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GROWTH SLOWDOWN IN SECOND QUARTER OF 2012

- **Second-quarter revenue: EUR 74 million (+ 9% from Q2 2011)**
- **3% organic revenue decrease in second quarter due to Industrial Magnetic Systems (-15%); the other three business units increased their revenue**
- **EBITA EUR 6.9 million in the second quarter (Q2 2011: EUR 8.1 million)**
- **Growing economic uncertainty**
- **Confidence in future development remains strong, partly because of new projects that will generate revenue growth in the course of 2013**
- **Update on strategic targets; aiming for strong growth in the electromagnetic activities**

Key figures

(x EUR 1 million)	**Q2 2012**	**Q2 2011**	**Difference in %**
Revenue	74.0	67.9	9%
EBITA	6.9	8.1	-15%
Net profit	4.1	5.4	-24%
(x EUR 1 million)	**HY1 2012**	**HY1 2011**	**Difference in %**
Revenue	151.3	133.7	13%
EBITA	15.6	15.8	-1%
Net profit	9.4	10.4	-10%

- The quarterly and interim results are not audited -

100 YEARS OF ELECTROMAGNETISM

Piet Veenema, CEO of Kendrion:
"We witnessed the beginning of a growth slowdown during the second quarter of 2012, after many quarters of strong growth. Several market segments in which we operate saw a decline, including textile machinery and the global truck market. Although other key market segments, such as the passenger car market and the German machine building industry, have been on an upswing. We have noticed customers becoming more cautious, due to the economic uncertainty that has been affecting Europe in particular. As reported in early August, based on the current situation we expect our annual profit to be 15 to 20% lower than the normalised net profit for 2011. Considering the many ongoing projects, however, we remain very confident about the future."

Developments in the first half of 2012

During the second quarter of 2012, revenue increased by 9% compared to the same period last year, to EUR 74.0 million; organic revenue declined by 3%.

In the Industrial Magnetic Systems business unit, revenue dropped by 15% during the second quarter. The decline was caused by lower demand from a large number of smaller customers, as well as in the textile machinery market. In addition, several new projects incurred delays due to the economic uncertainty, both in Germany and the United States. Faced with the current market uncertainty, this business unit has implemented a number of cost savings in recent weeks, facilitated by the improved flexibility of the cost structure in recent years. Coupled with the expected revenue growth, profit for the second half of the year is likely to be higher.

The revenue of the Industrial Drive Systems business unit increased by 12% during the first six months, driven mainly by the strong German machine building industry. In the first six months of the year, the business unit managed to acquire a number of major projects for the Chinese market, which are set to drive revenue growth in this market in 2013.

Revenue of the Passenger Car Systems business unit increased by 28% during the first half of the year, mainly thanks to the company acquired at the end of 2011, FAS Controls. Organic growth was 2%, in line with expectations.
Kendrion FAS Controls had a good first six months. Preparations for the previously publicised new projects for the US market have been on schedule. Margins in the Passenger Car Systems business unit have been somewhat lower in 2012, since no new high-margin projects have been launched this year.

Revenue of the Commercial Vehicle Systems business unit increased by 4% during the first six months of 2012. While revenue in India and Brazil remained below expectations, the Chinese operations continued to generate revenue growth.
This business unit has been investing heavily in developing new products for the global truck market, with the objective of growing substantially in this market in the longer term.

Commodity prices remained relatively stable during the first six months, while prices of permanent magnets continued to decline during this period.

	Q2 2012	Q2 2011
EBITA	9.3%	11.9%
EBITDA (x EUR 1 million)	9.5	10.4
EBITDA in %	12.8%	15.3%
Profit per share	0.35	0.47
	HY1 2012	**HY1 2011**
EBITA	10.3%	11.8%
EBITDA (x EUR 1 million)	20.7	20.4
EBITDA in %	13.7%	15.3%
Profit per share	0.81	0.91

Operating margin (EBITA) declined, mainly due to lower-than-expected revenue, a lower margin in Passenger Car Systems and planned expenses for future projects (including an expansion of engineering capacity).

