

K E N D R I O N N . V .
P R E S S R E L E A S E
3 N o v e m b e r 2 0 1 6
Continuous improvement of profitability as a result of simplification measures

- Modest revenue growth to EUR 110.1 million (Q3 2015: EUR 108.9 million)
- Normalised EBITA of EUR 7.9 million, a 12% increase from Q3 2015 (EUR 7.1 million) as our simplification measures take effect
- Normalised EBITA margin for Q3 2016 of 7.2%, up from 6.5% in Q3 2015
- Normalised EBITA margin for the first nine months of 2016 of 7.2%, up from 6.9% in the first nine months of 2015
- Full-year one-off costs and annualised savings now both expected to be EUR 5.0 million (was EUR 4.0 million)

Key figures

(x EUR 1 million unless otherwise stated)	Q3 2016 ¹	Q3 2015	Difference in %
Revenue	110.1	108.9	1%
EBITDA	12.9	11.9	8%
EBITA	7.9	7.1	12%
Net profit ²	4.9	4.5	9%
ROS	7.2%	6.5%	

(x EUR 1 million unless otherwise stated)	YTD 2016 ¹	YTD 2015	Difference in %
Revenue	335.5	337.6	-1%
EBITDA	39.4	37.9	4%
EBITA	24.2	23.4	4%
Net profit ³	15.0	15.2	-1%
ROS	7.2%	6.9%	

¹ Normalised for YTD 2016 non-recurring restructuring costs of EUR 4.0 million (after tax EUR 3.2 million):
 Q1 2016: EUR 2.7 million (after tax EUR 2.1 million); Q2 2016: EUR 0.7 million (after tax EUR 0.7 million);
 Q3 2016: EUR 0.6 million (after tax EUR 0.4 million)

² Net profit for Q3 2015 includes one-off tax gains of EUR 0.7 million.

³ Net profit for YTD 2015 includes one-off tax gains of EUR 1.9 million.



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Joep van Beurden, Kendrion CEO:

"We had a steady third quarter and I am especially pleased to see our profitability improving for the second consecutive quarter compared to last year as our simplification measures take effect. For the first nine months we saw similar improved underlying EBITA performance, with revenue that decreased slightly compared to the first nine months of 2015. We are making good progress implementing our strategy of "Simplify, Focus and Grow" and our main objective is to deliver sustainable profitable growth for the medium to long term. As part of the ongoing evaluation of our manufacturing base, we have decided to close our manufacturing facility in Switzerland and to transfer the majority of the production to our factories in Germany.

Looking ahead, we expect the global economic situation to remain challenging, but we reiterate our medium- to long-term outlook and are confident about our strong business fundamentals."

Progress in strategy

Kendrion announced its strategic update for the next three years on 3 May 2016. The primary objective is to deliver sustainable profitable growth for the business in the medium to long term. The strategy comprises three pillars: "Simplify, Focus and Grow".

During the third quarter of 2016, we continued to make good progress in implementing our strategy, accelerating our simplification measures where possible. We decided during the quarter to close our manufacturing facility in Switzerland and to transfer the majority of the production to our factories in Germany. We expect this to be effective by the end of Q2 2017. The closure of our Brazil facility by the end of the year is on schedule.

The cost reductions and restructuring measures that were realised in the third quarter of 2016 resulted in one-off costs of EUR 0.6 million. Over the first nine months, one-off restructuring costs totalled EUR 4.0 million with expected annualised savings of EUR 4.0 million.

As we have accelerated some of our simplification measures, we expect that total one-off costs for the full year 2016 will exceed the EUR 4.0 million announced previously and will amount to EUR 5.0 million. This will also lead to higher annualised savings of EUR 5.0 million, compared to the EUR 4.0 million indicated earlier. We see the measures taking effect and will continue to implement further measures over the next 12-18 months.

Financial review

Revenue

Third quarter of 2016

In the third quarter, the overall economic conditions of the first half year of 2016 continued. Revenue growth amounted to 1.1% (1.6% at constant rates of exchange), which breaks down into 0.3% for Industrial (1.0% at constant rates of exchange) and 1.8% for Automotive (2.1% at constant rates of exchange).

Growth in Industrial Magnetic Systems and Industrial Drive Systems was largely offset by lower revenue in Industrial Control Systems. The level of activity in the German machine-building industry remains flat. In Automotive, good progress was made with the activities in Passenger Cars, driven by the ramp-up of the Bilstein project in Eibiswald. However, the effects of the ongoing weak heavy truck market in the USA were still visible in the business unit Commercial Vehicles.



