

P R E S S R E L E A S E

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Kendrion realised moderate revenue growth with lower profitability. Strong cash flow emphasises healthy business fundamentals.

- Revenue increase in 2015 of 3% to EUR 442.1 million, mainly due to currency effects
 - Organic growth in 2015 of 5% in the Automotive Division, supported by new projects
 - Flat revenue for the Industrial Division due to the delay of projects
- Net profit decreased to EUR 16.8 million in 2015 (2014: EUR 20.2 million), as modest revenue growth did not offset cost inflation and higher warranty cost
- Strong normalised free cash flow of EUR 21.2 million (2014: EUR 17.1 million)
- Q4 revenue of EUR 104.5 million down 2% (Q4 2014: EUR 106.2 million), as several large customers reduced stock levels
- Q4 EBITA considerably lower at EUR 2.4 million (Q4 2014: EUR 6.9 million), with higher non-recurring warranty costs impacting results
- Proposed optional dividend of EUR 0.78 (2014: EUR 0.78) per share (based on a pay-out ratio of 61% of the full-year net profit)

Key figures

(x EUR 1 million unless otherwise stated)	FY 2015	FY 2014	Difference in %
Revenue	442.1	428.9	3%
EBITDA	45.2	49.3	-8%
EBITA	25.8	32.9	-22%
Net profit	16.8	20.2	-17%
ROS	5.8%	7.7%	
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(x EUR 1 million unless otherwise stated)	Q4 2015	Q4 2014	Difference in %
Revenue	104.5	106.2	-2%
EBITDA	7.3	11.2	-35%
EBITA	2.4	6.9	-65%
Net profit	1.6	4.7	-66%
ROS	2.4%	6.5%	

The quarterly results are not audited

Joep van Beurden, Kendrion CEO (since 1 December 2015):

"Last year was a mixed year for Kendrion with a strong first half followed by weaker performance in the second half, when we experienced a broad drop-off in activity levels in both our Automotive and Industrial Divisions. We also started to see some impact of the Volkswagen diesel issue during the fourth quarter. The modest revenue growth adversely affected our profitability as it did not offset the cost inflation and higher warranty costs.

Although we expect the overall economic situation in 2016 to resemble the second half of 2015, we are confident about our business fundamentals. Reflecting that confidence, we propose to keep our dividend per share at the same level of last year.

Looking forward, our main focus will be to ensure that the substantial top-line growth we have realised over the past years will be better reflected in our profitability."

Financial review**Revenue**

The first half of 2015 was strong for Kendrion, but our performance weakened in the second half. The fourth quarter was particularly weak as we saw a broad range of automotive and industrial customers reduce their stock levels. During the year, new projects in the Automotive Division supported organic growth, while the Industrial Division experienced a delay of projects to 2016. Overall, this resulted in modest organic growth of 3% in 2015, which was fully attributable to 5% organic growth in Automotive while Industrial revenue stayed flat. The geographical breakdown of revenue by customer location shifted in 2015 with a higher revenue contribution from outside Europe, up to 27% from 24%. This was driven by higher sales in North America and Asia.

Results*Fourth quarter 2015*

Earnings before amortisation decreased to EUR 2.4 million in Q4 (Q4 2014: EUR 6.9 million). The Return on Sales in the fourth quarter was impacted by a weak top line due to customers reducing stock levels, one-off provisions for restructuring (EUR 0.6 million) and product warranty costs (EUR 1.2 million) while 2014 included reimbursements of EUR 0.7 million. The net profit in Q4 2015 was positively influenced by the recognition of tax benefits amounting to EUR 0.9 million (Q4 2014: EUR 1.0 million), resulting in a net profit of EUR 1.6 million.

