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KENDRION N.V.

INTERIM REPORT 2016

18 August 2016

Improved profitability as simplification measures reduce cost

- **Revenue for Q2 2016 stable at EUR 114.1 million (Q2 2015: EUR 114.3 million)**
- **Normalised EBITA of EUR 8.6 million, an 8% increase from Q2 2015 (EUR 8.0 million) as our first simplification measures take effect**
- **Normalised EBITA margin for Q2 2016 of 7.5%, up from 7.0% in Q2 2015**
- **Normalised EBITA margin for HY1 2016 of 7.3%, up from 7.1% in HY1 2015**
- **Normalised net profit in HY1 2016 EUR 10.1 million (HY1 2015: EUR 10.7 million, which included a one-off tax gain of EUR 1.2 million)**

Key figures

(x EUR 1 million unless otherwise stated)	Q2 2016[1]	Q2 2015[2]	Difference in %
Revenue	114.1	114.3	0%
EBITDA	13.7	12.9	6%
EBITA	8.6	8.0	8%
Net profit	5.4	5.6	-3%
ROS	7.5%	7.0%	

(x EUR 1 million unless otherwise stated)	HY1 2016[1]	HY1 2015[2]	Difference in %
Revenue	225.4	228.7	-1%
EBITDA	26.5	26.0	2%
EBITA	16.4	16.3	1%
Net profit	10.1	10.7	-6%
ROS	7.3%	7.1%	

[1] Normalised for non-recurring restructuring costs:
Q1 2016: EUR 2.7 million (after tax EUR 2.1 million); Q2 2016: EUR 0.7 million (after tax EUR 0.7 million)

[2] Net profit Q2 2015 includes one-off tax gain of EUR 1.2 million

Joep van Beurden, Kendrion CEO:

"Kendrion had a solid second quarter where we saw that our profitability improved over last year as the first of our simplification measures begin to take effect. For the first half year we saw similar improved underlying EBITA performance, with revenue that remained roughly equal to HY1 2015.

- The quarterly and interim results are not audited -

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We are on the right track in implementing our strategy of "Simplify, Focus and Grow" and are confident about our ability to grow both our top and bottom line through the business cycle.
We reiterate our expectation to grow our annual revenue by an average of 5% over the next three years and to deliver an EBITA margin of 10% as from the end of 2018.

For the second half of 2016 we expect the global economic situation to remain challenging but are nevertheless confident about our strong business fundamentals and healthy project pipeline."

Progress in strategy

Kendrion announced its strategic update for the next three years on 3 May 2016. The primary objective is to deliver sustainable profitable growth for the business in the medium to long term. The strategy comprises three pillars: "Simplify, Focus and Grow".

During the second quarter of 2016 we made good progress implementing our strategy. The first of our simplification measures have taken effect and we expect more measures to be implemented across our business units over the next 12-18 months. The cost reductions and restructuring measures that were realised in Q2 resulted in one-off costs of EUR 0.7 million in the second quarter of 2016. Together with the simplification measures taken in the first quarter, one-off restructuring costs in the first half year totalled EUR 3.4 million with expected annualised savings of EUR 3.5 million.

For the full year 2016 one-off costs of EUR 4.0 million are expected, with corresponding savings of EUR 4.0 million on a full-year basis that are expected to be EUR 0.5 million higher than previously indicated.

In terms of focus, we have finalised the evaluation of our Brazil facility, which will be closed later this year. We are also reviewing various other operations and expect to finalise that review later this year. In China, where we see significant opportunities to leverage our reputation and capabilities, we consolidated the management of our two facilities in Suzhou and Nanjing, and appointed Mr Telly Kuo as President of Asia.

Financial review

In the second quarter of 2016 revenue was stable at EUR 114.1 million (Q2 2015: EUR 114.3 million) with growth of 4% in the Industrial activities and a reduction of 2% in Automotive.
For the first 6 months, our Industrial activities recorded 1% growth in revenue while revenue of the Automotive activities fell by 2% mostly as a result of poor trading conditions in Commercial Vehicles. This resulted in a slight decline in overall revenue of 1% in the first half of the year. Foreign exchange had a negligible impact on growth.

Results

Q2 2016
The normalised operating result before amortisation increased by 8% to EUR 8.6 million (Q2 2015: EUR 8.0 million), as a result of simplification measures and strict cost control. Normalised EBITA margin increased from 7.0% in Q2 2015 to 7.5% in Q2 2016. Further restructuring measures were taken in Q2, which resulted in a non-recurring cost of EUR 0.7 million.

