

A wide-angle photograph of a modern city street at dusk. On the left is a building with a dark, textured facade of rectangular panels and irregularly placed windows. On the right is a brick building with large glass windows, some of which are illuminated from within. The street is paved with light-colored bricks and has a few streetlights. In the background, other modern buildings and a bridge 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














REVENUES €225.6M Increase of 4.7% vs. Q2 2021	ADJ. EBIT €4.0M Impacted by abnormally high costs of raw materials, semiconductors and freight
NEW BUSINESS €168M Lifetime revenue of business wins during the quarter	FREE CASH FLOW €4.0M 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		
GEAR I		PERFORMANCE IMPROVEMENT
EUR 19.5M IMPROVEMENT ACHIEVED YTD		EUR 52M 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



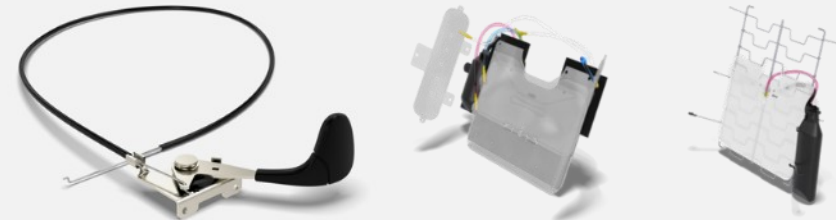
PORTFOLIO TRANSFORMATION
FOCUS ON MODERN & CORE

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 8TH

- > 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 8, 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

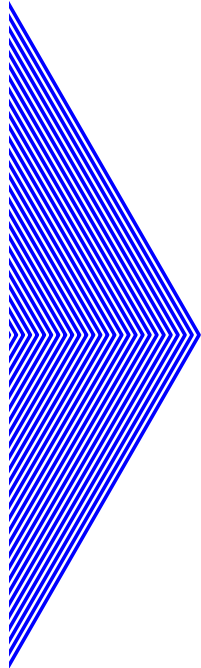
CURRENT TRIGGERS FOR DISRUPTION

COVID-19
(ESP. SHANGHAI LOCKDOWN)

UKRAINE WAR

SEMICONDUCTOR SHORTAGE

INFLATION



MACROECONOMIC FACTORS AFFECTING GLOBAL MARKET ENVIRONMENT

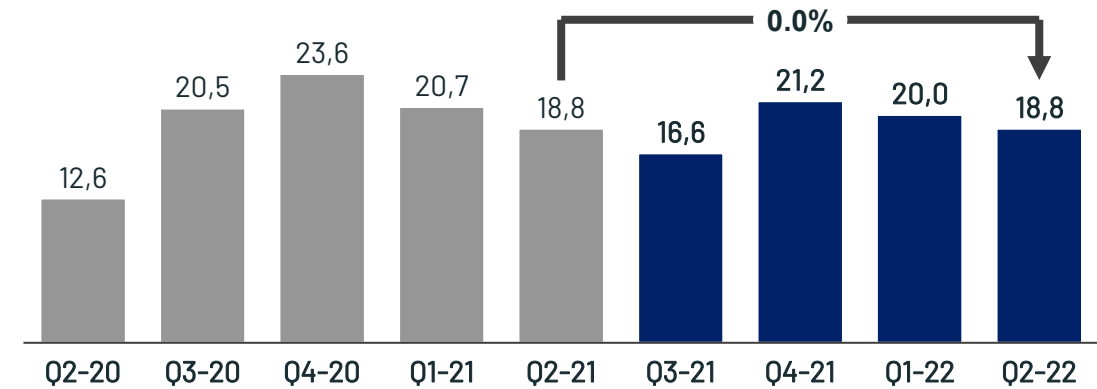
Raw material prices have peaked in Q2, with the first signs of stabilization seen late in the quarter, with some metals such as nickel still elevated due to Ukraine war	➔
Shanghai Lockdown due to zero-COVID policy continued to disrupt supply chains, and reduced Chinese production by 44% in the quarter	➔
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

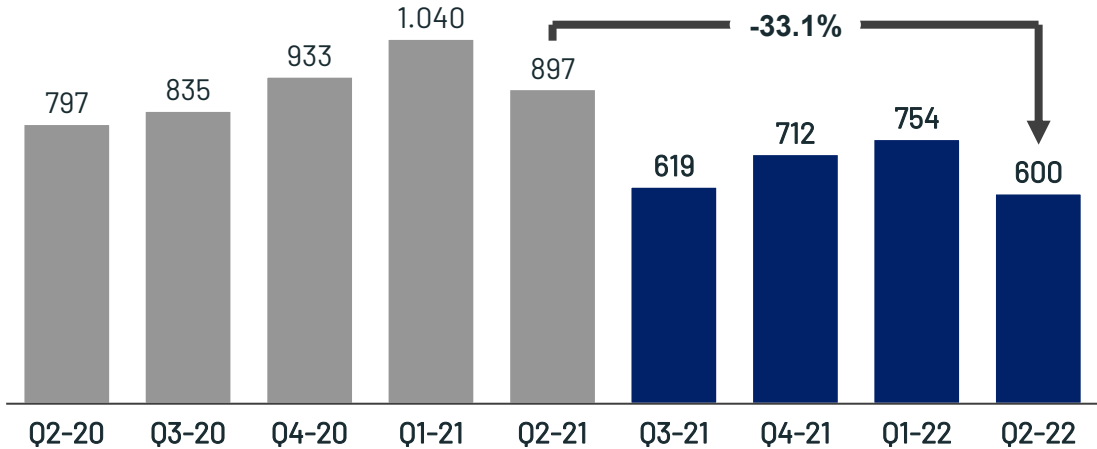
MARKET DEVELOPMENT

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%
Total	0.0%	+4.7%
Total(excl. China)	+2.7%	+6.8%

GLOBAL TRUCK PRODUCTION, in thousand units

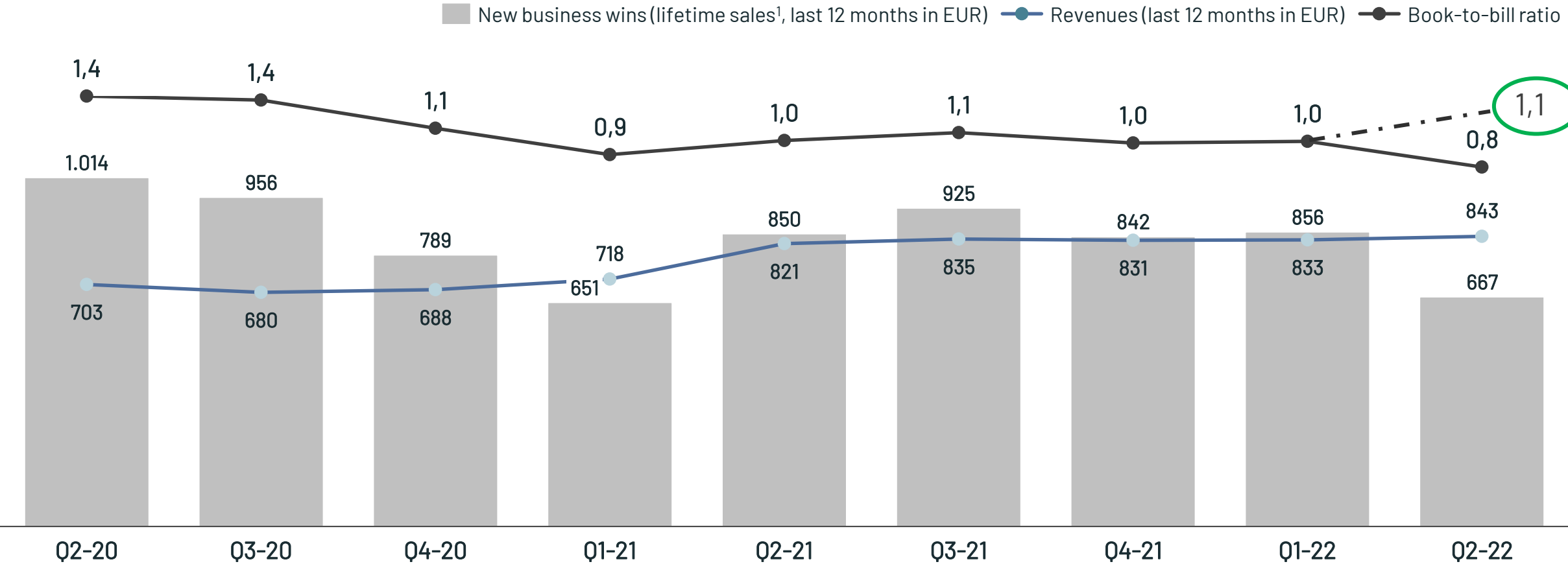


China	-65.7%	-32.4%
APAC w/o China	+24.0%	+8.7%
Europe	-15.4%	-4.8%
North America	+2.6%	+5.0%
South America	-1.4%	+0.3%
Rest of World	+33.1%	+20.8%
Total	-33.1%	-12.8%
Total(excl. China)	+3.0%	+3.2%

