KENDRION N.V.

INTERIM REPORT 2022

24 August 2022

Kendrion revenue growth continues under challenging trading conditions

- **HY1 2022 revenue of EUR 256.8 million, an increase of 9% compared with EUR 234.6 million in HY1 2021**
- **Q2 2022 revenue of EUR 126.9 million, 6% higher than the EUR 119.3 million of Q2 2021**
- **Normalized HY1 2022 EBITDA of EUR 30.5 million, 4% lower than HY1 2021 (EUR 31.9 million)**
- **Normalized Q2 2022 EBITDA of EUR 13.7 million (Q2 2021: EUR 15.8 million)**
- **Stable value-added margin despite higher raw material costs**
- **Excellent Industrial performance with 22% revenue growth and 28% higher EBITDA**
- **Automotive production successfully relocated from Eibiswald facility to Sibiu and Villingen**
- **Construction of new manufacturing facility in Suzhou Industrial Park on schedule to open in Q1 2023**
- **Investment in production capacity, and in software and electronics development capabilities continue as the push towards cleaner energy drives future growth opportunities**
- **Healthy financial position with a leverage ratio of 2.6 despite significant capital investments**

Key figures

Reported (in EUR million)	Q2 2022	Q2 2021	delta	HY1 2022	HY1 2021	delta
Revenue	126.9	119.3	6%	256.8	234.6	9%
EBITDA	13.4	15.7	-15%	28.1	32.0	-12%
EBITA	7.6	9.7	-22%	16.9	19.7	-14%
Net profit	3.7	5.4	-31%	8.8	11.3	-22%
EBITDA as a % of revenue	10.6%	13.2%		10.9%	13.6%	
EBITA as a % of revenue	6.0%	8.2%		6.6%	8.4%	
Return on invested capital[1] (12 months rolling)				11.4%	14.0%	

Normalized (in EUR million)[2]	Q2 2022	Q2 2021	delta	HY1 2022	HY1 2021	delta
Revenue	126.9	119.3	6%	256.8	234.6	9%
EBITDA	13.7	15.8	-13%	30.5	31.9	-4%
EBITA	7.9	9.8	-19%	19.3	19.6	-2%
Net profit before amortization	5.3	6.1	-13%	12.9	12.5	3%
EBITDA as a % of revenue	10.8%	13.3%		11.9%	13.6%	
EBITA as a % of revenue	6.2%	8.2%		7.5%	8.4%	
Return on invested capital[1] (12 months rolling)				14.7%	15.5%	

[1] Invested capital excluding intangibles arising from acquisitions.

[2] Normalized for one-off costs and benefits. The bridge from reported to normalized figures can be found on page 12.

Joep van Beurden, Kendrion CEO:

"We had a solid first half-year, facing difficult market conditions including inflation, geopolitical uncertainty, supply chain and order volatility, and restrictive COVID measures in China. Revenue increased by 9%, despite the loss of approximately 6 weeks of production in China. We achieved a healthy EBITDA margin of 11.9%.

Our industrial business continues to perform well due to a strong demand for products supporting the transition towards cleaner energy. Industrial Brakes grew by 19% compared to the first half of 2021, despite the COVID-related production shutdown in China. The accelerating transition towards electrification continues to push the demand for industrial brakes in all segments and across all regions. Industrial Actuators and Controls grew by 25% or by 13% excluding 3T. Underlying demand is strong across most segments and the demand for new products such as rotary locks for industrial washing machines and inductive heating for industrial baking is increasing.

Within Automotive, trading continues to be difficult, due to high demand swings combined with lower volumes, semiconductor shortages and raw material price increases. We successfully protected our value-added margin and completed the relocation of our Eibiswald production lines to Sibiu and Villingen. In China, the construction of our new manufacturing facility at the Suzhou Industrial Park is progressing well, and we expect the site to become operational during the first quarter of 2023.

The market for products supporting the global push towards electrification and cleaner energy is strong. We therefore continue to invest in products, capabilities, and production capacity to make full use of this opportunity. In Industrial and China, we are growing our R&D team and expanding our production capacity to support further organic growth. In Automotive we are investing in additional software and electronics development capabilities to support our product pipeline. At our Capital Markets Day on 8 September in Amsterdam we will elaborate on the opportunities related to these investments.

While we believe that the economic environment will remain unpredictable for the foreseeable future, we reiterate our medium-term financial targets: 5% organic growth between 2019 and 2025, an EBITDA of at least 15% in 2025, and an ROIC of at least 25% in 2025."

