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ANNUAL REPORT 2002

NICHE MARKET LEADERSHIP IN BUSINESS-TO-BUSINESS MARKETS

POWER OF PARTNERSHIP



PROFILE

KENDRION

Kendrion develops and produces components for industrial customers, as well as components for the automotive industry. In addition, Kendrion provides services in the area of plastics applications and is active in the trade in and distribution of plastic semi-manufactures.

NICHE

Kendrion targets business-to-business markets in Europe. Kendrion's niche markets have been selected on the basis of a strong market position that is still attractive for expansion and on the basis of which market leadership is possible.

Its specialization in tailor-made products and services means that Kendrion is in the position to realize attractive margins.

ENTREPRENEURSHIP

Motivated local business acumen and quality management are typical of Kendrion. The slogan 'Power of Partnership' characterizes the cooperation between operating companies, customers and suppliers.

GROUP

Kendrion is an international undertaking with an average of 5,200 employees in more than 50 operating companies in 17 European countries. Its activities are organized in three business areas: Kendrion Industrial, Kendrion Distribution Services and Kendrion Automotive.

Within the business areas the objective is to achieve operational and commercial synergy and spread of risk.

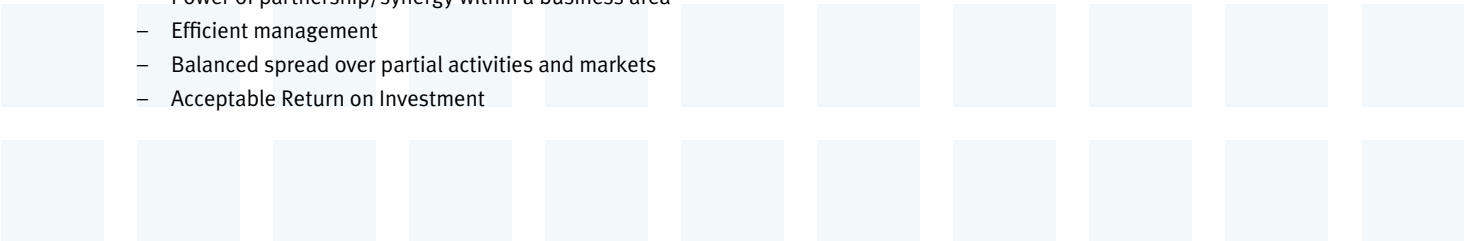
MISSION

Our mission is to develop strong, defensible European market positions in selected niche-markets, wherever possible as market leader.

Our activities focus on achieving increasing added value for the entire company. In all this, Kendrion aims to be a flexible, versatile company combining pleasure in doing business with clear profit targets.

The objective is to achieve a substantial increase in turnover every year through organic growth and targeted acquisitions, and to attain a return on investment of around 20% over time.

STRATEGY

- Niche market leadership in business-to-business markets
 - Organic growth
 - Power of partnership/synergy within a business area
 - Efficient management
 - Balanced spread over partial activities and markets
 - Acceptable Return on Investment
- 

INTRODUCTION

Since 2001, Kendrion has concentrated on a number of carefully chosen core activities in selected niche markets. The value of this strategy has already proved itself in 2002. The past year has been dominated by the worldwide crisis. Falling sales and a great reluctance to invest have characterised the situation, and lenders are also extremely restrained in a situation of this kind. Such a situation naturally makes operations very difficult for Kendrion too. But despite this, Kendrion's targeted approach has meant that results for its core activities have gradually improved in the course of the year, rather than deteriorating further.

In view of the economic situation, additional emphasis was placed on cost savings and the control of working capital in the year under review. But the view for the longer term is that the future will ultimately depend on good, profitable turnover. In this context, it may be observed that our market positions have not worsened; instead, they been further strengthened with an eye to the future. This can be seen particularly from a number of very promising projects acquired by Kendrion in the year under review.

In the context of our concentration on core activities, a number of activities that did not form part of that Kendrion core have again been sold. We will continue with this process in 2003. Ultimately we will be concentrating on a restricted number of business areas that have outstanding market positions and offer a good market perspective. That approach will also take Kendrion to its desired financial targets. I am convinced of that.

Jan Bernard Wolters

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KEY FIGURES

(x € 1 million)

	2002	2001
Net turnover	836.1	866.1
Operating result before amortization of goodwill (EBITA)	24.8	34.6
Operating result after amortization of goodwill (EBIT)	24.4	34.2
Net profit	10.2	15.6
Depreciations	27.9	27.0
Cash flow from ordinary activities	65.1	25.1
Investments	16.2	33.9

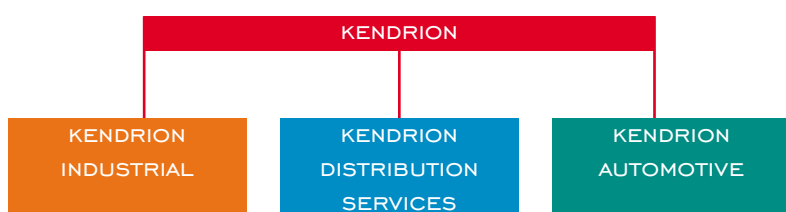
PER SHARE IN EURO

Net profit	0.63	1.17
Dividend	0.25	0.46
Price/earnings ratio (P/E)	8.96	9.52

RATIOS

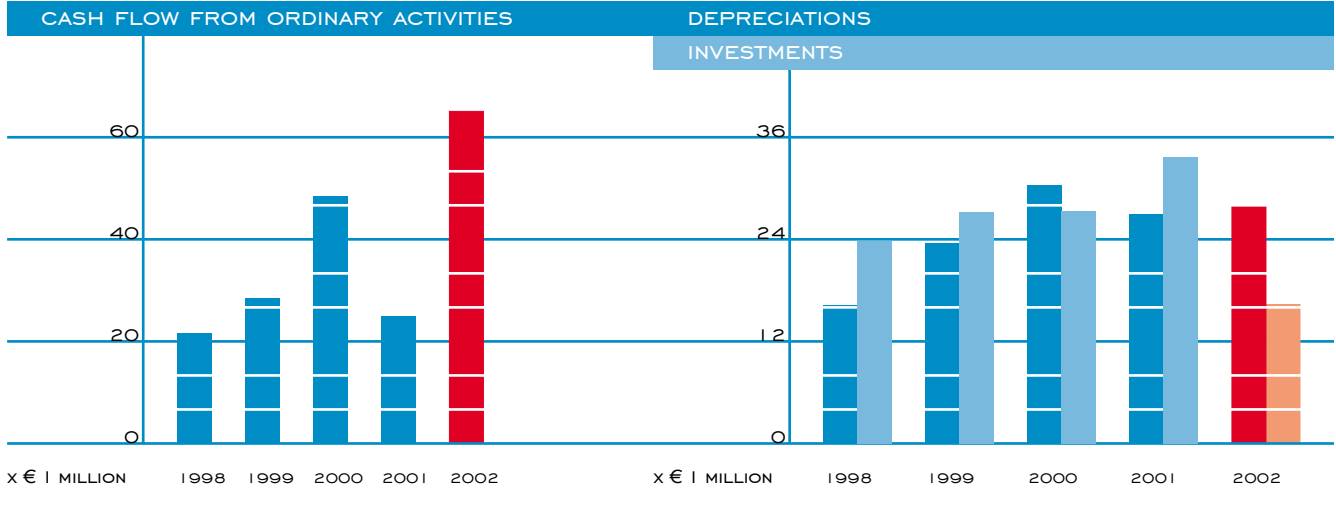
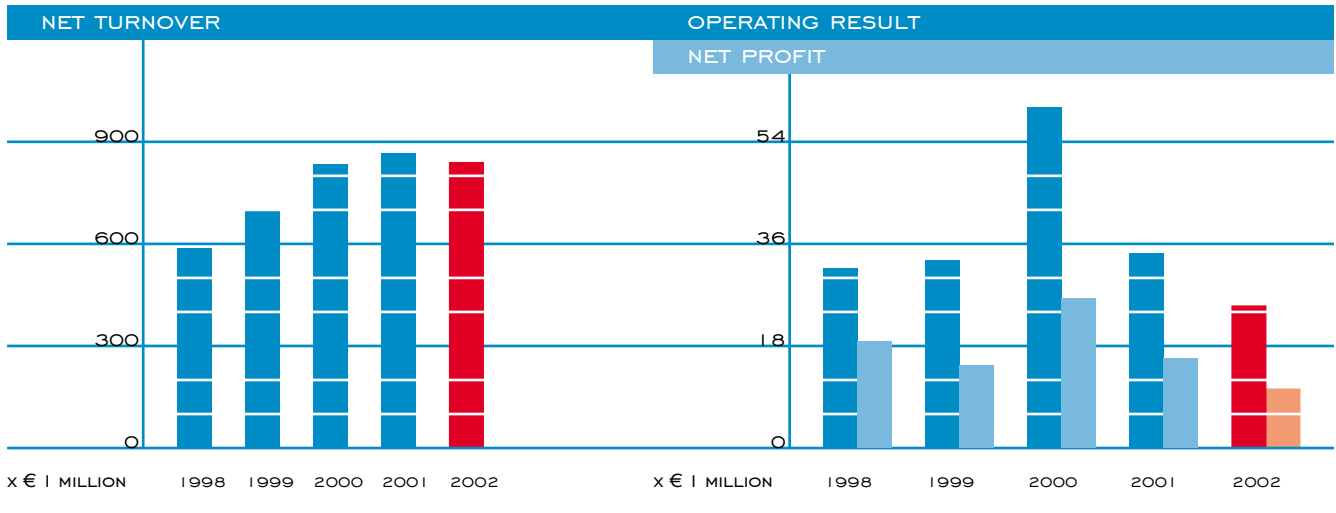
EBITA/net turnover % (ROS)	3.0%	4.0%
Dividend/net profit* %	40.0%	40.0%
EBITA/invested capital % (ROI)	6.7%	9.1%
Capital base/balance sheet total % (solvency)	30.2%	34.6%
Capital base/interest-bearing capital %	77.0%	102.8%
Number of employees as per 31 December	5,185	5,517
Number of ordinary shares excluding own shares held (x 1,000)	11,206	10,699
Number of cumulative preference shares (x 1,000)	3,000	3,000

* Net profit after cumulative preference dividend



NET TURNOVER PER BUSINESS AREA





THE KENDRION SHARE

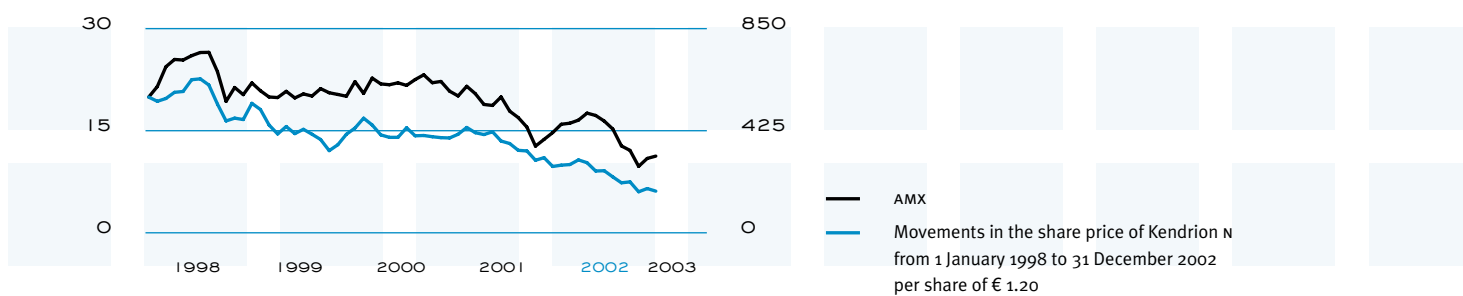
SHARE CAPITAL

Kendrion ordinary shares are quoted on the Euronext Amsterdam NV stock exchange. At 31 December 2002, 11,328,771 shares and 3,000,000 cumulative preference shares of € 1.20 were issued. At the balance sheet date, 122,442 ordinary shares were held by the company.

Movements in the numbers of shares in issue	Cumulative preference shares	Ordinary shares entitled to profit	Priority shares	Total number of shares
As at 1 January 2002	3,000,000	10,698,541	480	13,699,021
Conversion of Supervisory Board members' remuneration to ordinary shares		4,261		4,261
Issued as loyalty bonus		15,658		15,658
Issue of investor forecast shares		7		7
Options		0		0
Transfer of shares to NIB Capital in redemption of Orange loan		41,610		41,610
Issue as stock dividend		445,772		445,772
As at 31 December 2002	3,000,000	11,205,849	480	14,206,329
Possible issue of new shares due to full exercise of outstanding unconditional share options		114,000		114,000
Possible issue of new shares due to full exercise of outstanding conditional share options		171,250		171,250
Maximum number of shares on full exercise of options		11,491,099		14,419,579

OTHER DETAILS

	2002	2001
Number of shares x 1,000 as at 31 December	11,206	10,699
Market capitalisation in millions of euro as at 31 December	62.3	118.8
Highest price in the financial year	13.00	17.45
Lowest price in the financial year	5.50	10.10
Price at 31 December	5.60	11.10



Major Holdings Disclosure Act

Under the Major Holdings in Listed Companies Disclosure Act 1996 (Wet Melding Zeggenschap), it is known to Kendrion that as of 31 December 2002 the following shareholders hold a stake of more than 5%. The interest as per the date of disclosure is stated: Wolters Holding bv • 39.85%, disclosure date 7 September 1994; Zwolsche Algemeene nv • 9.19%, disclosure date 6 June 1996; Darlin nv • 5.3%, disclosure date 23 July 1996; Orange Fund nv • 5.2%, disclosure date 1 August 2002; Smoorenborg bv • 5.39%, disclosure date 18 September 2002.

Depository receipts for cumulative preference shares with restrictions on their exchangeability are held by NIB Capital Bank nv (21.59%), disclosure date 31 May 2000, and Ducatus nv (7.3%), disclosure date 20 September 2001.

Dividend policy

In its dividend policy, Kendrion takes account of shareholders' interests and the development of the company. Within that context, around 30% of profit after tax from ordinary activities (after deduction cum. pref. dividend) has been distributed to shareholders in past years. With exception 2001, when the payout percentage was 40% by way of stock dividend. For 2002, a stock dividend of € 0.25 per share is proposed, like over 2001 corresponding to a payout of 40%.

Financial calendar

Publication of annual figures for 2002	Friday 21 February 2003, before opening of trading
Publication of annual report for 2002	Friday 14 March 2003
Publication of stock dividend exchange ratio	Wednesday 26 March 2003, after close of trading
General Meeting of Shareholders	Tuesday 8 April 2003
Start of delivery of new shares from exchange of dividend rights	Wednesday 16 April 2003
Publication of results for first quarter 2003	Wednesday 7 May 2003, before opening of trading
Publication of results for first half of 2003	Tuesday 26 August 2003, before opening of trading
Publication of results for third quarter 2003	Tuesday 11 November 2003, before opening of trading
Publication of annual figures for 2003	Friday 20 February 2004, before opening of trading
Publication of annual report for 2003	Monday 15 March 2004
General Meeting of Shareholders	Friday 2 April 2004

Option scheme

An option scheme applies for the Board of Directors, the directors of operating companies and certain senior staff. Under this option scheme, unconditional option rights to 114,000 shares each of a nominal value of € 1.20 have been allotted to 14 persons, and conditional option rights to 180,000 such shares have been allotted to 35 persons. With effect from the 2000 financial year, options are allotted depending on the development of earnings per share. In accordance with the policy, these options will be allotted shortly after the General Meeting of Shareholders. In 2002, 89,250 conditional options were allotted. In principle, share options are again to be issued in accordance with this policy in 2003. Kendrion follows the recommendations of vno-ncw and ncd for the conduct of option schemes (see also page 53–54 of this report).

Rules for the prevention of insider trading

In the context of the regulations on insider trading, Kendrion has internal rules to prevent insider trading. These rules apply to the members of the Supervisory Board, the Board of Directors, Group Directors, a number of directors of operating companies and head office staff. The Company Secretary, in his function as Compliance Officer, supervises compliance and communicates with the Financial Markets Authority.

Two-tier entity rules

Kendrion is a two-tier status company subject to the rules laid down in articles 152-164 Book 2 of the Dutch Civil Code.

