KENDRION

PRECISION. SAFETY. MOTION.

Q4 AND FULL-YEAR RESULTS 2023

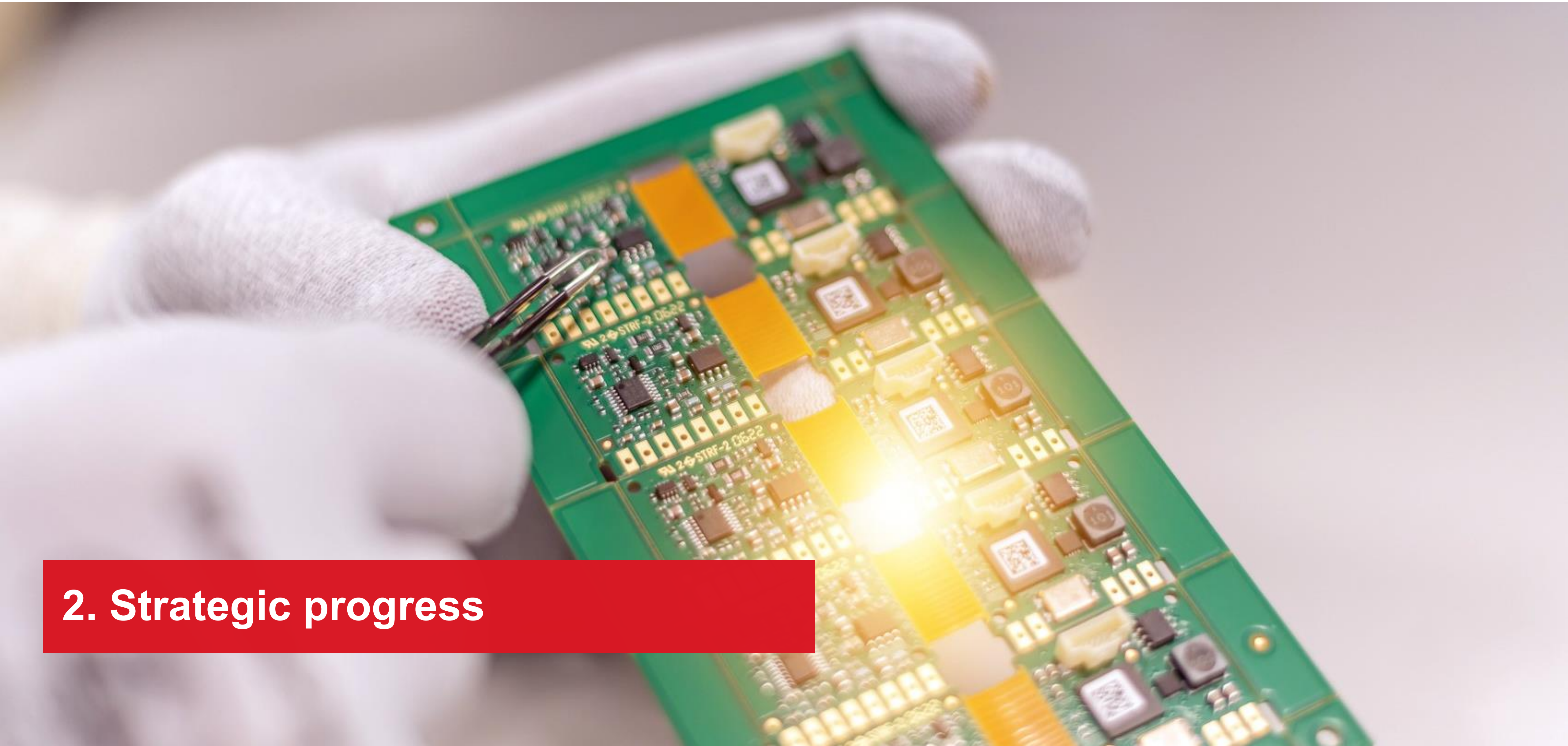
Amsterdam, 28 February 2023

AGENDA

1. Introduction
2. Strategic progress
3. Financial review and dividend proposal
4. Operational update
5. Outlook
6. Q&A

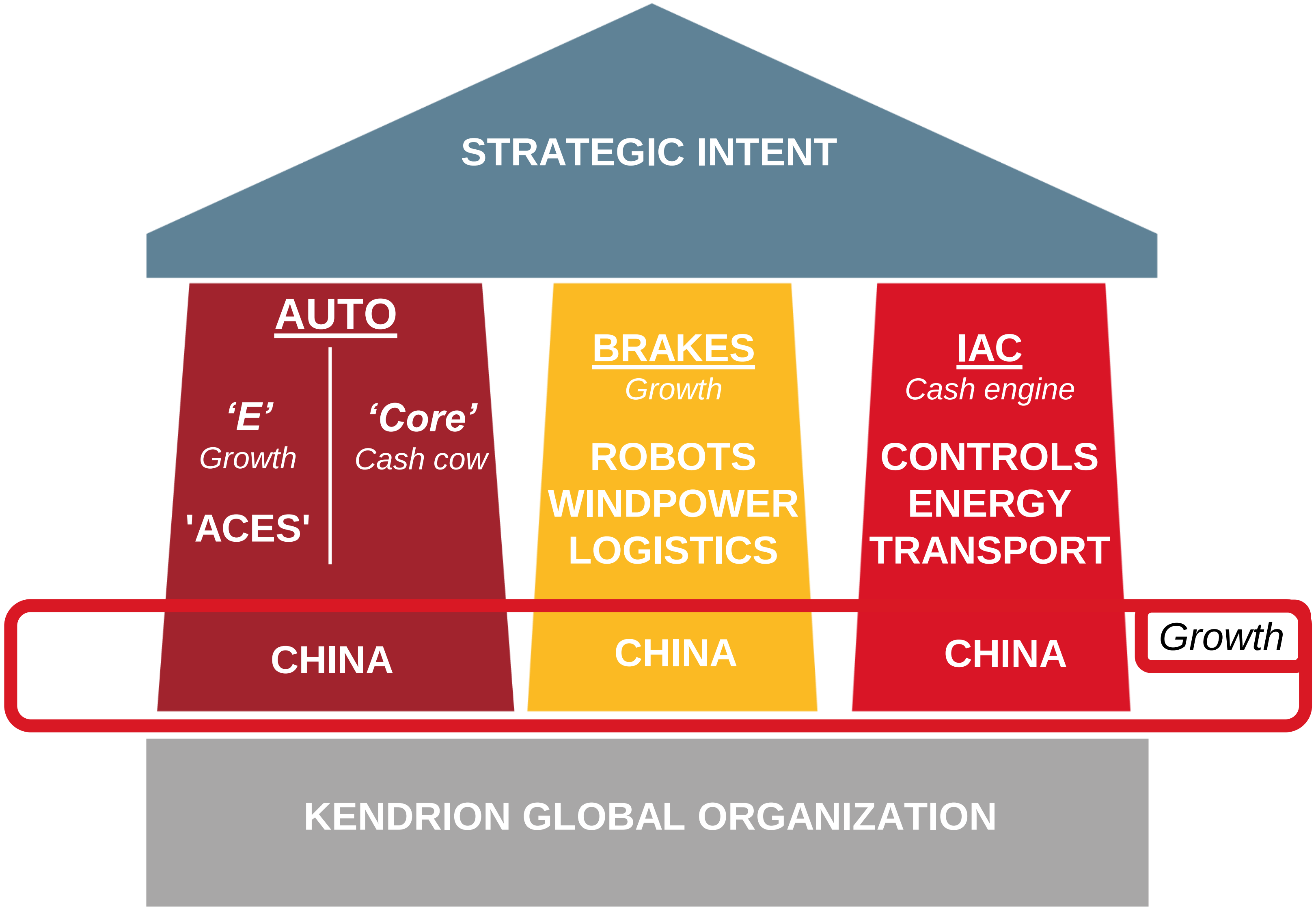
CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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.