Progress on strategy

Our development decisions and acquisitions over the years have transformed Kendrion into a global and innovative company focused on actuator products that support the transition towards cleaner energy. We operate in three Business Groups: Industrial Brakes (IB), Industrial Actuators and Controls (IAC) and Automotive Group (AG). While the Automotive Group and Industrial Brakes, and our Chinese market, focus on organic growth, the emphasis of Industrial Actuators and Controls lies on profitability and cash generation.

With the ongoing Russia-Ukraine conflict, strict lockdowns in China, and rising inflation, market unpredictability and volatility dominated the economic environment. The strong performance of our Industrial Groups offset the challenges we faced in Automotive. The China lockdowns have not further impacted the construction of our 28,000 m² manufacturing facility in Suzhou's renowned Industrial Park. We expect to start production in the new facility in the first quarter of 2023.

Despite the economic uncertainties, we continue to see organic growth opportunities in all three Business Groups as the global energy transition continues to accelerate. Going forward, we will proceed with our investments in developing products that leverage the push to clean energy and ACES while protecting our added-value margin. This will support us on our path to achieving our medium-term financial targets of 5% organic growth between 2019 and 2025, an EBITDA of at least 15% in 2025, and an ROIC of at least 25% in 2025.

Financial review

Revenue

Q2 2022

Revenue in Q2 2022 came in at EUR 126.9 million, up 6% compared to the second quarter of last year (EUR 119.3 million). Organic revenue at constant rates of exchange increased by 2%. As in the first quarter, price increases affected nominal growth and added 6% to the consolidated revenue. The China COVID lockdowns in April and May 2022 affected economic activity in the Shanghai area and had an estimated negative effect of 3% on Group revenue.

Revenue growth was driven entirely by the Industrial Business Groups. Revenue in IB continued its strong growth and increased by 15%, despite the negative revenue impact of the China lockdowns. IAC revenue increased by 17% on a nominal basis, or by 5% when excluding 3T.

The difficult market circumstances impacted our Automotive Group, as global car production in Q2 was slightly below that in Q1 2022. Semiconductor shortages and China lockdowns affected global output. Automotive revenue decreased by 3% compared with Q2 2021 and increased slightly compared with the first quarter of the year.

HY1 2022

Revenue for the first half of 2022 came in at EUR 256.8 million, an increase of 9% compared with the previous year. The revenue growth at constant rates of exchange, excluding the contribution of 3T was 5%.

IB realized 19% growth in the first half year with revenue coming in at EUR 73.7 million (HY1 2021: EUR 61.9 million). Of the three Business Groups, IB was most affected by the Shanghai lockdowns, reducing half year revenue by an estimated 3%. However, this was more than offset by strong growth in Europe and the US where demand for automation and electrification solutions continues to increase across industries. Revenue in IAC increased by 25% to EUR 62.4 million (HY1 2021: EUR 49.7 million). IAC revenue grew by 13% when excluding the contribution from 3T.

Revenue in Automotive in the first six months came in at EUR 120.7 million, 2% lower than the EUR 123.0 million revenue realized in the first six months of 2021. Automotive industry production levels have been under pressure due to supply shortages and most predominantly a shortage in semiconductors. According to IHS Markit global car production fell by 2% in the first six months, with production in Europe, Kendrion's most important market, 12% lower than in the first half year of 2021.

Results

Q2 2022

Normalized operating result before depreciation and amortization (EBITDA) came in at EUR 13.7 million, compared with EUR 15.8 million in the second quarter of the previous year. EBITDA as a percentage of revenue ended at 10.8%, compared with 13.3% in Q2 2021.

Despite the inflationary environment, we were able to protect our added-value margin in the second quarter. The added value as a percentage of the production value increased by 80 basis points to 48.9% because of sales price increases and a higher relative share of the industrial activities.

Staff and other operating expenses increased by 9% excluding the impact of 3T, of which 1.5% was caused by currency translation effects. Cost levels were affected by higher energy prices, the continuing imbalances in automotive demand and increasing production in the Industrial Business Groups.

Depreciation charges decreased by EUR 0.2 million to EUR 5.8 million, leading to an EBITA of EUR 7.9 million (Q2 2021: EUR 9.8 million).

EUR 0.3 million non-recurring operating expenses and EUR 0.6 million finance expenses were normalized in Q2. These reflected restructuring charges and the not yet amortized transaction costs related to the previous facility agreement, which was refinanced in Q2. Net of tax, the normalized amount was EUR 0.7 million (Q2 2021: EUR 0.1 million).

