

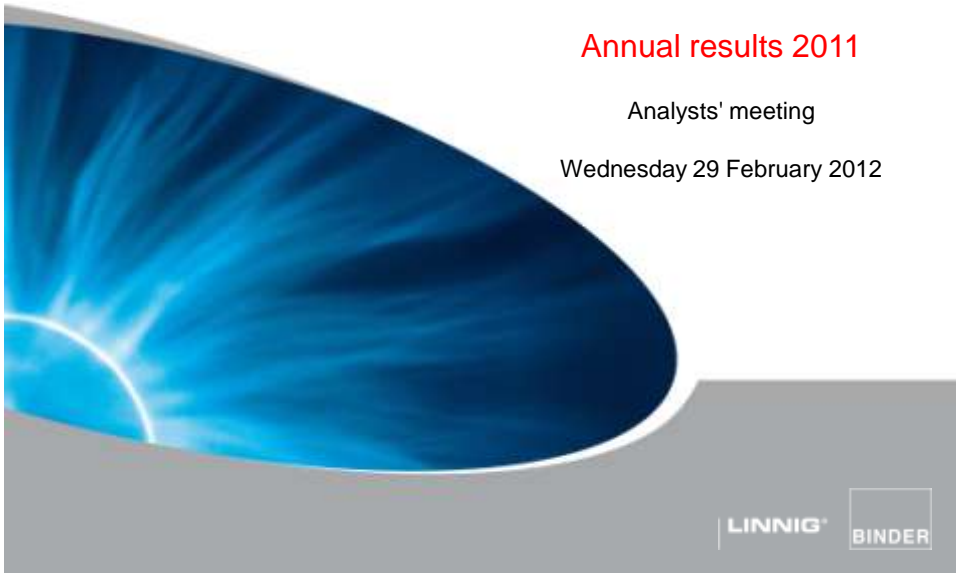


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## Annual results 2011

Analysts' meeting

Wednesday 29 February 2012



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### Agenda

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1. Kendrion at a glance
2. Highlights 2011
3. Key figures 2011 and financial objectives
4. Review of the business units
5. Financial position
6. Dividend
7. Fine imposed by European Commission
8. ERP project HORIZON
9. Priorities and outlook



**1. Kendrion at a glance**



3



**The Kendrion organisation**

**KENDRION N.V.**

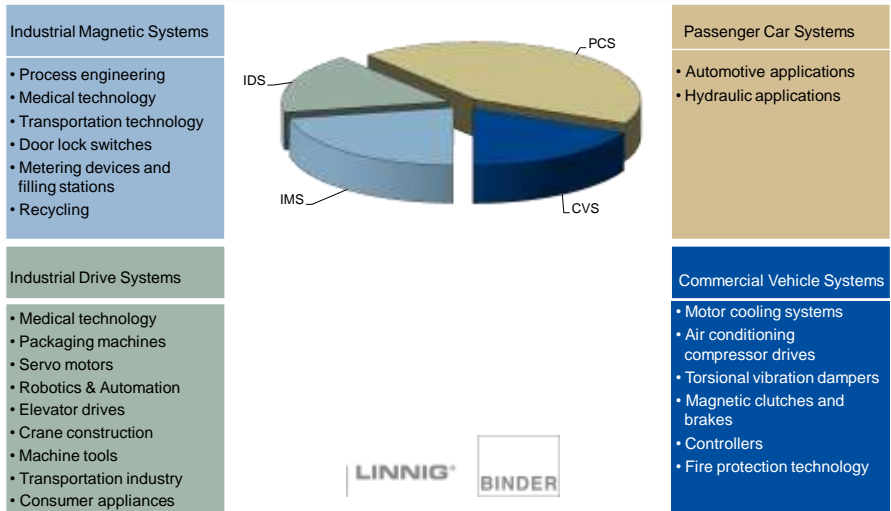
- Development, production and marketing of high-quality electromagnetic components
- 1,800 employees (including 200 temps) in 13 countries
- Turnover: approximately EUR 300 million
- Listed company on NYSE Euronext's Amsterdam Market

 <p><b>Industrial Magnetic Systems</b> Our technology is used in various applications for the transportation of passengers and cargo.</p> <p><b>EMERSON</b></p>	 <p><b>Industrial Drive Systems</b> Our technology is used in various applications for the transportation of passengers and cargo.</p> <p><b>EMERSON</b></p>	 <p><b>Passenger Car Systems</b> Our technology is used in various applications for the transportation of passengers and cargo.</p> <p><b>EMERSON</b></p>	 <p><b>Commercial Vehicle Systems</b> Our technology is used in various applications for the transportation of passengers and cargo.</p> <p><b>EMERSON</b></p>
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4