As stated, with uncertainty about economic conditions increasing over the next six months, Kendrion will continue to give priority to creating a more flexible cost structure. At the end of the first half of 2012, the company employed 1,720 including 140 temporary employees. The planned increase in, particularly, engineering capacity and project management will continue, in order to facilitate future projects and market opportunities.

Financing expenses are EUR 0.8 million higher than during the second quarter of 2011 due to the accrued interest on the European Commission fine and the higher financing expenses caused by the acquisition of FAS Controls.

The tax burden for the first half of 2012 was 21.6% (versus 25.5% for the same period in 2011).

Financial position

During the second quarter, the balance sheet total increased by EUR 4.5 million as a result of investments and the higher goodwill as a consequence of the strong US dollar.

Investments during the first six months totalled EUR 10.0 million at a depreciation level of EUR 4.8 million.

Due mainly to the investments in expansion, free cash flow for the first six months of 2012 was EUR -5.4 million. Free cash flow for the full year is expected to be positive.

In 2012, investments will substantially exceed the depreciation level, mainly due to investments in new automotive projects and the ERP project “HORIZON”. This project is proceeding on schedule.

Kendrion’s financial position is strong, with a solvency ratio at the end of June of approximately 40% and a net bank debt of EUR 35 million.

Strategic objectives update

Some time ago, Kendrion stated its target of increasing revenue from its electromagnetic activities to EUR 350 million in 2012/2013. Since the company acquired the North Carolina-based (USA) manufacturing company FAS Controls in December 2011, revenue has increased to roughly EUR 300 million, around EUR 200 million of which is generated by automotive operations (i.e. cars, buses and trucks). The combined revenue of the industrial business units totals approximately EUR 100 million. Further organic growth is expected for the coming years, where Kendrion's automotive activities, in particular, will be the driving force in both Europe and the United States.

Kendrion greatly values, and aims to achieve a balanced spread between, its automotive and its industrial operations, because these activities benefit each other and together increase Kendrion's level of expertise. Based on the results of an assessment, Kendrion has expanded its strategic objectives as follows:

- Strong revenue growth (including acquisitions) in the electromagnetic activities;
- Primary focus on value-added acquisitions of related industrial operations;
- Strong drive to continue growing in the USA and China.

Kendrion's other spearheads have remained the same:

- Becoming the niche market leader in selected business-to-business markets;
- Achieving organic growth within our current operations;
- Exploiting synergy within and between the business units;
- Increasing our innovative capacity;
- Improving the organisation's flexibility.

The financial objectives will remain unchanged:

- Minimum of 10% annual organic revenue growth;
- Return on investment (ROI on basis of EBITA) in excess of 17.5%;
- Return-on-Sales (EBITA margin) in excess of 10%;
- Solvency ratio in excess of 35%;
- Interest-bearing debts/EBITDA below 3.0;
- Dividend payment between 35% and 50% of net profit.

Outlook

Uncertainty regarding global economic trends has increased further in recent months, making it more difficult to make specific statements on the second half of the year. In its press release of 8 August 2012, Kendrion already reported that, based on current information, it expects annual profit for 2012 to be 15 to 20% lower than the normalised net profit for the year 2011 (EUR 20.5 million).

Kendrion's strong financial position will remain an important basis for further developing the company's global operations.

Kendrion remains confident about the future, particularly due to new projects in both the automotive and industrial markets, which will result in revenue growth in the course of 2013.

Dr. Wilhelm Binder Day – the 2nd Kendrion Innovation Event 2012

Kendrion is committed to providing innovative solutions to its customers. On Thursday, 22 November 2012, the company will be hosting the second 'Dr. Wilhelm Binder Day' in Villingen-Schwenningen, Germany. A number of interesting guest speakers will be sharing their thoughts, and the business units will demonstrate some key innovations.
To register for the event, please visit www.kendrion.com.

Profile of Kendrion N.V.

Kendrion N.V., a solution provider, develops, manufactures and markets innovative high-quality electromagnetic systems and components for customers all over the world. Kendrion's operations are carried out by four business units focused on specific market segments, namely Industrial Magnetic Systems, Industrial Drive Systems, Passenger Car Systems and Commercial Vehicle Systems.