2. Strategic progress

KENDRION STRATEGIC HOUSE



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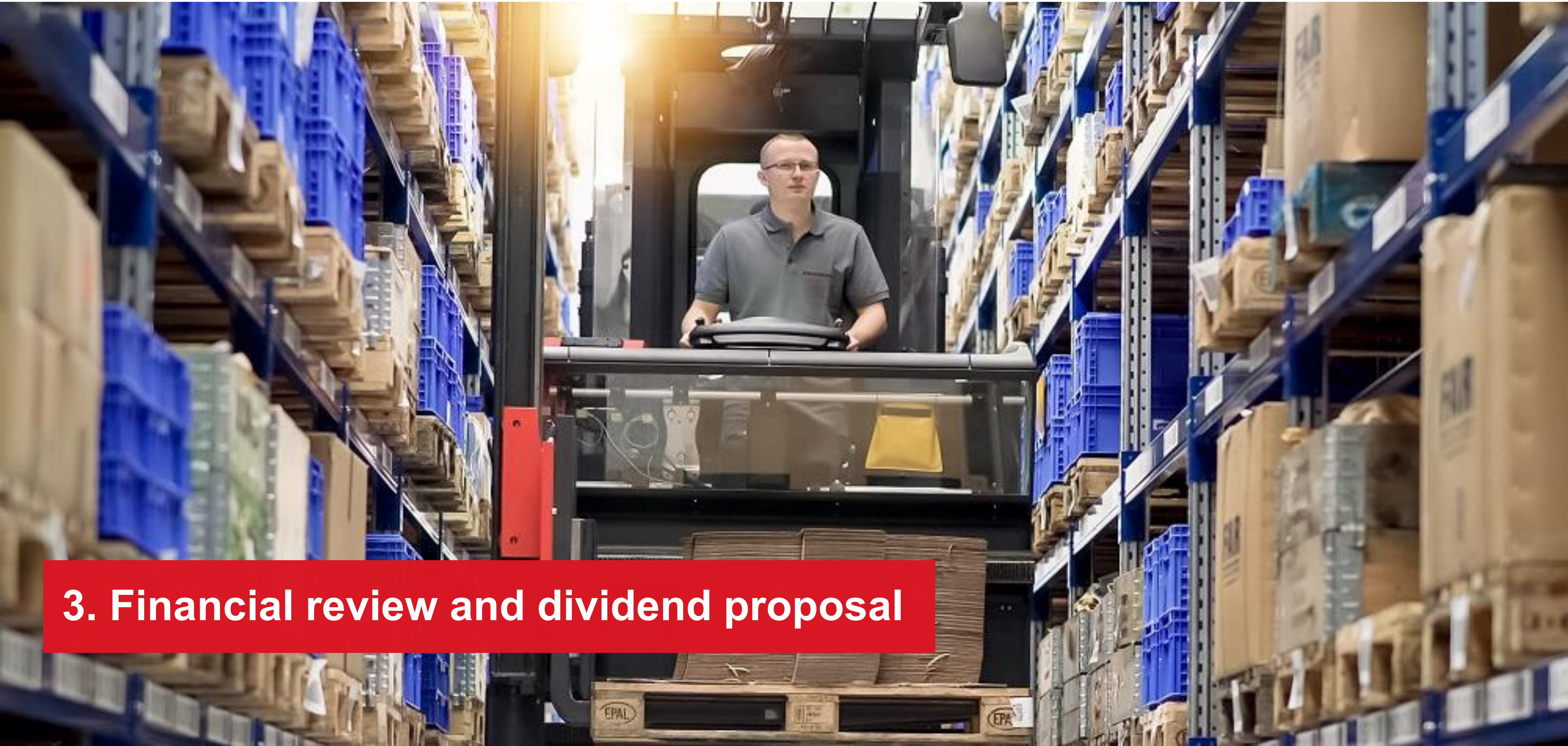
KENDRION CHINA FACTORY

Suzhou Industrial Park



3. Financial review and dividend proposal

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FINANCIAL HIGHLIGHTS

Q4 and FY 2023

Key figures - fourth quarter	Q4 2023	Q4 2022	delta
Revenue	120,3	129,6	-7%
Normalized EBITDA [1)]	10,3	12,0	-14%
Normalized EBITA [1)]	4,0	5,9	-32%
Normalized profit before amortization [1)]	0,3	2,7	-89%
Net profit	(1,1)	(59,1)	NM
Normalized EBITDA as a % of revenue [1)]	8,6%	9,3%	

- Organic revenue decrease of 6% in Q4, due to market weakness in IB
- Stable added value margin as sales price increases in Automotive offset negative mix effect
- EUR 3,3 million (7%) lower operating costs
- Non-recurring costs of EUR 1,5 million, include restructuring IB
- EUR 15,2 million reduction in net debt, driven by EUR 19 million lower working capital
- Signed on-year extension credit agreement HSBC and ING to April 2027

Key figures - full year	FY 2023	FY 2022	delta
Revenue	518,5	519,3	0%
Normalized EBITDA [1)]	53,1	57,4	-7%
Normalised EBITA [1)]	29,5	34,1	-13%
Normalized profit before amortization [1)]	13,9	21,7	-36%
Net profit	9,9	(46,3)	NM
Normalized EBITDA as a % of revenue [1)]	10,2%	11,1%	
Normalized EBITA as a % of revenue [1)]	5,7%	6,6%	
Return on invested capital [1)]	13,5%	15,6%	
Normalized free cash flow [1)]	11,3	3,1	265%
Net debt	145,0	140,3	

- Stable revenue for the year, with 1% increase at constant exchange rates
- Higher average sales prices contribute 4,5% to revenue
- Average added value margin 120 bp lower, but strong recovery in HY2
- Normalised operating costs EUR 1.5 million lower, offsetting wage inflation
- Interest costs increase EUR 5,6 million
- Effective tax rate of 30,4% (2022: 27,4%), due to EUR 0,5 million lower value tax losses
- Dividend proposal of 0.45 cents per share (FY 2022: 0.72 cents). Pay out of 50% of normalized profit before amortization

[1] Non IFRS measures adjusted for items generated outside the normal course of business. Invested capital excludes goodwill and intangibles arising from acquisitions.

INDUSTRIAL

Industrial - fourth quarter	IAC		IB		Industrial	
	Q4 23	Q4 22	Q4 23	Q4 22	Q4 23	Q4 22
Revenue	29,6	30,5	26,3	37,5	55,9	68,0
Revenue growth	-2%	7%	-30%	9%	-18%	8%
Currency translation	-1%	1%	-2%	1%	-1%	1%
Organic growth	-1%	6%	-28%	8%	-17%	7%

- 17% organic revenue decrease in Q4 driven by market weakness in IB
- Continuing weak markets for capital goods in Germany and China, medical, aviation and electrical automation remain strong
- Temporary and structural cost measures in IB started in Q4, to allow for a higher degree of cost flexibility in cyclical markets

Industrial - full year	IAC		IB		Industrial	
	FY 23	FY 22	FY 23	FY 22	FY 23	FY 22
Revenue	127,5	125,3	129,0	151,2	256,5	276,5
Normalized EBITDA					36,1	47,5
Normalized EBITDA as a % of revenue 1)					14,1%	17,2%
Revenue growth	2%	21%	-15%	19%	-7%	19%
Currency translation	-1%	1%	-2%	2%	-1%	2%
Acquisitions		9%				4%
Organic growth	3%	11%	-13%	17%	-6%	13%
Total assets					278,9	272,8
FTE					1.233	1.346

- 6% organic revenue decrease fully caused by HY2 downturn in IB markets
- Slight improvement in added value margin driven by mix effects
- EBITDA reduction fully caused by lower volumes in IB, IAC performance at par with FY 2022
- Investments of EUR 10,2 million (2022: EUR 8,4 million), against EUR 8.4 million depreciation (FY 2022: EUR 8.6 million)
- Investments include capacity extensions permanent magnet brake line in Villingen and localization investments in China

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AUTOMOTIVE

Automotive - fourth quarter	E Q4 23	E Q4 22	Core Q4 23	Core Q4 22	Automotive Q4 23	Automotive Q4 22
Revenue	20,4	17,6	44,1	44,0	64,5	61,6
Revenue growth	16%		0%		5%	16%
Currency translation	-1%		-1%		-1%	2%
Organic growth	17%		1%		6%	14%

- Revenue growth Automotive E driven by start of production of new projects and increased volumes existing sound and suspension programs.
- Stable revenue in Core, inflated by EUR 4 million higher sales prices
- Good (150 bp) improvement in added value margin as price increases take effect
- EBITDA margin in HY2 increased to 8,2% (HY2 2022: 3,1%)

Automotive - full year	E FY 23	E FY 22	Core FY 23	Core FY 22	Automotive FY 23	Automotive FY 22
Revenue	72,5	63,3	189,5	179,5	262,0	242,8
Normalized EBITDA	-6,6		23,6		17,0	9,9
Normalized EBITDA as a % of revenue [1)]	NM		12,5%		6,5%	4,1%
Revenue growth	15%	11%	6%	2%	8%	4%
Currency translation	0%	0%	-2%	3%	-1%	2%
Organic growth	15%	11%	8%	-1%	9%	2%
Total assets					183,4	203,8
FTE					1.373	1.407

- 72% higher normalized EBITDA cause by sales price increases and cost reductions
- Result E affected by allocation EUR 14 million R&D costs
- Investments excluding China building of EUR 13,2 million (2022: 14,8 million), against depreciation of 15,2 milion (2022: 14,8 million)
- Investments include capitalized R&D and production lines for new suspension and sound projects

[1] Pro-forma revenue for Automotive Core and Automotive E. Automotive split in Core and E effective as from 31 December 2022

