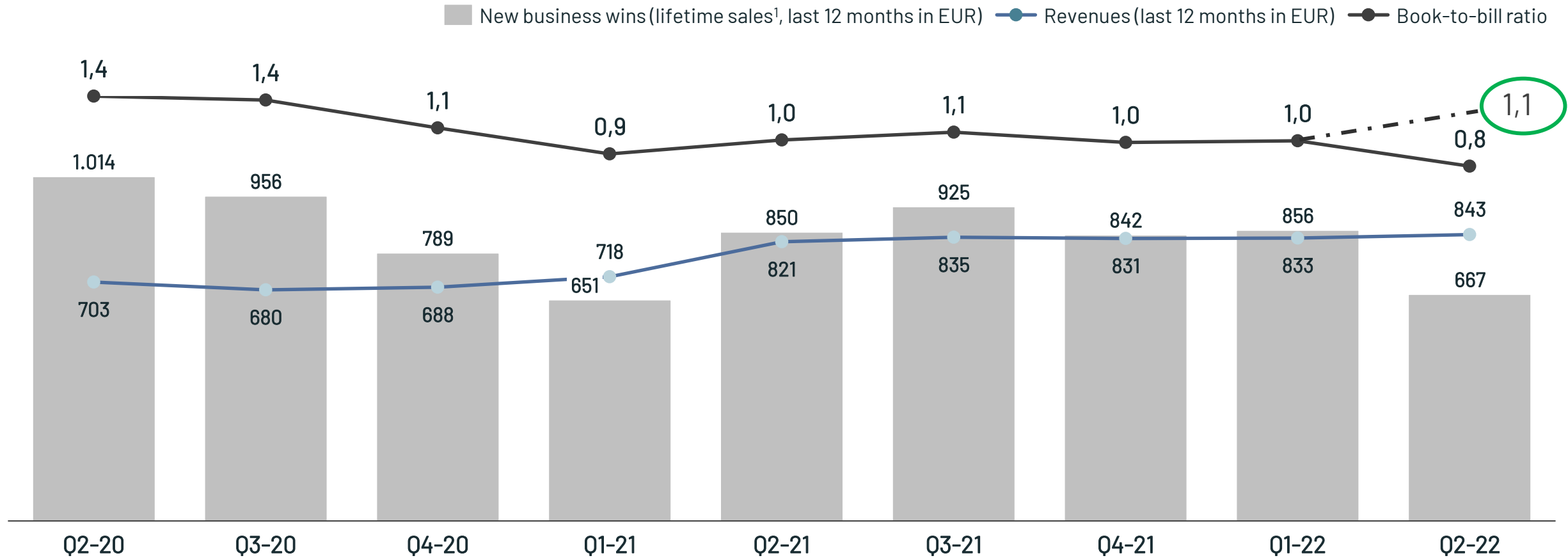
China	-65.7%	-32.4%
APAC w/o China	+24.0%	+8.7%
Europe	-15.4%	-4.8%
North America	+2.6%	+5.0%
South America	-1.4%	+0.3%
Rest of World	+33.1%	+20.8%
<b>Total</b>	<b>-33.1%</b>	<b>-12.8%</b>
<i>Total(excl. China)</i>	<i>+3.0%</i>	<i>+3.2%</i>

Source: IHS Light Vehicle Production Base (July 2022); LMC Global Commercial Vehicle Forecast (Q2 2022)



# BOOK-TO-BILL PERFORMANCE (CONTINUING OPERATIONS): ONGOING NEGOTIATIONS WITH CUSTOMERS NOT SUPPORTING NEW BUSINESS AWARDS IN Q2 2022

## BOOK-TO-BILL PERFORMANCE, MEUR



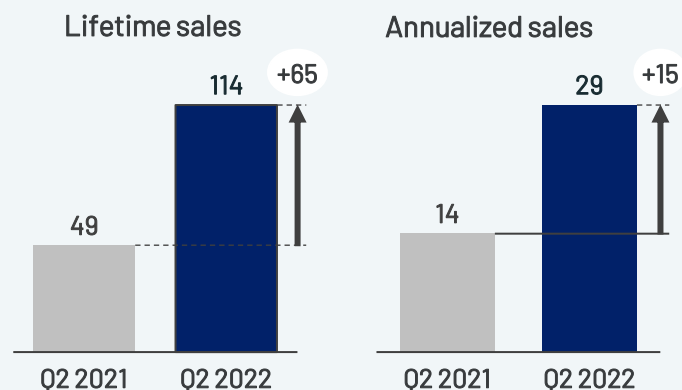
1. Lifetime sales assumptions are based on IHS and LMC production estimates at the time of the booking



## KA'S ACTIVITY ON THE MARKET

### POWERTRAIN & CHASSIS

#### NEW BUSINESS WINS, MEUR



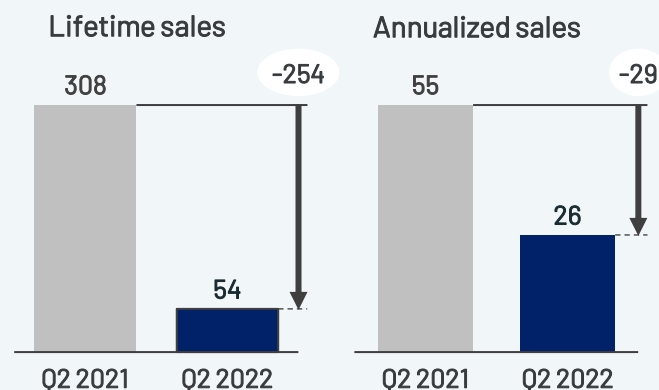
P&C was awarded two significant contracts: to supply head restrains to a Chinese manufacturer (MEUR 42.5 expected lifetime revenue, MEUR 6.1 expected annual revenue) and to supply gear shift systems to a German manufacturer (MEUR 18.1 expected lifetime revenue, MEUR 2.6 expected annual revenue).

#### OPERATIONS

The return of Covid restrictions in China in addition to the war in Ukraine adversely impacted Q2 results. The China truck market is not expected to rebound until Q4 2022. A number of price increases have been successfully negotiated throughout the quarter and will have positive impacts starting Q3. Cost increases in raw materials, energy and freight continue to have negative impacts on earnings. Internal continuous improvements (CI) driven by our Shift Gear program are on a record pace and will reap large benefits when customer prices catch up in the subsequent quarters.

### SPECIALTY PRODUCTS

#### NEW BUSINESS WINS, MEUR



Within the quarter, Fluid Transfer Systems (FTS) secured a contract with a Swedish automobile manufacturer that totals MEUR 2.6 expected annual revenue and MEUR 15.3 expected lifetime revenue.

Q1 2021 included an LTA extension of 260m EUR on certain products with a single off-highway customer.

#### OPERATIONS

Couplings' operations in Norway ran well but suffered from a backlog due to high levels of covid-related absences as well as supply chain challenges. Couplings' capacity expansion in France, Norway and US is underway according to plan. Fluid Transfer Systems (FTS) had strong demand in the 1st half of 2022. The supply challenges and higher inflation resulted in temporary contraction of margins and some inventory challenges. Despite headwinds, FTS is looking at expanding in Mexico to accommodate awarded contracts as well as aligning our customer base in Europe to improve delivery and profitability.

