KENDRION N.V.

INTERIM REPORT 2019

13 August 2019

Difficult market conditions affect Kendrion. Investment in key growth opportunities continues.

- **Revenue decreases in Q2 2019 by 8% to EUR 109.0 million (Q2 2018: EUR 119.0 million)**
- **Normalised EBITDA in Q2 2019 decreases 27% to EUR 12.7 million (Q2 2018: EUR 17.4 million)**
- **HY1 2019 revenue decrease of 9% to EUR 217.3 million (HY1 2018: EUR 239.6 million)**
- **Normalised EBITDA in HY1 2019 of EUR 25.4 million from EUR 35.1 million in HY1 2018**
- **Normalised EBITDA margin in HY1 2019 of 11.7% from 14.6% in HY1 2018**
- **Normalised net profit of EUR 8.3 million in HY1 2019 (HY1 2018: EUR 15.8 million)**
- **New share buyback programme of max. EUR 10 million reflecting confidence in Kendrion's strategy and future**

Key figures

Reported (in EUR million)	Q2 2019	Q2 2018	delta	HY1 2019	HY1 2018	delta
Revenue	109.0	119.0	-8%	217.3	239.6	-9%
EBITDA	11.1	12.6	-12%	23.8	29.2	-18%
EBITA	5.1	6.8	-25%	11.8	17.6	-33%
Net profit	4.5	4.3	5%	8.8	11.6	-24%
EBITDA as a % of revenue	10.2%	10.6%		11.0%	12.2%	
EBITA as a % of revenue	4.6%	5.7%		5.4%	7.3%	
Return on invested capital (12 months rolling)				7.2%	11.1%	

Normalised (in EUR million)	Q2 2019	Q2 2018	delta	HY1 2019	HY1 2018	delta
Revenue	109.0	119.0	-8%	217.3	239.6	-9%
EBITDA	12.7	17.4	-27%	25.4	35.1	-28%
EBITA	6.7	11.6	-42%	13.4	23.5	-43%
Net profit	4.0	7.7	-48%	8.3	15.8	-47%
EBITDA as a % of revenue	11.7%	14.6%		11.7%	14.6%	
EBITA as a % of revenue	6.1%	9.7%		6.2%	9.8%	
Return on invested capital (12 months rolling)				8.7%	14.4%	
Normalised items (after tax)	(0.5)	3.4		(0.5)	4.2	

Normalised in Q2 2019: EUR 1.6m (EUR 1.2m after tax) claim settlement, EUR 2.0m positive release currency translation reserve and EUR 0.3m income tax expense related to tax audit. Normalised in Q2 2018: EUR 4.8m (EUR 3.4m after tax) restructuring costs

Normalised in HY1 2019: EUR 1.6m (EUR 1.2m after tax) claim settlement, EUR 2.0m positive release currency translation reserve and EUR 0.3m income tax expense related to tax audit. Normalised in HY1 2018: EUR 5.9m (after tax EUR 4.2 million) restructuring costs

- The quarterly and interim results are not audited -

Joep van Beurden, Kendrion CEO:

"*We have had a difficult first half of 2019, as the global automotive market continues to be challenging. Global car production declined by 6.7% compared with the first half of 2018, with weakness in all major markets, and especially China. Industrial markets weakened as well and purchasing managers' indexes around Europe are now pointing towards a contraction in industrial activity. This has had a significant impact on our revenue, which declined by 9% compared with HY1 2018. Automotive revenue decreased by 12% and Industrial by 4%.*

The difficult trading environment inevitably puts our short-term results under pressure. We have simplified and streamlined the organisation, decreased our costs significantly and increased our focus. This enables us to cope with the current headwinds that we expect to continue in the second half of 2019.

We firmly believe in our longer-term prospects and continue to invest in our three focus areas: Automotive and specifically in products relevant to the development of Autonomous, Connected, Electric, Shared vehicles, the so called "ACES", permanent magnet brakes for robotics and in China. We see opportunities for healthy growth in all areas.

In Automotive, we are working on six "Lighthouse Projects", developing products such as a Sensor Cleaning Valve and Control System, AVAS Sound Systems and a Battery Cooling Valve and Control System. In robotics, the next phase of our China production line is on schedule, while in that same China facility, revenue grew by more than 20% compared with the first half of 2018, despite slowing economic growth.