REPORT OF THE SUPERVISORY BOARD

TO THE SHAREHOLDERS AND OTHER INTERESTED PARTIES,

The general unrest and poor economic conditions in 2002 did not pass Kendrion by unnoticed. The result obtained for 2002 is substantial lower than for the previous year and the changeable external factors have seriously affected in a negative sense the attainment of the set (financial) targets in the year under review.

This strengthened our belief that the implementation of the focussing approach, as adopted in 2001, must be intensified carried on further. In the year under review, a tight policy of controlling costs, operating capital and capital expenditure was also applied. A great deal of time was also invested in streamlining the business areas containing the core activities. The dedication and commitment shown by the employees involved has contributed to the company's effectiveness and forms the basis for achieving the targets in accordance with the formulated strategy.

The Supervisory Board met 6 times in 2002. A visit was also made to Kendrion van Niftrik in Putte (NL). A meeting was held in February with the external auditor in attendance. Intensive discussions on Kendrion's affairs were conducted at the meetings. Each of the regular meetings had a contribution from one of the business area managers, in the form of an explanation of the position and performance of the business area for which he is responsible. By broadening their knowledge of the individual business areas, the Supervisor Board members have been able to form an even better picture of the matters concerning all Kendrion stakeholders.

In particular, the implementation of strategy and the decisions to be taken in that context demanded our attention. In that context, there was discussion of the company's risk analysis, the policy to be conducted in respect of acquisitions, capital expenditure, the financial position, the group portfolio and the management of

Kendrion. In the light of the refinancing of the convertible bond issued in 1997, the Supervisory Board gave detailed consideration to the development of the solvency position of the company. It was decided to reduce the level of interest-bearing-debts considerably in 2003.

The Supervisory Board met in the absence of the Board of Directors to discuss its own functioning, its relationship to the Board of Directors and the assessment and remuneration of the Directors. In addition to these meetings, the Chairman of the Supervisory Board also held regular ad hoc discussions with the Board of Directors throughout the year. In view of the size of the company, the Supervisory Board does not consider it appropriate to set up specific committees such as an audit and remuneration committee. There were no changes in the composition of the Supervisory Board in 2002. The terms of office of the current members of the Supervisory Board expire in 2004 and 2005.

In accordance with policy, conditional options were again made available to the company's management shortly after the General Meeting of Shareholders in 2002. The final allotment of these options is dependent on the development in Kendrion's profit per share. Members of the Supervisory Board decide each year whether to invest their remuneration in Kendrion shares. This investment is viewed as a long-term investment. The Supervisory Board's holding of Kendrion shares as at 31 December 2002 is shown on page 52 of this report.

In accordance with the articles of association, we herewith present the annual report for 2002. The annual accounts have been audited by PricewaterhouseCoopers Accountants nv and provided with an unqualified audit opinion, which can be found on page 60.

The net profit is € 10.2 million and this, after the deduction of the cumulative preference dividend, forms the basis for the dividend proposal.

With our agreement, the Board of Directors is proposing to distribute a dividend of € 0.25 in the form of a stock dividend. The payout therefore comes out at 40% per ordinary share. The exchange ratio in Kendrion nv ordinary shares for the dividend will be fixed on 26 March 2003 (after close of trading).

We recommend approval by the shareholders of the annual accounts and the proposed profit appropriation at the General Meeting of Shareholders on 8 April 2003. The Supervisory Board

further recommends that shareholders should grant discharge by approving the management conducted by the Board of Directors and the manner in which this has been supervised by the Supervisory Board.

Employees have had to work under difficult conditions in 2002. For their effort and commitment the Supervisory Board expresses its appreciation.

Zeist, 20 February 2003

Supervisory Board

H.A. VAN KARNEBEEK (64)

Chairman, Nationality Dutch

Positions

(former) member of Board of Management of Akzo Nobel nv (also Vice-Chairman), Vice-Chairman of Opta, Chairman of Supervisory Board of Sanquin Foundation, Chairman of Dutch War Graves Foundation

Supervisory Board memberships

Péchiney Nederland nv (Chairman), Brill nv (Chairman), Frans Maas nv, Zuivelcoöperatie Campina ua, Stork mps bv, Glaverbel Nederland nv

First appointed

2000

Current term

2000 – 2004

E.C. DE LA HOUSSAYE (60)

Nationality Dutch

Positions

(former) member of Board of Management of Océ nv, Chairman of District Management Committee of North Limburg Dutch Red Cross

Supervisory Board memberships

Rhein Biotech nv, Multy Print Systems bv, Alcan Holdings Nederland bv, Berna Biotech ag

First appointed

1997

Current term

2001 – 2005

W. VAN DER KOOIJ (60)

Nationality Dutch

Positions

Member of Operational Board of Linde ag, Gas and engineering, (former) member of Board of Management of Agfa Gevaert Gruppe ag, (former) member of Board of Management of Varta ag

Supervisory Board memberships

Varta Gerätebatterien GmbH, ATAG Group nv, nv Hoek Loos

First appointed

1997

Current term

2001 – 2005



from left to right:
 Jan Bernard Wolters, Heinz Freitag, André Smeenk, Jan Ahlqvist,
 Eiko Ris, Jasper Tiesinga, Gunnar Andersson, Steen Bødtker,
 Frans de Beaufort en Piet Veenema

MANAGEMENT OF THE COMPANY

Board of Directors

Jan Bernard Wolters* (52)	President and CEO
Piet Veenema* (47)	Vice President
André P.C. Smeenk (56)	CFO
Eiko Ris (44)	Group finance director
Frans F.F. de Beaufort (36)	Company Secretary, legal affairs

Members of the Management Board – Business Area Managers

Heinz Freitag (53)	Kendrion Electromagnetic Components
Steen Bødtker (45)	Kendrion Distribution Services
Jasper Tiesinga (60)	Kendrion Automotive Plastics
Jan Ahlqvist (56)	Kendrion Automotive Metals
Gunnar Andersson (44)	Kendrion Fastening

* Executive Board

REPORT OF THE BOARD OF DIRECTORS

KENDRION IN 2002

Contrary to what had previously been hoped, there was no economic recovery again in 2002. The past year proved disappointing in practically all sectors of the economy in almost all Western countries. And even now – at the start of 2003 – we still cannot detect any signs of recovery.

MARKET POSITIONS OF CORE ACTIVITIES ARE OUTSTANDING

The whole year has been characterised mainly by cost control, reduction in working capital and an extremely cautious investment policy. Kendrion's core activities command outstanding market positions. Here, our employees' knowledge and experience is of essential importance. This is because of the often complex specialist products and services we supply. Many of our people are working on the coming years' sales. But difficult economic times are the ideal time to tighten up companies and take a very close look at cost structures. It is well known that the effects of cost reductions often only make themselves felt later. We have also taken advantage of the situation to focus our company even more precisely on what we want to do in future, rather on what we cannot and do not want to do.

Germany in particular – Europe's most important economy – is facing extremely severe problems. Kendrion is relatively strongly represented in Germany. Through more targeted attention to other countries our geographical spread in Europe will be more in balance. In our other important 'home country', Sweden, we could observe that the economic downturn had begun earlier. The first signs of recovery became visible in Sweden in the course of 2002. The Eastern European countries will be increasingly important for Kendrion in future, both as a production location and as a sales market. For instance, Vink has expanded its activities in Russia.

FOCUS ON SELECTED BUSINESS AREAS

During the 1990s, Kendrion grew into a group of diversified industrial companies (business to business) through the acquisition of a large number of often smaller companies. The cohesion



PIET VEENEMA:

“MOST OF KENDRION’S CORE ACTIVITIES COMMAND OUTSTANDING MARKET POSITIONS”

between the acquired companies has been developed increasingly in recent years, to create groupings of mutually reinforcing companies – the business areas. A process of operational and commercial reinforcement has commenced in each of the business areas. Additional targeted acquisitions have further reinforced the business areas. Activities that do not contribute sufficiently to our chosen core activities have been or will be transferred to third parties.

NICHE MARKET LEADERSHIP

As its strategy, Kendrion has opted for ‘niche market leadership in business to business markets’. By a niche, we mean a market that is small in terms of absolute size and small in terms of having a limited number of suppliers and/or customers, or small in the light of its limited importance by comparison with the main market for customers/suppliers. So a niche can in fact be a reasonably large market. Market leadership is defined in terms of market share or quality leadership (new technology, innovation etc.) A position in such a market focuses on the ability to obtain absolutely and relatively attractive margins in a relatively calm situation enjoying some degree of protection.

That then distinguishes this position from competition in highly competitive markets with a large number of competitors in a ‘me too’ position (low margins, vulnerability, price competition etc.) Each market has its own kind of company; the fiercely competitive market is often hard and has no concept of loyalty, while the Kendrion markets frequently involve long-term relationships with customers or suppliers. This might be seen as a vulnerable situation in view of the effective mutual dependency involved, but in fact it means that turnover and margins are stable and reliable.

Ideally, then, the individual Kendrion companies can show most of the following features:

- technical product;
- tailor made, dedicated to supplier or customer;
- small (physically, and particularly also in money terms) but often an essential contribution the customer’s end product;
- limited number of customers (or suppliers), often in long-term business relationships;
- position or potential position as market leader or equivalent;
- specialist, not necessarily unique but definitely not bulk/generic.

ORGANISATION OF THE BUSINESS AREAS

The companies have then been combined into logical units within Kendrion, with the aim of achieving synergy within them in the following areas:

- Operational: exchange of technology, production methods/resources and know-how;
- Commercial: cross-company account introductions in particular, but also presentation as a whole where appropriate (supplier’s reduction);
- Risk spreading (joint customer portfolio).

The chosen groupings have been organised into three Business Areas:

- **Kendrion Industrial**

Development and production of components and systems mainly in the area of electromagnets and fastenings.

- **Kendrion Distribution Services**

Trade in and distribution of plastic semi-manufactures such as high quality foils and tapes, tubes and sheets.



JAN BERNARD WOLTERS:

“KENDRION WILL CONTINUE ITS POLICY OF SELLING NON-STRATEGIC ACTIVITIES”

– Kendrion Automotive

Development and production of plastic and metal components in the area of safety and convenience, interior and mechanical systems for the automotive market.

The business areas carry on activities in 17 European countries. A summary of the major operating companies is given on page 66. Kendrion NV is established in Zeist (NL).

KENDRION'S ACTIVITIES AT A GLANCE

The negative economic trend resulted in a fall in organic turnover in 2002, leading to a decline in the operating result. The level of costs also played a part in this. The reduction in costs will only make itself felt later. The additional costs that often accompany this kind of economic development have also affected the level of profit negatively. These include higher losses due to bad debt and the decline in output volume resulting from running down stocks. Finally, Kendrion was also faced with a rise in pension costs. While each of the above additional costs does not have any substantial effect on Kendrion's results in itself, their effect makes itself felt if they all come together at a time when there is already an economic downturn.

Kendrion Industrial consists of the groupings Kendrion Electromagnetic Components and Kendrion Fastening. The latter grouping again achieved outstanding results; the market situation in Sweden, where the Kendrion Fastening companies are located, is better than in the rest of Europe. Thanks mainly to its high degree of efficiency and high motivation, Kendrion Fastening has now returned an excellent performance for many years in succession. This is not the case with Kendrion Electromagnetic Components. We already saw the market for power transmission falling off last

year, and this has now happened in the general industrial markets too. Our products are an important part of many capital goods. However, sales to customers that are related to the automobile industry held up well. And – very importantly for the future – a large number of very substantial projects were acquired. On balance, Kendrion Electromagnetic Components obtained a lower operating result in 2002 than in 2001.

The influence of the deteriorating economy made itself felt on Kendrion Distribution Services (Vink). Vink is active in a number of market segments, and there was a hefty fall in turnover particularly in the advertising and construction segments. In general, customers or sales were not lost completely; but customers have either been ordering less or ordering in lots. It is scarcely possible to adapt selling and logistics costs in such a situation. Of course, measures to increase efficiency again were taken in the course of the year. It also proved necessary to change some management posts. A modest position in Ireland and the UK was gained with the acquisition of Comco Plastics. A number of interesting new products were also introduced in 2002. In addition, Vink prepared a completely new structure for sales training. Vink will also be deploying teams that will work 'across borders' and specialise in transferring the good points of one organisation across to another in order to further stimulate organic growth.

The reports from the automotive market in 2002 were mixed to gloomy. Kendrion Automotive consists of Automotive Plastics (where we supply plastic components) and Automotive Metals (where metal is the basic material). As in 2001, the Automotive Metals companies in Sweden and Germany generally showed a positive development. They are companies with a distinctive market position, supplying their customers with essential, specialised products. That was again reflected in a good result in 2002. Most of the companies in Automotive Plastics had a much



JAN BERNARD WOLTERS:

“DIFFICULT TIMES ARE THE IDEAL TIME TO TIGHTEN UP COMPANIES AND TAKE A CLOSE LOOK AT COST STRUCTURES”

more difficult time. For example, they were faced with disappointing volumes due to overrunning products (e.g. the vw Golf iv). Volumes on new models were also disappointing owing to lead-time delays and lower market acceptance. A tighter focus will be needed in this business area for acceptable returns to be obtained. Scale and distinctive market position are also a factor.

On the above basis, it will be clear that we are disappointed in the course of events over the past year. However, the last months of 2002 showed a slight improvement again by comparison with 2001. The restrained economic situation, which was due partly to political and military tensions, meant that investment was restricted to a minimum. The cost-cutting measures have been effective but will only make themselves felt more clearly later. In addition, there were more special cost items than had been anticipated. Order portfolios have grown again in the course of 2002. That development, the slight recovery in the second half-year and the cost-cutting measures adopted will make themselves felt in 2003.

REDUCTION OF THE CAPITAL EMPLOYED IN THE COMPANY

The fact that the convertible bond loan issued in 1997 expired in 2002 meant that it was important to release funds for its redemption. A cautious investment policy, arrangements on pre-financing conditions with some customers, and a strict policy on working capital all bore fruit. This is not clearly evident from the consolidated figures in all cases, partly because some of our activities are in a growth phase at present. And that growth phase demands resources. The increasingly evident picture that many customers – particularly major industrial customers – are applying their own cash flow policies also cancelled out our efforts in part.

It is a general feature that payment practices are poorer in more difficult times. At the moment, payment terms are a prominent theme in many negotiations on new projects. The fact that a significant part of the guarantee capital had to be repaid meant that we had to keep a close watch on Kendrion's solvency. Anyway, the company's solvency on the basis of interest-free capital has not been so high in years. That once again emphasises the policy we formulated in 2002, that, by contrast to the past, we are aiming to reduce our risk capital base to a minimum level of 30% as quickly as possible on the basis of interest-free equity. Partly due to the outlined circumstances, the financial targets set, have not been realised by the end of 2002, which has resulted in non-compliance with the agreed criteria pertaining to financing. Amongst others by disposing of activities that do not fit into our strategy, investing selectively and acquiring very cautiously, we expect, however, to achieve our targets in this respect in 2003.

THE STRATEGY

The strategic principles that we formulated again in 2001 remain unchanged. In summary, Kendrion's strategy consists of:

- Niche market leadership in business-business markets on the basis of
 - market distinctiveness and/or distinctive know-how
 - position as market leader or equivalent already held or attainable
- Organic growth
- Power of partnership within the business area or synergy
- Efficient operational management
- Balanced spread across individual activities and markets
- Acceptable Return on Investment, either already achieved or attainable in the foreseeable future.



PIET VEENEMA:

“THE STRATEGIC PRINCIPLES THAT WERE FORMULATED AGAIN IN 2001 REMAIN UNCHANGED”

Niche market leadership

Our business areas satisfy the above principles. The exception is a number of non-core activities ('Others') that are presently grouped under Kendrion Industrial and some of the activities that come under Automotive Plastics. We are pursuing an active disinvestment policy in respect of the Others group. We have been charting the precise opportunities and options for certain of the Automotive Plastics activities (with third-party assistance) in the first months of 2003. Where required, any necessary conclusion will then be drawn and implementation measures will be determined and initiated.

As for Kendrion's core activities, increasing their market distinctiveness is high on the agenda. Market analysis, adoption of market positions, analysis of the competition, exchange of know-how, benchmarking, training courses and many other activities will be undertaken to strengthen that market distinctiveness. The object of all those efforts is to keep the company sufficiently fit and flexible to engage successfully in the day-to-day struggle in the market.

