

KENDRION N.V.

INTERIM REPORT 2017

16 August 2017

Kendrion posts 5% revenue growth and 29% profit growth in strong first half 2017

- Revenue increases in Q2 2017 by 3% to EUR 117.3 million (Q2 2016: EUR 114.1 million)
- Normalised EBITA growth of 23% to EUR 10.6 million in Q2 2017 (Q2 2016: EUR 8.6 million) as simplification measures continue to take effect
- Normalised EBITA margin increases to 9.0% in Q2 2017 from 7.5% in Q2 2016
- Normalised EBITA margin in HY1 2017 rises to 9.0% from 7.3% in HY1 2016
- Normalised net profit of EUR 13.7 million in HY1 2017 (HY1 2016: EUR 10.1 million)
- Continuing simplification measures result in one-off costs of EUR 2.0 million in HY1 2017, with corresponding annualised savings of EUR 1.8 million

Key figures

(x EUR 1 million unless otherwise stated)	Q2 2017 ¹	Q2 2016 ²	Difference in %
Revenue	117.3	114.1	3%
EBITDA	15.8	13.7	15%
EBITA	10.6	8.6	23%
Net profit	6.8	5.4	26%
ROS	9.0%	7.5%	
(x EUR 1 million unless otherwise stated)	HY1 2017 ¹	HY1 2016 ²	Difference in %
Revenue	235.6	225.4	5%
EBITDA	31.4	26.5	18%
EBITA	21.1	16.4	29%
Net profit	13.7	10.1	36%
ROS	9.0%	7.3%	

¹ Normalised for HY1 2017 non-recurring restructuring costs of EUR 2.0 million (after tax EUR 1.5 million):
Q1 2017: EUR 1.2 million (after tax EUR 0.9 million); Q2 2017: EUR 0.8 million (after tax EUR 0.6 million)

² Normalised for HY1 2016 non-recurring restructuring costs of EUR 3.4 million (after tax EUR 2.8 million):
Q1 2016: EUR 2.7 million (after tax EUR 2.1 million); Q2 2016: EUR 0.7 million (after tax EUR 0.7 million)

Joep van Beurden, Kendrion CEO:

"Kendrion had a good second quarter and first half of 2017. We grew our revenue by 5% and our EBITA by 29% relative to the first half of 2016, as more favourable market conditions enhanced the positive effect of our simplification measures.

We continue to implement our strategy of "Simplify, Focus, Grow", and expect further benefits from simplification, as we continue to streamline and simplify our way of doing business. In terms of focus, we

are investing in additional production capacity in Germany for permanent magnet brakes. In China, where we saw double digit revenue growth over the first half year, we plan to open a new facility for expansion of our production capacity in the first half of 2018, in anticipation of further growth.

The global economic outlook improved and we look at the future with confidence, based on our strong business fundamentals, broad R&D capabilities, close customer relationships and growing project pipeline. We reiterate our expectation to grow annual revenue by an average of 5% and deliver an EBITA margin of 10% as from the end of 2018."

Progress in strategy

Kendrion's strategy for 2016-2018, as announced in May 2016, comprises three pillars: "Simplify, Focus, Grow". The primary objective is to deliver sustainable profitable growth for the business in the medium to long term.

During 2016 and the first half of 2017, we have made good progress implementing the strategy and the related simplification measures. Following the review of operations in China last year and the integration of the Nanjing facility into the main Kendrion facility in Suzhou, we have recently selected a new facility for further expansion of our production capacity in Suzhou, China. With this facility, which is expected to be operational in the first half of 2018, we will more than double the size of our current production capacity.

On the back of strong business fundamentals and our leading position in permanent magnet brakes, we have also decided to invest in additional production capacity for these products in Villingen, Germany.

The cost reductions and restructuring measures implemented in Q2 resulted in one-off costs of EUR 0.8 million in the second quarter of 2017. Together with the simplification measures taken in the first quarter, one-off costs in the first half year totalled EUR 2.0 million with corresponding savings on an annualised basis of EUR 1.8 million. Kendrion expects to implement additional simplification measures across its business units over the next three quarters. For the full year 2017, one-off costs of around EUR 4 million are anticipated, with corresponding savings of EUR 3 million on an annualised basis.