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

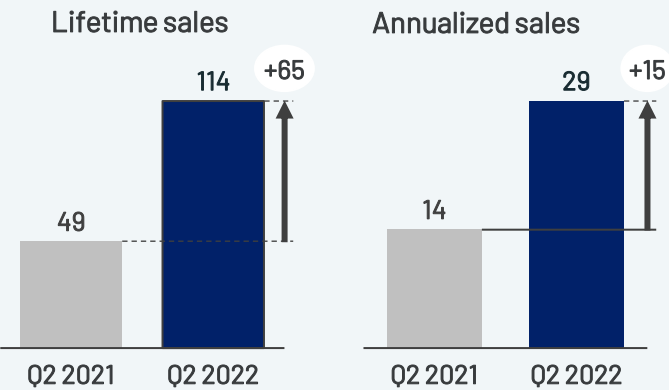


1. Lifetime sales assumptions are based on IHS and LMC production estimates at the time of the booking

KA'S ACTIVITY ON THE MARKET

POWERTRAIN & CHASSIS

NEW BUSINESS WINS, MEUR



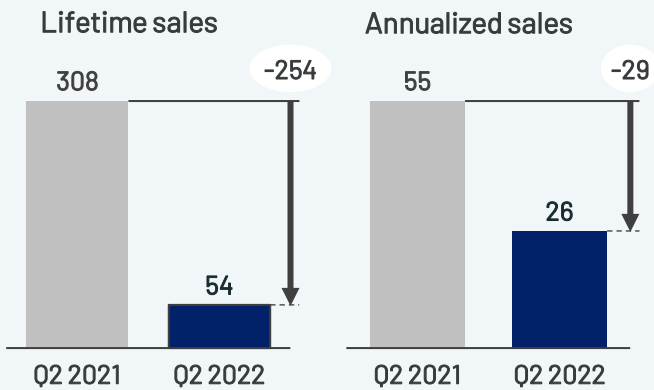
P&C was awarded two significant contracts: to supply head restrains to a Chinese manufacturer (MEUR 42.5 expected lifetime revenue, MEUR 6.1 expected annual revenue) and to supply gear shift systems to a German manufacturer (MEUR 18.1 expected lifetime revenue, MEUR 2.6 expected annual revenue).

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

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FINANCIAL UPDATE

SHIFT GEAR UPDATE

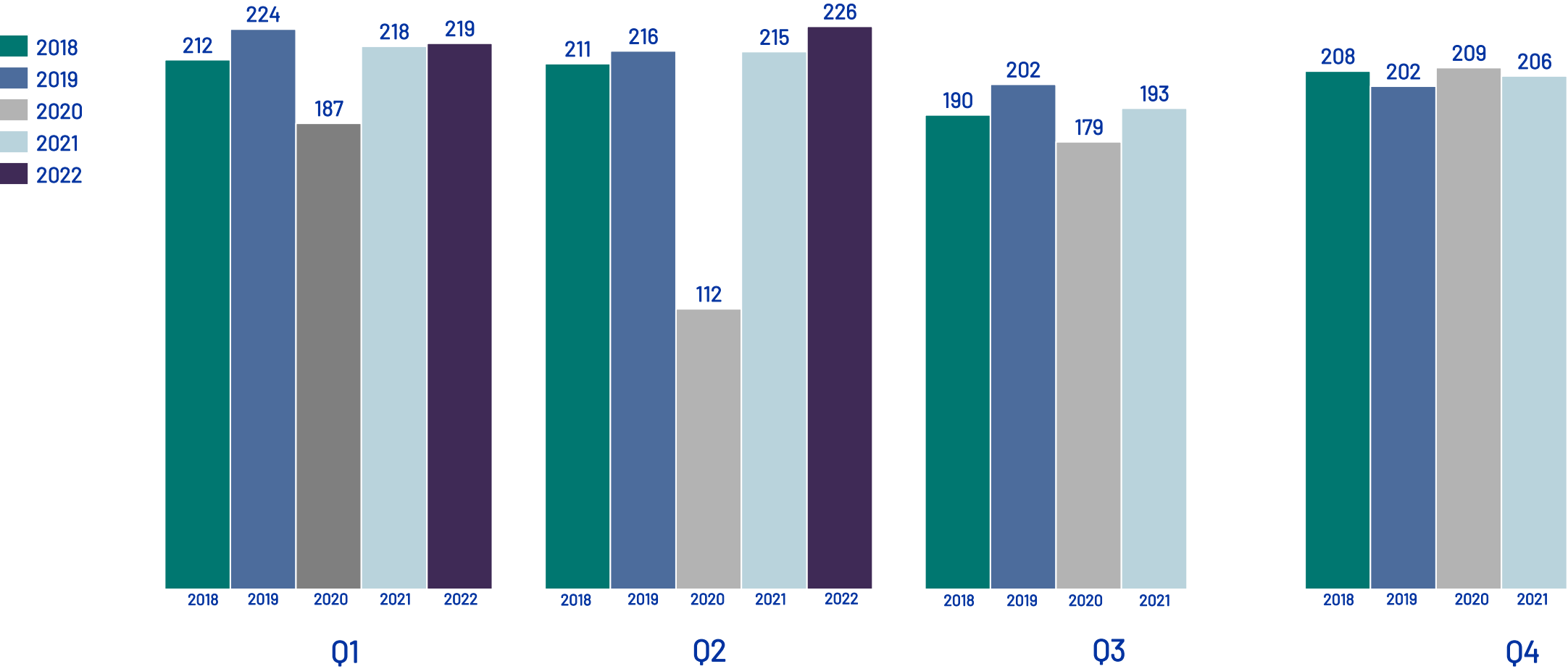
OUTLOOK

Q&A



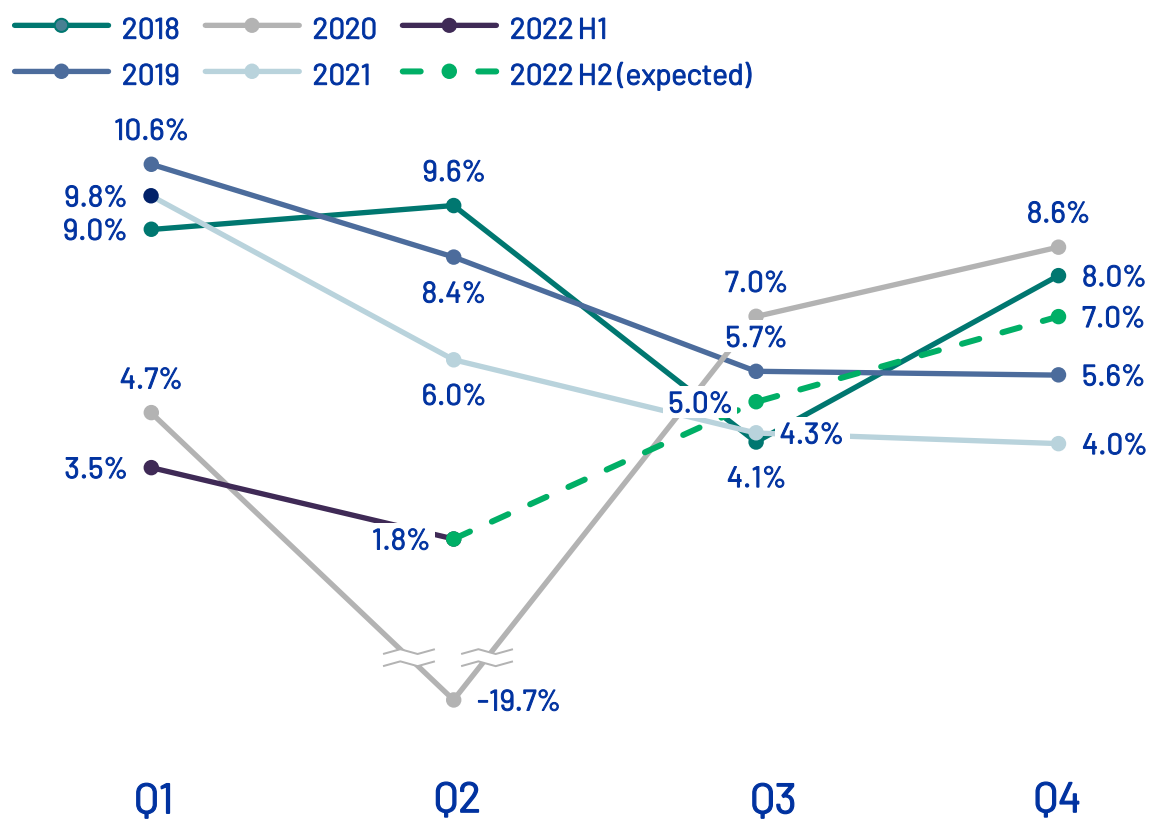
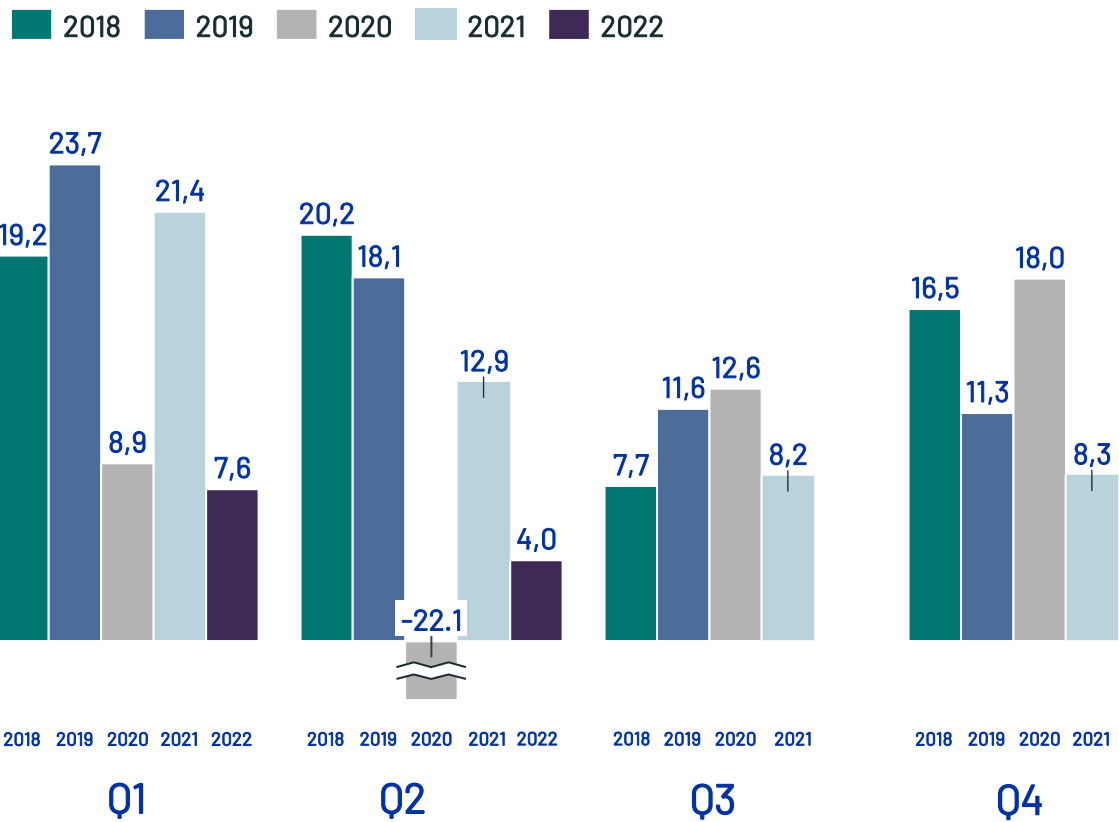
REVENUES: HIGH Q2 IN COMPARISON WITH THE LAST FOUR YEARS

