KENDRION N.V.

PRESS RELEASE

3 May 2017

Kendrion reports 6% revenue and 35% profit growth in strong first quarter

- **Revenue growth for Q1 2017 of 6% to EUR 118.3 million (Q1 2016: EUR 111.3 million)**
- **Normalised EBITA growth of 35% to EUR 10.5 million in Q1 2017 (Q1 2016: EUR 7.8 million)**
- **Normalised EBITA margin increases to 8.9% in Q1 2017 from 7.0% in Q1 2016**
- **Normalised net profit growth of 48% to EUR 6.9 million in Q1 2017 (Q1 2016: EUR 4.7 million)**
- **Continuing simplification measures resulted in one-off costs of EUR 1.2 million in the first quarter, with corresponding annualised savings of EUR 0.9 million**

Key figures

(x EUR 1 million unless otherwise stated)	Q1 2017[1]	Q1 2016[2]	Difference in %
Revenue	118.3	111.3	6%
EBITDA	15.6	12.9	22%
EBITA	10.5	7.8	35%
Net profit	6.9	4.7	48%
ROS	8.9%	7.0%	

[1] Normalised for Q1 2017 non-recurring restructuring costs of EUR 1.2 million (after tax EUR 0.9 million).

[2] Normalised for Q1 2016 non-recurring restructuring costs of EUR 2.7 million (after tax EUR 2.1 million).

Joep van Beurden, Kendrion CEO:

"We started 2017 strongly, with both the Industrial and Automotive activities contributing to organic growth of 6%, supported by more favourable market conditions.

Growth was especially strong in our Passenger Cars business unit, where the production of active damping valves continued to ramp up as expected. Combined with the more direct and streamlined way in which we run our operations, our normalised EBITA grew by 35% and our normalised net profit by 48%.

We continue to implement our strategy of "Simplify, Focus, Grow". In 2017 and beyond, we expect further benefits from simplification measures and our focus on areas with growth opportunities. The global economic outlook for 2017 improved slightly and based on our strong business fundamentals, R&D capabilities, customer relationships and growing project pipeline, we are confident about our prospects. We reiterate our expectation to grow annual revenue by an average of 5% and deliver an EBITA margin of 10% as from the end of 2018."

Progress in strategy

Kendrion announced its strategic update for the years 2016 - 2018 in 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, Grow".

Over the past year, since announcing the strategic update, good progress has been made implementing the strategy and the related simplification measures. The Swiss production facility was closed during the first quarter of 2017 as planned. The majority of its production has been transferred to Kendrion's factories in Germany. Following the review of operations in India last year, the closure of the Pune operation proceeded on schedule and the operation closed down in Q1 2017. Lastly, in China the integration of the Nanjing facility into the main Kendrion facility in Suzhou has been completed, resulting in the closure of the Nanjing facility.

The cost reductions and restructuring measures that were implemented in Q1 resulted in one-off costs of EUR 1.2 million in the first quarter of 2017, with corresponding savings on an annualised basis of EUR 0.9 million. Kendrion expects to implement additional simplification measures across its business units over the next twelve months. For the full year 2017, one-off costs of EUR 4 million are anticipated, with corresponding savings of EUR 3 million on an annualised basis.

Financial review

Revenue

Revenue in the first quarter was 6.3% higher compared to the first quarter of 2016 (6.1% at constant rates of exchange). Growth was 6.2% in the Industrial activities, while Automotive recorded an increase of 6.3%.

Conditions in the main industrial markets improved slightly, while the German machine building market index is largely unchanged. Industrial robots, where Kendrion delivers permanent magnet brakes that help facilitate accurate movement, are a bright spot, responsible for a significant part of the revenue growth in our industrial market segments. Within the automotive market, Passenger Cars continued to benefit from the ramp up of the production of the active damping valves for ThyssenKrupp Bilstein. Market conditions for Commercial Vehicles improved somewhat, as the heavy truck market in North-America seems to have stabilised.

Results

Results improved significantly, due to revenue growth combined with simplification measures and strict cost control. Normalised staff costs increased only slightly by EUR 0.5 million, in spite of the higher activity level and inflationary influences. Normalised other operating expenses decreased slightly compared to last year. The normalised operating result before amortisation (EBITA) was EUR 2.7 million higher (+35%) compared to Q1 2016, and normalised EBITA as a percentage of revenue was 8.9% (Q1 2016: 7.0%). The normalised effective tax rate in Q1 2017 was 24.4% (Q1 2016: 23.6%).

Normalised net profit in the first quarter of 2017 was EUR 6.9 million, an increase of 48% compared to EUR 4.7 million in Q1 2016.

Financial position
The net debt position at the end of the first quarter was EUR 59.0 million, an increase of EUR 4.9 million on year-end 2016, mainly due to seasonal patterns and the higher activity level. This is an improvement of EUR 15.9 million compared to the same period last year.

Investments amounted to EUR 5.2 million in the first quarter, at a depreciation level of EUR 5.1 million. Investments for the year 2017 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 50.5% at the end of March 2017.

Number of employees

The number of employees (in FTEs) increased by 34 from the end of 2016 to 2,612 (including 120 temporary employees) in the first quarter of 2017. This increase is fully due to the higher activity level in the first quarter compared to the end of last year.

Outlook

The overall outlook for the global economy has improved somewhat during the first quarter of 2017, Kendrion's most important market, Germany, is expected to achieve slight economic growth although the German machine building index remains flat. Kendrion expects its revenue to increase in 2017, driven mostly by growth in the Passenger Cars business unit.

