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**IMPROVING MARKET CONDITIONS FOR INDUSTRIAL; NEW AUTOMOTIVE  
PROJECTS TAKE SLIGHTLY LONGER TO CONTRIBUTE TO REVENUE**

- Revenue for Q3 2013: EUR 97.1 million (up 43% from Q3 2012, fully due to the Kuhnke acquisition)
- Industrial Division: Improving market conditions, modest organic revenue growth in Q3 2013 (+1%); increase in number of orders
- Automotive Division: Difficult market conditions; new projects helped to keep organic revenue in line (-1%)
- No specific revenue and profit forecast for 2013 due to continued uncertainty in macroeconomic trends

**Key figures<sup>1</sup>**

| (x EUR 1 million) | Q3 2013       | Q3 2012       | Difference in % |
|-------------------|---------------|---------------|-----------------|
| Revenue           | 97.1          | 68.1          | 43%             |
| EBITA             | 6.4           | 5.3           | 21%             |
| Net profit        | 2.8           | 2.7           | 4%              |
| (x EUR 1 million) | Until Q3 2013 | Until Q3 2012 | Difference in % |
| Revenue           | 255.5         | 219.4         | 16%             |
| EBITA             | 17.3          | 20.2          | -14%            |
| Net profit        | 8.6           | 11.0          | -22%            |

<sup>1</sup> EBITA and net profit adjusted for non-recurring items:

Q3 2013: Release of earn-out provision for Kuhnke EUR 4.3 million, non-recurring costs mainly relating to the restructuring and integration of Kuhnke (EUR 3.3 million; after tax EUR 2.5 million)

Q2 2013: Non-recurring costs relating to the Kuhnke acquisition (EUR 1.8 million), along with a non-recurring tax gain of EUR 1.6 million

Q3 2012: Release of earn-out provision for FAS Controls Inc (EUR 2.5 million)

Q2 2012: Release of earn-out provision for FAS Controls Inc (EUR 0.7 million) and a non-recurring tax gain of EUR 0.5 million

Piet Veenema, CEO of Kendrion:

"In acquiring Kuhnke, Kendrion has taken a major step towards achieving its growth objectives. We're pleased to report that we are right on schedule with the Kuhnke integration into the Kendrion organisation. Mainly due to weak market conditions in several of our markets, the Automotive Division saw its organic revenue fall slightly this quarter. In addition, the launch of a number of major automotive projects in Germany and the United States has proved to be time-consuming and therefore more costly than expected. In the Industrial Division, we're seeing a slight uptick in the market. Given the income generated by the new projects, the status of our order book, and our investment in future innovations, we remain optimistic about the direction in which our company is heading."

## **Financial review**

### **Revenue**

After falling for several quarters, organic revenue in the third quarter 2013 was in line with the same period last year. Organic revenue in the Industrial Division was up slightly (1%), with the Industrial Magnetic Systems business unit, in particular, seeing its revenue continue to rise steadily from last year. The Industrial Drive Systems business unit has also seen its market improve, while also the new Industrial Control Systems (Kuhnke) business unit developed well.

A number of submarkets in the Automotive Division remain under pressure. The US and Indian truck markets (Heavy Duty Systems business unit) performed substantially less than expected. The Passenger Car Systems business unit expected that, by the third quarter, a number of major projects in the United States and Germany would account for a larger share of the revenue - unfortunately, however, there was some delay in getting these projects on track. The new Automotive Control Systems (Kuhnke) business unit reported lower profit and revenue for the third quarter as a result of weak market conditions and due to the delay in launching a new product line. The unit will be working on further improving its efficiency in the coming months. The global bus market, which had been experiencing a revival, managed to continue its momentum into the third quarter, which has benefited the Commercial Vehicle Systems business unit.

### **Results**

The company respectively earned and incurred a number of non-recurring gains and costs in the third quarter of 2013, including the release of a large portion of the provision for the Kuhnke earn-out (EUR 4.3 million), as a result of the developments in the Automotive Control Systems business unit, as noted above. This was offset by a total of EUR 3.3 million in non-recurring costs during the third quarter mainly for the anticipated non-recurring costs relating to the Kuhnke integration, particularly in connection with the previously announced job losses (affecting around 40 support roles and management positions), improvements made to Kuhnke's internal production efficiency, and the reorganisation of the sales distribution network. In the third quarter of 2012, Kendrion reported a non-recurring gain of EUR 2.5 million following the release of the FAS Controls earn-out.

