AALBERTS INDUSTRIES

Annual report 2013

2013 Headlines

Strong second half-year; revenue +3% (organic >4%) and EBITA >10%

- Revenue EUR 2,040 million; organic revenue growth 1.2%
- Operating profit (EBITA) +3% to EUR 225 million; EBITA margin amounted to 11.0%
- Net profit before amortisation EUR 152 million; per share EUR 1.38
- Capital expenditure EUR 106 million in line with 2012
- Increase of dividend payout percentage to 30%, entirely in cash (+17%)

Annual report 2013

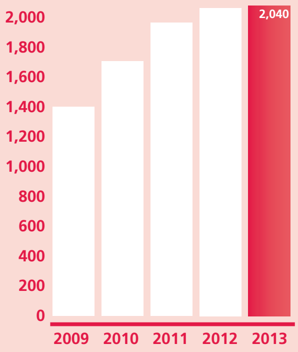
Key figures

	2013	2012	2011	2010	2009
Result *(in EUR million)*					
Revenue	2,040	2,025	1,937	1,683	1,405
Added-value	1,223	1,197	1,146	1,004	828
Operating profit (EBITDA)	305	296	279	248	169
Operating profit (EBITA)	225	219	209	180	99
Net profit before amortisation	152	152	146	117	54
Depreciation	80	77	71	68	70
Cash flow** (net profit + depreciation)	232	229	216	186	124
Cash flow from operations	287	271	250	235	241
Balance sheet *(in EUR million)*					
Intangible assets	691	686	701	609	585
Property, plant and equipment	616	592	565	530	494
Capital expenditure	106	104	84	63	45
Net working capital	373	370	345	304	244
Total equity*	1,054	950	859	746	627
Net debt	480	542	606	594	631
Capital employed*	1,535	1,492	1,464	1,339	1,257
Total assets*	1,996	1,965	1,932	1,778	1,578
Number of staff at year-end	12,311	12,048	12,282	11,536	9,999
Ratios					
Added-value as a % of revenue	60.0	59.1	59.1	59.7	58.9
EBITDA as a % of revenue	14.9	14.6	14.4	14.8	12.0
EBITA as a % of revenue	11.0	10.8	10.8	10.7	7.0
Interest cover ratio (12 months-rolling)	19.0	14.4	12.9	10.4	5.8
Net profit** as a % of revenue	7.4	7.5	7.5	7.0	3.9
Total equity* as a % of balance sheet total	52.8	48.3	44.4	42.0	39.7
Net debt / total equity	0.5	0.6	0.7	0.8	1.0
Return on capital employed (ROCE)*	14.6	14.7	14.3	13.4	7.9
Leverage ratio (12 months-rolling)	1.6	1.8	2.0	2.3	3.4
Shares issued *(in millions)*					
Ordinary shares (average)	110.1	108.9	107.5	106.4	106.1
Ordinary shares (at year-end)	110.6	109.4	108.1	106.7	106.1
Figures per share *(in EUR)*					
Cash flow**	2.10	2.10	2.01	1.74	1.17
Net profit**	1.38	1.40	1.36	1.10	0.51
Dividend	0.41	0.35	0.34	0.28	0.13
Share price at year-end	23.18	15.70	12.98	15.77	10.09

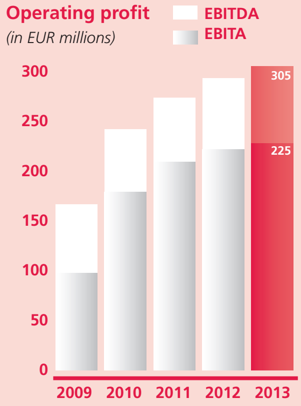
* Comparative figures 2012 restated following the adoption of IAS 19R
**Before amortisation

Key figures Aalberts Industries N.V.

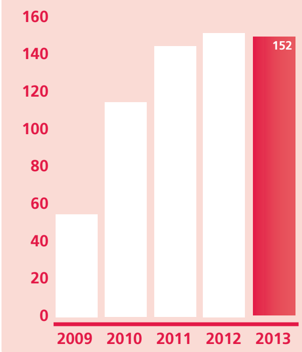
Revenue
(in EUR millions)



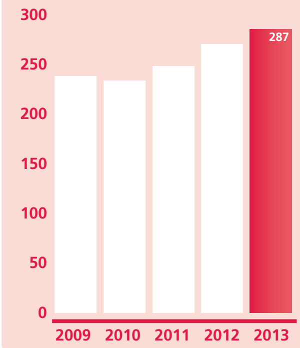
Operating profit
(in EUR millions)



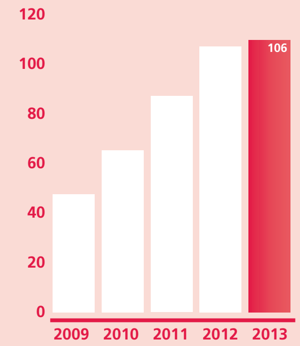
Net profit before amortisation
(in EUR millions)



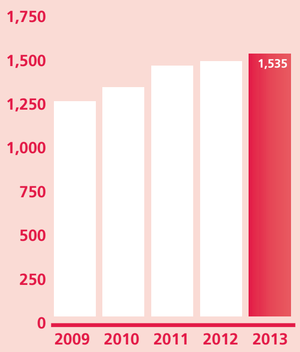
Cash flow from operations
(in EUR millions)



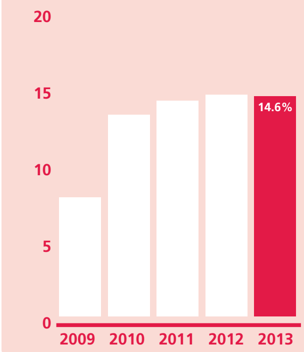
Capital expenditure
(in EUR millions)



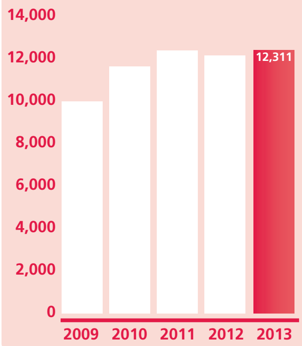
Capital employed
(in EUR millions)



Return on capital employed (ROCE)



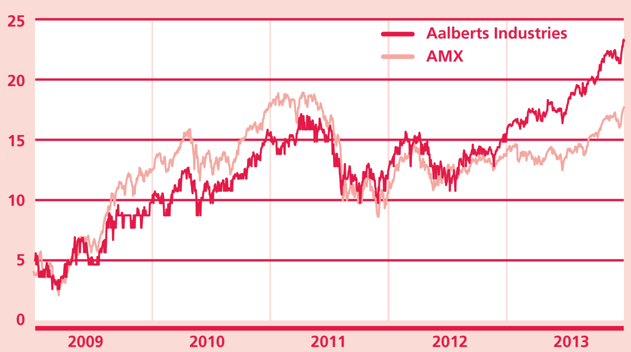
Number of employees
(at year-end)



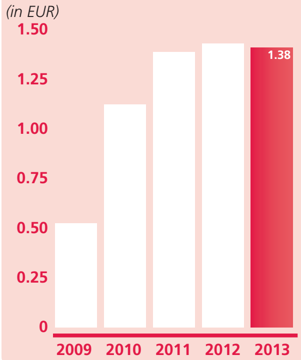
Key information concerning the share

Key information concerning the share	2013	2012	2011	2010	2009
Closing price at year-end *(in EUR)*	23.18	15.70	12.98	15.77	10.09
Highest price of the year *(in EUR)*	23.40	15.95	17.28	15.98	10.35
Lowest price of the year *(in EUR)*	15.56	11.40	10.10	9.35	3.30
Average daily trading *(in EUR thousands)*	3,344	3,524	5,018	4,866	4,446
Average daily trading *(in thousands of shares)*	179	252	366	418	634
Number of shares issued as at year-end *(in millions)*	110.6	109.4	108.1	106.7	106.1
Average number of shares issued *(in millions)*	110.1	108.9	107.5	106.4	106.1
Market capitalisation at year-end *(in EUR millions)*	2,563	1,718	1,403	1,683	1,070
Earnings per share before amortisation *(in EUR)*	1.38	1.40	1.36	1.10	0.51
Dividend per share *(in EUR)*	0.41	0.35	0.34	0.28	0.13
Price/earnings ratio at year-end	16.8	11.2	9.5	14.3	19.8

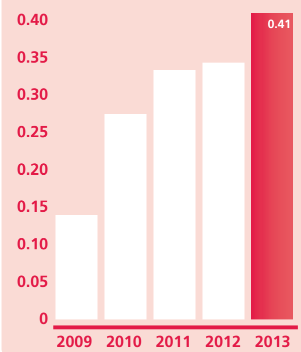
Share price performance Aalberts Industries N.V.
(in EUR)



Earnings per share before amortisation
(in EUR)



Dividend per share
(in EUR)



A dispense system from group company DSI for the beer industry

Contents

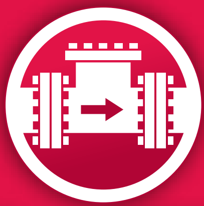
The world of Aalberts Industries in continuous development

Building Installations Europe

The regulation and distribution of (warm) water and gas in heating, cooling, water and gas systems for the residential and commercial buildings markets. We supply systems for new construction, renovation, repair and maintenance.

Building Installations North America

The regulation and distribution of (warm) water and gas in heating, cooling, water, irrigation, and gas systems for the residential and commercial buildings markets, the retail market and irrigation market. We supply systems for new construction, renovation, repair and maintenance.



Climate Control

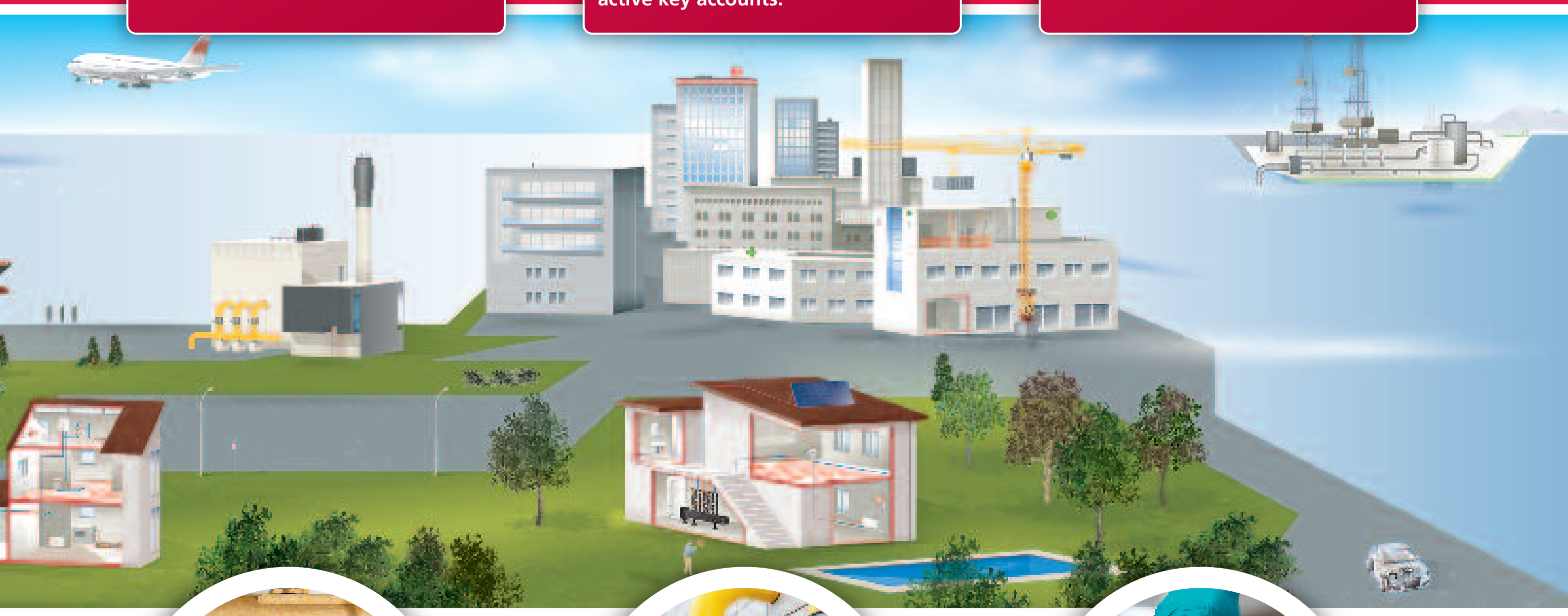
Complete heating and cooling systems, from source to emission of heat and/or cooling, which improve the climate control, the energy efficiency and the comfort in homes and commercial and industrial buildings. This concerns both new construction and renovation.

Flow Control Industrial

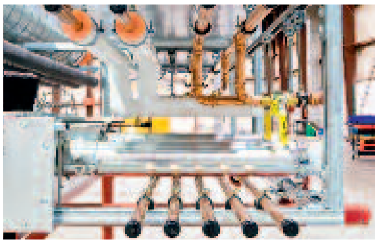
The regulation, control, and distribution of fluids and gases in special applications and unusual circumstances for the (petro)chemical, oil and gas industries, energy generation, mining and shipbuilding. We supply control valves and connection systems directly and indirectly to local and/or worldwide active key accounts.

Industrial Services

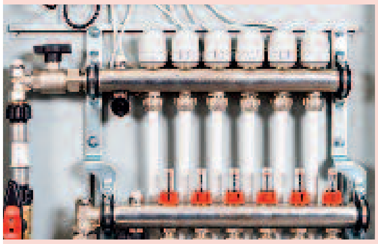
Supplying high-quality, tailor-made products, systems and processes for specific market segments such as the semiconductor industry, the automotive industry, the oil and gas industry, the turbine and aerospace industry, machine building and metal and electronics.



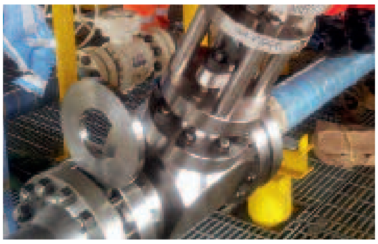
Building Installations Europe



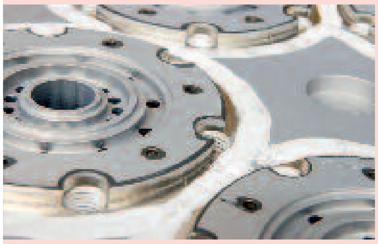
Building Installations North America



Climate Control

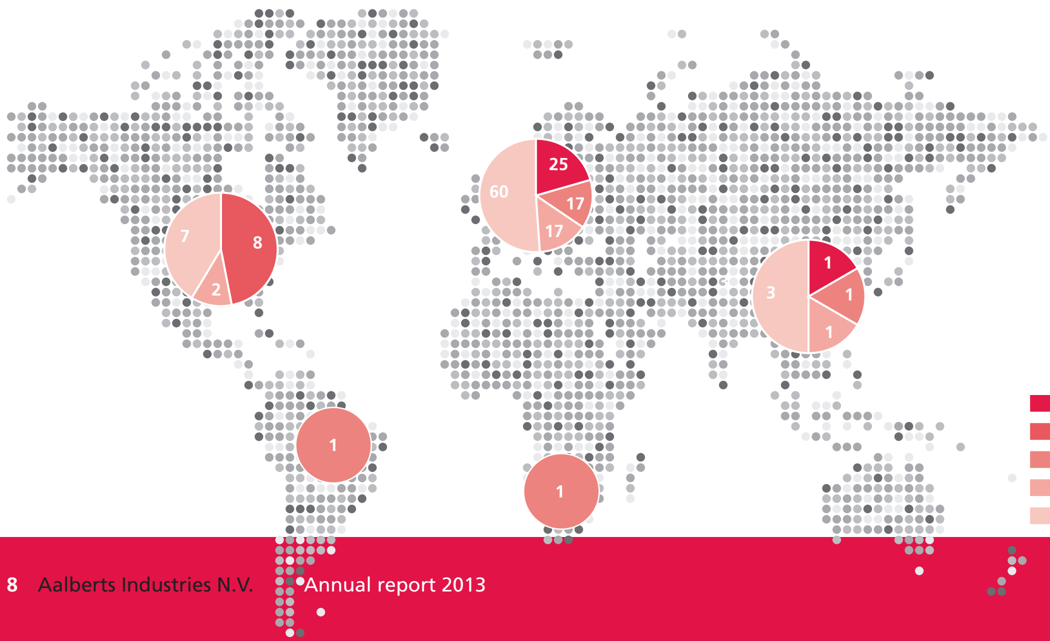


Flow Control Industrial



Industrial Services

Worldwide presence per business segment



- Building Installations Europe (26)
- Building Installations North America (8)
- Climate Control (20)
- Flow Control Industrial (20)
- Industrial Services (70)

Main markets
- Commercial and residential buildings
  - New
  - Renovation
  - Repair & maintenance

Market approach
- Installers & contractors
- Distribution through wholesalers
- Using local sales platforms
- Key account management

Main markets
- Commercial and residential buildings
  - New
  - Renovation
  - Repair & maintenance
- Retail
- Irrigation / pool & spa / golf

Market approach
- Installers and contractors
- Distribution through wholesalers
- Using local sales platform
- Key account management

Main markets
- Commercial and residential buildings
  - New
  - Renovation
- Industrial buildings

Market approach
- Architects, specifyers and building owners
- Installers and contractors
- Distribution through wholesalers
- Worldwide project specification

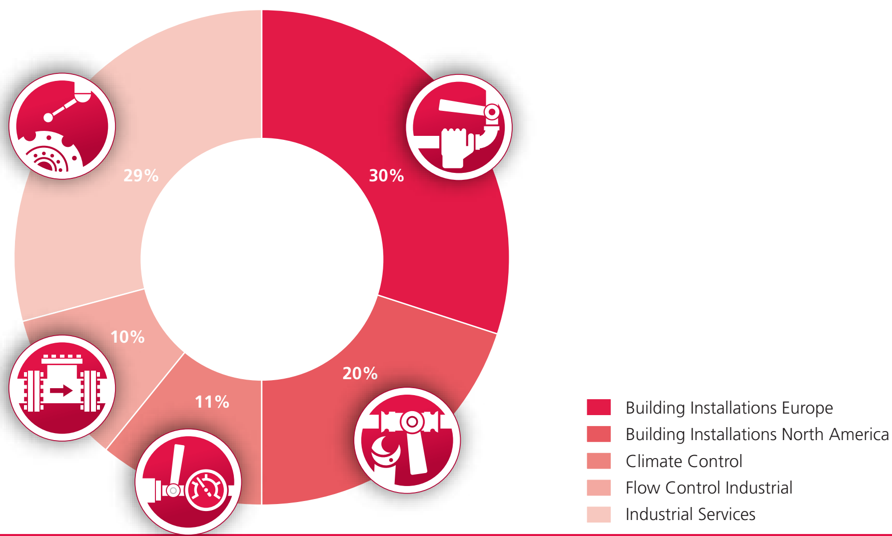
Main markets
- Industrial applications
- Power / mining
- (Petro)chemical
- Oil & gas
- Marine
- Beer & soft drinks industry

Market approach
- (Global) key accounts
- Key account management

Main markets
- Semi conductor
- Automotive
- Oil & gas
- Turbine & aerospace
- Machine building
- Metal & electronics

Market approach
- Local (regional) customers
- Global key accounts
- Key account management