QUARTERLY REVENUES (continuing operations), MEUR

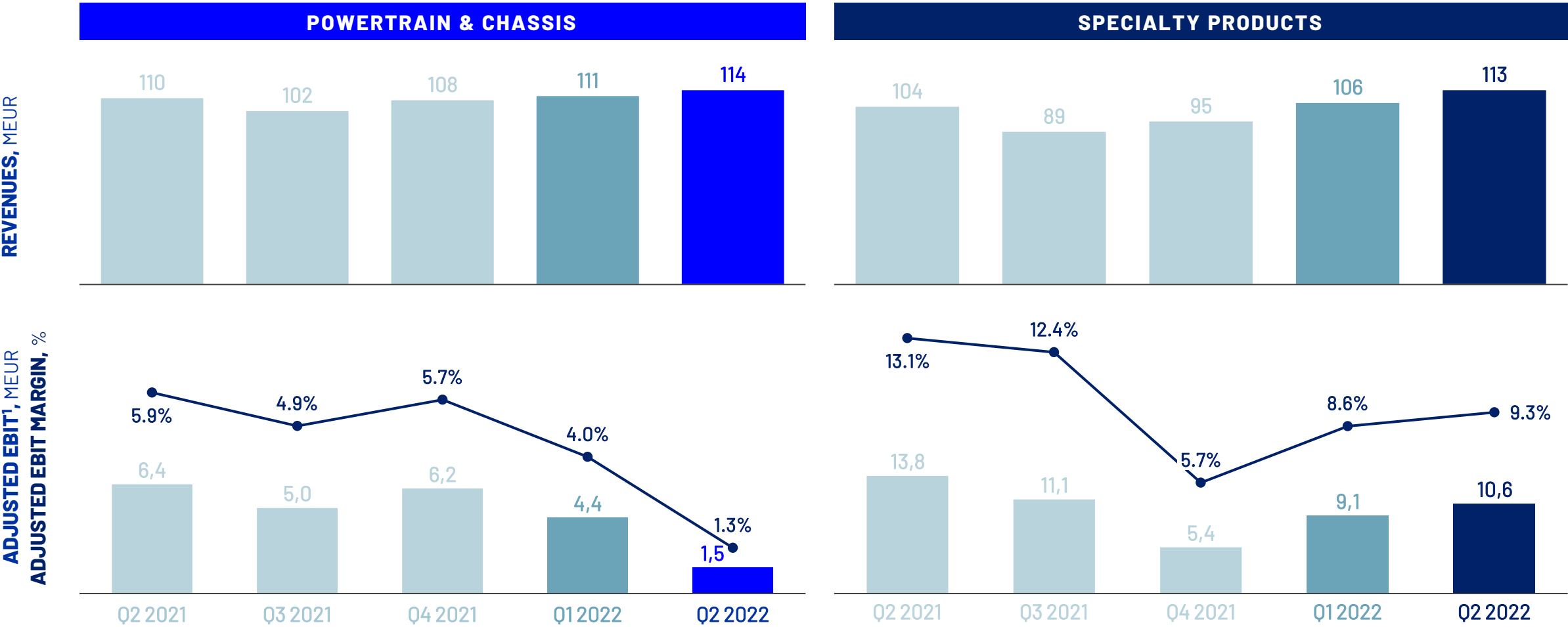


ADJUSTED EBIT: EARNINGS STILL SEVERELY IMPACTED BY THE EXTRA COSTS RELATED TO THE SEMICONDUCTOR AND RAW MATERIAL CRISIS

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

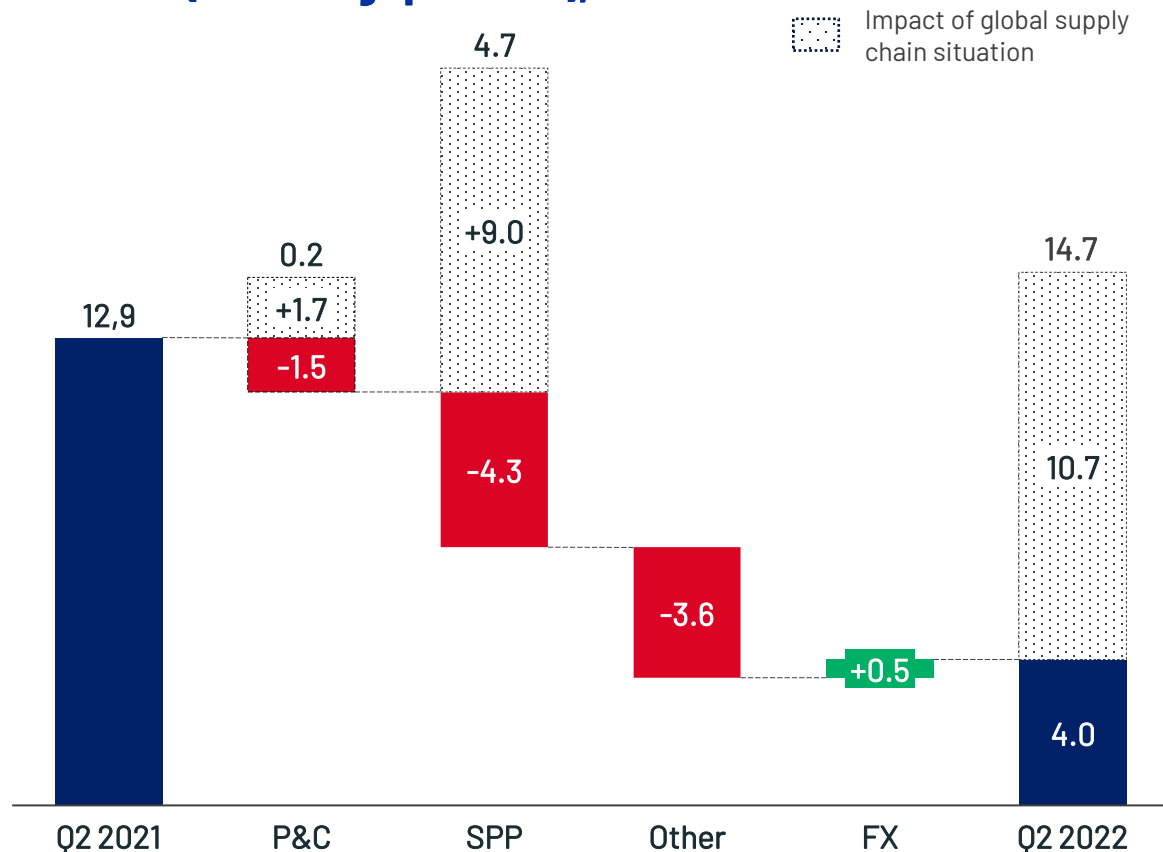


SEGMENT FINANCIALS: SEGMENTS IMPACTED BY SEMICONDUCTOR AND RAW MATERIALS SITUATION

