annual report 2019

aalberts
mission critical technologies

highlights 2019

- revenue +3% to EUR 2,841 million (organic +1.1%)
- operating profit (EBITA) EUR 362.6 million with an EBITA-margin of 12.8%
- net profit before amortisation EUR 267.4 million; per share EUR 2.42 (-3%)
- free cash flow EUR 312.1 million; ROCE 15.1% (before IFRS 16)
- increased investments in organic growth and innovation initiatives
- portfolio optimisation: acquired PPC and Applied, annual revenue USD 62 million; divested STAG and HFI, annual revenue EUR 30 million
- updated strategy ‘focused acceleration’, presented December 2019

We are where technology matters and real progress can be made. Humanly, environmentally and financially.

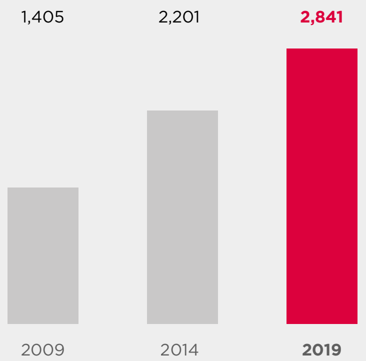
Aalberts engineers mission-critical technologies for ground-breaking industries and everyday life.

aalberts
mission critical technologies

key figures 2009-2019

revenue

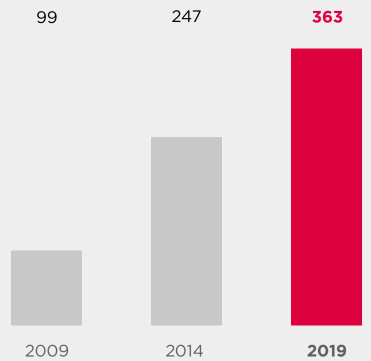
(in EUR million)



2,841

operating profit (EBITA)

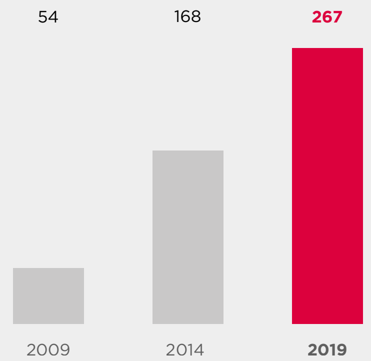
(in EUR million)



363

net profit (before amortisation)

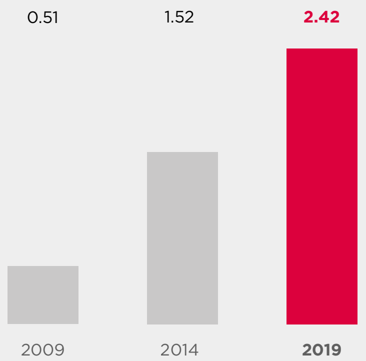
(in EUR million)



267

earnings per share (before amortisation)

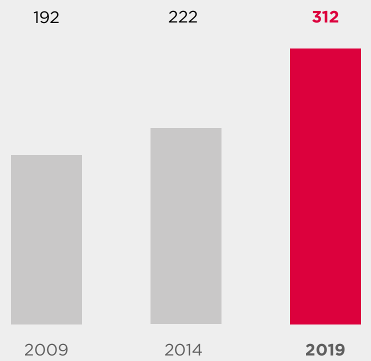
(in EUR)



2.42

free cash flow (before interest and tax)

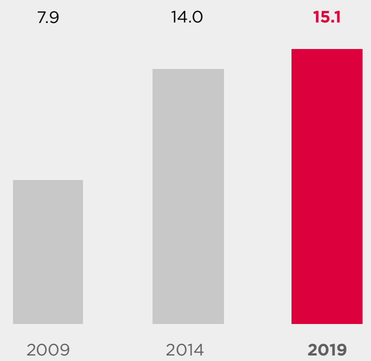
(in EUR million)



312

return on capital employed (before IFRS 16)

(in %)

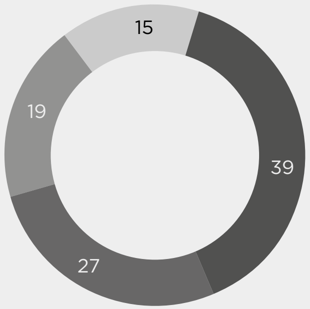


15.1

more key figures 2015-2019 on page 152

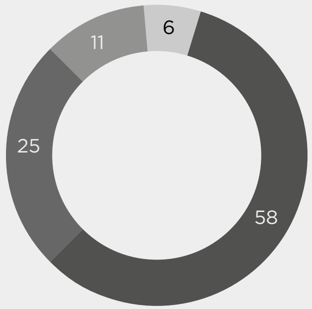
revenue spread

per business
(in %)



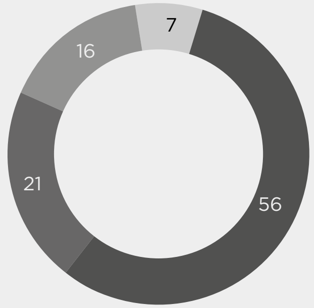
- installation technology **39%**
- material technology **27%**
- climate technology **19%**
- industrial technology **15%**

per region
(in %)



- Western Europe **58%**
- America **25%**
- Eastern Europe, Russia **11%**
- APAC, Middle East, Africa **6%**

per end market
(in %)



- eco-friendly buildings **56%**
- industrial niches **21%**
- sustainable transportation **16%**
- semicon efficiency **7%**

locations worldwide

contents

message of the CEO

Dear shareholders, partners and colleagues,

In 2019 we achieved a solid and resilient performance in a more difficult market environment. We realised an overall organic revenue growth of 1.1%, mainly driven by the organic revenue growth, sales and innovation initiatives of the last years. In the automotive and several industrial niche end markets we faced a slowdown in Europe, North America and APAC in the course of the year, due to market uncertainty, postponement of orders and inventory reduction. We achieved a solid EBITA performance of EUR 363 million. Our EBITA was impacted by the revenue mix. Besides this, 2019 included less incidental benefits compared to 2018. Our net profit before amortisation amounted to EUR 267 million, with an earnings per share of EUR 2.42 with a higher effective tax rate compared to 2018. Despite the market developments we accelerated our investments to execute the long-term business plans and to realise our strategic objectives. Our capital expenditure increased to EUR 148 million to facilitate the organic revenue growth and we strengthened our surface technologies footprint in North America with two acquisitions: Precision Plating Company and Applied Process.

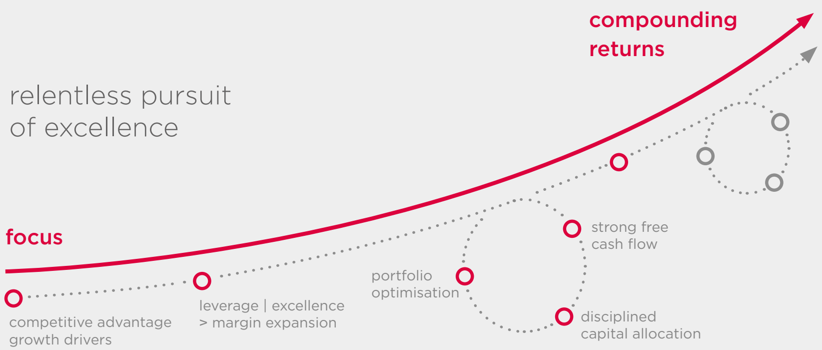
After a thorough evaluation of our businesses and structure we decided to further narrow our focus and allocate our capital in the most efficient way, where we can achieve the best leading market positions, generating the highest returns, following the Aalberts playbook. This was presented in December 2019 during our Capital Markets Day in an update of our strategy 'focused acceleration' 2018-2022. The key takeaways are that we will accelerate our organic revenue growth initiatives and drive operational leverage and excellence, accelerate the portfolio optimisation and further focus and simplify the organisational structure. This will drive our EBITA % and ROCE % increase going forward, achieving our strategic objectives.

Aalberts is in a good shape with a prosperous future. We propose a cash dividend of EUR 0.80 per share (2018: EUR 0.75) to the General Meeting, an increase of 7%.

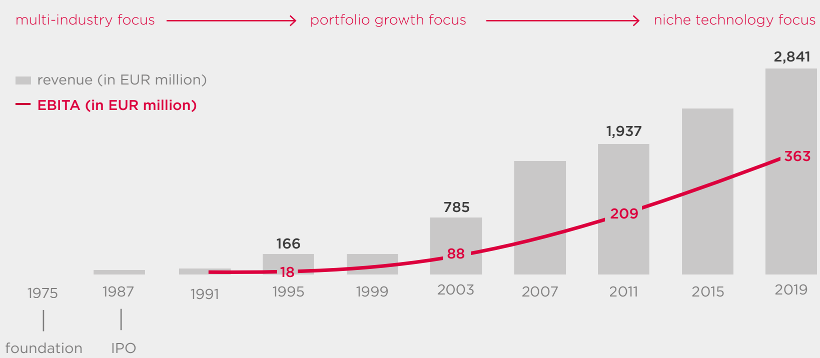
The Aalberts way of value creation is to achieve unique worldwide leading market positions based on niche technologies in selective end markets. We do this in a consistent way – following the Aalberts playbook – focusing on achieving compelling competitive advantage, driving margin expansion through operational leverage and excellence, converting strong operational execution into free cash flow and continuously optimise our portfolio through disciplined capital allocation, achieving compounding returns. Driving relentlessly the Aalberts playbook we create long-term shareholder value. Our track record of more than 40 years of sustainable profitable growth proves the sustainability of our business model. Our key strengths are our mission-critical entrepreneurial people, taking ownership, going for excellence in everything they do, sharing knowledge to learn fast, continuously improving and innovating and always acting with integrity. 'The Aalberts way – winning with people' will continue to guide our culture.

Our entrepreneurial, dedicated and motivated business teams are the passionate drivers of our long-term business plans and innovation roadmaps, based on the overall Aalberts strategy and objectives, led by the Aalberts Executive Team. The head office team, working closely together with the Executive Team, drives and stimulates the Aalberts networks and facilitates

the Aalberts playbook



our track record - 40 years of sustainable profitable growth



the growth potential of the group. The Aalberts networks stimulate teamwork, knowledge sharing, exchange of best practices, fast learning, innovations and entrepreneurship. With the networks we made good progress. Our Aalberts company passport in combination with employer branding, got more traction, attracting talented people. Our new head office is stimulating these processes, giving the right example and enabling better connectivity between the teams.

We have embraced the Sustainable Development Goals, improved our rankings in several leading sustainability ratings and benchmarks and integrated sustainability in our updated strategy 'focused acceleration'. Besides taking our responsibility we also believe sustainability creates (new) business opportunities. Operational and pricing excellence are embedded more and more in the organisation, including our health & safety plans and improvements.

Our governance, internal audit, treasury, IT and cybersecurity networks are in place and are part of the Aalberts basics, like our financial controls. All areas where we made good progress.

During the year we discussed our Aalberts HRD strategy for the coming years with the HRD network. New Aalberts trainees were welcomed, starting their 18-month programme in different Aalberts business segments. Retaining and attracting the right people to develop our company towards the future is crucial. We will continue to communicate content on our website about our Aalberts way of doing, showing our strengths to stakeholders and future recruits and talents.

Our organisation is becoming more professional, improving continuously, with people who take ownership. We need the best ideas, processes and innovations, improve ourselves continuously, going for excellence. This is only possible when we retain and attract the best people and empower them to be an entrepreneur and take ownership, achieving our strategic objectives for all our stakeholders, 'the Aalberts way – winning with people'.

We will accelerate our actions as presented during our Capital Markets Day. We remain confident in realising our organic growth and innovation plans and operational excellence projects, achieving our strategic objectives.

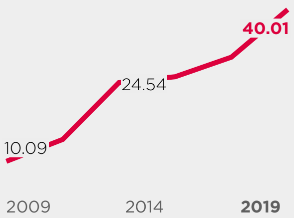
We thank our shareholders and partners for the trust they place in Aalberts and all our employees for their tremendous efforts in the more difficult year 2019.

We look forward to realising the opportunities in 2020.

Sincerely,
Wim Pelsma

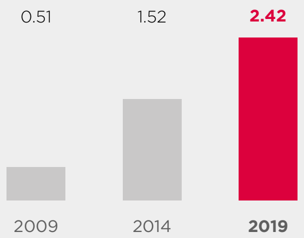
shareholder value creation

share price
(in EUR)



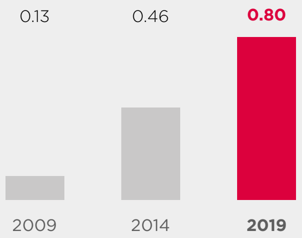
CAGR +15%

earnings per share
(in EUR)



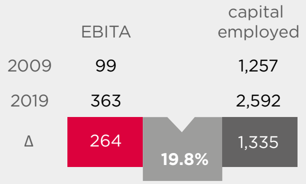
CAGR +17%

dividend per share
(in EUR)



CAGR +20%

return on incremental capital employed (ROICE)



report of the Management Board

strategy and objectives 2018-2022

strategy 'focused acceleration'

- remain focused
- improve technology positions
- improve profitability continuously
- use Aalberts strengths

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non-financial objectives

- worldwide leading niche technology positions
- creating sustainable profitable growth
- generating high added-value margins
- converting strong operational execution into free cash flow

financial objectives (before IFRS 16)

- average organic revenue growth > 3%
- EBITA margin > 14%
- return on capital employed (ROCE) > 18%
- free cash flow conversion ratio > 70%
- leverage ratio < 2.5
- solvability > 40%

shareholder value creation

our essence	shareholder value
we engineer **mission-critical technologies** for ground-breaking industries and everyday life	leading niche technology positions in selective end markets resulting in high entry barriers and pricing power, while realising high added-value margins and sustainable growth
we are a company of mission-critical people who can't resist going beyond the line of duty **– good is never good enough**	attitude and DNA resulting in operational excellence, efficiency and EBITA margin improvements, strong cash conversion and a disciplined allocation of capital
sharing and discussing 'bad' gets us to brilliant **– greatness is made of shared knowledge**	steadfast commitment to share what we have learned with each other, resulting in fast learning and adaptation, technology exchange and delivering vital innovation

business development

Aalberts operates worldwide in four business segments with different market developments and dynamics. This divergence contributes to the long-term, balanced and sustainable profitable growth.

In addition, it gives us the opportunity to accelerate and develop our niche technologies, selective end markets and regions simultaneously. We allocate our capital where we make the highest return and where we can achieve unique market positions with our niche technologies and selective end markets. We are where technology really matters and real progress can be made.

We drive innovation roadmaps per business and, where it creates value, we strengthen our technology and/or footprint positions through bolt-on acquisitions and optimisations in our existing portfolio, continuously striving for leading unique market positions, creating long-term shareholder value. The Executive Team is responsible for the day-to-day leadership of the business teams, driving forward our strategy 'focused acceleration' 2018-2022, achieving our Aalberts objectives.

The head office team, working closely together with the Executive Team, drives and stimulates the Aalberts networks and facilitates the growth potential of the group. A lean and effective management structure.

Executive Team (fltr): Maarten van de Veen, André in het Veld, Arno Monincx, Wim Pelsma, Oliver Jäger, Marcel Abbenhuis

financial development

Revenue increased by EUR 82.4 million to EUR 2,841.3 million. Overall we realised an organic revenue growth of EUR 29.1 million with a mixed picture. We faced an organic revenue decline of EUR 21.2 million in our European surface technologies activity (part of material technology) and a EUR 50.3 million organic revenue growth in the other Aalberts activities. The 2018 and 2019 (PPC & Applied) acquisitions caused a positive revenue effect of EUR 78.2 million. Divestments in 2018 and 2019 (HFI & STAG) caused a negative revenue effect of EUR 59.4 million. Currency translation | FX impact amounted to EUR 34.5 million positive (mainly US Dollar).

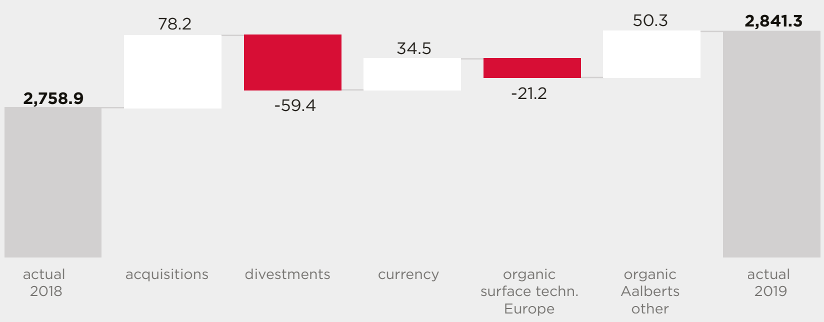
Overall, operating profit (EBITA) decreased by EUR 2.9 million to EUR 362.6 million. 2018 EBITA was positively impacted by incidental benefits of EUR 10.6 million (holding | eliminations). We realised an organic EBITA decline of EUR 3.6 million, divided into EUR 17.1 million EBITA decline in our European surface technologies activity (incl. restructuring | one-off costs) and EUR 13.5 million EBITA growth in the other Aalberts activities. IFRS 16 impact on EBITA is EUR 0.7 million positive. Further in 2019 there was a positive effect of EUR 14.8 million from 2018 and 2019 (PPC & Applied) acquisitions. Divestments in 2018 and 2019 (HFI & STAG) had a negative impact of EUR 6.3 million. Currency translation | FX impact amounted to EUR 2.8 million positive (mainly US Dollar).

Net profit before amortisation decreased by EUR 7.5 million to EUR 267.4 million, per share by 2.8% to EUR 2.42 (2018: EUR 2.49). Earnings per share was impacted with EUR 0.04 negative by a 1.5% higher effective tax rate compared to 2018 and EUR 0.01 negative by IFRS 16.

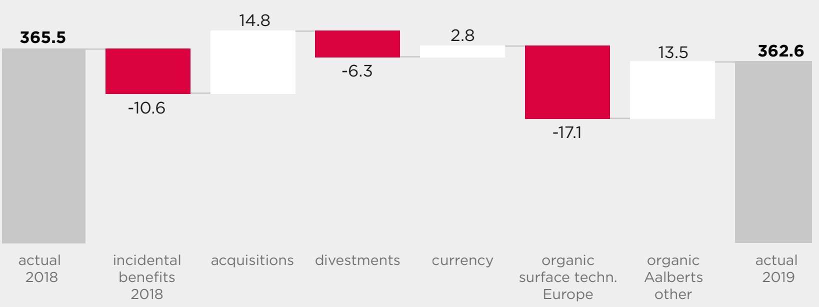
Free cash flow (before interest and tax) was equal to 2018 at EUR 312.1 million, despite increased capital expenditure cash out of EUR 38.5 million and a positive IFRS 16 impact of EUR 33.9 million. Working capital slightly increased to 61 days or EUR 490 million (2018: 60 days or EUR 464 million) with a stable DIO, despite all new product launches. FCF conversion ratio was 63.2% (2018: 67.6%), IFRS 16 impact was 2.7% positive.

ROCE (before IFRS 16) decreased from 16.6% to 15.1%. Capital employed was impacted by IFRS 16 with EUR 165 million. Total equity remained at a solid level of 53.0% of the balance sheet total (2018: 53.2%), despite a negative IFRS 16 impact of 2.7%. Net debt amounted to EUR 755 million (2018: EUR 586 million) and was impacted by EUR 167 million lease liabilities (IFRS 16). Net debt before IFRS 16 increased by EUR 2 million to EUR 588 million, despite increased capital expenditure and two acquisitions. The leverage ratio before IFRS 16 remained stable at 1.3, well below the bank covenant of < 3.0.

revenue bridge



EBITA bridge



operational development

We delivered a solid and resilient performance in a more difficult market environment with an overall organic revenue growth of 1.1%.

This was achieved in our business segments installation, climate and industrial technology, mainly driven by the growth and innovation initiatives of the last years. In the automotive and several industrial niche end markets, we faced a slowdown in Europe, North America and APAC, due to market uncertainty, postponement of orders and inventory reduction. This situation stabilised in the last quarter of the year.

In material technology our business organically declined in Europe in the automotive and several industrial niche end markets, due to the same reasons. We have initiated efficiency and restructuring actions, causing additional restructuring costs and streamlined our organisation. In North America and the aerospace end market a good growth and performance was realised, mainly due to previous investments and the integration of the acquisitions of the last years.

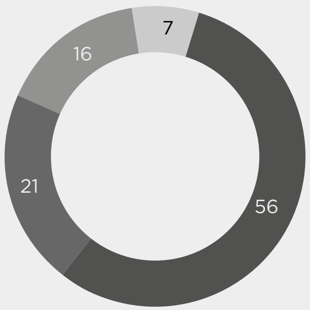
We realised a solid and resilient EBITA performance, showing a mixed picture. In three business segments we achieved EBITA growth. Our European surface technologies activity (part of the material technology) faced challenging market circumstances and showed an organic EBITA decline. Less incidental benefits compared to 2018 impacted our overall EBITA performance and percentage.

After a thorough evaluation of our businesses and structure, we decided to further narrow our focus and allocate our capital in the most efficient way, where we can achieve the best leading market positions, generating the highest returns, following the Aalberts playbook. This was presented in December 2019 during our CMD in an update of our strategy ‘focused acceleration’ 2018-2022.

To facilitate the organic growth and innovation initiatives, we increased the CAPEX to EUR 148 million and launched more than 15 new product lines, increasing our innovation rate for the coming years. We continued to work on our operational excellence projects and reduced our current footprint with five locations, three closures and two divestments.

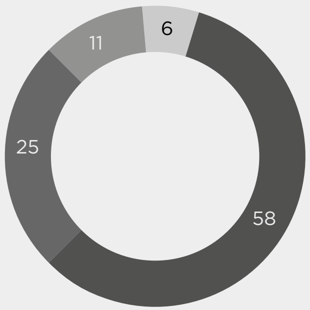
revenue spread

per end market



- eco-friendly buildings **56%**
- industrial niches **21%**
- sustainable transportation **16%**
- semicon efficiency **7%**

per region



- Western Europe **58%**
- America **25%**
- Eastern Europe, Russia **11%**
- APAC, Middle East, Africa **6%**

installation technology

develops, designs and manufactures piping systems to distribute and regulate water or gas flows in heating, cooling, water, gas and sprinkler systems in eco-friendly buildings and industrial niches

material technology

offers an extensive range of surface technologies utilising a global network of service locations with excellent local knowledge to customers active in sustainable transportation and industrial niches

climate technology

develops, manufactures and monitors hydronic flow control systems for heating and cooling in eco-friendly buildings to improve the energy efficiency

industrial technology

co-develops, engineers and manufactures advanced mechatronics and technologies to regulate, measure and control fluids under severe and critical conditions for worldwide active OEMs in semicon efficiency, sustainable transportation and industrial niches

Water in heating and cooling systems needs to be distributed equally and efficiently from the source to the emitters. Our newest Proflow PICV balancing valve began life as a sketch on a napkin, then evolved into a product that not only saves significant time and money for contractors, but puts us ahead of all other mechanical valve manufacturers. We co-developed the simple yet revolutionary technology in our product with our contractors, helping guide it towards market acceptance. With an integrated bypass, the installation can be flushed with one simple rotation, while our tried and trusted cartridge sits at the heart of the product.

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operational development – installation technology

organic growth and innovation initiatives

The markets in Western and Eastern Europe and America were on a good level during the year, with an exception for the UK and the industrial end markets in America. Overall we realised a good organic growth. The portfolio was further optimised through pricing excellence, optimisation of our offering and improved quality of our inventory. There is a lot to gain the coming years through further implementation of the initiatives, which have been started the last years, due to the newly installed global structure and management. A good example of our potential is the launch of innovations in our press portfolio, which were very successful. It gained a lot of additional business with existing and new customers in Europe and North America. We expect an accelerating growth of these innovations, pulling forward also the rest of the portfolio. We successfully gained several larger key accounts in all regions, stocking our innovations and existing portfolio. Newly developed patented innovations are in progress to be launched the coming year. Due to the global approach, the innovations are launched more efficiently and increase the operational leverage of our investments. The expanded capacity, invested in several locations in Western and Eastern Europe was utilised well, showing a good growth in our piping systems. We faced special market circumstances in the UK where the business was volatile and challenging due to market uncertainty, which affected our profitability.
We launched initiatives to accelerate our organic growth and innovations.

operational leverage and excellence

During the year the newly installed American management team streamlined the distribution setup and realised reductions in inventories and costs, as a first step. In addition, the internal overhead organisation was reduced and streamlined, causing additional redundancy costs. Pricing excellence initiatives were started. In the manufacturing locations, operational excellence projects were initiated and will accelerate the coming years, driving the organisation to a higher efficiency. Parallel we invested in additional equipment to facilitate the growth in fast-growing connection and valve product lines and reduce the cost price through automated manufacturing processes. We are just at the beginning of this improvement process, which will take some years to gain full potential. In Europe, a new assembly and distribution centre was built, expected to be fully operational in the second half of 2020. Further supply chain improvements were initiated to leverage the global advantages of the group in purchase and inventory reduction. Big steps were made improving the efficiency of our manufacturing processes in Europe, adding capacity to facilitate the growth of several product lines. In the UK we launched efficiency initiatives during the year to streamline the organisation, reduce our costs and automate our manufacturing. These actions will continue in the first half of 2020 and will have effect in 2020 and 2021. Further consolidation projects are in preparation to streamline our manufacturing footprint to create 'world class' competence centres.

allocation of capital and portfolio optimisation

We allocated our capital mainly to increase the manufacturing efficiency and capacity of existing and new product lines with the newest equipment to fulfil the service to our customers. Capital was also spent to pursue our many operational excellence projects, new assembly and distribution centres in Europe and innovation roadmaps. Exchange of manufacturing technology between the regions has increased, driven by the operational excellence network.

Our expectation is that the sales, innovation and efficiency initiatives will have a positive annual effect on our organic revenue and EBITA growth in the coming years. There is a lot to gain.

revenue
(in EUR million)
1,124
-

EBITA
(in EUR million)
138
+3%

EBITA %
(% of revenue)
12.2
(2018: 12.0)

capex
(in EUR million)
46
+23%

Autonomous driving, hybrid and fully-electric engines, as well as a growing list of electrical features, are driving the demand for electric power in passenger cars. As a result, automotive manufacturers are switching to 48 volt systems, which in turn is leading to higher performance requirements in the applied metals. We strive to stay in the driving seat of this rapidly changing industry. As a longstanding co-development partner, we enable this transition by offering a unique combination of advanced heat and surface treatment technology, utilising a global network of service locations with excellent local knowledge.

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operational development – material technology

organic growth and innovation initiatives
In the course of the year the business in Europe deteriorated gradually in the automotive and industrial niche end markets, due to market uncertainty, postponement of orders and inventory reduction. The last months of the year, order intake and reduction of inventories stabilised on a lower level. Revenue was partly compensated by a good performance of the business in North America, a good integration of the acquisitions of the last years, new developments in electrification of vehicles and aerospace driven by weight reduction and changes in voltage. Especially in surface treatments, in combination with precision extrusion, we have many new business opportunities utilising co-developments and our global footprint. Overall, we faced an organic decline. In North America, the implementation of the business integration plans of the acquisitions made good progress, but there is still further alignment and improvement possible. With the acquisitions of PPC and Applied, we have built up a good American footprint to utilise our combined offering to key accounts, serving different regions in the country. We will continue this strategy the coming years and professionalise the organisation to drive synergies and organic revenue growth in combination with further bolt-on acquisitions, adding technology and regional footprint presence. In Eastern Europe, we performed well and have expanded our capacity further through a building extension, additional equipment in several locations and starting a greenfield successfully during the year. Other expansions are in development for the coming years.

operational leverage and excellence
Due to the more difficult market circumstances within automotive and industrial niche end markets, actions were taken to reduce costs in the European service locations. Although less volume in our service facilities can only be compensated partly. Additional cost reductions and restructuring initiatives were initiated to streamline the overhead of the business, especially in group management and surface treatment after the integration of the two separate organisations during the last years. The overall structure will be simplified. The service network, in preparation of our updated strategy 'focused acceleration', was further evaluated to optimise the technology portfolio and European footprint. An action plan is in place and the full effect of these actions will become visible the coming years.

allocation of capital and portfolio optimisation
The capital was mainly allocated to growth initiatives in Eastern Europe and America, where we expanded our existing business, including two acquisitions. We also added new post-processing technology for additive manufacturing. Other capital was allocated to maintenance and improvement of efficiency of existing service facilities.

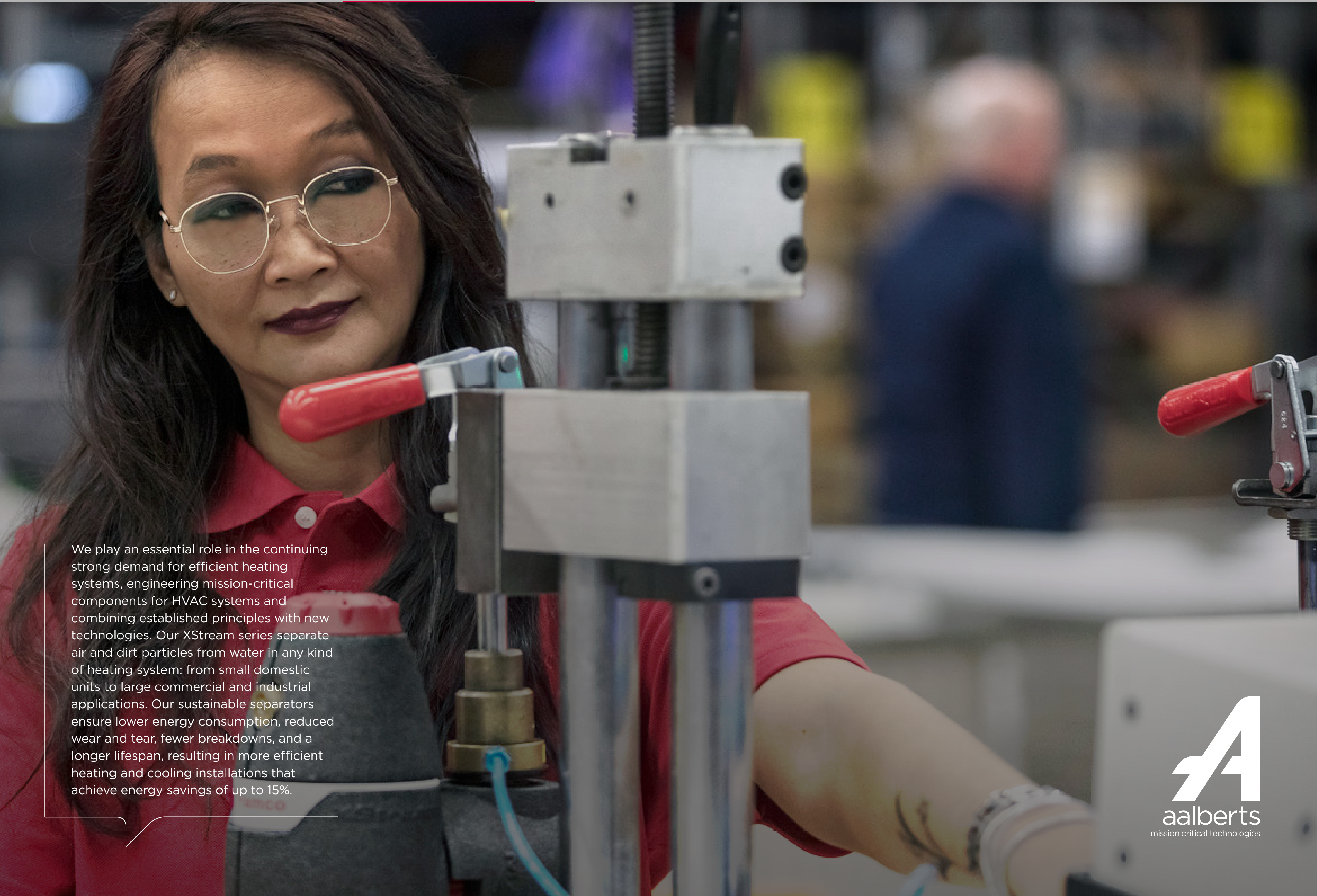
Our expectation is that the business will gradually recover in Europe, although it is difficult to predict in which speed. We will continue to implement the efficiency actions to drive profitability. Parallel our footprint and technology portfolio in Europe will be further optimised. Another focus point is to realise the expansion plans of our activities in Eastern Europe and (the acquired businesses in) North America, collecting the synergies and driving organic revenue and EBITA growth.

revenue
(in EUR million)
772
+3%

EBITA
(in EUR million)
97
-5%

EBITA %
(% of revenue)
12.6
(2018: 13.7%)

capex
(in EUR million)
67
+14%



We play an essential role in the continuing strong demand for efficient heating systems, engineering mission-critical components for HVAC systems and combining established principles with new technologies. Our XStream series separate air and dirt particles from water in any kind of heating system: from small domestic units to large commercial and industrial applications. Our sustainable separators ensure lower energy consumption, reduced wear and tear, fewer breakdowns, and a longer lifespan, resulting in more efficient heating and cooling installations that achieve energy savings of up to 15%.

