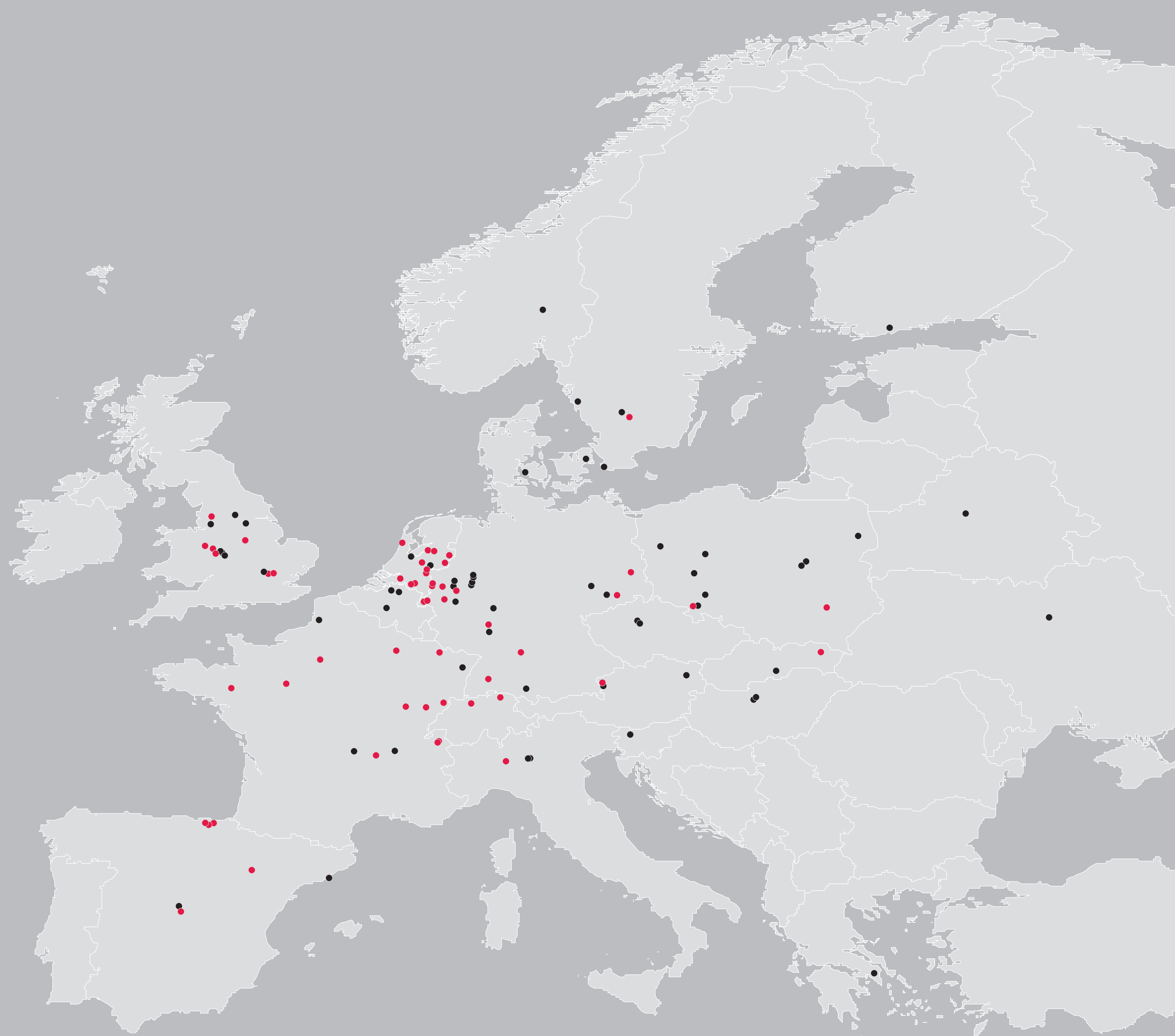
AALBERTS
INDUSTRIES

Annual report 2012

Locations

- Industrial Services
- Flow Control



Headlines 2012

- Revenue +5% to EUR 2,025 million
- Operating profit (EBITA) +5% to EUR 219.1 million
- Net profit before amortisation +4% to EUR 152.1 million
- Earnings per share before amortisation +3% to EUR 1.40
- Cash flow from operations +9% to EUR 271.4 million
- Capital expenditure +23% to EUR 103.6 million
- Industrial Services: revenue +3% and good profitability maintained
- Flow Control: revenue +5% and operating profit (EBITA) +8%

AALBERTS INDUSTRIES

Annual report 2012

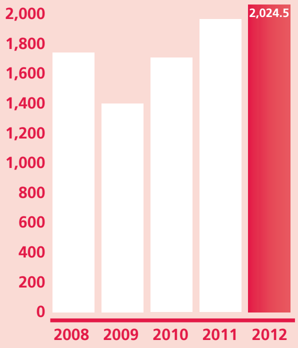
Key figures

	2012	2011	2010	2009	2008
Result *(in EUR millions)*					
Revenue	2,024.5	1,937.4	1,682.8	1,404.9	1,750.8
Added-value	1,197.1	1,145.9	1,004.2	827.6	1,014.8
Operating profit (EBITDA)	296.1	279.4	248.2	168.8	251.6
Operating profit (EBITA)	219.1	208.9	179.9	98.9	181.5
Net profit before amortisation	152.1	145.8	117.3	54.2	105.0
Depreciation	77.0	70.5	68.3	69.9	70.1
Cash flow* (net profit + depreciation)	229.1	216.3	185.6	124.1	175.1
Cash flow from operations	271.4	250.0	235.4	240.5	264.5
Balance sheet *(in EUR millions)*					
Intangible fixed assets	686.1	701.0	609.2	584.8	594.7
Property, plant and equipment	592.4	565.3	530.4	493.6	516.3
Capital expenditure	103.6	84.3	63.2	45.1	110.5
Net working capital	370.0	345.4	304.0	243.6	315.8
Total equity	980.0	858.5	745.7	626.5	587.0
Net debt	541.6	605.6	593.7	630.6	765.2
Total assets	1,955.5	1,932.0	1,777.5	1,577.9	1,703.4
Number of staff at year-end					
Industrial Services	4,585	4,701	4,026	3,706	4,253
Flow Control	7,445	7,563	7,494	6,276	6,608
Other	18	18	16	17	19
Total	12,048	12,282	11,536	9,999	10,880
Ratios					
Added-value as a % of revenue	59.1	59.1	59.7	58.9	58.0
EBITDA as a % of revenue	14.6	14.4	14.8	12.0	14.4
EBITA as a % of revenue	10.8	10.8	10.7	7.0	10.4
Interest cover ratio (12-month rolling)	14.4	12.9	10.4	5.8	6.0
Net profit as a % of revenue	7.5	7.5	7.0	3.9	6.0
Total equity as a % of the balance sheet total	50.1	44.4	42.0	39.7	34.5
Net debt / total equity	0.6	0.7	0.8	1.0	1.3
Leverage ratio (12-month rolling)	1.8	2.0	2.3	3.4	2.9
Shares issued *(millions)*					
Ordinary shares (average)	108.9	107.5	106.4	106.1	103.3
Ordinary shares (year-end)	109.4	108.1	106.7	106.1	103.3
Cumulative preference shares	–	–	–	–	0.45
Figures per share *(in EUR)*					
Cash flow*	2.10	2.01	1.74	1.17	1.69
Net profit*	1.40	1.36	1.10	0.51	1.02
Dividend	0.35	0.34	0.28	0.13	0.28
Share price at year-end	15.70	12.98	15.77	10.09	5.06

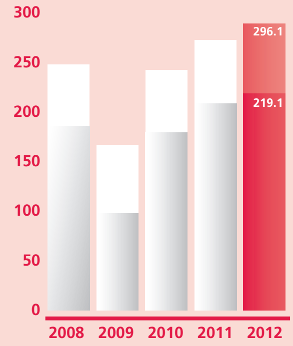
* Before amortisation

Key figures Aalberts Industries N.V.

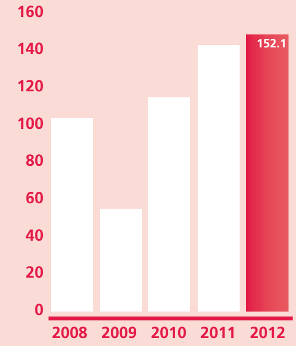
Revenue
(in EUR millions)



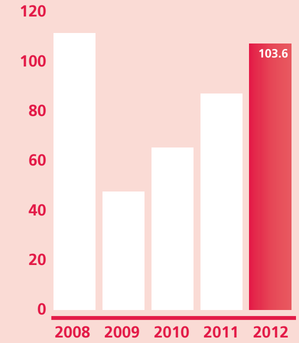
Operating profit
(in EUR millions)



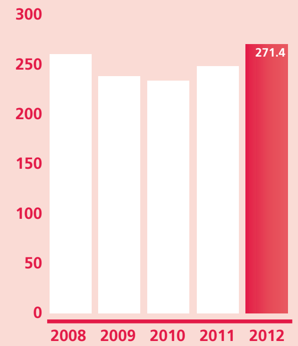
Net profit before amortisation
(in EUR millions)



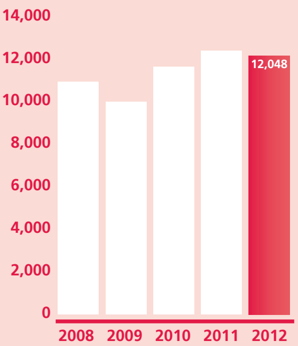
Capital expenditure
(in EUR millions)



Cash flow from operations
(in EUR millions)

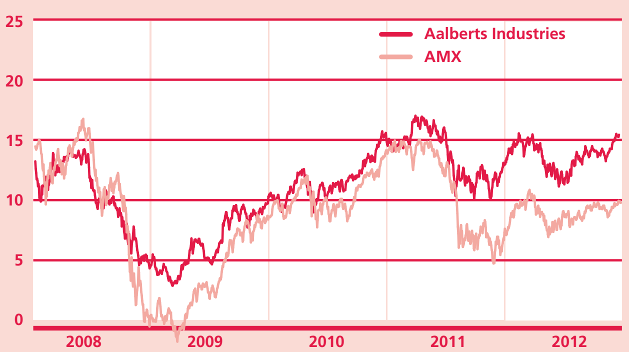


Number of employees
(at year-end)

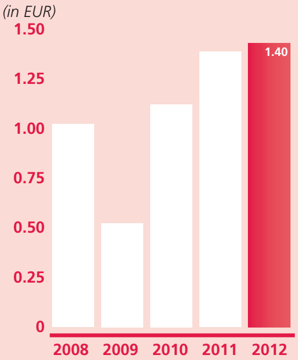


Key information concerning the share	2012	2011	2010	2009	2008
Closing price at year-end *(in EUR)*	15.70	12.98	15.77	10.09	5.06
Highest price of the year *(in EUR)*	15.95	17.28	15.98	10.35	14.68
Lowest price of the year *(in EUR)*	11.40	10.10	9.35	3.30	4.77
Average daily trading *(in EUR thousands)*	3,524	5,018	4,866	4,446	7,035
Average daily trading *(in thousands of shares)*	252	366	418	634	663
Number of shares issued as at year-end *(in millions)*	109.4	108.1	106.7	106.1	103.3
Average number of shares issued *(in millions)*	108.9	107.5	106.4	106.1	103.3
Market capitalisation at year-end *(in EUR millions)*	1,718	1,403	1,683	1,070	523
Earnings per share before amortisation *(in EUR)*	1.40	1.36	1.10	0.51	1.02
Dividend per share *(in EUR)*	0.35	0.34	0.28	0.13	0.28
Price/earnings ratio at year-end	11.2	9.5	14.3	19.8	5.0

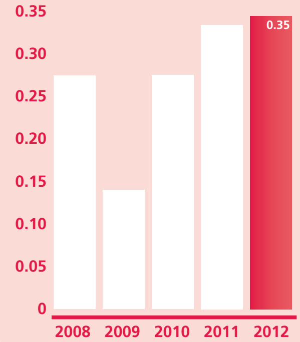
Share price performance Aalberts Industries N.V.
(in EUR)



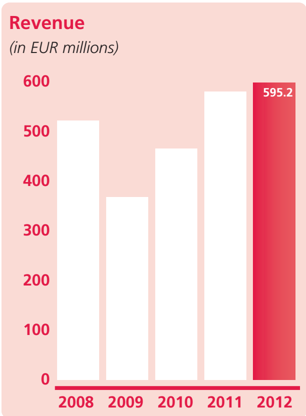
Earnings per share before amortisation
(in EUR)

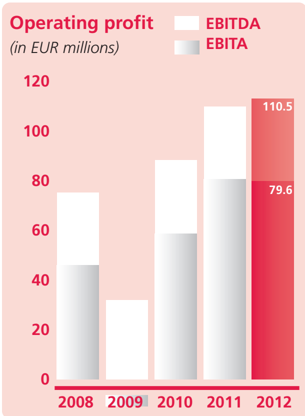


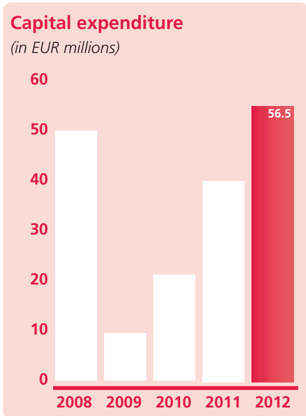
Dividend per share
(in EUR)

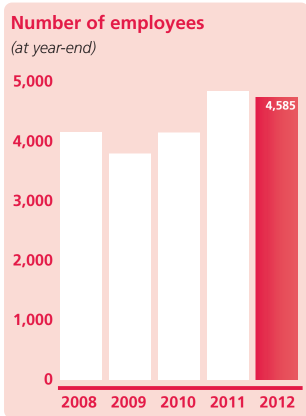


Key figures Industrial Services *(in EUR millions)*	2012	2011	2010	2009	2008
Revenue	595.2	579.2	464.8	361.0	515.2
Operating profit (EBITDA)	110.5	107.8	86.8	24.4	74.1
EBITDA as a % of revenue	18.6	18.6	18.7	6.8	14.4
Operating profit (EBITA)	79.6	79.8	58.1	(6.4)	42.4
EBITA as a % of revenue	13.4	13.8	12.5	(1.8)	8.2
Capital expenditure	56.5	41.2	21.6	10.0	50.5
Depreciation	30.9	28.0	28.7	30.8	31.7
Average number of employees (x1)	4,756	4,463	3,911	3,847	4,640
Number of employees at year end (x1)	4,585	4,701	4,026	3,706	4,253

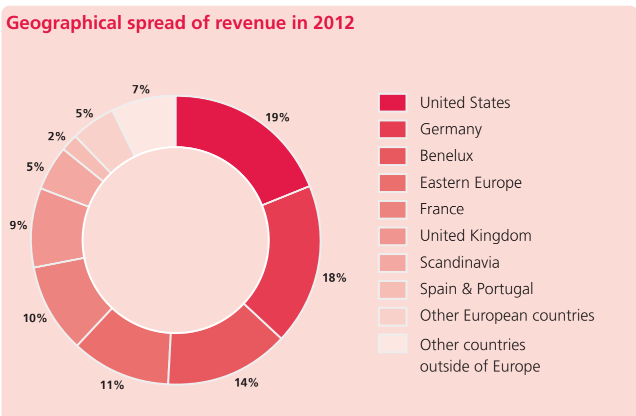




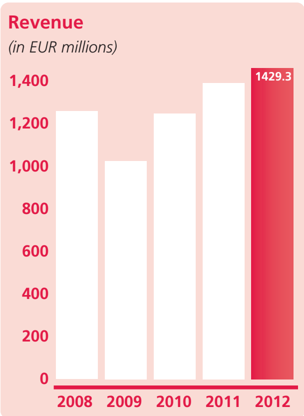


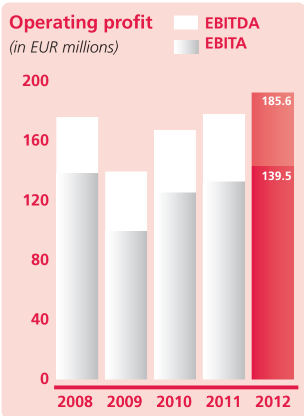


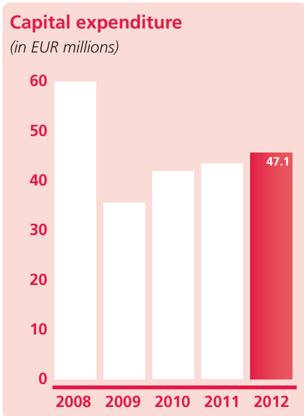
Geographical spread of revenue *(in EUR millions)*	2012	%	2011	%
United States	388.5	19	344.6	18
Germany	357.6	18	337.9	17
Benelux	281.7	14	286.9	15
Eastern Europe	220.0	11	204.9	11
France	212.4	10	210.7	11
United Kingdom	187.7	9	185.8	10
Scandinavia	92.2	5	94.4	5
Spain & Portugal	45.8	2	47.8	2
Other European countries	100.6	5	101.1	5
Other countries outside of Europe	138.0	7	123.3	6
Total	**2,024.5**	**100**	**1,937.4**	**100**

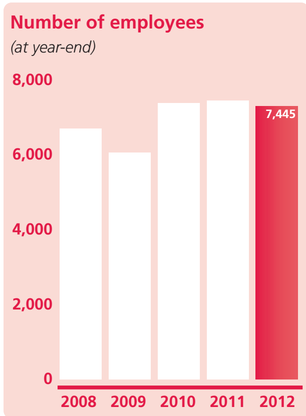


Key figures Flow Control *(in EUR millions)*	**2012**	**2011**	**2010**	**2009**	**2008**
Revenue	1,429.3	1,358.2	1,218.0	1,043.9	1,235.6
Operating profit (EBITDA)	185.6	171.6	161.4	144.4	177.5
EBITDA as a % of revenue	13.0	12.6	13.3	13.8	14.4
Operating profit (EBITA)	139.5	129.1	121.8	105.3	139.1
EBITA as a % of revenue	9.8	9.5	10.0	10.1	11.3
Capital expenditure	47.1	43.1	41.6	35.1	60.0
Depreciation	46.1	42.5	39.6	39.1	38.4
Average number of employees (x1)	7,625	7,767	7,115	6,376	6,872
Number of employees at year end (x1)	7,445	7,563	7,494	6,276	6,608









Geographical spread of employees	**2012**	**%**	**2011**	**%**
Germany	2,436	20	2,459	20
United States	2,294	19	2,280	19
Benelux	1,809	15	1,863	15
France	1,579	13	1,653	13
Eastern Europe	1,556	13	1,612	13
United Kingdom	1,021	9	1,087	9
Scandinavia	384	3	429	4
Spain & Portugal	217	2	225	2
Other	752	6	674	5
Total	**12,048**	**100**	**12,282**	**100**

Ballomax valves, applied in the district energy market.

Contents

A Meibes energy efficient pump group, applied in a climate control system.

Introduction by the CEO

With a record revenue, increased profits, and higher earnings per share, we look back on a successful 2012. The company is well positioned for continued profitable growth, for which investments will again be made in 2013.

Record

In 2012, we realised record revenue of more than EUR 2 billion, an increase of 5% compared to 2011. The operating profit (EBITA) also increased by 5% to EUR 219.1 million with an EBITA margin of 10.8%. Net profit amounted to EUR 152.1 million, an increase of 4%. This meant the earnings per share increased by 3% to EUR 1.40. A large number of new projects was commenced during the year under review and capital expenditure increased by 23% to EUR 103.6 million. The balance sheet ratios could again be improved.

The good progress was the result of our continued focus on strengthening our marketing and sales approach, the strong improvement of our product and technology portfolio, and the continued development of certain market segments. At the same time, we have increased the speed of innovation and product development, as well as the speed of the implementation of projects to increase the production efficiency. The mutual cooperation also improved.

Industrial Services: good profitability maintained

At Industrial Services, revenue increased by 3% to EUR 595 million, and the good profitability was maintained with an operating profit (EBITA) of EUR 79.6 million and an EBITA margin of 13.4%. These results were achieved thanks to a strong increase in product and technology development, including a lot of associated engineering activities for new projects. We also offer a combination of technologies to various major clients on the basis of key account management, with increasing success.

Flow Control: increased revenue, profit, and margin

Despite challenging market conditions, revenue of Flow Control increased by 5% to EUR 1,430 million. The operating profit (EBITA) increased by 8% to EUR 139.5 million and the EBITA margin amounted to 9.8%. This progress has been made thanks to the increasing marketing and sales focus on rapidly growing product lines and the intensification of the sales of complete specified systems. We have also further expanded our positions in the market segments of industry, district energy, and especially oil & gas.

Future

The company is well equipped for continued profitable growth. There are many strategic, marketing and sales initiatives in progress, and we continue to pay significant attention to technology and product development, and continuous improvement of our production efficiency and operating margin. In addition, in 2013 there will be continued investment in more efficient production, sales force, engineering capacity and supplementary acquisitions that contribute to strengthening our market positions. Against this background, we anticipate that 2013 will develop as a good year for the company, with continued profitable growth.

Thanks

We look back on a successful 2012. On behalf of the Management Board, I would like to sincerely thank all of our employees, customers and partners for this achievement.
I am fully confident that we will also be able to present ourselves during the coming year as an innovative, good profitable, market-driven company that is continuing to improve its performance.

Langbroek, 25 February 2013

Wim Pelsma
Chief Executive Officer


BROEN regulator valve, applied in a (hot) water piping system.

