

K E N D R I O N N . V .
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Kendrion demonstrates resilience in deteriorating market circumstances

- HY1 2023 revenue increased by 7% to EUR 273.7 million (HY1 2022: EUR 256.8 million)
- Q2 2023 revenue grew by 8% to EUR 136.9 million (Q2 2022: EUR 126.9 million)
- Normalized HY1 2023 EBITDA was EUR 29.7 million, down by 3% from EUR 30.5 million in HY1 2022
- Normalized Q2 2023 EBITDA was EUR 14.0 million, up by 2% from EUR 13.7 million in Q2 2022
- The new manufacturing facility in Suzhou Industrial Park is now fully operational
- China remains on track to launch 7 new Automotive E projects in the coming quarters
- The long-term outlook remains positive with growth opportunities driven by the global transition towards electrification and clean energy

Key figures

Reported (in EUR million)	Q2 2023	Q2 2022	delta	HY1 2023	HY1 2022	delta
Revenue	136.9	126.9	8%	273.7	256.8	7%
EBITDA	13.9	13.4	4%	29.5	28.1	5%
EBITA	8.1	7.6	7%	17.9	16.9	6%
Net profit	3.7	3.7	0%	8.6	8.8	-2%
EBITDA as a % of revenue	10.2%	10.6%		10.8%	10.9%	
EBITA as a % of revenue	5.9%	6.0%		6.5%	6.6%	
Return on invested capital ¹ (12 months rolling)				-12.4%	11.4%	

Normalized (in EUR million) ²	Q2 2023	Q2 2022	delta	HY1 2023	HY1 2022	delta
Revenue	136.9	126.9	8%	273.7	256.8	7%
EBITDA	14.0	13.7	2%	29.7	30.5	-3%
EBITA	8.2	7.9	4%	18.1	19.3	-6%
Net profit before amortization	4.4	5.3	-17%	10.0	12.9	-22%
EBITDA as a % of revenue	10.2%	10.8%		10.9%	11.9%	
EBITA as a % of revenue	6.0%	6.2%		6.6%	7.5%	
Return on invested capital ¹ (12 months rolling)				14.1%	14.7%	

¹ Invested capital excluding intangibles arising from acquisitions.

² Normalized for costs and benefits outside the ordinary course of operations. The bridge from reported to normalized figures can be found on page 12.

Joep van Beurden, Kendrion CEO:

“We achieved a solid first half year, despite deteriorating market conditions. Our revenue increased by 7% compared to the first half of 2022 and we protected our profitability despite inflation-induced pressure on our added value margin, especially in Automotive.

Over the course of the first half of 2023, economic activity within the Industrial business segments slowed down, particularly in Germany and China. The anticipated COVID rebound in China did not materialize and the German economy experienced three quarters of stagnation, leading to manufacturing slowing down to levels reminiscent of the pandemic period. In this context, Industrial Brakes, primarily exposed to industrial activity in Germany and China, managed to achieve revenue on par with the previous year. Industrial Actuators and Controls, with more diversified activities, grew by 6%.

In Automotive, the volatility in order patterns subsided. We continued to benefit from the enhancements brought about by the split of the Automotive Group into Automotive Core and E. Our Automotive revenue grew by 10% year-over-year. On a pro-forma basis, Automotive E grew with 17%, while Core saw 7% growth in the first half. Inflation remained a factor, pressuring our added value margin. I am pleased to note that towards the end of the first half of the year, our efforts to raise prices resulted in an improved added value margin, although it still falls short of the 2022 level. Our pipeline in Automotive E continues to develop positively both in terms of nominations and new opportunities, particularly in areas like suspension and smart actuation.

In China, we inaugurated our new manufacturing facility in Suzhou in May 2023. We also transferred the manufacturing operations of our Shanghai and Suzhou locations to this new factory at the renowned Suzhou Industrial Park. The new factory is fully operational now. We anticipate to ramp-up 7 new Automotive E projects over the course of the second half of this year and in Q1 2024.