We take a long-term view of the opportunities for both our Automotive and Industrial activities; these opportunities remain intact and we reiterate our long-term financial targets of ROIC of at least 20% and an EBITDA margin of more than 15% by 2023.

Despite the difficult market conditions and short-term economic uncertainty, we face the future with confidence. Today we announce our intention to buy back shares with an aggregate market value equivalent of up to EUR 10 million in order to reduce our issued share capital."

Progress on strategy

Having successfully simplified its organisation over the past three years, Kendrion has significantly improved its position in dealing with market cyclicality and volatility. The Company has built a robust organisation and benefits from a continued strong financial position.

As we are experiencing continued market-related headwinds, Kendrion will maintain its focus on further improving operational effectiveness and containing cost levels. At the same time, we will continue to invest in our three focus areas: Automotive, Brakes for robotics and China.

In Automotive, we are preparing to make maximum use of the opportunities created by the significant disruption that is upon us. As vehicles become ever more Autonomous, Connected, Electric, and Shared, the so-called **"**ACES**"**, we are working on six Lighthouse Projects relevant to the ACES. These are currently focused on Autonomous, which includes developments in Sensor Cleaning Valve and Control System, Active Damping Actuators and positioning sensors for truck automation, and Electric **-** where we are working on a Battery Cooling Valve and Control System, AVAS Sound Systems, and a Clutch for a Mild Hybrid Drivetrain.

The investments for additional capacity in China for permanent magnet brakes for robotics are on track. In China, our pipeline shows significant growth for the coming years and we continue to invest in production equipment, in additional staff, and in training to accelerate local engineering know-how and capabilities.

Financial review

Revenue

Q2 2019

Revenue in the second quarter of 2019 came in at EUR 109.0 million, a decrease of 8% (9% at constant exchange rates) compared with the second quarter of 2018 (EUR 119.0 million). Revenue decreased by 3% (3% at constant exchange rates) in Industrial activities and by 11% (12% at constant exchange rates) in Automotive.

HY1 2019

Overall revenue for the first half of 2019 decreased by 9% (10% at constant exchange rates) to EUR 217.3 million (HY1 2018: EUR 239.6 million). Revenue for our Industrial activities in the first half of 2019 came in at EUR 82.1 million, a decrease of 4% (4% at constant exchange rates) compared with the same period last year (HY1 2018: EUR 85.6 million). In Automotive, revenue for the first half of 2019 amounted to EUR 135.2 million, a decrease of 12% (13% at constant exchange rates) compared with the same period last year (HY1 2018: EUR 154.0 million).

Results

Q2 2019

The normalised operating result before depreciation and amortisation (EBITDA) decreased by 27% to EUR 12.7 million (normalised Q2 2018: EUR 17.4 million). The lower profitability was the result of lower sales volumes in both Industrial and Automotive. Lower cost levels in Automotive as a result of last year's simplification measures only partly offset the lower volumes. In Industrial, the quarterly results were negatively impacted by lower production activities aimed at reducing levels of finished inventory. The EBITDA margin decreased from 14.6% in Q2 2018 to 11.7% in Q2 2019.

HY1 2019

Normalised EBITDA in HY1 2019 decreased by 28% to EUR 25.4 million (HY1 2018: EUR 35.1 million). The normalised EBITDA margin was 11.7% (HY1 2018: 14.6%).

Normalised EBITDA for the Industrial activities decreased to EUR 10.8 million from EUR 14.3 million in the same period last year.

The Automotive activities posted normalised EBITDA of EUR 14.6 million compared with EUR 20.8 million in HY1 2018.

The added value margin remained stable at 47.2%. Despite wage inflation, total staff costs in HY1 2019 decreased by 4% to EUR 63.0 million (HY1 2018: EUR 65.6 million) due to cost saving measures initiated in 2018 and adjustments of capacity to the lower volumes. Operating expenses were EUR 1.7 million higher than last year at EUR 14.2 million and depreciation charges increased by EUR 0.4 million to EUR 12.0 million following last year's investment programme.

Normalised net finance costs of EUR 1.2 million in the first six months of 2019 were lower than in the same period last year (HY1 2018: EUR 1.5 million) due to more favourable conditions in the new credit facility.

Normalised income tax expenses for HY1 2019 was EUR 2.8 million (HY1 2018: EUR 5.0 million). The normalised effective tax rate in the first six months of 2019 was 25.6% (HY1 2018: 23.9%).

