WE MAGNETISE THE WORLD

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STABLE QUARTER FOR KENDRION

- **Revenue for Q2 2015 increased 3% to EUR 114.3 million**
- **6% increase in revenue in HY1 2015 to EUR 228.7 million**
- **EBITA in Q2 2015 decreased 13% due to the anticipated Automotive Control Systems reduction in revenue**
- **7.1% return on sales in HY1 2015 compared to 8.1% in HY1 2014**
- **Net profit in HY1 2015 EUR 10.7 million (HY1 2014 EUR 10.5 million)**
- **Continuation of favourable market conditions in both industrial and automotive activities**
- **Growth in revenue and results expected in HY2 2015 compared to HY2 2014**
- **Recruitment process new CEO entering final stage**

Key figures [1]

(x EUR 1 million unless otherwise stated)	Q2 2015	Q2 2014	Difference in %
Revenue	114.3	110.5	3%
EBITDA	12.9	13.2	-2%
EBITA	8.0	9.2	-13%
Net profit	5.6	5.5	2%
ROS	7.0%	8.3%	
(x EUR 1 million unless otherwise stated)	HY1 2015	HY1 2014	Difference in %
Revenue	228.7	215.7	6%
EBITDA	26.0	25.4	2%
EBITA	16.3	17.6	-7%
Net profit	10.7	10.5	2%
ROS	7.1%	8.1%	

[1] The quarterly and interim results are not audited

Piet Veenema, Kendrion's CEO:
"Kendrion performed according to our expectations in the second quarter of 2015. Our revenue was at the same record level as in the first quarter, but organic growth and profitability were subdued. This was mainly due to the anticipated drop in revenue of the Automotive Control Systems business unit, which could not be compensated by the favourable development of other activities in the Automotive Division. Our Industrial Division had a decent first six months. We expect further growth in revenue and results in the second half of the year as a result of the start-up of several new projects in both divisions. The economic conditions are still favourable and Kendrion will continue to focus on offering high-quality innovative products to our niche markets."

Progress in strategy

Over the past years Kendrion has worked hard to expand its leading positions in electromagnetic niche markets. This has resulted in Kendrion's development into a highly focused, technically advanced, innovative and sustainable company that is active in numerous areas around the world.

In the first half of this year Kendrion carried out market surveys and as a result updated its market position. These surveys confirmed that Kendrion is operating in attractive niche markets, which organically grow by 5% on average each year. With its attractive portfolio (including mechatronics) that has grown over the years, Kendrion now operates in a market with a total size of EUR 12 billion. Roughly 25% of this market is in Europe, 25% in the Americas and the remaining 50% can be found in Asia and the rest of the world.

Based on Kendrion's current market position and the attractiveness of the different segments, Kendrion's focus will now be on specific market segments with a total size of over EUR 3 billion, 30% of which are industrial markets and 70% are automotive markets. Important niche segments for our Industrial Division are the energy, the process automation and the industrial appliances markets. The Automotive Division focuses on the fuel systems, active damping, engine management and sound systems markets. An emerging focus market for Kendrion's Automotive Division is the human interface segment. Within the selected markets Kendrion is now also gradually moving into mechatronic systems and subsystems, supported by its latest acquisition of Kuhnke AG and Steinbeis Mechatronik GmbH. With its mechatronic strategy Kendrion intends to provide its customers increasing added value, further enhancing its position as a strategic supplier in the process. Currently approximately 20% of Kendrion's revenue is related to mechatronic solutions and Kendrion expects to expand further into this part of the market.

Strong marketing and engineering qualities are needed to increase growth in the future. For that reason the Passenger Car Systems and Automotive Control Systems business units will be merged to form one unit in the second half of 2015, as will the Commercial Vehicle Systems and Heavy Duty Systems business units. In the new set-up, the Automotive Division will be made up of two business areas: Passenger Cars and Commercial Vehicles.