Looking ahead to the remainder of 2023, we anticipate low economic activity levels. In response, we are implementing short-term measures to safeguard our profitability and financial position. This includes the implementation of short time work at one of our German facilities to reflect the reduced activity level, as well as a reduction in expenses and investments not directly tied to revenue generation. Simultaneously, we will persist in making strategic investments to prepare our organization for further growth. In the long term, we remain confident in the growth opportunities presented by the global push towards electrification and clean energy, not only in the Automotive sector but across all industries, underpinning our longer-term ambitions.”

Progress on strategy

Kendrion is a global, innovative company, with a dedicated focus on actuator products that facilitate the transition towards electrification and clean energy. Kendrion operates through three Business Groups: Industrial Brakes (IB), Industrial Actuators and Controls (IAC), and Automotive, which consists of Automotive Core and Automotive E. Automotive E is responsible for products pertinent to electric vehicles with a clear mission to achieve profitable growth and innovation. Automotive Core manages our business linked to combustion engines, with a strong emphasis on cash and cashflow as its KPIs.

Even amid the persistently challenging economic landscape, which has now extended into its fourth year since the outset of the COVID pandemic, we remain confident in the significant growth opportunities for our products. These products play a pivotal role in driving the global shift towards electrification and the adoption of sustainable energy. Our well-balanced product portfolio acts as a buffer against overdependence on any single vertical or market segment. Encompassing a wide array of domains, our product range spans from wind power, robotics, and automated warehouses to inductive heating technology, circuit breakers for electricity distribution stations, and sound actuators for electric vehicles. The trajectory towards electrification has guided our product innovation and has

been a compass for shaping our strategic decisions over the years. It will continue to do so across all our Business Groups and geographies.

Financial review

Revenue

Q2 2023

In Q2 2023, revenue reached EUR 136.9 million, marking an 8% increase compared to the second quarter of the previous year (EUR 126.9 million). When measured at constant exchange rates, revenue increased by 9%. The contribution of increased average sales prices to consolidated revenue in Q2 amounted to 6%.

IAC achieved a 10% growth resulting in a revenue of EUR 33.2 million. Currency exchange rates had a 1% negative impact on IAC's revenue, while price increases contributed 6%. Meanwhile, IB's revenue remained stable at EUR 36.0 million, in comparison to Q2 2022. The growth at constant exchange rates amounted to 2%, and increased average sales prices added 3% to the revenue.

Revenue within the Automotive Group totalled EUR 67.7 million, showcasing an 11% growth compared to the previous year, and a 12% increase when measured at constant exchange rates. Increased sales prices contributed 7% to the quarterly revenue. Automotive E's quarterly revenue reached EUR 18.5 million, marking a 30% increase from the pro forma level of the previous year. Automotive Core achieved revenues of EUR 49.2 million, signifying a 6% increase from the previous year. If we exclude the impact from currency and price increases, Automotive Core revenue would have experienced a 3% year-over-year decrease.

HY1 2023

Group revenue for the first half of 2023 totalled EUR 273.7 million, reflecting an increase of 7% compared to the previous year. Excluding the effect of currency and sales price increases, growth was 2%.

IAC achieved 6% growth in the first half year, generating a revenue of EUR 66.3 million (HY1 2022: EUR 62.4 million). Excluding currency effects and price increases, volumes grew by 1% with significant weakness observed in textile machinery but balanced by continuing strength in other segments such as medical, aviation, and control technology. Revenue in Industrial Brakes amounted to EUR 74.8 million (HY1 2022: EUR 73.7 million). Excluding the impact of currency and price increases, IB revenue slightly decreased by 1%, impacted by weak industrial production in Germany and China, affecting demand for electromotors at some of IB's major international customers.

The revenue for the first six months in Automotive reached EUR 132.6 million, indicating 10% growth compared to the previous year, driven by a recovery in global car production from the lower levels observed in the preceding years. The combined impact of currency fluctuations and average sales price increases contributed 5% to the Automotive revenue. Automotive growth was mainly fuelled by E, achieving revenue of EUR 34.5 million, a 18% increase from the pro forma level of the previous year. Core revenue reached EUR 98.1 million, marking a 7% increase from the previous year, primarily attributed to higher average sales prices.

Results

Q2 2023

The normalized operating result before depreciation and amortization (EBITDA) amounted to EUR 14.0 million, showing a slight increase from the EUR 13.7 million reported in the second quarter of the previous year. EBITDA as a percentage of revenue was 10.2%, in contrast to 10.8% in Q2 2022.