EXECUTIVE SUMMARY

MARKET UPDATE

## **FINANCIAL UPDATE**

SHIFT GEAR UPDATE

OUTLOOK

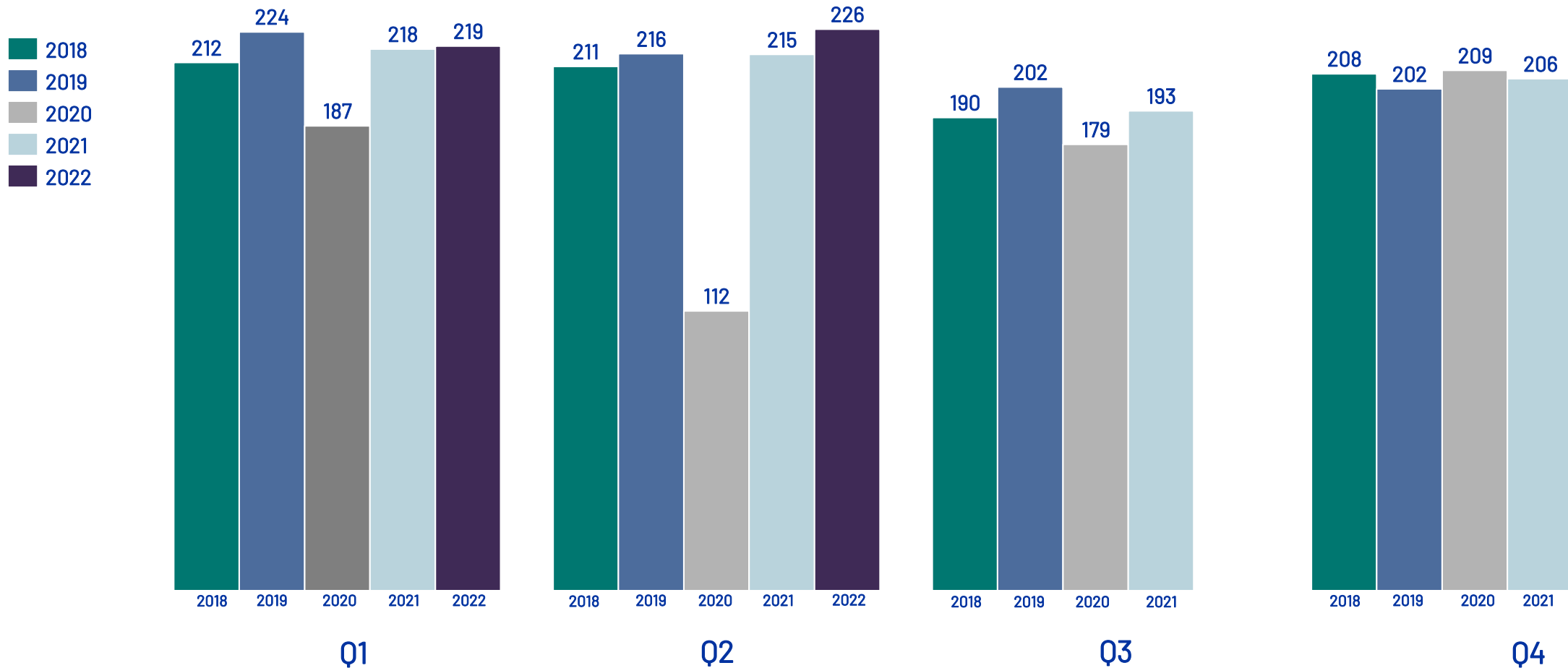
Q&A





## REVENUES: HIGH Q2 IN COMPARISON WITH THE LAST FOUR YEARS

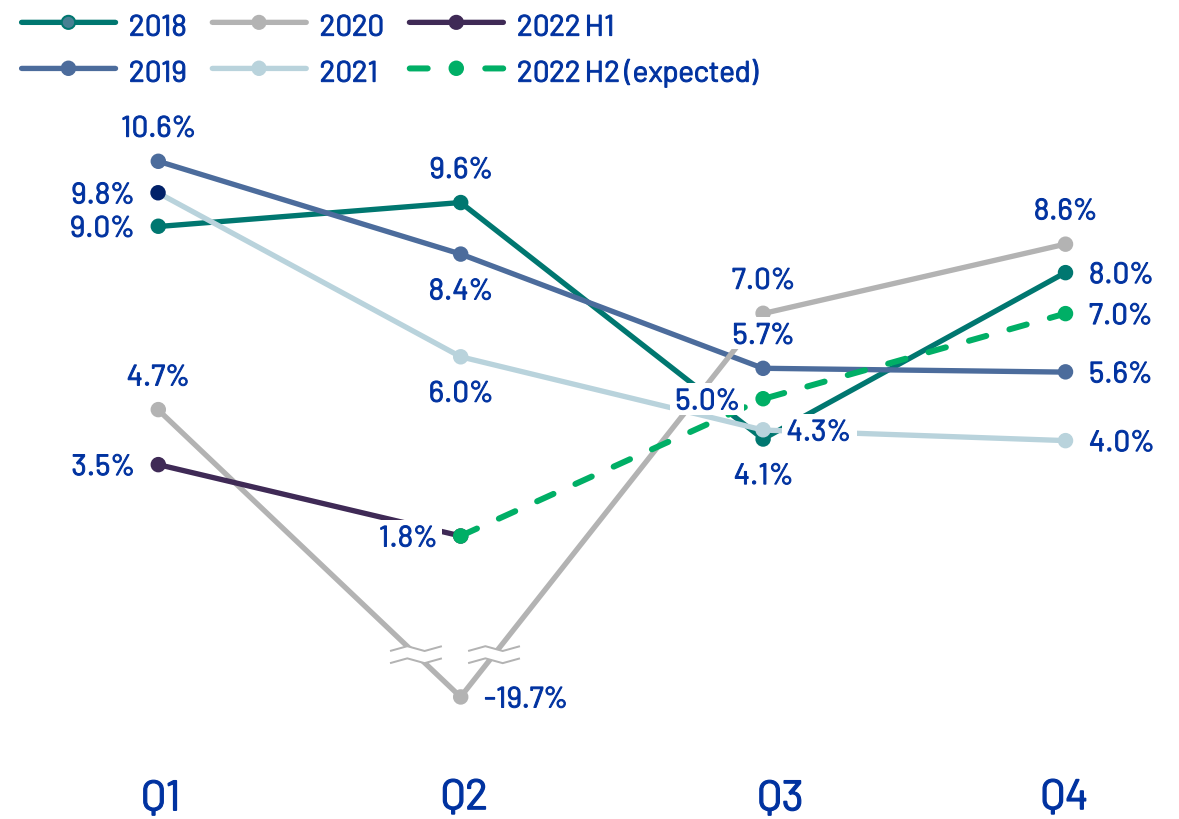
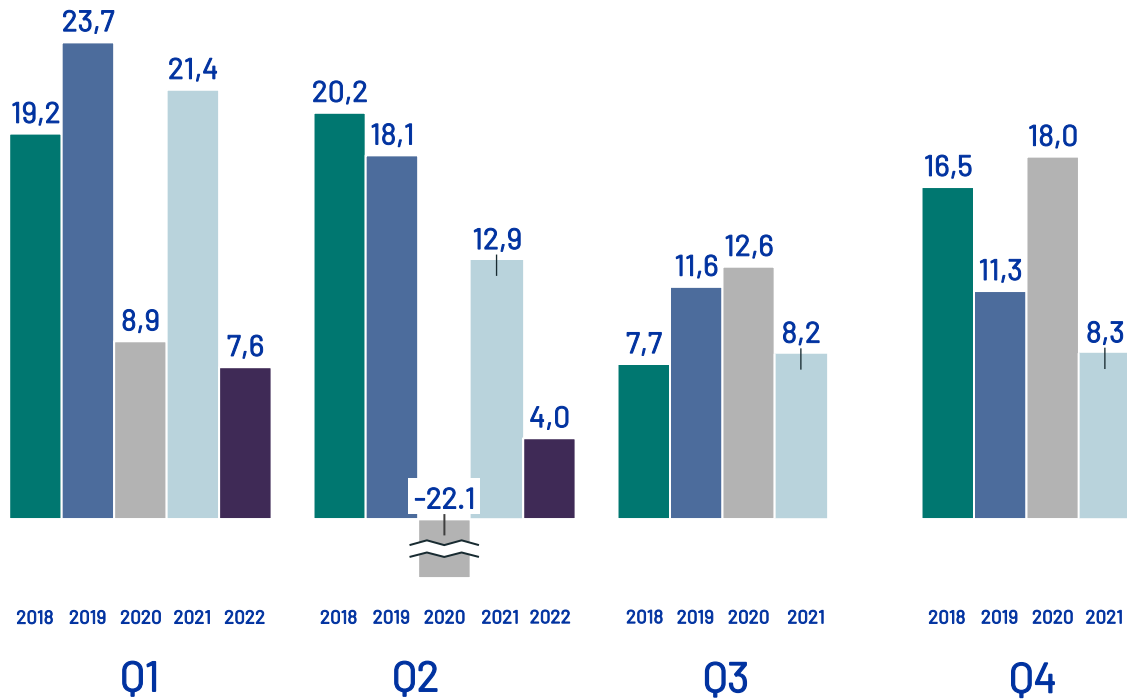
### QUARTERLY REVENUES (continuing operations), MEUR



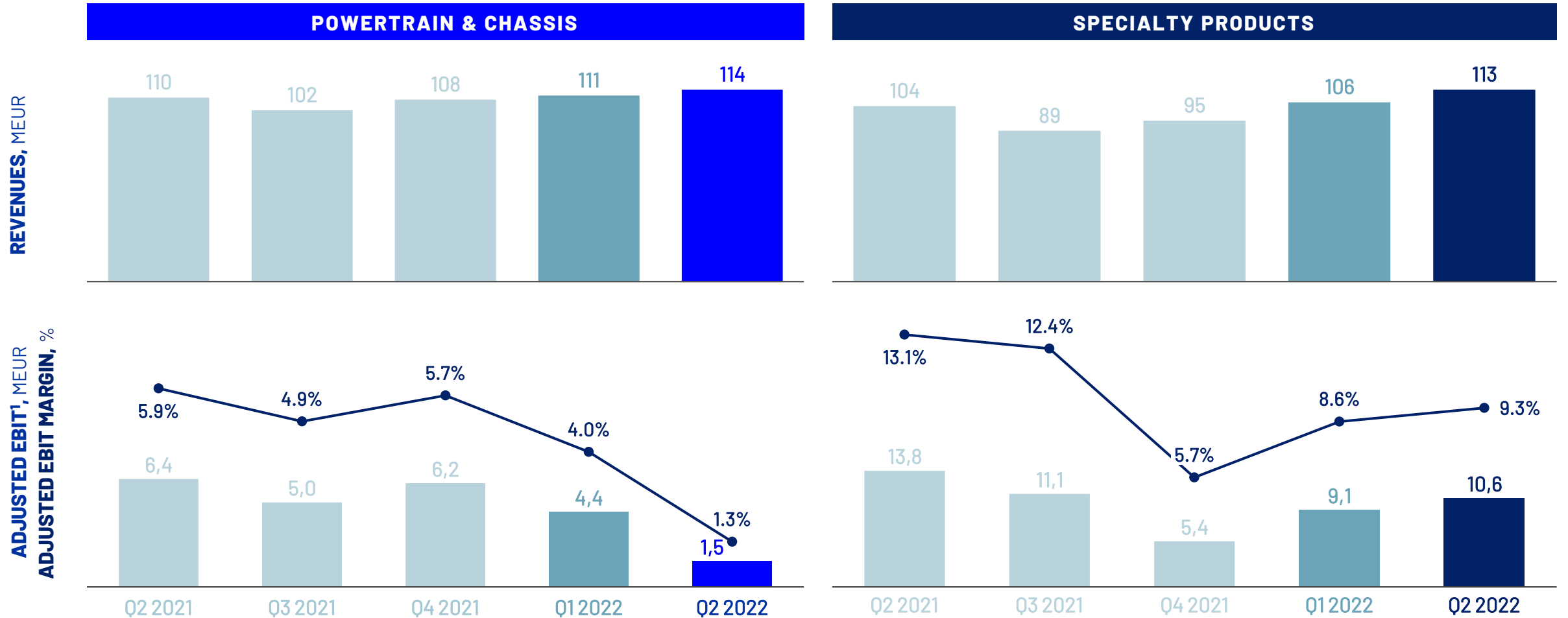
# ADJUSTED EBIT: EARNINGS STILL SEVERELY IMPACTED BY THE EXTRA COSTS RELATED TO THE SEMICONDUCTOR AND RAW MATERIAL CRISIS