Revenue per business segment



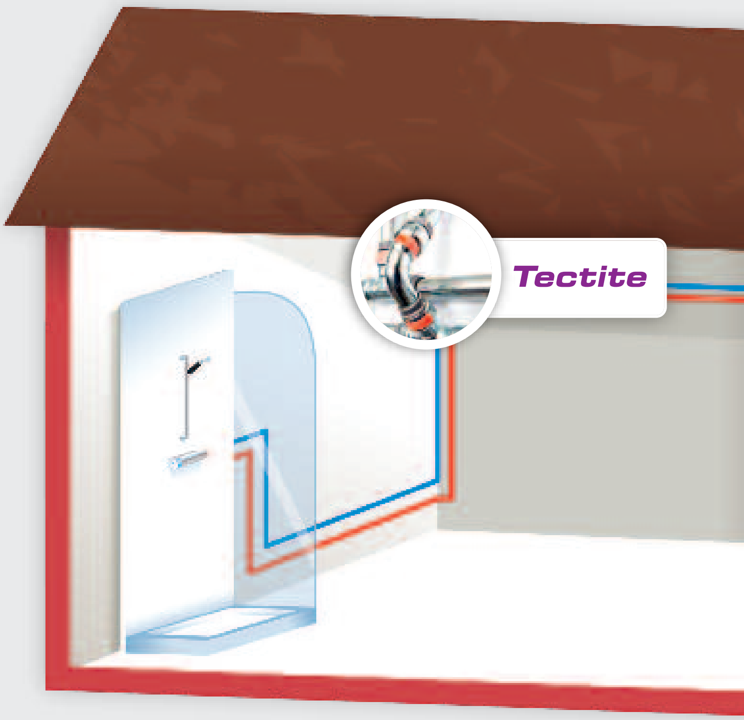
Building Installations Europe

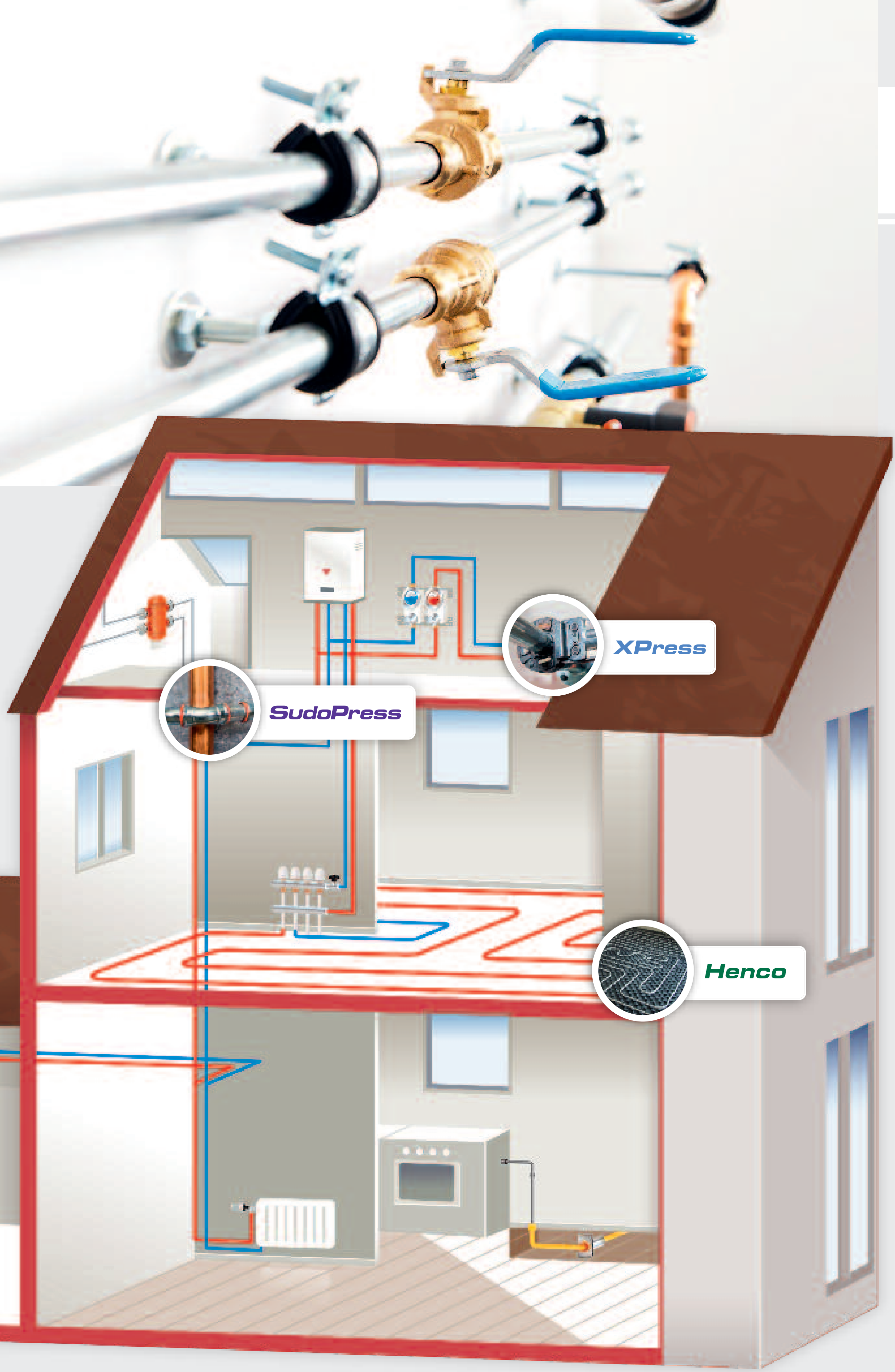
The regulation and distribution of (warm) water and gas in heating, cooling, water and gas systems for the residential and commercial buildings markets. We supply systems for new construction, renovation, repair and maintenance.

For installers we develop, produce and assemble complete metal and/or plastic piping systems, including control valves. The complete product portfolio is distributed by means of wholesalers in the various countries. The aim is to increase the installation efficiency of the installer and provide the distributing wholesalers with a complete portfolio.

Growth drivers

- **Installation efficiency and expertise** for the best possible solutions which are safer, faster to install, simpler and more user friendly. Local application expertise, the complete portfolio of metal and plastic piping systems, including control valves, and the correct material choices are used for this purpose. The supplying of a complete system enables a **system guarantee** to be offered.
- **Consolidation of wholesalers and installers** as a result of supplying a complete product portfolio of connections, pipes and control valves for each application. We make use of strong local sales platforms and brand names, and worldwide product brand names. This provides benefits for distributors and installers, such as one contact point for technical advice, close customer contact, and complete supplies including a combined invoice.




XPress
SudoPress
Henco

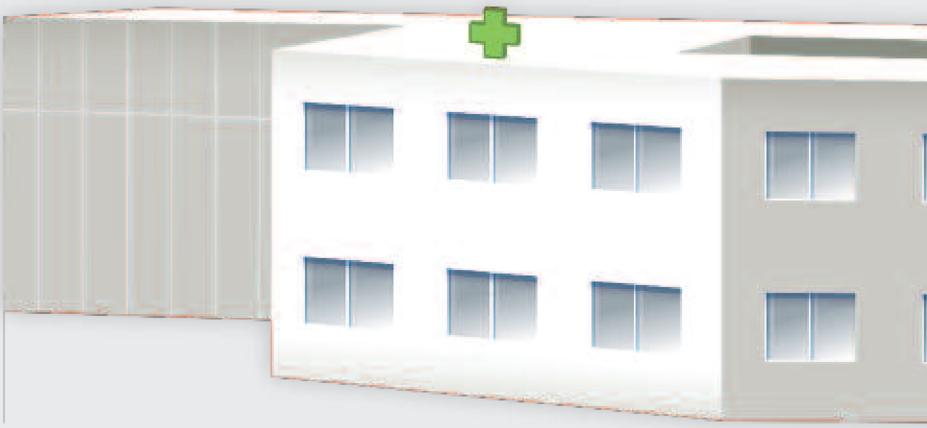
Building Installations North America

The regulation and distribution of (warm) water and gas in heating, cooling, water, irrigation, and gas systems for the residential and commercial buildings markets, the retail market and irrigation market. We supply systems for new construction, renovation, repair and maintenance.

For installers, we develop, produce and assemble complete metal and plastic piping systems, including control valves. The complete product portfolio is distributed by means of agents and wholesalers. The aim is to increase the installation efficiency of the installer and provide the agents and distributing wholesalers with a complete portfolio.

Growth drivers

- Installation efficiency and expertise for the best possible solutions that are safer, faster to install, simpler and more user friendly. Local application expertise, the complete portfolio of metal and plastic piping systems, including control valves, and the correct material choices are used for this purpose. The supplying of a complete system enables a system guarantee to be offered.
- Consolidation of wholesalers and installers as a result of supplying a complete product portfolio of connections, pipes and control valves for each application. We make use of strong local sales platforms, brand names, and worldwide product brand names. This enables benefits to be realised in market approach, customer service, logistics and distribution.




Apollo Valves
APOLLOXPRESS®
Tectite
Elkhart Products Corporation
EPC
LASCO® Fittings, Inc.

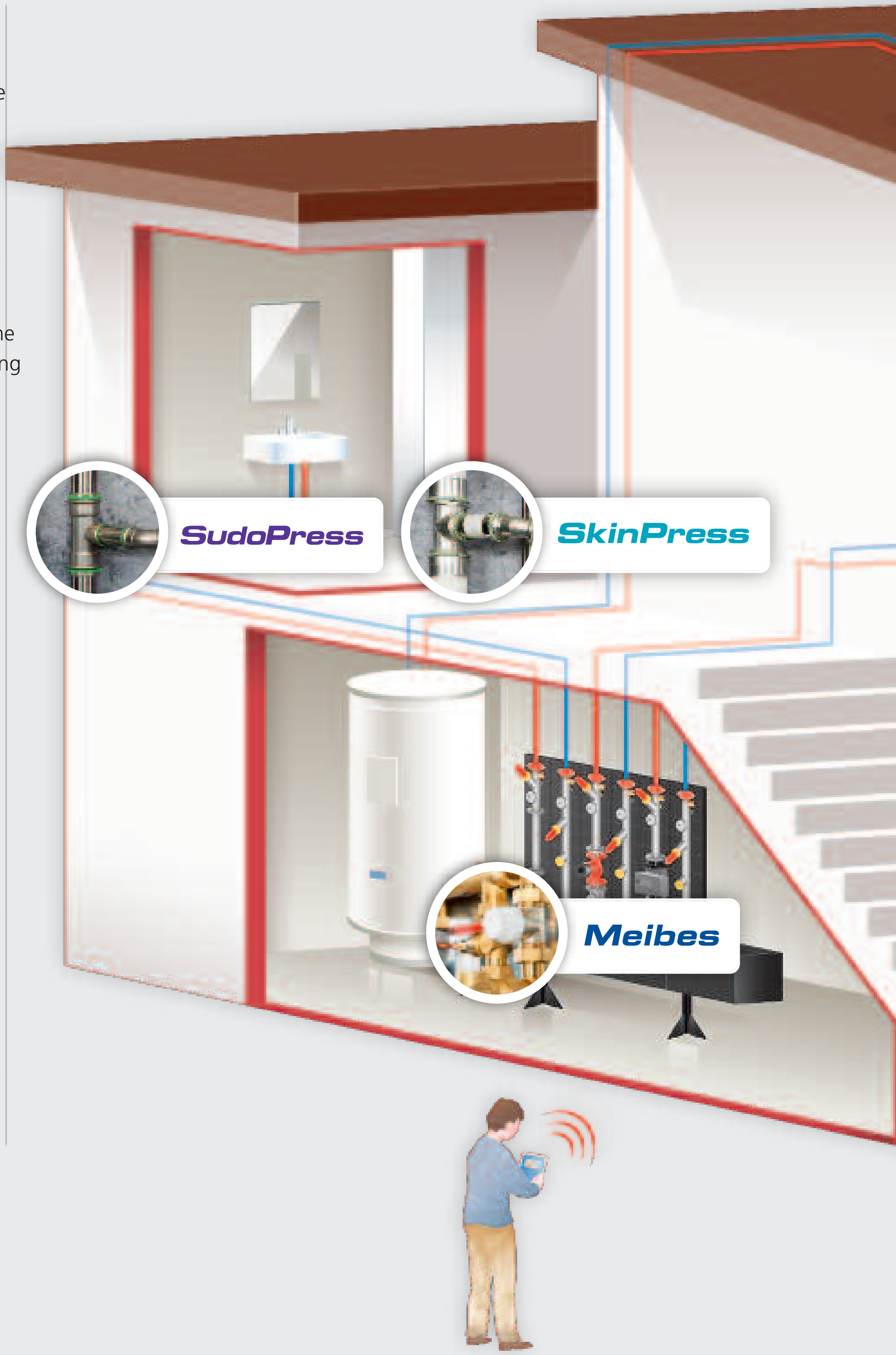
Climate Control

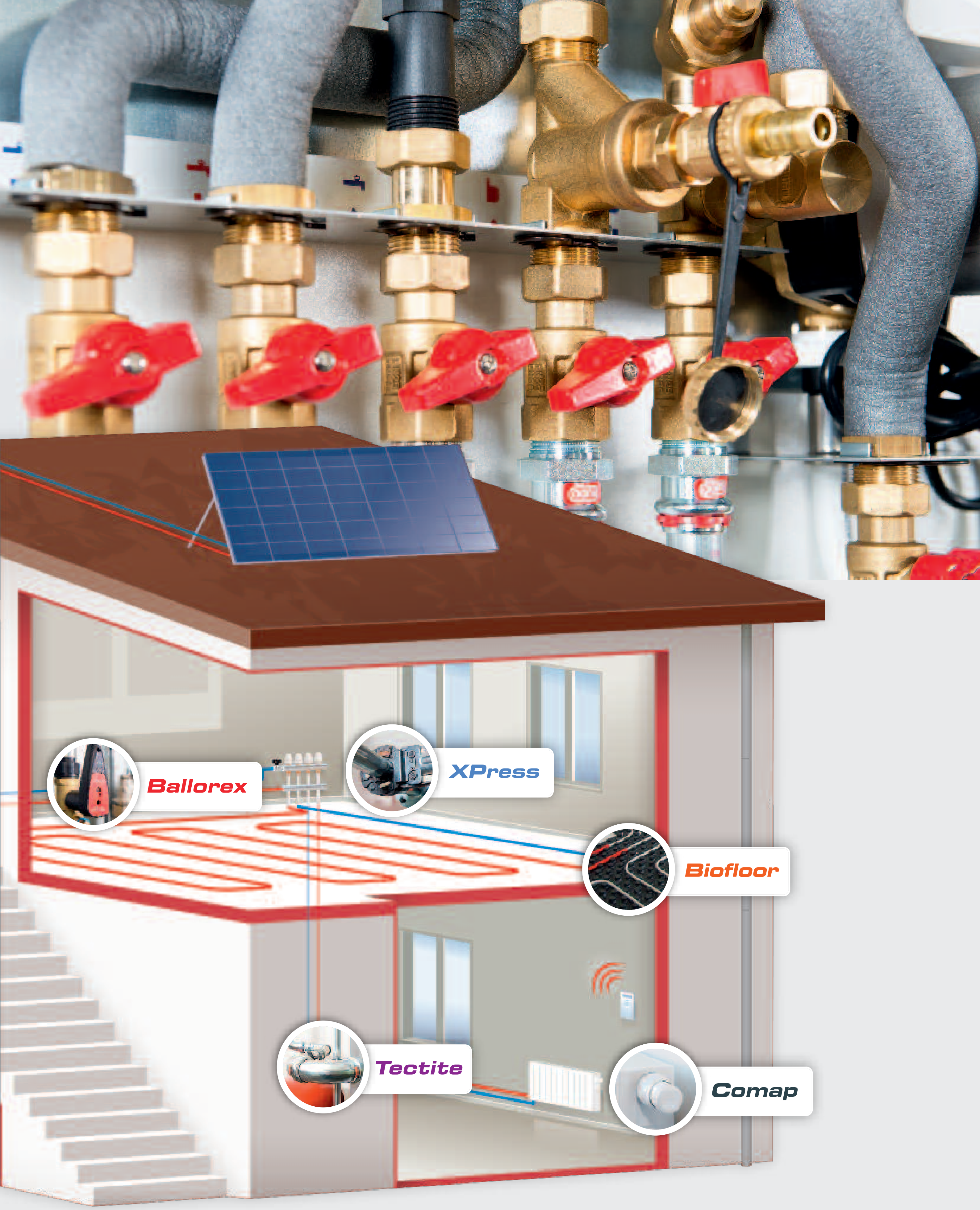
Complete heating and cooling systems, from source to emission of heat and/or cooling, which improve the climate control, the energy efficiency and the comfort in homes and commercial and industrial buildings. This concerns both new construction and renovation.

We develop and engineer complete heating and cooling systems for architects, specifyers and building managers. The systems are specified in consultation with the end users, with observance of local regulations. Then the systems are assembled by the installers, fitted with the best possible metal and/or plastic connections, pipes and control valves. The product portfolio is distributed via wholesalers in each country.

Growth drivers

- **The saving of energy costs** and increasing the comfort of heating and cooling systems, making use of local application expertise, legislation and regulations.
- The developing, constructing, **specifying and supplying of complete systems** from the source to emission of heat and/or cooling, making use of the best possible installation solutions.




Ballorex
XPress
Biofloor
Tectite
Comap

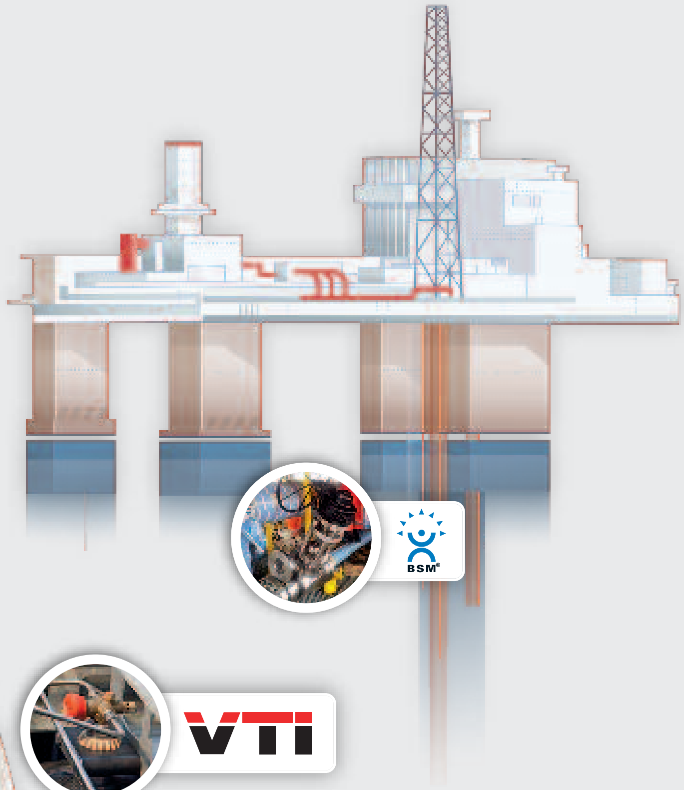
Flow Control Industrial

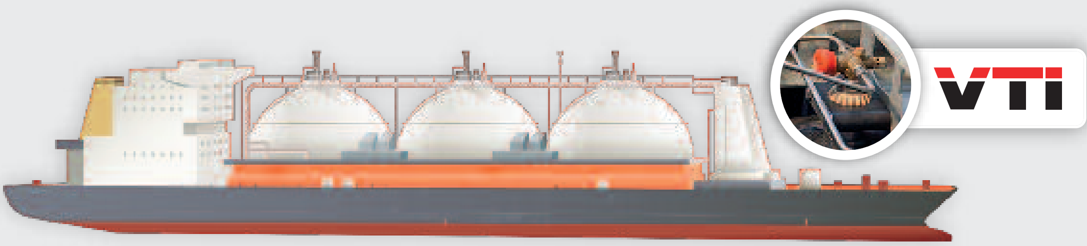
The regulation, control, and distribution of fluids and gases in special applications and unusual circumstances for the (petro)chemical, oil and gas industries, energy generation, mining and shipbuilding. We supply control valves and connection systems directly and indirectly to local and/or worldwide active key accounts.

