AALBERTS INDUSTRIES

ANNUAL **REPORT**

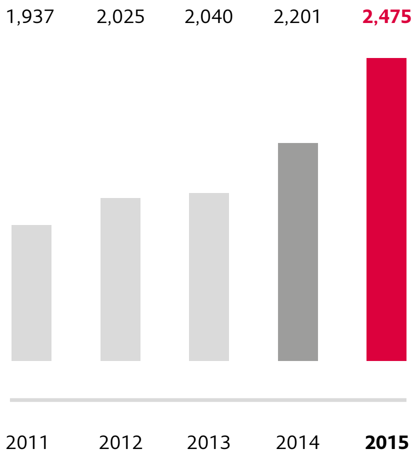
AALBERTS INDUSTRIES

ANNUAL **REPORT** 2015

KEY FIGURES 2015

REVENUE

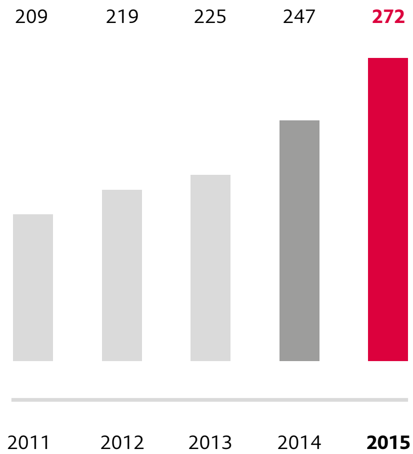
(in EUR million)



2,475
+12%

OPERATING PROFIT (EBITA)

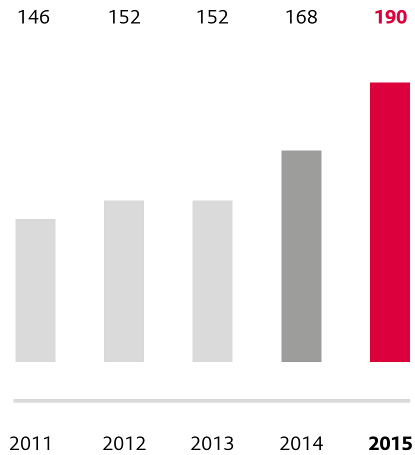
(in EUR million)



272
+10%

NET PROFIT (BEFORE AMORTISATION)

(in EUR million)

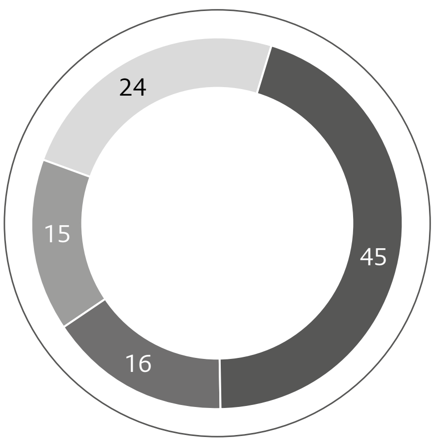


190
+13%

REVENUE SPREAD

PER BUSINESS

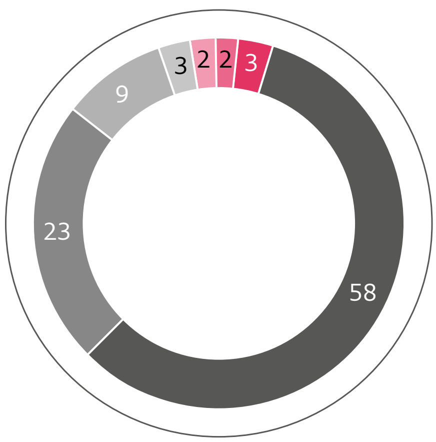
(in %)



- BUILDING INSTALLATIONS 45%
- CLIMATE CONTROL 16%
- INDUSTRIAL CONTROLS 15%
- INDUSTRIAL SERVICES 24%

PER REGION

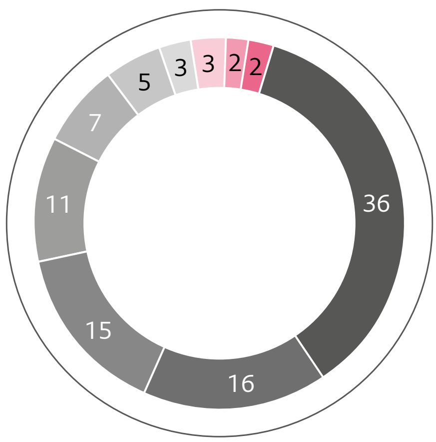
(in %)



