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Slight increase in operating profit; clarity concerning possible sale of Kendrion Distribution Services by the end of the year

- Slight increase in operating profit in third quarter with same revenue as in Q3 2007
- Kendrion Electromagnetic achieves satisfactory results considering the market conditions with a 3% increase in operating profit in third quarter
- Operating profit of Kendrion Distribution Services decreases by 9% in the third quarter due to deteriorating market conditions in key home countries
- Net profit for 2008 expected to be comparable to normalised net profit in 2007 (EUR 15.1 million)
- Investigation into the possible sale of Kendrion Distribution Services is in final phase, further details expected by the end of the year

Key figures Kendrion N.V. third quarter and first nine months 2008
(EUR million)

	<u>Q3 2008</u>	<u>Q3 2007¹</u>	<u>Δ</u>
Revenue	131.6	131.5	0%
Operating profit	5.6	5.5	+2%
Net profit	2.6	2.8	-7%
	<u>Through Q3 2008</u>	<u>Through Q3 2007¹</u>	<u>Δ</u>
Revenue	422.3	400.2	+6%
Operating profit	23.8	21.7	+10%
Net profit	12.8	12.2	+5%

¹ Normalised excluding the Automotive Metals activity that was sold in 2007 and including the acquisition of Linnig Antriebstechnik

Kendrion CEO Piet Veenema says in reference to the third-quarter results: "While Kendrion is also experiencing the impact of deteriorating market conditions, we are positive regarding the focus we want to achieve in our activities which also offers opportunities. The investigation into the possible sale of Kendrion Distribution Services has now entered the final phase. We have noted a decelerated purchase of placed orders in certain segments at Kendrion Electromagnetic and lower revenues at Kendrion Distribution Services. As a result, we achieved the same revenue in the third quarter of this year via our current activities as in the third quarter of last year. Organic revenue growth amounted to 6% in the first nine months of 2008."

Developments

Virtually the same level of operating profit was achieved in the third quarter of 2008 as in the comparable period of 2007 (Q3 2008: EUR 5.6 million, Q3 2007: EUR 5.5 million). Normalised net profit decreased slightly despite lower interest charges due to a one-off higher tax charge in the third quarter (36%). Net profit amounted to EUR 2.6 million in the third quarter of 2008 (Q3 2007: +/- EUR 1.2 million, normalised EUR 2.8 million).

Kendrion Electromagnetic realised organic revenue growth of 6% and 11% in the third quarter and first nine months of 2008 respectively. Operating profit of Kendrion Electromagnetic rose by 3%. The *industrial activities* (organic revenue growth of 2%) particularly grew at a slower rate than expected owing to decreasing customer demand in the textile market and energy sector. In contrast, revenue in mechanical engineering increased further in the third quarter of 2008. Despite difficult market conditions, Kendrion Electromagnetic's *automotive activities* increased by 8%, particularly due to new projects.

In view of the uncertain economic outlook for both the fourth quarter of 2008 and the full year 2009, Kendrion Electromagnetic has already begun implementing appropriate cost-saving measures, such as decreasing the number of temporary employees and reducing the number of permanent employees (by a total of 50 on more than 1,400) within specific areas of the organisation. The costs connected with this workforce reduction will be incurred in the fourth quarter of 2008. The organisation is furthermore structured to enable economic fluctuations to be absorbed partially. The positive effect this will have on costs will first become apparent in early 2009.

Kendrion Distribution Services posted an organic revenue decrease of 3% in the third quarter of 2008. Operating profit decreased by 9%. The deteriorated conditions are primarily affecting the Vink Group's *signs & graphics and construction activities*. The Vink Group's *industrial activities* developed positively. In the third quarter of 2008, activity decreased in the Scandinavian countries, which have traditionally been strong countries for the Vink Group. In contrast, the Vink Group achieved growth in the Eastern European countries. As mentioned earlier, a range of measures has been introduced in Germany and France, although it is currently still too early to be able to fully estimate what the effects of these measures will be. Additional measures aimed at further reducing costs have also been implemented within the Vink Group in recent months. These measures will in any event lead to a reduction in the total workforce by at least 30 (on more than 1.100) jobs. In addition, the company will seek to attain further savings in a number of fields including logistical costs.

