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ANOTHER STRONG QUARTER FOR KENDRION; GOOD DEVELOPMENT CONTINUES

- Revenue for Q2 2014 EUR 110.5 million (11.2% organic growth)
- Revenue growth in first half year 2014: 36% (of which 8.9% organic growth)
- EBITA in Q2 2014 increased 53%, in part due to the Kuhnke acquisition, completed on 14 May 2013
- Return on Sales in Q2 2014 8.3% (Q1 2014 7.9%, full year 2013 6.8%)
- Good market conditions in both the industrial and the automotive activities

Key figures ¹

(x EUR 1 million unless otherwise stated)	Q2 2014	Q2 2013 ²	Difference in %
Revenue	110.5	87.0	27%
EBITA	9.2	6.0	53%
Net profit	5.5	3.2	72%
(x EUR 1 million unless otherwise stated)	HY1 2014	HY1 2013 ²	Difference in %
Revenue	215.7	158.4	36%
EBITA	17.6	10.9	61%
Net profit	10.5	5.8	81%
¹ The quarterly and interim figures are unaudited ² Normalised for non-recurring costs in HY1 2013 related to the Kuhnke acquisition (EUR 1.8 million), and a non-recurring tax gain of EUR 1.6 million			

Piet Veenema, Kendrion's CEO:

"Kendrion continued to perform strongly in the second quarter, partly due to the good market conditions and the volume from new projects. Revenue for electromagnetic components reached a historical high in the second quarter. Profitability also continued to grow. The integration of Kuhnke has been largely, and successfully, completed, which is reflected in the increased profitability of the former Kuhnke business units Industrial Control Systems and Automotive Control Systems. Kendrion continues to focus fully on offering high-quality innovative products to our niche markets. This will be reflected in a number of new projects that will be launched during the course of the year, in Germany and China in particular".

Progress in strategy

Over the past years Kendrion has worked hard to gain leading positions in electromagnetic niche markets. This has resulted in Kendrion's development into a highly focused, technically advanced and innovative company that is active in many areas around the world. Kendrion is now gradually moving into the market for mechatronic systems and subsystems, supported by the recent acquisition of Kuhnke. The success of this strategy is becoming increasingly evident, especially in the Industrial Division. Kendrion intends to provide its customers with increasing added value, thereby further enhancing its appeal as a strategic supplier. There is a clear focus on building an even better geographical spread, which means further growth outside of Europe. The strategy for the years 2014-2016 has been laid down in the company's Mid-term Plan "Designed to grow". Kendrion is well underway to achieve the target of annual revenue between EUR 450 - 500 million in 2015.

Financial review

Revenue

In the second quarter, organic revenue growth amounted to 11.2% (excluding currency effects), mainly due to automotive projects launched in the second half year of 2013 and the improvement in the economic conditions. The Industrial Division realised 6.5% growth in revenue and the Automotive Division achieved growth of 13.7%. This growth reflects the success of the focus on new innovative projects.

Results

Second quarter 2014

The operating result before amortisation increased to EUR 9.2 million (normalised Q2 2013: EUR 6.0 million), due to the good turnover development, but also due to an increased operating profit level in Industrial Control Systems and Automotive Control Systems, the former Kuhnke activities. The integration of Kuhnke is now almost completed; both new business units are on track. The return on sales in the second quarter was 8.3%.

First half year 2014

The operating result before amortisation in the first half year 2014 increased to EUR 17.6 million (HY1 2013: EUR 10.9 million). This was reflected in a return on sales of 8.1% (HY1 2013: 6.9%). The good turnover development as well as the efficiency measures taken in 2013 at Kuhnke are the main reasons for this improvement. All seven business units improved their results in the first half of this year. EBITA for the Industrial Division increased to EUR 6.0 million from EUR 3.5 million in the same period of last year. The Automotive Division reported EBITA of EUR 12.2 million, a significant increase compared to EUR 6.9 million in HY1 2013.

Net finance costs in the first half year increased slightly to EUR 2.7 million (HY1 2013: EUR 2.5 million).

Income tax expense for the first half year 2014 was EUR 2.6 million (HY1 2013: tax income of EUR 0.2 million, due to tax gains related to the Kuhnke acquisition).

