CARBON REVOLUTION (ASX:CBR)

FIRST HALF FY22 FINANCIAL RESULTS

23 FEBRUARY 2022



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Global transition to EVs is accelerating demand for our wheels

3 new programs in production

General Motors Chevrolet C8 Z06 / Z07 Corvette and two new Ferrari vehicles, the 296 GTB and the 812 Competizione, entered production

Customer feedback on anticipated CY22 demand is very encouraging

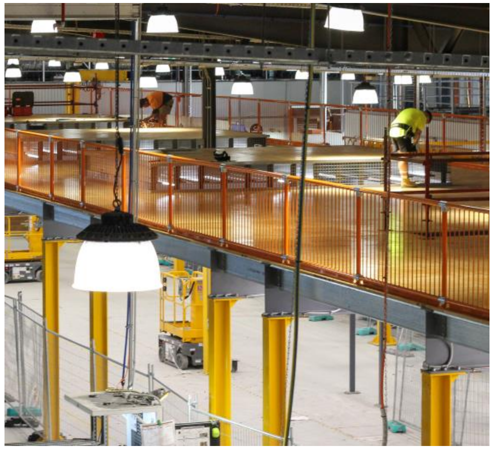
Our wheels are now being adopted by higher volume vehicle platforms

Record 15 active programs

Strong growth pipeline with three new engineering agreements

4 of our programs are EVs, up from zero a year ago

25% growth in total programs (development and production) from a year ago



Mega-line project on time and on budget

Infrastructure design complete and construction underway

$6.5m spent of $47M budget, further commitments exceeding $10M

First wheels off the Mega-line to be produced in the second half of CY22

Proven technology – circa 50k wheels sold and demand accelerating

Why the industry is so excited about carbon fibre wheels

“…It’s super light and saves over 40 pounds versus the forged aluminum wheels which are pretty lightweight wheels…

… Even daily driving you can sense that it’s not just lighter, it’s stiffer and you can really feel that … on a two minute lap it’s a second to a second and a half quicker. It’s noticeable – equivalent to a fair horsepower increase…“

Corvette Chief Engineer - Tadge Juechter
(Speed Phenom, Youtube, 27th Oct 2021)

- Performance benefits
- Fuel efficiency and range extension
- Design freedom – size, style and aerodynamics
- Reduction in road noise

First Half Results Summary

Strong growth in underlying wheel sales

- 39% increase in underlying revenue (excluding wheels in transit from the pcp)[1]
- 3 new programs in production and pull forward of sales for GT500

EBITDA and operating cashflow

- Investment in R&D & Launch team
- COGS improvement temporarily delayed by COVID-19 issues, thermal barrier coating (TBC) throughput & resin quality
- JobKeeper assisted in the pcp

Safety

- Maintained good performance
- Safe shutdown construction works

Metrics	31 Dec 21	31 Dec 20	Change %
Number of Wheels Sold	6,497	6,397	1.6%
Revenue ($m)	17.6	17.2	2.3%
Underlying Revenue ($m) *(excluding wheels in transit from the pcp[1])*	17.6	12.7	38.5%
EBITDA ($m)	(14.4)	(8.9)	(62.4%)
Operating cashflow ($m)	(19.4)	(2.0)	(872%)
Safety (LTIFR Lost Time Injury Frequency Rate, per million hours worked, Worksafe Australia industry average = 8.4)	2.3	2.5	8%
Programs in production or development	15	12	25%

1: Refer to page 2 of 4C Quarterly Activities Report dated 23 July 2020 explaining 1,344 wheels carried over in transit from Q4 FY20 to Q1 FY21