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 solutions for industrial 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 a.o. Bosch, Continental, Daimler, Delphi, Eaton, Evobus, Hyundai, Siemens and Yutong.

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, 23 August 2012

The Executive Board

Piet Veenema – Chief Executive Officer
Eiko Ris – Chief Financial Officer

For more information:

Kendrion N.V.
Mr P. Veenema
Utrechtseweg 33
3704 HA ZEIST
THE NETHERLANDS

Tel: +31 – 30 – 699.72.69
Fax: +31 – 30 – 695.11.65
Website: www.kendrion.com

Annexes

1. Financial calendar 2012 - 2013
2. Semi-annual condensed financial statements 2012
   2.1. Condensed consolidated statement of comprehensive income
   2.2. Condensed consolidated statement of financial position
   2.3. Condensed consolidated statement of cash flows
   2.4. Condensed consolidated statement of changes in equity
   2.5. Risks and risk management
   2.6. Notes to the condensed consolidated interim report

Annex 1 - Financial calendar 2012 - 2013

2012

Publication of Q3 2012 results	Wednesday, 7 November 2012	08.00 a.m.

2013

Publication of 2012 full-year figures	Wednesday, 27 February 2013	08.00 a.m.
Analysts' meeting	Wednesday, 27 February 2013	11.30 a.m.
General Meeting of Shareholders	Monday, 15 April 2013	02.30 p.m.
Publication of Q1 2013 results	Wednesday, 8 May 2013	08.00 a.m.
Publication of HY1 2013 results	Wednesday, 21 August 2013	08.00 a.m.
Analysts' meeting	Wednesday, 21 August 2013	11.30 a.m.
Publication of Q3 2013 results	Wednesday, 6 November 2013	08.00 a.m.

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- The quarterly and interim results are not audited -

100 YEARS OF ELECTROMAGNETISM

Annex 2.1 – Condensed consolidated statement of comprehensive income

(EUR million)	Q2 2012	Q2 2011	period ended 30-6-2012	period ended 30-6-2011*	2011*
Revenue	74.0	67.9	151.3	133.7	267.9
Other operating income	0.8	0.1	0.9	0.2	1.0
Total revenue and other operating income	74.8	68.0	152.2	133.9	268.9
Changes in inventories of finished goods and work in progress	2.0	(0.9)	(0.9)	(2.7)	(4.2)
Raw materials and subcontracted work	36.9	35.1	78.9	69.6	139.1
Staff costs	21.0	17.8	41.6	35.5	72.8
Depreciation and amortisation	3.1	2.7	6.3	5.3	10.8
Other operating expenses	5.5	5.5	11.9	11.1	61.9
Result before net finance costs	**6.3**	**7.8**	**14.4**	**15.1**	**(11.5)**
Finance income	0.0	0.0	0.0	0.0	0.1
Finance expense	(1.3)	(0.5)	(2.4)	(1.0)	(2.1)
Net finance costs	**(1.3)**	**(0.5)**	**(2.4)**	**(1.0)**	**(2.0)**
Profit before income tax	**5.0**	**7.3**	**12.0**	**14.1**	**(13.5)**
Income tax expense	(0.9)	(1.9)	(2.6)	(3.6)	(6.6)
Profit for the period	**4.1**	**5.4**	**9.4**	**10.5**	**(20.1)**
Attributable to:					
Equity holders of the company	4.1	5.4	9.3	10.4	(20.2)
Minority interest	0.0	0.0	0.1	0.1	0.1
Profit for the period	**4.1**	**5.4**	**9.4**	**10.5**	**(20.1)**
Other comprehensive income					
Remeasurements of defined benefit plans*			0.8	(0.7)	(1.5)
Foreign currency translation differences for foreign operations			1.0	(0.4)	0.7
Net change in fair value of cash flows hedges, net of tax			(0.0)	0.1	(0.2)
Other comprehensive income for the period, net of income tax			**1.8**	**(1.0)**	**(1.0)**
Total comprehensive income for the period			**11.2**	**9.5**	**(21.1)**
Total comprehensive income attributable to:					
Equity holders of the company			11.1	9.4	(21.2)
Minority interest			0.1	0.1	0.1
Total comprehensive income for the period			**11.2**	**9.5**	**(21.1)**
Basic earnings per share (EUR)	0.35	0.47	0.81	0.91	(1.79)
Diluted earnings per share (EUR)	0.35	0.47	0.81	0.91	(1.79)

* Restated for comparison reasons as stated in note 5 of the notes.