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First nine months of 2016

Compared to the first nine months of 2015, revenue was 0.6% lower (-0.3% at constant rates of exchange), with a decrease in Automotive of -1.1%, which was only partly offset by a small increase in Industrial of 0.5%.

Results

Third quarter of 2016

The normalised operating result before amortisation (EBITA) increased by 12% to EUR 7.9 million (Q3 2015: EUR 7.1 million) driven by the higher result of Automotive and on the back of simplification measures and strict cost control. This resulted in a normalised EBITA margin that improved from 6.5% to 7.2%.

First nine months of 2016

The normalised EBITA in the first nine months of 2016 increased to EUR 24.2 million (first nine months of 2015: EUR 23.4 million), mainly driven by the simplification measures taken throughout the year. This resulted in a normalised EBITA margin improvement from 6.9% in 2015 to 7.2% in 2016.

Net finance costs in the first nine months of 2016 amounted to EUR 2.0 million (first nine months of 2015: EUR 2.5 million) because of lower debt levels and Kendrion's strong financial position.

Income tax expense for the first nine months of 2016 was EUR 3.6 million (first nine months of 2015: EUR 2.8 million). Income tax in the first nine months of last year was positively impacted by incidental tax benefits of EUR 1.9 million, mainly related to the recognition of previously unrecognised tax losses in the Netherlands. The effective tax rate in the first nine months of 2016 was 23% (2015: 16%).

Normalised net profit for the first nine months of 2016 was EUR 15.0 million (first nine months of 2015: EUR 15.2 million, which included a net tax gain of EUR 1.9 million). Normalised net earnings per share amounted to EUR 1.13 (first nine months of 2015: EUR 1.16).

Financial position

The net debt position at the end of the third quarter was EUR 73.9 million, a decrease of EUR 4.8 million compared to the end of the first half year. This is in line with the free cash flow of EUR 4.8 million in the third quarter. Free cash flow in the first nine months was EUR 1.8 million, lower than last year (2015: EUR 7.0 million) due to restructuring payments and a slightly higher working capital outflow.

Investments amounted to EUR 14.4 million in the first nine months, with a depreciation level of EUR 15.2 million. Investments in 2016 are expected to be above the depreciation level, largely due to new Automotive projects.

Kendrion's financial position remains strong, with a solvency ratio of 48.4% at the end of September 2016.

Number of employees

The number of employees in the third quarter totalled 2,639, including 98 temporary employees (Q3 2015: 2,715, including 92 temporary employees). The reduction in the number of FTEs is mainly a result of simplification measures taken.



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Outlook

For the remainder of 2016, we expect the global economic situation to remain challenging especially for Commercial Vehicles. The upward trend in Passenger Cars is expected to continue. Going forward, we remain confident about our business fundamentals and our main objective is to deliver sustainable profitable growth for the business in the medium to long term. We reiterate our medium-to long-term outlook of expected average organic growth of 5% per year and a 10% EBITA margin as from the end of 2018.

Thomas Wuensche and Jabine van der Meijs appointed as members of the Supervisory Board

Kendrion is pleased to announce that during the Extraordinary General Meeting of Shareholders held on 31 October 2016, Mr Thomas J. Wuensche and Mrs Jabine T.M. van der Meijs were appointed as members of the Supervisory Board of Kendrion N.V.

Mr Wuensche, who has German nationality, is the successor of Mr Horst Kayser, who stepped down in January 2016. Mr Wuensche is Global CEO of Chassis Brakes International Group in Amsterdam, the Netherlands. He has also been appointed as a member of the Kendrion Audit Committee. He has been appointed for a period of four years.

Mrs van der Meijs will succeed Mr Robert de Bakker as financial expert, as Mr de Bakker will be stepping down at the next Annual General Meeting of Shareholders on 10 April 2017. Mrs van der Meijs, a Dutch national, worked for 25 years for Royal Dutch Shell, in her last position as Vice President Finance (Capital Projects) at Shell Global Solutions in Rijswijk, the Netherlands. She has also been appointed as a member of the Kendrion Audit Committee. She has been appointed for a period of three years in order to have a more balanced rotation schedule going forward.

Analysts' conference call Q3 2016

Kendrion CEO Joep van Beurden and CFO Frank Sonnemans will host a conference call for analysts on Thursday, 3 November 2016 at 11:00 a.m. CET to discuss the third quarter results. A playback of the conference call will be available via the company website www.kendrion.com.