HY1 2016
Non-recurring costs of EUR 3.4 million were incurred relating to steps to further enhance Kendrion's profitability, of which EUR 3.0 million related to staff redundancies. Without these costs, staff costs declined by EUR 1.3 million. Other operating expenses before one-off costs were EUR 1.2 million below last year. This was partly offset by EUR 0.5 million higher depreciation costs following the investments made in automotive projects.

The normalised operating result before amortisation in HY1 2016 slightly increased to EUR 16.4 million (HY1 2015: EUR 16.3 million). Normalised EBITA margin was 7.3% (HY1 2015: 7.1%). Normalised EBITA for the Industrial activities increased to EUR 6.6 million from EUR 6.1 million in the same period last year. This increase was driven by a better performance in the Industrial Control Systems business unit and the effect of simplification measures in terms of decreasing staff costs. The Automotive activities reported normalised EBITA of EUR 10.0 million, compared to EUR 10.6 million in HY1 2015. This reduction was due to lower activity levels in Commercial Vehicles, not fully offset by lower cost levels and a higher profitability in Passenger Cars.

Net finance costs in the first six months decreased to EUR 1.4 million (HY1 2015: EUR 1.6 million), as a result of the lower debt level.

Income tax expenses for HY1 2016 were EUR 2.3 million (HY1 2015: EUR 2.1 million). Income tax in the first six months of last year was positively influenced by a one-off tax gain of EUR 1.2 million. The effective tax rate in the first six months of 2016 was 24% (HY1 2015: 16%).

The normalised net profit in HY1 2016 was EUR 10.1 million (HY1 2015: EUR 10.7 million which included a one-off tax gain of EUR 1.2 million). Basic earnings per share amounted to EUR 0.76 (HY1 2015: EUR 0.82). Including restructuring costs net profit amounted to EUR 7.3 million.

Financial position

The net debt position was EUR 78.7 million at the end of the second quarter. The EUR 3.8 million increase over the first quarter was entirely due to the cash dividend payment of EUR 6.1 million. Consequently free cash flow in the first six months was EUR -3.0 million. Capital expenditure amounted to EUR 9.0 million in the first six months, slightly below the depreciation level. Investments for the full year 2016 are expected to be higher than the depreciation level due to new automotive projects.

Kendrion's financial position is strong, with a solvency ratio of 48% at the end of June 2016.

Number of employees

The number of employees (FTEs) in the second quarter amounted to a total of 2,647, including 100 temporary employees (Q2 2015: 2,753 employees, including 117 temporary employees). The reduction in the number of FTEs is mainly a result of simplification measures taken in the first half year of 2016.

Operational performance

Industrial activities

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

The overall market conditions of the first quarter of 2016 continued during the second quarter for the Industrial activities, which accounts for 35% of Kendrion's revenue. Revenue increased by 1% to EUR 77.8 million in HY1 2016, driven by the stronger second quarter with a solid performance and new projects for the Industrial Magnetic Systems plants. Industrial Drive Systems benefited from higher revenue in clutches. Industrial Control Systems had a stable first six months and increased its profitability.

The Industrial activities saw its normalised EBITA margin improve to 8.5% (HY1 2015: 7.9%).

Automotive activities
The Automotive activities consist of Passenger Cars and Commercial Vehicles.

Within the Automotive market, Passenger Cars continued to benefit from the start of the production of the active damper systems and saw its profitability increase. Market conditions were in line with the first quarter. This was offset by the challenging market conditions for Commercial Vehicles with an ongoing weak heavy truck market in North America and lower demand for buses in China. As a result, the Automotive activities, which account for 65% of Kendrion's revenue, saw a 2% revenue decline to EUR 147.6 million in the first six months of 2016.

As a result the normalised EBITA margin for the Automotive activities was slightly lower at 6.8% (HY1 2015: 7.0%).

Outlook

The economic outlook for 2016 remains uncertain, however we remain confident about our business fundamentals and our ability to continue to grow both our top and bottom line through the business cycle. Going forward, our main objective is to deliver sustainable profitable growth for the business in the medium to long term, with average organic growth of 5% over the next three years and an increase in EBITA margin to 10% as from the end of 2018.