Organisation – Kendrion breakdown of revenue 2011

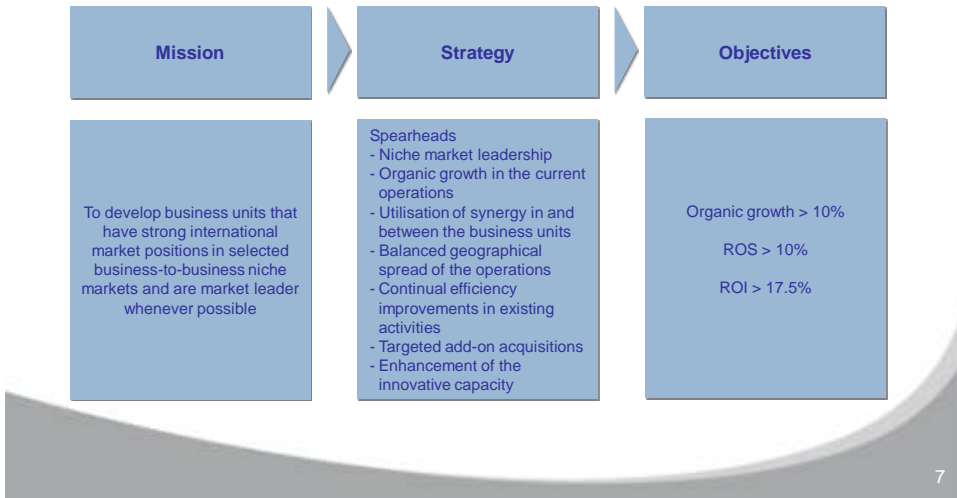


Global activities Kendrion





## Kendrion committed to being a high-performer in selected business units



7



## Kendrion's strategy

- A clearly defined profile of a multinational, fast-growing high-tech company
- Build leading positions in business-to-business niche markets
- Ambitious growth targets (EUR 350 million in revenue in 2012/2013)
- Targeted add-on acquisitions in mainly industrial activities
- Further improvement of geographical spread across continents
- Stronger growth outside Europe (USA, China and India)
- Financially strong
- Strategy described in Mid-term Plan 2012 - 2014 "Entering another league"

8



### Concrete issues to fulfil our strategic spearheads (1)

- Alert response to market developments in all key markets
  - Market intelligence
  - Market segmentation
  - Qualified suppliers
- Increase in the flexibility of staff and costs
  - Quick reaction in times of strong volatility
- Focused acquisitions
  - In the USA and China (markets, customers)
  - Niche players in Germany (technical know-how)

9



### Concrete issues to fulfil our strategic spearheads (2)

- Enhancement of innovative capacity
  - Continuous new initiatives and ideas
  - Innovation cells
- Further improvement of working capital management
  - Don't spoil the cash
  - Have cash available for new investments and business activities
- Ongoing strengthening of risk management
  - Good analysis of the business risks
  - Tax compliance
  - Smaller entities

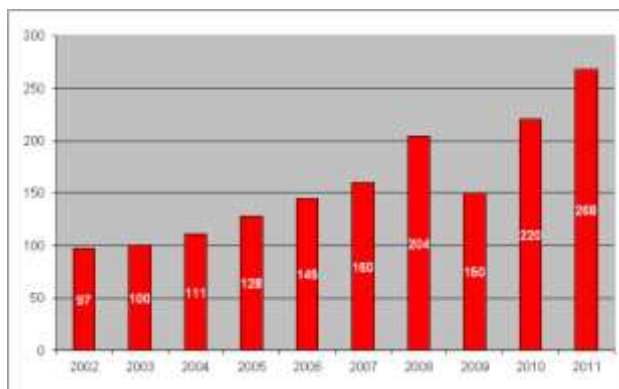
10



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## Turnover development



11



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## 2. Highlights 2011



12



### 2011 Highlights (1)

- Good year, revenue up 21%
- Normalised net profit EUR 20.5 million
- Growth in all business units and all major home markets
- Cost base improvement continued
- Strong free cash flow (EUR 14.6 million)
- Expansion of financing arrangement by EUR 60 million
- Focused extensively on innovation and flexibility
- Dr. Wilhelm Binder Symposium highly successful (> 70 customers, 140 visitors)
- Acquisition of FAS Controls, Inc.
- Good order portfolio at year-end 2011

