



WE MAGNETISE THE WORLD

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Excellent fourth quarter; net profit for 2010: EUR 16.6 million

- Fourth-quarter revenue: EUR 59 million (+46%)
- Normalised net profit for the period Q4 (adjusted for a non-recurring tax gain of EUR 1.8 million): EUR 4.4 million – the highest quarterly profit realised ever
- Strong free cash flow of EUR 17.4 million, despite a 43% revenue increase for the full year 2010
- All business units performing well; market conditions remain favourable
- Proposed optional dividend: EUR 0.59 per share; total pay-out ratio: 40%
- Kendrion expects revenue and profit to further increase in 2011

(x EUR 1 million)	Q4 2010 ⁴	Q4 2009 ⁴
Revenue	58.9	40.4
EBITA from ordinary activities	6.6	2.4
Net profit	6.2	1.8

(x EUR 1 million)	2010 ¹	2009
Revenue	221.9	149.2
EBITA from ordinary activities	24.2	5.7 ²
Net profit	16.6	4.0 ³

¹) Including Kendrion Magneta since 1 March 2010 (revenue included in 2010: EUR 8.8 million)

²) Excluding provision for Springtime Plan (EUR 8.5 million)

³) Including book profit on Vink (EUR 10 million) and provision for Springtime Plan (EUR 8.5 million)

⁴) The quarterly figures are unaudited

Kendrion CEO Piet Veenema:

"2010 was a great year for Kendrion, with demand for our products remaining high throughout the year. Organic revenue for 2010 was up 43% from 2009, the year of the crisis. Net profit was very high as well. All the measures taken earlier, such as increasing focus in our operations, improving our engineering expertise, implementing cost reductions and targeting innovation and flexibility, have clearly begun to pay off. On account of these results and as a token of confidence, we propose a dividend of 40% of net profit for 2010. Our order book and current developments give us every confidence that we will be able to further expand Kendrion in 2011 and that the company's revenue and profit will continue to grow."

Financial developments

The favourable developments of the first nine months of 2010 continued into the fourth quarter. Revenue continued to increase throughout October and November, with demand for Kendrion products remaining high even in the traditionally weaker month of December. As a result, fourth-quarter revenue was equal to that of the previous quarter, and up 46% from the same period in 2009. Organic growth in revenue for the full year 2010 was 43%. This revenue growth was fuelled mainly by Germany, driven by factors including the country's strong exports to the Far East. Revenue also increased in other key Kendrion home markets, such as China and the United States.

The largest growth in revenue in 2010 (62%) was achieved by the Passenger Car Systems business unit, which saw its revenue improve during the year on the back of a global spike in sales in the German automotive industry. In addition, Kendrion has benefited significantly from the success of the new energy-efficient diesel engines, for which it supplies a number of key parts. With similar parts also set to be used in new gasoline engines in the future, revenue in the United States is also expected to increase substantially within the next several years.

The revenue of the Industrial Magnetic Systems business unit rose by 24% in 2010. This increase was driven by the launch of several innovations (including in the medical sector) and by the significantly higher volumes of the main existing customers, including in the machine building and energy industries. The efficiency measures implemented resulted in a sharp increase in performance, allowing Industrial Magnetic Systems to improve its return each quarter.

The Industrial Drive Systems business unit increased its revenue by 82% (organic growth: 42%). In 2010, Kendrion acquired the German-based company Magneta in order to further strengthen the business unit. The newly acquired company achieved excellent results in its first year of operating under the Kendrion banner. One of the main drivers of organic revenue growth was the rebound in the German machine building industry, to the point where this business unit currently enjoys a strong market position in the field of brake systems for servomotors. The increase in revenue was further fuelled by a number of innovative new products, including energy-efficient products.

Revenue of the Commercial Vehicle Systems business unit increased by 37%; the bulk of this growth occurred outside Europe. Sales to and in the Far East, in particular, increased significantly in 2010. Revenue in the German bus market is expected to further increase in the coming year. A new greenfield operation is currently being established in India, and the innovative new generator cooling system is already a major market success.

