KENDRION

PRECISION. SAFETY. MOTION.

Q2 AND HALF YEAR RESULTS 2022

Amsterdam, 24 August 2022

AGENDA

1. Business review
2. Strategic and operational update
3. Outlook
4. 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.

1. Business review

KEY FIGURES

Normalized (in EUR million)	Q2 2022	Q2 2021	delta
Revenue	126.9	119.3	6%
EBITDA	13.7	15.8	-13%
EBITA	7.9	9.8	-19%
Net profit before amortization	5.3	6.1	-13%
EBITDA as a % of revenue	10.8%	13.3%	
EBITA as a % of revenue	6.2%	8.2%	

- Organic revenue increased by 2% at constant rates of exchange
- Revenue impact China lockdowns estimated at EUR 3.5 million (3% of Group)
- Added value margin increased by 0.8%, despite continuing pressure on input prices
- EBITDA affected by lower volumes in Automotive, increased organic costs due to energy prices, demand volatility, and development costs
- Total FTE of 2,747 - including 165 temps. Compared with 2021, this is an increase of 100 FTE, of which 83 from 3T

Normalized (in EUR million)	HY1 2022	HY1 2021	delta
Revenue	256.8	234.6	9%
EBITDA	30.5	31.9	-4%
EBITA	19.3	19.6	-2%
Net profit before amortization	12.9	12.5	3%
EBITDA as a % of revenue	11.9%	13.6%	
EBITA as a % of revenue	7.5%	8.4%	
Return on invested capital[1] (12 months rolling)	14.7%	15.5%	

[1] *Invested capital excluding intangibles arising from acquisitions.*

- Organic revenue increased by 5% at constant rates of exchange
- Continued strong demand in the Industrial segment with 16% organic growth; Automotive dropped by 2% as global and European car production declined
- AV margin increased by 0.4% due to revenue mix and sales price increase
- Organic staff and other operating expenses: EUR 6.5 million (7.5%) higher than last year, at constant rates of exchange
- Lower net interest costs due to favorable currency results drove a 3% improvement of net profit before amortization
- EUR 2.4 million operating expenses and EUR 0.6 million finance expenses normalized in the HY1 results