Aalberts Industries at a glance

Aalberts Industries is among the global market leaders and is constantly looking for new opportunities. Customers concentrate on suppliers who have proven themselves as reliable and innovative partners. Aalberts Industries responds to this as a financially solid, flexible and technically high-quality specialist.

Profile and markets

Profile

Aalberts Industries, founded in 1975 and quoted on the stock exchange since March 1987, is an internationally active specialist in industrial products, systems and processes with high-quality technical knowledge. The company develops solutions for diverse customer needs, divided into the group activities Industrial Services and Flow Control.

Industrial Services supplies high-quality products, processes and systems to specific market segments. These include the semiconductor and automotive industry, the oil and gas sector, the metal and electronics industry and the machine build sector, the medical sector, the turbine and aerospace industry, and the (sustainable) energy sector.

Flow Control concentrates on the development, production and assembly of products and systems for the distribution and regulation of liquids and gases. This group activity focuses on the on the building installations and utilities market, various industrial markets, the oil and gas sector, the (district) energy industry, the irrigation market, and the beer and soft drinks market.

Industrial Services and Flow Control serve diverse markets, each with its own dynamics, which leads to a well-balanced portfolio of markets.

Added-value

Aalberts Industries belongs to the global market leaders and is continually seeking new opportunities that will lead to sustainable and profitable growth, both organically and via acquisitions. Industrial Services and Flow Control each have their own characteristics in market development and strategic approach. However, for both group activities, customers are concentrating ever increasingly on suppliers who have proven themselves as reliable and innovative partners. Aalberts Industries responds to this development as a financially solid, flexible and technically high-quality specialist. A great amount of on-going attention is place on innovation of products, processes and systems, and cooperation with customers. There is also a clearly recognisable trend which is moving from a desire for individual products and components to a need for integrated systems on the one hand, and for complete product packages on the other. To meet both these needs, Aalberts Industries cooperates closely with customers, who also reap the benefits of a continuous strengthening of internal cooperation. The sharing of knowledge, expertise, and sales and distribution channels among the group companies leads to higher added-value for the customer and to increased efficiency and new options for further growth for Aalberts Industries, as well as higher added-value.

Employees and organisation

Approximately 12,000 employees work for Aalberts Industries, distributed over more than 150 group companies in over 30 countries. The company has a flat organisational structure. The group companies have the main responsibility for their day-to-day operations, in which the strategy is determined together with the holding company. This approach leads to an enterprising culture in which there is continual work on the innovation of products and an active market approach. Mutual knowledge sharing, exchange of technology, using each other's sales and distribution channels, and joint product development (best practice) contribute to progressive product innovation and expansion of the product portfolio.

For a detailed overview of the activities of Aalberts Industries, please go to www.aalberts.com.

The hardening of parts of door locks for the automotive industry at Härterei Hauck.

Each year, the company introduces new products, systems, processes, and technologies that are always based on specific requirements of customers and markets.

Strategy

General
Aalberts Industries focuses on achieving sustainable and profitable growth, both organically and through acquisitions, and aims for a continued strengthening of (leading) market positions and an improvement of the operating margin. The initiative for this strategy is taken by the holding company, assisted by the group companies. The strategy is discussed and evaluated structurally at various levels within the organisation.

Industrial Services
The growth of Industrial Services is based on continuing technical innovation of products, systems and processes for customers and strategic partners. In addition, the goal is to provide a combination of technologies to contacts that increase the added-value, supported by targeted key account management. Industrial Services also responds to the growth trend in which strategic partners are increasingly active on a global scale. The monitoring of these relationships with associated products and processes provides good opportunities. The highest possible added-value can be supplied by continuing to be involved at as early a stage as possible in the development of customers' new products and processes.

Examples within Industrial Services include, among others, high-quality products and various types of heat and surface treatment of parts used in the automotive industry, systems for the semiconductor industry, products for the medical industry, and precision stamping parts for the metal and electronics industry. For the machine build sector, Aalberts Industries is a specialist in the production and heat and surface treatment of metal and plastic parts. With respect to the aerospace industry Aalberts Industries supplies amongst other things extrusion products and the surface treatment of parts for fuselages, wings, jet engines and landing gear. This also applies to the (gas) turbine industry, in which fitted systems must be accurately vacuum brazed. The oil and gas markets are supplied with high-quality products in combination with surface treatment.

Flow Control
The growth of Flow Control is based on the supply of a complete range of connect & control systems for various metal and plastic pipes for heating, cooling, water and gas systems, for markets such as building installations and utility, industry, oil and gas, (district) energy, and the beer and soft drinks industry. Complete climate control systems are also supplied, which improve the energy efficiency of heating and cooling systems. The product and system offerings include an extensive package of metal and plastic piping systems, a range of regulator valves, (high) temperature and (high pressure) regulator systems with the corresponding materials expertise, and various measurement systems and controls.

The focus is on cross-selling of group products, in which local sales and distribution networks in the various countries and market segments sell each other's products, which means selling, specifying and prescribing complete systems. Local organisations are used as sales platforms for products that are produced in competence centres. The prescribing organisations specify the products with strong product brand names, which are then presented by project developers, architects, and installers. Flow Control continually strives to improve its product portfolio in the various market segments and countries.

Innovation and technology development
Research, development and (technical) innovation form a crucial pillar, and provide not only entirely new products, processes and systems, but also improvements to existing products, processes and systems. Each year the company introduces new products, processes, systems, and technologies that are always based on specific requirements of customers and markets. The increasing exchange of technology between Industrial Services and Flow Control also offers opportunities for the developments that contribute to revenue and profit, and to the continued expansion of distinctive market positions. Internal cooperation is constantly reinforced in order to strengthen the innovation power.

Objectives
Aalberts Industries endeavours to achieve stable growth that exceeds the market average. The company has been working on the objectives explained below for several decades.

Stable growth of earnings per share
The primary objective is stable growth of average earnings per share over several years.

Stable revenue growth

Stable revenue growth is essential for the long-term retention of leading market positions and the achievement of growth in earnings. This revenue growth is achieved through organic growth as well as through acquisitions.

Well-balanced distribution of profit

Aalberts Industries achieves a well-balanced distribution of the profit across geographical markets, market segments, and customers in order to limit dependence on a specific market or customer. The spreading of risks benefits the company's continuity.

Leading market positions

Aalberts Industries wants to be among the leading companies in specific market segments. In many European countries and North America, the company is the market leader or well positioned; and a lot of energy is being invested in the development of profitable positions in various Asian countries.

Solid balance sheet ratios

In order to implement the chosen strategy successfully, the available financing possibilities are constantly being optimised.

The financial objectives are:

- a total equity amounting to at least 30% of the balance sheet total;
- an interest cover ratio (EBITDA / net interest cost) of at least 4;
- a leverage ratio (net debt / EBITDA 12-months rolling) of no more than 2.5;
- a gearing (net debt/total equity) of maximum 1.5.

The Aalberts Industries N.V. share

Listing

Since March 1987, Aalberts Industries has been listed on the stock exchange, where it is included in the AMX index of the NYSE Euronext Securities Market in Amsterdam. In addition, in 2006, Euronext.liffe introduced options on shares issued by Aalberts Industries. At the 2012 year-end, 109,425,957 ordinary

Aalberts Industries wants to be among the leading companies in specific market segments.

Vacuum technology, applied by Accurate Brazing on parts for the turbine and aerospace industry.

shares with a nominal value of EUR 0.25 each were in circulation and the market capitalisation amounted to EUR 1,718 million (at the end of 2011: EUR 1,403 million).

Dividend policy
Aalberts Industries will continue its dividend policy unchanged, and wants to allocate approximately 75% of net profit before amortisation for further growth and to strengthen the financial position. Approximately 25% will be distributed to shareholders by way of an optional dividend.

Shareholders' interests
100% of the shares are freely tradable. Based on the Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions Decree and in accordance with the Financial Supervision Act, which, among other things, prescribes that shareholders holding more than 5% of the outstanding shares must disclose this fact, the following holders of shares are disclosed:

Name	% of the total capital interest	Date of disclosure
The Aalberts Family	13.31%	03 February 2011
Ameriprise Financial Inc	5.04%	27 October 2010
FMR LLC	10.11%	24 November 2011
OppenheimerFunds, Inc.	5.09%	10 May 2010

Conditional awarding of shares to the Management Board and group company managers
Remuneration for long-term performance of the management is in the form of a conditional awarding of shares. This remuneration depends on the strategic plan and the creation of value over a period of three years, after which the extent to which the targets have been achieved is evaluated and the number of shares finally to be awarded is determined.

Prevention of misuse of insider information
In 2009, revised regulations regarding the notification and regulation of transactions in shares became effective for Supervisory Board members, Management Board members, group company managers and other designated persons, such as holding company employees. The Compliance Officer keeps an up-to-date record of all insiders. Aalberts Industries has a so-called Whistleblower Scheme; the full text of which is available under Investor Relations on the company's website.

Personal details

Supervisory Board
H. (Henk) Scheffers (1948), Chairman
Dutch nationality.
Former Management Board Member of SHV Holdings N.V.
First appointed 2007. Current term ends 2015.
Other relevant functions: Supervisory Board vice-chairman for Flint Holding N.V., member of Supervisory Boards of AON Nederland, Koninklijke FrieslandCampina N.V. and Koninklijke BAM Groep N.V., chairman of Investment Committee of NPM Capital N.V., and Board Member of the Stichting Administratiekantoor Aandelen KAS BANK (KAS Bank shares trust office foundation).

Financial calendar for 2013–2014

provisional	
28 March 2013	Registration date for the General Meeting
24 April 2013	Trading update (before start of trading)
25 April 2013	General Meeting In the Hilton Hotel, Apollolaan 138, in Amsterdam, commencing at 10:30 a.m.
29 April 2013	Quotation ex dividend
02 May 2013	Record date for dividend
3 to 16 May 2013	Dividend option period (stock or cash dividend)
17 May 2013	Stock dividend conversion ratio notification* (after close of trading)
22 May 2013	Paying out dividend and issuing new shares
15 August 2013	Publication of 2013 half-year figures (before start of trading)
22 October 2013	Trading update (before start of trading)
26 February 2014	Publication of annual figures for 2013 (before start of trading)

* The stock dividend conversion ratio will be fixed on 17 May 2013 after close of trading on the basis of the volume-weighted average share price of all traded Aalberts Industries N.V. shares as at 13, 14, 15, 16, and 17 May 2013, in such a way that the value of the dividend in shares is virtually equivalent to the value of the cash dividend.

R.J.A. (René) van der Bruggen (1947)
Dutch nationality.
Chairman of the Management Board of Royal Imtech N.V.
First appointed 2011. Current term ends 2015.
Other relevant functions: Member of the Supervisory Board of Grontmij N.V., member of the Supervisory Board of Gelderse Vallei Ziekenhuis (hospital board), member of the Exchange Council NYSE Euronext, member of the Board of Nederlands-Duitse Handelskamer (Dutch-German Chamber of Commerce), and member of the Board of Stichting Beschermingspreferente aandelen Fugro (foundation for protection of preferential shares of Fugro).

M.C.J. (Martin) van Pernis (1945)
Dutch nationality.
Former president of Siemens Group in the Netherlands, former chairman of the Management Board of Siemens Nederland N.V.
First appointed 2010. Current term ends 2014.
Other relevant functions: chairman of the Supervisory Boards of Dutch Space B.V. and Batenburg Techniek, member of the Supervisory Boards of Feyenoord Rotterdam N.V., ASM International N.V., chairman of the Supervisory Board of GGZ-Delfland and Sint Franciscus/Vlietland Group (hospital boards),

president of the Dutch Royal Institute of Engineers KIVI NIRIA, and chairman of the board of "Vernieuwing Bouw" (building renovation).

W. (Walter) van de Vijver (1955)
Dutch nationality.
CEO of Reliance Industries E&P International.
First appointed 2007. Current term ends 2015.
No other relevant functions.

Management Board

W.A. (Wim) Pelsma (1963), Chief Executive Officer
Dutch nationality. Has worked in the Aalberts Industries Group since 1999; current position held since 2012. No other relevant functions.

J. (Jan) Aalberts (1939), President
Dutch nationality. Founder of Aalberts Industries in 1975. No other relevant functions.

J. (John) Eijgendaal (1964), Chief Financial Officer
Dutch nationality. Has worked in the Aalberts Industries Group since 1989; current position held since 1999. No other relevant functions.

Operational Management

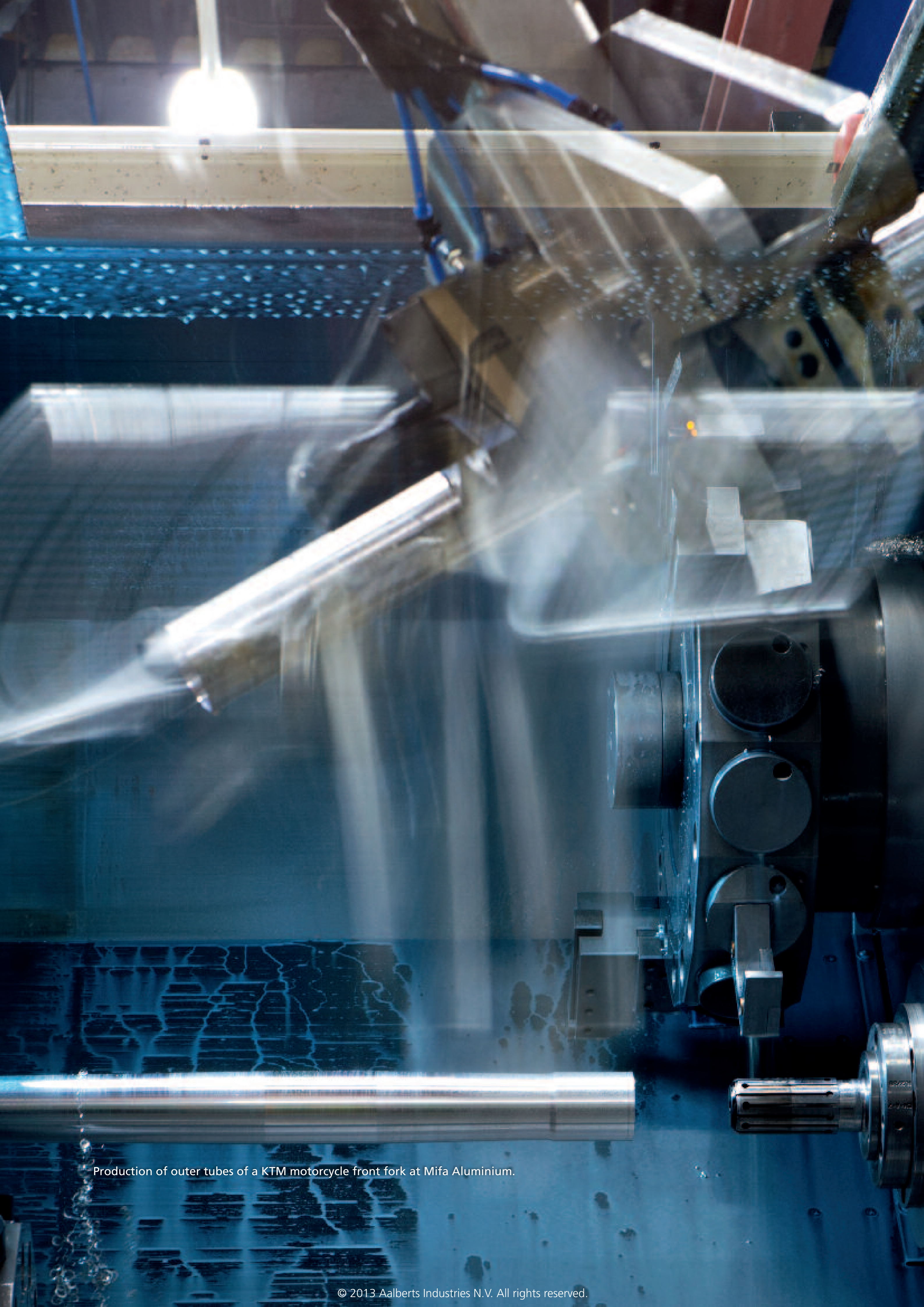
Industrial Services

M. (Marcel) A.J.M. Abbenhuis (1959)
Industrial Products
O. (Oliver) Jäger (1967)
Material Technology
N. (Nico) Nieuwland (1955)
Lamers High Tech Systems
P. (Pierre) Petitjean (1966)
Metalis

Flow Control

S.J. (Stuart) Anderson (1964)
Flow Control United Kingdom & Middle East
M.A.B. (Michiel) Boehmer (1969)
Flow Control Northern Europe
V. (Vincent) Deflandre (1969)
Flow Control Southern Europe
B. (Burkhard) Haemer (1961) & **R. (Robert) Sagstetter** (1960)
Flow Control Germany
G.L. (Glenn) Mosack (1964)
Conbraco Industries & Elkhart Products
J.C. (Jack) McDonald (1961)
LASCO Fittings
D.W. (David) Lease (1955) & **H. (Harald) Steinmetz** (1963)
Dispense Systems
K.A.M.G. (Ken) van de Velde (1963) & **W. (Wim) Verhoeven** (1965)
Henco Industries

Apollo regulator valves, applied in an air pressure regulation system for the food industry.



Production of outer tubes of a KTM motorcycle front fork at Mifa Aluminium.

Report of the Management Board

Aalberts Industries is proposing to the General Meeting that the dividend for 2012 be set at EUR 0.35 in cash per share, or in shares, according to the shareholder's preference. This is an increase of 3% compared to last year.

Financial results

Revenue

Revenue amounted to EUR 2,024.5 million (2011: EUR 1,937.4 million), an increase of 5%.

Added-value

The added-value (revenue minus raw materials and work subcontracted) amounted to EUR 1,197.1 million, or 59.1% of revenue (2011: EUR 1,145.9 million, or 59.1% of revenue).

Operating profit

The operating profit before depreciation and amortisation (EBITDA) increased by 6% to EUR 296.1 million (2011: EUR 279.4 million). The EBITDA margin amounted to 14.6% of revenue (2011: 14.4%) at Industrial Services 18.6% (2011: 18.6%), and at Flow Control 13.0% (2011: 12.6%).

Depreciation and amortisation amounted to EUR 94.0 million (2011: EUR 84.9 million).

The operating profit after depreciation and before amortisation (EBITA) increased by 5% to EUR 219.1 million (2011: EUR 208.9 million). The EBITA margin amounted to 10.8% of revenue (2011: 10.8%). Industrial Services achieved an EBITA margin of 13.4% (2011: 13.8%), and Flow Control achieved an EBITA margin of 9.8% (2011: 9.5%).

Net finance cost

Net finance cost amounted to EUR 20.2 million (2011: EUR 26.6 million); net interest cost was EUR 20.5 million (2011: EUR 23.0 million). This decrease was thanks to the average lower interest rates and lower surcharges of the banks because of the improved leverage ratio.

Tax on profits

The total tax on profits was EUR 45.9 million (2011: EUR 36.3 million); the effective tax rate was 25.2% (2011: 21.6%). The relatively low tax rate in 2011 was particularly the result of (non-recurring) contributions from tax credits from previous years, the use of offsetting for losses, and decreasing European tax rates.

Net profit

Net profit before amortisation amounted to EUR 152.1 million (2011: EUR 145.8 million), an increase of 4%. Earnings per share before amortisation were EUR 1.40 (2011: EUR 1.36), an increase of 3%.

Profit appropriation

The number of shares issued at the end of 2012 was 109.4 million (at the end of 2011: 108.1 million). The increase was the result of the stock dividend for 2011. It will be proposed to the General Meeting that the dividend for 2012 be set at EUR 0.35 in cash per share, or in shares, according to the shareholder's preference. This means that Aalberts Industries is continuing its policy to pay approximately 25% of the realised net profit before amortisation as dividend. This implies an increase of 3% compared to 2011 (EUR 0.34). The stock dividend will be fixed on 17 May 2013 after close of trading on the basis of the volume-weighted average share price of all traded shares in Aalberts Industries N.V. as at 13, 14, 15, 16, and 17 May 2013, in such a way that the value of the dividend in shares is virtually equivalent to the value of the cash dividend.

Capital expenditure and cash flow

Capital expenditure amounted to EUR 103.6 million (2011: EUR 84.3 million), of which EUR 56.5 million was at Industrial Services and EUR 47.1 million at Flow Control.


Various piping systems used for the heating of commercial buildings.

The cash flow from operations increased by 9% and the cash flow increased by 6%. Solid balance sheet ratios continued to be maintained, as was demonstrated by the positive development of the leverage ratio, the interest cover ratio, and the gearing.

At the end of 2012, net working capital amounted to EUR 370.0 million, 18.3% of revenue (at the end of 2011: EUR 345.4 million, or 17.3%).

The cash flow from operations increased by 9% to EUR 271.4 million (2011: EUR 250.0 million). The cash flow (net profit plus depreciation and amortisation) increased by 6% to EUR 229.1 million (2011: EUR 216.3 million). This clearly indicates the strong cash flow generating ability of Aalberts Industries.

Balance sheet ratios

At the end of 2012, total equity amounted to EUR 980.0 million (2011: EUR 858.5 million), 50.1% of the balance sheet total (2011: 44.4%). Solid balance sheet ratios were thus maintained, which is also evidenced by the development of the three ratios important for the company: the leverage ratio improved from 2.0 to 1.8; the interest cover ratio went from 12.9 to 14.4, and the gearing was 0.6 compared to 0.7 in 2011.

Financing

The net debt at the end of the year amounted to EUR 541.6 million (2011: EUR 605.6 million) and consists of bank loans (EUR 368.7 million), finance leases (EUR 22.6 million) and short-term overdraft facilities (EUR 150.3 million).