## QUARTERLY ADJ. EBIT (continuing operations), MEUR AND % OF REVENUES

2018 2019 2020 2021 2022



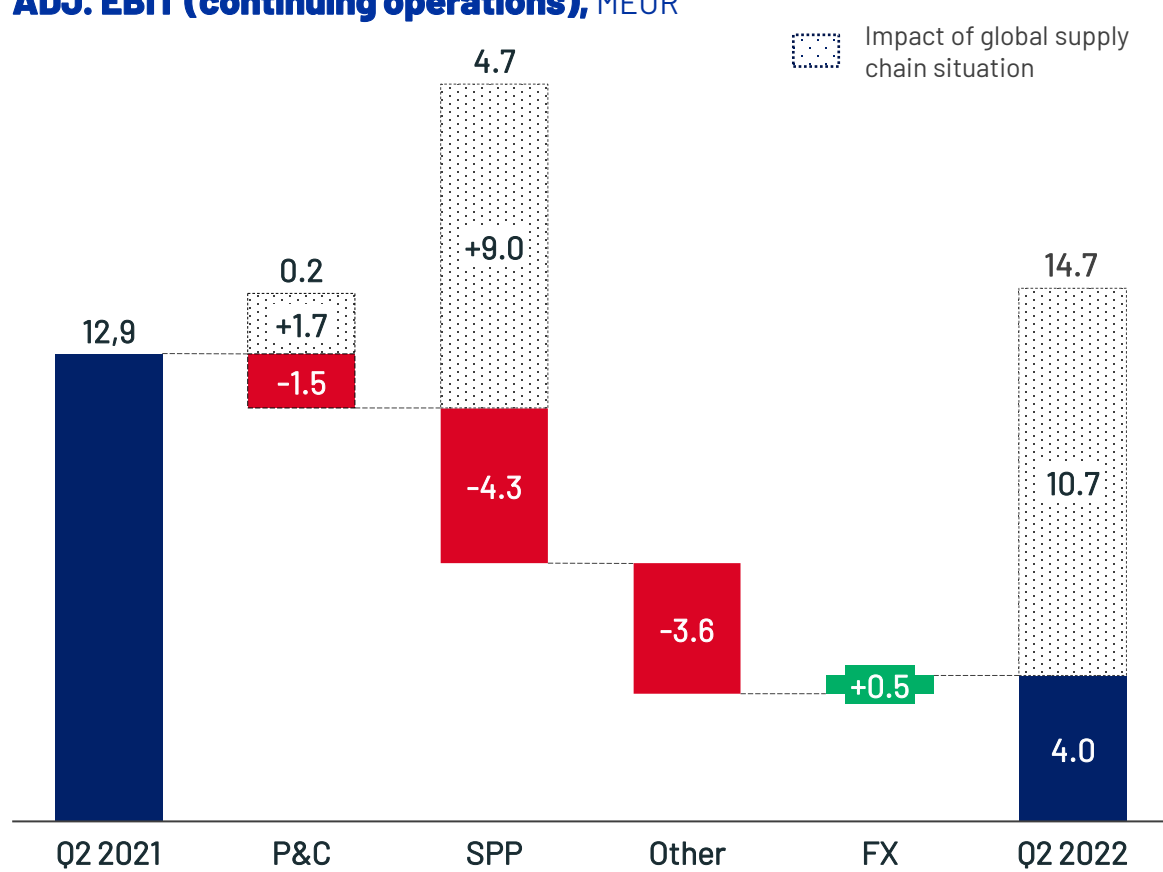
# SEGMENT FINANCIALS: SEGMENTS IMPACTED BY SEMICONDUCTOR AND RAW MATERIALS SITUATION