Normalised net profit in HY1 2019 was EUR 8.3 million (HY1 2018: EUR 15.8 million). Normalised earnings per share amounted to EUR 0.62 (HY1 2018: EUR 1.18). Basic reported earnings per share amounted to EUR 0.66 (HY1 2018: EUR 0.87).

Financial position
The net debt position was EUR 96.2 million at the end of the second quarter, which is a EUR 8.6 million increase compared with the end of Q1. The net debt increase was partly due to the cash dividend payment of EUR 8.1 million and the share buyback programme that resulted in a cash outflow of EUR 2.0 million in Q2. The net debt position at the end of the second quarter included IFRS 16 liabilities in an amount of EUR 14.8 million.

Normalised free cash flow came in at EUR 2.7 million negative in the first half year (HY1 2018: EUR 4.3 million). Free cash flow in Q2 was positive at EUR 3.3 million. Kendrion's efforts to reduce inventory levels, which had increased since the second half of 2018, started to bear fruit with a EUR 3.5 million reduction in the second quarter. Cash flow and reducing working capital will remain a focus point for the remainder of the year.

Capital expenditure totalled EUR 10.2 million in the first half of 2019, below the depreciation level of EUR 12.0 million. Investments for the full year 2019 are anticipated to be in line with the depreciation level as a result of strict capex control with respect to non-project related investments.

Kendrion's financial position is strong; the solvency ratio stood at 46.9% at the end of June 2019.

Number of employees

The number of employees (FTEs) at the end of the second quarter was 2,473, including 121 temporary employees (Q1 2019: 2,450 employees, including 94 temporary employees).

Operational performance

Industrial activities
The Industrial activities consist of Industrial Magnetic Systems, Industrial Control Systems and Industrial Drive Systems.

Industrial activities, which accounted for 38% of Kendrion's revenue, experienced a decrease in revenue in the second quarter. The sector came seemed to be under increased pressure as the German machine building market weakened. Revenue for the first half of 2019 came in at EUR 82.1 million, a decrease of 4% compared with the same period last year (HY1 2018: EUR 85.6 million).

ICS experienced a setback in the second quarter, which was largely caused by a postponed start of two new projects in their flow control activities. ICS saw its profitability decline due to the lower revenue, while its profitability remained at a good level in absolute terms. Although revenue decreases in IMS and IDS were more modest, both these business units also experienced a decrease in profitability. IDS profitability was affected by significant growth investments both in Germany and China. Both IMS and IDS substantially reduced production to decrease inventory levels.

Industrial's normalised EBITDA margin for HY1 2019 was 13.1%, compared with 16.7% in HY1 2018.

ICS has almost finalised the insourcing of valves for a whole range of fluid control products from a third-party vendor in Italy, which will reduce third-party dependency and is anticipated to generate significant annual savings starting in 2020.

Automotive activities
Up to and including 2018, the Automotive activities consisted of two business units: Passenger Cars and Commercial Vehicles. As of 1 January 2019, both business units and the central corporate function have been combined into a centralised functional Automotive organisation.

Automotive activities, which accounted for 62% of Kendrion's revenue, were significantly impacted by the continued weak trading environment because of declining car sales around the world. This affected almost all players in the global automotive supply chain, including our leading major automotive customers. Revenue for the first half of 2019 came in at EUR 135.2 million, a decrease of 12% compared with the same period last year (HY1 2018: 154.0 million).

The normalised EBITDA margin was 10.8%, down from 13.5% in HY1 2018.

Automotive staff costs decreased by 8% due to restructuring measures initiated last year and adjustments of capacity to the lower volumes. Total costs including other operating expenses and depreciation charges decreased by 4% compared with last year.

The transition to the new Automotive organisation is well on track. The manufacturing plants managed by the COO have initiated various efficiency improvement programmes. The Automotive commercial organisation is generating traction as we received an increasing number of RFQs in our strategic focus areas. New project wins include a park lock application in China, a new active damping project in Europe and hydraulic solenoids for agricultural machines in the U.S.

Alternative Performance Measures (APM) adjustments to EBIT(D)A and net profit

In Automotive, an amount of EUR 1.6 million (EUR 1.2 million after tax) related to an out-of-court settlement of an alleged breach of contract claim from a supplier has been normalised in the results and is adjusted in EBITDA. The tax provision related to the German tax audits was increased by EUR 0.3 million following the closing meeting with the tax authorities in Northern Germany, which is adjusted in net profit. A positive currency result of EUR 2.0 million related to the release of the cumulative currency translation reserve, following the liquidation of legal entities in China and Switzerland, was normalised in the result and adjusted in net profit. For a full reconciliation see page 12.

