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**INCREASED MARKET UNCERTAINTY, LONG TERM OUTLOOK INTACT**

- Revenue for Q3 2015 increased by 2% to EUR 108.9 million
- 5% revenue growth in the first nine months of 2015
- EBITA in Q3 2015 decreased by 17%, mainly due to lower demand from some automotive customers
- The value of the order book for Q4 2015 is higher than that for Q4 2014

**Key Figures**

(x EUR 1 million unless otherwise stated)	Q3 2015	Q3 2014	Difference in %
Revenue	108.9	107.0	2%
EBITDA	11.9	12.7	-6%
EBITA	7.1	8.5	-17%
Net profit	4.5	5.0	-10%
ROS	6.5%	8.0%	
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(x EUR 1 million unless otherwise stated)	YTD 2015	YTD 2014	Difference in %
Revenue	337.6	322.7	5%
EBITDA	37.9	38.1	0%
EBITA	23.4	26.1	-10%
Net profit	15.2	15.5	-2%
ROS	6.9%	8.1%	

- The quarterly results are not audited -

Piet Veenema, CEO Kendrion:

"We have seen an increase in revenue over the first nine months of 2015. However, during the third quarter Kendrion's revenue was somewhat less than we expected and this affected the result. This was mainly related to the passenger-car segment, which saw a decrease in demand from automotive customers during this period. In addition, industrial activities slowed down slightly due to the lower level of business activity in the German machine-building sector as a whole, which is caused by lower export activities. Our order book for the fourth quarter is higher than a year ago, mainly due to the recent successful start of some new projects which will support revenue development in the fourth quarter."

## **Financial review**

### **Revenue**

In the third quarter, organic revenue growth amounted to 1.7% (fully the result of currency effects). The Industrial Division achieved 0.4% organic revenue growth. This low growth rate was mainly due to a lower level of activity in the German machine-building industry. The Automotive Division achieved 2.1% growth. In this division, good progress was made with the activities in the commercial vehicle segment. However, the effects of a slowdown among a number of important customers in the automotive activities were especially visible in the business unit Passenger Car Systems. The anticipated revenue decline in Automotive Control Systems further contributed to reduced growth (excluding Automotive Control Systems organic growth in the third quarter was 5% and in the first nine months 8%).

In the third quarter, a few passenger-car projects were started successfully (especially the damper project), which will support revenue development in the fourth quarter. At the end of the third quarter the Volkswagen diesel issue became public. Volkswagen is an important customer for Kendrion, accounting for direct and indirect annual revenue of approximately EUR 60 million, of which approximately EUR 35 million in components, primarily for the new EURO-6 motors. It is unclear what the effect of the backlash against Volkswagen will be in the longer term. So far Kendrion has not seen any impact.

### **Results**

#### *Third quarter of 2015*

The operating result before amortisation (EBITA) decreased to EUR 7.1 million (Q3 2014: EUR 8.5 million) due to revenue being lower than expected, stock reduction effects and the higher depreciation level. This resulted in a reduction of the return on sales from 8.0% to 6.5%.

The stock reduction impact compared to last year was visible in both divisions. However, the Industrial Division improved its results compared to the second quarter. The cause of the weaker results of the Automotive Division can be found in the passenger-car segment, and could only partly be compensated by its activities relating to commercial vehicles, a segment with regard to which the company can look back on a successful quarter.

#### *First nine months of 2015*

The EBITA in the first nine months of 2015 decreased to EUR 23.4 million (first nine months of 2014: EUR 26.1 million), resulting in a reduction of the return on sales from 8.1% to 6.9%, mainly due to the higher depreciation level.

Net finance costs in the first nine months of 2015 amounted to EUR 2.5 million (first nine months of 2014: EUR 4.0 million). This decrease can be accounted for by Kendrion's strong financial position.

Income tax expenses for the first nine months of 2015 were EUR 2.8 million (first nine months of 2014: EUR 4.0 million). Income tax in the first nine months was positively impacted by incidental tax benefits of EUR 1.9 million, mainly related to recognition of previously unrecognised tax losses in the Netherlands. The effective tax rate in the first nine months of 2015 was 16% (2014: 20%).

