KENDRION

PRECISION. SAFETY. MOTION.

Q3 2019 RESULTS

Amsterdam, 5 November 2019

AGENDA

- Business review
- Operational update
- Acquisition of INTORQ GmbH & Co. KG
- 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.

Business review

GROUP FINANCIAL OVERVIEW

Normalised (in EUR million)	Q3 2019	Q3 2018	delta
Revenue	102,8	107,1	-4%
EBITDA	10,8	13,5	-20%
EBITA	4,8	7,7	-38%
Net profit	2,6	4,6	-43%
EBITDA as a % of revenue	10,5%	12,6%	
EBITA as a % of revenue	4,6%	7,2%	
Normalised items (after tax)	0,5	0,6	

Normalised in Q3 2019: EUR 0.7 million (EUR 0.5 million after tax) restructuring costs.
Normalised in Q3 2018: EUR 0.6 million (EUR 0.6 million after tax) restructuring costs.

Normalised (in EUR million)	YTD 2019	YTD 2018	delta
Revenue	320,1	346,7	-8%
EBITDA	36,2	48,6	-25%
EBITA	18,2	31,2	-42%
Net profit	10,9	20,4	-47%
EBITDA as a % of revenue	11,3%	14,0%	
EBITA as a % of revenue	5,7%	9,0%	
Normalised items (after tax)	0,0	4,8	

Normalised YTD 2019: EUR 1.6 million (EUR 1.2 million after tax) claim settlement, EUR 2.0 million positive release currency translation reserve, EUR 0.3 million tax expense related to tax audit and EUR 0.7 million (EUR 0,5 million after tax) restructuring costs. Normalised YTD 2018: EUR 6.5 million (EUR 4.8 million after tax) restructuring costs.

- 4% revenue decrease (5% at constant exchange)
- Q3 income comparable affected by reduction in inventories
- Staff costs 4% lower fueled by cost measures in 2018 and adapting capacity to lower volumes
- Total costs 3% lower and affected by somewhat higher depreciation charges
- EUR 5 million annualised cost savings as from 2020 identified with corresponding total non recurring costs of around EUR 3 million
- Good cash conversion with EUR 7.8 million normalised free cash flow in Q3
- Investments of EUR 15.2 million (YTD 2018: EUR 20.7 million, excl. acquisitions) compared to EUR 18.0 million depreciation charges
- Strong financial position; solvency of 47.3% (Q3 2019: 48.2%) and leverage of 1.7 (excluding IFRS16)
- Share buyback: EUR 4.2 million repurchased (per 1 Nov 2019)

AUTOMOTIVE

- Year to date global car sales down 5.6% (Q3 3.4%)
- 8% lower year to date total staff costs due to simplification measures and capacity adjustments to lower volumes
- High market interest in smart actuation products combining actuation and control
- Continuing strong growth in China with around 30% growth in Q3 on the back of new project launches in sound and a parklock application
- 2019 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

- German manufacturing industry in downturn with export reliant manufacturers suffering from business uncertainty
- All three business units affected by lower revenues, with IDS decrease partially offset by strong growth in China
- Stable staff cost development, with reductions absorbing salary increases. Total costs up 1% due to capacity investments in brakes in 2018
- 35% growth in China completely driven by higher revenues in electromagnetic brakes
- 2019 capital investments substantially below depreciation following strict capital control

Operational update

FOCUS

Passenger Cars

- Continued focus on Autonomous, Connected, Electrified, Shared driving: ACES
- Significant additions to project pipeline in both China and Europe
- First commercial contract for our "battery cooling valve and control system", one of six "Lighthouse" platforms

Robotics

- Kendrion to acquire INTORQ GmbH & Co. KG to create a leading industrial brake company

China

- Year-on-year revenue growth, of around 30%, up from 21% growth in H1 2019 as new production lines continue to ramp up
- Significant investment in both organisation capacity and capabilities

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ACQUISITION INTORQ GMBH & CO. KG

KENDRION TO ACQUIRE INTORQ TO CREATE A LEADING INDUSTRIAL BRAKE COMPANY

TRANSACTION HIGHLIGHTS

Transaction terms	▪ Kendrion to acquire INTORQ for EUR 80 million on a cash- and debt-free basis ▪ Multiple of 10.4X EBITDA and 8.0X EBITDA including expected run rate synergies*
Strategic rationale	▪ Substantial strengthening of position in industrial brakes ▪ Further expands footprint in China ▪ Significant and tangible synergies: double digit EPS accretion in first year expected ▪ Share of Industrial revenue to increase from 37% to 44%**
Financing	▪ EUR 75 million of committed bridge financing in place to fund the transaction ▪ Refinancing anticipated with a combination of equity and debt ▪ Share buyback programme cancelled per 5 November 2019
Timing	▪ Closing of the transaction subject to customary conditions ▪ Closing expected in the first quarter of 2020