The added value experienced a slight increase of EUR 0.1 million compared to the previous year, mainly due to revenue growth being primarily driven by price increases. The total normalized staff and other operating costs, totalling EUR 48.1 million, remained stable in comparison to the previous year. Realized cost savings were largely offset by substantial wage inflation. Depreciation charges amounted to EUR 5.8 million (Q2 2022: EUR 5.8 million). The normalized operating result before amortization (EBITA) of EUR 8.2 million marked a 4% increase from Q2 2022.

A sum of EUR 0.1 million in costs (Q2 2022: EUR 0.3 million), which were incurred outside the ordinary course of business, was normalized from the results, primarily related to restructuring charges.

HY1 2023

Normalized EBITDA in HY1 2023 declined by 3% to EUR 29.7 million (HY1 2022: EUR 30.5 million). EBITDA as a percentage of revenue concluded at 10.9%, compared to 11.9% in the first half year of 2022.

Half of the margin decrease is attributed to the margin dilution effect resulting from price increases. The added value increased by 1% to EUR 127.2 million (HY1 2022: EUR 126.1 million), with the 2% higher sales volumes partially offset by the ongoing pressure on the added value margin in Automotive. Total normalized staff and other operating expenses were EUR 97.5 million in the first six months, marking a 2% increase compared to the previous year. This increase was entirely realized in the first quarter and largely driven by wage inflation, inclusive of a one-time inflation compensation payment in Germany, as agreed upon with the employee associations.

Depreciation charges in the first six months amounted to EUR 11.6 million, (HY1 2022: EUR 11.2 million), resulting in a normalized EBITA of EUR 18.1 million (HY1 2022: EUR 19.3 million). Normalized net finance costs stood at EUR 4.9 million, in contrast to EUR 1.4 million in the first half of 2022. The increase in finance costs was attributed to higher average debt levels, significant rises in Euribor rates and unfavourable currency results prompted by the strengthening of the Euro. Normalized tax expenses were EUR 2.8 million compared to EUR 4.4 million in HY1 2022. The normalized effective tax rate reached 24.7% (HY1 2022: 28.3%), reflecting the weighted average nominal tax rate of 25.6% along with an additional tax deduction related to R&D in China. Normalized net profit before amortization finalized at EUR 10.0 million (HY1 2022: EUR 12.9 million).

Industrial normalized EBITDA concluded at EUR 23.3 million (HY1 2022: EUR 24.4 million), yielding a margin of 16.5% (HY1 2022: 17.9%). The decrease in EBITDA is attributable by increased staff and other operating expenses, driven by both wage inflation and capacity expansions in IB during the second half year of the previous year.

Normalized EBITDA in Automotive increased by 5% to EUR 6.4 million with a margin of 4.8% (HY1 2022: 5.0%). The underlying added value in Automotive remained steady compared to the previous year, as sales volume increases were offset by margin pressure, particularly in Q1 2023 in conjunction with sales mix effects. Cost levels within Automotive remained constant, with substantial savings in indirect staff compensating for wage inflation and the sustained high usage of outsourced development services.

EUR 0.2 million in operating costs (HY1 2022: EUR 2.4 million), which were incurred outside the regular course of business, have been normalized from the HY1 results in 2023. The after-tax normalized costs amounted to EUR 0.2 million (HY1 2022: EUR 2.3 million). The reported net profit for the first six months of 2023 reached EUR 8.6 million (HY1 2022: EUR 8.8 million). Annex 2.5 provides a reconciliation of non-IFRS financial measures.

Financial position

Total net debt increased by EUR 13.2 million in the second quarter, reaching EUR 160.9 million at the conclusion of Q2 2023. The rise in net debt can be primarily attributed to the EUR 7.1 million cash portion of the optional dividend paid out in May 2023 and a free cash flow of -/ - EUR 5.8 million during Q2. The second quarter cash flow encompassed EUR 2.5 million in payments related to restructuring charges and the settlement of the German tax audit, both of which were previously provided for.