Organic growth

Within Kendrion, we do not define organic growth primarily as more turnover. We put the focus on profitability first. Turnover where the costs involved are in excess of the margin is turnover we can dispense with in many cases. Accordingly, we are looking for growth particularly from markets and customers that show great promise for the future. Kendrion's core activities satisfy the criterion that the markets in which they operate permit that profitable organic growth. In general, that organic growth was not evident in 2002, due to the economic recession. We are much more positive about 2003 and subsequent years, particularly in view of the projects already in place.

Power of Partnership

In recent years, the structures created for each business area have been such that there is now a real process of group formation. Marketing, purchasing, business controlling and IT/e-commerce are matters that are now centrally controlled within the various business areas.

Efficient operational management

We are constantly seeking opportunities for improvement through company comparisons (benchmarking). We also use external comparison figures (from peers) in this process. Adequate management information results in proper understanding. And understanding is necessary for Kendrion to be a learning organisation in which each employee is encouraged to improve himself/herself and his/her environment. We have targets for this purpose, including Key Success Factors.

Balanced spread

Kendrion does not want to be dependent on just one market or one activity. We have been proactive in this respect over the years. Our relatively large presence in Germany, where the economy is clearly stagnating, is still a handicap at the moment. This relative dependence on Germany will reduce further in future, as the result of a policy that was initiated some years ago.

Return

Under the influence of the disappointing economy, the business areas Kendrion Industrial, Kendrion Distribution Services and Kendrion Automotive Metals have produced a return that does not satisfy the specified requirements in all cases. However, the plans for the future show that those specified requirements are attainable. A tighter focus within Automotive Plastics should result in better returns. Clearer information on this question will become available in 2003.

JAN BERNARD WOLTERS:

“POSITIVE DEVELOPMENTS WILL ONLY MANIFEST THEMSELVES GRADUALLY IN THE COURSE OF 2003”

INVESTOR RELATIONS

In its contacts with financial target groups, Kendrion strives to increase the company’s name recognition and reinforce its reputation. Transparency and promptness of information are key words in this respect. Communications policy towards financial target groups and intermediaries has now been shaped. Our completely new informative website since 1 January 2003 and a regular flow of digital information form part of that policy. Since the introduction of Euronext NV’s new trading system in 2001, Kendrion has appointed three liquidity providers to maintain continuous trading in Kendrion shares for existing and future shareholders. Further information on these liquidity providers can be found on page 68.

PERSONNEL

The past year has not been easy for our employees. The difficult economic situation has resulted in additional uncertainty for many people and has put additional pressure on the steps to be taken. Nevertheless, we can quite definitely say that the targeted cost-cutting measures and the measures relating to working capital in particular could not have been effective without the commitment shown by our employees. Once again in 2002, Kendrion has accepted responsibility for its employees and has got a lot back in return. And we want to take this chance to thank them warmly.

At holding company level, policy on Human Resources & Management Development has been further developed. One of the tools involved is a concrete training policy that reflects our employees’ specific wishes and requirements. A group of senior managers within Kendrion have been the recipients of targeted training.

Another tool is careful tracking and analysis of the composition and quality of the management teams in our business areas, with steps being taken to strengthen these aspects where necessary. Career counselling and the encouragement of mobility among qualified managers are further elements of this policy. Competencies are charted in annual performance interviews with managers and high potentials.

The fact that Kendrion is structured in business areas ensures that employees from different companies come into contact with each other more and more and are increasingly aware of the need for mutual cooperation. As a result, our slogan ‘Power of Partnership’ is becoming more meaningful internally. Creating added value is the basis of all our activities

At the moment, Kendrion employs 5,185 employees.

ENVIRONMENT

Kendrion’s policy aims to encourage management and personnel to achieve constant technological and organisational improvement to environmental procedures within the group. But sustainable development is not just a matter of planning and encouragement. It has to be put into effect in day-to-day practice. That means that we attach importance to careful environmental housekeeping. Environmental aspects play their part in many major operating processes, for instance through energy-saving and the conscious processing of waste materials. After all, we have to take account of environmental aspects when assessing our processes not just to cut harmful emissions and reduce the environmental load, but also to retain our good reputation and comply with our social responsibility as a large company. Quality systems, environmental protection



systems and safety systems are generally combined in one system that forms the basis for the implementation of many of our projects. All the Kendrion companies meet the highest quality and safety requirements. They hold safety certificates and are working to implement environmental protection systems in accordance with the ISO 14001 standard. Safety audits were also carried out in a large number of companies in 2002. These audits looked at general safety, emergency plans and fire prevention, the transport of hazardous substances, and health and safety at work.

RISKS AND RISK CONTROL

General

The composition of Kendrion's activities has a major risk-spreading effect, so that sharp swings in the economic situation and unexpectedly large fluctuations in results are avoided as much as possible.

Controlling the risks associated with an operating company's business activities is part of the responsibility of that operating company's management. The controlling & auditing department of the Kendrion nv in Zeist (NL) tests the operation of this internal control system. The findings of these supervisory activities are reported to the Board of Directors, and in general outline to the Supervisory Board.

In addition, Kendrion also has a management control system for directing the company. The strategy for each business area is determined, and a budget tailored to that strategy is then drawn up. Monthly reports are produced on the results achieved per company, and a forecast for the whole year is issued each quarter.

Each quarter, the Board of Directors discusses developments with the individual business area managers. General developments are discussed at the quarterly meeting of the Management Board. Regular progress discussions with the management of the business area and the operating company are held between meetings.

Specific risks

Operational risks

Changes in raw materials prices can generally be charged on to customers. In some cases, with some delay.

What is important for the manufacturing companies is high quality end products and just-in-time deliveries. The operating companies work with performance indicators specifically tailored to just-in-time delivery and quality. All our companies are ISO certified and regular audits are carried out by customers.

The operational risks for the trade and distribution activities of the Kendrion Distribution Services business area are limited. The precise observance of Key Success Factors plays a major role in our activities.

Market risks

Of course, the market risks that do exist are closely related to economic developments in general and developments per business area in particular. In view of the niche market position, the market risks are limited.

Financial risks

Currency risks

Kendrion realises more than three-quarters of its consolidated turnover in euros. This also applies to invested capital. In those countries where activities are carried out in currencies other than



the euro they are generally financed locally, and purchasing and sales are overwhelmingly in local currency. The most important non-euro currency is the Swedish krona, which accounts for around 16% of the consolidated turnover.

Financing and interest-rate risks

Kendrion strives to maintain a stable financial position of at least 30% solvency. We also apply the following principles in our financing:

Fixed assets are financed with equity and additionally with long-term loan capital. Wherever possible, working capital is financed with short-term loan capital at a variable interest rate.

Credit risks

Kendrion applies the usual internal guidelines for the control of credit risks, such as assessing customers' creditworthiness in advance, applying individual credit limits to customers, and monitoring outstanding receivables.

Risks of fire, consequential loss and liability

Kendrion has covered itself against risks arising from fire damage, consequential loss and liability by a group insurance policy. The liability insurance provides adequate cover for product liability, recall and costs of dismantling/refitting.

FINANCIALS

The past reporting year began extremely difficultly. In the first half year, turnover fell organically by 8.0% relative to 2001. However, a growth in organic turnover of 1.6% was achieved in the second half year. Movements in added value showed the same picture: a decline

of 5.2% in the first half year and a rise of 2.2% in the second half year of 2002 against the corresponding period in 2001, making it possible to reduce the imbalance run up in the first half year. Given the rise in materials costs over the whole year, this development in the course of the year is positive.

Operating result (EBITA) as a percentage of turnover has fallen across the board. This is due in particular to the fact that, despite a stringent cost-cutting policy, the increase in business activities particularly in the second half year have resulted in somewhat higher operating expenses.


In the Kendrion Industrial business area, both turnover and EBITA were below the previous year's levels; in particular, the restructuring measures adopted in respect of a number of non-core activities (the Others group) and the associated effects exercised a negative influence.

Kendrion Distribution Services achieved turnover growth of 2% in the second half year, against a decline of 10% in the first half year. At the same time, the gross profit percentage taken across the whole year rose by around 1%. The cost-cutting measures applied in 2002 meant that EBITA remained under pressure in the second half year, but nevertheless the return was satisfactory and showed an upward trend.

In its turnover for the first half year of 2002, Kendrion Automotive lagged 2% behind the figure for the first half year of 2001, but in the second half year it achieved an increase in turnover of 8% against the corresponding period in 2001, resulting in a rise in turnover of 2.6% year-on-year.

As a result of the above developments, the return on investment has declined from 9.1% to 6.8%. As in 2001, that percentage has been substantially affected by the receivables in respect of the





sold companies which no longer make a contribution to EBITA. The interest payable has fallen fractionally, reflecting the reduced use of credit. The tax load has been influenced positively by the use of the tax regulations on group financing profits, and so comes out at 13.9% at a standardised tax rate of 37.9%.

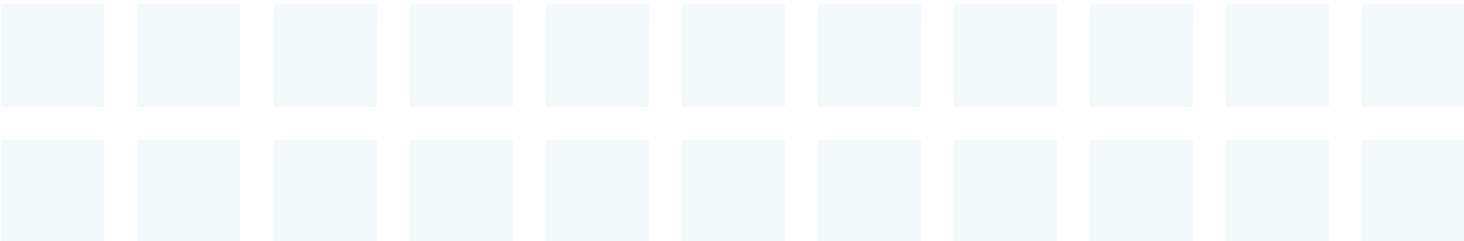
As for the balance sheet movements, a reduction of € 28.4 has been achieved in the balance sheet total, bringing it to € 504.4 million. This was achieved in part by a stringent investment policy. The repayment of the convertible loan has had a major influence on the modified balance sheet ratios. The capital market did not offer any possibility of appropriate refinancing of the loan in question. Through the refinancing of assets and the advance of an additional subordinated loan, together with the continuation of the major shareholder's share in the convertible loan as agreed in 2001, we have been able to keep the company's solvency at 30%. However, this was at the expense of the planned repayment of loans advanced by us in respect of the disposal of activities. The movement in the result particularly in the first half year and a rise in working capital in the fourth quarter as a result of higher turnover meant that we were not able to comply with a number of financing criteria during the financial year. For that reason, the decision was taken to include all the long-term loans under short-term debts. There are ongoing consultations with the finance providers on the conditions attached to the loans provided by them, and of course the income from activities still to be disposed of plays a major role in these consultations. In view of the capital structure, it is proposed to make the dividend for 2002 available as a stock dividend.

EXPECTATIONS

The past year has been characterised by worse-than-expected economic conditions. Contrary to general expectations, the second half of 2002 did not bring any improvement in the economy. There are many uncertainties, with widespread perplexity in both the political and the military field. And the financial markets are also presenting an unsettled picture. All this does not create confidence. The consumer will remain hesitant, and propensity to invest will not pick up for the time being. Positive developments will only be able to manifest themselves gradually in the course of 2003.

Kendrion will continue with its policy of disposing of non-strategic activities to tighten its focus still further and its policy of reducing the capital employed within the company. The costs structure of our companies has been improved, and will be further modified where necessary.

Although some of our business areas are rightly expected to do more in 2003 than has been achieved in 2002 as a result of the measures recently undertaken, the uncertainties in the industrial markets important to us are still too great, and therefore it is still too early to express any specific profit expectation.



KENDRION INDUSTRIAL



Electromagnets are generally the invisible but essential components in for example automated production systems, cars, lifts and medical equipment, above all for safety and precision applications.

HEINZ FREITAG, BUSINESS AREA MANAGER, KENDRION ELECTROMAGNETIC COMPONENTS:

“MAJOR CUSTOMERS PLACE GREAT CONFIDENCE IN KENDRION ELECTROMAGNETIC COMPONENTS AS A DEVELOPMENT PARTNER”

PROFILE

Kendrion Industrial holds leading positions in the European market and is active in a number of countries with a comprehensive product range. The group's activities are highly specialised and are aimed at very specific product/market combinations in which added value, technological knowledge and outstanding service are of decisive importance. Kendrion Industrial's main focus is on the development and production of electromagnetic components and fasteners.

Kendrion Electromagnetic Components is active in the fields of Power Transmission, Automobile Technology and Solenoid Technology, and so we find customers in many sectors of industry. We have a wide range of customers and a great diversity of use functions, particularly for specific applications such as lifts, doors, and precise dosing and control technologies. The products involve very high quality technology that meets stringent requirements in the area of reliability and accuracy.

In 1997 Kendrion took over Binder, a German firm that had over fifty years' experience in manufacturing electromagnetic components such as solenoids, clutches and brakes, but was operating in a fragmented market and had not really been able to build up strong positions.

After its takeover by Kendrion, the process of scaling up, focussing and rationalisation was accelerated. This was the origin of the Kendrion Electromagnetic Components group. Companies that each supply niches in the market in its own outstanding way.

Kendrion Fastening supplies fasteners to industry. These are high-quality products that are produced customer-specific.

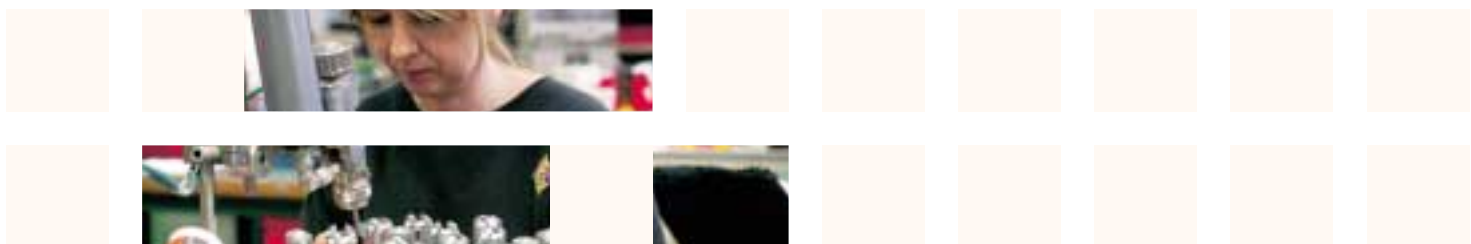
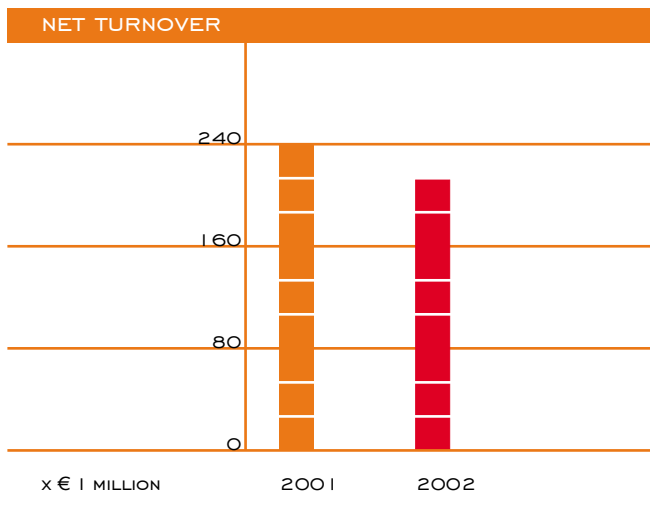


Kendrion Industrial combines local entrepreneurship with the business area's economies of scale. There are shared activities within Electromagnetic Components and Fastening in the areas of purchasing, sales, development and management. Work processes are standardised and largely automated. The integration of the companies acquired in recent years in this business area is reflected in growth and profit. The production companies for Kendrion Electromagnetic Components are located in Germany, Austria, Spain, Switzerland and the Czech Republic. The group also has sales organisations in the UK, Austria and Switzerland. Kendrion Fastening operates particularly in and from Sweden.