Financial review

Revenue

Q2 2017

Revenue in the second quarter of 2017 was 2.8% higher at EUR 117.3 million compared to the second quarter of 2016 (EUR 114.1 million). The Industrial activities grew by 2.7% (3.1% at constant exchange rates), while Automotive posted an increase of 2.8% (2.7% at constant exchange rates).

HY1 2017

In the first half of 2017 our Industrial activities posted 4.5% growth (4.7% at constant exchange rates) in revenue, primarily as a result of growth in Industrial Drive Systems. Revenue of the Automotive activities increased by 4.5% (4.2% at constant exchange rates), with this growth being driven by Passenger Cars. This resulted in overall revenue growth of 4.5% (4.4% at constant exchange rates) in the first half of the year.

Results

Q2 2017

The normalised operating result before amortisation (EBITA) increased by 23% to EUR 10.6 million (Q2 2016: EUR 8.6 million) as improving market conditions amplified the positive effect of our simplification measures. Despite the higher activity level and wage inflation, staff costs and operating expenses were in

line with last year. The normalised EBITA margin improved in line with the increased normalised EBITA from 7.5% in Q2 2016 to 9.0% in Q2 2017.

HY1 2017

Normalised EBITA in HY1 2017 increased to EUR 21.1 million (HY1 2016: EUR 16.4 million). Normalised EBITA margin was 9.0% (HY1 2016: 7.3%) with an increase in profitability across all business units.

Normalised EBITA for the Industrial activities increased to EUR 8.4 million from EUR 6.6 million in the same period last year. This increase was particularly driven by a better performance of Industrial Drive Systems and the effect of simplification measures within Industrial Control Systems.

The Automotive activities posted normalised EBITA of EUR 13.2 million, compared to EUR 10.0 million in HY1 2016. The improvement in profitability is primarily attributable to Passenger Cars.

Net finance costs of EUR 1.4 million in the first six months of 2017 were in line with last year.

Income tax expenses for HY1 2017 stood at EUR 3.9 million (HY1 2016: EUR 2.3 million). The normalised effective tax rate in the first six months of 2017 was 24.3% (HY1 2016: 22.7%), slightly up on last year due to a different country mix.

Normalised net profit in HY1 2017 was EUR 13.7 million (HY1 2016: EUR 10.1 million). Basic earnings per share amounted to EUR 1.02 (HY1 2016: EUR 0.76). Including restructuring costs, net profit in HY1 2017 amounted to EUR 12.2 million.

Financial position

The net debt position was EUR 62.2 million at the end of the second quarter. The EUR 3.2 million increase from the end of the first quarter was due entirely to the cash dividend payment of EUR 6.6 million and negative currency results on cash positions totalling EUR 0.7 million, which is partly offset by the free cash flow of EUR 4.2 million. Free cash flow in the first six months amounted to EUR -0.8 million.

Capital expenditure totalled EUR 11.0 million in the first half of 2017, slightly above the depreciation level. Investments for the full year 2017 are expected to be higher than the depreciation level, largely due to new automotive projects and capacity expansions in Industrial Drive Systems.

Kendrion's financial position is strong with a solvency ratio of 49.7% at the end of June 2017.

Number of employees

The number of employees (FTEs) at the end of the second quarter amounted to a total of 2,627, including 127 temporary employees (Q2 2016: 2,647 employees, including 100 temporary employees).

Operational performance

Industrial activities

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

The higher activity level in the first quarter of 2017 continued during the second quarter for Kendrion's Industrial activities, which account for 35% of revenue. Revenue increased by 4.5% to EUR 81.3 million in HY1 2017 compared to HY1 2016 (EUR 77.8 million). This increase was driven mainly by continuing strong demand for servo motor brakes in Industrial Drive Systems for, amongst other things, industrial robots.

Industrial Magnetic Systems, Industrial Control Systems and Industrial Drive Systems all increased their profitability in the first half of 2017. In the case of Industrial Control Systems, this was mainly the result of simplification measures while Industrial Drive Systems benefitted from higher activity levels. Despite the closure of the Swiss production facility, also Industrial Magnetic Systems posted good revenue growth, especially in China and the United States.

Industrial saw its normalised EBITA margin improve to 10.4% (HY1 2016: 8.5%).

Automotive activities

The Automotive activities consist of Passenger Cars and Commercial Vehicles.