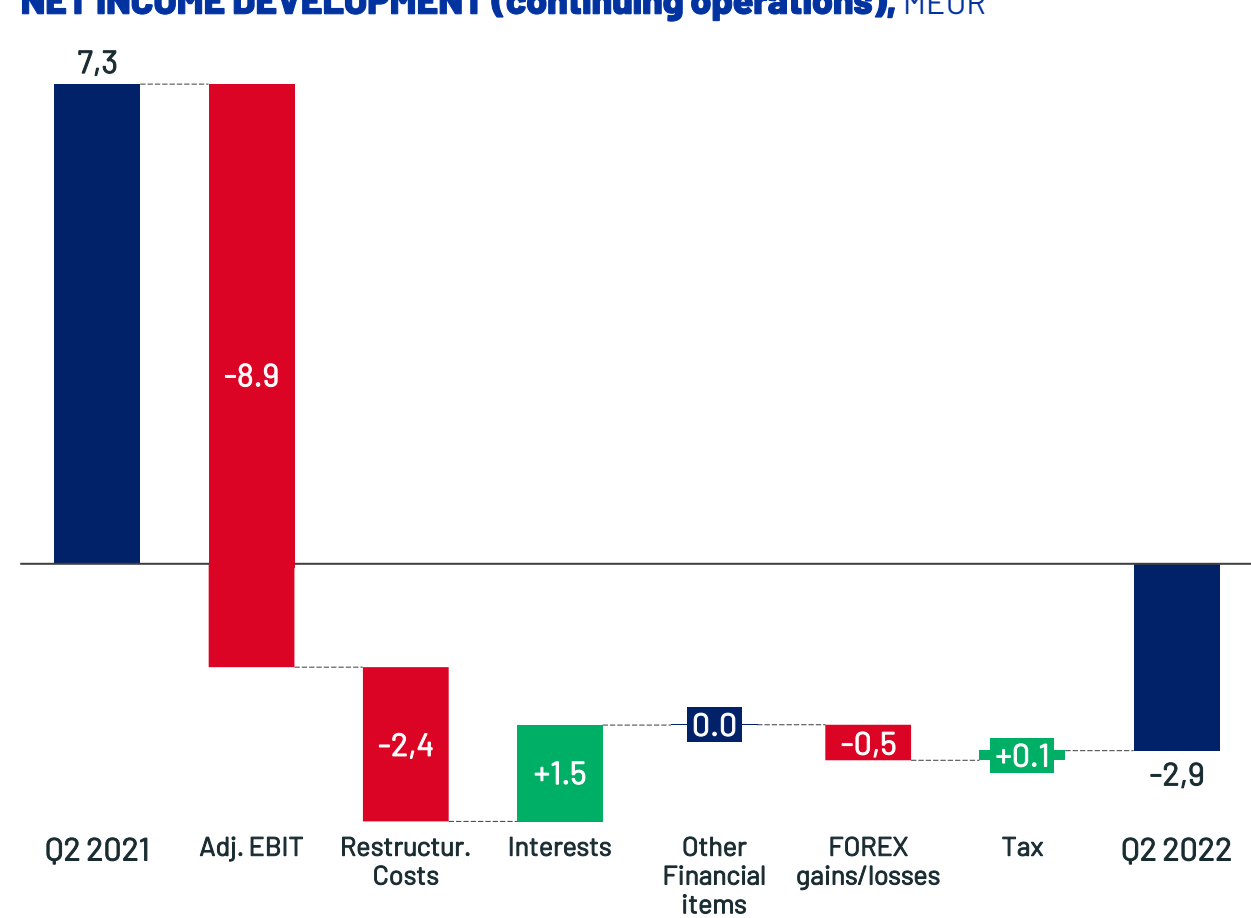


## Q2 2022 EARNINGS: ADJ EBIT AND NET PROFIT IMPACTED BY SUPPLY CHAIN CRISIS

**ADJ. EBIT (continuing operations), MEUR**

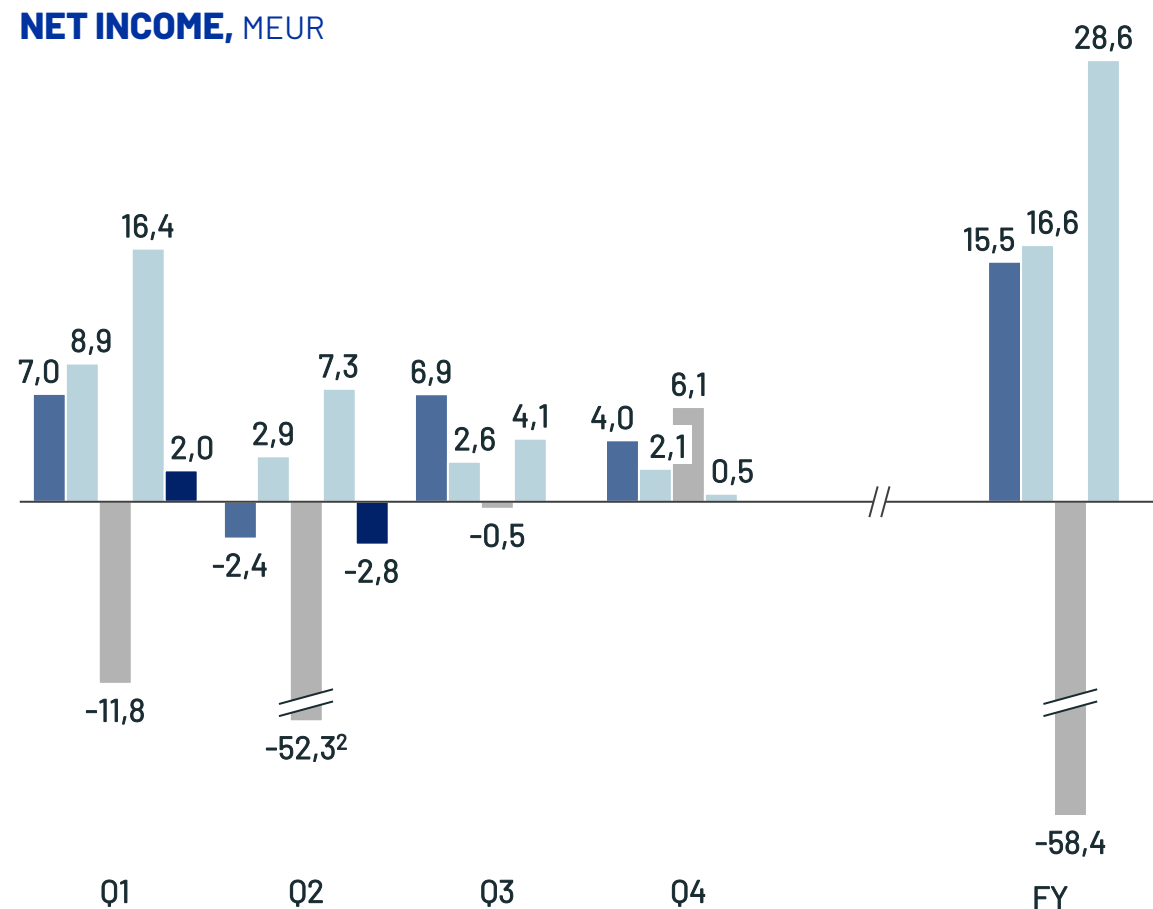
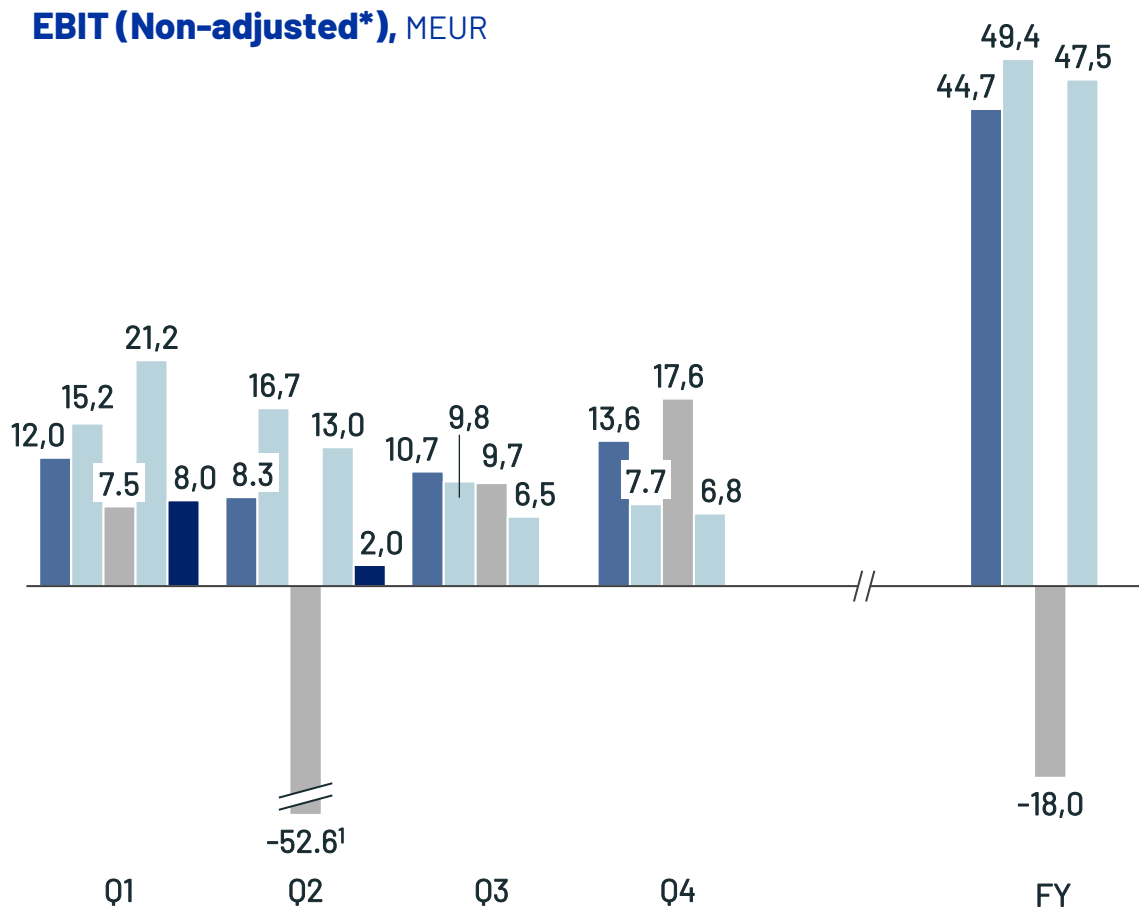


**NET INCOME DEVELOPMENT (continuing operations), MEUR**



## EBIT & NET INCOME (CONTINUING OPERATIONS)

2018 2019 2020 2021 2022



\* Adjusted EBIT is EBIT before restructuring costs.



## NET FINANCIAL ITEMS (CONTINUING OPERATIONS)

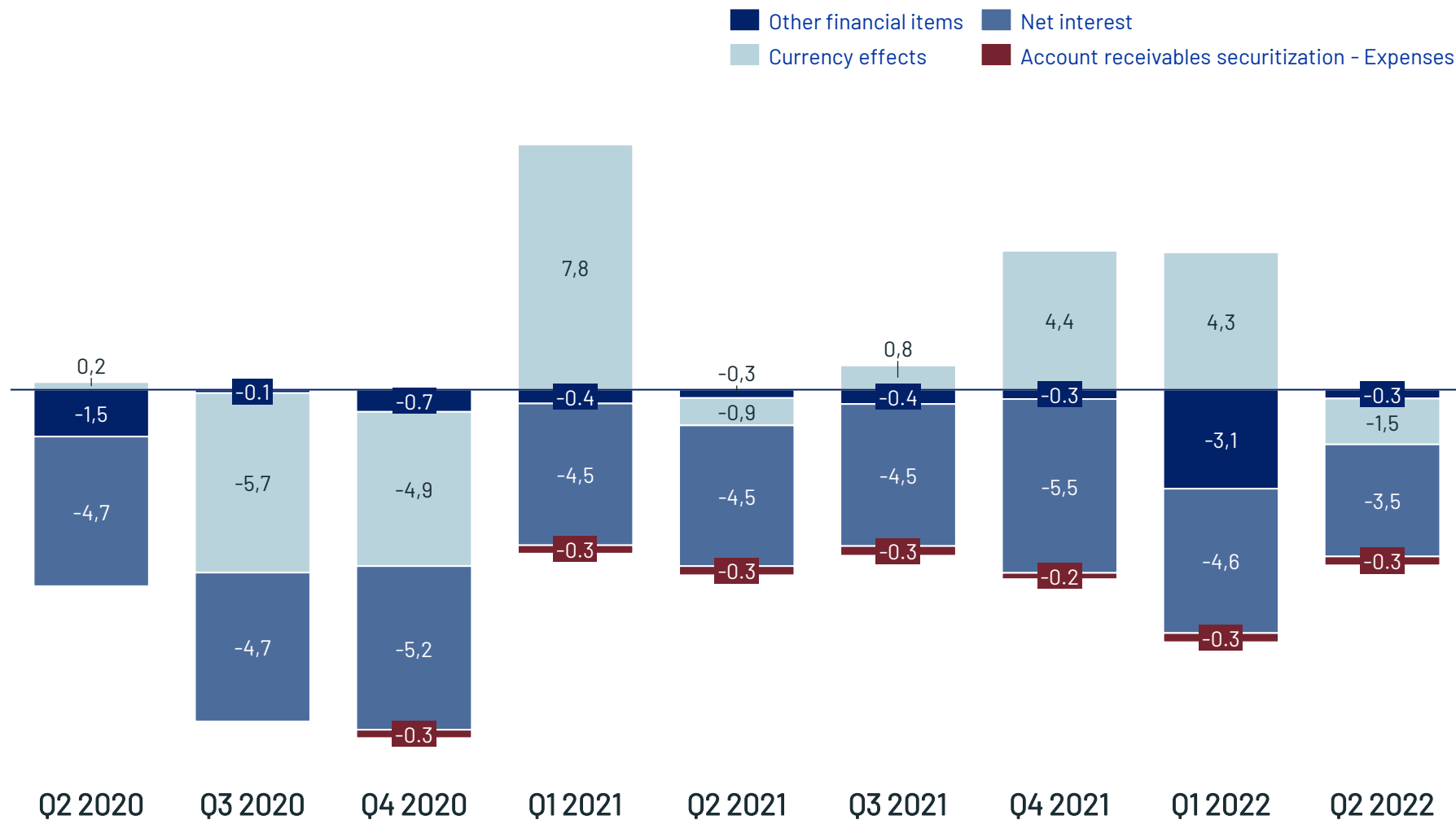
### FOREX GAINS/LOSSES

The foreign exchange effects in Q2 2022 are made up of:

