KENDRION

PRECISION. SAFETY. MOTION.

Q2 AND HY1 2019 RESULTS

Amsterdam, 13 August 2019

AGENDA

- Introduction
- Business review
- Strategic and operational update
- Outlook
- Q&A

Cautionary Note Regarding Forward Looking Statements

Certain statements contained in this presentation constitute forward-looking statements. These statements may include, without limitation, statements concerning future results of operations, the Company's share of new and existing markets, general industry and macro-economic trends and the Company's performance relative thereto and statements preceded by, followed by or including the words "believes", "expects", "anticipates", "will", "may", "could", "should", "intends", "estimate", "plan", "goal", "target", "aim" or similar expressions. These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside the Company's control that could cause actual results to differ materially from such statements.

Introduction

WORLDWIDE PASSENGER CAR PRODUCTION

January – June 2019

	2019	2018	% change YOY
Global	45.2	48.4	-6.7%
Europe	11.2	11.9	-5.6%
China	11.7	13.5	-13.5%
North America	8.5	8.7	-2.5%
Japan / Korea	6.8	6.6	2.4%
Rest of the world	7.0	7.7	-8.8%

Source: IHS Markit

INDUSTRIAL MARKETS

Manufacturing activity, purchasing-managers indices*, compared with the previous month

Source: IHS Markit

*Based on a survey of purchasing executives

Business review

GROUP FINANCIAL OVERVIEW

Q2 and HY1 2019

Normalised (in EUR million)	Q2 2019	Q2 2018	delta
Revenue	109,0	119,0	-8%
EBITDA	12,7	17,4	-27%
EBITA	6,7	11,6	-42%
Net profit	4,0	7,7	-48%
EBITDA as a % of revenue	11,7%	14,6%	
EBITA as a % of revenue	6,1%	9,7%	
Return on invested capital (12 months rolling)			
Normalised items (after tax)	(0,5)	3,4	

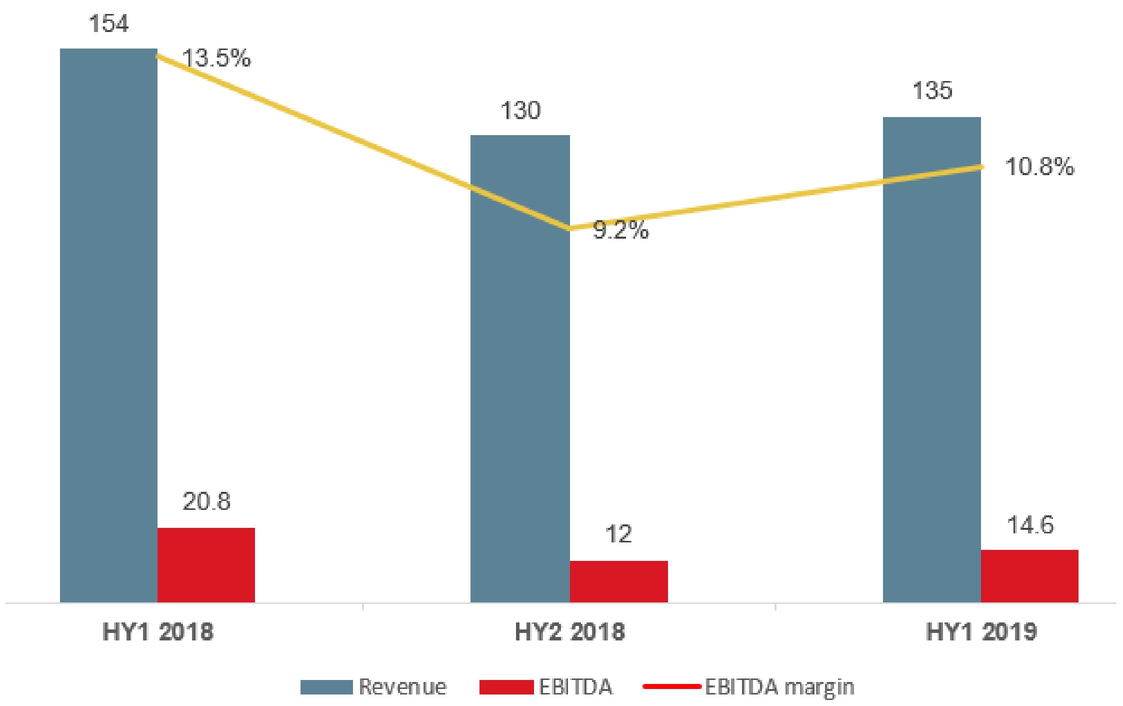
Normalised in Q2 2019: EUR 1.6m (EUR 1.2m after tax) claim settlement, EUR 2.0m positive release currency translation reserve and EUR 0.3m income tax expense related to tax audit.
Normalised in Q2 2018: EUR 4.8m (EUR 3.4m after tax) restructuring costs