There is a clear focus on creating an even better geographical spread, which will lead to more growth outside Europe. The strategy for the 2016-2018 period has been laid down in the company's latest mid-term plan "Focus on markets, markets in focus". Kendrion is well underway to achieve organically an annual revenue of EUR 550 - 600 million in 2018.

Financial review

Revenue

In the second quarter revenue growth amounted to 3%, fully as a result of currency effects. Organic growth for the first six months was 6% (2% at constant exchange rates). This modest organic growth was caused by the anticipated revenue decline in 2015 as a result of the phasing out of projects by the Automotive Control Systems business unit. Excluding Automotive Control Systems, revenue growth for the first six months was 9.2%. Furthermore there was a delay in the start-up of a number of new industrial projects in the second quarter, which will now take place in the second half of the year. The Industrial Division recorded 2% growth in revenue in the first six months while the Automotive Division achieved growth of 8%.

Results

Q2 2015

The operating result before amortisation decreased to EUR 8.0 million (Q2 2014: EUR 9.2 million), due to developments in the Automotive Control Systems business unit. The other parts of Kendrion developed well with a 8.1% return on sales in Q2. The Automotive Control Systems business unit expects revenue to increase again in 2016 as a result of the start-up of new projects, and will be integrated with the Passenger Car Systems business unit into a focused business area. Efficiency measures were taken at the Automotive Control Systems business unit in the second quarter with a reduction of 20 FTEs. This resulted in a non-recurring cost of EUR 0.3 million and will generate an annual saving of EUR 1.2 million by 2016.

HY1 2015

The operating result before amortisation in HY1 2015 decreased to EUR 16.3 million (HY1 2014: EUR 17.6 million). Return on sales was 7.1% (HY1 2014: 8.1%). EBITA for the Industrial Division increased to EUR 6.1 million from EUR 6.0 million in the same period last year. This increase was modest, due in particular to delays in the start of some new projects. The Automotive Division reported EBITA of EUR 10.6 million, compared to EUR 12.2 million in HY1 2014. This drop was also due to the Automotive Control Systems business unit. Not including this business unit the other Kendrion activities achieved an operating result of 8.3% in the first six months.

Net finance costs in the first six months decreased significantly to EUR 1.6 million (HY1 2014: EUR 2.7 million), due to Kendrion's strong financial position.

Income tax expenses for HY1 2015 were EUR 2.1 million (HY1 2014: EUR 2.6 million). Income tax in the first six months was positively influenced by a one-off tax gain of EUR 1.2 million, mostly related to additional tax-loss carry-forward in the Netherlands. The effective tax rate in the first six months of 2015 was 16% (HY1 2014: 20%).

The net profit in HY1 2015 was EUR 10.7 million (HY1 2014: EUR 10.5 million). Basic earnings per share amounted to EUR 0.82 (HY1 2014: EUR 0.81).

Financial position

The balance sheet total increased by approximately EUR 11.8 million compared to HY1 2014, mainly due to the higher activity level. The net debt position was EUR 88.8 million at the end of the second quarter. The increase of EUR 4.0 million compared to the first quarter was entirely due to the dividend payment. Normalised free cash flow in the first six months was EUR 1.7 million.

Capital expenditure amounted to EUR 9.6 million in the first six months, in line with the depreciation level. Investments for the full year 2015 are expected to be substantially higher than the depreciation level due to new automotive projects.

Kendrion's financial position is strong, with a solvency ratio of 45% at the end of June 2015.

Number of employees

The number of employees in the second quarter amounted to a total of 2,753 including 117 temporary employees (Q2 2014: 2,810 employees including 129 temporary employees). The reduction in the number of employees is a result of efficiency measures that were taken.

Operational performance

Industrial Division

This division consists of the Industrial Magnetic Systems, Industrial Control Systems and Industrial Drive Systems business units.