CASH FLOW AND FINANCIAL POSITION

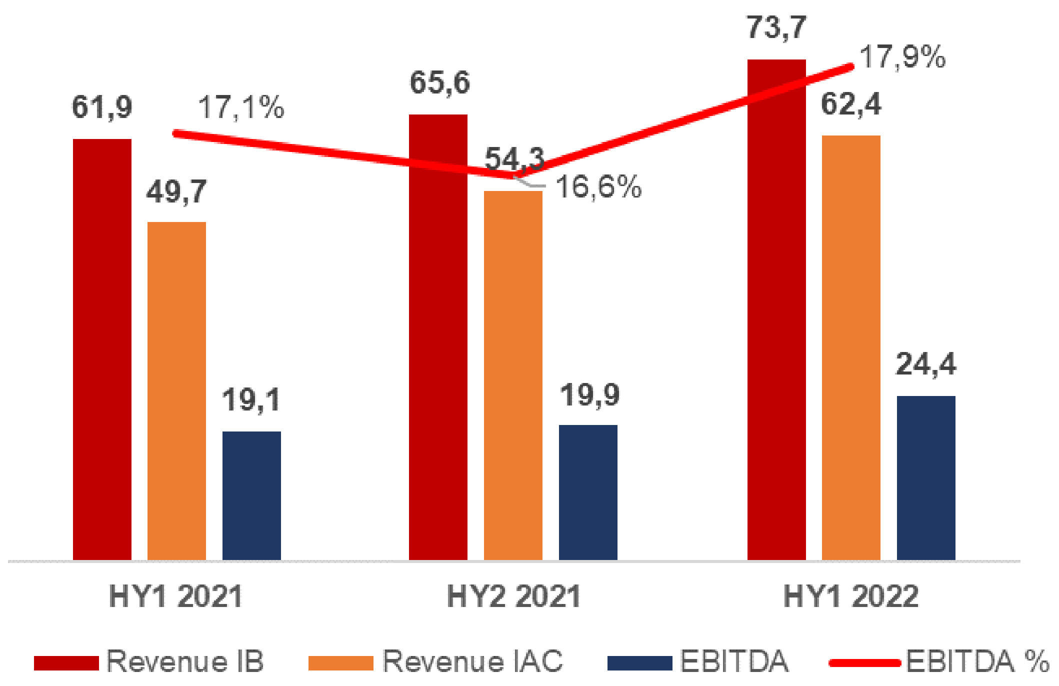
Free cash flow

- Operating cash flow increased by EUR 3.6 million to EUR 8.9 million in HY1 2022
- Free cash flow of EUR 7.6 million negative in first six months (HY1 2021: -/- EUR 4.2 million) driven by seasonal effects on working capital and high capital investments
- EUR 16.5 million in capital investments; EUR 5.2 million above depreciation. EUR 5.3 million relates to the construction of the new facility in China
- Total working capital increased by EUR 14.8 million due to buffer stocks for Austrian Automotive plant closure, increased revenue and continuing pressure on inventories due to supply chain shortages
- High capital expenditure program for HY2 expected to be fully funded with operating cash flow

Financial position

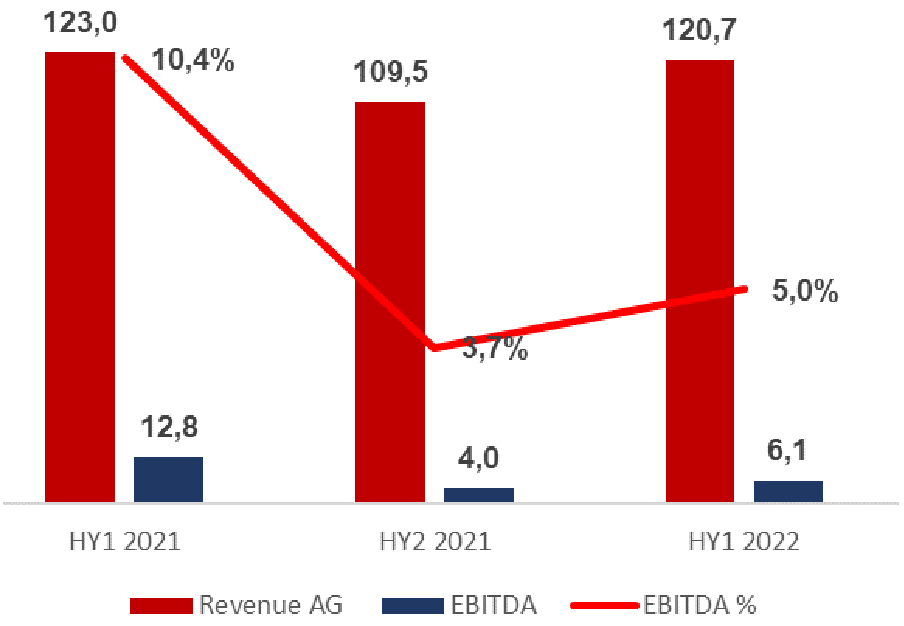
- Net debt of EUR 145.6 million, EUR 8.6 million above Q1 mainly due to cash portion of the optional dividend
- Leverage ratio of 2.6, from 2.4 at the end of Q1, well below financial covenant of 3.25
- Sufficient liquidity position with EUR 53 million available under existing credit lines

INDUSTRIAL



- Organic revenue growth of 16%; China lockdowns impact estimated at ~2% of Industrial revenue
- Industrial Brakes revenue increase of 19% to EUR 73.7 million
- Industrial Actuators and Controls revenue increase of 25%, or 13% when excluding 3T
- Improved nominal and underlying added value margin percentage; 28% increase in EBITDA, driven by good operational leverage, despite high inflationary environment
- Investments of EUR 2.7 million below depreciation, affected by increased lead times
- Investments in HY2 expected to be well above depreciation, driven by capacity extensions in Industrial Brakes

AUTOMOTIVE



- Ongoing supply chain shortages continue to supress global (-/-2%) and European (-/-12%) car production
- Volumes decrease as nominal revenue is affected by positive exchange rate effects and significant sales price inflation
- Rising input price increases successfully passed on to customers
- EBITDA affected by lower volumes and pressure on costs due to energy costs, production volatility, and higher development costs
- Last production lines in Austrian plant successfully transferred to Villingen and Sibiu; related cost savings commence in Q3
- HY1 2021 investments of EUR 13.8 million, including EUR 5.3 million investments related to the construction of the China building