- > realized foreign exchange gain of MEUR 1.9
- > unrealized foreign exchange loss of MEUR 3.4

### INTEREST

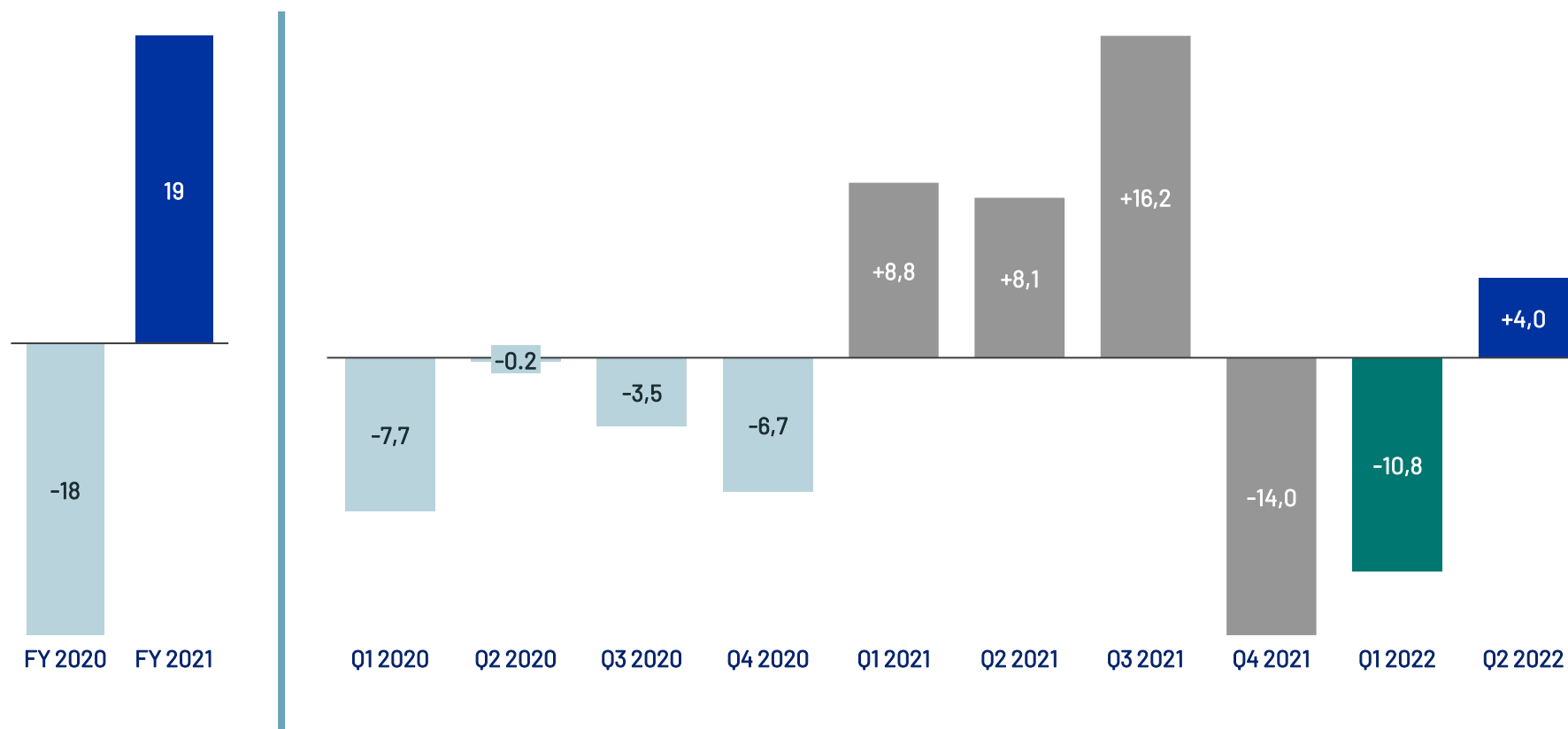
The main elements were the accrued interest for the bond of MEUR 2.8 and IFRS16 interest of MEUR 0.9





## FREE CASH FLOW: STRICT SPEND CONTROL ENABLED US TO MINIMIZE THE CONSEQUENCES OF SEMICONDUCTOR AND RAW MATERIAL SITUATION

### FREE CASH FLOW<sup>1</sup> (continuing operations), MEUR



### Q2 2022 FCF DETAILS

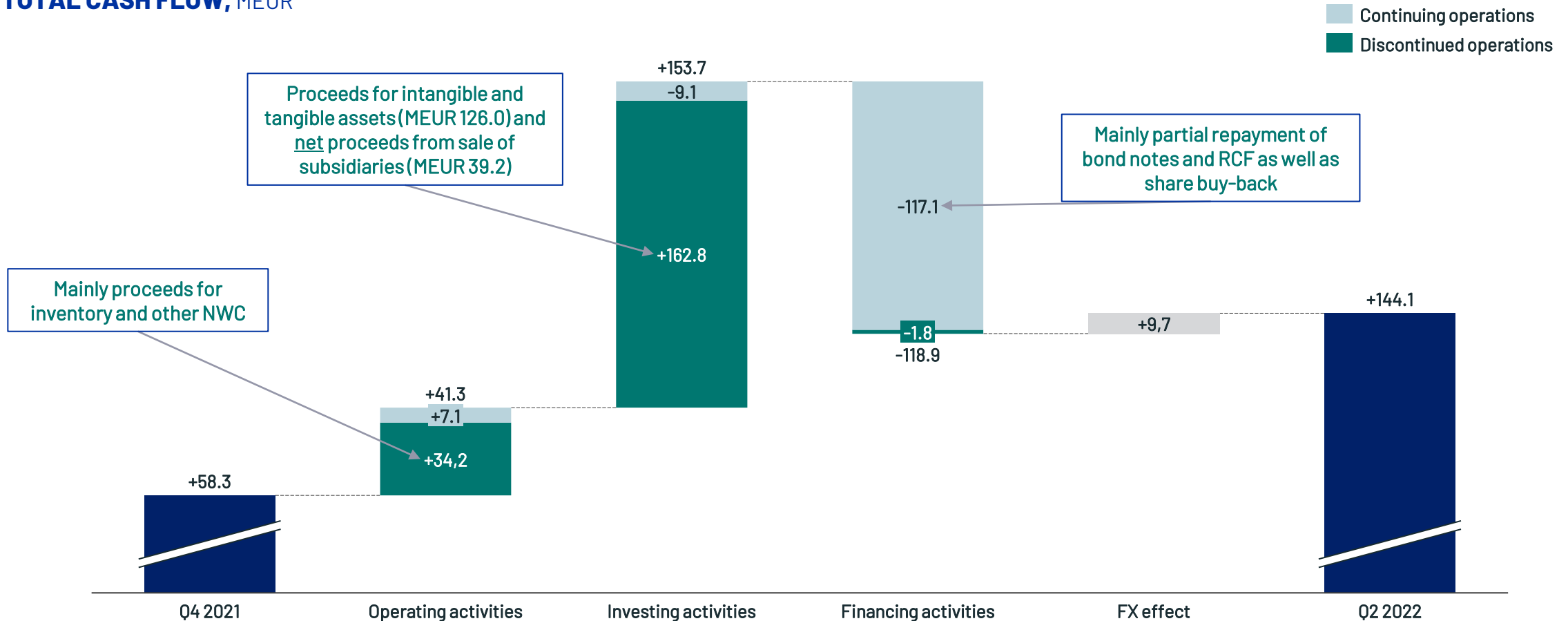
Operating activities	+8.1
Therein: Overall NWC increase	-9.8
Investing activities	-5.0
Financing activities	-8.8
Therein:	
Payments of interests and lease liabilities	-3.1
Share buy-back	-4.2
Currency and translation effects on cash flow	+4.6
<b>Total</b>	<b>-1.1</b>
excluding Repayment of loan and Share buy-back	+5.1
<b>FCF</b>	<b>+4.0</b>

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.



