



Kendrion N.V.

Annual General Meeting of Shareholders – Overview of the audit 2016

The independent auditor's report

REPORT OF THE EXECUTIVE BOARD AND OTHER INFORMATION

- Information included as required by Part 9 of Book 2 Dutch Civil Code
- Consistency with financial statements
- Not containing material misstatements

KEY AUDIT MATTERS

- Decentralized group structure and reliance on audit procedures performed by component auditors
- Valuation of goodwill

CSR REPORT

- Integrated report with limited assurance report on defined KPI's

MATERIALITY

- Materiality for the financial statements as a whole € 1,4 million, representing 7,5% of the 2015 profit before tax (2015: € 2,1 million)
- Materiality at component level < 60% of group materiality

SCOPE

- Full scope audits on 11 entities
- 89% coverage (basis: revenues)
- NL Team: Holding, US component and desktop reviews on out-of-scope entities

Consolidated and company financial statements of Kendrion N.V.

Overview of our audit (1)

Our auditor's report

Specialists involved in our group audit

Involvement in the audit procedures of foreign entities

Unqualified auditor's report for the period ended December 31, 2016:

- Key audit matters represent areas of our audit that required additional attention from the group audit team and/or that relate to accounting areas that are subject to higher level of management estimate
- Matters included decentralized group structure and goodwill valuation

We have involved specialists in the area of:

- Goodwill impairment analyses (valuation models, WACC)
- Tax position and deferred tax accounting
- IT specialists (IT environment and general IT controls)
- Pension accounting specialists and IFRS specialists

Involvement in procedures performed by local audit teams:

- Robust coverage based on full scope audits and audit of specified account balances
- Scoping based on both quantitative and qualitative considerations
- Visits to significant components and working paper reviews of Deloitte component auditor (USA, Germany, Austria, Romania, Czech Republic)
- Visits to selected entities that are not subject to audit scope, on a rotation basis (2016: Mishawaka, USA)

Overview of our audit (2)

Our communication with the Supervisory Board

Hours spent on the audit engagement

Communication with Audit Committee and Supervisory Board:

- Group audit plan (August 2016)
 - Assessment of significant risks, materiality, scope and coverage, hours and fees, independence, reporting and time table
- Management letter with internal control observations (December 2016)
- Year-end reporting on the most important audit conclusions (February 2017)
 - Audit performed in accordance with audit plan (no scope changes)
 - Discussion of key audit matters and conclusions on our audit procedures
 - Independence confirmation
- Other Deloitte NL services: CSR KPI limited assurance, Agreed upon procedures related to remuneration and loan covenants (all at request Supervisory Board)

Hours spent by Deloitte group engagement team:

- Total hours incurred Deloitte Accountants BV: 1.670 hours including approx. 350 hours for Shelby (US component) and 150 hours for CSR related procedures. Total hours: approx. 10% partner level and 40% (senior) manager level



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