Bank loans (excluding finance leases)

Exclusively for acquisitions, in recent years loans have been raised from various banks in local currency with a maturity of up to seven years. These loans are usually repayment free for the first two years, and are then repaid from the free cash flow in equal quarterly or half-yearly amounts until maturity. As each loan has a different start date and end date, there is no refinancing requirement. The schedule for the EUR 369 million as at the end of 2012 is as follows: EUR 124 million to be repaid in 2013, EUR 105 million in 2014, EUR 76 million in 2015, and another EUR 64 million after 2015. The interest rate surcharges are different for each bank and depend on the leverage ratio (net debt/EBITDA 12-month rolling) that is checked twice a year. The bank covenants include a leverage ratio of < 3.5 as at 30 June of each year and < 3.0 on 31 December of each year, which has been more than satisfactorily achieved in 2012. The interest rate surcharges are levied on top of the variable base rate (mainly EURIBOR or LIBOR) or on the agreed interest rate, which is fixed for the remaining term of the underlying loan with the aid of interest rate swaps. Some 60% of the loans have fixed interest rates and 40% have variable rates.

Short-term overdraft facilities

A total of some EUR 486 million was available in the form of local bilateral financing facilities with about 15 banks in various countries, of which EUR 150 million was used on the balance sheet date. Daily payments are made via each of these banks, particularly for operational costs, working capital, and investments.

The interest rate surcharges differ for each country and each bank, and are levied on top of the variable base rate (mainly EURIBOR or LIBOR).

Operational developments

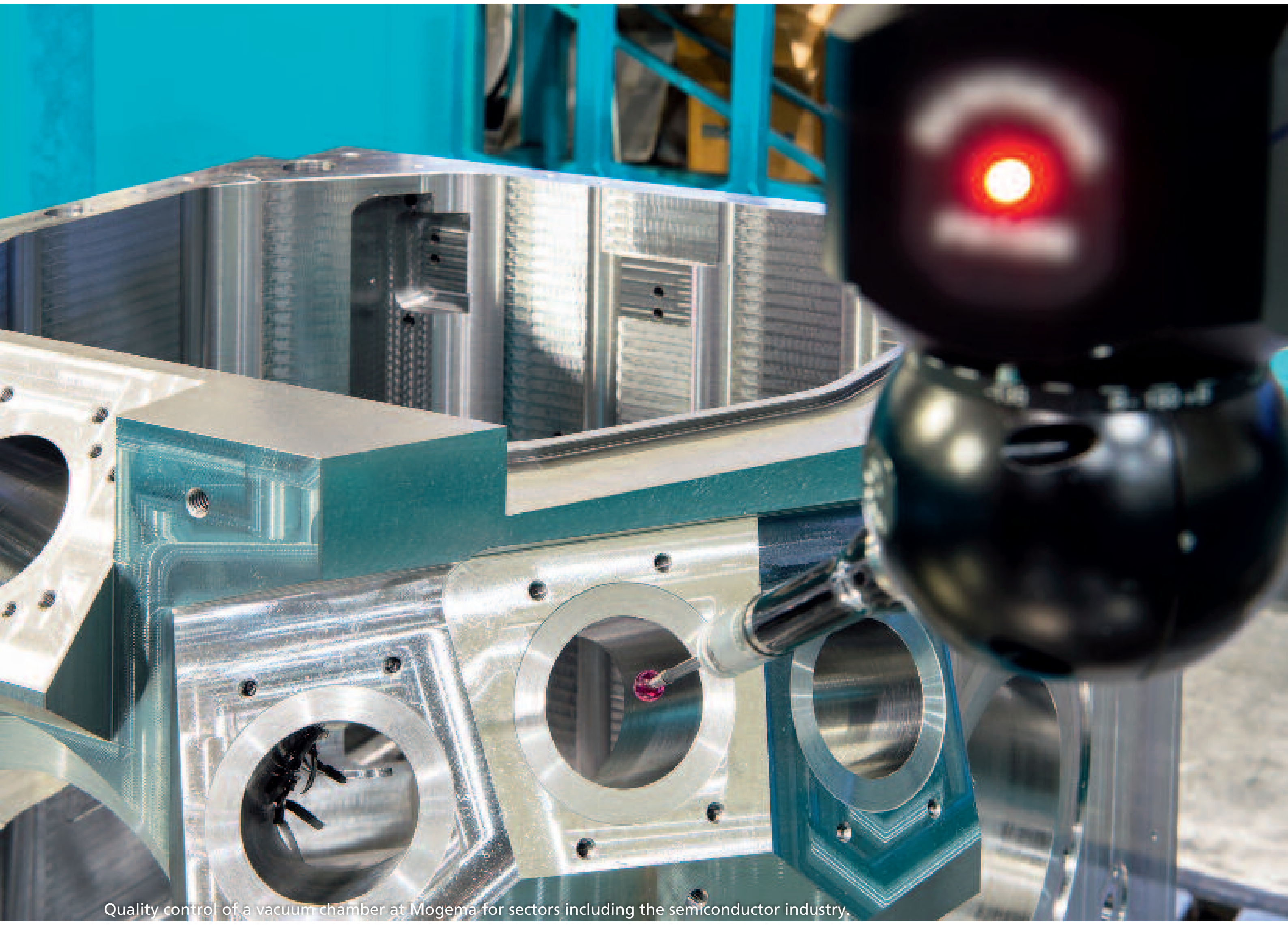
Industrial Services

At Industrial Services, revenue increased by 3% to EUR 595 million (2011: 579 million). The organic revenue growth amounted to 3.7% negative. The operating profit (EBITA) amounted to EUR 79.6 million (2011: EUR 79.8 million), or 13.4% of revenue (2011: 13.8%). Capital expenditure increased by 37% to EUR 56.5 million (2011: EUR 41.2 million).

The markets for Industrial Services showed a mixed picture. In some markets, volume decreased during the year, while in various other markets sales continued at normal level. The good profit could especially be achieved due to the continued focus on innovation of new products and technologies in cooperation with customers. In addition this approach yielded a lot of engineering work. It also enabled the benefits to be reaped from the considerable investments during recent years. The expansion of the operations, including in North America, Poland, Slovakia and China, brought additional growth. The sales and engineering capacity was expanded with dozens of employees during the year under review. In 2012, several investment projects were started for new and existing customers in the Netherlands, Germany, France, Scandinavia, the United Kingdom, Poland, and the United States. In India production was started in the second half of the year. The establishment in China showed a significant growth with many new products; all the preparations have been made for the realisation of a second manufacturing location in China in 2013.

The market demand in the **semiconductor industry** was good in the first half-year, but decreased somewhat in the second half-year. The flattening demand could partially be offset by the development of new technologies for a new generation of semiconductor manufacturing machines, which increased the engineering work. Continuous innovation and intensive joint key account management provided Industrial Services with ample opportunities in this market. A positive revenue boost came from the many new customers who have begun to use the high-purity gas technology from Lamers High Tech Systems, which was acquired in 2011. Industrial Services was also able to achieve a strong growth in vacuum systems for the semiconductor industry and other industries. The activities for LED production lines remained at a low level.

The activities focused on the **automotive industry** continued at a stable, high level. This was particularly visible in the German market, where Industrial Services has a good market position and benefits from the strong German exports. For many new models from major car manufacturers, projects for new products and heat and surface treatment processes have been approved and ordered. One example of these is the automated surface treatment of turbo parts for certain engine types; the production has meanwhile been expanded. There were also orders received for production and surface treatment of the inner front fork of motorcycles. The outer front fork is already produced. Due to the very high demand for specialised thin chrome treatments, further expansion of the capacity is being developed. At

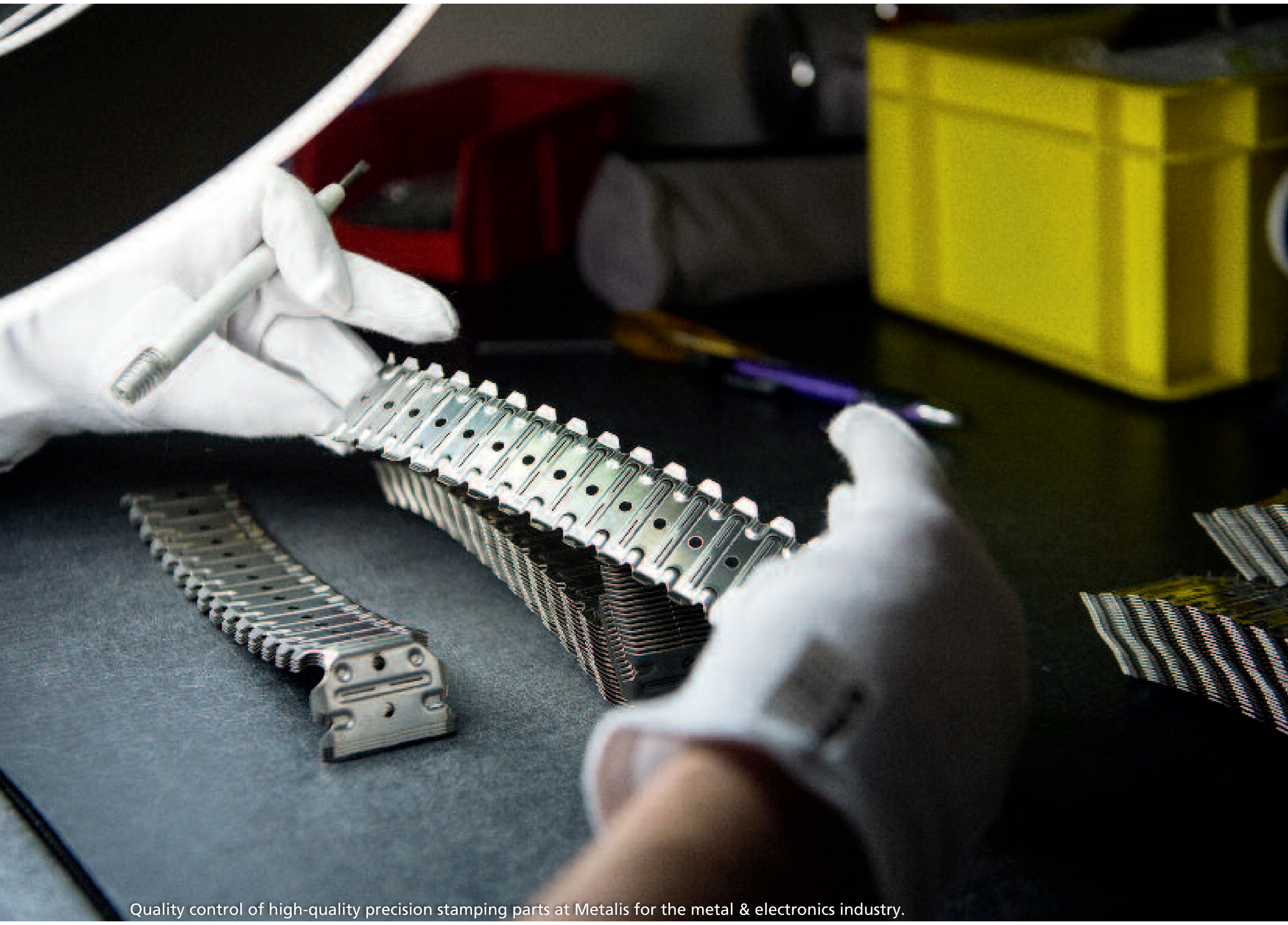


Quality control of a vacuum chamber at Mogema for sectors including the semiconductor industry.

Galvanotechnik Baum, which was acquired in 2011, various projects have been initiated and the capacity has been increased to meet the growing demand in countries including Germany, Poland, Czech Republic and Slovakia. With a view to the market opportunities and the future growth, the sales facilities in the latter three countries have been additionally strengthened. In Poland and Slovakia, orders increased for industrial products, and a new site for surface treatment was opened in the fourth quarter. The activities for the heat treatment of customer-specific products also developed well in North America, and the capacity was further increased. The reduced demand from French customers could be partially compensated by many new product initiatives, such as the development of new types of connectors.

The activities in the **turbine and aerospace industry** grew strongly, particularly in North America, France, and the United Kingdom. Investments are planned in these countries for further growth and the development of complementary technologies. A strong growth was realised in Germany with aluminium extrusion products for use in aerospace. The activities in surface treatment also did well, which was the result of the acquisition of new customers, improving the efficiency, and strengthening of the management resulting from the acquisition of DEC. The capacity in the United Kingdom was also increased to enable the surface treatment activities to continue growing. The demand for vacuum welding of components for aircraft engines and gas turbines continued to increase in North America. This market, for which the production capacity was expanded in 2012, offers good prospects for further growth, partly on the basis of a joint approach.

Previous investments realised returns and provided additional revenue and orders.



Quality control of high-quality precision stamping parts at Metalis for the metal & electronics industry.

A lot of attention has been paid to the development of the market positions in the **oil and gas market**. The significant expansion of the sales and engineering capacity led to a sharp increase in orders and project requests. In addition to the continued improvement of the key account management, it is mainly the combination of technologies – for example long-hole precision drilling and heat and surface treatments – that provides Industrial Services with a unique position in this strongly growing market that yields many new opportunities.

Market demand in **machine building** also showed a stable, good development. Full benefit was realised from the strong market position of Industrial Services in Germany. Previous investments realised returns and provided additional revenue and orders. The increasing number of projects enabled the capacity to be increased further at several German establishments.

In the **metal and electronics market** the demand from French customers declined, a situation which was partly offset by innovative product developments. Various projects are gradually reaching their completion, and a lot of added-value is expected from these activities during the coming years. In China and Poland, revenue increased and the engineering and sales efforts have been further expanded. Additional added-value was realised as a result of the development of more complete products through the combination of activities such as engineering, precision stamping, heat treatment, overmoulding, and assembly.

Flow Control

Revenue increased by 5% to EUR 1,430 million (2011: EUR 1,358 million). The organic revenue growth amounted to 2.1%. The operating profit (EBITA) amounted to EUR 139.5 million (2011: EUR 129.0 million), an increase of 8% with an EBITA margin of 9.8% of revenue (2011: 9.5%). Capital expenditure increased by 9% to EUR 47.1 million (2011: EUR 43.1 million).

The markets for Flow Control showed divergent trends. While the market for building installations in Europe remained unchanged and challenging, there was a visible improvement in North America. In the markets for climate control, industry, and oil & gas, good growth could be realised. A lot of attention has been paid to strengthening the market positions: by improving the product portfolio, by sharpening the management focus on specific market segments, product and brand development, by joint marketing, through the presentation of and training on the product and system portfolio for employees, end users, and prescribing bodies, through the specification and tracking of projects, and by strengthening the key account management. A lot has been invested in marketing support, and dozens of employees have been recruited in marketing and sales. Many projects to improve production efficiency and capital expenditure on production automation contributed to further cost reductions.

In the market segment **building installations in Europe**, it was mainly the new build construction that continued to be difficult. In contrast, the renovation, repair and maintenance market remained reasonably stable. In Western Europe, there were fewer projects for commercial buildings, with the exception of

Flexible gas mains systems resistant to subsidence made by HSF for the utilities market.

Germany. In contrast to a still very weak market in Southern Europe, the markets in Eastern Europe, North Africa and the Middle East developed well. By focusing on fast-growing product lines for metal and plastic piping systems with associated regulator valves for a safe, easy to use, and swift system installation, good growth could be realised. Much attention was given to training installers to stimulate the use of fast growing product lines. Also the market for products and systems for specific sub-segments, such as renovation packages, underfloor heating, piping systems in metal and plastic for sprinkler systems, flexible adapter connections of composite materials, and gas pressure regulators for the utilities market, showed a positive trend.

In the market segment **building installations in North America**, there was increasing benefit from the joint marketing and sales approach of a complete portfolio for each market segment. Consequently, and by offering an improved portfolio per market segment combined with associated regulator valves, growth was realised. The number of new houses, building applications, and renovations accompanying the increasing sales of houses increased gradually during the year. The number of projects in the commercial building sector declined somewhat. By the improved portfolio also in this segment, good progress could be recorded. There was growth in the retail activities, particularly in the sale of plastic and metal regulator valves. The joint activities in the irrigation sector had a successful year. In different locations investments were made in improving the efficiency of production and assembly.

Apollo valves in a system to prevent an overflow from storage tanks in the (petro)chemical and chemical industry.

In the **climate control** market segment, efforts were concentrated on the supplying of complete energy-efficient systems for heating and cooling in residential and commercial buildings. There is an ever-increasing demand for the supply of a combined system of various customer-specific boiler pump groups with associated controls, and valves that regulate the (hot) water flow in buildings, in combination with thermostatic valves and underfloor heating. The end user receives a complete energy-efficient system which delivers optimum building comfort. Where possible, this is offered in combination with metal and plastic piping systems with corresponding regulator valves. The marketing and sales attention, training and education have been strengthened and focused on the organisations that specify the projects. The product development of additional electronic applications for (hot) water measurement systems and the control of complete (sub) systems has increased significantly. The number of electrical specialists, measurement system specialists and associated software specialists has been greatly expanded during the year under review. There were very good sales developments in Eastern Europe. The first successful projects in Asia were also commenced.

The position in the European, North American and Asian **industry markets** has been additionally strengthened. The sale of regulator valves to sub-segments such as power stations, the pulp and paper industry, (petro)chemical industry and the food industry showed an upward trend, again partly as a result of improving and expanding the product portfolio and the sharpened focus on marketing and sales. The favourable market development in North America and the combined offering of industrial plastic connection systems with corresponding regulator valves yielded growth acceleration. The sales team in

The favourable market development in North America and the combined offering of industrial plastic connection systems with corresponding regulator valves yielded growth acceleration.

this area has been further expanded, as has the production capacity for the larger steel and stainless steel regulator valves. The market for high-pressure regulator valves for the automotive, technical gas, and medical industries also developed well, with a considerable increase in orders. The district energy activities also experienced a good year. This was mainly thanks to the sharpened management focus and the greatly improved portfolio of recent years: larger diameters, expansion of the system offering for so-called heating sub-stations, the complete offering of underground regulator valves, new products for higher-pressure applications, and a competitive offering of regulator valves of smaller dimensions. Also, the sales and project specification organisation was expanded in countries including Germany, Russia, Kazakhstan, Ukraine, Poland and Romania. Good growth was realised in these countries. The beer and soft drinks market continued to show a strong development, partly as a result of the joint marketing and sales approach, not only in North America and Europe, but also in Asia.

Substantial growth was able to be realised in the **oil and gas market**. This was mainly the result of the expansion of the portfolio of regulator valves for larger dimensions with higher pressures and lower temperatures. The business progress was also favourably influenced by the business unit organisation set up in 2012 with new management, and the strengthening of the sales efforts in countries including Poland, Ukraine, Russia, Turkmenistan, Kazakhstan, and Azerbaijan. To meet the rising demand, the production capacity has been further increased in Poland and Russia. Plans are in preparation to expand the marketing and sales activities in these countries. A joint approach to the strongly growing market for oil and gas in North America is also being developed. BSM Valves, acquired in January 2013, will contribute to the strengthening of the market position, especially in the area of high-quality regulator valves made of customer specific materials that can be rapidly delivered worldwide. In particular, the expertise in engineering and materials science can be used elsewhere within the company for the production of larger ranges for other segments in this market.

Balanced distribution of seats on the Management Board and the Supervisory Board

With effect from 1 January 2013, the Management and Supervision Act came into force, which means that certain major companies must aim for a balanced distribution between men and women of seats on the Management Board and the Supervisory Board. In 2012, no new members were appointed to the Management Board or the Supervisory Board, so that the distribution of seats has remained unchanged. As yet there is no intention to appoint new members to the Management Board. The current term of appointment for the members of the Supervisory Board runs until at least 2014.

During its annual evaluation in 2012, the Supervisory Board decided to supplement the profile sketch with the statutory requirements, so that these can be taken into account with future appointments.

BSM Valves will contribute to the strengthening of the market position. In particular, the expertise in engineering and materials science can be used elsewhere within the company.


BSM tailor-made valve, applied in the onshore and offshore oil and gas industry.

Corporate responsibility

Basic principles

As a leading industrial manufacturing company, Aalberts Industries is firmly grounded in society. Aalberts Industries depends on society, but is also strongly aware of its own social role; a role with responsibilities that extend further than purely the financial and economic management. Aalberts Industries recognises the effect that the company has on employees, the environment and society. After all, the company works on a daily basis with suppliers, customers and other participants in social and economic life. The company uses raw materials and semi-finished products, consumes energy and generates waste. Aalberts Industries is also a people organisation. The development of employees and the continual attention paid to a safe and healthy work environment are key. Aalberts Industries therefore endorses the OESO en ILO guidelines concerning corporate responsibility.

A policy for corporate responsibility

Aalberts Industries believes that corporate responsibility is inseparably linked with the daily routine. The activities that are developed in the context of corporate responsibility therefore contribute to the core processes and the operational objectives.

Targeted decisions made for corporate responsibility enable the policy framework to contribute to Aalberts Industries' three key themes, which are: 'Cost efficiency', 'Operational excellence' and 'Access to new markets'.

The efforts in the area of corporate responsibility can be divided into four pillars: 'People', 'Planet', 'Market', and 'Society'. By developing activities in these four areas, the company expresses its corporate responsibility and at the same time contributes to financial economic goals, such as cost control and innovation.

With regard to 'People', Aalberts Industries focuses on the creation of a healthy and safe working environment in which employees can develop themselves. With respect to 'Planet', Aalberts Industries endeavours to minimise its energy consumption, restrict and recycle its waste. Innovation, sustainable purchasing, and efficient use of materials are central in the 'Market' area of focus. With respect to 'Society', the company develops activities focused on complying with laws and regulations, increasing the positive effect that Aalberts Industries has on its surroundings, and managing the good conduct of its employees and suppliers by using a Code of Conduct, of which the main information can be found on the company's website.