Outlook

The outlook for the automotive industry continues to be weak. The industrial markets showed modest softening in the first few months of the year and came under more pressure as the year advanced. Leading manufacturing indicators now indicate a contraction in activity.

We have streamlined the organisation, brought cost levels down and have a strong financial position. This enables us to cope with the current headwinds that we expect to continue in the second half of 2019.

For the medium and long term, we remain positive about our business fundamentals, with our main objective being to deliver sustainable profitable growth. We reiterate our medium-term targets of ROIC of at least 20% and an EBITDA margin of more than 15% by 2023.

Post-balance sheet events

Kendrion has decided to launch a new share buyback programme, repurchasing up to an amount of EUR 10 million or 625,000 ordinary shares reflecting confidence in its strategy and future. The programme will start on 13 August 2019 and end on 31 December 2019 at the latest. The shares will be cancelled upon purchase.

The share buyback programme initiated on 13 May 2019 to neutralise the effect of the stock dividend was completed on 17 July 2019. The new buyback programme is in addition to the Company's stated policy to pay an annual dividend to shareholders in the range of 35% to 50% of the annual profit.

Audio webcast interim results 2019

Kendrion CEO Joep van Beurden and CFO Jeroen Hemmen will present the interim results on Tuesday, 13 August 2019 at 1:00 p.m. A live audio webcast will be available on www.kendrion.com with playback functionalities.

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.

Declaration of the Board

The Executive Board declares that, with due regard for what has been described in this report, to its knowledge, (i) the semi-annual financial statements give a true and fair view of the assets, liabilities, financial position and profits of Kendrion N.V. and the companies jointly included in the consolidation, and (ii) the semi-annual report gives a true and fair overview of the information required pursuant to Article 5 25d sub 8 and 9 of the Netherlands Financial Supervision Act.

Amsterdam, 13 August 2019

The Executive Board

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Annexes

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Annex 1 – Financial calendar 2019 - 2020

2019

Publication of Q3 2019 results	Tuesday, 5 November 2019	07.30 a.m.
Analysts' call	Tuesday, 5 November 2019	11.00 a.m.

2020

Publication of FY 2019 results	Tuesday, 18 February 2020	07.30 a.m.
Analysts' meeting	Tuesday, 18 February 2020	11.00 a.m.
General Meeting of Shareholders	Monday, 6 April 2020	02.30 p.m.
Publication of Q1 2020 results	Tuesday, 5 May 2020	07.30 a.m.
Analysts' call	Tuesday, 5 May 2020	11.00 a.m.
Publication of HY1 2020 results	Tuesday, 18 August 2020	07.30 a.m.
Analysts' meeting	Tuesday, 18 August 2020	11.00 a.m.
Publication of Q3 2020 results	Tuesday, 3 November 2020	07.30 a.m.
Analysts' call	Tuesday, 3 November 2020	11.00 a.m.

ANNEX 2

KENDRION N.V.

SEMI-ANNUAL FINANCIAL STATEMENTS 2019 (UNAUDITED)

Annex 2.1 – Consolidated statement of comprehensive income *

(EUR million)	Q2 2019	Q2 2018	half year 2019	half year 2018	full year 2018
Revenue	109.0	119.0	217.3	239.6	448.6
Other income	-	0.0	-	0.0	0.1
Total revenue and other income	**109.0**	**119.0**	**217.3**	**239.6**	**448.7**
Changes in inventories of finished goods and work in progress	1.7	(0.8)	0.1	(0.2)	(0.2)
Raw materials and subcontracted work	56.4	63.6	114.6	126.6	237.0
Staff costs	31.1	37.4	63.0	71.5	134.3
Depreciation and amortisation	6.6	6.4	13.1	12.8	25.4
Other operating expenses	8.7	6.2	15.8	12.5	27.9
Result before net finance costs	**4.5**	**6.2**	**10.7**	**16.4**	**24.3**
Finance income	2.1	0.0	2.1	0.0	0.2
Finance expense	(0.9)	(0.8)	(1.3)	(1.5)	(3.3)
Share profit or loss of an associate	-	-	-	-	(0.1)
Profit before income tax	**5.7**	**5.4**	**11.5**	**14.9**	**21.1**
Income tax expense	(1.2)	(1.1)	(2.7)	(3.3)	(7.3)
Profit for the period	**4.5**	**4.3**	**8.8**	**11.6**	**13.8**
Other comprehensive income					
Remeasurements of defined benefit plans[1]			-	-	(0.4)
Foreign currency translation differences for foreign operations[2]			(1.6)	1.3	2.1
Net change in fair value of cash flow hedges, net of income tax[2]			0.1	(0.7)	(0.7)
Other comprehensive income for the period, net of income tax			**(1.5)**	**0.6**	**1.0**
Total comprehensive income for the period			**7.3**	**12.2**	**14.8**
Basic earnings per share (EUR), based on weighted average	0.33	0.32	0.66	0.87	1.03
Basic earnings per share (EUR), based on weighted average (diluted)	0.33	0.32	0.66	0.87	1.03