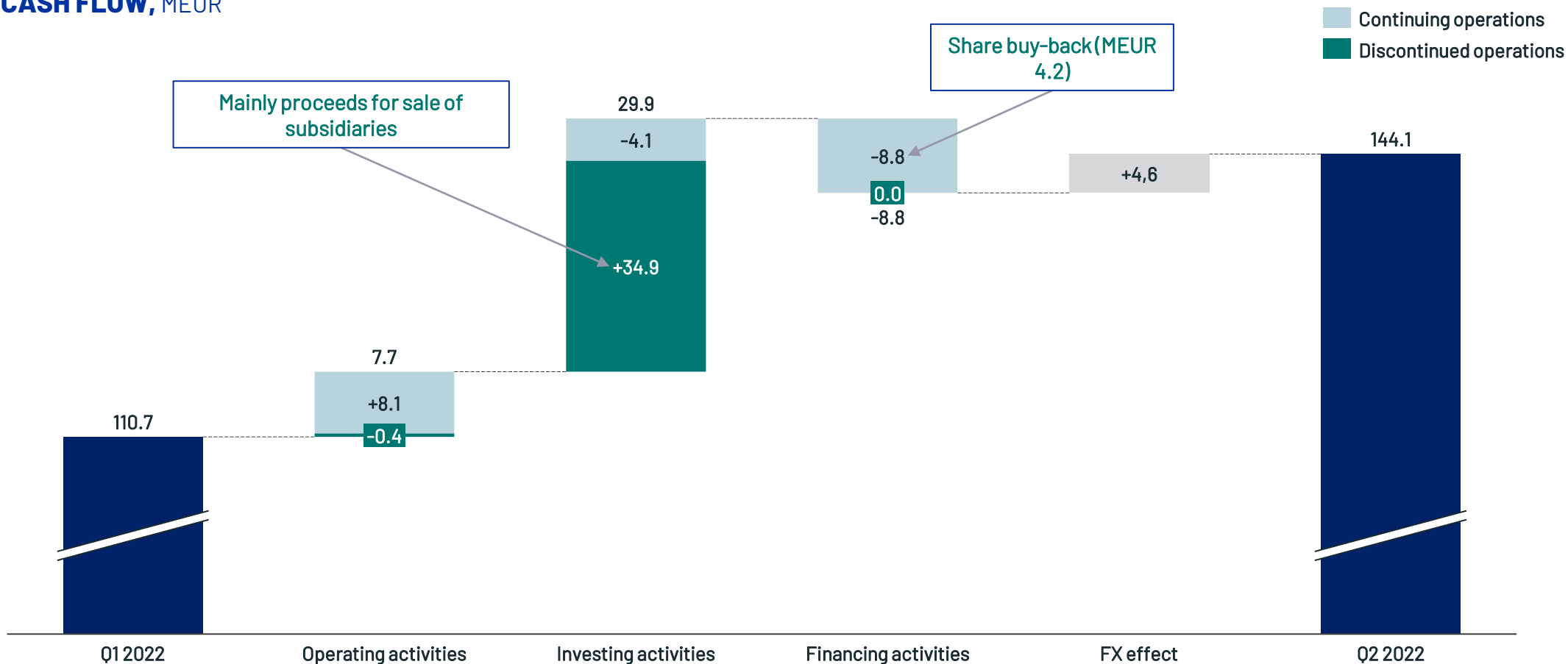
# TOTAL CASH FLOW – CONTINUING AND DISCONTINUED OPERATIONS YTD Q2 2022

## TOTAL CASH FLOW, MEUR



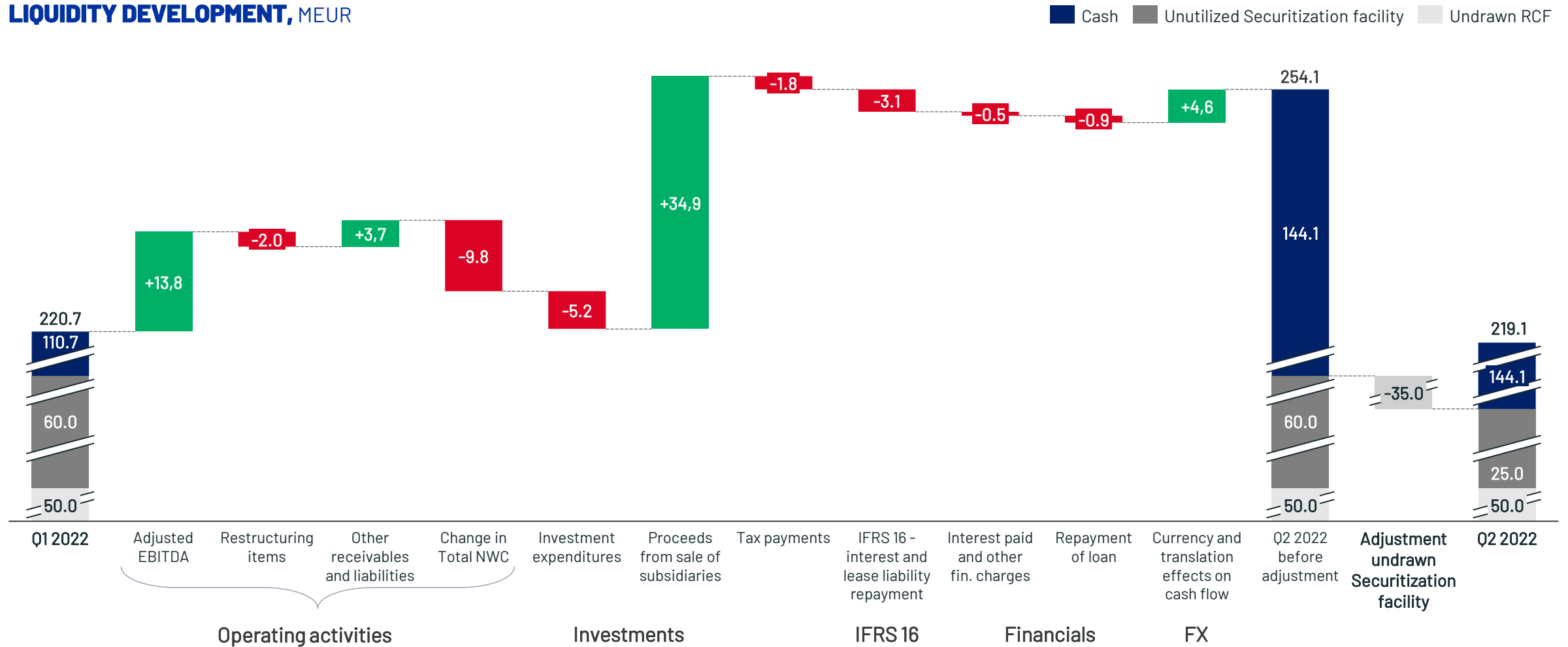
# TOTAL CASH FLOW – CONTINUING AND DISCONTINUED OPERATIONS QTD Q2 2022

## TOTAL CASH FLOW, MEUR



# LIQUIDITY DEVELOPMENT FOR THE GROUP (CONTINUING + DISCONTINUED)

## LIQUIDITY DEVELOPMENT, MEUR

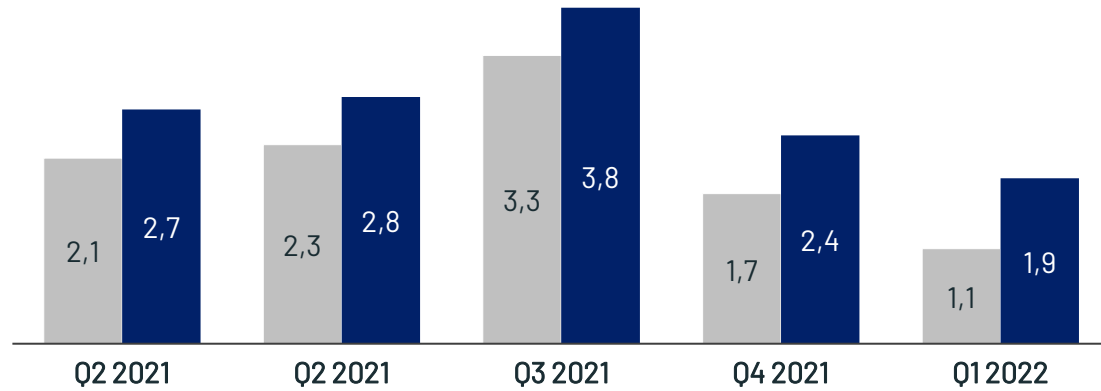




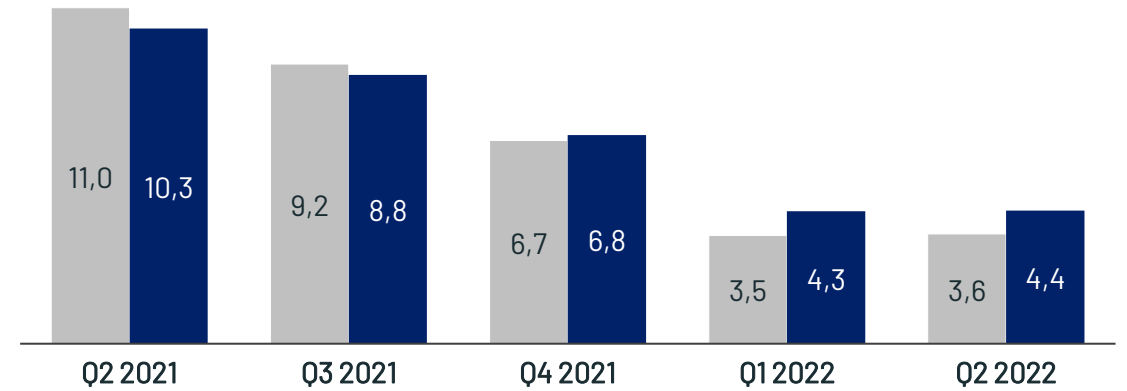
# FINANCIAL RATIOS (WHOLE GROUP<sup>1</sup>)