Full year 2015

Earnings before amortisation were EUR 25.8 million in 2015, equivalent to 5.8% of revenue (2014: EUR 32.9 million, 7.7% of revenue). The lower revenue adversely affected our profitability as the modest revenue growth did not offset cost inflation, particularly in staff costs. In addition, results were influenced by a provision for restructuring of EUR 0.9 million that will lead to improved efficiencies in 2016 and by non-recurring warranty expenses of EUR 1.3 million, while 2014 included reimbursements of EUR 1.6 million. Depreciation increased to EUR 19.4 million (2014: EUR 16.4 million), largely due to investments in new automotive projects and the roll-out of the new ERP system that was completed at the end of 2015.

Net finance costs for the full year decreased to EUR 3.3 million (2014: EUR 4.6 million) due to the reduction in net debt and lower interest rates following the new financing agreement in August 2014.

Income tax expenses for the year were EUR 1.9 million (2014: EUR 4.7 million). Income tax in 2015 was positively influenced by one-off tax gains mainly related to recognition of previously unrecognised tax losses in the Netherlands. The effective tax rate in 2015 amounted to 10% (2014: 19%).

Net profit in 2015 was EUR 16.8 million (2014: EUR 20.2 million), a decrease of 17%. Earnings per share amounted to EUR 1.28 (2014: EUR 1.56).

Operational performance

Industrial Division

The Industrial Division consists of three business units: Industrial Magnetic Systems, Industrial Control Systems and Industrial Drive Systems.

In 2015, revenue of the Industrial Division amounted to EUR 150.8 million, in line with last year (2014: EUR 150.5 million). This was the result of challenging conditions in the main markets of the Division (which accounts for 34% of Kendrion's revenue). The German machine building market, which is the main indicator for the Division, slowed down in the second half of the year as export activity dropped. In Industrial Drive Systems a large customer project was being phased out, but high customer demand for Industrial Drive Systems' permanent magnet brake lines and the successful launch of several new projects compensated for this effect. Industrial Magnetic Systems achieved a good increase in revenue of 5% in 2015. In Industrial Control Systems several new projects were delayed to 2016.

The Industrial Division saw its Return on Sales decline from 8.6% to 6.7%. as the flat revenue growth did not offset cost inflation in especially staff costs.

Automotive Division

The Automotive Division consisted of four business units in 2015: Passenger Car Systems, Automotive Control Systems, Commercial Vehicle Systems and Heavy Duty Systems. As from 1 January 2016, the organisational structure of this Division has changed and now comprises two business units: Passenger Cars and Commercial Vehicles.

Market conditions for the Automotive Division (which accounts for 66% of Kendrion's revenue) were mixed during 2015. Activity levels in the worldwide automotive industry were high in the first half of 2015, but started to slow down just before the summer. In 2015, revenue amounted to EUR 291.3 million (2014: EUR 278.4 million), an increase of 5%. Overall growth was held back by the anticipated phase out of customer contracts in Automotive Control Systems. The broad reduction in activity levels negatively impacted our revenue, especially in the fourth quarter, when a large number of our customers reduced their stock levels. The new active damping project will now move to serial production.

Because of the reduced revenue growth and some non-recurring warranty expenses, the Automotive Division's Return on Sales decreased from 7.4% to 6.1%. In the second half of 2015 we took several actions to improve future profitability in the Automotive Division. This included efficiency measures taken at the Automotive Control Systems business unit, with a reduction of 20 FTEs.

Financial position

The balance sheet total at year-end decreased EUR 15.7 million compared to the third quarter, due to the reduction of inventories and the debtor position. Normalised free cash flow was strong in 2015, at EUR 21.2 million (2014: EUR 17.1 million). In 2015, the gross capital expenditure of EUR 22.3 million exceeded depreciation charges, as expected.

The improvement in the net debt position to EUR 69.1 million (2014: EUR 83.0 million) was entirely driven by the good free cash flow development. Net working capital decreased to 9.8% of revenue (2014: 10.5%). As a result, the company's financial position improved further in 2015. Solvency rose from 46% at year-end 2014 to 50% at the end of 2015.

