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Kendrion continues strong revenue and profitability growth as demand improves across all segments

- Economic recovery boosts HY1 revenues by 21% to EUR 234.6 million compared with EUR 194.7 million in HY1 2020
- Q2 revenue was EUR 119.3 million, 40% higher than Q2 2020 (EUR 85.1 million)
- Normalized HY1 EBITDA increased by 46% to EUR 31.9 million (HY1 2020: EUR 21.8 million)
- Q2 normalized EBITDA came in at EUR 15.8 million, almost double the EBITDA over the same period last year (EUR 8.1 million)
- Normalized net profit before amortization more than doubled: EUR 12.5 million in HY1 2021 (HY1 2020: EUR 5.8 million)
- Supply chain constraints, demand volatility and increasing raw material prices continued to affect business
- Financial position remains strong and investments in growth opportunities continue

Key figures

Reported (in EUR million)	Q2 2021	Q2 2020	delta	HY1 2021	HY1 2020	delta
Revenue	119,3	85,1	40%	234,6	194,7	21%
EBITDA	15,7	7,6	107%	32,0	20,2	58%
EBITA	9,7	1,2	711%	19,7	7,4	166%
Net profit	5,4	0,0	N/A	11,3	3,0	277%
EBITDA as a % of revenue	13,2%	9,0%		13,6%	10,4%	
EBITA as a % of revenue	8,2%	1,4%		8,4%	3,8%	
Return on invested capital ¹ (12 months rolling)				14,0%	4,6%	

Normalized (in EUR million) ²	Q2 2021	Q2 2020	delta	HY1 2021	HY1 2020	delta
Revenue	119,3	85,1	40%	234,6	194,7	21%
EBITDA	15,8	8,1	96%	31,9	21,8	46%
EBITA	9,8	1,7	478%	19,6	9,0	118%
Net profit before amortization	6,1	1,1	455%	12,5	5,8	116%
EBITDA as a % of revenue	13,3%	9,5%		13,6%	11,2%	
EBITA as a % of revenue	8,2%	2,0%		8,4%	4,6%	
Return on invested capital ¹ (12 months rolling)				15,5%	8,5%	

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 good first half of 2021 with revenues growing on the back of increased economic activity levels compared with those of 2020. In Q2, our EBITDA almost doubled, and over the first six months our EBITDA was significantly better than in 2020. The COVID-19 pandemic continues to dominate the day-to-day reality of our customers, our suppliers, and our own operations. Navigating the ever-shifting environment of the global pandemic remains a priority.

Our industrial businesses continued their strong Q1 performance into Q2. Industrial Brakes benefits from a healthy trading environment, supported by the broad energy transition towards electrification. As a result, Industrial Brakes revenues are not only well ahead of last year, but also ahead of the levels we saw in 2019. Industrial Actuators and Controls is experiencing strong demand, stretching our supply chain and production capacity.

In the automotive market, the internal combustion engine is being superseded as the beating heart of a car by the electronics that control safety and infotainment systems. This is a significant transition in which software and electronics are a major component of the vehicle. In short: car makers are becoming more like technology firms. Kendrion aims to be part of this change, as we continue to invest in actuators for Autonomous, Connected, Electric and Shared mobility (ACES). For HY1 2021, our Automotive performance showed a significant boost compared with the previous year, despite substantial swings in demand and the limited supply of semiconductors and various commodities including steel.

Our China operation is doing well and continues to grow its revenue and pipeline in both our industrial and automotive businesses. The construction of a new factory in Suzhou’s renowned Industrial Park, is progressing according to plan and we expect to move in during the second half of 2022.

Looking ahead we expect the current healthy economic activity levels to continue. However, we also anticipate the supply chain constraints and the volatile order patterns to continue for the remainder of 2021. Longer-term, we believe that the accelerating transition towards clean energy will benefit our three growth areas of Automotive, where we focus on ACES; Industrial Brakes as it boosts demand for wind power, robotics, and various other segments; and China.

We are confident that the global push for clean energy, combined with our strong position in our growth areas of Automotive, Industrial Brakes and China, will help achieve 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.”