Normalised (in EUR million)	HY1 2019	HY1 2018	delta
Revenue	217,3	239,6	-9%
EBITDA	25,4	35,1	-28%
EBITA	13,4	23,5	-43%
Net profit	8,3	15,8	-47%
EBITDA as a % of revenue	11,7%	14,6%	
EBITA as a % of revenue	6,2%	9,8%	
Return on invested capital (12 months rolling)	8,7%	14,4%	
Normalised items (after tax)	(0,5)	4,2	

Normalised in HY1 2019: EUR 1.6m (EUR 1.2m after tax) claim settlement, EUR 2.0m positive release currency translation reserve and EUR 0.3m income tax expense related to tax audit.
Normalised in HY1 2018: EUR 5.9m (after tax EUR 4.2 million) restructuring costs

- 9% revenue decrease at constant exchange rate
- Reduced profitability due to lower revenues and production value
- Staff costs reduction 5% fueled by structural cost measures in 2018 and adapting capacity to lower volumes
- Total cost reduction 1%; affected by depreciation charges, one-off consulting and periodic cost fluctuations
- Positive free cash flow Q2 of EUR 3.3m driven by reduced inventory levels
- Stable added value margin at 47.2% in HY1
- Strong financial position; solvency of 46.9% (HY1 2018: 47.1%) and leverage of 1.7 (excluding IFRS16)
- Normalised free cash flow HY1 of EUR -/- 2.7m (HY1 2018: EUR 4.3m)
- Investments of EUR 10.2m and 4.7% of revenue (HY1 2018: EUR 13.3m, 5.6% of revenue), compared to EUR 12.0m depreciation charges

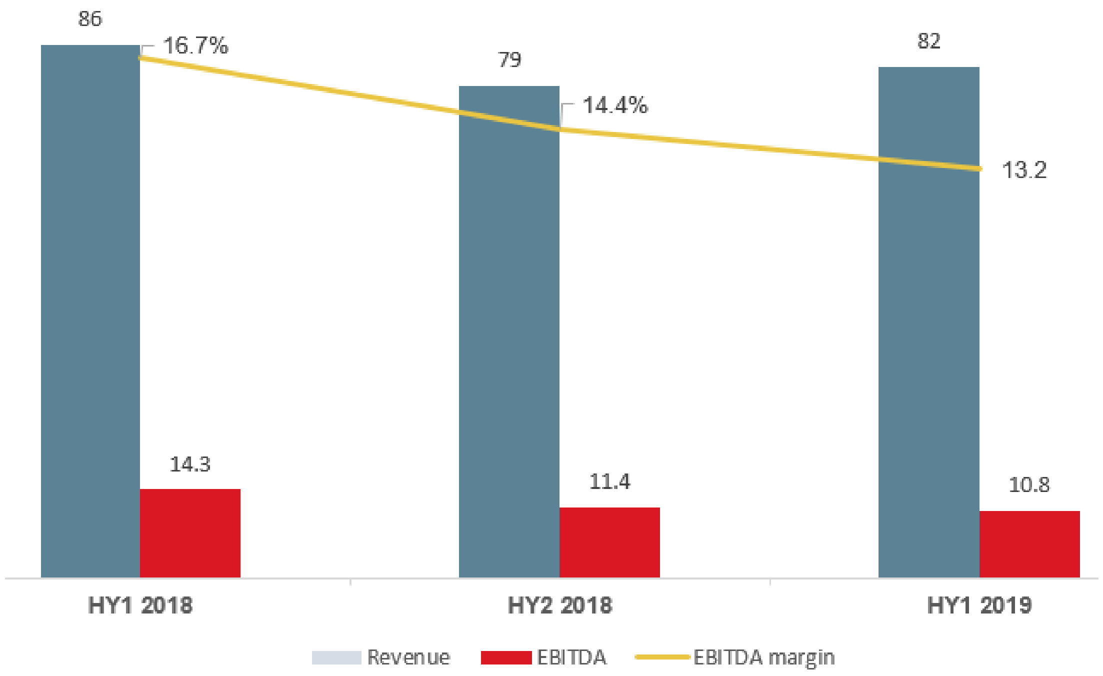
AUTOMOTIVE
HY1 2019



- Global car production down 6.7% in first half year
- Reduction staff costs 8% due to simplification measures and capacity adjustments to lower volumes
- Total costs 4% lower and impacted by periodic cost fluctuations and one-off costs
- Ongoing capacity investments in China organisation; 30 indirect FTE added since 2018
- Out of court settlement of EUR 1.6 million paid to U.S. supplier, related to alleged breach of contract claim, normalised in results
- Capital investments include production lines for a particle filter valve in China, active damping valves in Austria, piston cooling valves in Germany and capitalised R&D