Number of employees

The number of employees (in FTEs) fell by 57 in the fourth quarter to 2,658 at year-end (including 85 temporary employees). This represents a reduction of 55 FTEs relative to year-end 2014 (2,713 FTEs, including 78 temporary employees). A large part of this reduction is due to efficiency improvements, including those realised at Automotive Control Systems where we streamlined the organisation.

Change in Executive Board

Joep van Beurden took up his new position as CEO of Kendrion on 1 December 2015 after the unanimous approval of his nomination during the Extraordinary General Meeting of Shareholders of 4 November 2015. He succeeded Piet Veenema, who had served as CEO for the last twelve years.

Dividend

Kendrion aims to realise an attractive return for its shareholders while simultaneously taking into account the company's medium and long-term strategy.

The minimum solvency requirement is 35%. Kendrion strives to distribute an annual dividend of between 35% and 50% of the annual net profit. In the light of the strong financial position and healthy business fundamentals, Kendrion proposes to increase for this year the pay-out ratio and maintain the dividend amount per share at the level of last year. Therefore a proposal will be submitted to the shareholders for the payment of an optional dividend of 61% of the net profit of 2015. The dividend policy going forward remains unchanged.

The dividend is equivalent to an amount of EUR 0.78 per share. Kendrion offers shareholders an opportunity to opt for dividend and/or shares. The conversion price for the calculation of the stock dividend will be determined on Tuesday, 3 May 2016 (before start of trading) on the basis of the weighted average share price on 26, 27, 28, 29 April and 2 May 2016, for which purposes the value of the shares to be distributed will be virtually equal to the cash dividend. The dividend will be made payable on Friday, 6 May 2016.

Mid-term Plan

Kendrion announced its Mid-term Plan in August 2015. The company narrowly missed the target set in 2012 for revenue of between EUR 450-500 million in 2015. The financial objectives for the coming years are being reviewed as part of the strategic update that the Executive Board expects to provide on Tuesday 3 May 2016, together with the first quarter results.

Outlook

The economic outlook for 2016 is uncertain, as evidenced by the substantial reduction in value experienced in the equity markets around the world. Kendrion's most important home market, Germany, is expected to realise slight economic growth but at the same time experts warn for stagnation in many 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 focus will be to ensure that the substantial top-line growth we have realised in the past years will be better reflected in our profitability.

Transparency Directive

The Netherlands is Kendrion's home Member state for the purposes of the European Union Transparency Directive (Directive 2004/109/EC, as amended).

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, 25 February 2016

The Executive Board

For more information, please contact:

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Annexes

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2. Condensed statement of financial position
3. Consolidated statement of changes in equity
4. Consolidated statement of cash flows
5. Information about reportable segments
6. Financial calendar 2016

Annex 1 – Condensed consolidated statement of income and other comprehensive income

(EUR million)	Q4 2015	Q4 2014	full year 2015	full year 2014
Revenue	104.5	106.2	442.1	428.9
Other income	0.1	0.0	0.1	0.2
Total revenue and other income	104.6	106.2	442.2	429.1
Changes in inventories of finished goods and work in progress	0.5	3.6	(0.2)	(1.4)
Raw materials and subcontracted work	53.9	53.0	228.4	225.9
Staff costs	33.2	31.3	133.1	125.4
Depreciation and amortisation	5.8	5.2	23.2	19.8
Other operating expenses	9.7	7.1	35.7	29.9
Result before net finance costs	1.5	6.0	22.0	29.5
Finance income	0.1	0.6	0.2	0.8
Finance expense	(0.9)	(1.2)	(3.5)	(5.4)
Net finance costs	(0.8)	(0.6)	(3.3)	(4.6)
Profit before income tax	0.7	5.4	18.7	24.9
Income tax expense	0.9	(0.7)	(1.9)	(4.7)
Profit for the period	1.6	4.7	16.8	20.2
Other comprehensive income				
Remeasurements of defined benefit plans*			(0.3)	(1.9)
Foreign currency translation differences for foreign operations			5.6	5.7
Net change in fair value of cash flow hedges, net of income tax			0.3	0.0
Tax on other comprehensive income			-	0.5
Other comprehensive income for the period, net of income tax			5.6	4.3
Total comprehensive income for the period			22.4	24.5
Basic earnings per share (EUR), based on weighted average	0.12	0.37	1.28	1.56
Diluted earnings per share (EUR)	0.12	0.37	1.28	1.55

*This item will never be reclassified to profit or loss.