Excluding IFRS16  
Incl. IFRS 16 effect

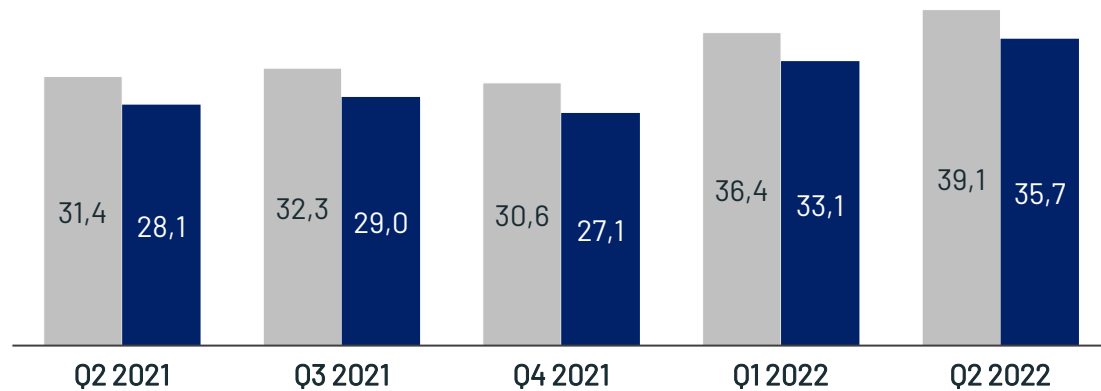
## ADJUSTED GEARING RATIO<sup>2</sup>, NIBD<sup>3</sup>/EBITDA, LTM



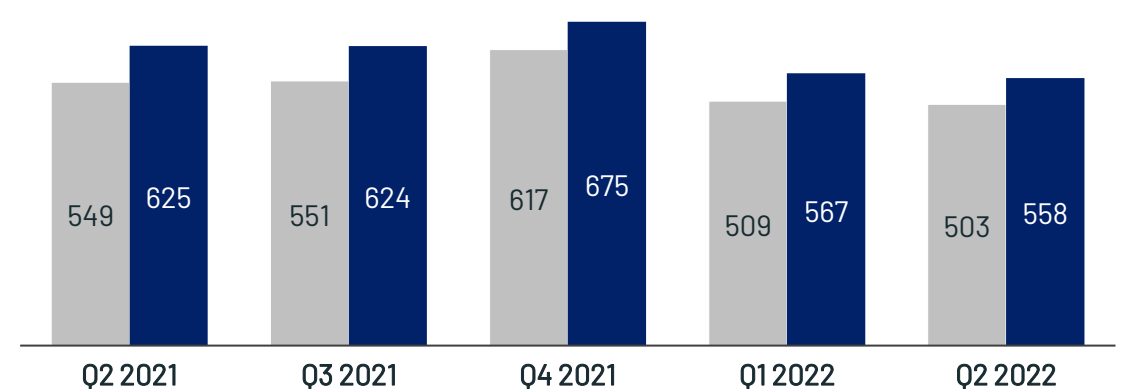
## ADJUSTED ROCE<sup>2</sup>, %, LTM



## EQUITY RATIO<sup>3</sup>, %



## CAPITAL EMPLOYED<sup>4</sup>, MEUR



2. Excluding restructuring costs and impairment losses in Q2 2020

3. Net interest-bearing debt

4. 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

1. Includes continuing and discontinued operations



EXECUTIVE SUMMARY

MARKET SUMMARY

GROUP FINANCIAL UPDATE

# **SHIFT GEAR UPDATE**

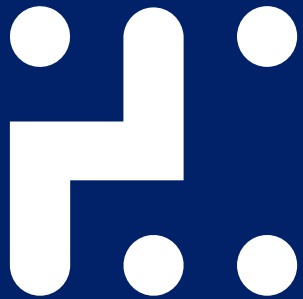
OUTLOOK

Q&A



## OUR TRANSFORMATION PROGRAM IS WELL UNDERWAY

WE HAVE EXECUTED ON ALL THREE GEARS IN 2022, WITH MORE TO COME



**SHIFT**  
GEAR

**GEAR I**



**OPERATIONAL EXCELLENCE AND PERFORMANCE**

Focus on profitability improvement

**GEAR II**



**STRATEGIC SHIFT TO GROW IN PROFITABLE SEGMENTS**

Clear strategic roadmap for each business including M&A activities

**GEAR III**



**SUSTAINABLE TRANSFORMATION**

Sustainable organization preparing for future market trends

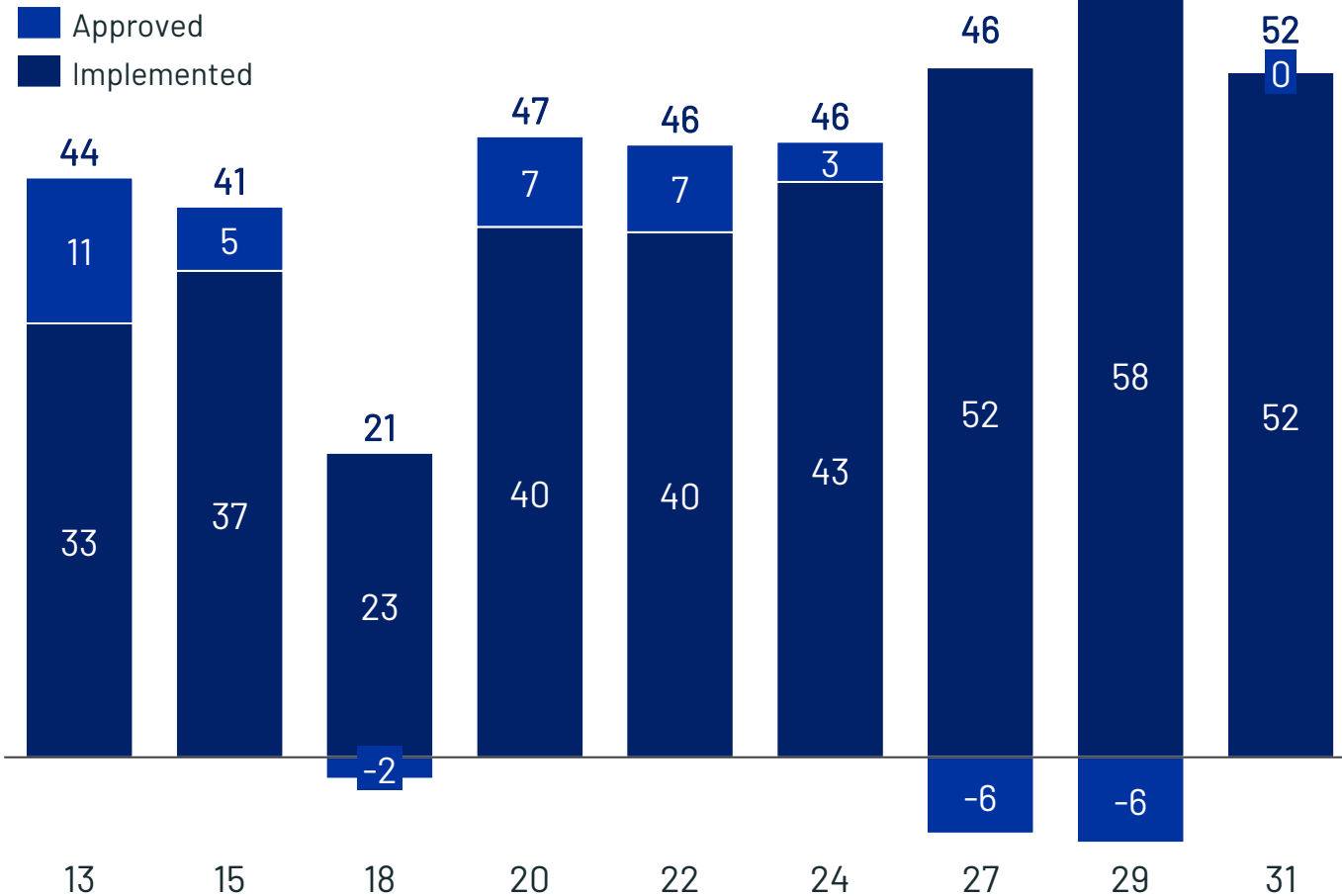




# INCREASING CONTRIBUTION FROM PERFORMANCE IMPROVEMENT MEASURES



FY 2022 measure impact development by calendar week, in EUR m



- Performance improvement continuously creates impact and is offsetting some temporary effects of the supply-chain situation
- EUR 20m contribution YTD June, expected FY benefits of EUR 52m in 2022 and onwards
- Improvements include commercial excellence, operational efficiency improvements and Overhead cost reductions
- KA successfully achieved fair price increases and cost sharing at our major customers and Partners



## STRUCTURAL MEASURES TO IMPROVE OUR PORTFOLIO AND PREPARE FOR THE FUTURE



**GEAR II**

PORTFOLIO  
TRANSFORMATION  
FOCUS ON MODERN & CORE

- ✓ Divestments focus the company on higher-margin business where we can be second to none
- ✓ Bond repayment and right-sizing of the ARS program improve and derisk our balance sheet
- ✓ Share buyback is progressing, creating value for our shareholders

- Any future divestments or acquisitions will be driven by our «second to none» strategy, and subject to clear criteria to ensure they are value accretive
- Structural measures are also being implemented internally, such as reorganization of sales to strengthen growth markets and consolidate strategic markets, increase cross sales and upsale