HY1 2022
Normalized EBITDA in HY1 2022 decreased by 4% to EUR 30.5 million (HY1 2021: EUR 31.9 million). EBITDA as a percentage of revenue ended at 11.9% compared with 13.6% in the first half year of 2021. EBITDA as a percentage of revenue reduced by 70 basis points due to the significant sales price inflation.

The added value as a percentage of the production value increased by 0.4%, driven by the higher revenue share of Industrial business and effective passing on of input price increases in both the Industrial and Automotive Business Groups.

Normalized EBITDA in the Industrial segment increased by 28% to EUR 24.4 million (HY1 2021: EUR 19.1 million). Normalized EBITDA as a percentage of revenue increased by 80 basis points to 17.9% in the first six months of the year.

Normalized EBITDA in Automotive came in at EUR 6.1 million, down from EUR 12.8 million in the first six months of 2021. Normalized EBITDA as a percentage of revenue dropped to 5.0% (HY1 2021: 10.4%). Both normalized EBITDA in absolute terms and as a percentage of revenue improved compared with the second half year of 2021 when semi-conductor shortages started to severely impact global car production. High order volatility, energy price increases and R&D costs on won projects impeded the Automotive Group’s ability to reduce its cost base in response to lower order volumes.

Depreciation charges decreased by EUR 1.1 million, leading to a normalized EBITA of EUR 19.3 million (HY1 2021: EUR 19.6 million). Normalized net finance costs came out EUR 0.6 million lower than in the first six months of 2021 as positive currency results in the first six months of 2022 compared with negative currency results in the first half year of 2021. The normalized tax rate over the first six months came in at 28.3%, compared with 29.3% a year earlier. Normalized earnings before amortization ended at EUR 12.9 million, up from EUR 12.5 million in the same period last year. Normalized earnings per share slightly increased to EUR 0.87 (HY1 2021: EUR 0.85).

EUR 2.4 million operating expenses and EUR 0.6 million finance expenses were normalized from the results in the first six months and mainly related to severance costs related to the closure of the Automotive plant in Eibiswald and costs triggered by the refinancing completed in Q2 2022. The net of tax amount came in at EUR 2.3 million (HY1 2021: -/-EUR 0.1 million). Annex 2.5 provides a reconciliation of normalized to reported results.

Financial position

Total net debt increased with EUR 8.6 million in the second quarter to EUR 145.6 million at the end of Q2 2022. The increase in net debt was mainly caused by EUR 7.1 million cash portion of the optional dividend paid out in May 2022.

Free cash flow in the first six months came in at EUR 7.6 million negative compared with EUR 4.2 million negative in the first half year of 2021. The higher operating cash flow of EUR 3.6 million was more than offset by EUR 7.0 million higher capital investments. Free cash flow in the first half year of the year is traditionally impacted by higher working capital levels compared with year-end. Inventory levels increased, coming in 29% higher compared with end Q2 2021. The quarter-end inventory included EUR 5 million temporary buffer stocks related to the relocation of the production lines of the Eibiswald Automotive plant. Other contributors to the higher inventory were increased Industrial activity levels and supply chain shortages.

The leverage ratio based on the definitions in the group finance arrangements increased from 2.4 at the end of Q1 2022 to 2.6 at the end of Q2 2022, well below the financial covenant of 3.25.

Capital expenditure in the first six months was EUR 16.5 million (HY1 2021: EUR 9.5 million), of which EUR 5.3 million relating to the construction of the new production facility in China. We expect investments to increase significantly in the second half of the year as we expect to finalize the factory and office infrastructure, funding all capex with operating cash flow.

Number of employees

The number of employees at the end of the second quarter was 2,747, including 165 temporary employees, compared to 2,647 employees at the end of Q2 2021. Of the additional 100 FTE, 83 came from the acquisition of 3T.

Outlook

While we expect the markets to remain volatile in the foreseeable future, we continue to see significant growth opportunities for products contributing to the acceleration of the global transition towards electrification and green energy. We continue to invest in these opportunities as we firmly believe the energy transition will drive organic growth in all our Business Groups.

We remain optimistic that our strong position in the growth markets of Industrial Brakes, and selected segments of Industrial Actuators and Controls, Automotive and China, will help us deliver our medium-term financial targets of on average 5% organic growth per year between 2019 and 2025, an EBITDA of at least 15% in 2025, and an ROIC of at least 25% in 2025.

