



**PRESS RELEASE
KENDRION N.V.**

SEMI-ANNUAL REPORT 2004

- **Positive development of core activities**
- **Sale of non-core activities largely completed**
- **Earnings strongly influenced by exceptional items**
- **Consultation process with financial stakeholders on financial restructuring well under way**

Key figures Kendrion N.V. first half year 2004

(in millions of euros)

	<u>HY1 2004</u>	<u>HY1 2003</u>
Operating result core activities increased by 17%	14.8	12.6
Operating result non-core activities declined by 97%	0.1	3.2
Net result core activities before exceptional items increased by 27%	6.2	4.9
Total net result before exceptional items	5.6	6.3
Exceptional items:		
Net non-recurring costs and non-recurring financial charges	-3.2	-1.0
Net effect book profits, impairments and divestment costs	-9.2	-50.0
Net result first half year	-6.8	-44.7



Positive development of core activities

Kendrion's core activities (Industrial Components and Distributions Services) showed good improvement in the first half year 2004. Organic turnover growth amounted to more than 4%. The core activities realised a good operating result that increased with 2.2 million (more than 17%) compared to the first half year 2003.

The Kendrion Industrial Components division (Electromagnetic and Metal Components) was able to convert its strong market positions into further growth in turnover and earnings, resulting in a 10% increase in operating result. Improvement in earnings of the Distribution Services division (plastic semi-manufactures and fasteners) is encouraging. Improvement started in the first quarter continued in the second quarter with added intensity due to a combination of measures, including cost reductions. This resulted in a 25% increase in operating result for this division.

Return on sales (ROS) of core activities increased by 5.4% in the first half year 2003 to 6.1% in the first half year 2004; return on invested capital (ROI) of core activities increased from 8.6% in the first half year 2003 to 9.8% in the first half year 2004.

Sale of non-core activities largely completed

On 11 November 2003, Kendrion announced that it had taken the decision to sell (parts of) the Automotive Plastics activity. On 12 May 2004, it was announced that the sale of Kendrion Van Niftrik B.V. had been completed. Recently (on 16 August 2004), the sale of the remaining Automotive Plastics companies was announced. Completion of this transaction is expected in the coming weeks. Within the framework of the strategic focus, Kendrion is investigating the possibilities to divest three smaller activities (total turnover EUR 30 million), to complete the sale of non-core activities.

Result

Kendrion realized a net loss of EUR 6.8 million in the first half year 2004 as compared with EUR 44.7 million for the first half year 2003. Excluding non-recurring financing charges in connection with the financial position of Kendrion, costs related to the intended financial restructuring, and impairments and book profits, underlying net profit amounts to EUR 5.6 million (2003: EUR 6.3 million).

Excluding Automotive Plastics and exceptional items, net result for the first half year 2004 was EUR 6.2 million (2003: EUR 4.9 million), a rise of 27% thereby further increasing the quality of the profit of the core activities.

Net result per share comes to -/- EUR 0.75 whereby, despite the lack of general reserves, cumulative preferred dividend should formally be taken into account.

Outlook

Kendrion's core activities realised a good first half year result. The continuing uncertain economic developments in our most important home countries as well as uncertainty regarding the prices of raw materials do not allow to make a result forecast for 2004. The timing of the financial restructuring and its related costs also have an influence on earnings for 2004.



Explanation by business area

New structure of divisions

With the divestment of Automotive Plastics an important step is taken in the realisation of the previously announced strategy aimed at return on investment recovery. The next step in this process is the repositioning of Kendrion into two divisions: Industrial Components and Distribution Services. The new division Industrial Components comprises of Electromagnetic Components and Metal Components (the remaining part of the former Kendrion Automotive division). In addition to the Vink group, the Distribution Services division consists of the Fastening group and Servico. The new structure allows for a sharper focus on Kendrion's niche market leadership in the business-to-business market.