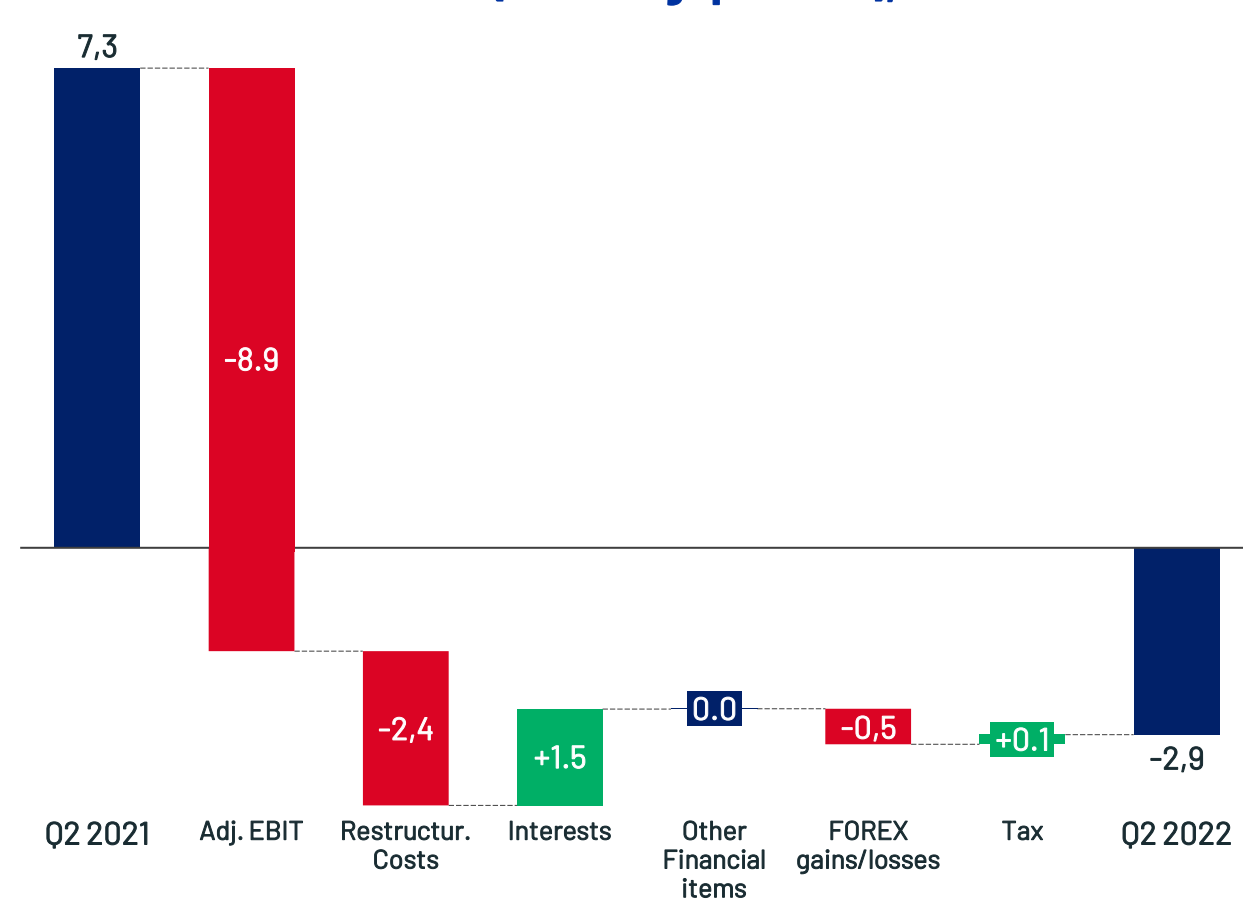


Q2 2022 EARNINGS: ADJ EBIT AND NET PROFIT IMPACTED BY SUPPLY CHAIN CRISIS

ADJ. EBIT (continuing operations), MEUR



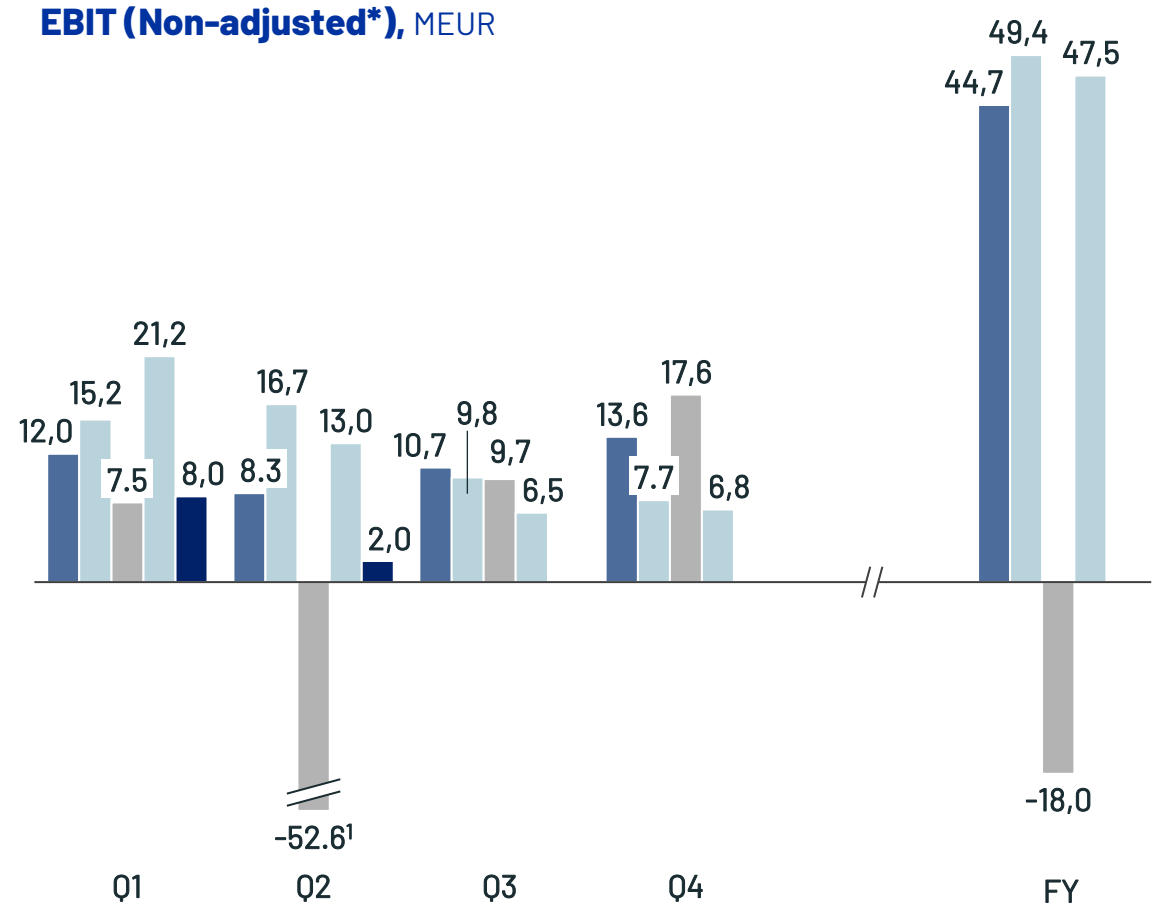
NET INCOME DEVELOPMENT (continuing operations), MEUR



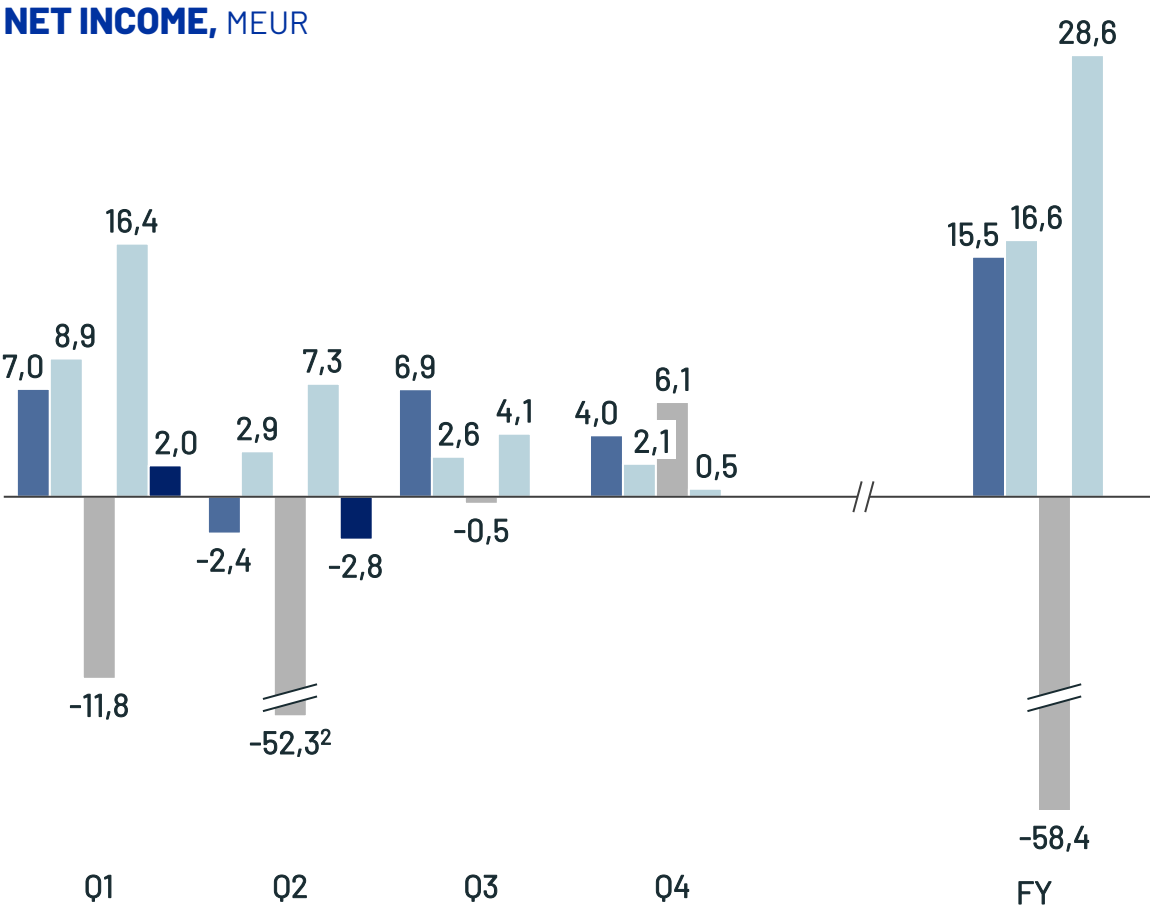
EBIT & NET INCOME (CONTINUING OPERATIONS)