Servico again realised excellent results in the third quarter. This was due in part to the fact that the replacement demand for hot water equipment remained strong and because the company succeeded in increasing its market share.

Financial position

While working capital decreased in the third quarter with more than EUR 6 million, the balance sheet total increased slightly due to the acquisition of Tri-Tech LLC.

Net investment totalled EUR 8.5 million in the first nine months of 2008 with a depreciation level of EUR 8.7 million.

Solvency amounted to 30% at the end of September 2008.

Kendrion complies well to the bank covenants.

Progress strategy

Kendrion is committed to introducing further focus to its activities based on its strategy of 'Focused Acceleration' that is aimed at the development of Kendrion Electromagnetic. As announced this summer, Kendrion has this year launched an investigation into the possible sale of its Distribution Services activities in order to enable this focus. This is currently in its final phase and Kendrion expects to be able to provide details on the results of the investigation by the end of this year.

Outlook

Economic conditions deteriorated considerably in September and October. Set against this background, it is difficult to make forecasts concerning developments in the short term. In view of the uncertain economic situation in a number of markets in which Kendrion is active, profit in the fourth quarter will be somewhat lower than forecast at the time of issuing the half-year report. Based on the current insights, Kendrion is expected to realise net profit for the full year 2008 (including the costs of the workforce reductions currently being conducted) comparable to the normalised net profit of EUR 15.1 million that was achieved in 2007. The free cash flow is expected to improve in 2008 in comparison to 2007.

Profile of Kendrion N.V.

Kendrion N.V. develops, manufactures, and markets high-quality electromagnetic components and also distributes and processes semi-finished plastics. The company has more than 2,500 employees in 18 countries around the world.

Kendrion's mission is to build on its strong positions of leadership in its selected niche markets in Europe and be a leading international company that leverages its existing know-how, innovative capabilities and commercial strengths to provide effective solutions to its industrial customers. In doing so, Kendrion is committed to remaining a transparent, flexible and reliable company in which entrepreneurial zeal is combined with clear profit targets.

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

Zeist, 4 November 2008

Executive Board of Kendrion N.V.

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Annexes

Consolidated interim condensed financial statements

1. Consolidated income statement
2. Consolidated balance sheet
3. Financial calendar 2008 and 2009

Normalised quarterly figures

The normalised quarterly figures for 2007 that include Linnig Antriebstechnik and exclude Automotive Metals are published on our website. These figures have been used for drafting this press release.

The consolidated income statement provided in Annex 1 has been revised with respect to the first up to and including the third quarter of 2007 as if the Automotive Metals activity that was divested on 21 December 2007 was actually terminated as of 1 January 2007. These figures exclude Linnig Antriebstechnik that was acquired at the end of 2007.

Annex 1 – Consolidated income statement

Consolidated income statement (EUR million)