13



### Turnover development per region

(x EUR 1 million)	<b>2011</b>	<b>share</b>	<b>2010</b>	<b>share</b>	<b>growth</b>
Germany	148	55%	134	60%	11%
Rest of Europe	65	24%	51	23%	27%
Americas	20	8%	17	8%	19%
Asia	32	12%	18	8%	79%
Other	3	1%	2	1%	19%
<b>Total</b>	<b>268</b>		<b>222</b>		<b>21%</b>

14



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15



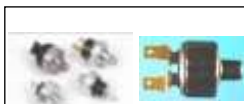
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**Custom Flow Control Valves**  
 - Diesel Fuel Pressure, A/C Compressor Control, Transmission Control



**Custom Coils**  
 - Diesel Fuel Pressure



**Pressure Switches**  
 - Primarily Engine Oil and Heavy Truck Air Brakes



**12VDC Circuit Breakers**  
 - Circuit Protection



**Mechanical Switches**  
 - Neutral Start, Reverse Lamp, Clutch Control









16





FAS  
CONTRACTING

## Applications

Construction	Recreational	Motorcycle	Heavy Truck	Diesel Engine	Pass Car	Light Truck
			 			

17



### 3. Key figures 2011 and financial objectives



18



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## Key figures 2011

(x EUR 1 million unless otherwise stated)	Q4 2011 <sup>1</sup>	Q4 2010 <sup>1</sup>	Difference in %
Revenue	64.9	58.9	10%
EBITA from ordinary activities *	6.7	6.6	2%
Normalised net profit *	4.4	4.4	0%
ROS	10.3%	11.2%	
<sup>1</sup> The quarterly figures are unaudited			
(x EUR 1 million unless otherwise stated)	2011	2010	Difference in %
Revenue	267.9	221.9	21%
EBITA from ordinary activities *	30.7	24.2	27%
Normalised net profit *	20.5	14.8	39%
Solvency	40.0%	64.7%	
ROS	11.5%	10.9%	
ROI	22.2%	18.7%	

\* Normalised net profit is adjusted for the non-recurring provision/expenses with respect to the EC fine amounting to EUR 39.4 million and for incidental expenses of EUR 1.3 million (after tax EUR 1.2 million)

19



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## Review 2011 - Results

Net loss	EUR 20.1 million -/-
EC fine	EUR 39.4 million
Acquisition expenses	EUR 0.9 million
100 year bonus	EUR 0.4 million
Tax effect	EUR 0.1 million -/-
Adjusted net profit	<b>EUR 20.5 million</b>

20



## Financial objectives

	<u>Target</u>	<u>Realisation 2010</u>	<u>Realisation 2011</u>
Organic growth	>10% per year	43%	21%
ROS	>10%	10.9%	11.5%
ROI	>17.5%	18.7%	22.2%
Solvency	≥ 35%	64.7%	40%
EBITDA/Interest-bearing debt	<3.00	0.16	0.6
Free cash flow	Healthy	105% of net profit	71% of net profit
Dividend	35-50% of net profit	40% of net profit	35% of normalised net profit

21



## Performance Q4 2011

- Solid revenue growth (10%)
- EBITA margin 10.3%, Q3 2011 11.2%
- Year-end effects
- Delayed transfer of price increases permanent magnets to customers

22



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### Changes Kendrion organisation

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- Smooth operating organisation in 2011
- Heinz Freitag appointed Chief Technology Officer (CTO) as of January 2012
- Executive Board of Kendrion exists now of Piet Veenema (CEO) and Eiko Ris (CFO)
- Bernd Gundelsweiler appointed to Vice-President Automotive as of January 2012

23



### INDUSTRIAL MAGNETIC SYSTEMS

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#### 4a. Review of the business units

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24



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## INDUSTRIAL MAGNETIC SYSTEMS

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**General**


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- Operations: electromagnetic components and systems for industrial applications
- Focus markets: machine building, locking and safety, energy sector and medical sector
- Highly innovative, customised solutions
- Global player with operations in Germany, USA, China, Switzerland, Austria and Italy; agencies in a.o. France
- > 2,000 customers
- Project business (70%) and standard solutions (30%)
- Competitors: besides MSM, Kuhnke and ETO there is a large number of (usually smaller) niche players in Germany, Italy, France and the USA
- Fast-growing market in China, but with poor quality
- Engineering, logistics and delivery time most important drivers
- Competitive advantage: innovation capabilities, global possibilities, know-how for decades, reliable partner, fast delivery time