Net profit in the first half year 2014 was EUR 10.5 million (normalised HY1 2013: EUR 5.8 million), an increase of 81%. Normalised earnings per share amounted to EUR 0.81 (EUR 0.48 in HY1 2013).

Financial position

The balance sheet total increased by approximately EUR 5 million compared to the first half year 2013, mainly due to the higher activity level. The net debt position was EUR 98.7 million at the end of the second quarter. As announced earlier, the increase compared to the end of the first quarter (EUR 49.2 million) was mainly due to the fine that the European Commission imposed on Kendrion at the end of last year (EUR 43.8 million), which was fully paid on 3 April 2014. The further increase in the debt position is due to the payment of the dividend in the second quarter. Free cash flow in the first half year, excluding the EC fine, was EUR -0.2 million.

Investments amounted to EUR 9.9 million in the first half year, at a depreciation level of EUR 7.8 million. Investments in 2014 will be substantially higher than the depreciation level, largely due to new automotive projects and the implementation of the new ERP system.

Kendrion's financial position is strong, with a solvency ratio of 40% at the end of June 2014.

New finance agreement

As announced in the press release of 15 August 2014, Kendrion recently entered into a new five-year EUR 150 million finance agreement with a consortium of three lenders (ING Bank, Deutsche Bank and BNP Paribas) to refinance the majority of its existing financing arrangements.

Number of employees

The number of employees in the second quarter amounted to a total of 2,810, including 129 temporary employees (Q2 2013: 2,812 employees including 164 temporary employees).

ERP Project Horizon

The ERP roll-out remains on schedule. Kendrion expects that the last main roll-out (at Kendrion Kuhnke) will be finalised before the end of the year.

New auditor

After a careful selection process, the Supervisory Board of Kendrion N.V. will propose to the General Meeting of Shareholders, to be held on 13 April 2015, to appoint Deloitte, a member of Deloitte Touche Tohmatsu Limited, as the company's new external audit firm. This proposed appointment will become effective for the 2015 financial year. The proposal follows the introduction of Dutch legislation stipulating that an audit firm may not conduct a statutory audit of a listed company for more than eight consecutive years. For this reason, KPMG will step down as auditor after the audit of the 2014 financial year.

Operational performance

Industrial Division

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

The market conditions for the Industrial Division (which accounts for 35% of Kendrion's revenue) were favourable in the first half of the year. In the first half of the year, organic growth was 6.1%, driven mostly by strong organic growth of Industrial Drive Systems, due to favourable conditions in the machine construction market.

Industrial Magnetic Systems was more or less stable in the second quarter, in spite of the fact that several major large customers reduced their stock levels. Several new projects will start up in the second half of the year. *Industrial Control Systems* (formerly a part of Kuhnke) had a very good first half year, especially due to a good order portfolio, combined with lower cost levels. The improvement of *Industrial Drive Systems* continued in the second quarter, largely due to the sales to the machine equipment market, but also due to the addition of several new important customers.

Automotive Division

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

Levels of activity in the worldwide automotive industry were high in the first half of 2014, which was reflected in the strong organic growth of the Automotive Division (which accounts for 65% of Kendrion's revenue). However, the projects that started in the second half of 2013 and came up to speed in the first half of 2014 were the main reason for the strong organic growth in the first half year (10.3%).

Passenger Car Systems was the main driver for the strong organic growth of this division. A number of new projects will commence in the second half of 2014, especially in Germany, which will lead to somewhat higher depreciation and direct labour costs in this division in the second half year. In the second quarter, the division was successful in acquiring new business at Chinese customers. Kendrion's new plant in Nanjing was recently officially opened. The project solenoids valves for dampers, which was announced in the first quarter, is expected to expand to the US market in the coming years. *Automotive Control Systems* (formerly a part of Kuhnke) was successful in further streamlining its production, which led to lower cost levels and a satisfying profit improvement. Activity levels in *Commercial Vehicle Systems* were also high in the first half year, however revenue growth was fairly stable due to lower revenue achieved at some Asian customers. *Heavy Duty Systems* had a very good first half year, especially due to the strong development of the US activities; the Indian activities stagnated due to the market conditions in that country.

Outlook

Kendrion maintains its favourable view of the market developments, in part due to the good economic prospects in its most important home markets, Germany and the USA.

