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Kendrion N.V. – Q4 & FY 2017 results

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Agenda

- **Q4 and FY 2017 results**
- **Strategy update**
- **Outlook**
- **Q&A**

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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.

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Q4 and FY 2017 results

Summary and key figures

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Key figures Q4 2017

(x EUR 1 million unless otherwise stated)	Q4 2017[1]	Q4 2016[2]	Difference in %
Revenue	109.5	107.9	1%
EBITDA	11.1	12.0	-7%
EBITA	6.0	6.9	-13%
Net profit	3.7	4.6	-19%
ROS	5.5%	6.4%	

[1] Normalised for Q4 2017 non-recurring restructuring costs of EUR 1.4 million (after tax EUR 1.1 million).
[2] Normalised for Q4 2016 non-recurring restructuring costs of EUR 1.7 million (after tax EUR 1.5 million).

- Revenue of EUR 109.5 million, 3% growth at constant rates of exchange
- Another good quarter in Industrial with 8% growth (at constant rates of exchange)
- Automotive revenue flat, due to slower December and impact closure Brazil and India
- Profitability Passenger Cars was below expectation, additional simplifying measures taken, with further measures scheduled for 2018
- EBITA reduced by 13% with ROS of 5.5% (2016: 6.4%)
- Further simplification measures implemented in Q4 2017 with one-off costs of EUR 1.4 million and annualised savings of EUR 1.8 million

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Key figures FY 2017

(x EUR 1 million unless otherwise stated)	FY 2017[1]	FY 2016[2]	Difference in %
Revenue	461.8	443.4	4%
EBITDA	57.3	51.4	12%
EBITA	37.0	31.1	19%
Net profit	23.3	19.6	19%
ROS	8.0%	7.0%	

[1] Normalised for FY 2017 non-recurring restructuring costs of EUR 5.1 million (after tax EUR 3.8 million).
[2] Normalised for FY 2016 non-recurring restructuring costs of EUR 5.7 million (after tax EUR 4.7 million).

- Good year for Kendrion, with growth in revenue and profitability, with favourable market conditions
- Growth of 4.6% at constant rates of exchange, with Industrial +7.3% and Automotive +3.2%
- Increase in profitability from higher revenues enhanced by the positive effect of our simplification measures
- Further step in ROS from 7.0 to 8.0%, towards our target, and 19% increase in EBITA and net profit
- One-off restructuring costs of EUR 5.1 million, with annualised savings of EUR 5.0 million, both ahead of our previous guidance for the full year

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Industrial

- Favourable market conditions in main industrial markets enhance growth in Industrial activities, resulting in 7% increase in 2017 revenue to EUR 162.5 million
- Several successful product launches further contributed to good revenue growth
- Strong year in IDS with growth of more than 8%, with notably strong demand for permanent magnet brakes for robotics
- IMS growth of 5%, with successful expansion in China and USA. Closure Switzerland was completed and plant in Romania further expanded including coil winding technology centre
- ICS revenue increase of 6% driven by higher power heat controller sales. Relocation of production from Germany to Romania continues. Significant reduction in cost levels
- Broad increase in EBITA in all three business units to EUR 16.9 million, driven by higher activity level and simplification measures. ROS increases to 10.4% (2016: 7.6%)

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Automotive

- Revenue increase of 3% to EUR 299.3 million, favourable market conditions
- PC growth 5% with continuing benefit from increase in active damping valves
- Growth partly offset by slight decline in CV (-1%), as a result of closure of Brazil and India that reduced full year Automotive growth by just over 2%
- Good underlying revenue development in CV (6%), with strong demand for solenoids for mobile hydraulics for agriculture
- China delivered double digit growth, with intensified sales activities at local OEMs
- New projects won, including for damper valves and electronic sound
- Despite revenue growth, profitability PC was below expectation, additional simplifying measures taken in Q4 2017 with further measures planned for 2018
- EBITA increased by 5% to EUR 20.8 million, with slight improvement in ROS to 6.9% (2016: 6.8%)

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Financial results (1/2)

