General Meeting of Shareholders Kendrion N.V.

Amsterdam, 10 April 2017

Agenda

1. Kendrion overview
2. Business review
3. Strategy update
4. Progress towards 2018 targets

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.

1. Kendrion at a glance

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The Kendrion organisation

KENDRION N.V.

INDUSTRIAL

INDUSTRIAL MAGNETIC SYSTEMS
Electromagnetic components and solutions for advanced technologies

INDUSTRIAL CONTROL SYSTEMS
Industrial automation, modular, safety, locking 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
Individual systems for commercial vehicles and off-highway applications as well as the hydraulic industry

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Strategy

SIMPLIFY

2016 2017 2018 →

Kendrion has decided it needs to simplify the way it does business. Complexity drives cost and slows down decision-making and Kendrion is reducing costs in order to improve operating margin and profitability.

THREE YEAR PLAN – SPECIFIC FOCUS

- **Cost reduction**
- **Organisational structure**
  Industrial Magnetic Systems
  Industrial Control Systems
  Industrial Drive Systems
  Passenger Cars
  Commercial Vehicles

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Strategy

FOCUS

2016 | 2017 | 2018 →

Kendrion will focus its resources and capital on those areas which have the most opportunities for profitable growth.

THREE YEAR PLAN – SPECIFIC FOCUS

- **China**
- **Passenger Cars**
- **Capital allocation**

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Strategy

GROW

2016 | 2017 | 2018 →

The clarity Kendrion will gain through the first two pillars of the plan is intended to allow growth in revenue in a way which will ultimately provide the opportunity to grow faster than the historical average of 5%. Due to the project lead time in Kendrion's business, Kendrion expects organic growth to accelerate in the years beyond 2018.

THREE YEAR PLAN – SPECIFIC FOCUS

- **Automotive market**
  Fuel systems, engine management, sound systems, fuel cell valves, chassis suspension, seat comfort, haptic pedals
- **Industrial market**
  Drive systems, conveyor systems, energy generation and distribution, elevator systems, door access and control for machinery, oxygen systems

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Strategic financial targets

Expected average organic growth
per annum until 2018

Average last 3 years
3.7%

Target
5%

EBITA margin
as from the end of 2018

Actual
7.0%

Target
10%

Dividend policy
pay out ratio of the net profit

Actual
53%

Target
35 to 50%

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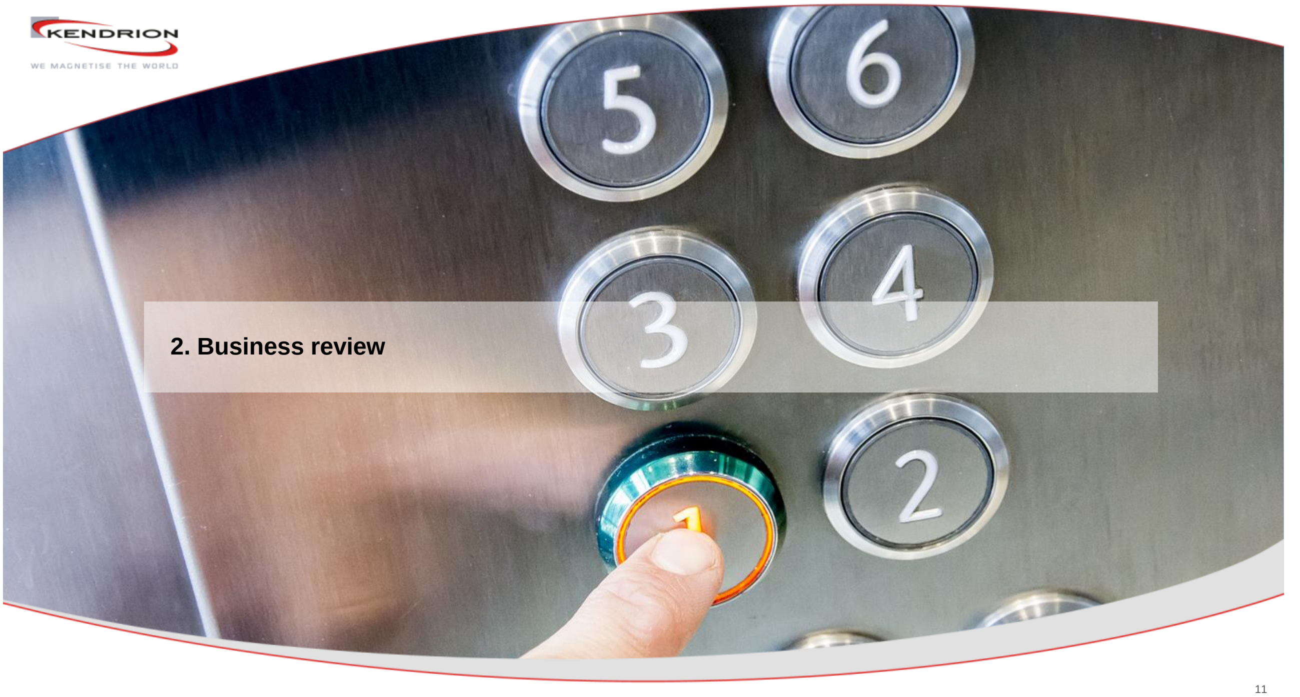
Summary 2016