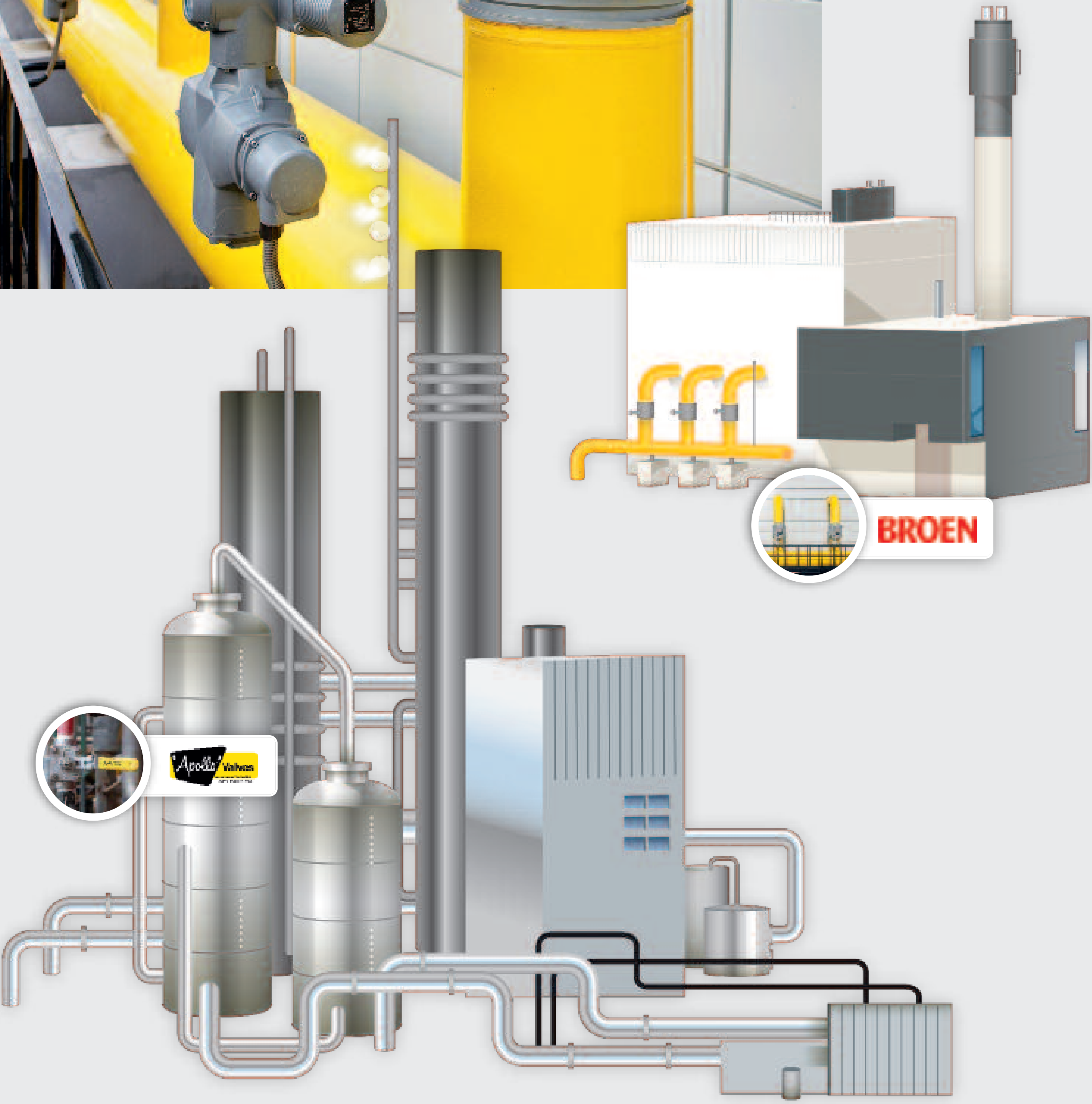
For local and/or worldwide active key accounts, we develop, engineer, produce, assemble and test control valves and connection systems. On the basis of customer needs, production is performed and/or a complete portfolio is supplied to order. We make use of our worldwide sales and production network, and exchange knowledge of the various applications.

Growth drivers

- The increase in control valves for **special applications**, including energy sources such as LNG and shale gas, and for **unusual circumstances** in various industrial end markets. These concern higher pressures, lower or higher temperatures, and larger deviating dimensions.
- The offering of a **complete system** of various control valves in combination with connection systems and/or metal and plastic pipes. This enables an increase in the installation efficiency and reduction of the logistics costs for the customer.
- **Globalisation of the key accounts** demands worldwide standards with locally aligned service. We operate in the various regions with a complete product portfolio. This enables the customer to do business with a (financially) strong strategic partner that provides continuity in development and production.






BROEN
Apollo Valves

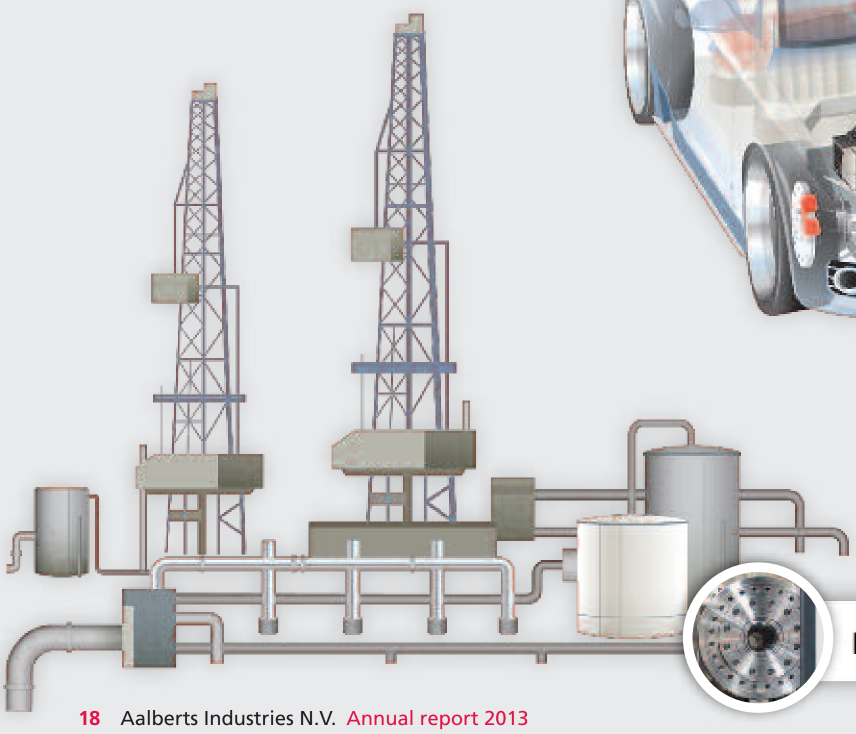
Industrial Services

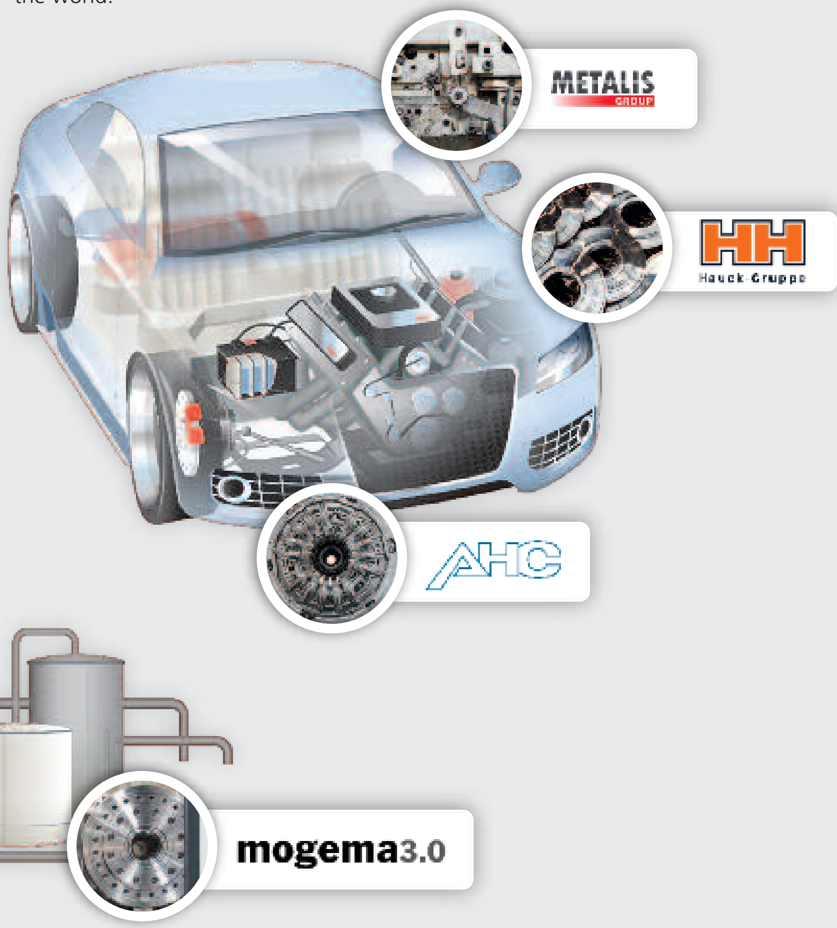
Supplying high-quality, tailor-made products, systems and processes for specific market segments such as the semiconductor industry, the automotive industry, the oil and gas industry, the turbine and aerospace industry, machine building and metal and electronics.

Together with local and/or worldwide active customers, high-quality solutions are developed that, after approval, are produced, assembled and tested. Where appropriate, key accounts are offered a combination of technologies. Examples include several precision stamping technologies in combination with heat and surface treatment, or the combination of several technologies for the semiconductor industry. With our worldwide network of production locations, we are located close to worldwide active key accounts and we can supply complementary technologies.

Growth drivers

- **Continuous innovation** of locally developed tailor-made solutions on the basis of advanced material, product, process and production technologies.
- The **combination of technologies** at key account level and strategic cooperation is increasing more and more. In this way, we realise one worldwide contact point for the customer for development, engineering and production, and more efficient product development takes place. Moreover, the customer can possibly save on logistics costs.
- The **globalisation** of key accounts demands worldwide standards with locally aligned service. We operate in the various global regions with a complete product portfolio. This enables the customer to do business with a (financially) strong strategic partner at several locations in the world.






Integrated Dynamics Engineering
LAMERS
Accurate Brazing

A district energy system with Ballomax valves, produced by BROEN

Aalberts Industries at a glance

Aalberts Industries expends a lot of effort on market-oriented application knowledge, a complete portfolio in each of the five business segments, rapid innovation, the combination of technologies, and making use of joint market channels and key account management. Customers can always rely on us anywhere in the world.

Profile

Aalberts Industries, founded in 1975 and quoted on the stock exchange since March 1987, with some 12,300 employees in more than 150 group companies spread across five business segments, is active in some 40 countries. The enterprise has a decentralised organisation structure, in which the group companies are responsible for the day-to-day business. The strategy is determined together with the holding company. This leads to an enterprising, active market approach.

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

Strategy

Aalberts Industries wants to be a leading, innovative company, recognised by our customers because of our market-oriented application expertise, innovation speed and our complete system offerings. The creation of value for the end user is the driver of sustainable profitable growth. This process is accelerated by cross-selling of systems and technologies, key account management and the sharing of best practices, in combination with our worldwide network of (production) locations.

Objectives

Aalberts Industries strives for stable growth that exceeds the market average.

Stable growth of earnings per share

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

Sustainable profitable revenue growth

Leading market positions combined with the best possible pricings, high added-value and operating margins are essential to realise continuing growth of profits. This growth is achieved by means of organic growth, innovation and additional acquisitions.

Increasing the return on capital

The continuous improvement of the return on capital employed is achieved by following up and realising implemented capital expenditure, and by devoting attention to the managing of projects in the area of operational excellence, on a continuous basis.

Balanced portfolio of markets and income

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.

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 expense) 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.

Aalberts Industries – Linked

The five business segments of Aalberts Industries are mutually connected and strengthen the respective market positions as a result of the joint developing of market channels, project specification and tracking, and knowledge sharing to improve the operating efficiency, the joint development of products and (material) technology, and by production supply. This exchange of working procedures, technologies and market approach is realised by close cooperation between the various business segments, while maintaining an enterprising, local market approach.

Aalberts Industries organises these activities in such a manner that there is close contact with customers in order to create value. The market-oriented **application knowledge** is essential for the end user in this context. Examples are: in-depth knowledge of installing systems for heating, cooling, water and gas more efficiently, the testing of special control valves and simulation of highly demanding circumstances, the designing of complete systems – making use of the statutory regulations – to consume as little energy as possible in the heating and/or cooling of buildings, and the use of the correct materials and best possible material protection for components and/or modules that are supplied.

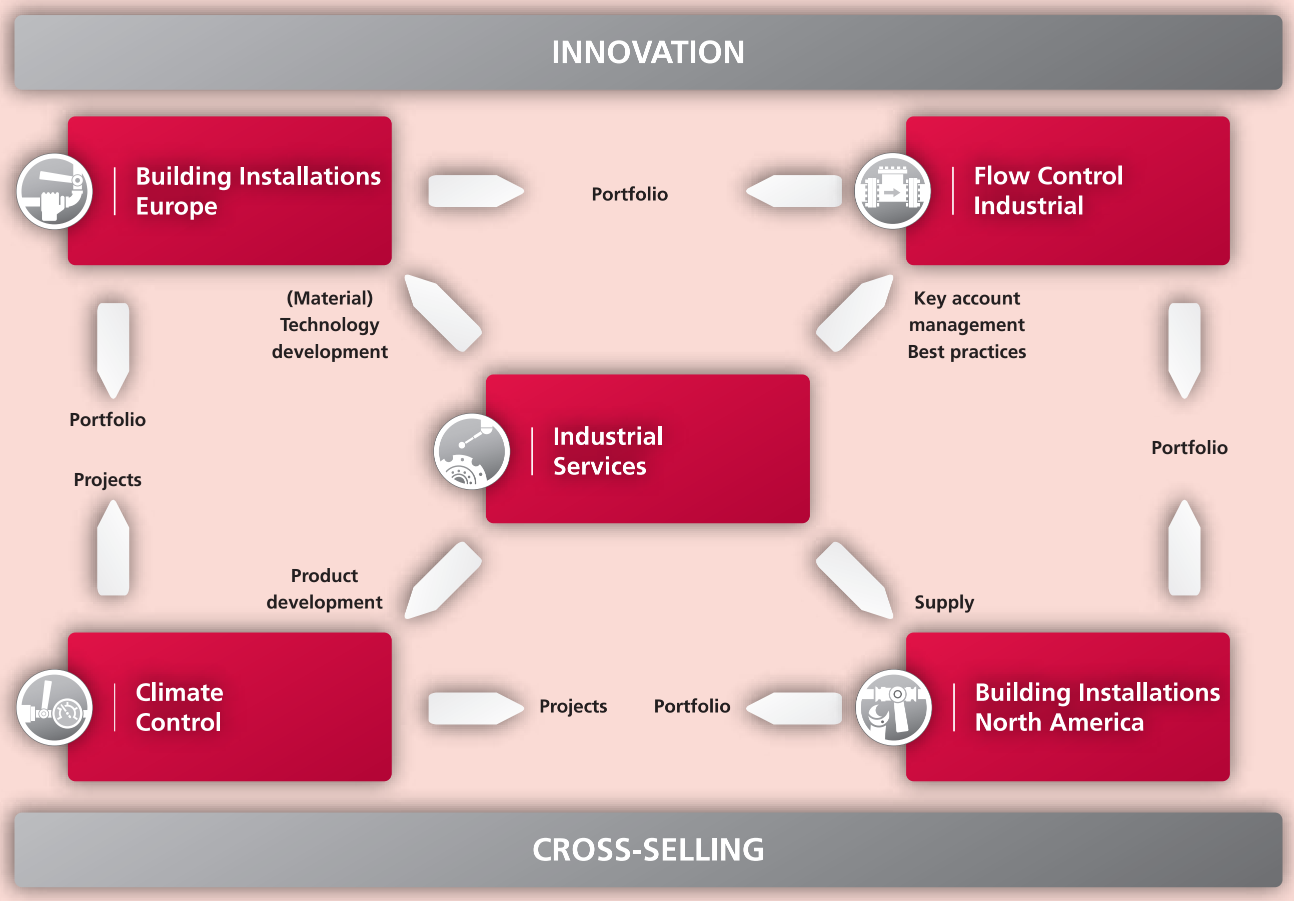
With the aid of this market-oriented application expertise, we offer a **complete system portfolio** of products, systems and/or technologies in each business segment. In doing this, we aim for high added-value and leading market positions. Completion of the portfolio is realised by innovation, cross-selling, key account management and/or the acquisition of additional products, systems and technologies.

At our company a lot of attention is paid to the **speed of innovation.** This is important for the strengthening of the portfolio, the market positions and thus for the creation of customer value. The increasing technology-sharing between and within the various business segments accelerates the innovation process.

Cross-selling of products, systems and technologies is intensively applied in order to ensure a more rapid completion of the system offering, both within each business segment and between the various segments. Use is made of joint sales and distribution channels; combinations of technologies, such as precision stamping together with heat and surface treatment, the joint specification and following up of projects and the joint development of customers.

In this context, **key account management** is essential to enable presentation of a cooperatively complete and (worldwide)

Aalberts Industries – Linked



Assembly of a high purity gas system in a clean room of Lamers HTS for the semiconductor industry

offering to the end user. A constant exchange of production technologies also takes place. This concerns the automation of production processes, efficiency improvements, assembly technologies and mutual supplies. Internal cooperation is continually encouraged by sharing of knowledge and the application of **best practices** in the many locations.

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 year-end 2013, 110,580,102 ordinary shares with a nominal value of EUR 0.25 each were in circulation, and the market capitalisation amounted to EUR 2,563 million (at year-end 2012: EUR 1,718 million)

Dividend policy

Aalberts Industries wants to allocate approximately 70% of the net profit before amortisation achieved in 2013 for further growth and to strengthen the financial position; approximately 30% will be distributed to shareholders by means of a dividend, to be received entirely in cash.

Shareholders' interests

Some 90% 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 includes the stipulation that shareholders holding more than 3% of the outstanding shares must be disclosed, the following holders of shares are disclosed:

Name	% of the total capital interest	Date of disclosure
Aalberts Beheer B.V. | J. Aalberts | J.A.M. Aalberts-Veen	13.27%	03 February 2011
Ameriprise Financial Inc.	5.04%	27 October 2010
Cantillon Funds PLC	3.13%	01 July 2013
FMR LLC	10.11%	24 November 2011
Norges Bank	4.33%	31 December 2013
OppenheimerFunds, Inc.	5.09%	10 May 2010

Conditional awarding of shares to the Management Board and group company directors

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.

Vacuum welding at Accurate Brazing

Prevention of misuse of insider information
Regulations regarding the notification and regulation of transactions in shares are in force 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.

Financial calendar for 2014–2015

Provisional

25 March 2014	Registration date for the General Meeting
17 April 2014	Trading update (before start of trading)
22 April 2014	General Meeting In the Hilton Hotel, Apollolaan 138, in Amsterdam, commencing at 2:00 p.m.
24 April 2014	Quotation ex dividend
28 April 2014	Record date for dividend
14 May 2014	Paying out dividend
14 August 2014	Publication of 2014 semi-annual figures (before start of trading)
23 October 2014	Trading update (before start of trading)
26 February 2015	Publication of annual figures for 2014 (before start of trading)

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. and Royal BAM Groep N.V., member of Supervisory Boards of Heineken N.V. and Royal FrieslandCampina N.V. and Board Member of the Stichting Administratiekantoor Aandelen KAS BANK (KAS Bank shares trust office foundation).

R.J.A. (René) van der Bruggen (1947)
Dutch nationality.
Former Chairman of the Management Board of Royal Imtech N.V.
First appointed 2011. Current term ends 2015.
Other relevant functions: Member of the Advisory Board of Grontmij N.V., member of the Advisory Board of Gelderse Vallei Ziekenhuis (hospital board), member of the Board of Niederländisch-Deutsche Handelskammer (Dutch-German Chamber of Commerce), and member of Curatorium of the construction of the TSM Business School.

