

KONGSBERG AUTOMOTIVE

Q4 2022

EARNINGS CALL

MARCH 14, 2023



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.



TODAY'S PRESENTERS



JOERG BUCHHEIM
CEO // Zurich (Switzerland)



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CFO // Zurich (Switzerland)

AGENDA

EXECUTIVE SUMMARY

MARKET UPDATE

FINANCIAL UPDATE

SHIFT GEAR UPDATE

OUTLOOK

Q&A

EXECUTIVE SUMMARY



EXECUTIVE SUMMARY – Q4 2022

REVENUES, EARNINGS AND CASH POSITION IMPROVED

€215.3M
REVENUES

Increase of 4.7% vs. Q4 2021

€11.0M
ADJ. EBIT

Increase by MEUR 2.8 vs. Q4 2021

0.8x
LEVERAGE RATIO^{1,2}

Improved from 4.2x in Q4 2021

€224.3M
NEW BUSINESS³

Increase from MEUR 61.1
in Q4 2021

€84.5M
FREE CASH FLOW

Increase from the negative FCF
of MEUR 13.9 in Q4 2021

€54.7M
NIBD⁴

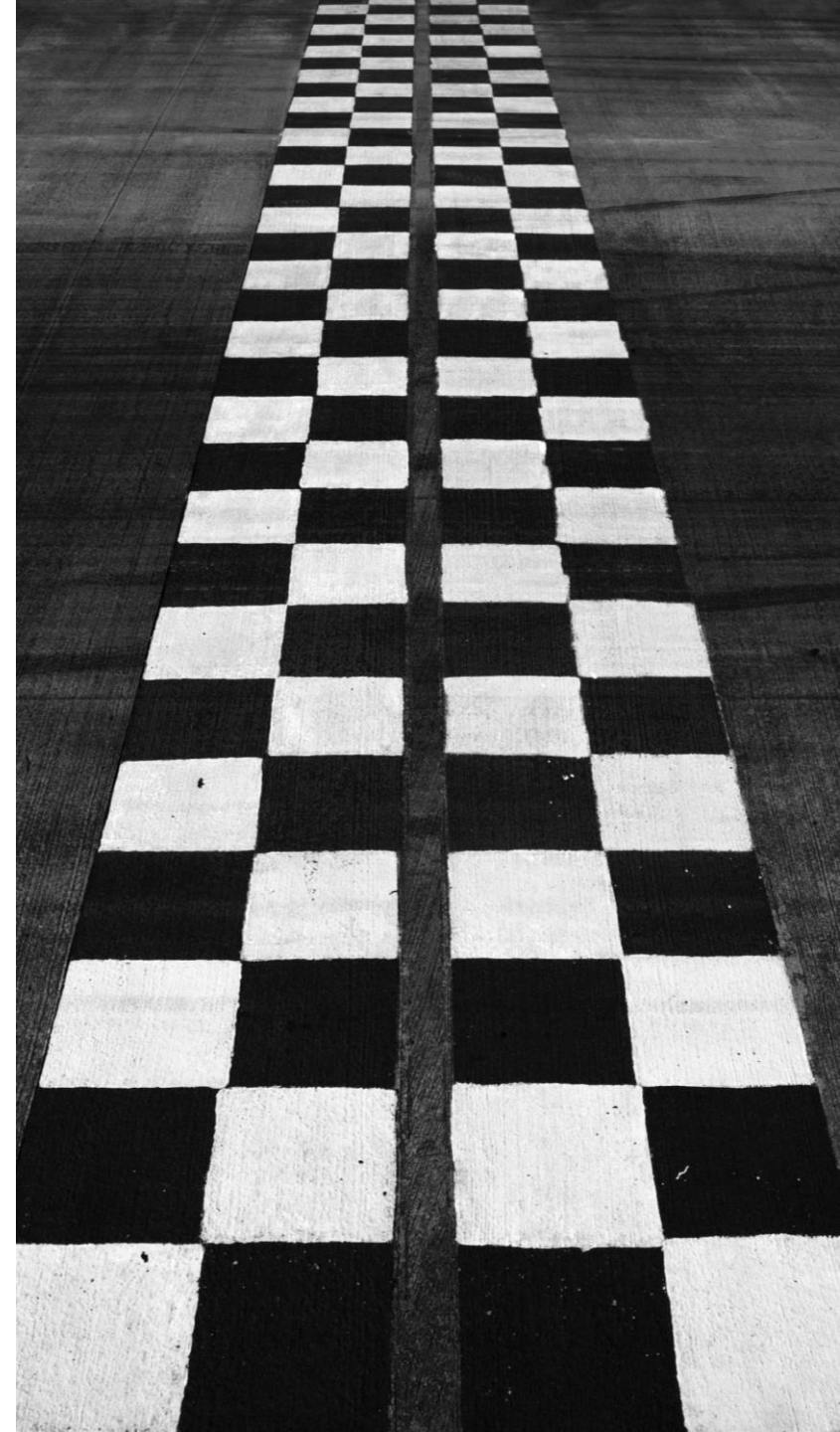
Improved from MEUR 316.3 as of
31/12/2021

¹ Includes IFRS 16; excluding IFRS 16, leverage ratio is equal to (0.3)x in Q4 2022 compared to 3.3x in Q4 2021

² NIBD / Adjusted EBITDA (LTM)

³ Lifetime revenue of business wins during the quarter

⁴ Net Interest Bearing Debt



EXECUTIVE SUMMARY – FY 2022

DELEVERAGING PROVIDES FUTURE FINANCIAL STABILITY

€905.6M
REVENUES

Increase of 8.9% vs. FY 2021

€35.6M
ADJ. EBIT

Decrease by MEUR 15.1 vs. FY 2021

0.8x
LEVERAGE RATIO^{1,2}

Improved from 4.2x in 2021

€760.2M
NEW BUSINESS³

Decrease from MEUR 841.6
in FY 2021

€76.5M
FREE CASH FLOW

Increase from MEUR 19.1
in FY 2021

€54.7M
NIBD⁴

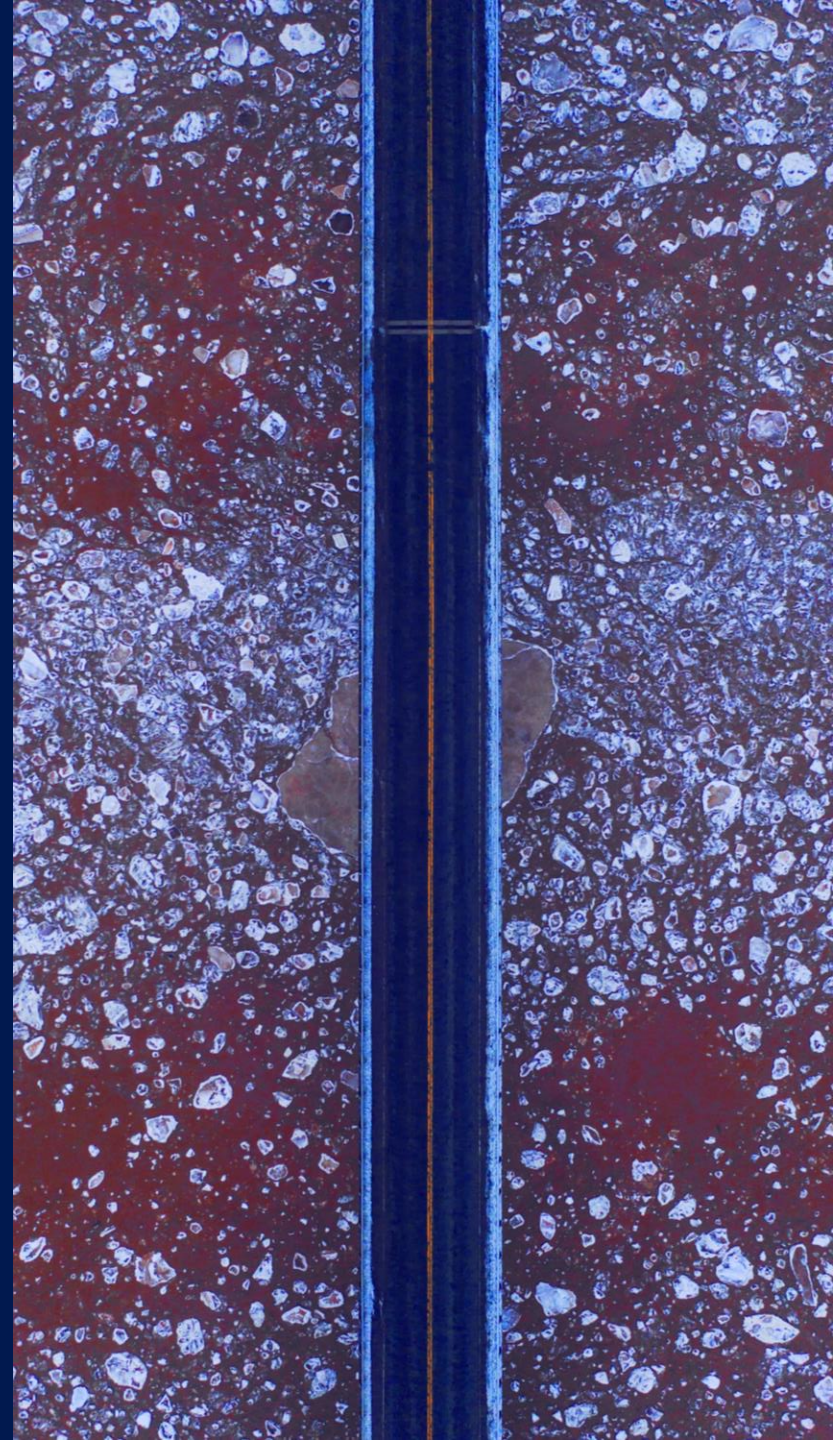
Improved from MEUR 316.3
as of 31/12/2021

¹ Includes IFRS 16; excluding IFRS 16, leverage ratio is equal to (0.3)x in 2022 compared to 3.3x in 2021

² NIBD / Adjusted EBITDA (LTM)