The good developments of the past few quarters in the Industrial Division are expected to continue in the coming months, especially in the business unit Industrial Drive Systems. The upward trend is also expected to continue in the Automotive Division. Year-end effects in this business are however always difficult to predict. During the course of the year several new projects will start up, particularly in Germany and China. Kendrion therefore reiterates its expectation of further growth in revenue for the full year 2014 as a result of the favourable developments in both divisions. The planned start-up costs of the new projects will however put some pressure on the operating margin in the second half of 2014.

In view of the unpredictability of the economic developments as an outcome of the current worldwide uncertainties, it is still difficult to issue a specific forecast for the whole 2014.

Profile 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 NYSE 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, 21 August 2014

The Executive Board

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Annexes

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2. Semi-annual condensed financial statements 2014
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Annex 1 - Financial calendar 2014 - 2015

2014

Publication of HY1 2014 results	Thursday, 21 August 2014	08.00 a.m.
Analysts' meeting	Thursday, 21 August 2014	11.30 a.m.
Publication of Q3 2014 results	Thursday, 6 November 2014	08.00 a.m.

2015

Publication of 2014 full-year figures	Thursday, 26 February 2015	08.00 a.m.
Analysts' meeting	Thursday, 26 February 2015	11.30 a.m.
General Meeting of Shareholders	Monday, 13 April 2015	02.30 p.m.
Publication of Q1 2015 results	Thursday, 7 May 2015	08.00 a.m.
Publication of HY1 2015 results	Thursday, 20 August 2015	08.00 a.m.
Analysts' meeting	Thursday, 5 November 2015	08.00 a.m.



ANNEX 2

KENDRION N.V.

**SEMI-ANNUAL CONDENSED
FINANCIAL STATEMENTS 2014**

Annex 2.1 – Condensed consolidated statement of comprehensive income

(EUR million)	Q2 2014	Q2 2013	half year 2014	half year 2013	full year 2013
Revenue	110.5	87.0	215.7	158.4	354.0
Other income	0.1	0.1	0.1	0.1	4.6
Total revenue and other income	110.6	87.1	215.8	158.5	358.6
Changes in inventories of finished goods and work in progress	(0.9)	(1.3)	(3.4)	(0.1)	1.6
Raw materials and subcontracted work	58.7	46.1	114.7	82.0	181.7
Staff costs	32.1	26.6	63.8	47.9	108.6
Depreciation and amortisation	4.8	3.6	9.6	6.8	16.0
Other operating expenses	7.5	8.6	15.3	14.0	29.8
Result before net finance costs	8.4	3.5	15.8	7.9	20.9
Finance income	0.1	0.1	0.2	0.1	0.3
Finance expense	(1.4)	(1.5)	(2.9)	(2.6)	(5.5)
Net finance costs	(1.3)	(1.4)	(2.7)	(2.5)	(5.2)
Profit before income tax	7.1	2.1	13.1	5.4	15.7
Income tax expense	(1.6)	0.9	(2.6)	0.2	1.0
Profit for the period	5.5	3.0	10.5	5.6	16.7
Attributable to:					
Equity holders of the Company	5.5	3.0	10.5	5.6	16.7
Profit for the period	5.5	3.0	10.5	5.6	16.7
Other comprehensive income					
Remeasurements of defined benefit plans			-	-	0.1
Foreign currency translation differences for foreign operations			0.4	0.1	(2.5)
Net change in fair value of cash flows hedges, net of income tax			0.1	(0.1)	(0.3)
Tax on other comprehensive income			0.0	0.0	(0.0)
Other comprehensive income for the period, net of income tax			0.5	0.0	(2.7)
Total comprehensive income for the period			11.0	5.6	14.0
Total comprehensive income attributable to:					
Equity holders of the Company			11.0	5.6	14.0
Total comprehensive income for the period			11.0	5.6	14.0
Basic earnings per share (EUR), based on weighted average	0.42	0.24	0.81	0.46	1.33
Diluted earnings per share (EUR)	0.42	0.24	0.81	0.46	1.33
Normalised earnings per share (EUR), based on weighted average	0.42	0.25	0.81	0.48	1.14