Annex 2 – Condensed statement of financial position

(EUR million)	31 Dec. 2015	31 Dec. 2014
Assets		
Non-current assets		
Property, plant and equipment	82.7	83.1
Intangible assets	127.6	124.2
Other investments, including derivatives	0.6	0.9
Deferred tax assets	15.9	14.5
Total non-current assets	226.8	222.7
Current assets		
Inventories	52.5	49.0
Current tax assets	2.7	3.0
Trade and other receivables	48.7	49.2
Cash and cash equivalents	10.2	9.6
Total current assets	114.1	110.8
Total assets	340.9	333.5
Equity and liabilities		
Equity		
Share capital	26.4	26.1
Share premium	62.7	68.8
Reserves	64.0	38.1
Retained earnings	16.8	20.2
Total equity	169.9	153.2
Liabilities		
Loans and borrowings	69.6	85.5
Employee benefits	19.8	19.6
Provisions	-	0.4
Deferred tax liabilities	11.4	11.4
Total non-current liabilities	100.8	116.9
Bank overdraft	9.0	6.5
Loans and borrowings	0.7	0.6
Provisions	0.8	-
Current tax liabilities	1.8	1.5
Trade and other payables	57.9	54.8
Total current liabilities	70.2	63.4
Total liabilities	171.0	180.3
Total equity and liabilities	340.9	333.5

Annex 3 – Consolidated statement of changes in equity

(EUR million)	Share capital	Share premium	Translation reserve	Hedge reserve	Reserve for own shares	Other reserves	Retained earnings	Total equity
Balance at 1 January 2014	25.9	74.4	(1.0)	(0.4)	(0.2)	18.7	16.7	134.1
Total comprehensive income for the period								
Profit or loss	-	-	-	-	-	-	20.2	20.2
Other comprehensive income								
Remeasurements of defined benefit plans	-	-	-	-	-	(1.4)	-	(1.4)
Foreign currency translation differences for foreign operations	-	-	5.7	-	-	-	-	5.7
Net change in fair value of cash flow hedges, net of income tax	-	-	-	0.0	-	-	-	0.0
Total other comprehensive income for the period	-	-	5.7	0.0	-	(1.4)	-	4.3
Total comprehensive income for the period	-	-	5.7	0.0	-	(1.4)	20.2	24.5
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of ordinary shares	0.2	1.4	-	-	-	-	-	1.6
Own shares sold	-	-	-	-	0.1	(0.1)	-	-
Share-based payment transactions	0.0	0.1	-	-	-	0.0	-	0.1
Dividends to equity holders	-	(7.1)	-	-	-	-	-	(7.1)
Appropriation of retained earnings	-	-	-	-	-	16.7	(16.7)	-
Balance at 31 December 2014	26.1	68.8	4.7	(0.4)	(0.1)	33.9	20.2	153.2
(EUR million)								
Balance at 1 January 2015	26.1	68.8	4.7	(0.4)	(0.1)	33.9	20.2	153.2
Total comprehensive income for the period								
Profit or loss	-	-	-	-	-	-	16.8	16.8
Other comprehensive income								
Remeasurements of defined benefit plans	-	-	-	-	-	(0.3)	-	(0.3)
Foreign currency translation differences for foreign operations	-	-	5.6	-	-	-	-	5.6
Net change in fair value of cash flow hedges, net of income tax	-	-	-	0.3	-	-	-	0.3
Total other comprehensive income for the period	-	-	5.6	0.3	-	(0.3)	-	5.6
Total comprehensive income for the period	-	-	5.6	0.3	-	(0.3)	16.8	22.4
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of ordinary shares	0.3	3.8	-	-	-	-	-	4.1
Own shares sold	-	-	-	-	0.1	(0.1)	-	-
Share-based payment transactions	0.0	0.3	-	-	-	0.1	-	0.4
Dividends to equity holders	-	(10.2)	-	-	-	-	-	(10.2)
Appropriation of retained earnings	-	-	-	-	-	20.2	(20.2)	-
Balance at 31 December 2015	26.4	62.7	10.3	(0.1)	-	53.8	16.8	169.9