³ Lifetime revenue of business wins during the full year

⁴ Net Interest Bearing Debt

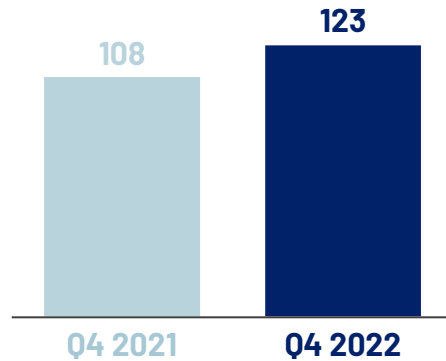


AT A GLANCE

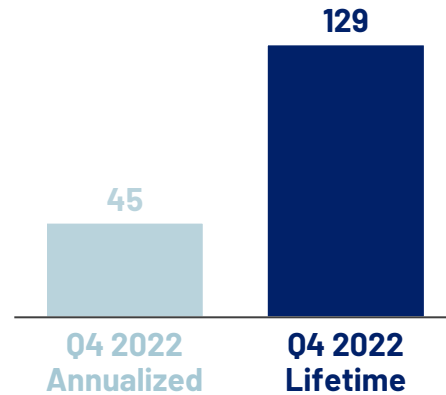
BUSINESS SEGMENTS UPDATE

POWERTRAIN & CHASSIS

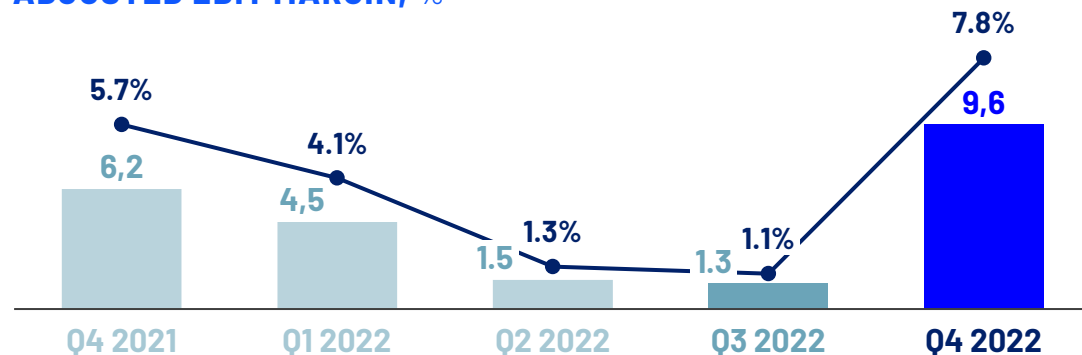
REVENUES, MEUR



NEW BUSINESS WINS

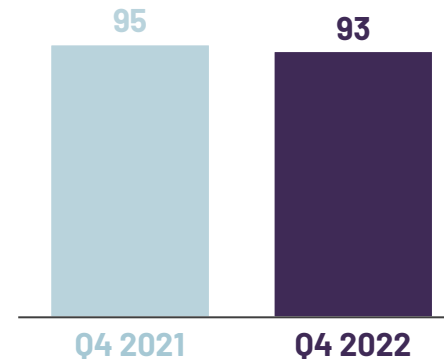


ADJUSTED EBIT¹, MEUR ADJUSTED EBIT MARGIN, %

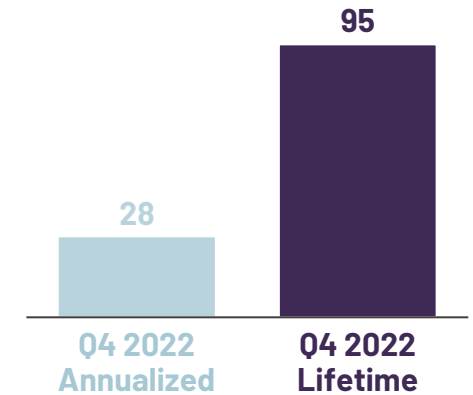


SPECIALTY PRODUCTS

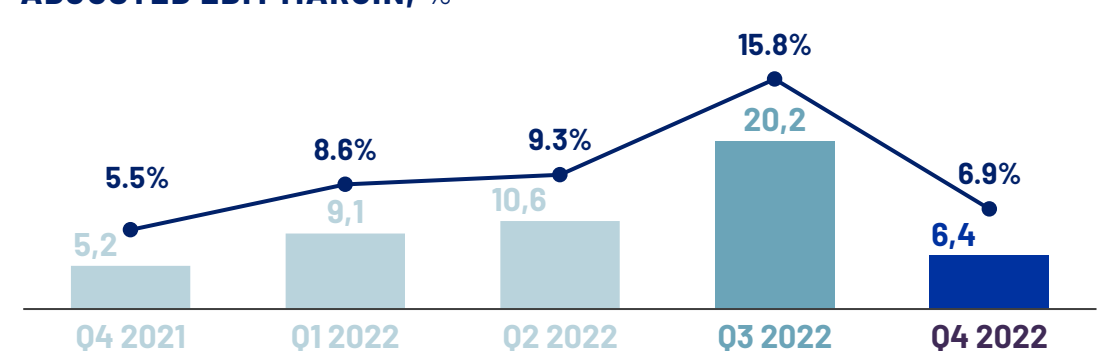
REVENUES, MEUR



NEW BUSINESS WINS



ADJUSTED EBIT¹, MEUR ADJUSTED EBIT MARGIN, %



An aerial photograph of the ocean with white-capped waves. A large, downward-pointing triangle with a blue chevron pattern is overlaid on the right side of the image. The text 'MARKET UPDATE' is positioned to the left of this triangle.

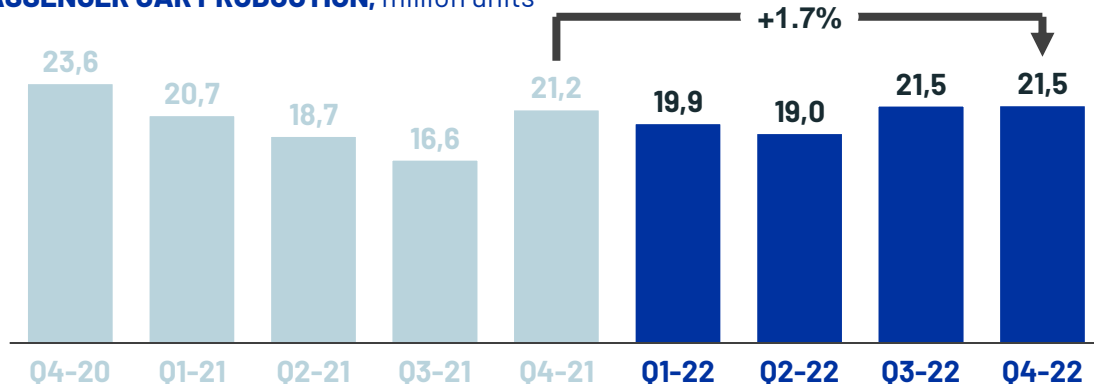
**MARKET
UPDATE**

MARKET TRENDS

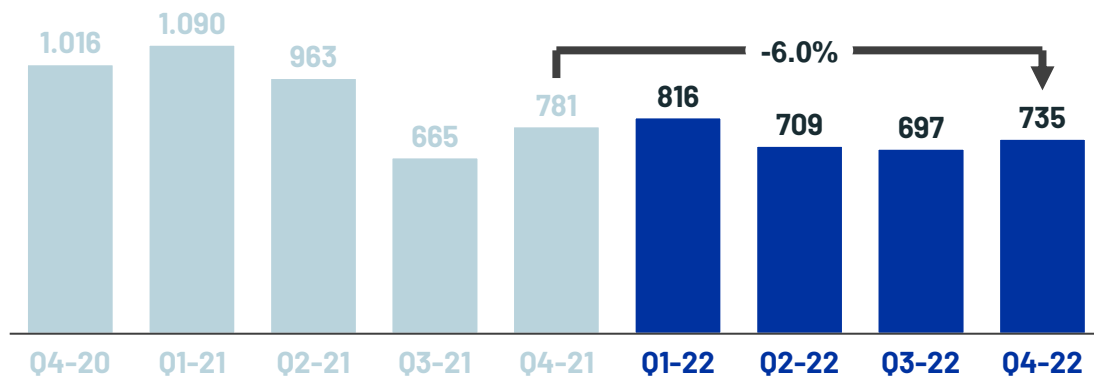
HIGHER PRODUCTION OF PASSENGER CARS, A DECLINE FOR COMMERCIAL VEHICLES IN CHINA

MARKET DEVELOPMENT

GLOBAL PASSENGER CAR PRODUCTION, million units



GLOBAL COMMERCIAL VEHICLES PRODUCTION, thousand units



REGION	Q4-22 vs. Q4-21	2022 vs. 2021
China	-6.2%	+6.1%
APAC w/o China	+9.8%	+9.8%
Europe	+3.9%	-1.3%
North America	+7.8%	+9.7%
South America	+4.3%	+8.5%
Rest of World	-16.6%	+9.2%
Total	+1.7%	+6.2%
Total (excl. China)	+6.2%	+6.3%

China	-21.0%	-46.6%
APAC w/o China	-2.6%	+14.7%
Europe	+0.3%	+4.6%
North America	+3.2%	+8.5%
South America	+12.7%	+7.9%
Rest of World	+29.9%	+28.7%
Total	-6.0%	-15.5%
Total (excl. China)	+1.2%	+9.5%

Source: IHS Light Vehicle Production Base (January 2023); LMC Global Commercial Vehicle Forecast (Q4 2022)



CHALLENGING GLOBAL MARKET SITUATION

ENERGY PRICES COMING OFF HIGHS – GLOBAL INFLATION STILL ON A HIGH LEVEL

CURRENT TRIGGERS FOR DISRUPTION

MACROECONOMIC FACTORS AFFECTING GLOBAL MARKET ENVIRONMENT

ENERGY PRICES/INFLATION



Energy prices in Europe showing reduction after peaking in Q4 2022, raw materials coming down

SEMICONDUCTOR SHORTAGE



Volatility in the supply of semiconductors remains an issue and is impacting production at many OEMs