Analysts' meeting and audio webcast

Kendrion CEO Joep van Beurden and CFO Jeroen Hemmen will present the interim results on Wednesday, 24 August 2022 at 11:00 a.m. CET in Amsterdam. An audio webcast with playback functionalities will be available on Kendrion NV Q2HY results.

Capital Markets Day

Kendrion will hold a Capital Markets Day for analysts, investors, and shareholders on Thursday, 8 September 2022 at 2.00 p.m. CET in Amsterdam. To participate in the live webcast, go to: Kendrion Capital Markets Day 2022.

About Kendrion N.V.

Kendrion designs, manufactures, and delivers intelligent actuators that help advance the global push towards electrification and sustainable energy. Today, our compact and connected actuators can be found in wind power, robots, factory automation, electric vehicles, energy distribution, and industrial heating processes, where they support our OEM customers around the world to transition to safer and cleaner forms of energy.

As a technology pioneer and innovator, building on a foundation of over 100 years of experience, we are driven by a desire to explore creative solutions for the engineering challenges of tomorrow. We take broad responsibility for how we source, manufacture, and conduct business. Sustainable business practices are integrated in our processes and embedded in our culture. Rooted in Germany, headquartered in the Netherlands, and listed on the Amsterdam stock exchange, our footprint extends across Europe to the Americas and Asia.

Amsterdam, 24 August 2022

The Executive Board

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Annexes

Annex 1 – Financial calendar 2022 - 2023

2022

Publication Q2 and HY1 results	Wednesday, 24 August 2022	07.30 a.m.
Analysts' meeting	Wednesday, 24 August 2022	11.00 a.m.
Capital Markets Day	Thursday, 8 September 2022	02.00 p.m.
Publication Q3 results	Tuesday, 8 November 2022	07.30 a.m.
Analysts' call	Tuesday, 8 November 2022	11.00 a.m.

2023

Publication Q4 and FY 2022 results	Tuesday, 28 February 2023	07.30 a.m.
Analysts' meeting	Tuesday, 28 February 2023	11.00 a.m.
General Meeting of Shareholders	Monday, 17 April 2023	02.00 p.m.
Publication Q1 results	Tuesday, 9 May 2023	07.30 a.m.
Analysts' call	Tuesday, 9 May 2023	11.00 a.m.
Publication Q2 and HY1 results	Wednesday, 23 August 2023	07.30 a.m.
Analysts' meeting	Wednesday, 23 August 2023	11.00 a.m.
Publication Q3 results	Tuesday, 7 November 2023	07.30 a.m.
Analysts' call	Tuesday, 7 November 2023	11.00 a.m.

ANNEX 2

KENDRION N.V.

SEMI-ANNUAL FINANCIAL STATEMENTS 2022 (UNAUDITED)

Annex 2.1 – Consolidated statement of comprehensive income *

(EUR million)	Q2 2022	Q2 2021	half year 2022	half year 2021	full year 2021
Revenue	126.9	119.3	256.8	234.6	464.0
Other income	0.0	0.0	0.5	0.0	0.2
Total revenue and other income	**126.9**	**119.3**	**257.3**	**234.6**	**464.2**
Changes in inventories of finished goods and work in progress	0.2	(1.6)	(0.6)	(3.9)	(3.5)
Raw materials and subcontracted work	64.7	62.8	131.3	122.6	241.9
Staff costs	37.3	34.1	76.9	67.6	138.1
Depreciation and amortization	7.0	6.9	13.6	14.1	27.8
Other operating expenses	11.3	8.3	21.6	16.3	36.0
Result before net finance costs	**6.4**	**8.8**	**14.5**	**17.9**	**23.9**
Finance income	0.0	0.0	0.0	0.0	0.0
Finance expense	(1.0)	(1.3)	(2.0)	(2.0)	(3.7)
Share profit or loss of an associate	-	-	-	-	(0.1)
Profit before income tax	**5.4**	**7.5**	**12.5**	**15.9**	**20.1**
Income tax expense	(1.7)	(2.1)	(3.7)	(4.6)	(5.7)
Profit for the period	**3.7**	**5.4**	**8.8**	**11.3**	**14.4**
Other comprehensive income					
Remeasurements of defined benefit plans[1]			-	-	0.5
Foreign currency translation differences for foreign operations[2]			5.9	2.8	7.8
Net change in fair value of cash flow hedges, net of income tax[2]			0.4	(0.1)	0.1
Other comprehensive income for the period, net of income tax[3]			**6.3**	**2.7**	**8.4**
Total comprehensive income for the period			**15.1**	**14.0**	**22.8**
Basic earnings per share (EUR), based on weighted average	0.25	0.36	0.59	0.77	0.97
Basic earnings per share (EUR), based on weighted average (diluted)	0.25	0.36	0.59	0.77	0.97

[1] This item will never be reclassified to profit or loss.
[2] These items may be reclassified to profit or loss.
[3] All profits are attributable to owners of the company as non-controlling interest are not applicable.