Audio webcast interim results 2016

Kendrion CEO Joep van Beurden and CFO Frank Sonnemans will present the interim results on Thursday, 18 August 2016 at 11:00 a.m. CET. A live audio webcast will be available via the company website www.kendrion.com with playback facilities.

Profile of Kendrion N.V.

Kendrion develops, manufactures and markets high-quality electromagnetic and mechatronic 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.

Zeist, 18 August 2016

The Executive Board

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Annexes

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2. Semi-annual condensed financial statements 2016
   1. Condensed consolidated statement of comprehensive income
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Annex 1 - Financial calendar 2016 - 2017

2016

Publication of HY1 2016 results	Thursday, 18 August 2016	08.00 a.m.
Analysts' meeting	Thursday, 18 August 2016	11.00 a.m.
Publication of Q3 2016 results	Thursday, 3 November 2016	08.00 a.m.

2017

Publication of FY 2016 results	Wednesday, 22 February 2017	08.00 a.m.
Analysts' meeting	Wednesday, 22 February 2017	11.00 a.m.
General Meeting of Shareholders	Monday, 10 April 2017	02.30 p.m.
Publication of Q1 2017 results	Wednesday, 3 May 2017	08.00 a.m.
Publication of HY1 2017 results	Wednesday, 16 August 2017	08.00 a.m.
Analysts' meeting	Wednesday, 16 August 2017	11.00 a.m.
Publication of Q3 2017 results	Wednesday, 8 November 2017	08.00 a.m.

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S E M I - A N N U A L C O N D E N S E D F I N A N C I A L S T A T E M E N T S 2 0 1 6

Annex 2.1 – Condensed consolidated statement of comprehensive income [1]

(EUR million)	Q2 2016	Q2 2015	half year 2016	half year 2015	full year 2015
Revenue	114.1	114.3	225.4	228.7	442.1
Other income	0.0	0.0	0.0	0.0	0.1
Total revenue and other income	**114.1**	**114.3**	**225.4**	**228.7**	**442.2**
Changes in inventories of finished goods and work in progress	(1.3)	(0.3)	(1.8)	(1.4)	(0.2)
Raw materials and subcontracted work	60.8	59.0	118.2	119.2	228.4
Staff costs	33.3	33.6	68.9	67.5	133.1
Depreciation and amortisation	6.1	5.9	12.1	11.6	23.2
Other operating expenses	8.3	9.1	17.0	17.4	35.7
Result before net finance costs	**6.9**	**7.0**	**11.0**	**14.4**	**22.0**
Finance income	0.0	0.1	0.0	0.1	0.2
Finance expense	(0.7)	(0.9)	(1.4)	(1.7)	(3.5)
Net finance costs	**(0.7)**	**(0.8)**	**(1.4)**	**(1.6)**	**(3.3)**
Profit before income tax	**6.2**	**6.2**	**9.6**	**12.8**	**18.7**
Income tax expense	(1.5)	(0.6)	(2.3)	(2.1)	(1.9)
Profit for the period	**4.7**	**5.6**	**7.3**	**10.7**	**16.8**
Other comprehensive income					
Remeasurements of defined benefit plans*			-	-	(0.3)
Foreign currency translation differences for foreign operations**			(2.0)	4.5	5.6
Net change in fair value of cash flow hedges, net of income tax**			(0.2)	0.3	0.3
Other comprehensive income for the period, net of income tax			**(2.2)**	**4.8**	**5.6**
Total comprehensive income for the period			**5.1**	**15.5**	**22.4**
Basic earnings per share (EUR), based on weighted average	0.36	0.43	0.55	0.82	1.28
Diluted earnings per share (EUR)	0.36	0.43	0.55	0.82	1.28

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

[1] Not adjusted for non-recurring items

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Annex 2.2 – Condensed consolidated statement of financial position

