

**P R E S S   R E L E A S E**
**K E N D R I O N   N . V .**
**3   M a y   2 0 1 6**
**Kendrion announces Q1 2016 financial results and strategic update**

- Q1 2016 revenue of EUR 111.3 million, a decrease of 2.7% compared to Q1 2015 (EUR 114.4 million)
- First simplification measures taken towards a more effective and profitable organisation, resulting in a one-off restructuring cost of EUR 2.7 million and annualised savings of EUR 3.0 million
- Normalised EBITA at EUR 7.8 million, a decrease of 6% compared to Q1 2015
- Clear step-up compared to Q4 2015 with 6.4% higher revenues and significantly improved operating results
- Strategic targets announced for the next three years:
  - EBITA margin of 10% as from the end of 2018
  - Average 5% annual organic revenue growth

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

(x EUR 1 million unless otherwise stated)	Q1 2016	Q1 2015	Difference in %
Revenue	111.3	114.4	-3%
EBITDA	12.9	13.1	-2%
EBITA	7.8	8.3	-6%
Net profit	4.7	5.1	-9%
ROS	7.0%	7.3%	

<sup>1</sup> Normalised for non-recurring restructuring costs of EUR 2.7 million (after tax EUR 2.1 million) in Q1 2016

**Joep van Beurden, Kendrion CEO:**

*"Although down on the strong results we saw in Q1 of 2015, our first quarter 2016 results improved significantly compared with the end of 2015 as activity levels in both our Automotive and Industrial segments picked up. We continue to expect that the global economic situation in 2016 will resemble the second half of 2015, but even so remain confident about our opportunities and business fundamentals for the medium and long term.*

*Kendrion is a global technology company operating on the cutting-edge of many of the trends that drive and shape the world in which we live. Our electromagnetic components meet growing customer demand for enhanced safety, efficiency and comfort. Kendrion's products are all around us and are increasingly important to our everyday lives.*



WE MAGNETISE THE WORLD

*Our balance sheet is strong and we are highly-cash generative. We have grown significantly over the years. But growth has led to complexity which has led to decreasing margins and constrained profitability.*

*Our priority now is to ensure that the revenue growth we have consistently reported, is better reflected in our profitability. To achieve that, we have outlined a series of measures intended to increase our operating profit margin in three years to 10%, while maintaining organic revenue growth at historical average levels of 5%. This means we aspire to double our operating profit over the next three years and to achieve this ambition we have started implementing the necessary measures.*

*We believe the actions that we are announcing today to simplify, focus and grow Kendrion will power us to greater successes in the future and deliver value to all our stakeholders."*

## **Financial review**

### **Revenue**

In the first quarter revenue came in 3% lower compared to the strong first quarter of 2015. Both the Industrial and Automotive segments recorded a slight decrease in revenue compared to Q1 2015, of 2% and 3% respectively. There was no impact from currency effects on revenue. After a weak fourth quarter in 2015, which was impacted by customer destocking, we have seen a solid first quarter in 2016 with revenue 6% higher compared to the fourth quarter of 2015.

The conditions in the main industrial markets, especially the German machine building market, remained challenging. However, compared to the last quarter of 2015 we have seen an increase in activities in all industrial market segments. Within the Automotive market, Passenger Cars benefited from the start of the production of the active damper systems for ThyssenKrupp Bilstein. Market conditions within Commercial Vehicles remained challenging especially for the bus market in China and the heavy truck market in North-America.

### **Results**

The added-value percentage was slightly above the level of last year with broadly stable raw material prices. Non-recurring costs of EUR 2.7 million were taken relating to steps to further enhance Kendrions profitability. Without these costs staff costs reduced by EUR 0.9 million. With these efforts, we aim to reduce costs on an annualised basis by EUR 3.0 million. Further steps will be taken in the coming periods to further enhance the group's profitability towards its revised strategic targets.

Other operating expenses were in line with last year. EBITDA showed a decline of 2% compared to Q1 2015. Furthermore, depreciation costs increased by EUR 0.3 million due to the investments made in automotive projects. As a result, the normalised operating result before amortisation (EBITA) was EUR 0.5 million lower compared to Q1 2015, but improved significantly when compared to the last quarter of 2015. Normalised EBITA as a percentage of revenue was 7.0%, a slight decrease compared to the strong first quarter of 2015 (7.3%). The effective tax rate in Q1 2016 amounted to 24% (Q1 2015: 23%).