INDUSTRIAL

HY1 2019



- Softening industrial markets
- 5% revenue decrease in ICS in part due to two delayed project starts in flow control
- ICS launched new valve production line in Sibiu to insource several key components in its flow control business
- 5% revenue reduction in IMS caused by market weakness
- IDS revenue decreased 2% as machine building weakened around the globe. Investment in future growth continues
- Capex investments below depreciation as a result of strict cash control

Strategic and operational update

FOCUS

Passenger Cars

- Strong focus on Autonomous, Connected, Electrified, Shared driving: ACES
- New functional Automotive organisation to increase commercial visibility and to further optimise our production facilities performing well

Robotics

- Significant number of new inquiries for brakes for collaborative robots
- Phase two of production capacity expansion in Suzhou on track

China

- Continued double digit revenue growth despite automotive headwinds
- Multiple new production lines ramping up
- Significant investment in both organisation capacity and capabilities

Addressing the future of automotive

ACES

The next 10 - 20 years: Evolution of the automotive market

Autonomous	Driving a major evolutionary shift in the car's architecture affecting all elements from sensing to processing to actuation
Connected	Evolving from simple data downloads to a full integration of cars and all of its sensors and functions
Electric	Disrupting the entire drivetrain and all of its components
Shared	Initiating new services and business models throughout the entire automotive value chain

"In the next 10 years, the automotive industry will face a magnitude of change greater than it has seen in the past 100"

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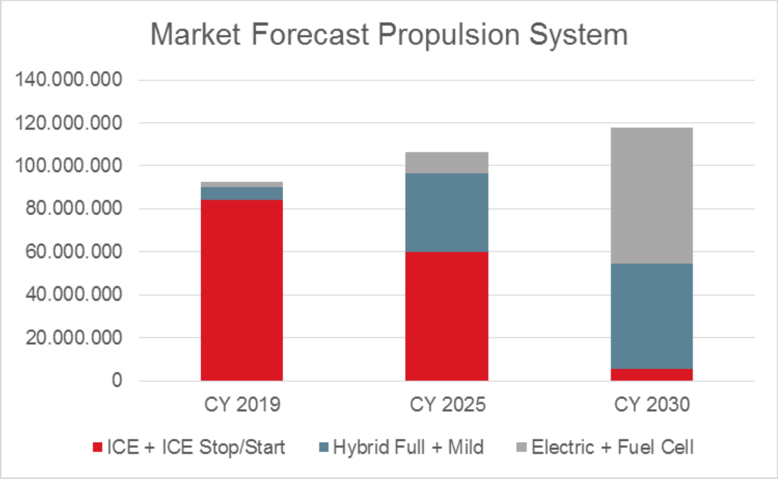
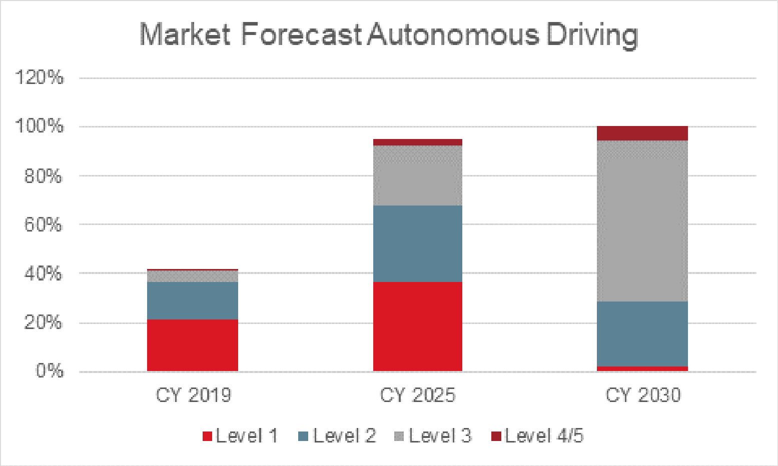
PROPULSION SYSTEM AND AUTONOMOUS DRIVING