Progress on strategy

During the first half of 2021, economic activity has bounced back from the low levels caused by the COVID-19 pandemic. We see great opportunities for growth, as we are positioned in the heart of accelerating mega trends, such as the worldwide transition to renewable energy through the electrification of passenger cars and the increase in demand for wind power and robotics.

We operate in three Business Groups: Automotive Group (AG), Industrial Brakes (IB), and Industrial Actuators and Controls (IAC). AG and IB, as well as China, focus on organic growth. In IAC, the emphasis lies on profitability and cash generation. In China, we are on schedule to build our 28,000 m² manufacturing facility in Suzhou’s Industrial Park, a prime location for technology and advanced manufacturing companies.

The COVID-19 pandemic is still very much a reality. We maintain strict operating procedures in our factories around the world, as we do see occasional COVID-19 flare-ups. The supply and demand situation in especially the automotive market remains volatile. Demand for some of our products is so high that we have deployed additional shifts in the relevant factories. For other parts, constraints in

the supply of semiconductors and other materials, limits the demand of our customers. We have managed to navigate the constraints in the supply chain successfully, both on the Industrial and Automotive side. We expect this demand and supply chain volatility to continue during the rest of the year.

The prospects for the longer term continue to be favorable as the world's transition to clean forms of energy, such as the electrification of passenger cars and several important industrial segments, is accelerating. We expect this trend to offer us additional opportunities for organic growth.

Financial review

Revenue

Q2 2021

Revenue in Q2 2021 came in at EUR 119.3 million, well above last year's, when economic activity was at its lowest level, following the first COVID-19 lockdowns. Organic year-on-year revenue growth was 41%. The activity level in all Business Groups also further increased compared to Q1 2021 when EUR 115.3 million revenue was realized.

Revenue in Automotive increased for the fourth consecutive quarter, with a 67% year-on-year organic increase. The Automotive Group continues to experience volatility in demand due to disruptions in the supply chain. The underlying markets for passenger cars and trucks remain strong, while the market for long-haul coaches is weak.

The Industrial segment continued its strong performance in the second quarter of 2021. Industrial Brakes realized an 18% increase in revenue. Demand for Industrial Brakes is strong in all segments and geographies, partly driven by the acceleration in electrification across key segments such as wind power, internal logistics, and robotics. Revenue in Industrial Actuators and Controls increased by 24% compared with the same period in 2020. We continue to optimize production within Industrial Actuators and Controls based on its strong orderbook.

HY1 2021

Consolidated revenue for the first half of 2021 was EUR 234.6 million (HY1 2020: EUR 194.7 million), a 22% increase on an organic basis.

Automotive realized 29% organic growth with revenue coming in at EUR 123.0 million (HY1 2020: EUR 97.0 million). Revenue for Industrial Brakes in the first half of 2021 grew organically by 15%, coming in at EUR 61.9 million (HY1 2020: EUR 54.1 million). With INTORQ included on a pro-forma basis, activity in Industrial Brakes significantly exceeds the pre-pandemic level. Revenue within Industrial Actuators and Controls increased by 14% to EUR 49.7 million from EUR 43.6 million in HY1 2020.

Comparable revenue in China is influenced by wind power subsidies that have boosted results since Q2 2020. Revenue in the wind power segment continued to be strong in HY1 2021, although at a lower level than last year. Overall revenue in China increased by 12% in the first half year.

Results

Q2 2021

Normalized group operating result before depreciation and amortization (EBITDA) almost doubled compared with Q2 2020 (EUR 8.1 million) to EUR 15.8 million. The EBITDA margin of the Group increased from 9.5% in Q2 2020 to 13.3% in Q2 2021.

The increased normalized profitability compared to the second quarter of 2020 is the result of operating leverage from the higher revenue. Total staff and other operating costs as a percentage of

revenue decreased to 35.5% compared with 38.8% in Q2 2020, when cost levels were reduced by temporary cost measures in response to the revenue decline that we experienced in Q2 2020.

Although we have managed to successfully navigate the supply chain constraints in both Industrial and Automotive, the demand volatility and increasing material prices affected our profitability. In particular the Automotive Group faces an imbalance in demand, with material shortages and order volatility leading to lower production efficiency in segments with strong demand, while the long-haul coach segment continues to face weak demand.