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 Board of 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, 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

Building Installations Europe

S.J. (Stuart) Anderson (1964), Pegler Yorkshire Group
B. (Burkhard) Haemer (1961), Seppelfricke Group
J. (Jurek) Kaczan (1958), KAN Group
L.K. (Lars) Ølstad (1963) & **M. (Maarten) van de Veen** (1967), Utility Group
A. (André) in het Veld (1966), VSH Group
W. (Wim) Verhoeven (1965), Henco Industries

Building Installations North America

J.C. (Jack) McDonald (1961) LASCO Fittings
G.L. (Glenn) Mosack (1964), Conbraco Industries / Elkhart Products

Climate Control

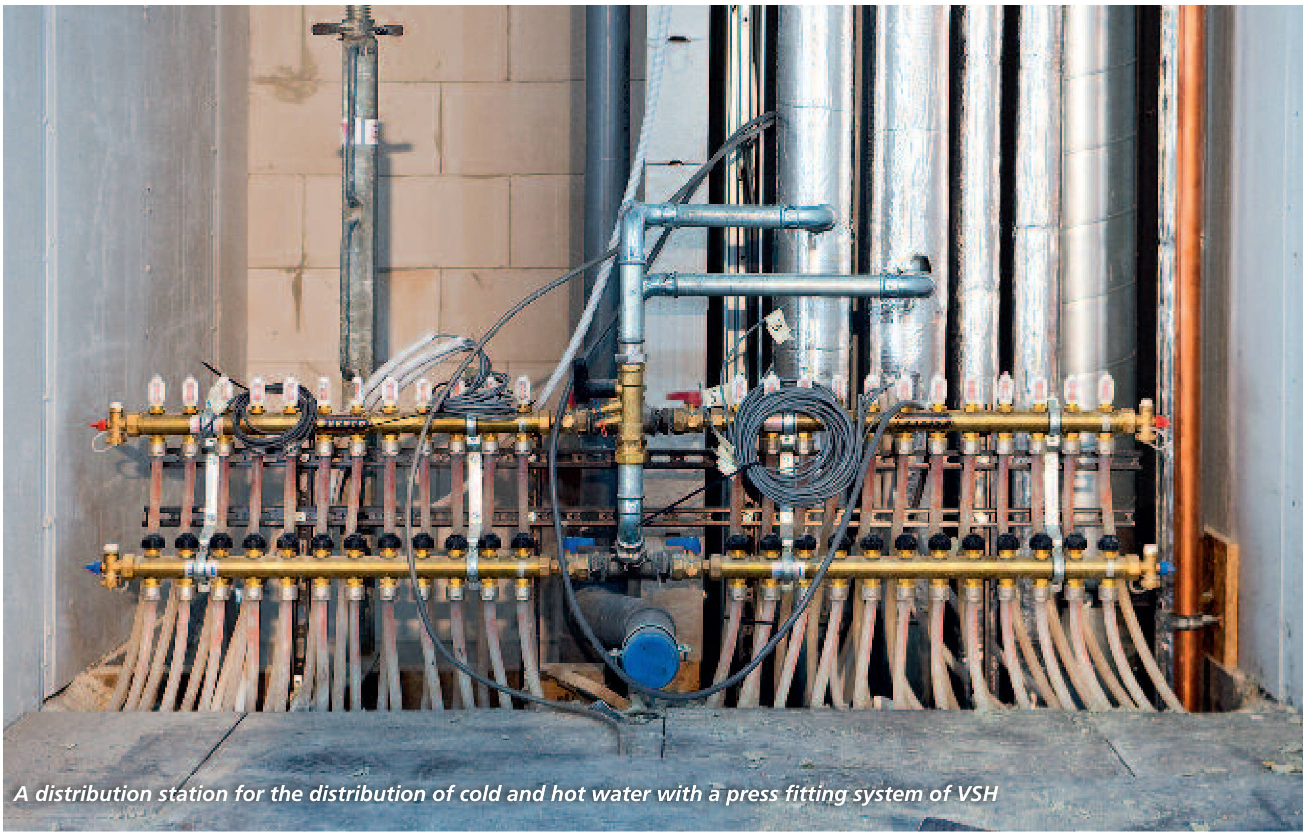
V. (Vincent) Grangier (1976), Comap Group
R. (Robert) Sagstetter (1960), Meibes Group

Flow Control Industrial

P. (Peter) Besseling (1965), BSM Valves Group
L.L. (Lars Linaa) Jørgensen (1959), BROEN Group
D.W. (David) Lease (1955) & **H. (Harald) Steinmetz** (1963), Dispense Systems Group
H. (Holger) Rohrer (1969), VTI

Industrial Services

M.A.J.M. (Marcel) Abbenhuis (1959), Industrial Products Group
O.N. (Oliver) Jäger (1967), Material Technology Group
P. (Pierre) Petitjean (1966), Metalis Group


A distribution station for the distribution of cold and hot water with a press fitting system of VSH

Front view of a "venturi" that is part of a measuring instrument on the seabed, used in the oil and gas industry, produced by Mogema

Report of the Management Board

EBITA increased strongly during the second half-year of 2013; capital expenditure was maintained at a high level; solid balance sheet ratios continued to improve; and the distribution percentage of dividend payment increased to 30%, completely in cash.

Introduction by the CEO

Results

We once again realised a good year in 2013. Especially in the second half-year, the orders in various markets increased strongly. This development translated itself into revenue growth of 3% (organically +4.1% at constant exchange rates) and an EBITA growth of more than 10% for the same period. Over the entire year, revenue rose to EUR 2,040 million (organic +1.2% at constant exchange rates). Also the operating profit (EBITA) increased, by 3% to EUR 225 million; the EBITA margin amounted to 11.0%.

The additional expenditure for supplementary product-line introductions, additional marketing and sales efforts, the many efficiency projects and the start-up costs for a number of greenfield projects are included in this result. The net profit amounted to EUR 152 million and the earnings per share EUR 1.38. The capital expenditure of EUR 106 million remained at a high level. The solid balance sheet ratios have again continued to improve.

Strengthening market positions

Our focus during the coming years will also continue to be aimed at strengthening our market positions close to the end user and realising sustainable profitable growth. We continue to invest in strengthening our marketing and sales activities and further completing our product and technology portfolio, organically and by means of acquisitions. Cross-selling within and between the various business segments, joint key account management, and innovation speed, as well as increased cooperation within the company, all encourage this process. The acquisitions of GF-Flamm-Metallspritz, GtO Slovakia, and BSM Valves that were realised during the reporting year have further strengthened our portfolio. The number of projects to improve the (production) efficiency and reduce costs continued to increase in 2013. There is a continuous improvement process aimed at increasing our operating margin (EBITA), and achieving a higher return on capital employed (ROCE).

Future

After a good 2013, thanks to the enormous efforts of our employees, focus remains on the continuous strengthening of the market positions and realising sustainable profitable growth. As a result of this focus, the increased order position, and the strong motivation to bring the many improvement plans to successful results, it is expected that further progress will be made in 2014 and subsequent years. Additional acquisitions can continue to strengthen our market positions.

We will propose to the General Meeting that the dividend for 2013 is to be set at EUR 0.41, to be paid in cash per share. This means Aalberts Industries is adjusting its dividend policy and appropriating some 30% of the net profit before amortisation for dividend payment, entirely in cash. This implies an increase of 17% compared to 2012."

I would sincerely like to thank our employees, customers and other business partners for all the efforts that have led to the good annual results for 2013.

Langbroek, 25 February 2014

Wim Pelsma, *Chief Executive Officer*

Financial results

Revenue
Revenue amounted to EUR 2,040.0 million (2012: EUR 2,024.5 million), an increase of 0.8%. Organic growth was 1.2% (at constant exchange rates).

Added-value
The added-value (revenue minus raw materials and work subcontracted) amounted to EUR 1,223.3 million, or 60.0% of revenue (2012: EUR 1,197.1 million, or 59.1% of revenue).

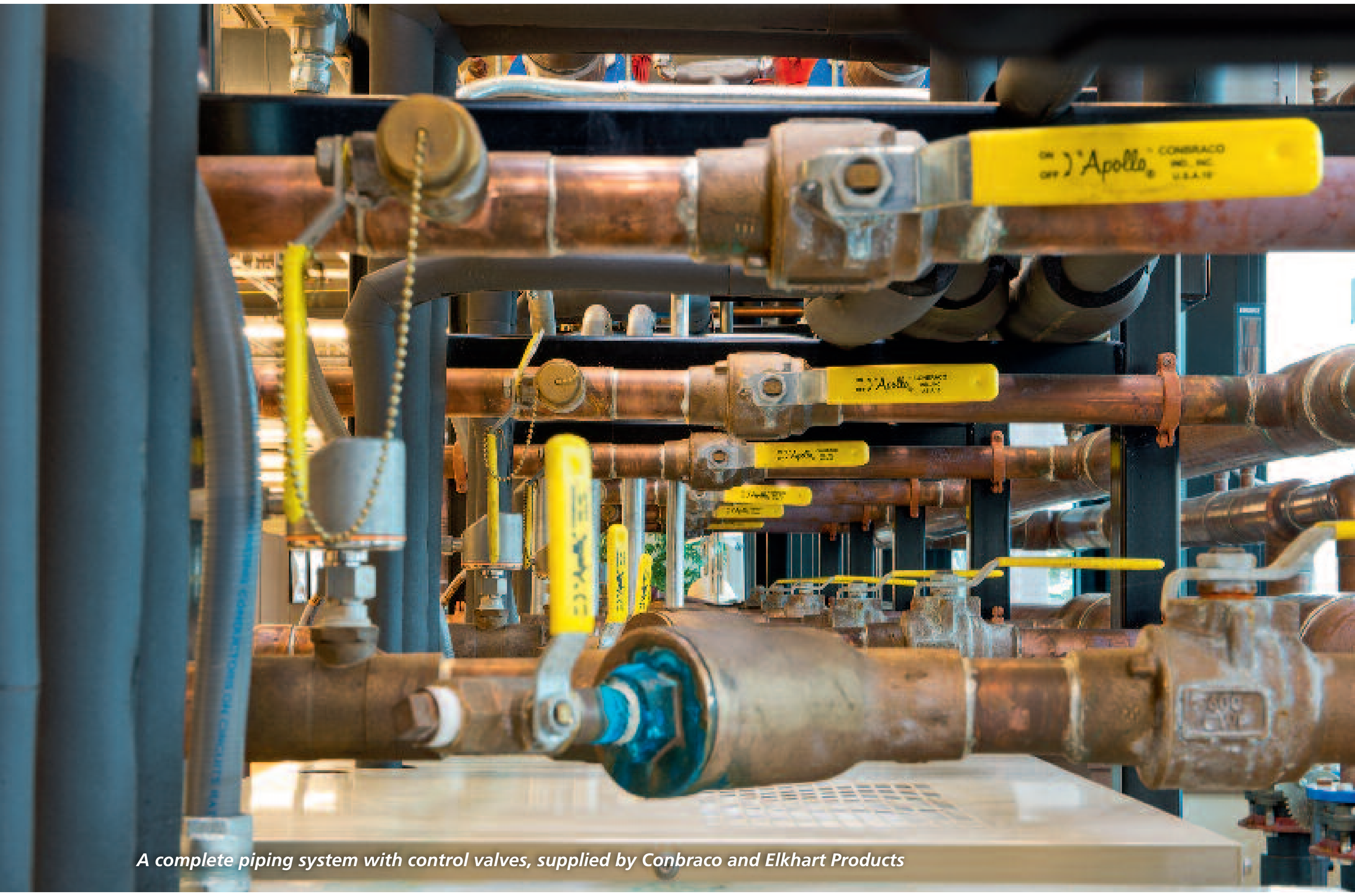
Operating profit
The operating profit before depreciation and amortisation (EBITDA) increased by 3% to EUR 304.5 million (2012: EUR 296.1 million). The EBITDA margin amounted to 14.9% of revenue (2012: 14.6%), at Flow Control 13.6% (2012: 13.0%) and at Industrial Services 18.1% (2012: 18.6%). Depreciation and amortisation amounted to EUR 97.4 million (2012: EUR 94.0 million).
The operating profit after depreciation and before amortisation (EBITA) increased by 3% to EUR 224.6 million (2012: EUR 219.1 million). The EBITA margin amounted to 11.0% of revenue (2012: 10.8%). Flow Control achieved an EBITA margin of 10.4% (2012: 9.8%) and Industrial Services achieved an EBITA margin of 12.6% (2012: 13.4%).

Revenue, added-value, operating profit (EBITA) and EBITA margin showed an upward trend over 2013.

Net finance cost
Net finance cost amounted to EUR 21.4 million (2012: EUR 20.2 million); net interest expense was EUR 16.0 million (2012: EUR 20.5 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 49.8 million (2012: EUR 45.9 million); the effective tax rate was 26.8% (2012: 25.2%).

Net profit
Net profit before amortisation amounted to EUR 151.7 million (2012: EUR 152.1 million). Earnings per share before amortisation were EUR 1.38 (2012: EUR 1.40).



A complete piping system with control valves, supplied by Conbraco and Elkhart Products

Profit appropriation

The number of shares issued at the end of 2013 was 110.6 million (at the end of 2012: 109.4 million). The increase was the result of the stock dividend for 2012. It will be proposed to the General Meeting that the dividend for 2013 be set at EUR 0.41 in cash per share. This means that Aalberts Industries is adjusting its dividend policy and appropriating some 30% of the realised net profit before amortisation as dividend. This implies an increase of 17% compared to 2012 (EUR 0.35).

Capital expenditure and cash flow

Capital expenditure amounted to EUR 106.1 million (2012: EUR 103.6 million), of which EUR 39.7 million was at Flow Control and EUR 66.4 million was at Industrial Services. At the end of 2013, net working capital amounted to EUR 373.3 million, 18.3% of revenue (at the end of 2012: EUR 370.0 million, or 18.3%).

The cash flow from operations increased by 6% to EUR 286.8 million (2012: EUR 271.4 million). The cash flow (net profit plus depreciation and amortisation) increased by 1% to EUR 231.6 million (2012: EUR 229.1 million). This clearly indicates the strong cash flow generating ability of Aalberts Industries.

Balance sheet ratios

At the end of 2013, total equity amounted to EUR 1,054.4 million (2012: EUR 950.0 million), 52.8% of the balance sheet total (2012: 48.3%). Solid balance sheet ratios were thus maintained, which is also evidenced by the development of the other ratios important for the company: the leverage ratio improved from 1.8 to 1.6; the interest cover ratio went from 14.4 to 19.0 and the gearing was 0.5 compared to 0.6 in 2012.

Financing

The net debt at the end of the year amounted to EUR 480 million (2012: EUR 542 million) and consists of bank loans (EUR 252 million), finance leases (EUR 21 million) and short-term overdraft facilities (EUR 208 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 252 million as at the end of 2013 is as follows: EUR 111 million to be repaid in 2014, EUR 81 million in 2015 and another EUR 60 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 tested 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 2013. The interest rate surcharges are levied on top of the variable base rate (mainly EURIBOR and 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.

Plastic piping system of LASCO Fittings for a water filtration system of a swimming pool

Short-term overdraft facilities

A total of some EUR 642 million was available in the form of local bilateral financing facilities with about 15 banks in various countries, of which EUR 208 million was used on the balance sheet date. Daily payments are made via each of these banks, particularly for operational costs, working capital and capital expenditure. The interest rate surcharges differ for each country and each bank and are levied on top of the variable base rate (mainly EURIBOR and LIBOR).

Flow Control

Revenue slightly increased by 0.7% to EUR 1,438.7 million (2012: EUR 1,429.3 million). The organic revenue growth amounted to 1.5% (at constant exchange rates). The operating profit (EBITA) amounted to EUR 149.0 million (2012: EUR 139.5 million), an increase of 7% -including the additional marketing and selling expenses and costs for many efficiency projects- with an EBITA margin of 10.4% of revenue (2012: 9.8%). Capital expenditure decreased by 16% to EUR 39.7 million (2012: EUR 47.1 million).

Industrial Services

At Industrial Services, revenue increased by 1.0% to EUR 601.3 million (2012: EUR 595.2 million). The organic revenue growth amounted to 0.3% (at constant exchange rates). The operating profit (EBITA) amounted to EUR 75.6 million (2012: EUR 79.6 million) -including efficiency projects and the start-up expenses of new production facilities- or 12.6% of revenue (2012: 13.4%). Capital expenditure increased by 18% to EUR 66.4 million (2012: EUR 56.5 million), partly as a result of the acquisition, expansion, and new construction of various factory buildings and greenfield projects.

Operational developments

Building Installations Europe

2013 was a challenging year, particularly as a result of the continuing difficult conditions in both the residential market and the market for commercial buildings. In the Netherlands, France and Eastern Europe (except Hungary and Russia) a deteriorated market situation was noticeable in comparison with 2012. There was a gradual improvement during the year in the United Kingdom, Germany and Scandinavia. The markets in Southern Europe remained difficult.

Much has improved under our own power; the market positions have been strengthened, the portfolio has been expanded, and the profitability has increased.

The end user has an ever-increasing need for a complete system offering for heating, cooling, (drinking) water and gas, swiftly installed and guaranteed to operate properly from day one. Aalberts Industries responds to this with specific product-lines that enable the installer to mount them more easily, quickly, safely, and therefore more economically. The push and press connection systems in combination with control valves showed strong growth. To further enhance the added-value to the end user, an increasing amount of optimal installation solutions are being offered on the basis of local application knowledge and the complete portfolio.

The residential market and the market for commercial buildings was challenging. Nevertheless, thanks to our own power, a lot has improved and considerable investments have been made in 2013.

Considerable capital was invested during 2013. This included capital expenditure on additional product introductions, strengthened marketing efforts, the training of end users and own employees, the setting up of new customer relationship systems, the improvement of the project management, and the intensification of internal cooperation, including the exchange of regional expertise. Many projects are in the implementation and/or start-up phase, aimed at improving the (production) efficiency and reduction of costs.

Plastic multilayer pipes and fitting systems for new residential construction, supplied by Comap

Lead-free control valves from Conbraco, in use at a high school

Building Installations North America

The developments showed a changing picture for each market segment. The residential market showed a gradual improvement during the year. The revenue from plastic connection systems increased, an improved product-line of metal push connections and an additional programme of control valves with low lead content also contributed positively.

While there was a good development in the retail market segment, the market for commercial buildings remained challenging. Nevertheless, growth was realised thanks to considerable marketing and sales efforts; in particular, the introduced metal press connection system in combination with control valves sold well. With this system, which is put on the market under a joint brand name and uses an ever-increasingly applied connection technology, installers can significantly accelerate their work. For the production and assembly of the metal connection systems, use is made of technology that has already been applied previously at European production locations. Additional product-lines to strengthen this product group are being developed.

The joint marketing and sales approach is increasingly acquiring more shape. This is especially evident in the increased cross-selling of products between Europe and North America, and the local market introduction of innovative products. The increasingly more complete system offering strengthens the market position and thus has a clearly positive effect on continued profitable growth. Again a lot of capital expenditure was applied in additional capacity for specification sales and marketing in 2013. We will continue this approach during the coming years, assuming that an increasing demand will accelerate the profitable growth in these areas.

Climate Control

In 2013, the system portfolio -consisting of complete heating and cooling systems that provide the distribution of (hot) water from energy source to emission- continued to be completed and mutually aligned. In various regions, a complete system is offered to the specifying bodies, firms of architects, project developers and building managers, aimed at measuring and saving energy costs and increasing the comfort. These target groups are approached, informed and trained at an early stage. The sharing of system knowledge with these users requires a lot of attention in combination with the setting up of customer relationship systems and the following up of renovation and new construction projects in the various countries.

The system portfolio is developing strongly. Examples of market launches in 2013 include a new product-line of thermostatic valves, control systems for climate regulation, smart metering systems for taking and recording meter readings easily, and measurement systems for larger sizes for ultrasonic heat measurements.


Frame for the semiconductor industry, made by Mogema

Revenue developed favourably, particularly in Germany, Russia and South Africa. The joint marketing and sales approach strengthened in Scandinavia, France, the Benelux, and the United Kingdom. In 2014, this approach is being further extended to countries in Eastern Europe, China and the Middle East.

In several countries the mutual marketing and sales efforts have been strengthened. In 2014, this approach will be expanded to Eastern Europe, the Middle East and China.

Flow Control Industrial

The business development showed a mixed picture in 2013. After a good start, the order flow slowed down in Russia in the second quarter. This was, in particular, the result of the reduction of the government budgets for gas and district energy projects. The district energy activities in Western Europe showed a stable picture. BSM Valves, acquired at the start of 2013, made a slow start, but orders and revenue increased during the year. Various new customers were welcomed and the first joint group orders were realised in North America. The oil and gas project teams in North America and Eastern Europe also made use of the materials and engineering expertise of BSM Valves in the area of high-pressure control valves for special applications. This knowledge sharing and cooperation will be further intensified during the coming years. In the third quarter, the new production location of BSM Valves was started up in the Netherlands, including advanced testing facilities.

The industrial market in North America showed an upward trend during the year. The number of projects increased steadily, mainly due to the increasing demand for larger sized steel and stainless steel control valves, for which the production capacity in North America was expanded in 2012. Various additional products are in development. These are aimed particularly at higher pressures and more demanding specifications to further complete the product portfolio.

Sales of high-pressure gas control valves, used in various industries including the German automotive industry, progressed positively. Both revenue and result of the operations for the beer and soft drinks market showed excellent development.

Industrial Services

After a slow start, the activities gradually increased during the year. A lot of capital expenditure was applied in the expansion of the sales and engineering capacity, the putting into operation of new technologies, products and processes, and the initiation of greenfield projects in China, India and Poland. The existing locations in Poland and Slovakia were also expanded in response to the growing demand in this important growth market. The acquisition of GtO Slovakia has further strengthened the market position in this strategic region. In 2013, many efficiency projects were implemented and newly started up to reduce costs and concentrate the activities more.

The activities for the semiconductor industry also had a cautious start, especially compared to the first half of 2012, but subsequently they increased. In particular, the activities for vibration control systems, developed and manufactured in the new, significantly expanded production location in Germany, enjoyed a good year. With strengthened sales efforts, many new customers were acquired for the high purity gas systems. This also includes a large order from the solar energy industry in the Middle East. The activities for the LED production lines still showed no signs of recovery.

There was a good stable level in the automotive activities in Germany. The globally active key accounts in France showed a gradual increase in activities. This was mainly the result of the many new development projects that have started. In these projects intensive use is made of the engineering and manufacturing locations in France, Germany, Poland, Slovakia, China and India.