The companies Fardem Packaging, Kendrion Cetra Metaal, GPB Ergonomics, DruMora and Servico are also grouped within Kendrion Industrial. These companies operate independent of each other and are responsible for their own results.

RESULTS

Kendrion Industrial has a broad product range and is active in a wide variety of sectors. This renders the group relatively insensitive to economic fluctuations, although the economic conditions have meant that Kendrion Industrial's results in the (electromagnetic components) segments of Power Transmission and Solenoid Technology have been under pressure. Despite this, Kendrion Industrial's position has been further strengthened in 2002, particularly in the Automobile Technology segment of the Kendrion Electromagnetic Components group and in the Fastening group. The results from these groups held up well for a variety of reasons. The activities of the Automobile Technology segment target the safety and convenience segments, for instance by supplying components for automatic transmission systems and diesel injection. These are both strongly growing activities. The Fastening group has reinforced its market position through its clear logistic concept and its sharp focus. The net turnover of Kendrion Industrial fell from € 239.3 to € 211.6 million, partly due to the sale of non-core activities (Dru Heating). The decline in organic turnover was € 5.0 million. Operating result (EBITA) was € 11.0 million. That was a fall of 33.0% by comparison with 2001 (€ 16.3 million).



GUNNAR ANDERSSON, BUSINESS AREA MANAGER, KENDRION FASTENING:

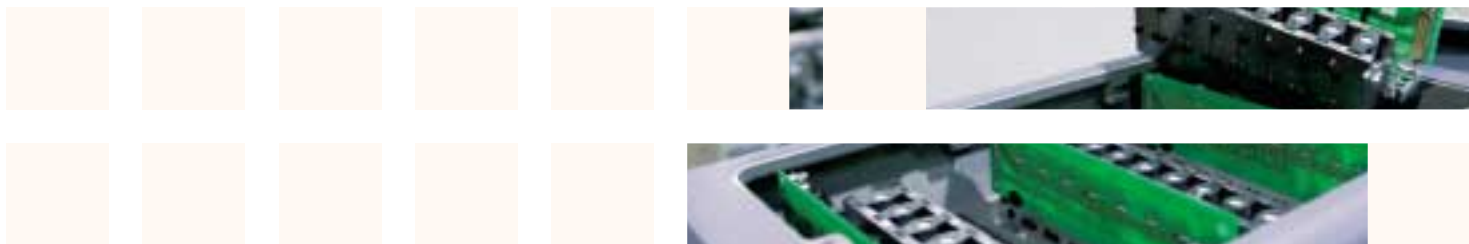
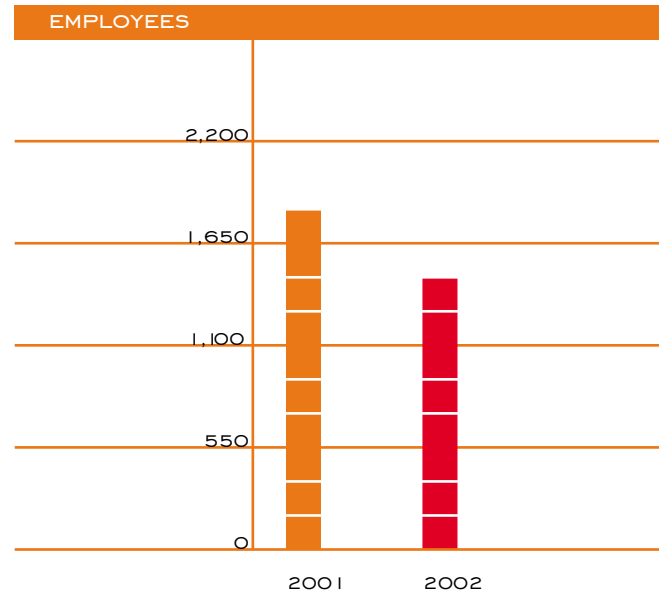
“KENDRION FASTENING HAS REINFORCED ITS MARKET POSITION THROUGH ITS CLEAR LOGISTIC CONCEPT AND ITS SHARP FOCUS”

MARKET DEVELOPMENTS

Economic developments in the past year were not positive for Kendrion Industrial. The economic downturn was already evident in the Power Transmission segment of the Electromagnetic Components group in the previous year. This year, slowing economic activity was experienced on several fronts. However, it was an important year for Electromagnetic Components. Firstly, further economic concentration took place in a number of market segments, and Kendrion was able to benefit from this by obtaining a number of interesting major projects. The Automobile Technology segment now has practically all the major car manufacturers and first-line suppliers in its customer base, with DaimlerChrysler and Siemens Automotive as its largest customers. And many of these customers place great confidence in Kendrion Electromagnetic Components as a development partner. Accordingly, the development and fully automated manufacture of electromagnetic components has become that group’s speciality. And the group holds the world’s highest-level certification, ISO-TS 16949. A strong project organisation produces results. Existing projects and new projects already obtained for the coming years in the area of diesel engines and automatic transmission systems will lead to further growth in turnover and profits for the Automobile Technology group of Kendrion Electromagnetic Components in future. Kendrion is well positioned in the Power Transmission segment too. For instance, it is the market leader in brake systems for servo engines. An important patent for a new brake system based on linear technology was obtained in 2002. The Solenoid Technology segment has also gained market share in practically all industrial sectors.

The Kendrion Fastening group’s sales market calls for customer-specific solutions combined with sophisticated logistic concepts. Kendrion Fastening produces high-quality products, developed and

manufactured for our customers. If the customer requires, the customer-specific products can be combined with the manufacture and supply of high-volume standard products with an outstanding price/performance ratio. The group profits here from possibilities in the areas of logistics and process automation. A one-stop-shop concept has been developed to deliver specific fastener kits to the customer with short delivery times and high delivery reliability. The intention is to further increase the size of this group, both by adding new products and production processes to the group and by investigating the opportunities for the group beyond its own home market of Sweden.



HEINZ FREITAG, BUSINESS AREA MANAGER, KENDRION ELECTROMAGNETIC COMPONENTS:

“THE SPECIALITY OF KENDRION ELECTROMAGNETIC COMPONENTS IS THE DEVELOPMENT AND FULLY AUTOMATED MANUFACTURE OF ELECTROMAGNETIC COMPONENTS”

KENDRION INDUSTRIAL

(x € 1 million, unless stated otherwise)	2002	2001
Gross margin	106.1	113.9
EBITA	11.0	16.3
ROS	5.2%	6.8%
Invested capital	75.8	93.6
Operating capital	36.8	48.3
ROI	14.5%	17.4%
Net investments	6.6	9.0
Depreciations	8.6	8.4

EXPECTATIONS

The Electromagnetic Components group expects a further increase in turnover in the Automobile Technology segment in 2003. Of course, this will involve substantial development efforts. Economic developments are too uncertain to make any predictions for the Power Transmission and Solenoid Technology market segments. The aim is to improve returns in 2003 through a further concentration of activities and through cost-cutting measures. The Fastening group expects to be able to continue along the path of organic growth that it entered in 2002 and to expand its market position while maintaining its outstanding profitability. Possible acquisitions will be investigated carefully to accelerate the growth strategy.

TARGETS FOR 2003 – 2004

The Electromagnetic Components group is aiming for organic growth of 10%–15% per year, and the Kendrion Fastening group for organic growth of 15%–20% per year. If possible, these activities will be supplemented by targeted acquisitions. The financial target for the business area Kendrion Industrial remains an ROI of over 20%.



High standards are set for our products like lifetime, precision and speed, generation after generation. Already 30 years we supply electromagnetic components to H. Stoll GmbH & Co., Reutlingen (D), manufacturer of high value equipment for the production of fabrics and clothing.

Research & Development,
Kendrion Magnettechnik

Project assistant
Stoll GmbH & Co

Model engineer
Stoll GmbH & Co

DIETER MIHALICH

GUDRUN MEIER

PETER BREDANOWSKY



Pursuant to Germany privacy legislation (Datenschutz) the names of the persons on this picture who are not employed by the Kendrion group are fictitious.

KENDRION DISTRIBUTION SERVICES



Vink has a range of 20,000 articles, including piping components in polyethylene and polypropylene, suitable for transporting anything from water to the most aggressive chemicals.

STEEN BØDTKER, BUSINESS AREA MANAGER, KENDRION DISTRIBUTION SERVICES:

“THE WHOLE POINT WITH VINK: THERE IS SO MUCH THAT CAN BE DONE, BUT WE THINK IN TERMS OF SUBSTANTIAL BENEFITS FOR THE CUSTOMER”

PROFILE

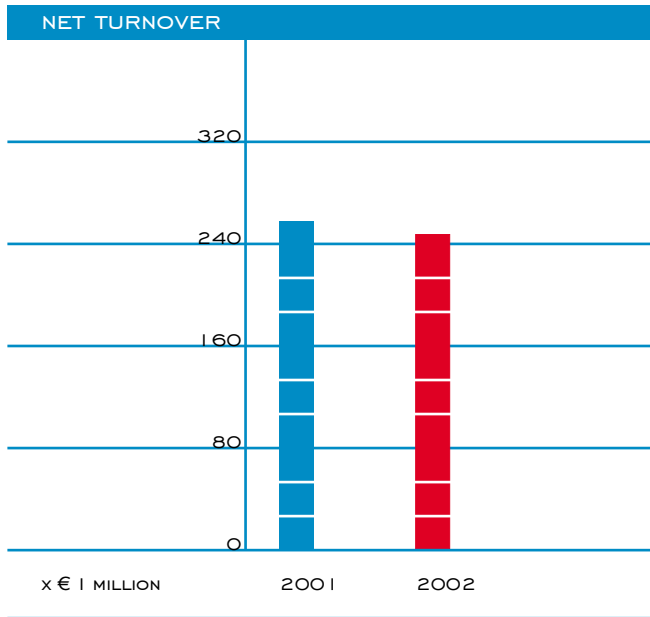
Kendrion Distribution Services (Vink) has an excellent reputation in Europe for the supply of semi finished plastic products, with a range of more than 20,000 articles. That is the product range that we provide everywhere. Vink can deliver semi-finished plastics including synthetic sheets, high quality foils and tapes, rod and pipe material from stock. In addition, Vink has three branches with manufacturing facilities in Belgium, the Netherlands and Denmark that specialise in manufacturing customer-specific components in plastic. Vink is active particularly in the building, advertising and industry sectors.

We are aiming for market leadership in Europe in the three sectors we concentrate on, and we are now present in 14 countries. Generally speaking, market leadership means 25% market share. In the year under review, Kendrion Distribution Services took over Comco Plastics Ltd. With this acquisition, we have realized a position in the Irish and uk markets.

Local managements have the task of exploiting the opportunities in their markets. Vink has a clear, attractive profile, and so we are able to expand our positions rapidly in the countries we start up in. This kind of local presence is essential for marketing and distribution. Our customer base is made up of more than 100,000 customers who have orders from our range delivered within 24 hours. We expand that range further every year, so that we achieve growth with new products.

Vink has branches in the Netherlands, Belgium, Denmark, Germany, Finland, France, Hungary, Ireland, Norway, Russia, the Czech Republic, Sweden, Switzerland and the uk.





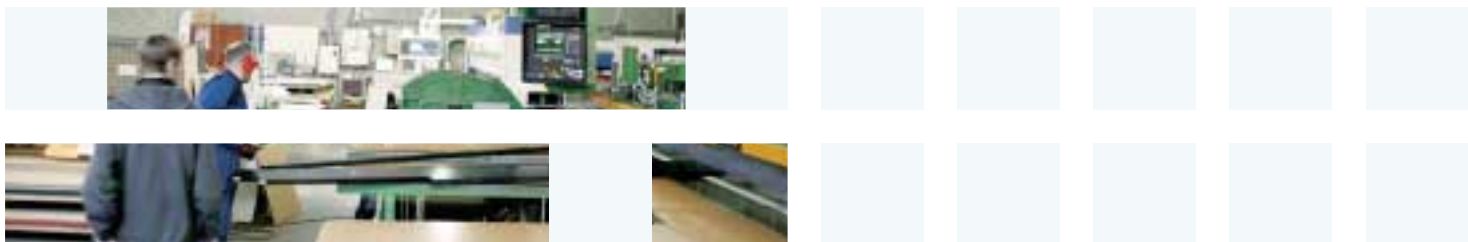
RESULTS

The sectors in which Vink is active all faced problems from a slowing economy in the year under review, but given the economic developments Vink still managed to achieve an acceptable result. The acquisition of Comco Plastics has been included in the annual figures with effect from 1 May 2002. Net turnover fell by 4.3% to € 246.7 million and the operating result (EBITA) was € 9.0 million.

MARKET DEVELOPMENTS

The possibilities of plastics are constantly expanding. This is partly because plastics are making their way into new applications, but plastic is also increasingly replacing traditional materials such as steel and concrete. And more and more plastics with very specific properties are also coming onto the market. For instance, high performance plastics have been developed – plastics that retain their properties even at high temperatures. Vink is also involved in the development of components and new applications. And every new development opens up new prospects.

Plastic's weight and range of applications mean that it is almost always more attractively priced than traditional materials. This together with the particular product properties offers innumerable possibilities. As a result, we are constantly on the lookout for new applications in the sectors where we are strongly represented – industry, construction and advertising. Vink is one of the pioneers in the plastics fields, with over 45 years of experience behind us when it comes to advising on the use of plastic and on plastics processing and production.



STEEN BØDTKER, BUSINESS AREA MANAGER, KENDRION DISTRIBUTION SERVICES:

“THE POSSIBILITIES OF PLASTIC ARE CONSTANTLY EXPANDING – PLASTIC IS INCREASINGLY REPLACING TRADITIONAL MATERIALS SUCH AS STEEL AND CONCRETE”

In the year under review, we have again made active use of the platforms where we constantly challenge engineers and purchasers to think along with us on the possibilities for plastic in their line of business and the advantages of using it. We have also introduced new products and applications to the market.

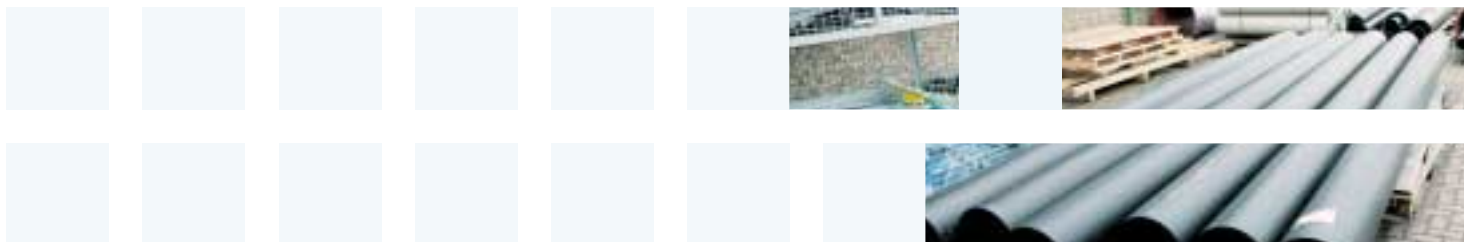
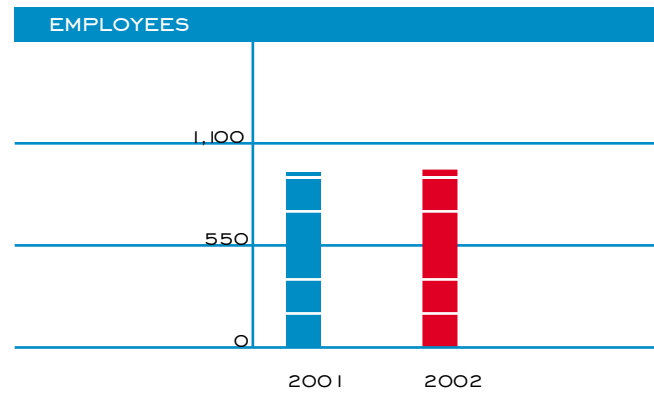
Many of our semi-manufactures are registered as Vink products, a seal of quality that has a reputation in the market; this obviously speaks volumes about our position. As well as our own efforts, we have a number of strategic partnerships, where we are working to develop new applications and prototypes.