2018 2019 2020 2021 2022

EBIT (Non-adjusted*), MEUR



NET INCOME, MEUR



* Adjusted EBIT is EBIT before restructuring costs.

NET FINANCIAL ITEMS (CONTINUING OPERATIONS)

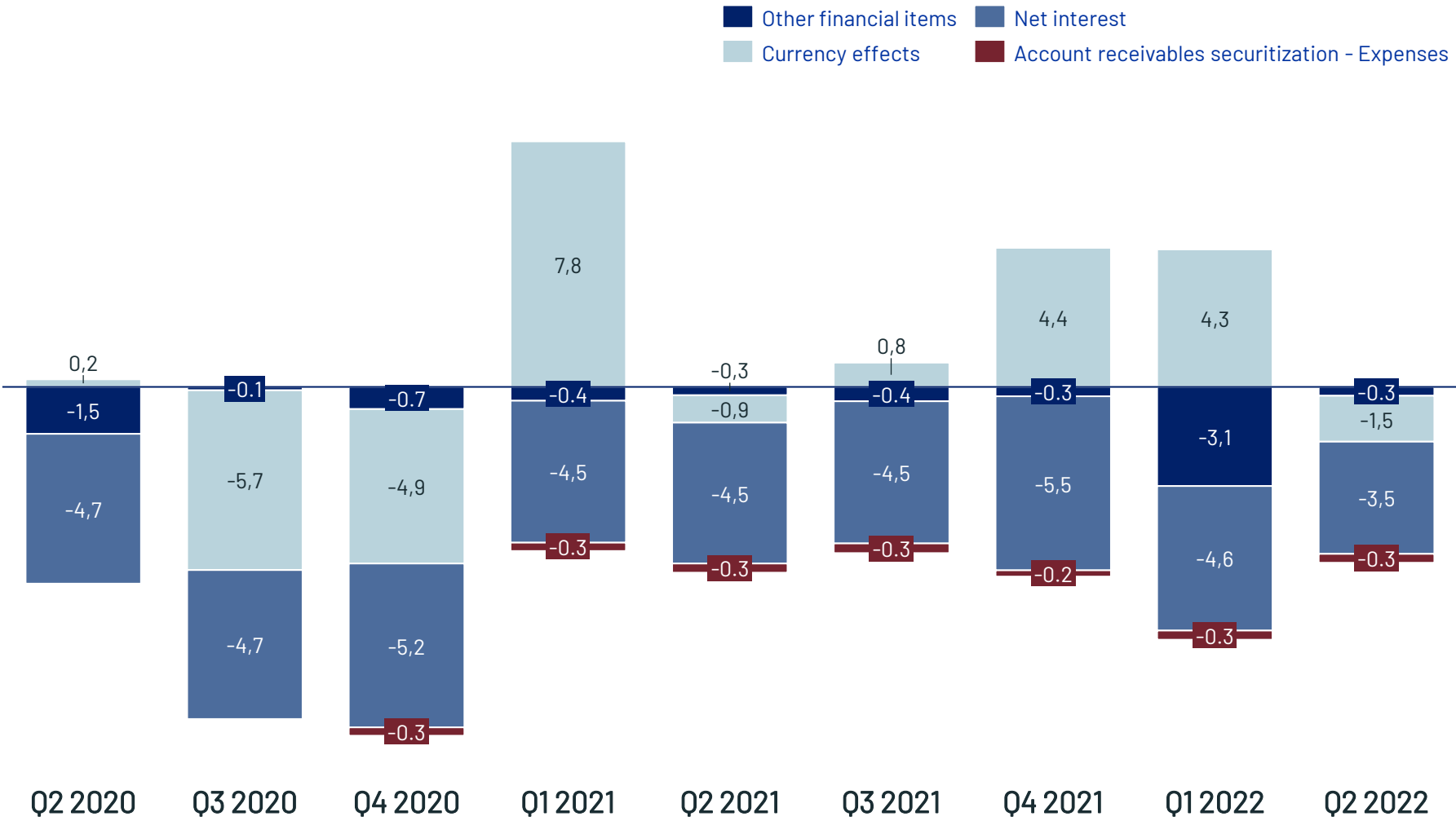
FOREX GAINS/LOSSES

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

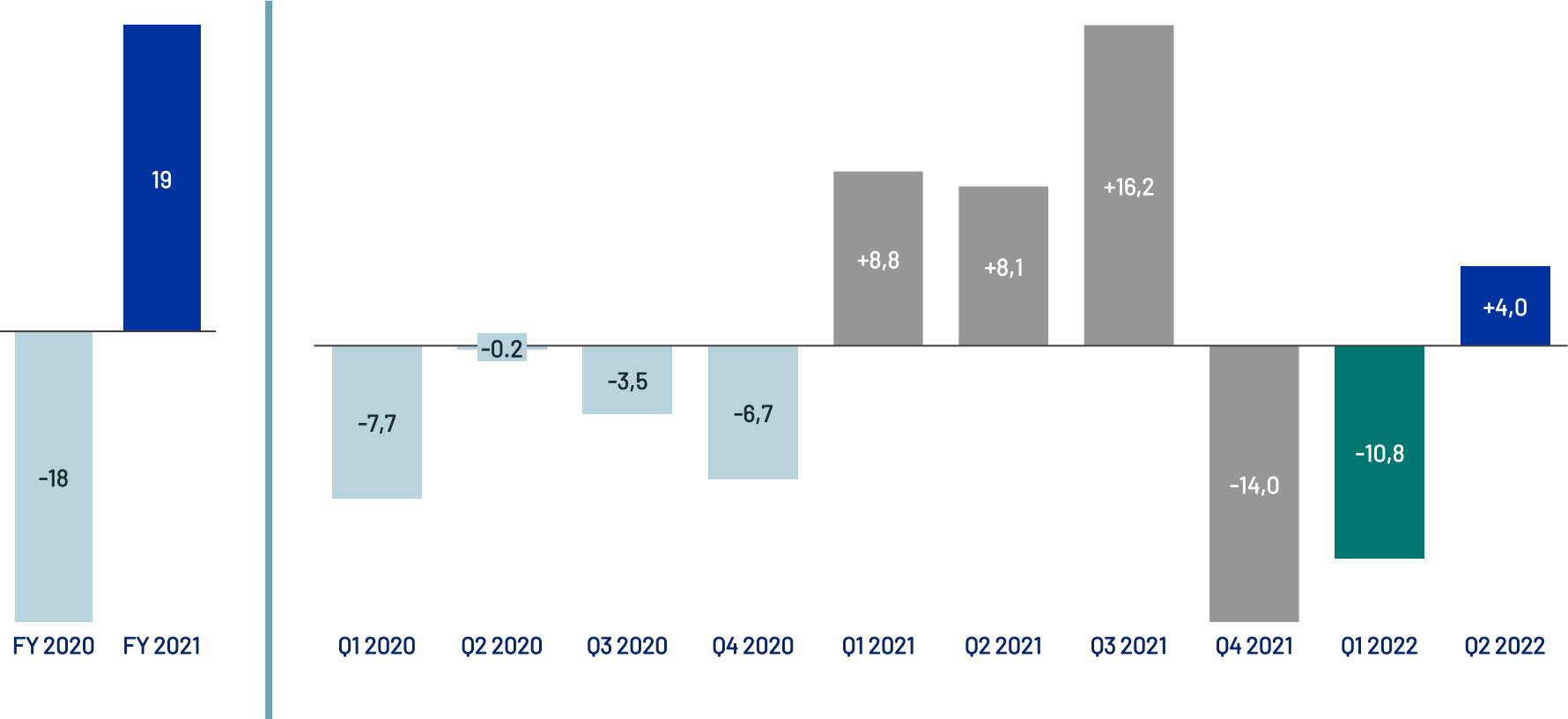
INTEREST

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 FLOW¹ (continuing operations), MEUR