- Revenue of EUR 461.8 million (+4.6%), ROS of 8.0% and 19% increase in EBITA
- Added value margin at 48%, in line with last year
- Cumulative one-off costs since start of programme of EUR 10.8 million and annualised savings of EUR 12.0 million, of which a third still to be realised in 2018
- Additional simplifying measures will be taken during 2018 to enhance the group's profitability, with expected one-off costs and annualised savings of both EUR 2.5 million
- Normalised personnel costs slightly up (+1%) in spite of higher volumes and wage inflation. Staff costs reduced to 28.4% of revenue, compared to 30.1% in 2015
- Normalised Other operating expenses reduced by 1% to EUR 32.6 million, 7.1 % of revenue (2015: 8.1%)
- Higher normalised effective tax rate of 25% (2016: 21%), mainly due to different country mix with higher share of profits from the USA
- Normalised net profit of EUR 23.3 million (before one-off costs EUR 19.5 million), compared to EUR 19.6 million last year (+19%)

Financial results (2/2)

- Investments in 2017 amount to EUR 28 million, EUR 8 million above depreciation, largely due to new automotive projects and capacity extension Permanent Magnet brakes
- Working capital at year-end amounted to 9.9% of revenue (2016: 9.3%) due to a lower seasonal reduction in Q4 than in 2016
- As a result net debt at EUR 54.5 million was in line with last year (EUR 54.0 million). Average net debt reduced by 18% to EUR 61.5 million (2016: EUR 75.1 million)
- Share buyback programme was finalised in December, cash outflow EUR 4.5 million. New programme for buying back shares that are necessary for distributing stock dividends and the share plan for management will commence after the distribution of dividend in 2018
- Strong financial position with solvency of 52% and net debt cover of 0.95

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Dividend

- Kendrion strives to distribute an annual dividend of between 35% and 50% of the annual net profit
- Minimum solvency ratio of at least 35%
- In the light of the strong financial position and business fundamentals, a proposal will be submitted to the shareholders for the payment of an optional dividend of 50% of the normalised net profit of 2017 (EUR 23.3 million)
- The dividend is equivalent to an amount of EUR 0.87 per share, 12% higher than last year (2016: EUR 0.78)

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Dividend

	2013	2014	2015	2016	2017
Dividend per share (EUR)	0.55	0.78	0.78	0.78	0.87
Dividend yield *	2.3%	3.6%	3.2%	2.9%	2.2%
Pay-out (EUR million)	7.2	10.1	10.3	10.4	11.7
Pay-out percentage	50%	50%	61%	53%	50%

* Based on share price per 31 December

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Strategy update

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The Kendrion organisation

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INDUSTRIAL

INDUSTRIAL MAGNETIC SYSTEMS
Customised solutions for switching, locking, holding and positioning based on electromagnetic technology

INDUSTRIAL CONTROL SYSTEMS
Industrial automation, locking units and fluid control systems

INDUSTRIAL DRIVE SYSTEMS
Full-line provider of electromagnetic brakes and clutches for industrial applications

AUTOMOTIVE

PASSENGER CARS
Electromagnetic and electronic components and systems for specific customer applications in the automotive industry

COMMERCIAL VEHICLES
Systems and components for commercial vehicles and off-highway applications with focus on hydraulics, valves and clutches

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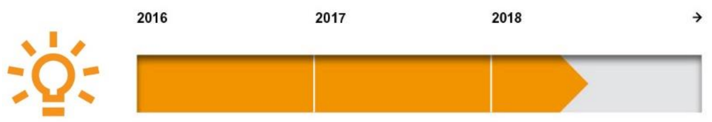
Simplify

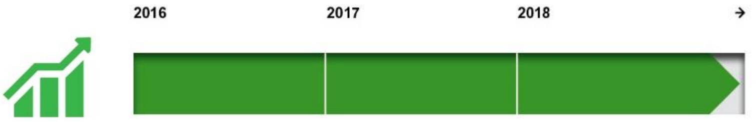


- Swiss and Indian facilities closed
- Toluca, Mexico production transferred to Shelby NC, USA
- Reduced overhead in Passenger Cars, Germany, further measures expected during 2018
- Full year 2017 one-off simplification costs of EUR 5.1 million with annualised savings of EUR 5.0 million
- Expected one off-costs 2018: EUR 2.5 million with annualised savings of EUR 2.5 million

