



KENDRION
WE MAGNETISE THE WORLD

BINDER | **LINNIG** | **KUHNKE**

General Meeting of Shareholders
Piet Veenema / Frank Sonnemans
Zeist, 13 April 2015

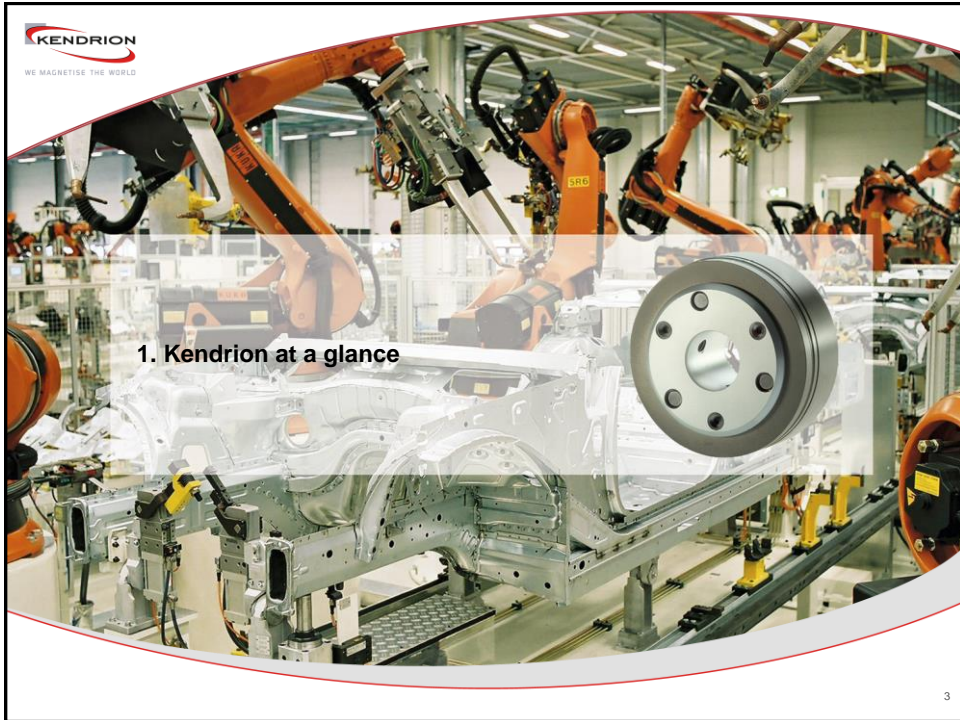


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Agenda

- Kendrion at a glance
- Highlights for the year 2014
- Key figures for 2014
- Review of the Division Industrial
- Review of the Division Automotive
- Financial results 2014 and financial targets
- Dividend
- ERP project HORIZON
- Taking responsibility
- Outlook

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The Kendrion organisation

KENDRION N.V.						
INDUSTRIAL			AUTOMOTIVE			
<p>INDUSTRIAL MAGNETIC SYSTEMS Electromagnetic components and mechatronic solutions for advanced technologies.</p> <p>BINDER</p>	<p>INDUSTRIAL CONTROL SYSTEMS Customised, mechatronic solutions designed to optimise automatic processes.</p> <p>IGERHOLD</p>	<p>INDUSTRIAL DRIVE SYSTEMS Development and production of electromagnetic brakes and clutches for industrial applications.</p> <p>BINDER</p>	<p>PRECISION CAR SYSTEMS Project solutions for specific customer applications in the automotive and special vehicle industries.</p> <p>BINDER</p>	<p>AUTOMOTIVE CONTROL SYSTEMS Intelligent automotive control systems for comfort, safety, energy saving and functionality.</p> <p>IGERHOLD</p>	<p>COMMERCIAL VEHICLE SYSTEMS Individual energy-saving systems for commercial vehicles and off-highway applications.</p> <p>LINAKOR</p>	<p>HEAVY DUTY SYSTEMS Customised project solutions for the commercial vehicles sector.</p> <p>KENDRION</p>

- Development, production and marketing of high-quality electromagnetic and mechatronic systems and components
- 2,700 employees (including about 80 temps) in 15 countries
- Revenue: approximately EUR 430 million
- Listed company on Euronext's Amsterdam Market