Coupled with the previously implemented cost-reducing measures, the company was able to once again report a high profit for the fourth quarter due to strong revenue growth. Operating result before amortisation (expressed as a percentage of revenue) amounted to 11.2% in the fourth quarter (down slightly from 12% in the third quarter due to end-of-year effects). For the full

year 2010, this margin was 10.9%, which means Kendrion exceeded its internal target of 10% minimum. Return on investment (ROI) for 2010 amounted to 18.7% (target: higher than 17.5%).

Fourth-quarter net profit totalled EUR 6.2 million, of which EUR 1.8 million was due to a non-recurring tax gain. Excluding this tax gain, net profit for the fourth quarter was EUR 4.4 million: the highest net quarterly profit ever reported by Kendrion for its electromagnetic business. Net profit for the full year 2010 totalled EUR 16.6 million, with net profit per share amounting to EUR 1.47 in 2010 (versus EUR 0.37 in 2009).

The number of FTEs increased by 11 to a total of 1,376 during the fourth quarter, including 158 temporary employees. With Kendrion continuing to focus on retaining its flexibility, both in its company structure and in terms of staff costs and other costs, the flexibility of each business unit is measured on a quarterly basis.

Financial position

During the fourth quarter, the balance sheet total increased by EUR 1.8 million compared to the third quarter. Working capital was up EUR 4.3 million from year-end 2009, which was very satisfactory given the strong revenue growth in 2010. This helped increase free cash flow (before acquisition) to EUR 17.4 million, of which EUR 7.5 million was realised in the fourth quarter.

As expected, investments reached the depreciation level in 2010 (EUR 8.9 million).

At year-end 2010, the company's net debt position totalled EUR 5.2 million; the solvency ratio at year end stood at 64.7%.

As reported, Kendrion reached agreement at the end of 2010 regarding an attractive new financing arrangement with Deutsche Bank, ING Bank and Rabobank. This agreement has since been signed.

Dividend

Under company policy, 30% of net profit is distributed to Kendrion's shareholders, subject to a solvency ratio of at least 30% and provided that investments, acquisitions or special circumstances do not compel the company to do otherwise. In the medium and long term, Kendrion's reserve and dividend policies are also designed to allow the company to grow while at the same time maintaining a good solvency ratio, in line with the company's current strategy.

Given the excellent results for 2010, the fact that no dividend was paid for 2009 and Kendrion's low debt levels, Kendrion has decided for 2010 to depart from its current dividend policy, proposing instead to pay a total dividend equal to 40% of net profit.

The proposed dividend comes to EUR 6.6 million, i.e. EUR 0.59 per share. The shareholders can choose to have the dividend paid either in cash only or in shares only. The conversion rate used to calculate the stock dividend will be determined on 12 May 2011, based on the weighted average stock price on 5, 6, 9, 10 and 11 May 2011. The amount of the shares to be distributed will be virtually equal to the cash dividend.

European Commission fine

As previously reported, Kendrion incurred a EUR 34 million fine in 2005 for the alleged involvement of its former subsidiary Fardem Packaging in a cartel during the period 1995-2002. Kendrion sold Fardem Packaging in 2003. Kendrion has always challenged the grounds on which this fine was imposed, and appealed the case before the General Court in Luxembourg. Kendrion was recently invited to attend a public hearing to be held on 9 March 2011. A court ruling typically follows approximately 8 to 12 months after the hearing, although this period may be longer.

Outlook

2010 was an excellent year for Kendrion. The company emerged from the crisis stronger than before. Its strong financial position, increased competitive edge and innovative capacity form the basis for continued growth in the coming years. Furthermore, all individual business units are also developing strategic new opportunities for the future.

The company began 2011 with a strong order book and satisfactory revenue growth in the first months of the year. Although market conditions remain favourable, we are still seeing a high degree of economic uncertainty, as evidenced by regular reports on the problems affecting North Africa and southern Europe and their impact on the eurozone as a whole. There have also been contradictory reports on economic trends in China, one of Kendrion's key markets, suggesting that it has become more difficult to make predictions.