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operational development – climate technology

organic growth and innovation initiatives

The end market for eco-friendly buildings in Western and Eastern Europe and North America developed well and we realised a good organic growth. The growth was realised in all regions through sales initiatives and the launch of many new product lines, which had still a minor impact on the revenue of this year. These product lines were presented during several exhibitions and led to additional costs in sales, marketing, manufacturing and supply chain. Also, we faced manufacturing and service issues during the year to bring these product lines on the market. Most issues were solved towards the end of the year, unfortunately slowing down our organic revenue and EBITA growth. These new innovations will be launched step by step in more countries in Western and Eastern Europe and North America. The sales of these product lines will grow over time and strengthen our market position further in all regions. The customer functionality of the new innovations is to improve the energy efficiency in heating and cooling systems in buildings. More and more the product innovations are combined with digital content to connect the products and to gain data, creating new business models with our customers to optimise their installations. We developed many applications in our digital hubs in the Netherlands and France, including a digital platform for our spare parts business. We see a great growth potential the coming years in these digital applications combined with new product innovations, aiming to reduce energy costs and shaping eco-friendly buildings.

operational leverage and excellence

The launch of the new product lines resulted in additional costs in sales, marketing, manufacturing and supply chain, which affected our EBITA. Our manufacturing footprint and supply chain will be streamlined in combination with a further reduction of locations to simplify the organisation. There is a lot to gain the coming years. Several product lines faced a good growth. To further facilitate growth, we added assembly lines and started the construction of a new facility in the Netherlands where the manufacturing of one of our product lines will be further expanded in combination with a high level of manufacturing automation. A new automated distribution centre and warehouse management system will be part of this new facility, integrating existing warehouse facilities. The new manufacturing and distribution centre will be operational early 2021.

allocation of capital and portfolio optimisation

Investments were made in product line innovations and related manufacturing and assembly equipment in mainly two locations in Europe. The portfolio needs further optimisation the coming years to improve the profitability. A good step was made in the last quarter of the year, through the divestment of STAG.

Our expectation is that we leverage the newly launched product lines, accelerate our organic revenue growth in combination with the execution of the operational excellence initiatives to optimise our footprint. This will lead to a higher efficiency and profitability. Parallel, we will further work on the optimisation of the portfolio, needed to achieve a higher EBITA margin.

revenue
(in EUR million)
552
+1%

EBITA
(in EUR million)
67
+3%

EBITA %
(% of revenue)
12.2
(2018: 12.0)

capex
(in EUR million)
10
+7%

With an ongoing supply base consolidation in the semiconductor industry, we successfully engineered and delivered a complex monitoring and control unit that consists of 24 individual modules from different suppliers. While the unit used to be assembled and tested by our customer, we took over the process after successfully meeting the required critical competences. This enabled us to develop an integrated test and qualification tool to create plug and play customer value, reducing the lead time by 80% and significantly reducing failure rate and total costs.

aalberts
mission critical technologies

operational development – industrial technology

organic growth and innovation initiatives
Our activities in the semicon efficiency end market realised a solid organic growth, although on a lower level than the last two years. The advanced mechatronics business team concentrated on manufacturing and supply chain efficiency and organisation improvements during the year to be ready for the next strong ramp up in organic revenue growth, expected the coming years. In the meantime, several new co-development projects are in progress, where additional market share will be achieved. We also worked on further expansion in Europe and Asia to fulfil the service to our key accounts going forward. In the first half of 2020 additional plans will be launched, including further expansion of capacity in Europe and Asia.

Our fluid control activities in the automotive and industrial niche end markets suffered from uncertainty in the market environment, postponement of orders and inventory reductions during the year. This market situation improved in the last months of the year, where inventory reductions and order intake stabilised. The business teams continued to work on several new innovations in the end market sustainable transportation, like pressure regulators for CNG, LNG and hydrogen, full flow valves, special sensors and metering for fuel reduction, valves and pressure regulators for industrial niche applications and several new custom-made dispensing systems for our existing key accounts. New legislation stimulates the development of innovations with our key accounts.

operational leverage and excellence
Despite lesser organic revenue growth than previous years in our advanced mechatronics business and the market uncertainty and inventory reductions in our fluid control business, we improved the overall profitability, increased our efficiency, realising a lot of operational and pricing excellence initiatives.

Within fluid control we aligned the cost structure and organisation to the less favourable market environment. Our profitability was solid and resilient, especially in the last months of the year when the order intake and the inventory reduction of our customers stabilised. The operational and pricing excellence initiatives and the full year sales effect of the VAF acquisition supported the good result.

allocation of capital and portfolio optimisation
The capital was allocated to the innovations, related manufacturing and assembly equipment and operational excellence initiatives in the locations. We finished the expansion in our facility in Graz, where we opened our new R&D centre and expanded manufacturing. The CAPEX of previous years in advanced mechatronics to facilitate growth was fully utilised and we further expanded our capacity. The portfolio was optimised through the divestment of one facility in the Netherlands (HFI).

Our expectation is that we see a strong growth in the semicon efficiency end market the coming years. Due to the organisation and efficiency improvements we are ready to service our customers and have the capacity to deliver. We are working on further capacity and footprint expansions and co-development projects.

In the end markets sustainable transportation and industrial niches we see a more stabilised environment looking at the order intake and inventory reductions. Our organic revenue and innovation initiatives are accelerated, as presented during our CMD.

revenue
(in EUR million)
433
+6%

EBITA
(in EUR million)
72
+13%

EBITA %
(% of revenue)
16.7
(2018: 15.7)

capex
(in EUR million)
24
-4%

how 'brilliant' is made

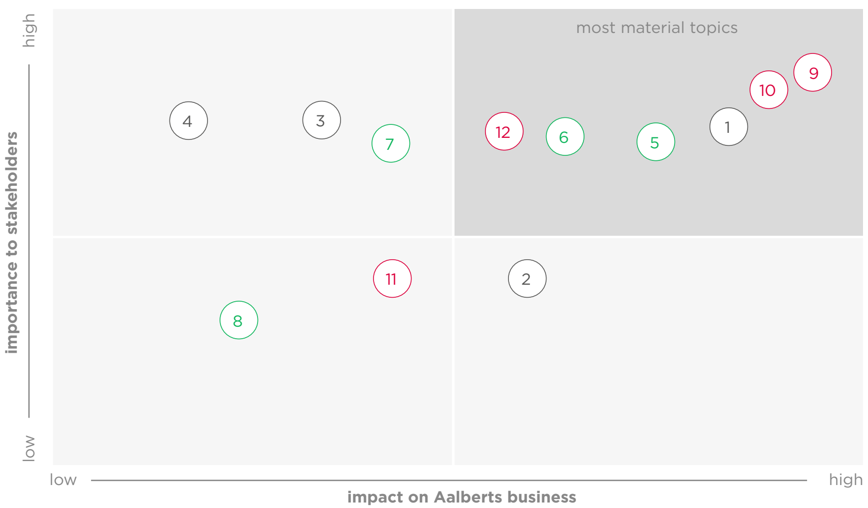
stakeholder dialogue

Aalberts engages with its stakeholders on a daily basis, creating dialogues to share our vision and strategy and learn about their expectations and views on us. Our stakeholders are parties affected by our activities or those who have a direct interest in or who can influence our long-term business success. We have identified five main stakeholder groups: customers, shareholders, employees, (business) partners and society.

Aalberts considers human, environmental and financial impacts for its materiality analysis. Our stakeholder engagement process includes meetings, conferences, surveys and events at the head office. We further based our materiality analysis on relevant megatrends, legislation, guidelines and standards (such as the GRI principles and ISO 26000), investor questionnaires (such as Sustainalytics and the Carbon Disclosure Project) and desktop research. In a follow-up discussion, we were able to assess the topics that are most important to our stakeholders and have the greatest impact on Aalberts' business. The outcome is presented in a materiality matrix.

The materiality matrix reflects topics that are material to Aalberts and its stakeholders and recognises two views. If a topic is 'important to stakeholders' it reflects the view of customers, shareholders, employees, (business) partners and society. If a topic has a significant financial, human or environmental impact on Aalberts' business, it reflects the view of the Management Board.

materiality matrix



	shareholders	customers	employees	partners	society
humanly					
(1) human resource development & entrepreneurship		•	•		
(2) co-development and R&D partnerships		•		•	
(3) responsible and inclusive work environment*			•		•
(4) human rights & fair wages			•	•	•
environmentally					
(5) technological innovation with sustainable impact	•	•	•	•	•
(6) purpose & sustainable entrepreneurship	•		•		•
(7) responsible production & resource efficiency		•	•	•	•
(8) community engagement & giving back	•		•	•	•
financially					
(9) long-term strategy & objectives	•				
(10) financial track record & performance	•		•	•	
(11) global footprint & investment power		•	•	•	
(12) governance, responsible tax & risk management	•	•			•

* Covers health & safety, diversity and inclusion as described on page 38-39.

megatrends shaping our future

From rising sea levels to natural resource depletion, everywhere we look there seems to be an environmental challenge. So, from our position as engineers, inventors and innovators, what's our take? We identify three equally ground-breaking megatrends prompting structural shifts in our industries where our mission-critical technologies can help.

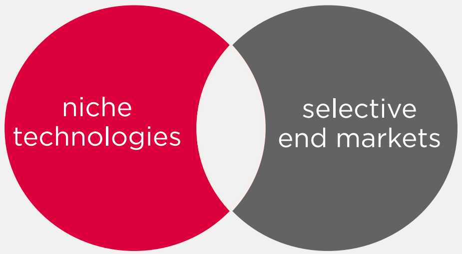
1. rapid urbanisation
Cities are getting bigger and our aging population demands more and more services and comfort. Our technologies and products can help cities become healthier and more sustainable. It's a real opportunity, because managed properly, cities can be eco-friendly and comfortable places to live and work.

2. climate change and resource scarcity
The rising demand for energy and raw materials continues to strain the finite resources of the planet. The world needs solutions that improve energy efficiency, lower waste and make materials more lightweight and durable.
Our breakthrough innovations can push real progress.

3. the Internet of Things
As sensors, semiconductors and connectivity become more capable and cost efficient, the collection and analysis of data is set to explode. Smart homes, autonomous cars and connected industries are all areas that we provide technologies for and will be important drivers of positive change.

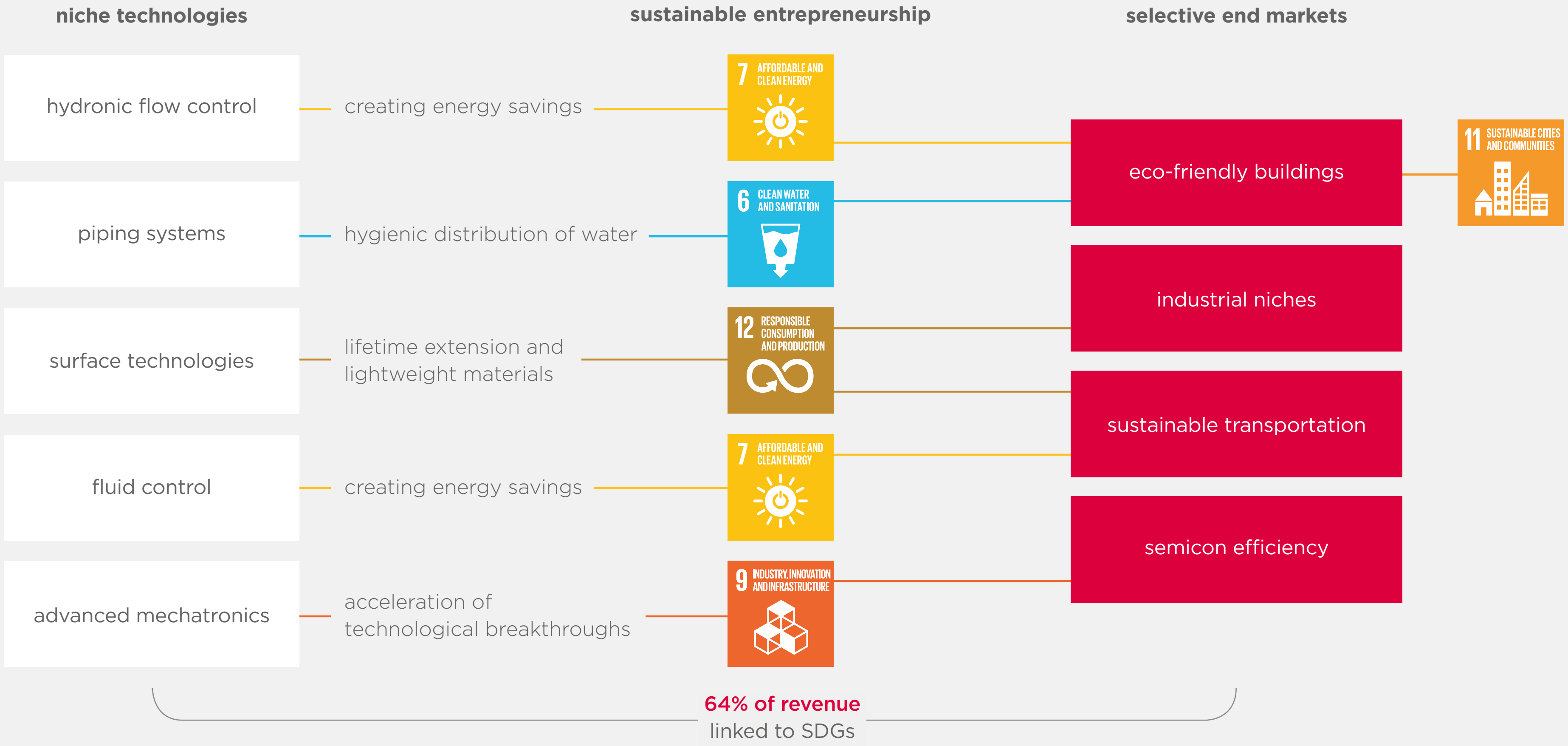
globalisation & co-development
need for worldwide active partners with R&D and investment power

connectivity & integration
need for connected hardware, software, digital services and integrated systems



achieving unique market positions with sustainable impact

achieving unique market positions with sustainable impact



where technology matters and real progress can be made humanly, environmentally and financially

sustainable entrepreneurship

At Aalberts, we are no-nonsense, straight-talking, proudly technical people, who engineer mission-critical technologies for ground-breaking industries and everyday life. So it should be no surprise that sustainability has been a concern of ours since 1975 because, well, it's just common sense.

Day in, day out, our more than 16,000-strong team of entrepreneurs is focused on achieving our objectives as sustainably as possible. From creating technologies that enable our customers to enhance their own businesses and get the planet back into good shape, to ensuring our own operations are as clean, green, and waste-free as possible. We are there, relentlessly doing our bit. Because that's 'the Aalberts way'.

We believe there is no magic technology or machine that will save the planet overnight. But there are many inventions that are being made or have yet to be even imagined that can cut down waste, introduce efficiencies, and contribute to a greener society. At Aalberts, that's music to our ears, because that's what we do.

We have been on this pathway since day one and are pretty sure that, working with our customers and partners, we will continue to break new ground. And every step forward we take, we get more efficient ourselves and share this knowledge and practices throughout the entire organisation. Our partners and customers know that the mission-critical technologies we develop are clean, green and non-polluting throughout their lifecycle.

To create shared value for all our stakeholders, we further embedded sustainable entrepreneurship into our strategy, striving for unique market positions in selective end markets with our niche technologies. Our sustainable entrepreneurship strategy focuses on four pillars to realise environmental impact and describes our own commitment to take responsibility.

1. creating energy savings

7 AFFORDABLE AND CLEAN ENERGY

11 SUSTAINABLE CITIES AND COMMUNITIES

Climate change and rapid urbanisation reinforce the need for energy savings in buildings and transportation.

From the heat source to heat emission to heat distribution, Aalberts hydronic flow control covers a broad spectrum of mission-critical building technology systems that make residential, commercial and industrial buildings eco-friendly. Our air and dirt separators for example can save up to 8% in energy consumption, and our hydronic balancing valves up to 20% in energy consumption when installed.

We also empower the energy transition by providing solutions needed for renewable energy systems, such as solar panels, heat pumps and green hydrogen. For example, universal mounting systems and expansion vessels for solar powered installations or optical sensors for wind turbines to improve their performance.

Aalberts fluid control technologies accelerate the transition towards sustainable transportation. We engineer mission-critical technologies for the electrification of vehicles, from valve engineering for battery cooling to surface treatments for electrical car parts. With our CNG, LNG and hydrogen technologies we empower a significant CO_2 reduction in the automotive industry. Our maritime measurement systems enable ships to significantly decrease their fuel consumption and maintenance costs. For example our high-tech propeller thrust sensor which enables shipowners to save up to 15% on fuel consumption and CO_2 emissions.

2. hygienic distribution of water

More efficient use and sustainable water management are critical to address the growing demand for water, threats to water security and the increasing frequency and severity of droughts and floods resulting from climate change.

Each year, Aalberts piping systems delivers over three hundred million meters of pipes and connections for the hygienic distribution of drinking, potable and waste water. Our solutions ensure clean water and sanitation for millions of households worldwide and focus on efficient water use and water savings. For example the Airfix vessel, an expansion vessel for domestic hot water that saves up to 1,200 litres of drinking water per household when installed.

The materials used in the distribution systems are of a significant importance. A high potable water quality begins with the planning and the selection of the right material. Chemical substances must not be present in concentrations that are harmful to human health. For example, lead in drinking water can be harmful for human and more in particular for children. We address such topics by offering alternatives, like lead free piping systems. Obviously, our piping systems have all major national and international quality certifications and approvals in this respect. In addition, we offer a wide range of technologies to protect and improve water quality including filtration, purification and softening.

3. lifetime extension and lightweight materials

As the world becomes increasingly interdependent and complex, every single component needs to work and needs to work together. We respond to resource scarcity by making materials more lightweight and durable. Lightweight materials are an important enabler of sustainable transportation.

Aalberts surface technologies partners with leading industrial customers worldwide to develop, produce and finish functional and highly durable surface designs of metals through sophisticated heat and surface treatments. This not only improves their product quality and reliability, it also has a positive impact on the entire lifetime of the manufactured parts (from service to disposal of metal). We also develop and produce high-tech, lightweight aluminium and magnesium components that are both strong and light. They are of great importance for sustainable transportation in the automotive and aerospace industries.

Aalberts hydronic flow control and Aalberts piping systems also apply these lifetime, quality and reliability improvements to their products and innovations. In eco-friendly buildings, longevity of components matters. Our R&D departments engineer with a ‘fit to last’ strategy, focusing on maximising lifetimes of components and solutions.

4. acceleration of technological breakthroughs

With the advent of super-fast 5G networks, Internet of Things will further accelerate technological breakthroughs for smart homes, autonomous driving and industry 4.0. Breakthrough innovation is necessary to address large-scale challenges such as ageing economies and climate change, while new, digital solutions are also targeting minor challenges making life easier, for example, through payments or streaming.

Aalberts advanced mechatronics delivers leading-edge innovative, tailor-made and future-proof technologies, enabling the roadmaps and manufacturing challenges of high-tech customers. With our technologies and innovations, we are part of the high-tech infrastructure needed for and support the technological breakthroughs. We continuously focus on long-term innovation and disciplined investments in R&D.

visit aalberts.com/impact for case studies

With an almost 30% reduction in raw materials used, our new full flow valve is lighter than its predecessor. More importantly, its improved flow performance results in a 60% drop in energy requirements, creating an annual CO_2 saving of 0.8 kg per valve. The full flow valve is cavity free, which means that they are continuously flushed with water. This prevents the build-up of stagnant water or bacteria, leading to cleaner and more hygienic distribution of water.

aalberts
mission critical technologies

our own commitment

At Aalberts, engineering sustainable solutions for ground-breaking industries and everyday life, goes hand in hand with a responsible way of doing business. We nurture personal growth in a safe and clean working environment, enhancing our strong reputation and track record of sustainable, profitable growth. We consume responsibly by reducing, reusing and recycling (raw) materials, water and energy in our own production processes and manage this properly.

The Aalberts environmental management policy covers energy consumption, water consumption, CO_2 emissions and waste. Ongoing interactions with the group companies enable us to share and learn and to lead by example. In order to level the difference in performance between our operations, this is discussed during Executive Team meetings and business team meetings. In recent years, we have incorporated environmental performance in our operational excellence programme, which is chaired by the CEO and includes the COOs of all business teams. Each business team is requested to develop a sustainability improvement plan, including clear targets per business team. The improvement plans must cover the environmental Aalberts KPIs. Best practices, such as detection of compressed air leaks, are shared throughout the businesses.

Efficient energy consumption and reduction of CO_2 emissions are key performance indicators for all our sites and locations. Although we stimulate the use of renewable energy, we believe that the most sustainable long-term solution for our planet and our company is energy reduction. We focus on working as energy efficient as possible, by improving processes and looking for new energy efficient solutions and take energy use into account by making business decisions, such as investments in new equipment. This approach brings both emissions and energy costs to a minimum. Considering various CO_2 taxes (to be) implemented in various countries in which we are active, reducing CO_2 is important from a risk perspective as well. Aalberts' group companies have set up an integrated sustainable development or energy efficiency plan where applicable in accordance with the energy efficiency directive. They deploy activities such as the roll-out of LED lighting, monitoring and reducing energy peaks and usage of residual heat for the heating or cooling of buildings. As a result, substantial energy savings are realised at various group companies, while CO_2 emissions are monitored and managed. The group companies work towards targets that are set for their business team.

Another key performance indicator for all our sites and locations is efficient water consumption. We monitor and manage water use through the entire organisation. We reduce and reuse water where possible, for example with closed water circuits for our cooling processes. We manage water use properly, but some of our processes still require much water, such as electroplating. To reduce or even eliminate the water withdrawal for these processes, we have own water treatment stations at various locations so that we can discharge the treated water back to the source. We generate as little waste as possible by conserving and recycling water and chemicals and substituting hazardous substances. We coordinate the sourcing of key raw materials at the head office. This enables us to ensure sustainable sourcing, to manage the efficient usage of raw materials and the effective recycling of scrap. At our production locations scrap, for example brass, is separated and sent to a recycling company or melted down in our own foundries as a raw material for reuse in our production process. Aalberts is committed to continuously improve its management of all waste throughout its lifecycle in order to minimise its adverse impact on the environment. Waste flows are defined at production and service locations and waste reduction programmes are in place addressing more in particular the reduction of hazardous waste and non-recycled waste.

Additionally, most of our group companies have their environmental management systems certified in accordance with the ISO 14001 standard, while some companies also have certification in accordance with the ISO 50001 standard. A few of our group companies conform their sustainable management behaviours to the ISO 26000 standard.

Our aim is to provide quality with a minimum of natural resources. Harmful substances are reduced or eliminated from products and processes. Projects are started to develop more products and technologies with a circular design and are supported by circular design workshops and trainings. Life cycle assessments are performed for many of our products resulting in the right choices for material use and sourcing. Transport is taken into account by making choices for outsourcing or insourcing certain processes or assembly activities. Packaging is a focus point, if possible packaging is reduced or eliminated. For example, user manuals of certain products are no longer included but replaced by QR codes. Alternatives for plastic, such as cardboard packaging or recycled or biodegradable plastic, are investigated and implemented.

The Aalberts KPIs are CO_2 emissions, energy- and water use and water consumption. We have measured the energy and water use of our entire organisation since 2017. The graphs below represent the aggregate carbon emissions, (renewable) energy usage and water use and consumption of all the locations of our entire group. We report our carbon emissions in line with the requirements set out by the GHG Protocol. Our carbon emissions cover our scope 1 and 2 emissions. Our carbon emissions and energy usage primarily consist of electricity and natural gas. Compared to the total reported numbers of 2018, our energy consumption (electricity, natural gas, district heating and fuel) shows a 2.7% decrease and our carbon emissions decreased by 7.3%. Our share of renewable energy use increased from 10% (2018) to 14% (2019).

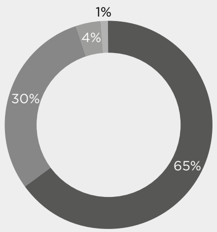
Most of our water use is drinking water. The aggregate water use increased by 2.1% compared to 2018. We started measuring the amount of water treated by our own water treatment stations for the first time in 2019. Water used is defined as the total water withdrawn, water consumption as the total water withdrawn minus water treated. As water treated is a new KPI in 2019, a comparison with 2018 numbers of water treated is not provided.

Organically our energy consumption decreased by 8.2%, our carbon emissions decreased by 9.7% and our water use decreased by 6.2%. These organic changes are shown for a fair year on year comparison. For this comparison we extracted the effects of acquisitions, divestments and changes to the measurement methodology.

environmental performance indicators

carbon emissions

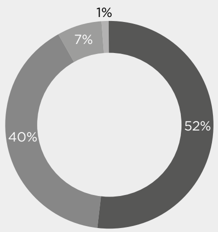
(total 287 Ktonnes)



- electricity **65%**
- gas **30%**
- district heating **4%**
- fuel **1%**

energy usage

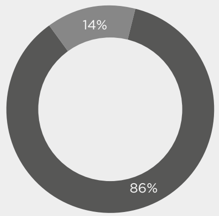
(3,760 TJ)



- total electricity **52%**
- gas **40%**
- district heating **7%**
- fuel **1%**

electricity consumption

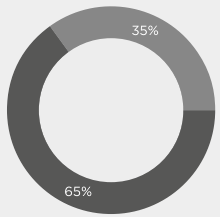
(1,967 TJ)



- electricity - grey **86%**
- electricity - renewable **14%**

water use

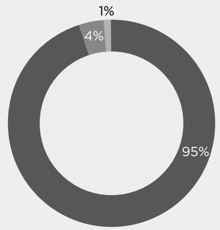
(1.9 million m³)



- water consumption **65%**
- water treated **35%**

water consumption

(1.3 million m³)



- drinking water **95%**
- groundwater **4%**
- surface water **1%**

Aalberts hydronic flow control invented the Flexcon Premium, world's most sustainable expansion vessel.

At the heart of the Flexcon Premium is a unique synthetic membrane, made of thermoplastic polyolefin (TPO). It has a set of environmental benefits over traditional expansion vessels. Firstly, the TPO membrane is lighter than traditional rubber membranes, needing up to 50% less energy and material during manufacturing. Secondly, it lasts twice as long as rubber membranes, reducing maintenance visits and saving energy and fuel, cutting CO_2 emissions. Thirdly, TPO can be recycled into products more effectively than rubber. This all results in 60% CO_2 footprint reduction in comparison to traditional expansion vessels.

Aalberts hydronic flow control also embedded sustainability into its manufacturing processes, reducing the energy required to produce the new expansion vessels. It also optimised the packaging and user manuals: everything counts when creating a smaller environmental footprint.

aalberts
mission critical technologies

people and culture

leadership structure

With over 16,000 employees, Aalberts operates approximately 70 business locations and 80 service locations with activities in over 50 countries.

Our lean and efficient organisational structure of four business segments is covered by entrepreneurial business teams. The Executive Team is responsible for the day-to-day leadership of the business teams, driving forward our strategy ‘focused acceleration’ 2018-2022, achieving our Aalberts objectives.

Our head office, based in the Netherlands with approximately 25 employees including the Management Board, facilitates central functions, including strategy, marketing and communications, M&A | business development, finance & control | tax, legal | governance & HSR, treasury, sustainability & relations, internal audit & cybersecurity | IT, office management and investor relations. Our head office has a leading role in increasing gender diversity, more than 40% of our head office positions is currently filled by women.

Aalberts leadership networks

The small head office team, working closely together with the Executive Team, drives and stimulates the Aalberts leadership networks covering important strategic topics that affect our entire organisation. This setup facilitates the growth potential of the group and stimulates teamwork, knowledge sharing, exchange of best practices, fast learning, innovations and entrepreneurship.

head office leadership and Executive Team

our culture

'The Aalberts way' reflects the DNA of our company, it is what we stand for and what we practice and deliver every day. It is the common language in our organisation. It has been our strength since day one. It is the foundation for an even greater future that will lead to new growth paths. And it provides us with a focus when we review, recruit, coach and develop our talents.

the Aalberts way – winning with people

Long-term value creation can only be achieved by maintaining a company culture that embraces transparency and trust.
We stimulate and protect a culture where people feel the need – and feel safe – to speak up and act with integrity. For us, this is real governance.

HRD strategy

Being able to attract, develop and retain the best people for the future is crucial to ensure continuity and to keep pace with technological developments.

attract

We are straight-talking, can-do, no-nonsense pragmatists. We win with people. It's that simple. We want to get the most out of ourselves, every day. We blend boundary pushing engineering with silo-breaking entrepreneurial business sense. This is how we keep our eyes open for technological opportunities and how we manage to capitalise on them in a profitable way. Whatever the situation or request is, we put together the right team to change the game. That is how we deliver vital innovation to ground-breaking industries. Working as one, we improve the world of today and invent it for tomorrow.

As a result of globalisation and consolidation, being able to continuously professionalise and improve is vital. The Aalberts company passport, launched in 2018, accelerates that process, creating awareness of our unique brand culture so that we continue to strengthen within an increasingly competitive marketplace.

We have made good progress providing potential employees with a better understanding of who we are and what we are about. Untold stories are starting to be told, enhancing our employer branding in the market place and creating a view from the outside in. Our unique strength of being a large and global company with a strong entrepreneurial spirit and lean, agile structure, is being recognised and valued in our interactions with future talent. We have further enhanced the sustainability and career sections of the Aalberts website to better address our stakeholders.

The importance of HRD was underlined during the Aalberts leadership days in May. The HRD network was invited to take the stage and to share its strategy to create a sustainable workforce with the company's top management. A unique opportunity for leaders to connect and to share their challenges in attracting, developing and retaining mission-critical people.

In this fast-changing world of technological innovations and increasing demands, Aalberts wants to be in touch with the younger generation, who will ultimately be responsible for developing tomorrow's technologies. We connect with universities and are present at career fairs, illustrating what we do and offer at Aalberts: the opportunity to make a real difference in ground-breaking industries.

Aalberts advanced mechatronics launched its website aalberts.com/am in the second half of the year, fully leveraging the Aalberts master brand and making a very clear connection. The website places a great emphasis on people and technology.

While our industry retains a slightly conservative image, it is important that we also work on our internal organisation to become a more attractive employer. We continue to bring our existing colleagues closer together, without losing focus and ownership in the business teams. Increased engagement creates brand ambassadors and contributes to a better understanding of the overall mission and journey and how everyone is connected.

develop

We empower our people to solve problems. We support and develop them. We stretch them to their limits, then take them a bit further. Always working together, because we believe that greatness depends on shared knowledge and shared skills. We also believe that diverse teams led by inclusive leaders are more engaged, and therefore deliver better safety and business performance. At Aalberts, training and development never stops. We launched several international development and personal development programmes to help our people develop as professionals and leaders.

In total, 134 people participated in our development programmes, enabling them to connect with managers from different Aalberts businesses.

participants FIT programme and trainees

In October, Aalberts organised a lunch with some 30 students from the Industrial Engineering faculty at University of Twente. The company was introduced by recent graduate and current Aalberts trainee programme participant Willem Wisselink, who shared his experiences at Aalberts over the last year. For new graduates our trainee programmes are a powerful way to jumpstart their careers. We received great feedback on both the entrepreneurial setup of Aalberts' programme and the international possibilities.

"These are elements I recognise," explains Willem. "Aalberts is an entrepreneurial company with a lean structure offering you fantastic opportunities to experience what it's like to be close to senior management and get used to the real pressures companies deal with. At Aalberts you are encouraged to step out of your comfort zone and quickly learn to deliver on time and first-time right. Everyone is different, so every traineeship is tailor-made. If you find the place that feels like home in the company then Aalberts is open to discussing how they can make sure you stay there, which is one of the real strengths of the programme. In my third week I was asked to coordinate a stock movement of 300 pallets from a warehouse in the Netherlands to a warehouse in Germany. It was a great experience as you quickly get to know a lot of people, gain people's trust and learn how to work together."