Automotive activities, which account for 65% of Kendrion's revenue, posted 4.5% revenue growth to EUR 154.3 million in the first six months of 2017 (HY1 2016: EUR 147.6 million). Within the Automotive market, Passenger Cars continued to benefit from the ramp-up of the production of the active damping valves for ThyssenKrupp Bilstein and saw both its revenue and profitability increase in the second quarter. Market conditions for light duty vehicles are good, while the heavy truck market in North America started to see a pick-up in orders. Commercial Vehicles had good revenue growth in North America and the Czech Republic, but saw a slight decline in overall revenues as a direct result of the closure of its facility in Brazil and discontinuation of operations in India that reduced Automotive growth by 2.5%.

Automotive saw its normalised EBITA margin improve to 8.6% (HY1 2016: 6.8%).

Outlook

The overall outlook for the global economy has improved further during the second quarter of 2017. Kendrion's most important market, Germany, is expected to achieve slight economic growth and the German machine building index is also picking up. Kendrion expects its revenue to increase in 2017, driven mostly by growth in the Passenger Cars business unit.

Going forward, we remain confident about our business fundamentals and our main objective to deliver sustainable profitable growth for the business in the medium to long term. We reiterate our medium- to long-term outlook of expected average organic growth of 5% per year and a 10% EBITA margin as from the end of 2018.

Share buyback programme

Kendrion will repurchase 121,586 ordinary shares to neutralise the dilutive effect of the 2016 final stock dividend and share-based incentive plans. These shares will be held as treasury shares and will be used to pay future stock dividends and share-based incentive plans. Kendrion is committed to the repurchase of the ordinary shares by engaging a third party to execute the transactions on its behalf.

These transactions will commence on 21 August 2017 and will run until no later than 29 December 2017. Kendrion will provide weekly updates on the transactions on www.kendrion.com. The first progress report will be published on Monday, 28 August 2017.

Audio webcast interim results 2017

Kendrion CEO Joep van Beurden and CFO Frank Sonnemans will present the interim results on Wednesday, 16 August 2017 at 11:30 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 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, 16 August 2017

The Executive Board

For more information, please contact:

Kendrion N.V.
Mr Joep van Beurden
Chief Executive Officer
Tel: +31 - 30 - 699 72 68
Email: IR@kendrion.com
Website: www.kendrion.com

Annexes

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Annex 1 – Financial calendar 2017 - 2018

2017

Publication of HY1 2017 results	Wednesday, 16 August 2017	08.00 a.m.
Analysts' meeting	Wednesday, 16 August 2017	11.30 a.m.
Publication of Q3 2017 results	Wednesday, 8 November 2017	08.00 a.m.
Analysts' call	Wednesday, 8 November 2017	11.00 a.m.

2018

Publication of FY 2017 results	Wednesday, 21 February 2018	08.00 a.m.
Analysts' meeting	Wednesday, 21 February 2018	11.00 a.m.
General Meeting of Shareholders	Monday, 9 April 2018	02.30 p.m.
Publication of Q1 2018 results	Wednesday, 9 May 2018	08.00 a.m.
Analysts' call	Wednesday, 9 May 2018	11.00 a.m.
Publication of HY1 2018 results	Wednesday, 15 August 2018	08.00 a.m.
Analysts' meeting	Wednesday, 15 August 2018	11.00 a.m.
Publication of Q3 2018 results	Wednesday, 7 November 2018	08.00 a.m.
Analysts' call	Wednesday, 7 November 2018	11.00 a.m.



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ANNEX 2

KENDRION N.V.