Kendrion Industrial Components

Kendrion Industrial focuses on the development and production of electromagnetic components and the engineering and production of metal components. The most important home markets are Germany and Sweden. This business area consists of 2 groups:

- Kendrion Electromagnetic Components, active in the field of automotive technology, electromagnetic systems and power transmission. The group has branches in six European countries (Germany, Austria, Spain, Switzerland, the Czech Republic and England);
- Kendrion Metal Components aims to become a niche market leader in specific market segments within the automotive industry (cars and trucks), the largest global industrial market. The group has 9 companies, of which 6 are located in Sweden, 2 in Germany and 1 in Hong Kong.

Operational review first half year 2004

The Electromagnetic Components business area showed good development in the first half year 2004. Continuous improvements in the field of engineering and automation and the launch of new production methods, combined with cost savings, resulted in an improvement in turnover and earnings.

As a result of winning new orders, the Metal Components business area was able to continue to improve its market position. In the first half year, further attention was devoted to the further streamlining of the production facilities and preparations for a new production facility in Slovakia. Uncertainty exists regarding future availability and price increases of raw material.

<i>In EUR million</i>	1st half year 2004	1st half year 2003	Year 2003
Net turnover	115.8	112.5	216.9
Added value	57.4	53.3	101.6
Operating result	10.2	9.3	13.7
ROS	8.8%	8.3%	6.3%
ROI	10.3%	9.1%	13.9%



Kendrion Distribution Services

In addition to the Vink group, the Kendrion Distribution Services business area consists of the Fastening group and the Servico company (Belgium).

Vink

With its wide range of products, Vink (present in 14 countries) has an excellent reputation in the trade in and distribution of plastic semi-manufactures in Europe. In fact, it operates as a solution provider for its clients. Vink's range, which consists of more than 20,000 articles, is available throughout Europe. Articles delivered from stock include sheet materials, high-quality foils and tapes, tube and bar material. Vink also has production facilities at four sites in Belgium, the Netherlands, Denmark and Finland where client-specific plastic components are manufactured. Vink is active in the building, advertising and industrial sectors, in particular.

Other Distribution activities

Kendrion Fastening, with four branches in Sweden, delivers fasteners to the industry. These fasteners are high quality materials, which are customised for specific clients.

Servico is active in Belgium and delivers heating equipment to the installation industry.

Operational review first half year 2004

The markets in which Vink is active have slowly but surely shown a recovery. Cost savings, combined with an active market approach and a new regional structure, are starting to yield results. Good developments are being seen in France and Switzerland, in particular. Development in Germany demands a lot of attention.

After a difficult first quarter, the remaining distribution activities were able to realise a clear improvement in the second quarter of 2004.

<i>In EUR million</i>	1st half year 2004	1st half year 2003	Year 2003
Net turnover	155.2	153.4	298.2
Added value	50.8	48.0	92.6
Operating result	6.4	5.1	8.4
ROS	4.1%	3.3%	2.8%
ROI	9.1%	7.7%	13.5%



Non-core activities

Automotive Plastics

The first half year of 2004 was again difficult for the Automotive Plastics business area, particularly due to the crisis in the German automobile industry. The sale of this activity is expected to be completed in the coming weeks.

Others

The companies Kendrion Cetra Metaal (the Netherlands), GBP Ergonomics (Sweden and England) and Kupron Prototypes (the Netherlands) all belong to the group Others. These companies showed varying results. An attempt is being made to sell some of these activities during the financial year and negotiations are in different stages in this regard.



PROFILE OF KENDRION N.V.

The strength of the niche

Kendrion targets business-to-business markets in Europe. Kendrion's niche markets have been selected on the basis of an existing strong market position that remains attractive for expansion and offers the possibility of market leadership. Its specialisation in tailor-made products and services means that Kendrion is in a position to achieve attractive margins.

The strength of entrepreneurship

Highly motivated local business acumen and quality management are typical of Kendrion. The slogan "Power of Partnership" characterises the cooperation between operating companies, customers and suppliers.

The strength of the group

Kendrion N.V. is an international company, which has, after the sale of Automotive Plastics, approximately 3,300 employees in 16 European countries.

Kendrion develops and produces industrial components for the European industry. Kendrion also provides services in the field of distribution of and trading in plastic semi-manufactures and fasteners. Motivated local entrepreneurship, quality management in the broadest sense and logistic expertise are characteristic of Kendrion.