Normalised net profit in the first quarter of 2016 was EUR 4.7 million (Q1 2015: EUR 5.1 million). Including restructuring costs net profit was EUR 2.6 million.

The number of employees increased by 15 from the end of 2015 to 2,673 FTEs, including 91 temporary employees, with a reduction in indirect staff numbers more than being offset by an increase in direct employees resulting from the higher activity level.



WE MAGNETISE THE WORLD

## **Financial position**

The balance sheet total increased by EUR 13 million in the first quarter of 2016, mainly as a result of the increased level of activities.

Net debt increased by EUR 5.8 million, from the level at the end of 2015, to EUR 74.9 million, mainly due to seasonal patterns in working capital. This is an improvement of EUR 10 million compared to the same period last year.

Investments amounted to EUR 3.7 million in the first quarter, at a depreciation level of EUR 5.1 million. Investments for the year 2016 are expected to be higher than the depreciation level, largely due to new automotive projects.

Kendrion's financial position is strong, with a solvency ratio of 48% at the end of March 2016.

## **Strategic Update**

### **Strategic pillars: Simplify, Focus and Grow**

In addition to announcing first quarter results, Kendrion is today announcing its strategic update for the next three years. The primary objective is to deliver sustainable profitable growth for the business in the medium to long term.

Kendrion intends to position itself to deliver an underlying EBITA margin of 10% as from the end of 2018. At the same time, we expect for the next three years to maintain the average 5% annual organic revenue growth that we have reported since 2010.

The strategy comprises three pillars:

#### **1. Simplify**

We expect cost reductions from simplifying our organisational structure in order to accelerate decision-making, and better allocate resources and capital. We have removed the divisional management layer and have reduced the number of business units from seven to five: Industrial Magnetic Systems, Industrial Control Systems, Industrial Drive Systems, Passenger Cars and Commercial Vehicles. We also intend further reducing indirect staff, and will evaluate our manufacturing base, while continuing to transfer manufacturing to lower-cost regions.

For the year 2016 these efforts are expected to result in one-off costs of EUR 4.0 million, with corresponding savings of EUR 3.5 million on a full-year basis.

#### **2. Focus**

We will focus our resources and capital allocation on areas where we see clear growth, margin and/or market opportunities. Examples include our passenger car business, where our technical strengths and positioning matches market trends and customer demand, and China, where we see significant opportunity to leverage our reputation and capabilities. Separately, we are evaluating the performance of our manufacturing facility in Brazil, where our presence is subscale.

#### **3. Grow**

Building on our global manufacturing footprint, reputation for quality, strong customer-relationships and track record in innovation, we have identified a range of growth opportunities which reflect trends in our core Automotive and Industrial markets, and where our innovative product technology and development pipeline offer a differentiated competitive advantage. At the same time, we shall continue to target acquisitions across our markets.



WE MAGNETISE THE WORLD

### **Audio webcast strategic update**

On Tuesday 3 May 2016 at 10.00 hrs (CET) Joep van Beurden (CEO) and Frank Sonnemans (CFO) will present the strategic update and Q1 results. A live audio webcast will be available via the company website [www.kendrion.com](http://www.kendrion.com) with playback facilities.

### **Outlook**

The economic outlook for 2016 remains uncertain. Kendrion's most important home market, Germany, is expected to realise slight economic growth but at the same time experts warn of stagnation in several European countries. The markets are also concerned about the reduced economic growth in China.

We remain confident about our business fundamentals and our ability to continue to grow both our top and bottom line through the business cycle. Looking forward, our main objective is to deliver sustainable profitable growth for the business in the medium to long term, with an average organic growth of 5% over the next three years and an increase in EBITA margin to 10% as from the end of 2018.