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Business summary

<ul style="list-style-type: none"> ▪ To be a leader in business-to-business niche markets ▪ To be a leader in innovation and technology ▪ To be a financially strong company 	Mission
<ul style="list-style-type: none"> ▪ Steady growth to achieve our ambitious targets ▪ Focus on long-term partnerships with our global customers ▪ Balanced spread of operations to mitigate our risks ▪ CSR & sustainability - spearheads in our operations ▪ Acquisitions as important part of our growth strategy 	Strategy
<ul style="list-style-type: none"> ▪ Core technologies driving our business ▪ Providing fast solutions meeting highest technology standards ▪ Our global network of production, engineering & sales facilities 	Profile

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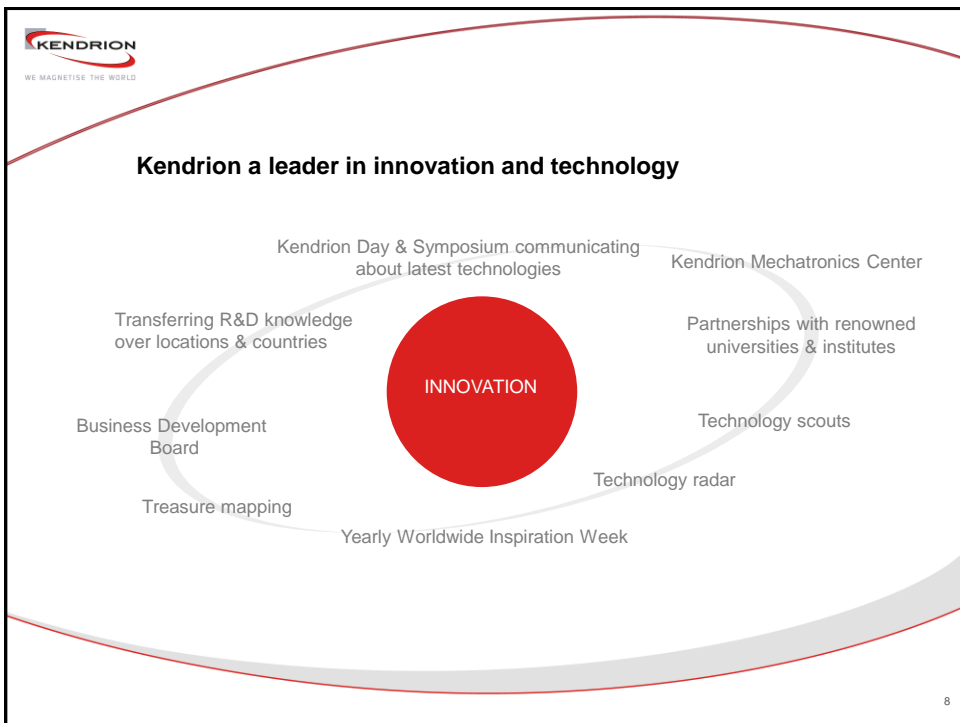
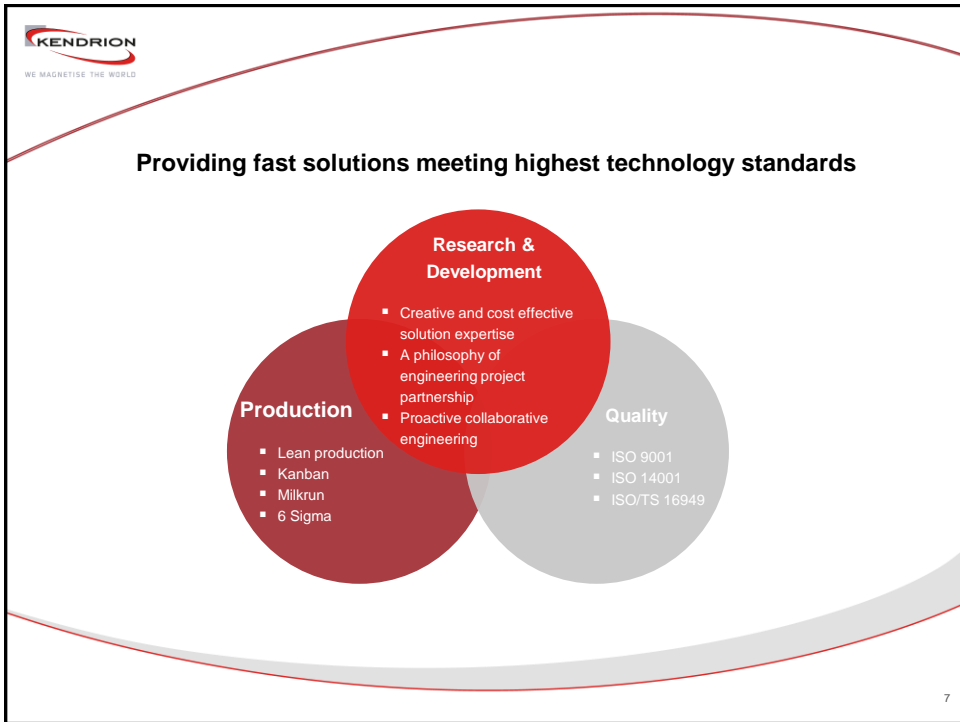