The market conditions for the Industrial Division (which accounts for 34% of Kendrion's revenue) were favourable in the first half of the year. Organic growth amounted to 2% in HY1 2015. Industrial Magnetic Systems grew strongly in the first six months, due in particular to the machine equipment market. The expansion of the manufacturing site in Engelswies, Germany, has started recently. Industrial Control Systems experienced delays in the start-up of some new projects that will now start in the second half of this year. The order portfolio of this business unit improved significantly during the few last months. Industrial Drive Systems had a stable first six months and expects to grow strongly in its markets outside of Europe in the near future

Automotive Division

This division consists of the Passenger Car Systems, Automotive Control Systems, Commercial Vehicle Systems and Heavy Duty Systems business units.

Activity levels in the worldwide automotive industry were high in HY1 2015, but slightly lost momentum just before the summer period, due to decreasing stock levels. Growth is expected in most parts of the world in the second half of the year. The Automotive Division, which accounts for 66% of Kendrion's revenue, achieved organic growth of 8% in the first six months of 2015.

Passenger Car Systems was the main driver of this division's organic growth, based on new projects already started in the second half of 2014. A number of new projects will commence in the second half of 2015, for example the damper project in Austria. Automotive Control Systems experienced an expected decline in revenue due to projects being phased out, while new projects will start later. Turnover growth of sound system projects that are already underway is expected in the second half of the year. The efficiency measures that were taken will lower this business unit's cost level and improve results. Activity levels in Commercial Vehicle Systems and Heavy Duty Systems were high in the first six months, leading to strong revenue and profit growth. The increase in growth in these business units was largely achieved outside of Germany.

Outlook

Kendrion maintains its favourable view of market developments, due in part to the good economic prospects in its most important home markets of Germany and the USA. Uncertainty is increasing in China, with the effects on Kendrion currently being limited. Kendrion reiterates its objective to achieve revenue of EUR 450-500 million in 2015.

The developments in the Industrial Division during the past few quarters are expected to continue in the coming months, supported by the start-up of some new projects. The upward trend is also expected to continue in the Automotive Division, also supported by the start-up of some important new projects especially in the fourth quarter. Year-end effects in this business are however always difficult to predict. Kendrion expects a further growth in revenue and results in the second half of the year compared to the second half of 2014.

It remains however still difficult to issue a specific forecast for the full year given the unpredictability of the economic developments due to the worldwide uncertainties.

Succession of CEO

At the end of last year Kendrion announced that CEO Piet Veenema decided to leave the company in the summer of 2015. After an intensive and careful selection process the Supervisory Board expects to announce Piet Veenema's successor soon.

The Supervisory Board is pleased that as agreed earlier Piet Veenema will stay on board as long as needed to enable a smooth transition.

Shareholder visit

Kendrion frequently receives requests from shareholders and analysts who want to visit one of Kendrion's manufacturing facilities in order to get an even better understanding of Kendrion's activities. Kendrion offers interested parties the opportunity to visit the company premises in Villingen, Germany, on Thursday, 8 October 2015.
If you would like to take part in this visit, please contact Marloes Withagen at Kendrion N.V. in Zeist (marloes.withagen@kendrion.com).

Profile of Kendrion N.V.

Kendrion N.V., a solution provider, develops, manufactures and markets innovative high-quality electromagnetic and mechatronic systems and components for customers all over the world. Kendrion's operations are carried out by two divisions with a total of seven business units that are focused on specific market segments, namely the Industrial Division's Industrial Magnetic Systems, Industrial Control Systems and Industrial Drive Systems business units and the Automotive Division's Passenger Car Systems, Automotive Control Systems, Commercial Vehicle Systems and Heavy Duty Systems business units.

Kendrion has leading positions in a number of business-to-business niche markets. Germany is Kendrion's main market, although other countries are becoming increasingly important.

Kendrion's activities
Kendrion develops advanced electromagnetic and mechatronic solutions for industrial and automotive applications. These are used by customers all over the world in systems such as lifts, door-locking systems, industrial robots, medical equipment, electrical switchbox systems, diesel and gasoline engines, air-conditioning installations, motor cooling systems and beverage dispensers. Kendrion's key customers include Bosch, Continental, Daimler, Delphi, Evobus, Hyundai, Siemens, ThyssenKrupp Bilstein, Volkswagen, Wabco, Yutong and ZF.