25



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## INDUSTRIAL MAGNETIC SYSTEMS

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**2011**


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- More and more a world player
- Changed to a branch specialist management structure
- Strong organic growth (14%), caused by good market conditions and new projects
- Strong improvements in efficiency and flexibility in German plants
- Kendrion Tri-Tech expanded, several new projects in the USA
- China very high organic growth (65%), new Chinese customers
- New sales office in Italy

26

#### 4b. Review of the business units



27

#### General

- Operations: electromagnetic brake and clutch systems for industrial drive technology
- Two production sites in Germany; international service coordinated through UK sales office
- Global market leader in permanent magnetic brake systems
- Approximately 100 customers
- Substantial project business (80% of revenue), in addition to services business (20% of revenue)
- Innovative business unit with many new products
- Competitors: limited number of players with revenues between EUR 10 million and EUR 50 million
- Engineering, logistics and delivery time most important drivers
- Competitive advantage: know-how for decades, reliable partner, fast delivery time

28



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## INDUSTRIAL DRIVE SYSTEMS

2011

- Strong organic growth in permanent magnet brakes
- Growth especially realised with the world players (like Siemens and Bosch)
- Strong organic growth (19%)
- Renewed focus in spring applied brakes (KOBRA-line)
- Also several innovations (windmill and aviation industry)
- New projects in China (mostly Western customers like Siemens and Schindler)
- Aiming for further efficiency improvement (project "Fit for Production")
- Strong increase of prices permanent magnets passed on to customers

29



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## PASSENGER CAR SYSTEMS

**4c. Review of the business units**

30



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## PASSENGER CAR SYSTEMS

### General

- Operations: electromagnetic components and systems for the automotive industry
- Production sites in Germany, Austria, the Czech Republic, Romania, China and the USA
- Serves European Original Equipment Manufacturers; Daimler, Volkswagen (incl. Audi), and first tier suppliers (Continental, Delphi) and more and more in the USA
- Well spread customers (some dozen)
- Focus on energy efficiency, emission reduction, safety and comfort
- High technology
- Contracts for 6-8 years
- Established strong position with high-quality electromagnetic valves for common-rail technology
- Existing expertise can be extended to other markets (e.g. gasoline, off-road, trucks)
- Competitive advantage: know-how for decades, focus, high entry barrier (long lead times, high investments)

31



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## PASSENGER CAR SYSTEMS

### 2011

- Again the strongest growing business unit (organic growth 30%)
- Success caused by strong German automotive sector and several new projects
- The supplier of electromagnetic valves for engines
- Very successful in acquiring new projects (total turnover in expected lifetime EUR 295 million)
- Big progress in USA, supported by the acquisition of FAS Controls
- Follows the trends in motor management (smaller parts, switchable units, lower fuel consumption, CO<sub>2</sub> reduction)
- Also now more focus on the truck market

32





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## COMMERCIAL VEHICLE SYSTEMS

#### 4d. Review of the business units



33



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## COMMERCIAL VEHICLE SYSTEMS

#### General

- Operations: components and total cooling systems for buses, trucks, special vehicles and generators
- Global market leader in electromagnetic cooling systems for luxury coaches
- Many customers worldwide
- Sites in Germany, USA, Mexico, Brazil, China and India
- USPs are energy-efficiency and convenience
- Increasingly a systems provider
- Service business (approximately 20% of revenue) forms an important basis
- Competitive advantage: know-how for decades, strong global partner network, fast delivery and service, close to the customers

34



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## COMMERCIAL VEHICLE SYSTEMS

### 2011

- Satisfying organic growth (11%)
- Additional focus on cooling systems for the truck market
- Engineering capacity expanded in 2011 (5 Engineers)
- Booming market in China (bus), several new truck customers in the USA
- New greenfield plant in Pune (India), production started in December 2011
- Strong increase of prices for permanent magnets, delay in charging to customers

35



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### 5. Financial position



36



## Financial position

- Excellent free cash flow for full year 2011: EUR 14.6 million
- Good working capital management, inventories increased slightly in relative terms
- Strong balance sheet (net debt at year-end 2011 EUR 25.9 million, solvency 40%)
- Expansion of financing arrangement EUR 123.5 million + EUR 60 million
- Approximately EUR 70 million freely available for acquisitions