The machine building activities in Germany developed well, partly as a result of the capital expenditure of recent years. In the first half of 2013, the turbine industry had to cope with a delay of a number of projects, which was followed by a gradual recovery. GF-Flamm-Metallspritz, acquired in January 2013, realised a good year. The various companies active in the aerospace industry did well in France, the Netherlands, United Kingdom and North America. Capital expenditure was applied in the expansion and improvement of the production locations, particularly in France and the United Kingdom.

For various markets, new, joint key account agreements have been entered into, with a longer duration, making use of the worldwide network of production locations. Knowledge and expertise in the area of key account management is being adapted and exchanged between the various subsidiaries to an increasing extent.

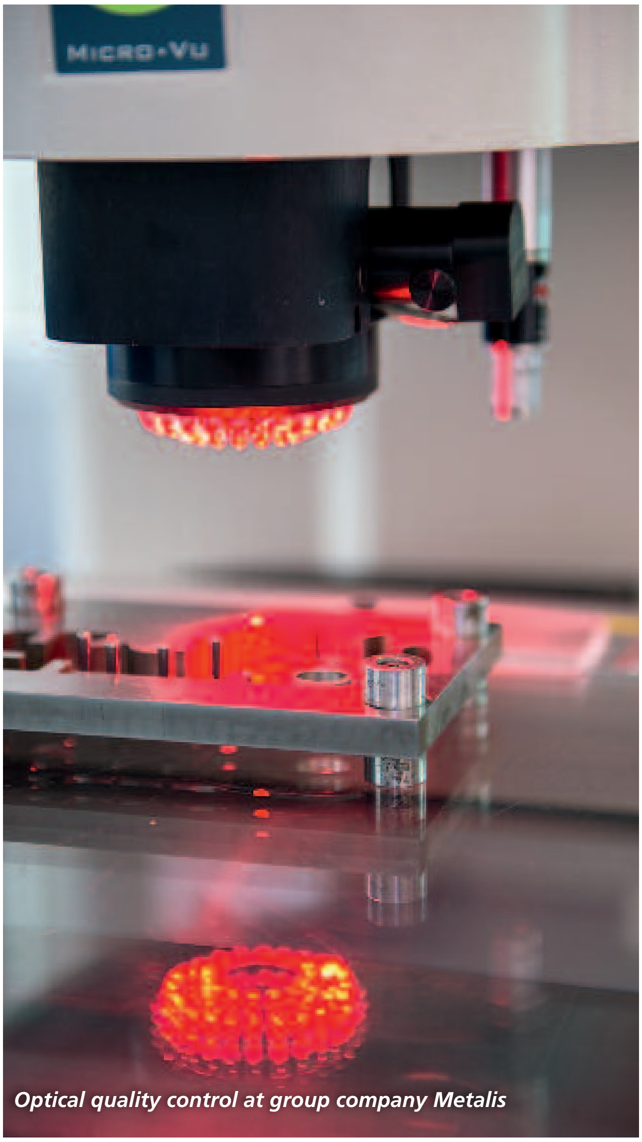
Adjustment of dividend policy

The intention is to increase the dividend payment percentage from 25% to 30% of the net profit before amortisation for 2013. The dividend will be paid entirely in cash.

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 with respect to the number of seats on the Management Board and the Supervisory Board. Currently, the Management Board and the Supervisory Board consist entirely of men. In 2013, no new members were appointed to the Management Board or the Supervisory Board, so that the distribution of seats has remained unchanged.

Good female candidates have been sought for the vacancies that have arisen for 2014. However, no female candidates of



Optical quality control at group company Metalis equal suitability have been found for these vacancies. In the future, we will try to realise a balanced distribution. It is essential in this context that the quality of potential candidates is foremost.

The company depends on society, but is also strongly aware of its own social role.

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.

The greatest positive effect to be generated by the company, however, is in the user phase of the various products and systems that are developed and produced. In this context, consider products and systems that enable customers of Aalberts Industries to save water and energy. Some of these products and systems are described on page 10 of this annual report.

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'.

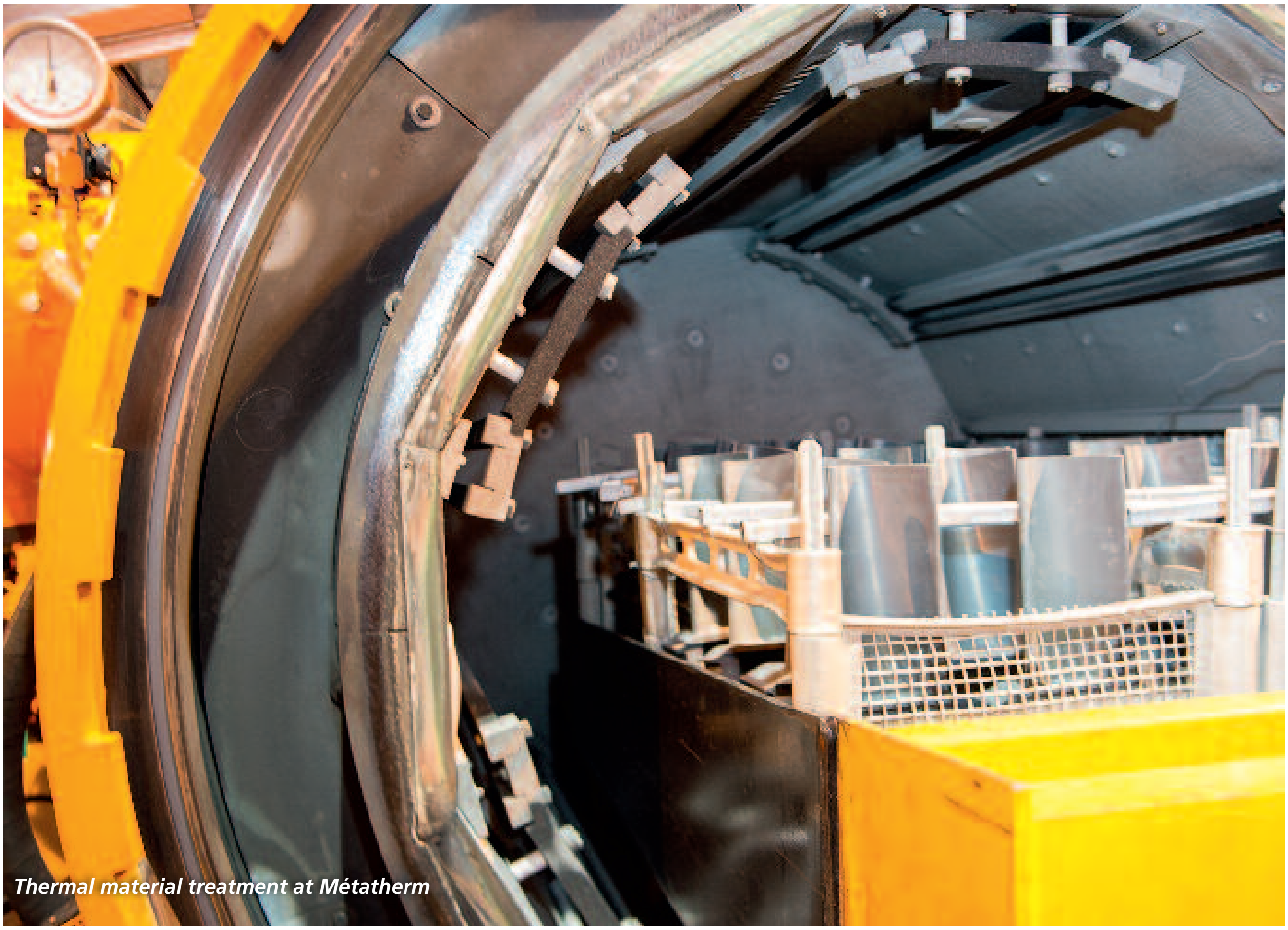
The efforts in the area of corporate responsibility can be divided into four pillars: 'People', 'Planet', 'Market', and 'Society'. By developing activities in these four areas, the company expresses its corporate responsibility and at the same time contributes to financial economic goals, such as cost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

Implementation of the policy

The activities within the pillars are developed at decentralised level. Within the 'People' pillar, Aalberts Industries regularly

Policy for corporate responsibility



Thermal material treatment at Métatherm

measures the performance of the group companies at central level by using a set of indicators. Differences between the group companies are discussed with the group management and followed up where necessary. By carrying out external Health and Safety audits at various sites, and by encouraging the sharing of knowledge and best practices, improvements have again been achieved in 2013. In 2014, the group companies will continue to be encouraged to improve their activities within the pillars.

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 realising good results again in 2013, the focus remains on continuous strengthening of the market positions and achieving sustainable profitable growth. As a result of this focus, the increased order position, and the strong motivation to bring the many improvement plans to successful results, it is expected that further progress will be made in 2014 and the subsequent years.

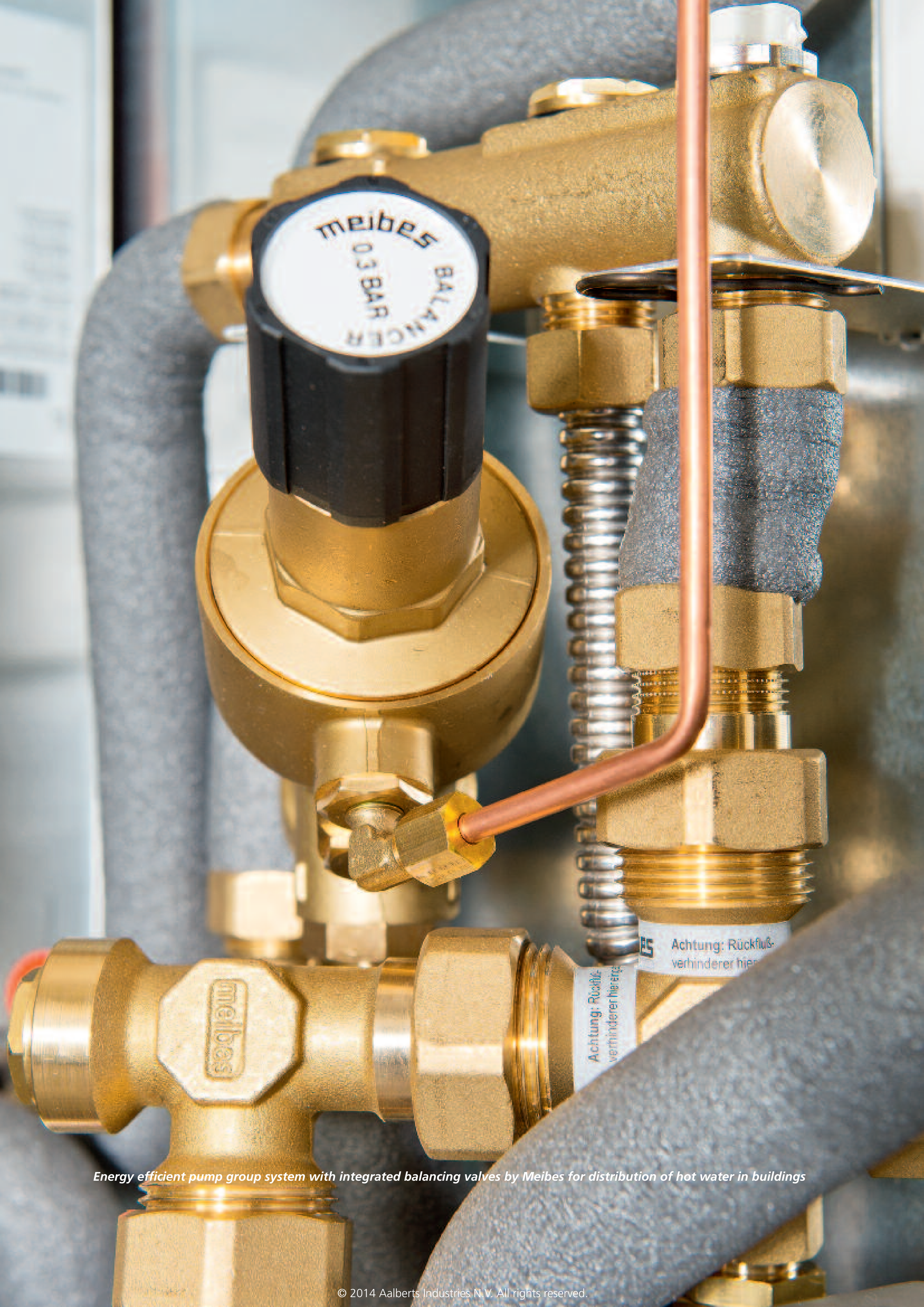
Management Board declaration

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, the business development during the financial year of Aalberts Industries N.V., and of its affiliated group companies included in the financial statements. The annual report describes the material risks confronting Aalberts Industries N.V.

Langbroek, 25 February 2014

W.A. (Wim) Pelsma, *Chief Executive Officer*
J. (Jan) Aalberts, *President*
J. (John) Eijgendaal, *Chief Financial Officer*



Energy efficient pump group system with integrated balancing valves by Meibes for distribution of hot water in buildings

Report of the Supervisory Board

The Supervisory Board believes that the company has been able to realise a good performance in 2013. Considerable progress has been achieved across a broad front, and very promising initiatives have been launched that are expected to lead to continued profitable growth.

Financial statements 2013 and dividend proposal

The financial statements for the 2013 financial year have been prepared by the Management Board and signed by the Management Board and the Supervisory Board. The Auditor's Report from the independent auditor of Pricewaterhouse-Coopers Accountants N.V. is included on page 81 of the financial statements. The Management Board will present the 2013 financial statements to the General Meeting. The Supervisory Board recommends the General Meeting to adopt these financial statements, including a proposed dividend of EUR 0.41 per share.

Composition of the Management Board

After the end of the General Meeting on 22 April 2014, the founder of Aalberts Industries, Mr. J. (Jan) Aalberts will resign from the Management Board. Mr. Aalberts, who remains linked to the company as a shareholder, founded the company and has played a key role in its growth with vision and commitment during a period of almost 40 years. During the meeting mentioned above, the Supervisory Board intends to appoint Mr. O.N. (Oliver) Jäger as Executive Director, responsible for the Industrial Services-activities. Mr. Jäger (1967) has German nationality and has worked with Aalberts Industries as group director of Material Technology since the start of 2009. His broad experience and in-depth expertise in technology and marketing will provide an important contribution to the success of Aalberts Industries.

After this change, the Management Board of Aalberts Industries N.V. will consist of:
- W.A. (Wim) Pelsma, *Chief Executive Officer*
- J. (John) Eijgendaal, *Chief Financial Officer*
- O.N. (Oliver) Jäger, *Executive Director*

An explanation of the Management and Supervision Act that came into force on 1 January 2013 can be found on page 33 of the annual report.

Composition of the Supervisory Board

The composition of the Supervisory Board remained unchanged in 2013. After the end of the General Meeting on 22 April 2014, Mr. R.J.A. van der Bruggen will resign his membership of the Supervisory Board for personal reasons. Mr. M.C.J. (Martin) van Pernis retires according to schedule and is available for re-election. Mr. Van Pernis provides an excellent contribution to the company and possesses the knowledge and expertise to fulfil his supervisory role properly. The Stichting Prioriteit "Aalberts Industries N.V." intends to nominate him for re-appointment.

The composition of the Supervisory Board is in accordance with the profile drawn up, which is published on the website of Aalberts Industries.

The personal details of all the supervisory directors are presented on page 24 and 25 of the annual report. An explanation of the Management and Supervision Act that came into force on 1 January 2013 can be found on page 33 of the annual report.

The work of the Supervisory Board

The Supervisory Board met six times; the attendance rate was 83%. The Board wants to monitor the company activities closely from its supervisory position; therefore these meetings regularly take place at a business unit. In the year under review, this was group company Comap in Abbeville, France.

The chairman of the Supervisory Board regularly conducted meetings with the Chief Executive Officer to discuss the business progress and the composition of the Management Board, as well as to make preparations for the meetings with the Supervisory Board.

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 2013. The subjects discussed with the Management Board included the business progress, the developments around profit and markets, the semi-annual and annual figures, and the dividend policy. The strategy for the period from 2014 to 2017 was also discussed in detail, in which special attention was paid to the acquisition policy and potential acquisitions. There was also extensive discussion of the business risks, the organisation structure, developments in the human resources policy, compliance with laws and regulations, and corporate social responsibility.

The Supervisory Board determined that Aalberts Industries has been able to continue the upward trend of previous years in 2013. Encouraging 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 2014.

Corporate governance

The Supervisory Board has ascertained that the corporate governance structure, as this applies at Aalberts Industries, operates properly. 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 2010 financial year, and the potential effects of these for Aalberts Industries. Page 44 contains a more detailed explanation of the corporate governance structure of 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 for the Supervisory Board. 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 for the Supervisory Board, the Supervisory Board has not set up separate committees, but fulfils the tasks of both these committees itself as a whole. In this context, during the meetings in 2013, the Board focused on the performance appraisal, the financial reporting, and the remuneration policy as approved by the General Meeting in 2010, and explained in more detail below.

Pipes are installed by means of Tectite push fittings

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 semi-annual 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 22 April 2014 to reappoint PricewaterhouseCoopers Accountants N.V. for the 2014 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 for a good balance between the fixed and variable remuneration and the short-term and long-term remuneration. More information is provided on page 79 of the notes to the financial statements.

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.

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.

Variable remuneration (short-term)
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, which include earnings per share before amortisation, return on capital employed (ROCE), and organic revenue growth. The Supervisory Board sets these targets at the beginning of each financial year. The variable remuneration package is based on performance to an important extent and, if the targets are achieved, can add a maximum of 75% to the basic salary.

In 2013, in the context of the new Dutch 'Claw Back of excessive remuneration to directors' Act, the Supervisory Board saw no reason to adjust the remuneration policy or to claim back bonuses paid.

Variable remuneration (long-term)
The remuneration for performance of Management Board members in the long term 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 and contribution 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). Management Board members are responsible for payment of a third of the contribution.

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

Note of thanks

The Supervisory Board expresses its gratitude to the members of the Management Board and all employees of Aalberts Industries for their efforts and dedication in 2013.

Langbroek, 25 February 2014

H. (Henk) Scheffers, *Chairman*
R.J.A. (René) van der Bruggen
M.C.J. (Martin) van Pernis
W. (Walter) van de Vijver

HSF supplies piping systems for gas and water, among other for residential construction

General information

Aalberts Industries pays a lot of attention to health, safety and the environment. We also want to belong to the preferred employers in the various markets and geographical areas. Therefore, we encourage an entrepreneurial culture and we offer challenging career opportunities.

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 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. We believe that our people make the difference. That's why we invest in our people by, for example, a talent programme. 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 are 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 group companies regularly 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 in a flexible, efficient and rapid way, 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.

Its decentralised approach allows Aalberts Industries to identify and address risks in a flexible, efficient and rapid way.

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.

Surface treatment of metal products at AHC

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 57 and 58 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. The European Court of Justice in Luxembourg ruled on these cases on 4 July 2013. As expected by the Management Board, the appeal lodged by the European Commission against the judgment of the EU Court was completely rejected by this ruling. Aalberts Industries and two of its subsidiaries are therefore once again vindicated by this, which means the fine has finally been removed. The European Commission has been ordered by the European Court of Justice to reimburse the costs of the proceedings, and Aalberts Industries has meanwhile filed a claim for the recovery of these costs.