In 2011, investments will significantly exceed the depreciation level. This difference is accounted for by the substantial amount to be allocated to the new ERP project. We are pleased to report that progress on this project is currently on schedule.

Kendrion remains committed to increase its market positions through acquisitions. While the focus continues to be on Germany, our main market, we made significant steps in the past year to drive continued growth in the United States and China in particular in the coming years.

Although Kendrion refrains from issuing specific forecasts for profit performance for 2011, it should be evident that the company faces this year with confidence and expects further improvement in revenue and profit.

100 years of electromagnetism

On 1 March 2011, Kendrion's main site in Villingen, Germany, will be celebrating its centennial anniversary. Under the name "100 years of electromagnetism", this milestone will be marked through a series of celebrations on various appropriate occasions, in which a large number of stakeholders will be involved.

Profile of Kendrion N.V.

Kendrion N.V., a solution provider, develops, manufactures and markets innovative high-quality electromagnetic systems and components for customers all over the world. Kendrion's operations are carried out by four business units focused on specific market segments, namely Industrial Magnetic Systems, Industrial Drive Systems, Passenger Car Systems and Commercial Vehicle Systems.

Kendrion has leading positions in a number of business-to-business niche markets. Germany is Kendrion's main market, although other countries are becoming increasingly important.

Kendrion's activities

Kendrion develops advanced electromagnetic solutions for industrial applications. These are used by customers all over the world in systems such as lifts, door-locking systems, industrial robots, medical equipment, electrical switchbox systems, diesel engines, air-conditioning installations, motor cooling systems and beverage dispensers. Kendrion's key customers include Bosch, Siemens, Daimler, Continental, Delphi, Evobus, Hyundai and Yutong.

Kendrion's shares are listed on NYSE Euronext's Amsterdam market.

Zeist, 28 February 2011

The Board

Piet Veenema – Chief Executive Officer

Eiko Ris – Chief Financial Officer

Heinz Freitag – Chief Operating Officer

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Annexes

1. Consolidated statement of comprehensive income
2. Consolidated statement of financial position
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4. Consolidated statement of cash flows
5. Financial calendar 2011



Annex 1 - Consolidated statement of comprehensive income

(EUR million)

	Q4 2010	Q4 2009	2010	2009
Revenue	58.9	40.4	221.9	149.2
Other operating income	0.5	0.3	0.8	1.0
	59.4	40.7	222.7	150.2
Changes in inventories of finished goods and work in progress	0.2	1.9	(2.4)	4.4
Raw materials and subcontracted work ¹	29.3	18.8	110.7	68.2
Staff costs ¹	15.9	11.5	62.0	55.5
Depreciation and amortisation	2.9	2.3	10.1	8.8
Impairment of other investments	-	-	-	0.9
Other operating expenses ¹	4.9	4.1	19.5	17.4
Result before net finance costs	6.2	2.1	22.8	(5.0)
Finance income	0.4	0.0	0.4	0.2
Finance expense	(1.3)	(0.6)	(3.4)	(3.6)
Net finance costs	(0.9)	(0.6)	(3.0)	(3.4)
Profit before income tax	5.3	1.5	19.8	(8.4)
Income tax expense	0.9	0.3	(3.2)	(1.5)
Profit from continuing operations	6.2	1.8	16.6	(9.9)
Result on sale of discontinued operations (net of income tax)	-	(0.0)	-	13.9
Profit for the period	6.2	1.8	16.6	4.0
Attributable to:				
Equity holders of the company	6.2	1.8	16.5	3.9
Minority interest	0.0	0.0	0.1	0.1
Profit for the period	6.2	1.8	16.6	4.0
Other comprehensive income				
Foreign currency translation differences for foreign operations			1.1	(0.5)
Net change in fair value of cash flow hedges, net of tax			0.9	0.2
Other			-	-
Other comprehensive income for the period			2.0	(0.3)
Total comprehensive income for the period			18.6	3.7
Total comprehensive income attributable to:				
Equity holders of the Company			18.5	3.6
Minority interest			0.1	0.1
Total comprehensive income for the period			18.6	3.7
Basic earnings per share (EUR)	0.55	0.16	1.47	0.37
Diluted earnings per share (EUR)	0.55	0.16	1.47	0.37

1 = Allocation of temporary personnel and other personnel costs under Staff costs (2009 re-allocated).