**SEMI-ANNUAL CONDENSED
FINANCIAL STATEMENTS 2017**

Annex 2.1 – Condensed consolidated statement of comprehensive income ¹

(EUR million)	Q2 2017	Q2 2016	half year 2017	half year 2016	full year 2016
Revenue	117.3	114.1	235.6	225.4	443.4
Other income	0.0	0.0	0.0	0.0	0.1
Total revenue and other income	117.3	114.1	235.6	225.4	443.5
Changes in inventories of finished goods and work in progress	(0.4)	(1.3)	(3.0)	(1.8)	0.5
Raw materials and subcontracted work	60.8	60.8	124.2	118.2	230.0
Staff costs	33.8	33.3	68.5	68.9	132.6
Depreciation and amortisation	6.0	6.1	11.9	12.1	24.0
Other operating expenses	8.1	8.3	16.5	17.0	34.7
Result before net finance costs	9.0	6.9	17.5	11.0	21.7
Finance income	0.0	0.0	0.0	0.0	0.1
Finance expense	(0.8)	(0.7)	(1.4)	(1.4)	(3.2)
Net finance costs	(0.8)	(0.7)	(1.4)	(1.4)	(3.1)
Profit before income tax	8.2	6.2	16.1	9.6	18.6
Income tax expense	(2.0)	(1.5)	(3.9)	(2.3)	(3.7)
Profit for the period	6.2	4.7	12.2	7.3	14.9
Other comprehensive income					
Remeasurements of defined benefit plans*			-	-	(1.9)
Foreign currency translation differences for foreign operations**			(4.7)	(2.0)	1.3
Net change in fair value of cash flow hedges, net of income tax**			0.6	(0.2)	(0.2)
Other comprehensive income for the period, net of income tax			(4.1)	(2.2)	(0.8)
Total comprehensive income for the period			8.1	5.1	14.1
Basic earnings per share (EUR), based on weighted average	0.46	0.36	0.91	0.55	1.12
Diluted earnings per share (EUR)	0.46	0.36	0.91	0.55	1.12

*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

Annex 2.2 – Condensed consolidated statement of financial position

(EUR million)	30 June 2017	30 June 2016	31 Dec. 2016
Assets			
Non-current assets			
Property, plant and equipment	84.6	81.3	85.5
Intangible assets	121.0	124.8	124.5
Other investments, including derivatives	0.3	0.5	0.4
Deferred tax assets	14.5	15.3	16.0
Total non-current assets	220.4	221.9	226.4
Current assets			
Inventories	58.9	56.5	52.6
Current tax assets	1.2	1.1	1.2
Trade and other receivables	67.3	62.0	54.5
Cash and cash equivalents	13.7	12.1	12.4
Total current assets	141.1	131.7	120.7
Total assets	361.5	353.6	347.1
Equity and liabilities			
Equity			
Share capital	27.0	26.8	26.8
Share premium	49.6	56.4	56.4
Reserves	90.9	78.6	80.0
Retained earnings	12.2	7.3	14.9
Total equity	179.7	169.1	178.1
Liabilities			
Loans and borrowings	64.4	84.1	63.0
Employee benefits	21.3	19.8	21.4
Deferred tax liabilities	10.4	11.1	10.9
Total non-current liabilities	96.1	115.0	95.3
Bank overdraft	10.8	6.0	2.7
Loans and borrowings	0.7	0.7	0.7
Provisions	0.5	1.4	1.2
Current tax liabilities	1.6	1.3	0.7
Trade and other payables	72.1	60.1	68.4
Total current liabilities	85.7	69.5	73.7
Total liabilities	181.8	184.5	169.0
Total equity and liabilities	361.5	353.6	347.1

Annex 2.3 – Condensed consolidated statement of cash flows

(EUR million)	half year 2017	half year 2016	full year 2016
Cash flows from operating activities			
Profit for the period	12.2	7.3	14.9
<i>Adjustments for:</i>			
Net finance costs	1.4	1.4	3.1
Income tax expense	3.9	2.3	3.7
Depreciation of property, plant and equipment and software	10.3	10.2	20.3
Amortisation of other intangible assets	1.6	1.9	3.7
Impairment of property, plant and equipment	0.1	-	0.5
Share-based payments	0.3	0.2	0.2
	29.8	23.3	46.4
Change in trade and other receivables	(13.1)	(13.8)	(5.7)
Change in inventories	(7.0)	(4.4)	(0.4)
Change in trade and other payables	4.4	2.3	10.2
Change in provisions	(0.8)	0.5	0.0
	13.3	7.9	50.5
Interest paid	(1.3)	(1.4)	(2.7)
Interest received	0.0	0.1	0.2
Tax paid	(1.8)	(0.6)	(3.8)
Net cash flows from operating activities	10.2	6.0	44.2
Cash flows from investing activities			
Investments in property, plant and equipment	(8.8)	(7.7)	(20.9)
Disinvestments of property, plant and equipment	0.3	0.0	0.6
Investments in intangible fixed assets	(2.5)	(1.5)	(2.9)
Disinvestments of intangible fixed assets	0.0	0.2	0.3
(Dis)investments of other investments	(0.0)	0.0	0.0
Net cash from investing activities	(11.0)	(9.0)	(22.9)
Free cash flow	(0.8)	(3.0)	21.3
Cash flows from financing activities			
Proceeds from borrowings (non current)	1.3	14.6	-
Repayment of borrowings (non current)	-	-	(6.6)
Proceeds from borrowings (current)	0.0	-	-
Repayment of borrowings (current)	-	(0.0)	(0.0)
Proceeds from the issue of share capital	0.0	0.0	0.0
Dividends paid	(6.6)	(6.1)	(6.1)
Net cash from financing activities	(5.3)	8.5	(12.7)
Change in cash and cash equivalents	(6.1)	5.5	8.6
Cash and cash equivalents at 1 January	9.7	1.2	1.2
Effect of exchange rate fluctuations on cash held	(0.7)	(0.6)	(0.1)
Cash and cash equivalents at period end	2.9	6.1	9.7