* *Not adjusted for non-recurring items*

Annex 2.2 – Consolidated statement of financial position

(EUR million)	30 June 2022	30 June 2021	31 Dec. 2021
Assets			
Non-current assets			
Property, plant and equipment	127.0	116.8	121.9
Intangible assets	184.9	157.8	183.4
Other investments, including derivatives	0.3	2.8	0.4
Deferred tax assets	19.4	17.5	18.3
Contract costs	0.4	0.5	0.5
Total non-current assets	**332.0**	**295.4**	**324.5**
Current assets			
Inventories	94.6	73.1	79.7
Current tax assets	3.1	1.6	2.7
Trade and other receivables	73.9	73.2	65.3
Cash and cash equivalents	30.2	13.7	18.6
Total current assets	**201.8**	**161.6**	**166.3**
Total assets	**533.8**	**457.0**	**490.8**
Equity and liabilities			
Equity			
Share capital	30.2	29.9	29.9
Share premium	38.4	45.8	45.8
Reserves	153.6	126.1	132.9
Retained earnings	8.8	11.3	14.4
Total equity	**231.0**	**213.1**	**223.0**
Liabilities			
Loans and borrowings	166.8	112.4	136.4
Employee benefits	13.5	14.9	14.0
Deferred tax liabilities	17.3	15.6	17.7
Provisions	1.0	0.7	0.9
Total non-current liabilities	**198.6**	**143.6**	**169.0**
Bank overdraft	3.0	7.4	6.1
Loans and borrowings	6.0	6.6	6.7
Provisions	2.5	0.9	1.2
Current tax liabilities	8.7	5.8	6.0
Contract liabilities	4.3	5.7	4.5
Trade and other payables	79.7	73.9	74.3
Total current liabilities	**104.2**	**100.3**	**98.8**
Total liabilities	**302.8**	**243.9**	**267.8**
Total equity and liabilities	**533.8**	**457.0**	**490.8**

Annex 2.3 – Consolidated cash flow statement

(EUR million)	half year 2022	half year 2021	full year 2021
Cash flows from operating activities			
Profit for the period	8.8	11.3	14.4
Adjustments for:			
Net finance costs	2.0	2.0	3.7
Share profit or loss of an associate	-	-	0.1
Income tax expense	3.7	4.6	5.7
Depreciation of property, plant and equipment and software	11.2	12.3	23.9
Amortization of other intangible assets	2.4	1.8	3.9
Impairment of fixed assets	0.2	0.1	3.5
Profit on disposal of associate	-	-	(0.6)
Share-based payments	0.0	0.1	1.2
	28.3	**32.2**	**55.8**
Change in trade and other receivables	(6.9)	(19.0)	(7.1)
Change in inventories	(13.6)	(10.7)	(15.2)
Change in trade and other payables	4.6	8.1	5.9
Change in provisions	0.8	(1.2)	(1.2)
Change in contract liabilities	(0.2)	0.2	(1.0)
	13.0	**9.6**	**37.2**
Interest paid	(1.6)	(1.6)	(3.2)
Interest received	0.0	0.0	0.0
Tax paid	(2.5)	(2.7)	(6.2)
Net cash flows from operating activities	**8.9**	**5.3**	**27.8**
Cash flows from investing activities			
Acquisition of subsidiaries	-	-	(23.2)
Proceeds from disposal of associate	-	-	3.3
Investments in property, plant and equipment	(14.1)	(7.7)	(23.7)
Disinvestments of property, plant and equipment	0.2	0.2	0.7
Investments in intangible fixed assets	(2.2)	(2.2)	(6.3)
Disinvestments of intangible fixed assets	0.0	0.0	0.2
(Dis)investments of other investments	(0.4)	0.2	0.2
Net cash from investing activities	**(16.5)**	**(9.5)**	**(48.8)**
Free cash flow	**(7.6)**	**(4.2)**	**(21.0)**
Cash flows from financing activities			
Payment of lease liabilities	(1.6)	(1.7)	(3.4)
Proceeds from borrowings (non current)	31.5	8.4	32.4
Repayment of borrowings (current)	(0.6)	(0.8)	(0.8)
Dividends paid	(7.1)	(4.3)	(4.3)
Net cash from financing activities	**22.2**	**1.6**	**23.9**
Change in cash and cash equivalents	14.6	(2.6)	2.9
Cash and cash equivalents at 1 January	12.4	8.5	8.5
Effect of exchange rate fluctuations on cash held	0.2	0.4	1.1
Cash and cash equivalents at end of period	27.2	6.3	12.5