COMMERCIAL DIFFICULTIES IN THE SUPPLY CHAIN



Some business models get tested



MACROECONOMIC UNCERTAINTY

POSITIVE DEVELOPMENT FOR KA WITHIN COMMERCIAL VEHICLES

REVENUE GROWTH VS MARKET GROWTH IN Q4*

	KA	MARKET
PASSENGER VEHICLES	↓ -14.2%	↑ +1.7%
COMMERCIAL VEHICLES	↑ +27.6%	↓ -6.0%
OTHER (ONLY KA)	↓	-11.4%

EUROPE		
	KA	MARKET
COMMERCIAL VEHICLES	↑ +21.5%	↑ +0.4%

AMERICAS		
	KA	MARKET
COMMERCIAL VEHICLES	↑ +44.1%	↑ +5.6%

OUTPERFORMANCE IN KEY MARKETS

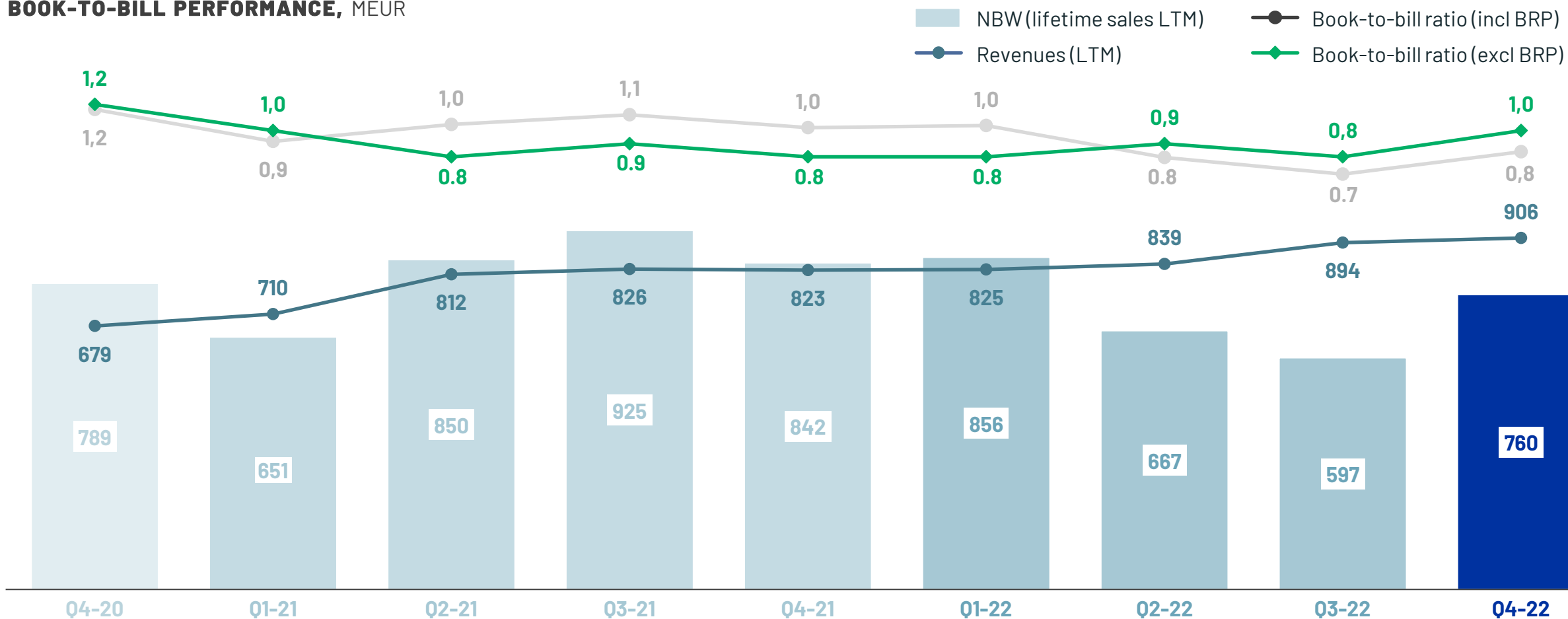
- > Due to the right brands and product mix, KA outperformed the market growth in the Commercial Vehicle segment.
- > Even though some of KA's largest customers experienced a decline in production in Q4, KA was able to maintain and increase sales to some of our long-term customers. That goes for both markets in Europe and the Americas. Price increases were also contributing positively.
- > In Eastern Europe, mainly Russian CV OEMs, which KA is not selling to, experienced a decline.
- > The Asia Pacific region experienced the most negative development, a region that entails a much smaller part of KA's revenues
- > The substantial decrease in "Other" is related to the sale of the powersport business to BRP, hence it is not included in the Q4 2022 revenues.

* Change in revenues at constant currencies and changes to vehicle production levels for selected regions and markets from Q4 2021 to Q4 2022. The split across vehicle types does not correspond to our business unit segments - see p. 7 and 8 in the quarterly report for details.

BOOK-TO-BILL

CUSTOMER ACTIVITY INCREASED AFTER THE MACROECONOMIC UNCERTAINTY

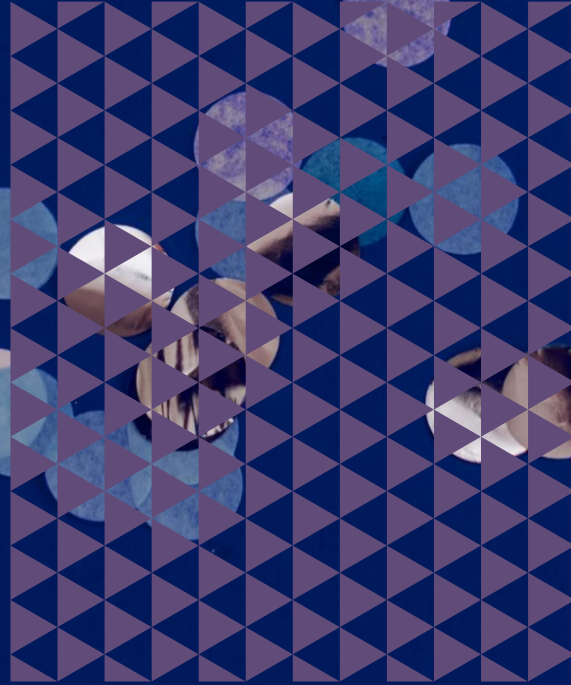
BOOK-TO-BILL PERFORMANCE, MEUR



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



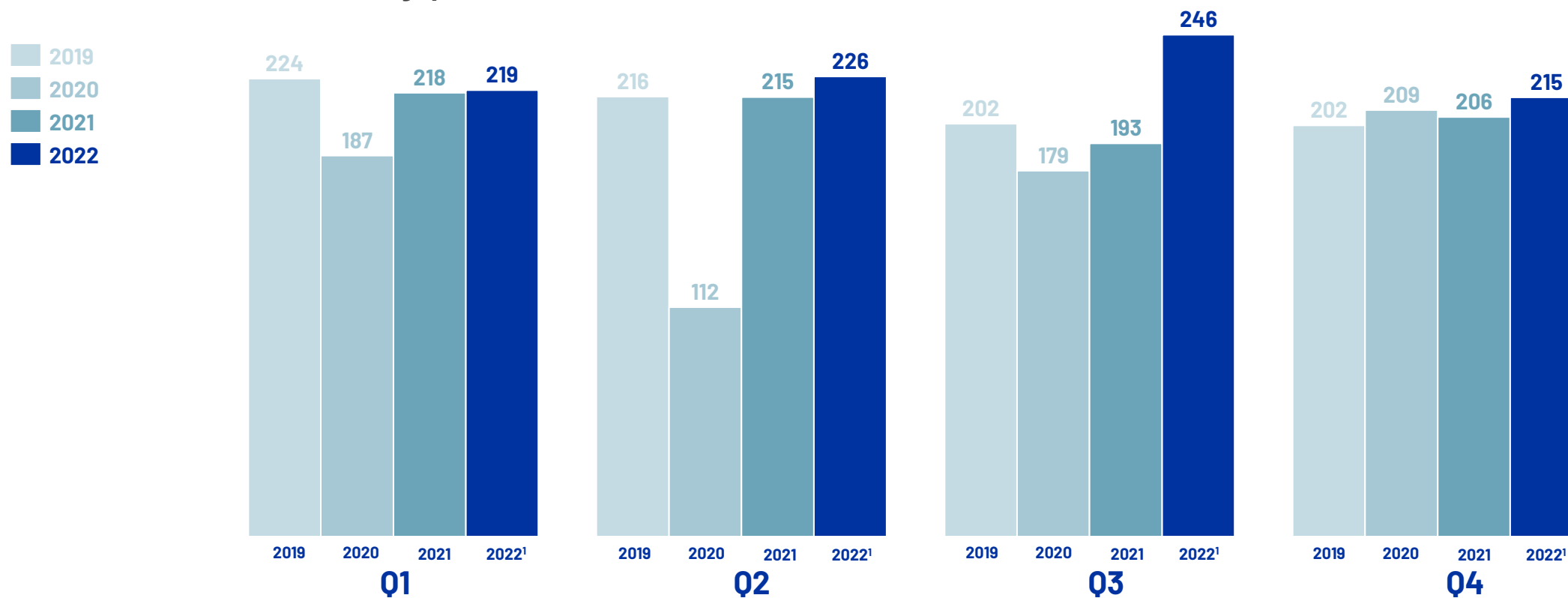
FINANCIAL UPDATE



REVENUES

SOLID Q4 REVENUES

QUARTERLY REVENUES (continuing operations), MEUR



¹ Quarterly revenues in 2022 include significant positive translation effects. On the constant currency basis, quarterly revenues are as follows:

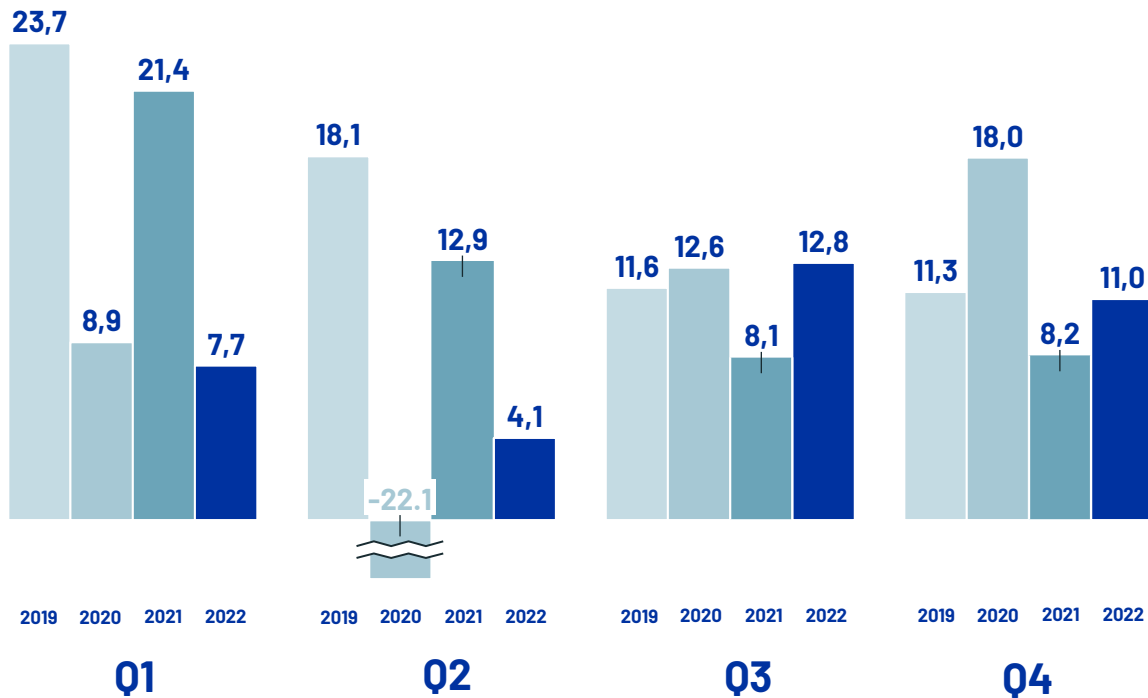
- Q1 2022: MEUR 209 (positive translation effects of MEUR 10.3)
- Q2 2022: MEUR 213 (positive translation effects of MEUR 13.2)
- Q3 2022: MEUR 226 (positive translation effects of MEUR 19.7)
- Q4 2022: MEUR 209 (positive translation effects of MEUR 6.6)