Long-term sales outlook and pipeline of new programs is very strong

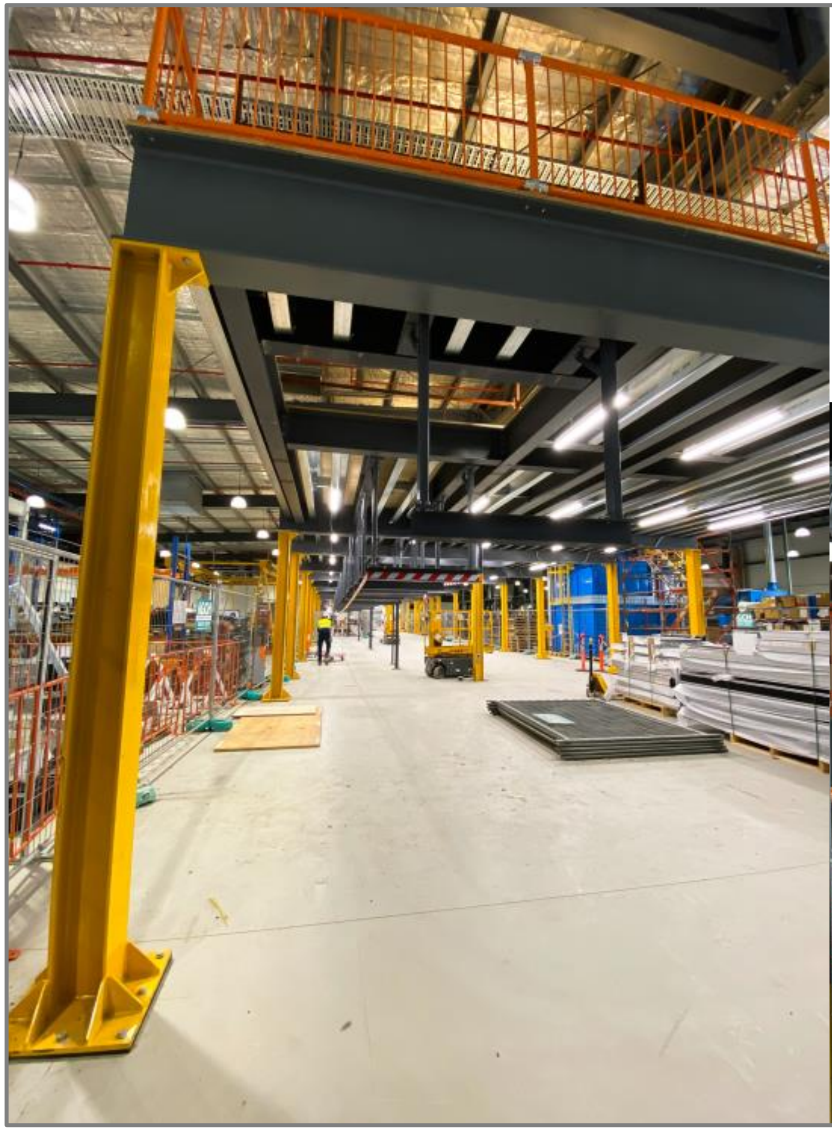
Increase in programs underpin strong growth outlook

- Successful launch of three programs concurrently
- Three new development agreements signed during the half year
- Four electric vehicle programs
- Four programs underpin the Mega-line investment and are progressing well
- Our wheels are now being adopted by higher volume vehicle platforms