HY1 2021

Normalized EBITDA in HY1 2021 increased by 46% to EUR 31.9 million (HY1 2020: EUR 21.8 million). The operating leverage was 25%, despite the substantial temporary cost savings in HY1 2020 in response to the COVID-19 crisis. The normalized EBITDA margin increased to 13.6% (HY1 2020: 11.2%).

Our Automotive activities showed a strong increase in normalized EBITDA to EUR 12.8 million compared with EUR 7.6 million in HY1 2020. The EBITDA margin of Automotive improved to 10.4% (HY1 2020: 7.8%). Normalized EBITDA for the Industrial activities increased to EUR 19.1 million from EUR 14.2 million in the same period last year. The EBITDA margin of the Industrial activities came in at 17.1%, compared with 14.5% in the first six months of the previous year.

The added value margin decreased slightly to 48.6% (HY1 2020: 49.0%), mainly caused by the relatively higher share in Automotive revenue compared to the first half year of 2020. Increasing material prices affected the added value margin as well, mainly in Industrial Brakes, caused mainly by a lag between rising raw material prices and increased sales prices. Total staff and other operating costs increased by EUR 10.4 million due to the higher activity levels and the above-mentioned temporary cost reductions in HY1 2020. As a percentage of revenue, the operating expenses decreased to 35.8% (HY1 2020: 37.8%). Depreciation charges decreased by EUR 0.5 million to EUR 12.3 million.

Normalized net finance costs of EUR 2.0 million in the first six months of 2021 were higher than in the same period last year (HY1 2020: EUR 1.6 million), mainly due to a higher applicable interest rate mark-up. The normalized effective tax rate in the first six months of 2021 was 29.3% compared with 21.3% in HY1 2020, when the effective tax rate was positively affected by the recognition of tax losses.

Normalized net profit before amortization of intangibles arising on acquisitions in HY1 2021 was EUR 12.5 million (HY1 2020: EUR 5.8 million). Normalized earnings before amortization per share amounted to EUR 0.85 (HY1 2020: EUR 0.39).

Financial position

We continue to have a strong focus on cash flow generation. With our improved profitability we have ample room to invest in working capital and capital goods to facilitate further growth opportunities. The net debt position stood at EUR 112.7 million, which is slightly higher than the EUR 109.7 million at the end of Q1, but substantially below the EUR 130.5 million as on 30 June 2020. The increase from Q1 2021 was due to the EUR 4.3 million cash portion of the dividend.

Free cash flow before acquisitions came in at EUR 4.2 million negative in the first half year (HY1 2020: EUR 4.2 million negative). This was due to traditionally higher activity and corresponding working capital levels compared to year end. Free cash flow in Q2 came in at EUR 1.2 million compared with EUR 2.2 million in Q2 2020. The leverage ratio based on total net debt divided by 12 months rolling EBITDA reduced slightly to 2.1 at the end of Q2 2021, well below the covenant level of 4.75 and the long-term covenant of 3.25 which will be applicable from 30 September 2021 onwards. Based on its performance and financial position, Kendrion was able to terminate the covenant relief waiver it previously agreed on with the main banking syndicate to lift some restrictions and information undertakings early.

Capital expenditure is also affected by increasing lead times resulting from supply chain constraints. Investments in HY1 2021 totaled EUR 10.1 million, below the depreciation level of EUR 12.3 million. We expect investments to increase in the second half of 2021 and end up above depreciation in 2021, partly due to the construction of our new factory in China. Kendrion's solvency ratio remains strong at 46.6% compared with 43.3% at the end of June 2020.

Number of employees

The number of employees at the end of the second quarter was 2,647, including 260 temporary employees (Q1 2021: 2,531 employees).

Outlook

The global economy has recovered in the past few quarters and underlying demand is strong post COVID-19. However, we see a continuation of constraints in the supply chain, demand volatility and increased raw material prices. That said, the broad-based energy transition is advancing at an ever-increasing pace and longer-term, we expect demand for our products to grow in all three Business Groups.

We continue to see ample growth opportunities in our focus areas of Automotive, Industrial Brakes and China, and have a healthy product pipeline for future products. We remain positive about our business fundamentals, with our main objective being the delivery of sustainable profitable growth. We are well underway to achieve our medium-term targets.