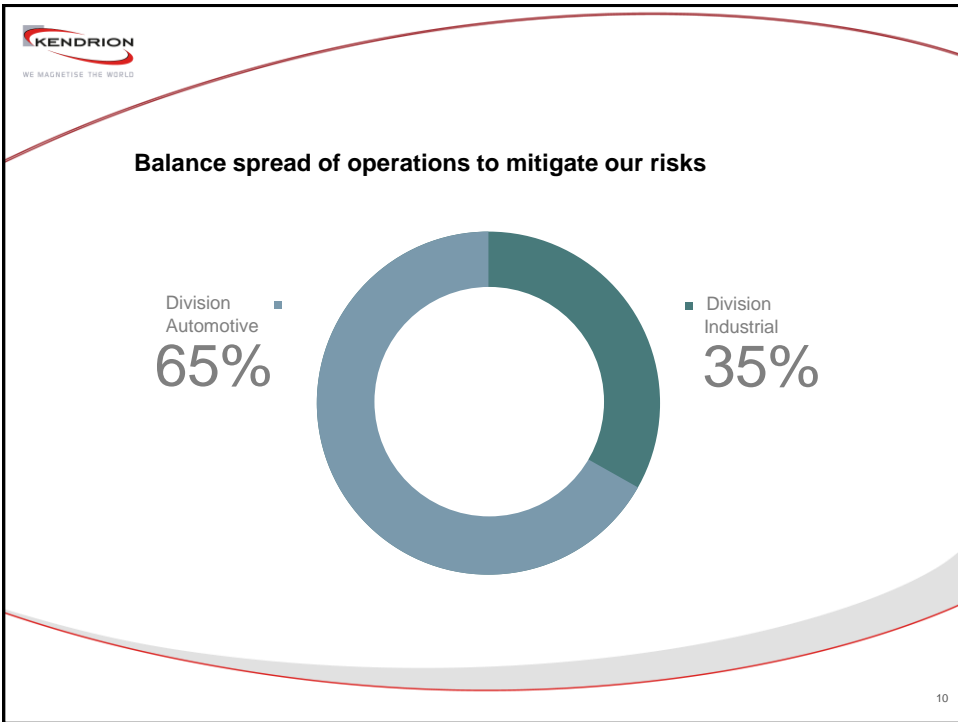
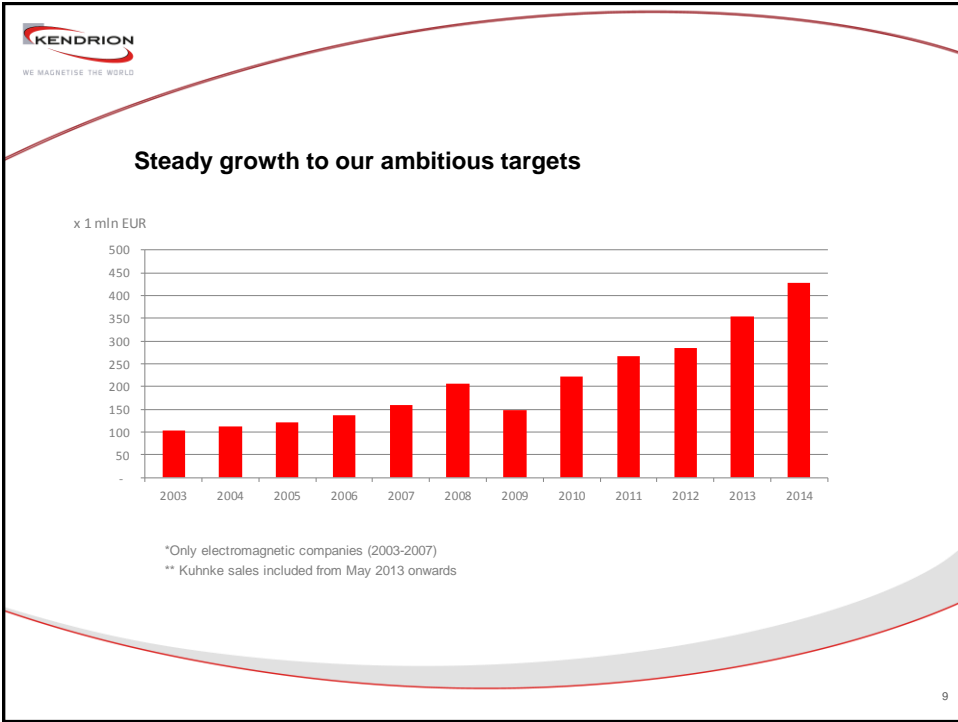
Core technologies driving our business