* *Based on INTORQ EBITDA realised FY2018/2019*

** *Kendrion revenue 2018 reported figures. INTORQ revenue FY2018/2019*

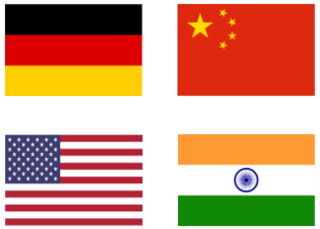
INTORQ AT A GLANCE

Key stats

- 2018 - 2019 revenue: EUR 57 million (April year-end)
- Employees: ~300
- Units per year: ~1 million
- Global network: 63 sales partners in 49 countries

Presence

- Aerzen (HQ, Germany)
- Shanghai (China)
- Atlanta (USA)
- Pune (India)



Application areas

- Geared & servomotors
- Electric forklifts
- Wind power
- Cranes & hoists
- Elevators & escalators

Main products

Spring-applied brakes

Electromagnetic brakes and clutches

COMPELLING STRATEGIC RATIONALE

Strong strategic fit	▪ Substantial strengthening of our position in industrial brakes ▪ Further expansion of our footprint in the Chinese growth market ▪ INTORQ's strength in spring-applied brake technology complementary to Kendrion's leading position in permanent magnet brake technology ▪ Geographical expansion: Europe, China, the U.S. and India ▪ Shared market segments include electric motors, wind power and elevators ▪ Complimentary markets include geared motors, forklifts, cranes and hoists
Substantial synergy potential	▪ Optimised operational efficiencies with integration of selected manufacturing sites, expected to result in substantial cost synergies ▪ Improved market position and product range with potential for cross-sell due to complementary customer base and market segments
Value creation	▪ Value creative transaction with double digit EPS accretion expected from year 1*

** Excluding amortisation of purchase price allocation*

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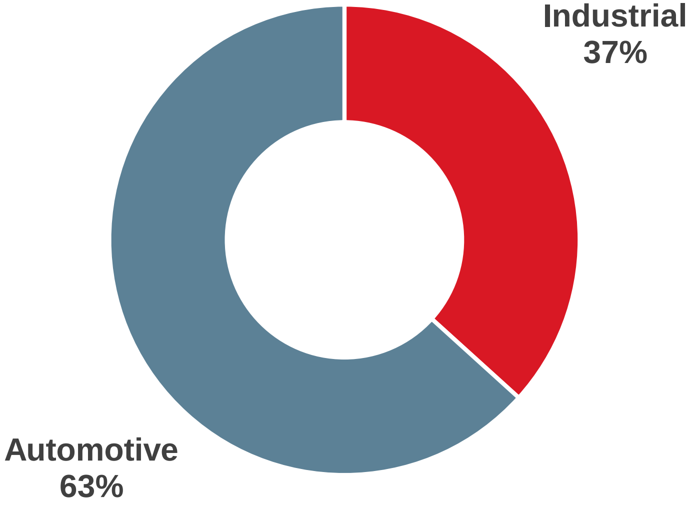
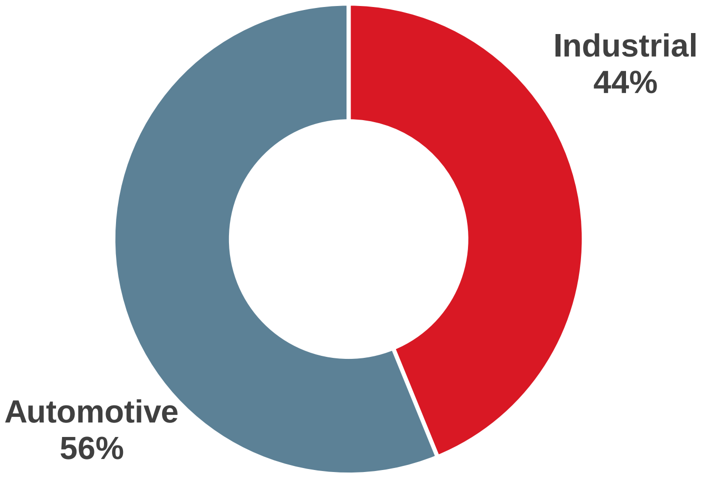
TRANSACTION WILL LEAD TO A MORE BALANCED REVENUE MIX*

Kendrion



Industrial Drive Systems applications
- ✓ Servomotors
- ✓ Elevators
- ✓ Wind power
- ✓ Other

Kendrion + INTORQ



Industrial Drive Systems applications
- ✓ Geared & servomotors
- ✓ Electric forklifts
- ✓ Wind power
- ✓ Cranes & hoists
- ✓ Elevators & escalators
- ✓ Other

** Kendrion revenue 2018 reported figures. INTORQ revenue FY2018/2019*

SUBSTANTIAL RUN-RATE COST SYNERGY POTENTIAL

- Substantial run-rate cost synergy potential of more than EUR 2 million per year
- Tangible and well-identified cost savings
  - Integration of selected manufacturing sites in Europe, China and the U.S.
  - Overhead cost savings anticipated (e.g. IT expenses, insurance costs)
- The transaction will give rise to amortisable goodwill for income tax purposes, expected to lead to annual tax payment reductions with a net present value of EUR 6 million (not included in cost synergy figure)
- Most synergies expected to be implemented during 2020

> EUR 2 million annual cost synergies

Manufacturing site integrations in EU, China and the U.S.