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 2021	**29.9**	**51.7**	**(0.2)**	**0.1**	**(3.4)**	**121.0**	**4.3**	**203.4**
Total comprehensive income for the period								
Profit or loss	-	-	-	-	-	-	14.4	14.4
Other comprehensive income								
Remeasurements of defined benefit plans	-	-	-	-	-	0.5	-	0.5
Foreign currency translation differences for foreign operations	-	-	7.8	-	-	-	-	7.8
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	-	-	7.8	0.1	-	0.5	-	8.4
Total comprehensive income for the period	**-**	**-**	**7.8**	**0.1**	**-**	**0.5**	**14.4**	**22.8**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of ordinary shares	0.0	0.0	-	-	-	-	-	0.0
Own shares sold	-	-	-	-	1.4	0.2	-	1.6
Share-based payment transactions	-	-	-	-	0.1	1.0	-	1.1
Dividends to equity holders	-	(5.9)	-	-	-	-	-	(5.9)
Appropriation of retained earnings	-	-	-	-	-	4.3	(4.3)	-
Balance at 31 December 2021	**29.9**	**45.8**	**7.6**	**0.2**	**(1.9)**	**127.0**	**14.4**	**223.0**

(EUR million)	Share capital	Share premium	Translation reserve	Hedge reserve	Reserve for own shares	Other reserves	Retained earnings	Total equity
Balance at 1 January 2022	**29.9**	**45.8**	**7.6**	**0.2**	**(1.9)**	**127.0**	**14.4**	**223.0**
Total comprehensive income for the period								
Profit or loss	-	-	-	-	-	-	8.8	8.8
Other comprehensive income								
Remeasurements of defined benefit plans	-	-	-	-	-	-	-	-
Foreign currency translation differences for foreign operations	-	-	5.9	-	-	-	-	5.9
Net change in fair value of cash flow hedges, net of income tax	-	-	-	0.4	-	-	-	0.4
Other comprehensive income for the period, net of income tax	-	-	5.9	0.4	-	-	-	6.3
Total comprehensive income for the period	**-**	**-**	**5.9**	**0.4**	**-**	**-**	**8.8**	**15.1**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of ordinary shares	0.3	2.8	-	-	-	-	-	3.1
Share-based payment transactions	-	-	-	-	0.0	0.0	-	0.0
Dividends to equity holders	-	(10.2)	-	-	-	-	-	(10.2)
Appropriation of retained earnings	-	-	-	-	-	14.4	(14.4)	-
Balance at 30 June 2022	**30.2**	**38.4**	**13.5**	**0.6**	**(1.9)**	**141.4**	**8.8**	**231.0**

Annex 2.5 – Reconciliation of normalized to reported figures

(x EUR 1 million)	HY1 2022	HY1 2021	FY 2021
Reported result before net finance costs	14.5	17.9	23.9
Reported amortisation	2.4	1.8	3.9
Reported operating result before amortization (EBITA)	**16.9**	**19.7**	**27.8**
One-off costs related to restructuring measures in staff costs	2.8	0.2	1.4
One-off costs related to restructuring measures in other operating expenses	0.1	0.1	0.1
One-off costs related to acquisition costs in other operating expenses	-	-	0.2
One-off costs related to impairment capitalized R&D	-	-	3.4
One-off costs related to revised calculation provision inventories	-	-	0.4
One-off benefits related to tax claim receipt	-	(0.4)	(0.4)
One-off benefits related to compensation costs prior years	-	-	(0.4)
One-off benefits related to sale of non consolidated investment	-	-	(0.6)
One-off benefits related to sale of building liquidated company	(0.5)	-	-
Normalized EBITA	**19.3**	**19.6**	**31.9**
Reported amortization	(2.4)	(1.8)	(3.9)
Reported net finance costs	(2.0)	(2.0)	(3.7)
One-off costs related to tax audits in finance expense	-	-	(0.0)
One-off costs related to credit facility	0.5	-	-
One-off costs related to release of currency translation reserve	0.1	-	-
Reported share profit or loss of an associate	-	-	(0.1)
Normalized profit before income tax	**15.5**	**15.8**	**24.2**
Reported income tax expense	(3.7)	(4.6)	(5.7)
One-off costs related to tax audits in income tax expense	-	-	0.4
Impact one-off costs and benefits on income tax expense	(0.7)	(0.0)	(1.2)
Amortization after tax	1.8	1.3	2.9
Normalized net profit for the period before amortization	**12.9**	**12.5**	**20.6**