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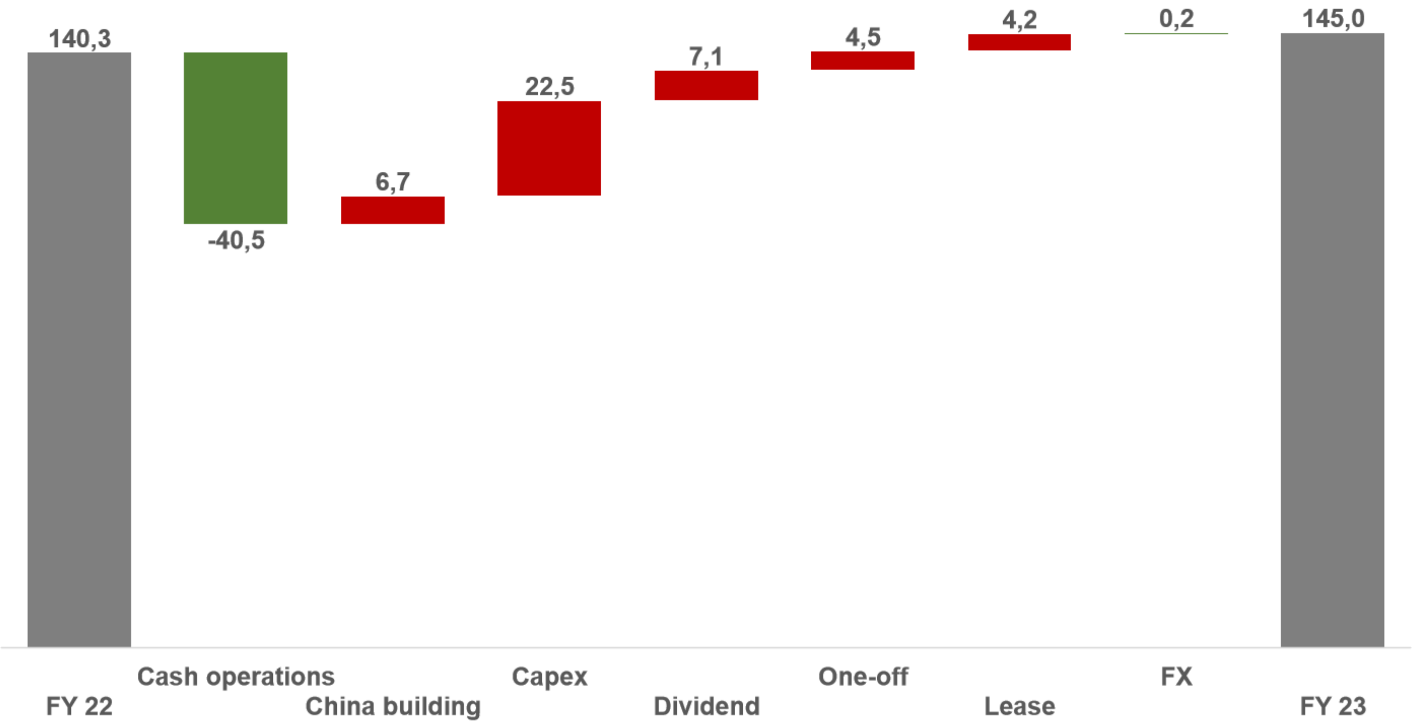
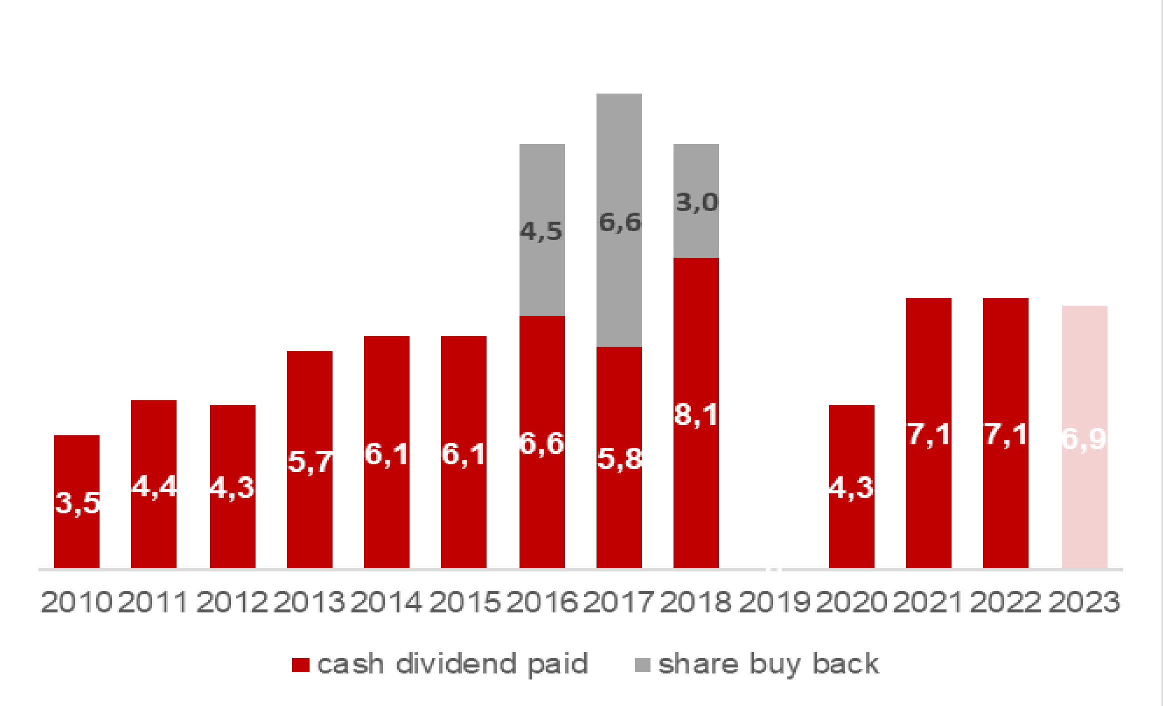
CASH FLOW AND NET DEBT



- Normalized net cash from operations of EUR 40.5 million (2022: EUR 40,9 million), include EUR 6,1 million higher payments for tax and interest
- Strong Q4 free cash flow of EUR 16.3 million (Q4 22: 16,7 million) leads to EUR 11,3 million normalized free cash for the year (FY 2022: EUR 3.1 million)
- Normalized free cash excluding the China building stable at EUR 17,9 million (2022: EUR 18,1 million)
- Working capital as percentage of revenue decreases to 12.3% (FY 2022: 12.7%)
- Leverage ratio decreased from 2.9 in Q3 to 2.7 in Q4
- Good liquidity position with EUR 63 million availability in cash and undrawn credit facilities
- One year maturity extension credit agreement agreed with HSBC and ING Bank to April 2027

DIVIDEND AND CASH RETURN

	2017 Actual	2018 Actual	2019 Actual	2020 actual	2021 actual	2022 actual	2023 proposal
Dividend per share	0,87	0,87	-	0,40	0,69	0,72	0,45
Pay-out	50%	52%		50%	50%	50%	50%
Total dividend	11,7	11,7	-	5,9	10,3	10,8	6,9



* 2023 proposed (100% cash assumed for illustrative purposes)

- Kendrion strives to distribute annual dividend between 35% and 50% of normalized net profit before amortization, giving consideration to maintaining a healthy financial position
- Proposed dividend of EUR 0.45 per share (2022: EUR 0.72 per share); 50% pay-out of normalized profit before amortization
- Dividend payable in cash or in ordinary shares charged to the share premium reserve at the option of the shareholder

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4. Operational update

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IAC

FY 2023

Actuators

- New international business acquired – locks and valves, mainly for medical devices and washing machines
- Locking solutions - frontrunner in electrification of warehouse automation – worldwide interest (EU/US/CN)
- Cooperation with Dürr Dental SE – first water/air supply units for dental chairs sold

Controls

- 3 new FIO controllers developed, each addressing functional safety, low cost or high end
- Inductive heating – first 20 kW solution running reliable and with high efficiency in bakery oven
- 3T / Kendrion brand synergies developed, new business opportunities - growth rate above 15%

Markets

Despite slowdown in European machinery market, IAC was able to keep revenue and profitability on high level

Impact of crisis in China on IAC was limited, instead we were able to increase profitability

US market developed well in 2023, beverage maker demand increased and our products are designed in at high rate

IAC - 3T
FY2023

- Strong revenue growth in 2023 of 23%
- More growth in the pipeline: ability to recruit Software and Electronics engineers the gating factor
- New office in Drachten, the Netherlands officially open on April 11, 2024 (initially 3 engineers)

