



## Audit 2014 Kendrion N.V.

### ▪ Introduction

### ▪ Process

- Responsibility management, Supervisory Board, General shareholder's meeting and auditor.
- Legal framework (EU-IFRS, Title 9 BW2, Auditing standards NBA).
- Audit focused on true and fair view of 2014 financial statements of Kendrion NV
- Unqualified audit opinion and report to Supervisory Board and management (art. 393 BW2), IAASB format used summarizing materiality, scope of the group audit and key audit matters applied.
- Interim audit: test of internal controls relevant for the audit of the financial statements.
- Year-end audit: mainly focused on closing balances as per year-end and disclosures.
- Overall open relationship with management and access to all information relevant for our audit
- Attendance of 2 meetings with Audit Committee and 1 meeting with Supervisory Board

## Audit 2014 Kendrion N.V.

- **Report of the management board**

- Assess consistency between financial statements and report of the management board and assess that certain elements are included.

- **Scope audit Kendrion N.V.**

- Full scope audit for 12 entities, i.e. 90% of turnover and profit before tax, 89% of total assets
- Specified audit procedures for 8 entities, i.e. 8% of turnover
- Desk top reviews for 15 entities, i.e. 2% of turnover

- **Materiality**

- Our audit is aimed at detecting material errors in the Financial Statements
- Materiality for evaluating errors in the Financial Statements set at EUR 1.8 million and is determined as 7% of profit before tax

## Audit 2014 Kendrion N.V.

- **Audits foreign subsidiaries**

- Instructions sent out to all foreign entity auditors
- Planning call with entity auditors (e.g. audit approach, risk assessment, issues reported)
- Review files 4 German entities and Kendrion Shelby USA

- **Goodwill impairment testing**

- Specific focus in our audit on goodwill impairment testing (EUR 90.5 million)
- Involvement of KPMG Corporate Finance on impairment model and variables used.
- Assumptions used assessed to available market data, benchmark data for comparable companies and expected inflation rates
- Assessed the historical accuracy of management's estimates
- Extensive disclosure on goodwill impairment and sensitivity analysis in note 2 financial statements
- Sensitivity analysis shows sufficient headroom.

## Audit 2014 Kendrion N.V.

- **Sensitivities with respect to the valuation of deferred tax assets**

- Deferred tax assets amounts to EUR 14.5 million, of which EUR 10.6 million relating to net operating losses
- Requires judgement about future taxable profits and transfer pricing methodology
- Assumptions used assessed based on tax legislation, recent tax filings, correspondence with tax authorities and internally prepared sensitivity analysis
- KPMG audit team involved tax specialist
- See for further details note 4 in the financial statements

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