From components to integrated solutions

<p>Experts in Electromagnetism and the design of electromagnetic actuators</p> <p>Fluid technology specialists to insure highest quality and durability of electromagnetic valves</p> <p>Electronic competence center to fulfill individual needs of our customers in regards to control, operating and display devices</p>	<p>These technologies and the combination of them enable us to provide not only components but mechatronic solutions for industrial and automotive customers</p>
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Focus on long-term partnerships with our global customers

Kendrion's key customers include amongst others

Kendrion N.V.	
Industrial	Automotive
<ul style="list-style-type: none"> ▪ Siemens ▪ Oerlikon ▪ Euchner ▪ Stoll ▪ Schottel ▪ Fresenius Medical Care ▪ Bosch Rexroth ▪ Schindler ▪ Lancer ▪ B/E Aerospace 	<ul style="list-style-type: none"> ▪ Volkswagen/ Audi ▪ Continental ▪ Daimler / Evobus ▪ Stanadyne ▪ Wabco ▪ Automotive Lightning ▪ ZF Lemforder ▪ Bilstein ▪ Chrysler ▪ Delphi

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Our global network of production, engineering & sales facilities

The map displays three regions with red dots indicating facility locations: Americas (North and South America), Europe (Western and Central Europe), and Asia (East and Southeast Asia).

Americas
Europe
Asia

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Strategy update

- Mid-term Plan 2015 - 2017 "Designed to grow"
- Turnover target 2015: EUR 450-500 million
- Achievement of financial objectives (returns and cash)
- "Breaking out of Europe": expansion of the business units USA, China and India
- Target acquisitions with industrial focus
- "Small Revolutions": focus on continuous innovation
- "Taking Responsibility", clearly defined CSR policy
- Increasing focus on mechatronic systems

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Highlights for the year 2014

- Slowly improving market conditions
- Good organic growth (9%)
- Good integration of Kuhnke into the Kendrion organisation
- Strong improvement in results (operating and net result)
- Biggest contract in Kendrion's history (valves for damper business)
- Strong free cash flow and financial position
- New EUR 150 million revolving credit facility
- Strong basis for further growth
- Acquisition of Steinbeis Mechatronik GmbH in Ilmenau (Germany)

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The slide features a list of highlights for the year 2014, presented in a clean, professional layout with a red curved border at the bottom.



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Key figures 2014

(x EUR 1 million unless otherwise stated)	Q4 2014 ¹	Q4 2013 ^{1,2}	Difference in %
Revenue	106.2	98.5	8%
EBITA	6.9	6.7	3%
Net profit	4.7	5.7	-18%
ROS	6.5%	6.8%	

(x EUR 1 million unless otherwise stated)	FY 2014	FY 2013 ²	Difference in %
Revenue	428.9	354.0	21%
EBITA	32.9	23.9	38%
Net profit	20.2	14.3	41%
Solvency	46.0%	40.1%	
ROS	7.7%	6.8%	
ROI	13.0%	10.8%	

¹ The quarterly figures are unaudited
² 2013 EBITA and net profit adjusted for non-recurring items