Key market segments

High complex machinery

Testing and measurement

Medical technology

Security & safety

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INDUSTRIAL BRAKES

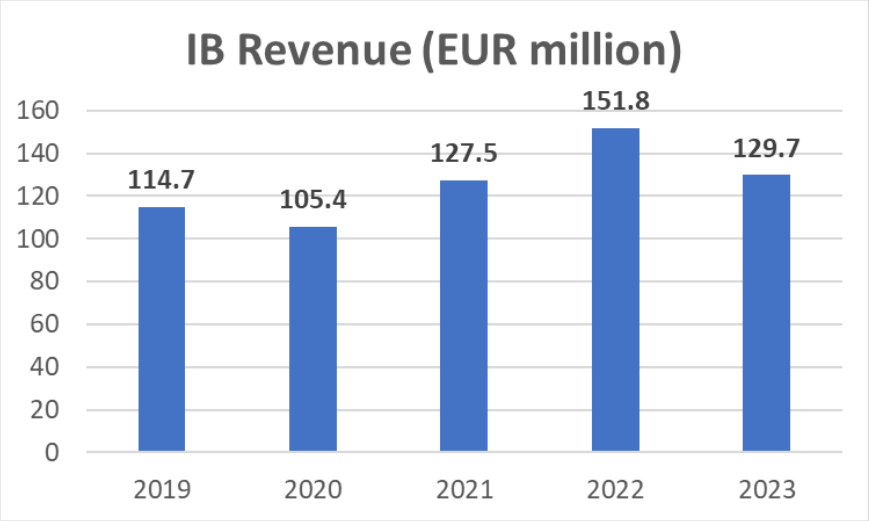
FY 2023

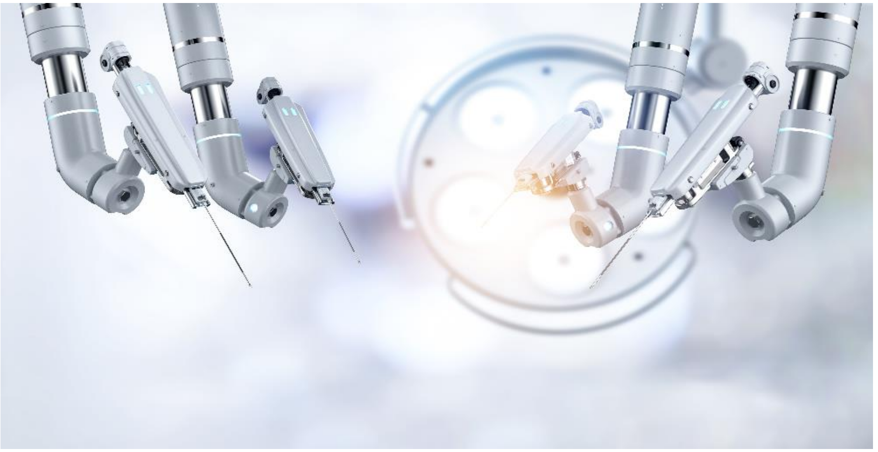
Short term

- Sudden, severe market slowdown in H2 2023
  - 2021 plus 21%,
  - 2022 plus 19%
  - H1 2023 + 1%
  - H2 2023 –30%
- Deployment of Kurzarbeit to protect short term profitability while maintaining growth capacity
- Drastic reduction of inventory levels

Longer term

- Overhaul of key business processes to improve resilience in a cyclical market
- Continue to localize R&D and production in Suzhou





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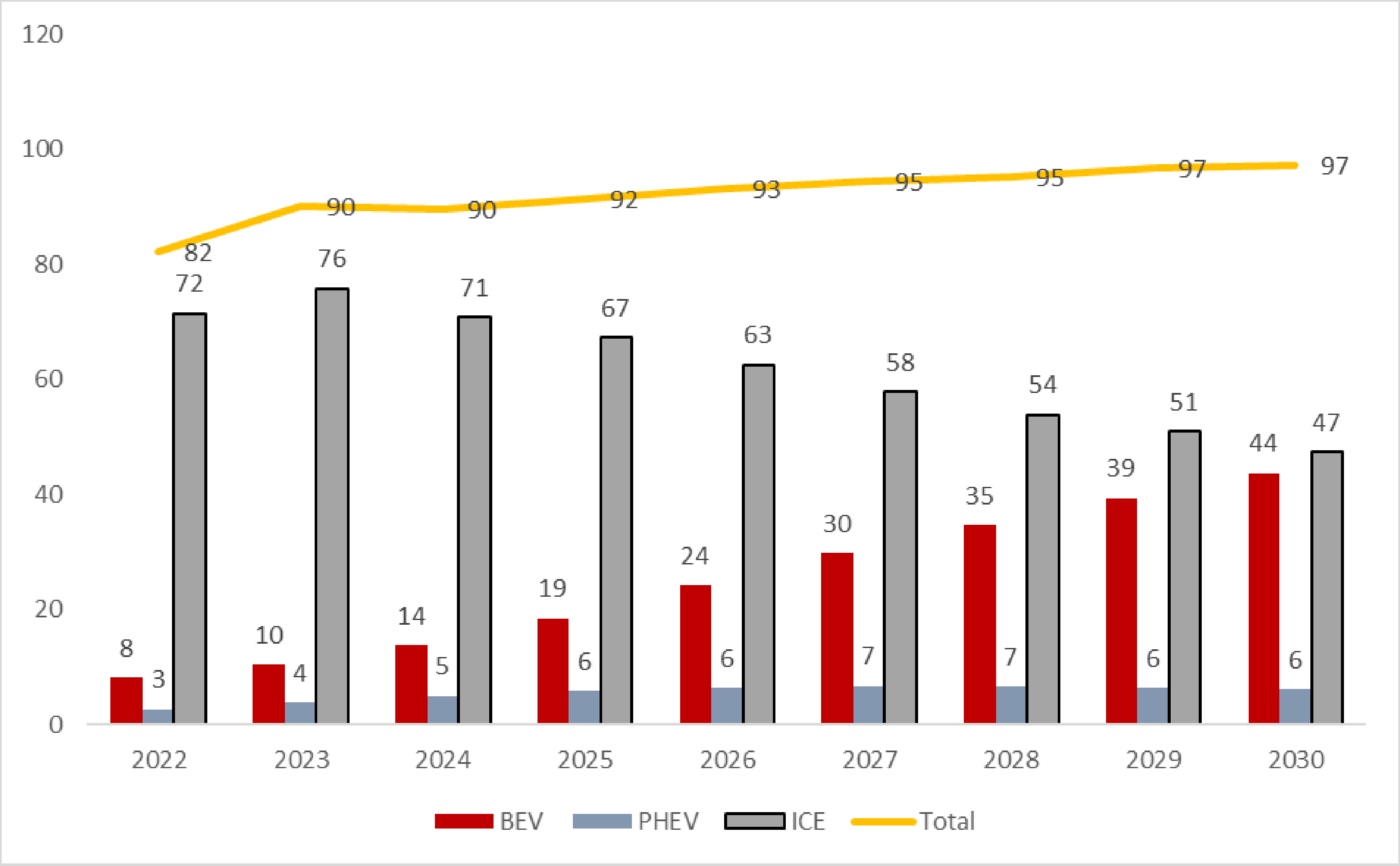
ELECTRIFICATION CONTINUES

Million units of production

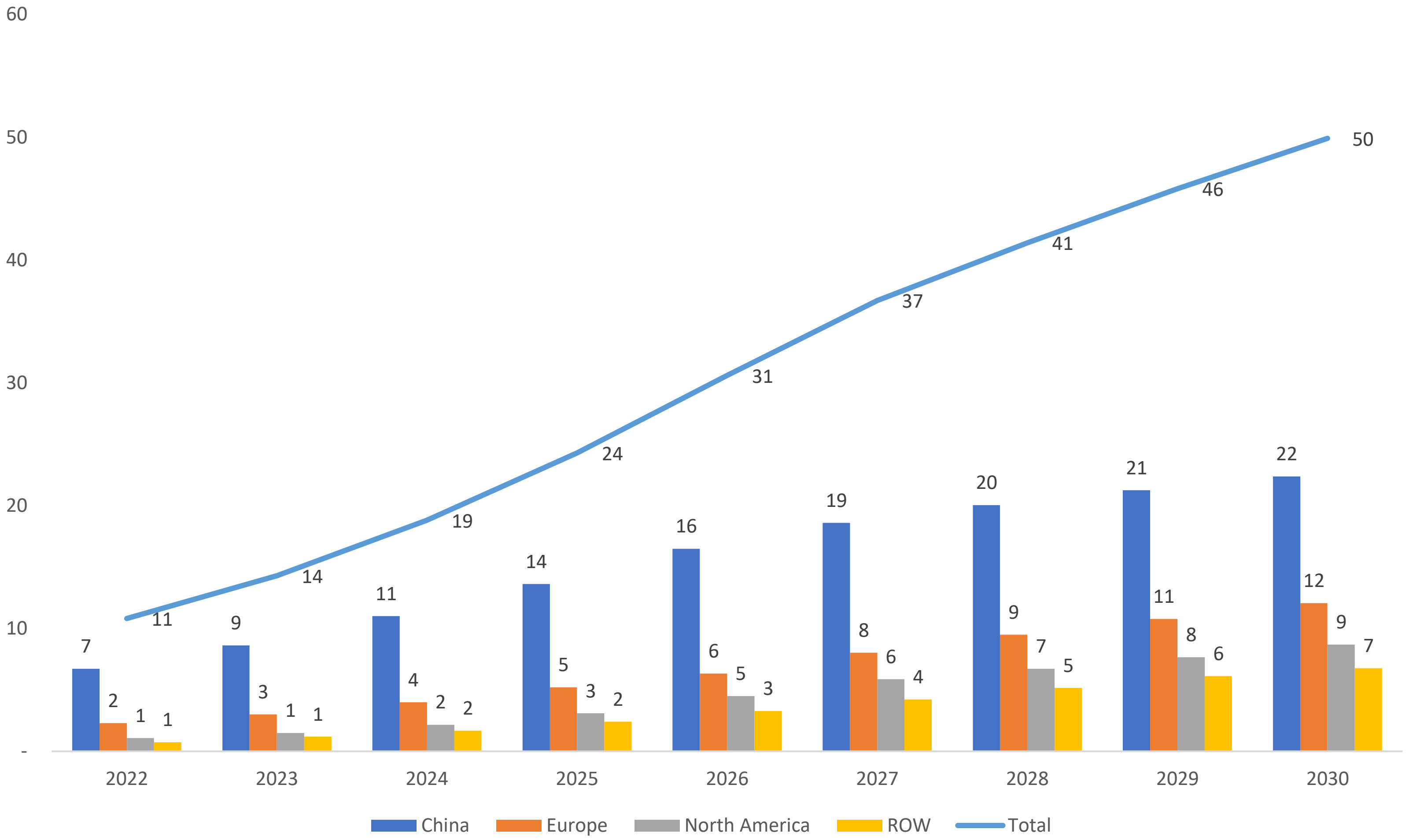


	CAGR
Total	2%
BEV	23%
PHEV	11%
ICE	-5%

Source: S&P Global Jan 2024

CHINA LEADS ELECTRIFICATION

BEV and PHEV: million units of production



	CAGR
Total	21%
China	16%
Europe	23%
N.A.	30%
ROW	32%

Source: S&P Global Jan 2024

AUTOMOTIVE

Split in Core and E successful

- Split in sales responsibility between Core and E improved ability to raise prices
- Better visibility into Core and E R&D investment increased R&D effectiveness
- Focus on operational performance of our factories reduced cost of quality and improved direct labor efficiency