(EUR million)	30 June 2016	30 June 2015	31 Dec. 2015
Assets			
Non-current assets			
Property, plant and equipment	81.3	83.3	82.7
Intangible assets	124.8	127.3	127.6
Other investments, including derivatives	0.5	0.8	0.6
Deferred tax assets	15.3	14.9	15.9
Total non-current assets	**221.9**	**226.3**	**226.8**
Current assets			
Inventories	56.5	54.0	52.5
Current tax assets	1.1	2.3	2.7
Trade and other receivables	62.0	65.3	48.7
Cash and cash equivalents	12.1	13.4	10.2
Total current assets	**131.7**	**135.0**	**114.1**
Total assets	**353.6**	**361.3**	**340.9**
Equity and liabilities			
Equity			
Share capital	26.8	26.4	26.4
Share premium	56.4	62.7	62.7
Reserves	78.6	63.2	64.0
Retained earnings	7.3	10.7	16.8
Total equity	**169.1**	**163.0**	**169.9**
Liabilities			
Loans and borrowings	84.1	92.1	69.6
Employee benefits	19.8	19.5	19.8
Provisions	0.0	0.1	-
Deferred tax liabilities	11.1	12.0	11.4
Total non-current liabilities	**115.0**	**123.7**	**100.8**
Bank overdraft	6.0	9.4	9.0
Loans and borrowings	0.7	0.7	0.7
Provisions	1.4	-	0.8
Current tax liabilities	1.3	1.7	1.8
Trade and other payables	60.1	62.8	57.9
Total current liabilities	**69.5**	**74.6**	**70.2**
Total liabilities	**184.5**	**198.3**	**171.0**
Total equity and liabilities	**353.6**	**361.3**	**340.9**

Annex 2.3 – Condensed consolidated statement of cash flows

(EUR million)	half year 2016	half year 2015	full year 2015
Cash flows from operating activities			
Profit for the period	7.3	10.7	16.8
Adjustments for:			
Net finance costs	1.4	1.6	3.3
Income tax expense	2.3	2.1	1.9
Depreciation of property, plant and equipment and software	10.2	9.7	19.4
Amortisation of other intangible assets	1.9	1.9	3.8
Impairment of property, plant and equipment	-	0.0	0.1
Share-based payments	0.2	0.4	0.4
	23.3	**26.4**	**45.7**
Change in trade and other receivables	(13.8)	(14.5)	1.9
Change in inventories	(4.4)	(4.0)	(2.5)
Change in trade and other payables	2.3	7.1	2.4
Change in provisions	0.5	(0.5)	0.2
	7.9	**14.5**	**47.7**
Interest paid	(1.4)	(1.6)	(3.2)
Interest received	0.1	0.1	0.1
Tax paid	(0.6)	(1.7)	(3.7)
Net cash flows from operating activities	**6.0**	**11.3**	**40.9**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash received	-	(1.0)	(1.0)
Investments in property, plant and equipment	(7.7)	(9.0)	(19.5)
Disinvestments of property, plant and equipment	0.0	0.2	2.0
Investments in intangible fixed assets	(1.5)	(1.4)	(2.8)
Disinvestments of intangible fixed assets	0.2	0.5	0.5
(Dis)investments of other investments	0.0	0.1	0.1
Net cash from investing activities	**(9.0)**	**(10.6)**	**(20.7)**
Free cash flow	**(3.0)**	**0.7**	**20.2**
Cash flows from financing activities			
Proceeds from borrowings (non current)	14.6	5.5	-
Repayment of borrowings (non current)	-	-	(17.0)
Proceeds from borrowings (current)	-	0.1	0.0
Repayment of borrowings (current)	(0.0)	-	-
Proceeds from the issue of share capital	0.0	0.0	0.0
Dividends paid	(6.1)	(6.1)	(6.1)
Change in treasury shares	-	0.0	0.0
Net cash from financing activities	**8.5**	**(0.5)**	**(23.1)**
Change in cash and cash equivalents	5.5	0.2	(2.9)
Cash and cash equivalents at 1 January	1.2	3.1	3.1
Effect of exchange rate fluctuations on cash held	(0.6)	0.7	1.0
Cash and cash equivalents at the end of the period	6.1	4.0	1.2

