

KENDRION N.V.

PRESS RELEASE

9 May 2018

Kendrion reports 9.9% EBITA margin and 17% profit growth in solid Q1 2018

- Revenue growth of 2% to EUR 120.6 million (Q1 2017: EUR 118.3 million) and 4% at constant rates of exchange
- Normalised EBITA growth of 12% to EUR 11.9 million in Q1 2018 (Q1 2017: EUR 10.6 million)
- Normalised net profit growth of 17% to EUR 8.1 million in Q1 2018 (Q1 2017: EUR 6.9 million)
- Normalised EBITA margin increases to 9.9% in Q1 2018 from 9.0% in Q1 2017
- Continued implementation of simplification measures: Q1 non-recurring costs of EUR 1.1 million with annualised savings of EUR 0.5 million

Key figures

(x EUR 1 million unless otherwise stated)	Q1 2018 ¹	Q1 2017 ²	Difference in %
Revenue	120.6	118.3	2%
EBITDA	17.7	16.2	9%
EBITA	11.9	10.6	12%
Net profit	8.1	6.9	17%
ROS	9.9%	9.0%	

¹ Normalised for Q1 2018 non-recurring restructuring costs of EUR 1.1 million (after tax EUR 0.8 million).

² Normalised for Q1 2017 non-recurring restructuring costs of EUR 1.2 million (after tax EUR 0.9 million), and restated due to early adoption IFRS 16 as per 1 January 2018 applying full retrospective approach.

Joep van Beurden, Kendrion CEO:

"We had a solid start to 2018 with 12% growth in EBITA compared to Q1 2017. EBITA totalled EUR 11.9 million, which equates to an EBITA margin of 9.9% and is double the EBITA of Q4 2017. Revenue growth was 4% at constant rates of exchange compared to a strong Q1 2017. Growth was especially strong in Industrial with higher activity levels across all three business units, supported by favourable economic conditions.

Our strategy of "Simplify, Focus, Grow" remains on track. Against the backdrop of continued favourable economic conditions in 2018, we expect benefits from our focus on Passenger Cars, Robotics and China and a further contribution from simplification measures.

We look to the future with confidence based on our strong business fundamentals, R&D capabilities, customer relationships and growing project pipeline. We reiterate our expectation to grow annual revenue by an average of 5% and to deliver an EBITA margin of 10% as from the end of 2018."

Progress on strategy

Kendrion's strategy for 2016 - 2018 announced in May 2016 comprises three pillars: "Simplify, Focus, Grow". The primary objective is to deliver sustainable profitable growth for the business in the medium to long term.

The implemented simplification measures focus on complexity reduction and cost-efficiency. The transfer of production from the Toluca operation in Mexico to Kendrion's Shelby facility in the USA has almost been completed.

Additional simplification measures were taken in our Passenger Cars business unit in the first quarter as we continued to reduce overhead. The cost reductions and restructuring measures implemented in Q1 resulted in one-off costs of EUR 1.1 million, with corresponding savings on an annualised basis of EUR 0.5 million. We will continue to focus on efficiency across all business units and the additional opportunities we have identified will be implemented throughout 2018. For the full year 2018, we anticipate one-off costs of around EUR 2.5 million with corresponding savings of EUR 2.5 million on an annualised basis.

As before we will focus our resources and investments in Passenger Cars, specifically in the areas of electrification, autonomous driving, safety and comfort, in permanent magnet brakes for robots and in China where we see healthy growth opportunities.

Financial review

Revenue

Revenue in the first quarter increased by 1.9% compared to the strong first quarter of 2017 (+4.2% at constant rates of exchange). Growth was 6.7% in the Industrial activities (+7.8% at constant rates of exchange). Automotive posted a decrease of 0.6% (+2.3% at constant rates of exchange) as it continued to be slightly impeded by the closure of our Indian facility in Q2 last year.

The Industrial activities recorded solid revenue growth with higher activity levels across all business units driven by favourable market conditions. Especially growth in Industrial Control Systems was strong during the first quarter of 2018. Within Automotive, Passenger Cars continued to benefit from higher revenues from the production of the active damping valves for ThyssenKrupp Bilstein. Our pipeline is healthy and benefiting from strong momentum in China in both Industrial and Automotive.