[1] This item will never be reclassified to profit or loss.
[2] These items may be reclassified to profit or loss.

* Not adjusted for non-recurring items

Annex 2.2 – Consolidated statement of financial position

(EUR million)	30 June 2019	30 June 2018	31 Dec. 2018
Assets			
Non-current assets			
Property, plant and equipment	113.1	107.8	113.6
Intangible assets	116.0	117.2	116.1
Other investments	3.0	0.1	3.1
Deferred tax assets	13.3	11.9	13.2
Contract costs	0.3	0.4	0.4
Total non-current assets	**245.7**	**237.4**	**246.4**
Current assets			
Inventories	63.9	60.5	63.5
Current tax assets	1.3	1.1	1.0
Trade and other receivables	63.0	68.5	54.2
Cash and cash equivalents	8.6	13.9	10.2
Total current assets	**136.8**	**144.0**	**128.9**
Total assets	**382.5**	**381.4**	**375.3**
Equity and liabilities			
Equity			
Share capital	27.2	27.1	27.1
Share premium	28.1	39.8	39.8
Reserves	115.3	101.2	101.4
Retained earnings	8.8	11.6	13.8
Total equity	**179.4**	**179.7**	**182.1**
Liabilities			
Loans and borrowings	88.6	77.3	78.5
Employee benefits	18.5	18.9	19.2
Deferred tax liabilities	10.1	8.6	10.2
Total non-current liabilities	**117.2**	**104.8**	**107.9**
Bank overdraft	10.6	12.7	9.3
Loans and borrowings	5.6	2.6	2.9
Provisions	5.2	4.9	4.1
Current tax liabilities	1.1	2.5	1.6
Contract costs	6.1	8.2	8.2
Trade and other payables	57.3	66.0	59.2
Total current liabilities	**85.9**	**96.9**	**85.3**
Total liabilities	**203.1**	**201.7**	**193.2**
Total equity and liabilities	**382.5**	**381.4**	**375.3**

Annex 2.3 – Consolidated statement of cash flows

(EUR million)	half year 2019	half year 2018	full year 2018
Cash flows from operating activities			
Profit for the period	8.8	11.6	13.8
Adjustments for:			
Net finance costs	(0.8)	1.5	3.1
Share profit or loss of an associate	-	-	0.1
Income tax expense	2.7	3.3	7.3
Depreciation of property, plant and equipment and software	12.0	11.6	23.1
Amortisation of other intangible assets	1.1	1.2	2.3
Impairment of fixed assets	-	0.0	0.7
Share-based payments	(0.0)	0.2	0.2
	23.8	**29.4**	**50.6**
Change in trade and other receivables	(8.5)	(10.6)	3.6
Change in inventories	(0.4)	(3.0)	(6.0)
Change in trade and other payables	(2.0)	1.0	(5.6)
Change in provisions	0.2	4.0	0.8
Change in contract liabilities	(2.1)	(0.3)	(0.3)
	11.0	**20.5**	**43.1**
Interest paid	(1.0)	(1.2)	(2.4)
Interest received	0.0	0.0	0.2
Tax paid	(3.5)	(1.7)	(4.2)
Net cash flows from operating activities	**6.5**	**17.6**	**36.7**
Cash flows from investing activities			
Acquisition of equity-accounted investee	-	-	(2.6)
Investments in property, plant and equipment	(7.8)	(11.9)	(28.1)
Disinvestments of property, plant and equipment	0.1	0.2	0.7
Investments in intangible fixed assets	(2.5)	(1.6)	(3.3)
Disinvestments of intangible fixed assets	0.0	0.0	0.0
(Dis)investments of other investments	0.0	0.0	(0.7)
Net cash from investing activities	**(10.2)**	**(13.3)**	**(34.0)**
Free cash flow	**(3.7)**	**4.3**	**2.7**
Cash flows from financing activities			
Payment of lease liabilities	(1.2)	(1.1)	(2.1)
Proceeds from borrowings (non current)	9.3	14.5	17.0
Proceeds from borrowings (current)	2.7	0.0	0.0
Proceeds from the issue of share capital	0.0	0.0	0.0
Own shares bought	(2.0)	(6.6)	(6.6)
Dividends paid	(8.1)	(5.8)	(5.8)
Net cash from financing activities	**0.7**	**1.0**	**2.5**
Change in cash and cash equivalents	(3.0)	5.3	5.2
Cash and cash equivalents at 1 January	0.9	(4.1)	(4.1)
Effect of exchange rate fluctuations on cash held	0.1	0.0	(0.2)
Cash and cash equivalents at end of period	(2.0)	1.2	0.9

