

A man with a beard is shown in profile, looking towards the right. He is using his hands to frame the sun, which is low on the horizon, creating a starburst effect. The background features a calm body of water, distant mountains, and some reeds in the foreground. The overall scene is bathed in the warm, golden light of a sunset.

## **GENERAL MEETING OF SHAREHOLDERS KENDRION N.V.**

**24 JUNE 2020**

# GENERAL MEETING OF SHAREHOLDERS

## Agenda item 1

- Opening

# GENERAL MEETING OF SHAREHOLDERS

## Agenda item 2a

- **Report by the Executive Board on financial year 2019**



**JOEP VAN BEURDEN, CEO**  
**JEROEN HEMMEN, CFO**

## 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.

# AGENDA

- 1. Kendrion overview**
2. COVID-19
3. Business review
4. Strategic and operational update
5. Summary
6. Q&A

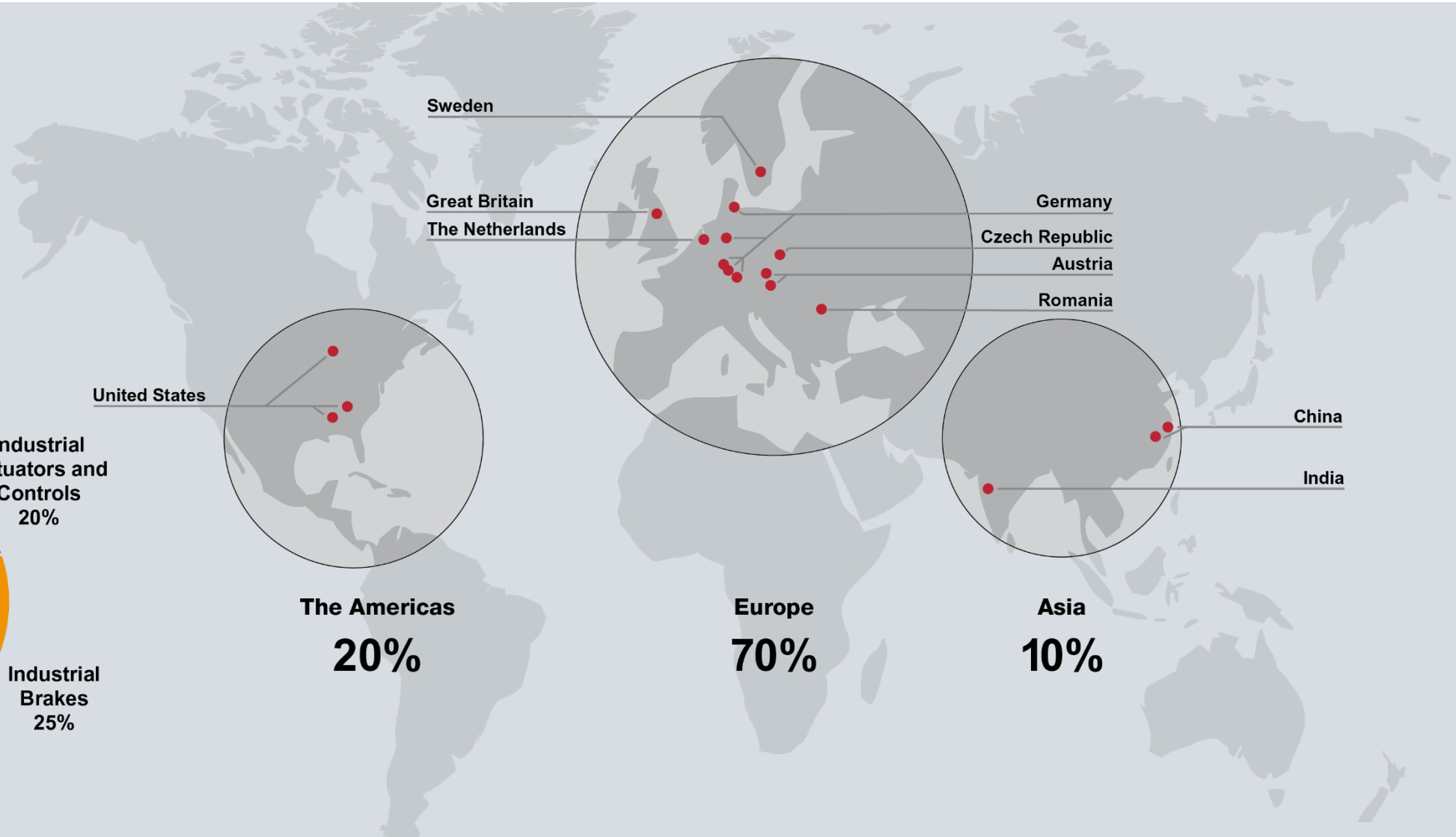
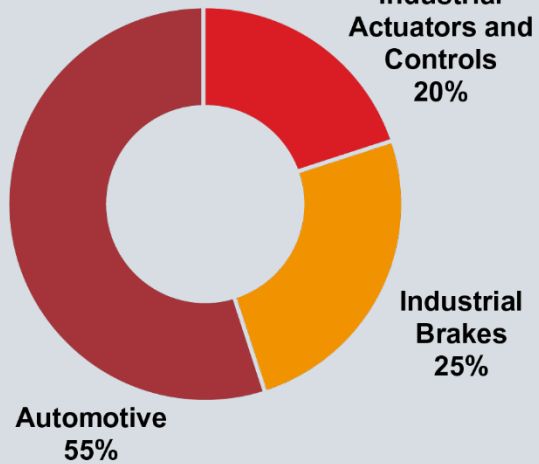