Improving Automotive profitability throughout 2023

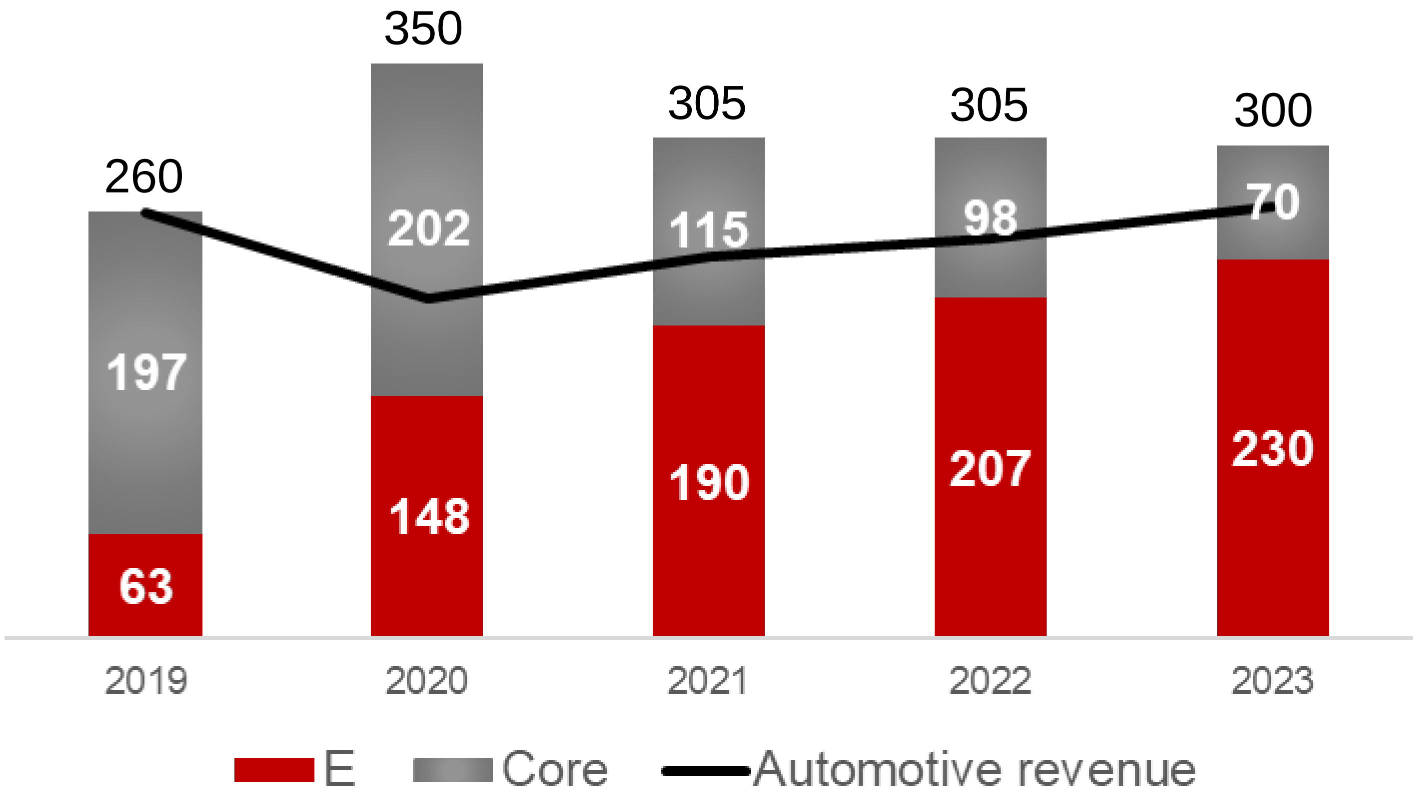
- Revenue up 8 percent from EUR 242.8 million in 2022 to EUR 262.0 million
- Cost down 2% despite wage inflation
- EBITDA up 72% to EUR 17.0 million (FY 2022: EUR 9.9 million)

Another year of strong nominations

- 2023 lifetime E nominations: EUR 228.6 million
- 2023 Core contract extensions: EUR 76.5 million
- Total Automotive lifetime nominations: EUR 305.1 million
- E-projects for 2024 ramping as planned

AUTOMOTIVE NOMINATIONS 2019 - 2023

EUR 1.8 billion business wins since 2019*



** Adjusted for net effect of cancellations and extensions of legacy revenue*

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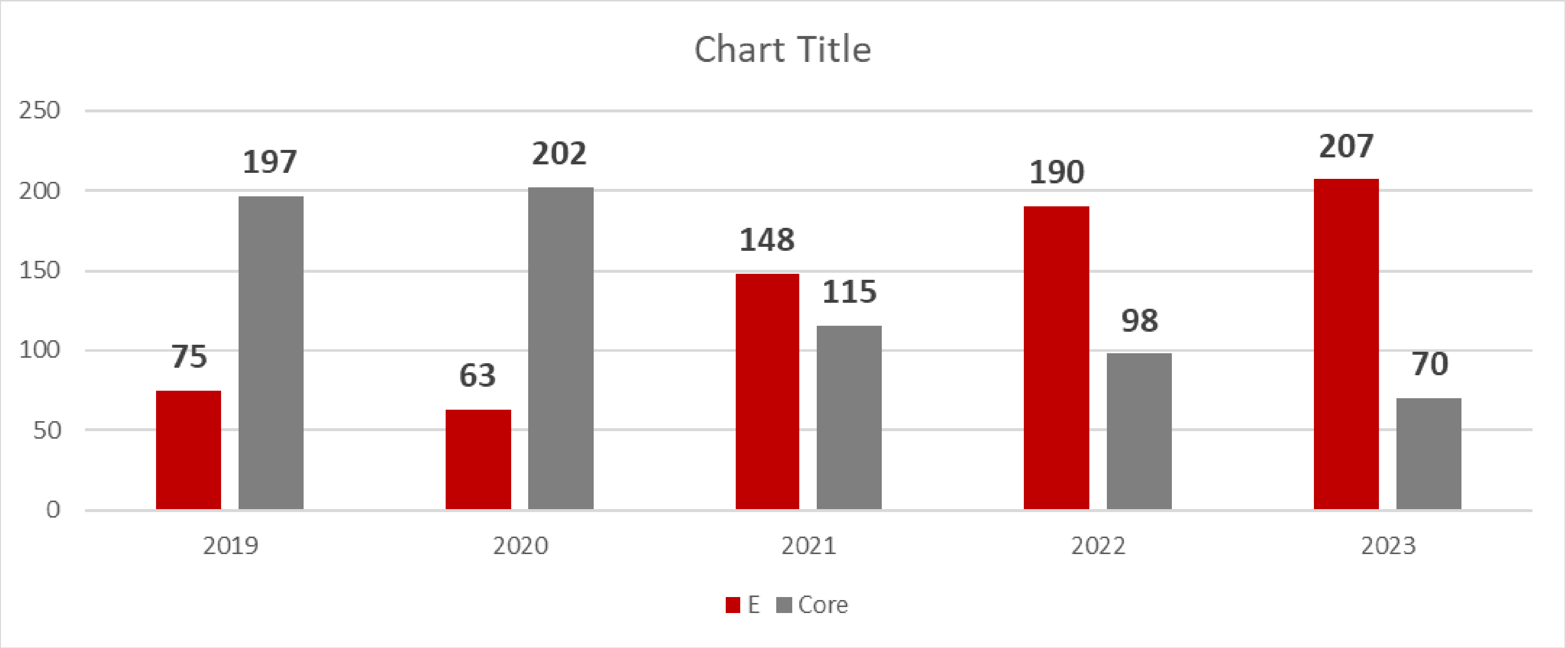
AUTOMOTIVE NOMINATIONS 2019 - 2023 (2)



Automotive nominations 2019 - 2023					
	Total	Average per year	Revenue 2023	Book/bill avg 2019-2023	Book/bill 2023
E	838	168	71	2.3	3.2
Core*	682	136	190	0.7	0.4
Total	1363	273	261	1.0	1.2