The management is sharply focused on the many plans to achieve profitable growth and higher operational margins, complemented by acquisitions that add value and strengthen the market positions.

Henco plastic piping system, applied in the market for building installations.

Operationalisation of the policy

To gain insight into the results of its efforts, Aalberts Industries has established key performance indicators for each of the pillars. In 2012, a number of additional activities were developed within the 'People' pillar. These activities focus on safeguarding a safe and healthy working environment and encouraging people to continue excelling in it. By carrying out Health & safety audits at various sites, and by encouraging the sharing of knowledge and best practices, improvements have again been achieved in 2012.

Communication with stakeholders

Aalberts Industries has defined categories of stakeholders that are essential for the company's success. Internally these stakeholders are comprised by the employees, and externally these are the shareholders, customers, suppliers, authorities and society. The company and the group companies communicate with the stakeholders in order to check the social policy and to inform the stakeholders of the progress achieved with regard to the policy for corporate responsibility.

Looking ahead

Now that the policy for corporate responsibility and key performance indicators have been established, Aalberts Industries wants to focus on further improvement of its social performance. The company also reports on this at www.aalberts.nl/en/corporate_responsibility. For questions or suggestions in this area, please contact cr@aalberts.nl.

Outlook

After achieving record revenue and profit in 2012, Aalberts Industries will also in 2013 continue strengthening the technology and product portfolio, plus the marketing and sales force, expand the engineering capacity, increase the production efficiency, and widen the position in specific market segments.

The management is sharply focused on achieving the many plans for profitable growth and higher operational margins, complemented by acquisitions that add value and strengthen the market positions, while making the best possible use of the solid balance sheet ratios.

The expectation is that this will enable revenue, profit and capital expenditure to further increase in 2013 – barring unforeseen circumstances.

Management Board declaration

The Management Board declares that, to the best of its knowledge:

1. 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 Industries N.V. and the group companies included in the consolidation;
2. the annual report as included in this report provides a true and fair view of the situation on the balance sheet date and the business development during the financial year of Aalberts Industries N.V. and the affiliated group companies included in the financial statements. The annual report provides information regarding the material risks to which Aalberts Industries N.V. is exposed.

Langbroek, 25 February 2013
Wim Pelsma, *Chief Executive Officer*
Jan Aalberts, *President*
John Eijgendaal, *Chief Financial Officer*

Ballomax valves, applied in a gas pipeline system of a gas distribution station.

Report of the Supervisory Board

The Supervisory Board has determined that Aalberts Industries has been able to maintain the upward trend of previous years in 2012. The Management Board and employees have provided good work during 2012. The market positions were further strengthened during the year under review and excellent progress has also been achieved on other significant fronts.

Financial statements 2012 and dividend proposal

The financial statements for the financial year ending 31 December 2012 have been prepared by the Management Board and signed by the Management Board and Supervisory Board. The Auditor's Report from the independent auditor of PricewaterhouseCoopers Accountants N.V. is included on page 71 of the financial statements. The Management Board will present the financial statements 2012 to the General Meeting. The Supervisory Board advises the General Meeting to adopt these financial statements, including the proposed dividend of EUR 0.35 per share.

Composition of the Management Board

During the General Meeting on 26 April 2012, the former Chief Operating Officer, Mr. W.A. (Wim) Pelsma, was appointed as Chief Executive Officer. The Supervisory Board is of the opinion that the management transfer has progressed excellently and that the Management Board is performing in an excellent manner. The cooperation with the Supervisory Board is also proceeding satisfactorily. Mr. J. (Jan) Aalberts has handed over the day-to-day management of Aalberts Industries to Mr. Pelsma and remains linked to the company as a member of the Management Board with the title of President. No changes are foreseen for 2013.

Composition of the Supervisory Board

No changes occurred in the composition of the Supervisory Board in 2012. There are also no changes foreseen for 2013. The personal details of all supervisory directors are presented on page xx of this annual report. An explanation of the Management and Supervision Act that came into force on 1 January 2012 can be found on page 23 of the annual report.

The work of the Supervisory Board

The Supervisory Board met six times; the attendance rate was 96%. Because the Board wants to monitor the company activities closely from its supervisory position, these meetings regularly take place at a business unit. In the year under review, this was group company Henco Industries in Herentals, Belgium. During the meeting in the absence of the Management Board, the performance of the Management Board and the Supervisory Board was discussed. In the opinion of the Board, the Management Board discharged its responsibilities excellently in 2012.

The subjects discussed with the Management Board included the business progress, the developments around profit and markets, the half-yearly and annual figures, and the dividend policy. In addition, the strategy for the period from 2013 to 2016 was discussed in detail, with special attention being paid to the acquisition policy and the acquisitions of BSM Valves and GF-Flamm-Metallspritz. The business risks, organisational structure, and developments in the human resources policy were also discussed in detail.

The Supervisory Board has determined that Aalberts Industries has been able to maintain the upward trend of previous years in 2012. Solid progress was recorded in the year under review with respect to cost control and working capital management, revenue, profit and added-value.

The Supervisory Board approved the operational strategy and the objectives to be achieved for 2013.

The strategy for the period 2013 to 2016 was discussed in detail, with special attention being paid to the acquisition policy and the acquisitions of BSM Valves and GF-Flamm-Metallspritz.


XPress piping system, applied in the market for building installations.

Corporate governance

The Supervisory Board has ascertained that the corporate governance structure functioned well throughout the entire range of regulations and procedures as applicable within Aalberts Industries. The Supervisory Board and the Management Board also discussed the findings presented by the Dutch Corporate Governance Code Monitoring Committee in its report on compliance with the Dutch Corporate Governance Code by Dutch listed companies in the financial year 2010 and the potential effects of these for Aalberts Industries.

Independence
In the Supervisory Board's opinion, the composition of the Board is such that the members can operate critically and independently of each other and the Management Board, as stipulated in the Corporate Governance Code and Article 4 of the Rules. This means that the statutory duties and duties stipulated in the Articles of Association for the Supervisory Board are being fulfilled, including providing the Management Board with solicited and unsolicited advice and support.

Remuneration and Audit Committees
In accordance with Article 8 of the Rules, the Supervisory Board has not set up separate committees, but fulfils the tasks of these committees itself as a whole. In this context, during the meetings in 2012, the Board focussed on performance appraisal, financial reporting and the ensuing remuneration policy as approved by the General Meeting in 2010.

Appraisal of the performance of the Management Board and the Supervisory Board
During a closed meeting, the Supervisory Board evaluated and assessed its own performance, the performance of the Management Board, and that of the individual members of both bodies. The Chairman also conducted meetings with the Supervisory Board's individual members.

External auditor
As is customary for Aalberts Industries, the Supervisory Board discussed the half-yearly and annual figures with the external auditor. There were discussions concerning the activities that had been carried out, the internal risk management and control systems, and the figures to be published. It has been decided to propose to the General Meeting on 25 April 2013 to reappoint PricewaterhouseCoopers Accountants N.V. for the 2013 financial year.

Remuneration policy

Introduction
The Supervisory Board establishes the remuneration of the Management Board members in accordance with the Articles of Association. The remuneration of the individual Management Board members (including remuneration based on shares) must be in accordance with the policy approved by the General Meeting.

Within the framework of the Dutch Corporate Governance Code Monitoring Committee report and the best practice principles contained in it, the Supervisory Board has brought the remuneration policy pursued into line with Aalberts Industries' strategy, risks and financial objectives.

This aims at a good balance between the fixed and variable remuneration and the short-term and long-term remuneration. More information is provided on page 69 of the notes to the financial statements.

Aim
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 basic salary;
- a short-term variable remuneration in cash for performance in the short term (one year);
- a long-term variable remuneration in shares for performance in the long term (three years);
- a pension plan.

Basic salary
Once a year, the Supervisory Board will determine whether and to what extent the basic salary will be adjusted. This will also take into account developments in the market as well as the results of Aalberts Industries.

Short-term variable remuneration
The variable remuneration is an important component of the remuneration package. Management Board members can be awarded an annual bonus for the achievement of predetermined targets (including earnings per share before amortisation, net working capital, and organic revenue growth). The Supervisory Board sets these targets at the beginning of each financial year. The variable remuneration package is to an important extent based on performance and, if the aims are achieved at target, this package can add a maximum of 75% to the basic salary.

Long-term variable remuneration
The remuneration for performance in the long term of Management Board members is in the form of a conditional awarding of shares. This focuses on the strategic plan and the creation of value over a period of three years, after which the Supervisory Board assesses the extent to which the performance targets have been achieved, and decides how many shares will finally be awarded. Shares awarded conditionally must be held for at least five years, or until the end of the employment if this is sooner, unless the Compliance Officer can be shown that the shares were sold to pay tax obligations related to the awarding of these shares.

Pension plan
The Management Board members participate in a pension plan (average pay or defined contribution pension plan) with a retirement age of 65. Management Board members are responsible for payment of a third of the contribution.

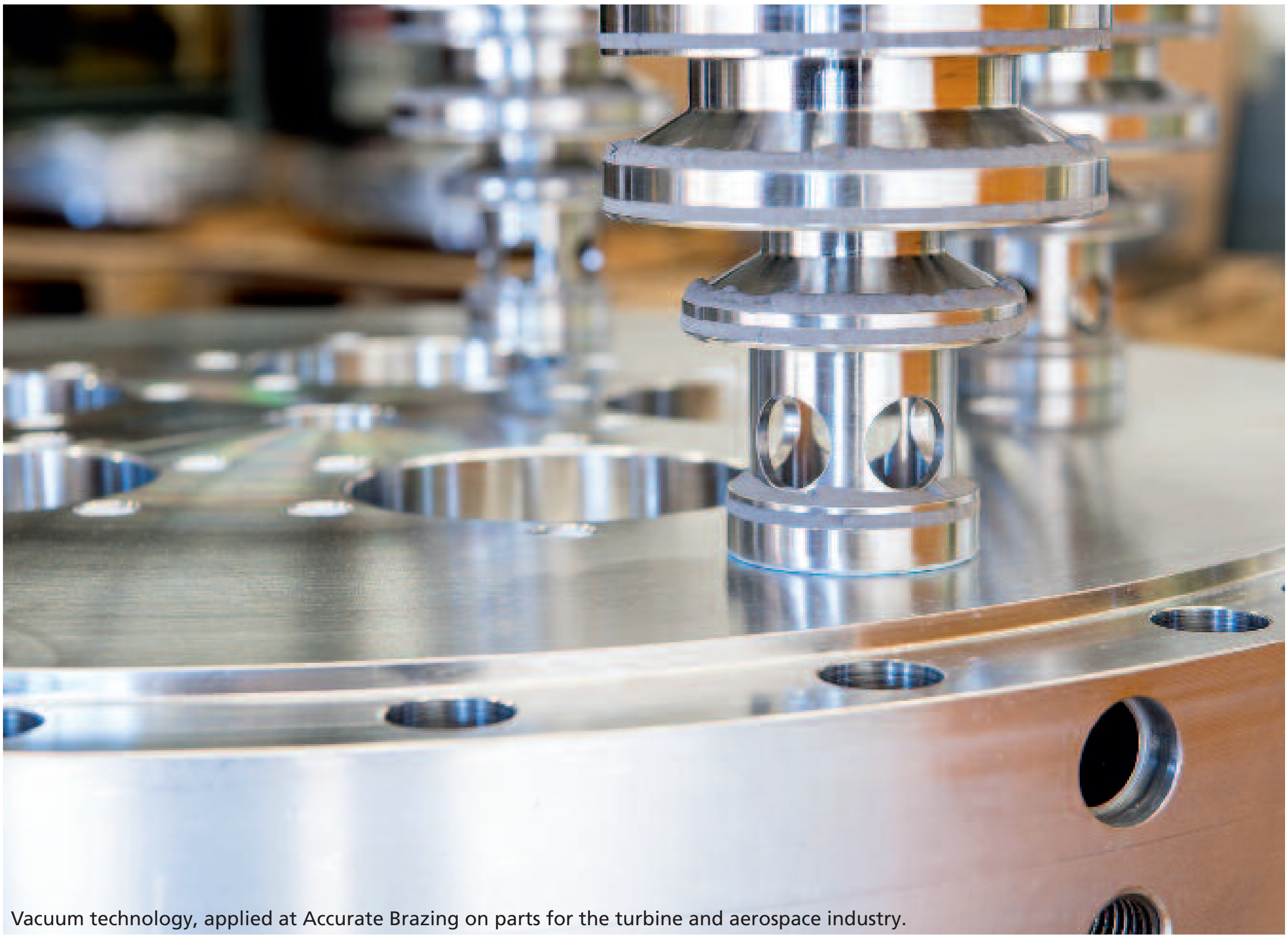
Amendment
Each year, the Supervisory Board will review the Management Board remuneration policy and assess its alignment with the market. Adjustments will be submitted to the General Meeting.

Note of thanks

The Management Board and employees have delivered good work during 2012. The market positions were further strengthened during the year under review, and excellent progress has also been achieved on other significant fronts. The Supervisory Board sincerely thanks the Management Board and employees for their efforts.

Langbroek, 25 February 2013

Henk Scheffers, *Chairman*
René van der Bruggen
Martin van Pernis
Walter van de Vijver



Vacuum technology, applied at Accurate Brazing on parts for the turbine and aerospace industry.

Surface treatment of outer tubes of a motorcycle front fork at AHC.

General information

Aalberts Industries pays constant attention to health, safety and the environment, and endeavours to belong to the preferred employers in the various markets and geographical areas. Therefore we work on continued encouragement of an entrepreneurial culture and we offer challenging career prospects.

Health, safety and the environment

Aalberts Industries examines its production processes and methods each year and adjusts these as necessary to changing circumstances or statutory requirements. The company sets itself the goal of preventing – or restricting as much as possible – any noise nuisance, soil, water and air pollution it might produce, and limiting the production of residual materials and hazardous substances. The following basic principles and objectives have been defined for employees and management:

- Compliance with the prevailing statutory regulations and stipulations. Where possible, doing more than is strictly required, if this contributes towards the realisation of the environmental and safety objectives.
- Continuous raising of awareness and provision of clear practical guidelines to ensure that health, safety and the environment receive constant attention and are dealt with in the right way.
- Constant attention focused on the prevention or restriction of noise nuisance and soil, water and air pollution, and the limitation of the production of residual materials and the use of hazardous substances.
- Reduction of consumption of materials and raw materials with the aid of new products and processes, the encouragement of practices involving reuse, and the implementation of modern production and assembly techniques.
- Stimulation of measures to save water and energy, including by reusing released energy and/or used cooling water.

Safety and quality of the working conditions are of primary importance within Aalberts Industries. The group companies all use their own health policy and practically all have their own environmental and safety policy. This policy is assessed each year on its merits, and specific results are discussed with the Management Board. Day-to-day implementation of the policy is based on a number of group principles:

- training and education for the employees;
- clear communication and guidelines including the safeguarding of such guidelines;
- regular audits and immediate follow-up of any actions ensuing from these audits;
- regular listing and evaluation of the risks;
- systematic sharing of knowledge and experience between the group companies.

Personnel and organisation

Aalberts Industries endeavours to belong to the preferred employers in the various markets and geographical areas. The company is very ambitious and has a decentralised organisational structure; the company is therefore mainly focused on recruiting, retaining and developing talented and enterprising people. Retaining and reinforcing the management potential is put into practice by personal development plans, challenging career prospects, and far-reaching operational final responsibility. Aalberts Industries has pursued this approach for many years already, which means that local management teams are strongly motivated to improve the profitability of their own company and that of the group. The following principles apply for the human resources policy:

- stimulation of an enterprising culture;
- attention for the environment, safety and social developments;
- training and education of employees and management;
- creation of challenging career prospects;
- a market-level remuneration structure and employment conditions.

These principles form the basis of the human resources policy within each group company. Given the diversity of employees, cultures and nationalities, the local management provides further elaboration within these frameworks. The group management and management of the subsidiaries regularly


A DSI extractor tube and dispense head for the beer & soft drink industry.

Aalberts Industries has a strong balance sheet and pursues an active policy to optimise the balance sheet ratios.

discuss the business progress and the human resources policy and any appointments at management team level.

Risk section

General and strategic

The decentralised organisation of Aalberts Industries means that the group companies are responsible within their own working area for the key control aspects of the risks. This decentralised approach, supported by a group-wide approach to risk management by the Management Board, provides Aalberts Industries with opportunities at various levels to identify and address risks flexibly, efficiently and rapidly, and to take appropriate measures. The markets in which Aalberts Industries operates are diverse and develop distinctively, just like the economic cycles of these markets. This also applies to the countries and geographical regions in which the company operates. Exchange rate movements, economic trends, and the development of prices of raw materials and energy are substantial factors for Aalberts Industries in designing its risk policy. Aalberts Industries provides the best possible response to developments on sales markets through the global distribution of its activities across a large number of customers, products and markets. A lot of attention is paid to this diversification in both the investment policy and the operational management in the endeavour for sustainable profitable growth, both organically and by means of acquisitions.

Operational

Aalberts Industries is exposed to a number of operating risks. These are mainly the technological status and continuity of the production resources, and environmental control and safety. Aalberts Industries annually invests in the most up-to-date production technologies and in the development of new products and processes. The operational management closely monitors the statutory developments in the field of environment and industrial innovations, and takes proactive steps where possible. Aalberts Industries endeavours to control the volatility of financial results by charging on price increases in the end prices in a short timeframe. With regard to the purchasing policy, purchasing volumes are consolidated and dynamic purchasing contracts are entered into with suppliers in terms of prices, volumes and periods. Reducing material consumption and controlling energy costs are also key focuses.

Financial

Aalberts Industries has a strong balance sheet and pursues an active policy to optimise the balance sheet ratios. Exclusively for acquisitions, in recent years loans with a maturity of up to seven years have been raised in local currency from various banks. These loans are usually repayment free for the first two years, and are then repaid from the free cash flow in equal quarterly or half-yearly amounts until maturity. As each loan has a different start date and end date, there is no refinancing requirement. Additional details are described on page 18 of the annual report. This limits the financial risks, and the financial solvency is maintained in the long term. The stock exchange listing enables a well-considered decision to be made in determining the best financing mix for acquisitions.

Aalberts Industries is exposed to financial risks that are elaborated in more detail on pages 47 to 49 inclusive of the financial statements. The most significant are currency risks, credit risks, and interest rate risks. By coordinating the currency cash flows at holding company level and consolidating purchasing and sales cash flows in specific currencies regionally, the group neutralises its sensitivity to exchange rate fluctuations as much as possible. Generally, Aalberts Industries is most sensitive to exchange rate fluctuations in the British pound and the US dollar. The group has a restrictive policy for credit risks: the creditworthiness of customers is repeatedly checked, and the receivables portfolio is predominantly insured for credit. The interest rate risk is relatively restricted, and the group has various options for actively managing interest rate fluctuations.

Aalberts Industries has contracted an adequate package of insurance facilities for its property, plant and equipment and for potential (product) liability risks towards third parties.

Legal

On 20 September 2006, Aalberts Industries and two of its group companies were fined EUR 100.8 million and EUR 2.04 million for alleged infringements of competition rules. In a judgment of 24 March 2011, the Court of First Instance in Luxembourg ruled that the European Commission had wrongly believed that Aalberts Industries and the subsidiaries involved had participated in a cartel during the period from 25 June 2003 until 1 April 2004, and the ruling of the European Commission including the fine was quashed. The bank guarantees issued by Aalberts Industries as security for the payment of the fine were returned by the European Commission in accordance with the applicable rules. The European Commission has lodged an appeal with the Court of Justice of the European Union against this ruling of the Court of First Instance. The Advocate General has stated at the Court of Justice that his recommendation to the Court of Justice will be announced on 28 February 2013. The Management Board looks forward with confidence to the subsequent ruling of the Court of Justice. As a result of the European proceedings, a number of market parties abroad have brought civil proceedings for damages against parties whose fines from the European Commission have been upheld. These parties are trying to have other market parties, including subsidiaries of Aalberts Industries, contribute to any damages.

The policy of Aalberts Industries is aimed at limiting legal risks as much as possible. The group tries to do this by identifying the types of business risks in its activities as much as possible, including legal risks, by creating clear risk and liability demarcations in negotiating about agreements. In addition, the financial impact of types of business risks are limited by various local insurance policies and the insurance policies of the group programme, combined with high service and quality management. At a decentralised level, Aalberts Industries has various regulations and integrity agreements with its employees, directors and other people who are affiliated with the company.

A DSI dispense system for the beer & soft drink industry.

In addition, Aalberts Industries has developed a group-wide code of conduct, the outlines of which can be found on the company's website.