- WESTERN & NORTHERN EUROPE 58%
- NORTH AMERICA 23%
- EASTERN EUROPE 9%
- SOUTHERN EUROPE 3%
- MIDDLE EAST & AFRICA 2%
- FAR EAST 2%
- OTHER 3%

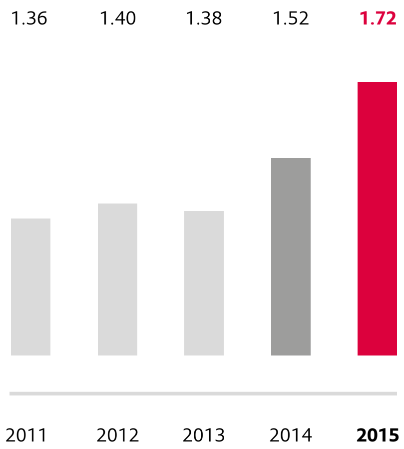
PER END MARKET

(in %)



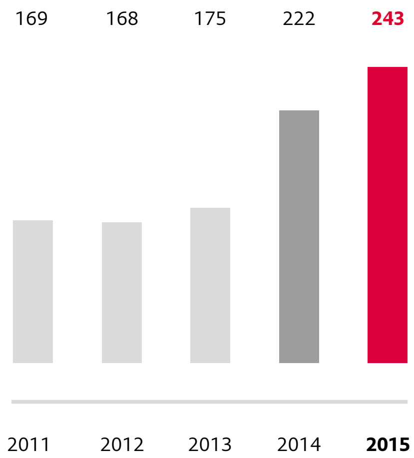
- BUILDING INSTALLATIONS 36%
- GENERAL INDUSTRIES 16%
- BUILDING EFFICIENCY 15%
- AUTOMOTIVE 11%
- MACHINE BUILD 7%
- WATER & GAS SUPPLY, IRRIGATION 5%
- SEMICON & SCIENCE 3%
- DISTRICT ENERGY, OIL & GAS 3%
- BEVERAGE DISPENSE 2%
- POWER GENERATION 2%

EARNINGS PER SHARE (BEFORE AMORTISATION)
(in EUR)



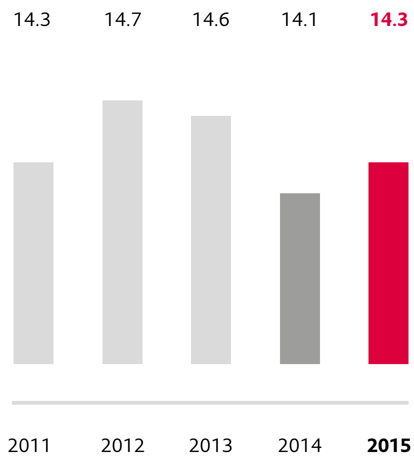
1.72
+13%

FREE CASH FLOW (BEFORE INTEREST AND TAX)
(in EUR million)