The raw-materials prices most important to Kendrion remained virtually equal in the third quarter.

Adjusted for non-recurring items, operating result before amortisation (EBITA) in the third quarter was EUR 6.4 million, with an EBITA margin of 6.6%. As previously noted, this margin was again reduced in the third quarter by the Kuhnke acquisition. Excluding Kuhnke, the EBITA margin rose to 8% in the third quarter (Q3 2012: 7.8%).

Net profit in the third quarter of 2013 was EUR 4.6 million (Q3 2012: EUR 5.3 million). Adjusted for non-recurring items in both years, net profit in the third quarter rose slightly, to EUR 2.8 million (Q3 2012: EUR 2.7 million).

The integration of Kuhnke into the existing Kendrion organisation is right on schedule, as is the further planned utilisation of the production capacity in Romania, which became available following the Kuhnke acquisition.

The number of employees remained virtually unchanged in the third quarter: 2,800 employees, including around 130 temporary workers. Flexibility, which remains a key issue for Kendrion, could be further increased at several of our German sites based on discussions with employees.

### **Financial position**

The balance sheet total, at EUR 347 million, remained practically unchanged in the third quarter.

Investments up to the end of the third quarter came to EUR 12.3 million, with EUR 9.2 million in depreciation. In the third quarter of 2013, the company generated a free cash flow of EUR 2.9 million; whilst year to date, free cash flow was EUR +/- 5.5 million, as a result of the higher investments and higher level of activity. We are expecting a positive free cash flow for the full year 2013.

The ERP "Horizon" project is right on schedule. On 1 October 2013, the last "old" Kendrion business unit transferred to the new IFS system; the conversion of the two most recent acquisitions, (Kendrion (Shelby) and Kendrion Kuhnke) is scheduled for 2014.

With a solvency ratio of 37% as at the end of September 2013, Kendrion's financial position is solid (end of June 2013: 36.5%).

### **European Commission fine**

After the ruling of the General Court of the European Union in Luxembourg in November 2011 to uphold the fine, Kendrion lodged an appeal with the Court of Justice of the European Union. The opinion of Advocate General Sharpston on the appeal that the fine of EUR 34 million should be upheld was published on 30 May 2013.

The date of the final judgement of the Court of Justice has been announced recently; it will be 26 November 2013 (at 09.30 hours). If the Court of Justice adopts the opinion of the Advocate General, the judgement of the Court of Justice will as such not have any significant consequences for Kendrion's operational activities. The possible EC fine has been fully provided for in the company's accounts for an amount of EUR 44.4 million (including interest) as of 30 September 2013. Kendrion will publish a press release upon receipt of the judgement.

### **Outlook**

There is still uncertainty regarding market conditions in a number of submarkets that are key to Kendrion. For one, the company now takes a more cautious view regarding the recovery in the US truck market, and the outlook for the German passenger car market also remains unclear. The sentiment in a number of industrial markets, on the other hand, is more positive, particularly in Kendrion's main home market of Germany. However, we are unable at this stage to provide a specific revenue and profit forecast for the full year 2013.

### **Kendrion Symposium 2013**

Kendrion is committed to providing its customers with innovative solutions and its innovative processes are a key priority in all business units. Having previously established the Kendrion Academy for this purpose – opened in early 2013 – the company will be hosting the second Kendrion Symposium in Villingen-Schwenningen, Germany, on 7 November 2013. This year's theme will be "Magnetised by R&D". The development engineers of our main customers will be among the key guests at this symposium.

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

Kendrion N.V., a solution provider, develops, manufactures and markets innovative high-quality electromagnetic systems and components for customers all over the world. Kendrion's operations are carried out by two divisions with in total seven business units focused on specific market segments, namely in the Division Industrial the business units Industrial Magnetic Systems, Industrial Control Systems and Industrial Drive Systems, and in the Division Automotive the business units Passenger Car Systems, Automotive Control Systems, Commercial Vehicle Systems and Heavy Duty Systems.

Kendrion has leading positions in a number of business-to-business niche markets. Germany is Kendrion's main market, although other countries are becoming increasingly important.