- Quarterly figures are unaudited -

Annex 2 - Consolidated statement of financial position at 31 December

(EUR million)	31 Dec. 2010	31 Dec. 2009
Assets		
Property, plant and equipment	46.5	45.3
Intangible assets	50.1	41.4
Other investments, including derivatives	0.0	0.6
Deferred tax assets	12.8	13.3
Total non-current assets	109.4	100.6
Inventories	28.2	22.4
Current tax assets	0.3	0.3
Trade and other receivables	30.2	24.8
Cash and cash equivalents	9.0	4.7
Total current assets	67.7	52.2
Total assets	177.1	152.8
Equity and liabilities		
Equity		
Share capital	22.6	22.6
Share premium	68.4	68.4
Reserves	6.8	1.0
Retained earnings	16.5	3.9
Total equity attributable to equity holders of the company	114.3	95.9
Minority interest	0.2	0.2
Total equity	114.5	96.1
Liabilities		
Loans and borrowings	2.5	13.6
Employee benefits	7.0	6.5
Government grants received in advance	0.3	-
Provisions	2.7	2.6
Deferred tax liabilities	3.4	3.2
Total non-current liabilities	15.9	25.9
Bank overdraft	1.7	3.7
Loans and borrowings	10.0	1.3
Current tax liabilities	2.0	0.3
Trade and other payables, including derivatives	33.0	25.5
Total current liabilities	46.7	30.8
Total liabilities	62.6	56.7
Total equity and liabilities	177.1	152.8

Annex 3 - Consolidated statement of changes in equity

EUR million	Share capital	Share premium	Translation reserve	Hedge reserve	Reserve for own shares	Other reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 Januari 2009	20.6	71.3	1.0	(1.1)	(0.3)	(11.0)	12.8	93.3	0.2	93.5
Total comprehensive income for the period										
Profit or loss	-	-	-	-	-	-	3.9	3.9	0.1	4.0
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	(0.5)	-	-	-	-	(0.5)	-	(0.5)
Net change in fair value of cash flow hedges, net of tax	-	-	-	0.2	-	-	-	0.2	-	0.2
Total other comprehensive income	-	-	(0.5)	0.2	-	-	-	(0.3)	-	(0.3)
Total comprehensive income for the period	-	-	(0.5)	0.2	-	-	3.9	3.6	0.1	3.7
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Issue of ordinary shares	2.0	7.1	-	-	-	-	-	9.1	-	9.1
Own shares acquired	-	-	-	-	(0.1)	-	-	(0.1)	-	(0.1)
Dividends to equity holders	-	(10.0)	-	-	-	-	-	(10.0)	-	(10.0)
Total contributions by and distributions to owners	-	-	-	-	-	12.8	(12.8)	-	(0.1)	(0.1)
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Balance at 31 December 2009	22.6	68.4	0.5	(0.9)	(0.4)	1.8	3.9	95.9	0.2	96.1
EUR million										
Balance at 1 Januari 2010	22.6	68.4	0.5	(0.9)	(0.4)	1.8	3.9	95.9	0.2	96.1
Total comprehensive income for the period										
Profit or loss	-	-	-	-	-	-	16.5	16.5	0.1	16.6
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	1.1	-	-	-	-	1.1	-	1.1
Net change in fair value of cash flow hedges, net of tax	-	-	-	0.9	-	-	-	0.9	-	0.9
Total other comprehensive income	-	-	1.1	0.9	-	-	-	2.0	-	2.0
Total comprehensive income for the period	-	-	1.1	0.9	-	-	16.5	18.5	0.1	18.6
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-
Own shares acquired	-	-	-	-	(0.1)	-	-	(0.1)	-	(0.1)
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	3.9	(3.9)	-	(0.1)	(0.1)
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Balance at 31 December 2010	22.6	68.4	1.6	0.0	(0.5)	5.7	16.5	114.3	0.2	114.5