243
+10%

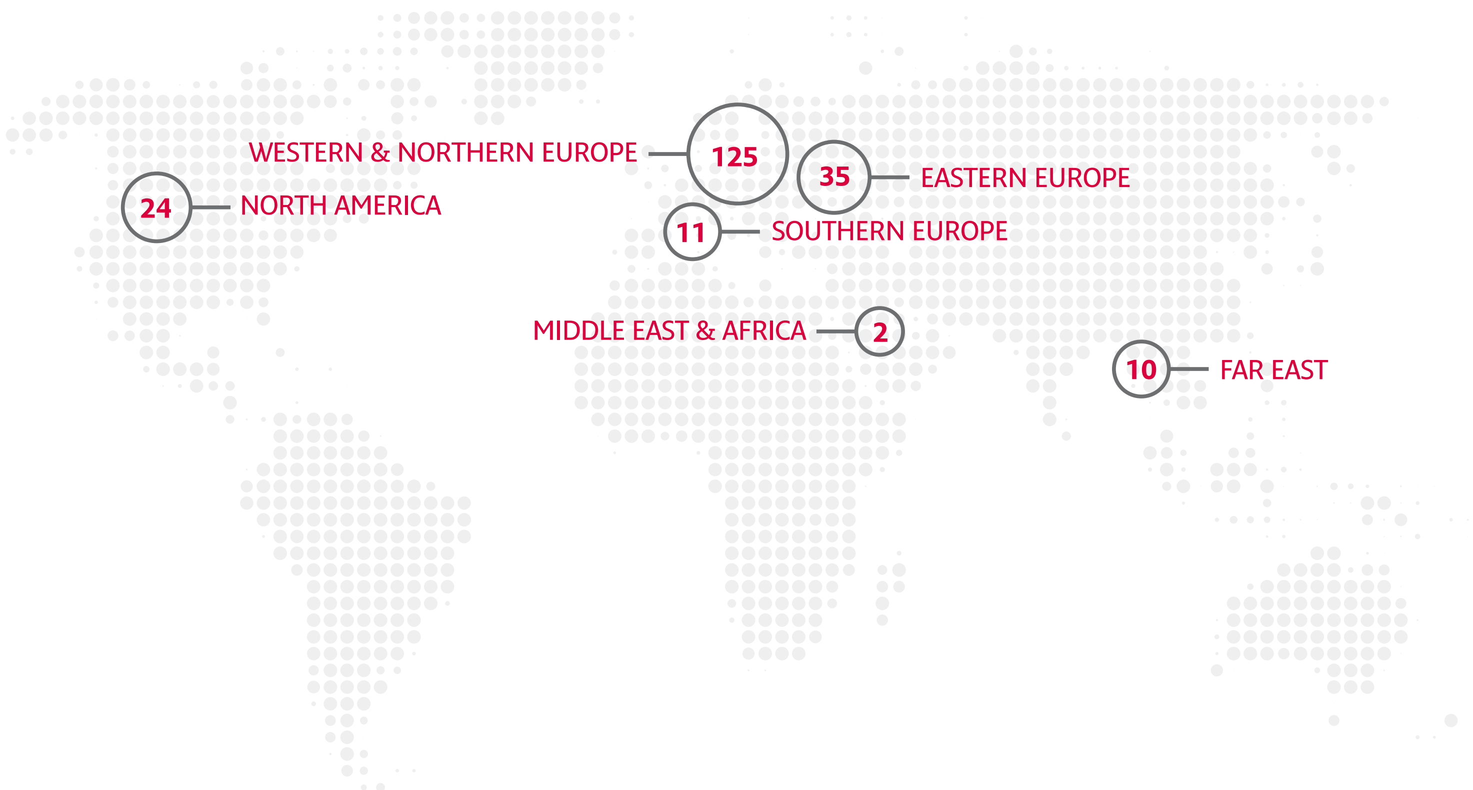
RETURN ON CAPITAL EMPLOYED (ROCE)
(in %)



14.3

More 2011-2015 figures on page 104

LOCATIONS WORLDWIDE



“Many **positive developments** in 2015”

CONTENTS ANNUAL REPORT 2015

INTRODUCTION BY THE CEO

Dear shareholders,

Again in 2015, we delivered sustainable, profitable growth and further increased our free cash flow despite challenging conditions in several markets and regions.

We posted a record net profit before amortisation of EUR 190 million (earnings per share: EUR 1.72), up 13% from 2014. Our free cash flow increased to EUR 243 million, an improvement of 10%. We managed to realise a record revenue of EUR 2,475 million, with an organic growth of 2%.

We continued to focus on core technologies with growth potential, further improved our marketing and sales strategies and consistently managed our many Operational Excellence projects, driven by our newly installed business management organisation.

We devoted a lot of time to the integration of the 2014 acquisitions. This integration proceeded well and the initial improvements are already visible.

CONSISTENT IMPLEMENTATION OF OUR STRATEGY

In 2015, we began implementing the 'Aalberts Industries Linked' strategy 2015-2018. This strategy is based on the following pillars: focus our approach, strengthen defined market positions, improve our profitability continuously and use our group strengths where possible.

Focus our approach

We divested two of our operations during the year, aiming to focus our business on leading niche positions and generating high margins. Our sales force was more focused on our core technologies. Innovation roadmaps for each technology are set to deliver additional growth in the coming years. This is driven by our new business management teams, which we set up during the year. These teams jointly drive our strategy, KPIs and local entrepreneurship for each business.

Strengthen our defined market positions

We invested in further improvements and expansion of our sales force in many regions and markets to drive organic growth. We acquired VENTREX, which strengthened our market position in high-pressure regulators and valves in the automotive and industrial markets of Industrial Controls. We combined VENTREX with our company VTI to achieve a global market strategy for our Key Accounts, drive innovations faster and increase our efficiency. Additionally, we decided to invest in a Technology Center and expanded our R&D capacity.