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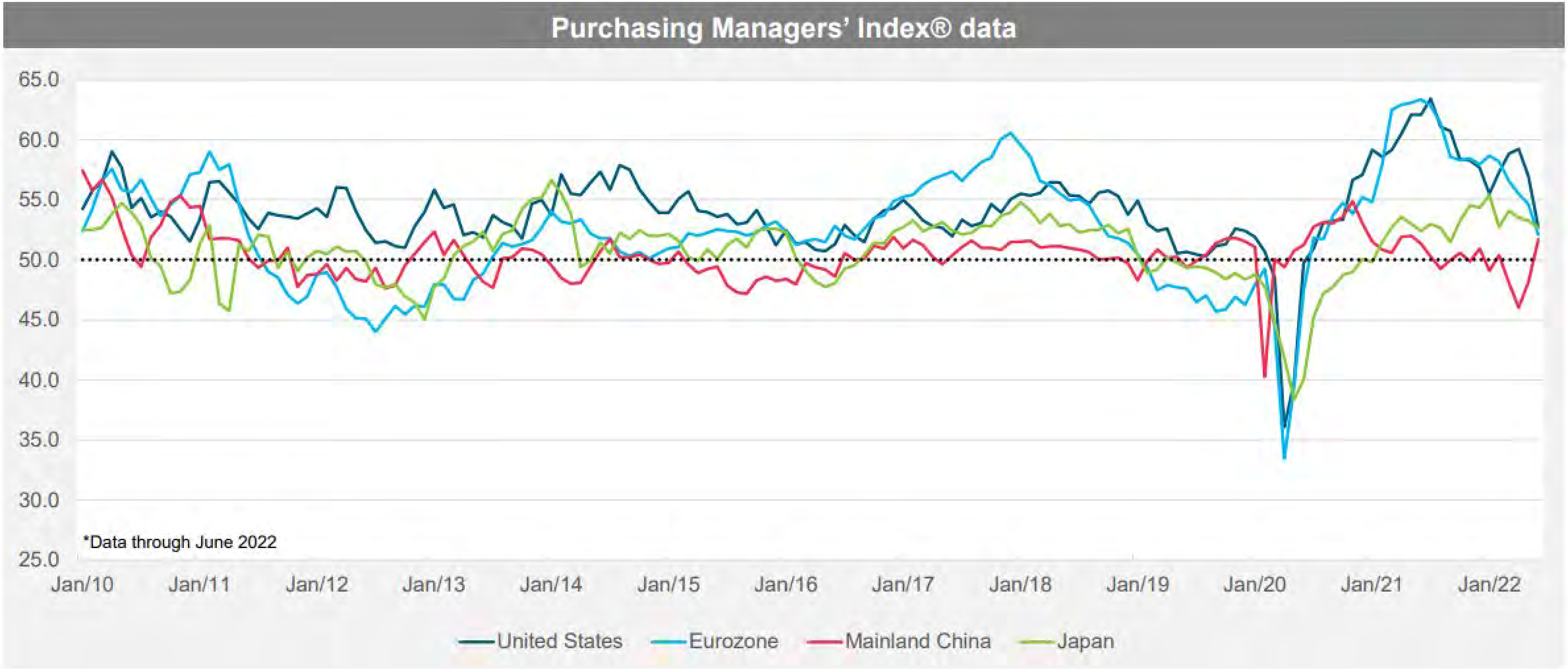
2. Strategic and operational update