Annex 2.4 – Condensed consolidated statement of changes in equity

(EUR million)	Share capital	Share premium	Translation reserve	Hedge reserve	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	-	-	-	-	-	14.9	14.9
Other comprehensive income							
Remeasurements of defined benefit plans	-	-	-	-	(1.9)	-	(1.9)
Foreign currency translation differences for foreign operations	-	-	1.3	-	-	-	1.3
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	-	-	1.3	(0.2)	(1.9)	-	(0.8)
Total comprehensive income for the period	-	-	1.3	(0.2)	(1.9)	14.9	14.1
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	0.4	3.8	-	-	-	-	4.2
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 31 December 2016	26.8	56.4	11.6	(0.3)	68.7	14.9	178.1

(EUR million)	Share capital	Share premium	Translation reserve	Hedge reserve	Other reserves	Retained earnings	Total equity
Balance at 1 January 2017	26.8	56.4	11.6	(0.3)	68.7	14.9	178.1
Total comprehensive income for the period							
Profit or loss	-	-	-	-	-	12.2	12.2
Other comprehensive income							
Remeasurements of defined benefit plans	-	-	-	-	-	-	-
Foreign currency translation differences for foreign operations	-	-	(4.7)	-	-	-	(4.7)
Net change in fair value of cash flow hedges, net of income tax	-	-	-	0.6	-	-	0.6
Other comprehensive income for the period, net of income tax	-	-	(4.7)	0.6	-	-	(4.1)
Total comprehensive income for the period	-	-	(4.7)	0.6	-	12.2	8.1
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	0.2	3.5	-	-	-	-	3.7
Share-based payment transactions	0.0	0.2	-	-	0.1	-	0.3
Dividends to equity holders	-	(10.5)	-	-	-	-	(10.5)
Appropriation of retained earnings	-	-	-	-	14.9	(14.9)	-
Balance at 30 June 2017	27.0	49.6	6.9	0.3	83.7	12.2	179.7

Annex 2.5 – Reconciliation of normalised to reported 2017 figures

EUR million	half year 2017	half year 2016
Reported result before net finance costs	17.5	11.0
Reported amortisation	1.6	2.0
Reported EBITA	19.1	13.0
One-off costs related to simplifying measures	2.0	3.4
Normalised EBITA	21.1	16.4
Reported amortisation	(1.6)	(2.0)
Reported net finance costs	(1.4)	(1.4)
Normalised profit before income tax	18.1	13.0
Reported income tax expense	(3.9)	(2.3)
Impact symplifying measures on income tax expense	(0.5)	(0.6)
Normalised profit for the period	13.7	10.1

Annex 2.6 – Risks and risk management

Pages 62 to 70 of Kendrion N.V.'s 2016 Annual Report include a review of the risks faced by the company in conducting its business operations.

Kendrion's approach to the company's risk management is categorised into the following groups:

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

In the 2016 Annual Report, the following risks were identified as the most important risks:

- Increased competition;
- Technological substitution;
- Pressure from large customers and customer dependency;
- Non-performing Information Systems and data security;
- Volatile economic conditions;
- Attraction and retention of qualified staff.

These issues continue to be the main points for Kendrion.

During HY2 2017 Kendrion will update its strategic and business risk assessment.

Annex 2.7 – 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 2017 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 2016 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 2016 consolidated financial statements.