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Annex 2.4 – Condensed 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 2015	**26.1**	**68.8**	**4.7**	**(0.4)**	**(0.1)**	**33.9**	**20.2**	**153.2**
Total comprehensive income for the period								
Profit or loss	-	-	-	-	-	-	16.8	16.8
Other comprehensive income								
Remeasurements of defined benefit plans	-	-	-	-	-	(0.3)	-	(0.3)
Foreign currency translation differences for foreign operations	-	-	5.6	-	-	-	-	5.6
Net change in fair value of cash flow hedges, net of income tax	-	-	-	0.3	-	-	-	0.3
Total other comprehensive income for the period	-	-	5.6	0.3	-	(0.3)	-	5.6
Total comprehensive income for the period	**-**	**-**	**5.6**	**0.3**	**-**	**(0.3)**	**16.8**	**22.4**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of ordinary shares	0.3	3.8	-	-	-	-	-	4.1
Own shares sold	-	-	-	-	0.1	(0.1)	-	-
Share-based payment transactions	0.0	0.3	-	-	-	0.1	-	0.4
Dividends to equity holders	-	(10.2)	-	-	-	-	-	(10.2)
Appropriation of retained earnings	-	-	-	-	-	20.2	(20.2)	-
Balance at 31 December 2015	**26.4**	**62.7**	**10.3**	**(0.1)**	**-**	**53.8**	**16.8**	**169.9**

(EUR million)	Share capital	Share premium	Translation reserve	Hedge reserve	Reserve for own shares	Other reserves	Retained earnings	Total equity
Balance at 1 January 2016	**26.4**	**62.7**	**10.3**	**(0.1)**	**-**	**53.8**	**16.8**	**169.9**
Total comprehensive income for the period								
Profit or loss	-	-	-	-	-	-	8.3	8.3
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	3.0	-	-	-	-	3.0
Net change in fair value of cash flow hedges, net of income tax	-	-	-	(0.2)	-	-	-	(0.2)
Total other comprehensive income for the period	-	-	3.0	(0.2)	-	-	-	2.8
Total comprehensive income for the period	**-**	**-**	**3.0**	**(0.2)**	**-**	**-**	**8.3**	**11.0**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of ordinary shares	0.4	3.8	-	-	-	-	-	4.2
Own shares sold	-	-	-	-	-	-	-	-
Share-based payment transactions	0.0	0.2	-	-	-	(0.0)	-	0.2
Dividends to equity holders	-	(10.3)	-	-	-	-	-	(10.3)
Appropriation of retained earnings	-	-	-	-	-	16.8	(16.8)	-
Balance at 30 June 2016	**26.8**	**56.4**	**13.3**	**(0.3)**	**-**	**70.6**	**8.3**	**175.0**

Annex 2.5 – Risks and risk management

Pages 31 to 40 of Kendrion N.V.'s 2015 Annual Report include a review of the risks faced by the company in conducting its business operations.

These risks break down into the following groups:

- Strategic & Business Risk Management
- Operational Risk Management
- Financial Reporting Risk Management
- Compliance & Regulatory

In the 2015 Annual Report, the following risks were identified as the most important risks:

- Volatile economic conditions;
- Competition
- Technological substitution
- Shifts in customer preferences
- Customer dependency
- Non-performing Information Systems and data security

These issues continue to be the main points of concern for Kendrion.

During HY2 2016 Kendrion will update its strategic and business risk assessment.

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Annex 2.6 – Notes to the condensed consolidated interim report

1. Reporting entity

Kendrion N.V. (the "Company") has its registered office in Zeist, the Netherlands. The Company's condensed consolidated interim report for the first six months of 2016 covers the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in associates.

The Group's Annual Report for the financial year 2015 is available on request from the Company's registered office at Utrechtseweg 33, Zeist, the Netherlands or on www.kendrion.com.

2. Declaration of Conformity

This condensed consolidated interim report is 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 2015 consolidated financial statements.

This condensed consolidated interim report is approved by the Executive Board and the Supervisory Board on 17 August 2016.

3. Accounting principles

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 2015.

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 this condensed consolidated interim report, 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 2015.

5. Financial risk management

The Group's objectives and policy relating to financial risk management are identical to the objectives and policy set out in the 2015 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.

(EUR million)	Industrial HY1 2016	Industrial HY1 2015	Automotive HY1 2016	Automotive HY1 2015	Corporate activities HY1 2016	Corporate activities HY1 2015	Consolidated HY1 2016	Consolidated HY1 2015
Revenue from transactions with third parties	77.8	77.3	147.6	151.4	-	-	225.4	228.7
Inter-segment revenue	0.1	0.1	0.4	0.3	-	-	0.5	0.4
EBITA	5.4	6.1	8.4	10.6	(0.8)	(0.4)	13.0	16.3
EBITA margin	6.9%	7.9%	5.7%	7.0%	-	-	5.8%	7.1%
Normalised EBITA[1]	6.6	6.1	10.0	10.6	(0.2)	(0.4)	16.4	16.3
Normalised EBITA margin[1]	8.5%	7.9%	6.8%	7.0%			7.3%	7.1%
Reportable segment assets	114.2	111.6	214.0	214.3	25.4	35.4	353.6	361.3

[1] Normalised for non-recurring restructuring costs:
- HY1 2016: EUR 3.4 million (after tax EUR 2.8 million).