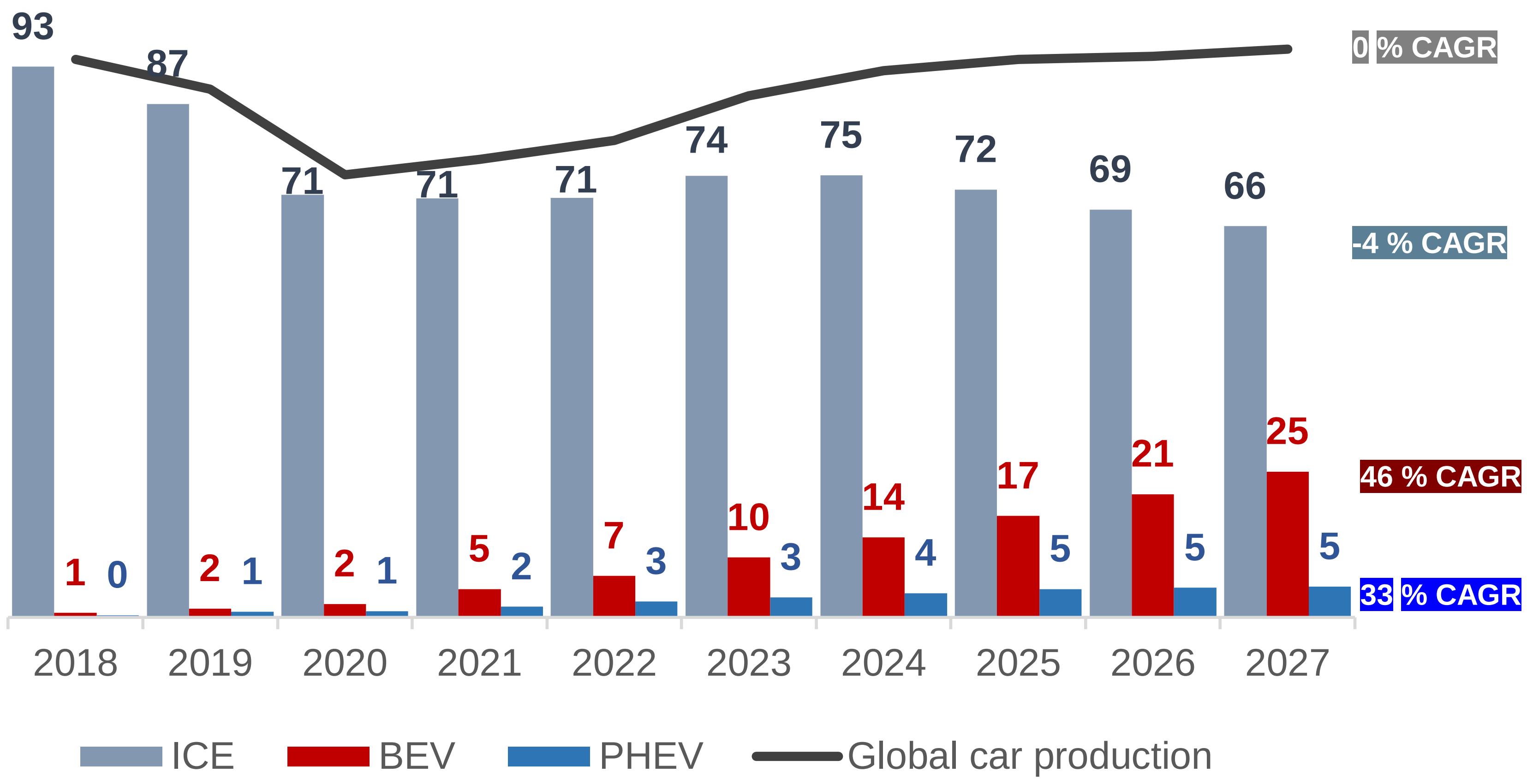
GLOBAL PURCHASING MANAGER INDEX



Source: IHS Markit

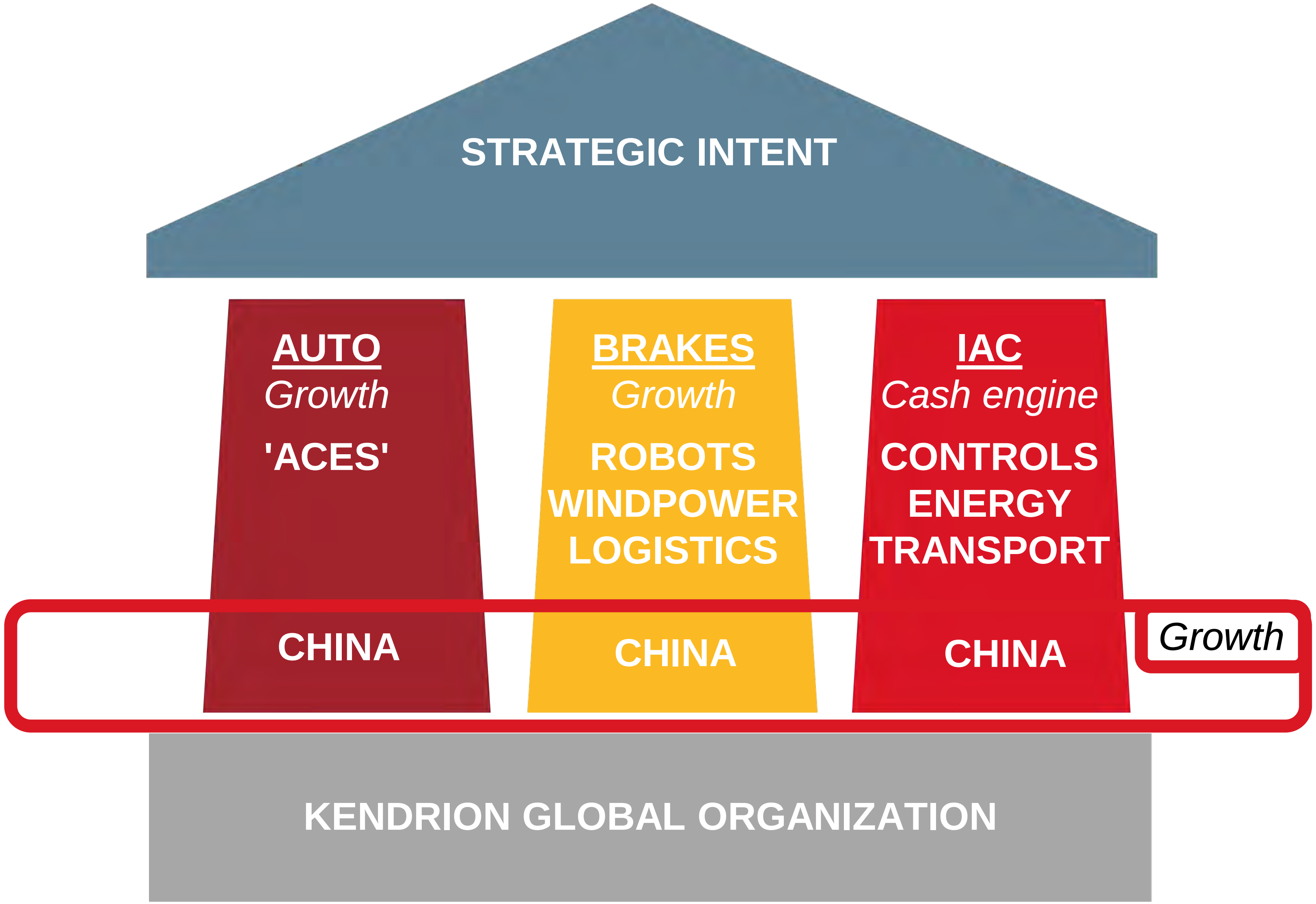
ELECTRIFICATION CONTINUES TO ACCELERATE

Million units



Source: IHS Markit May 22

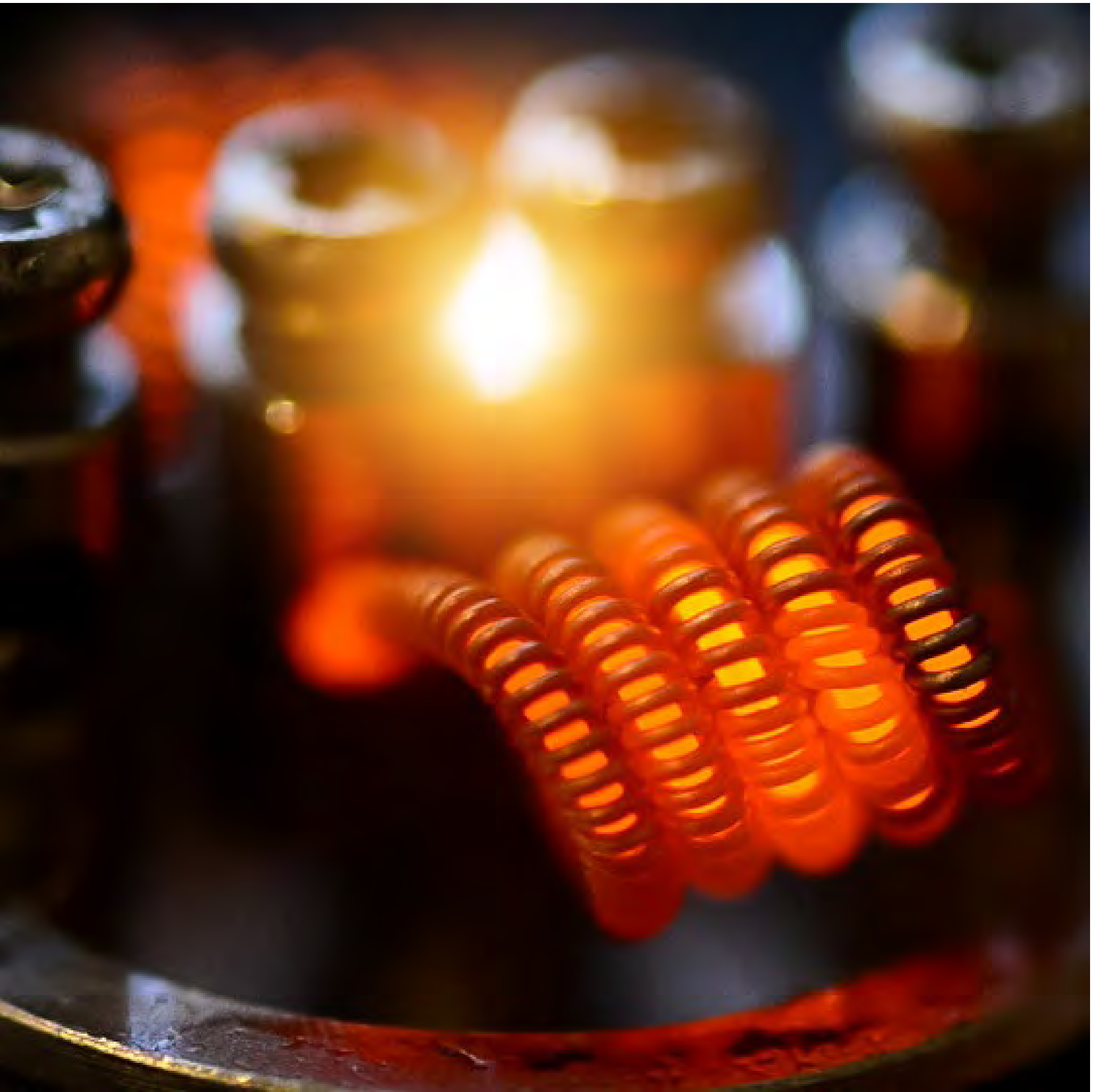