Our services are increasingly including the processing of semi-manufactures in order to add still more added value. Our production and processing facilities in Europe have the latest equipment to serve the market optimally.

That is the whole point with Vink: there is so much that can be done, but we think in terms of substantial benefits for the customer. Our distribution strength is just one facet of this.

In the year under review, the second phase of our e-commerce activities has been further developed and new software was again introduced in a number of further countries. Vink has a corporate website providing all the options for online transactions across our full product range. We expect that in two years' time we will be able to handle 10% to 15% of our business fully automatically (online). A further stage in our web activities will be needed for this: communication with our back office through the internet. Customers will then be able to see exactly what they have ordered from us, who placed the order, and what the supply date was.

At the same time, making our back office processes more efficient and transparent is a huge service to customers. This project is expected to be completed in 2003.



STEEN BØDTKER, BUSINESS AREA MANAGER, KENDRION DISTRIBUTION SERVICES:

“VINK IS ALSO PARTICIPATING IN THE DEVELOPMENT OF PLASTIC COMPONENTS AND NEW APPLICATIONS”

KENDRION DISTRIBUTION SERVICES

(x € 1 million, unless stated otherwise)	2002	2001
Gross margin	77.8	78.9
EBITA	9.0	11.5
ROS	3.6%	4.5%
Invested capital	51.7	54.5
Operating capital	34.0	36.9
ROI	17.4%	21.1%
Net investments	3.1	3.8
Depreciations	3.4	3.2

EXPECTATIONS

The present economic situation is causing upsets for Vink too, but nevertheless the outlook for this business area is good. Vink is the market leader in most North European countries and is working constantly to strengthen the group, also through acquisitions.

TARGETS FOR 2003 – 2005

The target for the business area Kendrion Distribution Services is to achieve a market share of over 25% in all segments. Given the development of the end markets, the aim is to achieve organic growth of at least 5%, plus targeted growth through acquisitions. The financial targets are an ROS of more than 7% and an ROI of more than 30%.



More than 5 kilometres of Vink piping in a range of materials for transporting aggressive chemicals and vapours at Umicore SA's new copper electrolysis plant at Hoboken, Belgium

Field Sales Manager Vink Belgium

Product Manager Vink Belgium

LEW Coordinator Umicore

JOHAN VERTOMMEN

JOHAN VANDERSANDE

RUDIGER THUY



KENDRION AUTOMOTIVE

Kendrion Automotive Metals profiles itself as an exclusive supplier of components and modules in the areas of safety and convenience, special interior parts and mechanical systems.



JAN AHLQVIST, BUSINESS AREA MANAGER, KENDRION AUTOMOTIVE METALS:

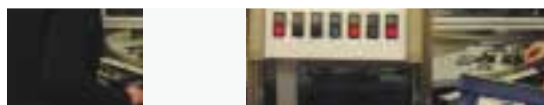
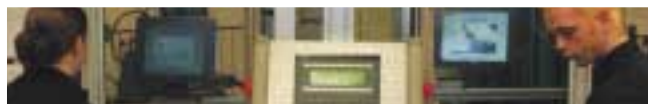
“KENDRION AUTOMOTIVE AIMS FOR NICHE MARKET LEADERSHIP IN SPECIFIC MARKET SEGMENTS WITHIN THE LARGEST INDUSTRIAL MARKET WORLDWIDE”

PROFILE

Most of the Kendrion Automotive companies occupy strong positions in the automotive industry supplying sector. Kendrion Automotive, which consists of Kendrion Automotive Plastics and Kendrion Automotive Metals, profiles itself as an exclusive supplier of components and modules in the areas of safety and convenience, special interior parts and mechanical systems. These include for instance seatbelts and seatbelt fastenings, climate control, and interior parts such as consoles, seats and seat components. Kendrion is aiming to achieve strong positions in these niches. Kendrion Automotive also supplies the truck industry.

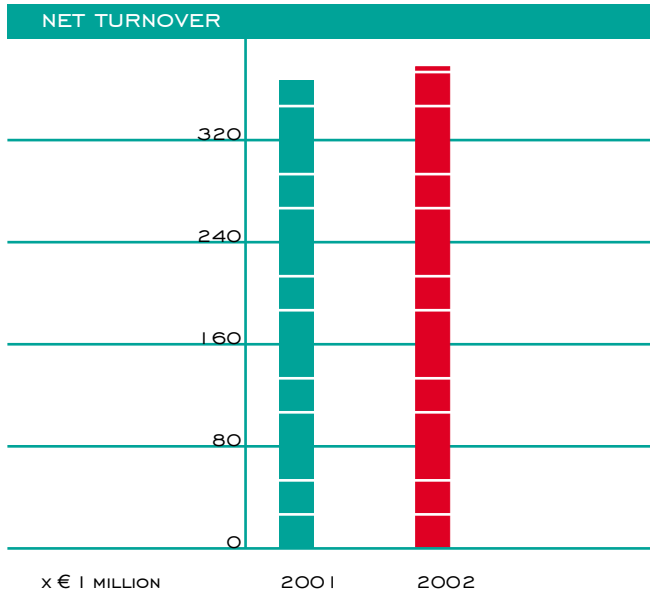
Key products have been established for all the companies in this business area. These are products with a high added value: a great deal of high-quality knowledge and specific experience is necessary to develop and produce them. Key account managers represent the business area to customers and bring our whole portfolio to market. The individual companies are responsible for the product development of their key products, with assistance if required from our engineering centre in Germany, which initiates and supports development programmes within the group.

In the Kendrion Automotive business area, there is intensive cooperation in the areas of development, purchasing, commerce and management. At the same time, we promote local entrepreneurship on the principle that local management is best able to assess how the market is developing and can therefore anticipate these developments most quickly.



Our longer-term strategy is directed towards further concentration on a number of key products to be produced in specialised production centres in Europe. In other words, aiming for niche market leadership in specific market segments within the largest industrial market worldwide.

Kendrion Automotive has companies in Germany, the Netherlands, Spain, Portugal, the Czech Republic and Sweden.



RESULTS

The automobile industry came under pressure in the first half of 2001. That trend continued and was reinforced in the year under review. The German automobile industry, the most important market for Kendrion Automotive, suffered particularly badly. This was reflected in increasing pressure on suppliers as regards payment terms, financing for new projects (engineering work and prototype moulds) and quality requirements. Nevertheless, in this market Kendrion Automotive was able to improve its terms of delivery to a number of automobile manufacturers as regards the pre-financing of moulds.

In the year under review, a large number of new projects started up for cars that were introduced to the market in 2002. The many changes made in the last phase of the run-up to production resulted in high costs and inefficiencies in the first phase of the production process, and in addition certain German models in particular came nowhere near reaching their expected volumes. That had a downward effect on the development of the Automotive Plastic group's results. The Automotive Metals group faced fewer difficulties in this respect, and also succeeded in further strengthening its market position in the Swedish market in particular.

Turnover for the Automotive business area rose from € 367.2 to € 376.9 million in the year under review, representing an increase of 2.6% against the previous year. Operating result (EBITA) decreased and came out at € 5.7 million.



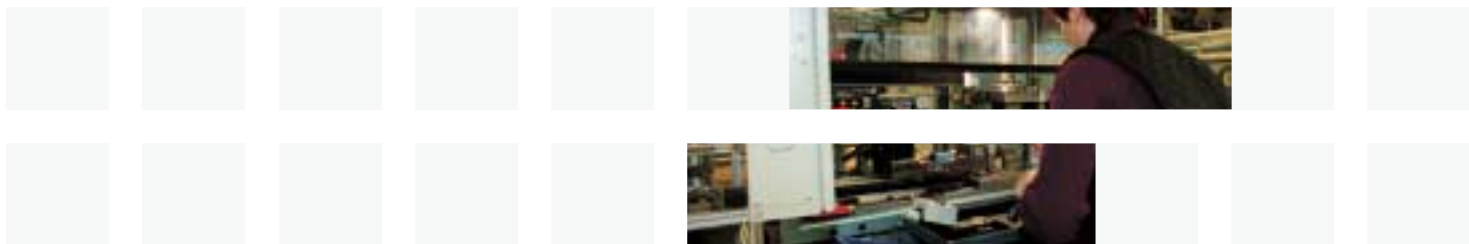
JASPER TIESINGA, BUSINESS AREA MANAGER, KENDRION AUTOMOTIVE PLASTICS:

“A TIGHTER FOCUS IS NEEDED WITHIN KENDRION AUTOMOTIVE PLASTICS TO ACHIEVE ACCEPTABLE RETURNS”

MARKET DEVELOPMENTS

The automotive market remains very unsettled. The concentration of players that has been seen as a result of takeovers and mergers in recent years has not produced the hoped-for synergy benefits in many cases. The role of the megasize all-inclusive systems supplier is coming under increasing scrutiny. We are therefore seeing a development in which more and more automobile manufacturers are looking for possibilities of working directly with smaller suppliers like Kendrion. Of course, that calls for distinctive market positions. Here we believe that we have, and will be able to retain, sufficient distinctiveness in most of our Automotive activities. Examples include our sheet metal components and child safety product range business lines; Kendrion has succeeded in further extending its market position in these lines in Sweden and Germany, and also in the USA, resulting for instance in higher turnover in moulds and tools.

And targeted studies are currently being conducted for a number of other business lines, in order to further chart our possibilities. Our strategy remains focused on further reinforcing and expanding our position in a number of business lines. We are also aiming to reduce our vulnerability to economic fluctuations by achieving a good spread of key products and less dependence on particular customers. Thanks to Kendrion’s size, our good reputation and the collaboration within the group, Kendrion will continue to be in a position to enter into attractive partnerships with its major customers in future.



“THANKS TO ITS SIZE, ITS GOOD REPUTATION AND THE COLLABORATION WITHIN THE GROUP,
KENDRION AUTOMOTIVE REMAINS IN A POSITION TO ENTER INTO ATTRACTIVE PARTNERSHIPS IN FUTURE”

KENDRION AUTOMOTIVE

(x € 1 million, unless stated otherwise)	2002	2001
Gross margin	160.8	158.0
EBITA	5.7	10.1
ROS	1.5%	2.8%
Invested capital	144.3	150.9
Operating capital	56.9	54.2
ROI	4.0%	6.7%
Net investments	6.2	20.8
Depreciations	15.8	15.3

EXPECTATIONS

The current market situation in the automotive sector is tense. Falling sales are putting pressure on the major car manufacturers' results. And this situation is not expected to improve rapidly, in view of the economic developments in Europe. Obviously, that is generally not very promising for suppliers. And it is uncertain how material costs will develop further, following significant price rises in the second half of 2002. Accordingly, our operational management is constantly focused on improving efficiency and reducing costs. However, thanks to a large number of new projects for German, French and Swedish automobile manufacturers, we foresee an improvement in the position of our companies in the medium term, and this is expected to make itself felt in our turnover in the last quarter of 2003.

TARGETS

The business area Kendrion Automotive is aiming for organic growth of 5% per year. The financial targets set for the activities are an ROS of 6% and an ROI of over 15%.



Sales Manager automotive safety functions, Kendrion Holmbergs

Technical Sales automotive safety functions, Kendrion Holmbergs

Quality Control, Kendrion Holmbergs

ANDERS LINDER

MIKAEL FORSMAN

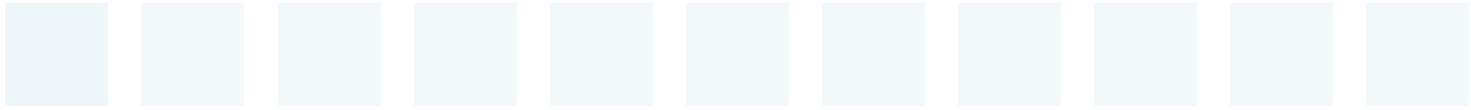
JAN LUDVIGSSON

Kendrion Holmbergs has won important new orders including the torque lock system for the seats in Volvo's new xc go City Jeep. The new orders will also have a positive effect on the other Kendrion Automotive Metals activities.



The background of the entire page is a solid blue color with a subtle grid pattern of lighter blue squares. A white horizontal bar is positioned near the top, containing the text 'ANNUAL ACCOUNTS 2002'.

ANNUAL ACCOUNTS 2002

**36** ANNUAL ACCOUNTS

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CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(after proposed profit appropriation)

(x € 1 million)

2002

2001

Notes

ASSETS

	Fixed assets		
3	Intangible fixed assets	7.9	8.1
4	Tangible fixed assets	146.5	160.4
5	Financial fixed assets	72.3	41.5
		<u>226.7</u>	<u>210.0</u>
	Current assets		
6	Stocks	131.3	134.9
7	Receivables	143.5	183.4
	Cash at bank and in hand	2.9	4.5
		<u>277.7</u>	<u>322.8</u>
		504.4	532.8

LIABILITIES

8	Shareholders' equity	115.5	109.7
	Minority interests	1.4	1.5
9	Subordinated loans	34.8	65.7
	Equalisation account/redemption of convertible debenture loan	0.7	7.3
		<u>152.4</u>	<u>184.2</u>
	Capital base		
	of which current	12.5	47.9
		<u>139.9</u>	<u>136.3</u>
10	Provisions	18.3	18.1
	Long-term debts	-	67.0
11	Current liabilities		
	Interest-bearing debts of long-term nature	42.8	-
	Short-term subordinated loans	12.5	47.9
	Interest-bearing debts	155.0	112.2
	Other amounts payable	135.9	151.3
		<u>346.2</u>	<u>311.4</u>
		504.4	532.8

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(x € 1 million)

2002

2001

Notes

13	NET TURNOVER	836.1	866.1
	Changes in stock of finished product and work in progress	<u>0.5</u>	<u>2.4</u>
	Total operating income	836.6	868.5
	Purchase value of sales and cost of raw materials and supplies	408.5	449.1
	Cost of work by third parties	81.9	66.8
14	Personnel costs	204.0	200.7
	Depreciations	27.9	27.0
	Other operating expenses	89.5	90.3
	Total operating expenses	811.8	833.9
	OPERATING RESULT BEFORE AMORTIZATION OF GOODWILL (EBITA)	24.8	34.6
	Amortization of goodwill	0.4	0.4
	OPERATING RESULT AFTER AMORTIZATION OF GOODWILL (EBIT)	24.4	34.2
15	Balance of financial income and expenses	(11.3)	(11.5)
	Profit on ordinary activities before tax	13.1	22.7
16	Taxes	1.8	6.6
	Income from participations	(0.7)	0.1
	Profit on ordinary activities after tax	10.6	16.2
	Minority interests	(0.4)	(0.6)
	NET PROFIT*	10.2	15.6

* The net profit available to ordinary shareholders is € 7.0 million (2001: € 12.4 million) after deduction of the cumulative preference dividend. The earnings per share amount to € 0.63 (2001: € 1.17). The diluted earnings per share amount to € 0.60 (2001: € 0.91).

CONSOLIDATED STATEMENT OF CASH FLOW

(x € 1 million)

2002

2001

Operating result before amortization of goodwill (EBITA)	24.8	34.6
Depreciations on tangible fixed assets	27.9	27.0
Movements in operating capital:		
– stocks	(1.3)	(1.5)
– receivables	44.1	(32.0)
– non-interest-bearing debts	(14.0)	8.8
Movements in provisions	0	(5.5)
Cash flow from business activities	81.5	31.4
Net interest paid	(11.3)	(11.5)
Taxes	(5.1)	5.2
CASH FLOW FROM OPERATIONAL ACTIVITIES	65.1	25.1
Acquisition of group companies	(2.2)	(32.0)
Sale of group companies	11.3	-
Investments in tangible fixed assets	(16.2)	(33.9)
Disposals of financial fixed assets	(36.5)	66.5
CASH FLOW FROM INVESTMENT ACTIVITIES	(43.6)	0.6
Income on long-term debts	32.5	2.1
Redemption of long-term debts	(95.5)	(22.5)
Re-issue own shares	0.6	-
Dividend paid to minority interests	(0.2)	(0.3)
Dividend paid (including cum. pref. dividend)	(3.2)	(12.4)
CASH FLOW FROM FINANCING ACTIVITIES	(65.8)	(33.1)
MOVEMENTS IN CASH AT BANK AND IN HAND	(44.3)	(7.4)

GENERAL NOTES TO THE ANNUAL ACCOUNTS AND PRINCIPLES OF VALUATION

1 GENERAL

CONSOLIDATION

The consolidated annual accounts incorporate the financial details pertaining to Kendrion nv and its group companies. Group companies are those companies over which Kendrion nv has direct or indirect control. The minority interest in group equity and group profits is shown separately.