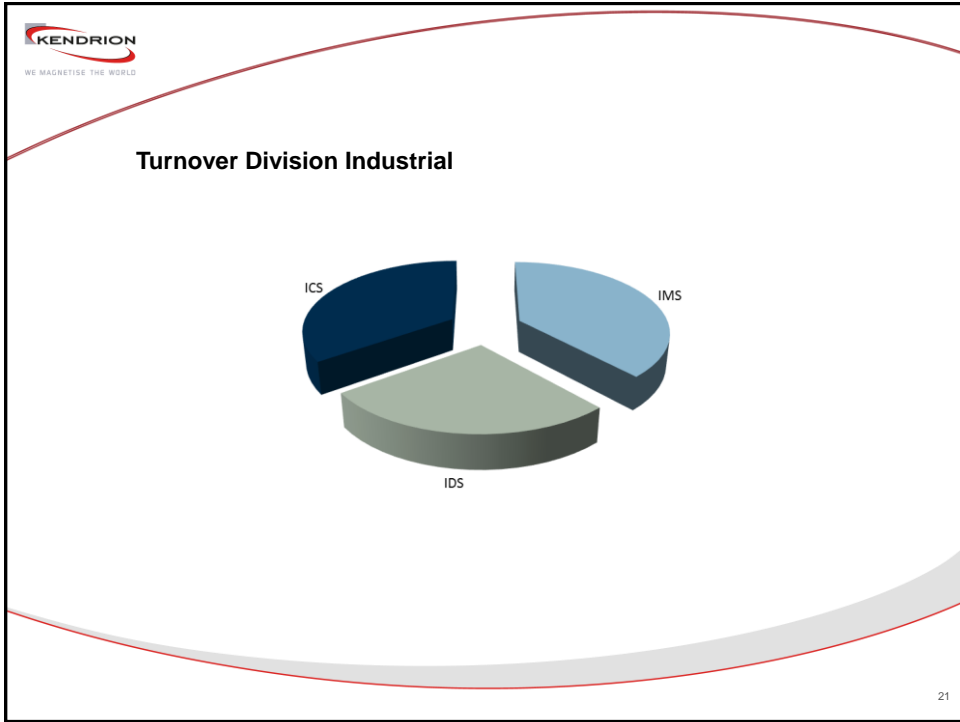
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INDUSTRIAL			AUTOMOTIVE			
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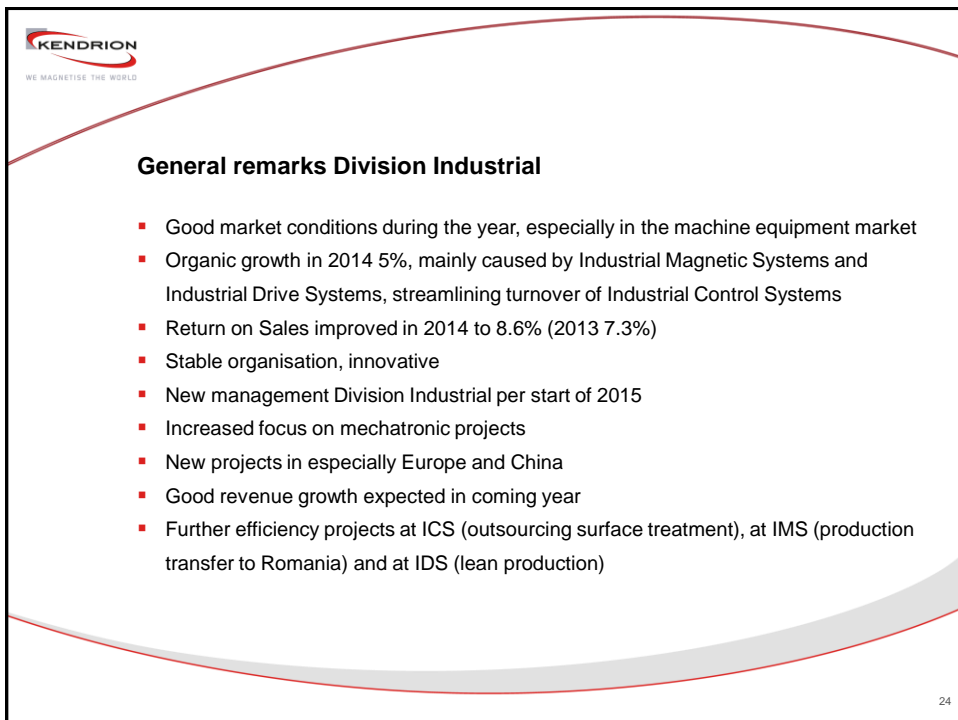