### *Kendrion's activities*

Kendrion develops advanced electromagnetic and mechatronic solutions for industrial applications. These are used by customers all over the world in systems such as lifts, door-locking systems, industrial robots, medical equipment, electrical switchbox systems, diesel and gasoline engines, air-conditioning installations, motor cooling systems and beverage dispensers. Kendrion's key customers include a.o. Bosch, Continental, Daimler, Delphi, Eaton, Evobus, Hyundai, Siemens, Volkswagen and Yutong.

Kendrion's shares are listed on NYSE Euronext's Amsterdam market.

Zeist, 6 November 2013

The Executive Board

### **For more information, please contact:**

Kendrion N.V.

Mr P. Veenema

Utrechtseweg 33

3704 HA ZEIST

Tel: +31 (0)30 – 699 72 68

Fax: +31 (0)30 – 695 11 65

Website: [www.kendrion.com](http://www.kendrion.com)

### **Annexes**

1. Consolidated statement of comprehensive income
2. Consolidated statement of financial position at 30 September
3. Financial calendar 2014

## Annex 1 – Condensed consolidated statement of comprehensive income

| (EUR million)  | Q3 2013      | Q3 2012      | period ended<br>30-9-2013 | period ended<br>30-9-2012 | year<br>2012 |
|--|--------------|--------------|---------------------------|---------------------------|--------------|
| Revenue  | 97.1         | 68.1         | 255.5                     | 219.4                     | 284.9        |
| Other operating income   | 4.4          | 2.6          | 4.5                       | 3.5                       | 5.1          |
| <b>Total revenue and other operating income</b>                | <b>101.5</b> | <b>70.7</b>  | <b>260.0</b>              | <b>222.9</b>              | <b>290.0</b> |
| Changes in inventories of finished goods and work in progress  | (0.2)        | 0.1          | (0.3)                     | (0.8)                     | 1.0          |
| Raw materials and subcontracted work                           | 50.5         | 35.4         | 132.5                     | 114.3                     | 148.2        |
| Staff costs  | 31.4         | 19.1         | 79.3                      | 60.7                      | 79.8         |
| Depreciation and amortisation                                  | 4.4          | 3.2          | 11.2                      | 9.5                       | 12.7         |
| Other operating expenses                                       | 8.9          | 5.7          | 22.9                      | 17.6                      | 23.9         |
| <b>Result before net finance costs</b>                         | <b>6.5</b>   | <b>7.2</b>   | <b>14.4</b>               | <b>21.6</b>               | <b>24.4</b>  |
| Finance income   | 0.1          | 0.1          | 0.2                       | 0.1                       | 0.1          |
| Finance expense  | (1.7)        | (1.3)        | (4.3)                     | (3.7)                     | (5.0)        |
| <b>Net finance costs</b>                                       | <b>(1.6)</b> | <b>(1.2)</b> | <b>(4.1)</b>              | <b>(3.6)</b>              | <b>(4.9)</b> |
| <b>Profit before income tax</b>                                | <b>4.9</b>   | <b>6.0</b>   | <b>10.3</b>               | <b>18.0</b>               | <b>19.5</b>  |
| Income tax expense   | (0.3)        | (0.7)        | (0.1)                     | (3.3)                     | (1.5)        |
| <b>Profit for the period</b>                                   | <b>4.6</b>   | <b>5.3</b>   | <b>10.2</b>               | <b>14.7</b>               | <b>18.0</b>  |
| Attributable to:   |              |              |                           |                           |              |
| Equity holders of the company                                  | 4.6          | 5.3          | 10.2                      | 14.6                      | 17.9         |
| Minority interest  | -            | 0.0          | -                         | 0.1                       | 0.1          |
| <b>Profit for the period</b>                                   | <b>4.6</b>   | <b>5.3</b>   | <b>10.2</b>               | <b>14.7</b>               | <b>18.0</b>  |
| Basic earnings per share (EUR), based on weighted average      | 0.35         | 0.45         | 0.82                      | 1.26                      | 1.55         |
| Diluted earnings per share (EUR)                               | 0.35         | 0.45         | 0.82                      | 1.26                      | 1.55         |
| Normalised earnings per share (EUR), based on weighted average | 0.22         | 0.24         | 0.69                      | 0.94                      | 1.16         |