Audio webcast interim results 2021

Kendrion CEO Joep van Beurden and CFO Jeroen Hemmen will present the interim results on Tuesday, 25 August 2021 at 11:00 a.m. CET. A live audio webcast will be available on <https://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 more than 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 develops, designs and manufactures complex components and customized 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.

Amsterdam, 25 August 2021

The Executive Board

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Annex 1 – Financial calendar 2021 - 2022**2021**

Publication Q2 and HY1 2021 results	Wednesday, 25 August 2021	07.30 a.m.
Analysts' meeting	Wednesday, 25 August 2021	11.00 a.m.
Publication Q3 2021 results	Tuesday, 2 November 2021	07.30 a.m.
Analysts' call	Tuesday, 2 November 2021	11.00 a.m.

2022

Publication Q4 and FY 2021 results	Friday, 25 February 2022	07.30 a.m.
Analysts' meeting	Friday, 25 February 2022	11.00 a.m.
General Meeting of Shareholders	Monday, 11 April 2022	02.00 p.m.
Publication Q1 2022 results	Tuesday, 3 May 2022	07.30 a.m.
Analysts' call	Tuesday, 3 May 2022	11.00 a.m.
Publication Q2 and HY1 2022 results	Wednesday, 24 August 2022	07.30 a.m.
Analysts' meeting	Wednesday, 24 August 2022	11.00 a.m.
Publication Q3 2022 results	Tuesday, 8 November 2022	07.30 a.m.
Analysts' call	Tuesday, 8 November 2022	11.00 a.m.

ANNEX 2

KENDRION N.V.

SEMI-ANNUAL FINANCIAL STATEMENTS 2021 (UNAUDITED)

Annex 2.1 – Consolidated statement of comprehensive income *

(EUR million)	Q2 2021	Q2 2020	half year 2021	half year 2020	full year 2020
Revenue	119,3	85,1	234,6	194,7	396,4
Other income	0,0	0,1	0,0	0,2	0,3
Total revenue and other income	119,3	85,2	234,6	194,9	396,7
Changes in inventories of finished goods and work in progress	(1,6)	3,7	(3,9)	0,2	2,5
Raw materials and subcontracted work	62,8	40,4	122,6	99,2	203,2
Staff costs	34,1	27,4	67,6	60,9	119,5
Depreciation and amortisation	6,9	7,3	14,1	14,9	30,1
Other operating expenses	8,3	6,1	16,3	14,4	31,3
Result before net finance costs	8,8	0,3	17,9	5,3	10,1
Finance income	0,0	0,0	0,0	0,0	0,0
Finance expense	(1,3)	(0,9)	(2,0)	(1,6)	(4,1)
Share profit or loss of an associate	-	-	-	-	(0,3)
Profit before income tax	7,5	(0,6)	15,9	3,7	5,7
Income tax expense	(2,1)	0,6	(4,6)	(0,7)	(1,4)
Profit for the period	5,4	0,0	11,3	3,0	4,3
Other comprehensive income					
Remeasurements of defined benefit plans ¹			-	-	1,6
Foreign currency translation differences for foreign operations ²			2,8	(1,0)	(5,5)
Net change in fair value of cash flow hedges, net of income tax ²			(0,1)	(0,3)	0,2
Other comprehensive income for the period, net of income tax³			2,7	(1,3)	(3,7)
Total comprehensive income for the period			14,0	1,7	0,6
Basic earnings per share (EUR), based on weighted average	0,36	0,00	0,77	0,20	0,29
Basic earnings per share (EUR), based on weighted average (diluted)	0,36	0,00	0,77	0,20	0,29