### **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 May 2016

The Executive Board

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

Kendrion N.V.  
Mr Joep van Beurden  
Chief Executive Officer  
Tel: +31 (0)30 – 699 72 68  
Email: [IR@kendrion.com](mailto:IR@kendrion.com)  
Website: [www.kendrion.com](http://www.kendrion.com)

### **Annexes**

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

**Annex 1 – Consolidated statement of comprehensive Income <sup>1</sup>**

(EUR million)	Q1 2016	Q1 2015	full year 2015
Revenue	111.3	114.4	442.1
Other income	0.0	0.0	0.1
<b>Total revenue and other income</b>	<b>111.3</b>	<b>114.4</b>	<b>442.2</b>
Changes in inventories of finished goods and work in progress	(0.5)	(1.1)	(0.2)
Raw materials and subcontracted work	57.4	60.2	228.4
Staff costs	35.6	33.9	133.1
Depreciation and amortisation	6.0	5.7	23.2
Other operating expenses	8.7	8.3	35.7
<b>Result before net finance costs</b>	<b>4.1</b>	<b>7.4</b>	<b>22.0</b>
Finance income	0.0	0.0	0.2
Finance expense	(0.7)	(0.8)	(3.5)
<b>Net finance costs</b>	<b>(0.7)</b>	<b>(0.8)</b>	<b>(3.3)</b>
<b>Profit before income tax</b>	<b>3.4</b>	<b>6.6</b>	<b>18.7</b>
Income tax expense	(0.8)	(1.5)	(1.9)
<b>Profit for the period</b>	<b>2.6</b>	<b>5.1</b>	<b>16.8</b>
Basic earnings per share (EUR)	0.20	0.39	1.28
Diluted earnings per share (EUR)	0.20	0.39	1.28

<sup>1</sup> Not adjusted for non-recurring items

**Annex 2 – consolidated statement of financial position <sup>1</sup>**

(EUR million)	31 March 2016	31 March 2015	31 Dec. 2015
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	80.4	83.4	82.7
Intangible assets	125.5	129.6	127.6
Other investments, including derivatives	0.5	0.8	0.6
Deferred tax assets	15.6	13.9	15.9
<b>Total non-current assets</b>	<b>222.0</b>	<b>227.7</b>	<b>226.8</b>
<b>Current assets</b>			
Inventories	55.6	53.5	52.5
Current tax assets	2.9	3.3	2.7
Trade and other receivables	60.2	66.5	48.7
Cash and cash equivalents	13.3	12.6	10.2
<b>Total current assets</b>	<b>132.0</b>	<b>135.9</b>	<b>114.1</b>
<b>Total assets</b>	<b>354.0</b>	<b>363.6</b>	<b>340.9</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	26.4	26.1	26.4
Share premium	62.7	68.8	62.7
Reserves	77.6	65.3	64.0
Retained earnings	2.6	5.1	16.8
<b>Total equity</b>	<b>169.3</b>	<b>165.3</b>	<b>169.9</b>
<b>Liabilities</b>			
Loans and borrowings	79.4	91.5	69.6
Employee benefits	19.8	19.7	19.8
Provisions	0.0	0.4	-
Deferred tax liabilities	11.1	11.8	11.4
<b>Total non-current liabilities</b>	<b>110.3</b>	<b>123.4</b>	<b>100.8</b>
Bank overdraft	8.1	5.2	9.0
Loans and borrowings	0.6	0.7	0.7
Provisions	0.8	-	0.8
Current tax liabilities	1.6	1.3	1.8
Trade and other payables	63.3	67.7	57.9
<b>Total current liabilities</b>	<b>74.4</b>	<b>74.9</b>	<b>70.2</b>
<b>Total liabilities</b>	<b>184.7</b>	<b>198.3</b>	<b>171.0</b>
<b>Total equity and liabilities</b>	<b>354.0</b>	<b>363.6</b>	<b>340.9</b>

<sup>1</sup> Not adjusted for non-recurring items



WE MAGNETISE THE WORLD

### **Annex 3 - Financial calendar 2016**

Determination stock dividend exchange ratio	Tuesday, 3 May 2016	
Publication of Q1 2016 results	Tuesday, 3 May 2016	08.00 a.m.
Strategy update	Tuesday, 3 May 2016	10.00 a.m.
Cash dividend made payable and delivery stock dividend	Friday, 6 May 2016	
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.