## 1. Kendrion overview

# OUR ORGANISATION

**Employees**  
2,522

**Revenue mix**





## NEW BUSINESS UNITS

Markets that offer opportunity for profitable growth

### AUTOMOTIVE

Innovative mobility solutions for passenger cars and commercial vehicles focused on drive systems, fluid control and smart actuation technologies

### INDUSTRIAL BRAKES

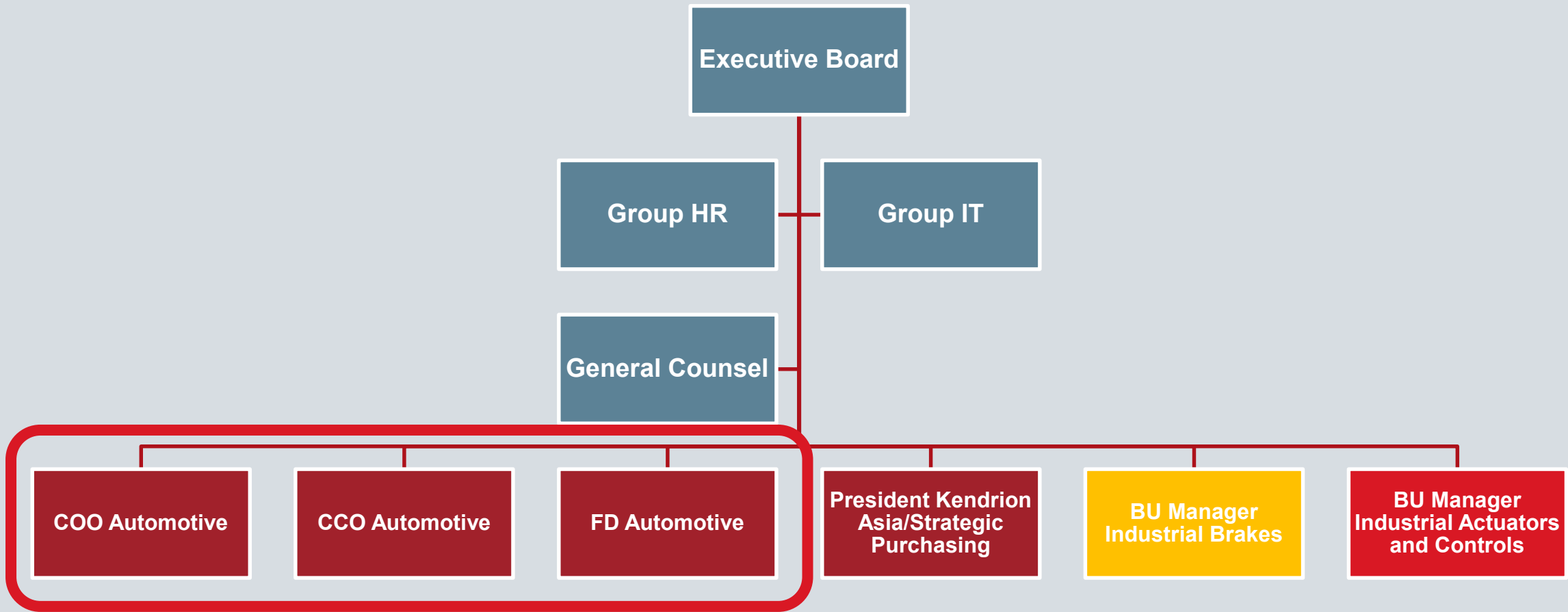
Full-line provider of electromagnetic brakes, spring-applied brakes and clutches for industrial applications

### INDUSTRIAL ACTUATORS AND CONTROLS

Industrial automation, locking units and fluid control systems, customised solutions for switching, locking, holding and positioning based on electromagnetic technology

# OUR ORGANISATION'S STRUCTURE

## Management Team as of 1 January 2020



# AGENDA

1. Kendrion overview
2. **COVID-19**
3. Business review
4. Strategic and operational update
5. Summary
6. Q&A



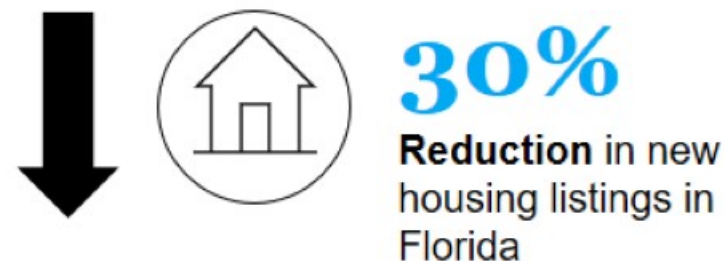
## 2. COVID-19

## LEADERSHIP IN TIMES OF CRISIS

- Decisions, decisions!
- Be brave
- Unity of effort: we are all in the same boat
- Learn and correct if needed
- We stick to our values

# Consumer spending is taking a hit around the world

## SELECTED EXAMPLES



Preliminary insights, based on latest available weekly data – to be refreshed weekly

Source: OpenTable, Skyhook, Earnest, Stackline, press clippings; team analysis

# Scenarios for the Economic Impact of the COVID-19 Crisis

GDP Impact of COVID-19 Spread, Public Health Response, and Economic Policies

## Virus Spread & Public Health Response

Effectiveness of the public health response in controlling the spread and human impact of COVID-19