Annex 2.2 – Consolidated statement of financial position

(EUR million)	30 June 2012	30 June 2011*	31 Dec. 2011*
Assets			
Property, plant and equipment	59.7	45.8	55.2
Intangible assets	76.6	49.7	76.0
Other investments, including derivatives	0.9	0.7	0.5
Deferred tax assets	8.0	10.9	9.3
Total non-current assets	**145.2**	**107.1**	**141.0**
Inventories	39.9	34.6	38.5
Current tax assets	2.1	0.1	1.0
Trade and other receivables	46.6	39.0	39.6
Cash and cash equivalents	8.5	6.7	9.2
Total current assets	**97.1**	**80.4**	**88.3**
Total assets	**242.3**	**187.5**	**229.3**
Equity and liabilities			
Equity			
Share capital	23.2	22.9	22.9
Share premium	60.0	64.6	64.6
Reserves*	4.1	22.1	22.3
Retained earnings	9.3	10.4	(20.2)
Total equity attributable to equity holders of the company	**96.6**	**120.0**	**89.6**
Minority interest	0.3	0.3	0.3
Total equity	**96.9**	**120.3**	**89.9**
Liabilities			
Loans and borrowings	25.0	4.1	23.3
Employee benefits*	7.6	7.9	8.3
Government grants received in advance	0.1	0.2	0.1
Provisions	46.7	2.7	46.4
Deferred tax liabilities	6.3	3.2	6.2
Total non-current liabilities	**85.7**	**18.1**	**84.3**
Bank overdraft	18.8	5.7	0.3
Loans and borrowings	-	5.2	11.5
Current tax liabilities	1.1	1.4	1.2
Trade and other payables	39.8	36.8	42.1
Total current liabilities	**59.7**	**49.1**	**55.1**
Total liabilities	**145.4**	**67.2**	**139.4**
Total equity and liabilities	**242.3**	**187.5**	**229.3**

* Restated for comparison reasons as stated in note 5 of the notes.

Annex 2.3 – Condensed consolidated statement of cashflows

(EUR million)	30 June 2012	30 June 2011	31 Dec. 2011
Cash flows from operating activities			
Profit for the period	9.4	10.5	(20.1)
Adjustments for:			
Net finance costs	2.4	1.0	2.0
Income tax expense	2.6	3.6	6.6
Depreciation of property, plant and equipment	4.8	4.4	9.0
Amortisation of intangbile assets	1.5	0.9	1.8
	20.7	**20.4**	**(0.7)**
Change in trade and other receivables	(8.2)	(8.9)	(4.8)
Change in inventories	(1.5)	(6.6)	(6.4)
Change in trade and other payables	(2.4)	6.2	7.5
Change in provisions	(0.1)	(0.2)	38.6
	8.5	**10.9**	**34.2**
Interest paid	(2.2)	(1.7)	(2.6)
Interest received	0.0	0.0	0.1
Tax paid	(1.6)	(2.3)	(4.1)
Net cash flows from operating activities	**4.7**	**6.9**	**27.6**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash received	-	(2.2)	(31.3)
Investments in property, plant and equipment	(11.2)	(4.5)	(11.3)
Disinvestments of property, plant and equipment	2.1	0.7	0.2
Investments in intangible fixed assets	(1.0)	(1.1)	(2.4)
Disinvestments of intangible fixed assets	0.0	0.0	0.0
(Dis)investments of other investments	0.0	0.0	0.0
Net cash from investing activities	**(10.1)**	**(7.1)**	**(44.8)**
Free cash flow	**(5.4)**	**(0.2)**	**(17.2)**
Cash flows from financing activities			
Proceeds from borrowings (non current)	1.6	1.6	20.8
Proceeds from borrowings (current)	-	-	1.5
Repayment of borrowings (current)	(11.5)	(4.2)	-
Dividends paid	(4.3)	(3.5)	(3.5)
Change in shares held in own company	0.1	0.1	-
Net cash from financing activities	**(14.1)**	**(6.0)**	**18.8**
Change in cash and cash equivalents	(19.5)	(6.2)	1.6
Cash and cash equivalents at 1 January	8.9	7.3	7.3
Effect of exchange rate fluctuations on cash held	0.3	(0.1)	(0.0)
Cash and cash equivalents end of period	(10.3)	1.0	8.9