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 2021	30 June 2020	31 Dec. 2020
Assets			
Non-current assets			
Property, plant and equipment	116,8	123,4	118,7
Intangible assets	157,8	170,3	158,1
Other investments, including derivatives	2,8	2,6	3,0
Deferred tax assets	17,5	14,9	19,2
Contract costs	0,5	0,7	0,6
Total non-current assets	295,4	311,9	299,6
Current assets			
Inventories	73,1	70,4	61,7
Current tax assets	1,6	1,6	1,4
Trade and other receivables	73,2	57,4	53,4
Cash and cash equivalents	13,7	33,1	13,0
Total current assets	161,6	162,5	129,5
Total assets	457,0	474,4	429,1
Equity and liabilities			
Equity			
Share capital	29,9	29,9	29,9
Share premium	45,8	51,7	51,7
Reserves	126,1	120,8	117,5
Retained earnings	11,3	3,0	4,3
Total equity	213,1	205,4	203,4
Liabilities			
Loans and borrowings	112,4	153,7	104,2
Employee benefits	14,9	18,9	15,5
Deferred tax liabilities	15,6	17,7	15,9
Provisions	0,7	0,4	0,7
Total non-current liabilities	143,6	190,7	136,3
Bank overdraft	7,4	6,6	4,5
Loans and borrowings	6,6	3,3	7,5
Provisions	0,9	1,1	1,5
Current tax liabilities	5,8	2,6	5,2
Contract liabilities	5,7	5,7	5,5
Trade and other payables	73,9	59,0	65,2
Total current liabilities	100,3	78,3	89,4
Total liabilities	243,9	269,0	225,7
Total equity and liabilities	457,0	474,4	429,1

Annex 2.3 – Consolidated cash flow statement

(EUR million)

	half year 2021	half year 2020	full year 2020
Cash flows from operating activities			
Profit for the period	11,3	3,0	4,3
<i>Adjustments for:</i>			
Net finance costs	2,0	1,6	4,1
Share profit or loss of an associate	-	-	0,3
Income tax expense	4,6	0,7	1,4
Depreciation of property, plant and equipment and software	12,3	12,8	25,7
Amortisation of other intangible assets	1,8	2,1	4,4
Impairment of fixed assets	0,1	-	2,4
Share-based payments	0,1	0,0	0,0
	32,2	20,2	42,6
Change in trade and other receivables	(19,0)	(3,3)	(0,2)
Change in inventories	(10,7)	0,0	6,9
Change in trade and other payables	8,1	(7,3)	(0,2)
Change in provisions	(1,2)	(1,2)	(2,0)
Change in contract liabilities	0,2	(0,9)	(1,1)
	9,6	7,5	46,0
Interest paid	(1,6)	(1,3)	(2,9)
Interest received	0,0	0,0	0,0
Tax paid	(2,7)	(0,6)	(1,3)
Net cash flows from operating activities	5,3	5,6	41,8
Cash flows from investing activities			
Acquisition of subsidiaries	-	(77,7)	(77,7)
Investments in property, plant and equipment	(7,7)	(7,8)	(12,9)
Disinvestments of property, plant and equipment	0,2	0,3	0,4
Investments in intangible fixed assets	(2,2)	(2,3)	(3,1)
Disinvestments of intangible fixed assets	0,0	-	0,0
(Dis)investments of other investments	0,2	0,0	(0,9)
Net cash from investing activities	(9,5)	(87,5)	(94,2)
Free cash flow	(4,2)	(81,9)	(52,4)
Cash flows from financing activities			
Payment of lease liabilities	(1,7)	(1,5)	(2,9)
Proceeds from borrowings (non current)	8,4	105,2	59,4
Proceeds from borrowings (current)	-	0,2	0,2
Repayment of borrowings (current)	(0,8)	-	-
Dividends paid	(4,3)	-	-
Net cash from financing activities	1,6	103,9	56,7
Change in cash and cash equivalents	(2,6)	22,0	4,3
Cash and cash equivalents at 1 January	8,5	4,6	4,6
Effect of exchange rate fluctuations on cash held	0,4	(0,1)	(0,4)
Cash and cash equivalents at end of period	6,3	26,5	8,5

Annex 2.4 – Consolidated statement of changes in equity

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 2020	29,9	51,7	5,3	(0,1)	(3,7)	111,2	8,3	202,6
Total comprehensive income for the period								
Profit or loss	-	-	-	-	-	-	4,3	4,3
Other comprehensive income								
Remeasurements of defined benefit plans	-	-	-	-	-	1,6	-	1,6
Foreign currency translation differences for foreign operations	-	-	(5,5)	-	-	-	-	(5,5)
Net change in fair value of cash flow hedges, net of income tax	-	-	-	0,2	-	-	-	0,2
Other comprehensive income for the period, net of income tax	-	-	(5,5)	0,2	-	1,6	-	(3,7)
Total comprehensive income for the period	-	-	(5,5)	0,2	-	1,6	4,3	0,6
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of ordinary shares	-	-	-	-	-	-	-	-
Own shares sold	-	-	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	0,3	(0,1)	-	0,2
Dividends to equity holders	-	-	-	-	-	-	-	-
Appropriation of retained earnings	-	-	-	-	-	8,3	(8,3)	-
Balance at 31 December 2020	29,9	51,7	(0,2)	0,1	(3,4)	121,0	4,3	203,4