The strength of Kendrion

The objective is to achieve a substantial growth in turnover every year through organic growth and targeted acquisitions, and to attain a return on investment of around 20% over time.

IMPORTANT DATES FOR REPORTING YEAR 2004 / 2005

Publication 3 rd quarter results 2004	Wednesday 10 November 2004	Pre market hours
Publication annual results 2004	Friday 18 February 2005	Pre market hours
Press and analysts meeting	Friday 18 February 2005	09.00 / 11.00 am
Annual Shareholders Meeting	Friday 1 April 2005	2.30 pm
Publication 1 st quarter results 2005	Tuesday 10 May 2005	Pre market hours
Publication 1 st half year results 2005	Tuesday 30 August 2005	Pre market hours
Press and analysts meeting	Tuesday 30 August 2005	09.00 / 11.00 am
Publication 3 rd quarter results 2005	Tuesday 8 November 2005	Pre market hours



For more information:

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The semi-annual results will be explained by Mr P. Veenema (CEO), Mr E. Ris (CFO) and Mr P.A. Houben (temporary Board Member) at 9.00 am this morning during a press conference at the office of Kendrion N.V. in Zeist. A presentation for analysts starts at 11.00 am, also at the office of Kendrion.

- Enclosures:
- Consolidated profit and loss account
 - Consolidated balance sheet
 - Consolidated statement of cash flow
 - Changes in shareholders equity
 - Explanatory notes
 - Segmented information by business area
 - Review report
 - IFRS effect on Kendrion as of January 1st, 2004



Consolidated profit and loss account

(x EUR 1 million)

	to 30-06-2004	to 30-06-2003*	Year 2003
Net turnover	437.5	435.8	846.9
Changes in stock of finished product and work in progress	(1.0)	1.2	0.0
Total operating expenses	436.5	437.0	846.9
Cost of sales and subcontracted work	258.2	258.3	509.8
Added value	178.3	178.7	337.1
Personnel costs	105.0	105.8	202.9
Depreciation on intangible and tangible fixed assets	12.5	13.4	25.9
Other changes in the value of intangible and tangible fixed assets			3.0
Exceptional reduction in value of assets	12.1		42.0
Other operating expenses	50.2	48.2	101.0
	179.8	167.4	374.8
Operating result	(1.5)	11.3	(37.7)
Reduction in value of receivables that are included in the fixed assets	(1.0)	(47.0)	(47.0)
Interest income and expenses	(7.0)	(5.8)	(12.2)
Profit on ordinary activities before tax	(9.5)	(41.5)	(96.9)
Taxes	0.3	3.0	7.3
Income from participations	3.3		(0.1)
Profit on ordinary activities after tax	(6.5)	(44.5)	(104.3)
Minority interests	(0.3)	(0.2)	(0.6)
Net result	(6.8)	(44.7)	(104.9)
Per share			
Number of ordinary shares (x 1,000)	11,206	11,206	11,206
Net result ¹	(0.75)	(4.13)	(9.65)
Diluted net profit ¹	(0.74)	(4.09)	(9.65)

¹ after cumulative preferred dividend



**Consolidated balance sheet
(before profit appropriation)**

(x EUR 1 million)

ASSETS

Fixed assets

Intangible fixed assets
Tangible fixed assets
Financial fixed assets

Currents assets

Stocks
Receivables
Cash at bank and in hand

Total

LIABILITIES

Shareholders' equity

Minority interests
Equalisation account investment
Contributions

Provisions

Long-term debts

Current debts

Subordinated loans
Interest-bearing debts
Other liabilities

Total

	1) 30 June 2004	* 30 June 2003	1) 31 December 2003
	151.1	178.5	160.9
	111.4	137.4	117.8
	124.9	165.3	119.5
	5.4	3.0	4.2
	241.7	305.7	241.5
	392.8	484.2	402.4
	1.0	68.3	7.8
	1.6	1.4	1.7
	0.6	0.5	0.7
	24.5	18.6	25.1
	12.1	15.0	13.3
	14.8	34.8	14.8
	191.0	196.6	191.2
	147.2	149.0	147.8
	353.0	380.4	353.8
	392.8	484.2	402.4