Annex 2.6 – Risks and risk management

The 2021 Annual Integrated Report of Kendrion N.V. described the risk categories and risk factors that could have an adverse impact on the business and financial performance. The risk factors described in Kendrion N.V.'s 2021 Annual Integrated Report on pages 68 to 74 are deemed to be included herein by reference.

During the first half year of 2022, COVID continued to influence Kendrion's operations. Particularly Kendrion's operations in China were affected as national lockdown measures in China tightened. Hygiene procedures remained in place to continue safe and responsible production in those Kendrion factories where continuation of production was permitted. A breakout of new COVID variants and/or other variants of concern may lead to the reintroduction of restrictive measures that could impact Kendrion's ability to continue its operations.

The Russia-Ukraine conflict further increased resource scarcity, impacting the entire supply chain. Lack of production materials and delayed delivery of materials could lead to reduced turnover and profitability. Management in the different levels of the organization is in close contact with both customers and suppliers with a view to optimizing supply chain strategies to reduce or mitigate the impact of global shortages and delays in deliveries.

Due to the scarcity of resources and extraordinary inflation in many of the markets in which Kendrion operates, a steep increase in prices for production materials, energy, borrowings, and labour is observed. To the extent these price increases are not timely and/or fully passed on to our customers, there is a risk that margins will deteriorate. In addition, continuing inflationary pressure and increasing interest rates can reduce economic activity in the markets in which Kendrion operates, with an adverse effect on revenue and profitability.

Additional risks not known to Kendrion, or currently believed not to be material, may occur, and later turn out to have a material impact on Kendrion's business, objectives, or capital resources.

Annex 2.7 – Notes to the consolidated interim financial statements

1. Reporting entity

Kendrion N.V. is a public company organized under Dutch law. Its statutory seat is Amsterdam, and its principal office is located in Amsterdam, the Netherlands.

Kendrion N.V. and its consolidated subsidiaries develop, manufacture, and market high-quality electromagnetic systems and components for industrial and automotive applications.

The consolidated interim financial statements as at and for the six-month period ended 30 June 2022 include the results of Kendrion N.V., its subsidiaries (collectively referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

The consolidated interim financial statements are unaudited.

2. Declaration of conformity

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IAS 34, Interim Financial Reporting, and should be read in conjunction with the annual consolidated financial statements as at and for the year ended 31 December 2021, which are available from Kendrion N.V.'s registered office at Herikerbergweg 213, 1101 CN Amsterdam, or at www.kendrion.com.

The consolidated interim financial statements do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2021.

The consolidated interim financial statements were authorized for issue by the Executive Board and the Supervisory Board on 24 August 2022.

3. Significant accounting policies

The accounting policies applied in the consolidated 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 2021. To the extent amendments to International Financial Reporting Standards and interpretations have become effective for annual periods beginning on or after 1 January 2022 these do not have a material impact on the Group's financial performance in the first six months of 2022 and the financial position as at 30 June 2022.

4. Accounting estimates

The preparation of the consolidated interim financial statements requires the Executive Board to make judgements, estimates, and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, income, and expenditures as well as the information disclosed. Actual results may differ from these estimates. The Group has applied best judgment to make reasonable estimates.

Unless otherwise specified herein in the preparation of the consolidated interim financial statements, important opinions formed by management in applying the Group's accounting policies, and the main sources of estimation used are equal to the opinions and sources used in preparing the annual consolidated financial statements as at and for the year ended 31 December 2021.

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 annual consolidated financial statements as at and for the year ended 31 December 2021.

6. Segment reporting

Based on the structure of the Kendrion Group and the criteria of IFRS 8 Operating segments, Kendrion has concluded that its Business Groups are the operating segments within the Kendrion 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.