Improve our profitability continuously

Many of our Operational Excellence projects are designed to improve our pricing, increase efficiency, automate manufacturing, simplify our supply chain supported by an improved IT infrastructure for each business, consolidate our sites, lower our cost base and reduce our working capital. We still have a great deal to achieve in this area and therefore we professionalised our project management strategy during the year by setting up a global Operational Excellence team, using a common set of project management tools to accelerate implementations and results. 'Passion for excellence' in our operations, using the strength of the group, is crucial to being competitive and generating strong free cash flow to reinvest in our business.

ACCELERATING ORGANIC GROWTH

Strong operational execution translates into excess free cash flow, which we use to accelerate organic growth and innovations of core technologies with growth potential and strengthen our market positions through selective acquisitions. Capital allocation is key, and we managed this in a very disciplined way. Accelerating organic growth brings higher volumes and improves the utilisation rate in our automated manufacturing operations, thereby generating higher margins and free cash flow and improving our Return On Capital Employed.

MANY POSITIVE DEVELOPMENTS

In our Building Installations business we improved our marketing and sales strategy and successfully implemented several key operational improvements. The European market grew in several countries, while North America was weaker than expected during the year. Climate Control achieved good growth and results, driven by the 2014 acquisitions which we continued to integrate and optimise. We built a good business management team with a clear roadmap. Industrial Controls faced difficult conditions in their market for District Energy and Oil & Gas. Other niche activities did well and we made good progress in bundling our niche technology-market activities. Industrial Services strengthened the business management team based on our core technologies. The various businesses performed well, especially our Power Generation business in North America. We successfully completed the squeeze-out of Impreglon and made some initial improvements.

In March 2015 we were included in the AEX-index, 40 years after our company was established, a real milestone. It reflects the value we have created for our customers and shareholders over these past decades.

Our head office welcomed talented new colleagues in Group Control, Internal Audit, Cash & Treasury and Legal & Governance to accelerate the implementation of our strategy, to support the businesses and to further professionalise our organisation and processes with an expanding global presence. A global governance team was set up to accelerate implementations, including our health and safety initiatives. Human Resource Development developed a clear talent strategy, talent training programmes and recruitment processes. Marketing & Communications defined a roadmap to align our strategy with the businesses and operating companies.

We will propose to the General Meeting that the dividend payment for 2015 should be fixed at EUR 0.52 per share, to be paid in cash. This represents an increase of 13% from 2014.

LOOKING AHEAD

Our way forward will be 'more of the same': consistent execution of our strategy, further focusing our businesses and core technologies with growth potential, running our Operational Excellence programmes converting into free cash flow and generating higher operating margins. We are confident that we will further strengthen our defined market positions through selective acquisitions and we will allocate our capital in a disciplined way. Our successful track record is the result of our motivated people driving results every day and our patience and discipline in creating shareholder value. You can expect us to continue this in the years ahead.

We can only achieve this together with all Aalberts Industries' team members, because 'it's all about people in the end'. On behalf of the Management Board, we would like to once again thank all our employees for their tremendous efforts, entrepreneurship, drive for results and excellence this year, as well as our clients and partners for the trust they place in us.

In 2016 we will consistently execute our strategy and expect to realise further progress during the year.

Thank you for being a shareholder in our company.

Langbroek, 24 February 2016

Wim Pelsma (CEO)

"Aalberts Industries is a **technology company**"

WE ARE AALBERTS INDUSTRIES

WE ARE **AALBERTS INDUSTRIES**

Aalberts Industries is a technology company. We are building leading niche market positions in defined businesses serving diverse end markets. Within our business operations we focus on selected core technologies with strong brand names. Our diversification across businesses, technologies, end markets and geographical regions makes us a company realising sustainable profitable growth with many opportunities for the future.

We deliver high-added-value products and services by providing excellent logistics, through continuous innovation and system solutions and by utilising our global network of locations.

This is realised by our entrepreneurial local approach, by generating high operational profit margins and by continuously converting our operational execution into more free cash flow. We reinvest this cash in existing or new technology growth drivers, leading to even more sustainable and profitable growth. Critical to our success is operational execution and a disciplined allocation of capital to our selected businesses and technologies. By always building better operations, our performance and cash flow continue to grow, creating even more value for our shareholders ('passion for excellence').

In each business a management leadership team is responsible for achieving the results driven by a common set of KPI tools. The teams interact closely with the head office, which is facilitating key functions and driving the strategy together with the business management teams.