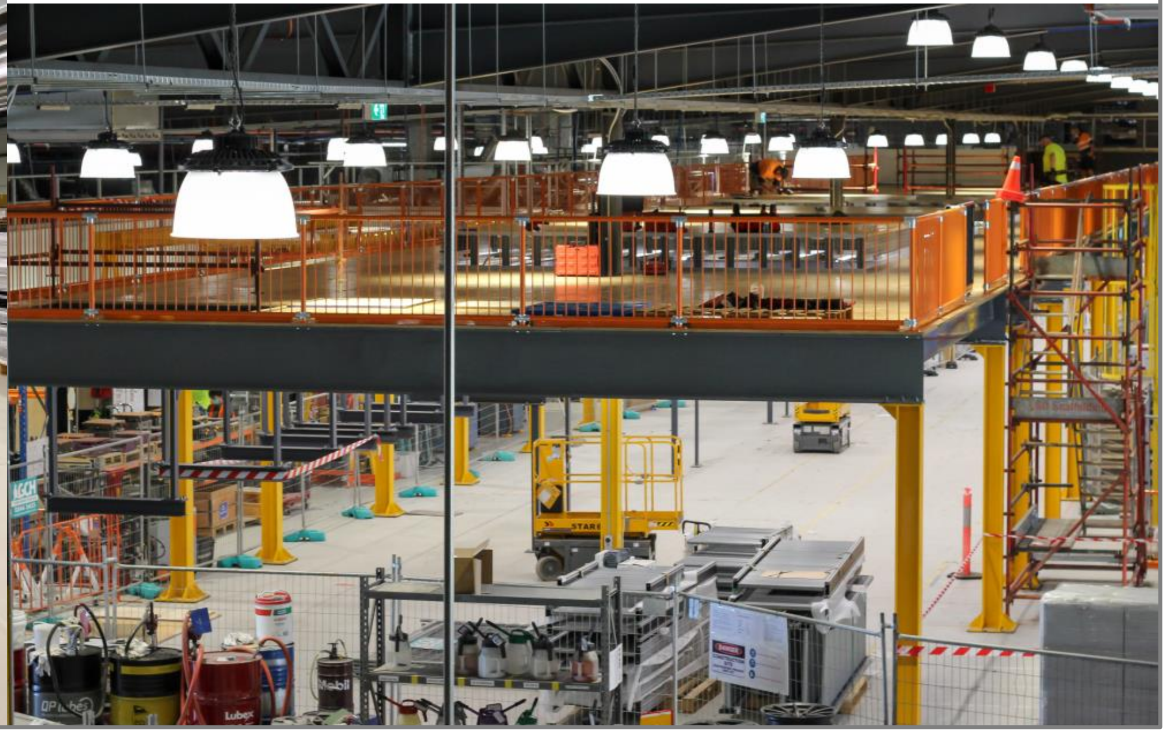
Nine programs in pre-production

Stage of Program Lifecycle (as at 23 February 2022)		Current	This time last year
Awarded programs in production		6	6
Programs in development	Awarded	2	5
	Under detailed design and engineering agreement	7	1
Total		15	12

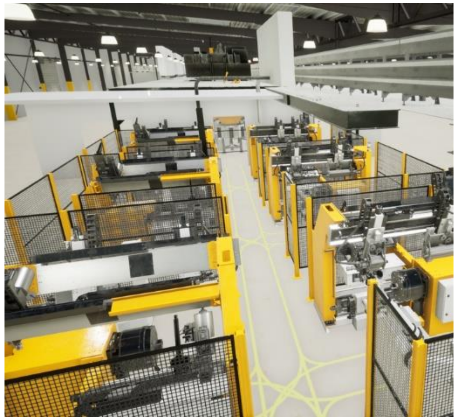
Mega-line starts to take shape

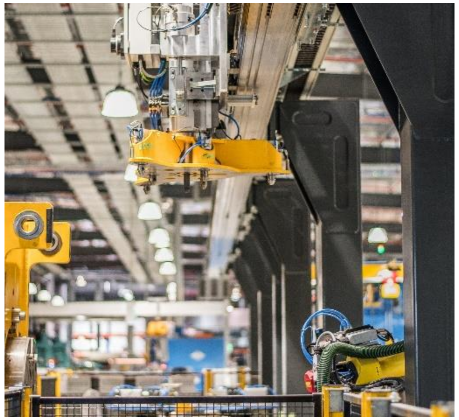


- The Mega-line is on track with spend to date of $6.5m and further commitments circa $10m
- Detailed design was finalised and construction commenced
- Christmas break enabled safe mezzanine construction and significant asset relocations
- Production equipment installation will now commence



Financial Results





Improved sales momentum

39% increase in underlying revenue

3 new programs entering production and pull forward of sales for GT500

COGS improvement was challenging

COGS per wheel was higher than plan. Key drivers were:

- COVID-19 impacts
- Thermal barrier coating process and resin quality issues that impacted during half are now resolved

Delivering operational efficiencies & COGS reduction is a top priority

Investment in growth and scale

Investment continued into:

- Mega-line
- Research & Development
- Launch team
- Engineering and procurement teams

Cash flow management

Managing cash position through the uncertainties of COVID-19

New borrowing facility and extended borrowing capacity

Maintaining momentum in our industrialisation activities and overall scaling up of the business

Revenue on track but COGS reductions temporarily delayed

Sales pull forward delivers a stronger first half weighting of FY22 sales than anticipated

COGS improvement challenges

- COVID-19 impacts on raw material costs, freight, labour efficiency
- TBC performance & resin quality impacted throughput but now resolved