Annex 2.4 – 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 2018	**27.0**	**49.6**	**4.0**	**0.3**	**(4.5)**	**83.7**	**19.5**	**179.6**
Total comprehensive income for the period								
Profit or loss	-	-	-	-	-	-	13.8	13.8
Other comprehensive income								
Remeasurements of defined benefit plans	-	-	-	-	-	(0.4)	-	(0.4)
Foreign currency translation differences for foreign operations	-	-	2.1	-	-	-	-	2.1
Net change in fair value of cash flow hedges, net of income tax	-	-	-	(0.7)	-	-	-	(0.7)
Other comprehensive income for the period, net of income tax	-	-	2.1	(0.7)	-	(0.4)	-	1.0
Total comprehensive income for the period	**-**	**-**	**2.1**	**(0.7)**	**-**	**(0.4)**	**13.8**	**14.8**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of ordinary shares	0.1	1.6	-	-	-	-	-	1.7
Own shares sold	-	-	-	-	4.5	(0.5)	-	4.0
Own shares repurchased	-	-	-	-	(6.6)	-	-	(6.6)
Share-based payment transactions	0.0	0.2	-	-	-	0.0	-	0.2
Dividends to equity holders	-	(11.6)	-	-	-	-	-	(11.6)
Appropriation of retained earnings	-	-	-	-	-	19.5	(19.5)	-
Balance at 31 December 2018	**27.1**	**39.8**	**6.1**	**(0.4)**	**(6.6)**	**102.3**	**13.8**	**182.1**

(EUR million)	Share capital	Share premium	Translation reserve	Hedge reserve	Reserve for own shares	Other reserves	Retained earnings	Total equity
Balance at 1 January 2019	**27.1**	**39.8**	**6.1**	**(0.4)**	**(6.6)**	**102.3**	**13.8**	**182.1**
Total comprehensive income for the period								
Profit or loss	-	-	-	-	-	-	8.8	8.8
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	(1.6)	-	-	-	-	(1.6)
Net change in fair value of cash flow hedges, net of income tax	-	-	-	0.1	-	-	-	0.1
Other comprehensive income for the period, net of income tax	-	-	(1.6)	0.1	-	-	-	(1.5)
Total comprehensive income for the period	**-**	**-**	**(1.6)**	**0.1**	**-**	**-**	**8.8**	**7.3**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Own shares sold	-	-	-	-	5.9	(2.3)	-	3.6
Own shares repurchased	-	-	-	-	(2.0)	-	-	(2.0)
Share-based payment transactions	0.1	0.0	-	-	-	(0.0)	-	0.1
Dividends to equity holders	-	(11.7)	-	-	-	-	-	(11.7)
Appropriation of retained earnings	-	-	-	-	-	13.8	(13.8)	-
Balance at 30 June 2019	**27.2**	**28.1**	**4.5**	**(0.3)**	**(2.7)**	**113.8**	**8.8**	**179.4**