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 2016.

Value of EUR	At 30 June 2016	At 31 December 2015	Average over HY1 2016
Pound sterling	0.8265	0.7340	0.7768
Swiss franc	1.0867	1.0835	1.0959
Czech koruna	27.1312	27.0230	27.0497
Chinese yuan	7.3755	7.0608	7.2599
US dollar	1.1102	1.0887	1.1102
Mexican peso	20.6347	18.9145	19.8448
Brazilian real	3.5898	4.3117	4.0884
Romanian lei	4.5234	4.5240	4.5024
Indian rupee	74.9625	72.0215	74.4879
Swedish krona	9.4242	9.1895	9.2805

9. Property, plant and equipment

Capital commitments

As at 30 June 2016, the Group had agreements outstanding for the acquisition of property, plant and equipment in the amount of EUR 5.1 million (versus EUR 3.6 million as at 30 June 2015).

10. Impairment

During the first half of 2016, 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 2016, deferred tax assets amounted to EUR 15.3 million, of which a total of EUR 10.6 million relates to the valuation of tax losses carried forward and can be specified as follows:

Germany	EUR 5.2 million
The Netherlands	EUR 5.2 million
India	EUR 0.2 million

12. Equity

In May 2016, the optional dividend of EUR 0.78 per share was paid to shareholders. A total cash dividend was paid of EUR 6.1 million, and a total of 199,706 shares were issued.

The table below shows the number of outstanding shares as at 30 June 2016.

	Shares entitled to dividend	Shares owned by Kendrion	Total number of issued shares
At 1 January 2016	13,188,154	-	13,188,154
Issued shares (share dividend)	199,706	-	199,706
Issued registered shares (share plan)	8,174	-	8,174
Delivered shares	1,044	(1,044)	-
Repurchased shares	(1,044)	1,044	-
At 30 June 2016	13,396,034	-	13,396,034

13. Loans and borrowings

As at 30 June 2016, the Group had the following credit lines available:

- EUR 150.0 million revolving Credit Facility with a syndicate of three banks consisting of BNP Paribas, Deutsche Bank and ING Bank. The Credit Facility is committed until 15 August 2019 and includes an option (accordion option) to increase the facility with a maximum of EUR 75.0 million;
- EUR 5.0 million mortgage loan for the premises of the Kuhnke facilities in Malente, Germany. The loan ultimately matures in 2022;
- EUR 1.3 million in subsidized term loans with final maturity in 2019;
- EUR 0.5 million in financial leases for various equipment in the Kuhnke facilities in Malente (Germany) and Sibiu (Romania);
- EUR 1.0 million in other overdraft facilities.

As at 30 June 2016, the total unutilised amount of the credit facilities was approximately EUR 64 million.

Pursuant to the terms of the credit facility with the banking syndicate, the Group has agreed to financial covenants relating to the leverage ratio (interest-bearing debt / EBITDA) and interest coverage (EBITDA / interest costs). In accordance with these covenants, the leverage ratio should remain below 3.0, which can under certain circumstances be temporarily increased to a maximum of 3.5. The interest cover should always exceed 4.0. Both covenants are tested quarterly on a 12-month rolling basis. All covenant ratios were satisfied at 30 June 2016.

Securities issued

The Group has provided a mortgage on its premises in Malente, Germany regarding a EUR 5.3 million loan. No security is provided in relation to the EUR 150.0 million credit facility.

14. Taxes

The tax expense for the first six months was EUR 2.3 million, equivalent to a 24% effective tax rate.

15. Financial instruments

As at 30 June 2016 the value of the derivative instruments in the balance sheet is a EUR 0.4 million liability (31 December 2015: EUR 0.2 million liability).

There have been no material changes since the end of 2015 in terms of sensitivity to market risks (i.e. currency, interest and price).

16. Contingent liabilities

There have been no material changes since the end of 2015 regarding the contingent liabilities as per note 18 of the Group's Annual Report for the financial year 2015.

17. Related parties

For the definition of "related parties", please refer to note 27 of the Group's Annual Report for the financial year 2015.