"When I was asked to take part in this programme I was honoured and excited the company saw my potential to be a future leader in the organisation", says Lauren Broome, HR analyst in North America. "The assessment helped to identify those areas where I am confident and excel most, while highlighting opportunities for personal and professional development that would enable me to build skills helpful in my day-to-day work. The programme taught me the essentials of being a leader and how to be more mindful in viewing and responding as a leader. The information we learned helped to expand my business knowledge, helped to develop career goals and work towards effective leadership. The course made me more aware of communicating effectively with different personality types, ensuring that everyone is able to contribute, feel heard and that their ideas and feedback is valued. It helped to educate me on better communication methods and how to more professionally receive and respond to feedback. It also laid the foundation on how to view situations with a leadership mentality. By working to constantly improve these skills and apply them in my day-to-day work, I feel I will only continue to grow professionally within the company as a valued member of the team and potential future leader. The programme gave me a greater sense of investment within the company and further strengthened my level of commitment and passion for my work and the success of the company I work for."

Our development strategy for Aalberts' global trainees also proved to be successful and sustainable. As well as delivering real value to our companies by working on crucial projects and supporting our local management teams, all 2019 graduates have also been offered strategic positions across the organisation. And the next generation of trainees has already arrived, with the 2020 group recruited and ready to kick-off their careers within Aalberts.

We are currently exploring the tools and possibilities that will enable us to embed health & safety and sustainable entrepreneurship into our continuous learning approach.

retain

All activities and investments to attract and develop people are aimed at challenging them to convey the Aalberts strategy into everyday practice. Obviously, retaining our mission-critical people is also crucial.

In 2018 and 2019 a number of senior managers were offered new positions within Aalberts, as part of their career development. Moves of people between business segments were received positively as it offered the chance to learn more about the businesses and technologies Aalberts offers. As an effect it became easier to connect colleagues from different technologies and to exchange knowledge.

As an important part of retention, this process started in a natural way and underlines the effectiveness of the Aalberts leadership networks and our share and learn culture. Together with local management, the HRD network exchanges open key positions throughout the Aalberts organisation and is becoming increasingly successful in finding the right match.

We are in the process of exploring which tools will help us to further professionalise career mapping and succession planning, with the aim of retaining and developing our own employees. When recruiting, internal candidates are given priority, helping to retain and nurture internal talent. For management, this means they have to be willing to facilitate internal moves and to make them successful. All these efforts contribute to building a sustainable people organisation.

diversity and inclusion

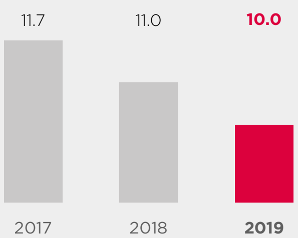
As employees are key for our success - ‘winning with people’, Aalberts recognises and respects the differences between individuals and understands that these differences can include ethnicity, religion, nationality, age, gender, sexual orientation, physical ability, experience and perspective. Diversity ensures that we reinforce each other, bring out the best in each other and cooperate optimally. Providing an inclusive workplace makes diversity work.

Recruiting and developing a diverse and inclusive workforce gives us a wide range of perspectives and allows us to explore and adopt new ideas and innovations in technology. It also allows us to better understand and meet the needs of our diverse customers and communities. At year-end, 26.5% (2018: 25.3%) of our workforce were women. A balanced gender diversity is still a challenge. We encourage diversity by recruiting people with different backgrounds and genders for our development and leadership programmes. We look closely to fill vacancies with a sound balance of men and women at management levels. As a consequence, more women are entering various management levels. This is how we increase gender diversity in a sustainable way.

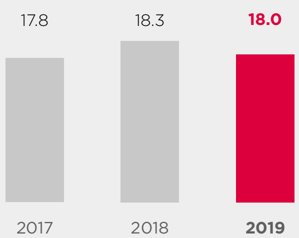
At Aalberts we believe in leading by example, which is why our head office has a leading role in increasing gender diversity. An example of how to make progress is to start being critical at the beginning of your recruitment process. We looked carefully at our vacancies and job descriptions, ensuring that these were attractive for both men and women and persons from a wide range of backgrounds. Amendments resulted in real progress, with more than 40% of our head office positions currently filled by women.

health & safety performance indicators

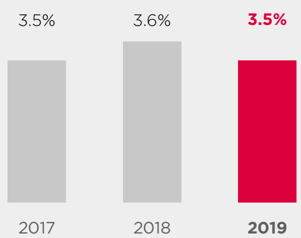
LTI frequency ratio



average days lost per LTI



absenteeism



health & safety

At Aalberts we focus on preventing incidents that may be harmful to our employees, our contractors, property and neighbouring communities. Most companies within the group have safety management systems in place in accordance with the OHSAS 18001/ISO 45001 standards, while safety policies are in place at all our production and service locations.

In recent years we have incorporated health & safety in our operational excellence programme, which is chaired by the CEO and includes the COOs of all business teams. Each business team has developed health & safety improvement plans which are discussed, challenged and carefully monitored during the meetings.

We continuously invest in a culture where people are aware of their own responsibility to make Aalberts a safe and healthy place. There are health & safety training programmes in place for employees, such as toolbox safety sessions, training on use of personal protection equipment, emergency preparedness procedures and hazard identification. Our policy focuses on improving procedures at all group sites that do not perform at the group average according to the KPIs and targets set.

We have set clear health & safety KPIs to monitor performance. In 2019 our LTI frequency ratio (the number of lost time injuries per one million working hours) decreased to 10.0, the average days lost per LTI decreased to 18.0 and our absenteeism rate slightly decreased to 3.5%. Since we started measuring our health & safety KPIs in 2010, we have had no fatalities.

integrity

Aalberts is committed to conducting its business with honesty and integrity, to follow the law and to make sure that each employee and business partner is treated respectfully.

Code of Conduct

The company is proud of its excellent reputation as a responsible and reliable employer and business partner. The Aalberts Code of Conduct contains seven main business standards as rules of ethical conduct all Aalberts employees must follow, including business integrity.

At the Aalberts health & safety training day, the COOs of all business teams participated in a global health & safety training as part of operational excellence. Best and bad practices were shared and health & safety case management was further improved. In addition, multi-year health & safety targets were set based on industry benchmarks. Targets vary per business team given the specifics of the operations. The business teams have a joint responsibility to realise the group-wide average of the LTI frequency ratio below 5 in the coming years. During the operational excellence meetings at our head office, the responsible COOs share and learn in order to archive these targets. In addition, every two months a conference call with all participants, chaired by the CEO, takes place to monitor progress.

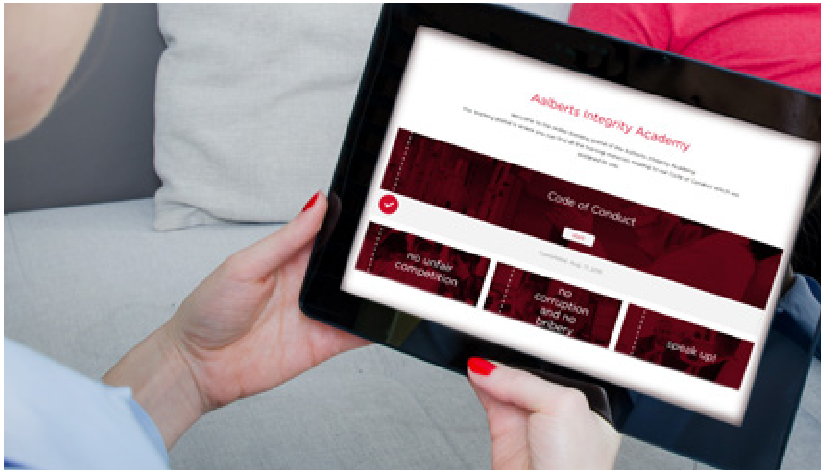
The themes around business integrity concern strict compliance with fair competition laws, compliance with economic sanctions and export control regulations, compliance with anti-bribery laws, prevention of fraud, avoidance of conflict of interest, accurate accounting and reporting and compliance with insider trading rules. More information can be found at aalberts.com/code.

Our Speak up! procedure enables our employees to report violations of the Code of Conduct or other misconduct. All Speak up! notifications are promptly investigated, and relevant cases are reported to the Management Board. If these occur, material violations will be immediately reported to the Audit Committee. In 2019, no material violations of the Code of Conduct were either reported via the Speak up! procedure or were established via the internal or external audits or governance checks.

The Code of Conduct is integrated into the employment agreements (or signed off by) all senior staff and management throughout the group. Guidance and the roll out of both the Code of Conduct and the Aalberts integrity academy are realised through our worldwide governance network. We check compliance with the Code of Conduct with regular governance visits by the governance lead, together with a governance contact person from the particular business.

Aalberts integrity academy
The Aalberts integrity academy is an e-learning portal, covering the Code of Conduct and Speak up! procedure and specific business integrity matters, such as competition laws, anti-bribery laws, sanctions & export control and personal data protection & information security. The e-learning is mandatory for all management team members and other managerial staff, all our employees in sales, purchase, finance & controlling, human resources and all key-employees of other departments such as R&D, logistics, operations and customer service. Agents or commissioners that represent Aalberts are also obliged to participate in the e-learning. Our target is that 95% of the participants should pass. From the roughly 3,500 employees designated to participate in the Aalberts integrity academy, 99% passed all modules of the Aalberts integrity academy. This percentage is very high and can only be achieved through strong management focus and the right company culture, where acting with integrity is embraced by everyone.

anti-corruption and bribery
Our anti-corruption and bribery policy is included in our Code of Conduct and signed off by all our key-employees. Doing business all over the world can expose Aalberts to local bribery and corruption risks, which can lead to substantial penalties and reputational harm. We performed a risk assessment within our organisation to assess which employees should be obliged to take the anti-corruption and bribery e-learning module of the Aalberts integrity academy. In this e-learning module employees are trained on our policies and risks per region. All relevant employees have successfully completed this e-learning module. In addition, we regularly perform a risk assessment for the geographical areas and sectors we do business in. We take special care with high-risk countries and provide additional guidelines for doing business in these countries.



Aalberts has introduced several additional anti-corruption and bribery initiatives, including:
- an anti-corruption and bribery checklist containing red flags about, for example, agents and public officials;
- due diligence and third-party screening procedures;
- Speak up! procedure to report suspected irregularities;
- use of anti-corruption and export control clauses in contracts.

Because of our policies and initiatives, awareness of anti-corruption and bribery laws and policies is high. We continually focus on expanding our awareness measures in key geographical areas and business sectors.

supply chain management
To further improve integrity and sustainability throughout the entire value chain we partner with suppliers who live by the same main principles as our Code of Conduct (safe place to work, respect human rights, treating employees with respect and work in an environmentally friendly way). When selecting suppliers, we consider sustainability factors, such as quality, health & safety and environmental performance. At some key suppliers we perform audits to check their standards. Our Supplier Code of Conduct

includes the principles of the Code of Conduct and the principles of the UN Global Compact and the OECD. We contractually bind our suppliers to adhere to the principles of our Supplier Code of Conduct. The majority of the key suppliers of the Aalberts group companies have contractually agreed to adhere to these principles.

product safety and quality

Aalberts manufactures and delivers high quality products and services. Our group companies are ISO 9001 certified and have additional industry specific certifications, such as ISO 16949 for coatings or AS 9100 for the aerospace industry. Quality and product safety policies and statements are in place at local level. Our group companies manage risks from chemicals or hazardous substances and provide safety information on the substances in accordance with REACH and RoHS.

As of 2012, the Dodd-Frank Act in the United States (Section 1502) requires companies to publicly disclose their use of conflict minerals originating from the Democratic Republic of the Congo or neighbouring countries. These include minerals mined under conditions of armed conflict and human rights abuses. The four main minerals concerned are tin, tantalum, tungsten and gold. Where applicable, we monitor use of these materials in our supply chain to make sure that none of the parts or products we produce contains conflict minerals from countries of concern.

human rights & labour relations

Aalberts' commitment to respect human rights, as defined by the United Nations in its Universal Declaration of Human Rights, is laid down in a formal human rights policy. We support the principles laid down in the OECD Guidelines for Multinational Enterprises and those in the ILO Declaration on Fundamental Principles and Rights at Work. Aalberts wants to build long-term, sustainable relationships with its employees and therefore strives to pay fair salaries and benefits. Freedom of association and the right to collective bargaining are self-evident, fundamental rights, which we respect. At Aalberts, the principle of free choice of employment is inviolable. It applies to every employee in every country we operate. In 2019 we received no evidence of any human rights violations or abuses via our Speak up! procedure. Due dilligence on human rights within our group companies and their supply chain forms part of our governance visits.

responsible tax policy

In our pursuit of doing business in a sustainable way, a coherent and responsible tax policy is key. Aalberts' responsible tax policy is based on the same core values that are embedded in our Code of Conduct. Our tax policy is set by the Management Board and has been discussed with the Audit Committee in 2019. Over the years, Aalberts has applied a conservative and cautious tax policy in line with OECD Guidelines. The business is leading in setting up international structures: we declare profits and we pay tax in the jurisdictions in which the economic activity occurs.

Our tax planning strategy is based on the spirit of the law. We do not seek to avoid taxes through 'artificial' structures in tax haven jurisdictions, we pay our fair share of tax in the countries in which we operate, we aim at filing accurate and timely tax returns and we strive to maintain strong and transparent relationships with tax authorities in the countries where we have taxable presence. As a result of our low tax risk appetite, the relationships with tax authorities are based on seeking open dialogues rather than seeking controversy.

The involvement of the Aalberts tax department is not limited to corporate income tax but extends to VAT, wage tax, social securities, dividend withholding tax, sales and use tax, real estate tax and other taxes that Aalberts entities around the globe are subject to. To monitor and control the tax positions per entity, the Aalberts tax department employs various internal tax controls. The effective tax rate is not a KPI of the tax department. The performance of the Aalberts tax department is assessed against compliance targets and adherence to tax regulations, such as compliance to transfer pricing documentation requirements and local tax return filing and payment obligations. Depending on materiality and complexity of a specific matter or transaction, Aalberts will seek external tax advice from independent, third party tax professionals. If appropriate, approval from tax authorities will be obtained to gain upfront certainty about the application of specific tax legislation.

privacy and personal data protection

In preparation of the implementation of the European General Data Protection Regulation (GDPR) in May 2018, we strengthened our policies, procedures, contracts and training for privacy and personal data protection. Our governance network and HRD network took the lead in implementing and securing compliance with these regulations. Training has been provided to all governance contact persons and responsible HR, IT and sales managers and in addition specific individual training was given to some 3,500 employees via the Aalberts integrity academy.

community engagement and giving back

We believe in creating shared value for our stakeholders by supporting progress in society in various manners. That is why we started with a giving back program at head office level with a focus on technological progress and sustainability. Besides this program, we are involved in countless regional and local philanthropic and community engagement initiatives, such as donations to charities, partnering with schools and universities to share knowledge and integration of refugees into our workforce.

With our giving back projects we aim to support progress in society. Based on our giving back policy, projects should match with our purpose, strategy and values, should have a technology and sustainability focus and should impact the SDGs that are material for Aalberts. Alongside our financial backing, we offer our knowledge and mission-critical technologies to the respective projects. Amongst other initiatives, we supported the electric superbike of a student team of the University of Twente and the Green Village in cooperation with the Delft University of Technology. We envisage for the coming years to extend the giving back programme initiated by the head office with projects worldwide.

We believe in an inclusive workforce and, entrepreneurial as we are, see an evident shared value proposition in working with refugees, people with disabilities or un (and under)-employed people. We have several business locations that integrate refugees into their workforce to increase capacity, for example a refugee project in Germany and the labour training centre in Norway. They receive language training combined with other education. Another example is the cooperation of Aalberts advanced mechatronics with the Dutch employee insurance agency, to re-educate un (or under)-employed people, see more information below. The participants of these programmes qualify in a few months for the job market or their next step within the Aalberts group.

To remain successful in attracting the right people, Aalberts began cooperating with the Dutch employee insurance agency (UWV) to train and employ people as computer numerical control (CNC) operators. People receive a training course from a technical education partner and an internship at Aalberts. If there is a good match with our company culture, the trainee receives a job offer.

In July, we began cooperating with Delft University of Technology within their Green Village, a living lab that provides businesses and university researchers with an environment in which they can safely develop, test and demonstrate innovations designed to benefit society. Our ambition is to test hydrogen as an energy source for heating systems utilising the current infrastructure, as we believe using sustainably produced hydrogen to generate emission-free energy has the potential to be a valuable contributor to the energy transition.

The Green Village provides us with a full range of facilities, including the ability to partner with others along the value chain and access the specific expertise required when it comes to complex innovation processes. Working together with the students of TU Delft creates a continuous flow of share and learn, which stimulates creativity and motivates everyone to create a truly sustainable product for the future.

The entire system will be planned and implemented step by step. We will answer fundamental questions, such as what aromatic substance can be mixed with hydrogen from a technical and chemical perspective. After all, the gas itself is odourless. But if there is a leak, you have to be able to smell the escaping hydrogen. We began carrying out the first tests in the winter, when the demand for heating spikes, and will use the results to decide whether or not to begin the second phase of the project. We look forward to continuing to innovate in 2020 and beyond.

aalberts
mission critical technologies

risk and opportunity management

Managing risks and opportunities is part of our daily business. Taking risks is an inherent part of being an entrepreneur and controlled risk can present new opportunities. The nature of both our business and our strategy means that we face a number of risks. We have carefully considered the type and extent of the risks to the group, achieving our objectives. These risks also include long-term emerging risks related to disruptive technologies and increased cyber threats as well as increasing uncertainties in relation to climate change and changes in the (geo)political and economic landscape. The spread in businesses, technologies, end markets and geographical regions has an impact on our risk profile since this limits our dependence on specific markets or customers.

The next page shows an overview of the risks that we believe are most relevant to the achievement of our objectives. The sequence of risks does not reflect an order of importance, vulnerability or materiality. This overview is not exhaustive and should be considered in connection with forward-looking statements. There may be risks not yet known to us or which are currently not deemed to be material.

risk appetite and sensitivity

To achieve our objectives, we are willing to accept certain risks. The boundaries are defined by our risk appetite which is derived from the nature of the risks and our strategy.

Risk appetite is different for the four risk areas:

- strategic: pursuing our strategy includes investigating new business opportunities. We are prepared to take risks linked to increase game changing innovations, improve defined market positions and accelerate sustainable profitable growth.
- operational: sufficient talented people and additional investments in assets and IT systems are required to improve operations effectively and efficiently. We are willing to accept risks to deliver high added-value for our customer, but our risk appetite can be described as cautious to averse. We especially aim to minimise risks to ensure a responsible and safe work environment and to protect our Aalberts brand.
- legal & regulatory: complying with applicable laws, regulations and the Code of Conduct is fundamental to our reputation. We have a zero-tolerance policy towards non-compliance or breaches in these areas. We are also risk averse with respect to potential product failures or quality issues.
- financial: maintaining a prudent financing strategy and ensuring consistent and timely reporting are needed to realise our objectives. We are cautious regarding risks related to our financial position and performance (e.g. currency, credit and interest rate risk) and risk averse to any risk that could jeopardise the integrity of our reporting.

Risk profile, scenarios and sensitivity of the company's results to external factors are assessed as part of our strategy update and annual forecasting process. In addition, sensitivity analysis are performed for the purpose of impairment testing and financial risk management. In general, vulnerability for individual external factors is low due to our balanced business portfolio and spread in end markets, geographical regions and customers.

risk management and control systems

The Management Board has the overall responsibility for achieving our strategy, objectives and establishment of adequate internal risk management and internal control systems. The Management Board is supported in this by the Executive Team. Our business teams are responsible for maintaining an effective risk and control environment as part of day-to-day operations. This includes the risk management and control systems as set out above which are regularly updated to respond to the group's changing risk profile. The risk management and control systems do, however, not provide absolute assurance that errors, fraud, losses, or unlawful acts can be prevented. During 2019, no significant shortcomings were found in the internal risk management and control systems and no significant changes were made or scheduled for these systems, other than the further strengthening of the business management teams and the head office.

The internal risk management and control systems have been discussed with the Supervisory Board. These systems have been demonstrated to be adequate and they provide a reasonable degree of assurance that the financial reporting does not contain any material misstatements and that the risk management and control systems operated properly during 2019.

megatrends and relevant developments

Worldwide geopolitical developments
Ongoing demand for talented managers and specialists
Increased customer and shareholder expectations
Climate change and resource scarcity
Increased regulations for companies and activities
Globalisation and co-development
Demographical changes including rapid urbanisation
Internet of Things, increased connectivity and integration

strategic

Wider use of Aalberts brand can increase vulnerability for reputational risk
Rapidly changing market dynamics can require fast adaptability and innovation
Disruptive technologies can impact current business models
Globalisation and co-development can lead to increased complexity and interdependency
Changes in (geo)political and economic landscape can impact business continuity

financial

Inconsistent or delayed reporting process can lead to inappropriate decision taking

Currency, credit and interest rate fluctuations can impact our financial performance

Deterioration of conditions in global economy can lead to loss of margin

Volatile commodity prices and raw material scarcity can impact margins

Aalberts strategy 2018-2022 'focused acceleration'

- remain focused
- improve technology positions
- improve profitability continuously
- use Aalberts strengths

operational

Insufficient number of managers with appropriate level of knowledge can slow down company growth

Growth can lead to inefficient processes and less control over organisation

Health & safety incidents can cause risks for employees and business interruption

IT security and cyber threats can harm our system availability, applications, data and information

Climate changes can damage assets and/or lead to disruption of business

legal & regulatory

Non-compliance with laws, regulations and Code of Conduct can lead to reputational damage

Unfair competition, violation of export control and sanction programmes can result in substantial penalties and reputational harm

Doing business globally can expose the company to local bribery and corruption risks

Undesired or unethical employee behaviour can lead to fraud related matters

Product failures and quality issues can result in liability proceedings

strategic actions	started	in progress	continuous improvement	done
accelerate operational excellence programme using Aalberts strengths			•	
increase innovation rate based on long-term innovation roadmaps per niche technology		•		
invest in R&D and competence centres per niche technology			•	
enhance and expand Key Account Management with an integrated offering		•		
further reduction of complexity and focus on defined core technologies		•		
accelerate initiatives by using our global Aalberts networks			•	
integrate (recent) acquisitions together with the business teams			•	
promote our culture ‘the Aalberts way’ and share best practices		•		
increase investments in sustainable organic growth in relation to megatrends		•		
operational actions				
drive projects via operational excellence programme to realise sustainable impact			•	
promote and monitor operating effectiveness of key control principles			•	
strengthen internal audit activities on Executive Team and business team level		•		
speed up HRD strategies by using HRD network, driven at Executive Team level			•	
strengthen attractivity by focusing on attracting, retaining and developing talent		•		
invest in ‘safe place to work’ culture and manage KPIs set to improve			•	
optimise insurance policies for property, plant and equipment and climate risks			•	
set up IT leadership network, coordinated at Executive Team level		•		
realise more efficient processes and standardisation of IT systems per business		•		
monitor preventive and detective cyber security measures and increase response measures		•		

legal & regulatory actions

	started	in progress	continuous improvement	done
organise ongoing meetings with worldwide governance network and share and learn			•	
Increase number of governance visits and reviews within businesses through governance network		•		
additional e-learning courses and repeaters on business integrity matters at Aalberts integrity academy			•	
realise full awareness for Code of Conduct, authorisation chart and Speak up! procedure		•		
implement Supplier Code of Conduct to ensure business integrity and human rights			•	
embed high level of quality assurance in manufacturing processes		•		
maintain insurance facilities for (product) liability risks			•	
further implement smart contracting for purchase and sales			•	
Introduce five layers of defence against liability claims	•			
simplify corporate legal structure and authorisations		•		

financial actions

	started	in progress	continuous improvement	done
further strengthening of organisation by installing key finance functions at business team level			•	
harmonise policies and procedures for internal, financial and IT controls			•	
increase level of specific expertise of finance organisation through training and exchange of best practices		•		
risk reports assessments by group control and Management Board		•		
conduct internal audits, site visits and internal (risk) assessments			•	
establish worldwide internal audit network		•		
manage currency cash flow and consolidation of purchase and sales in specific currencies centrally				•
maintain healthy balance sheet ratios and investment power				•

corporate governance

Aalberts N.V. **(Aalberts)** is incorporated and based in the Netherlands. As a result, our governance structure is based on the requirements of Dutch legislation and the company's articles of association, complemented by internal policies and procedures. Given the worldwide exposure of our businesses, we conduct our operations in accordance with internationally accepted principles of good governance. Good corporate governance, including focus on long-term value creation and culture, is a key component of 'the Aalberts way' of doing business and is embedded in our core values.

Aalberts endorses the principles of the Dutch Corporate Governance Code **(the Code)**. Our corporate governance structure has been updated in accordance with the Code in the past years. In the General Meeting of shareholders of Aalberts **(the General Meeting)** on 17 April 2019, the articles of association of Aalberts **(the Articles of Association)** were amended to align the legal name with the Aalberts branding.

Aalberts virtually applies all best practice provisions of the Code. To a limited extent, these have been adjusted to specific circumstances of Aalberts. As a result, the Management Board believes it meets the principles of 'comply or explain'. All the regulations pursuant to the Code and Dutch law concerning reporting and transparency of information applicable to Aalberts have been incorporated into the management report. Further guidance on how we comply with the provisions of the Code is available at aalberts.com/governance.

The deviations from the Code relate to the following subjects.

Management Board
The term of the current appointment of the CEO is unlimited. The CFO has been appointed for a period of four years and Aalberts will also apply this four-year period for the appointment of new members of the Management Board. On dismissal of the CEO, the existing employment conditions and regulations are considered; this does not apply to the CFO nor to new appointments.

General Meeting
The Articles of Association provide that the General Meeting can deprive a nomination for appointment of a Management Board member or a Supervisory Board member of its binding nature, with a resolution passed with a maximum majority permitted by law. Currently, this majority amounts to two-thirds of the votes cast. The deviation relates to the well-balanced allocation of the control and influence of the company's individual bodies as referred to in the paragraph 'decision making and anti-takeover measures'.

company secretary
Aalberts does not have a formal company secretary. This position is adequately fulfilled by the legal and governance function at head office level, in line with the lean and effective organisational structure.

appointment and dismissal of Management Board and Supervisory Board

The rules governing the appointment and dismissal of members of the Management Board and the Supervisory Board and amendment of the Articles of Association are provided in the Articles of Association. For the selection and nomination of a member of the Management Board and/or the Supervisory Board, Aalberts' diversity policy is considered. To summarise, members of the Management Board and the Supervisory Board are appointed by the General Meeting via a binding nomination for each vacancy to be drawn up by the holder(s) of priority shares, which is Stichting Prioriteit 'Aalberts N.V.' **(the Priority)**. If the Priority does not use its right to draw up a binding nomination, the General Meeting is free in its appointment. The General Meeting may deprive the nomination from its binding nature by a resolution adopted with at least two-thirds of the votes cast. Members of the Management Board and the Supervisory Board may be dismissed by the General Meeting. The General Meeting may resolve to amend the Articles of Association after prior approval of the Priority.

powers Management Board

The general powers of the Management Board are those arising from legislation and regulations and are set out in the Articles of Association. The Management Board was authorised by the General Meeting held on 17 April 2019 to issue ordinary shares, to grant rights to subscribe for ordinary shares and to restrict or exclude pre-emptive rights of existing shareholders in the case of issuing ordinary shares, all subject to approval of the Priority. The authorisation has been granted for 18 months and is valid for a maximum of 10% of the issued share capital at the time of issuing. The Management Board was further authorised by the General Meeting held on 17 April 2019 to repurchase the company's own ordinary shares up to a maximum of 10% of the issued share capital, other than for no consideration. The authorisation has been granted for 18 months.

decision making and anti-takeover measures

The duties and powers of the General Meeting, the Supervisory Board, the Management Board and the Priority have been defined in such a way that a well-balanced allocation has been achieved with respect to the control and influence of the company's individual bodies. By doing so, Aalberts has ensured as much as possible that, when essential decisions are made, the interests of all company's stakeholders are considered and that the decision-making process can always be conducted in a prudent manner. According to provision 4.2.6 of the Code, the company is required to provide an overview of its actual or potential anti-takeover measures and to indicate in what circumstances it is expected that these measures may be used. The priority shares held by the Priority may be considered to constitute a form of anti-takeover measure. The powers of the Priority have been described in this chapter and on page 141 under 'Special Controlling Rights under the Articles of Association'. The authority to make a binding nomination to the General Meeting concerning the appointment of members of the Management Board and Supervisory Board could be an essential instrument in the well-balanced decision-making process. Therefore, the deprivation of the binding character of the nomination is aligned with Dutch law instead of the Code.

Speak up!

The confidentiality advisor is responsible for dealing with violations of the Code of Conduct of Aalberts or other misconduct. Relevant cases are reported to the Management Board. If these would occur, material violations must be immediately reported by the Management Board to the Chairman of the Supervisory Board. Violations of the Code of Conduct can lead to immediate dismissal. Aalberts does not permit retaliation against employees who, in good faith, seek advice or report conduct that is not in line with the Code of Conduct. The use of the Speak up! procedure is educated to our key-employees by way of e-learning. Additional guidance on the use of the Speak up! form is given at aalberts.com/speakup in several languages to enable all our employees to make use of the procedure.

insider trading

Aalberts has an insider trading policy in place. The compliance officer keeps all permanent and project specific insider lists up-to-date and informs all (new) insiders of their obligations based on applicable legislation. The full text of the insider trading policy can be found at aalberts.com/code.

bilateral contacts

The company fully endorses the importance of a transparent and equal provision of information to its shareholders and other parties. In accordance with principle 4.2 of the Code, the company therefore makes every effort to provide such parties equally and simultaneously with information relevant for shareholders, considering the exceptions provided by applicable law. This is laid down in Aalberts' policy on bilateral contacts with shareholders. The full text of the policy can be found at aalberts.com/governance.

Corporate Governance Statement

Our Corporate Governance Statement which must be disclosed pursuant to article 2a of the Decree additional requirements management reports **(Vaststellingsbesluit nadere voorschriften inhoud bestuursverslag)** is available at aalberts.com/governance and forms part of this management report. The Management Board states that all information which must be disclosed pursuant to the Decree Article 10 Takeover Directive **(Besluit artikel 10 overnamerichtlijn)** is included in this management report, to the extent that it is applicable to Aalberts.

Management Board declaration

In accordance with provision 1.4.3 of the Code and Article 5:25c of the Financial Supervision Act, the Management Board declares that, to the best of its knowledge:

1. the management report as included in this report provides sufficient insights into any deficiencies in the effectiveness of Aalberts internal risk management and control systems;
2. the aforementioned systems provide reasonable assurance that Aalberts' financial reporting does not contain any material errors;
3. based on Aalberts' current status of affairs, it is justified that the financial reporting is prepared on a going concern basis;
4. the management report lists those material risks and uncertainties that are relevant to the expectation regarding Aalberts' continuity for the period of twelve months after the preparation of the management report;
5. the financial statements as included in this report provide a true and fair view of the assets, liabilities, financial position, and profit for the financial year of Aalberts and the group companies included in the consolidation; and
6. the management report as included in this report provides a true and fair view of the situation on the balance sheet date, the business development during the financial year of Aalberts, and of its affiliated group companies included in the financial statements. The management report describes the material risks to which Aalberts is exposed.

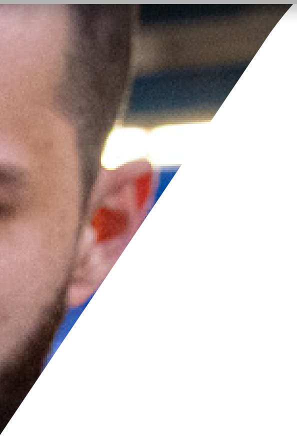
Utrecht, 26 February 2020

Wim Pelsma (CEO)
Arno Monincx (CFO)

financial calendar 2020-2021

25 March 2020	registration date for General Meeting
22 April 2020	General Meeting
24 April 2020	quotation ex-dividend
27 April 2020	record date for dividend
20 May 2020	paying out dividend
23 July 2020	publication interim results 1H2020
25 February 2021	publication full year results 2020
15 April 2021	General Meeting


good is never
good enough
aalberts
mission critical technologies



report of the Supervisory Board

report of the Supervisory Board

message of the Chairman

It is a pleasure to chair the Supervisory Board of Aalberts. Having activities in more than 50 countries, with over 16,000 employees, 2019 showed again the strength of the company. An important moment was the start in January 2019 in the new office in WTC Utrecht. A modern and open office, which enables to work in a paperless environment with the most modern communication means. Management Board, financial department, legal officers, compliancy team, internal audit, employee development, all of the important staff teams work closely together to support the healthy growth of the company.