The free cash flow for the first six months amounted to a negative EUR 12.5 million. This negative cash flow was influenced by investments exceeding depreciation, increased interest payments, the settlement of the German tax audit, and the seasonal effect on working capital. Investments of EUR 15.4 million (HY1 2022: EUR 16.5 million) encompassed EUR 5.7 million (HY1 2022: EUR 5.3 million) associated with the completion of the new manufacturing facility in China.

Consequently, due to the heightened net debt, the leverage ratio increased from 2.6 at the close of Q1 2023 to 2.8 by the end of Q2 2023, remaining below the financial covenant of 3.25. With the payment for the new manufacturing facility in China completed within HY1 2023 and the anticipated positive turn in the seasonal effect on working capital during the latter half of the year, debt levels are expected to significantly decrease in HY2.

Number of employees

The number of employees at the conclusion of the second quarter stood at 2.652, contrasting with 2.747 at the end of Q2 2022. The reduction in FTE is distributed quite evenly, with a decrease in direct labour within Industrial due to a reduced activity level by the end of Q2 2023, and a decline in indirect labour within Automotive because of the restructuring undertaken in the Automotive business during the previous year.

Outlook

Economic activity levels have slowed down over the course of the first half of the year, and we anticipate this trend to persist throughout the remaining months. We have implemented short-term measures to manage our cost structure, ensuring the protection of both our profitability and cash flow. These measures encompass short time work in one of our German based facilities, as well as reductions in discretionary expenses and investments that are not directly related to revenue generation. While we address these short-term challenges, we remain committed to making strategic investments across our Business Groups in further growth opportunities.

We are confident that the global acceleration towards electrification and clean energy will persist, offering opportunities for the coming years. Assuming a return to a more stable economic environment ahead of us, we continue to execute on our strategic plans aimed at achieving our medium-term financial targets: 5% organic growth between 2019 and 2025, an EBITDA of at least 15% in 2025 and a ROI of at least 25% in 2025.

Analysts' meeting and audio webcast

Kendrion CEO Joep van Beurden and CFO Jeroen Hemmen will present the interim results to the analysts' community today at 11:00 a.m. CET in Amsterdam. You can view the audio webcast and its playback [on this page](#).

Amsterdam, 23 August 2023

The Executive Board

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This press release contains information within the meaning of article 7(1) of the EU Market Abuse Regulation

About Kendrion N.V.

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

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

Annexes

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2. Semi-annual financial statements 2023
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Annex 1 – Financial calendar 2023 - 2024**2023**

Publication Q3 results	Tuesday, 7 November 2023	07.30 a.m.
Analysts' call	Tuesday, 7 November 2023	11.00 a.m.

2024

Publication Q4 and FY 2023 results	Wednesday, 28 February 2024	07.30 a.m.
Analysts' meeting	Wednesday, 28 February 2024	11.00 a.m.
General Meeting of Shareholders	Monday, 15 April 2024	02.00 p.m.
Publication Q1 results	Tuesday, 7 May 2024	07.30 a.m.
Analysts' call	Tuesday, 7 May 2024	11.00 a.m.
Publication Q2 and HY1 results	Wednesday, 21 August 2024	07.30 a.m.
Analysts' meeting	Wednesday, 21 August 2024	11.00 a.m.
Publication Q3 results	Tuesday, 12 November 2024	07.30 a.m.
Analysts' call	Tuesday, 12 November 2024	11.00 a.m.

ANNEX 2
KENDRION N.V.
**SEMI-ANNUAL
FINANCIAL STATEMENTS 2023
(UNAUDITED)**
Annex 2.1 – Consolidated statement of comprehensive income