### Rapid and effective control of virus spread

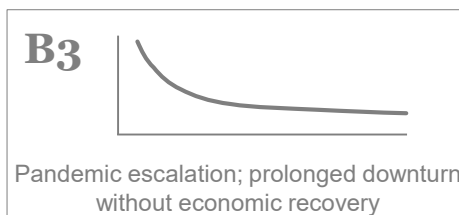
Strong public health response succeeds in controlling spread in each country within 2-3 months

### Effective response, but (regional) virus recurrence

Initial response succeeds but is insufficient to prevent localized recurrences; local social distancing restrictions are periodically reintroduced

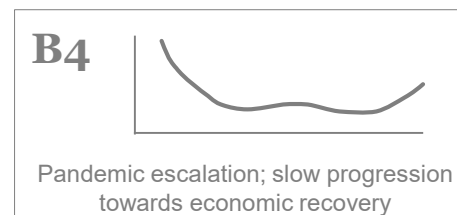
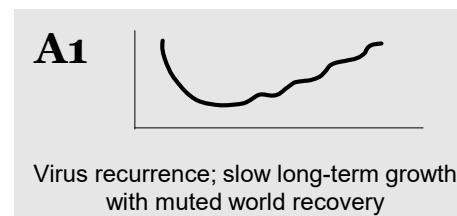
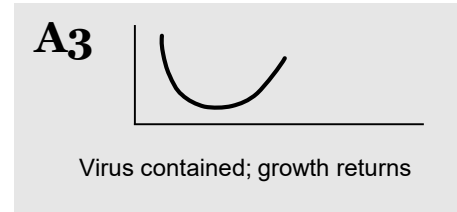
### Broad failure of public health interventions

Public health response fails to control the spread of the virus for an extended period of time (e.g., until vaccines are available)



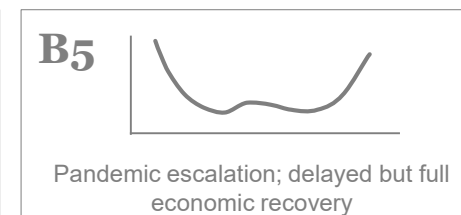
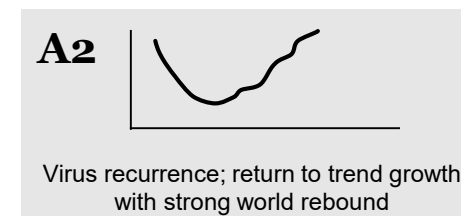
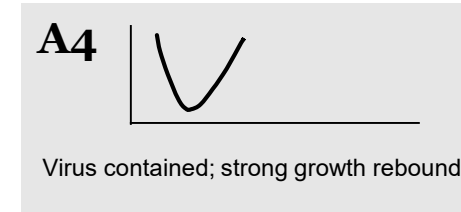
### Ineffective interventions

Self-reinforcing recession dynamics kick-in; widespread bankruptcies and credit defaults; potential banking crisis



### Partially effective interventions

Policy responses partially offset economic damage; banking crisis is avoided; recovery levels muted



### Highly effective interventions

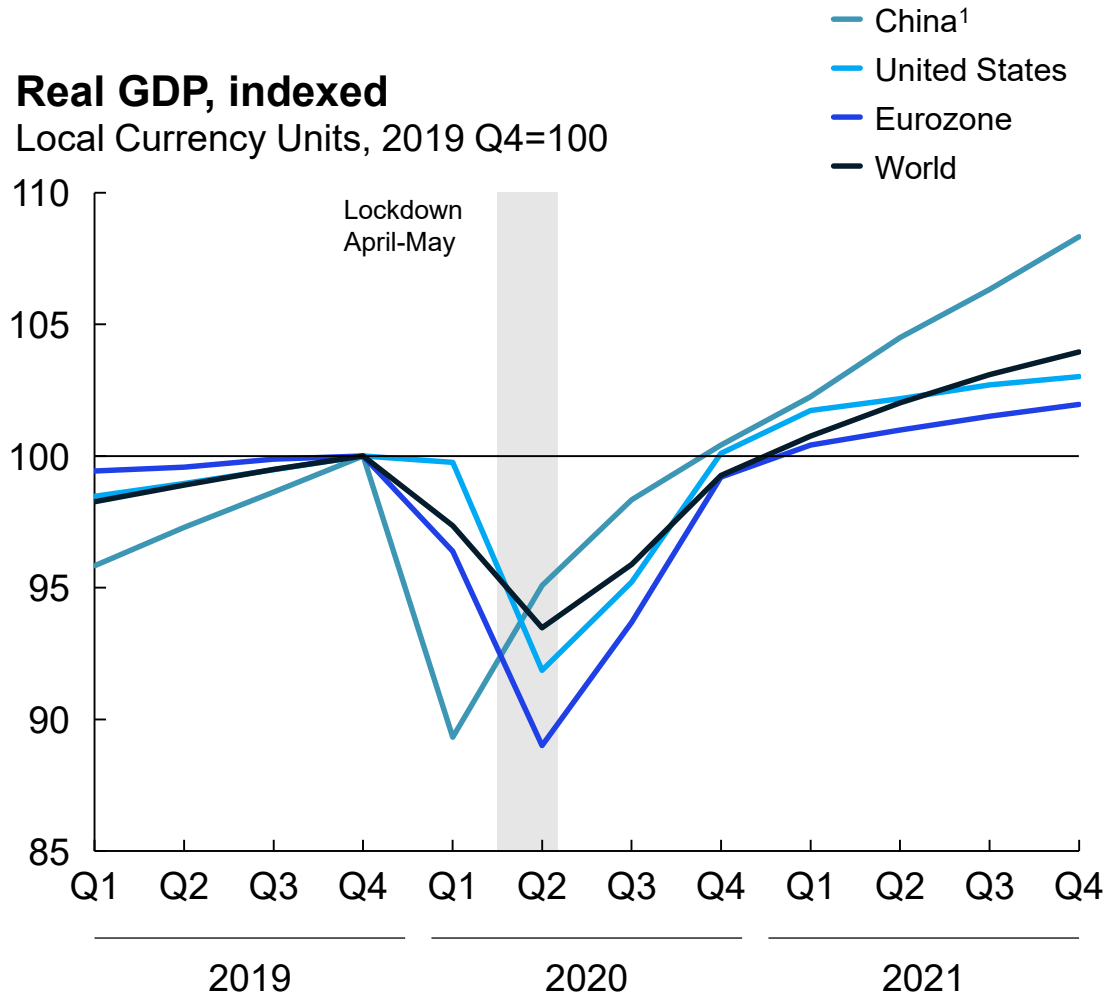
Strong policy responses prevent structural damage; recovery to pre-crisis fundamentals and momentum