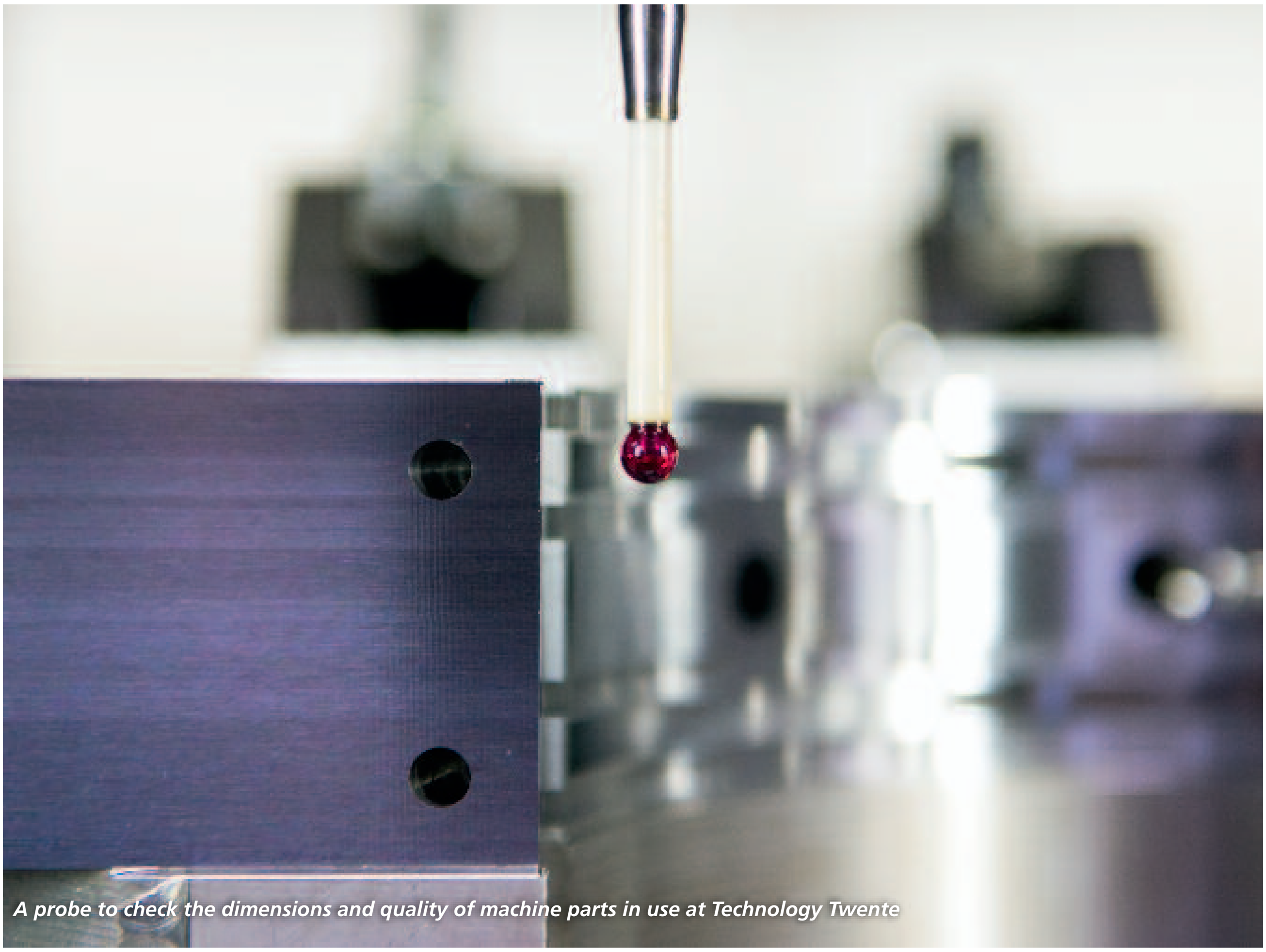
As a result of the European proceedings, a number of market parties abroad have brought civil proceedings for damages against parties whose fines from the European Commission have been upheld. These parties are trying to have other market parties, including subsidiaries of Aalberts Industries, contribute to any possible 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 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. In addition, Aalberts Industries has developed a group-wide code of conduct, the outlines of which can be found on the company's website.

LASCO Fittings products are used in areas including irrigation systems for gardens and parks

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



A probe to check the dimensions and quality of machine parts in use at Technology Twente

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 2013, and updated them where necessary. In the opinion of the Supervisory Board and the Management Board, Aalberts Industries pursues a consistent corporate governance policy.

Aalberts Industries endorses the principles of the Dutch Corporate Governance Code and applies virtually all the best practice provisions of this Code.

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. 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 interest 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.

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.


Press fitting systems, produced by Elkhart Products, are applied in commercial buildings

Production of vacuum chambers for the semiconductor industry

Financial statements 2013

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Other information

1 Consolidated balance sheet

before profit appropriation

	notes	31–12–2013	31–12–2012	01–01–2012
			Restated	Restated
Assets				
Goodwill	10	513,229	504,203	504,283
Other intangible assets	10	177,691	181,874	196,730
Property, plant and equipment	11	616,158	592,393	565,338
Deferred income tax assets	18	20,395	23,921	24,146
Non-current assets		**1,327,473**	**1,302,391**	**1,290,497**
Inventories	12	425,010	428,170	421,133
Trade receivables	13	212,012	204,737	199,194
Other current assets	14	31,783	29,553	27,910
Cash and cash equivalents		100	100	100
Current assets		**668,905**	**662,560**	**648,337**
Total assets		**1,996,378**	**1,964,951**	**1,938,834**
Equity and liabilities				
Shareholders' equity	4	1,042,320	938,941	826,642
Non-controlling interests	4	12,062	11,084	9,501
Total equity		**1,054,382**	**950,025**	**836,143**
Non-current borrowings	17	159,426	264,892	384,349
Employee benefit plans	19	63,778	66,075	55,851
Deferred income tax liabilities	18	69,533	70,498	71,446
Other provisions and long-term liabilities	19	9,342	8,450	27,321
Non-current liabilities		**302,079**	**409,915**	**538,967**
Current borrowings	17	207,824	150,331	84,740
Current portion of non-current borrowings	17	113,134	126,434	136,605
Trade and other payables		205,538	206,929	211,258
Current income tax liabilities		7,724	11,129	13,744
Other current liabilities	20	105,697	110,188	117,377
Current liabilities		**639,917**	**605,011**	**563,724**
Total equity and liabilities		**1,996,378**	**1,964,951**	**1,938,834**

2 Consolidated income statement

	notes	2013	2012
Revenue	**9**	**2,040,040**	**2,024,481**
Raw materials and work subcontracted		(816,685)	(827,415)
Personnel expenses	21	(564,601)	(557,224)
Depreciation of property, plant and equipment	11	(79,890)	(76,959)
Amortisation of intangible assets	10	(17,495)	(17,011)
Other operating expenses	22	(354,276)	(343,779)
Total operating expenses		**(1,832,947)**	**(1,822,388)**
Operating profit		**207,093**	**202,093**
Interest income	23	7,765	8,505
Interest expenses	23	(23,744)	(28,959)
Foreign currency exchange results	23	(3,250)	(1,534)
Derivative financial instruments	23	241	1,772
Net interest expense on employee benefit plans	19	(2,461)	–
Net finance cost		**(21,449)**	**(20,216)**
Profit before tax		**185,644**	**181,877**
Tax expenses	24	(49,804)	(45,901)
Net profit after tax		**135,840**	**135,976**
Attributable to:			
Shareholders		134,159	135,068
Non-controlling interests		1,681	908
Earnings per share			
Basic	25	1.22	1.24
Diluted	25	1.22	1.24
Earnings per share (before amortisation)			
Basic	25	1.38	1,40
Diluted	25	1.38	1.40

3 Consolidated statement of comprehensive income

	2013	2012
		Restated
Profit for the period	**135,840**	**135,976**
Other comprehensive income:		
Remeasurements of employee benefit obligations	(1,324)	(10,309)
Income tax effect on these direct equity movements	331	2,698
Items that will not be reclassified to profit or loss	**(993)**	**(7,611)**
Currency translation differences	(14,894)	6,811
Fair value changes derivative financial instruments	3,670	(1,792)
Income tax effect on these direct equity movements	(1,765)	353
Items that may be subsequently reclassified to profit or loss	**(12,989)**	**5,372**
Total comprehensive income	**121,858**	**133,737**
Attributable to:		
Shareholders	120,550	131,884
Non-controlling interests	1,308	1,853

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 2012	**27,021**	**201,461**	**514,252**	**(25,049)**	**131,340**	**849,025**	**9,501**	**858,526**
Effect of change in accounting policy	–	–	(22,383)	–	–	**(22,383)**	**–**	**(22,383)**
As at 1 January 2012 (restated)	**27,021**	**201,461**	**491,869**	**(25,049)**	**131,340**	**826,642**	**9,501**	**836,143**
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	–	–	(7,611)	4,427	135,068	**131,884**	1,853	**133,737**
As at 31 December 2012 (restated)	**27,357**	**201,125**	**596,013**	**(20,622)**	**135,068**	**938,941**	**11,084**	**950,025**
Dividends 2012	288	(288)	–	–	(17,294)	**(17,294)**	(330)	**(17,624)**
Addition to other reserves	–	–	117,774	–	(117,774)	–	–	–
Share based payments	–	–	123	–	–	**123**	**–**	**123**
Total comprehensive income	–	–	(993)	(12,616)	134,159	**120,550**	1,308	**121,858**
As at 31 December 2013	**27,645**	**200,837**	**712,917**	**(33,238)**	**134,159**	**1,042,320**	**12,062**	**1,054,382**

5 Consolidated cash flow statement

	notes	2013	2012
Cash flows from operating activities			
Operating profit	2	207,093	202,093
Adjustments for:			
Depreciation of property, plant and equipment	11	79,890	76,959
Amortisation of intangible assets	10	17,495	17,011
Result on sale of equipment		180	(750)
Changes in provisions and other movements		(7,172)	(585)
Changes in inventories		(3,723)	(5,417)
Changes in trade and other receivables		(10,595)	(6,585)
Changes in trade and other payables		3,629	(11,313)
Changes in working capital		(10,689)	(23,315)
Cash flow from operations		**286,797**	**271,413**
Finance income received		7,596	8,682
Finance expenses paid		(26,504)	(31,797)
Income taxes paid		(55,006)	(45,899)
Net cash from operating activities		**212,883**	**202,399**
Cash flows from investing activities			
Acquisition of subsidiaries	28	(25,130)	(18,325)
Purchase of property, plant and equipment		(110,679)	(103,777)
Purchase of intangible assets		(3,074)	(2,815)
Proceeds from sale of equipment		2,337	3,467
Net cash from investing activities		**(136,546)**	**(121,450)**
Cash flows from financing activities			
Proceeds from non-current borrowings	17	19,406	20,109
Repayment of non-current borrowings	17	(136,939)	(148,613)
Dividends paid	4	(17,294)	(19,871)
Dividends to non-controlling interests	4	(330)	(270)
Net cash from financing activities		**(135,157)**	**(148,645)**
Net decrease in cash and current borrowings		**(58,820)**	**(67,696)**
Cash and current borrowings at beginning of period		(150,231)	(84,640)
Net decrease in cash and current borrowings		(58,820)	(67,696)
Currency differences on cash and current borrowings		1,327	2,105
Cash and current borrowings as at end of period		**(207,724)**	**(150,231)**
Cash		100	100
Current borrowings		(207,824)	(150,331)
Cash and current borrowings as at end of period		**(207,724)**	**(150,231)**

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 2013 comprise the company and its subsidiaries ("the Group"). The financial statements have been adopted by the Supervisory Board on 25 February 2014 and will be submitted for approval to the General Meeting on 22 April 2014. The Management Board released the full-year results on 26 February 2014.

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.

The following standards and amendments have been adopted by the Group for the first time for the financial year 2013:

- IAS 19R (Employee Benefits). As from 1 January 2013, the revised IFRS standard for pensions (IAS 19R) has been applied retrospectively. Main impact is that all actuarial gains and losses related to the retirement benefit obligation are now recognised as they occur (elimination of the corridor approach). Simultaneously with the adoption of IAS 19R it was decided to present the net interest expense on employee benefit plans as part of net finance cost. This better reflects the actual pension costs (as part of the personnel expenses).

As a consequence of the retrospective application of IAS 19R, the cumulative effect of the change was accounted for in the opening balance as at 1 January 2012. The impact on the consolidated balance sheet as at 1 January 2012 and 31 December 2012 is as follows:

	Employee benefit plans	Deferred Income tax assets	Total equity
Reported as at 1 January 2012	26,709	17,387	858,526
Restatement following adoption of IAS 19R	29,142	6,759	(22,383)
Restated as at 1 January 2012	**55,851**	**24,146**	**836,143**
Reported as at 31 December 2012	26,624	14,464	980,019
Restatement following adoption of IAS 19R:			
Restated as at 1 January 2012	29,142	6,759	(22,383)
Restatement comprehensive income for the period	10,309	2,698	(7,611)
Restated as at 31 December 2012	**66,075**	**23,921**	**950,025**

The restatement of the comprehensive income for the full year 2012 following the adoption of IAS 19R is related to the (net) impact of the full recognition of actuarial gains and losses and related impact on the deferred tax position.

The consolidated income statement over 2012 is not restated due to the minor impact. When the consolidated income statement over 2012 would have been restated for the adoption of IAS 19R and the change in presentation of the net interest expense on employee benefit plans, the operating result would have been EUR 1.5 million higher and the net profit would have been EUR 0.9 million lower.

- IFRS 13 (Fair value measurement). 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 has no impact on the Group's equity and profit.

- IAS 1 (Financial Statement Presentation). This is an amendment of the existing standard and is only related to changes in the presentation of items in comprehensive income.

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

- 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 2014 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 2014 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 2014 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.

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. An overview of the group companies is disclosed on page 82 and 83.

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
2013 Year-end	1.198	0.726
2013 Average	1.178	0.753
2012 Year-end	1.223	0.757
2012 Average	1.233	0.778

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 in equity through other comprehensive income. 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 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. When receivables are considered to be uncollectible a provision for impairments is accounted for.

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 are recognised as personnel expenses up to and including the financial year 2012. As from the financial year 2013 the interest expenses are recognised as net interest expenses on employee benefit plans as part of net finance cost. The service costs including past service costs and the impact of curtailments and settlements 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. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Remeasurements, including actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are recognised in other comprehensive income and therefore immediately charged or credited to equity. 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. When the outcome of a construction contract can be reliably estimated, the contract revenue and expenses are recognised as revenue and expenses in the income statement by reference to the stage of completion at the balance sheet date.

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 non 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 2013, 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 0.3 million (2012: negative EUR 0.7 million). The net equity at year-end would have been impacted by positive EUR 9.7 million (2012: positive EUR 9.8 million). At 31 December 2013, 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 0.6 million (2012: positive EUR 0.9 million). The net equity at year-end would have been impacted by positive EUR 8.9 million (2012: positive EUR 11.6 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 248,756 (2012: EUR 239,728):

	31–12–2013	31–12–2012
Trade receivables	216,873	210,075
Other current assets	31,783	29,553
Cash and cash equivalents	100	100
Total	**248,756**	**239,728**

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 2013, 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 4.6 million (2012: negative EUR 4.1 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), 2013: 1.6 (2012: 1.8), interest cover ratio (EBITDA/net interest expense on 12 months-rolling basis), 2013: 19.0 (2012: 14.4) and gearing (net debt/total equity), 2013: 0.5 (2012: 0.6).

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 and effective tax rate 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

The Group is organised on a worldwide basis into two main 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 gases. 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.

2013	Industrial Services	Flow Control	Unallocated	Total
Revenue	601,262	1,438,778	–	**2,040,040**
EBITDA	108,566	195,912	–	**304,478**
EBITDA as % of revenue	18.1	13.6	–	**14.9**
EBITA	75,640	148,948	–	**224,588**
EBITA as % of revenue	12.6	10.4	–	**11.0**
Capital expenditure	66,335	39,724	–	**106,059**
Depreciation	32,926	46,964	–	**79,890**
Amortisation	6,375	11,120	–	**17,495**
Average number of employees (x1 FTE)	4,852	7,619	18	**12,489**
Number of employees at year-end (x1 FTE)	4,869	7,423	19	**12,311**
Assets	709,829	1,264,271	22,278	**1,996,378**
Liabilities	118,938	255,525	9,892	**384,355**

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 (restated)	657,030	1,283,401	24,250	**1,964,951**
Liabilities (restated)	140,432	237,936	13,274	**391,642**

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:

	2013	2012
Total EBITA of reportable segments	224,588	219,104
Amortisation of intangible assets	(17,495)	(17,011)
Net finance costs	(21,449)	(20,216)
Consolidated profit before tax	**185,644**	**181,877**

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:

	2013	2012
Total liabilities of reportable segments (restated)	384,355	391,642
Non current and current borrowings	459,832	519,053
Finance leases	20,552	22,604
Tax liabilities	77,257	81,627
Equity (restated)	1,054,382	950,025
Consolidated total equity and liabilities	**1,996,378**	**1,964,951**

9.2 Geographical information

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

Revenue	2013	%	2012	%
United States	401,501	19.6	388,479	19.2
Germany	362,159	17.8	357,608	17.7
Benelux	270,487	13.3	281,696	13.9
France	216,669	10.6	212,404	10.5
Eastern Europe	214,090	10.5	220,035	10.9
United Kingdom	186,484	9.1	187,661	9.3
Scandinavia	96,968	4.8	92,161	4.6
Spain & Portugal	44,004	2.2	45,795	2.2
Other	247,678	12.1	238,642	11.7
Total	**2,040,040**	**100.0**	**2,024,481**	**100.0**

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

Assets	2013	%	2012	%
United States	323,858	16.2	339,052	17.3
Germany	407,166	20.5	385,576	19.6
Benelux	500,120	25.2	467,996	23.8
France	240,012	12.0	242,120	12.3
Eastern Europe	148,442	7.4	153,028	7.8
United Kingdom	188,113	9.4	188,953	9.6
Scandinavia	62,701	3.1	64,315	3.3
Spain & Portugal	58,830	2.9	59,169	3.0
Other	46,741	2.3	40,821	2.1
Unallocated	20,395	1.0	23,921	1.2
Total	**1,996,378**	**100.0**	**1,964,951**	**100.0**

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

Capital expenditure	2013	%	2012	%
United States	12,982	12.2	16,903	16.3
Germany	25,165	23.7	27,262	26.3
Benelux	30,384	28.7	22,969	22.2
France	10,814	10.2	14,218	13.7
Eastern Europe	4,769	4.5	6,053	5.9
United Kingdom	7,553	7.1	8,936	8.6
Scandinavia	1,979	1.9	2,741	2.6
Spain & Portugal	1,085	1.0	2,957	2.9
Other	11,328	10.7	1,513	1.5
Total	**106,059**	**100.0**	**103,552**	**100.0**

9.3 Analyses of revenue by category

Revenue	2013	%	2012	%
Sales of goods	1,751,974	85.9	1,743,876	86.1
Services	288,066	14.1	280,605	13.9
Total	**2,040,040**	**100.0**	**2,024,481**	**100.0**

10 Intangible assets

	Goodwill	Software	Other	Other intangible assets
As at 1 January 2012				
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**
Year ended 31 December 2013				
Opening net book amount	**504,203**	**5,042**	**176,832**	**181,874**
Additions	–	2,815	276	3,091
Acquisition of subsidiaries	12,328	4	12,000	12,004
Amortisation	–	(2,176)	(15,319)	(17,495)
Currency translation	(3,302)	(35)	(1,748)	(1,783)
Closing net book amount	**513,229**	**5,650**	**172,041**	**177,691**
As at 31 December 2013				
Cost	513,229	33,818	264,237	298,055
Accumulated amortisation	–	(28,168)	(92,196)	(120,364)
Net book amount	**513,229**	**5,650**	**172,041**	**177,691**

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 segment level summary of the goodwill allocation per geographic area is shown below:

Goodwill allocation 2013	Industrial Services	Flow Control	Total Group
United States	16,077	47,639	**63,716**
Germany	99,827	33,390	**133,217**
Benelux	26,882	123,448	**150,330**
France	25,266	22,333	**47,599**
Eastern Europe	2,444	22,558	**25,002**
United Kingdom	3,157	60,862	**64,019**
Scandinavia	5,558	1,068	**6,626**
Spain & Portugal	6,350	16,370	**22,720**
Total	**185,561**	**327,668**	**513,229**

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**
France	25,266	22,333	**47,599**
Eastern Europe	–	22,717	**22,717**
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**

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

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

	2013	2012
Industrial Services	185,561	179,541
Flow Control	327,668	324,662
Total	**513,229**	**504,203**

The recoverable amount of a cash generating unit is determined based on their calculated value in use. These calculations are pre-tax cash flow projections based on 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 assumptions for Industrial Services are as follows:

	2013	2012
Average growth rate (first 5 years)	6.2%	5.3%
Long-term average growth rate (after 5 years)	1.0%	1.0%
Discount rate (pre-tax)	11.8%	10.0%
Discount rate (post-tax)	8.3%	8.0%

The assumptions for all cash generating units within Flow Control are as follows:

	2013	2012
Average growth rate (first 5 years)	5.8%	4.2%
Long-term average growth rate (after 5 years)	1.0%	1.0%
Discount rate (pre-tax)	11.1% – 14.2%	10.0%
Discount rate (post-tax)	8.3% – 8.9%	8.0%

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 2012					
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**
Year ended 31 December 2013					
Opening net book amount	**228,776**	**301,452**	**10,347**	**51,818**	**592,393**
Additions	22,306	42,750	3,615	37,388	**106,059**
Assets taken into operation	8,389	33,873	932	(43,194)	–
Disposals	(1,467)	(1,020)	(30)	–	**(2,517)**
Acquisition of subsidiaries	3,856	3,715	337	6	**7,914**
Depreciation	(14,089)	(61,632)	(4,169)	–	**(79,890)**
Currency translation	(3,086)	(3,835)	(125)	(755)	**(7,801)**
Closing net book amount	**244,685**	**315,303**	**10,907**	**45,263**	**616,158**
As at 31 December 2013					
Cost	445,583	1,228,515	76,541	45,263	**1,795,902**
Accumulated depreciation	(200,898)	(913,212)	(65,634)	–	**(1,179,744)**
Net book amount	**244,685**	**315,303**	**10,907**	**45,263**	**616,158**

At year-end, group companies had investment commitments outstanding in respect of property, plant and equipment to the amount of EUR 49,648 (2012: EUR 65,432) of which EUR 45,263 (2012: EUR 51,818) 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

	31–12–2013	31–12–2012
Raw materials	94,558	95,013
Work in progress	111,090	99,593
Finished goods	207,510	223,015
Other inventories	11,852	10,549
Total	**425,010**	**428,170**

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 26,768 (2012: EUR 30,277).