443.4	↑ 0.3%	**Revenue** (EUR million)	2015 **442.1**
31.1	↑ 21%	**EBITA**[1] (EUR million)	2015 **25.8**
19.6	↑ 17%	**Net profit**[1] (EUR million)	2015 **16.8**
22.3	↑ 5%	**Free cash flow**[1] (EUR million)	2015 **21.2**
9.3%	↓ 0.5%	**Working capital**[1] (as % of revenue)	2015 **9.8%**
12.4%	↑ 2.2%	**ROI**[1,2] (in %)	2015 **10.2%**
51.3%	↑ 1.5%	**Solvency**	2015 **49.8%**
1.1	↓ 31%	**Net debt / EBITDA**[1]	2015 **1.5**

[1] Excluding one-off costs relating to simplifying measures. The bridge from reported to normalised figures can be found on page 35 of the 2016 Annual Report.



2. Business review

Key figures Q4 2016

(x EUR 1 million unless otherwise stated)	Q4 2016[1]	Q4 2015[2]	Difference in %
Revenue	107.9	104.5	3%
EBITDA	12.0	7.3	64%
EBITA	6.9	2.4	188%
Net profit	4.6	1.6	182%
ROS	6.4%	2.4%	

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

[2] Q4 2015 included non-recurring restructuring and warranty costs of EUR 1.8 million (after tax EUR 1.3 million) and a one-off tax gain of EUR 0.9 million.

- Revenue growth of 3% at EUR 107.9 million, both in Industrial (2%) and Automotive (4%)
- More favourable market conditions towards the end of 2016, enhancing positive effect of simplification measures
- Strongly improved profitability with normalised EBITA of EUR 6.9 million (2015: EUR 2.4 million) driven by both revenue growth and simplification measures
- One-off restructuring costs of EUR 1.7 million in Q4 2016
- Normalised ROS of 6.4% (2.4% in Q4 2015)

Key figures FY 2016

(x EUR 1 million unless otherwise stated)	FY 2016[1]	FY 2015[2]	Difference in %
Revenue	443.4	442.1	0%
EBITDA	51.4	45.2	14%
EBITA	31.1	25.8	21%
Net profit	19.6	16.8	17%
ROS	7.0%	5.8%	

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

[2] FY 2015 included non-recurring restructuring and warranty costs of EUR 2.2 million (after tax EUR 1.6 million) and a one-off tax gain of EUR 2.5 million.