Results

The normalised operating result before amortisation (EBITA) increased by 12% to EUR 11.9 million (Q1 2017: EUR 10.6 million). Profit growth was fully attributable to our Industrial activities. Normalised staff costs decreased by EUR 0.6 million, despite the higher activity level and inflationary influences. Normalised other operating expenses decreased by EUR 1.2 million compared to last year. The more streamlined and direct way in which we run our operations combined with solid top-line growth resulted in further improvement of the normalised EBITA margin to 9.9% (Q1 2017: 9.0%). The normalised effective tax rate in Q1 2018 was 23.7% (Q1 2017: 24.4%).

Normalised net profit in the first quarter of 2018 was EUR 8.1 million, an increase of 17% compared to EUR 6.9 million in Q1 2017.

Financial position

The net debt position at the end of the first quarter was EUR 73.4 million. Excluding the effects of the adoption of *IFRS 16*, net debt amounted to EUR 57.1 million, an increase of EUR 2.6 million compared to year-end 2017. This increase is in line with the negative free cash flow of EUR 2.0 million in the first quarter.

Investments amounted to EUR 5.5 million in the first quarter at a depreciation level of EUR 5.7 million. Investments for the year 2018 as a whole 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 50.2% at the end of March 2018. Excluding the effects of *IFRS 16*, the solvency ratio improved to 52.6%, which is an increase of 2.1% compared to the same period last year.

Number of employees

The number of employees (in FTEs) decreased by 30 from the end of 2017 to 2,615 (including 141 temporary employees) in the first quarter of 2018. The number of indirect employees decreased by 25.

Outlook

The overall outlook for the global economy remains good. Kendrion's most important market, Germany, is expected to continue to perform well, which is reflected in a strong German machine-building index. Against this backdrop, Kendrion expects its revenue to increase in 2018, driven mostly by growth in the Industrial activities and the Passenger Cars business unit.

Going forward, we remain confident about our business fundamentals, with our main objective being to deliver sustainable profitable growth for the business in the medium to long term. We reiterate our expectation to grow annual revenue by an average of 5% and to deliver an EBITA margin of 10% as from the end of 2018.

IFRS 16 Leases

Kendrion has adopted *IFRS 16* Leases as per 1 January 2018, with restatement of the 2017 financials applying full retrospective approach. Due to the early adoption of *IFRS 16* total assets increased by EUR 16.2 million, total liabilities increased by EUR 16.9 million and equity decreased by EUR 0.7 million compared to the year-end 2017 reported figures. The impact on the 2017 EBITA is EUR 0.6 million positive for the full year (Q1 2018: EUR 0.1 million) and on EBITDA EUR 2.9 million positive for the full year (Q1 2018: EUR 0.7 million). Net profit is unchanged.

Share buyback programme

Kendrion will repurchase 178,852 ordinary shares to neutralise the dilutive effect of the 2017 final stock dividend and share-based incentive plans. These shares will be held as treasury shares and will be used to pay future stock dividends and share-based incentive plans. Kendrion is committed to the repurchase of the ordinary shares by engaging a third party to execute the transactions on its behalf.

These transactions will commence on 14 May 2018 and will run until no later than 29 December 2018.

Kendrion will provide weekly updates on the transactions on www.kendrion.com. The first progress report will be published on Monday, 21 May 2018.

Analysts' conference call Q1 2018

Kendrion CEO Joep van Beurden and CFO Frank Sonnemans will host a conference call for analysts on Wednesday, 9 May 2018 at 11:00 a.m. CET to discuss the first quarter results. A playback of the conference call will be available via the company website www.kendrion.com.

Capital Markets Day

Kendrion intends to organise a Capital Markets Day for analysts and investors on Wednesday 15 August 2018, the publication date of the half-year results, in Amsterdam. More details and an official invitation will follow in due course. If you would like to attend, please contact Marloes Withagen at Kendrion N.V. in Zeist (marloes.withagen@kendrion.com).

Profile of Kendrion N.V.