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Product overview Division Industrial

INDUSTRIAL		
INDUSTRIAL MAGNETIC SYSTEMS	INDUSTRIAL CONTROL SYSTEMS	INDUSTRIAL DRIVE SYSTEMS
<ul style="list-style-type: none"> ▪ Single stroke solenoids ▪ Rotary solenoids ▪ Door holding solenoids ▪ Holding magnets ▪ Solenoid valves ▪ Explosion-proof solenoids ▪ Elevator solenoids ▪ Customer-specific solenoids 	<ul style="list-style-type: none"> ▪ Valve, valve units ▪ Linear solenoids ▪ Rotary solenoids ▪ Holding solenoids ▪ Human machine interfaces ▪ Control and I/O systems ▪ Software ▪ Functional mechatronic units ▪ Customer-specific solutions 	<ul style="list-style-type: none"> ▪ Permanent-magnet brakes ▪ Pneumatic clutches ▪ Clutch brake units ▪ Spring-applied brakes ▪ Electronic accessories ▪ Solutions for hazardous areas ▪ Micro brakes & clutches ▪ Magnet powder clutches ▪ Customer-specific solutions

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5. Review of the Division Automotive










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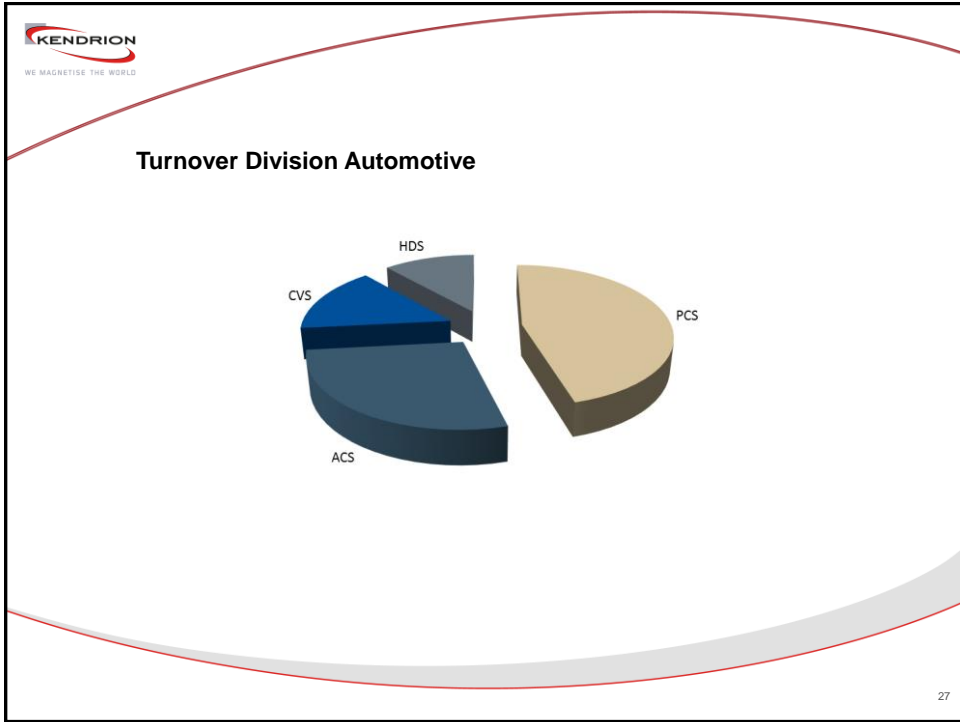


Division Automotive

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Product overview Division Automotive

AUTOMOTIVE

PASSENGER CAR SYSTEMS	AUTOMOTIVE CONTROL SYSTEMS	COMMERCIAL VEHICLE SYSTEMS	HEAVY DUTY SYSTEMS
<ul style="list-style-type: none"> Common rail injection systems Gasoline direct injection Engine management Chassis Transmission Differential gear Gear shifts Headlights regulation Steering Rear hatch drive Mobile and standard hydraulic 	<ul style="list-style-type: none"> Electronics Solenoid technology Pneumatic systems Sensor technology Sound systems Visualisation 	<ul style="list-style-type: none"> A/C compressor drives Belt drive systems Clutches for auxiliary units Engine-cooling systems 	<ul style="list-style-type: none"> Common rail injection systems Engine-cooling systems Engine valves and actuators Lighting Pressure switch Transmission valves and solenoids