13 Trade receivables

	31–12–2013	31–12–2012
Trade receivables	216,872	210,075
Provision for impairment of receivables	(4,860)	(5,338)
Trade receivables (net)	**212,012**	**204,737**

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 1,176 (2012: EUR 672). The carrying amount approximates the fair value.

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

	2013	2012
As at 1 January	**5,338**	**5,694**
Acquisition of subsidiaries	6	–
Additions	1,282	1,577
Used during year	(1,560)	(1,034)
Unused amounts reversed	(107)	(905)
Currency translation	(99)	6
As at 31 December	**4,860**	**5,338**

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

	31–12–2013	31–12–2012
Not past due	164,464	162,743
Past due less than 30 days	34,016	31,882
Past due between 30 days and 60 days	7,558	6,534
Past due between 60 days and 90 days	2,390	2,772
Past due more than 90 days	8,444	6,144
Trade receivables	**216,872**	**210,075**

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

	31–12–2013	31–12–2012
Euro	124,894	118,002
US dollar	42,615	43,228
British pound	24,881	24,453
Other currencies	24,482	24,392
Trade receivables	**216,872**	**210,075**

14 Other current assets

	31–12–2013	31–12–2012
Prepaid and accrued income	12,093	12,097
Derivative financial instruments	10	155
Other receivables	19,680	17,301
Total	**31,783**	**29,553**

The carrying amount approximates the fair value.

15 Financial instruments

	Assets 2013	Assets 2012	Liabilities 2013	Liabilities 2012
Interest rate swap contracts	–	–	4,647	8,545
Foreign currency exchange contracts	10	155	–	–
Metal hedging contracts	–	–	70	230
Total	**10**	**155**	**4,717**	**8,775**

The principal amounts of the outstanding interest rate swap contracts at 31 December 2013 were EUR 146,816 (2012: EUR 221,959) and for foreign currency exchange contracts EUR 15,768 (2012: EUR 28,438) and for metal hedging contracts EUR 13,392 (2012: EUR 14,781). 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 2013. 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 110.6 million shares (2012: 109.4 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 32.4.

16.2 Share-based payments (Performance Share Plan)

Aalberts Industries reviews on an annual basis whether awards from existing Performance Share Plan will be granted to a limited number of employees. 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. 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 (PSP 2011–2013). At the end of 2013, there are still 73,000 conditional shares in circulation because a number of employees have left or will leave (2012: 78,000). Based on the average growth of the earnings per share before amortisation (EPS) over the three-year period (2011–2013) it is expected that 42% of the conditional shares will vest in April 2014 which is equal to a total of 30.660 shares (market value of EUR 711 at the end of 2013). A gain of EUR 263 was credited the personnel expenses in 2013 (2012: an expense of 286) and charged to total equity (overall no impact on equity).

82,000 (100%) conditional shares were granted and accepted in June/July 2013 (PSP 2013–2015). At the end of 2013, there are still 76,000 conditional shares in circulation because a number of employees have left or will leave. 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 0.37%-0.51%) 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 16.89 per share. At the end of 2013, the total fair value of the 76,000 conditional shares was EUR 1,284 of which EUR 386 was charged to the personnel expenses in 2013 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 79.

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	2013	2012
Leverage ratio	1.6	1.8
Interest cover ratio	19.0	14.4

	Bank borrowings	Finance leases	Total
As at 1 January 2013	**368,722**	**22,604**	**391,326**
New borrowings	18,833	573	19,406
Acquisitions of subsidiaries	1,708	–	1,708
Repayments	(134,352)	(2,587)	(136,939)
Translation differences	(2,903)	(38)	(2,941)
As at 31 December 2013	**252,008**	**20,552**	**272,560**
Current portion of non-current borrowings	(110,723)	(2,411)	(113,134)
Non-current borrowings as at 31 December 2013	**141,285**	**18,141**	**159,426**

The current portion of non-current borrowings amounts to EUR 113,134 (2012: EUR 126,434) 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 1.0% and 4.5%.

17.1 Bank borrowings

The maturity of bank borrowings is as follows:

Maturity bank borrowings	2013	2012
Within 1 year	110,723	123,804
Between 1–5 years	139,963	234,872
Over 5 years	1,322	10,046
Total	**252,008**	**368,722**

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

Bank borrowings	2013	2012
Euro	178,607	276,094
US dollar	69,069	87,545
Other currencies	4,332	5,083
Total	**252,008**	**368,722**

17.2 Finance leases

Maturity finance leases	2013	2012
Minimum lease payments:		
Within 1 year	3,693	3,969
Between 1–5 years	17,200	18,732
Over 5 years	13,619	14,247
	34,512	**36,948**
Future finance charges:		
Within 1 year	1,282	1,339
Between 1–5 years	4,789	5,116
Over 5 years	7,889	7,889
	13,960	**14,344**
Present value of finance lease:		
Within 1 year	2,411	2,630
Between 1–5 years	12,411	13,616
Over 5 years	5,730	6,358
Present value of finance lease in the balance sheet	**20,552**	**22,604**

17.3 Current borrowings

Current borrowings are short-term credit facilities consisting of committed and uncommitted lines, given by a number of credit institutions. The total of these facilities at year-end 2013 amounted to EUR 642 million (2012: EUR 486 million), of which EUR 208 million was used (2012: EUR 150 million). The carrying amount approximates the fair value.

18 Deferred income taxes

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 20 million (2012: EUR 19 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
Assets	6,765	143	908	14,918	6,108	(4,696)	24,146
Liabilities	–	42,743	25,464	903	7,032	(4,696)	71,446
As at 1 January 2012 (restated)	**(6,765)**	**42,600**	**24,556**	**(14,015)**	**924**	**–**	**47,300**
Income statement	2,434	(2,352)	1,396	58	1,213	–	2,749
Direct to equity	–	–	–	(2,603)	(448)	–	(3,051)
Currency translation	(41)	(223)	(144)	(51)	38	–	(421)
Movements 2012	**2,393**	**(2,575)**	**1,252**	**(2,596)**	**803**	**–**	**(723)**
Assets	4,372	77	713	17,673	5,898	(4,812)	23,921
Liabilities	–	40,102	26,521	1,062	7,625	(4,812)	70,498
As at 31 December 2012 (restated)	**(4,372)**	**40,025**	**25,808**	**(16,611)**	**1,727**	**–**	**46,577**
Acquisitions	–	3,210	159	19	–	–	3,388
Income statement	723	(2,682)	232	770	(807)	–	(1,764)
Direct to equity	–	–	–	517	917	–	1,434
Currency translation	29	(418)	(291)	171	12	–	(497)
Movements 2013	**752**	**110**	**100**	**1,477**	**122**	**–**	**2,561**
Assets	3,620	104	680	15,921	4,834	(4,764)	20,395
Liabilities	–	40,239	26,588	787	6,683	(4,764)	69,533
As at 31 December 2013	**(3,620)**	**40,135**	**25,908**	**(15,134)**	**1,849**	**–**	**49,138**

19 Provisions

19.1 Retirement benefit obligations

	Present value (partly) funded obligations	Fair value plan assets	Net liability	Present value unfunded obligations	Total
As at 1 January 2012 (restated)	**118,208**	**(77,934)**	**40,274**	**15,577**	**55,851**
Current service cost	509	–	**509**	504	**1,013**
Curtailments and settlements	188	–	**188**	(27)	**161**
Interest expense/(income)	4,863	(3,584)	**1,279**	714	**1,993**
Total recognised in income statement	5,560	(3,584)	**1,976**	1,191	**3,167**
Actuarial gains and losses (demographic assumptions)	707	–	**707**	–	**707**
Actuarial gains and losses (financial assumptions)	7,616	–	**7,616**	2,747	**10,363**
Actuarial gains and losses (experience adjustments)	2,463	–	**2,463**	(22)	**2,441**
Remeasurements on plan assets	–	(3,202)	**(3,202)**	–	**(3,202)**
Total recognised in other comprehensive income	10,786	(3,202)	**7,584**	2,725	**10,309**
Contributions by employer	–	(1,713)	**(1,713)**	–	**(1,713)**
Contributions by participants	41	(41)	–	–	–
Benefits paid	(4,276)	4,276	–	(1,550)	**(1,550)**
Reclassification	(587)	147	**(440)**	212	**(228)**
Currency translation	2,067	(1,879)	**188**	51	**239**
As at 31 December 2012 (restated)	**131,799**	**(83,930)**	**47,869**	**18,206**	**66,075**
Current service cost	675	–	**675**	549	**1,224**
Past service cost	(108)	–	**(108)**	–	**(108)**
Curtailments and settlements	(136)	–	**(136)**	(112)	**(248)**
Interest expense/(income)	5,332	(3,457)	**1,875**	586	**2,461**
Total recognised in income statement	5,763	(3,457)	**2,306**	1,023	**3,329**
Actuarial gains and losses (demographic assumptions)	(99)		**(99)**	(91)	**(190)**
Actuarial gains and losses (financial assumptions)	8,226		**8,226**	167	**8,393**
Actuarial gains and losses (experience adjustments)	(277)		**(277)**	(52)	**(329)**
Remeasurements of plan assets	–	(6,550)	**(6,550)**	–	**(6,550)**
Total recognised in other comprehensive income	7,850	(6,550)	**1,300**	24	**1,324**
Contributions by employer	–	(3,851)	**(3,851)**	–	**(3,851)**
Contributions by participants	55	(55)	–	–	–
Benefits paid	(4,086)	4,086	–	(1,923)	**(1,923)**
Reclassification	–	–	–	(242)	**(242)**
Currency translation	(2,806)	1,887	**(919)**	(15)	**(934)**
As at 31 December 2013	**138,575**	**(91,870)**	**46,705**	**17,073**	**63,778**

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

	United Kingdom	Germany	France	Other	Total
Present value of (partly) funded obligations	130,052	3,932	1,793	2,798	**138,575**
Fair value of plan assets	(87,282)	(2,258)	(181)	(2,149)	**(91,870)**
	42,770	**1,674**	**1,612**	**649**	**46,705**
Present value of unfunded obligations	–	9,830	6,038	1,205	**17,073**
Liability in the balance sheet as at 31 December 2013	**42,770**	**11,504**	**7,650**	**1,854**	**63,778**

Amounts recognised in income statement	United Kingdom	Germany	France	Other	Total
Current service cost	215	106	446	457	**1,224**
Past service costs	(108)	–	–	–	**(108)**
Curtailments and settlements	–	–	(112)	(136)	**(248)**
Total recognised in personnel expenses	107	106	334	321	**868**
Interest expenses/(gains)	1,751	378	290	42	**2,461**
Total recognised in income statement	**1,858**	**484**	**624**	**363**	**3,329**

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

Actuarial assumptions 2013	United Kingdom	Germany	France
Discount rate	4.50%	3.25%	3.50%
Rate of inflation	3.40%	1.75%	2.00%
Future salary increases	2.40%	1.75%	2.00%

Actuarial assumptions 2012	United Kingdom	Germany	France
Discount rate	4.40%	3.25%	3.75%
Rate of inflation	2.80%	1.75%	2.00%
Future salary increases	2.00%	1.75%	2.00%

Assumptions regarding future mortality are based on published statistics and mortality tables in the respective countries.

The sensitivity of the defined benefit obligation to changes in the actuarial assumptions is:

		Impact on defined benefit obligation	
Actuarial assumption	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 8.4%	Increase by 8.5%
Rate of inflation	0.50%	Increase by 7.6%	Decrease by 7.5%
Future salary increases	0.50%	Increase by 4.6%	Decrease by 4.5%
Life expectancy	1 year	Increase by 2.4%	Decrease by 2.4%

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

The plan assets consist of following categories:

Plan asset categories	2013	2012
Equities	66%	56%
Bonds	28%	25%
Other net assets	6%	19%
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 3.3 million in contributions to be paid to its defined benefit plans in 2014.

19.2 Other provisions and long-term liabilities

	2013	2012
As at 1 January	**8,450**	**27,321**
Acquisitions	3,050	–
Additions	2,236	2,474
Used during year	(784)	(19,803)
Unused amounts reversed	(3,540)	(1,626)
Currency translation	(70)	84
As at 31 December	**9,342**	**8,450**

The other provisions and long-term liabilities include EUR 4.0 million related to the unpaid part of the purchase consideration for acquisitions. 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

	31–12–2013	31–12–2012
Social security charges and taxes	20,795	20,368
Value added tax	6,120	6,574
Accrued expenses	24,715	25,260
Amounts due to personnel	40,953	42,640
Derivative financial instruments	4,717	8,775
Other	8,397	6,571
Total	**105,697**	**110,188**

The carrying amount approximates the fair value.

21 Personnel expenses

	2013	2012
Wages and salaries	(445,029)	(439,255)
Social security charges	(87,464)	(86,028)
Pension expenses:		
Defined benefit plans	(867)	(3,167)
Defined contribution plans	(14,885)	(13,373)
Other expenses related to employees	(16,356)	(15,401)
Total	**(564,601)**	**(557,224)**

In the year under review, the average number of full-time employees amounted to 12,489 (2012: 12,399).
The remuneration of the Management and Supervisory Board is disclosed as part of the company financial statements.

22 Other operating expenses

	2013	2012
Production expenses	(201,088)	(192,936)
Selling expenses	(64,861)	(62,664)
Housing expenses	(32,660)	(33,728)
General expenses	(68,332)	(67,500)
Warranty costs	(2,374)	(1,850)
Other operating income	15,039	14,899
Total	**(354,276)**	**(343,779)**

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 1,888 (2012: EUR 2,703) and insurance amounts received for an amount of EUR 2,101 (2012: EUR 3,352). 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

	2013	2012
Interest income	**7,765**	**8,505**
Interest expenses:		
Bank borrowings	(22,972)	(28,079)
Finance leases	(772)	(880)
Total interest expense	**(23,744)**	**(28,959)**
Net interest expense	**(15,979)**	**(20,454)**
Foreign currency exchange results	**(3,250)**	**(1,534)**
Fair value results on financial instruments:		
Interest rate swaps	83	639
Foreign currency exchange contracts	–	50
Metal price hedge contracts	158	1,083
Total fair value results on derivative financial instruments	**241**	**1,772**
Net interest expense on employee benefit plans	**(2,461)**	**–**
Net finance cost	**(21,449)**	**(20,216)**

24 Income tax expenses

	2013	2012
Current tax:		
Current year	51,534	46,353
Prior years	34	(3,201)
	51,568	**43,152**
Deferred tax	(1,764)	2,749
Tax charge	**49,804**	**45,901**

	2013	2012
Profit before tax	**185,644**	**181,877**
Tax calculated at domestic rates applicable to profits	54,023	52,017
Expenses not deductible for tax purposes	3,003	2,322
Tax-exempt results and tax relief facilities	(7,526)	(4,332)
Use of unrecognised tax losses	–	(1,137)
Other effects	304	(2,969)
Tax charge	**49,804**	**45,901**
Effective tax rate	26.8%	25.2%

The weighted average applicable domestic tax rate increased due to changes in the country mix. For 2013 the weighted average applicable domestic tax rate amounted to 29.1% (2012: 28.6%).

25 Earnings and dividend per share

	2013	2012
Net profit	134,159	135,068
Weighted average number of shares in issue (x1)	110,136,200	108,909,918
Basic earnings per share (x EUR 1)	**1.22**	**1.24**
Net profit	134,159	135,068
Weighted average number of shares in issue including effect of share options (x1)	110,242,860	108,987,918
Diluted earnings per share (x EUR 1)	**1.22**	**1.24**
Net profit before amortisation	151,654	152,079
Weighted average number of shares in issue (x1)	110,136,200	108,909,918
Basic earnings per share before amortisation (x EUR 1)	**1.38**	**1.40**
Net profit before amortisation	151,654	152,079
Weighted average number of shares in issue including effect of share options (x1)	110,242,860	108,987,918
Diluted earnings per share before amortisation (x EUR 1)	**1.38**	**1.40**

The dividends paid in 2013 were EUR 0.35 per share (2012: EUR 0.34 per share). A dividend in respect of the year ended 31 December 2013 of EUR 0.41 per share will be proposed at the General Meeting to be held on 22 April 2014. 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 10,765 (2012: EUR 12,203) to third parties.

Outstanding commitments related to the purchase of copper, brass and aluminium for the European Flow Control activities amounted to EUR 41.0 million at year-end (2012: EUR 37.0 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. The European Court of Justice in Luxembourg ruled on these cases on 4 July 2013. As expected by the Management Board, the appeal lodged by the European Commission against the judgment of the EU Court was completely rejected by this ruling. Aalberts Industries and two of its subsidiaries are therefore once again vindicated by this, which means the fine has finally been removed. The European Commission has been ordered by the European Court of Justice to reimburse the costs of the proceedings, and Aalberts Industries has meanwhile filed a claim for the recovery of these costs.

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 possible 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	2013	2012
Due in less than 1 year	14,705	14,100
Due between 1 and 5 years	29,671	30,859
Due from 5 years or more	16,527	19,217
Total commitments	**60,903**	**64,176**

28 Business combinations

The Group acquired the following entities during 2013:

Group company	Head Office in	Consolidated as from	Group activity
BSM Valves B.V.	The Netherlands	1 January 2013	Flow Control
GF-Flamm-Metallspritz-GmbH	Germany	1 January 2013	Industrial Services
GtO Slovakia s.r.o.	Slovakia	1 July 2013	Industrial Services

28.1 BSM Valves B.V.

On 10 January 2013 Aalberts Industries N.V. acquired 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 are consolidated as from 1 January 2013 and contributed directly to the earnings per share. The acquisition is financed from existing credit facilities.

28.2 GF-Flamm-Metallspritz-GmbH

On 14 January 2013 the Group acquired 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 is consolidated as of 1 January 2013, contributed directly to the earnings per share and is financed from existing credit facilities.

28.3 GtO Slovakia s.r.o.

On 18 July 2013 Aalberts Industries N.V. acquired 100% of the shares of GtO Slovakia s.r.o. (GtO). GtO is active in the field of surface treatment, with one production facility near Roznava, Slovakia. GtO is already closely working together with Galvanotechnik Baum GmbH in Zwönitz, Germany (Baum) acquired in 2011. Both companies are specialised in zinc and zinc-nickel coatings in the German and Eastern European markets for corrosion protective systems which are widely used for example in the automotive industry. The acquisition of GtO, operating with approximately 30 employees and a current production capacity of more than EUR 5 million, gives Baum – in combination with GtO – the possibility to expand in the attractive German and Eastern European growth markets to a combined revenue of more than EUR 40 million in the coming years. GtO's existing management will continue to lead the company.

The acquisition is consolidated as of 1 July 2013 and is financed from existing credit facilities.

28.4 Fair value and contribution of business combinations

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

Fair values of assets and liabilities arising from business combinations	
Intangible assets	12,004
Property, plant and equipment	7,914
Inventories	1,619
Receivables and other current assets	3,046
Cash and current borrowings	3,435
Payables and other current liabilities	(3,635)
Net deferred tax assets (liability)	(3,388)
Other provisions	(50)
Non-current borrowings	(1,708)
Net assets acquired	**19,237**
Purchase consideration settled in cash	28,565
Contingent purchase consideration	3,000
Total purchase consideration	**31,565**
Goodwill	**12,328**
Purchase consideration settled in cash	(28,565)
Cash and current borrowings	3,435
Cash out flow on business combinations	**(25,130)**

The contingent purchase consideration of EUR 3.0 million relates to agreed upon additional considerations depending on the 2013 and 2014 results (payable in 2015). The contingent purchase consideration relating to these transactions represents its fair value at the acquisition date. The non-current part of the consideration is recognised under other provisions and long-term liabilities.