** Adjusted for net effect of cancellations and extensions of legacy revenue*

COMMERCIAL MOMENTUM AUTOMOTIVE E

FY 2024

AVAS Sound Phantone® product line: new generation

- Nomination for new generation interior sound system for a leading European OEM received
- Phantone SOPs released in China and Europe for major OEM brands
- Proof of Concept started for Active Noise Cancellation

Suspension: continued momentum

- Nomination for eCDV with major suspension supplier in Europe. Continuing strong interested from the market
- Nomination for Air Suspension Valve with #1 Air Suspension supplier in China. Kendrion has major part of top 4 suppliers in China as customer

Smart Actuation: new segment successfully launched

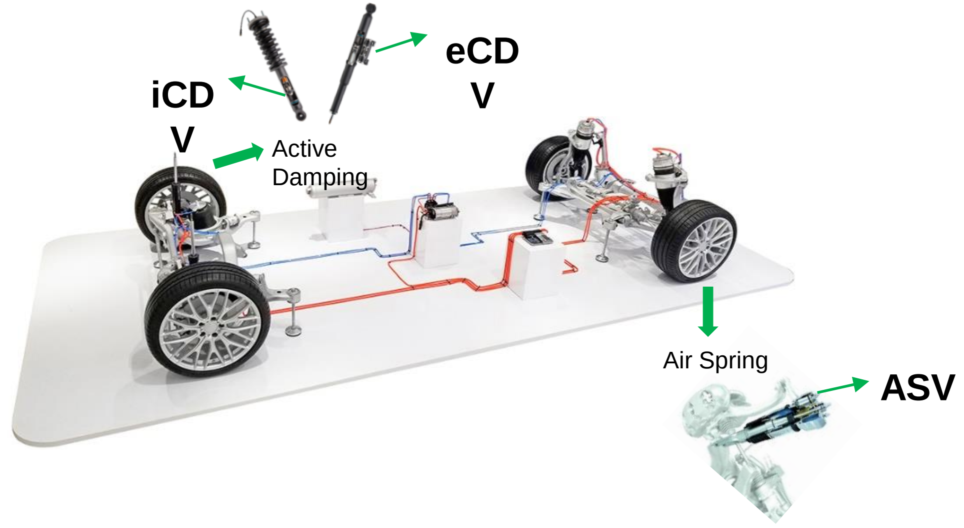
- First generation sensor cleaning valve with European top 3 OEM on plan to be launched in 2025
- Sucessful marketing campaign around smart valves resulted in a EUR 1.3 billion opportunity funnel. First nomination expected in 2024

CHINA - AUTOMOTIVE

FY2023

Anticipated fast Growth in China - EV market

- China has become largest and fast-growing EV market in the world.
- Already nominated by leading tier1 players in suspension system in EV market, including Air Spring and Active Damping modules.



Module in EV	Required Kendrion valve	Required valve Qty. per EV
Air Spring	ASV	4
Active Damping	eCDV / iCDV	4
Potential total value of Kendrion valve per EV @ 100€		
Nominated projects in EV brands including BYD, Li-Auto, Xpeng, Nio, Geely, GWM, SAIC etc.		

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CHINA - INDUSTRIAL

FY2023

Commercial focus

- Prioritize existing large markets like Wind Power, Robotics, Energy Distribution
- Many of these segments are actively stimulated by the government’s 14th 5-year plan

	IB	IAC
Existing Large Market	Wind Power: wind turbines 	Energy Technology: circuit breaker 
New Growing Market	EV: electric powered door & EMB system 	Medical: anesthesia machine 
	Automation: robotics, motion control 	Laser: optics & photonics 

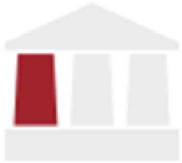
PROGRESSING ON SUSTAINABILITY

Concluding 2019-2023 target framework

	Target	Achieved 2023
Relative reduction of energy consumption	15%	15.3% ✓
Relative reduction of CO_2 emission	15%	22.9% ✓

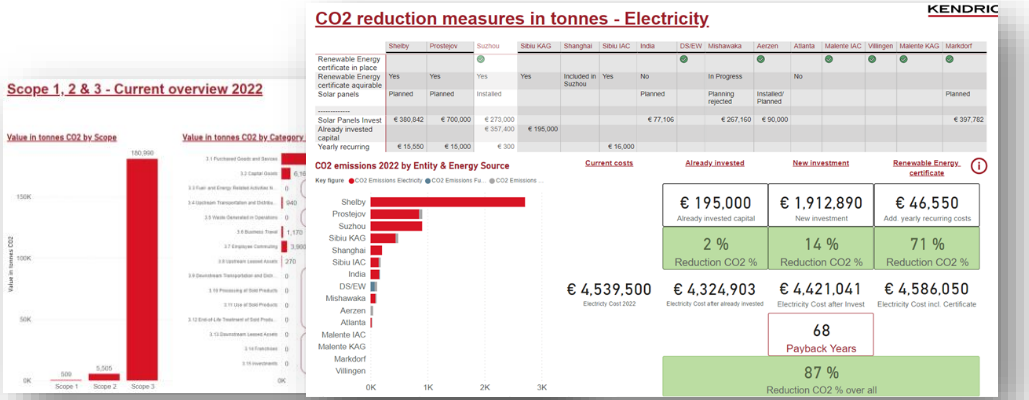
Accelerating ambitions beyond 2023

OUTLINES 2024-2028 ESG PLAN



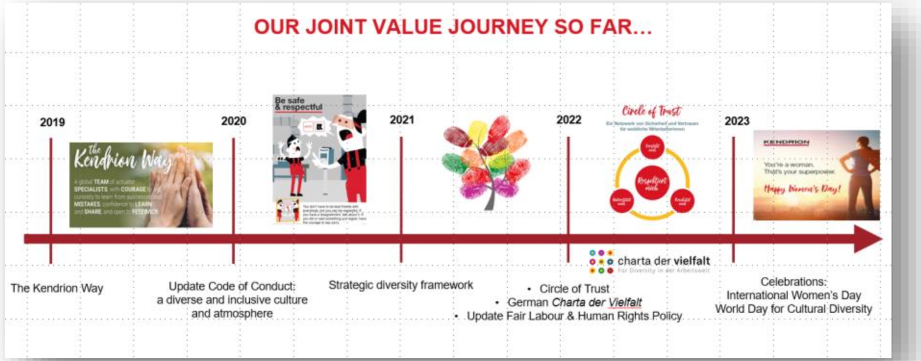
Natural Capital

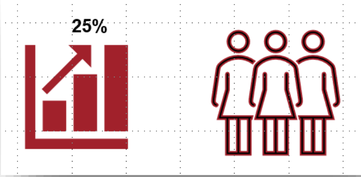
- Achieve a further 70% reduction in CO_2 emissions
- Establish reporting frameworks for Scope 1, 2 & 3 reporting

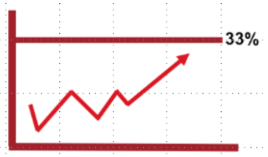


Social & Human Capital

- Implement gender a diversity ambition at Business Group level for indirect staff, aiming for a 25% improvement over time with a minimum threshold of 33%
- Continue progressing corporate norms and values







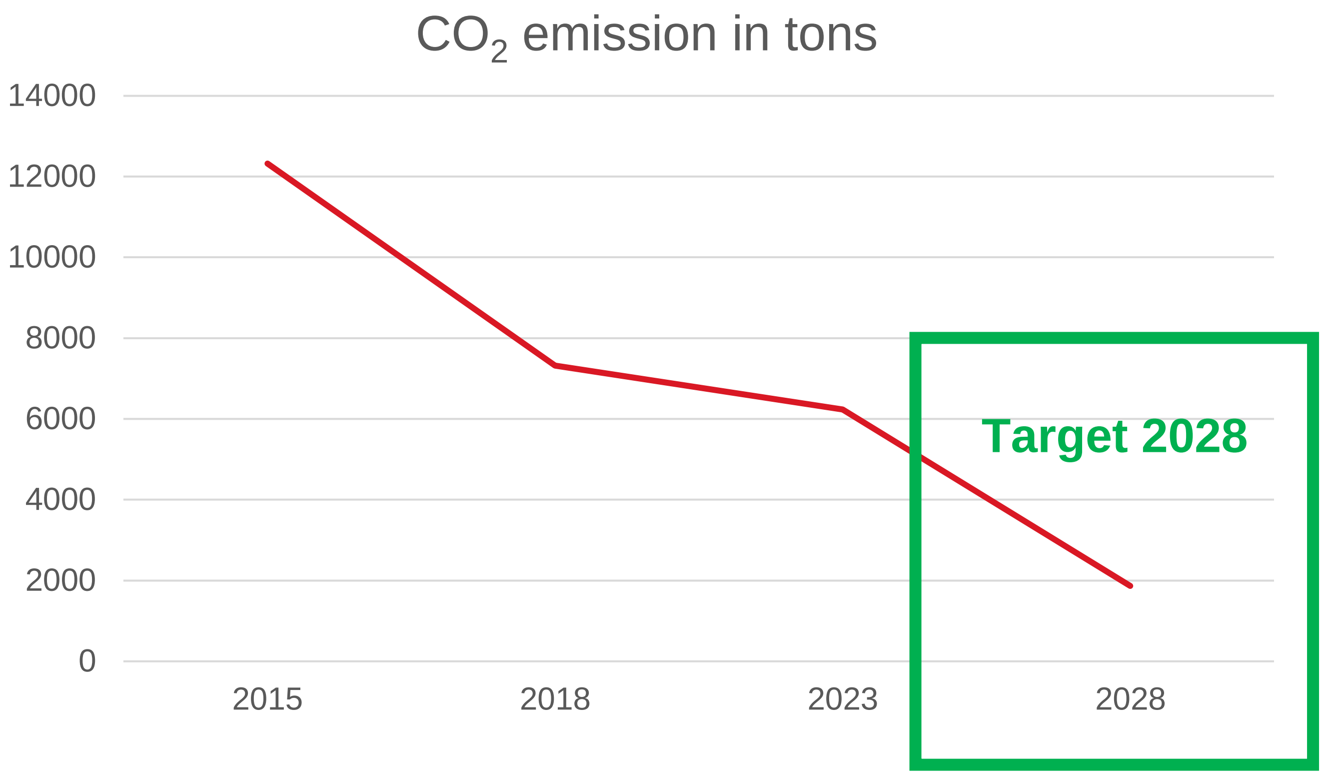
Responsible Business Conduct

- Integrate ESG metrics into sourcing process
- Sustain ESG ratings from EcoVadis and CDP
- Disclosure requirements (e.g. EU Taxonomy, CBAM, CSRD, CSDDD)