(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	-	-	-	-	-	-	11,3	11,3
Other comprehensive income								
Remeasurements of defined benefit plans	-	-	-	-	-	-	-	-
Foreign currency translation differences for foreign operations	-	-	2,8	-	-	-	-	2,8
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	-	-	2,8	(0,1)	-	-	-	2,7
Total comprehensive income for the period	-	-	2,8	(0,1)	-	-	11,3	14,0
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	(0,1)	-	-
Dividends to equity holders	-	(5,9)	-	-	-	-	-	(5,9)
Appropriation of retained earnings	-	-	-	-	-	4,3	(4,3)	-
Balance at 30 June 2021	29,9	45,8	2,6	(0,0)	(1,9)	125,4	11,3	213,1

Annex 2.5 – Reconciliation of normalized to reported figures

(x EUR 1 million)	HY1 2021	HY1 2020	FY 2020
Reported result before net finance costs	17,9	5,3	10,1
Reported amortisation	1,8	2,1	4,4
Reported operating result before amortisation (EBITA)	19,7	7,4	14,5
One-off costs related to restructuring measures in staff costs	0,2	1,1	1,5
One-off costs related to restructuring measures in other operating expenses	0,1	0,0	0,7
One-off costs related to acquisition costs in other operating expenses	-	0,5	0,6
One-off costs related to impairment capitalized R&D	-	-	1,6
One-off costs related to tax claim receipt	(0,4)	-	-
Normalised EBITA	19,6	9,0	18,9
Reported amortisation	(1,8)	(2,1)	(4,4)
Reported net finance costs	(2,0)	(1,6)	(4,1)
One-off costs related to tax audits in finance expense	-	-	0,6
One-off costs related to acquisition costs in finance expense	-	0,0	0,0
Reported share profit or loss of an associate	-	-	(0,3)
Normalised profit before income tax	15,8	5,3	10,7
Reported income tax expense	(4,6)	(0,7)	(1,4)
One-off costs related to simplifying measures in income tax expenses	-	-	0,2
Impact one-off costs on income tax expense	(0,0)	(0,4)	(1,1)
Amortisation after tax	1,3	1,6	3,3
Normalised net profit for the period before amortisation	12,5	5,8	11,7

Annex 2.6 – Risks and risk management

The 2020 Annual Integrated Report of Kendrion N.V. describes the risk categories and risk factors that could have an adverse impact on the business and financial performance. We consider the risk factors as communicated in our 2020 Annual Integrated Report still to be valid. Although the COVID-19 pandemic risk has stabilized to a certain extent, the global recovery – combined with a constrained supply chain – provides challenges and is affecting the business with increased demand and order volatility and increasing raw material prices. The risk factors described in Kendrion N.V.'s 2020 Annual Integrated Report on pages 63 to 68 are deemed to be included herein by reference.

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 2021 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 2020, 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 2020.

The consolidated interim financial statements were authorized for issue by the Executive Board and the Supervisory Board on 25 August 2021.

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 2020. To the extent amendments to International Financial Reporting Standards and interpretations have become effective for annual periods beginning on or after 1 January 2021 these do not have a material impact on the Group's financial performance in the first six months of 2021 and the financial position as at 30 June 2021.

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 2020.

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 2020.

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.