Kendrion's shares are listed on Euronext's Amsterdam market.

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, 20 August 2015

The Executive Board

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Annexes

1. Financial calendar 2015 - 2016
2. Semi-annual condensed financial statements 2015
   1 Condensed consolidated statement of comprehensive income
   2 Condensed consolidated statement of financial position
   3 Condensed consolidated statement of cash flows
   4 Condensed consolidated statement of changes in equity
   5 Risks and risk management
   6 Notes to the condensed consolidated interim report

Annex 1 - Financial calendar 2015 - 2016

2015

Publication of HY1 2015 results	Thursday, 20 August 2015	08.00 a.m.
Analysts' meeting	Thursday, 20 August 2015	11.30 a.m.
Publication of Q3 2015 results	Thursday, 5 November 2015	08.00 a.m.

2016

Publication of 2015 full-year figures	Thursday, 25 February 2016	08.00 a.m.
Analysts' meeting	Thursday, 25 February 2016	11.30 a.m.
General Meeting of Shareholders	Monday, 11 April 2016	02.30 p.m.
Publication of Q1 2016 results	Tuesday, 3 May 2016	08.00 a.m.
Publication of HY1 2016 results	Thursday, 18 August 2016	08.00 a.m.
Analysts' meeting	Thursday, 18 August 2016	11.30 a.m.
Publication of Q3 2015 results	Thursday, 3 November 2016	08.00 a.m.

ANNEX 2

KENDRION N.V.

SEMI-ANNUAL CONDENSED FINANCIAL STATEMENTS 2015

Annex 2.1 – Condensed consolidated statement of comprehensive income

(EUR million)	Q2 2015	Q2 2014	half year 2015	half year 2014	full year 2014
Revenue	114.3	110.5	228.7	215.7	428.9
Other income	0.0	0.1	0.0	0.1	0.2
Total revenue and other income	**114.3**	**110.6**	**228.7**	**215.8**	**429.1**
Changes in inventories of finished goods and work in progress	(0.3)	(0.9)	(1.4)	(3.4)	(1.4)
Raw materials and subcontracted work	59.0	58.7	119.2	114.7	225.9
Staff costs	33.6	32.1	67.5	63.8	125.4
Depreciation and amortisation	5.9	4.8	11.6	9.6	19.8
Other operating expenses	9.1	7.5	17.4	15.3	29.9
Result before net finance costs	**7.0**	**8.4**	**14.4**	**15.8**	**29.5**
Finance income	0.1	0.1	0.1	0.2	0.8
Finance expense	(0.9)	(1.4)	(1.7)	(2.9)	(5.4)
Net finance costs	**(0.8)**	**(1.3)**	**(1.6)**	**(2.7)**	**(4.6)**
Profit before income tax	**6.2**	**7.1**	**12.8**	**13.1**	**24.9**
Income tax expense	(0.6)	(1.6)	(2.1)	(2.6)	(4.7)
Profit for the period	**5.6**	**5.5**	**10.7**	**10.5**	**20.2**
Other comprehensive income					
Remeasurements of defined benefit plans*			-	-	(1.9)
Foreign currency translation differences for foreign operations			4.5	0.4	5.7
Net change in fair value of cash flows hedges, net of income tax			0.3	0.1	0.0
Tax on other comprehensive income			-	-	0.5
Other comprehensive income for the period, net of income tax			**4.8**	**0.5**	**4.3**
Total comprehensive income for the period			**15.5**	**11.0**	**24.5**
Basic earnings per share (EUR), based on weighted average	0.43	0.42	0.82	0.81	1.56
Diluted earnings per share (EUR)	0.43	0.42	0.82	0.81	1.55