(EUR million)	Q2 2023	Q2 2022	half year 2023	half year 2022	full year 2022
Revenue	136.9	126.9	273.7	256.8	519.3
Other income	0.0	0.0	0.0	0.5	0.5
Total revenue and other income	136.9	126.9	273.7	257.3	519.8
Changes in inventories of finished goods and work in progress	1.4	0.2	(2.2)	(0.6)	1.8
Raw materials and subcontracted work	73.4	64.7	148.7	131.3	268.7
Staff costs	37.1	37.3	76.1	76.9	153.6
Depreciation and amortization	6.6	7.0	13.2	13.6	28.0
Impairments of fixed assets	0.0	0.0	0.0	0.1	58.7
Other operating expenses	11.1	11.3	21.6	21.5	43.6
Result before net finance costs	7.3	6.4	16.3	14.5	(34.6)
Finance income	0.0	0.0	0.0	0.0	0.0
Finance expense	(2.7)	(1.0)	(5.0)	(2.0)	(5.1)
Profit before income tax	4.6	5.4	11.3	12.5	(39.7)
Income tax expense	(0.9)	(1.7)	(2.7)	(3.7)	(6.6)
Profit for the period	3.7	3.7	8.6	8.8	(46.3)
Other comprehensive income					
Remeasurements of defined benefit plans ¹			-	-	1.5
Foreign currency translation differences for foreign operations ²			(3.8)	5.9	1.8
Net change in fair value of cash flow hedges, net of income tax ²			(0.1)	0.4	1.6
Other comprehensive income for the period, net of income tax³			(3.9)	6.3	4.9
Total comprehensive income for the period			4.7	15.1	(41.4)
Basic earnings per share (EUR), based on weighted average	0.24	0.25	0.57	0.59	(3.09)
Basic earnings per share (EUR), based on weighted average (diluted)	0.24	0.25	0.56	0.59	(3.05)

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.

Annex 2.2 – Consolidated statement of financial position

(EUR million)	30 June 2023	30 June 2022	31 Dec. 2022
Assets			
Non-current assets			
Property, plant and equipment	132.9	127.0	131.6
Intangible assets	125.6	184.9	126.5
Other investments, including derivatives	0.4	0.3	0.4
Deferred tax assets	20.0	19.4	19.7
Contract costs	0.2	0.4	0.3
Total non-current assets	279.1	332.0	278.5
Current assets			
Inventories	90.2	94.6	85.1
Current tax assets	3.6	3.1	2.8
Trade and other receivables	82.7	73.9	70.5
Cash and cash equivalents	33.4	30.2	37.8
Assets classified as held for sale	1.9	-	1.9
Total current assets	211.8	201.8	198.1
Total assets	490.9	533.8	476.6
Equity and liabilities			
Equity			
Share capital	30.6	30.2	30.2
Share premium	37.3	38.4	38.4
Reserves	96.4	153.6	152.7
Retained earnings	8.6	8.8	(46.3)
Total equity	172.9	231.0	175.0
Liabilities			
Loans and borrowings	180.6	166.8	166.6
Employee benefits	10.2	13.5	10.7
Deferred tax liabilities	17.4	17.3	17.5
Provisions	0.7	1.0	0.7
Total non-current liabilities	208.9	198.6	195.5
Bank overdraft	5.0	3.0	3.1
Loans and borrowings	8.7	6.0	8.4
Provisions	0.7	2.5	1.3
Current tax liabilities	9.9	8.7	10.3
Contract liabilities	4.0	4.3	4.7
Trade and other payables	80.8	79.7	78.3
Total current liabilities	109.1	104.2	106.1
Total liabilities	318.0	302.8	301.6
Total equity and liabilities	490.9	533.8	476.6

Annex 2.3 – Consolidated cash flow statement

(EUR million)