(x EUR 1 million unless otherwise stated)	Industrial		Automotive		Consolidated	
	HY1 2021	HY1 2020	HY1 2021	HY1 2020	HY1 2021	HY1 2020
Revenue from transactions with third parties	111,6	97,7	123,0	97,0	234,6	194,7
Inter-segment revenue	0,0	0,0	0,1	0,1	0,1	0,1
EBITDA	19,1	13,3	12,9	6,9	32,0	20,2
EBITDA as a % of revenue	17,1%	13,6%	10,5%	7,1%	13,6%	10,4%
EBITA	15,0	9,0	4,7	(1,6)	19,7	7,4
EBITA as a % of revenue	13,4%	9,2%	3,8%	-1,7%	8,4%	3,8%
EBITDA ¹	19,1	14,2	12,8	7,6	31,9	21,8
EBITDA as a % of revenue ¹	17,1%	14,5%	10,4%	7,8%	13,6%	11,2%
EBITA ¹	15,0	9,9	4,6	(0,9)	19,6	9,0
EBITA as a % of revenue ¹	13,4%	10,2%	3,8%	-0,9%	8,4%	4,6%
Reportable segment assets	232,1	231,8	224,9	242,6	457,0	474,4
Reportable segment employees (FTE)	1.130	1.083	1.517	1.345	2.647	2.428

¹ Normalised for non-recurring costs of EUR -0.1 million for HY1 2021 and of EUR 1.6 million for HY1 2020.

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 2021 compared to 31 December 2020.

9. Main currencies

The table below shows the main exchange rates during the first half of 2021:

Value of EUR	At 30 June 2021	At 31 December 2020	Average over HY1 2021
Pound sterling	0,8581	0,8990	0,8701
Czech koruna	25,4881	26,2419	25,9141
Chinese yuan	7,6742	8,0225	7,7995
US dollar	1,1884	1,2271	1,2057
Romanian lei	4,9280	4,8683	4,9022
Swedish krona	10,1110	10,0343	10,1309

10. Property, plant and equipment

Capital commitments

As at 30 June 2021, the Group had agreements outstanding for the acquisition of property, plant and equipment in the amount of EUR 7.7 million (versus EUR 2.7 million as at 30 June 2020).

11. Impairment

During the first half of 2021, 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 2021, deferred tax assets amounted to EUR 17.5 million, of which a total of EUR 7.2 million relates to the valuation of tax losses carried forward and can be specified as follows:

Germany	EUR 1.4 million
United States of America	EUR 2.0 million
Other	EUR 3.8 million

13. Equity

The table below shows the number of outstanding shares as at 30 June 2021.

	Shares entitled to dividend	Shares owned by Kendrion	Total number of issued shares
At 1 January 2021	14.766.481	167.503	14.933.984
Issued shares (share dividend)	69.634	(68.883)	751
Issued registered shares (share plan)	3.913	(3.913)	-
Delivered shares	1.044	(1.044)	-
At 30 June 2021	14.841.072	93.663	14.934.735

14. Loans and borrowings

As at 30 June 2021, 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 8.4 million other loans with maturities in 2021 – 2026;
- EUR 14.5 million in leases for various buildings, equipment and vehicles;
- EUR 1.2 million mortgage loan for the premises of the Kuhnke facilities in Malente, Germany. The loan ultimately matures in 2022;
- EUR 8.1 million in other overdraft facilities.

As at 30 June 2021, the total availability in cash and unutilized amount of the credit facilities was approximately EUR 68 million.

Pursuant to the terms of the credit facility and the agreed covenant relief 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 4.75 per the end of Q2 2021. On 27 July 2021 Kendrion has issued an early waiver termination request to its banking syndicate effectively cancelling the covenant relief and the associated EUR 25 million minimum liquidity covenant, restrictions and information undertakings. As from the end of Q3 2021 the leverage ratio should remain below 3.25, with a possibility for a temporarily increased to 3.75 in certain circumstances.

Security provided

The Group has provided a mortgage on its premises in Malente, Germany for a EUR 1.2 million loan. No security is provided in relation to the EUR 150 million revolving Credit facility.

15. Taxes

The tax expense for the first six months was EUR 4.6 million, equivalent to a 28,7% effective tax rate.

16. Financial instruments

As at 30 June 2021 the value of the derivative instruments in the balance sheet is a EUR 0.1 million liability (31 December 2020: EUR 0.2 million liability).

There have been no material changes since the end of 2020 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 2020 regarding the contingent liabilities as per note 19 of the Annual Integrated Report for the financial year 2020.

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 2020. No new significant related party transactions have occurred during HY1 2021.