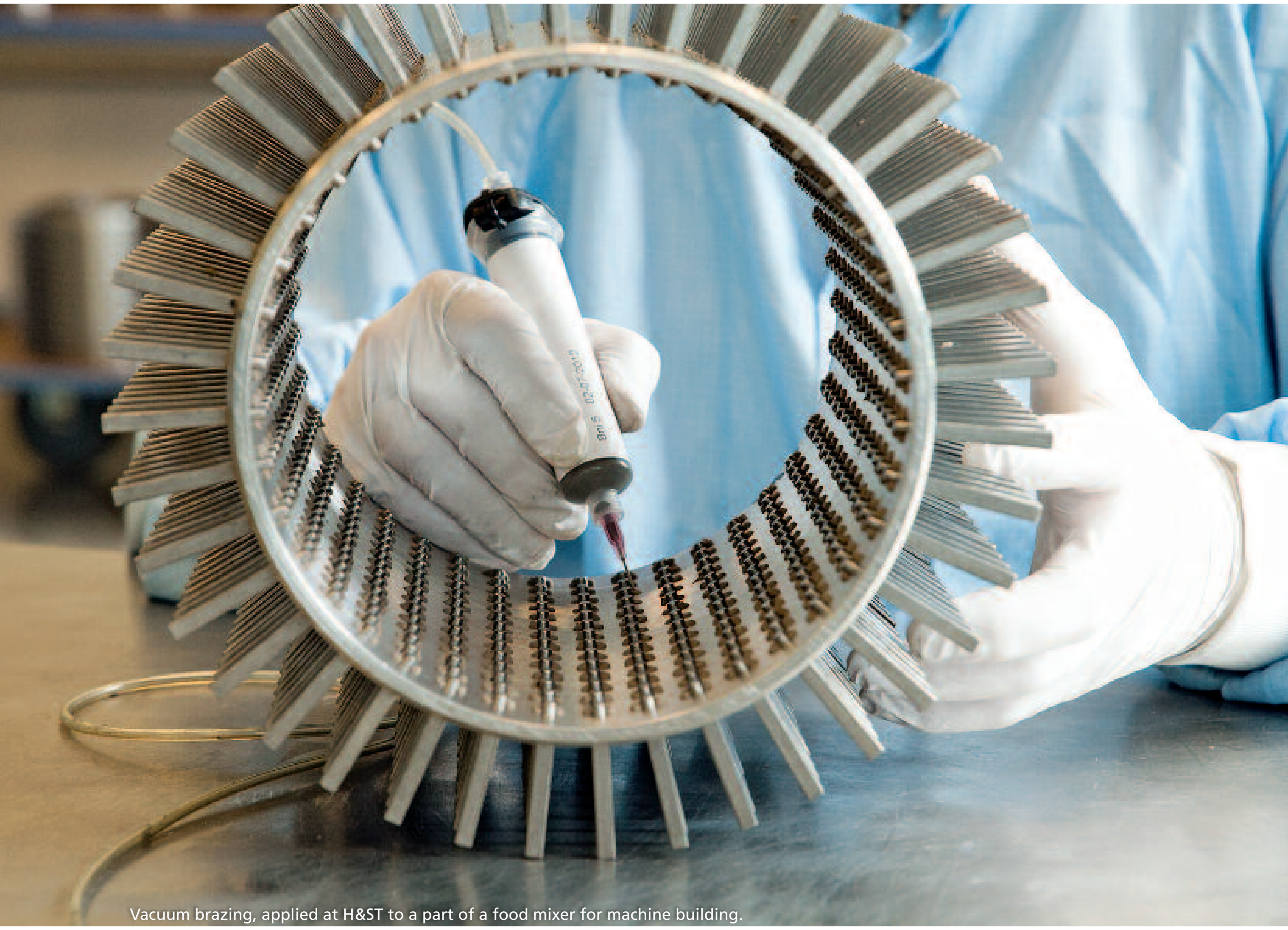
Risk management

The internal risk management systems are intended to identify the key risks and to take effective measures. Rapid, practical applicability within the decentralised structure of Aalberts Industries is thus the most important criterion for these. The financial reporting is drawn up within a strict framework of budgeting and reporting. The individual group companies report regularly to the Management Board, including on associated risks. These reports are discussed in detail with the Management Board, which critically assesses the accuracy and completeness of these reports, including compliance with the prescribed risk management policy. Accurate risk management and control systems do not provide absolute assurance that errors, fraud, losses, or unlawful acts can be prevented.

Corporate governance

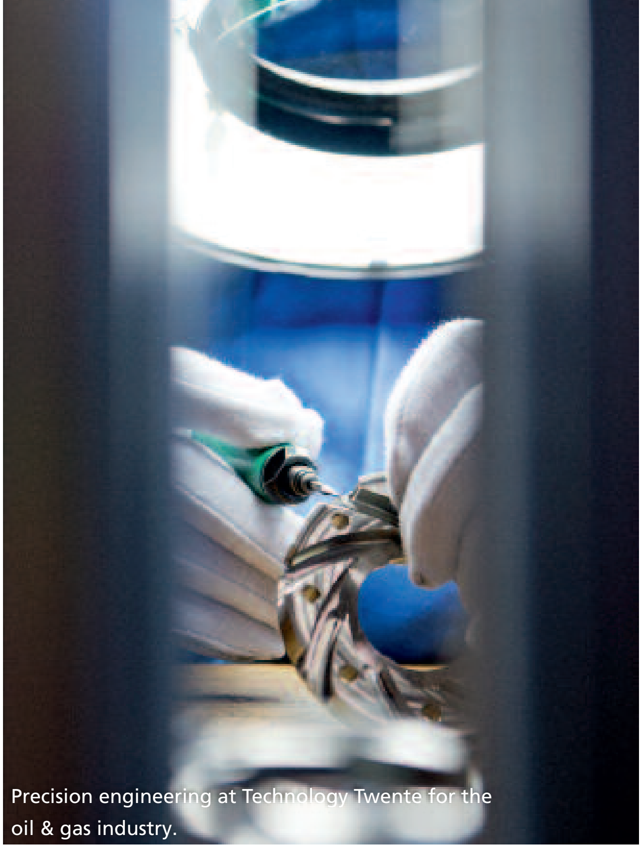
Aalberts Industries endorses the principles of the Dutch Corporate Governance Code and applies virtually all the best practice provisions of this Code. To a limited extent, these have been adjusted to specific circumstances of Aalberts Industries. These adjustments are explained under Investor Relations on the company's website. This also includes all the special rules and regulations drawn up as a result of the prevailing corporate governance structure. This means that the Management Board believes it meets the principles of 'comply or explain'. All the regulations pursuant to the Code that are applicable to Aalberts Industries concerning reporting and transparency of information have been incorporated in this annual report and on Aalberts Industries' website.

On 22 April 2004, the General Meeting of Shareholders approved the corporate governance structure of Aalberts Industries. Since then there have been no substantial changes in the corporate governance structure of Aalberts Industries, the special rules and regulations, or the compliance with the Code. The Management Board and the Supervisory Board have extensively discussed the special rules and regulations in 2012,



Vacuum brazing, applied at H&ST to a part of a food mixer for machine building.

The most important criterion for the identification of the most significant risks and taking effective measures is rapid, practical applicability within the decentralised structure of Aalberts Industries.



Precision engineering at Technology Twente for the oil & gas industry.

and updated them where necessary. In the opinion of the Supervisory Board and the Management Board, Aalberts Industries pursues a consistent corporate governance policy.

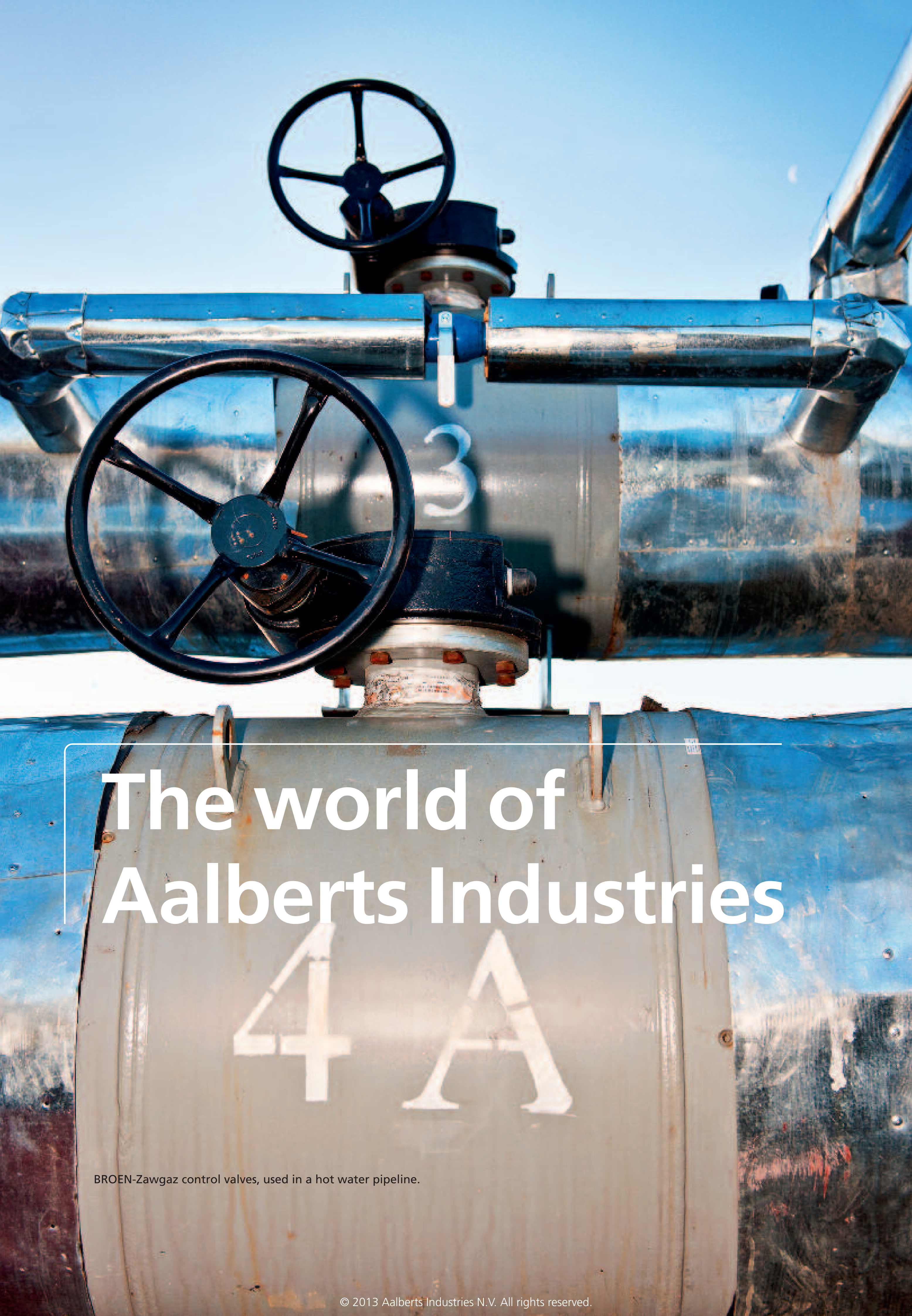
The main amendments with respect to the Code relate to the following subjects:

- **Management Board:** The company wants to offer employment conditions such that the right person can be recruited for the right position. The term of the appointment is unlimited. Management Board members must obtain the approval of the Supervisory Board before accepting supervisory directorships at other companies. Apart from the shares in Aalberts Industries N.V., private investments do not have to be disclosed. On dismissal, the existing employment conditions and regulations are taken into account; which also applies to new appointments.
- **Supervisory Board:** Members of the Supervisory Board are not prohibited from holding shares in Aalberts Industries. A former director may be a member of the Supervisory Board and can also be Chairman of that Board. With regard to expertise, the Supervisory Board must be composed such that the members of the Board can jointly fulfil their responsibilities. The maximum duration of Board membership is three terms of four years, but deviation from this is possible in the interests of the company. Before accepting an appointment or reappointment as a member of the Supervisory Board of another company, a member of Aalberts Industries' Supervisory Board must consult the Supervisory Board and the chairman of the Management Board in order to establish whether the acceptance of this appointment or reappointment is compatible with membership of Aalberts Industries' Supervisory Board.
- **Company secretary:** The nature and size of the group is such that the creation of the position of company secretary is deemed unnecessary.
- **Provision of information:** New information will be disseminated simultaneously and equally. Individuals are provided with information based on the above principle. The external auditor will not be invited to attend the General Meeting unless this is legally required or the Supervisory Board decides otherwise; however, the company will enable questions regarding the audit activities performed to be submitted to the external auditor in writing, prior to this meeting.

Decision-making

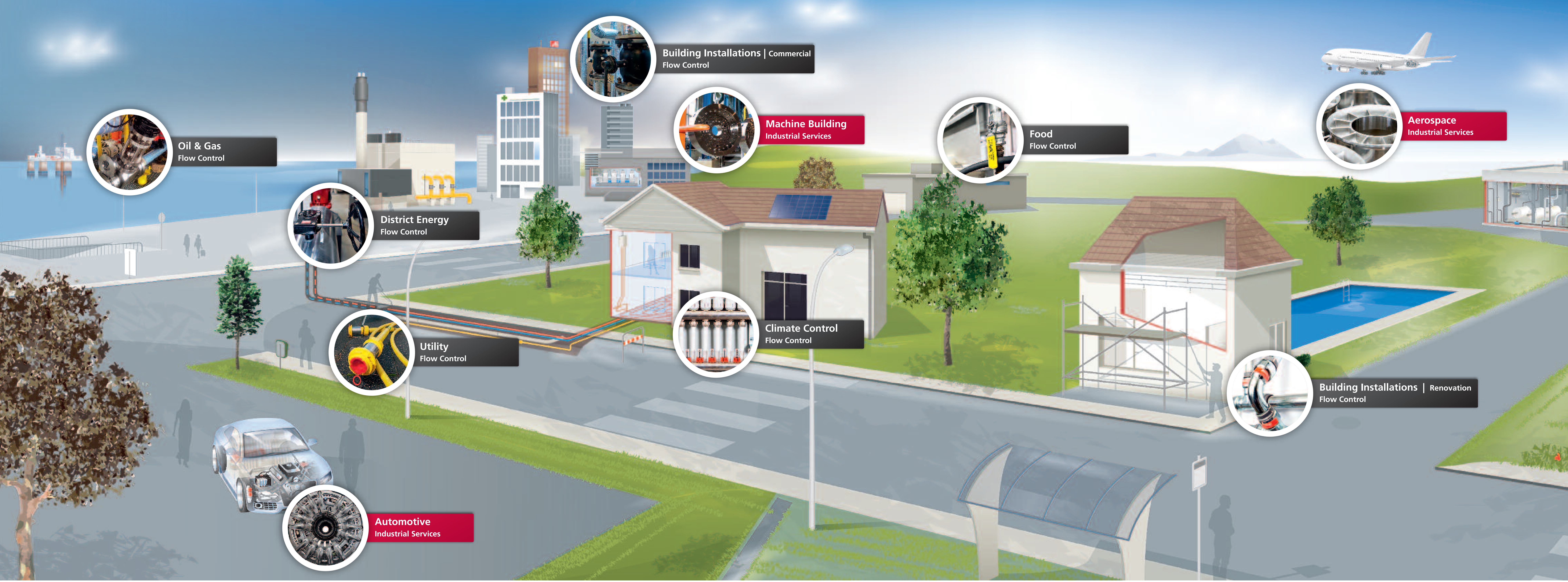
The tasks and powers of the General Meeting, the Supervisory Board, the Management Board and the Stichting Prioriteit "Aalberts Industries N.V." have been defined in such a way that a well-balanced allocation has been achieved with respect to the control and influence of the company's distinctive bodies. In doing so, Aalberts Industries has ensured as much as possible that, when essential decisions are made, the interests of all the company's stakeholders are taken into account, and that the decision-making process can always be conducted in a prudent manner.

The world of Aalberts Industries



BROEN-Zawgaz control valves, used in a hot water pipeline.

A climate control system, composed of several product lines of Aalberts Industries.



Building Installations Europe

Regulation and distribution of (warm) water and gas in heating, cooling, water and gas systems.

Main markets
- Commercial/residential new build
- Renovation & repair
- Sprinkler
- Utility

Market approach
- Market segmentation
- Installers, contractors & wholesalers
- Using local sales platforms

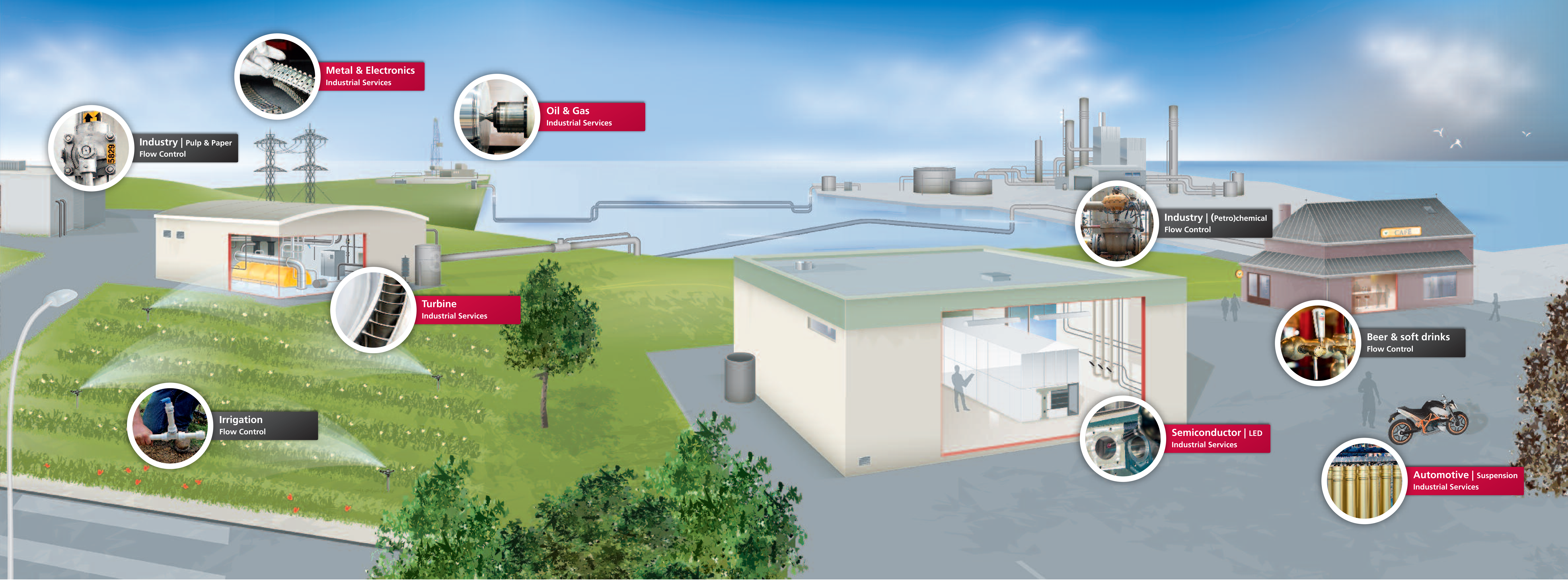
Building Installations North America

Regulation and distribution of (warm) water and gas in heating, cooling, water and gas systems.

Main markets
- Commercial/residential new build
- Renovation & repair
- Fire protection
- Retail
- Irrigation / Pool & spa / Golf

Market approach
- Market segmentation
- Installers, contractors & wholesalers
- Using local sales platform

AALBERTS INDUSTRIES



Climate Control

Complete systems from source to emission to improve climate control, energy efficiency and comfort for heating & cooling systems.

Main markets

- Commercial and residential buildings
  – New
  – Renovation
- Shipbuilding
- Industrial buildings

Market approach

- Architects, specifyers & contractors
- Specification system sales
- Worldwide project tracking

Flow Control Industrial | Oil & Gas

Regulation, control and distribution of fluids and gas systems in more severe conditions.