Annex 4 – Consolidated statement of cash flows

(EUR million)	full year 2015	full year 2014
Cash flows from operating activities		
Profit for the period	16.8	20.2
<i>Adjustments for:</i>		
Net finance costs	3.3	4.6
Income tax expense	1.9	4.7
Depreciation of property, plant and equipment and software	19.4	16.4
Amortisation of other intangible assets	3.8	3.4
Impairment of property, plant and equipment	0.1	(0.0)
Share-based payments	0.4	0.1
	45.7	49.4
Change in trade and other receivables	1.9	2.5
Change in inventories	(2.5)	(1.0)
Change in trade and other payables*	2.4	(47.4)
Change in provisions	0.2	(1.6)
	47.7	1.9
Interest paid	(3.2)	(4.7)
Interest received	0.1	0.4
Tax paid	(3.7)	(3.5)
Net cash flows from operating activities	40.9	(5.9)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash received	(1.0)	(1.0)
Investments in property, plant and equipment	(19.5)	(16.4)
Disinvestments of property, plant and equipment	2.0	0.4
Investments in intangible fixed assets	(2.8)	(4.2)
Disinvestments of intangible fixed assets	0.5	0.2
(Dis)investments of other investments	0.1	(0.8)
Net cash from investing activities	(20.7)	(21.8)
Free cash flow	20.2	(27.7)
Cash flows from financing activities		
Proceeds from borrowings (non current)	-	21.4
Repayment of borrowings (non current)	(17.0)	(1.8)
Proceeds from borrowings (current)	0.0	0.0
Proceeds from the issue of share capital	0.0	0.1
Dividends paid	(6.1)	(5.7)
Change in shares held in own Company	0.0	0.0
Net cash from financing activities	(23.1)	14.0
Change in cash and cash equivalents	(2.9)	(13.7)
Cash and cash equivalents at 1 January	3.1	16.2
Effect of exchange rate fluctuations on cash held	1.0	0.6
Cash and cash equivalents at 31 December	1.2	3.1

*Change in payables 2014 include the payment of the EC fine on 3 April 2014 of EUR 43,8 million.

Annex 5 - Information about reportable segments

(EUR million)	Industrial division		Automotive division		Corporate activities		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenue from transactions with third parties	150.8	150.5	291.3	278.4	-	-	442.1	428.9
Inter-segment revenue	0.1	0.2	0.4	0.2	-	-	0.5	0.4
EBITA	10.1	12.9	17.7	20.7	(2.0)	(0.7)	25.8	32.9
EBITA margin	6.7%	8.6%	6.1%	7.4%	-	-	5.8%	7.7%
Reportable segment assets	106.0	102.7	206.5	199.1	28.4	31.7	340.9	333.5

Annex 6 - Financial calendar 2016

Publication of 2015 full-year figures	Thursday, 25 February 2016	08.00 a.m.
Analysts' meeting	Thursday, 25 February 2016	11.30 a.m.
Convocation Gen. Meeting of Shareholders	Friday, 26 February 2016	
Record date Gen. Meeting of Shareholders	Monday, 14 March 2016	
General Meeting of Shareholders	Monday, 11 April 2016	02.30 p.m.
Ex-dividend date	Wednesday, 13 April 2016	
Dividend record date	Thursday, 14 April 2016	
Dividend election period (stock and/or cash)	Friday, 15 April – Monday 2 May 2016	03.00 pm
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.