Where the interest in a group company has been acquired during the financial year, that company has been consolidated from the date of acquisition. The date of acquisition is the date on which Kendrion is deemed to have taken over the actual operational management. Where group companies have been sold during the reporting year, their results have been consolidated up to the point of sale.

All the major intercompany receivables, debts and transactions between group companies have been eliminated in the consolidation. Please see the separate list of participating interests included in this Annual Report (pages 66 to 67) for a list of the companies accounted for in the consolidated annual accounts.

In preparing the Kendrion nv annual accounts, the exemption in article 402 Book 2 of the Dutch Civil Code has been utilised in presenting the company profit and loss account.

EXCHANGE RATES USED (= 1 EURO)

	As at 31 December 2002	As at 31 December 2001	Average for 2002
Danish krone	7.4289	7.4366	7.4263
Norwegian krone	7.2754	7.9516	7.4750
Swedish krona	9.1525	9.3015	9.1290
Pound Sterling	0.6505	0.6085	0.6288
Swiss franc	1.4524	1.4829	1.4652
Czech koruna	31.5770	31.9622	30.6303
Hungarian forint	236.2893	245.1822	242.4966

CHANGES IN COMPOSITION

On 15 November 2002, Dru Verwarming bv in Duiven and subsidiaries in the UK were sold in a management buyout effective from 1 October 2002. The profit and loss account of this group of companies is included in the consolidated profit and loss account 2002 for 9 months.

On 30 December 2002, the shares in Kendrion Precision Technology bv in Ulft were sold in a management buyout. The profit and loss account of this group of companies is included in the consolidated profit and loss account 2002.

SYSTEM CHANGE

With effect from the 2002 financial year, results relating to the disposal of participations and/or the discontinuation of activities during the financial year are accounted for in the profit and loss account under Income from Participations, rather than under Operating Result as previously. The effect on the comparative figures is of minor importance. Until 2001, these sums were accounted for under Other Operating Income as part of net turnover.

CONTINUITY FINANCING

In the financial year 2002 Kendrion did not meet the credit ratio conditions laid down in the credit agreements. As a result, the current credits and loans advanced, including some subordinated loans, may effectively be called in.

Consultations with the finance providers in question have taken place during the financial year and are continuing with a view to reaching structural solutions for the financing of the Kendrion group. At the moment, alternatives are being developed in order to arrive at a substantial reduction in interest-bearing debts; it is expected that this will involve the sale of business units in the short or medium term in the context of still tighter focussing of activities. Discussions in this respect are ongoing.

As regards the result for 2003 from current business activities, it is anticipated that a positive result will be achieved. It is therefore justified to assume that sufficient liquidity will become available from these business activities to meet operational obligations, including the interest obligations.

Based on the above, it is expected that the financial institutions will not proceed to make the credits repayable on demand. In that case, Kendrion's financing will be sufficiently secured.

2A PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES

GENERAL PRINCIPLES

The annual accounts have been prepared in accordance with generally accepted accounting principles in the Netherlands and comply with the statutory provisions as set out in Title 9 Book 2 Dutch Civil Code. The annual accounts are drawn up in millions of euro, unless stated otherwise. Assets and liabilities have been valued at nominal value unless stated otherwise.

FOREIGN CURRENCY

Transactions in foreign currencies concluded during the year have been converted into local currency at the exchange rate on the transaction date, or at the exchange rate flowing from foreign currency contracts taken out to cover these transactions. Assets and liabilities expressed in foreign currencies have been converted to local currency at the exchange rate prevailing at the balance sheet date or at the currency contract rate. The resulting exchange gains or losses are accounted for in the profit and loss account. The profit and loss accounts of participations in foreign subsidiaries in non-euro countries are converted to euro at the average exchange rate for the period in which the transactions occurred. The balance sheets of participations in foreign subsidiaries and the net investments in foreign participations in the company balance sheet plus goodwill paid are converted into euro at the rate on the balance sheet date. The resulting translation adjustments have been charged or credited to shareholders' equity.

INTANGIBLE FIXED ASSETS — GOODWILL

Goodwill refers to the difference between the acquisition price and the net asset value of the acquired enterprises on the basis of Kendrion nv's valuation principles. Goodwill paid for participations acquired from 2001 is capitalised and amortised on a straight line basis over 20 years at maximum. The book value of the goodwill is assessed annually; any reduction in value that is expected to be permanent is charged to the profit and loss account.

TANGIBLE FIXED ASSETS

Land, industrial and office buildings, plant and installation and other fixed assets are valued at acquisition cost or manufacturing cost allowing for straight-line depreciation calculated over their economic working life. No depreciation is applied to business land.

Land and buildings not usable for business operations are valued at acquisition price or at immediate disposal value where lower.

FINANCIAL FIXED ASSETS

Participations are valued at net asset value unless otherwise stated.

Receivables of a financing nature (term of more than one year) are also valued on the basis of the nominal value minus any provisions considered necessary.

STOCKS

Stocks are valued at purchase value or full cost. In determining full cost, the production costs consisting of direct wage costs, material costs and machine costs have been increased by a supplement for indirect production costs, valued in proportion to the stage of processing. Allowance has been made in the valuation for obsolescence and calculated losses. Trade goods are valued at purchase price or lower market value.

TRADE DEBTORS

Trade debtors are valued at nominal value making allowance for a value adjustment for bad debts.

PROVISIONS

The deferred tax credits and obligations relating to temporary differences between the fiscal and economic values of assets and liabilities have been calculated at the nominal rate in the country in question. The rate is set at zero for land used for business purposes. Deferred tax credits are valued in so far as it can be reasonably assumed that they can be offset against tax payable in coming years. The provision for pensions relates to the actuarial value of future contributions to as yet unfinanced pension entitlements for past years.

The other provisions have been made for risks arising from third-party claims.



2B PRINCIPLES FOR THE DETERMINATION OF INCOME

Profit or loss is determined at the point when the goods are delivered. Net turnover is defined as the total amount charged to third parties for delivered goods and services (excluding any tax payable on these amounts).

TAXES ON PROFIT

The tax on the result is the total of the tax payable at the nominal rate on the commercial profit in the various countries of establishment under the provisions applicable there. Allowance has been made for exempted components of profit. A deferred tax entry is included for temporary differences between the commercial and tax valuations of assets and liabilities. Offsettable losses are valued at the nominal rate on the condition that it can reasonably be presumed that these losses will be set off.

INCOME FROM PARTICIPATIONS

With effect from 2002, this relates both to Kendrion's share of the net result from non-consolidated participations and to the transaction results from the sale of group companies and/or termination of activities.

MINORITY INTERESTS

The share of group company results payable to third parties is shown under this heading.

NOTES TO THE CONSOLIDATED BALANCE SHEET

3 INTANGIBLE FIXED ASSETS – GOODWILL

1 January 2002

Acquisition prices	8.5
Accumulated depreciations	(0.4)
	<hr/>

Book value 8.1

Movements

Acquisition of group companies	0.2
Depreciations	(0.4)
	<hr/>

Balance of movements in book value (0.2)

31 December 2002

Acquisition prices	8.7
Accumulated depreciations	(0.8)
	<hr/>

Book value 7.9

Amortization percentage 5

4 TANGIBLE FIXED ASSETS

	Land and buildings	Plant and machinery	Other fixed assets	Operating assets in construction	Not employed in operations	Total
Book value 1 January 2002	68.0	67.2	16.5	6.5	2.2	160.4
Movements						
Net-investments	1.9	10.7	6.6	(3.1)	0.1	16.2
Exchange gains and losses	0.4	0.5	-	-	-	0.9
Acquisition of group companies	-	0.1	0.1	-	-	0.2
Sale of group companies	(0.1)	(1.9)	(1.3)	-	-	(3.3)
Depreciations	(4.1)	(17.3)	(6.3)	-	(0.2)	(27.9)
Book value 31 December 2002	66.1	59.3	15.6	3.4	2.1	146.5
Acquisition prices	115.0	225.5	63.1	3.5	3.1	410.2
Accumulated depreciations	48.9	166.2	47.5	0.1	1.0	263.7
Book value	66.1	59.3	15.6	3.4	2.1	146.5
Depreciations percentages	3-10%	12 ¹ / ₂ -50%	10-33 ¹ / ₃ %			

The investment obligations entered into were approximately € 1.5 million at 31 December 2002.

5 FINANCIAL FIXED ASSETS

	Non-consolidated participations	Other receivables	Total
As at 1 January 2002	11.4	30.1	41.5
Sale	(2.1)	-	(2.1)
Redemption	-	(1.4)	(1.4)
Share of asset deferrals to receivables	-	(5.0)	(5.0)
Others	(2.1)	41.4*	39.3
As at 31 December 2002	7.2	65.1	72.3

The non-consolidated investments consist in particular of the 20% interest in Pinguin Haustechnik AG (formerly Hild Haustechnik AG) in Austria. The other receivables include for example:

- € 47 million (2001: € 13.7 million) resulting from the disposal of the sanitary, tiles and heating activities in 2001;
- € 10.7 million (2001: € 5.7 million) subordinated debts receivable in respect of the sale of other business units;
- € 5 million (2001: € 10.0 million) in deferred tax assets.

* including reclassification of short-term receivables of € 25.9 million

6 STOCKS

	31 December 2002	31 December 2001
Raw materials, supplies, technical materials and packaging	30.2	35.1
Work in progress on moulds	18.1	16.1
Work in progress (other)	19.8	20.2
Finished product	63.2	63.5
Total	131.3	134.9

7 RECEIVABLES

	31 December 2002	31 December 2001
Trade debtors	117.1	120.0
Other receivables	20.3	40.9
Prepayments and accrued income	6.1	22.5
Total	143.5	183.4

The other receivables include deferred taxes up to an amount of € 10.4 million (2001: € 7.1 million).

8 SHAREHOLDERS' EQUITY

	2002	2001
Shareholders' equity at 1 January	109.7	118.2
Profit after tax	10.2	15.6
Dividend on the cumulative preference shares	(3.2)	(3.2)
Goodwill	-	(22.0)
Exchange gains and losses	(1.2)	(0.5)
Option rights exercised	-	1.1
Others	-	0.5
Shareholders' equity at 31 December	115.5	109.7

9 SUBORDINATED LOANS

	Orange	Convertible	Others	Total
As at 1 January 2002	1.0	61.3	3.4	65.7
Attracted			32.5	32.5
Redemption	(1.0)	(61.3)	(1.1)	(63.4)
As at 31 December 2002	-	-	34.8	34.8

Two subordinated loans were advanced by an external bank and Wolters Holding BV in connection with the refinancing of part of the convertible debenture loan redeemed as of 18 November 2002:

BANK

The loan is to be redeemed in full by 1 December 2005 at latest. The rate of interest is 6.25% fixed for one year and is paid every three months in arrear. Wolters Holding BV has provided a suretyship of € 12.5 million as security for the repayment of the debt to the external bank. See also the Continuity Financing section on page 42.

WOLTERS HOLDING

The loan is to be redeemed in full by 1 December 2005 at latest. Early repayment is possible by further agreement. No interest is payable as long as Kendrion NV's (banking) solvency is less than 30%. If it is above that level, interest is payable on the part of the loan that is not necessary to achieve a solvency (to be determined on 30 June and 31 December) of 30%, at three-year EURIBOR plus 3% per year, payable in arrear at the end of the quarter. The loan is subordinated relative to all other subordinated loans.

10 PROVISIONS

	31 December 2002	31 December 2001
Deferred tax	4.3	5.0
Pensions and early retirement schemes	13.7	11.9
Other	0.3	1.2
Total	18.3	18.1

Changes in provisions	Deferred tax	Pensions and early retirement schemes	Other	Total
As at 1 January 2002	5.0	11.9	1.2	18.1
Deconsolidation				
Addition charged to result	1.6	1.5	0.2	3.3
Release in favour of the result	(1.0)	(0.2)	(0.3)	(1.5)
Expenditure for intended purpose	(0.1)	(0.5)	(0.1)	(0.7)
Exchange gains and losses	0.1	-	-	0.1
Other movements	(1.3)	1.0	(0.7)	(1.0)
As at 31 December 2002	4.3	13.7	0.3	18.3

Pension schemes may be placed with company pension funds, industry pension schemes or insurance companies.

The provision for pensions and early retirement schemes relates to obligations not placed with third parties regarding (expected) pension entitlements. The legal provisions and customs of the country of establishment have been taken into account in determining this provision.

As regards the settlement period, the deferred tax is of a long-term nature of over one year, and the expected term of the provision of € 11.8 million for pensions and early retirement schemes is in excess of 5 years.

11 CURRENT LIABILITIES

	31 December 2002	31 December 2001
Current liabilities include:		
Interest-bearing debts of long-term nature	42.8	-
Subordinated loan	12.5	-
Credit institutions and short-term loans	155.0	112.2
Short term part convertible	-	47.9
Creditors	94.5	95.1
Taxes and social security premiums	8.0	11.0
Other liabilities and accruals	31.8	45.2
Dividend	1.6	-
	346.2	311.4

INTEREST-BEARING DEBTS OF LONG-TERM NATURE

These represent the loans from credit institutions and other companies that are normally presented as long-term loans but have now been included as short-term because of the financing provided. These loans may be specified as follows:

	Out-standing	Short	Remaining	Term less than < 5 years
Credit institutions	62.7	21.7	41.0	5.5
Other	3.0	1.2	1.8	0.7
	<u>65.7</u>	<u>22.9</u>	<u>42.8</u>	<u>6.2</u>
Breakdown by interest type:				
	< 6%		7.5	
	> 6% < 7.5%		50.0	
	> 7.5% < 9%		8.2	

SECURITIES

As security for the above loans, some of the real estate of the various consolidated companies located outside the Netherlands and Germany was mortgaged and a portion of the plant, stocks and trade receivables pledged with a total book value of € 3.3 million.

CREDIT RATIO CONDITIONS

Within the framework of credit agreements with bankers, credit ratio conditions apply:

- Solvency at least 30%; as at 31 December 2002 this amounts to 29.1%.
- Interest coverage, i.e. EBIT ('Earnings Before Interest and Tax') divided by the balance of financial income and expenses, is at least 3; as at 31 December 2002 this amounts to 2.2.
- EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) divided by the interest-bearing debts (i.e. cash flow coverage) is at least 0.3; as at 31 December 2002 this amounts to 0.27.

See also the Continuity Financing section on page 42.

12 FINANCIAL ENTITLEMENTS AND OBLIGATIONS NOT INCLUDED IN THE BALANCE SHEET

FINANCIAL OBLIGATIONS

At 31 December 2002 the nominal value of future obligations for the operating lease contracts for tangible fixed assets was € 46.9 million (31 December 2001 € 35.8 million); of this € 9.6 million is due within one year, € 21.9 million in from 1 to 5 years, and € 15.4 million in over 5 years.

In the context of the sale of group companies in 2002, the company has given guarantees for the existing rent commitments in respect of a commercial property in the amount of € 650,000 per year and for a bank overdraft facility of € 2,150,000.