	Q3 2008 ²	Q3 2007 ^{1,2}	period ended 30-9-2008 ²	period ended 30-9-2007 ^{1,2}	2007
Revenue	131,6	121,4	422,3	371,4	501,0
Other operating income	(0,6)	1,0	4,7	3,2	2,9
	131,0	122,4	427,0	374,6	503,9
Changes in inventories of finished goods and work in progress	(1,1)	0,5	(3,1)	(1,4)	(0,4)
Raw materials and subcontracted work	79,3	77,1	258,8	234,6	313,4
Staff costs	28,0	23,6	88,7	73,8	99,7
Depreciation and amortisation	2,9	2,4	8,7	7,1	10,1
Other operating expenses	16,3	14,3	50,1	43,0	59,3
Result before net finance costs	5,6	4,5	23,8	17,5	21,8
Finance income	0,2	0,1	0,4	0,2	0,4
Finance expense	(1,8)	(1,7)	(5,4)	(4,4)	(6,4)
Net finance costs	(1,6)	(1,6)	(5,0)	(4,2)	(6,0)
Profit before income tax	4,0	2,9	18,8	13,3	15,8
Income tax expense	(1,4)	(4,1)	(6,0)	(7,2)	(2,6)
Profit from continuing operations	2,6	(1,2)	12,8	6,1	13,2
Result on sale of discontinued operations (net of income tax)	-	(0,0)	-	2,1	(9,5)
Profit for the period	2,6	(1,2)	12,8	8,2	3,7
Attributable to:					
Equity holders of the company	2,6	(1,2)	12,7	8,1	3,6
Minority interest	0,0	0,0	0,1	0,1	0,1
Profit for the period	2,6	(1,2)	12,8	8,2	3,7
Basic earnings per share (EUR)	0,25	-0,12	1,25	0,80	0,35
Diluted earnings per share (EUR)	0,25	-0,12	1,25	0,80	0,35
Basic earnings per share continuing operations (EUR)	0,25	-0,12	1,25	0,59	1,27
Diluted earnings per share continuing operations (EUR)	0,25	-0,12	1,25	0,59	1,27

1 = The comparative income statement Q3 2007 + nine months 2007 has been represented as if the at 21 December 2007 discontinued operation Automotive Metals has been discontinued from the start of the comparative period

2 = Quarterly figures unaudited

- Unaudited figures -

Annex 2 – Consolidated balance sheet

Consolidated balance sheet as at:
(EUR million)

	30 Sep. 2008	30 Sep. 2007	31 Dec. 2007
Assets			
Property, plant and equipment	58,8	75,3	57,5
Intangible assets	57,7	15,7	49,2
Other investments, including derivatives	2,9	3,5	3,8
Deferred tax assets	19,6	18,0	21,0
Total non-current assets	139,0	112,5	131,5
Inventories	75,8	84,4	69,2
Current tax assets	0,9	2,0	2,1
Trade and other receivables	96,3	114,7	90,7
Cash and cash equivalents	6,9	3,2	9,6
Total current assets	179,9	204,3	171,6
Total assets	318,9	316,8	303,1
Equity and liabilities			
Equity			
Share capital	20,6	20,6	20,6
Share premium	71,3	75,2	75,2
Reserves	(8,4)	(12,0)	(11,2)
Retained earnings	12,7	8,1	3,6
Total equity attributable to equity holders of the company	96,2	91,9	88,2
Minority interest	0,2	0,2	0,6
Total equity	96,4	92,1	88,8
Liabilities			
Loans and borrowings	96,2	80,2	87,1
Employee benefits	8,0	7,2	7,7
Government grants received in advance	0,1	0,1	0,1
Provisions	4,9	3,0	3,0
Deferred tax liabilities	6,0	3,9	4,9
Total non-current liabilities	115,2	94,4	102,8
Bank overdraft	9,5	22,9	7,5
Loans and borrowings	0,1	0,2	0,2
Current tax liabilities	4,9	3,0	3,8
Trade and other payables	92,8	104,2	100,0
Total current liabilities	107,3	130,3	111,5
Total liabilities	222,5	224,7	214,3
Total equity and liabilities	318,9	316,8	303,1

- Unaudited figures -

Annex 3 – Financial calendar 2008 - 2009

Publication of Q3 2008 results	Tuesday, 4 November 2008	Before start of trading
Publication of 2008 full-year figures	Tuesday, 24 February 2009	Before start of trading
Press conference / analysts' meeting	Tuesday, 24 February 2009	10:00 / 11:30 a.m.
General Meeting of Shareholders	Monday, 6 April 2009	2:30 p.m.
Publication of Q1 2009 results	Tuesday, 5 May 2009	Before start of trading
Publication of H1 2009 results	Tuesday, 25 August 2009	Before start of trading
Press conference / analysts' meeting	Tuesday, 25 August 2009	10:00 / 11:30 a.m.
Publication of Q3 2009 results	Tuesday, 10 November 2009	Before start of trading