	half year 2023	half year 2022	full year 2022
Cash flows from operating activities			
Profit for the period	8.6	8.8	(46.3)
<i>Adjustments for:</i>			
Net finance costs	5.0	2.0	5.1
Income tax expense	2.8	3.7	6.6
Depreciation of property, plant and equipment and software	11.6	11.2	23.3
Amortization of other intangible assets	1.6	2.4	4.7
Impairments of fixed assets	0.0	0.2	58.7
Share-based payments	0.2	0.0	0.5
	29.8	28.3	52.6
Change in trade and other receivables	(13.5)	(6.9)	(3.2)
Change in inventories	(6.0)	(13.6)	(5.0)
Change in trade and other payables	3.1	4.6	3.1
Change in provisions	(1.1)	0.8	(0.5)
Change in contract liabilities	(0.7)	(0.2)	0.2
	11.6	13.0	47.2
Interest paid	(4.0)	(1.6)	(4.1)
Interest received	0.0	0.0	0.0
Tax paid	(4.7)	(2.5)	(5.2)
Net cash flows from operating activities	2.9	8.9	37.9
Cash flows from investing activities			
Investments in property, plant and equipment	(12.8)	(14.1)	(32.0)
Disinvestments of property, plant and equipment	0.1	0.2	0.2
Investments in intangible fixed assets	(2.7)	(2.2)	(5.7)
Disinvestments of intangible fixed assets	0.0	0.0	0.0
(Dis)investments of other investments	(0.0)	(0.4)	(0.4)
Net cash from investing activities	(15.4)	(16.5)	(37.9)
Cash flows from financing activities			
Payment of lease liabilities	(1.5)	(1.6)	(3.3)
Proceeds from borrowings (non current)	14.7	31.5	30.8
Proceeds from and repayment of borrowings (current)	0.3	(0.6)	1.7
Dividends paid	(7.1)	(7.1)	(7.1)
Net cash from financing activities	6.4	22.2	22.1
Change in cash and cash equivalents	(6.1)	14.6	22.1
Cash and cash equivalents at 1 January	34.7	12.4	12.5
Effect of exchange rate fluctuations on cash held	(0.2)	0.2	0.1
Cash and cash equivalents at end of period	28.4	27.2	34.7

Annex 2.4 – Consolidated statement of changes in equity

(EUR million)	Share capital	Share premium	Translation reserve	Hedge reserve	Reserve for own shares	Other reserves	Retained earnings	Total equity
Balance at 1 January 2022	29.9	45.8	7.6	0.2	(1.9)	127.0	14.4	223.0
Total comprehensive income for the period								
Profit or loss	-	-	-	-	-	-	(46.3)	(46.3)
Other comprehensive income								
Remeasurements of defined benefit plans	-	-	-	-	-	1.5	-	1.5
Foreign currency translation differences for foreign operations	-	-	1.8	-	-	-	-	1.8
Net change in fair value of cash flow hedges, net of income tax	-	-	-	1.6	-	-	-	1.6
Other comprehensive income for the period, net of income tax	-	-	1.8	1.6	-	1.5	-	4.9
Total comprehensive income for the period	-	-	1.8	1.6	-	1.5	(46.3)	(41.4)
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of ordinary shares	0.3	2.8	-	-	-	-	-	3.1
Share-based payment transactions	-	-	-	-	0.1	0.4	-	0.5
Dividends to equity holders	-	(10.2)	-	-	-	-	-	(10.2)
Appropriation of retained earnings	-	-	-	-	-	14.4	(14.4)	-
Balance at 31 December 2022	30.2	38.4	9.4	1.8	(1.8)	143.3	(46.3)	175.0
(EUR million)								
Balance at 1 January 2023	30.2	38.4	9.4	1.8	(1.8)	143.3	(46.3)	175.0
Total comprehensive income for the period								
Profit or loss	-	-	-	-	-	-	8.6	8.6
Other comprehensive income								
Remeasurements of defined benefit plans	-	-	-	-	-	-	-	-
Foreign currency translation differences for foreign operations	-	-	(3.8)	-	-	-	-	(3.8)
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	-	-	(3.8)	(0.1)	-	-	-	(3.9)
Total comprehensive income for the period	-	-	(3.8)	(0.1)	-	-	8.6	4.7
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of ordinary shares	0.4	2.7	-	-	-	(0.0)	-	3.1
Own shares issued	-	-	-	-	0.8	(0.1)	-	0.7
Share-based payment transactions	-	-	-	-	1.0	(0.7)	-	0.3
Dividends to equity holders	-	(3.8)	-	-	-	(7.1)	-	(10.9)
Appropriation of retained earnings	-	-	-	-	-	(46.3)	46.3	-
Balance at 30 June 2023	30.6	37.3	5.6	1.7	(0.0)	89.1	8.6	172.9

Annex 2.5 – Reconciliation of non-IFRS financial measures *

Revenue - Organic growth

EUR million	HY1 2023	HY1 2022
Reported revenue	273.7	256.8
Exclude: currency effects on revenue	1.2	-
Revenues (excl. currency effects)	274.9	256.8
Organic growth	7.1%	5.0%