## Knock-on Effects & Economic Policy Response

Speed and strength of recovery depends on whether policy moves can mitigate self-reinforcing recessionary dynamics (e.g., corporate defaults, credit crunch)

# Scenario A3: virus contained, growth returns

Large economies



1. Seasonally adjusted by Oxford Economics

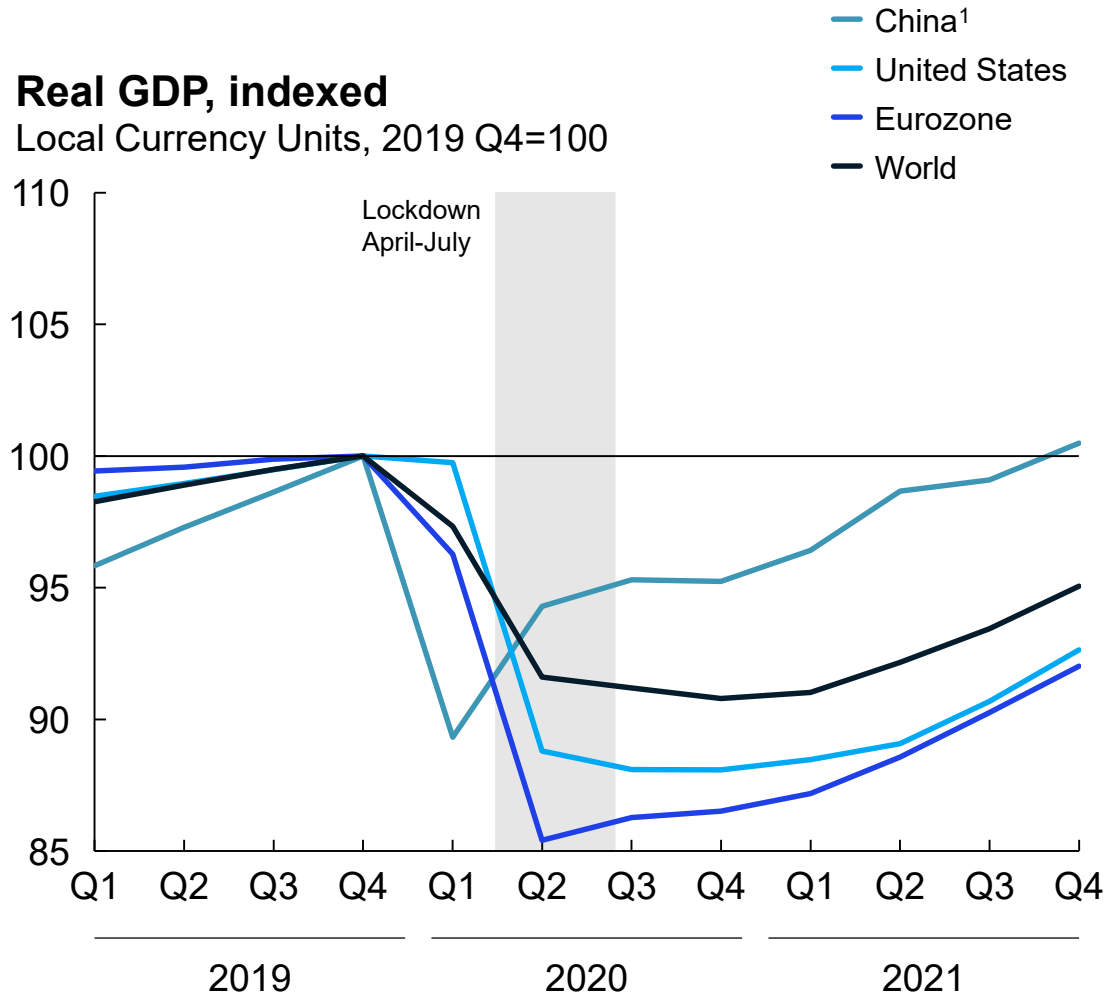
Source: McKinsey analysis, in partnership with Oxford Economics