This condensed consolidated interim report is approved by the Executive Board and the Supervisory Board on 15 August 2017.

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 2016.

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 2016.

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 2016 consolidated financial statements of the Group.

6. Segment reporting

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

(x EUR 1 million unless otherwise stated)	Industrial		Automotive		Corporate activities		Consolidated	
	HY1 2017	HY1 2016	HY1 2017	HY1 2016	HY1 2017	HY1 2016	HY1 2017	HY1 2016
Revenue from transactions with third parties	81.3	77.8	154.3	147.6	-	-	235.6	225.4
Inter-segment revenue	0.1	0.1	0.3	0.4	-	-	0.4	0.5
EBITA	6.9	5.4	12.7	8.4	(0.5)	(0.8)	19.1	13.0
EBITA margin	8.5%	6.9%	8.2%	5.7%	-	-	8.1%	5.8%
EBITA ¹	8.4	6.6	13.2	10.0	(0.5)	(0.2)	21.1	16.4
EBITA margin ¹	10.4%	8.5%	8.6%	6.8%			9.0%	7.3%
Reportable segment assets	118.9	114.2	225.7	214.0	16.9	25.4	361.5	353.6

¹ Normalised for non-recurring restructuring costs:
 -HY1 2017: EUR 2.0 million (after tax EUR 1.5 million).
 -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 2017.

Value of EUR	At 30 June 2017	At 31 December 2016	Average over HY1 2017
Pound sterling	0.8793	0.8562	0.8597
Swiss franc	1.0930	1.0739	1.0770
Czech koruna	26.1972	27.0212	26.8010
Chinese yuan	7.7385	7.3202	7.4615
US dollar	1.1412	1.0541	1.0861
Mexican peso	20.5838	21.7718	21.1175
Brazilian real	3.7600	3.4305	3.4651
Romanian lei	4.5523	4.5390	4.5374
Indian rupee	73.7463	71.5922	71.4950
Swedish krona	9.6398	9.5525	9.5749

9. Property, plant and equipment

Capital commitments

As at 30 June 2017, the Group had agreements outstanding for the acquisition of property, plant and equipment in the amount of EUR 5.1 million (versus EUR 5.1 million as at 30 June 2016).

10. Impairment

During the first half of 2017, 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 2017, deferred tax assets amounted to EUR 14.5 million, of which a total of EUR 7.0 million relates to the valuation of tax losses carried forward and can be specified as follows:

Germany	EUR 4.6 million
United States of America	EUR 1.3 million
The Netherlands	EUR 1.1 million

12. Equity

In May 2017, the optional dividend of EUR 0.78 per share was paid to shareholders. A total cash dividend was paid of EUR 6.6 million, and a total of 115,157 shares were issued.

The table below shows the number of outstanding shares as at 30 June 2017.

	Shares entitled to dividend	Shares owned by Kendrion	Total number of issued shares
At 1 January 2017	13,396,034	-	13,396,034
Issued shares (share dividend)	115,157	-	115,157
Issued registered shares (share plan)	6,429	-	6,429
Delivered shares	1,843	(1,843)	-
Repurchased shares	(1,843)	1,843	-
At 30 June 2017	13,517,620	-	13,517,620

13. Loans and borrowings

As at 30 June 2017, 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 4.0 million mortgage loan for the premises of the Kuhnke facilities in Malente, Germany. The loan ultimately matures in 2022;
- EUR 0.8 million in subsidized term loans with final maturity in 2019;
- EUR 0.2 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 2017, the total unutilised amount of the credit facilities was approximately EUR 80 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 2017.

Securities issued

The Group has provided a mortgage on its premises in Malente, Germany regarding a EUR 4.0 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 3.9 million, equivalent to a 24% effective tax rate.

15. Financial instruments

As at 30 June 2017 the value of the derivative instruments in the balance sheet is a EUR 0.6 million liability (31 December 2016: EUR 0.5 million liability).

There have been no material changes since the end of 2016 in terms of sensitivity to market risks (i.e. currency, interest and price).



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16. Contingent liabilities

There have been no material changes since the end of 2016 regarding the contingent liabilities as per note 18 of the Group's Annual Report for the financial year 2016.

17. Related parties

For the definition of "related parties", please refer to note 27 of the Group's Annual Report for the financial year 2016.