Added value

EUR million	HY1 2023	HY1 2022
Total reported revenues and other income	273.7	257.3
less: Benefits outside the normal course of business - Industrial	-	(0.5)
less: Reported changes in inventories of finished goods and work in progress	2.2	0.6
less: Reported raw materials and subcontracted work	(148.7)	(131.3)
Normalized added value	127.2	126.1

Normalized staff and other operating expenses

EUR million	HY1 2023	HY1 2022
Reported staff costs	76.1	76.9
Reported other operating expenses	21.6	21.5
Reported staff and other operating expenses	97.7	98.4
Normalization of restructuring charges	(0.5)	(2.9)

Normalization of other (costs) and benefits outside the normal course of business	0.3	-
Normalized staff and other operating expenses	97.5	95.5

EUR million	HY1 2023	HY1 2022
Reported result before net finance costs	16.3	14.5
Reported depreciation and amortization	13.2	13.6
Reported operating result before depreciation & amortization (EBITDA)	29.5	28.1

Normalization of costs and (benefits) related to:

Restructuring measures - Automotive	0.3	2.7
Restructuring measures - Industrial	0.2	0.2
Other costs / (benefits) outside the normal course of business - Automotive	(0.3)	-
Other costs / (benefits) outside the normal course of business - Industrial	-	(0.5)
Total normalizations	0.2	2.4

Normalized EBITDA	29.7	30.5
Normalized EBITDA margin %	10.9%	11.9%
Normalized EBITA	18.1	19.3
Normalized EBITA margin %	6.6%	7.5%

Reported amortization on PPA related intangibles	(1.6)	(2.4)
Reported net finance costs	(5.0)	(2.0)
Normalization related to credit facility	-	0.5
Other normalizations of net finance costs	0.1	0.1
Normalized profit before income tax	11.6	15.5

Reported income tax expense	(2.7)	(3.7)
Normalization related to tax audits	(0.1)	-
Impact costs and benefits outside the normal course of business on income tax expense	(0.0)	(0.7)
Amortization after tax	1.2	1.8
Normalized net profit for the period before amortization	10.0	12.9

Net Debt & Leverage ratio

EUR million	HY1 2023	HY1 2022
Total interest bearing loans	194.3	175.8
less: cash and cash equivalents	(33.4)	(30.2)
Net Debt	160.9	145.6
Normalized 12 month EBITDA	56.6	55.0
Leverage ratio (Net Debt / Normalized EBITDA)	2.8	2.6

Free cash flow

EUR million	HY1 2023	HY1 2022
Net cash flow from operating activities	2.9	8.9
Net cash flow from investing activities	(15.4)	(16.5)
Free cash flow	(12.5)	(7.6)

Normalized effective tax rate

EUR million	HY1 2023	HY1 2022
Reported income tax expense	(2.7)	(3.7)
Normalization related to tax audits	(0.1)	-
Impact costs and benefits outside the normal course of business on income tax expense	(0.0)	(0.7)
Normalized income tax expense	(2.8)	(4.4)
Normalized profit before tax	11.6	15.5
Normalized effective tax rate	24.7%	28.3%

* The 2022 Annual Integrated Report of Kendrion N.V. includes definitions of non-IFRS financial measures on page 208 to 209.

Annex 2.6 – Risks and risk management

The 2022 Annual Integrated Report of Kendrion N.V. described the risk categories and risk factors that could have an adverse impact on the business and financial performance. The risk factors described in Kendrion N.V.'s 2022 Annual Integrated Report on pages 72 to 79 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 2023 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 2022, 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 2022.

The consolidated interim financial statements were authorized for issue by the Executive Board and the Supervisory Board on 23 August 2023.

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 2022. To the extent amendments to International Financial Reporting Standards and interpretations have become effective for annual periods beginning on or after 1 January 2023 these do not have a material impact on the Group's financial performance in the first six months of 2023 and the financial position as of 30 June 2023.

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 2022.

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 2022.