1) After capital depreciation of EUR 54.1 million (2003: EUR 42 million)

Consolidated statement of cash flow



(x EUR 1 million)

	30 June 2004	30 June 2003*	31 December 2003
Operating result	(1.5)	11.3	(37.7)
Exceptional reduction in value of assets	12.1	3.0	45.0
Depreciation on fixed assets	10.6	14.3	7.3
Changes in working capital:	12.5	13.4	25.9
- stocks	(3.3)	(6.0)	(2.4)
- receivables	(15.6)	(24.0)	(2.9)
- non-interest-bearing debts	4.8	11.3	14.0
Changes in provisions	0.6	0.2	6.8
Cash flow from business activities	9.6	9.2	48.7
Net interest paid	(7.0)	(5.8)	(12.2)
Paid taxes	(1.8)	(4.6)	(4.0)
CASH FLOW FROM OPERATIONAL ACTIVITIES	0.8	(1.2)	32.5
Acquisition of group companies	-	(0.8)	(0.7)
Sale of group companies	10.7	(10.0)	2.4
Investments in tangible fixed assets	(7.9)	(3.2)	(21.7)
Investments/disposals of financial fixed assets	-	-	(11.9)
CASH FLOW FROM INVESTMENT ACTIVITIES	2.8	(14.0)	(31.9)
Issued long-term debts	-	3.5	3.5
Redemption of long-term debts	(1.2)	(1.7)	-
Other changes	-	-	6.1
Dividend paid to minority interests	(0.9)	(0.3)	(0.3)
Dividend (incl. cum. pref. dividend)	-	-	(1.6)
CASH FLOW FROM FINANCING ACTIVITIES	(2.1)	1.5	7.7
CHANGES IN FUNDS¹	1.5	(13.7)	8.3
As at 1 January	(186.6)	(194.9)	(194.9)
As at 30 June (31 December)	(185.1)	(208.6)	(186.6)
	1.5	(13.7)	8.3

¹ Refers to balance cash at bank and in hand (before general impairment) and current interest-bearing debts.

Changes in shareholders equity

2004	2003
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Shareholders equity as at 1 January	7.8	115.5
Result over first half year	(6.8)	(44.7)
Dividend paid on cum. shares	-	(1.6)
Translation differences	-	(0.9)
Shareholders' equity on 30 June	1.0	68.3

* Note to consolidated balance sheet, profit and loss account and consolidated statement of cashflow:
 Compared to the published half-year results 2003 a few items are reallocated similar to used segmentation of the annual accounts 2003.



Explanatory notes

Exceptional items

Earnings for the first half year 2004 were strongly influenced by consultancy charges related to the planned refinancing and restructuring as well as higher financing charges resulting from the default situation/standstill with the most important banks. Moreover, the company has accounted for the redundancy commitment of EUR 1.1 million to the former CFO. These expenses were included in the profit and loss account as follows (total net effect EUR 3.2 million):

Under personnel costs:	EUR 1.1 million
Under other operating expenses:	EUR 2.5 million
Under interest income and expenses:	EUR 1.3 million

An extraordinary write-down of assets of EUR 12.1 million was also included. This concerns EUR 9 million for the sale of Automotive Plastics that has already been announced, and EUR 3.1 million for other non-core activities. Possibilities to divest the latter are currently being investigated. A book profit of EUR 3.3 million was realised as a result of the sale of Kendrion Van Niftrik BV. Finally, EUR 1.6 million in divestment costs are also included under the other operating expenses. The net effect of these four exceptional items amounts to EUR 9.2 million.

Tax position

As of 30 June 2004, deferred tax assets of EUR 18.7 million were included under Financial fixed assets, consisting particularly of deferred receivables of EUR 10.5 in Germany and EUR 7.9 million in the Netherlands. These tax deferrals have been taken for fiscal losses, which are expected to be compensated with future fiscal profits in the coming 5 years.

Financial position

Balance sheet total at the end of June 2004, after the impairment of EUR 54.1 million, was EUR 392.8 million with shareholders' equity of EUR 1.0 million.