Annex 2.5 – Reconciliation of normalised to reported 2019 figures

(x EUR 1 million)	HY1 2019	HY1 2018
Reported result before net finance costs	10.7	16.4
Reported amortisation	1.1	1.2
Reported operating result before amortisation (EBITA)	**11.8**	**17.6**
One-off costs related to simplifying measures in staff costs	-	5.9
One-off costs related to simplifying measures in other operating expenses	-	0.0
One-off costs related to claim settlement in other operating expenses	1.6	-
Normalised EBITA	**13.4**	**23.5**
Reported amortisation	(1.1)	(1.2)
Reported net finance costs	0.8	(1.5)
One-off gains related to release of currency translation reserve	(2.0)	-
Normalised profit before income tax	**11.1**	**20.8**
Reported income tax expense	(2.7)	(3.3)
One-off costs related to tax audits in income tax expense	0.3	-
Impact one-off costs on income tax expense	(0.4)	(1.7)
Normalised profit for the period	**8.3**	**15.8**

Annex 2.6 – Risks and risk management

Pages 51 to 59 of Kendrion N.V.'s 2018 Annual Report include a review of the risks faced by the company in conducting its business operations.

Kendrion's approach to the company's risk management is categorised into the following groups:
- Strategic & Business Risk Management;
- Operational Risk Management;
- Financial Reporting Risk Management;
- Compliance & Fraud Risk Management;
- IT & Systems Risk Management

In the 2018 Annual Report, the following risks were identified as the most important risks:
- Pressure from large customers and customer dependency;
- Increased competition;
- Future product portfolio, including impact of megatrends;
- Technological substitution;
- Attraction and retention of qualified staff;
- Non-performing Information Systems and cyber security.

In the course of HY2 2019 Kendrion will update its strategic and business risk assessment.

Annex 2.7 – Notes to the interim financial statements

1. Reporting entity

Kendrion N.V. (the "Company") has its registered office in Zeist, the Netherlands. The Company's interim financial statements for the first six months of 2019 covers the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in associates.

The Group's 2018 Annual Report is available on request from the Company's registered office or on www.kendrion.com.

2. Declaration of Conformity

These interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34, Interim Financial Reporting. The interim report does not contain all the information required for annual financial statements and should be read in conjunction with the Group's 2018 consolidated financial statements.

These interim financial statements are authorised for issue by the Executive Board and the Supervisory Board on 12 August 2019.

3. Accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

4. Estimates

The preparation of the interim reports requires the Executive Board to make judgements, estimates and assumptions that affect the application of accounting principles, the reported value of assets and liabilities, and the size of the Group's income and expenditure. Note that the actual results may differ from these estimates.

Unless otherwise specified below, in the preparation of these interim financial statements, important opinions formed by management in applying the Group's accounting principles, and the main sources of estimation used are equal to the opinions and sources used in preparing the consolidated financial statements for the financial year 2018.

5. Financial risk management

The Group's objectives and policy relating to financial risk management are identical to the objectives and policy disclosed in the 2018 consolidated financial statements of the Group.

6. Segment reporting

Based on the structure of the Group and the criteria of IFRS 8-Operating segments Kendrion has concluded that the business units are the operating segments within the Group. Based on the aggregation criteria of IFRS 8, these operating segments have been aggregated into two reportable segments: the Industrial activities and the Automotive activities.

(x EUR 1 million unless otherwise stated)	Industrial HY1 2019	Industrial HY1 2018	Automotive HY1 2019	Automotive HY1 2018	Consolidated HY1 2019	Consolidated HY1 2018
Revenue from transactions with third parties	82,1	85,6	135,2	154,0	217,3	239,6
Inter-segment revenue	0,0	0,0	0,1	0,2	0,1	0,2
EBITDA	10,8	14,1	13,1	15,1	23,9	29,2
EBITDA as a % of revenue	13,1%	16,5%	9,7%	9,8%	11,0%	12,2%
EBITA	7,5	11,2	4,3	6,4	11,8	17,6
EBITA as a % of revenue	9,1%	13,1%	3,2%	4,2%	5,4%	7,3%
EBITDA[1]	10,8	14,3	14,6	20,8	25,4	35,1
EBITDA as a % of revenue[1]	13,1%	16,7%	10,8%	13,5%	11,7%	14,6%
EBITA[1]	7,5	11,4	5,9	12,1	13,4	23,5
EBITA as a % of revenue[1]	9,1%	13,3%	4,4%	7,9%	6,2%	9,8%
Reportable segment assets	140,1	134,7	242,4	246,7	382,5	381,4
Reportable segment employees (FTE)	945	931	1.528	1.665	2.473	2.596

[1] Normalised for non-recurring costs of EUR 1.6 million for HY1 2019 and of EUR 5.9 million for HY1 2018.