Passenger cars, Outlook 2019 - 2030



Drive system, key messages

- ICE losing 30% in volumes by 2025
- Clear and strong shift to electrified (hybrid and BEV) 2025
- Hybrid engines expected to grow significantly between 2019 and 2025
- Electric cars projected a 50% market share by 2030
- Fuel cell, H2 combustion, e-fuels, etc. uncertain



Autonomous Driving, key messages

- Passenger cars with autonomous driving (all levels) at 90% by 2025
- Level 2 or higher at 50% by 2025
- Strong increase of Level 3 by 2030
- Level 4/5 to stay a niche market within the next 10 years

Source: IHS Markit

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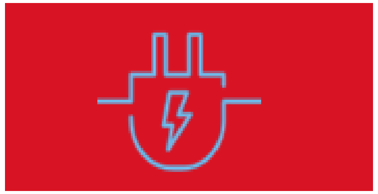
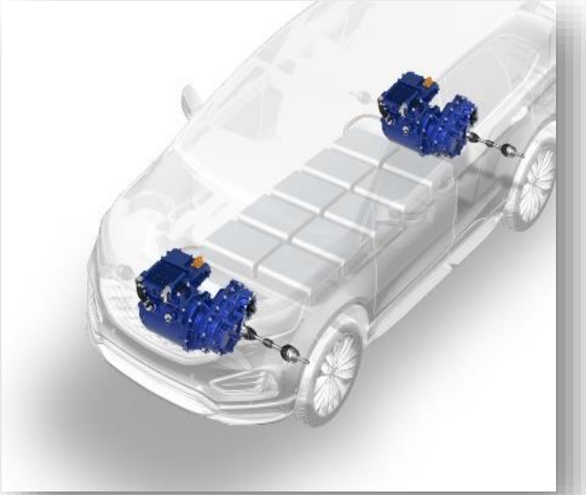
MOVING TO A NEW ERA

Kendrion ACES Lighthouse Projects

Autonomous

Electric





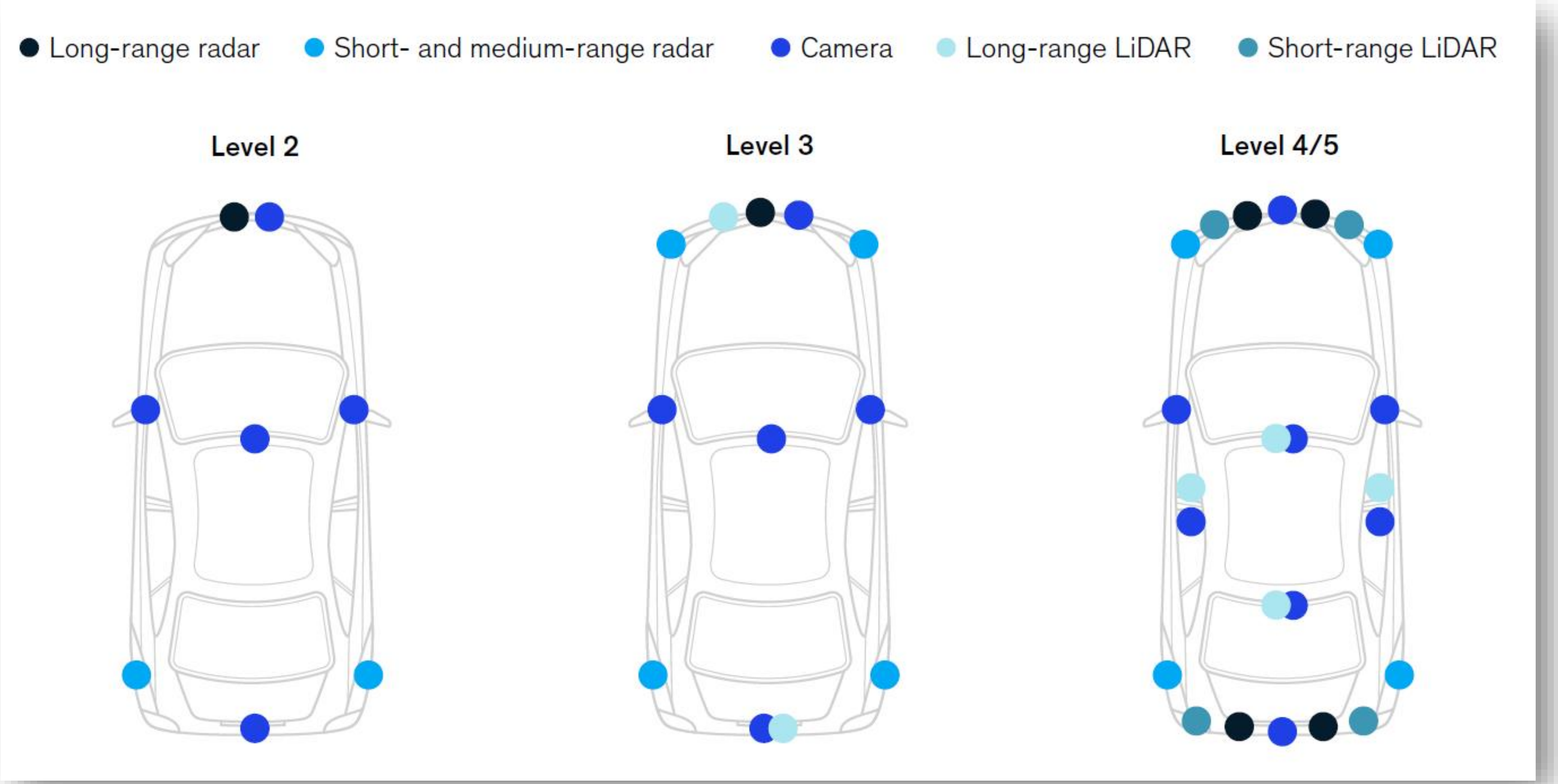
- Sensor Cleaning Valve and Control System
- Active Damping Actuators
- Car Positioning Sensors