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 2023	HY1 2022	HY1 2023	HY1 2022	HY1 2023	HY1 2022
Revenue from transactions with third parties	141,1	136,1	132,6	120,7	273,7	256,8
Inter-segment revenue	0,0	0,0	0,0	0,1	0,0	0,1
EBITDA	23,1	24,7	6,4	3,4	29,5	28,1
EBITDA as a % of revenue	16,4%	18,2%	4,8%	2,8%	10,8%	10,9%
EBITDA ¹	23,3	24,4	6,4	6,1	29,7	30,5
EBITDA as a % of revenue ¹	16,5%	17,9%	4,8%	5,0%	10,9%	11,9%
Reportable segment assets	277,6	276,3	213,3	257,5	490,9	533,8
Reportable segment employees (FTE)	1.272	1.328	1.380	1.419	2.652	2.747

¹ Normalized for items that are not related to the group's normal course of business. The reconciliation from reported to normalized figures can be found on page 12.

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 of 30 June 2023 compared to 31 December 2022.

9. Main currencies

The table below shows the main exchange rates during the first half of 2023:

Value of EUR	At 30 June 2023	At 31 December 2022	Average over HY1 2023
Pound sterling	0,8583	0,8869	0,8760
Czech koruna	23,7423	24,1161	23,6916
Chinese yuan	7,8983	7,3582	7,5154
US dollar	1,0866	1,0666	1,0793
Romanian lei	4,9635	4,9495	4,9442
Swedish krona	11,8055	11,1217	11,3614
Indian rupee	89,2061	88,1679	88,8178

10. Property, plant, and equipment

Capital commitments

As of 30 June 2023, the Group had agreements outstanding for the acquisition of property, plant and equipment in the amount of EUR 9.9 million (versus EUR 13.0 million as of 30 June 2022).

11. Impairment

During the first half of 2023, 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 of 30 June 2023, deferred tax assets amounted to EUR 20.0 million, of which a total of EUR 6.7 million relates to the valuation of tax losses carried forward and can be specified as follows:

The Netherlands	EUR 0.2 million
Germany	EUR 0.7 million
United States of America	EUR 1.2 million
Other	EUR 4.6 million

13. Equity

The table below shows the number of outstanding shares as of 30 June 2023.

	Shares entitled to dividend	Shares owned by Kendrion	Total number of issued shares
At 1 January 2023	15.026.305	88.316	15.114.621
Issued shares (share dividend)	199.358	(40.038)	159.320
Issued registered shares (share plan)	2.073	-	2.073
Granted shares (share plan)	45.823	(45.823)	-
At 30 June 2023	15.273.559	2.455	15.276.014

14. Loans and borrowings

As of 30 June 2023, the Group had the following credit lines available:

- EUR 102.5 million ESG linked revolving Credit Facility with a syndicate of two banks consisting of HSBC and ING Bank. The Credit Facility has been extended by one year in 2023 and is committed until 26 April 2025 and includes a second 1- year extension options.
- EUR 52.5 million ESG linked Schuldschein loan which matures on 7 April 2027
- EUR 20.0 million ESG linked Schuldschein loan which matures on 7 April 2025
- EUR 12.7 million in leases for various buildings, equipment, and vehicles
- EUR 6.8 million other loans with maturities in 2023 – 2026
- EUR 6.6 million mortgage loan for the premises of the Suzhou facilities in China. The loan matures in 2030.
- EUR 8.7 million in other overdraft facilities

As of 30 June 2023, the total unutilized amount of the facilities was approximately EUR 48 million.

Security provided

The Group has provided a mortgage on its premises in Suzhou, China for a EUR 6.6 million loan. No security is provided in relation to the EUR 102.5 million revolving Credit facility and the EUR 72.5 million Schuldschein loans.

15. Taxes

The tax expense for the first six months was EUR 2.7 million, equivalent to a 24,3% effective tax rate.

16. Financial instruments

As of 30 June 2023, the aggregate fair value of the outstanding interest rate swaps and forward exchange contracts in the balance sheet is a EUR 2.6 million asset (31 December 2022: EUR 2.4 million asset).

There have been no material changes since the end of 2022 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 2022 regarding the contingent liabilities as per note 21 of the Annual Integrated Report for the financial year 2022.

18. Related parties

For the definition of "related parties", please refer to note 30 of the Group's Annual Integrated Report for the financial year 2022. No new significant related party transactions have occurred during HY1 2023.