- A stable year in revenue at EUR 443.4 million, with slight growth in Industrial (1.0%) and a mixed but flat performance in Automotive (0%)
- Improved profitability with normalised EBITA of EUR 31.1 million, 21% higher than FY 2015 (EUR 25.8 million), driven by a faster implementation of simplification measures
- One-off restructuring costs of EUR 5.7 million in FY 2016
- Normalised ROS of 7.0%, (5.8% in FY 2015), a good step towards our 2018 exit target of 10%

Industrial

- Main industrial markets were uninspiring with a flat German machine building index in 2016
- Small revenue increase with 1% over FY 2015 to EUR 152.3 million
- Growth (+3%) at Industrial Magnetic Systems plants, driven by the ramp of new projects
- Slightly lower revenue (-1%) at Industrial Control Systems but with increasing profitability as cost measures take effect
- Strong position in permanent magnet brakes at Industrial Drive Systems driving higher revenues (+1%), partly offset by project phase-out
- The normalised operating result before amortisation increased to EUR 11.6 million (2015: EUR 10.1 million). This resulted in a normalised EBITA margin of 7.6% (2015: 6.7%)
- Swiss manufacturing closed with majority of production moved to German factories
- Continued transfer of production lines to Romanian plant

Automotive

- Flat revenue development at EUR 291 million in 2016
- Good progress at Passenger Cars (+4%), where Bilstein is ramping as expected
- Several other projects won in Q4 2016, including our first commercially produced Hydrogen Valve
- Commercial Vehicles (-9%) affected by weak US heavy truck market and lower demand for buses in China
- Overall 2016 Automotive revenue flat as Passenger Cars growth was entirely offset by market weakness at Commercial Vehicles
- Normalised operating result before amortisation increased to EUR 19.9 million (2015: EUR 17.7 million) with a normalised EBITA margin of 6.8% (2015: 6.1%)
- Brazil facility closed as per plan

Financial position and results (1/3)

- Upward trend continued in Q4 with an increase in revenue in Industrial (+2%) as well as Automotive (+4%) and a strong improvement in EBITA to EUR 6.9 million
- Organic revenue growth in full year 2016 of 0.6% at constant rates of exchange (1.5% Industrial and 0.2% Automotive)
- Added value remained stable at 48%
- Simplifying programme running ahead of schedule, with one-off costs of EUR 5.7 million (including EUR 1.2 million release Swiss pension provision) and annualised savings of EUR 7.0 million of which EUR 3.5 million realised in 2016
- Further steps expected to be taken in the next 12 months to further simplify and to enhance the group's profitability
- Normalised staff costs reduced to EUR 129 million (2015: EUR 133 million, including EUR 0.9 million restructuring costs) mainly due to simplifying measures
- Total headcount reduced by 80 FTEs

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Financial position and results (2/3)

- Decrease in other operating expenses to EUR 32.9 million (2015: EUR 35.7 million) largely due to simplifying measures and lower product warranty costs
- Increase in R&D costs from EUR 26.4 million to EUR 27.6 million, fully due to higher R&D investment in Automotive
- Depreciation up by EUR 0.8 million mainly due new automotive projects
- EBITA margin increased from 5.8% in 2015 to 7.0% in 2016
- Normalised net finance costs for the full year decreased to EUR 2.7 million (2015: EUR 3.3 million) mainly due to the continued reduction in net debt levels and lower unfavorable currency results
- Effective tax rate of 21% in 2016, compared to 10% last year (24% normalised) which was positively impacted by incidental tax benefits of EUR 2.5 million, mainly related to the recognition of previously unrecognised tax losses in the Netherlands
- Net profit in 2016: EUR 19.6 million, 17% higher than 2015 (EUR 16.8 million)

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Financial position and results (3/3)

- In control of working capital, normalised year-end position improving to 9.3% (2015: 9.8%)
- Investments in property, plant and equipment amounted to EUR 22.9 million, driven by a strong investment programme in Automotive
- Active damping Bilstein ramped up successfully
- Investments exceeded depreciation (EUR 20.3 million), as expected
- Strong normalised free cash flow of EUR 22.3 million (2015: 21.2 million) in spite of high investment programme
- Decrease in net debt to EUR 54.0 million (2015: EUR 69.1 million)
- Strong financial position with solvency of 51.3% (2015: 49.8%) and improved net debt cover of 1.1 (2015: 1.5)