- The quarterly results are not audited -

## Annex 2 – Consolidated statement of financial position

| (EUR million)   | 30 Sept.<br>2013 | 30 Sept.<br>2012 | 31 Dec.<br>2012 |
|---|------------------|------------------|-----------------|
| <b>Assets</b>   |                  |                  |                 |
| <b>Non-current assets</b>   |                  |                  |                 |
| Property, plant and equipment                                     | 79.8             | 62.1             | 61.8            |
| Intangible assets   | 121.0            | 75.5             | 74.5            |
| Other investments, including derivatives                          | 0.7              | 0.8              | 0.7             |
| Deferred tax assets   | 13.7             | 7.5              | 10.5            |
| <b>Total non-current assets</b>                                   | <b>215.2</b>     | <b>145.9</b>     | <b>147.5</b>    |
| <b>Current assets</b>   |                  |                  |                 |
| Inventories   | 52.2             | 39.4             | 35.2            |
| Current tax assets  | 3.9              | 3.0              | 3.0             |
| Trade and other receivables                                       | 59.0             | 41.6             | 34.5            |
| Cash and cash equivalents   | 16.4             | 9.5              | 9.9             |
| <b>Total current assets</b>                                       | <b>131.5</b>     | <b>93.5</b>      | <b>82.6</b>     |
| <b>Total assets</b>   | <b>346.7</b>     | <b>239.4</b>     | <b>230.1</b>    |
| <b>Equity and liabilities</b>                                     |                  |                  |                 |
| <b>Equity</b>   |                  |                  |                 |
| Share capital   | 25.9             | 23.2             | 23.2            |
| Share premium   | 74.3             | 59.9             | 59.9            |
| Reserves  | 18.7             | 3.3              | 2.1             |
| Retained earnings   | 10.2             | 14.6             | 17.9            |
| <b>Total equity attributable to equity holders of the company</b> | <b>129.1</b>     | <b>101.0</b>     | <b>103.1</b>    |
| Minority interest   | -                | 0.3              | -               |
| <b>Total equity</b>   | <b>129.1</b>     | <b>101.3</b>     | <b>103.1</b>    |
| <b>Liabilities</b>  |                  |                  |                 |
| Loans and borrowings  | 76.0             | 25.0             | 25.8            |
| Employee benefits   | 18.8             | 7.8              | 7.1             |
| Government grants received in advance                             | 0.1              | 0.1              | 0.1             |
| Provisions  | 48.8             | 45.0             | 43.6            |
| Deferred tax liabilities  | 12.2             | 5.6              | 6.2             |
| <b>Total non-current liabilities</b>                              | <b>155.9</b>     | <b>83.5</b>      | <b>82.8</b>     |
| Bank overdraft  | 3.4              | 16.1             | 5.4             |
| Current tax liabilities   | 0.6              | 0.6              | 0.7             |
| Trade and other payables  | 57.7             | 37.9             | 38.1            |
| <b>Total current liabilities</b>                                  | <b>61.7</b>      | <b>54.6</b>      | <b>44.2</b>     |
| <b>Total liabilities</b>  | <b>217.6</b>     | <b>138.1</b>     | <b>127.0</b>    |
| <b>Total equity and liabilities</b>                               | <b>346.7</b>     | <b>239.4</b>     | <b>230.1</b>    |

- The quarterly results are not audited -

### **Annex 3 - Financial calendar 2014**

#### **2014**

|                                       |                            |            |
|---------------------------------------|----------------------------|------------|
| Publication of 2013 full-year figures | Thursday, 27 February 2014 | 08.00 a.m. |
| Analysts' meeting                     | Thursday, 27 February 2014 | 11.30 a.m. |
| General Meeting of Shareholders       | Monday, 14 April 2014      | 02.30 p.m. |
| Publication of Q1 2014 results        | Thursday, 8 May 2014       | 08.00 a.m. |
| Publication of HY1 2014 results       | Thursday, 21 August 2014   | 08.00 a.m. |
| Analysts' meeting                     | Thursday, 21 August 2014   | 11.30 a.m. |
| Publication of Q3 2014 results        | Thursday, 6 November 2014  | 08.00 a.m. |