**THE SHIFT GEAR PROGRAM HELPS US ACHIEVE OUR SUSTAINABILITY TARGETS WHILE IMPROVING OUR BUSINESS**

**OUR ESG-TARGETS**

Carbon neutral products by 2039

100% carbon free energy used in production by 2030

Responsible sourcing

**PROGRESS OF OUR INITIATIVES**

- > Energy intensity of production reduced by 3% in 2021
- > 40% renewable energy in 2021
- > 76% of spend goes to local suppliers



**NEXT STEPS**

Install carbon emissions management system, across own operations and scope 3

Expand LCA activities to broader product portfolio

Further develop our ESG strategy

Roadmap laid out and Partners selected

EXECUTIVE SUMMARY

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GROUP FINANCIAL UPDATE

SHIFT GEAR UPDATE

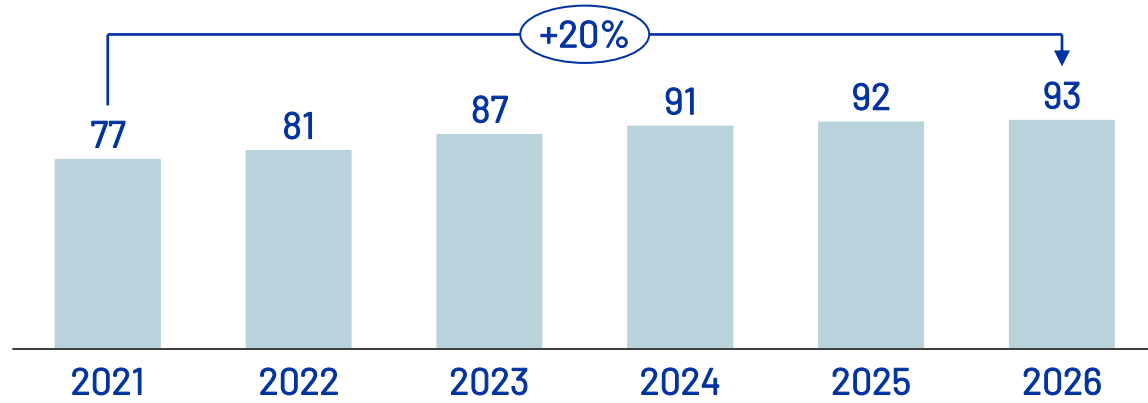
# **OUTLOOK**

Q&A

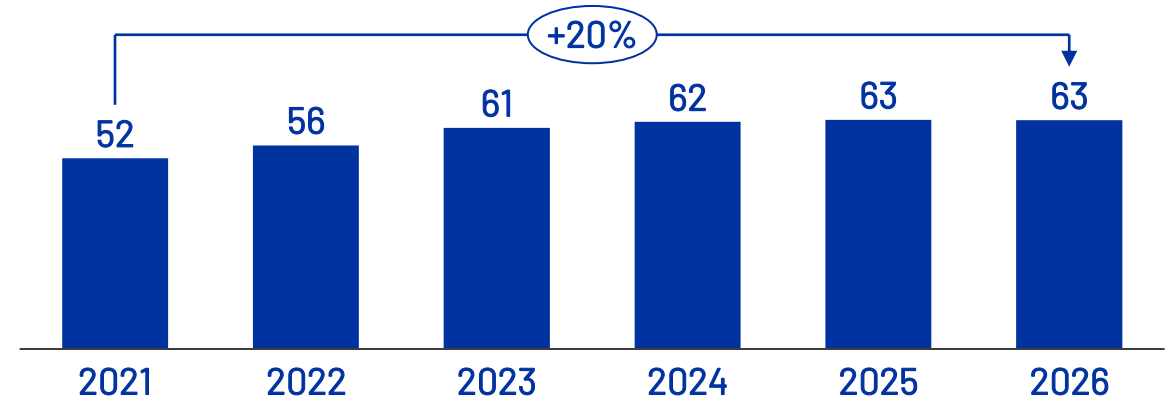


# MARKET FORECASTS - OUTLOOK

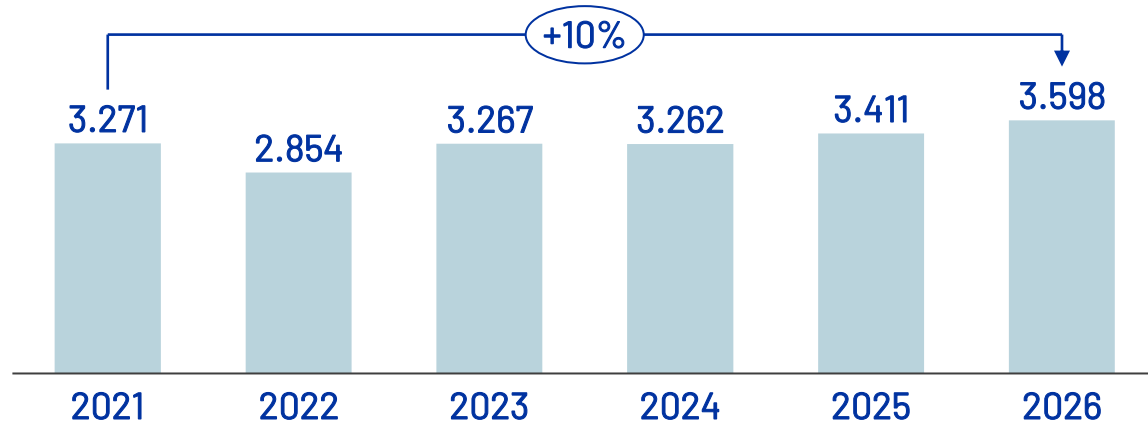
**GLOBAL PASSENGER CAR PRODUCTION, SALES IN MILLION UNITS, INCLUDING CHINA**



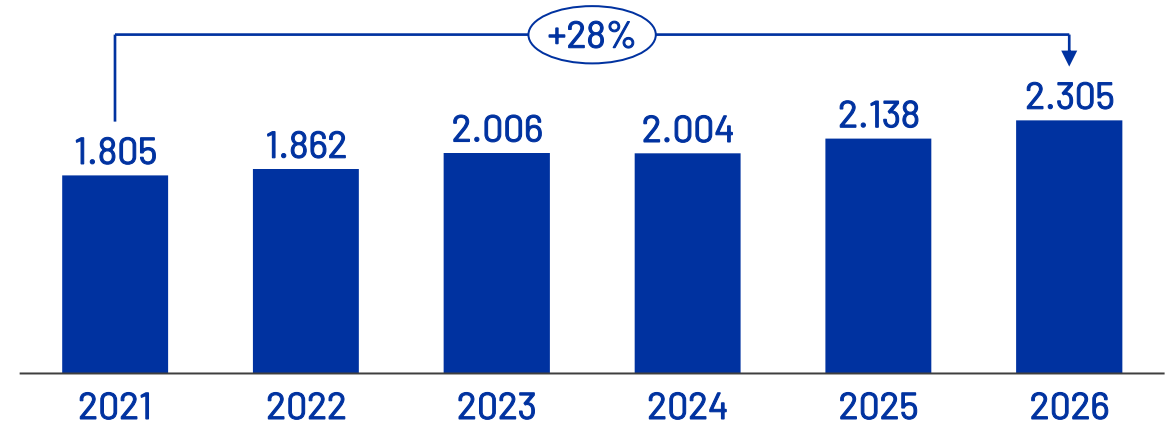
**GLOBAL PASSENGER CAR PRODUCTION, SALES IN MILLION UNITS, EXCLUDING CHINA**



**GLOBAL TRUCK PRODUCTION, SALES IN THOUSAND UNITS, INCLUDING CHINA**



**GLOBAL TRUCK PRODUCTION, SALES IN THOUSAND UNITS, EXCLUDING CHINA**



Source: IHS Light Vehicle Production Base (July 2022); LMC Global Commercial Vehicle Forecast (Q2 2022)



## OUTLOOK 2022

### WE WILL CONTINUE TO EXECUTE ON OUR SHIFT GEAR PROGRAM

#### GLOBAL SITUATION

- The industry will certainly continue to be impacted by higher raw material costs and non-material inflation, as well as production inefficiencies driven by supply-chain constraints and volatile customer demand schedules across the mobility industry. Nevertheless, we see first encouraging signs of stabilization and slight improvements in particular when it comes to Raw Material price trends or revitalization in China.

#### KA SITUATION

- Considering the Market Volume as well as the Order book remaining strong, combined with stronger impacts of SHIFT GEAR in H2, we expect the second half of 2022 to be significantly better for the automotive sector as well as for Kongsberg Automotive

#### CONFIRM GUIDANCE

- Following the successful divestment of the SHAWINIGAN PLANT to BRP, we update our guidance for the full year 2022:
  - Revenue adjusted down to between MEUR 870 and 905 (from a range of MEUR 900 – 935)
  - Adjusted EBIT guidance **remains unchanged** between MEUR 38 and 44
- We have based these targets on the latest automotive industry production forecasts combined with internal modelling.
- We will continue to monitor the development of the situation closely

**NOTE REGARDING GUIDANCE:** A prolonged or worsening geopolitical situation could result in further lasting consequences for production, supply chains and demand which are not currently reflected in our forecasts. In addition, the ongoing COVID-19 pandemic and the related supply situation could give rise to further negative effects. Depending on the severity of these disruptions, this may result in lower sales and earnings than currently expected for KA Group.



EXECUTIVE SUMMARY

MARKET SUMMARY

FINANCIAL HIGHLIGHTS & NBW

SEGMENT HIGHLIGHTS

GROUP FINANCIAL UPDATE

**Q&A**







**KONGSBERG**  
AUTOMOTIVE