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Financial results (1/2)

- Satisfying Q4 with 6% organic sales growth
(3% Division Industrial, 8% Division Automotive)
- Modest increase of EBITA in Q4 2015 to EUR 6.9 million (Q4 2013 EUR 6.7 million),
due to stock decreases and EUR 0.6 million restructuring provisions
- Strong increase in revenue in 2014 to EUR 429 million (2013 EUR 354 million),
due to full year contribution of Kuhnke and strong organic growth (9%)
- Hardly a seasonal pattern in revenue in 2014
- Added value (48% in 2014) remained stable compared to 2013, slightly declining raw
material prices
- Increased efficiency due to planned efficiency measures at Kuhnke and strong growth
- Almost all business units improved in turnover and operating results
- Normalised EBITA margin increased from 6.8% (2013) to 7.7% (2014)
- Successful integration of Kuhnke, focus and efficiency measures will continue

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Financial results (2/2)

- Net finance costs declined from EUR 5.2 million (2013) to EUR 4.6 million (2014)
- Effective tax rate 2014 18.9% (2013 -6.4%)
- Net profit EUR 20.2 million (normalised net profit 2013 EUR 14.3 million);
increase of EUR 41%

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Further strengthening of balance sheet

- Strong free cash flow of EUR 17.1 million in spite of high investment programme, which was at EUR 20.0 million EUR 3.6 million higher than depreciation
- Strong reduction in debtors and inventories since end September
- As a result net debt reduced to EUR 83 million (2013 EUR 91 million including EUR 43.8 million EC fine paid on 3 April 2014)
- Net debt cover improved to 1.7 (2013: 2.2) and solvency rate to 46% (2013: 40%)

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Kendrion, a financially strong company

Continued focus on working capital improvements

Strong capital investment programme

Sufficient financial room for further acquisitions

High spend on R&D projects


Net debt cover of 1.7 with strong deleveraging profile

Good free cash flow generation

Solvency of >40%

Good financial position
Investments in innovation

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Financial results and financial targets

	<u>Target</u>	<u>Realisation 2014</u>	<u>Realisation 2013</u>
Organic growth	>10% per year	8.6%	-1.2%
Return on Sales	>10%	7.7%	6.8%
Return on Investment	>17.5%	13.0%	10.8%
Solvency	≥ 35%	46.0%	40.0%
Interest-bearing debt/EBITDA	<3.00	1.68	2.18
Free cash flow	Healthy	88% of normalised net profit	82% of normalised net profit
Dividend net profit	35-50% of net profit	50% of normalised net profit	50% of normalised net profit

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Dividend


- Dividend policy 35-50% of net profit
- Solvency at least 35%
- Proposed optional dividend for 2014 of 50% of net profit (EUR 20.2 million)
- Dividend of EUR 0.78 per share (2013 EUR 0.55 per share)

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8. ERP Project HORIZON

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ERP Project HORIZON

- Fully rolled-out now to all large Kendrion companies
- 2014: Kendrion USA (Mishawaka and Shelby) and Kendrion Kuhnke (Malente and Sibiu)
- Almost completely on schedule
- Only a few small companies yet still to do

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9. Taking Responsibility

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Taking Responsibility

- New CSR & Sustainability Programme 2015 - 2017
- Spearhead in our operations
- Offers energy efficient, safe and sustainable products
- Greensigned logo for certified products




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At Kendrion, Corporate Social Responsibility is not just being responsible; it is about taking responsibility

-  Attractive labour standards
-  Safe and healthy working environment
-  Efficient use of materials; sustainable business processes
-  Focus on Energy & CO₂ reduction and environmental protection
-  Takes supply chain responsibility within its sphere of influence
-  Transparency and fair business conduct
-  Sustainable products
-  Support local communities





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Taking Responsibility - CSR reporting

- Annual CSR Report with external assurance as of 2015
- Carbon Disclosure Project reporting
- Integrated reporting under review
- Kendrión endorses the 10 principles of the UN Global Compact




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10. Outlook

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Outlook

- Economic prospects 2015 moderately optimistic
- Germany slight economic growth, USA good growth, China more difficult
- Division Industrial: growth expected in all three business units
- Division Automotive: growth expected in business unit PCS, CVS and HDS, limited decrease in turnover in ACS
- Confidence in growth to EUR 450-500 million in 2015
- Good order book
- No concrete outlook

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