Overhead cost savings

Transaction-related tax benefit

FINANCING

- EUR 75 million of committed bridge financing from ING Bank in place to fund the transaction
- Refinancing of the bridge anticipated with a combination of equity and debt
- Share buyback programme launched on 8 August 2019 will be cancelled per 5 November 2019

STRATEGIC INTENT

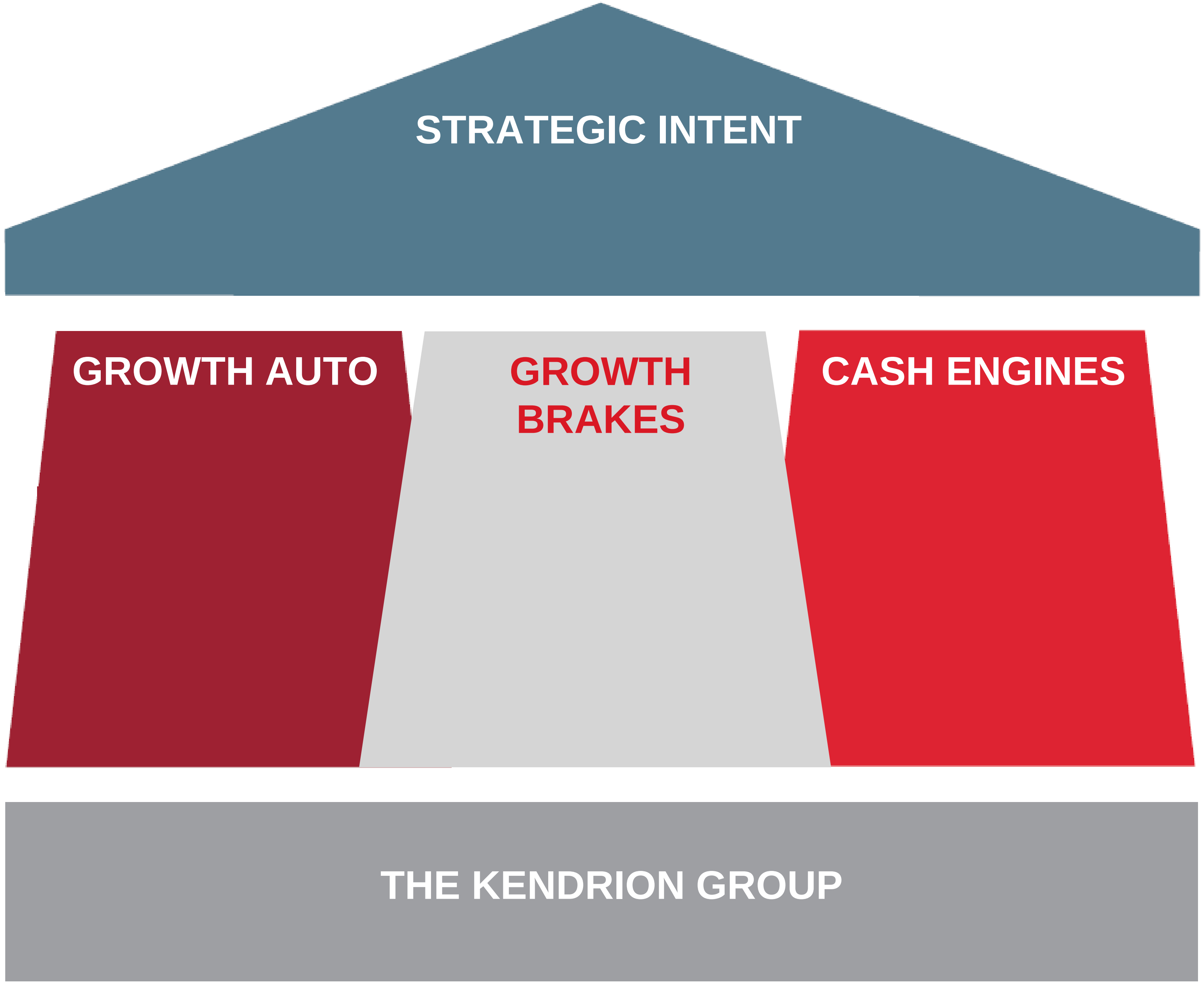
GROWTH OPPORTUNITIES

- Actuators for Autonomous, Connected, Electric, Shared vehicles
- Brakes for industrial automation and robots
- China

CASH ENGINES

- Machinery
- Transportation
- Energy distribution
- Fluid control

THE KENDRION GROUP


STRATEGIC INTENT
GROWTH AUTO
GROWTH BRAKES
CASH ENGINES
THE KENDRION GROUP

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 to continue in Q4 2019 and into 2020
- Kendrion has a similar outlook for Industrial
- The medium and long-term outlook is unchanged and remains good for both the Automotive group and the Industrial activities

LONG-TERM TARGETS 2023

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

** Before potential acquisitions*

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