Investments in the first half-year amounted to EUR 7.9 million with a depreciation level of EUR 12.4 million.

Working capital (excluding impairment) was EUR 122.5 million at the end of June 2004 compared with EUR 153.7 million at the end of June 2003 and EUR 114.2 million at year-end 2003. The increase compared to end of 2003, relates to the seasonal pattern of the companies.

Pro forma, the balance sheet total as of 30 June 2004 after sale of Automotive Plastics is approximately EUR 300 million.



Continuity of business operations

Since year-end 2002, Kendrion does not comply with the financial covenants as stated in a number of loan agreements. As a result current credit facilities and loans, including the subordinated loans of EUR 14.8 million, are formally due and payable. Kendrion has concluded a standstill agreement, that ends on 31 December 2004, with a group of banks, joined in a banking consortium, which have jointly made available EUR 164 million in credit facilities. This guarantees the continuity of the company for the time being. The standstill agreement has a number of conditions including time schedules for the realisation of proposed divestments, the further granting of securities on assets as well as the implementation of the financial restructuring. It is likely that the standstill agreement will be in force until 31 December 2004. The company has engaged the investment bank Lehman Brothers for assistance in the financial restructuring. For a more detailed explanation, please refer to the annual accounts for 2003. Consultation with the financial stakeholders regarding the financial restructuring is well underway and progressing steadily.

Basic assumption of continuity in preparing the half-year figures

Based on the above, the principles for the valuation of assets and liabilities are based on the assumption of continuity of the business operations.

Accounting principles

The accounting principles applied correspond with the principles stated in the annual accounts for 2003.

IFRS

Kendrion shall apply IFRS as the basis for its reporting as per financial year 2005. The comparative figures for 2004, as included in the figures for 2005, shall also be based on IFRS. Although most IFRS standards are final and have now been ratified by the European Commission and the relevant legislators, a number of standards have only been recently published and are still not definitively confirmed and ratified. Moreover, some standards are still subject to various interpretations. Therefore, every conclusion about the influence of the transition from the Dutch accounting principles to IFRS is provisional. Moreover, every conclusion is still subject to auditing.

The comparative figures for 2004 included in the annual accounts for 2005 shall be adjusted according to the IFRS standards that are applicable at that point in time; the adjusted balance sheet as per 1 January 2004 shall become the IFRS opening balance sheet. The IFRS effects for Kendrion are included in the appendix.

Exceptional issues and guarantees

A number of exceptional issues and guarantees are reported in the annual accounts for 2003 under Other receivables/Financial fixed assets. The two mentioned guarantees, issued within the framework of the activities divested in 2001, are still applicable. The exceptional issues reported are solved. On balance, this has had no influence on the semi-annual results.



Changes in liabilities not included in the balance sheet

The reported insolvency guarantee of EUR 3 million in connection with the Consumer Products group that was divested in 2001 is discontinued in the annual accounts for 2003. Partly in this connection, a claim under financial fixed assets has been re-valued downwards by EUR 1 million in the first half year 2004.

Moreover, no substantial changes arose in the first half year 2004 as compared to the situation as of 31 December 2003.

Events after balance sheet date

The agreement concerning the sale of Automotive Plastics to an international group was announced on 16 August 2004. The transaction resulted in a book loss of EUR 9.0 million, including the operational losses up to the completion of the transaction, expected within the next few weeks. As mentioned earlier, the divestment involves activities in Germany, Portugal, Spain and the Czech Republic that, with 1,800 employees, generate a turnover of EUR 240 million.

Segmentation

The classification is in line with Kendrion's new strategic profiling.

The comparative figures correspond with the new classification.