	Real GDP Drop 2019Q4-2020Q2 % Change	2020 GDP Growth % Change	Return to Pre- Crisis Level Quarter (+/- 1Q)
China	<b>-4.9%</b>	<b>-2.0%</b>	<b>2020 Q4</b>
United States	<b>-8.1%</b>	<b>-2.5%</b>	<b>2020 Q4</b>
Eurozone	<b>-11.0%</b>	<b>-5.2%</b>	<b>2021 Q1</b>
World	<b>-6.5%</b>	<b>-2.7%</b>	<b>2021 Q1</b>



# Scenario A1: virus recurrence, with muted recovery

## Large economies



1. Seasonally adjusted by Oxford Economics

Source: McKinsey analysis, in partnership with Oxford Economics

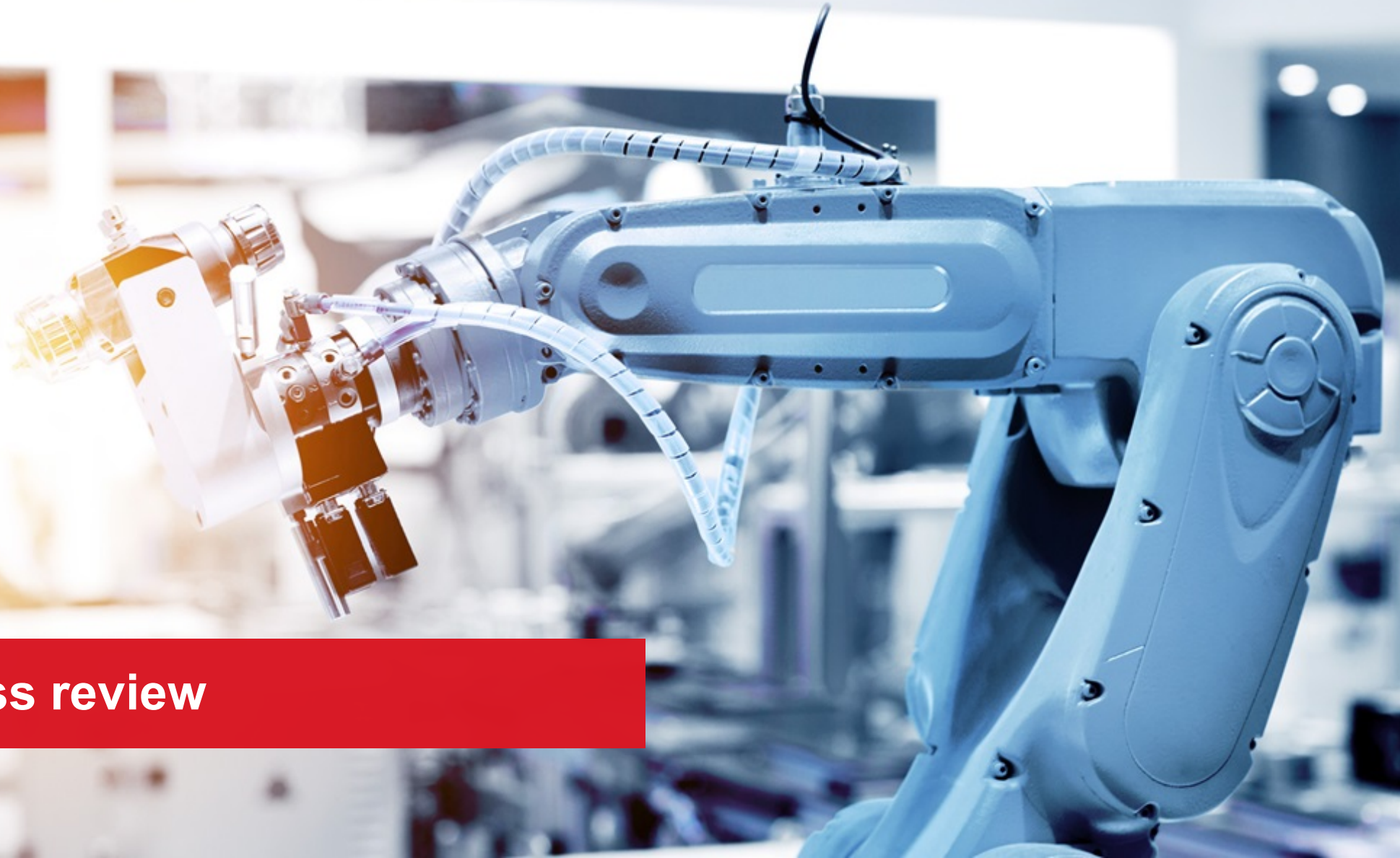
	Real GDP Drop 2019Q4-2020Q2 % Change	2020 GDP Growth % Change	Return to Pre- Crisis Level Quarter (+/- 1Q)
China	<b>-5.7%</b>	<b>-4.4%</b>	<b>2021 Q4</b>
United States	<b>-11.2%</b>	<b>-8.1%</b>	<b>2023 Q1</b>
Eurozone	<b>-14.6%</b>	<b>-11.1%</b>	<b>2023 Q3</b>
World	<b>-8.4%</b>	<b>-6.5%</b>	<b>2022 Q3</b>

## COVID-19: PRIORITIES

1. Keep our employees and their families healthy and safe
2. Protect the job of everybody currently employed at Kendrion, in all parts of the world
3. Safeguard the Group's continuity so that when we come out of this, our prospects are better than ever