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

13 SEGMENTED INFORMATION BY BUSINESS AREA

	Kendrion Industrial	Kendrion Distribution Services	Kendrion Automotive	Holding/ deconsolidations	Total
2002					
Net turnover	211.6	246.7	376.9	0.9	836.1
Margin/added value	106.1	77.8	160.8	1.5	346.2
EBITA	11.0	9.0	5.7	(0.9)	24.8
ROS*	5.2%	3.6%	1.5%		3.0%
Invested capital	75.8	51.7	144.3	96.7	368.5
Working capital	36.8	34.0	56.9	10.4	138.1
ROI	14.5%	17.4%	4.0%		6.8%
Net investments	6.6	3.1	6.2	0.3	16.2
Depreciations	8.6	3.4	15.8	0.1	27.9
Employees	1,462	949	2,754	20	5,185
2001					
Net turnover	239.3	257.8	367.2	1.8	866.1
Margin/added value	113.9	78.9	158.0	1.8	352.6
EBITA	16.3	11.5	10.1	(3.3)	34.6
ROS*	6.8%	4.5%	2.8%		4.0%
Invested capital	93.6	54.5	150.9	82.5	381.5
Working capital	48.3	36.9	54.2	32.1	171.5
ROI	17.4%	21.1%	6.7%		9.1%
Net investments	9.0	3.8	20.8	0.3	33.9
Depreciations	8.4	3.2	15.3	0.1	27.0
Employees	1,830	946	2,720	21	5,517

SEGMENTED TURNOVER BY
COUNTRY OF PURCHASER

	2002	2001
Germany	306.3	318.0
Scandinavia/Finland	154.4	154.9
Netherlands	101.6	103.4
Other ec countries	170.1	182.1
usa/Canada	9.4	7.5
Other countries outside ec	94.3	100.2
	836.1	866.1

* ROS: EBITA/net turnover

14 PERSONNEL COSTS

	2002	2001
Wages and salaries	162.5	160.2
Social security charges	34.9	35.4
Pension costs	6.6	5.1
	<u>204.0</u>	<u>200.7</u>

REMUNERATION OF BOARD OF DIRECTORS AND SUPERVISORY BOARD (x € 1,000)

The total remuneration paid to directors amounted to € 653.1 (2001: € 667.1).

The remuneration is structured as follows:

	J.B. Wolters	P. Veenema	2002	2001
Fixed remuneration	340.3	245.5	585.8	578.6
Variable remuneration	-	34.0	34.0	56.7
	<u>340.3</u>	<u>279.5</u>	<u>619.8</u>	<u>635.3</u>
Total remuneration	340.3	279.5	619.8	635.3
Pension costs and other expenses	3.5	29.8	33.3	31.8
	<u>343.8</u>	<u>309.3</u>	<u>653.1</u>	<u>667.1</u>

Remuneration of supervisory board members

	2002	2001
H. A. van Karnebeek	25	25
E.C. de la Houssaye	18	18
W. van der Kooij	18	18
	<u>61</u>	<u>61</u>

The company has, in particular, a claim on Wolters Holding bv, the company of director J.B. Wolters, to the amount of € 49.5 million in respect of the sale of the sanitary, tiles and heating activities. This debt will be redeemed by 31 December 2004 at latest. The interest rate is based on the 12-month EURIBOR rate plus the bank surcharge paid by Kendrion nv. Wolters Holding bv has advanced the company a subordinated loan of € 20 million and is standing surety for a subordinated loan of € 12.5 million.

No loans, advances or guarantees relating to them have been made to the other directors and supervisory board members.

SHARE OWNERSHIP OF DIRECTORS AND SUPERVISORY BOARD MEMBERS

Collectively, the Supervisory Board own 10,598 shares in the company.

The members of the Board of Directors own 4,197,391 shares; of these, J.B. Wolters holds 4,195,236 through Wolters Holding bv, P. Veenema holds 2,155 shares.

Movements in the unconditional option rights to shares of a nominal value of € 1.20 in the company's capital granted to the present directors are as follows:

	Number	J.B. Wolters	P. Veenema
Outstanding at 31 December 2001	197,000		
Lapsed	<u>107,000</u>		
Outstanding at 31 December 2002	90,000	80,000	10,000

These rights may be categorised by period and exercise price as follows:

Year granted	Number	Valid until	Exercise price
1998	<u>90,000</u>	17 April 2003	23.51
	90,000		

In addition, 55,000 conditional option rights with an exercise price of € 15.25 were granted in 2001, and 55,000 conditional option rights with an exercise price of € 11.21 were granted in 2002. The condition for the final granting of these rights is the increase to be achieved in the profit per share, which should be equal to the national consumer price index (CPI) plus 3% per year averaged over three years. Final granting, where applicable, will take place in three years.

For both years, 40,000 units have been granted to J.B. Wolters and 15,000 to P. Veenema.

OTHER OPTION RIGHTS

Movements in the unconditional option rights to shares of a nominal value of € 1.20 in the company's capital granted to group directors, directors of operating companies and other officers are as follows:

	Number
Outstanding at 31 December 2001	65,750
Lapsed	41,750
Exercised	<u>-</u>
Outstanding at 31 December 2002	24,000

These rights may be categorised by period and exercise price as follows:

Year granted	Number	Valid until	Exercise price
1998	15,000	17 April 2003	23.51
1999	<u>9,000</u>	14 April 2004	16.20
	24,000		

In addition, 27,000 conditional option rights with an exercise price of € 15.25 were granted in 2001, and 34,250 conditional option rights with an exercise price of € 11.21 were granted in 2002. The condition for the final granting of these rights is the increase to be achieved in the profit per share, which should be equal to the national consumer price index (CPI) plus 3% per year averaged over three years. Final granting, where applicable, will take place in three years.

15 BALANCE OF FINANCIAL INCOME AND EXPENSES

	2002	2001
Financial income	3.1	6.4
Interest payable	<u>(14.4)</u>	<u>(17.9)</u>
	(11.3)	(11.5)

16 TAX ON PROFIT ON ORDINARY ACTIVITIES

The total tax burden can be specified as follows:

	Year ending 31 December 2002	Year ending 31 December 2001
Tax for the financial year	3.9	5.4
Use of tax regulation on group financing profits	(2.0)	-
Deferred tax	<u>(0.1)</u>	<u>1.2</u>
Total tax burden	1.8	6.6

The tax on profit may be explained as follows:

	In %	In %
Average statutory tax rate	37.9	33.3
Effect of offsettable losses not valued in the past	(3.0)	(2.9)
Use of tax regulation on group financing profits	(15.0)	-
Other changes	<u>(6.0)</u>	<u>(1.3)</u>
Effective tax rate	13.9	29.1

The average statutory tax rate is the average of the statutory tax rates applying in the countries in which Kendrion is active, weighted on the basis of the profit or loss on ordinary activities before tax in each of these countries.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

GENERAL

The consolidated statement of cash flow has been prepared using the indirect method. The items of the consolidated profit and loss account and balance sheet have been modified in respect of changes that have no influence on receipts and expenses during the reporting year. The working capital consists of the stock and receivables minus the non-interest-bearing debts excluding the dividend and taxes on profit payable. The cash flow from the acquisition of group companies consists of the acquisition price of acquired group companies (including additional payments with respect to earn-out arrangements) minus the cash available in the acquired group companies, minus bankcredits.

The cash flow from the sale of group companies consists of the selling price of sold group companies minus the cash available in the sold group companies, minus bankcredits.

The interest-bearing debts are the long-term debts and the current liabilities.

COMPANY BALANCE SHEET AT 31 DECEMBER

(after proposed profit appropriation)

(x € 1 million)

2002

2001

ASSETS

Fixed assets

Tangible fixed assets	0.2	0.2
Financial fixed assets		
Investments in consolidated companies	153.1	140.1
Amounts owed by consolidated companies	0.4	0.5
Other receivables	38.6	-
	<u>192.3</u>	<u>140.8</u>

Current assets

Other receivables and accrued assets	6.9	2.8
Cash at bank and in hand	-	1.2

199.2**144.8**

LIABILITIES

Shareholders' equity

Paid in and called up capital	13.5	13.0
Share premium reserve	24.8	24.8
Other reserves	32.2	26.9
	<u>70.5</u>	<u>64.7</u>

Cumulative preference share capital	45.0	45.0
	<u>115.5</u>	<u>109.7</u>

Shareholders' equity	115.5	109.7
Convertible subordinated loan	-	1.0
Subordinated loan	34.8	3.4
	<u>150.3</u>	<u>114.1</u>

Capital base

Of which current	12.5	
	<u>137.8</u>	

Current liabilities

Short term subordinated loan	12.5	-
Credit institutions	5.5	-
Consolidated companies	40.6	29.2
Other liabilities and accruals	2.8	1.5

199.2**144.8**

COMPANY PROFIT AND LOSS ACCOUNT

(x € 1 million)

2002

2001

Income from consolidated companies after tax

13.1

18.6

Other income and expenses after tax

(2.9)

(3.0)

NET PROFIT AFTER TAX

10.2

15.6

NOTES TO THE COMPANY BALANCE SHEET

(x € 1 million)

GENERAL

The valuation principles for the assets and liabilities and for the determination of the results are stated in the notes to the consolidated balance sheet and profit and loss account.

FINANCIAL FIXED ASSETS

Participations

Movements in the consolidated results are as follows:

	2002	2001
As at 1 January	140.1	162.1
Goodwill	-	(22.0)
Sale	-	(6.0)
Exchange rate adjustments	(0.1)	(0.7)
Profit	13.1	18.6
Profit distributions	-	(11.9)
As at 31 December	153.1	140.1

SHAREHOLDERS' EQUITY

Paid in and called up capital

	2002	2001
Number of shares issued as at 1 January	10,875,640	10,875,640
Plus: stock dividend	453,131	-
Issued ordinary shares	11,328,771	10,875,640
Of those, held by the company	122,442	176,619
Total number of shares entitled to profits	11,206,329	10,699,021
Cumulative preference shares series A	2,000,000	2,000,000
Cumulative preference shares series B	1,000,000	1,000,000
Total number of shares held by third parties	14,206,329	13,699,021

The nominal value of each share is € 1.20. The total number of shares entitled to profit includes 480 priority shares. Authorised capital amounts to € 66 million, divided into 55 million shares; of these 39,999,520 are ordinary shares, 480 are priority shares and 15,000,000 are cumulative preference shares.

The reduction in the shares held by the company is due in particular to the redemption of the Orange loan in the form of Kendrion nv shares and to the granting of shares to business area managers as a loyalty bonus.

CUMULATIVE PREFERENCE SHARE CAPITAL

Cumulative Preference Share Capital to the value of € 45 million was issued in 2000.

The issued Cumulative Preference Share Capital consists of 3 million shares each with a nominal value of € 1.20, and € 15 has been paid up on each of these shares. Depositary receipts have been issued for the shares. When dividends are paid out, the depositary receipts take priority over the ordinary and priority shares to the amount of the (accumulated) preference dividend. The amount of the dividend entitlement depends on the relevant series and term and the appropriate dividend payment agreed. The dividend will average 7.04% per annum for the first five years. It is payable twice a year, at the end of June and the end of December. When exercising its voting rights at the General Meeting of Shareholders, the administration office will limit itself to 10% of the outstanding nominal ordinary share capital (cf. also the report of the administration office, page 62).

OTHER RESERVES

	2002	2001
As at 1 January	26.9	36.5
Less: stock dividend	(0.5)	-
Less/Plus: currency translation adjustments	(1.2)	(0.5)
Less: goodwill paid	-	(22.0)
Plus: from profit distribution	7.0	12.4
Other	-	0.5
As at 31 December	32.2	26.9

Zeist, 20 February 2003

Supervisory Board

H.A. van Karnebeek, Chairman
E.C. de la Houssaye
W. van der Kooij

Board of Directors

J.B. Wolters
P. Veenema



OTHER INFORMATION

AUDITORS' REPORT

Introduction

We have audited the financial statements of Kendrion nv, Zeist, for the year 2002 as included in this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2002 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Emphasis of matter

Without qualifying our opinion above, we draw attention to Note 'Continuity Financing' to the financial statements.

20 February 2003

PricewaterhouseCoopers Accountants nv

APPROPRIATION OF PROFIT

PROVISIONS REGARDING THE APPROPRIATION OF THE PROFIT (SUMMARY OF ARTICLE 23 OF THE ARTICLES OF ASSOCIATION)

In compliance with article 23 of the Articles of Association, the profit shown by the adopted annual accounts is first employed to make a distribution to the holders of cumulative preference shares (issued in May 2000); the amount of this distribution is the percentage as described in the following sentence of the amount paid in on the shares in question. The percentage is equal to the arithmetical average of the effective yield on government loans with a remaining term of five to six years for the cumulative preference shares in series A, and seven to eight years for the cumulative preference shares in series B, as drawn up by the Central Bureau of Statistics and published in the Official Price List of Euronext nv, for the last five trading days prior to the date on which the relevant shares were first issued or prior to the date on which the dividend percentage was revised, plus 1.75% for Series A shares and 1.85% for Series B shares. The (total) percentage for Series A cumulative preference shares is currently 6.96%, to be revised on 31 May 2005, and for Series B cumulative preference shares it is currently 7.19%, to be revised on 31 May 2007. The Board of Directors has the authority to decide, with the approval of the Supervisory Board, what portion of the profit is to be reserved after the distribution of dividend to the holders of cumulative preference shares. From the then remaining part of the profit, holders of priority shares will, in so far as possible, be paid a dividend of 5%, (or as much less as the statutory rate of interest may be on the last day of the financial year) on the nominal value of their shares.

What then remains of the profit is available for distribution to the holders of ordinary shares. The Board of Directors will, with the approval of the Supervisory Board, make a dividend proposal for the dividend on ordinary shares.

APPROPRIATION OF NET PROFITS (X € | MILLION)

Net profit 2002	10.2
In accordance with article 23 paragraph 2a of the Articles of Association the amount available to holders of cumulative preference shares is	3.2
In accordance with article 4a of the Articles of Association the amount made available to holders of € 29.– priority shares is	-
In compliance with article 23 paragraph 3 of the Articles of Association the amount reserved is	7.0
Available to holders of ordinary shares	-

Dividend proposal

It is proposed to the General Meeting of Shareholders that a dividend of € 0.25 in the form of a stock dividend should be paid on each ordinary share of a nominal value of € 1.20.



REPORT OF STICHTING ADMINISTRATIEKANTOOR

To the holders of certificates (depository receipts) of cumulative preference shares in the series AI, AII and BI in Kendrion nv

The administrative conditions in accordance with which the undersigned issue certificates (depository receipts) of cumulative preference shares of series AI, AII and BI in the capital of Kendrion nv were laid down in an instrument dated 11 May 2000.

To fulfil the stipulations contained in Article 10 of the deed of association of Stichting Administratiekantoor Preferente Aandelen Schuttersveld dated 11 May 2000, the undersigned report that the duties during the year 2002 comprised holding in its name, regulating and taking under administration cumulative preference shares each with a nominal value of € 1.20 in the capital of Kendrion nv and issuing non-convertible registered certificates (depository receipts) of these shares with due observance of the stipulations in the Articles of Association of Kendrion nv.

On 31 December 2002 the nominal value of the cumulative financing preference shares in Kendrion nv being administered for which certificates (depository receipts) had been issued was € 3,600,000. The preference dividend of 6.96% per share in series AI and AII and 7.19% per share in series BI made available by Kendrion nv was made payable on the certificates issued by Stichting Administratiekantoor on 31 December 2002.

The Board of Stichting Administratiekantoor

Signed at The Hague on 13 February 2003


H.K. Kroeze

Signed at The Hague on 13 February 2003

J. de Vroe

Signed at Zeist on 13 February 2003

J.B. Wolters





DECLARATION OF INDEPENDENCE

The Board of Directors of Kendrion nv and the Board of Stichting Administratiekantoor Preferente Aandelen Schuttersveld hereby declare that in their joint opinion the requirements laid down with respect to the independence of the Board of Stichting Administratiekantoor Preferente Aandelen Schuttersveld as referred to in Schedule X of the Listing and Issuing Rules of Euronext Amsterdam nv have been complied with.

Zeist, The Hague

Kendrion nv, the Board of Directors

Stichting Administratiekantoor Preferente Aandelen Kendrion, the Board

THE STICHTING PRIORITEIT SCHUTTERSVELD NV

The Stichting Prioriteit Schuttersveld nv in Zeist holds 480 priority shares with a nominal value of € 1.20 each. These priority shares give special rights regarding the appointment and remuneration of Supervisory Board members and share issues. As at 31 December 2002, the foundation's Board Members are Mr A. Bosma (Chairman), Mr J. Visser, Mr B. Bos and Mr J.B. Wolters. The foundation's Board and the Kendrion Board of Directors are of the opinion that the requirements mentioned in Enclosure X of the Listing and Issuing Rules of Euronext Amsterdam nv providing for the independence of the Board Members of the Stichting Prioriteit Schuttersveld nv have been complied with.