CDP
DISCLOSURE INSIGHT ACTION

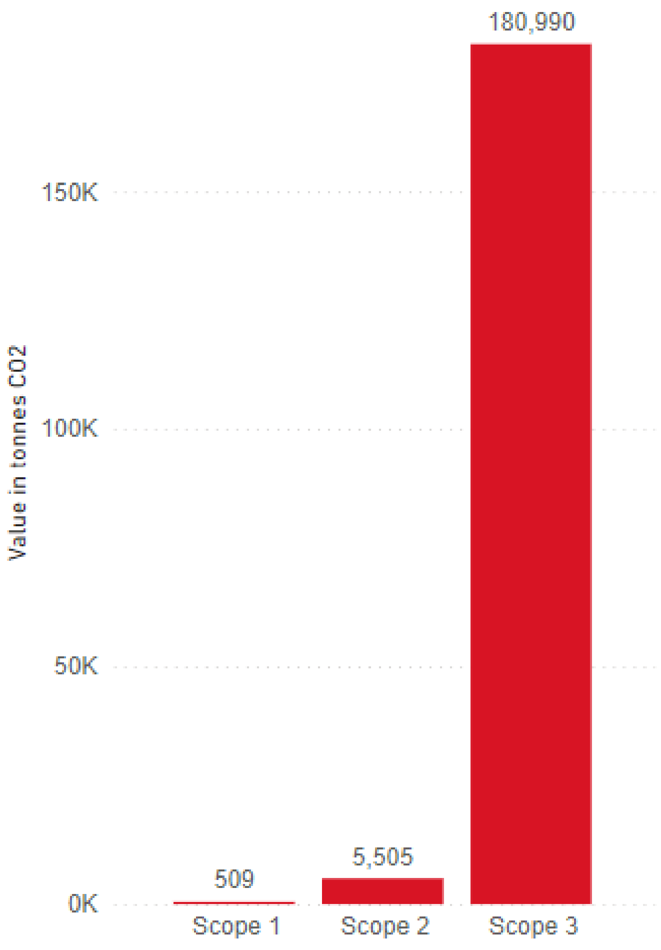
REDUCTION CO_2 EMISSIONS

Year	Energy consumption in kWh	CO_2 emission in tons	Reduction %
2015	39.968.632	12.321	Baseline
2018	36.607.830	7.322	40,6%
2023	34.255.036	6.231	14,9%
2028	Estimate 10.276.511	Estimate 1.869	Target 70%