Main markets

- Pulp & paper
- Food & beverage
- Power
- Marine
- (Petro)chemical
- Mining
- Oil & gas production onshore/offshore
- Oil & gas transmission and distribution
- LNG
- Shale gas/oil

Market approach

- Market segmentation
- (Global) key accounts

Industrial Services

Supply of high-grade tailor made products, systems and processes for specific market segments

Main markets

- Semiconductor | LED
- Automotive
- Oil & gas
- Turbine & aerospace
- Machine building
- Metal & electronics

Market approach

- Market segmentation
- Local customers
- (Global) key accounts


WILO

Financial statements 2012

1 Consolidated balance sheet

before profit appropriation

	notes	31–12–2012	31–12–2011
Assets			
Goodwill	10	504,203	504,283
Other intangible assets	10	181,874	196,730
Property, plant and equipment	11	592,393	565,338
Deferred income tax assets	18	14,464	17,387
Non-current assets		**1,292,934**	**1,283,738**
Inventories	12	428,170	421,133
Trade receivables	13	204,737	199,194
Other current assets	14	29,553	27,910
Cash and cash equivalents		100	100
Current assets		**662,560**	**648,337**
Total assets		**1,955,494**	**1,932,075**
Equity and liabilities			
Shareholders' equity	4	968,935	849,025
Non-controlling interests	4	11,084	9,501
Total equity		**980,019**	**858,526**
Non-current borrowings	17	264,892	384,349
Employee benefit plans	19	26,624	26,709
Deferred income tax liabilities	18	70,498	71,446
Other provisions and long-term liabilities	19	8,450	27,321
Non-current liabilities		**370,464**	**509,825**
Current borrowings	17	150,331	84,740
Current portion of non-current borrowings	17	126,434	136,605
Trade and other payables		206,929	211,258
Current income tax liabilities		11,129	13,744
Other current liabilities	20	110,188	117,377
Current liabilities		**605,011**	**563,724**
Total equity and liabilities		**1,955,494**	**1,932,075**

2 Consolidated income statement

	notes	2012	2011
Revenue	9	**2,024,481**	**1,937,419**
Raw materials and work subcontracted		(827,415)	(791,526)
Personnel expenses	21	(557,224)	(531,975)
Depreciation of property, plant and equipment	11	(76,959)	(70,563)
Amortisation of intangible assets	10	(17,011)	(14,394)
Other operating expenses	22	(343,779)	(334,510)
Total operating expenses		**(1,822,388)**	**(1,742,968)**
Operating profit		**202,093**	**194,451**
Interest income	23	8,505	9,646
Interest expenses	23	(28,959)	(32,600)
Foreign currency exchange results	23	(1,534)	(2,522)
Derivative financial instruments	23	1,772	(1,088)
Net finance cost		**(20,216)**	**(26,564)**
Profit before tax		**181,877**	**167,887**
Tax expenses	24	(45,901)	(36,318)
Net profit after tax		**135,976**	**131,569**
Attributable to:			
Shareholders		135,068	131,340
Non-controlling interests		908	229
Earnings per share			
Basic	25	1.24	1.22
Diluted	25	1.24	1.22
Earnings per share (before amortisation)			
Basic	25	1.40	1.36
Diluted	25	1.40	1.35

3 Consolidated statement of comprehensive income

	2012	2011
Profit for the period	135,976	131,569
Exchange rate differences	6,811	(2,763)
Fair value changes derivative financial instruments	(1,792)	(5,583)
Taxes on direct equity movements	353	1,252
Total comprehensive income	**141,348**	**124,475**
Attributable to:		
Shareholders	139,495	125,439
Non-controlling interests	1,853	(964)

4 Consolidated statement of changes in equity

	Issued capital	Share premium account	Other reserves	Currency translation and hedging reserve	Retained earnings	Share-holders' equity	Non-controlling Interests	Total equity
As at 1 January 2011	**26,671**	**201,790**	**418,804**	**(19,148)**	**104,436**	**732,553**	**13,162**	**745,715**
Dividends 2010	329	(329)	–	–	(8,484)	**(8,484)**	(124)	**(8,608)**
Addition to other reserves	–	–	95,952	–	(95,952)	–	–	–
Share based payments	21	–	449	–	–	**470**	–	**470**
Acquisition of non-controlling interests	–	–	(953)	–	–	**(953)**	(2,573)	**(3,526)**
Total comprehensive income	–	–	–	(5,901)	131,340	**125,439**	(964)	**124,475**
As at 31 December 2011	**27,021**	**201,461**	**514,252**	**(25,049)**	**131,340**	**849,025**	**9,501**	**858,526**
Dividends 2011	336	(336)	–	–	(19,871)	**(19,871)**	(270)	**(20,141)**
Addition to other reserves	–	–	111,469	–	(111,469)	–	–	–
Share based payments	–	–	286	–	–	**286**	–	**286**
Total comprehensive income	–	–	–	4,427	135,068	**139,495**	1,853	**141,348**
As at 31 December 2012	**27,357**	**201,125**	**626,007**	**(20,622)**	**135,068**	**968,935**	**11,084**	**980,019**

5 Consolidated cash flow statement

	2012	2011
Cash flows from operating activities		
Operating profit	202,093	194,451
Adjustments for:		
Depreciation of property, plant and equipment	76,959	70,563
Amortisation of intangible assets	17,011	14,394
Result on sale of equipment	(750)	(596)
Changes in provisions and other movements	(585)	(926)
Changes in inventories	(5,417)	(20,136)
Changes in trade and other receivables	(6,585)	20,357
Changes in trade and other payables	(11,313)	(28,097)
Changes in working capital	(23,315)	(27,876)
Cash flow from operations	**271,413**	**250,010**
Finance income received	8,682	9,739
Finance expenses paid	(31,797)	(35,033)
Income taxes paid	(45,899)	(26,849)
Net cash from operating activities	**202,399**	**197,867**
Cash flows from investing activities		
Acquisition of subsidiaries	(18,325)	(110,436)
Purchase of property, plant and equipment	(103,777)	(81,028)
Purchase of intangible assets	(2,815)	(3,304)
Proceeds from sale of equipment	3,467	3,078
Net cash from investing activities	**(121,450)**	**(191,690)**
Cash flows from financing activities		
Proceeds from non-current borrowings	20,109	102,317
Repayment of non-current borrowings	(148,613)	(133,796)
Dividends paid	(19,871)	(8,484)
Dividends to non-controlling interests	(270)	(124)
Net cash from financing activities	**(148,645)**	**(40,087)**
Net increase/(decrease) in cash and current borrowings	**(67,696)**	**(33,910)**
Cash and current borrowings at beginning of period	(84,640)	(49,734)
Net increase/(decrease) in cash and current borrowings	(67,696)	(33,910)
Currency differences on cash and current borrowings	2,105	(996)
Cash and current borrowings as at end of period	**(150,231)**	**(84,640)**
Cash	100	100
Current borrowings	(150,331)	(84,740)
Cash and current borrowings as at end of period	**(150,231)**	**(84,640)**

6 Notes to the consolidated financial statements

Aalberts Industries, founded in 1975 and quoted on the stock exchange since March 1987, is an internationally active specialist in industrial products, systems and processes with high-quality technical knowledge. The company develops solutions for diverse customer needs, divided into the group activities Industrial Services and Flow Control.
Industrial Services supplies high-quality products, processes and systems to specific market segments. These include the semiconductor and automotive industry, the oil and gas sector, the metal and electronics industry and the machine build sector, the medical sector, the turbine and aerospace industry, and the (sustainable) energy sector.
Flow Control concentrates on the development, production and assembly of products and systems for the distribution and regulation of liquids and gases. This group activity focuses on the on the building installations and utilities market, various industrial markets, the oil and gas sector, the (district) energy industry, the irrigation market, and the beer and soft drinks market.

Aalberts Industries N.V. is incorporated in Utrecht and domiciled in Langbroek, the Netherlands. The consolidated IFRS financial statements of the company for the year ended 31 December 2012 comprise the company and its subsidiaries ("the Group"). The financial statements have been adopted by the Supervisory Board on 25 February 2013 and will be submitted for approval to the General Meeting on 25 April 2013. The financial statements have been prepared by the Management Board and will be released for publication on 26 February 2013.

7 Summary of significant accounting policies

7.1 Basis for preparation

The European regulation number 1606 came into force on 1 January 2005 and consequently the Group has adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union for the preparation of consolidated statements. The financial statements are presented in EUR x 1,000, unless mentioned otherwise. The financial statements are prepared on the historical costs basis except derivative financial instruments which are stated at their fair value. Employee benefits are based on the projected unit credit method. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 8.3.

There are no standards, amendments and interpretations adopted for the first time in 2012 with a material impact on the Group.

The IASB issued standards and amendments which are not yet effective. This relates to the following standards:

- IAS 19R (Employee benefits). With effect from 1 January 2013, the revised IFRS standard regarding employee benefits including pensions will come into force. Main impact for the Group will be that all actuarial gains and losses related to the retirement benefit obligations should be recognized as they occur (elimination of the corridor approach). In addition, the interest cost and expected return on plan assets will be replaced by a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset) and additional disclosures is required on exposure to specific risks. The impact on the group will be as follows: as at 31 December 2012, the net pension obligation amounted to more than EUR 26 million and the unrecognised actuarial results were EUR 39 million. If these actuarial results as at the end of 2012 were accounted for, taking a deferred tax asset into account, they would have had a net effect of EUR 30 million negative on the total equity of EUR 980.0 million, or 3.1%. The impact on net result would have been approximately EUR 1.0 million negative. However, due to reclassification of the interest expenses related to the pension obligation the impact on operating profit (EBITA) would have been approximately 1.5 million positive.
- IFRS 10 (Consolidated financial statements) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard will be effective for financial years beginning on or after 1 January 2013 and is expected to have no impact on the Group's equity and profit.
- IFRS 11 (Joint arrangements).The new standard describes the accounting of joint arrangements. The standard will be effective for financial years beginning on or after 1 January 2013 and is expected to have no impact on the Group's equity and profit.
- IFRS 12 (Disclosures of interests in other entities) includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard will be effective for financial years beginning on or after 1 January 2013 and is expected to have no impact on the Group's equity and profit.
- IFRS 13 (Fair value instruments). The standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirement. IFRS 13 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will be effective for financial years beginning on or after 1 January 2013 and is expected to have no impact on the Group's equity and profit.
- IFRS 9 (Financial instruments) replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The standard will be effective for financial years beginning on or after 1 January 2015. The Group does not plan to adopt this standard early and the impact on the Group's equity and profit is not yet determined.
- IAS 1 (Financial Statements Presentation). The amendment of the existing standard will be effective for financial years beginning on or after 1 July 2012 and is only related to changes in the presentation of items in comprehensive income.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

7.2 Basis for consolidation

7.2.1 Subsidiaries

Subsidiaries are those entities controlled by the company. Control exists when the company has the power to govern directly or indirectly the financial and operational policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the control ceases.

7.2.2 Business combinations

Business combinations are accounted for by applying 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, taking into account any contingent liabilities, indemnification assets, reacquired rights and the settlement of existing clients with the newly 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 (including an estimate of the conditional purchase consideration). 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 acquiree's identifiable assets over the fair value of the payment is recognised immediately in the statement of comprehensive income.
Transaction costs incurred by the acquirer in relation to the business combination are not included in the cost price of the business combination but once incurred are recognised as a charge in the income statement unless they refer to the issue of debt instruments or equity instruments.

How any non-controlling interests are accounted for 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 effected 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 statement of comprehensive income.

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

7.2.3 Intercompany and related party transactions

The Management and Supervisory Board and the pension funds in the United Kingdom have been identified as related parties. Transactions with the Management Board and the Supervisory Board only consist of remuneration and dividends. 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. Transactions with non-controlling interests are treated as third party transactions.

7.3 Segment reporting

Operational segment reporting is performed consistently to the internal reporting as provided to the Management Board. The Management Board is responsible for the allocation of the available resources, the assessment of the operational results and strategic decisions.

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.

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 borrowings and cash denominated in foreign currencies are recognised in the income statement as finance cost. 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 assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euros at foreign currency exchange rates effective at the date the values were determined. 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
2012 Year-end	1.223	0.757
2012 Average	1.233	0.778
2011 Year-end	1.194	0.772
2011 Average	1.153	0.719

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. All resulting exchange differences are recognised as a separate component of equity. This also is applicable to currency, exchange differences on intercompany loans which are treated as investments in foreign activities.

7.5 Intangible assets

7.5.1 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 business segments benefiting from the business combination in which the goodwill arose. Goodwill is not amortised but is tested annually for impairment.

7.5.2 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 years.

7.5.3 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. When future benefits from the development activities can reliably be measured, development costs are capitalised.

7.5.4 Other intangible assets

Other intangible assets include brand names and customer base. 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 between 10 and 20 years.

7.5.5 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.

7.5.6 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. Goodwill is not subject to amortisation.

7.6 Property, plant and equipment

7.6.1 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.

7.6.2 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.

7.6.3 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 useful lives of the following categories are used for depreciation purposes:

Category	Useful life (minimum)	Useful life (maximum)
Land	Infinite	Infinite
Buildings and installations	5 years	40 years
Machinery	5 years	15 years
Other factory equipment	3 years	10 years
Office equipment	3 years	5 years
Computer hardware	3 years	5 years
Company cars	3 years	5 years
Commercial vehicles	3 years	6 years

7.7 Impairment of non-financial assets

Circumstances may arise where the net book amount of an asset may not be economically recoverable from future business activity. Although future production may be technically possible and for commercial reasons necessary, this may be insufficient to recover the current carrying value in the future. Under these circumstances, it is required that a write-down of the net book amount to the recoverable amount (the higher of its fair value less cost to sell and its value in use) is charged as an immediate impairment expense in the income statement. Goodwill and intangible assets with infinite lives are tested for impairment annually, whereas other assets should be tested when circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). An impairment loss will be reversed if there is a change in the estimates used to determine the recoverable amount of the assets since the last impairment loss was recognised. The net book amount of the asset will be increased to its recoverable amount. Goodwill is never subject to reversion of impairment losses recognised.

7.8 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is 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. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories, other than those for which specific identification of costs are appropriate, is assigned by using weighted average cost formula. Borrowing costs are excluded.

7.9 Trade receivables

Trade receivables are recognised initially at fair value. After their initial recognition trade receivables are carried at amortised costs, taking into account unrecoverable receivables. Indications for unrecoverable receivables are based on the past due aging (in general when receivables are past due between 60 to 90 days a provision is accounted for) and credit insurance conditions, if applicable.

7.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management and are included as a component of cash and current borrowings for the purpose of the cash flow statement.

7.11 Share capital

Share capital is classified as equity.

7.12 Share-based payments (Performance Share Plan)

A limited number of employees 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 included as a charge during the vesting period and the total equity is amended accordingly. 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 on the date of vesting based on the actual number of shares that are granted. The shares in question are new shares to be issued by Aalberts Industries N.V.

7.13 Derivatives and borrowings

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 derivative cash flow hedges which are accounted for under hedge accounting 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. Borrowings are recognised initially 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 over the period 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.

7.14 Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has the majority of all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Lease payments are allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current borrowings. The interest element of the finance cost is charged to the income statement 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 is depreciated over the shorter of the useful life of the asset and the lease term.

7.15 Deferred income tax

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 net book 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 affect neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by 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 it is probable that future taxable profit will be available against which they can be utilised. 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.

7.16 Employee benefit plans

The Group has a number of pension plans in accordance with local conditions and practices. Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. 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. 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 defined benefit obligations are measured at present value, taking into account actuarial assumptions; plan assets are valued at fair value. The net periodic pension costs (consisting of service costs, interest costs and expected return on assets) are recognised as personnel expenses. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. 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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The contributions are recognised as personnel expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

7.17 Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions have been made in connection with liabilities related to normal business operations. These comprise mainly restructuring costs and environmental restoration. The provisions are mainly non-current.

7.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue includes the proceeds of goods and services supplied, excluding VAT and net of price discounts and bonuses. The proceeds of goods supplied are recognised as soon as all major ownership rights and risks in respect of the goods have been transferred to the buyer. Sales of services are recognised in the accounting period in which the services are rendered on the basis of the actual service provided as a proportion of the total services to be provided. Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

7.19 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 nonmonetary 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 for material damage insurance the excess amounts received above the net book value of the lost assets.

7.20 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 interest instruments for which hedge accounting is applied are brought from equity to net finance cost upon expiration and in relation with the hedged item.

7.21 Taxation

Income tax expenses are based on the pre-tax profit at the ruling tax rate, taking into account any tax-exempt results, tax losses carried forward and fully or partly deductible costs.

7.22 Notes to the consolidated 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 as a result 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 under review.

7.23 Operational leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operational leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

7.24 Dividend distribution

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.

8 Financial risk management

8.1 Financial risk factors

The Group's activities are exposed to a variety of financial risks: market 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 a central treasury department '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 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 unit being a result of different local market circumstances.

8.1.1 Market 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 risk. Where possible, this currency risk is hedged by financing the subsidiaries concerned with loans denominated in the relevant currencies, subject of course to the legal and fiscal opportunities and limitations.

The US dollar and British pound are the major foreign currencies for the Group. At 31 December 2012, 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 negative EUR 0.7 million (2011: negative EUR 1.4 million). The net equity at year-end would have been impacted by positive EUR 9.8 million (2011: positive EUR 7.5 million). At 31 December 2012, 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 0.9 million (2011: positive EUR 0.6 million). The net equity at year-end would have been impacted by positive EUR 11.6 million (2011: positive EUR 11.0 million).
The Group is exposed to commodities price risk because of its dependence on certain raw materials, especially copper. Generally, commodity price variances are absorbed by the sales price developments. 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 conditions. Where considered necessary, exposures with high risk may be covered through commodity future contracts, besides currency and interest hedging derivatives to cover market risks relating to foreign currency exchange rates and interest rates.

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 customers with an appropriate credit history, as also required by credit insurance. The vast majority of companies in the Group make use of credit insurance, unless approved by higher management. Derivative counterparties and cash transactions are limited to high-credit-quality 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 239,728 (2011: EUR 232,898):

	31–12–2012	31–12–2011
Trade receivables	210,075	204,888
Other current assets	29,553	27,910
Cash and cash equivalents	100	100
Total	**239,728**	**232,898**

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 is testing 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. Group policy is to maintain the majority of its borrowings in floating rate instruments. 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. At 31 December 2012, if the interest levels for euro 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 4.1 million (2011: negative EUR 4.9 million), mainly as a result of higher interest expenses on floating rate borrowings. The net equity at year-end would have been impacted with the same amount. The change in the market value 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 Capital risk

In order to manage going concern for shareholders and other stakeholders the Group periodically monitors the capital structure in consistency with the industry and financial institutions through the following principal financial ratios: leverage ratio (net debt / EBITDA on 12 months rolling basis), 2012: 1.8 (2011: 2.0), interest cover ratio (EBITDA / net interest expense on 12 months rolling basis), 2012: 14.4 (2011: 12.9) and gearing (net debt / total equity), 2012: 0.6 (2011: 0.7).

8.2 Accounting for hedging activities

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 done by the financial institutions where the instruments are held, and derived from the related official rates and listings.
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. Where hedge accounting is applied, the Group has documented the relationship between hedging instruments and hedged items, as well as its risk management objectives for undertaking these hedge transactions.

8.3 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.

8.3.1 Estimated impairments of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 7.7. 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.

8.3.2 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.

8.3.3 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 system because of retirement, disability and termination.

8.3.4 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.

8.3.5 Other critical accounting estimates and assumptions

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

9 Segment reporting

9.1 Operating segments

As at 31 December 2012, the Group is organised on a worldwide basis into two main business segments, Industrial Services and Flow Control. Within these segments the activities are clustered in geographical areas and/or products. The clusters (operational segments) are aggregated in the segment reporting (reportable segments) as the majority of the characteristics of these clusters are equal within the two business segments. Within Industrial Services several specialised products, systems and material treatment processes are generally supplied at the same time, targeted at the specific customer need. Direct involvement in the development of customers' new products and processes at as early a stage as possible enables Industrial Services to deliver maximum added-value. Flow Control provides a complete range of products and systems for the distribution and regulation of fluids and gasses. The focus lies on cross-selling group products meaning that local sales and distribution networks in the various countries and market segments sell each other's products.
Unallocated mainly consist of supporting activities at holding level and (deferred) income tax assets.

2012	Industrial Services	Flow Control	Unallocated	Total
Revenue	595,188	1,429,293	–	**2,024,481**
EBITDA	110,452	185,611	–	**296,063**
EBITDA as % of revenue	18.6	13.0	–	**14.6**
EBITA	79,577	139,527	–	**219,104**
EBITA as % of revenue	13.4	9.8	–	**10.8**
Capital expenditure	56,515	47,037	–	**103,552**
Depreciation	30,875	46,084	–	**76,959**
Amortisation	6,100	10,911	–	**17,011**
Average number of employees (x1 FTE)	4,756	7,625	18	**12,399**
Number of employees at year-end (x1 FTE)	4,585	7,445	18	**12,048**
Assets	657,030	1,283,401	15,063	**1,955,494**
Liabilities	107,552	231,371	13,268	**352,191**

2011	Industrial Services	Flow Control	Unallocated	Total
Revenue	579,172	1,358,247	–	**1,937,419**
EBITDA	107,825	171,583	–	**279,408**
EBITDA as % of revenue	18.6	12.6	–	**14.4**
EBITA	79,803	129,042	–	**208,845**
EBITA as % of revenue	13.8	9.5	–	**10.8**
Capital expenditure	41,204	43,129	–	**84,333**
Depreciation	28,022	42,541	–	**70,563**
Amortisation	4,136	10,241	17	**14,394**
Average number of employees (x1 FTE)	4,463	7,767	16	**12,246**
Number of employees at year-end (x1 FTE)	4,701	7,563	18	**12,282**
Assets	639,622	1,274,234	18,219	**1,932,075**
Liabilities	117,270	235,446	29,949	**382,665**

Intersegment transfer or transactions are entered into under transfer pricing terms and conditions that are comparable with terms and conditions with unrelated third parties. The eliminated intersegment revenue is not substantial.

Reconciliation of reportable segment EBITA to profit before tax is as follows:

	2012	2011
Total EBITA of reportable segments	219,104	208,845
Amortisation of intangible assets	(17,011)	(14,394)
Net finance costs	(20,216)	(26,564)
Consolidated profit before tax	**181,877**	**167,887**

Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, trade debtors and other current assets.