The execution of the five-year business plan 'focused acceleration' 2018-2022 will bring the company in an even better shape. The focus on the portfolio, focusing on growth potential and profit optimisation was important to guarantee the future development of the company.

The Management Board continues its program on operational excellence, which showed again the internal potential of the company. Also important in 2019 was the simplification of the organisation. Transparency and shorter reporting lines were the basis of a leaner organisation. The Supervisory Board gave special attention to the internal audit structure. The internal audit team further optimised its audit programs.

The Supervisory Board was involved in, and approved the operational strategy 2020. Also the level of investments in R&D, important for the long-term strategy, were discussed and approved. It gave the Supervisory Board the confidence in the future development of the company.

The special attention of the Management Board to attract young people to join the Aalberts organisation resulted in a number of young high potentials in diverse functions throughout the company. 'The Aalberts way' gives them the opportunity to develop in an internal operating high-tech company. Also the succession plan on key functions is part of the strategy of the company to secure the future and was discussed with the Supervisory Board.

Diversity, compliance and transparency were fixed items on the agenda of the Supervisory Board and got special attention.

After 10 years in the Management Board as CFO and 30 years being active within Aalberts, John Eijgendaal decided to step down. As Supervisory Board, we thank John Eijgendaal for his enormous commitment to develop the company during so many years.

The Supervisory Board congratulates the Management Board as well as the employees in the head office and the worldwide operations of Aalberts with the results in the fiscal year 2019 and is grateful for their contribution. I also thank my colleagues in the Supervisory Board for their constructive contribution in the regular and special meetings and conversation by other means.

Martin van Pernis

composition of the Supervisory Board

The composition of the Supervisory Board is in accordance with the profile drawn up, which is published on the website of Aalberts. The composition of the Supervisory Board did not change in 2019.

Mr. J. (Jan) van der Zouw retired by rotation and was re-elected as member of the Supervisory Board for a second four-year period. He continued his role as chairman of the Remuneration, Selection and Appointment Committee.

M.C.J. (Martin) van Pernis
Former President of Siemens Group in the Netherlands.
Other relevant positions:
Vice Chairman supervisory board Coolback Company
Vice Chairman supervisory board and Chairman NSR Committee ASM International
Chairman supervisory board CM.com N.V.
Member advisory board G4S the Netherlands
Chairman supervisory board Sacon B.V.
Chairman Habitat for Humanity The Netherlands
Chairman supervisory board Rotterdams Philharmonisch Orkest

J. (Jan) van der Zouw
Former Chairman management board Eriks Group N.V.
Other relevant positions:
Chairman supervisory board Van Wijnen Holding N.V.
Chairman supervisory board HGG International B.V.
Member supervisory board Masterflex S.E.

P. (Piet) Veenema
Former Chairman management board of Kendrion N.V.
Other relevant positions:
Chairman supervisory board N.V. Juva
Member supervisory board Van Wijnen Holding N.V.
Member supervisory board M&G Holding B.V.

M.J. (Marjan) Oudeman
Former member of the executive committee Corus Group (nowadays Tata Steel Group) and the executive committee of AkzoNobel
Other relevant positions:
Member supervisory board SHV Holdings N.V.
Member supervisory board Solvay SA
Member of the board of directors of UPM-Kymmene Corporation
Member of the board of directors of Novolipetsk Steel
Member supervisory board Rijksmuseum
Chairman supervisory board Ronald McDonald Kinderfonds

Supervisory Board (fltr): Martin van Pernis, Jan van der Zouw, Marjan Oudeman, Piet Veenema

composition of the Supervisory Board as of 17 April 2019

name	position	nationality	gender	year of birth	initial appointment	term expires
M.C.J. van Pernis	Chairman of the Supervisory Board Member of the Remuneration, Selection and Appointment Committee	Dutch	Male	1945	2010	2020
M.J. Oudeman	Member of the Supervisory Board Chairman of the Audit Committee	Dutch	Female	1958	2017	2021
P. Veenema	Member of the Supervisory Board Member of the Audit Committee	Dutch	Male	1955	2016	2020
J. van der Zouw	Member of the Supervisory Board Chairman of the Remuneration, Selection and Appointment Committee	Dutch	Male	1954	2015	2023

the work of the Supervisory Board

In 2019, the Supervisory Board discussed and evaluated in depth the implementation of the Aalberts strategy 'focused acceleration' and the non-financial and financial objectives 2018-2022. It was discussed how the company could evolve to an even stronger and better Aalberts. The Supervisory Board and Management Board evaluated that disciplined capital allocation is a key focus point for the company to achieve sustainable profitable growth. By allocating capital in the most efficient way, it generates the highest returns. Activities with limited progress require disproportional efforts and cash, so it was agreed to expand the divestment programme. Strong business plans generate increased CAPEX demand. It was agreed to further narrow the focus and accelerate strong execution of the existing five-year business plans. Sustainability was an important topic on the agenda, taking into account several megatrends. It was addressed how to achieve unique market positions with sustainable impact in selective end markets. The niche technologies were evaluated and further clustered from ten to five and the end markets from ten to four. Long-term innovation and continuous investments in R&D were another important topic on the agenda. Also in more challenging market circumstances it is key to invest in R&D to drive organic revenue growth in the long-term. Potential bolt-on and strategic acquisitions are regularly discussed, as well as the integration of recent acquisitions.

Following these discussions, the Management Board updated the strategy 'focused acceleration' 2018-2022 to build an even stronger and better Aalberts which was presented on the Capital Markets Day on 4 December 2019. It presented how Aalberts further accelerates in 2020-2022, by accelerating organic revenue growth, accelerating portfolio optimisation, relentless pursuance of operational excellence and further focus, clustering and simplification. Reference is made to page 10 for a more detailed explanation of the strategy 'focused acceleration' 2018-2022.

The Supervisory Board monitors the implementation of the strategy and the principal risks associated with the strategy. Business risks, risk appetite, governance risks, internal risk management and control systems were addressed in these discussions. Operational and property risks had specific attention in 2019 in order to avoid possible business disruption and were addressed in the operational excellence network.

A considerable amount of attention was paid to the organisational structure, the Aalberts culture, the lean and effective management structure and the Aalberts people. In 2019, Aalberts moved to a new head office stimulating the Aalberts way of working, more knowledge and business exchange and to give the right example for the entire group on topics like paperless working and sustainable mobility. The Supervisory Board considers it of vital importance that the company is able to employ the right people to facilitate the success and growth of the company. Special attention was paid to the attraction, retention and development of people, by amongst others traineeships and leadership development programmes. Succession planning was also discussed in this respect.

Other topics addressed by the Supervisory Board were the financial and operational developments, the forecast and the dividend policy. The Supervisory Board reviewed and discussed Aalberts' annual and interim financial statements, prior to publication thereof.

The Supervisory Board is pleased to note that Aalberts continued the organic growth, innovation initiatives and the related investment plans, despite more difficult market circumstances. Encouraging progress was recorded in the year under review with respect to further focus and simplification of the organisation, portfolio optimisation and working capital management.
The Supervisory Board approved the strategy and objectives to be achieved for 2020.

Supervisory Board meeting and attendance

Supervisory Board member	Supervisory Board	Audit Committee	Remuneration, Selection and Appointment Committee
M.C.J. van Pernis	100%	n/a	100%
J. van der Zouw	100%	n/a	100%
P. Veenema	100%	100%	n/a
M.J. Oudeman	100%	100%	n/a

The Supervisory Board convened on six occasions to meet with the Management Board and on one occasion to meet without the Management Board. All members attended all Supervisory Board meetings. Since the Supervisory Board considers it important to visit a business location at least once a year, these meetings are regularly held at one or more business locations. In the year under review, these were locations in Germany of Aalberts fluid control, part of business segment industrial technology.
This enables the Supervisory Board to monitor the business activities closely from its supervisory position.

The Chairman of the Supervisory Board regularly met with the CEO to discuss the business progress, implementation of the strategy and the composition of the Management Board and the Executive Team, as well as to prepare for the meetings with the Supervisory Board.

diversity

The Supervisory Board recognises the importance of diversity within the Supervisory Board and the Management Board and believes that the business of Aalberts benefits from a wide range of skills and a variety of different backgrounds. A diverse composition of the Supervisory Board and the Management Board contributes to a well-balanced decision-making process and proper functioning of the boards. Diversity should not be limited to the Supervisory Board and the Management Board, but should extend to all areas of the Aalberts business.

In accordance with the Code, a diversity policy is in place for the composition of the Management Board and the Supervisory Board. The following diversity aspects have been identified as relevant for the company and its business, considering the market in which the company operates and the diversity of its customer base: (i) education/experience; (ii) nationality/cultural background; (iii) gender; and (iv) age.

The objectives of Aalberts' diversity policy are to maintain a sound balance of nationality and cultural background within the Supervisory Board and the Management Board, to increase the gender diversity within the Supervisory Board and the Management Board, such that at least 30% of the Supervisory Board and the Management Board will consist of women and at least 30% of the Supervisory Board and the Management Board will consist of men and to increase the age diversity within the Supervisory Board and the Management Board. The Supervisory Board currently consists of one woman and three men with different backgrounds.

Currently, the Management Board consists of two men who are both Dutch citizens. In view of the simplification of the Aalberts organisation, the Management Board reduced in 2019 from four to two members, so there was no vacancy to be fulfilled in 2019. The objectives of the diversity policy have not yet been achieved, but Aalberts will continue its efforts to increase gender diversity within the Management Board and Supervisory Board on the long-term, by taking into account gender diversity for recruitment, appointment to roles, attraction and retention of employees, mentoring and coaching programmes, personal development and leadership programmes and succession planning.

corporate governance

In view of the Code, the Supervisory Board has reviewed and discussed the corporate governance structure of Aalberts with the Management Board. The governance structure was updated in 2017 in line with the Code, Dutch corporate law and market practice and is still effective. The simplification of the organisational structure by reducing the Management Board to two members is in line with this governance structure. The Supervisory Board refers to page 48 for a more detailed explanation of the corporate governance structure of Aalberts.

The Supervisory Board and the Management Board have specifically discussed the further implementation of the Code of Conduct, monitoring of the effectiveness and compliance with the Code of Conduct and violations of the Code of Conduct reported via the Speak up! procedure. In addition, the e-learning programme, governance regulations and processes of Aalberts within the entire organisation, including the training and monitoring thereof via governance visits, have been discussed.

Furthermore, there was specific attention for the culture and values of Aalberts and 'the Aalberts way', the implementation thereof throughout the entire organisation and how these values can contribute to the long-term value creation of Aalberts. The Management Board reported to the Supervisory Board on the updated sustainability approach of Aalberts, including the connection to the Sustainable Development Goals and the realisation of sustainable impact with the mission-critical technologies of Aalberts. The more structured and stringent approach towards sustainability, health & safety and property risk in the operational excellence network contribute to the own sustainability commitments.

Taking into account geopolitical and international economic developments, the Supervisory Board supports the more stringent approach to possible governance risks at group companies combined with a further strengthening of governance at group level and throughout the business. The general legal counsel discussed governance risk management and the work schedule of the legal department and governance network with the Supervisory Board. The work schedule of the internal audit function has been approved by the Supervisory Board.

independence

All members of the Supervisory Board are fully independent. In addition, none of the members holds shares in the company. In the Supervisory Board's opinion, the composition of the Supervisory Board is such that the members can act critically and independently from each other and the Management Board, as stipulated in the Code and the Supervisory Board rules. This means that the tasks of the Supervisory Board as laid down by law and by the Articles of Association are being fulfilled, including providing the Management Board with solicited and unsolicited advice and support.

In 2019, there were no conflicts of interests between the company and members of the Management Board or members of the Supervisory Board. Nor were there any transactions of material significance in 2019 between the company and natural persons or legal entities that hold at least 10% of the shares in the company.

committees

There are two committees of the Supervisory Board: The Audit Committee and the Remuneration, Selection and Appointment Committee.

Audit Committee

The Audit Committee aids and advises the Supervisory Board in its responsibility to supervise the integrity and quality of the Aalberts' financial reporting and the effectiveness of Aalberts' internal risk management and control systems. The Audit Committee consists of Marjan Oudeman (Chairman) and Piet Veenema, who both qualify as financial and risk experts.

The role of the Audit Committee is described in its charter, which is part of the Supervisory Board rules available at aalberts.com/governance. During the year, the Audit Committee met six times with the CFO, the finance director, the director internal audit and several internal subject matter experts. The external auditor Deloitte Accountants was (partly) present in five meetings and the Audit Committee also met separately with the external auditor.

Specific topics addressed in the Audit Committee in 2019 were the retirement of the previous CFO and the succession by the current CFO and the organisational structure of the finance team. The finance organisation was updated, restructured and extended with expertise on several specific finance and accounting topics.

Other topics discussed during Audit Committee meetings include: the company's financial performance, the company's financial reporting including the annual report, the financial statements including application of accounting principles and the implications of applying new IFRS standards. The company's internal risk management systems have been evaluated, the internal audit plan for 2019 was discussed and approved and the internal audits performed, and the essence of the audit results were reviewed. Specific attention was given to risks associated with (geo)political developments such as Brexit and nitrogen regulations.

Process and outcome of the Speak up! procedures and (potential) claims and liabilities were also standing topics on the agenda. Other agenda items during the year were the company's tax policy, the treasury and funding strategy, IT, cybersecurity and fraud risks. For these topics, relevant experts from the company participated in the meetings.

The Audit Committee discussed the external auditor's performance with the Management Board without the presence of Deloitte Accountants. Succession of the audit lead was on the agenda as the reporting year 2019 will be the last audit lead for the current audit partner of Deloitte. The audit partner transition process has been initiated with the involvement of the Audit Committee, the Management Board and the director internal audit. The Audit Committee reported to the Supervisory Board on its deliberations and findings which were discussed by the Supervisory Board.

Remuneration, Selection and Appointment Committee

The Remuneration, Selection and Appointment Committee (**RemCo**) aids and advises the Supervisory Board on matters relating to the selection and appointment of the members of the Management Board and Supervisory Board. The RemCo further monitors and evaluates the remuneration policy for the Management Board. The RemCo consists of Jan van der Zouw (Chairman) and Martin van Pernis.

The role of the RemCo is described in its charter, which is part of the Supervisory Board rules available at aalberts.com/governance.
During the year, the RemCo met five times. The work they performed relating to the remuneration of the Management Board is further described in the remuneration report 2019 that has been prepared by the RemCo.

In 2019, the RemCo was involved in the appointment of the new CFO following the retirement of the previous CFO. The transition process was supported by the Supervisory Board, which resulted in a smooth transfer of responsibilities. The RemCo discussed succession planning of the Management board and decided to get more acquainted with the Executive Team and the head office team. Succession planning of the Supervisory Board was discussed as well and further steps were taken to allow for the nomination for an additional member of the Supervisory Board. A specific profile has been prepared in line with the Supervisory Board profile and diversity policy and a search has been started.

In view of the simplification and business focus of the updated organisation structure, it was decided to reduce the Management Board from three to two members effective from 1 January 2020. The previous Management Board member continues his role as Executive Director, part of the Executive Team.

appraisal of performance by the Management Board and the Supervisory Board

During a private meeting, the Supervisory Board evaluated and assessed its own performance, the performance of its committees and the individual members.

The evaluation of the Supervisory Board and its individual members took place by way of a special meeting. As preparation for the meeting a self-assessment questionnaire was used. Based on the filled-out questionnaires, each of the members were evaluated as well as the functioning of the total Supervisory Board and its committees. In addition, the Chairman held interviews with the Supervisory Board's individual members. Succession planning of the Supervisory Board was on the agenda of the Supervisory Board as well.

Outside the Management Board's presence, the Supervisory Board evaluated and assessed the performance of the Management Board and the individual members. In the opinion of the Supervisory Board, the Management Board performed its duties in 2019 in an excellent way.

The evaluation of the Management Board and its individual members took place by way of individual meetings with the Management Board as a total and with the individual members. Topics as communication with the Supervisory Board, individual targets, cooperation within the Management Board and the Executive Team, strategy towards stakeholders, as well as potential company risks were discussed.

financial statements 2019

The 2019 financial statements have been prepared by the Management Board and have been signed by the Management Board and the Supervisory Board. Page 142 of the financial statements includes the independent auditor's report from the external auditor Deloitte Accountants B.V. (Deloitte Accountants). The Management Board will present the 2019 financial statements to the General Meeting on 22 April 2020. The Supervisory Board advises the General Meeting to adopt these financial statements, including the proposed cash dividend of EUR 0.80 per share. The dividend payment percentage is approximately 33.3% of the net profit before amortisation. The payment of the dividend is entirely in cash.

external auditor

Deloitte Accountants was appointed external auditor for the reporting year 2020 at the General Meeting on 17 April 2019. In the discussion of the annual financial statements, the Supervisory Board was informed by the external auditor, Deloitte Accountants. Topics discussed included the 2019 audit plan, the management letter, early warning reports and the report to the Audit Committee, Supervisory Board and Management Board.

Utrecht, 26 February 2020

Martin van Pernis (Chairman)
Marjan Oudeman
Piet Veenema
Jan van der Zouw

remuneration report

For the evaluation of the remuneration of the Management Board, the Supervisory Board takes into account the short-term company performance for 2019 and the long-term Aalberts non-financial objectives and financial objectives 2018-2022. Despite more difficult market circumstances, Aalberts achieved a solid and resilient performance in 2019.

remuneration policy of the Management Board

The remuneration policy of the Management Board was last amended and approved by the General Meeting in 2010. There were no amendments to Aalberts' remuneration policy in 2019. The objective of the remuneration policy is to recruit, motivate and retain qualified and experienced directors with industry experience for the Management Board. The remuneration structure for the Management Board is aimed at the best possible balance between the company's short-term results and its long-term goals. The total remuneration of the Management Board members comprises the following components:

- a fixed base salary;
- a pension plan;
- variable remuneration in cash for achievements in the short-term (one year); and
- value remuneration in shares for achievements in the long-term (three years).

The aim is to achieve a good balance between fixed and variable remuneration and short-term and long-term remuneration.
The remuneration policy is currently under review in view of changes in Dutch law following implementation of the Shareholder Rights Directive II. An updated version will be presented to the annual General Meeting in 2020.

fixed and variable remuneration of the Management Board

The aggregate fixed and variable remuneration of the members of the Management Board for 2019 amounted to EUR 3.5 million (2018: EUR 4.2 million) and is determined in accordance with the remuneration policy. The remuneration of the individual Management Board members split out by component is reflected in the table on page 62.

application remuneration policy

In accordance with the Articles of Association, the remuneration of the Management Board members has been set by the Supervisory Board.
The remuneration of the individual Management Board members, including share-based remuneration, is in accordance with the remuneration policy. Scenario analyses have been performed in conformity with the Code and have been taken into account by setting the remuneration.

fixed remuneration

The fixed remuneration of the Management Board consists of a base salary and a pension plan.

base salary

Once a year, the Supervisory Board determines whether, and if so, to what extent the base salary will be adjusted, taking into account developments in the market, the reward structures of peer group companies, the results of Aalberts and the pay ratio within the Aalberts group.

pension plan

The Management Board members participate in a pension plan (average pay or defined contribution pension plan). The pension plan includes two contribution arrangements, dependent on annual pensionable salary levels:

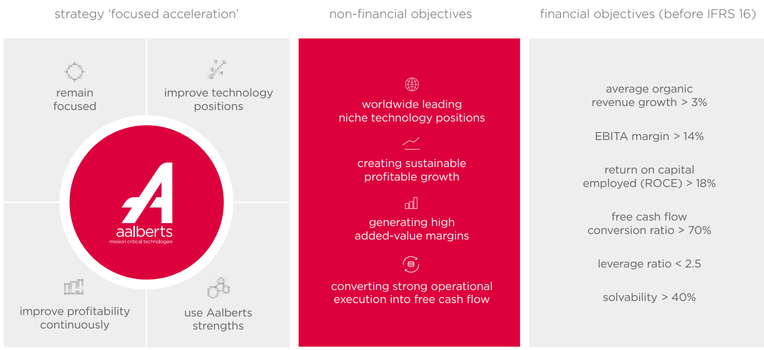
- basic arrangements for that part of the annual pensionable salary up to EUR 107,593 (2019);
- net surplus arrangement for that part of the annual pensionable salary above EUR 107,593. The employer contributions to this arrangement are made to participants in the form of gross cash compensation subject to tax withholdings, which can be used to fund a voluntary net defined contribution plan.

Management Board members pay one-third of the contribution for the basic arrangements.

non-fixed remuneration

The non-fixed remuneration consists of variable remuneration in the form of short-term incentives (**STI**) and value remuneration in the form of long-term incentives (**LTI**) and is an important component of the remuneration package. The distribution between the STI and the LTI aims to achieve an optimal balance between short-term result and long-term value creation. The non-fixed remuneration relates to the 5-year business plan of Aalberts as reflected in the non-financial and financial objectives 2018-2022 under the strategy ‘focused acceleration’. The Aalberts 5-year business plan is based on the plans of the business teams, which are discussed and evaluated each year with the Management Board during the strategy & forecast meetings.

The Aalberts non-financial objectives and financial objectives 2018-2022 (the **Aalberts Strategic Objectives**) are the following:



name and position of Management Board member	fixed remuneration		variable remuneration	total remuneration	value remuneration	
	base salary (in EUR 1,000)	pension plan (in EUR 1,000)	STI* (in EUR 1,000)	(in EUR 1,000)	LTI** (in number of shares)	proportion of variable remuneration (in %)
Wim Pelsma (CEO)	780	154	507	1,441	0	35.2
Arno Monincx (CFO)	450	72	293	815	0	36.0
Oliver Jäger (member of the Management Board until 31 December 2019)	510	0	332	842	0	39.4
John Eijgendaal (CFO until 17 April 2019)	205	37	154	396	0	38.9
Total	**1,945**	**263**	**1,286**	**3,494**	**0**	**36.8**

* The STI is reflected in this table as the STI awarded over the financial year 2019.

** The LTI is reflected in this table as the number of shares vested in 2019 under the current PSPs.

short-term incentives (STI)

The STI is an important component of the remuneration package to reward short-term performance in line with the long-term Aalberts Strategic Objectives, combined with additional individual non-financial performance goals. The Supervisory Board sets the yearly financial targets based on the targets for that year, in line with the Aalberts Strategic Objectives and the individual non-financial targets at the beginning of each financial year and these are evaluated in a personal conversation after the end of each financial year. The individual non-financial criteria are not disclosed, as these qualify as commercially sensitive information. Depending on the level of achievement of the targets, the STI can add from a minimum of 0% up to a maximum of 75% to the base salary.

The Supervisory Board has established the extent to which the STI targets set for 2019 has been achieved, resulting in an average overall achievement of 87%. In accordance, the STI awarded over the financial year 2019 is 65% of the base salary.

long-term incentives (LTI)

The value remuneration in the long-term for performance of Management Board members is in the form of a conditional awarding of shares. Under the Performance Share Plan (**PSP**), shares will conditionally be granted to Management Board members. Vesting of these shares is conditional on the achievement of certain predetermined performance targets at the end of a three-year period. The long-term performance criteria attached to the granting of the performance shares relate to the implementation of the Aalberts Strategic Objectives over a three-year period (the **performance period**). The Supervisory Board determines upfront how many shares will be conditionally awarded to the Management Board members. The vesting of the performance shares is subject to the achievement of the company's average growth of the earnings per share before amortisation (**EPS**) over the performance period, in accordance with the vesting schedule as included in the PSP. The vesting schedule reflects that the actual number of performance shares to be released after the performance period can be a number between 0% and 125% of the shares that have been conditionally awarded.

Shares awarded conditionally must be held for at least five years (three years vesting period plus two years holding period) or until the end of the employment contract, if this is sooner. Given this five-year period Management Board members are driven and motivated to contribute to the realisation of the Aalberts Strategic Objectives, creating long-term value creation for the stakeholders of Aalberts. Upon the release of the performance shares, personal tax and social contribution obligations arise for the Management Board members. The holding period of five years does not apply if the shares are sold to pay these tax and social contribution obligations.

Wim Pelsma (CEO) held a total number of 120,075 (2018: 114,075) ordinary shares in Aalberts at year-end. Of this number 19,000 shares are subject to a holding period of 2 years pursuant to the vesting and release of shares in 2018 under the PSP 2015-2017. The number of conditional performance share awards that were granted in 2019 (PSP 2019-2021) amounted to 35,000 shares for which kEUR 213 was charged to the income statement. It is expected that 83% of the 35,000 conditional shares that were granted in 2017 (PSP 2017-2019) will vest in April 2020 for which kEUR 228 (2018: kEUR 413) was charged to the income statement.

Arno Monincx (CFO) held a total of 6,250 (2018: 6,250) ordinary shares in Aalberts at year-end. These 6,250 shares are subject to a holding period of 2 years pursuant to the vesting and release of shares in 2018 under the PSP 2015-2017. The number of conditional performance share awards that were granted in 2019 (PSP 2019-2021) amounted to 15,000 shares for which kEUR 91 was charged to the income statement. It is expected that 83% of the 15,000 conditional shares that were granted in 2017 (PSP 2017-2019) will vest in April 2020 for which kEUR 98 (2018: kEUR 177) was charged to the income statement.

John Eijgendaal (CFO until April 2019) held a total of 170,000 (2018: 170,000) ordinary shares in Aalberts at year-end. Of this number, 18,007 shares are subject to a holding period of 2 years pursuant to the vesting and release of shares in 2018 under the PSP 2015-2017.

Oliver Jäger (member of the Management Board until 31 December 2019) held a total of 31,807 (2018: 30,807) ordinary shares in Aalberts. Of this number 18,750 shares are subject to a holding period of 2 years pursuant to the vesting and release of shares in 2018 under the PSP 2015-2017. The number of conditional performance share awards that were granted in 2019 (PSP 2019-2021) amounted to 15,000 shares for which kEUR 91 was charged to the income statement. It is expected that 83% of the 15,000 conditional shares that were granted in 2017 (PSP 2017-2019) will vest in April 2020 for which kEUR 98 (2018: kEUR 177) was charged to the income statement.

The total remuneration of the members of the Management Board for 2019, including the amounts charged to the income statement for the LTI, amounted to EUR 4.3 million (2018: EUR 6.1 million).

sustainable profitable growth

The Supervisory Board took note of the individual Management Board members' views with regard to the amount and structure of their own remuneration. Within the framework of the Code and the best practice principles contained therein, the Supervisory Board has implemented the remuneration policy in line with the strategy, long-term value creation objectives, risks and (non-)financial objectives of Aalberts.

The Supervisory Board believes that the total remuneration package is a sound balance to realise the Aalberts Strategic Objectives. The remuneration package encourages the Management Board members to deliver solid results every year and to relentlessly execute the Aalberts strategy 'focused acceleration' 2018-2022.

pay ratio

Aalberts' personnel expenses are specified in note 22 of the financial statements and include wages and salaries, social security charges, defined benefit plans, defined contribution plans and other expenses related to employees. For the calculation of the average employee compensation, the LTI and the total remuneration of the members of the Management Board are excluded from these expenses. For the calculation of the pay ratio as prescribed by the Code, the average annual compensation for the Management Board members is based on salary, pension contribution and STI and excludes the LTI.

As a result, the pay ratio in 2019 was 20.4 (2018: 21.5).

comparative information

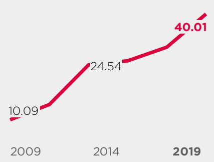
The table on page 65 provides information on the annual change of remuneration of each individual member of the Management Board, of the performance of the company and of average remuneration on a full-time equivalent basis of employees of the company other than Management Board members over the five most recent financial years.

	2015		2016		2017		2018		2019	
annual change	fixed and STI (in EUR 1,000)	LTI* (in number of shares)	fixed and STI (in EUR 1,000)	LTI* (in number of shares)	fixed and STI (in EUR 1,000)	LTI* (in number of shares)	fixed and STI (in EUR 1,000)	LTI* (in number of shares)	fixed and STI (in EUR 1,000)	LTI* (in number of shares)
Management Board member remuneration										
W.A. Pelsma (CEO)	1,129	0	1,301	14,600	1,371	0	1,441	37,500	1,441	0
A.R. Monincx (CFO) (as from 1 May 2017)	–	–	–	–	455	0	794	12,500	815	0
O.N. Jäger (until 31 December 2019)	683	0	770	7,300	805	0	857	18,750	842	0
J. Eijgendaal (CFO until 17 April 2019)	997	0	1,028	14,600	1,085	0	1,140	31,250	396	–
company performance										
organic revenue growth %	1.1		1.1		5.5		4.6		1.1	
EBITA	272		298		336		366		363	
EPS	1.72		1.92		2.15		2.49		2.42	
FCF	243		273		310		312		312	
average remuneration on a full-time equivalent basis of employees										
employees of the group	47.9		47.7		48.1		49.2		51.4	

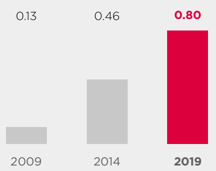
* LTI is reflected in this table as number of shares vested under a PSP in the relevant financial year.

The KPI and share price development over a 10-years period is as follows:

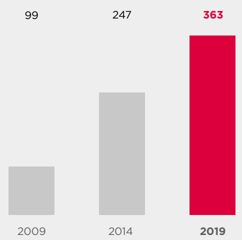
share price
(in EUR)



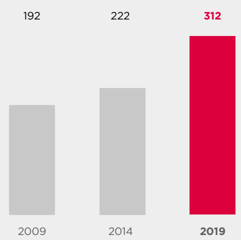
dividend per share
(in EUR)



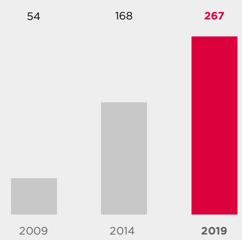
operating profit (EBITA)
(in EUR million)



free cash flow (before interest and tax)
(in EUR million)



net profit (before amortisation)
(in EUR million)



miscellaneous
In the context of the Dutch Claw Back Act, the Supervisory Board saw no reason to revise an incentive prior to payment nor to claw back an incentive. There are no specific arrangements for early termination of employment and resignation of the members of the Management Board. Aalberts did not provide any loans to Management Board members.

update
Each year, the Supervisory Board reviews the Management Board remuneration policy and assesses its alignment with the market in more detail. An updated version of this policy will be submitted to the General Meeting in 2020.

remuneration policy Supervisory Board
The current amounts of the general fee, the committee fees and the chairmanship fee are approved by the General Meeting on 18 April 2017 and effective as per 1 April 2017.

The total remuneration of the Supervisory Board members comprises of the following components:

	EUR
a general fee for membership of the Supervisory Board	45,000
a committee membership fee / a committee chairmanship fee	5,000 / 10,000
a fee for chairmanship of the Supervisory Board	15,000

remuneration Supervisory Board (amounts in EUR 1,000)
The following fixed individual remuneration were paid members of the Supervisory Board in accordance with the remuneration policy.
The table also reflects the annual change of remuneration of each individual member of the Supervisory Board over the five most recent financial years. Information on performance of the company and average remuneration of employees is provided on page 65.