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	Minority interest	Total equity
Balance at 1 January 2011	22.6	68.4	1.6	0.0	(0.5)	5.4	16.5	114.0	0.2	114.2
Total comprehensive income for the period										
Profit or loss	-	-	-	-	-	-	(20.2)	(20.2)	0.1	(20.1)
Other comprehensive income										
Remeasurements of defined benefit plans*	-	-	-	-	-	(1.5)	-	(1.5)	-	(1.5)
Foreign currency translation differences for foreign operations	-	-	0.7	-	-	-	-	0.7	-	0.7
Net change in fair value of cash flow hedges, net of income tax	-	-	-	(0.2)	-	-	-	(0.2)	-	(0.2)
Total other comprehensive income for the period	-	-	0.7	(0.2)	-	(1.5)	-	(1.0)	-	(1.0)
Total comprehensive income for the period	-	-	0.7	(0.2)	-	(1.5)	(20.2)	(21.2)	0.1	(21.1)
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Issue of ordinary shares	0.3	2.9	-	-	-	-	-	3.2	-	3.2
Own shares sold	-	-	-	-	0.2	-	-	0.2	-	0.2
Share-based payment transactions	-	-	-	-	-	0.1	-	0.1	-	0.1
Dividends to equity holders	-	(6.7)	-	-	-	-	-	(6.7)	-	(6.7)
Total contributions by and distributions to owners	-	-	-	-	-	16.5	(16.5)	-	(0.0)	(0.0)
Balance at 31 December 2011	22.9	64.6	2.3	(0.2)	(0.3)	20.5	(20.2)	89.6	0.3	89.9

EUR million	Share capital	Share premium	Translation reserve	Hedge reserve	Reserve for own shares	Other reserves*	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2012	22.9	64.6	2.3	(0.2)	(0.3)	20.5	(20.2)	89.6	0.3	89.9
Total comprehensive income for the period										
Profit or loss	-	-	-	-	-	-	9.3	9.3	0.1	9.4
Other comprehensive income										
Remeasurements of defined benefit plans	-	-	-	-	-	0.8	-	0.8	-	0.8
Foreign currency translation differences for foreign operations	-	-	1.0	-	-	-	-	1.0	-	1.0
Net change in fair value of cash flow hedges, net of income tax	-	-	-	(0.0)	-	-	-	(0.0)	-	(0.0)
Total other comprehensive income for the period	-	-	1.0	(0.0)	-	0.8	-	1.8	-	1.8
Total comprehensive income for the period	-	-	1.0	(0.0)	-	0.8	9.3	11.1	0.1	11.2
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Issue of ordinary shares	0.3	2.5	-	-	-	-	-	2.8	-	2.8
Own shares sold	-	-	-	-	0.1	-	-	0.1	-	0.1
Share-based payment transactions	-	-	-	-	-	0.1	-	0.1	-	0.1
Dividends to equity holders	-	(7.1)	-	-	-	-	-	(7.1)	-	(7.1)
Total contributions by and distributions to owners	-	-	-	-	-	(20.2)	20.2	-	(0.1)	(0.1)
Balance at the end of the period	23.2	60.0	3.3	(0.2)	(0.2)	1.2	9.3	96.6	0.3	96.9

* Restated for comparison reasons as stated in note 5 of the notes.

- The quarterly and interim results are not audited -

Annex 2.5 – Risks and risk management

Pages 30 to 38 of Kendrion N.V.'s official 2011 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 2011 Annual Report, the following four risks are qualified as "substantial":

- Adaptation to economic downturn;
- Project management;
- Commodity markets;
- Information Systems.