Segment liabilities do not include borrowings, finance 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 to consolidated balance sheet is as follows:

	2012	2011
Total liabilities of reportable segments	352,191	382,665
Non current and current borrowings	519,053	580,909
Finance leases	22,604	24,785
Tax liabilities	81,627	85,190
Equity	980,019	858,526
Consolidated total equity and liabilities	**1,955,494**	**1,932,075**

9.2 Geographical information

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

Revenue	2012	%	2011	%
United States	388,479	19.2	344,551	17.8
Germany	357,608	17.7	337,916	17.4
Benelux	281,696	13.9	286,860	14.8
Eastern Europe	220,035	10.9	204,880	10.6
France	212,404	10.5	210,678	10.9
United Kingdom	187,661	9.3	185,754	9.6
Scandinavia	92,161	4.6	94,361	4.9
Spain & Portugal	45,795	2.2	47,804	2.5
Other	238,642	11.7	224,615	11.5
Total	**2,024,481**	**100.0**	**1,937,419**	**100.0**

Assets are allocated based on the country in which the assets are located:

Assets	2012	%	2011	%
United States	339,052	17.3	328,592	17.0
Germany	385,576	19.7	357,030	18.5
Benelux	467,996	23.9	500,612	25.9
Eastern Europe	153,028	7.8	133,781	6.9
France	242,120	12.4	245,022	12.7
United Kingdom	188,953	9.7	180,635	9.4
Scandinavia	64,315	3.3	68,245	3.5
Spain & Portugal	59,169	3.0	61,411	3.2
Other	40,820	2.1	39,361	2.0
Unallocated	14,465	0.8	17,386	0.9
Total	**1,955,494**	**100.0**	**1,932,075**	**100.0**

Capital expenditure is allocated based on the country in which the assets are located:

Capital expenditure	2012	%	2011	%
United States	16,903	16.3	11,033	13.1
Germany	27,262	26.3	19,512	23.1
Benelux	22,969	22.2	25,187	29.9
Eastern Europe	6,053	5.9	6,527	7.7
France	14,218	13.7	11,852	14.1
United Kingdom	8,936	8.6	3,872	4.6
Scandinavia	2,741	2.6	3,755	4.5
Spain & Portugal	2,957	2.9	977	1.1
Other	1,513	1.5	1,618	1.9
Total	**103,552**	**100.0**	**84,333**	**100.0**

9.3 Analyses of revenue by category

Revenue	2012	%	2011	%
Sales of goods	1,743,876	86.1	1,681,353	86.8
Services	280,605	13.9	256,066	13.2
Total	**2,024,481**	**100.0**	**1,937,419**	**100.0**

10 Intangible assets

	Goodwill	Software	Other	Other intangible assets
As at 1 January 2011				
Cost	464,979	26,465	190,096	216,561
Accumulated amortisation	–	(22,716)	(49,661)	(72,377)
Net book amount	**464,979**	**3,749**	**140,435**	**144,184**
Year ended 31 December 2011				
Opening net book amount	**464,979**	**3,749**	**140,435**	**144,184**
Additions	–	2,952	382	3,334
Acquisition of subsidiaries	39,128	145	62,401	62,546
Amortisation	–	(1,805)	(12,589)	(14,394)
Currency translation	176	(31)	1,091	1,060
Closing net book amount	**504,283**	**5,010**	**191,720**	**196,730**
As at 31 December 2011				
Cost	504,283	30,029	255,327	285,356
Accumulated amortisation	–	(25,019)	(63,607)	(88,626)
Net book amount	**504,283**	**5,010**	**191,720**	**196,730**
Year ended 31 December 2012				
Opening net book amount	**504,283**	**5,010**	**191,720**	**196,730**
Additions	–	2,149	758	2,907
Amortisation	–	(2,136)	(14,875)	(17,011)
Currency translation	(80)	19	(771)	(752)
Closing net book amount	**504,203**	**5,042**	**176,832**	**181,874**
As at 31 December 2012				
Cost	504,203	31,689	255,046	286,735
Accumulated amortisation	–	(26,647)	(78,214)	(104,861)
Net book amount	**504,203**	**5,042**	**176,832**	**181,874**

Other intangible assets mainly consist of intangible assets which arose from acquisitions. Approximately two third of the book amount relates to customer relations. The remainder relates to brand names.

Goodwill is not amortised and has an infinite useful life at the time of recognition. A summary of the goodwill allocation per geographical area is shown below:

Goodwill allocation 2012	Industrial Services	Flow Control	Total Group
United States	16,732	49,626	**66,358**
Germany	95,497	33,390	**128,887**
Benelux	26,882	117,894	**144,776**
Eastern Europe	–	22,717	**22,717**
France	25,266	22,333	**47,599**
United Kingdom	3,224	61,248	**64,472**
Scandinavia	5,590	1,084	**6,674**
Spain & Portugal	6,350	16,370	**22,720**
Total	**179,541**	**324,662**	**504,203**

Goodwill allocation 2011	Industrial Services	Flow Control	Total Group
United States	17,070	50,648	**67,718**
Germany	95,497	33,390	**128,887**
Benelux	26,882	117,894	**144,776**
Eastern Europe	–	21,990	**21,990**
France	25,266	22,333	**47,599**
United Kingdom	3,145	60,797	**63,942**
Scandinavia	5,570	1,081	**6,651**
Spain & Portugal	6,350	16,370	**22,720**
Total	**179,780**	**324,503**	**504,283**

Impairment tests

The book amount of the goodwill is allocated to the operating segments Industrial Services and Flow Control. For the purpose of the yearly impairment testing the relevant parts within these segments are identified as cash generating units.

The allocation of the book amount of goodwill to the operating segments is, on aggregated level, as follows:

	2012	2011
Industrial Services	179,541	179,780
Flow Control	324,662	324,503
Total	**504,203**	**504,283**

The recoverable amount of a cash generating unit is determined based on fair value calculations. These calculations are pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Management determined budgeted growth rate based on past performance and its expectations of market development.

Cash flows beyond the five year period are extrapolated taking into account a long-term average growth rate.

The discount rates used are pre-tax and reflect specific risks relating to the relevant parts of the business.

The weighted average assumptions for all cash generating units within Industrial Services are as follows:

Weighted average Industrial Services	2012	2011
Average growth rate (first 5 years)	5.3%	4.2%
Long-term average growth rate (after 5 years)	1.0%	2.0%
Discount rate	10.0%	9.0%

The weighted average assumptions for all cash generating units within Flow Controls are as follows:

Weighted average Flow Control	2012	2011
Average growth rate (first 5 years)	4.2%	4.3%
Long-term average growth rate (after 5 years)	1.0%	2.0%
Discount rate	10.0%	9.0%

After conducting impairment tests on all cash generating units within the Group, no impairment was necessary since the discounted future cash flows from the cash generating units exceeded the value of the goodwill and other relevant net assets.

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. If the discount rate is assumed to be 1 percentage point higher than assumed in the individual impairment tests, no impairment would have been required. The impairment tests performed separately would also not indicate any impairment if the future cash flows were set 10% lower than assumed.

11 Property, plant and equipment

	Land and buildings	Plant and equipment	Other	Under construction	Total
As at 1 January 2011					
Cost	384,580	1,057,543	74,363	38,977	**1,555,463**
Accumulated depreciation	(162,963)	(796,060)	(66,060)	–	**(1,025,083)**
Net book amount	**221,617**	**261,483**	**8,303**	**38,977**	**530,380**
Year ended 31 December 2011					
Opening net book amount	**221,617**	**261,483**	**8,303**	**38,977**	**530,380**
Additions	7,505	41,554	3,919	31,355	**84,333**
Assets taken into operation	1,952	22,521	196	(24,669)	–
Disposals	(191)	(2,177)	(94)	–	**(2,462)**
Acquisition of subsidiaries	10,481	12,498	515	997	**24,491**
Depreciation	(12,825)	(54,270)	(3,468)	–	**(70,563)**
Currency translation	(1,256)	521	(99)	(7)	**(841)**
Closing net book amount	**227,283**	**282,130**	**9,272**	**46,653**	**565,338**
As at 31 December 2011					
Cost	405,436	1,131,073	77,796	46,653	**1,660,958**
Accumulated depreciation	(178,153)	(848,943)	(68,524)	–	**(1,095,620)**
Net book amount	**227,283**	**282,130**	**9,272**	**46,653**	**565,338**
Year ended 31 December 2012					
Opening net book amount	**227,283**	**282,130**	**9,272**	**46,653**	**565,338**
Additions	9,135	46,301	3,774	44,342	**103,552**
Assets taken into operation	4,946	33,478	1,057	(39,481)	–
Disposals	(739)	(1,831)	(146)	–	**(2,716)**
Depreciation	(13,507)	(59,702)	(3,750)	–	**(76,959)**
Currency translation	1,658	1,076	140	304	**3,178**
Closing net book amount	**228,776**	**301,452**	**10,347**	**51,818**	**592,393**
As at 31 December 2012					
Cost	418,645	1,185,874	80,053	51,818	**1,736,390**
Accumulated depreciation	(189,869)	(884,422)	(69,706)	–	**(1,143,997)**
Net book amount	**228,776**	**301,452**	**10,347**	**51,818**	**592,393**

At year-end, group companies had investment commitments outstanding in respect of property, plant and equipment to the amount of EUR 65,432 (2011: EUR 58,513) of which EUR 51,818 (2011: EUR 46,653) has been capitalised on the balance sheet as advance payment. The real estate as well as some machines of some subsidiaries are encumbered by a mortgage.

12 Inventories

	31–12–2012	31–12–2011
Raw materials	95,013	96,185
Work in progress	99,593	95,908
Finished goods	223,015	219,362
Other inventories	10,549	9,678
Total	**428,170**	**421,133**

The costs of inventories recognised as an expense and impairment losses on inventories are included in 'raw materials and work subcontracted'. No inventories are pledged as security for liabilities. The provision for write-down of inventories, due to obsolescence and slow moving amounts to EUR 30,277 (2011: EUR 30,888).

13 Trade receivables

	31–12–2012	31–12–2011
Trade receivables	210,075	204,888
Provision for impairment of receivables	(5,338)	(5,694)
Trade receivables (net)	**204,737**	**199,194**

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. Impairment losses on trade receivables are included in the 'other operating expenses' and amount to EUR 672 (2011: EUR 1,350). The carrying amount approximates the fair value.

The movement in the provision for impairment of receivables is as follows:

	2012	2011
As at 1 January	**5,694**	**6,494**
Additions	1,577	1,762
Acquisition of subsidiaries	–	349
Used during year	(1,034)	(2,445)
Currency translation	6	(54)
Unused amounts reversed	(905)	(412)
As at 31 December	**5,338**	**5,694**

The past due aging analysis of the trade receivables is as follows:

	31–12–2012	31–12–2011
Not past due	162,743	150,239
Past due less than 30 days	31,882	33,817
Past due between 30 days and 60 days	6,534	9,445
Past due between 60 days and 90 days	2,772	4,757
Past due more than 90 days	6,144	6,630
Trade receivables	**210,075**	**204,888**

The majority of the carrying amounts of the trade receivables are denominated in the functional currency of the reported entities.

	31–12–2012	31–12–2011
Euro	118,002	117,155
US dollar	43,228	36,758
British pound	24,453	26,743
Other currencies	24,392	24,232
Trade receivables	**210,075**	**204,888**

14 Other current assets

	31–12–2012	31–12–2011
Prepaid and accrued income	12,097	13,196
Derivative financial instruments	155	446
Other receivables	17,301	14,268
Total	**29,553**	**27,910**

The carrying amount approximates the fair value.

15 Financial Instruments

	Assets 2012	Assets 2011	Liabilities 2012	Liabilities 2011
Interest rate swap contracts	–	–	8,545	7,733
Foreign currency exchange contracts	155	446	–	–
Metal hedging contracts	–	–	230	1,313
Total	**155**	**446**	**8,775**	**9,046**

The principal amounts of the outstanding interest rate swap contracts at 31 December 2012 were EUR 221,959 (2011: EUR 294,877) and for foreign currency exchange contracts EUR 28,438 (2011: EUR 26,400) and for metal hedging contracts EUR 14,781 (2011: EUR 17,486). 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 17.1).The fair value of financial instruments equals the market value at 31 December 2012. This valuation has been carried out by the financial institutions where the instruments are held and derived from the related official rates and listings.

16 Equity

16.1 Share capital
The total number of shares outstanding at year-end was 109.4 million shares (2011: 108.1 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 for the increase of the total number of shares outstanding is included in note 33.4.

16.2 Share-based payments (Performance Share Plan)
On 30 March 2011 Aalberts Industries granted conditional performance shares to a limited number of employees based on the existing Performance Share Plan. 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 company's financial performance over a three-year performance period (2011–2013). 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.

118,000 conditional shares were granted and accepted in April/May 2011. At the end of 2012, there are still 78,000 conditional shares in circulation because a number of employees have left or will leave (2011: 98,000). The fair value of the Performance Shares is based on the share price on the grant date, minus the discounted value (risk-free rate of 2.12%–2.28%) 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 company's dividend policy. The average fair value of these conditional shares is EUR 16.08 (2011: 15.98) per share. At the end of 2012, the total fair value of the 78,000 conditional shares was EUR 1,254 (2011: EUR 1,566) of which EUR 286 was charged to the personnel expenses in 2012 (2011: EUR 470) and credited to total equity (overall no impact on equity). Two Management Board members of Aalberts Industries N.V. participate in the Performance Share Plan. The details are mentioned in the remuneration of the board on page 69.

17 Borrowings

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

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

Definitions:
- Leverage ratio: Net debt / EBITDA on 12 months rolling basis
- Interest cover ratio: EBITDA / net interest expense on 12 months rolling basis

The interest rate surcharges are made dependant of the achieved leverage ratio.

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

Realised covenant ratios	2012	2011
Leverage ratio	1.8	2.0
Interest cover ratio	14.4	12.9

	Bank borrowings	Finance leases	Total
As at 1 January 2012	**496,169**	**24,785**	**520,954**
New borrowings	19,749	359	20,108
Repayments	(145,900)	(2,713)	(148,613)
Translation differences	(1,296)	173	(1,123)
As at 31 December 2012	**368,722**	**22,604**	**391,326**
Current portion of non-current borrowings	(123,804)	(2,630)	(126,434)
Non-current borrowings as at 31 December 2012	**244,918**	**19,974**	**264,892**

The current portion of non-current borrowings amounts to EUR 126,434 (2011: EUR 136,605) and is presented within the current liabilities. The carrying amount approximates the fair value; the effective interest rate approximates the average interest rate. The interest rate for bank borrowings was between 1.5% and 5.0%.

17.1 Bank borrowings

The maturity of bank borrowings is as follows:

Maturity bank borrowings	2012	2011
Within 1 year	123,804	134,053
Between 1–5 years	234,872	329,702
Over 5 years	10,046	32,414
Total	**368,722**	**496,169**

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

Bank borrowings	2012	2011
Euro	276,094	385,661
US dollar	87,545	105,103
Other currencies	5,083	5,405
Total	**368,722**	**496,169**

17.2 Finance leases

Maturity finance leases	2012	2011
Minimum lease payments:		
Within 1 year	3,969	3,973
Between 1–5 years	18,732	20,568
Over 5 years	14,247	15,021
	36,948	**39,562**
Future finance charges:		
Within 1 year	1,339	1,421
Between 1–5 years	5,116	5,467
Over 5 years	7,889	7,889
	14,344	**14,777**
Present value of finance lease:		
Within 1 year	2,630	2,552
Between 1–5 years	13,616	15,101
Over 5 years	6,358	7,132
Present value of finance lease in the balance sheet	**22,604**	**24,785**

17.3 Current borrowings

Current borrowings are short-term credit facilities given by a number of credit institutions. The total of these facilities at year-end 2012 amounted to EUR 486 million (2011: EUR 460 million), of which EUR 150 million was used (2011: EUR 85 million). The carrying amount approximates the fair value.

18 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The Group has carry-forward tax losses amounting to some EUR 19 million (2011: EUR 23 million). The related deferred income tax assets have not been recorded, since future usage is mainly depending on profit-earning capacity. Deferred income tax assets mainly relate to pensions and capitalised losses. Deferred income tax liabilities mainly relate to temporary differences on other intangible assets which arose from acquisitions and temporary depreciation differences on property, plant and equipment.

	Tax losses	Intangible assets	Plant and equipment	Provisions	Working capital and other	Off-setting	Net asset/ liability
Asset	8,183	117	769	7,502	6,868	(2,765)	20,674
Liability	–	31,986	16,761	711	4,416	(2,765)	51,109
As at 1 January 2011	**(8,183)**	**31,869**	**15,992**	**(6,791)**	**(2,452)**	–	**30,435**
Acquisitions	–	16,688	3,251	–	(136)	–	19,803
Income statement	1,311	(5,996)	4,894	(425)	4,734	–	4,518
Direct to equity	–	–	–	79	(1,331)	–	(1,252)
Currency translation	107	39	419	(119)	109	–	555
Movements 2011	**1,418**	**10,731**	**8,564**	**(465)**	**3,376**	–	**23,624**
Asset	6,765	143	908	8,159	6,108	(4,696)	17,387
Liability	–	42,743	25,464	903	7,032	(4,696)	71,446
As at 31 December 2011	**(6,765)**	**42,600**	**24,556**	**(7,256)**	**924**	–	**54,059**
Income statement	2,434	(2,352)	1,396	58	1,213	–	2,749
Direct to equity	–	–	–	95	(448)	–	(353)
Currency translation	(41)	(223)	(144)	(51)	38	–	(421)
Movements 2012	**2,393**	**(2,575)**	**1,252**	**102**	**803**	–	**1,975**
Asset	4,372	77	713	8,216	5,898	(4,812)	14,464
Liability	–	40,102	26,521	1,062	7,625	(4,812)	70,498
As at 31 December 2012	**(4,372)**	**40,025**	**25,808**	**(7,154)**	**1,727**	–	**56,034**

19 Provisions

19.1 Retirement benefit obligations

	Germany	France	United Kingdom	Other	Total
Present value of (partly) funded obligations	3,825	1,631	122,133	4,020	**131,609**
Fair value of plan assets	(2,141)	(196)	(79,079)	(2,514)	**(83,930)**
	1,684	**1,435**	**43,054**	**1,506**	**47,679**
Present value of unfunded obligations	10,204	6,280	–	1,496	**17,980**
Unrecognised actuarial gains and losses	(2,846)	(90)	(34,183)	(921)	**(38,040)**
Unrecognised past service cost	–	(995)	–	–	**(995)**
Liability in the balance sheet as at 31 December 2012	**9,042**	**6,630**	**8,871**	**2,081**	**26,624**

Amounts recognised in income statement	Germany	France	United Kingdom	Other	Total
Current service cost	171	461	37	421	**1,090**
Interest cost	561	333	5,437	126	**6,457**
Expected return on plan assets	(80)	(2)	(5,675)	(86)	**(5,843)**
Recognised actuarial gains and losses	83	(28)	1,126	30	**1,211**
Past service cost	–	91	–	–	**91**
Curtailments and settlements	188	(27)	–	–	**161**
Total, included in personnel expenses	**923**	**828**	**925**	**491**	**3,167**

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

Actuarial assumptions 2012	Germany	France	United Kingdom
Discount rate	3.25%	3.75%	4.40%
Expected return on plan assets	4.00%	3.75%	7.62%
Rate of inflation	1.75%	2.00%	2.80%
Future salary increases	1.75%	2.00%	2.00%

Actuarial assumptions 2011	Germany	France	United Kingdom
Discount rate	5.00%	4.75%	4.85%
Expected return on plan assets	4.00%	4.00%	7.88%
Rate of inflation	1.75%	2.00%	3.00%
Future salary increases	1.75%	2.00%	2.00%

Assumptions regarding future mortality are based on published statistics and mortality tables.

Movement of retirement benefit obligations recognised on the balance sheet	Present value (partly) funded obligations	Fair value plan assets	Net liability	Present value unfunded obligations	Unrecognised actuarial gains and losses	Unrecognised past service cost	Total
As at 1 January 2011	**116,300**	**(76,285)**	**40,015**	**12,715**	**(25,511)**	**(552)**	**26,667**
Acquisitions	634	(188)	**446**	430	–	–	**876**
Current service cost	511	–	**511**	396	–	–	**907**
Interest cost	5,900	–	**5,900**	681	–	–	**6,581**
Contributions by employer	–	(1,493)	**(1,493)**	–	–	–	**(1,493)**
Contributions by participants	506	(506)	–	–	–	–	–
Expected return on plan assets	–	(5,719)	**(5,719)**	–	–	–	**(5,719)**
Actuarial gains and losses	(850)	4,289	**3,439**	97	(2,464)	–	**1,072**
Benefits paid	(3,572)	3,572	–	(1,177)	–	–	**(1,177)**
Past service cost	(807)	–	**(807)**	(72)	–	50	**(829)**
Curtailments and settlements	(33)	–	**(33)**	(24)	–	–	**(57)**
Reclassifications	(2,802)	5	**(2,797)**	2,521	257	(274)	**(293)**
Currency translation	2,421	(1,609)	**812**	10	(648)	–	**174**
As at 31 December 2011	**118,208**	**(77,934)**	**40,274**	**15,577**	**(28,366)**	**(776)**	**26,709**
Current service cost	512	–	**512**	578	–	–	**1,090**
Interest cost	5,742	–	**5,742**	715	–	–	**6,457**
Contributions by employer	–	(1,713)	**(1,713)**	–	–	–	**(1,713)**
Contributions by participants	41	(41)	–	–	–	–	–
Expected return on plan assets	–	(5,843)	**(5,843)**	–	–	–	**(5,843)**
Actuarial gains and losses	8,929	(905)	**8,024**	2,173	(8,985)	–	**1,212**
Benefits paid	(4,279)	4,279	–	(1,550)	–	–	**(1,550)**
Past service cost	–	–	–	–	–	91	**91**
Curtailments and settlements	188	–	**188**	(27)	–	–	**161**
Reclassifications	(587)	147	**(440)**	522	–	(310)	**(228)**
Currency translation	2,855	(1,920)	**935**	(8)	(689)	–	**238**
As at 31 December 2012	**131,609**	**(83,930)**	**47,679**	**17,980**	**(38,040)**	**(995)**	**26,624**

The actual return on plan assets was EUR 6,748 positive (2011: EUR 1,431 positive). The expected return on plan assets for bonds is based upon long bond yields at balance sheet date, for equities, long bond yields are added with an appropriate risk premium based upon the market conditions at balance sheet date.

The plan assets consist of following categories:

Plan asset categories	2012	2011
Equities	56%	55%
Bonds	25%	25%
Other net assets	19%	20%
Total	**100%**	**100%**

The Dutch subsidiaries participate in multi-employer pension plans, under IFRS these plans qualify as defined benefit plans. Since these funds do not supply any allocation information they are mentioned under defined contribution plans.

The Group expects EUR 1.6 million in contributions to be paid to its defined benefit plans in 2013.