KENDRION STRATEGIC HOUSE



INDUSTRIAL BRAKES

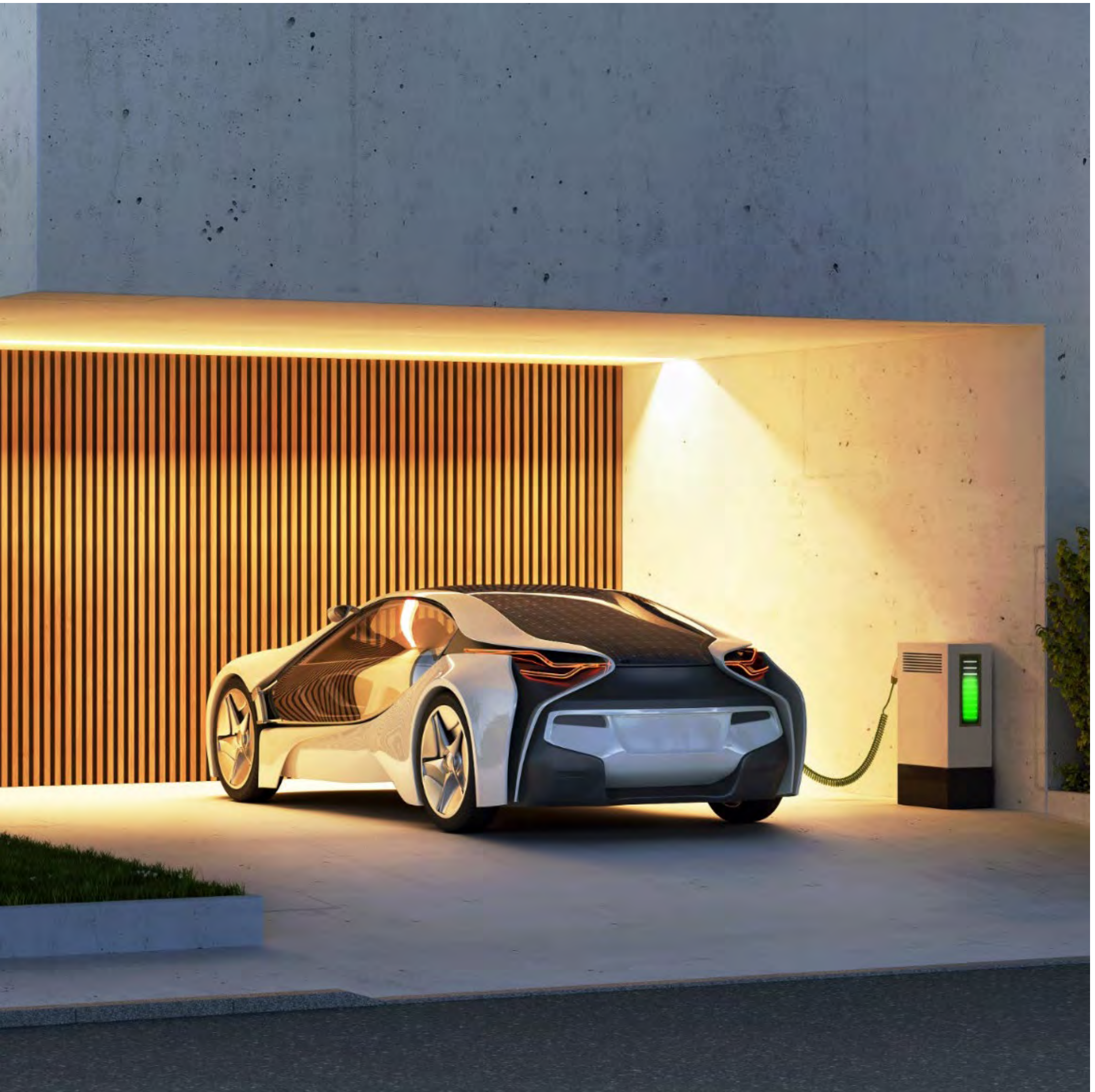
- HY1 organic growth of 19%, despite the COVID-related shutdown of our brake factory in Shanghai
- Stable gross margins: effectively passing on raw material price increases
- Investments in R&D and production capacity, anticipating further organic growth
- Continued strong traction with both existing and new accounts, thanks to our complete product portfolio and the broad transition towards clean energy