Zeist, 20 February 2003

Kendrion nv, the Board of Directors

Stichting Prioriteit Schuttersveld nv



TEN-YEAR KENDRION IN KEY FIGURES



CONSOLIDATED PROFIT AND LOSS ACCOUNT (x € | MILLION)

Net turnover	836.1	866.1	1,421.8	694.3
Added value/gross margin	346.2	352.6	541.3	304.2
Operating result before amortization of goodwill (EBITA)	24.8	34.6	60.0	33.4
Operating result after amortization of goodwill (EBIT)	24.4	34.2	60.0	33.4
Profit on ordinary activities after tax	10.6	16.2	29.3	18.1
Net profit	10.2	15.6	26.6	19.7
Average number of employees	5,185	5,517	8,513	4,774

CASH FLOW (x € | MILLION)

Depreciations	27.9	27.0	40.4	23.7
Net capital expenditure	16.2	33.9	12.3	27.3
Cash flow from ordinary activities ¹	38.9	43.6	69.7	41.8
Free cash flow ²	46.4	(8.8)	60.0	6.8

CONSOLIDATED BALANCE SHEET (x € | MILLION)

Fixed assets	226.7	210.0	243.7	181.8
Working capital ³	141.8	171.5	233.7	130.4
Invested capital	368.5	381.5	477.4	312.2
Net debt position not forming part of capital base	197.8	179.2	217.8	153.0
Provisions	18.3	18.1	50.2	17.9
Capital base	152.4	184.2	209.4	141.3

KEY RATIOS

EBITA/net turnover % (ROS)	3.0%	4.0%	4.2%	4.8%
EBIT/net turnover %	2.9%	3.9%	4.2%	4.8%
EBITA/invested capital % (ROI)	6.8%	9.1%		
EBIT/invested capital %	6.6%	9.0%	12.6%	10.7%
Current assets/current liabilities (liquidity ratio)	0.95	1.23	1.36	1.43
Capital base/balance sheet total (solvency rate) %	30.2%	34.6%	30.1%	32.5%
Capital base/interest-bearing capital %	77.0%	102.8%	96.1%	92.4%
Stock/net turnover %	15.7%	15.6%	14.0%	14.5%
Trade debtors/net turnover %	14.0%	13.9%	12.2%	14.5%
Added value/net turnover %	41.4%	40.7%	38.1%	43.8%
Added value/employees (x € 1,000)	66.8	63.9	63.6	63.7
Personnel costs/employees (x € 1,000)	39.3	36.4	35.6	36.5
Dividend/net profit (after deduction cumulative preference dividend) %	40.0%	40.0%	30.0%	29.9%

ISSUED ORDINARY SHARES

Number at year end (x 1,000)	11,206	10,699	10,620	10,365
Closing price at year end	5.60	11.10	16.00	16.80
Highest market price	13.00	17.45	19.25	21.05
Lowest market price	5.50	10.10	14.60	13.15

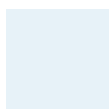
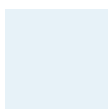
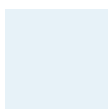
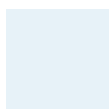
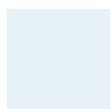
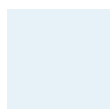
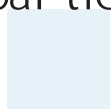
PER SHARE (€)

Net profit before amortization of goodwill	0.66	1.21		
Net profit	0.63	1.17	2.33	1.90
Share price/net profit (based on closing price)	8.96	9.52	6.88	8.84
Dividend	0.25	0.46	0.69	0.57

	1998	1997	1996	1995	1994	1993
	585.6	494,0	437.7	366.9	291.1	239.9
	250.9	211,6	180.7	161.6	133.2	114.0
	32.0	29,4	25.5	24.4	19.8	15.5
	32.0	29,4	25.5	24.4	19.8	15.5
	18.0	15,9	13.6	12.0	9.1	6.6
	18.9	16,0	13.7	11.4	8.4	0.5
	3,986	3,302	3,022	2,681	2,179	1,977
	16.4	14,0	11.8	11.3	9.5	8.4
	23.9	17,1	11.6	7.2	11.6	4.8
	34.4	29,9	25.4	23.3	18.6	15.0
	(0.4)	3,2	8.1	10.8	4.4	(4.0)
	158.0	100,2	82.2	80.7	82.2	69.9
	91.0	98,4	44.8	45.1	31.2	32.9
	249.0	198,6	127.0	125.8	113.4	102.8
	100.4	51,7	51.4	54.9	57.2	59.6
	17.7	12,2	9.6	8.3	3.5	3.0
	130.9	134,7	66.0	62.6	52.7	40.2
	5.5%	6,0%	5.8%	6.7%	6.8%	6.5%
	5.5%	6,0%	5.8%	6.7%	6.8%	6.5%
	12.9%	14,8%	20.1%	19.4%	17.5%	15.1%
	1.14	1,64	1.19	1.28	1.15	1.09
	38.8%	47,1%	32.0%	33.0%	33.2%	30.3%
	130.4%	260,5%	128.4%	114.0%	92.1%	67.4%
	14.8%	14,9%	11.8%	12.7%	11.7%	11.5%
	12.3%	13,5%	13.7%	13.3%	12.8%	11.9%
	42.8%	42,8%	41.3%	44.0%	45.8%	47.5%
	62.9	64,1	59.8	60.3	61.1	57.7
	34.8	34,1	31.2	32.3	32.4	30.8
	29.8%	30,1%	30.0%	30.0%	31.5%	430.0%
	10,337	10,123	9,499	8,857	8,618	7,580
	20.19	21,37	15.84	10.89	9.98	10.01
	27.00	25,87	16.79	12.14	10.57	10.01
	15.97	15,88	10.71	9.82	8.96	5.45
	1.83	1.58	1.44	1.29	0.97	0.07
	11.03	13,55	10.97	8.43	10.25	151.76
	0.54	0.48	0.43	0.39	0.31	0.28

- 1 Profit on ordinary activities after tax plus depreciations
- 2 As (1), less capital expenditure, changes in working capital, settled taxes and changes in provisions
- 3 Working capital is current assets minus non-interest-bearing debts

main participations*



kendrion industrial

kendrion electromagnetic components (heinz freitag)

Electromagnetic systems

Kendrion Binder Componentes SL, Spain	Heinz Freitag
Kendrion Binder Magnete AG, Switzerland	Oliver von Borstel
Kendrion Binder Magnete GmbH, Austria	Hannes Kloos
Kendrion Binder Vertriebsgesellschaft mbH, Austria (50%)	Erich Holzinger
Kendrion Magnettechnik GmbH, Germany	Heinz Freitag

Power Transmission

Kendrion Binder Magnete GmbH, Germany	Klaus D. Frank
Kendrion Binder Magnete GmbH, Austria	Hans-Jörg Gasser
Kendrion Binder Magnete Ltd, United Kingdom	Peter McShane

Automotive Technology

Kendrion Binder Magnety sro, Czech Republic	Antonin Enenkel
Kendrion Binder Magnete GmbH, Germany	Rudolf Neidert
Kendrion Electromagnetic Systems, Germany	Hans-Jürgen Melhardt

kendrion fastening (gunnar andersson)

Kendrion Isco AB, Sweden	Gunnar Andersson
Kendrion Pergo AB, Sweden	Stefan Ottosson
Kendrion Presso AB, Sweden	Göran Magnusson
Kendrion Skruvia AB, Sweden	Göran Magnusson

kendrion others

Fardem Packaging bv, The Netherlands	Kees Ekhart
GBP Ergonomics AB, Sweden	Per Olof Johansson
GBP Ergonomics Ltd, United Kingdom	Roland Johansson
Kendrion Cetra Metaal bv, The Netherlands	Han Hazekamp
Servico nv, Belgium	Emil Vandenbosch

kendrion distribution services (steen bødtker)

Vink nv, Belgium	Eric Muys
Vink AS, Denmark	Walter Blunck
Herzog Plastic Handels GmbH, Germany	Elmar Lesch
vt Plastics GmbH, Germany	Herman van Aarssen
Vink Kunststoffe GmbH & Co. KG, Germany	Thomas Lungershausen
Vink Finland oy, Finland	Niki Jürgens
Vink France SA, France	Michel Veillon
Vink Plast Kft, Hungary	Péter Pásztor
Comco Plastics (Ireland) Ltd, Ireland	Michael O'Neill
Vink Kunststoffen bv, The Netherlands	Jan Smale
vt Plastics bv, The Netherlands	Herman van Aarssen
Vink Plast AS, Norway	Øyvind Christiansen
Vink Eastern Trading oy, Russia	Niki Jürgens
Vink Plasty sro, Czech Republic	Radim Ptáčník
Comco Plastics Ltd, United Kingdom	Michael O'Neill
Vink Plast AB, Sweden	Walter Blunck
Vink AG, Switzerland	Stefan Siegfried

kendrion automotive

kendrion automotive plastics (jasper tiesinga)

Kendrion Automotive Center GmbH, Germany	Dieter Groß
Kendrion Backhaus Co. GmbH, Germany	Helmut Hinkel
Kendrion RSL Germany GmbH, Germany	Helmut Hinkel/Harald Strunk
Kendrion RSL Espana SA, Spain	Peter Strassen
Kendrion RSL Portugal Lda, Portugal	Wolfgang Jelinek
Kendrion Systems Wächtersbach GmbH, Germany	Jasper Tiesinga/Harald Strunk a.i., as of 01-03-03
Kendrion Systems Bohemia Spol sro, Czech Republic	Stanislav Zabadal
Kendrion van Niftrik bv, The Netherlands	Wim Simons
Kendrion Werkzeugtechnik GmbH, Germany	Ralf Hesener
Kupron Prototypes bv, The Netherlands	Ruud Goijaerts

kendrion automotive metals (jan ahlqvist)

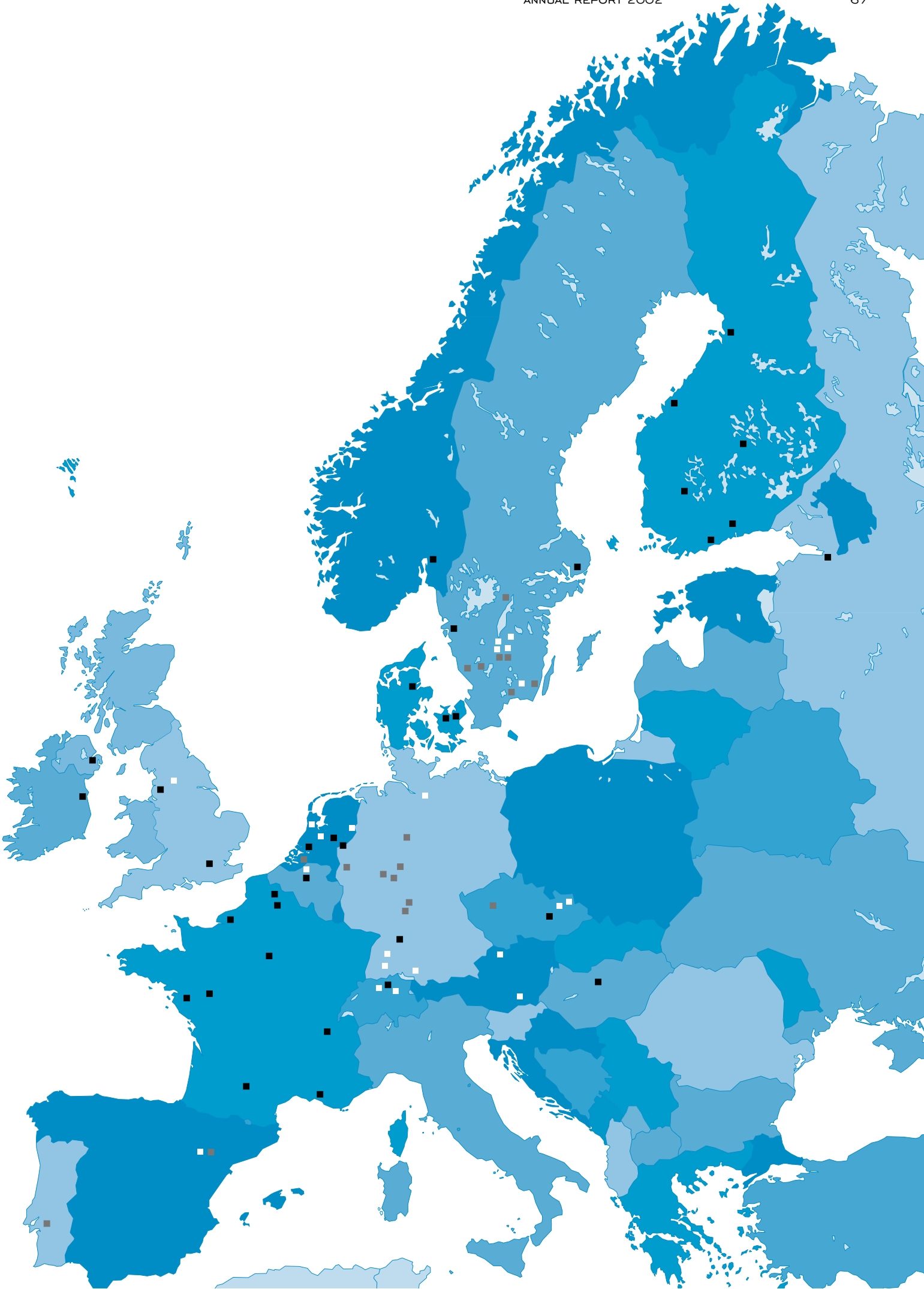
Kendrion Hagalund AB, Sweden	Peter Sandberg
Kendrion Holmbergs AB, Sweden	Mikael Blomqvist, as of 01-03-03
Kendrion JV AB, Sweden	Peter Sandberg
Kendrion Mefa AB, Sweden	Lennart Nilsson, as of 01-03-03
Kendrion Pellego, Sweden	Rolf Lundgren
Kendrion Sispa GmbH, Germany	Mikael Blomqvist, as of 01-03-03
Kendrion SKA GmbH, Germany (50%)	Rolf Benninghaus
Kendrion Spring Systems AB, Sweden	Mikael Blomqvist
Kendrion UWAB, Sweden	Mikael Blomqvist, as of 01-03-03

major holding companies

Combattant Holding bv, The Netherlands
Kendrion Finance bv, The Netherlands
Kendrion Sweden Holding AB, Sweden
Kusto Holding GmbH, Germany
Mumo bv, The Netherlands
Vink Holding bv, The Netherlands
Vink Nordic Holding AS, Denmark

- Kendrion Industrial
- Kendrion Distribution Services
- Kendrion Automotive

* 100% unless indicated otherwise



LIQUIDITY PROVIDERS

Since the introduction of Euronext nv's new trading system in October 2001, Kendrion has opted to appoint three financial institutions to act as liquidity providers to maintain continuous trading in Kendrion nv shares. The liquidity providers are in a position to provide you with further information on Kendrion shares if you are considering becoming a co-owner of our company.

ABN AMRO Bank NV

P.O. Box 283, 1000 EA Amsterdam, The Netherlands
 Mr M.R.F. Kranenburg
 Telephone +31 (0)20 628 93 93
www.abnamro.nl

Dexia Securities nv/Kempen & Co

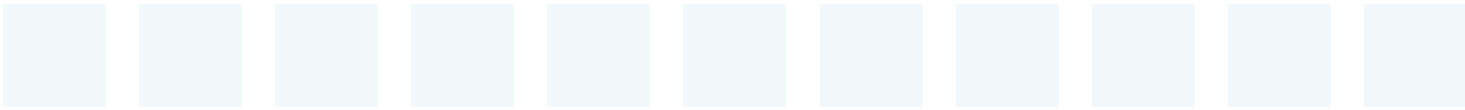
P.O. Box 75666, 1070 AR Amsterdam, The Netherlands
 Mr S.G. Koning
 Telephone +31 (0)20 348 80 00
www.kempen.nl

sns Securities NV

P.O. Box 235, 1000 EA Amsterdam, The Netherlands
 Mr A. Veerman
 Telephone +31 (0)20 550 84 84
www.snssecurities.nl

Kendrion NV

Euronext code	0000383511
Fondscode	38351
ISIN-code	0000383511



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www.kendrion.com

Kendrion nv has its registered seat in Zeist, The Netherlands

This is the English translation of the official Dutch 2002
Kendrion Annual report. An attempt has been made to be
as literal as possible without jeopardising overall continuity.
Differences invariably occur in translation and in such cases
the Dutch Annual report will prevail.





THE STRENGTH OF THE NICHE



THE STRENGTH OF ENTREPRENEURSHIP



THE STRENGTH OF THE GROUP