The goodwill connected with the acquired business mainly consists of anticipated synergies and knowhow and is not tax deductable.

The increase of the 2013 revenue due to the consolidation of acquisitions amounted to EUR 23.7 million. Total 2013 revenue reached an amount of EUR 24.3 million (pro forma). The contribution to the 2013 operating profit of Aalberts Industries amounted to EUR 4.3 million where a total operating profit for the year was reached of EUR 4.1 million (pro forma). The nominal value of the acquired receivables amounts to EUR 3,052 (fair value EUR 3,046).

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 million in total and are accounted for as cash flows from investing activities.

28.5 Acquisition related costs

The Group incurred limited acquisition related costs such as external legal fees and due diligence costs. These costs have been included in other operating expenses (general expenses).

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 32.9, under normal business conditions.

30 Company balance sheet

before profit appropriation

	notes	31–12–2013	31–12–2012	01–01–2012
			Restated	Restated
Assets				
Intangible assets				
Other intangible assets	32.2	–	–	–
Tangible fixed assets				
Other tangible fixed assets	32.2	6	11	16
Financial fixed assets				
Investments in subsidiaries	32.3	1,145,434	1,033,777	915,728
Loans to group companies		229,270	231,070	236,070
Fixed assets		**1,374,710**	**1,264,858**	**1,151,814**
Debtors				
Other debtors, prepayments and accrued income		8,593	9,346	10,047
Current assets		**8,593**	**9,346**	**10,047**
Total assets		**1,383,303**	**1,274,204**	**1,161,861**
Equity and liabilities				
Issued capital		27,645	27,357	27,021
Share premium account		200,837	201,125	201,461
Other reserves		712,917	596,013	491,869
Currency translation and hedging reserve		(33,238)	(20,622)	(25,049)
Retained earnings		134,159	135,068	131,340
Shareholders' equity	32.4	**1,042,320**	**938,941**	**826,642**
Provisions				
Deferred taxation		5,590	5,250	5,250
Non-current liabilities				
Non-current borrowings	32.6	20,000	60,000	100,000
Current borrowings		53,055	227,623	186,813
Current portion of non-current borrowings		40,000	40,000	40,000
Trade creditors		216	65	63
Taxation and social security charges		225	329	386
Other payables, accruals and deferred income	32.7	221,897	1,996	2,707
Current liabilities		**315,393**	**270,013**	**229,969**
Total equity and liabilities		**1,383,303**	**1,274,204**	**1,161,861**

31 Company income statement

	2013	2012
Profit from subsidiaries after tax	132,184	134,779
Other income and expenses after tax	1,975	289
Net profit	**134,159**	**135,068**

32 Notes to the company financial statements

32.1 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.

As a consequence of the retrospective application of IAS 19R, the cumulative effect of the change was accounted for in the opening balance as at 1 January 2012. The impact on the company balance sheet as at 1 January 2012 and 31 December 2012 is as follows:

	Investments in subsidiaries	Shareholders' equity
Reported as at 1 January 2012	938,111	849,025
Restatement following adoption of IAS 19R	(22,383)	(22,383)
Restated as at 1 January 2012	**915,728**	**826,642**
Reported as at 31 December 2012	1,063,771	968,935
Restatement following adoption of IAS 19R:		
Restated as at 1 January 2012	(22,383)	(22,383)
Restatement comprehensive income for the period	(7,611)	(7,611)
Restated as at 31 December 2012	**1,033,777**	**938,941**

See note 7.1 for further details.

The average number of employees amounted to 13 full time equivalents (2012: 13), at year-end 14 (2012: 13).

32.2 Fixed assets

	Other tangible fixed assets	Software
As at 1 January 2013		
Cost	554	410
Accumulated depreciation	(543)	(410)
Net book amount	**11**	**–**
Movements 2013		
Depreciation	(5)	–
	6	**–**
As at 31 December 2013		
Cost	554	410
Accumulated depreciation	(548)	(410)
Net book amount	**6**	**–**

32.3 Financial fixed assets

	Investments in subsidiaries
As at 1 January 2013	**1,063,771**
Effect of change in accounting policy	(29,994)
As at 1 January 2013	**1,033,777**
Share in 2013 profit	132,184
Increase in capital	123
Dividends paid	(7,041)
Currency translation and remeasurements after tax	(13,609)
As at 31 December 2013	**1,145,434**

32.4 Shareholders' equity

	Issued capital	Share premium	Other reserves	Currency translation and hedging reserve	Retained earnings	Total Share-holders' equity
As at 1 January 2012	**27,021**	**201,461**	**514,252**	**(25,049)**	**131,340**	**849,025**
Effect of change in accounting policy	–	–	(22,383)	–	–	**(22,383)**
As at 1 January 2012 (restated)	**27,021**	**201,461**	**491,869**	**(25,049)**	**131,340**	**826,642**
Dividend 2011	336	(336)	–	–	(19,871)	**(19,871)**
Addition to other reserves	–	–	111,469	–	(111,469)	–
Share based payments	–	–	286	–	–	**286**
Profit financial year	–	–	–	–	135,068	**135,068**
Remeasurements of employee benefit obligations	–	–	(10,309)	–	–	**(10,309)**
Currency translation differences	–	–	–	5,866	–	**5,866**
Fair value changes derivative financial instruments	–	–	–	(1,792)	–	**(1,792)**
Income tax effect on direct equity movements	–	–	2,698	353	–	**3,051**
As at 31 December 2012 (restated)	**27,357**	**201,125**	**596,013**	**(20,622)**	**135,068**	**938,941**
Dividend 2012	288	(288)	–	–	(17,294)	**(17,294)**
Addition to other reserves	–	–	117,774	–	(117,774)	–
Share based payments	–	–	123	–	–	**123**
Profit financial year	–	–	–	–	134,159	**134,159**
Remeasurements of employee benefit obligations	–	–	(1,324)	–	–	**(1,324)**
Currency translation differences	–	–	–	(14,521)	–	**(14,521)**
Fair value changes derivative financial instruments	–	–	–	3,670	–	**3,670**
Income tax effect on direct equity movements	–	–	331	(1,765)	–	**(1,434)**
As at 31 December 2013	**27,645**	**200,837**	**712,917**	**(33,238)**	**134,159**	**1,042,320**

The authorised share capital amounts to EUR 50 million divided into:
- 200,000,000 ordinary shares of EUR 0.25 par value each
- 100 priority shares of EUR 1.00 par value each

As at 31 December 2013, 110,580,102 (2012: 109,425,957) shares and 100 priority shares were issued. The issued share capital increased in the course of the year under review by 1,154,145 shares as a result of payment of stock dividend for the year 2012.
The currency translation and hedging reserve are not to be used for profit distribution.

32.5 Profit appropriation

In accordance with the resolution of the General Meeting held on 25 April 2013, the profit for 2012 has been appropriated in conformity with the proposed appropriation of profit stated in the 2012 Financial Statements.
The net profit for 2013 attributable to the shareholders amounting to EUR 134,159 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 0.41 solely in cash per share of EUR 0.25 par value. Any residual profit shall be added to reserves.

32.6 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.

32.7 Other payables, accruals and deferred income

Other payables, accruals and deferred income are mainly related to current liabilities to group companies.

32.8 Audit fees

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

2013	PricewaterhouseCoopers Accountants N.V.	Other PricewaterhouseCoopers Accountants N.V. network	Total PricewaterhouseCoopers Accountants N.V. network
Audit of annual accounts	322	1,478	1,800
Other audit services	–	10	10
Tax advisory services	–	41	41
Other non-audit services	–	5	5
Total	**322**	**1,534**	**1,856**

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**

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.

32.9 Remuneration of the Management and Supervisory Board

The total remuneration of the members of the Management Board for 2013 amounted to 2,118 (2012: EUR 2,172) and is determined in accordance with the remuneration policy as disclosed in the Report of the Supervisory Board.

Mr. W.A. Pelsma (CEO) received a salary of EUR 529 (2012: EUR 529), a bonus amounting to EUR 110 (2012: EUR 95) and a pension contribution of EUR 71 (2012: EUR 71). At year-end he held a total of 65,975 shares in Aalberts Industries N.V. (2012: 64,730). The number of conditional performance share awards that were granted in 2013 (PSP 2013–2015) amounted to 20,000 of which EUR 96 was charged to the income statement in 2013. It is expected that 42% of the 20,000 conditional shares that were granted in 2011 (PSP 2011–2013) will vest in April 2014 which is equal to a total of 8,400 shares. This resulted in a gain of EUR 59 in 2013 (2012: an expense of EUR 96).

Mr. J. Aalberts (President) received a salary of EUR 529 (2012: EUR 529) and a bonus amounting to EUR 110 (2012: EUR 95). At year-end he held a total of 14,405,333 shares (2012: 14,363,198) in Aalberts Industries N.V.

Mr. J. Eijgendaal (CFO) received a salary of EUR 480 (2012: EUR 480), a bonus amounting to EUR 100 (2012: EUR 87) and a pension contribution of EUR 97 (2012: EUR 92). At year-end he held a total of 114,276 shares in Aalberts Industries N.V. (2012: 112,120). The number of conditional performance share awards that were granted in 2013 (PSP 2013–2015) amounted to 20,000 of which EUR 115 was charged to the income statement in 2013. It is expected that 42% of the 20,000 conditional shares that were granted in 2011 (PSP 2011–2013) will vest in April 2014 which is equal to a total of 8,400 shares. This resulted in a gain of EUR 60 in 2013 (2012: an expense of EUR 98).

Additional information regarding conditional performances share awards originating from the Performance Share Plan is disclosed in note 16.2. The share price as per 31 December 2013 amounted to EUR 23.18 per share.

In 2013 the Dutch government again 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 250 (2012: EUR 350) for the Company of which EUR 216 (2012: EUR 342) is related to the Management Board members.

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

	2013	2012
R.J.A. van der Bruggen	40	40
M.C.J. van Pernis	40	40
H. Scheffers	50	50
W. van de Vijver	40	40
Total	**170**	**170**

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.

32.10 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 2014

The Management Board
W.A. (Wim) Pelsma, *Chief Executive Officer*
J. (Jan) Aalberts, *President*
J. (John) Eijgendaal, *Chief Financial Officer*

The Supervisory Board
H. (Henk) Scheffers, *Chairman*
R.J.A. (René) van der Bruggen
M.C.J. (Martin) van Pernis
W. (Walter) van de Vijver

Other information

33 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;
- 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.

34 Profit appropriation and dividend

The profit appropriation and dividend is disclosed in note 32.5.

35 Subsequent events

There were no subsequent events that required additional disclosure.

36 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 2013 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 2013, the consolidated income statement, the consolidated statement 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 2013, 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

Management 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 Annual Report 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 2013, 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 2013, 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 Annual Report, 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 Annual Report, 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 2014
PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. P.J. van Mierlo RA

Overview of group companies

The following most important group companies are included in the consolidated financial statements of Aalberts Indusries N.V.
It concerns wholly owned susidiaries, unless indicated otherwise.

Building Installations Europe

Henco Industries N.V.
Herentals (BEL)
henco.be

Holmgrens Metall AB
Gnosjö (SWE)
holmgrensmetall.se

HSF Samenwerkende Fabrieken B.V.
Duiven (NLD)
hsfbv.nl

Hydro-Plast Sp. z.o.o. (51%)
Warsaw (POL)
hydroplast.com.pl

Isiflo S.A.S.
Molsheim (FRA)
isiflo.fr

Isiflo Ibérica, S.L.U.
Madrid (ESP)
isiflo.es

KAN Sp. z.o.o. (51%)
Kleosin (POL)
kan.com.pl

KAN-therm GmbH (51%)
Troisdorf (DEU)
kantherm.de

TOB KAN (45%)
Kiev (UKR)
kan.com.pl

OOO KAN-R (51%)
Moscow (RUS)
kan.com.pl

OOO KAN-term Bel (51%)
Minsk (BLR)
kan.com.pl

Melcher & Frenzen Armaturen GmbH
Velbert (DEU)
melcher-frenzen.de

Pegler Yorkshire Group Limited
Leeds/Doncaster (GBR)
pegleryorkshire.co.uk

Pegler (Jiangmen) Plumbing and Heating Equipment Co. Ltd.
Jiangmen City,
Guangdong (CHN)
pegleryorkshire.co.uk

Raufoss Water & Gas AS
Raufoss (NOR)
isiflo.com

Raufoss Metall GmbH
Hemer (DEU)
isiflo.com

Seppelfricke Armaturen GmbH
Gelsenkirchen (DEU)
seppelfricke.com

Simplex Armaturen & Systeme GmbH
Argenbühl/Allgäu (DEU)
simplex-armaturen.de

Standard Hidráulica S.A.
Barcelona (ESP)
standardhidraulica.com

VSH Fittings B.V.
Hilversum (NLD)
vsh-fittings.com

VSH Flow Control N.V.
Dworp (BEL)
vsh-flowcontrol.eu

Westco Flow Control Limited
Leigh Lancashire (GBR)
westco.co.uk

Yorkshire Fittings Gyártó Kft.
Budapest (HUN)
yorkshirefittings.hu

Building Installations North America

Conbraco Industries, Inc.
Matthews, NC (USA)
apollovalves.com

Elkhart Products Corporation
Elkhart IN (USA)
elkhartproducts.com

Elkhart Products Limited
Burlington ON (CAN)
elkhartproducts.com

LASCO Fittings, Inc.
Brownsville TN (USA)
lascofittings.com

Climate Control

Aqua-Touch (Pty) Ltd.
Randburg (ZAF)
comap-aquatouch.co.za

Comap S.A.
Lyon (FRA)
comap.fr

Comap N.V.
Dworp (BEL)
comap.be

Comap Hellas S.A.
Athens (GRC)
comap.gr

Comap Hungaria Kft.
Budaörs (HUN)
comap.hu

Comap Industria SPA
Roncadelle (ITA)
comapitalia.com

Comap Industries S.A.S.
Abbeville (FRA)
comap.fr

Comap Italia S.r.l.
Torbole Casaglia (ITA)
comapitalia.com

Comap Nordic AB
Malmö (SWE)
comap.se

Comap Polska Sp. z.o.o.
Warsaw (POL)
comap.pl

Comap Praha s.r.o.
Jesenice u Prahy (CZE)
comappraha.cz

Comap RUS OOO
Moscow (RUS)
comap.ru

Meibes System-Technik GmbH
Gerichshain (DEU)
meibes.de

Meibes s.r.o.
Prague (CZE)
meibes.cz

Meibes Metall-Technik Sp. z.o.o. (60%)
Gorzów (POL)
meibes.pl

PUZ Meibes Sp. z.o.o. (80%)
Leszno (POL)
meibes.pl

Meibes RUS OOO (85%)
Moscow (RUS)
meibes.ru

Meibes SK s.r.o.
Rimavská Sobota (SVK)
meibes.sk

Rossweiner Armaturen und Messgeräte GmbH & Co. OHG
Roßwein (DEU)
rossweiner.de

Flow Control Industrial

BROEN A/S
Assens (DNK)
broen.com

BROEN Armaturen GmbH
Gernsheim (DEU)
broen.de

BROEN Finland OY
Espoo (FIN)
broen.com

BROEN Valves Ltd.
Tipton, West
Midlands (GBR)
broen.co.uk

BROEN Valves (Beijing) Co., Ltd.
Beijing (CHN)
broen.com

BROEN S.A.
Dzierzoniów (POL)
broen.pl

BROEN Singapore Pte Ltd
Singapore (SGP)
broen.com

BROEN, Inc.
Birmingham AL (USA)
broen.us

BROEN Ltd.
Moscow (RUS)
broen.ru

BROEN Raufoss AB
Gothenburg (SWE)
broen.se

BROEN Oil & Gas Sp. z.o.o.
Suchy Las (POL)
broen.com

BSM Actuators & Controls B.V.
Breda (NLD)
bsmvalves.com

BSM Valves B.V.
Breda (NLD)
bsmvalves.com

Clesse Industries S.A.S.
Cournon d'Auvergne (FRA)
clesse-industries.fr

Clesse (UK) Limited
Wolverhampton (GBR)
clesse.co.uk

Clorius Controls A/S
Ballerup (DNK)
cloriuscontrols.com

Comap do Brasil Ltda
Sorocaba, est. de Sao Paulo (BRA)
comap.com.br

DSI Getränkearmaturen GmbH
Hamm-Rhynern (DEU)
dispensegroup.com

Nova Comet, S.r.l.
Torbole Casaglia (BS) (ITA)
clesse-industries.com

Taprite-Fassco Manufacturing, Inc.
San Antonio TX (USA)
taprite.com

VTI Ventil Technik GmbH
Menden (DEU)
vti.de

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

AHC Technologia Powierzchni Polska Sp.z.o.o.
Dzierzoniow (POL)
ahc-surface.com

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

DEC S.A.
Cormenon (FRA)
dec-sa.fr

Duralloy AG
Härkingen (CHE)
ahc-surface.com

Duralloy Süd GmbH
Villingen-Schwenningen (DEU)
ahc-surface.com

Fijnmechanische Industrie Venray B.V.
Beugen (NLD)
fivbv.nl

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

GF-Flamm-Metallspritz-GmbH
Moers (DEU)
flamm-metallspritz.de

Germefa B.V.
Alkmaar (NLD)
germefa.nl

GTO Slovakia s.r.o.
Rožňava (SVK)
gtoslovakia.sk

Hanghzou AHC Surface Treatment Technology Co., Ltd
Hanghzou (CHN)
ahc-china.com

Hartman Fijnmechanische Industrie B.V.
Groenlo (NLD)
hfibv.nl

Härterei Hauck GmbH
Remscheid (DEU)
haerterei-hauck.de

Härterei Hauck Süd GmbH
Gaildorf (DEU)
haerterei-hauck.de

Heat & Surface Treatment B.V.
Eindhoven (NLD)
h-st.nl

Integrated Dynamics Engineering GmbH
Raunheim (DEU)
ideworld.com

Integrated Dynamics Engineering, Inc.
Randolph MA (USA)
ideworld.com

Ionic Technologies Inc. (94%)
Greenville SC (USA)
ionic-tech.com

Kluin Wijhe B.V.
Wijhe (NLD)
kluinwijhe.com

Lamers High Tech Systems B.V.
Nijmegen (NLD)
lamershts.nl

Machinefabriek Technology Twente B.V.
Hengelo (NLD)
technologytwente.nl

Mamesta B.V.
Lomm (NLD)
mamesta.nl

Metalis Cluses S.A.S.
Marnaz (FRA)
metalis.fr

Metalis HPS S.A.S.
Montbrison (FRA)
metalis.fr

Metalis India Private Ltd
Pune (IND)
metalis.fr

Metalis Polska Sp. z.o.o.
Dzierzoniów (POL)
metalis.fr

Metalis S.A.S.
Chaudefontaine (FRA)
metalis.fr

Metalis Slovakia s.r.o.
Presov (SVK)
metalis.fr

Métatherm S.A.S.
Vermondans (FRA)
metatherm.fr

Métatherm 74 S.A.S.
Thyez (FRA)
metatherm.fr

Mifa Aluminium B.V.
Venlo (NLD)
mifa.nl

Mogema B.V.
't Harde (NLD)
mogema.nl

Mogema Vessem B.V.
Vessem (NLD)
mogema.nl

Nowak S.A.S.
Pancé (FRA)
nowak.fr

Overeem B.V.
Ede (NLD)
overeembv.nl

RIAG Oberflächentechnik AG
Wängi TG (CHE)
ahc-surface.com

SGI Société de Galvanoplastie Industrielle S.A.S.
Plaisir (FRA)
galvanoplastie.fr

Stålservice Värmebehandling Nordic AB
Värnamo (SWE)
stalservice.se

T. Térmicos Metasa, S.A. (92,75%)
Zaragoza (ESP)
trateriber.es

T. Térmicos Sarasketa, S.L.U.
Elgoibar (Guipuzcoa) (ESP)
trateriber.es

T. Térmicos Sohetrasa S.A. (97,73%)
Amorebieta (ESP)
trateriber.es

T. Térmicos Tey, S.L.
Atxondo (Vizcaya) (ESP)
industriastey.net

T. Térmicos Traterh, S.A.U.
Pinto (Madrid) (ESP)
trateriber.es

TTI Group Limited
Luton (GBR)
ttigroup.co.uk

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Colophon

Concept and realisation
De Merkelijkheid

Texts
The Bitter End

Photography
De Wolf Images

Illustrations
Joris Bellenger

Graphic design
Puntspatie [bno]

Print
Lenoirschuring

FSC
www.fsc.org
MIX
Papier van verantwoorde herkomst
FSC® C017135

www.aalberts.com