	2019	2018	2017	2016	2015
M.C.J. van Pernis	65	65	58	40	40
M.J. Oudeman	55	55	39		
P. Veenema	50	50	46	30	
J. van der Zouw	55	55	49	40	30
Total	**225**	**225**			

No loans, advances or guarantees have been granted to the members of the Supervisory Board. No options have been granted to members of the Supervisory Board and at year-end they did not hold any shares in Aalberts.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financial statements

1. Consolidated balance sheet (before profit appropriation)

in EUR million	Notes	31-12-2019	31-12-2018
ASSETS			
Intangible assets	10	1,319.8	1,234.8
Property, plant and equipment	11	874.3	818.2
Right-of-use assets	12	173.7	-
Deferred income tax assets	18	14.7	15.1
Total non-current assets		**2,382.5**	**2,068.1**
Inventories	13	626.0	613.7
Trade receivables	14	338.5	342.9
Current income tax receivables		6.3	13.1
Other current assets	15	53.8	56.4
Cash and cash equivalents	17.3	58.5	53.7
Total current assets		**1,083.1**	**1,079.8**
TOTAL ASSETS		**3,465.6**	**3,147.9**
EQUITY AND LIABILITIES			
Shareholders' equity	4/16	1,809.8	1,651.6
Non-controlling interests	4/16	28.0	24.2
Total equity	4/16	**1,837.8**	**1,675.8**
Non-current borrowings	17	581.9	459.5
Deferred income tax liabilities	18	122.2	117.0
Employee benefit plans	19.1	76.1	69.6
Other provisions and non-current liabilities	19.2	12.8	27.9
Total non-current liabilities		**793.0**	**674.0**
Current borrowings	17.3	64.7	52.2
Current portion of non-current borrowings	17	166.4	128.0
Trade and other payables	20	403.9	417.2
Current income tax payables		32.0	39.2
Other current liabilities	21	167.8	161.5
Total current liabilities		**834.8**	**798.1**
TOTAL EQUITY AND LIABILITIES		**3,465.6**	**3,147.9**

2. Consolidated income statement

in EUR million	Notes	2019	2018
REVENUE	9	**2,841.3**	**2,758.9**
Raw materials and work subcontracted	13	(1,056.7)	(1,033.3)
Personnel expenses	22	(856.4)	(816.5)
Amortisation of intangible assets	10	(41.7)	(36.7)
Depreciation of property, plant and equipment	11	(95.7)	(95.9)
Depreciation of right-of-use assets	12	(35.1)	-
Other operating expenses	23	(434.8)	(447.7)
Total operating expenses		**(2,520.4)**	**(2,430.1)**
OPERATING PROFIT		**320.9**	**328.8**
Net finance cost	24	(23.2)	(22.4)
PROFIT BEFORE INCOME TAX		**297.7**	**306.4**
Income tax expense	25	(68.2)	(65.6)
PROFIT AFTER INCOME TAX		**229.5**	**240.8**
Attributable to:			
Shareholders	4	225.7	238.2
Non-controlling interests	4	3.8	2.6
PROFIT AFTER INCOME TAX		**229.5**	**240.8**
Earnings per share (in EUR)			
Basic	26	2.04	2.15
Diluted	26	2.03	2.15
Earnings per share before amortisation (in EUR)			
Basic	26	2.42	2.49
Diluted	26	2.41	2.48

3. Consolidated statement of comprehensive income

in EUR million	Notes	2019	2018
Profit for the period		**229.5**	**240.8**
Other comprehensive income:			
Remeasurements of employee benefit obligations	19.1	(7.2)	(1.2)
Income tax effect on remeasurements of employee benefit obligations	18	1.7	0.2
Other income tax effects	18	(0.2)	(0.4)
Other comprehensive income that will not be reclassified to profit or loss		**(5.7)**	**(1.4)**
Currency translation differences	4	20.1	0.9
Fair value changes of derivative financial instruments	21	(2.6)	(1.6)
Income tax effect on fair value changes of derivative financial instruments	18	0.7	0.4
Other comprehensive income that may subsequently be reclassified to profit or loss		**18.2**	**(0.3)**
Total other comprehensive income	4	**12.5**	**(1.7)**
TOTAL COMPREHENSIVE INCOME	4	**242.0**	**239.1**
Attributable to:			
Shareholders		238.0	237.2
Non-controlling interests		4.0	1.9
TOTAL COMPREHENSIVE INCOME		**242.0**	**239.1**

4. Consolidated statement of changes in equity

in EUR million	Issued and paid-up share capital	Share premium account	Currency translation reserve	Hedging reserve	Retained earnings	**Share-holders' equity**	Non-controlling interests	**Total equity**
AS AT 1 JANUARY 2018	**27.6**	**200.8**	**(44.0)**	**(1.1)**	**1,307.0**	**1,490.3**	**22.4**	**1,512.7**
Profit for the period	–	–	–	–	238.2	**238.2**	2.6	**240.8**
Other comprehensive income	–	–	1.6	(1.2)	(1.4)	**(1.0)**	(0.7)	**(1.7)**
Total comprehensive income	**–**	**–**	**1.6**	**(1.2)**	**236.8**	**237.2**	**1.9**	**239.1**
Dividend 2017	–	–	–	–	(71.9)	**(71.9)**	(0.1)	**(72.0)**
Share based payments	–	–	–	–	(4.0)	**(4.0)**	–	**(4.0)**
AS AT 31 DECEMBER 2018	**27.6**	**200.8**	**(42.4)**	**(2.3)**	**1,467.9**	**1,651.6**	**24.2**	**1,675.8**
AS AT 1 JANUARY 2019	**27.6**	**200.8**	**(42.4)**	**(2.3)**	**1,467.9**	**1,651.6**	**24.2**	**1,675.8**
Profit for the period	–	–	–	–	225.7	**225.7**	3.8	**229.5**
Other comprehensive income	–	–	19.9	(1.9)	(5.7)	**12.3**	0.2	**12.5**
Total comprehensive income	**–**	**–**	**19.9**	**(1.9)**	**220.0**	**238.0**	**4.0**	**242.0**
Dividend 2018	–	–	–	–	(82.9)	**(82.9)**	(0.2)	**(83.1)**
Share based payments	–	–	–	–	3.1	**3.1**	–	**3.1**
AS AT 31 DECEMBER 2019	**27.6**	**200.8**	**(22.5)**	**(4.2)**	**1,608.1**	**1,809.8**	**28.0**	**1,837.8**

5. Consolidated cash flow statement

in EUR million	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit	2	320.9	328.8
Adjustments for:			
Amortisation of intangible assets	10	41.7	36.7
Depreciation of property, plant and equipment	11	95.7	95.9
Depreciation of right-of-use assets	12	35.1	-
Result on sale of equipment		(3.1)	1.1
Changes in provisions		(10.0)	(21.6)
Changes in inventories		(3.7)	(66.9)
Changes in trade and other receivables		39.7	14.3
Changes in trade and other payables		(51.2)	38.3
Changes in working capital		**(15.2)**	**(14.3)**
CASH FLOW FROM OPERATIONS		**465.1**	**426.6**
Finance cost paid		(20.2)	(19.2)
Income taxes paid		(67.1)	(85.6)
NET CASH GENERATED BY OPERATING ACTIVITIES		**377.8**	**321.8**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	29.2	(127.3)	(165.8)
Disposal of subsidiaries	29.5	16.7	34.3
Purchase of property, plant and equipment	11	(144.0)	(128.1)
Purchase of intangible assets	10	(13.7)	(8.0)
Proceeds from sale of equipment		4.7	21.6
NET CASH GENERATED BY INVESTING ACTIVITIES		**(263.6)**	**(246.0)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from non-current borrowings	17	121.9	169.6
Repayment of non-current borrowings	17	(127.8)	(139.4)
Lease payments	17	(34.7)	-
Dividends paid	16.4	(82.9)	(71.9)
Settlement of share based payment awards and other	16.3	(0.2)	(7.1)
NET CASH GENERATED BY FINANCING ACTIVITIES		**(123.7)**	**(48.8)**

in EUR million	Notes	2019	2018
NET INCREASE/(DECREASE) IN CASH AND CURRENT BORROWINGS		**(9.5)**	**27.0**
Cash and current borrowings at beginning of period		1.5	(19.7)
Net increase/(decrease) in cash and current borrowings		(9.5)	27.0
Currency translation differences on cash and current borrowings		1.8	(5.8)
CASH AND CURRENT BORROWINGS AS AT END OF PERIOD	17.3	**(6.2)**	**1.5**
Cash	17.3	58.5	53.7
Current borrowings (excluding current portion of non-current borrowings)	17.3	(64.7)	(52.2)
CASH AND CURRENT BORROWINGS AS AT END OF PERIOD	17.3	**(6.2)**	**1.5**

6. General information

Aalberts N.V. **(the Company** and together with its subsidiaries **Aalberts** or **the Group)** is a technology company and builds leading niche market positions in defined businesses focusing on four end markets. Aalberts N.V. has been listed on Euronext Amsterdam (ticker symbol: AALB.AS) since March 1987 and is included in the AEX index since 23 March 2015. The head office is based in Utrecht, the Netherlands. Aalberts operates approximately 70 business locations and 80 service locations with activities in over 50 countries, divided in the activities installation technology, material technology, climate technology and industrial technology.

Installation technology develops, designs and manufactures piping systems to distribute and regulate water or gas flows in heating, cooling, water, gas and sprinkler systems in eco-friendly buildings and industrial niches.

Material technology offers an extensive range of surface technologies utilising a global network of service locations with excellent local knowledge to customers active in sustainable transportation and industrial niches.

Climate technology develops, manufactures and monitors hydronic flow control systems for heating and cooling in eco-friendly buildings to improve the energy efficiency.

Industrial technology develops, engineers and manufactures technologies to regulate and control fluids under severe and critical conditions for sustainable transportation and industrial niches and advanced mechatronics solutions for worldwide active OEMs in semicon efficiency.

Aalberts has been incorporated and domiciled in Utrecht, the Netherlands. The address of the Company's registered office is WTC Utrecht, Stadsplateau 18 in Utrecht. The Company is registered in the Trade Register of Utrecht under No. 30089954.

The consolidated IFRS financial statements of the Group for the year ended 31 December 2019 comprise the Company and its subsidiaries.
The financial statements were signed and authorised for issue by the Management Board and Supervisory Board on 26 February 2020.

The Management Board released the full-year results on 27 February 2020. The adoption of the financial statements and the dividend are reserved for the shareholders in the General Meeting on 22 April 2020.

7. Summary of significant accounting policies

7.1 Basis for preparation

The Group has prepared the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 2 Book 9 of the Dutch Civil Code.

The financial statements are presented in EUR million, unless otherwise stated. The financial statements are prepared on the historical cost basis, except for derivative financial instruments and defined benefit plan assets which are stated at their fair value. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 7.26.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share based payment transactions that are within the scope of IFRS 2 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value-in-use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:
- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

This is the first set of consolidated financial statements in which IFRS 16 Leases have been applied. Changes to new and revised International Financial Reporting Standards are described in note 7.2.

7.2 Application of new and revised International Financial Reporting Standards

IFRS 16

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019. The Group has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new lease accounting policies are disclosed in note 7.9.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 1.7%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- not reassessing whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and 'Interpretation for Determining whether an Arrangement contains a Lease'.

Measurement of lease liabilities

The lease liability recognised as at 1 January 2019 is as follows derived from the operating lease commitments disclosed as at 31 December 2018:

Operating lease commitments disclosed as at 31 December 2018	172.2
Less: adjustment for lease contracts not commenced as at 1 January 2019	(14.1)
Subtotal	**158.1**
Discounted using the lessee's incremental borrowing rate at 1 January 2019	(10.6)
Add: finance lease recognised as at 31 December 2018	9.3
Less: short-term leases not recognised as a liability	(2.9)
Lease liability recognised as at 1 January 2019	**153.9**

Measurement of right-of-use assets

All right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	Notes	Carrying value 31-12-2018	IFRS 16 impact	Carrying value 1-1-2019
Right-of-use assets	12	–	155.6	155.6
Property, plant and equipment (transfer of previous finance leases)	11	818.2	(11.0)	807.2
Assets		**818.2**	**144.6**	**962.8**
Lease liabilities	17	–	153.9	153.9
Finance leases	17	9.3	(9.3)	–
Liabilities		**9.3**	**144.6**	**153.9**
Equity	4	**1,675.8**	**–**	**1,675.8**

The change in accounting policy did not impact equity at the initial application date because the right-of-use assets were equally valued to the lease liabilities for an amount of EUR 144.6 million. In addition, the finance leases and the related property, plant and equipment were transferred at their carrying amounts as at 31 December 2018.

The right-of-use assets and lease liabilities have been disclosed in note 12 and 17 respectively.

As a result of the adoption of IFRS 16, the key figures are impacted as follows:

Impact adoption IFRS 16	2019 before IFRS 16	Adoption IFRS 16	2019 as reported
EBITDA	459.5	33.9	493.4
EBITA	361.9	0.7	362.6
Net interest expense	(20.1)	(2.6)	(22.7)
Income tax expense	(68.7)	0.5	(68.2)
Net profit before amortisation	268.8	(1.4)	267.4
Net debt	587.9	166.6	754.5
Total assets	3,300.4	165.2	3,465.6
Total equity as a % of total assets	55.7	(2.7)	53.0
Leverage ratio	1.3	0.2	1.5
Return on capital employed	15.1	(1.0)	14.1

Other changes in standards

The following changes in the IFRS standards are effective from 1 January 2019, but these changes do not have a material effect on the total equity attributable to shareholders or results of the Group:

IFRS	Topic	Effective date
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IAS 19	Plan Amendment, Curtailment and Settlement	1 January 2019
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 cycle	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

In addition, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS	Topic	Effective date
Amendments to IAS 1 and IAS 8	Definition of materiality	1 January 2020
Amendments to IFRS 3	Definition of a business	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform	1 January 2020
Amendments to Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2022

The adoption of these changes is expected not to have a material effect on the total equity attributable to shareholders or results of the Group in future periods.

7.3 Basis for consolidation

7.3.1 Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

7.3.2 Business combinations

Business combinations are accounted for using the acquisition method. This means that at the time of acquisition the identifiable assets and liabilities of the acquiree are included at their fair value, considering any contingent liabilities, indemnification assets, reacquired rights and the settlement of existing clients with the acquired group company. The purchase consideration is set at the payment transferred and consists of the fair value of all assets transferred, obligations entered into and shares issued in order to obtain control of the acquired entity. This includes an estimate if the conditional purchase consideration.

Any contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

All identifiable intangible assets of the acquired company are recorded at fair value. Intangible assets are separately identified and valued. An asset is identifiable when it either arises from contractual or other legal rights or if it is separable. An asset is separable if it can be sold on its own or with other assets. The transferred payment is allocated across the fair value of all assets and liabilities with any residual allocated to goodwill. Excess of the acquirer's interest in the net fair value of the acquired identifiable assets over the fair value of the payment is recognised immediately in the statement of comprehensive income.

Acquisition-related costs are expensed as incurred.

The accounting of non-controlling interests is determined per transaction. The non-controlling interests are valued either at the fair value on the acquisition date or at a proportionate part of the acquiree's identifiable assets and liabilities. If an acquisition is affected by consecutive purchases (step acquisition) the identifiable assets and liabilities of the acquiree are included at their fair value once control is acquired. Any profit or loss pursuant to the difference between the fair value of the interest held previously in the acquiree and the carrying amount is included in the income statement.

Acquired group companies are included in the consolidation once a controlling interest has been acquired.

7.3.3 Intercompany and related party transactions

The Management Board and Supervisory Board of the Group, and the Aalberts' pension funds have been identified as related parties. Transactions with the Management Board and the Supervisory Board only consist of remuneration and dividends. Intercompany and related party transactions are determined on an arm's length basis. Transactions between group companies including unrealised gains on these transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

7.4 Foreign currency transactions and translation

7.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Euros, which is the presentation currency of the Group and the functional currency of the parent company Aalberts N.V.

7.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions (spot rate). Foreign currency exchange gains and losses resulting from the settlement of financial transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

A summary of the main currency exchange rates applied in the year under review and the preceding year reads as follows:

Currency exchange rates		**1 British pound** (GBP) = EUR	**1 US dollar** (USD) = EUR
2019	Year-end	1.183	0.892
2019	Average	1.140	0.894
2018	Year-end	1.113	0.872
2018	Average	1.129	0.850

7.4.3 Group companies
The results and financial position of all the group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in equity through other comprehensive income.

This is also applicable to currency translation differences on intercompany loans which are treated as investments in foreign activities. On the disposal of a foreign operation, all the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

7.5 Offsetting financial instruments
If Aalberts has a legal right to offset financial assets with financial liabilities and if Aalberts intends either to settle on a net basis or to realise the asset and settle the liability simultaneously, financial assets and liabilities are presented in the statement of financial position as a net amount.

7.6 Segment reporting
Operational segment reporting is performed consistently with the internal reporting as provided to the Management Board (the chief operating decision maker). The Management Board is responsible for the allocation of the available resources, the assessment of the operational results and strategic decisions.

7.7 Intangible assets

7.7.1 Goodwill
Goodwill represents the excess of the costs of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is allocated to cash generating units, being the parts of the segments benefiting from the business combination in which the goodwill arose. Goodwill is not amortised but is tested annually for impairment, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit and loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

7.7.2 Software
Acquired software is capitalised and stated at cost less accumulated amortisation and impairment losses. Software is amortised over the estimated useful life, normally 3 to 5 years.

7.7.3 Research and development
Expenditure on research and development activities, undertaken with the prospect of gaining new technical knowledge and new commercially feasible products is recognised in the income statement.
An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

After initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

7.7.4 Other intangible assets
Other intangible assets include brand names, customer base and technology. Intangible assets that are acquired through acquired companies are initially valued at fair value. This fair value is subsequently treated as deemed cost. These identifiable intangibles are then systematically amortised over the estimated useful life which is between 10 and 20 years.

7.7.5 Subsequent expenditure
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

7.7.6 Amortisation
The straight-line amortisation method is used, based on the estimated useful life of the intangible asset. The amortisation period and the amortisation method have been reviewed at least at each financial year-end. If the expected useful life of the intangible asset was significantly different from previous estimates, the amortisation period has been changed accordingly. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

7.8 Property, plant and equipment

7.8.1 Valuation
Property, plant and equipment are stated at cost less accumulated depreciation based on the estimated useful life of the assets concerned and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of directly attributable overheads.

7.8.2 Subsequent expenditure
The Group recognises in the net book amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

All other costs such as repair and maintenance costs are recognised in the income statement as an expense as incurred. The difference between opening and closing balance of assets under construction normally consists of additions and reclassifications to other categories of property, plant and equipment.

7.8.3 Depreciation
For depreciation, the straight-line method is used. The useful life and residual value are reviewed periodically through the life of an asset to ensure that it reflects current circumstances. Depreciation will be applied to property, plant and equipment as soon as the assets are put into operation. The following useful lives are used for depreciation purposes:

Category	Useful life (minimum)	Useful life (maximum)
Land	Infinite	Infinite
Buildings	5 years	40 years
Plant and equipment	3 years	15 years
Other	3 years	5 years

7.8.4 Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

7.9 Leases
The Group leases various production facilities, machinery and equipment, warehouses and company cars.

Lease accounting under IAS 17
Until 31 December 2018, leases were accounted for under IAS 17 and were classified as either finance leases or operating leases.

Leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (note 17). Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

Lease accounting under IFRS 16
From 1 January 2019, the Group has changed its accounting policy for leases where the Group is the lessee. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Non-lease components are included in the lease liability for company cars, however are excluded for other lease categories.

7.9.1 Lease liability
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments, less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Rental contracts are typically made for fixed periods, but may have extension or termination options. Lease payments to be made under reasonably certain extension options are also included (termination options: excluded) in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Aalberts, which does not have recent third party financing, and makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payment of principal amounts are included in the cash flow from financing activities, while payments of interest are included in the cash flow from operating activities.

7.9.2 Right-of-use asset

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

7.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair-value-less-costs-of-disposal and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

7.11 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditures, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is calculated by using a weighted average cost formula or on a first-in-first-out basis. Borrowing costs are excluded from the cost of inventories.

7.12 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are initially recognised at the transaction price. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Amortised cost is reduced by impairment losses.

7.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows cash and cash equivalents comprise cash balances, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management and are shown within current borrowings in the balance sheet.

7.14 Equity

Share capital is classified as equity.

Dividend distribution to the shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders, on or before the end of the reporting period but not distributed at the end of the reporting period.

7.15 Share based payments (performance share plan)

A limited number of executives of the Group are given the opportunity to participate in a long-term equity-settled incentive plan. The fair value of the rights to shares is expensed on a straight-line basis over the vesting period with a corresponding increase in equity. The total amount taken into account is determined based on the fair value of the shares as determined on the grant date without taking into account the non-market related performance criteria and continued employment conditions ('vesting conditions'). These vesting conditions are included in the expected number of shares that will be vested and this estimate will be revised at the end of each reporting period.
The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the other reserves.

7.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.
Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

7.17 Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

7.17.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which an applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.
Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

7.17.2 Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The deferred tax asset is recognised for the carry-forward of unused tax losses, unused tax credits and deductible temporary differences to the extent that these can be offset by probable future taxable profits. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax asset will be realised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances of an entity relate to the same taxation authority, or for different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

7.18 Employee benefits

7.18.1 Short-term employee obligations

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs and involves the payment of termination benefits.

7.18.2 Post-employment obligations

The Group has a number of pension plans in accordance with local conditions and practices. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Mainly in the UK, Germany, France, Italy and Norway, the plans are partly defined benefit plans. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurements, including actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are recognised in other comprehensive income and therefore immediately charged or credited to equity. The service costs including past service costs and the impact of curtailments and settlements are recognised as personnel expenses. The interest expenses are recognised as net interest expenses on employee benefit plans as part of net finance cost. Curtailment gains and losses are accounted for as past service costs.

7.19 Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.
Provisions have been made in connection with liabilities related to normal business operations, these comprise mainly restructuring and environmental restoration.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. Provisions are not recognised for future operating losses.

7.20 Trade and other payables

Trade and other payables are payables arising from the Group's normal business operations and are mainly current.

7.21 Revenue recognition

The Group recognises revenue to represent the transfer of promised goods or services to customers in an amount that reflects the amount to which the entity expects to be entitled in exchange for those goods or services.

The Group applies the 5-step approach to recognise revenue and recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Determining the timing of the transfer of control – at a point in time or over time – requires judgement. If one of the following criteria are met, then the Group recognises revenue over time:

a. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
b. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
c. The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In these cases, a method that follows its performance is used to reflect the pattern of transfer of control of the good or service to the customer (e.g. milestones reached, or costs incurred to date). If none of these criteria are met, the Group considers the control being transferred to the customer at a point in time and the Group recognises revenue at that point in time.

The following is a description of the activities where the Group generates revenue, including the nature and timing of satisfaction of the performance obligations. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (see note 9).

- Within installation technology, climate technology and the main part of industrial technology the revenue is related to the sale of goods. Revenue is recognised for each separate performance obligation when control over the corresponding goods is transferred to the customer and in accordance with the applicable incoterms;
- Within material technology and some parts of other businesses the Group is involved in performing several services under one contract. If the services under a single arrangement are rendered in different reporting periods then the consideration is allocated on a relative fair value basis between the different services. Revenue is recognised at a point in time since none of the criteria to recognise revenue over time are met. The customer can only benefit from the services rendered after Group's performance and not when the performance is delivered;
- For some made-to-order product contracts within industrial technology, the customer controls the work in progress during manufacturing. When this is the case, revenue is recognised as the products are being manufactured. This results in revenue for these contracts being recognised over time.

The transaction price allocated to (partially) unsatisfied performance obligations at period end date are limited given the nature and timing of satisfaction of the performance obligations as described above. Contract balances and relevant disclosures are limited to receivables and are described as 'trade receivables' in note 14.

7.22 Other income

Other income is income not related to the key business activities of the Group or relates to incidental and/or non-recurring items, like income from the sale of non-monetary assets and/or liabilities, commissions from third parties, government grants and insurance amounts received. Grants from the government are recognised at fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all related conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match the costs they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are deducted from the carrying amount of that property, plant and equipment. Insurance amounts received relate to business interruption insurance and to the excess amounts received above the net book value of the lost assets.

7.23 Net finance cost

Interest expense and income on current and non-current borrowings, foreign currency exchange results and fair value changes on derivative financial instruments are recognised in the income statement in net finance cost if no hedge accounting is applied. Results from derivative financial instruments for which hedge accounting is applied are brought from equity to net finance cost upon expiration and in relation with the hedged item.

7.24 Cash flow statement

The cash flow statement is drawn up using the indirect method. The cash paid for the acquired Group companies, less the available cash, is recorded under cash flow from investing activities. The changes in assets and liabilities because of acquisitions are eliminated from the cash flows arising from these assets and liabilities. These changes have been incorporated in the cash flow from investment activities under 'Acquisition of subsidiaries'. The net cash flow consists of the net change of cash and current borrowings in comparison with the previous year.

7.25 Derivatives and hedging activities

The Group enters into a variety of derivative financial instruments to manage its exposure to commodity and foreign exchange rate risks. Derivatives are stated at fair value. The change in fair value is included in net finance cost if no hedge accounting is applied. Fair value changes for derivatives which are accounted for under cash flow hedges are added or charged through the total comprehensive income into equity, taking taxation into account. Upon expiration the result from derivatives is brought to the income statement in association with the hedged items.

The Group uses financial instruments like interest rate swaps, currency contracts and commodity futures to hedge cash flow risks from non-current borrowings, foreign currency exchange and commodity prices. In accordance with its treasury policy, the Group neither holds nor issues derivate financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Changes in the fair value of these financial instruments are recognised immediately in the income statement. However, where the derivatives qualify for hedge accounting, recognition of any resulting gain or loss depends on the nature of the item being hedged. The valuation of the fair value is derived from observable market information.

If a derivative financial instrument is designated as a hedge against the variability in the cash flows of a recognised asset, liability or highly probable forecasted transaction, the effective part of the hedge is recognised through the total result into equity. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or liability, the associated gain or loss that was recognised directly in equity is brought to the income statement.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from the economic relationship; and
- the hedge ration of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ration but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item. However, when the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income ('FVTOCI'), the fair value change is recognised in other comprehensive income.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately in profit or loss.

7.26 Critical accounting estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenues and expenses. The estimates and assumptions are based on experience and factors that are believed to be reasonable under circumstances. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The accounting policies have been consistently applied by Group entities to all periods presented in these consolidated financial statements.

7.26.1 Impairments of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 7.7.1. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The impairment model used is the discounted cash flow method using a weighted average cost of capital (WACC).
The determination of useful lives and residual values require the use of estimates. Details on the impairment tests performed are stated in note 10.1.

7.26.2 Estimated useful lives and residual values

For depreciation and amortisation, the straight-line method is used. The useful life and residual value of property, plant and equipment and intangible assets are reviewed periodically during the life of the asset to ensure that it reflects current circumstances.

7.26.3 Pension plans

Since the Group is dealing with long-term obligations and uncertainties, assumptions are necessary for estimating the amount the Group needs to invest to provide those benefits. Actuaries calculate the defined benefit obligation partly based on information from management such as future salary increase, the rate of return on plan investments, mortality rates, and the rates at which plan participants are expected to leave the pension plans because of retirement, disability and termination.

7.26.4 Taxes

The Group is subject to taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the company tax and deferred tax provisions in the period in which such determination is made.

7.26.5 Purchase price allocation

For the purpose of the purchase price allocation judgments, estimates and assumptions are made to determine the fair value of the identifiable assets and liabilities at acquisition date. This is mainly related to fair value assessments of property, plant and equipment, intangible assets and the related deferred tax liabilities.

7.26.6 Other critical accounting estimates and assumptions

Accounting estimates and assumptions in relation to specific risks are commented in the respective disclosure notes.

8. Financial risk management

8.1 Financial risk factors

The Group's activities are exposed to a variety of financial risks: foreign currency exchange risk, price risk, credit risk, liquidity risk, cash flow and interest rate risk and capital risk. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by Group Treasury under policies approved by the Management Board. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Management Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign currency exchange risk, interest rate risk, credit risk, and the use of derivative financial instruments and non-derivative financial instruments. These principles may differ per group company or business segment being a result of different local market circumstances.

8.1.1 Foreign currency risk

The Group operates internationally and is exposed to foreign currency exchange risk arising from various currency exposures, primarily with respect to the US dollar and the British pound. Foreign currency exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign currency exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each foreign currency. In general, remaining substantial currency risks are covered by using currency instruments. The Group has several foreign subsidiaries of which the net equity is subject to currency translation risk resulting from the translation of foreign operations into the reporting currency of Aalberts. This currency translation risk is monitored but not hedged.

The US dollar and British pound are the major foreign currencies for the Group. As at 31 December 2019, if the Euro had weakened against the US dollar by 10%, with all other variables held constant, the net profit of the Group would have been impacted by positive EUR 0.3 million (2018: positive EUR 1.2 million). The net equity as at year-end would have been impacted by positive EUR 29.0 million (2018: positive EUR 24.0 million).
As at 31 December 2019, if the Euro had weakened against the British pound by 10%, with all other variables held constant, the net profit of the Group would have been impacted by positive EUR 0.5 million (2018: positive EUR 1.2 million). The net equity as at year-end would have been impacted by positive EUR 15.1 million (2018: positive EUR 17.9 million).

8.1.2 Credit risk

The Group has no significant concentrations of credit risk due to the diversification of activities and markets. It has policies in place to ensure that wholesale sales of products are made to creditworthy customers. The majority of the Group companies make use of credit insurance. The Group did not receive any collateral for its financial assets. Derivative and cash transactions are executed with creditworthy financial institutions.

The maximum credit risk on financial assets, being the total carrying value of these assets before provisions for impairment of receivables, amounts to EUR 456.7 million (2018: EUR 460.7 million):

in EUR million	31-12-2019	31-12-2018
Trade receivables (gross)	344.4	350.6
Other current assets	53.8	56.4
Cash and cash equivalents	58.5	53.7
TOTAL	**456.7**	**460.7**

8.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping credit lines available at a number of well-known financial institutions. On the basis of cash flow forecasting models the Group tests, on a periodic basis, whether the available credit facilities will cover the expected credit need. Based on these analyses, the Group believes that the current expected credit need is sufficiently covered. On a going concern basis, except for major acquisitions, the Group therefore expects to be able to cover cash flow from investing and financing activities out of the cash flow from operating activities and existing credit facilities.

8.1.4 Cash flow and interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises mainly from current and non-current borrowings. Bank borrowings are mainly entered into using floating rate debt. Where considered applicable, the Group manages its interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

The exposure of the Group's borrowings to interest rate changes of the borrowings at the end of the reporting period was as follows:

- Bank borrowings amounting to EUR 575.5 million of which EUR 484.1 million was hedged.
- Current borrowings amounting to EUR 64.7 million remained unhedged.

A maturity analysis of financial liabilities is provided in note 17.

As at 31 December 2019, if the Euribor/US Libor would have been 100 basis points higher, with all other variables constant, the net profit of the Group would have been impacted by negative EUR 1.3 million (2018: negative EUR 1.4 million), mainly as a result of higher interest expenses on floating rate borrowings. The net equity as at year-end would have been impacted with the same amount. The change in the market value as at balance sheet date of the derivative financial instruments, as a result of the interest adjustment, is excluded from this sensitivity analysis.

8.1.5 Price risk

The Group is exposed to price risk of commodities because of its dependence on certain raw materials, especially copper. Generally, commodity price variances are absorbed in the sales price. Additionally, the Group makes use of its strong position in the market for commodities to realise the purchase and delivery of raw materials at the best possible terms and conditions. Where considered necessary, exposures with high risk may be covered through commodity future contracts.

8.1.6 Capital risk

The policy of Aalberts is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business and acquisitions of Aalberts. In order to manage going concern for shareholders and other stakeholders the Group periodically monitors the capital structure in consistency with the industry through the following principal financial ratios:

- leverage ratio (net debt / EBITDA on 12 months rolling basis), 2019: 1.5 (2018: 1.3);
- interest cover ratio (EBITDA / net interest expense on 12 months rolling basis), 2019: 22.1 (2018: 27.2);
- gearing (net debt / total equity), 2019: 0.4 (2018: 0.3).

The above calculated 2019 ratios include the IFRS 16 impact. The bank covenants are disclosed in note 17 Borrowings and are excluding the IFRS 16 impact. Proposed and paid dividend are set out in note 16.4.

8.2 Financial instruments

The Group holds the following financial instruments:

Financial assets	Notes	2019	2018
Financial assets at amortised cost			
– Trade receivables	14	338.5	342.9
– Cash and cash equivalents	17.3	58.5	53.7
– Other financial assets at amortised cost	15	53.8	56.4
Total financial assets at amortised cost		**450.8**	**453.0**

Financial liabilities	Notes	2019	2018
Financial liabilities at amortised cost			
– Trade and other payables	20	403.9	417.2
– Current borrowings	17.3	64.7	52.2
– Bank borrowings	17	575.5	578.2
– Other financial liabilities at amortised cost	21	162.8	158.9
Total financial liabilities at amortised cost		**1,206.9**	**1,206.5**
Lease liabilities	17	172.8	9.3
Derivative financial instruments	21	5.0	2.6
Total financial liabilities		**1,384.7**	**1,218.4**

No collateral is held for financial assets.

9. Segment reporting

9.1 Reportable segments

Aalberts is organised in the following four businesses that are identified as the reportable segments:

- installation technology;
- material technology;
- climate technology;
- industrial technology.

Within these businesses the focus is on leading technology and market positions with high added-value for specific end users. This spread in businesses, end markets and geographical areas offers, besides a stable basis, the possibility to make use of the global footprint to realise new business opportunities.

The businesses in a segment are each managed separately by a business management team which is held directly responsible for the functioning and performance of the business and which reports to the Management Board (the chief operating decision maker). The results of the businesses are monitored on the level of operating profit (EBITA) which does not include amortisation, interest and tax related expenses or income.