Net profit for the first nine months of 2015 is EUR 15.2 million (first nine months of 2014: EUR 15.5 million). Normalised net earnings per share amounted to EUR 1.16 (first nine months of 2014: EUR 1.19).

### **Financial position**

The balance sheet total decreased by approximately EUR 4.7 million in the third quarter compared to the balance sheet as at 30 June 2015. The net debt position at the end of the third quarter was EUR 82.7 million, an improvement of EUR 6.1 million compared to the end of the first half year. Normalised free cash flow YTD (i.e. in the first nine months) was EUR 8.0 million (2014: EUR 3.5 million).

Investments amounted to EUR 12.6 million in the first nine months, at a depreciation level of EUR 14.6 million. Investments in 2015 are expected to be above the depreciation level, largely due to new automotive projects.

Kendrion's financial position is strong, with a solvency ratio of 47% at the end of September 2015.

### **Number of employees**

The number of employees in the third quarter totalled 2,715, including 92 temporary employees (Q3 2014: 2,797, including 126 temporary employees). The decrease is mainly the result of the implementation of efficiency measures, including in the Automotive Control Systems business unit earlier this year.

### **Outlook**

Developments in the fourth quarter and beyond will be supported by the recent successful launch of a few automotive projects. This is reflected in Kendrion's order book for the fourth quarter, which is substantially higher than a year ago. Revenue for the year is expected to be at the bottom end of the 2015 objective of EUR 450 - 500 million. The uncertainty about the economic developments in Kendrion's most important home market, Germany, as well as in China, increased in the third quarter. This was especially visible among some of the automotive customers in the passenger car-segment. The sense of uncertainty has increased by the Volkswagen diesel issue. Due to the current uncertainty Kendrion is unable to provide a specific revenue and profit forecast for the full year 2015. Despite of the increased market uncertainty the long term outlook remains intact.

### **Succession of CEO**

During the Extraordinary General Meeting of Shareholders that took place on 4 November 2015, Mr Joep van Beurden was appointed as Kendrion's CEO and member of the Executive Board as of 1 December 2015. Joep van Beurden will succeed Piet Veenema, who announced his resignation as Kendrion's CEO at the end of 2014. Piet Veenema will leave the company as per 31 December 2015.

## **Profile of Kendrion N.V.**

Kendrion develops, manufactures and markets high-quality electromagnetic and mechatronic systems and components for industrial and automotive applications. For over a century we have been engineering precision parts for the world's leading innovators in passenger cars, commercial vehicles and industrial applications. As a leading technology pioneer, Kendrion invents, designs and manufactures complex components and customised systems as well as local solutions on demand. Committed to the engineering challenges of tomorrow, taking responsibility for how we source, manufacture and conduct business is embedded into our culture of innovation. Rooted in Germany, headquartered in the Netherlands and listed on the Amsterdam stock exchange, our expertise extends across Europe to the Americas and Asia. Created with passion and engineered with precision. Kendrion - we magnetise the world.

Zeist, 5 November 2015

The Executive Board

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## **Annexes**

1. Consolidated statement of comprehensive income
2. Consolidated statement of financial position
3. Financial calendar 2016