INDUSTRIAL ACTUATORS AND CONTROLS



- HY1 organic growth of 25%; 13% when excluding 3T
- Stable gross margins; successfully passing on of raw material price increases
- Delivery constraints of semiconductor and various other input materials
- Strong order book and continued interest in new products such as industrial locks and inductive heating

AUTOMOTIVE



- Difficult trading environment: semiconductor shortages, demand volatility, and OEM delay tactics with price increase mechanisms
- Stable gross margins; effectively passing on raw materials price increases
- Eibiswald: transfer of production lines to Villingen and Sibiu completed
- Volatile order pattens reduce direct labour productivity; energy costs are significantly higher
- Significant interest in sound, suspension, and sensor cleaning products
- Continued investment in software and electronics development for sound and sensor cleaning products

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CHINA

- Loss of six production weeks in Shanghai due to the COVID-related shutdown
- Total impact on Group revenue: 3% or EUR 3.5 million
- Most of this revenue expected to be realized in H2 2022
- Growth opportunities for all Business Groups
  - IAC in medical/automation markets
  - IB in robotics
  - Automotive in sound and eCDV
- Construction of manufacturing facility at Suzhou Industrial Park progressing well: expected to be operational in Q1 2023


Warehouse
5.500 m²
Production
17.500 m²
Office
4.300 m²
New factory – Phase I


Warehouse
Production
Office
Reserved area for phase II

Phase I: Latest progress

We have completed the construction of frame structures. The internal structures of the Production and Office buildings are in progress now.

Warehouse includes 6,500+ pallet space.
Almost 50% of the construction has been done.

Plot of neighborhood, Zeiss

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3. Outlook

OUTLOOK

- Expect overall market situation to remain volatile in the foreseeable future
- Expect continuation of constraints in the supply chain and upward pressure on raw material prices
- Broad-based energy transition towards electrification is continuing
- Positive longer-term business fundamentals, with our main objective delivering sustainable profitable growth

LONG-TERM TARGETS

Revenue	EBITDA margin
Average organic growth at least 5% per year *	At least15% in 2025

ROIC	Dividend
At least 25% in 2025	Between 35% - 50% of normalized net profit

** Invested capital excluding goodwill and intangibles arising from acquisitions*

CAPITAL MARKETS DAY

- Thursday, 8 September 2022 at 2.00 p.m. CET
- Hotel Novotel, Europa Boulevard 10, 1083 AD Amsterdam
- Live webcast on www.kendrion.com with playback facilities

4. Questions & Answers

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