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Dividend

- Kendrion strives to distribute an annual dividend of between 35% and 50% of the annual net profit
- Minimum solvency of at least 35%
- In the light of the strong financial position and business fundamentals, Kendrion's Executive Board proposes to maintain the dividend amount per share at the level of last year
- A proposal has been submitted to the shareholders for the payment of an optional dividend of 53% of the normalised net profit of 2016 (EUR 19.6 million)
- The dividend is equivalent to an amount of EUR 0.78 per share (2015: EUR 0.78)

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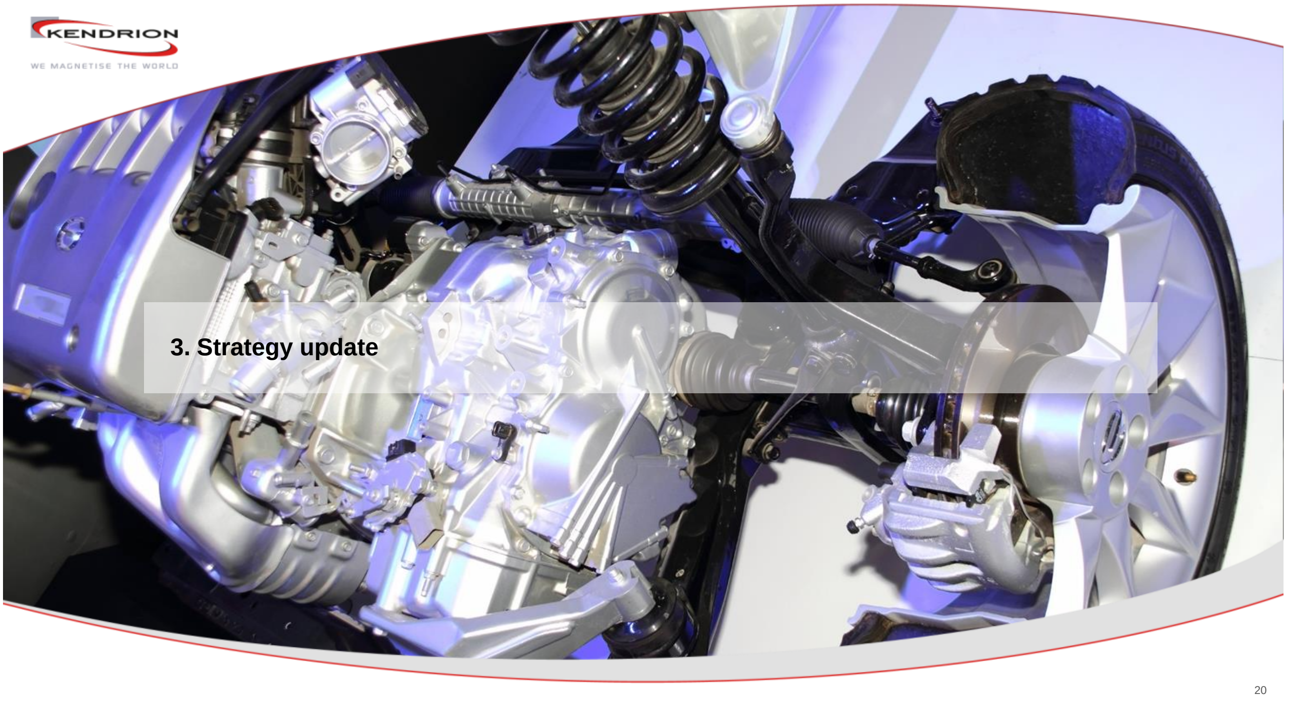

3. Strategy update

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CSR at Kendrion: Taking Responsibility