	Industrial		Automotive		Consolidated	
(x EUR 1 million unless otherwise stated)	HY1 2022	HY1 2021	HY1 2022	HY1 2021	HY1 2022	HY1 2021
Revenue from transactions with third parties	136.1	111.6	120.7	123.0	256.8	234.6
Inter-segment revenue	0.0	0.0	0.1	0.1	0.1	0.1
EBITDA	24.7	19.1	3.4	12.9	28.1	32.0
EBITDA as a % of revenue	18.2%	17.1%	2.8%	10.5%	10.9%	13.6%
EBITDA[1]	24.4	19.1	6.1	12.8	30.5	31.9
EBITDA as a % of revenue[1]	17.9%	17.1%	5.0%	10.4%	11.9%	13.6%
Reportable segment assets	276.3	232.1	257.5	224.9	533.8	457.0
Reportable segment employees (FTE)	1,328	1,130	1,419	1,517	2,747	2,647

[1] Normalised for non-recurring costs of EUR 2.4 million for HY1 2022 and of EUR -0.1 million for HY1 2021.

7. Seasonality

Kendrion is not significantly affected by seasonal trends. There are, however, 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. Changes in the Group

There were no changes in the Group as at 30 June 2022 compared to 31 December 2021.

9. Main currencies

The table below shows the main exchange rates during the first half of 2022:

Value of EUR	At 30 June 2022	At 31 December 2021	Average over HY1 2022
Pound sterling	0.8582	0.8403	0.8433
Czech koruna	24.7390	24.8583	24.6166
Chinese yuan	6.9624	7.1947	7.0648
US dollar	1.0387	1.1326	1.0909
Romanian lei	4.9464	4.9490	4.9466
Swedish krona	10.7300	10.2503	10.4536
Indian rupee	82.1153	84.2318	83.1324

10. Property, plant, and equipment

Capital commitments

As at 30 June 2022, the Group had agreements outstanding for the acquisition of property, plant and equipment in the amount of EUR 13.0 million (versus EUR 7.7 million as at 30 June 2021).

11. Impairment
During the first half of 2022, 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.

12. Deferred tax assets
As at 30 June 2022, deferred tax assets amounted to EUR 19.4 million, of which a total of EUR 8.1 million relates to the valuation of tax losses carried forward and can be specified as follows:

Germany	EUR 0.2 million
United States of America	EUR 2.6 million
Other	EUR 5.3 million

13. Equity
The table below shows the number of outstanding shares as at 30 June 2022.

	Shares entitled to dividend	Shares owned by Kendrion	Total number of issued shares
At 1 January 2022	14,841,072	93,663	14,934,735
Issued shares (share dividend)	179,886	-	179,886
Delivered shares (share plan)	4,947	(4,947)	-
At 30 June 2022	15,025,905	88,716	15,114,621

14. Loans and borrowings
As at 30 June 2022, the Group had the following credit lines available:

- EUR 102.5 million ESG linked revolving Credit Facility with a syndicate of two banks consisting of HSBC and ING Bank. The Credit Facility is committed until 26 April 2025 and includes two 1- year extension options.
- EUR 52.5 million ESG linked Schuldschein loan which matures on 7 April 2027
- EUR 20.0 million ESG linked Schuldschein loan which matures on 7 April 2025
- EUR 14.2 million in leases for various buildings, equipment, and vehicles
- EUR 6.2 million other loans with maturities in 2022 – 2026
- EUR 0.3 million mortgage loan for the premises of the Kuhnke facilities in Malente, Germany. The loan ultimately matures in 2022
- EUR 3.0 million in other overdraft facilities

As at 30 June 2022, the total unutilized amount of the facilities was approximately EUR 53 million.

Security provided
The Group has provided a mortgage on its premises in Malente, Germany for a EUR 0.3 million loan. No security is provided in relation to the EUR 102.5 million revolving Credit facility and the EUR 72.5 million Schuldschein loans.

15. Taxes
The tax expense for the first six months was EUR 3.7 million, equivalent to a 29,0% effective tax rate.

16. Financial instruments
As at 30 June 2022 the aggregate fair value of the outstanding interest rate swaps in the balance sheet is a EUR 0.4 million asset (31 December 2021: EUR 0.1 million liability).

There have been no material changes since the end of 2021 in terms of sensitivity to market risks (i.e. currency, interest and price).

17. Commitments, contingent assets, and contingent liabilities

There have been no material changes since the end of 2021 regarding the contingent liabilities as per note 19 of the Annual Integrated Report for the financial year 2021.

18. Related parties

For the definition of "related parties", please refer to note 29 of the Group's Annual Integrated Report for the financial year 2021. No new significant related party transactions have occurred during HY1 2022.