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.

We are committed to the engineering challenges of tomorrow, and 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, Kendrion's expertise extends across Europe to the Americas and Asia. Created with passion and engineered with precision. Kendrion - we magnetise the world.

Zeist, 3 November 2016

The Executive Board



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Annexes

1. Consolidated statement of comprehensive income
2. Consolidated statement of financial position
3. Financial calendar 2017

Annex 1 – Consolidated statement of comprehensive income ¹

(EUR million)	Q3 2016	Q3 2015	period ended 30-09-2016	period ended 30-09-2015	full year 2015
Revenue	110.1	108.9	335.5	337.6	442.1
Other income	0.0	0.0	0.0	0.0	0.1
Total revenue and other income	110.1	108.9	335.5	337.6	442.2
Changes in inventories of finished goods and work in progress	(1.4)	0.7	(3.2)	(0.7)	(0.2)
Raw materials and subcontracted work	58.8	55.3	177.0	174.5	228.4
Staff costs	32.1	32.4	101.0	99.9	133.1
Depreciation and amortisation	5.9	5.8	18.0	17.4	23.2
Other operating expenses	8.3	8.6	25.3	26.0	35.7
Result before net finance costs	6.4	6.1	17.4	20.5	22.0
Finance income	0.1	0.0	0.1	0.1	0.2
Finance expense	(0.7)	(0.9)	(2.1)	(2.6)	(3.5)
Net finance costs	(0.6)	(0.9)	(2.0)	(2.5)	(3.3)
Profit before income tax	5.8	5.2	15.4	18.0	18.7
Income tax expense	(1.3)	(0.7)	(3.6)	(2.8)	(1.9)
Profit for the period	4.5	4.5	11.8	15.2	16.8
Basic earnings per share (EUR), based on weighted average	0.37	0.34	0.89	1.16	1.28
Diluted earnings per share (EUR)	0.37	0.34	0.89	1.16	1.28

¹ Not adjusted for non-recurring items

Annex 2 – Consolidated statement of financial position

(EUR million)	30 Sept. 2016	30 Sept. 2015	31 Dec. 2015
Assets			
Non-current assets			
Property, plant and equipment	81.7	80.9	82.7
Intangible assets	123.7	126.7	127.6
Other investments, including derivatives	0.4	0.6	0.6
Deferred tax assets	15.0	15.2	15.9
Total non-current assets	220.8	223.4	226.8
Current assets			
Inventories	58.6	54.4	52.5
Current tax assets	0.9	2.5	2.7
Trade and other receivables	62.7	61.2	48.7
Cash and cash equivalents	15.2	15.1	10.2
Total current assets	137.4	133.2	114.1
Total assets	358.2	356.6	340.9
Equity and liabilities			
Equity			
Share capital	26.8	26.4	26.4
Share premium	56.4	62.7	62.7
Reserves	78.3	62.6	64.0
Retained earnings	11.8	15.2	16.8
Total equity	173.3	166.9	169.9
Liabilities			
Loans and borrowings	78.8	91.8	69.6
Employee benefits	19.7	19.4	19.8
Provisions	-	0.1	-
Deferred tax liabilities	11.0	11.9	11.4
Total non-current liabilities	109.5	123.2	100.8
Bank overdraft	9.6	5.2	9.0
Loans and borrowings	0.7	0.7	0.7
Provisions	1.4	-	0.8
Current tax liabilities	0.6	2.0	1.8
Trade and other payables	63.1	58.6	57.9
Total current liabilities	75.4	66.5	70.2
Total liabilities	184.9	189.7	171.0
Total equity and liabilities	358.2	356.6	340.9



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Annex 3 - Financial calendar 2017

Publication of FY 2016 results	Wednesday, 22 February 2017	08.00 a.m.
Analysts' meeting	Wednesday, 22 February 2017	11.00 a.m.
General Meeting of Shareholders	Monday, 10 April 2017	02.30 p.m.
Publication of Q1 2017 results	Wednesday, 3 May 2017	08.00 a.m.
Analysts' call	Wednesday, 3 May 2017	11.00 a.m.
Publication of HY1 2017 results	Wednesday, 16 August 2017	08.00 a.m.
Analysts' meeting	Wednesday, 16 August 2017	11.00 a.m.
Publication of Q3 2017 results	Wednesday, 8 November 2017	08.00 a.m.
Analysts' call	Wednesday, 8 November 2017	11.00 a.m.