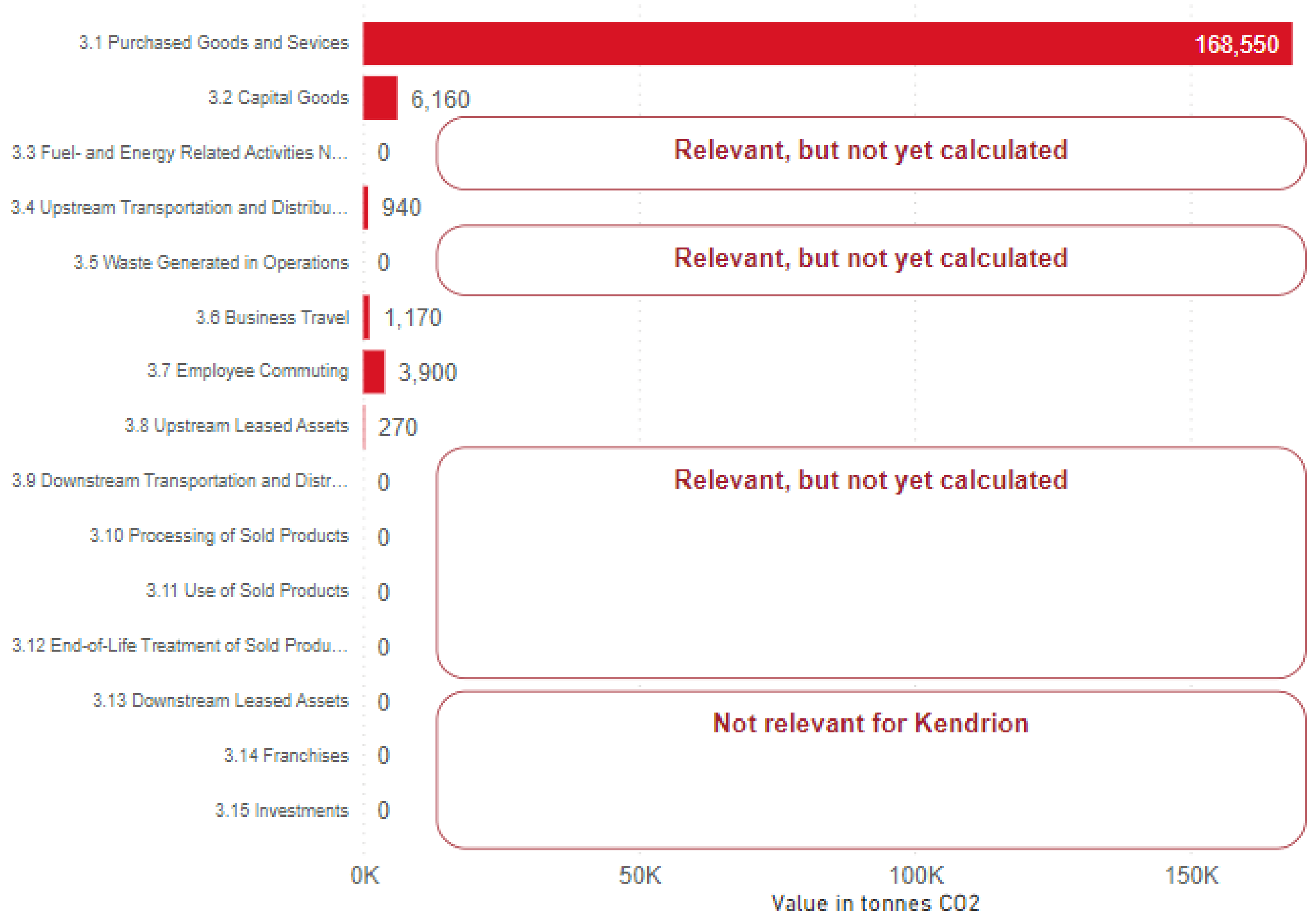


PRELIMINARY OVERVIEW – SCOPE 1, 2, 3

Value in tonnes CO2 by Scope

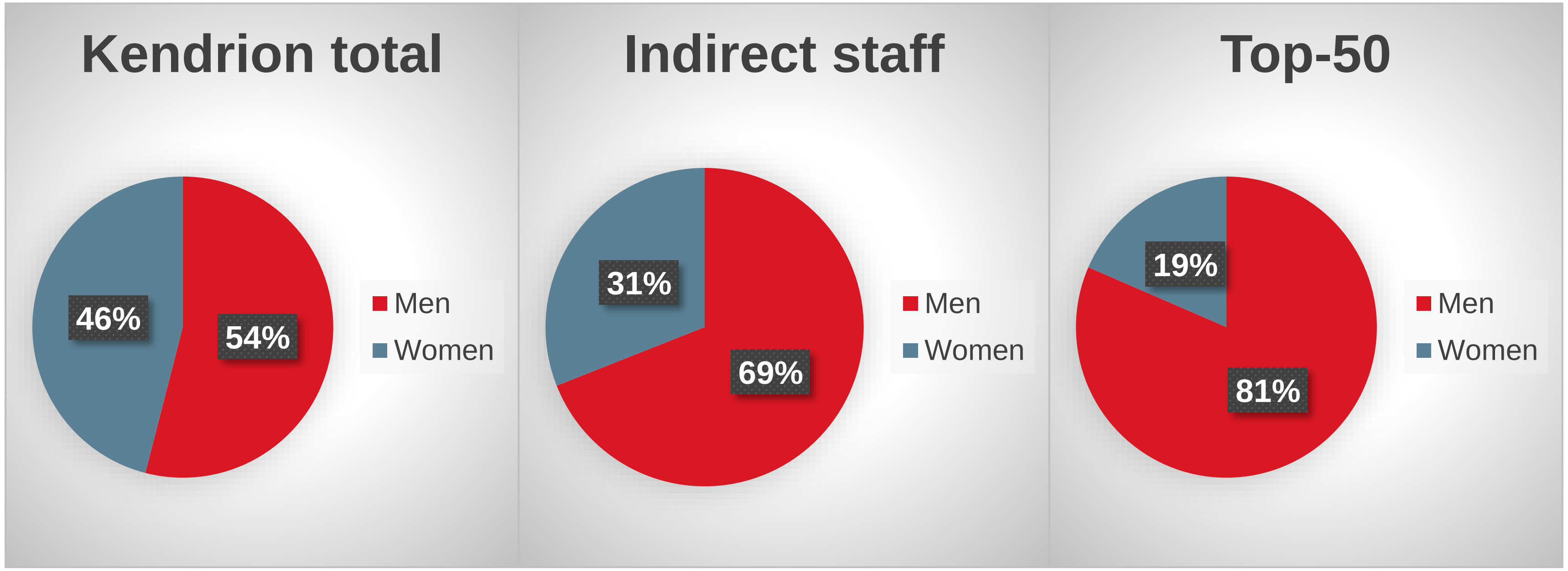


Value in tonnes CO2 by Category Descritpion



GENDER DIVERSITY 2023

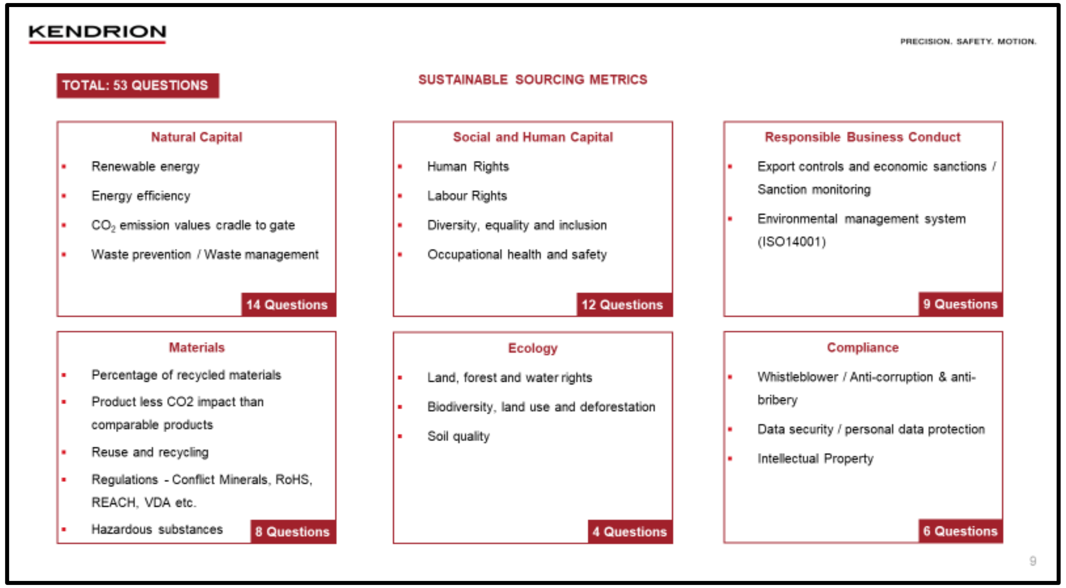
	Kendrion total		Indirect staff		Top-50	
	Men	Women	Men	Women	Men	Women
2023	54%	46%	69%	31%	81%	19%
2028 Ambition			67%	33%	67%	33%

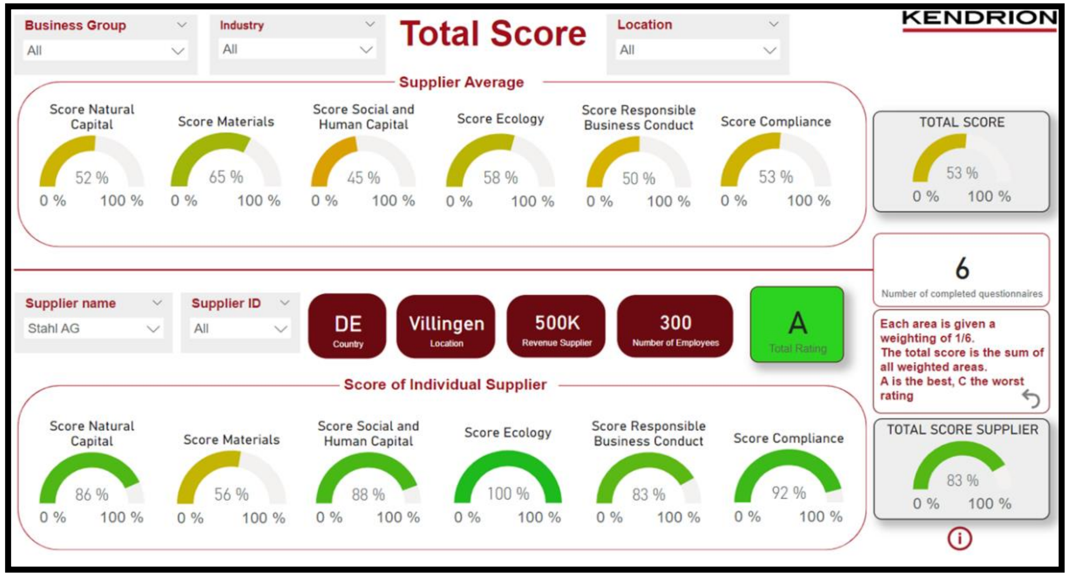


Responsible Business Conduct

SUSTAINABLE SOURCING

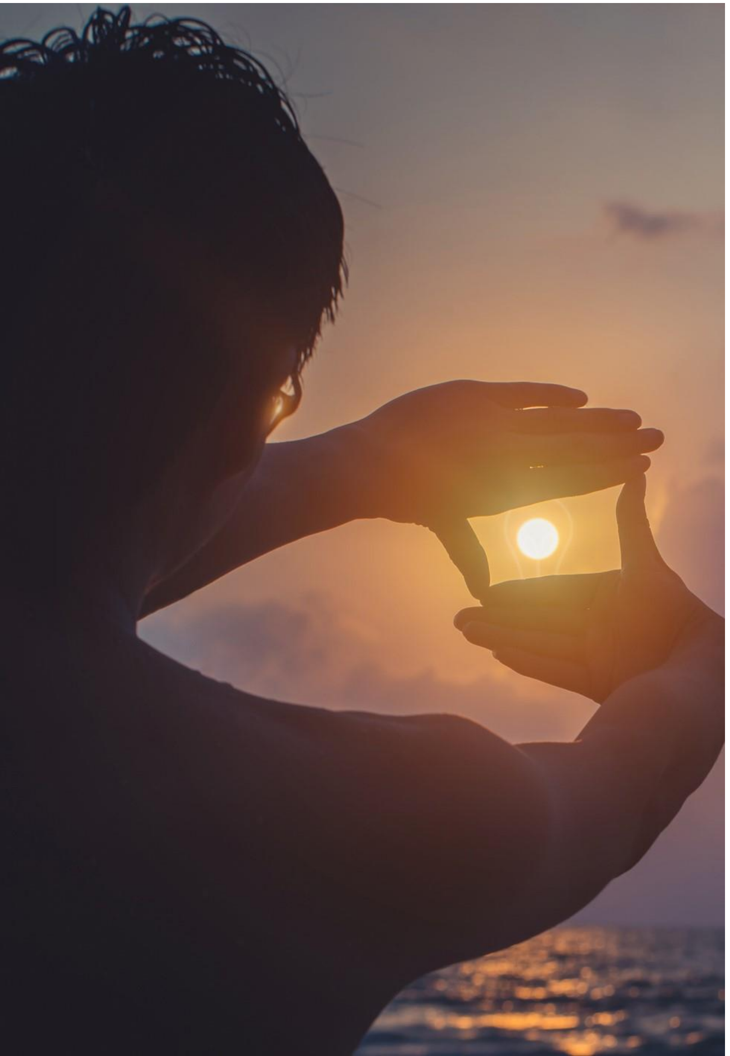
- Enhance supplier selection and screening
- Transitioning from basic risk assessment to integrating ESG metrics into sourcing process
- All key suppliers invited to fill out a questionnaire covering the main areas that determine the degree of sustainable sourcing…
- … and will receive a rating based on their input





5. Outlook

OUTLOOK 2024



- Anticipating current economic environment to continue in first half of 2024, inflation expected to decline, timing uncertain
- Automotive market stable, expect to benefit from price increases and ramping projects in Automotive E
- IB back to healthy profitability as cost base has been adjusted to reflect cyclical downturn
- Continued reliable, strong performance at IAC
- Positive and improving business fundamentals, with our main objective: delivery of sustainable profitable growth

2025 TARGETS

Revenue

Average organic growth at least 5% per year *

EBITDA margin

At least15% in 2025

ROIC

At least 25% in 2025

Dividend

Between 35% - 50% of normalized net profit

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

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6. Q&A

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