Besides the identified reportable segments there are head office activities, unallocated items and eliminations of intersegment transfers or transactions. These are grouped together as Holding/eliminations and are mainly related to supporting activities and projects at the level of the head office. The related gains and losses are directly monitored by the Management Board. Unallocated assets mainly consist of (deferred) income tax assets.

Intersegment transfers or transactions are entered into under transfer pricing terms and conditions that are comparable with terms and conditions with unrelated third parties.

Information regarding the operating activities and performance of each reportable segment is as follows:

2019	Installation Technology	Material Technology	Climate Technology	Industrial Technology	Holding / Eliminations	Total
Revenue						
External customers	1,106.4	769.5	536.7	428.7	–	**2,841.3**
Intersegment	18.0	2.5	14.8	4.0	(39.3)	–
TOTAL REVENUE	**1,124.4**	**772.0**	**551.5**	**432.7**	**(39.3)**	**2,841.3**
Operating profit (EBITA)	137.5	97.2	67.2	72.4	(11.7)	**362.6**
EBITA as % of revenue	12.2	12.6	12.2	16.7	–	**12.8**
Assets	1,195.9	1,026.9	479.3	679.4	84.1	**3,465.6**
Liabilities	284.6	151.3	108.9	104.5	11.3	**660.6**
Depreciation of property, plant and equipment	29.6	45.7	8.6	10.1	1.7	**95.7**
Capital expenditure of property, plant and equipment	46.2	66.8	10.2	23.9	0.9	**148.0**

2018	Installation Technology	Material Technology	Climate Technology	Industrial Technology	Holding / Eliminations	Total
Revenue						
External customers	1,092.8	744.2	516.1	405.8	–	**2,758.9**
Intersegment	26.6	2.5	29.9	3.5	(62.5)	**–**
TOTAL REVENUE	**1,119.4**	**746.7**	**546.0**	**409.3**	**(62.5)**	**2,758.9**
Operating profit (EBITA)	134.1	102.1	65.4	64.3	(0.4)	**365.5**
EBITA as % of revenue	12.0	13.7	12.0	15.7	–	**13.3**
Assets	1,092.5	876.3	449.2	647.5	82.4	**3,147.9**
Liabilities	294.3	157.1	103.4	109.8	11.5	**676.1**
Depreciation of property, plant and equipment	34.8	42.1	8.6	8.9	1.5	**95.9**
Capital expenditure of property, plant and equipment	37.7	58.7	9.5	24.9	3.1	**133.9**

Reconciliation of EBITA of reportable segments to profit before tax is as follows:	2019	2018
Total EBITA of reportable segments	362.6	365.5
Amortisation of intangible assets	(41.7)	(36.7)
Net finance cost	(23.2)	(22.4)
CONSOLIDATED PROFIT BEFORE INCOME TAX	**297.7**	**306.4**

Segment assets consist primarily of intangible assets, property, plant and equipment, right-of-use assets, inventories, trade debtors and other current assets. Segment liabilities do not include borrowings, leases and other liabilities that are incurred for financing rather than operating purposes. In addition, segment liabilities do not include deferred tax liabilities and current income tax liabilities.

Reconciliation of total liabilities of the reportable segments to the consolidated balance sheet is as follows:	2019	2018
Total liabilities of reportable segments	660.6	676.1
Non-current and current borrowings	640.2	630.5
Lease liabilities	172.8	9.3
Tax liabilities	154.2	156.2
Equity	1,837.8	1,675.8
CONSOLIDATED TOTAL EQUITY AND LIABILITIES	**3,465.6**	**3,147.9**

9.2 Geographical Information

Revenue is allocated based on the geographical location of the customers:

Revenue	2019	%	2018	%
Western Europe	1,664.8	58.6	1,669.0	60.5
Americas	711.0	25.0	644.1	23.3
Russia, Eastern Europe	303.2	10.7	281.5	10.2
Far East, Middle East, Africa	162.3	5.7	164.3	6.0
TOTAL	**2,841.3**	**100.0**	**2,758.9**	**100.0**

Non-current assets are allocated based on the country in which the assets are located and include intangible assets, property, plant and equipment and right-of-use assets:

Non-current assets	2019	%	2018	%
Western Europe	1,643.9	69.0	1,513.2	73.2
Americas	540.0	22.7	370.8	17.9
Russia, Eastern Europe	119.5	5.0	108.4	5.2
Far East, Middle East, Africa	79.1	3.3	75.7	3.7
TOTAL	**2,382.5**	**100.0**	**2,068.1**	**100.0**

9.3 Analyses of revenue by category

Revenue	2019	%	2018	%
Sale of goods	2,310.3	81.3	2,257.8	81.8
Services	531.0	18.7	501.1	18.2
TOTAL	**2,841.3**	**100.0**	**2,758.9**	**100.0**

10. Intangible assets

	Goodwill	Other intangibles	Software	Assets under construction	**Total**
AS AT 1 JANUARY 2018					
Cost	741.0	564.8	58.8	1.4	**1,366.0**
Accumulated amortisation	–	(197.1)	(42.3)	–	**(239.4)**
NET BOOK AMOUNT AS AT 1 JANUARY 2018	**741.0**	**367.7**	**16.5**	**1.4**	**1,126.6**
Additions	–	1.5	5.8	0.5	**7.8**
Acquisition of subsidiaries	63.6	65.1	–	–	**128.7**
Disposal of subsidiaries	(0.4)	–	–	–	**(0.4)**
Amortisation	–	(31.6)	(5.1)	–	**(36.7)**
Currency translation	4.4	4.4	0.1	(0.1)	**8.8**
NET BOOK AMOUNT AS AT 31 DECEMBER 2018	**808.6**	**407.1**	**17.3**	**1.8**	**1,234.8**
AS AT 31 DECEMBER 2018					
Cost	808.6	641.0	63.5	1.8	**1,514.9**
Accumulated amortisation	–	(233.9)	(46.2)	–	**(280.1)**
NET BOOK AMOUNT AS AT 31 DECEMBER 2018	**808.6**	**407.1**	**17.3**	**1.8**	**1,234.8**
Additions	–	3.4	3.8	7.4	**14.6**
Transfers	–	0.2	–	3.0	**3.2**
Acquisition of subsidiaries	37.8	64.4	–	–	**102.2**
Disposal of subsidiaries	–	–	(0.1)	–	**(0.1)**
Amortisation	–	(36.5)	(5.2)	–	**(41.7)**
Currency translation	4.2	2.4	0.2	–	**6.8**
NET BOOK AMOUNT AS AT 31 DECEMBER 2019	**850.6**	**441.0**	**16.0**	**12.2**	**1,319.8**
AS AT 31 DECEMBER 2019					
Cost	850.6	713.8	67.0	12.2	**1,643.6**
Accumulated amortisation	–	(272.8)	(51.0)	–	**(323.8)**
NET BOOK AMOUNT AS AT 31 DECEMBER 2019	**850.6**	**441.0**	**16.0**	**12.2**	**1,319.8**

Other intangible assets mainly consist of intangible assets from acquisitions. Approximately two third of the book amount relates to acquired customer relationships. The remainder relates to acquired brand names and technology. Intangible assets under construction are ongoing development costs mainly related to ERP and other IT solutions. These costs are related to assets that are not yet available for use and are therefore not amortised.

At year-end, Group companies had investment commitments outstanding in respect of intangible assets in the amount of EUR 1.5 million.

10.1 Goodwill

Goodwill is not amortised and has an infinite useful life at the time of recognition.

Impairment tests

The book amount of goodwill has been allocated to the cash generating units within installation technology, material technology, climate technology and industrial technology for the purpose of impairment testing. The allocation of the book amount of goodwill to the reportable segments is, on aggregated level, as follows:

	31-12-2019	31-12-2018
installation technology	256.0	253.7
material technology	255.6	216.9
climate technology	123.5	123.0
industrial technology	215.5	215.0
TOTAL	**850.6**	**808.6**

The recoverable amount of a cash generating unit is determined based on their calculated value-in-use. These calculations are pre-tax cash flow projections based on the financial budgets for 2020 which are approved by management and on strategic business plans for the four years thereafter. Management determined budgeted growth rates based on past performance and its expectations of market developments. For the period after 2024 a growth rate equal to expected long-term inflation is taken into account. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash generating units.

The assumptions used for impairment tests are as follows:

2019	Installation Technology	Material Technology	Climate Technology	Industrial Technology
Average growth rate (first 5 years)	3.1% - 4.2%	2.4% - 6.0%	1.2% - 4.5%	2.2% - 7.2%
Long-term average growth rate (after 5 years)	1.0%	1.0%	1.0%	1.0%
Discount rate (pre-tax)	8.9% - 11.9%	8.7% - 10.2%	9.8% - 10.3%	8.7% - 11.3%
Discount rate (post-tax)	6.8% - 9.1%	6.7% - 7.7%	7.3% - 7.8%	6.7% - 8.5%

2018	Installation Technology	Material Technology	Climate Technology	Industrial Technology
Average growth rate (first 5 years)	3.2% - 5.0%	3.9% - 5.2%	2.5% - 4.5%	3.2% - 7.2%
Long-term average growth rate (after 5 years)	1.0%	1.0%	1.0%	1.0%
Discount rate (pre-tax)	11.1% - 13.7%	10.0% - 10.7%	10.9% - 12.0%	9.9% - 12.6%
Discount rate (post-tax)	8.5% - 10.3%	7.6% - 8.2%	8.1% - 9.0%	7.5% - 9.4%

No impairment was necessary following impairment tests on all cash generating units within the Group, since the discounted future cash flows from the cash generating units exceeded the value of the capital employed.

It is inherent in the method of computation used that a change in the assumptions may lead to a different conclusion on the impairment required. Therefore a sensitivity analysis is performed based on a change in an assumption while holding all other assumptions constant.

The following changes in assumptions are assessed:
- Decrease of the average growth rate by 3.0%;
- Decrease of the long-term average growth rate by 1.0%;
- Increase of the discount rate (post-tax) by 1.0%.

Based on the sensitivity analysis performed it is concluded that any reasonable change in the key assumptions would also not require an impairment.

11. Property, plant and equipment

	Land and buildings	Plant and equipment	Other	Assets under construction	Total
AS AT 1 JANUARY 2018					
Cost	602.1	1,566.3	91.0	44.0	**2,303.4**
Accumulated depreciation	(288.2)	(1,163.9)	(76.4)	–	**(1,528.5)**
NET BOOK AMOUNT AS AT 1 JANUARY 2018	**313.9**	**402.4**	**14.6**	**44.0**	**774.9**
Additions	10.9	51.8	3.3	67.9	**133.9**
Assets taken into operation	11.5	29.3	3.7	(44.5)	**-**
Disposals	(5.3)	(12.2)	(0.4)	(4.4)	**(22.3)**
Acquisition of subsidiaries	14.6	17.9	0.5	2.5	**35.5**
Disposals of subsidiaries	(6.2)	(3.2)	(0.4)	–	**(9.8)**
Depreciation	(18.4)	(71.8)	(5.7)	–	**(95.9)**
Currency translation	(0.8)	2.4	0.3	–	**1.9**
NET BOOK AMOUNT AS AT 31 DECEMBER 2018	**320.2**	**416.6**	**15.9**	**65.5**	**818.2**
AS AT 31 DECEMBER 2018					
Cost	628.6	1,643.7	95.8	65.5	**2,433.6**
Accumulated depreciation	(308.4)	(1,227.1)	(79.9)	–	**(1,615.4)**
NET BOOK AMOUNT AS AT 31 DECEMBER 2018	**320.2**	**416.6**	**15.9**	**65.5**	**818.2**
Change in accounting policy (IFRS 16)	(7.5)	(3.5)	–	–	**(11.0)**
NET BOOK AMOUNT AS AT 1 JANUARY 2019	**312.7**	**413.1**	**15.9**	**65.5**	**807.2**
Additions	22.0	66.0	5.9	54.1	**148.0**
Transfers	–	–	(0.1)	(3.1)	**(3.2)**
Assets taken into operation	9.6	32.1	2.7	(44.4)	**-**
Disposals	–	(1.0)	–	–	**(1.0)**
Acquisition of subsidiaries	3.0	11.4	0.6	0.8	**15.8**
Disposal of subsidiaries	(1.2)	(3.7)	(0.1)	(0.3)	**(5.3)**
Depreciation	(15.0)	(74.7)	(6.0)	–	**(95.7)**
Currency translation	3.0	4.8	0.1	0.6	**8.5**
NET BOOK AMOUNT AS AT 31 DECEMBER 2019	**334.1**	**448.0**	**19.0**	**73.2**	**874.3**
AS AT 31 DECEMBER 2019					
Cost	650.7	1,715.9	102.2	73.2	**2,542.0**
Accumulated depreciation	(316.6)	(1,267.9)	(83.2)	–	**(1,667.7)**
NET BOOK AMOUNT AS AT 31 DECEMBER 2019	**334.1**	**448.0**	**19.0**	**73.2**	**874.3**

At year-end, Group companies had investment commitments outstanding in respect of property, plant and equipment in the amount of EUR 25.9 million (2018: EUR 37.4 million).

12. Right-of-use assets

	31-12-2019	1-1-2019
Land and buildings	142.0	123.4
Plant and equipment	14.1	14.6
Company cars and other	17.6	17.6
NET BOOK AMOUNT RIGHT-OF-USE ASSETS	**173.7**	**155.6**

Additions to the right-of-use assets during 2019 amounted to EUR 51.0 million.

The income statement shows the following amounts relating to leases:	2019	2018
Depreciation expense right-of-use assets:		
Land and buildings	21.7	-
Plant and equipment	5.1	-
Company cars and other	8.3	-
Total depreciation expense right-of-use assets	35.1	-
Interest expense on lease liabilities (included in finance cost)	2.8	-
EXPENSES RELATING TO LEASES	**37.9**	**-**

Lease expenses in relation to short-term and low-value assets are included in other operating expenses.

The lease liabilities related to the right-of-use assets are disclosed in note 17. Information in respect to the initial application of IFRS 16 is included in note 7.2.

Leases that are committed but have not yet commenced at balance sheet date are disclosed in note 28.

Payment of principal amounts of leases are included in the cash flow from financing activities, and payments of interest on leases are included in the cash flow from operating activities. Refer to note 5 (consolidated cash flow statement).

13. Inventories

	31-12-2019	31-12-2018
Raw materials	146.2	148.3
Work in progress	159.4	152.2
Finished goods	313.3	309.1
Other inventories	7.1	4.1
TOTAL	**626.0**	**613.7**

The costs of inventories recognised as an expense and write-offs on inventories are included in 'raw materials and work subcontracted'. In 2019 EUR 997.9 million (2018: EUR 970.5 million) raw materials is recognised in the consolidated income statement as raw materials used.

The provision for write-down of inventories, due to obsolescence and slow-moving stock, amounts to EUR 28.1 million (2018: EUR 27.3 million). During 2019 a net write-off expense of EUR 0.6 million (2018: EUR 0.4 million) is included in the raw materials and work subcontracted.

The vast majority of the inventory has a turnover of less than one year.

14. Trade receivables

	31-12-2019	31-12-2018
Trade receivables (gross)	344.4	350.6
Allowance for expected credit losses of receivables	(5.9)	(7.7)
TRADE RECEIVABLES (NET)	**338.5**	**342.9**

The movement in the allowance for expected credit losses of receivables is as follows:	2019	2018
AS AT 1 JANUARY	7.7	7.6
Additions	0.9	2.9
Used during year	(2.8)	(3.0)
Acquisition of subsidiaries	0.1	0.2
AS AT 31 DECEMBER	**5.9**	**7.7**

There is no concentration of credit risk with respect to trade receivables, as the Group has a large customer base which is internationally dispersed and makes use of credit insurance for a majority of its receivables.

The allowance for expected credit losses of receivables of EUR 5.9 million (2018: EUR 7.7 million) is mainly related to receivables past due more than 90 days. The allowance for expected credit losses (ECL) of trade receivables is based on individual assessments. A periodically review is performed whether an allowance for credit losses is needed by considering factors such as payment history, credit quality, expected lifetime losses and current economic conditions that may affect a customer's ability to pay. Additions to the allowance for expected credit losses amount to EUR 0.9 million (2018: EUR 2.9 million) and are included in the 'other operating expenses'.

Receivables fall due in less than one year. The fair value of the receivables approximates the book value, due to their short-term character.

The past due aging analysis of the trade receivables is as follows:	31-12-2019	31-12-2018
Not past due	285.1	288.5
Past due less than 30 days	40.9	42.2
Past due between 30 days and 60 days	5.6	7.6
Past due between 60 days and 90 days	2.7	2.3
Past due more than 90 days	10.1	10.0
TRADE RECEIVABLES (GROSS)	**344.4**	**350.6**

The majority of the carrying amounts is denominated in the functional currency of the reported entities:	31-12-2019	31-12-2018
Euro	173.7	186.0
US dollar	80.6	80.0
British pound	37.8	28.5
Other currencies	52.3	56.1
TRADE RECEIVABLES (GROSS)	**344.4**	**350.6**

15. Other current assets

	31-12-2019	31-12-2018
Prepaid expenses and accrued income	21.6	20.8
Deferred consideration for the disposal of subsidiaries	12.7	9.2
Other receivables	19.5	26.4
TOTAL	**53.8**	**56.4**

16. Equity

16.1 Share capital

The total number of ordinary shares outstanding at year-end was 110.6 million shares (2018: 110.6 million shares) with a par value of EUR 0.25 per share. In addition, there are 100 priority shares issued with a par value of EUR 1.00 per share. An explanation of the total number of shares outstanding is included in note 35.4.

16.2 Currency translation and hedging reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

16.3 Share based payments (performance share plan)

Aalberts reviews on an annual basis whether awards from the existing Performance Share Plan will be granted to a limited number of executives. This plan is a share based equity-settled incentive plan. Conditional shares are awarded that become unconditional three years after the start of the performance period as long as the related conditions with regard to employment and performance have been met. The performance conditions attached to the granting of Performance Shares are based on the Group's financial performance over a three-year performance period. The financial performance over the three calendar years is measured based on the average growth of the earnings per share before amortisation (EPS). The conditions of the plan stipulate that ultimately a maximum of 125% of the number of conditionally granted shares at the start of the performance period can be paid out.

In 2019, an additional Performance Share Plan is introduced for a selected group of executives that are part of a business team (PSP BT). The PSP BT is based on and aligned with the existing Performance Share Plan for executives, except for the performance period, which is one year longer. This plan is a share based equity-settled incentive plan. Conditional shares are awarded that become unconditional four years after the start of the performance period as long as the related conditions with regard to employment and performance have been met. The performance conditions attached to the granting of Performance Shares are based on the financial performance of the business team concerned over a four-year performance period. The conditions of the plan stipulate that ultimately a maximum of 125% of the number of conditionally granted shares at the start of the performance period can be paid out.

PSP 2017-2019: As at the end of 2019, there are still 142,000 conditional shares in circulation because a number of employees left (2018: 147,000 shares). Based on the average growth of the earnings per share before amortisation (EPS) over the three-year period (2017-2019) it is expected that 83% of the conditional shares will vest in April 2020, which is equal to a total of 117,860 shares (market value of EUR 4.1 million as at the end of 2019). An amount of EUR 1.7 million was charged to the personnel expenses and credited to total equity (overall no impact on equity).

PSP 2019-2021: In May/June 2019, a total number of 149,500 (100%) conditional shares were granted and accepted. The fair value of the Performance Shares is based on the share price on the grant date, minus the discounted value of the expected dividends in the period that the shares were granted conditionally, in view of the fact that the participants are not entitled to dividends during the vesting period. The expected dividends are based on the Group's dividend policy. As at the end of 2019, the total fair value of the 149,500 conditional shares was EUR 4.4 million. An amount of EUR 0.9 million was charged to the personnel expenses and credited to total equity (overall no impact on equity).

PSP 2019-2022 BT: In May/June 2019, a total number of 112,500 (100%) conditional shares were granted and accepted. The fair value of the Performance Shares is based on the share price on the grant date, minus the discounted value of the expected dividends in the period that the shares were granted conditionally, in view of the fact that the participants are not entitled to dividends during the vesting period. The expected dividends are based on the Group's dividend policy. As at the end of 2019, the total fair value of the 112,500 conditional shares was EUR 3.2 million. An amount of EUR 0.5 million was charged to the personnel expenses and credited to total equity (overall no impact on equity).

The Management Board members participate in the Performance Share Plan. The details are mentioned in the remuneration of the Management and Supervisory Board as disclosed in note 35.9.

16.4 Dividend

The dividends paid in 2019 amounted to EUR 0.75 per share (2018: EUR 0.65 per share). A dividend in respect of the year ended 31 December 2019 of EUR 0.80 per share will be proposed at the General Meeting to be held on 22 April 2020. These financial statements do not reflect this dividend payable. The dividend payment will be subject to 15% Dutch withholding tax.

16.5 Non-controlling interests

Non-controlling interests amount to EUR 28.0 million (2018: EUR 24.2 million), where the result for the year, including comprehensive income, amounts to EUR 4.0 million (2018: EUR 1.9 million).

17. Borrowings

	Bank borrowings	Finance leases (IAS 17)	Lease liabilities (IFRS 16)	**Total**
AS AT 1 JANUARY 2018	**540.4**	**8.5**	**–**	**548.9**
New borrowings and leases	165.8	3.8	–	**169.6**
Repayments	(136.5)	(2.9)	–	**(139.4)**
Acquisition of subsidiaries	2.7	–	–	**2.7**
Currency translation differences	5.8	(0.1)	–	**5.7**
AS AT 31 DECEMBER 2018	**578.2**	**9.3**	**–**	**587.5**
Current portion of non-current borrowings as at 31 December 2018	125.3	2.7	–	**128.0**
Non-current borrowings as at 31 December 2018	452.9	6.6	–	**459.5**
AS AT 31 DECEMBER 2018	**578.2**	**9.3**	**–**	**587.5**
Change in accounting policy (IFRS 16)	–	(9.3)	153.9	**144.6**
AS AT 1 JANUARY 2019	**578.2**	**–**	**153.9**	**732.1**
New bank borrowings	121.9	–	–	**121.9**
New leases	–	–	51.0	**51.0**
Repayments bank borrowings	(127.8)	–	–	**(127.8)**
Repayments leases	–	–	(37.4)	**(37.4)**
Interest expense on lease liabilities	–	–	2.8	**2.8**
Currency translation differences	3.2	–	2.5	**5.7**
AS AT 31 DECEMBER 2019	**575.5**	**–**	**172.8**	**748.3**
Current portion of non-current borrowings as at 31 December 2019	131.6	–	34.8	**166.4**
Non-current borrowings as at 31 December 2019	443.9	–	138.0	**581.9**
AS AT 31 DECEMBER 2019	**575.5**	**–**	**172.8**	**748.3**

The current portion of non-current borrowings amounts to EUR 166.4 million (2018: EUR 128.0 million) and is presented within the current liabilities. The carrying amount of bank borrowings approximates the fair value; the effective interest rate approximates the average interest rate. The average effective interest rate on the portfolio of borrowings outstanding in 2019, including hedge instruments related to these borrowings, amounted to 1.9% (2018: 1.6%).

Bank covenants

Aalberts has agreed the following covenants with its banks which are tested twice a year:

Covenants	Leverage ratio	Interest cover ratio
As at 30 June of each year	< 3.5	> 3.0
As at 31 December of each year	< 3.0	> 3.0

The interest rate margin depends on the leverage ratio achieved.

Definitions:

- Leverage ratio: Net debt (EUR 587.9 million) / LTM EBITDA on 12 months rolling basis (EUR 468.5 million)
- Interest cover ratio: LTM EBITDA (EUR 468.5 million) / net interest expense (EUR 20.1 million) on 12 months rolling basis

At year-end the requirements in the covenants are met as stated below:

Covenant ratios as at year end	2019	2018
Leverage ratio	1.3	1.3
Interest cover ratio	23.3	27.2

The financial covenants as set out above are calculated and tested on the basis of frozen IFRS (i.e. IFRS as applied in respect of the audited 2018 financial statements) and therefore not impacted by IFRS 16 (Leases). The LTM EBITDA is adjusted for exceptional items in accordance with the bank covenants.

The LTM EBITDA amount is calculated as follows:

LTM EBITDA (12 months rolling basis)	2019	2018
Reported EBITDA	493.4	461.5
Adjustment for acquisitions and disposals	(1.5)	(2.0)
Adjustment for exceptional items	10.5	(5.4)
LTM EBITDA	**502.4**	**454.1**
IFRS 16 impact	(33.9)	-
LTM EBITDA EXCLUDING IFRS 16 IMPACT	**468.5**	**454.1**

The net debt amount is calculated as follows:

Net debt	31-12-2019	31-12-2018
Cash	(58.5)	(53.7)
Current borrowings	64.7	52.2
Bank borrowings	575.5	578.2
Lease liabilities	172.8	9.3
NET DEBT	**754.5**	**586.0**
IFRS 16 impact	(166.6)	–
NET DEBT EXCLUDING IFRS 16 IMPACT	**587.9**	**586.0**

The net interest expense amount is calculated as follows:

Net interest expense	2019	2018
NET INTEREST EXPENSE	**(22.7)**	**(16.7)**
IFRS 16 impact	2.6	–
NET INTEREST EXPENSE EXCLUDING IFRS 16 IMPACT	**(20.1)**	**(16.7)**

17.1 Bank borrowings

The Group's bank borrowings are denominated in the following currencies:

Bank borrowings	2019	2018
Euro	326.5	425.9
US dollar	247.6	150.4
Other currencies	1.4	1.9
TOTAL	**575.5**	**578.2**

There are no assets pledged as security for bank borrowings.

17.2 Maturity of financial liabilities

The maturity of the future undiscounted cash flows of financial liabilities, including interest payments, is as follows:

AS AT 31 DECEMBER 2019	Within 1 year	Between 1- 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Bank borrowings	142.4	399.5	66.2	**608.1**	575.5
Lease liabilities	38.0	100.1	47.0	**185.1**	172.8
Trade and other payables	403.9	–	–	**403.9**	403.9
TOTAL	**584.3**	**499.6**	**113.2**	**1,197.1**	**1,152.2**

AS AT 31 DECEMBER 2018	Within 1 year	Between 1- 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Bank borrowings	136.2	409.6	60.7	**606.5**	578.2
Finance leases	2.9	6.4	0.5	**9.8**	9.3
Trade and other payables	417.2	–	–	**417.2**	417.2
TOTAL	**556.3**	**416.0**	**61.2**	**1,033.5**	**1,004.7**

For derivative financial instruments we refer to note 21.

17.3 Cash and current borrowings

Cash and current borrowings	31-12-2019	31-12-2018
Cash	58.5	53.7
Current borrowings	(64.7)	(52.2)
CASH AND CURRENT BORROWINGS	**(6.2)**	**1.5**

The cash and current borrowings amount to EUR 6.2 million negative (2018: EUR 1.5 million positive). The cash consists of cash and bank balances for an amount of EUR 57.8 million (2018: EUR 53.0 million) and cash in transit for an amount of EUR 0.7 million (2018: EUR 0.7 million). The current borrowings of EUR 64.7 million (2018: EUR 52.2 million) are drawn on credit facilities which mainly consist of zero balancing cash pool agreements with several domestic and foreign financial institutions. Cash is freely disposable.

Current borrowings are short-term credit facilities consisting of committed and uncommitted credit lines, provided by a number of credit institutions. The total of these facilities at year-end 2019 amounted to EUR 932.4 million (2018: EUR 951.4 million), of which between EUR 200 million and EUR 300 million was used throughout the year. At year-end 2019, the total committed revolving credit facilities amounted to EUR 439.2 million (2018: EUR 437.2 million), consisting of seven credit facilities of EUR 50 million and two credit facilities of USD 50 million.

The carrying amounts of cash and current borrowings approximate their fair values.

18. Deferred income taxes

2018	Tax Losses	Intangible assets	Property, plant and equipment	Right-of-use assets	Lease liabilities	Provisions	Working capital and other	Offsetting	Net (asset)/ liability
Deferred income tax assets	(3.2)	(0.1)	(4.5)	–	–	(18.9)	(7.0)	19.0	**(14.7)**
Deferred income tax liabilities	–	94.8	29.0	–	–	1.9	3.7	(19.0)	**110.4**
AS AT 1 JANUARY 2018	**(3.2)**	**94.7**	**24.5**	**–**	**–**	**(17.0)**	**(3.3)**	**–**	**95.7**
Income statement	(0.6)	(5.4)	1.6	–	–	(0.7)	3.2	–	**(1.9)**
Direct to OCI	–	–	–	–	–	0.2	(0.3)	–	**(0.1)**
Acquisition subsidiaries	–	13.7	(0.2)	–	–	0.1	0.2	–	**13.8**
Disposal subsidiaries	–	–	(0.1)	–	–	0.3	0.1	–	**0.3**
Effect of rate changes (income statement)	0.2	(7.7)	(0.2)	–	–	0.2	(0.1)	–	**(7.6)**
Currency translation	0.3	0.9	0.8	–	–	(0.1)	(0.2)	–	**1.7**
Movements 2018	**(0.1)**	**1.5**	**1.9**	**–**	**–**	**–**	**2.9**	**–**	**6.2**
Deferred income tax assets	(3.3)	(0.1)	(4.1)	–	–	(18.6)	(4.5)	15.5	**(15.1)**
Deferred income tax liabilities	–	96.3	30.5	–	–	1.6	4.1	(15.5)	**117.0**
AS AT 31 DECEMBER 2018	**(3.3)**	**96.2**	**26.4**	**–**	**–**	**(17.0)**	**(0.4)**	**–**	**101.9**

2019	Tax Losses	Intangible assets	Property, plant and equipment	Right-of-use assets	Lease liabilities	Provisions	Working capital and other	Offsetting	**Net (asset)/ liability**
AS AT 31 DECEMBER 2018	**(3.3)**	**96.2**	**26.4**	**-**	**-**	**(17.0)**	**(0.4)**	**-**	**101.9**
Change in accounting policy (IFRS 16)	-	-	-	36.2	(36.2)	-	-	-	**-**
AS AT 1 JANUARY 2019	**(3.3)**	**96.2**	**26.4**	**36.2**	**(36.2)**	**(17.0)**	**(0.4)**	**-**	**101.9**
Income statement	(1.4)	(4.9)	5.5	5.0	(5.5)	(0.5)	1.3	-	**(0.5)**
Direct to OCI	-	-	-	-	-	(1.5)	(0.7)	-	**(2.2)**
Acquisition subsidiaries	(0.1)	6.7	1.2	-	-	-	(1.7)	-	**6.1**
Disposal subsidiaries	-	-	-	-	-	-	-	-	**-**
Effect of rate changes (income statement)	0.1	2.0	(0.3)	-	-	0.3	(0.1)	-	**2.0**
Currency translation	-	0.5	0.5	-	-	(0.6)	(0.2)	-	**0.2**
Movements 2019	**(1.4)**	**4.3**	**6.9**	**5.0**	**(5.5)**	**(2.3)**	**(1.4)**	**-**	**5.6**
Deferred income tax assets	(4.7)	(0.1)	(2.5)	-	(41.7)	(20.2)	(6.3)	60.8	**(14.7)**
Deferred income tax liabilities	-	100.6	35.8	41.2	-	0.9	4.5	(60.8)	**122.2**
AS AT 31 DECEMBER 2019	**(4.7)**	**100.5**	**33.3**	**41.2**	**(41.7)**	**(19.3)**	**(1.8)**	**-**	**107.5**

Deferred income tax assets mainly relate to temporary differences on pension provisions, lease liabilities and recognised tax losses. Deferred income tax liabilities mainly relate to temporary differences on other intangible assets which arose from acquisitions and temporary differences on right-of-use assets and property, plant and equipment.

18.1 Unrecognised unused tax losses

The Group has unrecognised carry-forward tax losses amounting to EUR 37.0 million (2018: EUR 41.5 million). The related deferred income tax assets have not been recorded.

	31-12-2019	31-12-2018
Expire in less than 1 year	2.7	2.2
Expire between 1 and 5 years	10.0	14.9
Expire from 5 years or more	4.5	5.6
Indefinite	19.8	18.8
TOTAL UNRECOGNISED UNUSED TAX LOSSES	**37.0**	**41.5**

18.2 Unrecognised temporary differences

The Group has temporary differences of EUR 22.4 million (2018: EUR 22.4 million) relating to undistributed earnings of subsidiaries. The related deferred income tax liability has not been recognised since Aalberts is able to control the timing of the distributions and none of these profits are expected to be distributed in the foreseeable future.