Q2 2022 FCF DETAILS

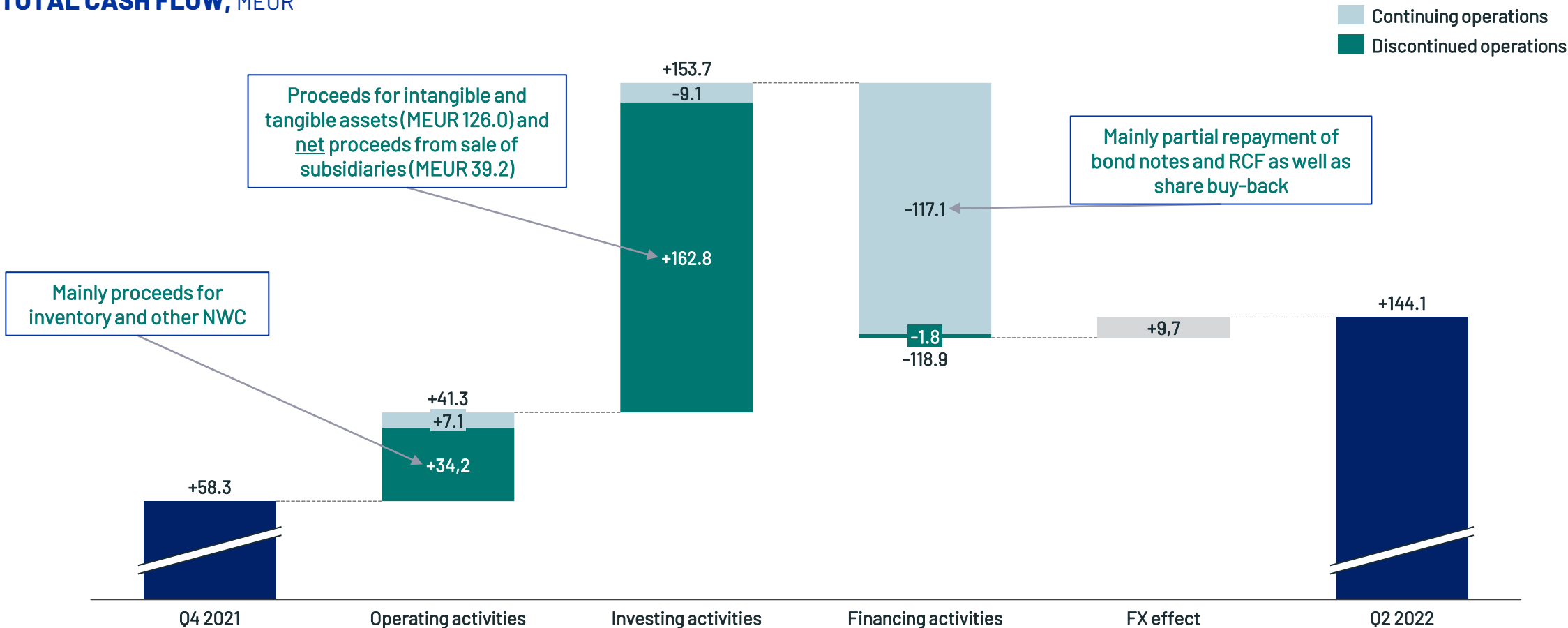
Operating activities	+8.1
Therein: Overall NWC increase	-9.8
Investing activities	-5.0
Financing activities	-8.8
Therein:	
Payments of interests and lease liabilities	-3.1
Share buy-back	-4.2
Currency and translation effects on cash flow	+4.6
Total	-1.1
excluding Repayment of loan and Share buy-back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