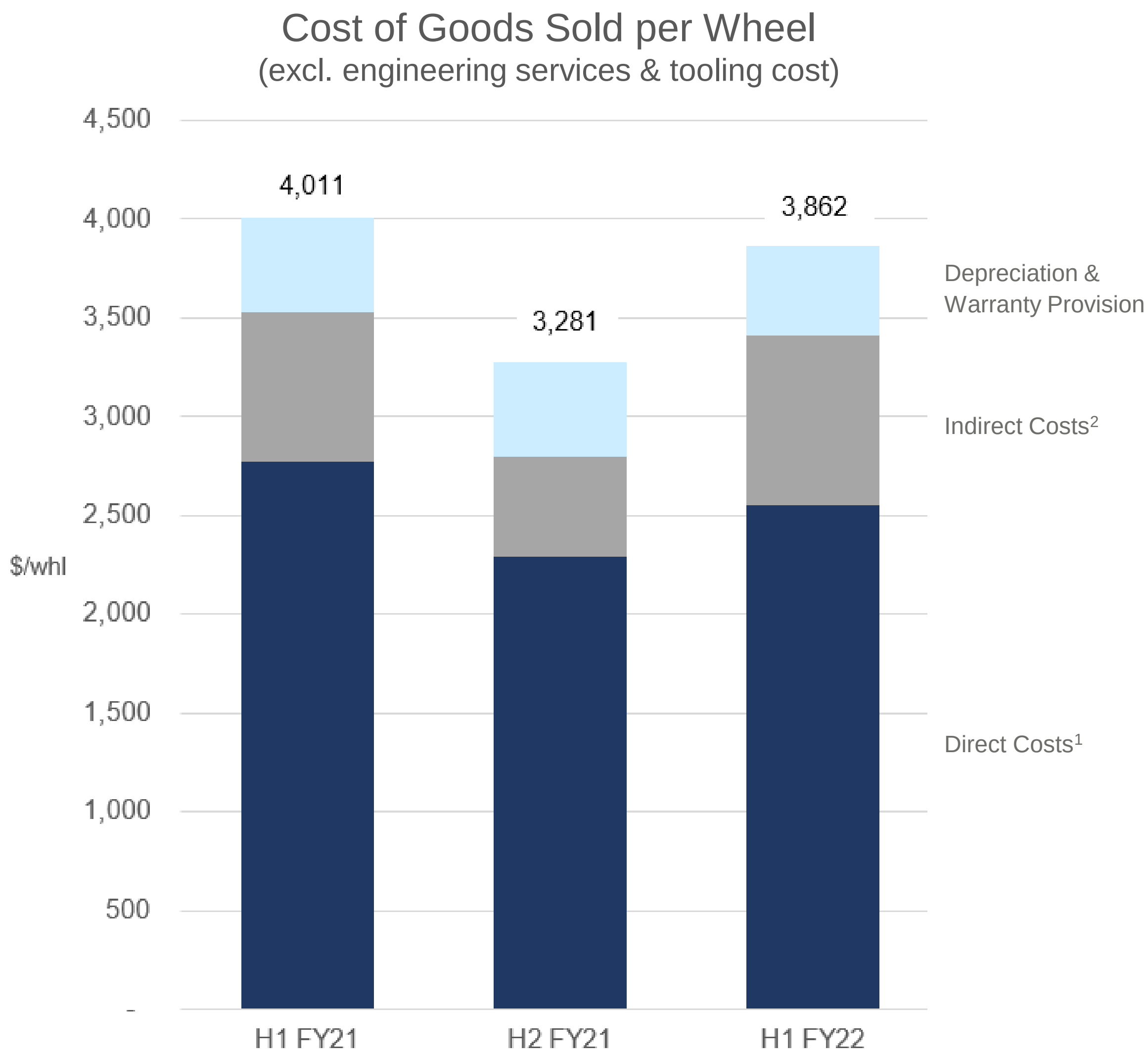
Fixed costs closely managed

- R&D investment reflects the increase in program development and finalisation of Diamond Weave
- SG&A remains stable

Other income down due to $5m of JobKeeper in prior half year

Consolidated Statement of Comprehensive Income	31-Dec-21 $m	31-Dec-20 $m	*change* $m
Total revenue	**17.6**	**17.2**	***0.4***
Cost of goods sold	25.4	25.7	*(0.3)*
Gross loss	**(7.7)**	**(8.4)**	***0.7***
% of total revenue	*-44%*	*-49%*	*5%*
Research & Development	(6.1)	(4.1)	*(1.9)*
Selling, General & Admin	(9.1)	(8.9)	*(0.3)*
Total expenses	**(15.2)**	**(13.0)**	***(2.2)***
Other income	1.7	7.5	*(5.8)*
EBIT - reported	**(21.3)**	**(14.0)**	***(7.3)***
Net interest expense	(0.6)	(0.8)	*0.3*
Loss after tax	**(21.8)**	**(14.8)**	***(7.0)***
EBITDA	**(14.4)**	**(8.9)**	***(5.5)***