These issues continue to be the main points of concern for Kendrion. Adjusting to the economic conditions is currently Kendrion's top priority: market demand declined during the second quarter, particularly in the Industrial Magnetic Systems business unit, and uncertainty regarding general market demand has increased. Kendrion is currently strengthening its organisation in order to be able to facilitate the planned growth in the medium term. The company will not be downsizing its senior staff in order to adapt to lower activity levels, provided this is justifiable. However, it is, understandably, considering reducing the number of temporary employees and staff members with fixed-term contracts.

Kendrion's direct sales to customers in Southern Europe are limited, and the company does not purchase parts from suppliers in this region on any major scale. Although a further decline in demand in this region could potentially decrease demand indirectly through our customers, this cannot actually be quantified.

The same applies to the impact of the European sovereign debt crisis – that is, Greece and/or other European countries exiting the eurozone – on Kendrion's revenue and profit.

Kendrion will continue to closely monitor risks and adjust its control measures as new risks emerge or current risks change.

<u>**Annex 2.6 – Notes to the condensed consolidated interim report**</u>

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 2012 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 2011 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 2011 consolidated financial statements.

This condensed consolidated interim report was approved by the Board and the Supervisory Board on 22 August 2012.

3. Primary accounting principles

Unless otherwise specified below, the accounting principles applied by the Group in this condensed consolidated interim report are identical to the principles applied by the Group in the consolidated financial statements for the 2011 financial year.

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 the 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 2011 financial year.

5. IAS 19

Accounting standard IAS 19, “Employee Benefits”, has been revised. The amendments become effective 1 January 2013, but have been implementable since 1 January 2012.

The main changes for Kendrion involved in changing to the new standard can be summarised as follows:

- All actuarial profits and losses relating to agreed defined benefit pension schemes will be recognised directly under “Non-realised results for the reporting period”. The “corridor” method, which Kendrion used up to 2012, has been discontinued.
- Net interest relating to the agreed defined benefit pension schemes is calculated for the net agreed pension commitment (or receivable) and multiplied by the present value factor used to determine the agreed pension commitment. Under the former standard, income on investment was based on expected return on investment;
- Additional notes are required in the financial statements for the agreed pension schemes.

Kendrion has decided to implement earlier application of IAS 19 in 2012, since actuarial profits and losses are not operational. The actuarial calculations relating to the agreed pension commitments are only made at year-end. The effects of the previous application of the revised standard are therefore based on the calculations at year-end 2011, taking into account the changed circumstances effective 30 June 2012.

The effects of the earlier application of the revised standard can be summarised as follows:
- Based on the current situation, Kendrion estimates the net non-realised actuarial profits and losses at EUR 1.0 million as at 30 June 2012. As a result, commitments relating to Employee Benefits will increase by EUR 1.0 million, and equity will decline accordingly;
- The one-off effect on net financing expenses relating to the agreed pension commitments is very limited in the first six months of 2012 compared with the application of the former standard. This very limited impact is related to the minor difference between the present value factor (3.9%) and the return on investment used (4.2%).

6. 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 2011 consolidated financial statements.

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 2012.

9. Main currencies
The table below shows the main exchange rates during the first half of 2012.

	Per 30 June 2012	Per 31 Dec. 2011	Average over HY1
GBP	0.8068	0.8353	0.8237
CHF	1.2030	1.2156	1.2051
CZK	25.6397	25.7872	25.2430
CNY	8.0011	8.1586	8.2151
USD	1.2590	1.2939	1.3007
MXN	16.8754	18.0512	17.2619
BRL	2.5788	2.4159	2.4228
RON	4.4513	4.3233	4.3893
INR	70.1213	68.7144	68.1013

10. Property, plant and equipment
Capital commitments
As at 30 June 2012, the Group had agreements outstanding for the acquisition of property, plant and equipment in the amount of EUR 5.1 million (versus EUR 4.0 million as at 30 June 2011).

11. Assessment of downward value adjustments
During the first half of 2012, 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 reason for impairment.

12. Deferred tax assets

As at 30 June 2012, deferred tax assets totalled EUR 8.0 million; a total of EUR 6.4 million relates to the valuation of tax losses carried forward.

The tax losses carried forward as at 30 June 2012 are:

Germany

- Trade tax (*Gewerbesteuer*)	EUR 6 million
- Corporation tax (*Körperschaftsteuer*)	EUR 36 million

There are no time constraints for these tax losses and they are recognised in full.