Going forward, we remain confident about our business fundamentals and our main objective 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.

Dividend 2016

In the Annual General Meeting of Shareholders held on 10 April 2017, the dividend over 2016 was approved at EUR 0.78 per share, in cash and/or in stock. The exchange ratio will be based on the weighted average price of Kendrion shares for the period 25, 26, 27 and 28 April and 2 May 2017. Later today, the exchange ratio, the total number of new shares that will be issued as stock dividend on 5 May 2017 and the total number of issued shares as of that date, will be published on our website. Also the cash dividend will be made payable on 5 May 2017.

Analysts' conference call Q1 2017

Kendrion CEO Joep van Beurden and CFO Frank Sonnemans will host a conference call for analysts on Wednesday, 3 May 2017 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.

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, 3 May 2017

The Executive Board

For more information, please contact:

Kendrion N.V.
Mr Joep van Beurden
Chief Executive Officer
Tel: +31 - 30 - 699 72 68
Email: IR@kendrion.com
Website: www.kendrion.com

Annexes

1. Consolidated statement of comprehensive income
2. Consolidated statement of financial position
3. Financial calendar 2017 - 2018

Annex 1 – Consolidated statement of comprehensive income [1]

(EUR million)	Q1 2017	Q1 2016	full year 2016
Revenue	118.3	111.3	443.4
Other income	0.0	0.0	0.1
Total revenue and other income	**118.3**	**111.3**	**443.5**
Changes in inventories of finished goods and work in progress	(2.6)	(0.5)	0.5
Raw materials and subcontracted work	63.4	57.4	230.0
Staff costs	34.7	35.6	132.6
Depreciation and amortisation	5.9	6.0	24.0
Other operating expenses	8.4	8.7	34.7
Result before net finance costs	**8.5**	**4.1**	**21.7**
Finance income	0.0	0.0	0.1
Finance expense	(0.6)	(0.7)	(3.2)
Net finance costs	**(0.6)**	**(0.7)**	**(3.1)**
Profit before income tax	**7.9**	**3.4**	**18.6**
Income tax expense	(1.9)	(0.8)	(3.7)
Profit for the period	**6.0**	**2.6**	**14.9**
Basic earnings per share (EUR), based on weighted average	0.44	0.20	1.12
Diluted earnings per share (EUR)	0.44	0.20	1.12

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

[1] Not adjusted for non-recurring items

KENDRION
WE MAGNETISE THE WORLD

Annex 2 – Consolidated statement of financial position

(EUR million)	31 March 2017	31 March 2016	31 Dec. 2016
Assets			
Non-current assets			
Property, plant and equipment	84.9	80.4	85.5
Intangible assets	123.6	125.5	124.5
Other investments, including derivatives	0.3	0.5	0.4
Deferred tax assets	15.2	15.6	16.0
Total non-current assets	**224.0**	**222.0**	**226.4**
Current assets			
Inventories	57.2	55.6	52.6
Current tax assets	1.0	2.9	1.2
Trade and other receivables	67.6	60.2	54.5
Cash and cash equivalents	13.2	13.3	12.4
Total current assets	**139.0**	**132.0**	**120.7**
Total assets	**363.0**	**354.0**	**347.1**
Equity and liabilities			
Equity			
Share capital	26.8	26.4	26.8
Share premium	56.4	62.7	56.4
Reserves	94.3	77.6	80.0
Retained earnings	6.0	2.6	14.9
Total equity	**183.5**	**169.3**	**178.1**
Liabilities			
Loans and borrowings	67.7	79.4	63.0
Employee benefits	21.3	19.8	21.4
Deferred tax liabilities	10.7	11.1	10.9
Total non-current liabilities	**99.7**	**110.3**	**95.3**
Bank overdraft	3.8	8.1	2.7
Loans and borrowings	0.7	0.6	0.7
Provisions	0.7	0.8	1.2
Current tax liabilities	0.9	1.6	0.7
Trade and other payables	73.7	63.3	68.4
Total current liabilities	**79.8**	**74.4**	**73.7**
Total liabilities	**179.5**	**184.7**	**169.0**
Total equity and liabilities	**363.0**	**354.0**	**347.1**

KENDRION
WE MAGNETISE THE WORLD

Annex 3 - Financial calendar 2017 - 2018

2017

Determination stock dividend exchange ratio	Wednesday, 3 May 2017	
Publication of Q1 2017 results	Wednesday, 3 May 2017	08.00 a.m.
Analysts' call	Wednesday, 3 May 2017	11.00 a.m.
Cash dividend made payable and delivery stock dividend	Friday, 5 May 2017	
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.

2018

Publication of FY 2017 results	Wednesday, 21 February 2018	08.00 a.m.
Analysts' meeting	Wednesday, 21 February 2018	11.00 a.m.
General Meeting of Shareholders	Monday, 9 April 2018	02.30 p.m.
Publication of Q1 2018 results	Wednesday, 9 May 2018	08.00 a.m.
Analysts' call	Wednesday, 9 May 2018	11.00 a.m.
Publication of HY1 2018 results	Wednesday, 15 August 2018	08.00 a.m.
Analysts' meeting	Wednesday, 15 August 2018	11.00 a.m.
Publication of Q3 2018 results	Wednesday, 7 November 2018	08.00 a.m.
Analysts' call	Wednesday, 7 November 2018	11.00 a.m.