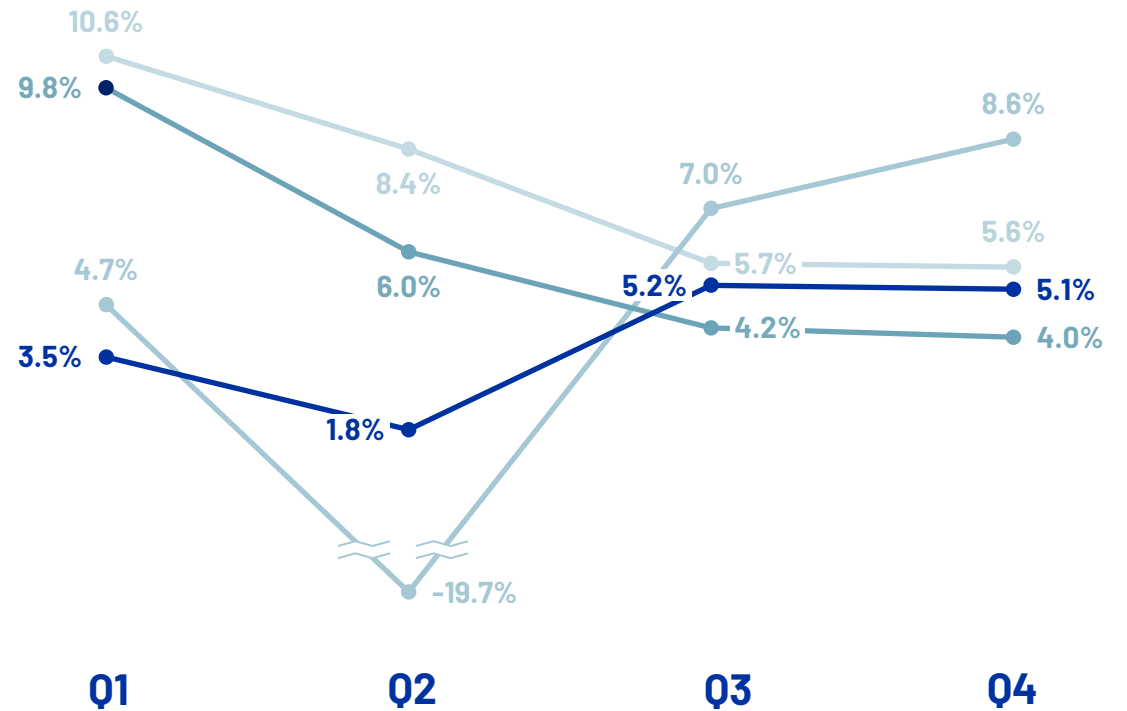
ADJUSTED EBIT EARNINGS IN ACCORDANCE WITH GUIDANCE

QUARTERLY ADJ. EBIT (continuing operations), MEUR and % of revenues

2019 2020 2021 2022



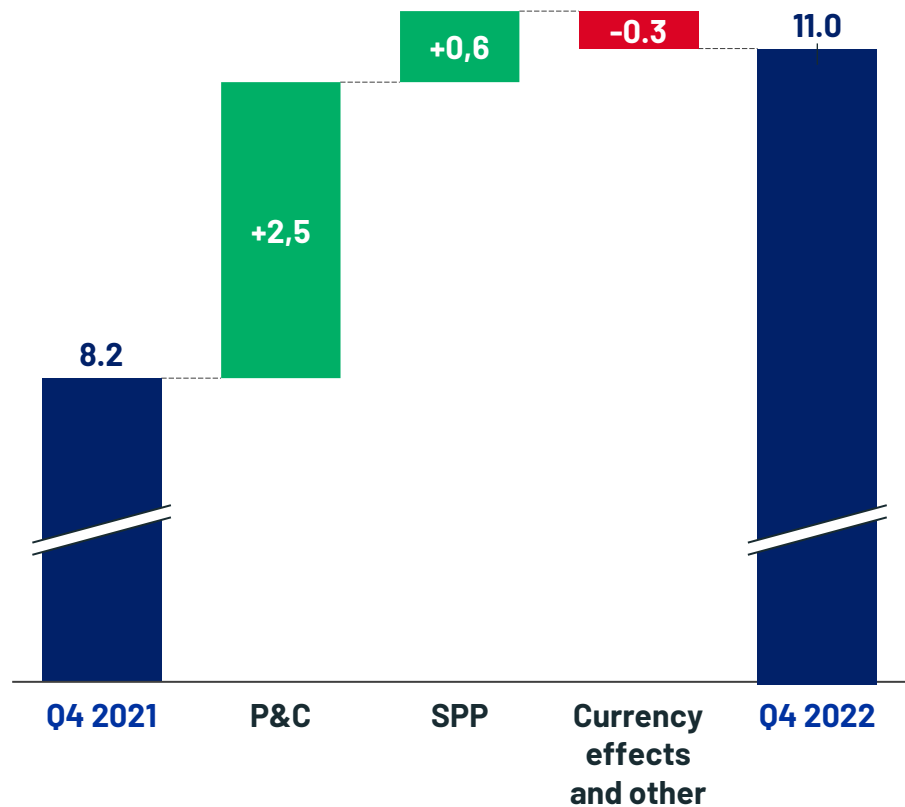
2019 2020 2021 2022



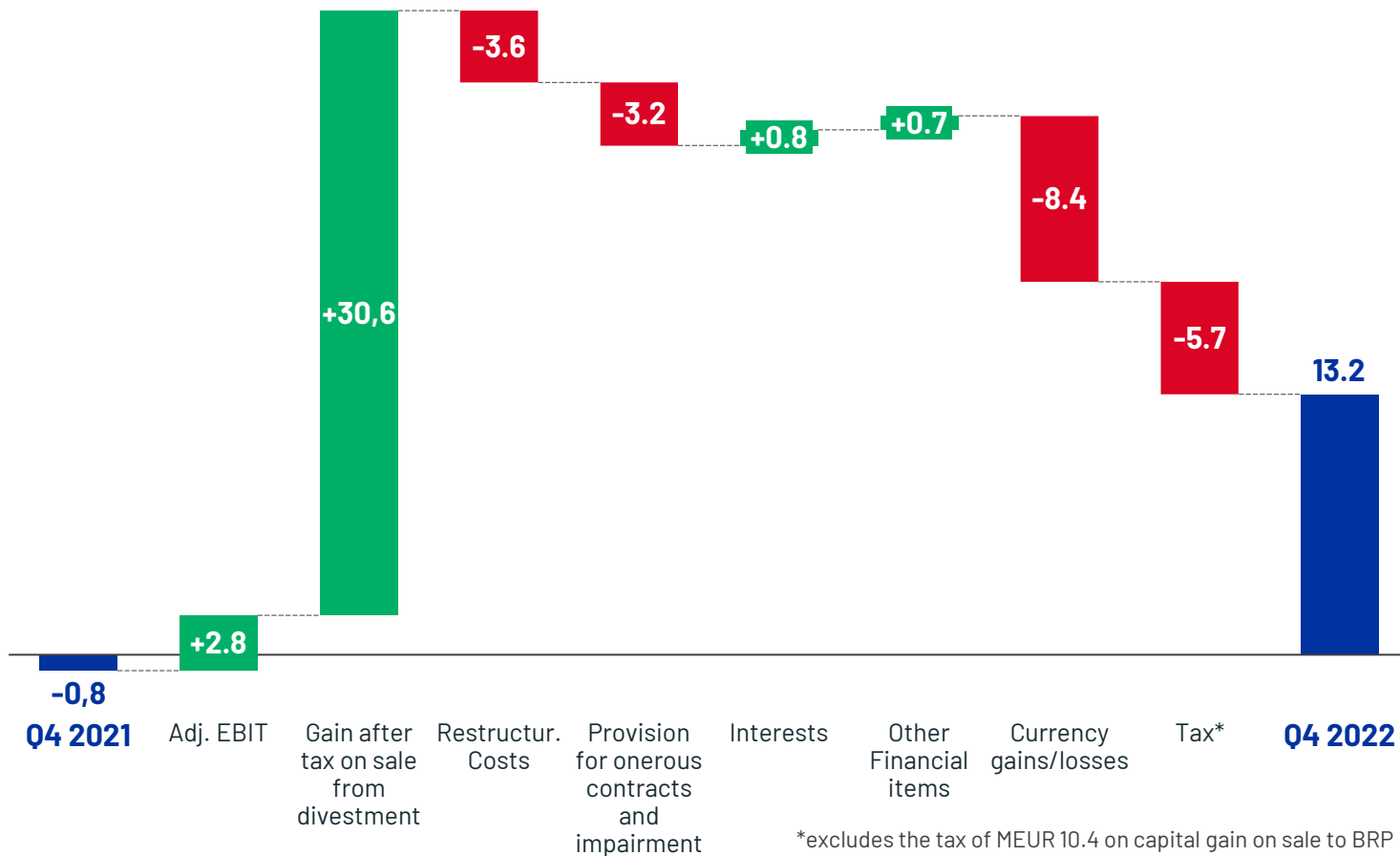
Q4 2022 EARNINGS

ADJUSTED EBIT AND NET INCOME INCREASED, DESPITE INFLATIONARY PRESSURE

ADJUSTED EBIT (continuing operations), MEUR



NET INCOME (continuing operations), MEUR



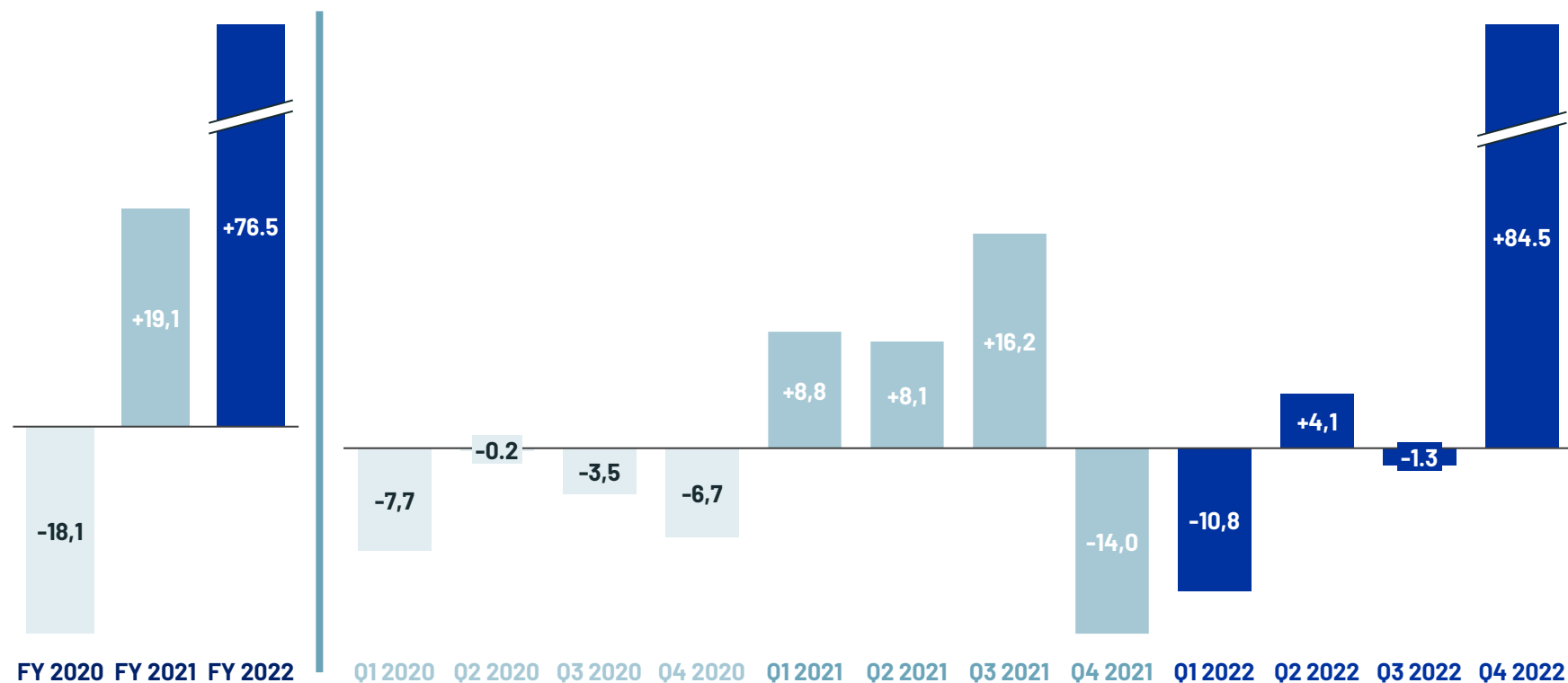
*excludes the tax of MEUR 10.4 on capital gain on sale to BRP



FREE CASH FLOW

SUBSTANTIALLY IMPROVED CASH POSITION

FREE CASH FLOW¹, MEUR



Q4 2022 FCF DETAILS

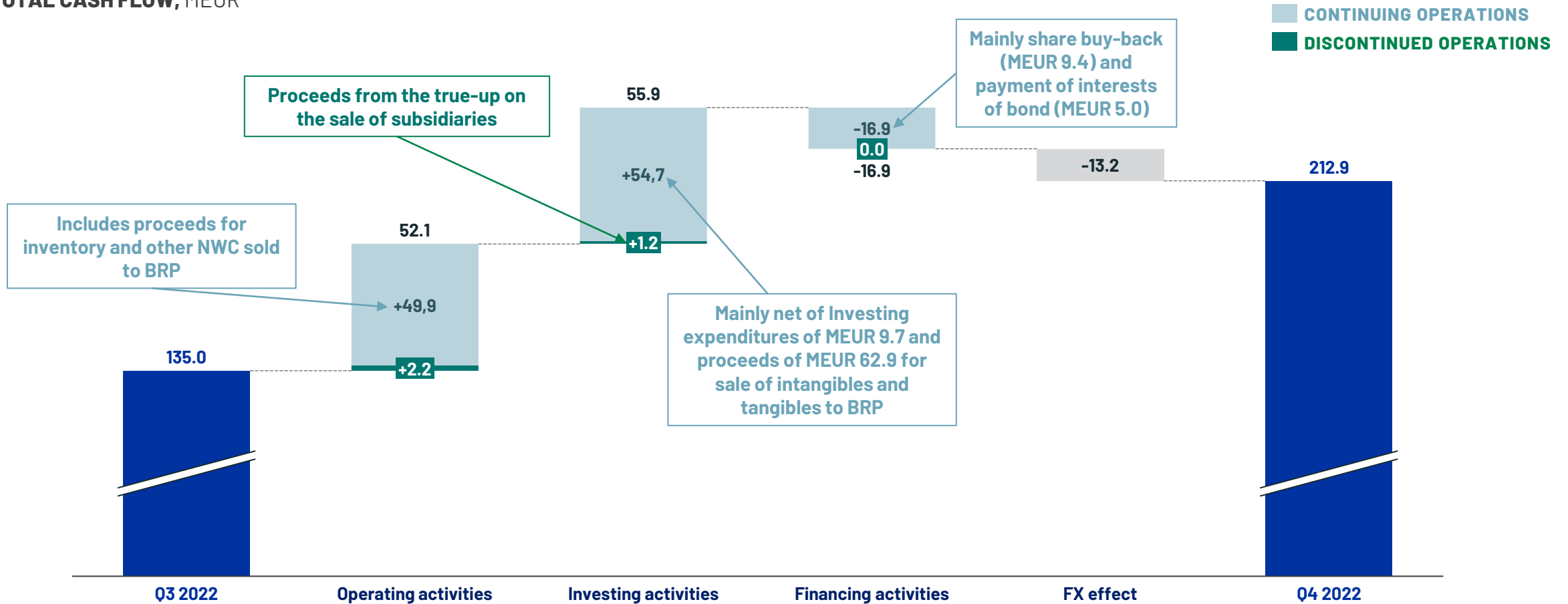
Operating activities	+49.9
Therein: NWC decrease (continued only)	+52.7
Investing activities	+54.7
Proceeds for assets sold to BRP	+62.9
Financing activities	-16.9
Therein:	
Payments of interests and lease liabilities	-4.4
Share buy-back	-9.4
Currency and translation effects on cash flow	-13.2
Total	+74.5
excluding share buy-back and others	+10.0
FCF	+84.5

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.