19. Provisions

19.1 Retirement benefit obligations

	Present value (partly) funded obligations	Fair value plan assets	**Net liability of funded schemes**	Present value unfunded obligations	**Total**
AS AT 1 JANUARY 2018	**186.1**	**(133.6)**	**52.5**	**19.1**	**71.6**
Current service cost	1.2	–	**1.2**	0.7	**1.9**
Interest expense / (income)	4.2	(3.0)	**1.2**	0.3	**1.5**
Recognised in income statement	5.4	(3.0)	**2.4**	1.0	**3.4**
Remeasurements					
– plan assets	–	9.5	**9.5**	–	**9.5**
– demographic assumptions	(1.1)	–	**(1.1)**	0.1	**(1.0)**
– financial assumptions	(7.6)	–	**(7.6)**	(0.1)	**(7.7)**
– experience adjustments	0.2	–	**0.2**	0.2	**0.4**
Recognised in other comprehensive income	(8.5)	9.5	**1.0**	0.2	**1.2**
Contributions by employer	–	(4.3)	**(4.3)**	–	**(4.3)**
Contributions by participants	0.2	(0.2)	**-**	–	**-**
Benefits paid	(8.4)	8.4	**-**	(1.3)	**(1.3)**
Settlements	(6.6)	6.6	**-**	–	**-**
Acquisition subsidiaries	0.2	(0.6)	**(0.4)**	–	**(0.4)**
Reclassifications	0.7	(0.7)	**-**	–	**-**
Currency translation	(1.2)	0.5	**(0.7)**	0.1	**(0.6)**
AS AT 31 DECEMBER 2018	**167.9**	**(117.4)**	**50.5**	**19.1**	**69.6**

	Present value (partly) funded obligations	Fair value plan assets	**Net liability of funded schemes**	Present value unfunded obligations	**Total**
AS AT 1 JANUARY 2019	**167.9**	**(117.4)**	**50.5**	**19.1**	**69.6**
Current service cost	1.1	–	**1.1**	0.7	**1.8**
Interest expense / (income)	4.4	(3.1)	**1.3**	0.3	**1.6**
Gains on curtailments and settlements	(0.8)	–	**(0.8)**	(0.5)	**(1.3)**
Recognised in income statement	4.7	(3.1)	**1.6**	0.5	**2.1**
Remeasurements					
– plan assets	–	(14.0)	**(14.0)**	–	**(14.0)**
– demographic assumptions	(0.9)	–	**(0.9)**	(0.2)	**(1.1)**
– financial assumptions	19.0	–	**19.0**	1.9	**20.9**
– experience adjustments	1.0	–	**1.0**	0.4	**1.4**
Recognised in other comprehensive income	19.1	(14.0)	**5.1**	2.1	**7.2**
Contributions by employer	–	(4.2)	**(4.2)**	–	**(4.2)**
Contributions by participants	0.2	(0.2)	**-**	–	**-**
Benefits paid	(5.0)	5.0	**-**	(1.0)	**(1.0)**
Currency translation	9.5	(7.1)	**2.4**	–	**2.4**
AS AT 31 DECEMBER 2019	**196.4**	**(141.0)**	**55.4**	**20.7**	**76.1**

The retirement benefit obligations are largely related to defined benefit plans in the UK, Germany and France. The liability in the balance sheet and the amounts recognised in the income statement are divided over the countries as follows:

Amounts recognised in balance sheet	United Kingdom	Germany	France	Other	**Total**
Present value of (partly) funded obligations	158.9	11.1	2.0	24.4	**196.4**
Fair value of plan assets	(117.5)	(5.4)	(0.8)	(17.3)	**(141.0)**
Net liability of funded schemes	**41.4**	**5.7**	**1.2**	**7.1**	**55.4**
Present value of unfunded obligations	–	8.1	9.4	3.2	**20.7**
LIABILITY IN THE BALANCE SHEET AS AT 31 DECEMBER 2019	**41.4**	**13.8**	**10.6**	**10.3**	**76.1**
LIABILITY IN THE BALANCE SHEET AS AT 31 DECEMBER 2018	39.9	12.1	10.5	7.1	69.6

Amounts recognised in income statement	United Kingdom	Germany	France	Other	**Total**
Current service cost (in personnel expenses)	0.2	0.1	0.7	0.8	**1.8**
Interest expense / (income)	1.1	0.2	0.2	0.1	**1.6**
Gains on curtailments and settlements (in personnel expenses)	–	–	(1.3)	–	**(1.3)**
TOTAL RECOGNISED IN INCOME STATEMENT	**1.3**	**0.3**	**(0.4)**	**0.9**	**2.1**

The significant actuarial assumptions used for the calculations of the defined benefit obligations are:

Actuarial assumptions 2019	United Kingdom	Germany	France
Discount rate	2.1%	1.1%	0.7%
Rate of inflation	2.4%	1.5%	2.0%
Future salary increases	–	2.5%	2.0%

Actuarial assumptions 2018	United Kingdom	Germany	France
Discount rate	2.9%	2.0%	1.6%
Rate of inflation	3.2%	1.5%	2.0%
Future salary increases	–	2.5%	2.0%

Assumptions regarding future mortality are based on published statistics and mortality tables in the respective countries.
The sensitivity of the defined benefit obligation to changes in the actuarial assumptions is:

		Impact on defined benefit obligation	
Actuarial assumption	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	decrease by 7.9 %	increase by 8.1 %
Rate of inflation	0.5%	increase by 5.8 %	decrease by 5.8 %
Future salary increases	0.5%	increase by 0.7 %	decrease by 0.7 %
Life expectancy	1 year	increase by 3.2 %	decrease by 3.2 %

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, the outcome will deviate from this analysis because assumptions may be correlated.

The plan assets consist of the following categories:	2019	2018
Equities	58%	53%
Bonds	6%	7%
Other net assets	36%	40%
TOTAL	**100%**	**100%**

The other net assets mainly comprise collective insurance contracts held by insurance companies. The Dutch subsidiaries participate in multi-employer pension plans. Under IFRS these plans qualify as defined contribution plans as sufficient information is not available to recognise as a defined benefit plan.
The Group expects EUR 4.5 million in contributions to be paid to its defined benefit plans in 2020 of which EUR 3.3 million is related to the UK defined benefit plans.

UK Defined Benefit Plans

The defined benefit plans in the UK comprise the Yorkshire Fittings Pension Scheme and the Hauck Heat Treatment Limited Group Pension Scheme, previously known as TTI Group Pension Scheme. The defined benefit plans can be classified as final salary benefit plans. The level of retirement benefit is principally based on salary earned in the last few years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

Both plans are subject to funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK. The actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out by an external company. Both actuaries are Fellow of the Institute and Faculty of Actuaries. None of the fair values of the related assets include any direct investments in the company's own financial instruments or any property occupied by, or other assets used by, the company. All the scheme assets have a quoted market price in an active market with the exception of the Trustee's bank account balance.

Yorkshire Fittings Pension Scheme
The Yorkshire Fittings Pension Scheme is a separate trustee administrated fund, holding the pension assets to meet long-term pension liabilities for some 560 past employees as at 31 March 2018. The scheme closed to future accrual with effect from 31 December 2010. The average duration of the defined benefit obligation at the period ended 31 December 2019 is 17 years.

The plan asset scheme of Yorkshire Fittings Pension Scheme holds next to equities, bonds, property and cash also Liability Driven Investments ('LDI'). The LDI aim to hedge a significant part of the inflation risk and interest rate risk to the liabilities. The LDI are classified as 'other net assets'.

Together with the trustees, the investment strategy is reviewed at the time of each funding valuation. The Yorkshire Fittings Pension Scheme is subject to a tri-annual actuarial review, in accordance with the scheme funding requirements of the Pensions Act 2004, at which point the future funding strategy is agreed between the trustees and the company. The most recent tri-annual valuation of Yorkshire Fittings Pension Scheme was carried out as at 31 March 2018 and showed a deficit of GBP 29.4 million (31 March 2015: GBP 36.1 million). The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 7 years and 10 months from 31 March 2019 by the payment of GBP 2.1 million per annum, increasing by 4% per annum.

The IAS 19 Disclosure Report regarding the Yorkshire Fittings Pension Scheme provided by an independent actuary shows a deficit of GBP 28.6 million as at 31 December 2019 (2018: GBP 29.9 million).

In addition to and in accordance with the actuarial valuations, the Group has agreed with the trustees of the Yorkshire Fittings Pension Scheme that it will meet expenses of the plan and levies to the Pension Protection Fund as and when they are due. Aalberts has issued a parent guarantee, for a maximum amount of GBP 75.0 million and is therefore supportive to the Yorkshire Fittings Pension Scheme.

Hauck Heat Treatment Limited Group Pension Scheme
The Hauck Heat Treatment Limited Group Pension Scheme is a separate trustee administrated fund, holding the pension assets to meet long-term pension liabilities for some 163 past employees as at 31 December 2015. The scheme closed to future accrual with effect from 30 September 2007. The average duration of the defined benefit obligation at the period ended 31 December 2019 is 16 years.

Together with the trustees, the investment strategy is reviewed at the time of each funding valuation. The Hauck Heat Treatment Limited Group Pension Scheme is subject to a periodic actuarial review, in accordance with the scheme funding requirements of the Pensions Act 2004, at which point the future funding strategy is agreed between the trustees and the company. The most recent valuation of Hauck Heat Treatment Limited Group Pension Scheme was carried out as at 31 December 2015 and showed a deficit of GBP 5.0 million. For the purpose of this annual report the actuarial valuation as at 31 December 2015 has been updated to 31 December 2019. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 11 years from 1 May 2017 by the payments of annual contributions of GBP 0.5 million in respect of the deficit.

The IAS 19 Disclosure Report regarding the Hauck Heat Treatment Limited Group Pension Scheme provided by an independent actuary shows a deficit of GBP 6.4 million as at 31 December 2019 (2018: GBP 6.3 million).

In addition to and in accordance with the actuarial valuations, the Group has agreed with the trustees of the Hauck Heat Treatment Limited Group Pension Scheme that it will meet expenses of the plans and levies to the Pension Protection Fund as and when they are due. Aalberts has issued a parent guarantee, for a maximum amount of GBP 9.5 million and is therefore supportive to the Hauck Heat Treatment Limited Group Pension Scheme.

19.2 Other provisions and non-current liabilities	2019	2018
AS AT 1 JANUARY	**27.9**	**44.2**
Additions	5.4	1.4
Used / paid during year	(1.2)	(9.4)
Unused amounts reversed	(4.2)	(6.4)
Acquisition subsidiaries	3.6	5.2
Disposal of subsidiaries	(0.2)	(0.1)
Reclassified to current	(19.3)	(8.3)
Unwinding discounts on provisions	0.5	0.8
Currency translation	0.3	0.5
AS AT 31 DECEMBER	**12.8**	**27.9**

The other provisions and non-current liabilities are for a large part related to deferred purchase considerations for acquisitions. The total amount of deferred purchase considerations as per 31 December 2019 amounts to EUR 22.9 million (2018: EUR 33.0 million) of which EUR 15.5 million is related to fixed deferred payments and EUR 7.4 million is related to variable earn-out considerations depending on future results. The increase or decrease of the variable earn-out considerations, due to a change of the estimated results by 10%, will be limited to EUR 5.6 million (undiscounted). EUR 3.6 million of the total deferred purchase considerations is included in other provisions and non-current liabilities (2018: EUR 21.9 million) and EUR 19.3 million is included in current liabilities (2018: EUR 11.1 million).

Liabilities related to normal business operations, provisions for restructuring and provisions for environmental restoration amount to EUR 9.2 million as per 31 December 2019 (2018: EUR 6.0 million).

20. Trade and other payables

	31-12-2019	31-12-2018
Trade creditors	306.3	311.3
Investment creditors	29.0	23.7
Customer related payables	68.6	82.2
TOTAL	**403.9**	**417.2**

Trade and other payables fall due in less than one year. The fair value of the trade and other payables approximates the book value, due to their short-term character.

21. Other current liabilities

	31-12-2019	31-12-2018
Social security charges and taxes	24.6	25.4
Value added tax	10.6	7.2
Accrued expenses	37.8	42.4
Amounts due to personnel	55.4	56.4
Deferred considerations	19.3	11.1
Derivative financial instruments	5.0	2.6
Other	15.1	16.4
TOTAL	**167.8**	**161.5**

Other current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value, due to their short-term character.

The deferred considerations relate to the unpaid part of recent acquisitions and are expected to be paid in full in the first half year of 2020.

The derivative financial instruments consist of the following items:	31-12-2019	31-12-2018
Interest rate swap contracts	5.6	3.0
Foreign currency exchange contracts	(0.6)	(0.4)
TOTAL	**5.0**	**2.6**

The principal amounts of the outstanding interest rate swap contracts at 31 December 2019 were EUR 477.5 million (2018: EUR 445.4 million), for foreign currency exchange contracts EUR 155.6 million (2018: EUR 206.1 million) and for metal hedging contracts EUR 12.3 million (2018: EUR 13.6 million).

The majority of the outstanding foreign currency exchange and metal hedging contracts has a short-term nature. Interest rate swaps maturity is directly related to the bank borrowings concerned (note 17). The fair value of financial instruments equals the market value at 31 December 2019. All financial instruments are classified as level 2.

The valuation of foreign currency hedging contracts is based on future cash flows which are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. For interest rate swaps the valuation is based on future cash flows which are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

For all other items included in other current liabilities, the carrying amount approximates the fair value.

22. Personnel expenses

	2019	2018
Wages and salaries	(683.6)	(656.1)
Social security charges	(122.7)	(116.9)
Defined benefit plans	(0.5)	(1.9)
Defined contribution plans	(17.6)	(16.3)
Other expenses related to employees	(32.0)	(25.3)
TOTAL	**(856.4)**	**(816.5)**

In the year under review, the average number of full-time employees amounted to 16,544 (2018: 16,648) of which 14,423 (2018: 14,609) full-time employees are active outside the Netherlands.

The remuneration of the Management and Supervisory Board is disclosed as part of the company financial statements (note 35.9).

23. Other operating expenses

	2019	2018
Production expenses	(272.1)	(272.1)
Selling expenses	(62.0)	(66.4)
Housing expenses	(29.9)	(46.5)
General expenses	(111.9)	(106.1)
Warranty costs	(2.4)	(2.9)
Other operating income	43.5	46.3
TOTAL	**(434.8)**	**(447.7)**

The adoption of IFRS 16 in 2019 has reduced the other operating expenses with EUR 33.9 million (production expenses: EUR 3.4 million, selling expenses: EUR 7.1 million, housing expenses: EUR 22.1 million and general expenses: EUR 1.3 million).

Other operating income is income not related to the key business activities of the Group and relates to non-recurring items like insurance amounts received to compensate for damaged assets due to fire incidents and business interruption expenses EUR 19.7 million (2018: EUR 21.0 million), book profits on divestments and adjustments after measurement period of earn-out provisions EUR 11.6 million (2018: EUR 15.5 million), government grants EUR 3.2 million (2018: EUR 2.5 million) and other non-recurring items EUR 9.0 million (2018: EUR 7.3 million).

24. Net finance cost

	2019	2018
Interest expense:		
Bank borrowings	(20.3)	(17.1)
Interest cost on lease liabilities	(2.8)	(0.2)
Total interest expense	(23.1)	(17.3)
Interest income	0.4	0.6
Net interest expense	(22.7)	(16.7)
Fair value results on financial instruments:		
Foreign currency contracts	0.3	0.4
Metal price hedge contracts	–	(1.1)
Total fair value results on derivative financial instruments	0.3	(0.7)
Net interest expense on employee benefit	(1.6)	(1.5)
Unwinding discounts on provisions	(0.5)	(0.8)
Foreign curency exchange results	1.3	(2.7)
NET FINANCE COST	**(23.2)**	**(22.4)**

The net finance cost is impacted by EUR 2.6 million because of IFRS 16 and its interest cost on lease liabilities.

25. Income tax expense

	2019	2018
Current tax:		
Current year	(74.6)	(73.2)
Prior years	7.8	(1.9)
Total current tax	(66.8)	(75.1)
Deferred tax	(1.4)	9.5
TOTAL INCOME TAX EXPENSE	**(68.2)**	**(65.6)**

The reconciliation between the weighted average tax rate and the effective tax rate is as follows:	2019	2018
Profit before tax	**297.7**	**306.4**
Tax calculated at domestic rates applicable to profits	(76.2)	(79.7)
Expenses not deductible for tax purposes	(3.2)	(2.2)
Tax-exempt results and tax relief facilities	10.2	7.3
Other effects	1.0	9.0
TOTAL INCOME TAX EXPENSE	**(68.2)**	**(65.6)**
Effective tax rate	22.9%	21.4%

For 2019 the weighted average applicable domestic tax rate amounted to 25.6% (2018: 26.0%).

26. Earnings and dividends per share

	2019	2018
Net profit (in EUR million)	225.7	238.2
Weighted average number of shares in issue (in units)	110,580,102	110,580,102
Basic earnings per share (in EUR)	**2.04**	**2.15**
Net profit (in EUR million)	225.7	238.2
Weighted average number of shares in issue including effect of performance share plan (in units)	110,984,102	110,727,102
Diluted earnings per share (in EUR)	**2.03**	**2.15**
Net profit before amortisation (in EUR million)	267.4	274.9
Weighted average number of shares in issue (in units)	110,580,102	110,580,102
Basic earnings per share before amortisation (in EUR)	**2.42**	**2.49**
Net profit before amortisation (in EUR million)	267.4	274.9
Weighted average number of shares in issue including effect of performance share plan (in units)	110,984,102	110,727,102
Diluted earnings per share before amortisation (in EUR)	**2.41**	**2.48**

The dividends paid in 2019 were EUR 0.75 per share (2018: EUR 0.65 per share). A dividend in respect of the year ended 31 December 2019 of EUR 0.80 per share will be proposed at the General Meeting to be held on 22 April 2020. These financial statements do not reflect this dividend payable.

27. Contingent liabilities

The Group has contingent liabilities in respect of bank and other guarantees arising from the ordinary course of business. It is not anticipated that any material liabilities will rise from the contingent liabilities. The Group has provided guarantees in the ordinary course of business amounting to EUR 16.6 million (2018: EUR 15.9 million) to third parties.

In addition, the guarantees and liability undertakings mentioned in note 35.10 apply to the Group.

28. Commitments

Outstanding commitments related to the purchase of copper, steel, brass and aluminium for the European installation technology and climate technology operations amounted to EUR 56.6 million as at year-end (2018: EUR 61.4 million).

At year-end, the Group had investment commitments outstanding in respect of intangible assets in the amount of EUR 1.5 million and in respect of property, plant and equipment in the amount of EUR 25.9 million (2018: 37.4 million). Refer to note 10 Intangible assets and note 11 Property, plant and equipment.

As at 31 December 2018 the Group had operating lease commitments of EUR 172.2 million. From 1 January 2019, the Group has brought these leases on-balance under IFRS 16, except for short-term and low-value leases. See note 7.2 and 12 for further information.

	2019	2018
Due in less than 1 year	–	31.9
Due between 1 and 5 years	–	78.2
Due from 5 years or more	–	62.1
TOTAL COMMITMENTS	**–**	**172.2**

Aalberts started the construction of a new manufacturing and distribution centre, office and academy for Aalberts hydronic flow control in Almere, the Netherlands. The Group has committed to a lease within the range of EUR 35-40 million related to the construction of these buildings. The lease has not yet commenced as at 31 December 2019.

29. Business combinations

29.1 Acquisition of subsidiaries

The following Group companies were acquired in 2019:

Group company	Head office in	Consolidated as from	Interest	Group activity
Precision Plating Company, Inc.	United States	May 2019	100%	material technology
Applied Process, Inc.	United States	August 2019	100%	material technology

Precision Plating Company, Inc. (United States)

Aalberts acquired 100% of the shares of Precision Plating Company, Inc. and 1904 Plating de Mexico, S. De R.L. De C.V. (together PPC) as of May 2019. The company with 150 FTE based in Chicago (United States) generates an annual revenue of approximately USD 36 million.

Founded in 1904, PPC is active in the field of reel-to-reel plating and barrel & rack plating processes with a strong focus on R&D, customised engineering and innovation. PPC develops and builds its own machinery to continuously improve the efficiency of the plating processes. The customers of PPC are active in general industries, aerospace and automotive end markets. PPC's reel-to-reel surface treatment technology is similar to the technology of PEM in France, acquired in 2018. They work closely together to exchange technology, processes and machine know-how, to further improve their performance and to service global key accounts in Europe and North America. The experienced management team of PPC will continue to drive the expansion plan to grow the business in the coming years, utilising the footprint, investment power and knowledge of Aalberts.

Applied Process, Inc. (United States)

Aalberts acquired 100% of the shares of Applied Process, Inc. and AP Westshore Inc. (together Applied) as of August 2019. The company with 130 FTE based in three locations in the United States, Livonia (Michigan), Oshkosh (Wisconsin) and Fort Smith (Arkansas), generates an annual revenue of approximately USD 26 million.

Applied is a technology leader in the austempering process, a specialised heat treatment technology to solve complex engineering problems. Most of the business is derived from engineering conversions, providing conceptual design and engineering assistance. A dedicated R&D centre is supporting the customers with this conversion and developing new technologies. The austempering process has been successfully used to increase the performance and light-weighting of components across many different end markets, such as agriculture and construction equipment, mining, heavy truck, gears, powertrain, railroad and machinery. The experienced management of Applied works closely together with the management of Aalberts material technology USA.
Applied strengthens the service network in regions where Aalberts is not active yet and vice versa. Besides, we are able to offer a combination of technologies to our existing customers solving their surface technology challenges. Key accounts active in different regions of the United States can make use of our combined service footprint.

29.2 Assets acquired and liabilities recognised at acquisition date

As at acquisition date the fair values of assets, liabilities and cash flow on account of these acquisitions were as follows:

Fair values of assets and liabilities arising from business combinations	Acquisitions 2019	Prior year acquisitions	Total
Intangible assets	58.4	6.0	**64.4**
Property, plant and equipment	15.9	(0.1)	**15.8**
Inventories	3.4	–	**3.4**
Receivables and other current assets	28.6	–	**28.6**
Cash and current borrowings	0.8	–	**0.8**
Net deferred tax asset/(liability)	(6.1)	–	**(6.1)**
Payables and other current liabilities	(24.2)	–	**(24.2)**
Net assets acquired	**76.8**	**5.9**	**82.7**
Purchase consideration settled in cash	116.9	–	**116.9**
Deferred purchase consideration	3.6	–	**3.6**
Total purchase consideration	**120.5**	**–**	**120.5**
GOODWILL	**43.7**	**(5.9)**	**37.8**
Purchase consideration settled in cash	(116.9)	(11.2)	**(128.1)**
Cash and current borrowings	0.8	–	**0.8**
CASH OUTFLOW ON ACQUISITIONS	**(116.1)**	**(11.2)**	**(127.3)**

Acquisitions 2019

The fair values of the identifiable assets and liabilities as at acquisition date for the acquisitions in 2019 are based on the outcome of the preliminary purchase price allocations. Therefore, the fair values of the identifiable assets and liabilities were determined provisionally and are subject to change, awaiting further validation and verification of assumptions used. The purchase price allocations will be finalised within 12 months from the applicable acquisition dates.

The total purchase consideration of EUR 120.5 million includes a deferred purchase consideration of EUR 3.6 million. This is related to fixed deferred payments and agreed upon additional considerations depending on the results for the years 2019 and 2020. The deferred purchase consideration relating to these transactions represents its fair value as at acquisition date. The non-current part of the deferred purchase considerations is recognised as part of the other provisions and non-current liabilities.
The goodwill of EUR 43.7 million connected to the acquired business mainly includes amounts related to the benefit of anticipated synergies, future market developments and knowhow. The goodwill arising on these acquisitions is not tax deductible.

The nominal value of the acquired receivables and other current assets at acquisition dates amounts to EUR 28.7 million (fair value EUR 28.6 million).

Prior year acquisitions

The following Group companies were acquired in 2018:

Group company	Head office in	Consolidated as from	Interest	Group activity
Protection Electrolytique des Métaux S.A.S.	France	June 2018	100%	material technology
VAF Instruments B.V.	the Netherlands	July 2018	100%	industrial technology
Roy Metal Finishing Company, Inc.	United States	September 2018	100%	material technology
Co-Planar, Inc.	United States	September 2018	100%	material technology

The fair values of the identifiable assets and liabilities as at acquisition date for the acquisitions in 2018 were only determined provisionally by the end of 2018 based on the outcome of the preliminary purchase price allocations. The purchase price allocations were finalised in 2019 within 12 months from the respective acquisition dates. This has led to some changes in the fair values, mainly related to intangible assets which lowered the goodwill for an amount of EUR 5.9 million. These changes have been reflected in the consolidated financial statements ending 31 December 2019. Contingent purchase considerations with respect to prior year acquisitions were paid in cash during 2019 for a total amount of EUR 11.2 million.

29.3 Contribution of business combinations

The increase of the 2019 revenue due to the consolidation of acquisitions amounted to EUR 30.8 million. The contribution to the 2019 operating profit of Aalberts amounted to EUR 4.5 million.

Had these acquisitions been effected at 1 January 2019, the contribution to the 2019 revenue would have been EUR 55.7 million (pro forma). The contribution to the operating profit for the year would have been EUR 7.8 million (pro forma).

29.4 Acquisition related costs

The Group incurred acquisition related costs such as external legal fees and due diligence costs for an amount of EUR 0.6 million (2018: EUR 0.6 million). These costs have been excluded from the purchase consideration and have been recognised as an expense in the current year within the general expenses line item (operating expenses).

29.5 Disposal of subsidiaries

In 2019, Aalberts divested Hartman Fijnmechanische Industrie B.V. (the Netherlands) within material technology and STAG GmbH (Germany) within climate technology. These non-core activities were divested as part of the overall Group strategy.

The book value of the assets and liabilities disposed of and the cash flow impact in 2019 is as follows:

Book value of the assets and liabilities disposed	Divestments 2019
Intangible assets	0.1
Property, plant and equipment	5.3
Inventories	5.4
Receivables and other current assets	4.9
Cash and current borrowings	0.1
Provisions	(0.2)
Payables and other current liabilities	(3.8)
Net assets disposed	**11.8**
Consideration settled in cash	13.1
Deferred consideration	6.9
Total consideration	**20.0**
Consideration settled in cash	13.1
Cash and current borrowings	(0.1)
CASH INFLOW FROM DISPOSALS	**13.0**

The transactions were closed in 2019 and resulted in a net cash inflow of EUR 13.0 million and a fixed deferred consideration of EUR 6.9 million (discounted amount). The book profit on these disposals amounted to EUR 8.2 million and is recognised in other operating income (see note 23).

Deferred considerations for prior year divestments were settled in cash in 2019 for an amount of EUR 3.7 million. This results together with the EUR 13.0 million cash inflow for 2019 divestments in a total cash inflow from disposals of EUR 16.7 million.

The contribution of the disposed activities to the 2019 revenue amounted to EUR 24.9 million. The contribution to the 2019 operating profit amounted to EUR 2.0 million.

30. Overview of significant subsidiaries

The consolidated financial statements of Aalberts incorporate the financial information of more than 200 legal entities controlled by the Company and its subsidiaries.
The overview on page 150 and 151 shows the most important operational legal entities including the country in which their main operations are located. They all are wholly owned subsidiaries, unless indicated otherwise.

31. Related parties

The Management Board and the Supervisory Board are considered key management. Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group as a whole. The total remuneration of key management in 2019 amounts to EUR 4.5 million (2018: EUR 6.3 million).

In addition transactions with Aalberts' pension funds qualify as related party transactions.

No material related party transactions have been executed other than intercompany transactions, transactions with pension funds (note 19.1) and remuneration of the Management Board and the Supervisory Board (note 35.9) under normal business conditions.

32. Subsequent events

There are no subsequent events to report.

33. Company balance sheet (before profit appropriation)

in EUR million	Notes	31-12-2019	31-12-2018
ASSETS			
Intangible assets		0.4	0.3
Tangible fixed assets		1.9	2.2
Investments in subsidiaries	35.2	1,973.3	1,763.7
Total non-current assets		**1,975.6**	**1,766.2**
Receivables	35.3	15.2	10.9
Total current assets		**15.2**	**10.9**
TOTAL ASSETS		**1,990.8**	**1,777.1**
EQUITY AND LIABILITIES			
Issued and paid-up share capital		27.6	27.6
Share premium		200.8	200.8
Currency translation reserve		(22.5)	(42.4)
Hedging reserve		(4.2)	(2.3)
Retained earnings		1,382.4	1,229.7
Profit for the year		225.7	238.2
Shareholders' equity	35.4	**1,809.8**	**1,651.6**
Deferred taxation		2.3	2.4
Total non-current liabilities		**2.3**	**2.4**
Current borrowings		175.2	117.8
Current liabilities	35.5	3.5	5.3
Total current liabilities		**178.7**	**123.1**
TOTAL EQUITY AND LIABILITIES		**1,990.8**	**1,777.1**

34. Company income statement

in EUR million	Notes	2019	2018
Management fee income		9.1	7.2
Personnel expenses	35.6	(7.8)	(7.5)
Housing expenses		(0.5)	(0.5)
General expenses		(5.4)	(5.4)
Amortisation of intangible assets		(0.1)	(0.1)
Depreciation of property, plant and equipment		(0.3)	-
Net operating expenses		**(5.0)**	**(6.3)**
OPERATING PROFIT / (LOSS)		**(5.0)**	**(6.3)**
Net interest income / (expense)		(1.6)	(1.0)
PROFIT / (LOSS) BEFORE INCOME TAX		**(6.6)**	**(7.3)**
Income tax benefit / (expense)	35.7	6.0	3.1
Result subsidiaries	35.2	226.3	242.4
PROFIT AFTER INCOME TAX		**225.7**	**238.2**

35. Notes to the company financial statements

35.1 Accounting principles

The company financial statements of Aalberts N.V. **(the Company)** are prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with sub 8 of article 362, Book 2 of the Dutch Civil Code, the Company's financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements. The Company prepared its consolidated financial statements in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union.

In case no other policies are mentioned, refer to the accounting policies as described in the accounting policies in the consolidated financial statements of this Annual Report. For an appropriate interpretation, the Company financial statements of Aalberts N.V. should be read in conjunction with the consolidated financial statements.

All amounts are presented in EUR million, unless stated otherwise. The balance sheet and income statement include references to the disclosure notes.

Investments in subsidiaries

Investments in consolidated subsidiaries are measured at net asset value. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements. The share in the result of subsidiaries consists of the share of the Company in the result of these subsidiaries.

A list of subsidiaries is available at the Chamber of Commerce (the Netherlands). Aalberts N.V. is registered in the Trade Register of Utrecht under No. 30089954.

35.2 Investments in subsidiaries

	2019	2018
AS AT 1 JANUARY	**1,763.7**	**1,561.3**
Share in profit for the period	226.3	242.4
Capital contribution / (repayment)	3.1	22.0
Dividends paid	(32.1)	(61.0)
Share in other comprehensive income	12.3	(1.0)
AS AT 31 DECEMBER	**1,973.3**	**1,763.7**

35.3 Receivables

	31-12-2019	31-12-2018
Current income tax receivables	14.3	9.9
Intercompany receivables	0.6	0.7
Other receivables	0.3	0.3
TOTAL RECEIVABLES	**15.2**	**10.9**

Receivables fall due in less than one year. The fair value of the receivables approximates the book value, due to their short-term character. Intercompany transactions are determined on an arm's length basis.