## KEY ACTIONS

1. Kurzarbeit direct workers
2. Kurzarbeit indirect workers
3. A voluntary reduction in salary of 15% by management including RvC
4. Minimal capital investment protecting current and future revenue
5. No use of consulting or other external services
6. Aggressive managing of inventory, both in terms of finished goods and parts
7. Chasing payments
8. Use of government measures to support business, including the delay of income tax, VAT and wage tax payments
9. No dividend payment



### 3. Business review

## FULL-YEAR RESULTS 2019

Normalised (in EUR million)	FY 2019	FY 2018	delta
Revenue	412.4	448.6	-8%
EBITDA	43.4	58.5	-26%
EBITA	19.4	35.4	-45%
Net profit	10.6	22.6	-53%
EBITDA as a % of revenue	10.5%	13.0%	
EBITA as a % of revenue	4.7%	7.9%	
Return on invested capital (12 months rolling)	7.1%	12.4%	
Normalised items (after tax)	2.7	8.8	

- 9% organic revenue decrease at constant rates of exchange
- EUR 6.1 million (5%) lower staff costs
- EUR 5.7 million adjusted one-off operating costs in FY 2019 (2018: EUR 8.8 million)
- EUR 5.0 million cost-saving program implemented in Q4
- Record free cash flow of EUR 25.5 million in 2019 (2018: EUR 10.5 million)
- Year-end solvency of 56.8% and leverage ratio of 0.8 (excluding IFRS 16)
- Net debt reduction of EUR 33.1 million to EUR 47.4 million, fueled by EUR 30.5 million net proceeds equity offering to partially fund acquisition of INTORQ

## FIRST QUARTER RESULTS 2020

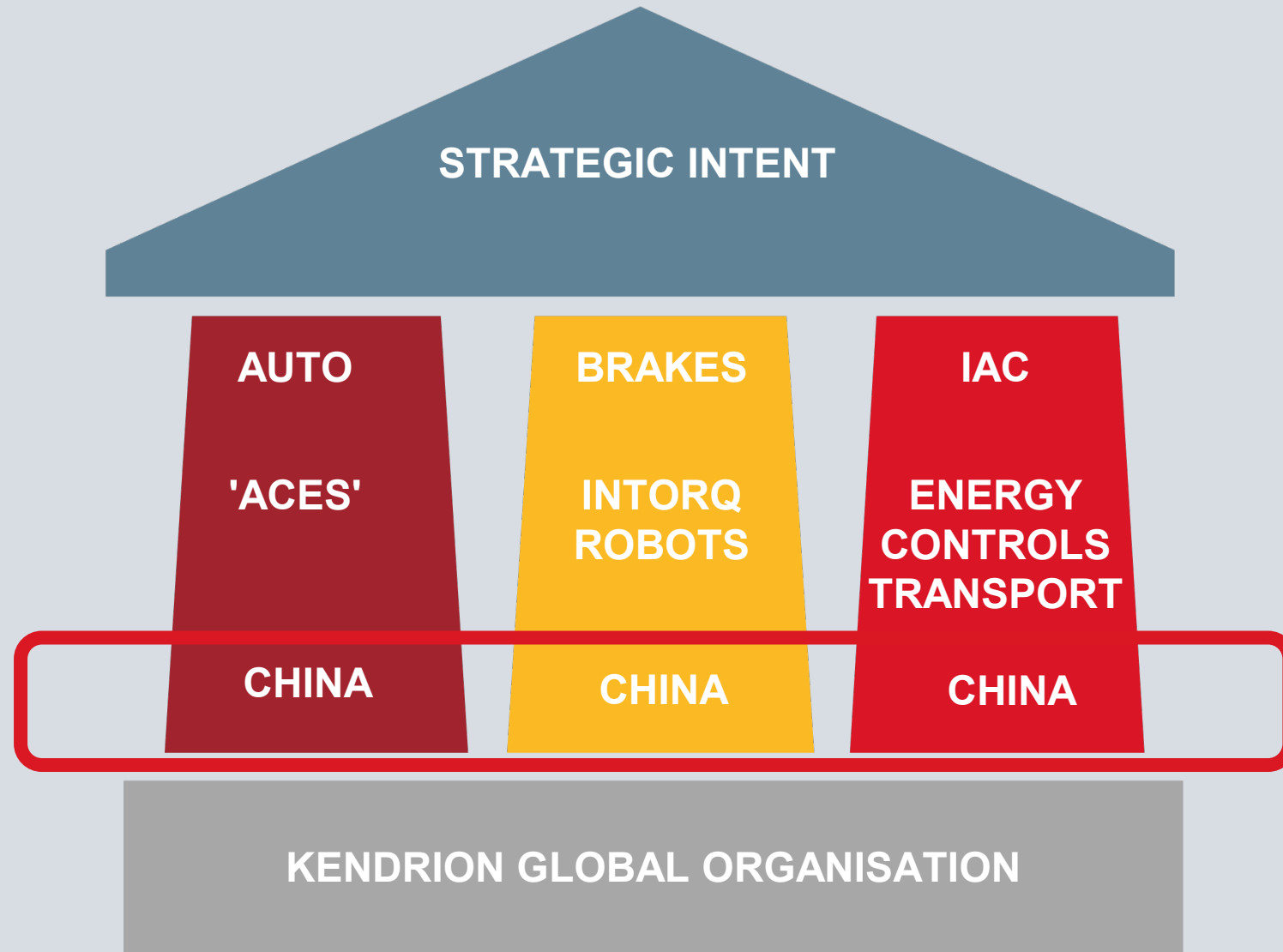
Normalised (in EUR million)	Q1 2020	Q1 2019	delta
Revenue	109,6	108,3	1%
EBITDA	13,7	12,7	8%
EBITA	7,3	6,7	9%
Net profit before amortisation	4,7	4,7	0%
EBITDA as a % of revenue	12,5%	11,8%	
EBITA as a % of revenue	6,7%	6,2%	
Return on invested capital (12 months rolling)	6,4%	10,4%	