Historical information	2012	2011	2010	2009	2008
Present value of (partly) funded obligations	**131,609**	118,208	116,300	99,114	68,501
Fair value of plan assets	**(83,930)**	(77,934)	(76,285)	(65,961)	(54,052)
	47,679	40,274	40,015	33,153	14,449
Present value of unfunded obligations	**17,980**	15,577	12,715	12,298	10,595
Unrecognised actuarial gains and losses	**(38,040)**	(28,366)	(25,511)	(17,806)	2,358
Unrecognised past service cost	**(995)**	(776)	(552)	301	306
Liability in the balance sheet as at 31 December 2012	**26,624**	26,709	26,667	27,946	27,708

19.2 Other provisions and long-term liabilities

	2012	2011
As at 1 January	**27,321**	**21,069**
Additions	2,474	1,870
Acquisitions	–	6,295
Used during year	(19,803)	(557)
Currency translation	84	583
Unused amounts reversed	(1,626)	(1,939)
As at 31 December	**8,450**	**27,321**

The other provisions and long-term liabilities amounting to EUR 3.3 million are related to the unpaid part of the purchase consideration for the acquisition of Baum (in 2011). The liabilities related to the acquisitions of Conbraco (in 2010) and DEC (in 2011) were settled in 2012. The remaining part has been made in connection with liabilities related to normal business operations and provisions for restructuring and environmental restoration.

20 Other current liabilities

	31–12–2012	31–12–2011
Social security charges and taxes	20,368	20,581
Value added tax	6,574	7,426
Accrued expenses	25,260	30,338
Amounts due to personnel	42,640	42,766
Derivative financial instruments	8,775	9,046
Other	6,571	7,220
Total	**110,188**	**117,377**

The carrying amount approximates the fair value.

21 Personnel expenses

	2012	2011
Wages and salaries	(439,255)	(422,332)
Social security charges	(86,028)	(80,428)
Pension expenses:		
Defined benefit plans	(3,167)	(1,955)
Defined contribution plans	(13,373)	(12,420)
Other expenses related to employees	(15,401)	(14,840)
Total	**(557,224)**	**(531,975)**

In the year under review, the average number of full-time employees amounted to 12,399 (2011: 12,246). The remuneration of the Management and Supervisory Board is disclosed as part of the company financial statements.

22 Other operating expenses

	2012	2011
Production expenses	(192,936)	(184,980)
Selling expenses	(62,664)	(57,303)
Housing expenses	(33,728)	(32,681)
General expenses	(67,500)	(65,557)
Warranty costs	(1,850)	(2,195)
Other operating income	14,899	8,206
Total	**(343,779)**	**(334,510)**

Production expenses comprise mainly energy costs, repair and maintenance costs and freight and packaging costs.

Other operating income is income not related to the key business activities of the Group or relates to incidental and/or non-recurring items, like government grants for an amount of EUR 2,703 (2011: EUR 1,617) and insurance amounts received for an amount of EUR 3,352 (2011: EUR 3,269). The actual expenses, where a larger part of these insurance amounts received relate to, are classified under the respective cost categories.

23 Net finance cost

	2012	2011
Interest income	**8,505**	**9,646**
Interest expenses:		
Bank borrowings	(28,079)	(31,702)
Finance leases	(880)	(898)
Total interest expense	**(28,959)**	**(32,600)**
Net interest expense	**(20,454)**	**(22,954)**
Foreign currency exchange results	**(1,534)**	**(2,522)**
Fair value results on financial instruments:		
Interest rate swaps	639	1,190
Foreign currency exchange contracts	50	(163)
Metal price hedge contracts	1,083	(2,115)
Total fair value results on derivative financial instruments	**1,772**	**(1,088)**
Net finance cost	**(20,216)**	**(26,564)**

24 Income tax expenses

	2012	2011
Current tax:		
Current year	46,353	36,218
Prior years	(3,201)	(4,418)
	43,152	**31,800**
Deferred tax	2,749	4,518
Tax charge	**45,901**	**36,318**

	2012	2011
Profit before tax	**181,877**	**167,887**
Tax calculated at domestic rates applicable to profits	52,017	48,855
Expenses not deductible for tax purposes	1,642	1,572
Tax relief facilities	(3,652)	(4,094)
Use of unrecognised tax losses	(1,137)	(4,240)
Other effects	(2,969)	(5,775)
Tax charge	**45,901**	**36,318**
Effective tax rate	25.2%	21.6%

The weighted average applicable domestic tax rate increased due to changes in the country mix. For 2012 the weighted average applicable domestic tax rate amounted to 28.6% (2011: 29.1%).

25 Earnings and dividends per share

	2012	2011
Net profit	135,068	131,340
Weighted average number of shares in issue (x1)	108,909,918	107,545,424
Basic earnings per share (x EUR 1)	**1.24**	**1.22**
Net profit	135,068	131,340
Weighted average number of shares in issue including effect of share options (x1)	108,987,918	107,643,424
Diluted earnings per share (x EUR 1)	**1.24**	**1.22**
Net profit before amortisation	152,079	145,734
Weighted average number of shares in issue (x1)	108,909,918	107,545,424
Basic earnings per share before amortisation (x EUR 1)	**1.40**	**1.36**
Net profit before amortisation	152,079	145,734
Weighted average number of shares in issue including effect of share options (x1)	108,987,918	107,643,424
Diluted earnings per share before amortisation (x EUR 1)	**1.40**	**1.35**

The dividends paid in 2012 were EUR 0.34 per share (2011: EUR 0.28 per share). A dividend in respect of the year ended 31 December 2012 of EUR 0.35 per share will be proposed at the General Meeting to be held on 25 April 2013. These financial statements do not reflect this dividend payable.

26 Contingencies

The Group has contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business. It is not anticipated that any material liabilities will rise from the contingent liabilities. The Group has given guarantees in the ordinary course of business amounting to EUR 12,203 (2011: EUR 10,720) to third parties.

Outstanding commitments related to the purchase of copper, brass and aluminium for the European Flow Control activities amounted to EUR 37.0 million at year-end (2011: EUR 46.6 million).

On 20 September 2006, Aalberts Industries and two of its group companies were fined EUR 100.8 million and EUR 2.04 million for alleged infringements of competition rules. In a judgment of 24 March 2011, the Court of First Instance in Luxembourg ruled that the European Commission had wrongly believed that Aalberts Industries and the subsidiaries involved had participated in a cartel during the period from 25 June 2003 until 1 April 2004, and the ruling of the European Commission including the fine was quashed. The bank guarantees issued by Aalberts Industries as security for the payment of the fine were returned by the European Commission in accordance with the applicable rules. The European Commission has lodged an appeal with the Court of Justice of the European Union against this ruling of the Court of First Instance. The Advocate General has stated at the Court of Justice that his recommendation to the Court of Justice will be announced on 28 February 2013. The Management Board looks forward with confidence to the subsequent ruling of the Court of Justice. As a result of the European proceedings, a number of market parties abroad have brought civil proceedings for damages against parties whose fines from the European Commission have been upheld. These parties are trying to have other market parties, including subsidiaries of Aalberts Industries, contribute to any damages.

27 Operational lease and rent commitments

It has been agreed with banks that no security will be provided to third parties without the banks' permission. The real estate as well as some machines of some subsidiaries are encumbered by a mortgage.

Operational lease and rent commitments	2012	2011
Due in less than 1 year	14,100	14,291
Due between 1 and 5 years	30,859	34,085
Due from 5 years or more	19,217	27,654
Total commitments	**64,176**	**76,030**

28 Business combinations

The liabilities related to the acquisitions of Conbraco (acquired in 2010) en DEC (acquired in 2011) were settled in 2012. These settlements amounted to EUR 18.3 milllion in total and are accounted for as cash flows from investing activities.

29 Related parties

The Management and Supervisory Board and the pension funds in the United Kingdom have been identified as related parties. No material transactions have been executed other than intercompany transactions and remuneration, as stated in note 33.8, under normal business conditions.

30 Subsequent events

30.1 BSM Valves B.V.

On 20 November 2012 Aalberts Industries N.V. announced to acquire 100% of the shares of BSM Valves B.V. BSM Valves specialises in high performance valves, mainly for the oil and gas market. BSM Valves develops, manufactures, assembles and tests tailor-made valves for the onshore and offshore oil and gas industry, the chemicals and petrochemicals industry and the energy market. In these markets products are needed that can be exposed to the most extreme conditions. After the manufacture and assembly, the valves are tested in an in-house laboratory. BSM Valves, based in Breda, the Netherlands, generates an annual revenue of around EUR 17 million with approx. 60 employees. The existing management will continue to lead the company after the acquisition, in order to expand BSM Valves more quickly together with Aalberts Industries.

BSM Valves' results will be consolidated as from 1 January 2013 and will contribute directly to the earnings per share. The acquisition will be financed from existing credit facilities.

30.2 GF-Flamm-Metallspritz-GmbH (Flamm)

On 15 January 2013 the Group announced to acquire 100% of the shares of GF-Flamm-Metallspritz-GmbH (Flamm). Flamm is active with one production facility in Moers, Germany, with an annual revenue of EUR 6 million and approximately 30 employees.

Flamm is specialised in surface treatment by means of a thermal spraying technology. Also products are treated with specialised machinery before and/or after the surface treatment in order to meet the high specification demands of customers. This technology is globally applied in many markets, such as energy, turbine, oil & gas, machine building and industry. Flamm's existing management will continue to lead the company and will work closely together with the management of Group Material Technology.

The acquisition will be consolidated as of 1 January 2013 and will directly contribute to the earnings per share and will be financed from existing credit facilities.

30.3 Fair value of assets and liabilities

The fair value of assets and liabilities at acquisition date has not been determined when preparing these financial statements. It is expected that this will be finalised in the first quarter of 2013 and will be based on, amongst others, the prepared and audited 2012 financial statements of the acquired entities.

31 Company balance sheet

before profit appropriation

	notes	31–12–2012	31–12–2011
Assets			
Intangible assets			
Other intangible assets	33.2	–	–
Tangible fixed assets			
Other tangible fixed assets	33.2	11	16
Financial fixed assets			
Investments in subsidiaries	33.3	1,063,771	938,111
Loans to group companies		231,070	236,070
Fixed assets		**1,294,852**	**1,174,197**
Debtors			
Other debtors, prepayments and accrued income		9,346	10,047
Current assets		**9,346**	**10,047**
Total assets		**1,304,198**	**1,184,244**
Equity and liabilities			
Issued capital		27,357	27,021
Share premium account		201,125	201,461
Other reserves		626,007	514,252
Currency translation and hedging reserve		(20,622)	(25,049)
Retained earnings		135,068	131,340
Shareholders' equity	33.4	**968,935**	**849,025**
Provisions			
Deferred taxation		5,250	5,250
Non-current liabilities		60,000	100,000
Non-current borrowings	33.6		
Current borrowings		227,623	186,813
Current portion of non-current borrowings		40,000	40,000
Trade creditors		65	63
Taxation and social security charges		329	386
Other payables, accruals and deferred income		1,996	2,707
Current liabilities		**270,013**	**229,969**
Total equity and liabilities		**1,304,198**	**1,184,244**

32 Company income statement

	2012	2011
Profit from subsidiaries after tax	134,779	130,996
Other income and expenses after tax	289	344
Net profit	**135,068**	**131,340**

33 Notes to the company financial statements

33.1 Accounting principles

The company financial statements of Aalberts Industries N.V. are prepared in accordance with Generally Accepted Accounting Principles in the Netherlands and compliant with the requirements included in Part 9 of Book 2 of the Netherlands Civil Code. As from 2005, Aalberts Industries N.V. prepares its consolidated financial statements according to International Financial Reporting Standards (IFRS) as adopted by the European Union.
Use has been made of the possibility to apply the accounting policies used for the consolidated financial statements to the financial statements of the company. The company income statement has been drawn up using the exemption of article 402 of Part 9, Book 2 of the Netherlands Civil Code.
The subsidiaries are stated at net asset value, based upon policies applied in the consolidated financial statements.

The average number of employees amounted to 13 full time equivalents (2011: 11), at year-end 13 (2011: 13).

33.2 Fixed assets

	Other tangible fixed assets	Software
As at 1 January 2012		
Cost	554	410
Accumulated depreciation	(538)	(410)
Net book amount	**16**	–
Movements 2012		
Depreciation	(5)	–
	11	–
As at 31 December 2012		
Cost	554	410
Accumulated depreciation	(543)	(410)
Net book amount	**11**	–

33.3 Financial fixed assets

	Investments in subsidiaries
As at 1 January 2012	**938,111**
Share in 2011 profit	134,779
Increase in capital	26,310
Dividends paid	(39,856)
Currency translation and fair value changes after tax	4,427
As at 31 December 2012	**1,063,771**

33.4 Shareholders' equity

	Issued capital	Share premium account	Other reserves	Currency translation and hedging reserve	Retained earnings	Total
As at 1 January 2011	**26,671**	**201,790**	**418,804**	**(19,148)**	**104,436**	**732,553**
Dividend 2010	329	(329)	–	–	(8,484)	**(8,484)**
Addition to other reserves	–	–	95,952	–	(95,952)	–
Profit financial year	–	–	–	–	131,340	**131,340**
Exchange rate differences	–	–	–	(1,570)	–	**(1,570)**
Share based payments	21	–	449	–	–	**470**
Acquisition of non-controlling interests	–	–	(953)	–	–	**(953)**
Fair value changes derivative financial instruments	–	–	–	(5,583)	–	**(5,583)**
Taxes on direct equity movements	–	–	–	1,252	–	**1,252**
As at 31 December 2011	**27,021**	**201,461**	**514,252**	**(25,049)**	**131,340**	**849,025**
Dividend 2011	336	(336)	–	–	(19,871)	**(19,871)**
Addition to other reserves	–	–	111,469	–	(111,469)	–
Profit financial year	–	–	–	–	135,068	**135,068**
Exchange rate differences	–	–	–	5,866	–	**5,866**
Share based payments	–	–	286	–	–	**286**
Fair value changes derivative financial instruments	–	–	–	(1,792)	–	**(1,792)**
Taxes on direct equity movements	–	–	–	353	–	**353**
As at 31 December 2012	**27,357**	**201,125**	**626,007**	**(20,622)**	**135,068**	**968,935**

The authorised share capital amounts to EUR 61 million divided into:
- 122,000,000 ordinary shares of EUR 0.25 par value each
- 30,499,900 preference shares of EUR 1.00 par value each
- 100 priority shares of EUR 1.00 par value each

As at 31 December 2012, 109,425,957 (2011: 108,084,256) shares and 100 priority shares were issued. The issued share capital increased in the course of the year under review by 1,341,701 shares as a result of payment of stock dividend for the year 2011.
The currency translation and hedging reserve are not to be used for profit distribution.

33.5 Profit appropriation
In accordance with the resolution of the General Meeting held on 26 April 2012, the profit for 2011 has been appropriated in conformity with the proposed appropriation of profit stated in the 2011 Financial Statements.
The net profit for 2012 attributable to the shareholders amounting to EUR 135,068 shall be available in accordance with Article 30, paragraph 3 of the articles of association.
The Management Board proposes to declare a dividend of EUR 0.35 in cash per share of EUR 0.25 par value, or, at the discretion of the shareholders, in shares. Any residual profit shall be added to reserves.

33.6 Non-current borrowings
For the purpose of financing acquisitions, in 2008 the company took up a 7 year loan issued by a Dutch credit institution against a floating interest rate based upon Euribor plus an agreed margin.

33.7 Audit fees
The following amounts are paid as audit fees and included in other operating expenses.

2012	PricewaterhouseCoopers Accountants N.V.	Other PricewaterhouseCoopers Accountants N.V. network	Total PricewaterhouseCoopers Accountants N.V. network
Audit of annual accounts	295	1,412	1,707
Other audit services	6	–	6
Tax advisory services	–	–	–
Other non-audit services	–	–	–
Total	**301**	**1,412**	**1,713**

2011	PricewaterhouseCoopers Accountants N.V.	Other PricewaterhouseCoopers Accountants N.V. network	Total PricewaterhouseCoopers Accountants N.V. network
Audit of annual accounts	285	1,283	1,568
Other audit services	12	–	12
Tax advisory services	–	–	–
Other non-audit services	–	–	–
Total	**297**	**1,283**	**1,580**

The fees listed above relate to the services applied to the Company and its consolidated group entities by accounting firms and independent external auditors as referred to in Section 1(1) of the Dutch Accounting Firms Oversight Act (Wta), as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

33.8 Remuneration of the Management and Supervisory Board
The remuneration of the members of the Management Board 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 529 (2011: EUR 463), a bonus amounting to EUR 95 (2011: EUR 341) and a pension contribution of EUR 71 (2011: EUR 62). At year-end he held a total of 64,730 shares in Aalberts Industries N.V. (2011: 58,158). The number of conditional performance share awards at year-end amounted to 20,000 and were granted in 2011, of which EUR 96 was charged to the profit and loss in 2012 (2011: EUR 96).
Mr. J. Aalberts (President) received a salary of EUR 529 (2011: EUR 529) and a bonus amounting to EUR 95 (2011: EUR 389). At year-end he held a total of 14,363,198 shares (2011: 14,363,198) in Aalberts Industries N.V.
Mr. J. Eijgendaal (CFO) received a salary of EUR 480 (2011: EUR 463), a bonus amounting to EUR 87 (2011: EUR 341) and a pension contribution of EUR 92 (2011: EUR 85). At year-end he held a total of 112,120 shares in Aalberts Industries N.V. (2011: 109,170). The number of conditional performance share awards at year-end amounted to 20,000 and were granted in 2011, of which EUR 98 was charged to the profit in 2012 (2011: EUR 98).

Additional information regarding conditional performances share awards originating from the Performance Share Plan is disclosed in note 16.2.

In 2012 the Dutch government introduced an additional 16% wage tax payable by companies employing personnel earning more than EUR 150. This has lead to an additional wage salary tax of EUR 350 for the Company and is primarily related to the Management Board members.

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

	2012	2011
R.J.A. van der Bruggen	40	30
A.B. van Luyk	–	20
M.C.J. van Pernis	40	40
H. Scheffers	50	50
W. van de Vijver	40	40
Total	**170**	**180**

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 Industries N.V.

33.9 Liability

The company has guaranteed the liabilities of most of its Dutch group companies in accordance with the provisions of article 403, paragraph 1, Book 2, Part 9 of the Netherlands Civil Code. As a consequence, these companies are exempt from publication requirements. The company forms a tax unity with almost all of its Dutch subsidiaries. The company therefore is liable for the tax obligations of the tax unity as a whole.

Langbroek, 25 February 2013

The Management Board	**The Supervisory Board**
Wim Pelsma, *CEO*	Henk Scheffers, *Chairman*
Jan Aalberts, *President*	René van der Bruggen
John Eijgendaal, *CFO*	Martin van Pernis
	Walter van de Vijver

34 Special controlling rights under the articles of association

One hundred issued and paid-up priority shares are held by Stichting Prioriteit 'Aalberts Industries N.V.', whose executive committee consists of Management Board and Supervisory Board members of the company and an independent third party. Every executive committee member who is also a member of the Management Board of Aalberts Industries N.V. has the right to cast as many votes as there are executive committee members present or represented at the meeting who are also members of the Supervisory Board of Aalberts Industries N.V. Every executive committee member who is also a member of the Supervisory Board has the right to cast as many votes as there are executive committee members present or represented at the meeting who are also members of the Management Board of Aalberts Industries N.V. The independent member of the executive committee has the right to cast a single vote.
The following principal powers are vested in the holders of priority shares:

- authorisation of every decision 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 buy paid-up shares in shareholders' equity or certification thereof without payment or subject to conditions;
- authorisation of every decision to dispose of shares held by the company;
- 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;
- authorisation of the transfer of preference shares;
- determination of the number of members of the Management Board;
- to make a binding nomination to the General Meeting concerning the appointment of management and supervisory board members;
- 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;
- to recommend to the General Meeting 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 Industries N.V. may be found on its website: www.aalberts.com.

35 Independent auditor's report

To: the General Meeting of Aalberts Industries N.V.

Report on the financial statements
We have audited the accompanying financial statements 2012 of Aalberts Industries N.V., Utrecht. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2012, the consolidated income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2012, the company income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Management Board's responsibility
The management board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with 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 it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management board, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Aalberts Industries N.V. as at 31 December 2012, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements
In our opinion, the company financial statements give a true and fair view of the financial position of Aalberts Industries N.V. as at 31 December 2012, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the Report of the Management Board, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 25 February 2013

PricewaterhouseCoopers Accountants N.V.
drs. P.J. van Mierlo RA

Assembly of a high purity gas system in a cleanroom of Lamers HTS for the semiconductor industry.

Overview of group companies

The following most important group companies are included in the consolidated financial statements of Aalberts Indusries N.V. with the exception of the recent aqcuisitions GF-Flamm-Metallspritz-GmbH and BSM Valves B.V., which will be consolidated as from January 2013. It concerns wholly owned susidiaries, unless indicated otherwise.

Industrial Services

Accurate Brazing Corporation
Goffstown NH (USA)
accuratebrazing.com

Acorn Surface Technology Limited
Nottingham (GBR)
acornst.com

Adex B.V.
Venlo (NLD)
adex-dies.com

AHC Benelux B.V.
Eindhoven (NLD)
ahcbenelux.com

AHC Italia S.R.L. (90%)
Opera MI (ITA)
ahc-surface.com

AHC Oberflächentechnik Ges. m.b.H.
St. Pantaleon (AUT)
ahc-surface.com

AHC Oberflächentechnik GmbH
Kerpen (DEU)
ahc-surface.com

AHC Oberflächentechnik GmbH
Burg (DEU)
ahc-surface.com

AHC Polska Sp. z.o.o.
Gorzyce (POL)
ahc-surface.com

AHC Special Coatings GmbH
Kerpen (DEU)
ahc-surface.com

AHC Surface Technology S.A.S.
Faulquemont (FRA)
ahc-surface.com

Galvanotechnik Baum GmbH (90%)
Zwönitz (DEU)
gtbaum.de

Cotterlaz Jean S.A.S.
Marnaz (FRA)
metalis.fr

Cotterlaz Connectors Shenzhen Ltd.
Shenzhen (CHN)
metalis.fr

Cotterlaz Connectors Slovakia spol.s.r.o.
Presov (SVK)
metalis.fr

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