- Battery Cooling Valve and Control System
- AVAS* Sound Systems
- Clutch for Hybrid Drivetrain

** Acoustic Vehicle Alerting Systems*

AUTONOMOUS DRIVING

Sketch of a vehicle and its sensor setup



Source: Expert interviews; Waymo Safety Report; Audi press announcements; GM investor presentation

SMART SENSOR CLEANING

Long lasting. Limited noise. Multiple functions.

- Efficient water valve block for up to 16 sensors
- Innovative positioning and actuation mechanism
- Modular system approach enabling fast customisation
- Built-in ECU with LIN bus automotive communication
- Enabling in-car communication and status feedback

GROW

- Medium and long-term growth opportunities for both Automotive and Industrial activities intact
- Optimised lean organisation, financially healthy, focused on operational performance, cost, cash and cashflow
- Continued investment the ACES, Brakes and China and expect significant growth in these areas over the coming years

CORPORATE SOCIAL RESPONSIBILITY

Target framework 2019 - 2023

Natural Capital

15%
Relative reduction of energy consumption

15%
Relative reduction of CO_2 emission

Implementation of the waste management hierarchy
in global waste management practices

Social and Human Capital

Recurring annual improvement of health & safety figures
number of accidents per 1,000 FTE, lost time injury rate per 1,000 FTE, group-wide illness rate

The establishment of a Global Diversity Committee,
responsible for advancing diversity

The implementation of a global company culture campaign
along the theme 'Growth through Innovation and Continuous Improvement'

Rewarding 10 community investment initiatives per year
through Together@Kendrion

Responsible Business Conduct

Maintain a responsible product portfolio
Products that Keep you Safe, Products that Reduce Climate Impact and Products that Improve Health

Sustainable sourcing
Sourcing only from approved suppliers and conducting at least 25 implementation audits annually

Continuous improvement and strengthening of the Global Legal Compliance and Governance Framework
to secure responsible business conduct

Outlook

OUTLOOK

- The overall sentiment regarding the global economic outlook continues to be weak
- Kendrion expects continued pressure for its Automotive activities and expects the weaker demand in these markets seen during the first half of 2019 to continue
- Kendrion expects that some demand weakness also be felt in Industrial
- The medium and long-term outlook is unchanged and remains good for both the Automotive group and the Industrial activities

NEW SHARE BUYBACK PROGRAMME

- Share buyback programme to neutralise dilutive effect stock dividend completed in July
- Launch of additional share buyback programme to reduce its issued share capital
- Maximum amount EUR 10m or 625,000 shares
- Actual number of shares that Kendrion can buy back depends on trading volumes
- Buyback period to be completed by 31 December 2019
- Up to EUR 20m returned to shareholders in 2019 if maximum amount is reached

LONG-TERM TARGETS 2023

- ROI* 2023: > 20.0%
- EBITDA 2023: > 15%
- Dividend policy: 35 – 50% of net profit (unchanged)

YOU ARE WELCOME FOR A CUP OF COFFEE

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Q&A

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THANK YOU

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