- The quarterly and interim results are not audited -

Annex 2.2 – Consolidated statement of financial position

(EUR million)	30 June 2014	30 June 2013	31 Dec. 2013
Assets			
Non-current assets			
Property, plant and equipment	81.8	80.6	80.5
Intangible assets	120.2	120.5	120.9
Other investments, including derivatives	0.4	0.9	0.5
Deferred tax assets	14.4	13.8	15.1
Total non-current assets	216.8	215.8	217.0
Current assets			
Inventories	52.0	50.6	46.9
Current tax assets	3.1	3.1	3.3
Trade and other receivables	62.7	60.9	49.6
Cash and cash equivalents	14.9	14.0	18.0
Total current assets	132.7	128.6	117.8
Total assets	349.5	344.4	334.8
Equity and liabilities			
Equity			
Share capital	26.1	25.8	25.9
Share premium	68.8	74.2	74.4
Reserves	34.4	20.1	17.1
Retained earnings	10.5	5.6	16.7
Total equity	139.8	125.7	134.1
Liabilities			
Loans and borrowings	110.2	74.3	64.6
Employee benefits	17.7	18.9	18.0
Government grants received in advance	0.0	0.1	0.1
Provisions	0.5	49.9	2.0
Deferred tax liabilities	10.9	12.5	11.0
Total non-current liabilities	139.3	155.7	95.7
Bank overdraft	2.6	5.7	1.8
Loans and borrowings	0.8	0.1	0.6
Current tax liabilities	1.3	0.7	1.0
Trade and other payables	65.7	56.5	101.6
Total current liabilities	70.4	63.0	105.0
Total liabilities	209.7	218.7	200.7
Total equity and liabilities	349.5	344.4	334.8

- The quarterly and interim results are not audited -

Annex 2.3 – Condensed consolidated statement of cash flows

(EUR million)	half year 2014	half year 2013	full year 2013
Cash flows from operating activities			
Profit for the period	10.5	5.6	16.7
<i>Adjustments for:</i>			
Net finance costs	2.7	2.5	5.2
Income tax expense	2.6	(0.2)	(1.0)
Depreciation of property, plant and equipment and software	7.8	5.6	13.0
Amortisation of intangible assets	1.8	1.2	3.0
Impairment of property, plant and equipment	-	-	0.0
Change in fair value contingent consideration	-	-	(4.4)
Share-based payments	0.2	-	0.0
	25.6	14.7	32.5
Change in trade and other receivables	(13.0)	(12.4)	(1.6)
Change in inventories	(4.9)	(2.4)	0.8
Change in trade and other payables ¹	(36.0)	2.7	3.6
Change in provisions ¹	(2.1)	(0.3)	(1.4)
	(30.4)	2.3	33.9
Interest paid	(2.3)	(1.8)	(4.2)
Interest received	0.1	0.1	0.3
Tax paid	(1.5)	(1.6)	(2.5)
Net cash flows from operating activities	(34.1)	(1.0)	27.5
Cash flows from investing activities			
Acquisition of subsidiary, net of cash received	-	(38.3)	(38.3)
Investments in property, plant and equipment	(9.1)	(6.2)	(15.2)
Disinvestments of property, plant and equipment	0.0	0.0	0.3
Investments in intangible fixed assets	(0.7)	(1.0)	(3.6)
Disinvestments of intangible fixed assets	0.0	0.0	0.0
(Dis)investments of other investments	(0.1)	(0.1)	(0.3)
Net cash from investing activities	(9.9)	(45.6)	(57.1)
Free cash flow	(44.0)	(46.6)	(29.6)
Cash flows from financing activities			
Proceeds from borrowings (non current)	45.6	38.6	29.0
Repayment of borrowings (non current)	-	-	(3.0)
Proceeds from borrowings (current)	0.2	-	0.6
Repayment of borrowings (current)	-	(2.9)	-
Proceeds from the issue of share capital ²	0.1	19.0	19.0
Dividends paid	(5.7)	(4.3)	(4.3)
Change in shares held in own Company	0.0	0.0	0.0
Net cash from financing activities	40.2	50.4	41.3
Change in cash and cash equivalents	(3.8)	3.8	11.7
Cash and cash equivalents at 1 January	16.2	4.5	4.5
Effect of exchange rate fluctuations on cash held	(0.1)	0.0	0.0
Cash and cash equivalents at the end of period	12.3	8.3	16.2

¹ Excluding the reclassification of the EC fine provision of EUR 43.4 million to other payables in 2013 (non-cash item).