- First Integrated Annual Report
- CSR and Taking Responsibility Programme 2015 - 2017
- Integration of CSR into all aspects of business
- Approximately 90% of CSR targets achieved in 2016
- New long-term CSR strategy to be developed in 2017
  (taking also Paris Agreement on climate change into account)

TAKING RESPONSIBILITY

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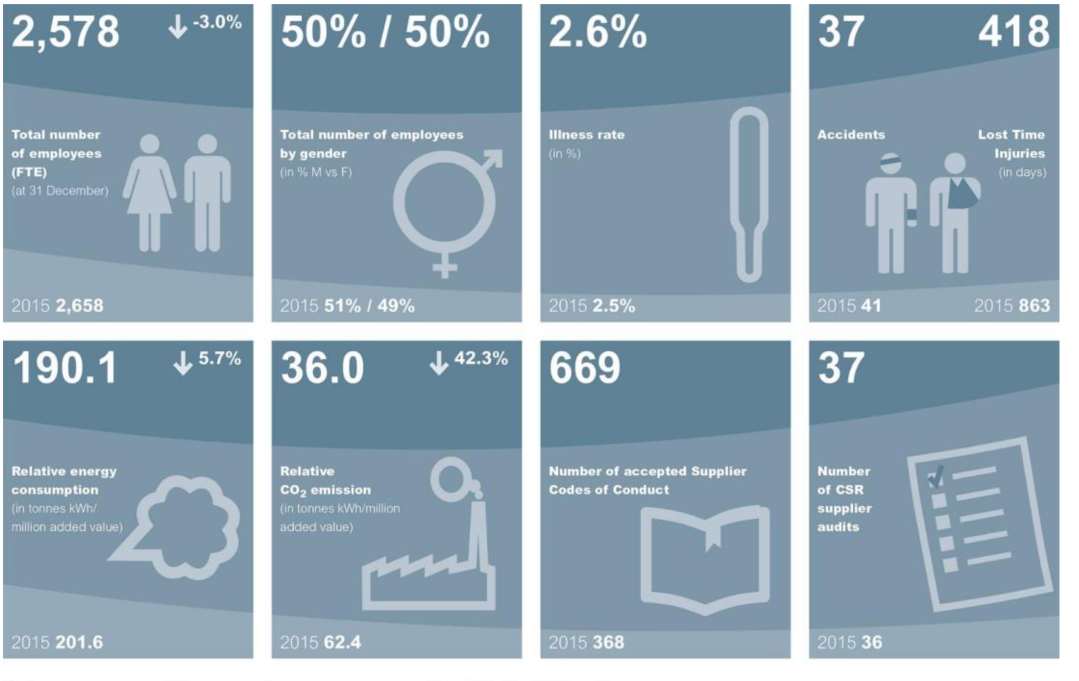
Summary 2016



See for reporting periods, definitions, scope and external assurance pages 166 and 167 of the 2016 Annual Report.

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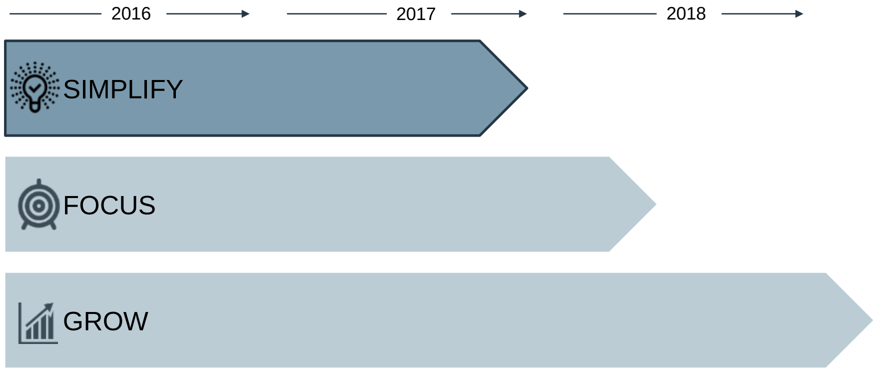
Three-year plan