## Annex 1 – Consolidated statement of comprehensive Income

(EUR million)	Q3 2015	Q3 2014	period ended 30-09-2015	period ended 30-09-2014	full year 2014
Revenue	108.9	107.0	337.6	322.7	428.9
Other income	0.0	0.1	0.0	0.2	0.2
<b>Total revenue and other income</b>	<b>108.9</b>	<b>107.1</b>	<b>337.6</b>	<b>322.9</b>	<b>429.1</b>
Changes in inventories of finished goods and work in progress	0.7	(1.6)	(0.7)	(5.0)	(1.4)
Raw materials and subcontracted work	55.3	58.2	174.5	172.9	225.9
Staff costs	32.4	30.3	99.9	94.1	125.4
Depreciation and amortisation	5.8	5.0	17.4	14.6	19.8
Other operating expenses	8.6	7.5	26.0	22.8	29.9
<b>Result before net finance costs</b>	<b>6.1</b>	<b>7.7</b>	<b>20.5</b>	<b>23.5</b>	<b>29.5</b>
Finance income	0.0	0.0	0.1	0.2	0.8
Finance expense	(0.9)	(1.3)	(2.6)	(4.2)	(5.4)
<b>Net finance costs</b>	<b>(0.9)</b>	<b>(1.3)</b>	<b>(2.5)</b>	<b>(4.0)</b>	<b>(4.6)</b>
<b>Profit before income tax</b>	<b>5.2</b>	<b>6.4</b>	<b>18.0</b>	<b>19.5</b>	<b>24.9</b>
Income tax expense	(0.7)	(1.4)	(2.8)	(4.0)	(4.7)
<b>Profit for the period</b>	<b>4.5</b>	<b>5.0</b>	<b>15.2</b>	<b>15.5</b>	<b>20.2</b>
Basic earnings per share (EUR), based on weighted average	0.34	0.38	1.16	1.19	1.56
Diluted earnings per share (EUR)	0.34	0.38	1.16	1.19	1.55

## Annex 2 – consolidated statement of financial position

(EUR million)	30 Sept. 2015	30 Sept. 2014	31 Dec. 2014
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	80.9	82.6	83.1
Intangible assets	126.7	122.7	124.2
Other investments, including derivatives	0.6	0.8	0.9
Deferred tax assets	15.2	14.0	14.5
<b>Total non-current assets</b>	<b>223.4</b>	<b>220.1</b>	<b>222.7</b>
<b>Current assets</b>			
Inventories	54.4	54.0	49.0
Current tax assets	2.5	4.3	3.0
Trade and other receivables	61.2	58.9	49.2
Cash and cash equivalents	15.1	10.8	9.6
<b>Total current assets</b>	<b>133.2</b>	<b>128.0</b>	<b>110.8</b>
<b>Total assets</b>	<b>356.6</b>	<b>348.1</b>	<b>333.5</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	26.4	26.1	26.1
Share premium	62.7	68.8	68.8
Reserves	62.6	38.2	38.1
Retained earnings	15.2	15.4	20.2
<b>Total equity</b>	<b>166.9</b>	<b>148.5</b>	<b>153.2</b>
<b>Liabilities</b>			
Loans and borrowings	91.8	103.5	85.5
Employee benefits	19.4	17.5	19.6
Provisions	0.1	0.6	0.4
Deferred tax liabilities	11.9	11.6	11.4
<b>Total non-current liabilities</b>	<b>123.2</b>	<b>133.2</b>	<b>116.9</b>
Bank overdraft	5.2	1.8	6.5
Loans and borrowings	0.7	0.8	0.6
Current tax liabilities	2.0	1.5	1.5
Trade and other payables	58.6	62.3	54.8
<b>Total current liabilities</b>	<b>66.5</b>	<b>66.4</b>	<b>63.4</b>
<b>Total liabilities</b>	<b>189.7</b>	<b>199.6</b>	<b>180.3</b>
<b>Total equity and liabilities</b>	<b>356.6</b>	<b>348.1</b>	<b>333.5</b>

- The quarterly results are not audited -

### **Annex 3 – Financial calendar 2016**

Publication of full-year figures for 2015	Thursday, 25 February 2016	08:00 a.m.
Analysts' meeting	Thursday, 25 February 2016	11:30 a.m.
General Meeting of Shareholders	Monday, 11 April 2016	02:30 p.m.
Publication of Q1 2016 results	Tuesday, 3 May 2016	08:00 a.m.
Publication of HY1 2016 results	Thursday, 18 August 2016	08:00 a.m.
Analysts' meeting	Thursday, 18 August 2016	11:30 a.m.
Publication of Q3 2016 results	Thursday, 3 November 2016	08:00 a.m.