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

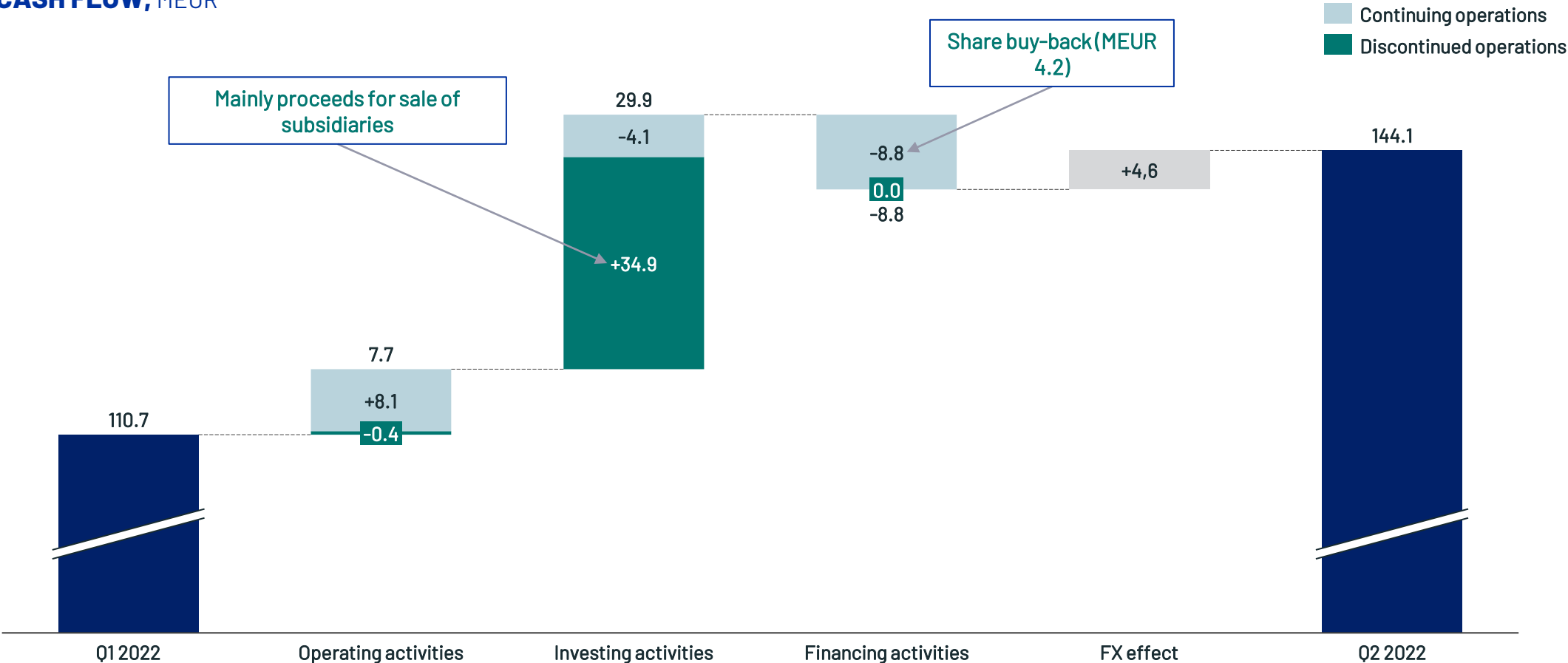
TOTAL CASH FLOW, MEUR



TOTAL CASH FLOW – CONTINUING AND DISCONTINUED OPERATIONS

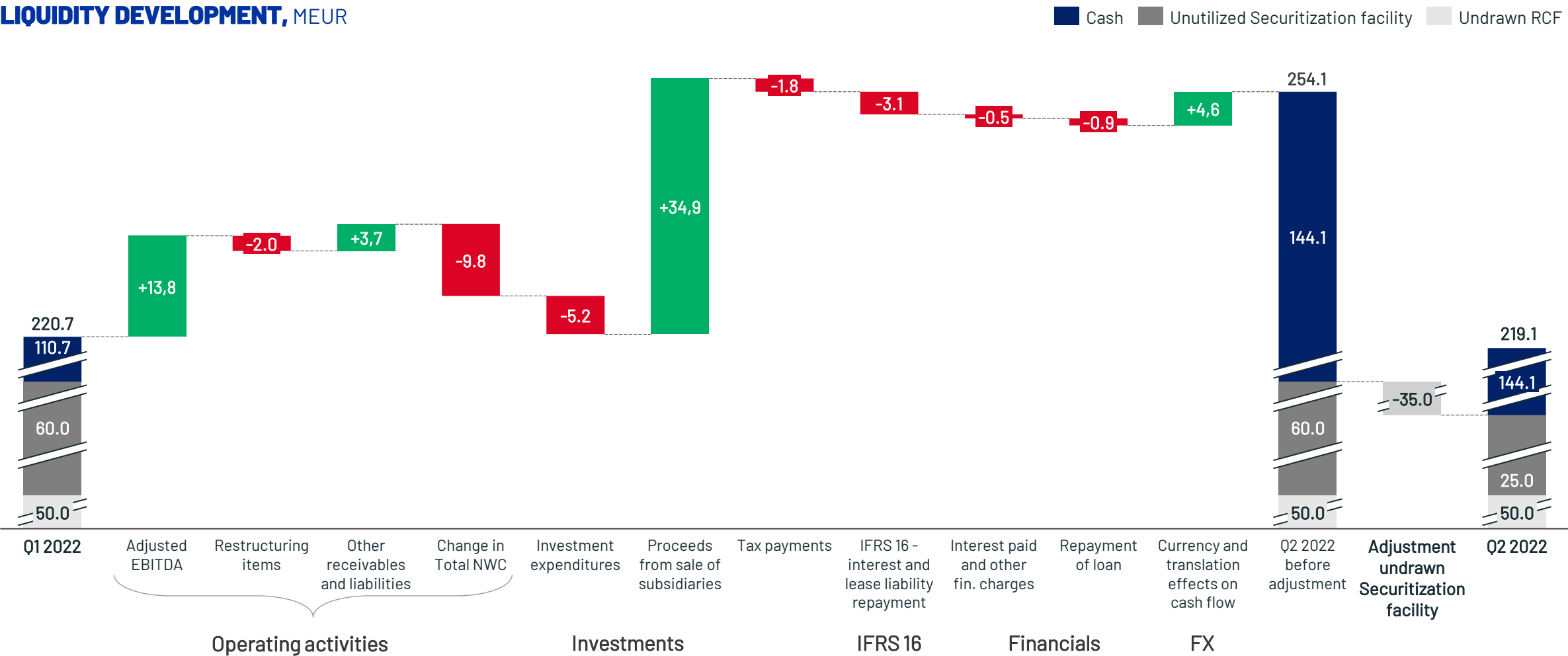
QTD Q2 2022

TOTAL CASH FLOW, MEUR



LIQUIDITY DEVELOPMENT FOR THE GROUP (CONTINUING + DISCONTINUED)

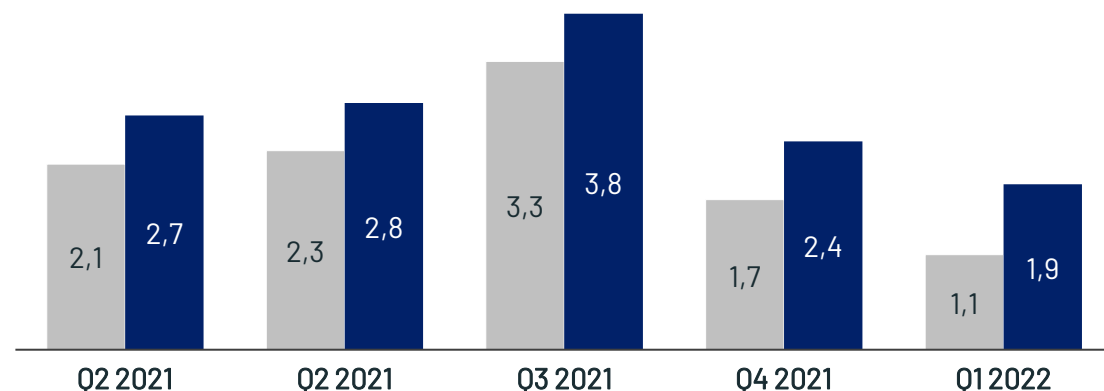
LIQUIDITY DEVELOPMENT, MEUR



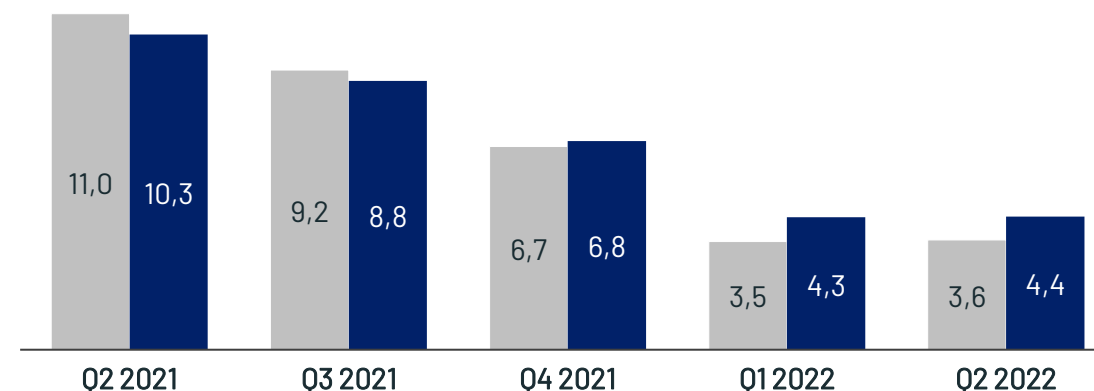
FINANCIAL RATIOS (WHOLE GROUP¹)

Excluding IFRS16
Incl. IFRS 16 effect

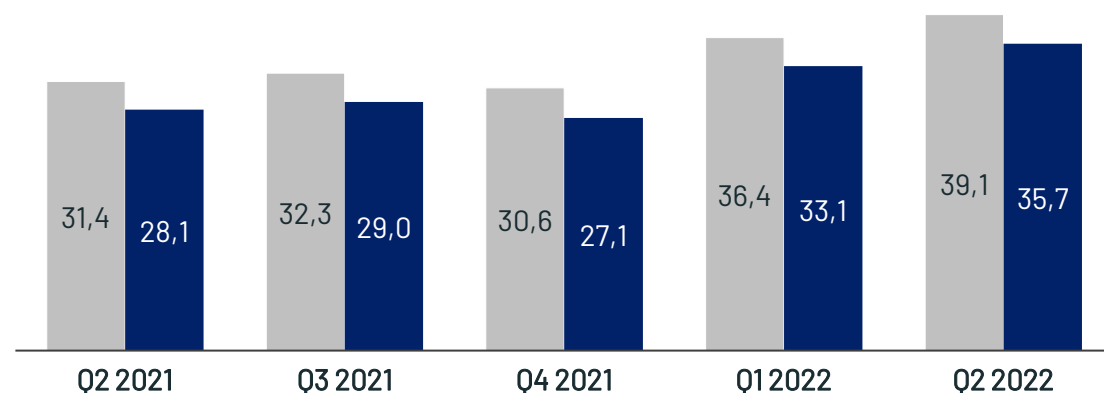
ADJUSTED GEARING RATIO², NIBD³/EBITDA, LTM