Segmented information by business area (1)

(x EUR 1 million)

	Electro			Metals			Industrial Components		
	1 st hy	1 st hy	year	1 st hy	1 st hy	year	1 st hy	1 st hy	year
	2004	2003	2003	2004	2003	2003	2004	2003	2003
Turnover	57.8	53.5	104.3	58.0	59.0	112.6	115.8	112.5	216.9
Margin / added value	32.6	30.9	59.2	24.8	22.4	42.4	57.4%	53.3	101.6
	56.5%	57.7%	56.7%	42.7%	38.0%	37.7%	49.6%	47.4%	46.8%
Exceptional reduction in value									
Operating result	6.3	5.8	7.5	3.9	3.5	6.2	10.2	9.3	13.7
ROS	10.9%	10.8%	7.2%	6.8%	6.0%	5.5%	8.8%	8.3%	6.3%
Invested capital	51.0	53.4	50.6	48.3	48.3	48.2	99.3	101.7	98.8
Working capital	22.0	27.0	22.4	18.0	16.9	16.6	40.0	43.9	39.0
ROI	12.3%	10.8%	14.9%	8.2%	7.3%	12.8%	10.3%	9.1%	13.9%
Net investment	2.9	2.4	6.3	0.9	3.3	5.3	3.8	5.4	11.6
Depreciation	2.8	2.8	5.4	2.4	2.3	4.4	5.2	5.1	9.8
Employees	880	875	890	755	754	769	1,635	1,629	1,659

	Vink			Remaining Distribution			Distribution Services		
	1 st hy	1 st hy	year	1 st hy	1 st hy	year	1 st hy	1 st hy	year
	2004	2003	2003	2004	2003	2003	2004	2003	2003
Turnover	129.0	125.6	247.5	26.2	27.8	50.7	155.2	153.4	298.2
Margin / added value	40.3	37.4	73.9	10.5	10.6	18.7	50.8	48.0	92.6
	31.3%	29.8%	29.9%	40.1%	38.1%	36.8%	32.7%	31.3%	31.1%
Exceptional reduction in value			(3.0)						(3.0)
Operating result	4.0	2.5	1.7	2.4	2.6	3.7	6.4	5.1	5.4
ROS ¹	3.1%	2.0%	1.9%	9.0%	9.2%	7.2%	4.1%	3.3%	2.8%
Invested capital	51.6	50.7	44.3	18.4	15.1	18.0	70.0	65.8	62.3
Working capital	36.4	34.9	29.5	8.6	7.7	8.0	45.0	42.6	37.5
ROI ¹	7.8%	5.0%	10.6%	12.8%	17.0%	20.4%	9.1%	7.7%	13.5%
Net investment	0.6	0.6	1.9	0.3	0.6	3.3	0.9	1.2	5.2
Depreciation	1.4	1.7	3.4	0.6	0.5	1.1	2.0	2.2	4.5
Employees	893	919	935	168	198	183	1,061	1,117	1,118



Segmented information by business area (2)

(x EUR 1 million)

	Combined			Automotive Plastics			Total		
	Others/Holding		year	1 st hy	1 st hy	year	1 st hy	1 st hy	year
	1 st hy	1 st hy							
Turnover	14.1	27.1	44.3	152.4	142.8	287.5	437.5	435.8	846.9
Margin / added value	7.2	11.7	19.7	62.8	65.7	123.2	178.3	178.7	337.1
				41.2%	46.0%	42.8%	40.8%	41.0%	39.8%
Exceptional reduction in value	(3.2)	0.0	0.0	(8.9)		(42.0)	(12.1)		(45.0)
Operating result ROS ¹	(10.0)	(6.6)	(15.9)	(8.1)	4.1	(40.9)	(1.5)	11.8	(37.7)
				0.5%	2.9%	0.4%	2.2%	2.7%	0.9%
Invested capital	(13.1)	66.5	41.1	89.4	101.3	52.5	245.6	335.2	254.6
Working capital	(4.7)	19.9	(1.0)	8.9	47.3	14.0	89.1	153.7	89.5
ROI ¹				0.9%	4.0%	2.1%	3.9%	3.5	2.9%
Net investment	0.5	0.5	0.5	2.6	2.9	8.1	7.9	10.0	25.4
Depreciation	0.7	0.9	1.6	4.4	4.9	9.5	12.4	13.2	25.4
Employees	262	346	292	2,069	1,997	2,036	5,026	5,089	5,105

¹ before exceptional reduction in value



Review report

To the Supervisory Board and the
Annual General Meeting of Shareholders
of Kendrion N.V.