Focus

- Enlarged production facility in Suzhou, with more than double the size of current production capacity in China, has started production on schedule
- First phase of expansion for permanent magnet brakes production line in Suzhou to be completed by Q1 2019
- Planned expansion for permanent magnet brakes in Villingen on track
- Several additional damper valve and electronic sound projects won for Passenger Cars

Grow



- Growth profile in 2017 in line with historic average
- Double digit revenue and EBITA growth in China
- Double digit revenue growth in permanent magnet brakes for robotics
- Focus activities aimed at increase growth beyond 2018

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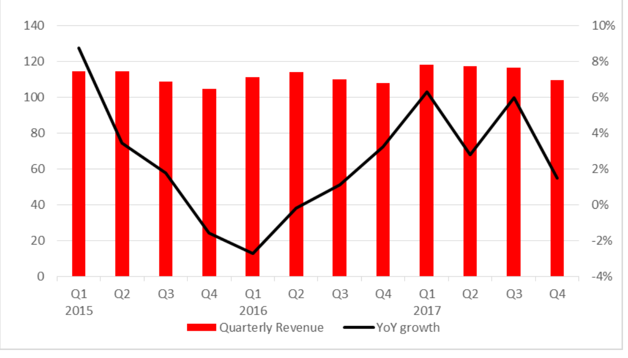
Progress towards revenue expectation

EBITA (EUR) and growth (year over year, %)



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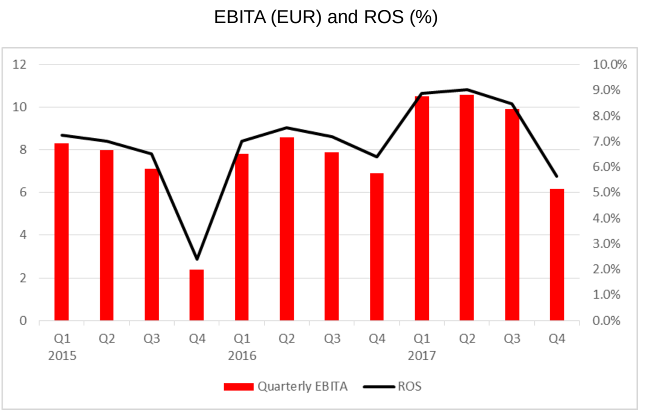
Progress towards EBITA target

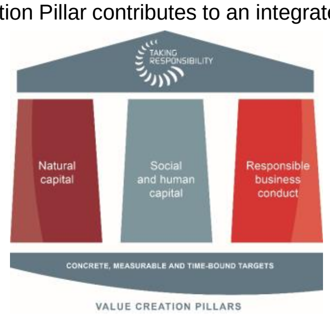


CSR Strategy 2015 - 2017: Taking Responsibility

- Great achievements realised with the CSR programme Taking Responsibility over the past three years
- Progress made in various areas:
  - Improvement of sustainable business processes
  - Reduction of CO_2 emissions and energy consumption: relative reduction 58% and 17% respectively compared to 2014
  - Increased commitment from suppliers in 2017, with twice as many suppliers having signed the Supplier Code of Conduct as in 2014
  - Community connection: Together@Kendrion initiative

CSR Strategy – 2018 and beyond

- Development CSR Strategy for 2018 and beyond
- Integration CSR strategy with Simplify, Focus, Grow strategy
- Emphasis of CSR 2018 and beyond on long-term value creation through Value Creation Pillars: Natural Capital, Social and Human Capital and Responsible Business Conduct
- Thematic approach for each Value Creation Pillar contributes to an integrated way of thinking and acting



TAKING RESPONSIBILITY

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Outlook

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Outlook

- Overall outlook for the global economy is good
- Germany expected to continue to do well, reflected by strengthening German machine building index
- Confident about strong business fundamentals and healthy project pipeline
- Reiterate financial targets
  - EBITA margin of 10% as from the end of 2018
  - Expected organic growth until FY 2018 broadly in line with average historical organic growth of 5%

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Q & A

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