- 1% increase in revenue. Organic revenue (excluding INTORQ) decrease of 12%
- EUR 5 million structural cost savings implemented in Q4 2019 fully effective and an additional EUR 0.6 million savings implemented
- One-off costs of EUR 1.1 million for incurred related to the INTORQ acquisition and restructuring costs
- Net debt increase of EUR 84.4 million to EUR 131.8 million, caused by the acquisition of INTORQ (EUR 78 million) and negative free cash flow (EUR 6.4 million) due to seasonal effects on working capital
- Solvency of 44% at the end of the first quarter and leverage ratio of 2.3 (excluding IFRS16)
- Tight cost and cash management started end of March



## 4. Strategic and operational update

# KENDRION STRATEGIC HOUSE



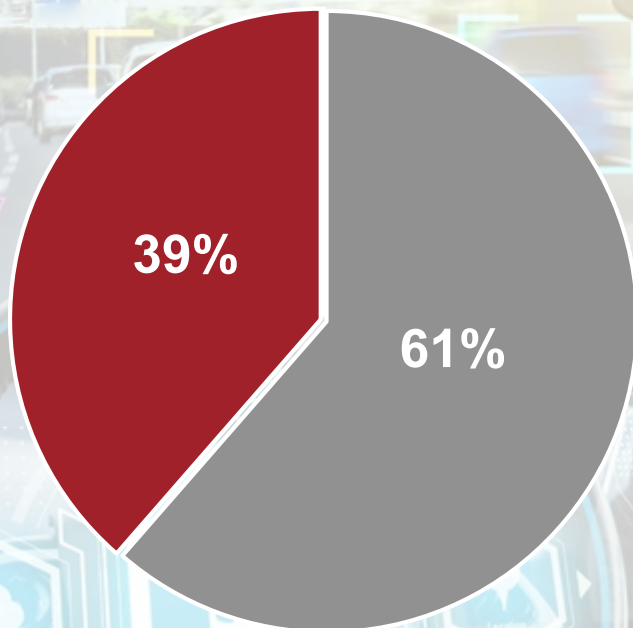




# NOMINATIONS

## Automotive

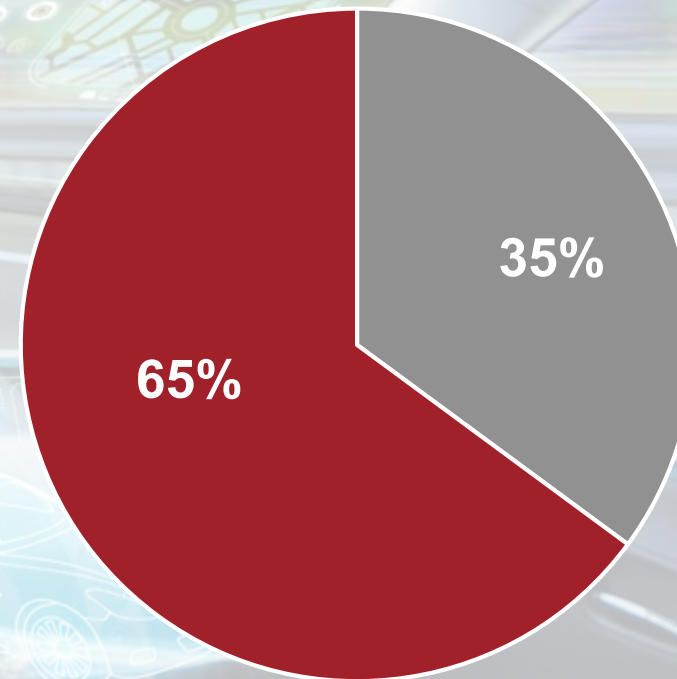
**2018**  
**100% = EUR 340 million**



■ Independent   ■ ICE technology

book-to-bill 1.20

**2019**  
**100% = EUR 320 million**



■ Independent   ■ ICE technology

book-to-bill 1.25



# LIGHTHOUSE PLATFORMS

## Automotive

### Smart actuation

Combination of modular valve systems and electronic control units, aligned with future car computer architecture

- Development is proceeding as planned
- Nomination in OEM platform for battery cooling platform

### AVAS sound system

Supporting the legal sound requirements for electrical cars

- Our AVAS platforms integrate the latest generation of microcontrollers based on a new Kendrion software architecture
- First customers are testing our new 'sound creator tool', which enables customisation of our standard hardware platform by custom sound patterns

### Clutch for hybrid off-highway vehicles

Convergence of mechanical electromagnetic clutches and software controlled actuation

- Several OEMs and Tier 1's are testing under mass production conditions

### Active damping actuation platform

Enabling customers to develop next generation of suspension systems

- On track delivering A and B samples several lead customers
- Continuous segment growth expected for the coming decade