Order

We have assessed the half-year figures in this report for the period of 1 January 2004 to 30 June 2004, consisting of the consolidated balance sheet, the summary profit and loss account, the consolidated cash flow overview, the consolidated overview of movements in equity as well as the explanatory notes (such as stated on pages 12 through 16), of Kendrion N.V. in Zeist. We have not performed a review with respect to the half-year figures included in this half-year report for the period 1 January 2003 through 30 June 2003. Accordingly, the amounts included in the summary consolidated balance sheet, the summary consolidated profit and loss account, the consolidated cash flow overview and the consolidated overview of movements in equity have not been reviewed for comparative purposes for the period 1 January 2003 through 30 June 2003.

The half-year figures were drafted under the responsibility of the company management. It is our responsibility to issue a review report on the half-year figures for the period 1 January 2004 through 30 June 2004.

Duties

In agreement with generally accepted guidelines in the Netherlands regarding review engagements, our duties primarily consisted of collecting information from the company's executive staff and implementing analytical reviews on the financial data. Due to the nature and the scope of our duties, these can only result in a limited degree of certainty regarding the accuracy of the half-year figures. This degree of certainty is lower than what can be derived from an auditor's report.

Recommendation

Based on our assessment, we see no reason to conclude that the half-year figures for the period 1 January 2004 through 30 June 2004 do not comply with the generally accepted principles for interim financial reporting in the Netherlands.

Explanation

Without detracting from our opinion we draw attention to the item "Continuity of the business operations" in the explanation of the half-year figures. This item reveals that the continued existence of the company is uncertain. However, the statement shows that a sustainable continuation of business operations is not impossible. Therefore, the adjusted principles for valuation and determination of the result are based on the assumption of the continuity of the organisation.

31 August 2004
PricewaterhouseCoopers Accountants NV



IFRS effects on Kendrion as of 1 January 2004

Based on the current standards and interpretations, the following issues are important for Kendrion:

Goodwill IAS 3

- Up to and including the year 2000, Kendrion charged the goodwill for acquired companies to shareholders' equity based on the principles valid at the time. Kendrion shall not capitalise this goodwill in the IFRS opening balance sheet.
- For take-overs after 2001, Kendrion used a straight-line depreciation of goodwill over the estimated life. The book value of this goodwill shall be the value on the transition date on the IFRS opening balance sheet. Based on IFRS 3 (business combinations), this will not be depreciated further, but the value of goodwill will be periodically compared with the actual value (impairment test).

Based on this, the influence of the modified accounting of goodwill on shareholders' equity under IFRS in the IFRS opening balance sheet is expected to be nil; the influence on earnings will be positive by no longer depreciating goodwill, offset by possible future impairment charges.

Employee benefits IAS 19

At Kendrion, various pension and other employee benefits are applicable in various European countries. In many companies, a so-called contribution scheme is in use, as a result of which IFRS has no impact. At a number of companies, "defined benefit schemes" are in use. Some of these companies use industry schemes in which the pension benefits are not personalised and use is made of the special regulation in the IAS standard. For the remaining companies, the standard has an impact but it is expected that the influence on Kendrion's equity and earnings is limited.

Preference shares and other financial instruments

Based on rulings of the IASB, IAS 32 and IAS 39 ("Financial Instruments") must be applied as of 1 January 2005. The adjustment of the figures for 2004 is not compulsory. If the European Commission still approves these standards unmodified this year, the presentation of the cumulative preference shares at EUR 45 million, structurally available resources, subordinated to all other debts, shall be modified. The preference shares shall be accounted for as debt; based on the current principles, the cumulative preference shares are accounted for as equity. In that case, the paid dividend shall have to be accounted for as interest charge instead of as dividend.

Other financial instruments that are important under IFRS are not applied within the Kendrion group at the present time, or are of negligible significance.

Other issues

In addition to the above-mentioned issues, a number of other differences that are of negligible significance are identified between the current principles and IFRS, examples are, stocks, leases and SPV's.

The method of presentation in the annual accounts under IFRS shall be substantially modified compared with the presentation that is now customary.