TOTAL CASH FLOW IN Q4 INCLUDING SHARE AND BOND BUY-BACK

CONTINUING AND DISCONTINUED OPERATIONS

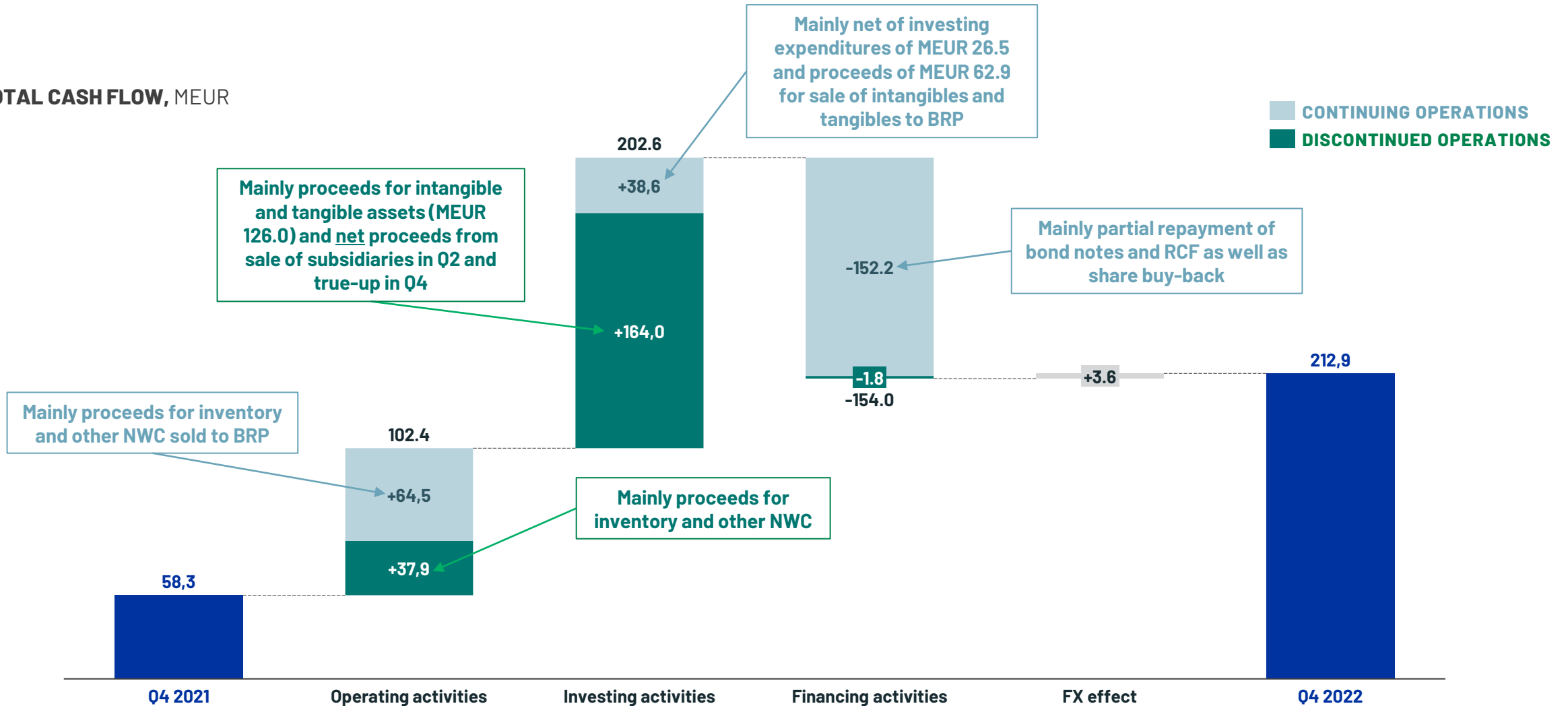
TOTAL CASH FLOW, MEUR



TOTAL CASH FLOW IN 2022

CONTINUING AND DISCONTINUED OPERATIONS

TOTAL CASH FLOW, MEUR

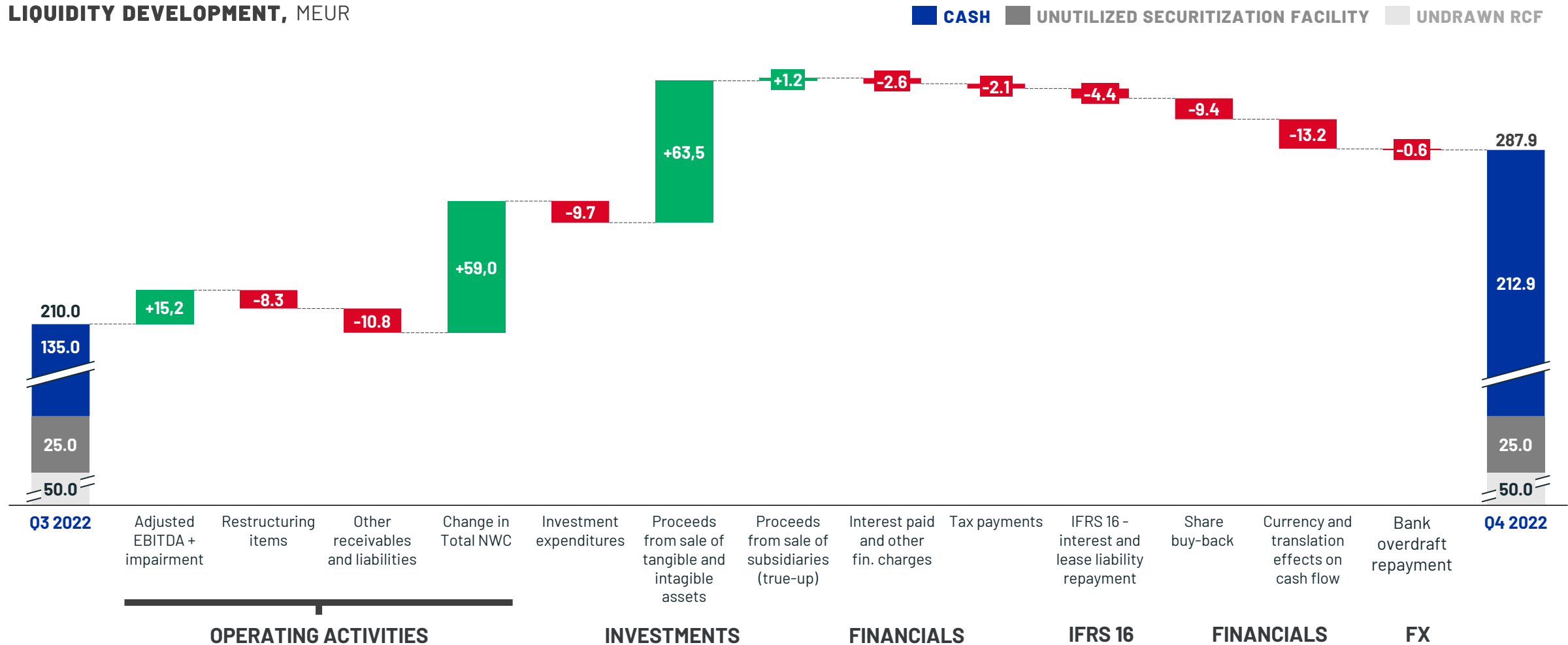


LIQUIDITY DEVELOPMENT

SOLID LIQUIDITY POSITION

CONTINUING AND DISCONTINUED OPERATIONS

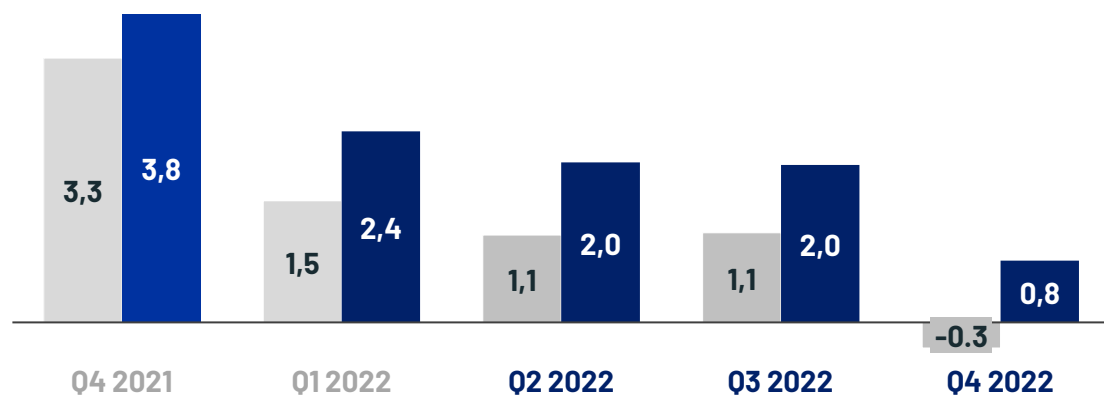
LIQUIDITY DEVELOPMENT, MEUR



FINANCIAL RATIOS

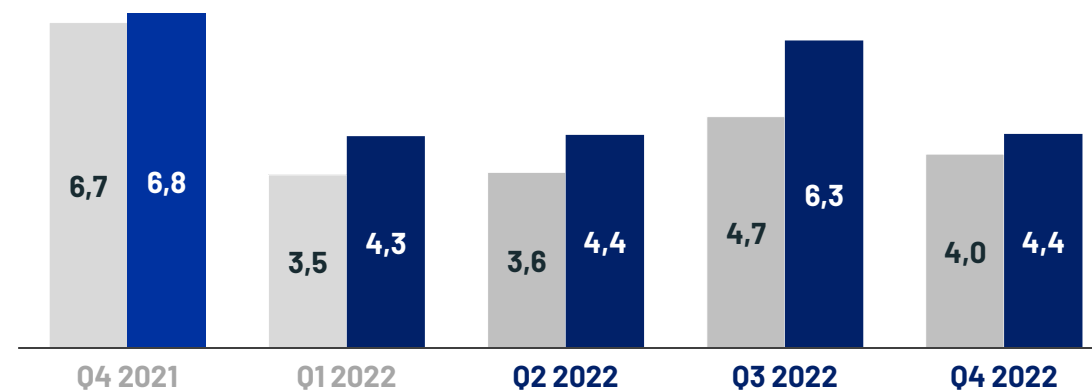
CONTINUING AND DISCONTINUED OPERATIONS

ADJUSTED GEARING RATIO^{1,2}, NIBD³/ADJUSTED EBITDA, LTM

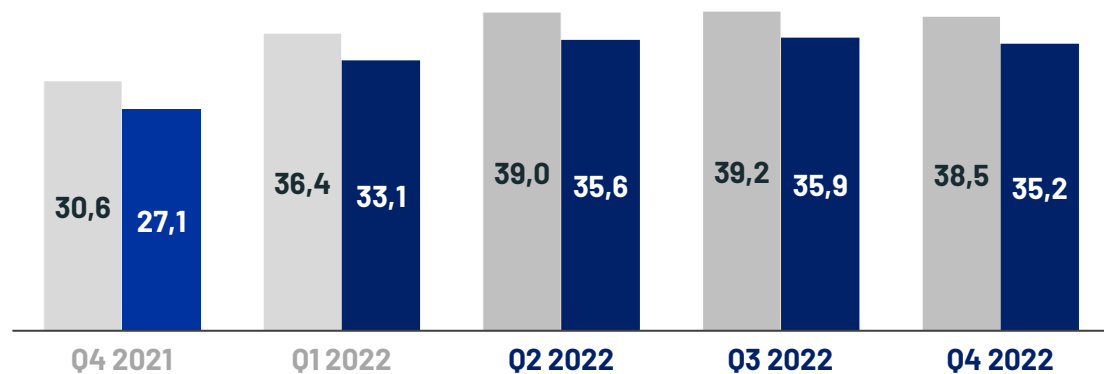


ADJUSTED ROCE², %, LTM

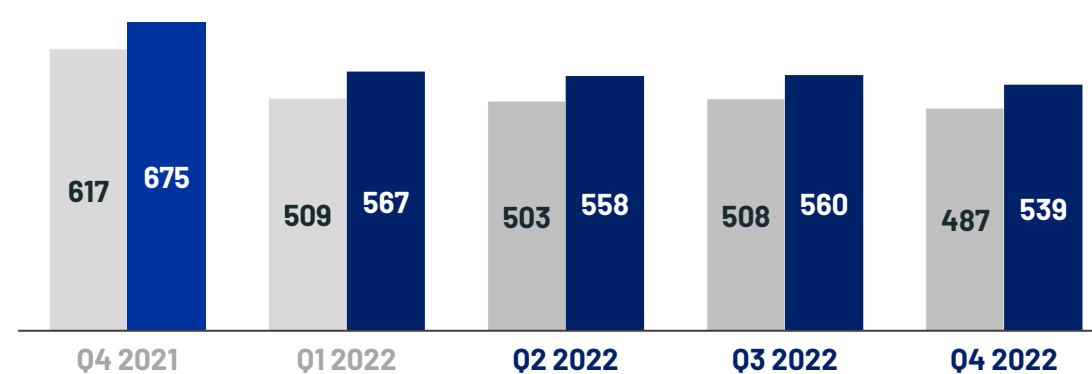
■ EXCLUDING IFRS16 ■ INCL. IFRS 16 EFFECT