² Excluding the proceeds of EUR 2.1 million relating to the equity instruments delivered to the selling shareholders of Kuhnke in 2013 (non-cash item).

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 2013	23.2	59.9	1.5	(0.1)	(0.2)	0.9	17.9	103.1
Total comprehensive income for the period								
Profit or loss	-	-	-	-	-	-	16.7	16.7
Other comprehensive income								
Remeasurements of defined benefit plans	-	-	-	-	-	0.1	-	0.1
Foreign currency translation differences for foreign operations	-	-	(2.5)	-	-	-	-	(2.5)
Net change in fair value of cash flow hedges, net of income tax	-	-	-	(0.3)	-	-	-	(0.3)
Total other comprehensive income for the period	-	-	(2.5)	(0.3)	-	0.1	-	(2.7)
Total comprehensive income for the period	-	-	(2.5)	(0.3)	-	0.1	16.7	14.0
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of ordinary shares	2.7	21.3	-	-	-	-	-	24.0
Own shares sold	-	-	-	-	0.0	-	-	0.0
Share-based payment transactions	-	-	-	-	-	(0.2)	-	(0.2)
Dividends to equity holders	-	(6.8)	-	-	-	-	-	(6.8)
Total contributions by and distributions to owners	-	-	-	-	-	17.9	(17.9)	-
Balance at 31 December 2013	25.9	74.4	(1.0)	(0.4)	(0.2)	18.7	16.7	134.1
(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	-	-	-	-	-	-	10.5	10.5
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	0.4	-	-	-	-	0.4
Net change in fair value of cash flow hedges, net of income tax	-	-	-	0.1	-	-	-	0.1
Total other comprehensive income for the period	-	-	0.4	0.1	-	-	-	0.5
Total comprehensive income for the period	-	-	0.4	0.1	-	-	10.5	11.0
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	-	-	-	0.1	-	0.2
Dividends to equity holders	-	(7.1)	-	-	-	-	-	(7.1)
Total contributions by and distributions to owners	-	-	-	-	-	16.7	(16.7)	-
Balance at 30 June 2014	26.1	68.8	(0.6)	(0.3)	(0.1)	35.4	10.5	139.8

- The quarterly and interim results are not audited -

Annex 2.5 – Risks and risk management

Pages 36 to 45 of Kendrion N.V.'s 2013 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 and Regulatory

In the first half year of 2014 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
- Availability of raw materials and price fluctuations

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 2014 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 2013 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 2013 consolidated financial statements.

This condensed consolidated interim report was approved by the Executive Board and the Supervisory Board on 20 August 2014.

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 2013.

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 2013.

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 2013 consolidated financial statements.

6. Segment reporting

Based on the criteria of IFRS 8-Operating segments 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 Automotive Division and the Industrial Division.

Information about reportable segments									
(EUR million)	Automotive division		Industrial division		Corporate activities		Total		
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	
External revenues	139.7	101.9	76.0	56.5	-	-	215.7	158.4	
Inter-segment revenue	0.2	0.1	0.0	0.1	-	-	0.2	0.2	
EBITA	12.2	6.9	6.0	3.5	(0.6)	(1.3)	17.6	9.1	
(EUR million)	Automotive division		Industrial division		Corporate activities		Total		
	30 June 2014	31 Dec 2013	30 June 2014	31 Dec 2013	30 June 2014	31 Dec 2013	30 June 2014	31 Dec 2013	
Reportable segment assets	214.7	200.3	115.3	110.3	19.5	24.2	349.5	334.8	

- The quarterly and interim results are not audited -

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

There were no changes during the first six months of 2014.

9. Main currencies

The table below shows the main exchange rates during the first half of 2014.

Value of EUR	At 30 June 2014	At 31 December 2013	Average over HY1 2014
Pound sterling	0.8015	0.8337	0.8209
Swiss franc	1.2156	1.2276	1.2200
Czech krone	27.4529	27.4273	27.4416
Chinese yuan	8.4722	8.3491	8.4620
US dollar	1.3658	1.3791	1.3717
Mexican peso	17.7124	18.0731	17.9827
Brazilian real	3.0002	3.2576	3.1449
Romanian ley	4.3830	4.4710	4.4512
Indian rupee	82.2030	85.3679	83.3889
Swedish krona	9.1762	8.8591	8.9757

10. Property, plant and equipment

Capital commitments

As at 30 June 2014, the Group had agreements outstanding for the acquisition of property, plant and equipment in the amount of EUR 5.8 million (versus EUR 4.8 million as at 30 June 2013).