7. Seasonality of business operations

Kendrion is not significantly affected by seasonal trends. In general, however, there are fewer working days in the second half of the year due to the summer holiday periods in the third quarter and the bank holidays in December.

8. Main currencies

The table below shows the main exchange rates during the first half of 2019:

Value of EUR	At 30 June 2019	At 31 December 2018	Average over HY1 2019
Pound sterling	0,8966	0,8945	0,8759
Czech koruna	25,4472	25,7241	25,6865
Chinese yuan	7,8185	7,8751	7,6873
US dollar	1,1380	1,1450	1,1333
Romanian lei	4,7343	4,6635	4,7329
Swedish krona	10,5633	10,2548	10,4765

9. Property, plant and equipment

Capital commitments

As at 30 June 2019, the Group had agreements outstanding for the acquisition of property, plant and equipment in the amount of EUR 3.4 million (versus EUR 8.8 million as at 30 June 2018).

10. Impairment

During the first half of 2019, as well as in previous periods, Kendrion assessed whether there were indications during this period for impairments adjusting goodwill or other key assets, and the conclusion was that there was no need for impairment.

11. Deferred tax assets

As at 30 June 2019, deferred tax assets amounted to EUR 13.3 million, of which a total of EUR 4.7 million relates to the valuation of tax losses carried forward and can be specified as follows:

Germany	EUR 3.0 million
United States of America	EUR 1.2 million
The Netherlands	EUR 0.5 million

12. Equity

In May 2019, the optional dividend of EUR 0.87 per share was paid to shareholders. A total cash dividend was paid of EUR 8.1 million, and a total of 159,923 shares were issued. Because of the share buyback programme that was announced on 7 May 2019 111,033 ordinary shares were repurchased.

The table below shows the number of outstanding shares as at 30 June 2019.

	Shares entitled to dividend	Shares owned by Kendrion	Total number of issued shares
At 1 January 2019	13.396.013	178.852	13.574.865
Issued shares (share dividend)	159.923	(159.923)	-
Issued registered shares (share plan)	1.599	-	1.599
Delivered shares	162	(162)	-
Repurchased shares	(111.033)	111.033	-
At 30 June 2019	13.446.664	129.800	13.576.464

13. Loans and borrowings

As at 30 June 2019, the Group had the following credit lines available:

- EUR 150.0 million revolving Credit Facility with a syndicate of three banks consisting of HSBC, Deutsche Bank and ING Bank. The Credit Facility is committed until 27 July 2023 and includes an option (accordion option) to increase the facility with a maximum of EUR 75.0 million and the possibility to attract additional alternative sources of debt funding;
- EUR 14.8 million in leases for various buildings, equipment and vehicles;
- EUR 2.7 million mortgage loan for the premises of the Kuhnke facilities in Malente, Germany. The loan ultimately matures in 2022;
- EUR 0.1 million in subsidised term loans with final maturity in 2019;
- EUR 3.6 million in other overdraft facilities.

As at 30 June 2019, the total unutilised amount of the credit facilities was approximately EUR 67 million.

Pursuant to the terms of the credit facility with the banking syndicate, the Group has agreed to a financial covenant relating to the leverage ratio (interest-bearing debt / EBITDA). In accordance with this covenant, the leverage ratio should remain below 3.0, which can under certain circumstances be temporarily increased to a maximum of 3.5. This covenant is tested quarterly on a 12-month rolling basis. The covenant ratio was satisfied at 30 June 2019.

Security provided

The Group has provided a mortgage on its premises in Malente, Germany for a EUR 2.7 million loan. No security is provided in relation to the EUR 150 million revolving Credit facility.

14. Taxes

The tax expense for the first six months was EUR 2.7 million, equivalent to a 24% effective tax rate.

15. Financial instruments

As at 30 June 2019 the value of the derivative instruments in the balance sheet is a EUR 0.2 million liability (31 December 2018: EUR 0.5 million liability).

There have been no material changes since the end of 2018 in terms of sensitivity to market risks (i.e. currency, interest and price).

16. Commitments, contingent assets and contingent liabilities

Other than the payment of a settlement amount to a component supplier that initiated legal proceedings against Kendrion, there have been no material changes since the end of 2018 regarding the contingent liabilities as per note 19 of the Group’s Annual Report for the financial year 2018.

17. Related parties

For the definition of "related parties", please refer to note 28 of the Group's Annual Report for the financial year 2018.