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

Annex 2.2 – Consolidated statement of financial position

(EUR million)	30 June 2015	30 June 2014	31 Dec. 2014
Assets			
Non-current assets			
Property, plant and equipment	83.3	81.8	83.1
Intangible assets	127.3	120.2	124.2
Other investments, including derivatives	0.8	0.4	0.9
Deferred tax assets	14.9	14.4	14.5
Total non-current assets	**226.3**	**216.8**	**222.7**
Current assets			
Inventories	54.0	52.0	49.0
Current tax assets	2.3	3.1	3.0
Trade and other receivables	65.3	62.7	49.2
Cash and cash equivalents	13.4	14.9	9.6
Total current assets	**135.0**	**132.7**	**110.8**
Total assets	**361.3**	**349.5**	**333.5**
Equity and liabilities			
Equity			
Share capital	26.4	26.1	26.1
Share premium	62.7	68.8	68.8
Reserves	63.2	34.4	38.1
Retained earnings	10.7	10.5	20.2
Total equity	**163.0**	**139.8**	**153.2**
Liabilities			
Loans and borrowings	92.1	110.2	85.5
Employee benefits	19.5	17.7	19.6
Government grants received in advance	-	0.0	-
Provisions	0.1	0.5	0.4
Deferred tax liabilities	12.0	10.9	11.4
Total non-current liabilities	**123.7**	**139.3**	**116.9**
Bank overdraft	9.4	2.6	6.5
Loans and borrowings	0.7	0.8	0.6
Current tax liabilities	1.7	1.3	1.5
Trade and other payables	62.8	65.7	54.8
Total current liabilities	**74.6**	**70.4**	**63.4**
Total liabilities	**198.3**	**209.7**	**180.3**
Total equity and liabilities	**361.3**	**349.5**	**333.5**

Annex 2.3 – Condensed consolidated statement of cash flows

(EUR million)	half year 2015	half year 2014	full year 2014
Cash flows from operating activities			
Profit for the period	10.7	10.5	20.2
Adjustments for:			
Net finance costs	1.6	2.7	4.6
Income tax expense	2.1	2.6	4.7
Depreciation of property, plant and equipment and software	9.7	7.8	16.4
Amortisation of intangible assets	1.9	1.8	3.4
Impairment of property, plant and equipment	0.0	-	(0.0)
Share-based payments	0.4	0.2	0.1
	26.4	**25.6**	**49.4**
Change in trade and other receivables	(14.5)	(13.0)	2.5
Change in inventories	(4.0)	(4.9)	(1.0)
Change in trade and other payables*	7.1	(36.0)	(47.4)
Change in provisions	(0.5)	(2.1)	(1.6)
	14.5	**(30.4)**	**1.9**
Interest paid	(1.6)	(2.3)	(4.7)
Interest received	0.1	0.1	0.4
Tax paid	(1.7)	(1.5)	(3.5)
Net cash flows from operating activities	**11.3**	**(34.1)**	**(5.9)**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash received	(1.0)	-	(1.0)
Investments in property, plant and equipment	(9.0)	(9.1)	(16.4)
Disinvestments of property, plant and equipment	0.2	0.0	0.4
Investments in intangible fixed assets	(1.4)	(0.7)	(4.2)
Disinvestments of intangible fixed assets	0.5	0.0	0.2
Disinvestments of other investments	0.1	(0.1)	(0.8)
Net cash from investing activities	**(10.6)**	**(9.9)**	**(21.8)**
Free cash flow	**0.7**	**(44.0)**	**(27.7)**
Cash flows from financing activities			
Proceeds from borrowings (non current)	5.5	45.6	21.4
Repayment of borrowings (non current)	-	-	(1.8)
Proceeds from borrowings (current)	0.1	0.2	0.0
Proceeds from the issue of share capital	0.0	0.1	0.1
Dividends paid	(6.1)	(5.7)	(5.7)
Change in shares held in own Company	0.0	0.0	0.0
Net cash from financing activities	**(0.5)**	**40.2**	**14.0**
Change in cash and cash equivalents	0.2	(3.8)	(13.7)
Cash and cash equivalents at 1 January	3.1	16.2	16.2
Effect of exchange rate fluctuations on cash held	0.7	(0.1)	0.6
Cash and cash equivalents at the end of the period	4.0	12.3	3.1

*Change in payables 2014 include the payment of the EC fine on 3 April 2014 of EUR 43,8 million.