# INTORQ AT A GLANCE

## Brakes

### Key statistics

- 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

### Brakes



#### 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, USA 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

# INDUSTRIAL ACTUATORS AND CONTROLS



## ICS/IMS

- Combination of Industrial Control Systems and Industrial Magnetic Systems
- Effective as of 1 January 2020
- Focus on profitability in four distinct verticals

## Key market segments



Machinery



Transportation



Energy distribution



Fluid control

# COMMERCIAL TRACTION

## China



### Business review



Germany + China Strengths



- Year-on-year growth of 29% despite difficult market
- Successful ramp of park lock production for local key automotive car player
- Lifetime nominations 2019 significantly higher than size of business
- Permanent magnet brake project awarded for innovative bus brake system, first industrial brake application for automotive
- Strong growth from in permanent magnet brakes from wind power application
- Nomination pipeline to support substantial growth over the coming years
- Significant investment in quantity and quality of local team, local supply chain and production and quality assurance



# PROGRESSING ON CSR

## Target framework 2019-2023

- Completed the five-year CSR roadmap and started with implementation
- 2.5% absolute energy reduction in 2019
- 8.5% decrease in absolute CO<sub>2</sub> emission
- Established a health task force to further reduce illness rate from current level of 2.9%

### Natural Capital

**15%**  
Relative reduction  
of energy  
consumption



**15%**  
Relative reduction  
of CO<sub>2</sub> 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**

**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



**5. Summary**



## SUMMARY

- The effects of the COVID-19 corona virus on our business are severe
  - Automotive most affected
  - Industrial more stable
  - China 'back to normal'
  
- Kendrion has taken maximum measures with the objective to optimise and protect liquidity and cash flow
  
- The global economic outlook is highly uncertain and volatile for 2020 and beyond
  
- The long-term outlook is unchanged and remains good for both the Automotive Group and the Industrial activities



## 6. Questions & Answers

# GENERAL MEETING OF SHAREHOLDERS

## Agenda item 2b

- **Remuneration report Executive Board**



**Questions & Answers**

# GENERAL MEETING OF SHAREHOLDERS

## Agenda item 3

- **2019 Financial statements**

# The independent auditor's report

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2019

- Auditor's report presented on pages 167-174 in the annual report
- Signed February 17, 2020
- Other information included in the annual report

## AREAS OF FOCUS

Key audit matters:

- Valuation of goodwill – management key assumptions
- General IT controls

Other attention areas:

- Remuneration report
- Fraud and compliance
- COVID-19

## CSR REPORT

- Presented on pages 175-177 in the annual report
- Integrated report with limited assurance report on defined KPI's

## MATERIALITY

- Materiality for the financial statements as a whole € 1.2 million (2018: € 1.9 million), reassessment (page 168) based on 2019 results
- Reporting threshold 5% - > € 60 thousand
- Materiality at component level < 60% of group materiality, often statutory requirements
- Qualitative considerations for selected areas

## SCOPE / GROUP AUDIT

- Full scope audits on 13 entities
- Revenue audit scope coverage of 88%
- NL Team: Holding Entities, US Component, Specified Audit Procedures at Group Level and Desktop Reviews on non-significant entities

**Consolidated and company financial statements of Kendrion N.V.**



**Questions & Answers**

# GENERAL MEETING OF SHAREHOLDERS

## Agenda item 4

- **Dividend**
  - a. Dividend policy**
  - b. Announcement net profit reservation for financial year 2019**





**Questions & Answers**

# GENERAL MEETING OF SHAREHOLDERS

## Agenda item 5

- **Discharge**
  - a. Discharge of the members of the Executive Board**
  - b. Discharge of the members of the Supervisory Board**



**Questions & Answers**

# GENERAL MEETING OF SHAREHOLDERS

## Agenda item 6

- **Remuneration policy**
  - a. Adoption of the Executive Board remuneration policy**
  - b. Adoption of the Supervisory Board remuneration policy**



**Questions & Answers**

# GENERAL MEETING OF SHAREHOLDERS

## Agenda item 7

- **Composition Supervisory Board**
  - a. Reappointment of Mrs. M.J.G. Mestrom**
  - b. Appointment of Mr. E.M. Doll**
  - c. Announcement of vacancies arising**



**Questions & Answers**

# GENERAL MEETING OF SHAREHOLDERS

## Agenda item 8

- **Amendments to the articles of association of Kendrion N.V.**





**Questions & Answers**

## GENERAL MEETING OF SHAREHOLDERS

### Agenda item 9

- **Authorisation to issue Kendrion N.V. shares and to restrict or exclude pre-emptive rights**
  - a. Authorisation to issue Kendrion N.V. shares**
  - b. Authorisation to restrict or exclude pre-emptive rights**



**Questions & Answers**

# GENERAL MEETING OF SHAREHOLDERS

## Agenda item 10

- **Authorisation to repurchase Kendrion N.V. shares**



**Questions & Answers**

# GENERAL MEETING OF SHAREHOLDERS

## Agenda item 11

- **Any other business**



**Questions & Answers**

# GENERAL MEETING OF SHAREHOLDERS

## Agenda item 12

- Closing



# KENDRION

A scenic mountain road with a white car in the foreground, used as a background for the advertisement. The road curves through a lush green valley towards snow-capped mountains under a bright, hazy sky. The car is a white SUV, shown from the side, driving on the road.

# THANK YOU

PRECISION. SAFETY. MOTION.