

QUESTIONS SUBMITTED BY ADD VALUE FUND

Answers Kendrion in italics in red

Agenda item 2.a – Report by the Executive Board on financial year 2019*Annual integrated report 2019*

1. Page 5: 'Kendrion is the trusted partner of some of the world's market leaders in the automotive and industrial segments when it comes to designing and producing complex components and customized systems.'

Has the customer intimacy between Kendrion and its multinational clients increased since the outbreak of covid-19? Certain projects may get delayed or postponed. Then it is important that there is full transparency about the status of the various projects.

A: *The contacts between Kendrion's R&D teams and its largest customers have indeed intensified, especially in automotive.*

2. Page 7: 'Just as we did in 2018, we added significantly to our automotive product pipeline. We won substantially more business nominations than the size of our current business, which is an excellent leading indicator of future growth.'

If the growth of business nominations continues into 2020 and 2021, what would be the size of the automotive division in five years from now? Given the then larger size of the business, can you elaborate on the economies of scale with a view to the net profit potential?

A: *Without guiding for the 2020 and 2021 nominations and beyond, if Kendrion maintains nomination levels at say EUR 325 million per year for 7 years, then logically our automotive business would grow to EUR 325 million per year. Therefore, reference is made to 'leading indicator'.*

The main source of economies of scale are the indirect staff costs and other operating expenses which represented a little over 25% of revenue in 2019. In the long run these costs will increase with a lower percentage than revenue once revenue growth exceeds the level needed to absorb wage inflation.

General

3. Is it a fair assumption that 2020 results will be affected by one-off reorganization charges? Kendrion management may choose to close certain operations that are no longer profitable in the current demanding economic climate.

A: *Kendrion refrains from speculating on the longer-term impact of the COVID-19 pandemic on its business: the exact impact is simply not predictable. Governments of the countries Kendrion is operating in have enacted a range of measures to support businesses, also with a view to ensure that these businesses can continue without having to shut down parts of their operations. Where eligible, Kendrion is making full use of these measures.*

In terms of one-off costs Kendrion did incur an amount of EUR 1.1 million in the first quarter of 2020 related to transaction costs for the INTORQ acquisition and restructuring measures and for the remainder of the year we expect to incur the majority of the one-off costs related to the realization of the INTORQ synergies expected at EUR 2 million.

4. M&A may offer interesting opportunities as competitors are facing tough market conditions and are more eager to be part of a bigger and stronger entity such as Kendrion. Do you expect increased M&A activity in the next twelve months and is Kendrion among the consolidators?

A: *Kendrion has not changed its position when it comes to M&A. There is a clear strategy, and when there is an M&A opportunity that could materially improve Kendrion's position in the context of that strategy, Kendrion will act upon that. INTORQ is a good example of that approach.*

Should the COVID-19 pandemic offer interesting M&A opportunities like INTORQ, it is not unlikely for Kendrion to act, of course in close consultation with the Supervisory Board and shareholders if and when necessary.

5. Page 18: 10% of Kendrion total sales concerns active damping valves. If you correct for the Intorq-acquisition, is it fair to assume that this percentage will increase in the coming years?

A: *Active damping is one of Kendrion's Lighthouse Platforms. Kendrion continues investing in its Lighthouse Platforms. It is expected that the percentage of Lighthouse Platform related revenue will grow, both in absolute as in relative sense. Damping is part of that.*

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