Annex 4 - Consolidated statement of cash flows

(EUR million)

	2010	2009
Cash flows from operating activities		
Profit for the period	16.6	4.0
<i>Adjustments for:</i>		
Net finance costs	3.0	3.4
Income tax expense	3.2	1.5
Result on discontinued operations	-	(13.9)
Depreciation of property, plant and equipment	8.4	7.3
Amortisation of intangible assets	1.7	1.5
Impairment of other investments	-	0.9
Reversal of impairment of property, plant and equipment	(0.2)	-
	32.7	4.7
Change in trade and other receivables	(4.6)	(0.8)
Change in inventories	(4.3)	7.8
Change in trade and other payables	4.3	(3.5)
Change in provisions	0.6	(0.2)
	28.7	8.0
Interest paid	(2.4)	(3.4)
Interest received	0.2	0.2
Tax paid	(0.8)	(0.9)
Cash flow from operating activities	25.7	3.9
Cash flows from investing activities		
Disposal of subsidiary, net of cash disposed of	-	77.1
Acquisition of subsidiary, net of cash received (2009 earn-out payment)	(8.2)	(1.7)
Investments in property, plant and equipment	(13.2)	(13.9)
Disinvestments of property, plant and equipment	4.6	8.0
Investments in intangible assets	(0.3)	(0.1)
Disinvestments of intangible fixed assets	0.0	0.1
(Dis)investments of other investments	0.6	0.1
Net cash from investing activities	(16.5)	69.6
Free cash flow	9.2	73.5
Cash flows from financing activities		
Proceeds borrowings (non-current)	-	-
Repayment of borrowings (non-current)	(11.8)	(7.0)
Proceeds borrowings (current)	-	-
Repayment of borrowings (current)	8.8	(50.5)
Dividends paid	-	(10.0)
Change in shares held in own Company	(0.1)	(0.1)
Proceeds from issue of share capital	-	9.1
Net cash from financing activities	(3.1)	(58.5)
Net cash from operating activities of discontinued operations	-	(6.6)
Net cash from investing activities of discontinued operations	-	(1.1)
Net cash from financing activities of discontinued operations	-	3.4
Total cash flow of discontinued operations	-	(4.3)
Change in cash and cash equivalents	6.1	10.7
Cash and cash equivalents at 1 January	1.0	(9.6)
Effect of exchange rate fluctuations on cash held	0.2	(0.1)
Cash and cash equivalents at 31 December	7.3	1.0

Annex 5 - Financial calendar 2011

Publication of 2010 full-year figures	Monday, 28 February 2011	08.00 a.m.
Analysts' meeting	Monday, 28 February 2011	11:30 a.m.
Record date General Meeting of Shareholders	Monday 21 March 2011	
General Meeting of Shareholders	Monday, 18 April 2011	02.30 p.m.
Ex-dividend date	Wednesday, 20 April 2011	
Dividend record date	Tuesday, 26 April 2011	
Dividend election period (stock or cash)	Wednesday 27 April - Wednesday 11 May 2011, 03.00 p.m.	
Publication of Q1 2011 results	Tuesday, 10 May 2011	08.00 a.m.
Determination stock dividend exchange ratio	Thursday, 12 May 2011	
Cash dividend made payable and delivery stock dividend	Monday, 16 May 2011	
Publication of HY1 2011 results	Thursday, 25 August 2011	08.00 a.m.
Analysts' meeting	Thursday, 25 August 2011	11:30 a.m.
Publication of Q3 2011 results	Tuesday, 8 November 2011	08.00 a.m.