11. Assessment of downward value adjustments

During the first half of 2014, 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 2014, deferred tax assets amounted to EUR 14.4 million, of which a total of EUR 11.1 million relates to the valuation of tax losses carried forward and can be specified as follows:

Germany	EUR 5.9 million
The Netherlands	EUR 4.3 million
USA	EUR 0.7 million
India	EUR 0.2 million

13. Equity

In May 2014, the optional dividend of EUR 0.55 per share was paid to shareholders. A total cash dividend was paid of EUR 5.7 million, and a total of 58,596 shares were issued.

The table below shows the number of outstanding shares as at 30 June 2014.

	Shares entitled to dividend	Repurchased shares	Total number of issued shares
At 1 January 2014	12,954,487	7,789	12,962,276
Issued shares (share dividend)	58,596	-	58,596
Issued registered shares (share plan)	10,110	-	10,110
Delivered repurchased shares	3,132	(3,132)	-
At 30 June 2014	13,026,325	4,657	13,030,982

14. Loans and borrowings

As at 30 June 2014, the Group had access to the following lines of credit:

- A EUR 170.8 million credit facility with a banking consortium consisting of Deutsche Bank, ING Bank and Rabobank. The credit facility has the following sub-facilities:
 - EUR 35 million revolving working capital facility, with a commitment running until 17 January 2016;
 - EUR 40 million acquisition facility, with a commitment running until 17 January 2016 and an availability period for new drawings until 17 January 2015;
 - EUR 52 million acquisition facility, with a commitment running until 17 January 2016 and an availability period for new drawings until 17 January 2015;
 - EUR 43.8 million term loan facility relating to the fine paid to the European Commission;
- A EUR 5.9 million mortgage loan for the premises of the Kuhnke facilities in Malente, Germany, with a maturity until 2022;
- EUR 1.5 million in subsidized term loans with maturities ranging from 2014 to 2019;
- EUR 1.3 million in financial leases for various equipment in the Kuhnke facilities in Malente and Sibiu;
- EUR 1.5 million in other overdraft facilities.

As at 30 June 2014, the total unutilised amount of the credit facilities was approximately EUR 75 million.

Pursuant to the terms of the facility agreement with the banking syndicate, the Group has agreed to a number of financial covenants relating to interest-bearing debt / EBITDA (debt cover) and interest coverage (EBITDA / interest costs). The required covenants are tested each quarter on a 12-month rolling basis. All covenant ratios were satisfied at 30 June 2014.

On 15 August 2014 Kendrion entered into a new five year EUR 150 million revolving credit facility with a consortium of three lenders (ING Bank, Deutsche Bank and BNP Paribas) to refinance the majority of its existing financing arrangements.

Securities issued

No security is provided in relation to the credit facility agreement with the banking syndicate. The group has provided a mortgage on its premises in Malente, Germany regarding a EUR 5.9 million loan. The Group has provided security for a subsidised ERP (European Restructuring Programme) loan in Austria with an outstanding amount of EUR 0.2 million in the form of a pledge on specific machinery in Austria for which the loan was received. Furthermore the Group has provided a pledge on trade receivables for a EUR 1.5 million overdraft facility with a German bank.

15. Taxes

The tax expense for the first six months was EUR 2.6 million, equivalent to 20% effective tax rate.

16. Financial instruments

As at 30 June 2014 the value of the derivative instruments in the balance sheet is a EUR 0.2 million liability (year-end 2013: EUR 0.4 million liability).

There have been no material changes since the end of 2013 in terms of sensitivity to market risks (i.e. currency, interest and price).

17. Contingent liabilities

With regard to the claim of the third party Binder Magnete s.r.l. in Italy, mentioned in the 2013 Annual Report (page 129, point 18), the court has ruled in first instance in Kendrion's favour. Kendrion has to pay an amount of EUR 81,000. The case of the former Managing Director in Brasil is closed with a payment of BRS 300,000 (excluding social security payments) by Kendrion.

18. Related parties

For the definition of "related parties", please refer to pages 135 to 137 (point 27) of the 2013 Annual Report.