Delivering operational efficiencies & COGS reduction is a top priority



1: Direct costs include: Raw materials and consumables, direct labour, freight and other direct costs
2: Indirect costs include: Allocated manufacturing overheads, scrap and other allocated indirect costs

Direct costs increase of $256 per wheel

- Temporary labour impacts ($105) during the half
  - COVID-19 related sick and isolation absences
  - TBC and resin performance impacted labour efficiency in wheel finishing functions (now resolved)
- Higher material ($63) and freight costs impacted by supply chain disruptions ($99)

Indirect costs increase of $356 per wheel

- Finishing wheel throughput impacted by TBC performance & resin quality issue ($187) (now resolved)
- Strengthened maintenance team and some one-off maintenance cost related to TBC ($84)
- Resin quality issue resulted in one-off scrap ($85) (now resolved)

$23m expansion of working capital and asset leasing capacity

Operating cashflows negatively impacted by

- Timing of customer receipts for sales in Q4 ($11.4m)
- No JobKeeper payment ($4.3m) and delay in grants received ($2m)
- SOV facility fee payment ($1.1m)

Investing cashflows for growth

- PP&E investment ($9m) included Mega-line and related tooling
- R&D investment ($8.5m) in new program development and completion of Diamond Weave technology

New financing agreement with EFA in process

- Working capital debt capacity expanded by $15.5m
  - New 12-month $8m supply chain finance facility with EFA
  - Extension of limits allow for an additional $7.5m of 3rd party receivables financing
- Extension of limits for asset leasing allow for an additional $7.5m to up to $10m of 3rd party leasing
- Extension of amortisation period of existing term debt facility by 1 year (to 4 years) to 30 November 2024

	31-Dec-21 $m	30-Jun-21 $m	Change $m
Net Debt Position			
Loans and borrowings	(14.6)	(16.4)	1.8
Less: Cash and cash equivalents	47.8	87.3	(39.5)
Net cash / (debt)	**33.2**	**70.9**	**(37.7)**

	31-Dec-21 $m	31-Dec-20 $m	Change $m
Cashflow Summary			
Net cash used in operating activities	(19.4)	(2.0)	(17.4)
Net cash used in investing activities	(17.5)	(13.9)	(3.7)
Net cash from financing activities	(2.5)	(2.6)	0.1
Net cash inflow / (outflows)	**(39.4)**	**(18.4)**	**(21.0)**

	31-Dec-21 $m	30-Jun-21 $m	Change $m
Working Capital			
Receivables	12.6	12.2	0.4
Inventories	20.3	18.2	2.2
Less: Payables	(11.2)	(12.1)	0.9
Working Capital	**21.7**	**18.3**	**3.4**
Receivables financing	(5.9)	(5.5)	(0.4)
Working Capital adjusted	***15.8***	***12.8***	***3.0***

Summary and focus for the second half of FY22

Driving sales growth from new programs in production

Production ramp of the Corvette Z06 / Z07

Sustainable increase in production for the Ferrari programs

Completion of GT500 production

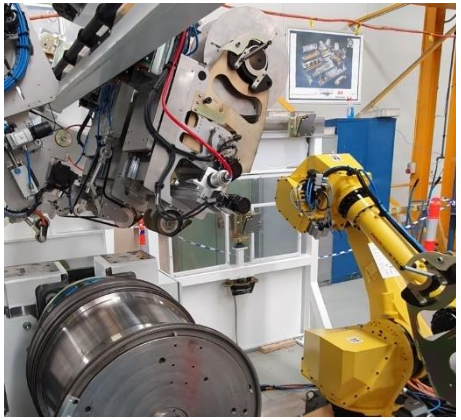
Delivering operational efficiencies & COGS reduction

TBC performance

Resin quality resolution

Consistent throughput and flow

Continuous improvement initiatives



Progressing Phase 1 Mega-line project

Installation of productive assets

Systems and services

Begin validation process

Advancing through to formal award of the initial programs that underpin Phase 1 of the Mega-line

Continued cash management focus

New borrowing facilities

Inclusion of existing assets into the Mega-line

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