Kendrion develops, manufactures and markets high-quality electromagnetic 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, 9 May 2018

The Executive Board

For more information, please contact:

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Annexes

1. Condensed consolidated statement of income and other comprehensive income
2. Condensed statement of financial position
3. Financial calendar 2018 – 2019

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

(EUR million)	Q1 2018	Q1 2017*	FY 2017*
Revenue	120.6	118.3	461.8
Other income	0.0	0.0	0.0
Total revenue and other income	120.6	118.3	461.8
Changes in inventories of finished goods and work in progress	0.6	(2.6)	(1.8)
Raw materials and subcontracted work	63.0	63.4	242.9
Staff costs	34.1	34.7	134.2
Depreciation and amortisation	6.4	6.4	25.7
Other operating expenses	6.3	7.8	31.5
Result before net finance costs	10.2	8.6	29.3
Finance income	0.0	0.0	0.1
Finance expense	(0.7)	(0.7)	(3.6)
Net finance costs	(0.7)	(0.7)	(3.5)
Profit before income tax	9.5	7.9	25.8
Income tax expense	(2.2)	(1.9)	(6.3)
Profit for the period	7.3	6.0	19.5
Basic earnings per share (EUR), based on weighted average	0.54	0.44	1.45
Basic earnings per share (EUR), based on weighted average (diluted)	0.54	0.44	1.44

*Restated due to early adoption IFRS 16 as per 1 January 2018 applying full retrospective approach.

¹ Not adjusted for non-recurring items

Annex 2 - Condensed statement of financial position

(EUR million)	31 March 2018	31 March 2017*	31 Dec. 2017*
Assets			
Non-current assets			
Property, plant and equipment	106.0	99.8	106.4
Intangible assets	116.0	123.6	117.9
Other investments, including derivatives	0.6	0.3	0.2
Deferred tax assets	11.9	15.4	12.5
Total non-current assets	234.5	239.1	237.0
Current assets			
Inventories	57.5	57.2	57.3
Current tax assets	1.1	1.0	1.0
Trade and other receivables	67.7	67.6	58.1
Cash and cash equivalents	8.4	13.2	7.6
Total current assets	134.7	139.0	124.0
Total assets	369.2	378.1	361.0
Equity and liabilities			
Equity			
Share capital	27.0	26.8	27.0
Share premium	49.6	56.4	49.6
Reserves	101.5	93.6	83.5
Retained earnings	7.3	6.0	19.5
Total equity	185.4	182.8	179.6
Liabilities			
Loans and borrowings	73.5	83.5	66.6
Employee benefits	19.1	21.3	19.1
Deferred tax liabilities	8.7	10.7	8.8
Total non-current liabilities	101.3	115.5	94.5
Bank overdraft	5.4	3.8	11.7
Loans and borrowings	2.9	0.7	0.7
Provisions	0.7	0.7	0.8
Current tax liabilities	2.0	0.9	1.4
Trade and other payables	71.5	73.7	72.3
Total current liabilities	82.5	79.8	86.9
Total liabilities	183.8	195.3	181.4
Total equity and liabilities	369.2	378.1	361.0

*Restated due to early adoption IFRS 16 as per 1 January 2018 applying full retrospective approach

Annex 3 - Financial calendar 2018 - 2019

2018

Publication of Q1 2018 results	Wednesday, 9 May 2018	07.30 a.m.
Analysts' call	Wednesday, 9 May 2018	11.00 a.m.
Publication of HY1 2018 results	Wednesday, 15 August 2018	07.30 a.m.
Analysts' meeting / Capital Markets Day	Wednesday, 15 August 2018	11.00 a.m.
Publication of Q3 2018 results	Wednesday, 7 November 2018	07.30 a.m.
Analysts' call	Wednesday, 7 November 2018	11.00 a.m.

2019

Publication of FY 2018 results	Tuesday, 19 February 2019	07.30 a.m.
Analysts' meeting	Tuesday, 19 February 2019	11.00 a.m.
General Meeting of Shareholders	Monday, 8 April 2019	02.30 p.m.
Publication of Q1 2019 results	Tuesday, 7 May 2019	07.30 a.m.
Analysts' call	Tuesday, 7 May 2019	11.00 a.m.
Publication of HY1 2019 results	Tuesday, 13 August 2019	07.30 a.m.
Analysts' meeting	Tuesday, 13 August 2019	11.00 a.m.
Publication of Q3 2019 results	Tuesday, 5 November 2019	07.30 a.m.
Analysts' call	Tuesday, 5 November 2019	11.00 a.m.