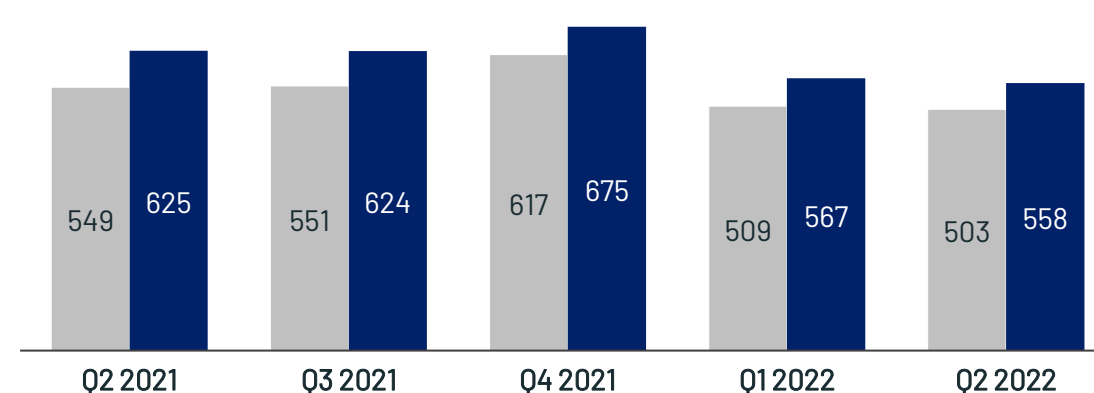
ADJUSTED ROCE², %, LTM



EQUITY RATIO³, %



CAPITAL EMPLOYED⁴, 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

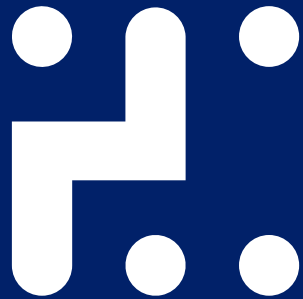
OUTLOOK

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

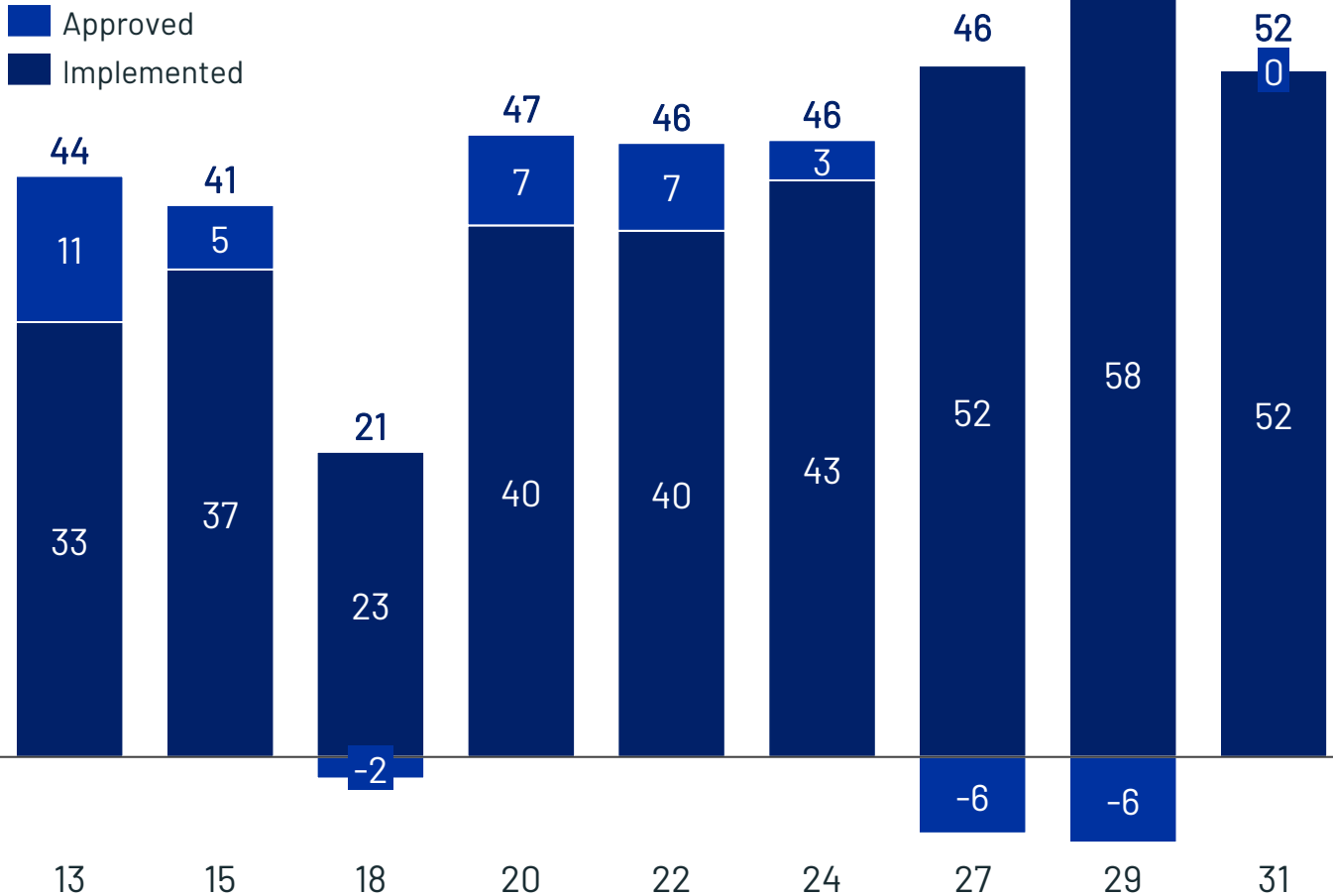
Sustainable organization preparing for future market trends





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



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



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SHIFT GEAR UPDATE

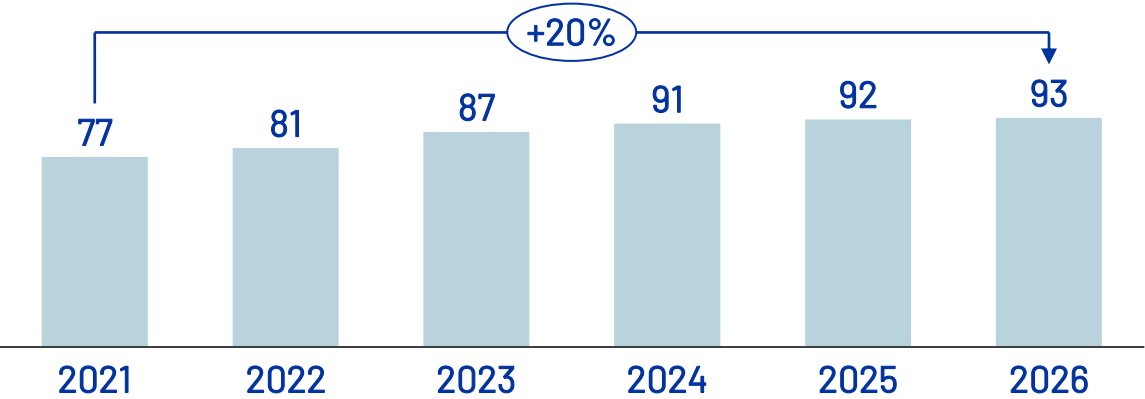
OUTLOOK

Q&A

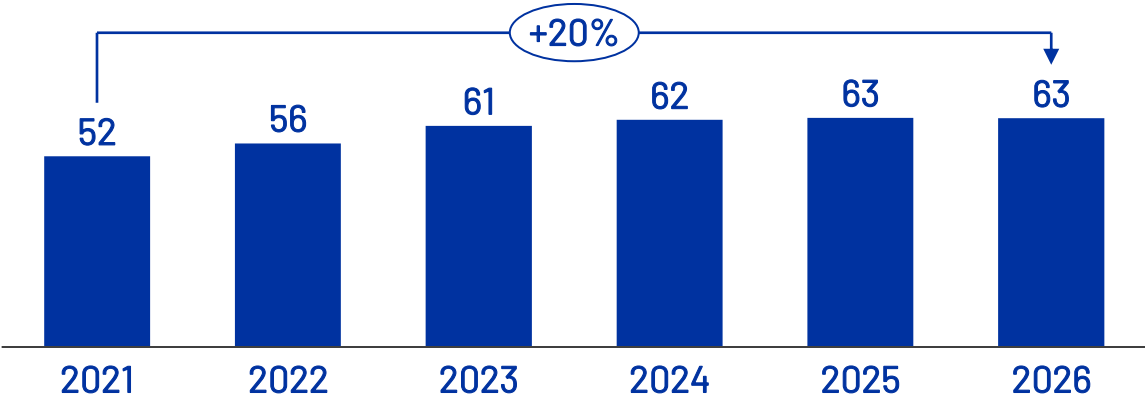


MARKET FORECASTS - OUTLOOK

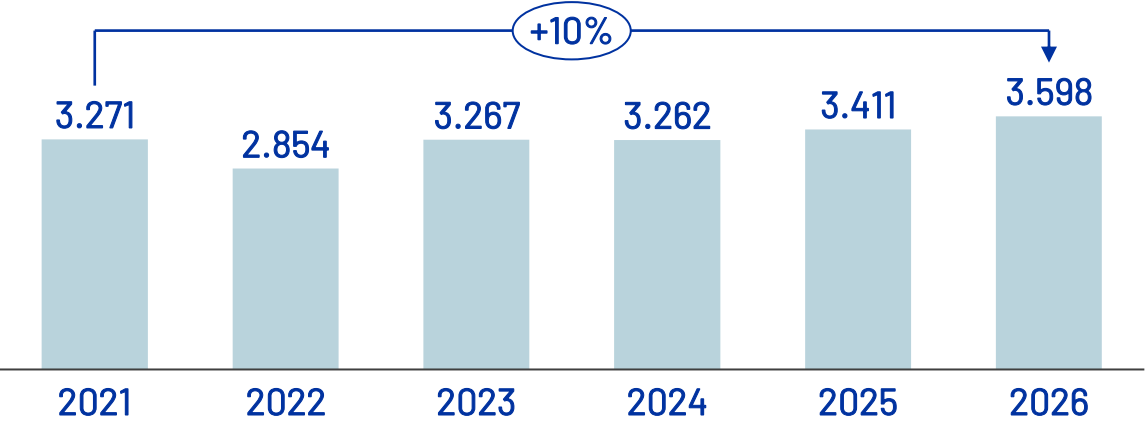
GLOBAL PASSENGER CAR PRODUCTION, SALES IN MILLION UNITS, INCLUDING CHINA



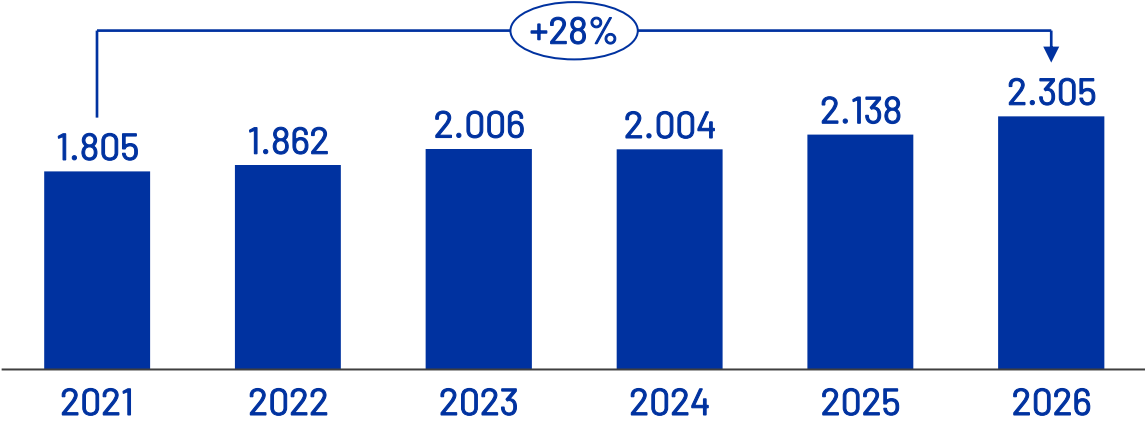
GLOBAL PASSENGER CAR PRODUCTION, SALES IN MILLION UNITS, EXCLUDING CHINA



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