37



## 6. Dividend



38



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## Dividend

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- Dividend policy revised
- Dividend window 35-50% of net profit
- Solvency of at least 35%
- Proposed optional dividend for 2011 of 35% of normalised net profit
- Dividend of EUR 0.62 per share

39



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## 7. Fine imposed by European Commission

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40



## EC fine

- Fine imposed in 2005 (EUR 34 million)
- Reason: alleged involvement of former subsidiary Fardem Packaging in cartel in period 1995 - 2002
- 3 respected law firms: "more likely than not" that Kendrion can present a successful defence to General Court in Luxembourg
- Recognised a provision of EUR 2.2 million
- Hearing: 9 March 2011
- Judgement on 16 November 2011: General Court of the European Union upholds fine
- Recognised additional provision in Q4 2011 of EUR 39 million plus expenses; no significant impact on operating activities and ability to meet financial covenants and obligations
- Kendrion lodges an appeal (press release of 16 January 2012)

41



## 8. ERP project HORIZON



42



## ERP project HORIZON

- Investment between EUR 5.5 and EUR 6.0 million
- IFS software provider preferred above SAP
- First go-live 4 October 2011 PCS Villingen (Germany) meanwhile also India and HR Villingen and Markdorf (Germany)
- In time, in budget, working with the standard software
- 2012 important for both industrial business units
- End 2013 all companies to be migrated

43



## 9. Priorities and outlook



44



### Priorities for 2012: "Entering another league"

- Four spearheads (Flexibility, Innovation, Sustainability, Globalisation)
- Focus on the internal organisation after 2 years of extreme organic growth
- Strengthening engineering staff in Germany, empowerment in foreign countries
- Achievement of financial objectives (costs and cash)
- Further steps on innovation
- Expand businesses in China, USA and India
- Focus on "green" (energy savings, comfort, sustainability)
- CSR programme will be rolled out
- New steps project HORIZON
- Targeted acquisitions

45



### Outlook

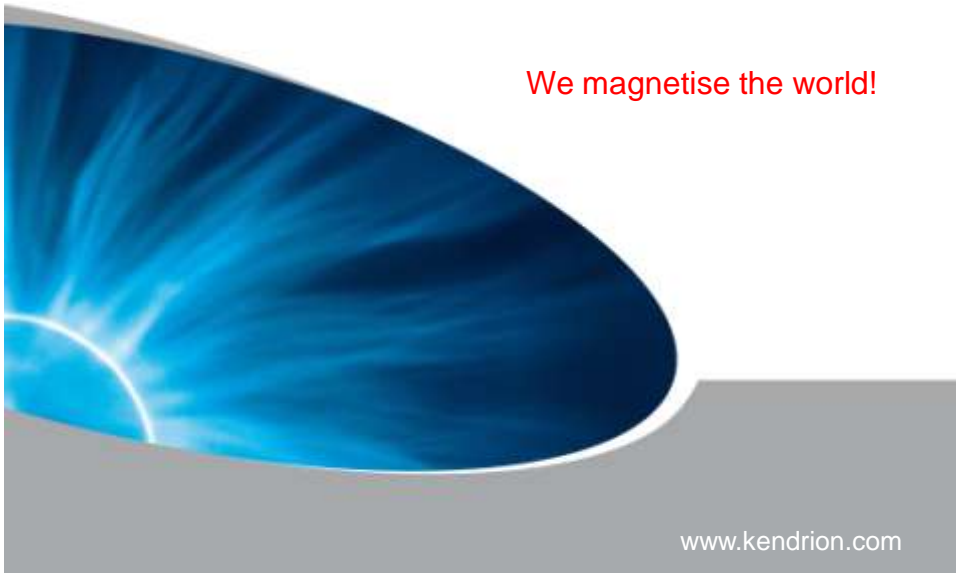
- Uncertainty about economic situation
  - No clear picture about the eurozone
  - USA first signs of recovery
  - Further growth in China
- Volatility becomes stronger, nervous markets
- Good start first months of the year
- No sign of weakening activities
- Growth expected in IMS and IDS (new projects), no big revenue growth in 2012 in PCS, geographical expansion CVS
- Small margin drop caused by expansion engineering activities
- Strong financial position

=> Growth in turnover and result

46



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[www.kendrion.com](http://www.kendrion.com)