The Netherlands

- Corporation tax	EUR 30 million

Of these tax losses, EUR 27 million is carried forward up to 2017. The remaining amount of EUR 3 million is carried forward up to 2020.

13. Liabilities

The long-term liabilities relating to Employee Benefits have retroactively been increased by EUR 1 million as a result of the early adoption of the revised accounting standard IAS 19, “Employee Benefits” (see also point 5).

“Short-term liabilities” includes the facility for earn-out commitments relating to FAS Controls, the US company acquired at the end of 2011. Please refer to point 20 (page 119) of the Consolidated Financial Statements 2011. The earn-out commitment is based on FAS Controls’ 2012 budget. As at 30 June 2012, the earn-out commitment was downwardly adjusted to EUR 3.9 million. The EUR 0.7 million release is recognised under “Other operating income”.

14. Equity

In May 2012, the optional dividend of EUR 0.62 per share was paid to shareholders. A total cash dividend was paid of EUR 4.3 million, and a total of 155,675 shares were issued. The table below shows the number of outstanding shares as at 30 June 2012.

	Ordinary shares qualifying for dividend	Own shares acquired	Total number of shares issued
1 January 2012	11,445,133	47,392	11,492,525
Shares issued (stock dividend)	155,675	-	155,675
Own shares delivered	31,370	(31,370)	-
30 June 2012	11,632,178	16,022	11,648,200

15. Loans and borrowings

As at 30 June 2012, the Group had access to the following lines of credit:

- A EUR 183.5 million credit facility with a banking consortium consisting of Deutsche Bank, ING Bank and Rabobank. The credit facility has the following sub-facilities:
  - A committed EUR 35 million revolving working-capital facility with a maturity date of 17 January 2016;
  - A committed EUR 100 million acquisition facility with a maturity date of 17 January 2016;
  - A EUR 48.5 million guarantee facility relating to the fine imposed by the European Commission, which Kendrion has appealed;
- EUR 1.5 million in other facilities, including a EUR 1.3 million loan in Austria.

As at 30 June 2012, the total unutilised amount of the credit facilities was approximately EUR 85 million.

Effective 31 December 2012, the acquisition facility will be reduced by EUR 8 million every six months.

Under the credit facility's terms and conditions, the Group has committed to complying with a number of financial covenants.

		Actual
Debt cover (net bank debt / 12 months EBITDA)	< 2.5	0.87
Interest cover (net finance charges / 12 months EBITDA)	>4.0	20.41

These covenants are tested each quarter based on a rolling 12-month period.

Securities issued

The Group has provided securities relating to a EUR 1.3 million subsidised loan in Austria under the European Restructuring Programme, as stated above, in the form of the pledging of specific machines in Austria for which the loan was provided. No securities have been provided relating to the banking consortium's credit facility.

16. Taxes

The tax burden for the first six months was EUR 2.6 million, equivalent to 21.6% effective tax pressure. During the second quarter of 2012, the deferred tax assets were increased by EUR 0.5 million due to the recording of differences between tax and commercial valuation for Kendrion FAS Controls. This increase lowered the tax burden.

17. Financial Instruments

The value of the derivative instruments in the balance sheet increased by EUR 0.1 million in the first six months, to EUR -0.1 million liability as at 30 June 2012.

There have been no material changes since the end of 2011 in terms of sensitivity to market risks (i.e. currency, interest and price).

18. Contingent liabilities

The information regarding this issue included in the 2011 Annual Report (page 116, point 18) remains valid. As regards the claim brought by the former Managing Director of Linnig Brasil, the court dismissed the claim and the former Managing Director appealed the decision in June 2012.

19. Related parties

For the definition of "related parties", please refer to pages 122 to 124 (point 27) of the 2011 Annual Report.

20. Segment Reporting

We refer to page 82 (o) of the official 2011 Annual Report, "Segment Reporting". This paragraph explains, among other things, that the operative segments are aggregated into a single segment reporting entity at the Kendrion Group's consolidated level, based on Kendrion's internal reporting structure and the criteria set out in IFRS 8.