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Phase 1: Simplify
Overview 2016

- One-off costs related to 2016 simplification measures: EUR 5.7 million (including EUR 1.2 million one-off pension gain Switzerland)
- This is EUR 1.7 million higher than announced in May 2016 as implementation has accelerated
- Corresponding annualised cost savings EUR 7.0 million of which EUR 3.5 million realised in 2016
- Expected one off-costs 2017 simplification measures: EUR 4.0 million with annualised savings of EUR 3.0 million
- Most simplification measures expected to be implemented by the end of 2017

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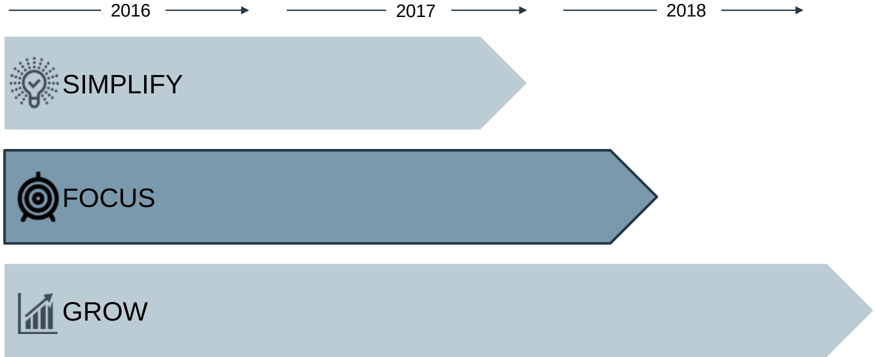
Phase 1: Simplify
Key measures 2016

- Simplify organisational structure
  - Divisional structure abandoned
  - Number of BUs from 7 to 5
  - New management at 3 BUs
- Reduce staff: 80 FTE
- Evaluate manufacturing footprint
  - Brazil closed
  - Swiss manufacturing closed and production moved to Germany
  - Nanjing being consolidated with Suzhou
  - Manufacturing Pune in process of being closed

Three-year plan



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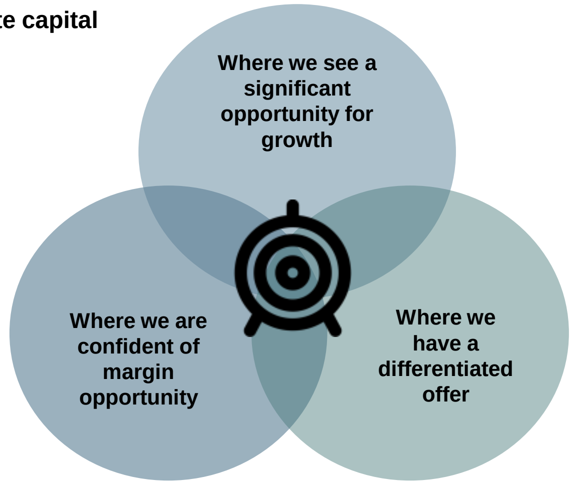
Phase 2: Focus
How we will allocate capital



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Phase 2: Focus
Passenger Cars

- Clear positioning and focus on environmental friendly driving: CO_2 emission reduction, alternative engines
- Emphasis on global development and production network, high quality and reliability
- Further scale up in R&D capabilities:
  - PC R&D FTE from 94 to 112
  - PC R&D investment up 14%
  - All resources of Kendrion Research Center in Ilmenau, Germany, dedicated to PC
- Significant progress in PC project pipeline:
  - Smart damping
  - Interior and exterior sound actuators
  - Hydrogen valves for fuel cells

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Phase 2: Focus
China

New organisation in place

- Chinese operations now led from China
- Telly Kuo appointed as President Kendrion Asia
- Factories and Management Teams Suzhou and Nanjing consolidated
- Global sourcing/purchasing based in and led from China, optimising buying power in China