EQUITY RATIO, %



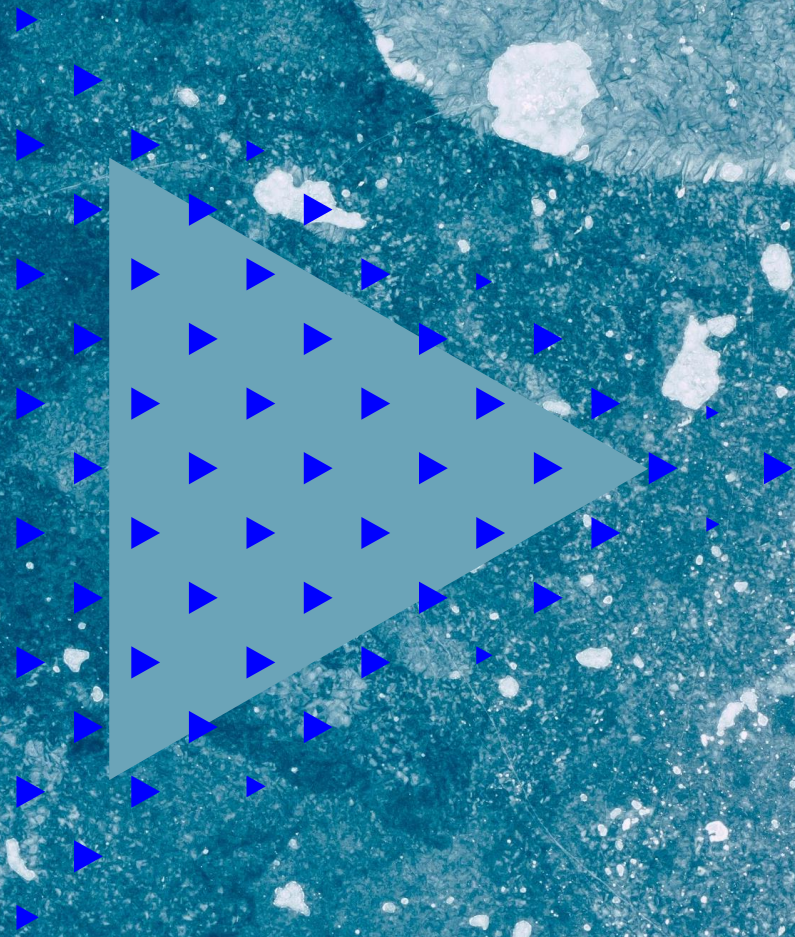
CAPITAL EMPLOYED³, MEUR



1. Adjusted EBITDA refers to continuing operation only 2. Excluding restructuring costs 3. Net interest-bearing debt
 3. Capital employed at quarter end; as the indices are calculated based on the figures from last 12 months



SHIFT GEAR UPDATE



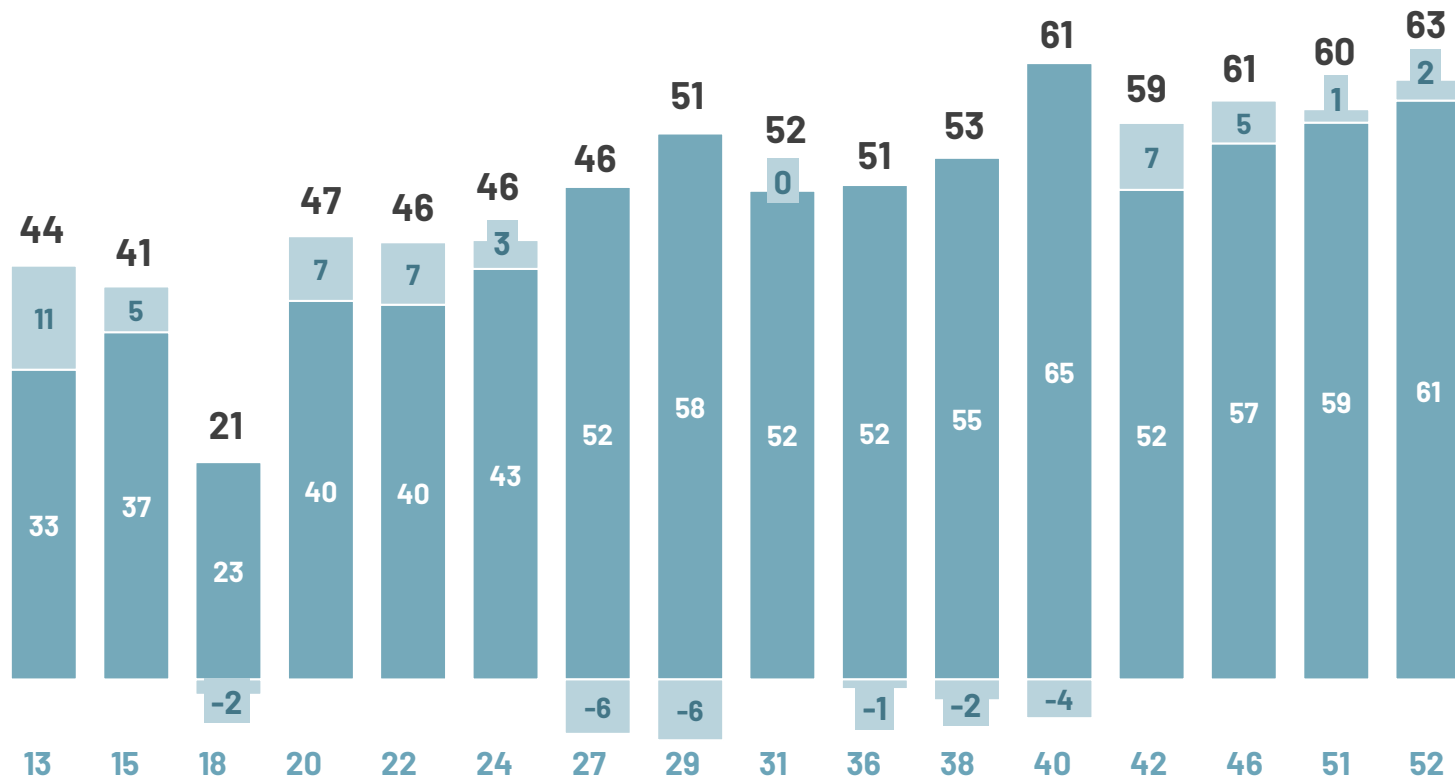
EXTRAORDINARY PERFORMANCE IN SHIFT GEAR IMPROVEMENT - FULL YEAR BENEFITS OF MEUR 63 IN 2022



GEAR I
PERFORMANCE
IMPROVEMENT

FY 2022 MEASURE IMPACT DEVELOPMENT BY CALENDAR WEEK, MEUR

APPROVED
IMPLEMENTED



- > SG1 performance improvements offsetting majority of the supply chain, inflation, and volume effects
- > Full year benefits of MEUR 63 in 2022
- > Improvements include **commercial excellence, operational efficiency** improvements and **overhead cost reductions**
- > KA successfully achieved **fair price increases and cost sharing** with our major customers and partners

TOTAL IDEAS
GENERATED

>120 MEUR

NET RESULT

>60 MEUR

The background features a dark, layered rock texture with horizontal striations. A prominent blue zigzag graphic runs diagonally from the top-left towards the bottom-right, crossing the center of the image. The word "OUTLOOK" is centered in white, bold, uppercase letters.

OUTLOOK

DIVESTMENTS IN 2022

RECEIVED ~ MEUR 300 IN NET PROCEEDS

SALE OF INTERIOR COMFORT SYSTEMS

FULL YEAR 2021	
€260M	€(10.2)M
REVENUE (FY21)	ADJ. EBIT (FY22)

IMPACT OF DIVESTMENT

EV €175M

NET PROCEEDS

€170M

February 28, 2022

Sale of Interior Comfort Systems (ICS) business unit to Lear Corporation

SALE OF LIGHT DUTY CABLES

FULL YEAR 2021	
€75.6M	€3.4M
REVENUE (FY21)*	ADJ. EBIT (FY22)*

IMPACT OF DIVESTMENT

EV €37.7M

NET PROCEEDS

€38.1M

April 6, 2022

Sale of the Light Duty Cables business to Suprajit Engineering Limited.

* Incl. the cable-related part of the OFH business

SALE OF POWERSPORT APPLICATIONS

Q1-Q3 2022	
€88.1M	€14.6M
REVENUE (Q1-Q3 22)	ADJ. EBIT (Q1-Q3 22)

IMPACT OF DIVESTMENT

EV €104M

NET PROCEEDS

€89.9M*

October 3, 2022

Sale of a part of the Shawinigan operations to BRP (Bombardier Recreational Products Inc.)

* Incl. reimbursement for spot-buy costs)



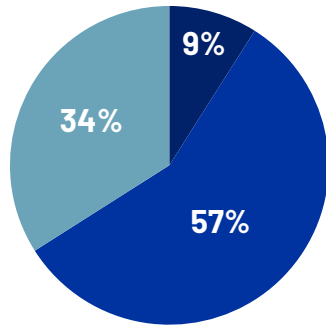
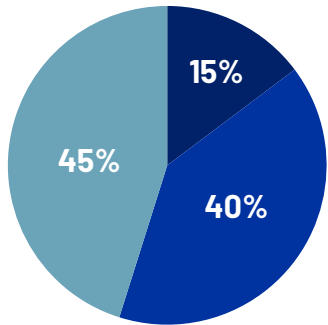
DIVESTMENTS INCREASED KA'S EXPOSURE TO COMMERCIAL VEHICLES

REALIGNING TOWARDS HIGHER MARGIN SEGMENTS AND DELEVERAGING ON THE WAY

REVENUES

EUR 1.1 BN

EUR 0.8 BN



After the divestments in 2022, KA's exposure to the non-passenger car markets increases from 55% to ~66%