35.4 Shareholders' equity

	Issued and paid-up share capital	Share premium	Currency translation reserve	Hedging reserve	Retained earnings	Profit for the year	**Total shareholders' equity**
AS AT 1 JANUARY 2018	**27.6**	**200.8**	**(44.0)**	**(1.1)**	**1,102.5**	**204.5**	**1,490.3**
Profit for the period	–	–	–	–	–	238.2	**238.2**
Other comprehensive income:							
– remeasurements of employee benefit obligations	–	–	–	–	(1.2)	–	**(1.2)**
– currency translation differences	–	–	1.6	–	–	–	**1.6**
– fair value changes derivative financial instruments	–	–	–	(1.6)	–	–	**(1.6)**
– income tax effect on direct equity movements	–	–	–	0.4	(0.2)	–	**0.2**
Other comprehensive income	–	–	1.6	(1.2)	(1.4)	–	**(1.0)**
Total comprehensive income	**–**	**–**	**1.6**	**(1.2)**	**(1.4)**	**238.2**	**237.2**
Dividend 2017	–	–	–	–	–	(71.9)	**(71.9)**
Addition to retained earnings	–	–	–	–	132.6	(132.6)	**–**
Share based payments	–	–	–	–	(4.0)	–	**(4.0)**
AS AT 31 DECEMBER 2018	**27.6**	**200.8**	**(42.4)**	**(2.3)**	**1,229.7**	**238.2**	**1,651.6**
Profit for the period	–	–	–	–	–	225.7	**225.7**
Other comprehensive income:							
– remeasurements of employee benefit obligations	–	–	–	–	(7.2)	–	**(7.2)**
– currency translation differences	–	–	19.9	–	–	–	**19.9**
– fair value changes derivative financial instruments	–	–	–	(2.6)	–	–	**(2.6)**
– income tax effect on direct equity movements	–	–	–	0.7	1.5	–	**2.2**
Other comprehensive income	–	–	19.9	(1.9)	(5.7)	–	**12.3**
Total comprehensive income	**–**	**–**	**19.9**	**(1.9)**	**(5.7)**	**225.7**	**238.0**
Dividend 2018	–	–	–	–	–	(82.9)	**(82.9)**
Addition to retained earnings	–	–	–	–	155.3	(155.3)	**–**
Share based payments	–	–	–	–	3.1	–	**3.1**
AS AT 31 DECEMBER 2019	**27.6**	**200.8**	**(22.5)**	**(4.2)**	**1,382.4**	**225.7**	**1,809.8**

Share capital

The authorised share capital amounts to EUR 50.0 million divided into:

- 200,000,000 ordinary shares of EUR 0.25 par value each; and
- 100 priority shares of EUR 1.00 par value each.

The issued and paid-up share capital did not change in the course of the year under review. As at 31 December 2019, a total of 110,580,102 ordinary shares and 100 priority shares were issued and paid-up. We refer to the section Other information for the Special controlling rights under the Articles of Association of the 100 priority shares.

Legal reserves

The legal reserves include the currency translation reserve and the hedging reserve. In addition, retained earnings contains a legal reserve for development cost recognised as intangible assets for an amount of EUR 4.1 million (2018: EUR 1.5 million). Legal reserves cannot be used for profit distribution.

Profit appropriation 2018

In accordance with the resolution of the General Meeting held on 17 April 2019, the profit for 2018 has been appropriated in conformity with the proposed appropriation of profit stated in the 2018 financial statements.

Profit appropriation 2019

The net profit for 2019 attributable to the shareholders amounting to EUR 225.7 million shall be available in accordance with the articles of association as disclosed in the section Other information. The Management Board proposes to declare a dividend of EUR 0.80 solely in cash per share of EUR 0.25 par value. Any residual profit shall be added to reserves.

35.5 Current liabilities

	31-12-2019	31-12-2018
Accounts payable	0.6	1.0
Intercompany payables	0.5	0.3
Other payables and accruals	2.4	4.0
CURRENT LIABILITIES	**3.5**	**5.3**

Current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value, due to their short-term character. Intercompany transactions are determined on an arm’s length basis.

35.6 Personnel expenses

	2019	2018
Wages and salaries	(6.5)	(6.3)
Social security charges	(0.2)	(0.2)
Defined contribution plans	(0.8)	(0.7)
Other expenses related to employees	(0.3)	(0.3)
TOTAL PERSONNEL EXPENSES	**(7.8)**	**(7.5)**

The average number of employees amounted to 24 full-time equivalents (2018: 23), as at year-end 26 (2018: 24), of which no (2018: no) full-time employees are active outside the Netherlands.

35.7 Income tax benefit / (expense)

	2019	2018
Current tax:		
Current year	4.7	3.9
Prior years	1.2	(0.2)
Total current tax	5.9	3.7
Deferred tax	0.1	(0.6)
TOTAL INCOME TAX BENEFIT / (EXPENSE)	**6.0**	**3.1**

35.8 Audit fees

The following amounts are charged as audit fees by Deloitte Accountants B.V. and its member firm and/or affiliates (amounts in EUR 1,000).

2019	Deloitte Accountants B.V.	Other Deloitte Network	**Total Deloitte**
Audit of annual accounts	603	1,933	**2,536**
Other audit services	–	20	**20**
Tax advisory services	–	178	**178**
Other non-audit services	–	–	**–**
TOTAL	**603**	**2,131**	**2,734**

2018	Deloitte Accountants B.V.	Other Deloitte Network	**Total Deloitte**
Audit of annual accounts	685	2,065	**2,750**
Other audit services	–	18	**18**
Tax advisory services	–	122	**122**
Other non-audit services	–	2	**2**
TOTAL	**685**	**2,207**	**2,892**

The fees listed above relate to the services applied to the Company and its consolidated group companies by accounting firms and independent external auditors as referred to in Section 1(1) of the Dutch Audit Firms (Supervision) Act (Wta), as well as by Dutch and foreign-based Deloitte audit firms, including their tax services and advisory groups. The audit fees relate to the audit of the 2019 financial statements, regardless of whether the work was performed during the financial year.

35.9 Remuneration of the Management and Supervisory Board (amounts in EUR 1,000)

The total remuneration of the members of the Management Board for 2019 amounted to EUR 4.3 million (2018: EUR 6.1 million) and is determined in accordance with the remuneration policy as disclosed in the Report of the Supervisory Board.

Mr. W.A. Pelsma (CEO) received a salary of EUR 780 (2018: EUR 750), a bonus amounting to EUR 507 (2018: EUR 562) and a pension contribution of EUR 154 (2018: EUR 129). At year-end he held a total number of 120,075 (2018: 114,075) ordinary shares in Aalberts. The number of conditional performance share awards that were granted in 2019 (PSP 2019-2021) amounted to 35,000 shares for which EUR 213 was charged to the income statement. It is expected that 83% of the 35,000 conditional shares that were granted in 2017 (PSP 2017–2019) will vest in April 2020 for which EUR 228 (2018: EUR 413) was charged to the income statement.

Mr. A.R. Monincx (CFO) received a salary of EUR 450 (2018: EUR 420), a bonus amounting to EUR 293 (2018: EUR 312) and a pension contribution of EUR 72 (2018: EUR 62). At year-end he held a total of 6,250 (2018: 6,250) ordinary shares in Aalberts. The number of conditional performance share awards that were granted in 2019 (PSP 2019-2021) amounted to 15,000 shares for which EUR 91 was charged to the income statement. It is expected that 83% of the 15,000 conditional shares that were granted in 2017 (PSP 2017–2019) will vest in April 2020 for which EUR 98 (2018: EUR 177) was charged to the income statement.

Mr. J. Eijgendaal (CFO until April 2019) received a salary of EUR 205 (2018: EUR 600), a bonus amounting to EUR 154 (2018: EUR 450) and a pension contribution of EUR 37 (2018: EUR 90). At the end of April 2019 he held a total of 170,000 (2018: 170,000) ordinary shares in Aalberts.

Mr. O.N. Jäger (Executive Director until December 2019) received a salary of EUR 510 (2018: EUR 490) and a bonus amounting to EUR 332 (2018: EUR 367). At year-end he held a total of 31,807 (2018: 30,807) ordinary shares in Aalberts. The number of conditional performance share awards that were granted in 2019 (PSP 2019-2021) amounted to 15,000 shares for which EUR 91 was charged to the income statement. It is expected that 83% of the 15,000 conditional shares that were granted in 2017 (PSP 2017–2019) will vest in April 2020 for which EUR 98 (2018: EUR 177) was charged to the income statement.

Additional information regarding conditional performances share awards is disclosed in note 16.3.

The share price of Aalberts as at 31 December 2019 amounted to EUR 40.01 per ordinary share.

The following fixed individual remunerations were paid to members of the Supervisory Board:

	2019	2018
M.C.J. van Pernis	65	65
M.J. Oudeman	55	55
P. Veenema	50	50
J. van der Zouw	55	55
TOTAL	**225**	**225**

No loans, advances or guarantees have been granted to the members of the Management Board and the Supervisory Board. No options have been granted to members of the Supervisory Board and at year-end they did not hold any shares in Aalberts.

35.10 Contingent liabilities and commitments

The Company has guaranteed the liabilities of almost all of its Dutch group companies in accordance with the provisions of article 403, paragraph 1, Book 2, Part 9 of the Dutch Civil Code. Consequently, these companies are exempt from publication requirements.
The Company forms a tax unity with almost all of its Dutch subsidiaries for both the income tax and value added tax. The Company therefore is liable for the tax obligations of the tax unity as a whole.

The Company has guaranteed the non-current borrowings and the current portion of the non-current borrowings of the group companies for an amount of EUR 568.6 million (2018: EUR 566.1 million). In addition, the Company has guaranteed the two UK defined benefit Pension Schemes for an amount of GBP 84.5 million (2018: GBP 84.5 million).

Several German subsidiaries as listed below will make use of the § 264 HGB / § 291 HGB exemption rules of filing their own (consolidated) financial statements.

Name and seat of the company	Direct and indirect participation %
Aalberts Deutschland GmbH, Gelsenkirchen	100%
Aalberts Immobilien GmbH, Gelsenkirchen	100%
D.S.I. Getränkearmaturen GmbH, Hamm	100%
VTI Ventil Technik GmbH, Menden	100%
Simplex Armaturen & Systeme GmbH, Argenbühl-Eisenharz	100%
Seppelfricke Service GmbH, Gelsenkirchen	100%
Seppelfricke Armaturen GmbH, Gelsenkirchen	100%
Seppelfricke Vertriebs + Produktions GmbH, Gelsenkirchen	100%
Meibes System-Technik GmbH, Machern OT Gerichshain	100%
ISIFLO GmbH, Hemer	100%
Integrated Dynamics Engineering GmbH, Raunheim	100%
Aalberts Material Technology GmbH, Kerpen	100%
Aalberts Surface Treatment GmbH, Kerpen	100%
MT Grundstücksverwaltungs GmbH, Kerpen	100%
Aalberts Surface Treatment GmbH, Solingen	100%
Aalberts Surface Treatment GmbH, Burg	100%
Aalberts Surface Treatment GmbH, Villingen-Schwenningen	100%
Aalberts Surface Treatment GmbH, Zwönitz	100%
Aalberts Surface Treatment GmbH, Moers	100%
Hauck Heat Treatment GmbH, Remscheid	100%
Hauck Heat Treatment Süd GmbH, Gaildorf	100%
Impreglon GmbH, Kerpen	100%
Aalberts Surface Treatment GmbH, Lüneburg	100%
Aalberts Surface Treatment GmbH, Landsberg am Lech	100%
Aalberts Surface Treatment GmbH, Lübtheen OT Jessenitz	100%
Aalberts Surface Treatment GmbH, Lübeck	100%
Hauck Heat Treatment GmbH, Dunningen	100%
Aalberts Surface Treatment GmbH, Wünschendorf / Elster	100%
Aalberts Surface Treatment GmbH, Zwickau	100%
Aalberts Surface Treatment GmbH, Würzburg	100%
Aalberts Surface Treatment GmbH, Kaufbeuren-Neugablonz	100%

For the period ended 31 December 2019, the UK subsidiaries as listed below intend to exercise the exemption in section 479A of the UK companies Act 2006 that releases them from the obligation to have their annual financial statements audited.

Name, registration number and seat of the company	Direct and indirect participation %	Name, registration number and seat of the company	Direct and indirect participation %
Aalberts Industries Limited (4363831), Doncaster	100%	Hauck Heat Treatment Limited (884462), Luton	100%
Aalberts Industries U.K. Ltd. (3596780), Doncaster	100%	STH Westco Limited (1322734), Leigh	100%
Aalberts Surface Treatment Limited (961458), Kirkby-In-Ashfield	100%	Yorkshire Fittings Distribution Limited (4628713), Doncaster	100%
STH Westco Holdings Limited (02597032), Manchester	100%	Flamco Flexcon Limited (00956716), St. Helens	100%
Pegler Holdings Limited (4928300, Doncaster	100%	Flamco Limited (00980683), St. Helens	100%
Pegler Limited (1194543), Doncaster	100%	Aalberts Surface Treatment Tamworth Limited (2028357), Tamworth	100%
Pegler Yorkshire Group Limited (401507), Doncaster	100%	Aalberts Surface Treatment OCT Limited (03676535), Tamworth	100%

In accordance with section 479C of the Companies Act 2006, the Company will guarantee the debts and liabilities of the above UK subsidiary undertakings.

35.11 Subsequent events

There are no subsequent events to report.

Utrecht, 26 February 2020

The Management Board
Wim Pelsma (CEO)
Arno Monincx (CFO)

The Supervisory Board
Martin van Pernis (Chairman)
Marjan Oudeman (Member)
Piet Veenema (Member)
Jan van der Zouw (Member)

Other information

1. Appropriation of profits under the Articles of Association

According to the Articles of Association of Aalberts N.V. the Management Board is authorised annually, with prior approval of the Supervisory Board, to add a portion of the net profit to the reserves. Any profits remaining will be at the disposal of the General Meeting based on the Articles of Association.

a. The Company may only pay dividends and make other distributions to the shareholders and other persons entitled to the profit available for distribution to the extent that the shareholders' equity is greater than the amount of the paid-in and called-up portion of the capital plus the reserves that must be maintained by law.

b. From the profit insofar as it may be distributed a distribution is, if possible, first made on each priority share, said distribution being a percentage of the nominal value paid-up on those shares. No further profit distributions are made on priority shares.

c. The General Meeting may decide on the basis of a proposal of the Management Board approved by the Supervisory Board to make distributions chargeable to a reserve available for distribution, if the requirement reflected sub a. has been met.

2. Special controlling rights under the Articles of Association

One hundred issued and paid-up priority shares are held by Stichting Prioriteit 'Aalberts N.V.', whose board members consist of Management Board and Supervisory Board members of Aalberts N.V. and an independent board member. A transfer of priority shares requires the approval of the Management Board.

- Every board member who is also a member of the Management Board of Aalberts N.V. has the right to cast as many votes as there are board members present or represented at the meeting who are also members of the Supervisory Board of Aalberts N.V;
- Every board member who is also a member of the Supervisory Board of Aalberts N.V. has the right to cast as many votes as there are board members present or represented at the meeting who are also members of the Management Board of Aalberts N.V;
- The independent member of the board of Stichting Prioriteit 'Aalberts N.V.' has the right to cast a single vote and can decide in the event of a tied vote of the board.

The following principal powers are vested in the holders of priority shares:
- authorisation of every decision to issue shares;
- authorisation of every decision to designate a corporate body other than the General Meeting to issue shares;
- authorisation of every decision to limit or exclude the preferential rights of shareholders in the event of an issue of shares;
- authorisation of every decision to repurchase paid-up shares in the capital of the Company or depositary receipts thereof for no consideration or subject to conditions;
- authorisation of every decision to dispose of shares held by the Company in its own capital;
- authorisation of every decision to reduce the issued capital through the cancellation of shares or through a decrease in the par value of shares by amending the Articles of Association;
- determination of the number of members of the Management Board;
- to make a binding nomination to the General Meeting concerning the appointment of members of the Management Board and Supervisory Board;
- to approve the sale of a substantial part of the operations of the Company;
- to approve acquisitions that would signify an increase of more than 15%
- in the Company's revenue, or that would involve more than 10% of the Company's balance sheet total;
- to approve the borrowing of funds that would involve an amount of EUR 100 million or more; and
- to approve a change in the Articles of Association, a legal merger, a split-up or the dissolution of the Company.

The full text of the Articles of Association of Aalberts N.V. can be found on the website: aalberts.com/governance.

3. Independent auditor’s report

To the shareholders and the Supervisory Board of Aalberts N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2019 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements 2019 of Aalberts N.V. **(the Company** or **the Group)**, based in Utrecht. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion

- the accompanying consolidated financial statements give a true and fair view of the financial position of Aalberts N.V. as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code; and
- the accompanying company financial statements give a true and fair view of the financial position of Aalberts N.V. as at 31 December 2019, and of its results for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated balance sheet as at 31 December 2019;
2. the following statements for 2019: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement; and
3. the notes to the consolidated financial statements, comprising a summary of the accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as at 31 December 2019;
2. the company income statement for 2019; and
3. the notes to the company financial statements, comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the ‘Our responsibilities for the audit of the financial statements’ section of our report.

We are independent of Aalberts N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the ‘Wet toezicht accountantsorganisaties’ (Wta, Audit firms supervision act), the ‘Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten’ (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the ‘Verordening gedrags- en beroepsregels accountants’ (VGBA, Dutch Code of Ethics).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 16 million (2018: EUR 15 million). The materiality is based on 5.5% of the 2018 profit before income tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

At year end we have reassessed the group materiality based on the actual 2019 profit before income tax. Based on our reassessment, we concluded that the applied materiality of EUR 16 million for the financial statements as a whole is still appropriate.

Audits of group entities (components) were performed using materiality levels determined by the judgement of the group audit team, taking into account the materiality of the financial statements as a whole and the reporting structure within the Group. Component materiality did not exceed 60% of the group materiality and for most components, the materiality applied is significantly lower than this level.

We agreed with the Supervisory Board that misstatements in excess of EUR 0.5 million (2018: EUR 0.5 million), identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Aalberts N.V. is at the head of a group with activities in more than 50 countries. Aalberts N.V. is structured in four business segments. The financial information of the Group is included in the consolidated financial statements of Aalberts N.V. No component individually contributes more than 15% of the consolidated revenues of the Group.

Our group audit mainly focused on the significant entities within the Group. Our assessment of entities that are significant to the Group was done as part of our audit planning and was aimed to obtain sufficient coverage of the risks of a material misstatement for the significant account balances, classes of transactions and disclosures that we have identified. In addition, we considered qualitative factors as part of our assessment. In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the group audit team and by the component auditors.

Where the work was performed by component auditors, we determined the level of involvement that we needed to have in the audit work at those components, to be able to conclude whether sufficient appropriate audit evidence has been obtained, as a basis for our opinion on the financial statements as a whole. The group audit engagement team provided detailed audit instructions to the component auditors, directed the planning, visited multiple components (in Belgium, Germany, the Netherlands and the United States), performed file reviews, reviewed the results of the work undertaken by component auditors and assessed and discussed the observations with the component auditors during conference calls and site visits.

The group entities subject to full-scope audits and audits of specified account balances comprised approximately 82% of consolidated revenues and approximately 91% of consolidated total assets. For the remaining entities we performed review and analytical procedures at a component or group level.

The group consolidation, financial statements disclosures and certain centrally coordinated accounting topics were audited by the group audit engagement team at the head office. These include among others the annual goodwill impairment test, corporate income tax, acquisitions and divestments and share-based payments. Specialists were involved in, among other things, the areas of fraud & forensic, tax accounting, information technology, IFRS accounting and valuation & modelling.

By performing the procedures mentioned above by the component auditors, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the Group's financial information to provide an opinion about the financial statements.

Scope of fraud and non-compliance with laws and regulations

In accordance with Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error.

Inherent to our responsibilities for the audit of the financial statements, there is an unavoidable risk that material misstatements go undetected, even though the audit is planned and performed in accordance with Dutch law. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Also, we are not responsible for preventing and cannot be expected to detect non-compliance with all laws and regulations. Our audit procedures differ from those performed as part of a specific forensic or legal investigation, which often have a more in-depth scope.

In identifying potential risks of material misstatement due to fraud and non-compliance with laws and regulations, we evaluated the Group's risk assessment, had inquiries with management, those charged with governance and others within the Group, including but not limited to, legal counsel, central accounting and controlling, and internal audit. We involved a forensic specialist in our identification of fraud risk factors.

Following these procedures, and the presumed risks under the prevailing auditing standards, we considered the fraud risk in relation to management override of controls. Furthermore, we identified and considered the fraud risk related to estimates within the pricing and discount arrangements with respect to the revenue recognition.

As part of our audit procedures to respond to these fraud risks, we evaluated the internal controls relevant to mitigate these risks and performed supplementary substantive audit procedures, including detailed testing of journal entries and obtaining supporting documentation in relation to post-closing adjustments.

Resulting from our risk assessment procedures, and whilst realizing that the effects from non-compliance could considerably vary, we considered adherence to (corporate) tax law and financial reporting regulations and the requirements under Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements. Apart from these, the Group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance through imposing fines or litigation. Given the nature of Aalberts N.V.'s business, a risk of non-compliance with the requirements of such laws and regulations exists. In addition, we considered other relevant laws and regulations such as fair competition laws, sanctions and export control regulations and anti-bribery laws.

As required by auditing standards, we designed and performed audit procedures that address the risk of non-compliance with these laws and regulations. Our procedures included inquiries of management, those charged with governance and others within the Group and we inspected (board) minutes, correspondence with relevant authorities and lawyers' letters. We also remained alert to indications of (suspected) non-compliance throughout the audit, both at component and group level.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

key audit matter: international group structure and coordination of the group audit

Description
As described in the 'Scope of our group audit' paragraph, Aalberts N.V. is operating in a large number of countries and consequently, in order to be able to conclude on the audit of the consolidated statements, we are dependent on the work performed by component auditors. The coordination of the global audit is the most significant part of our audit engagement and therefore we have consequently identified this as a key audit matter.

This key audit matter is specifically pinpointed in obtaining an understanding of the group structure, management's risk assessment and control environment, the scope and risk assessment of audits performed at a component level, as well as our ability as group auditors to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement, whether caused by fraud, non-compliance or error.

How the key audit matter was addressed in the audit
Our audit procedures included obtaining an understanding of the Group, including inquiries with management and those charged with governance regarding the risk of material misstatements due to fraud, non-compliance or error. We also obtained an understanding of the process for identifying and responding to these risks, including the relevant group-wide policies and procedures.

In our centralised risk assessment, the determination of our group audit scope and component auditor instructions, we have specifically focused on risks in relation to fraud, non-compliance or errors.

At group and component level we:
- held discussions with component audit teams and management of the Company and other key employees;
- evaluated the Company's internal control environment, including entity level controls and monitoring controls at group, segment and operating level; and
- extended our involvement in local audit work performed by the component auditors by organizing site visits, periodic progress meetings, attending closing meetings, reviewing submitted interoffice reporting and conducting file reviews.

Our observation
The scope and nature of the procedures performed were appropriate and sufficient to address the key audit matter. Our procedures did not result in any reportable matters.

key audit matter: valuation of goodwill

Description
The Company has recorded a significant amount of goodwill (and other intangible assets) that is subject to an annual impairment test. Goodwill is allocated to underlying cash generating units (CGUs) and amounts to EUR 851 million as at 31 December 2019 (2018: EUR 809 million). Under IAS 36 'Impairment of Assets', the Group is required to annually perform an impairment test for goodwill.

An impairment arises when the carrying amount for a CGU is higher than the recoverable value. The value in use of goodwill is dependent on expected future cash flows from the underlying CGUs. The impairment assessment prepared by management includes a variety of internal and external factors, representing significant estimates that require the use of valuation models and a significant level of management judgment, particularly the assumptions related to the CGU identification, revenue growth over the forecasted period, EBITA margin and discount rate.

The Company's disclosures concerning the annual impairment test are included in note 10.1 to the consolidation financial statements.

Due to the significance of goodwill and its dependence on management judgment, we considered this area to be a key audit matter.

How the key audit matter was addressed in the audit
Our audit procedures included obtaining an understanding of management's annual impairment test, including relevant controls. Our audit procedures mainly comprised of substantive audit procedures.

We involved our valuation specialists to assist us in evaluating the assumptions and methodologies used in the annual impairment test prepared by the Group. We challenged management's assumptions that were most sensitive in their analyses, including projected revenue growth over the forecasted period, EBITA margin and discount rate.

Our procedures included corroborating management's judgments and estimates by comparing the assumptions to historic performance, future outlooks and analyst reports. We assessed the sensitivity of changes to the respective assumptions on the outcome of the impairment calculations.

As part of our audit procedures we have paid specific attention to CGUs that are more sensitive to changes in assumptions and determined that the disclosure in note 10.1 adequately reflects such sensitivity.

Our observation
Our procedures did not result in any reportable matters with respect to the goodwill recorded at the end of the period.

key audit matter: implementation of IFRS 16 'Leases'

Description
IFRS 16 'Leases' became effective for annual reporting periods beginning on or after 1 January 2019. The Company has adopted IFRS 16 retrospectively from 1 January 2019 and has not restated comparatives for the 2018 reporting period, in accordance with the modified retrospective approach.
The application of IFRS 16 results in right-of-use assets of EUR 155.6 million and corresponding lease liabilities of EUR 153.9 million as at 1 January 2019.

The impact of the new standard is significant to our audit, as the balances recorded are material and required an effective implementation process to capture and evaluate lease contract data, to ensure complete and accurate accounting entries. The measurement of the right-of-use asset and lease liabilities is based on assumptions, such as the incremental borrowing rates and the lease terms, including termination and renewal options.

The Company's disclosures concerning the implementation and accounting of IFRS 16 are included in note 12 to the consolidated financial statements.

How the key audit matter was addressed in the audit
Our procedures included, among others, evaluating the Group's lease accounting policies that have been applied for the implementation of IFRS 16. This includes an assessment of the key judgments made by management, such as the lease term, the discount rates used and the assessment of termination and renewal options.

We tested the key controls in relation to IFRS 16 on design and implementation and we performed independent testing on a sample basis to assess the accuracy of the lease contract data and the completeness of the identified lease contracts in the lease accounting system.

We challenged management's assumptions, such as the lease terms and discount rates applied by the Company in determining the lease liabilities and related right-of-use assets.

We also assessed the adequacy of the disclosure in the notes to the consolidated financial statements, including the adoption impact, the right-of-use assets and lease liabilities.

Our observation
Our procedures did not result in any reportable matters with respect to the implementation and accounting of IFRS 16 at the end of the period.

Changes in key audit matters
Compared to last year, we excluded the key audit matter regarding the 'significant one-off transactions' as in the prior year there were more reportable one-off events than in the current year.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

In addition to the financial statements and our auditor's report, the annual report contains other information that consists of:
- report of the Management Board;
- report of the Supervisory Board;
- remuneration report; and
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard on Auditing 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement
We were initially appointed by the General Meeting for the audit of financial year 2015. For the audit of 2019, we were appointed by the General Meeting held on 18 April 2018.

No prohibited non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public interest entities.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of the Management and the Supervisory Board for the financial statements
The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

The Management Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters: the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the Audit Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public-interest.

Amsterdam, 26 February 2020

Deloitte Accountants B.V.

Signed by: B.E. Savert

overview group companies

The consolidated financial statements of Aalberts include the assets and liabilities of more than 200 legal entities. Set out below is an overview of the most important operational legal entities including the country of the main activity. All of the subsidiaries are 100% owned, unless indicated otherwise.

A list of subsidiaries is available at the Chamber of Commerce (the Netherlands). Aalberts N.V. is registered in the Trade Register of Utrecht under No. 30089954.

installation technology

Conbraco Industries, Inc.	USA
Elkhart Products Corporation	USA
Henco Industries N.V.	BEL
ISIFLO AS	NOR
KAN Sp. z.o.o. (51%)	POL
LASCO Fittings, Inc.	USA
Pegler Yorkshire Group Limited	GBR
Shurjoint Metals, Inc.	TWN
VSH Fittings B.V.	NLD

material technology

Aalberts Surface Treatment Corp	USA
Aalberts Surface Treatment GmbH	DEU
Applied Process, Inc.	USA
Hauck Heat Treatment GmbH	DEU
Metalis S.A.S.	FRA
Mifa Aluminium B.V.	NLD
Precision Plating Company, Inc.	USA

Aalberts operates some 70 business locations and 80 service locations with activities in over 50 countries.
To learn more, please visit aalberts.com/contact

climate technology

Comap S.A.	FRA
Flamco Holding B.V.	NLD
Meibes System-Technik GmbH	DEU
Nexus Valve, Inc.	USA
Simplex Armaturen & Systeme GmbH	DEU

industrial technology

Aalberts advanced mechatronics B.V.	NLD
BROEN A/S	DNK
D.S.I. Getränkearmaturen GmbH	DEU
Taprite, Inc.	USA
VAF Instruments B.V.	NLD
Ventrex Automotive GmbH	AUT
Vin Service S.r.l.	ITA
VTI Ventil Technik GmbH	DEU

key figures 2015-2019

	2019	2018	2017	2016	2015
results (in EUR million)					
revenue	2,841	2,759	2,694	2,522	2,475
operating profit (EBITDA)	493	462	422	392	367
operating profit (EBITA)	363	366	336	298	272
net profit before amortisation	267	275	238	212	190
cash flow from operations	465	427	427	383	330
free cash flow (before interest and tax)	312	312	310	273	243
balance sheet (in EUR million)					
intangible assets	1,320	1,235	1,127	1,128	1,050
property, plant and equipment	874	818	775	762	736
capital expenditure	148	134	119	106	96
net working capital	490	464	455	480	461
total equity	1,838	1,676	1,513	1,391	1,285
net debt	755	586	569	713	718
capital employed	2,592	2,262	2,081	2,104	2,002
total assets	3,466	3,148	2,910	2,859	2,741
number of employees at end of period (x 1)	16,094	16,452	16,003	15,338	14,709

	2019	2018	2017	2016	2015
ratios					
total equity as a % of total assets	53.0	53.2	52.0	48.7	46.9
leverage ratio	1.5	1.3	1.3	1.7	1.8
EBITA as a % of revenue	12.8	13.3	12.5	11.8	11.0
free cash flow conversion ratio	63.2	67.6	73.4	69.8	66.1
return on capital employed (ROCE)	14.1	16.6	16.2	14.7	14.3
added-value as a % of revenue	62.8	62.6	62.3	62.2	61.5
effective tax rate as a % of profit before tax	22.9	21.4	24.6	25.2	25.8
net debt / total equity	0.4	0.3	0.4	0.5	0.6
interest cover ratio	22.1	27.2	25.9	24.6	21.8
number of ordinary shares issued (in millions)	110.6	110.6	110.6	110.6	110.6
figures per share (in EUR)					
net profit before amortisation	2.42	2.49	2.15	1.92	1.72
dividend	0.80	0.75	0.65	0.58	0.52
share price at year-end	40.01	29.05	42.40	30.82	31.79

the Aalberts share

At year-end 2019, 110,580,102 ordinary shares with a nominal value of EUR 0.25 each were in circulation; the market capitalisation amounted to EUR 4,424 million (at year-end 2018: EUR 3,212 million).

dividend policy

In the General Meeting of 2015, shareholders agreed to a dividend payment percentage of 30% of net profit before amortisation and dividends only to be paid in cash.

shareholders' interests

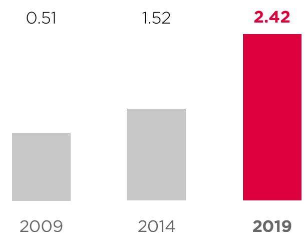
Around 85% of the shares is freely tradable. Pursuant to the Decree on Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions as part of the Dutch Financial Supervision Act, shareholders with a substantial participating interest of more than 3% must be disclosed.

shareholder	interest	disclosure date
Aalberts Beheer B.V., J. Aalberts, J.A.M. Aalberts-Veen	13.27%	3 February 2011
Capital Group	10.01%	16 April 2019
FMR LLC	9.97%	2 February 2018
Invesco Limited*	5.53%	24 May 2019
BlackRock, Inc.	3.36%	24 December 2019
Smallcap World Fund, Inc.	3.06%	18 September 2018
Impax Asset Management	3.02%	2 April 2019
BNP Paribas Asset Management Holding	3.01%	26 November 2018
New Perspective Fund	3.00%	17 September 2018

* OppenheimerFunds, Inc, has been acquired by Invesco Limited

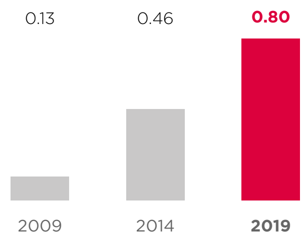
earnings per share

(in EUR)



dividend per share

(in EUR)



key share information	2019	2018	2017	2016	2015
closing price at year-end (in EUR)	40.01	29.05	42.40	30.82	31.79
highest price of the year (in EUR)	40.92	45.05	43.77	32.00	31.92
lowest price of the year (in EUR)	27.52	27.43	29.97	25.70	22.81
average daily trading (in EUR thousands)	10,549	12,169	11,792	8,402	9,494
number of shares issued as at year-end (in millions)	110.6	110.6	110.6	110.6	110.6
market capitalisation at year-end (in EUR millions)	4,424	3,212	4,688	3,408	3,515
earnings per share before amortisation (in EUR)	2.42	2.49	2.15	1.92	1.72
dividend per share (in EUR)	0.80	0.75	0.65	0.58	0.52
price/earnings ratio at year-end	16.5	11.7	19.7	16.1	18.5

aalberts
mission critical technologies