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 2014	**25.9**	**74.4**	**(1.0)**	**(0.4)**	**(0.2)**	**18.7**	**16.7**	**134.1**
Total comprehensive income for the period								
Profit or loss	-	-	-	-	-	-	20.2	20.2
Other comprehensive income								
Remeasurements of defined benefit plans	-	-	-	-	-	(1.4)	-	(1.4)
Foreign currency translation differences for foreign operations	-	-	5.7	-	-	-	-	5.7
Net change in fair value of cash flow hedges, net of income tax	-	-	-	0.0	-	-	-	0.0
Total other comprehensive income for the period	-	-	5.7	0.0	-	(1.4)	-	4.3
Total comprehensive income for the period	-	-	5.7	0.0	-	(1.4)	20.2	24.5
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of ordinary shares	0.2	1.4	-	-	-	-	-	1.6
Own shares sold	-	-	-	-	0.1	(0.1)	-	-
Share-based payment transactions	0.0	0.1	-	-	-	0.0	-	0.1
Dividends to equity holders	-	(7.1)	-	-	-	-	-	(7.1)
Appropriation of retained earnings	-	-	-	-	-	16.7	(16.7)	-
Balance at 31 December 2014	**26.1**	**68.8**	**4.7**	**(0.4)**	**(0.1)**	**33.9**	**20.2**	**153.2**

(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	-	-	-	-	-	-	10.7	10.7
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	4.5	-	-	-	-	4.5
Net change in fair value of cash flow hedges, net of income tax	-	-	-	0.3	-	-	-	0.3
Total other comprehensive income for the period	-	-	4.5	0.3	-	-	-	4.8
Total comprehensive income for the period	-	-	4.5	0.3	-	-	10.7	15.5
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	-	-	-	-	0.0	(0.0)	-	0.0
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 30 June 2015	**26.4**	**62.7**	**9.2**	**(0.1)**	**(0.1)**	**54.2**	**10.7**	**163.0**

Annex 2.5 – Risks and risk management

Pages 35 to 44 of Kendrion N.V.'s 2014 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 HY1 2015 Kendrion has updated its strategic and business risk assessment. Based on this update the following risks were identified as the most important actual strategic and business risks:

- Volatile economic conditions
- Technological substitution
- Customer dependency
- Competition
- Future product portfolio
- Non performing information systems and data security

Compared to the 2014 strategic and business risk assessment "availability of raw materials and price fluctuations" is no longer one of the most important risks. Kendrion will continue to closely monitor risks and evaluate and where needed adjust its control measures as new risks may emerge or increase in importance.

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 2015 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 2014 financial year 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 was prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34, *Interim Financial Reporting*. The report does not contain all the information required for comprehensive financial statements and must be read in conjunction with the Group's 2014 consolidated financial statements.

This condensed consolidated interim report was approved by the Executive Board and the Supervisory Board on 19 August 2015.

3. Primary 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 2014.

4. Estimates

The preparation of the interim reports requires the opinion of the management, which makes estimates and assumptions that affect the application of accounting principles, the reported value of assets and liabilities, and the size of the company's income and expenditure. Note that the actual results may vary 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 2014.

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 2014 consolidated financial statements.

6. Segment reporting

Based on the division structure 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 Division and the Automotive Division.

	Industrial division		Automotive division		Corporate activities		Consolidated	
(EUR million)	HY1 2015	HY1 2014	HY1 2015	HY1 2014	HY1 2015	HY1 2014	HY1 2015	HY1 2014
Revenue from transactions with third parties	77.3	76.0	151.4	139.7	-	-	228.7	215.7
Inter-segment revenue	0.1	0.0	0.3	0.2	-	-	0.4	0.2
EBITA	6.1	6.0	10.6	12.2	(0.4)	(0.6)	16.3	17.6
Reportable segment assets	111.6	104.9	214.3	209.9	35.4	34.7	361.3	349.5

7. Seasonality of business operations

Kendrion is not affected by seasonal trends. In general, however, there are fewer working days in the second half of the year due to the holiday periods in the third quarter and the month of December.