Pre-Divestment

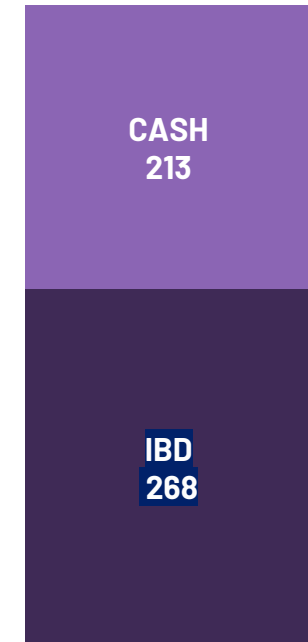
Post-Divestment

■ PASSENGER CARS ■ COMMERCIAL VEHICLES ■ OFF-ROAD

NIBD/EBITDA
3,8x



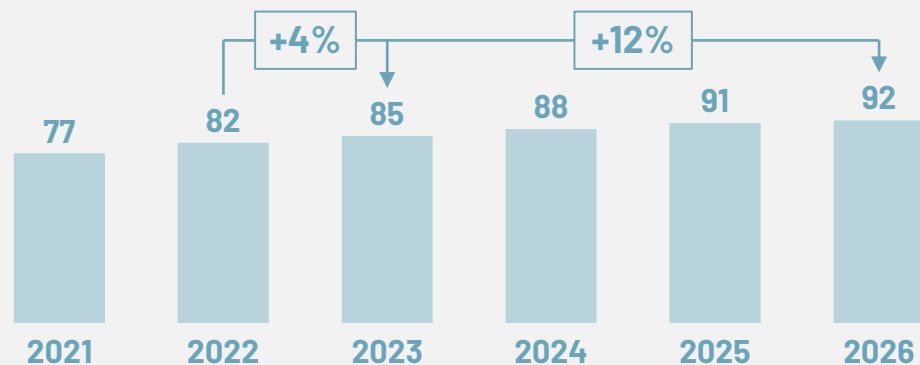
NIBD/EBITDA
0,8x



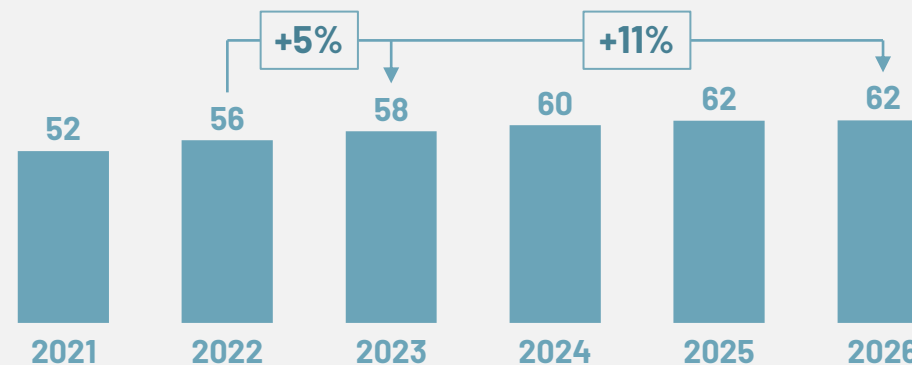
MARKET FORECASTS

GLOBAL PASSENGER CAR PRODUCTION, sales in million units

INCLUDING CHINA

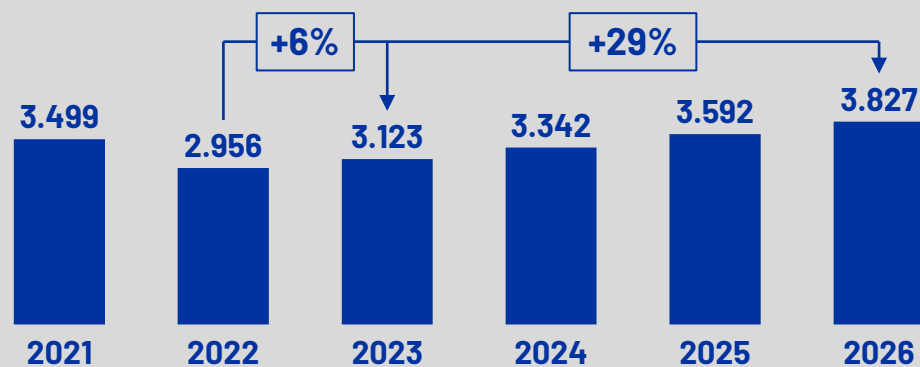


EXCLUDING CHINA

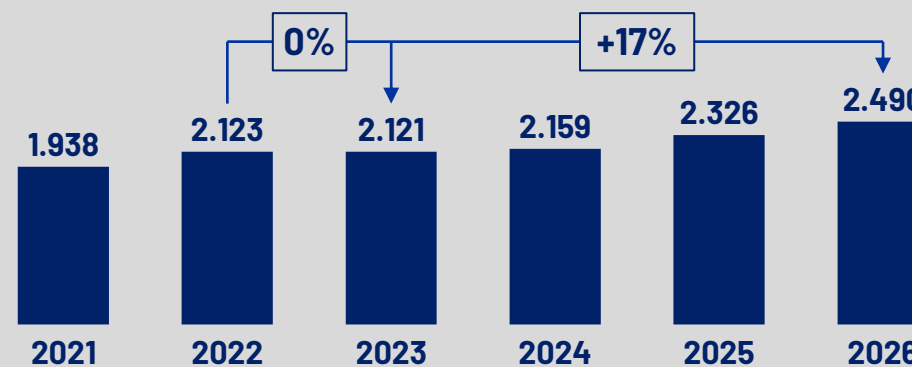


GLOBAL COMMERCIAL VEHICLES PRODUCTION, sales in thousand units

INCLUDING CHINA



EXCLUDING CHINA



Source: IHS Light Vehicle Production Base (January 2023); LMC Global Commercial Vehicle Forecast (Q4 2022)

OUTLOOK 2023

EXPECT CONTINUED REVENUE AND EBIT GROWTH

GLOBAL SITUATION		Despite expectations of an increase in the production of passenger cars and light commercial vehicles, global inflation is still at high levels and will, to some extent, affect KA's profitability in the short term.
KA SITUATION		KA has a healthy order book and is experiencing increased customer interest for our most profitable products. The transition according to the Shift Gear Program 1, 2 and 3 is progressing.
GUIDANCE		For 2023, KA expects revenues and adjusted EBIT of MEUR 880-900 and MEUR 25-30, respectively. The targets are based on the latest automotive industry production forecasts combined with internal modelling and current exchange rates.

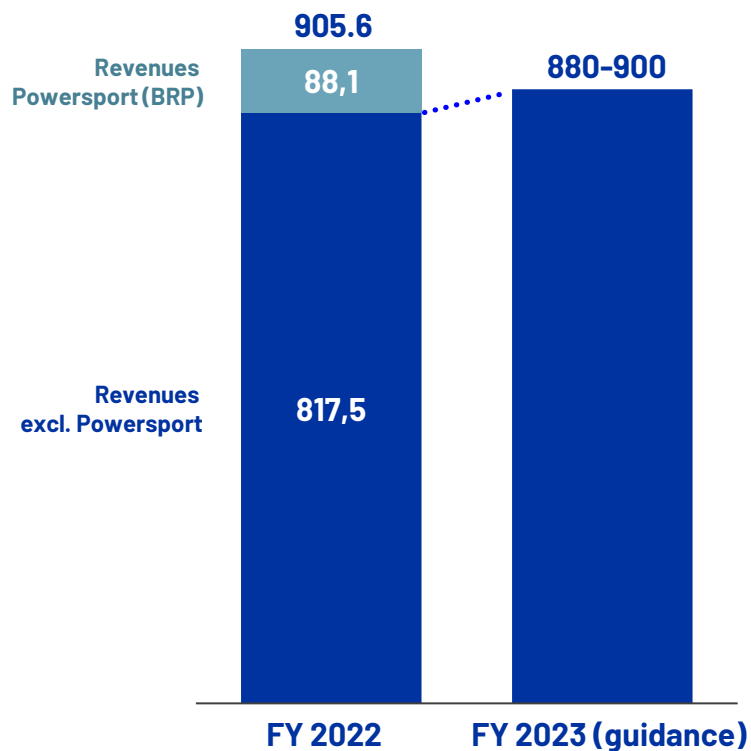
NOTE REGARDING GUIDANCE: A prolonged or worsening geopolitical situation could result in further lasting consequences for production, supply chains and demand which are not currently reflected in our forecasts. Depending on the severity of these disruptions, this may result in lower sales and earnings than currently expected for KA Group.



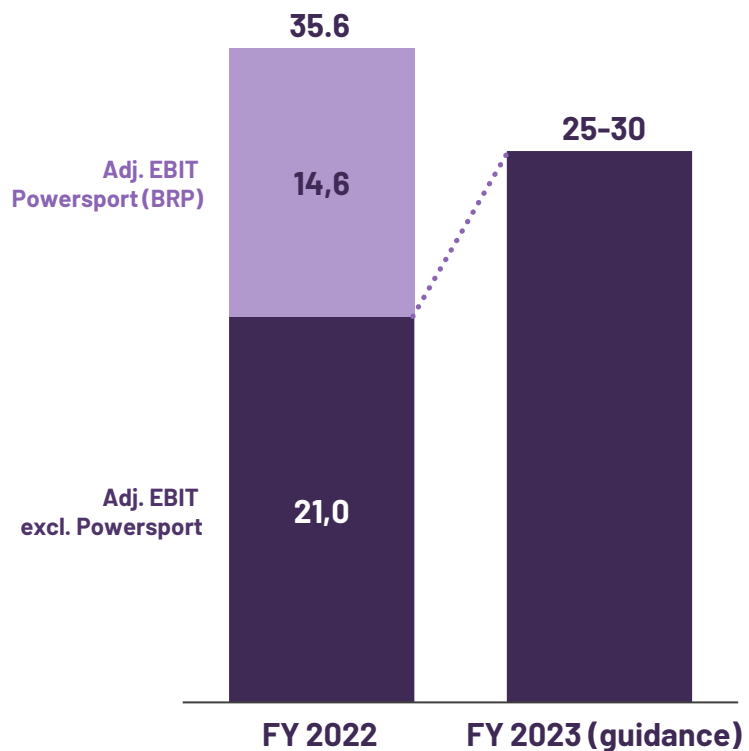
OUTLOOK 2023

REVENUE AND ADJ. EBIT GUIDANCE INCREASED,
ADJUSTED FOR DIVESTMENTS

REVENUES, MEUR



ADJ. EBIT, MEUR



ON THE AGENDA FOR 2023



Initiate a strategic review of the company

KA, together with the Board of Directors, has decided to initiate a dedicated strategic review of the company. The aim is to unlock the full potential of the business beyond the current performance.



Q&A





KONGSBERG
AUTOMOTIVE

MOBILITY SOLUTIONS FOR THE FUTURE