Increased commercial momentum

- Sales team expanded with focus on business growth
- Opportunities identified for local key accounts, driving towards more business for Industrial Magnetic Systems, Industrial Drive Systems and Passenger Cars:
  - Elevator business (Industrial Drive Systems)
  - Power/transportation business (Industrial Magnetic Systems)
  - Engine management business (Passenger Cars)

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Three-year plan

2016 → 2017 → 2018 →

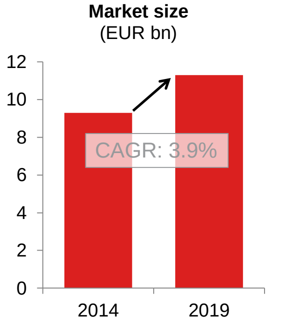
SIMPLIFY

FOCUS

GROW

Phase 3: Grow
Automotive market

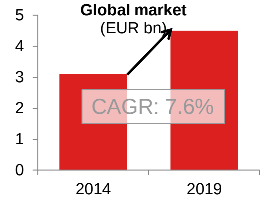
- Stable growth in global automotive market
- Total market of EUR 9.3 billion in 2014
- Estimated to grow to EUR 11.3 billion by 2019
- Forecast CAGR 2014 - 2019 of 3.9%
- Kendrion focus market: EUR 2 billion (of 2014 total market)

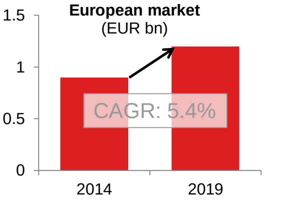


Source: Kendrion; Roland Berger

Phase 3: Grow
Industrial market

- Highly-fragmented and heavily localised, mostly European industrial market
- Global market:
  - EUR 3.2 billion in 2014, estimated to grow to EUR 4.6 billion by 2019
  - Forecast CAGR 2014 - 2019 of 7.6%
- European market:
  - EUR 0.9 billion in 2014, estimated to grow to EUR 1.2 billion by 2019
  - Forecast CAGR 2014 - 2019 of 5.4%
- Kendrion focus market: EUR 1 billion





Source: Kendrion; Roland Berger

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4. Progress towards 2018 targets

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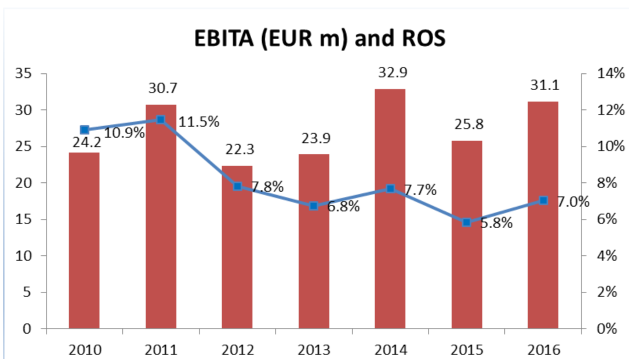
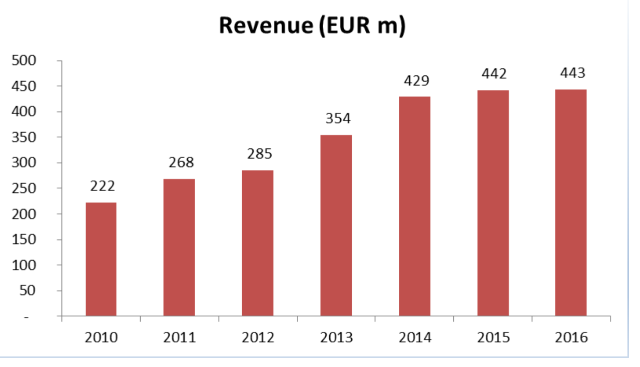
Progress towards EBITA target



Target: EBITA margin of 10% as from the end of 2018

Progress towards revenue expectation



Expectation: average organic growth until FY 2018 broadly in line with average annual historical organic growth of 5%

Dividend

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

* Based on share price per 31 December

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Q & A

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