8. Changes in the Group

The Company reached an agreement with the owners of Steinbeis Mechatronik GmbH on the acquisition of the company on 23 December 2014. Kendrion obtained control over Steinbeis Mechatronik GmbH on 5 January 2015. From that date onwards the financial statements of Steinbeis Mechatronik GmbH have been consolidated by Kendrion. The total consideration transferred for this acquisition amounted to EUR 1.0 million.

9. Main currencies

The table below shows the main exchange rates during the first half of 2015.

Value of EUR	At 30 June 2015	At 31 December 2014	Average over HY1 2015
Pound sterling	0.7114	0.7789	0.7340
Swiss franc	1.0413	1.2024	1.0664
Czech koruna	27.2530	27.7350	27.5113
Chinese yuan	6.9366	7.5358	6.9929
US dollar	1.1189	1.2141	1.1246
Mexican peso	17.5332	17.8679	17.0688
Brazilian real	3.4699	3.2207	3.3107
Romanian leu	4.4725	4.4828	4.4440
Indian rupee	71.1873	76.7190	70.7562
Swedish krona	9.2150	9.3930	9.3257

10. Property, plant and equipment

Capital commitments

As at 30 June 2015, the Group had agreements outstanding for the acquisition of property, plant and equipment in the amount of EUR 3.6 million (versus EUR 5.8 million as at 30 June 2014).

11. Assessment of downward value adjustments

During the first half of 2015, as well as in previous periods, Kendrion assessed whether there were indications during this period for downwardly adjusting goodwill or other key assets, and the conclusion was that there was no need for impairment.

12. Deferred tax assets

As at 30 June 2015, deferred tax assets amounted to EUR 14.9 million, of which a total of EUR 10.4 million relates to the valuation of tax losses carried forward and can be specified as follows:

Germany	EUR 5.1 million
The Netherlands	EUR 5.1 million
India	EUR 0.2 million

13. Equity

In May 2015, 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 146.148 shares were issued.

The table below shows the number of outstanding shares as at 30 June 2015.

	Shares entitled to dividend	Repurchased shares	Total number of issued shares
At 1 January 2015	13,026,325	4,657	13,030,982
Issued shares (share dividend)	146,148	-	146,148
Issued registered shares (share plan)	11,024	-	11,024
Delivered repurchased shares	512	(512)	-
At 30 June 2015	13,184,009	4,145	13,188,154

14. Loans and borrowings

As at 30 June 2015, the Group had the following credit lines available:

- A 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 19 August 2019 and includes an option (accordion option) to increase the facility with a maximum of EUR 75.0 million;
- A EUR 5.3 million mortgage loan for the premises of the Kuhnke facilities in Malente, Germany. The loan ultimately matures in 2022;
- EUR 1.2 million in subsidized term loans with final maturity in 2019;
- EUR 0.8 million in financial leases for various equipment in the Kuhnke facilities in Malente and Sibiu;
- EUR 1.0 million in other overdraft facilities.

As at 30 June 2015, the total unutilised amount of the credit facilities was approximately EUR 60 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 2015.

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.

15. Taxes

The tax expense for the first six months was EUR 2.1 million, equivalent to 16% effective tax rate.

16. Financial instruments

As at 30 June 2015 the value of the derivative instruments in the balance sheet is a EUR 0.1 million asset (year-end 2014: EUR 0.1 million liability).

There have been no material changes since the end of 2014 in terms of sensitivity to market risks (i.e. currency, interest and price).

17. Contingent liabilities

There have been no material changes since the end of 2014 regarding the contingent liabilities as stated on page 128 of the 2014 Annual Report.

18. Related parties

For the definition of "related parties", please refer to pages 133 to 135 (point 27) of the 2014 Annual Report.