Where possible we use the strengths of our group to exchange manufacturing technology, innovations, working methods and know-how. In addition, we utilise our sales and distribution channels, our global network of locations and human resource talent development.

Founded in 1975, Aalberts Industries employs approximately 14,700 people in more than 30 countries. Our head office is based in the Netherlands and we have been listed on Euronext Amsterdam (ticker symbol: AALB.AS) since March 1987 and on the AEX index from 23 March 2015.

AALBERTS INDUSTRIES

THE AALBERTS WAY

Our way of working, our combined strength, our entrepreneurial spirit, our continuous drive for results and improvements, our disciplined way of creating shareholder value and our values and behaviours.... that is what we call 'The Aalberts Way'.

It is the DNA of our company, it is what we stand for and what we practice and deliver every day. This way of working gives our multiple stakeholders the comfort that they can create value with us. More information about 'The Aalberts Way' and how we embed this in our talent management and leadership development programs can be found on page 40.

BUILDING INSTALLATIONS

REVENUE (in EUR million)
1,153

EBITA (in EUR million)
123

Building Installations manufactures and markets complete connection systems and valves to distribute and control water or gas in heating, cooling, (drinking) water, gas and sprinkler systems in residential, commercial and industrial buildings.

Strong focus on installers, contractors and wholesalers.

More on page 24

CLIMATE CONTROL

REVENUE (in EUR million)
407

EBITA (in EUR million)
41

Climate Control develops and manufactures complete hydronic systems – from source to emitter – for heating and cooling systems. The systems are designed for residential, commercial and industrial buildings, both new build and renovation.

Strong focus on building owners, specifying institutes and developers.

More on page 28

INDUSTRIAL CONTROLS

REVENUE (in EUR million)
367

EBITA (in EUR million)
46

Industrial Controls develops, engineers and produces regulation and control systems for selected niche markets. These technology-market combinations are characterised by an increasing demand for complex, high value and specific applications.

Strong focus on engineers and (global) Key Accounts.

More on page 32

INDUSTRIAL SERVICES

REVENUE (in EUR million)
611

EBITA (in EUR million)
77

Industrial Services offers a unique combination of advanced material technology know-how, highly specialised manufacturing expertise and a global network of locations with excellent local knowledge and service.

Strong focus on regional customers, engineers and (global) Key Accounts.

More on page 36

'AALBERTS INDUSTRIES LINKED' STRATEGY 2015–2018

FOCUS OUR APPROACH

Achieving leading niche positions by focusing on businesses and technologies with sustainable profitable growth potential, delivering high added value for our customers

IMPROVE DEFINED MARKET POSITIONS

Accelerating organic growth, increasing game changing innovations and making selective acquisitions to strengthen our businesses and core technologies

IMPROVE PROFITABILITY CONTINUOUSLY

Creating a passion for operational excellence to generate high operational profit margins and continuously convert our improved operational execution into more free cash flow

USE GROUP STRENGTHS

Exchanging manufacturing technology, innovations, working methods and know-how, utilising our global network of locations

FOCUS OUR APPROACH

LEADING NICHE POSITIONS

- Businesses
- End markets
- Core technologies
- Customer added value
- Divest non-core activities

IMPROVE DEFINED MARKET POSITIONS

CORE TECHNOLOGIES

- Growth perspective
- Strong brand names
- Innovation roadmaps
- Selective acquisitions
- Combined offering

AALBERTS INDUSTRIES

IMPROVE PROFITABILITY CONTINUOUSLY

OPERATIONAL EXCELLENCE

- Pricing optimisation
- Technology competence centres
- Make or buy decisions
- Manufacturing efficiency
- Consolidation of locations
- Supply Chain improvements

USE GROUP STRENGTHS

EXCHANGE BEST PRACTICES

- Manufacturing technology
- Sales & distribution channels
- Innovations & investments
- Working methods & know-how
- Global footprint
- KPI tools
- Key Account Management
- HR Talent Development

FOCUS OUR APPROACH

“INDUSTRIAL CONTROLS: FOCUS ON HIGH-END TECHNOLOGIES IN THE DISTRICT ENERGY, OIL & GAS MARKET”

Mogens Laursen

Industrial Controls offers high-end valve and control technologies to global customers in selected niche markets. We are aiming for a unique niche technology – end market combination where we have a dominant market position. To meet the challenging customer specifications for special applications and critical conditions, focusing our offering and approach is crucial.

BRINGING FOCUS

In the District Energy, Oil & Gas market, we smartly combine our R&D capabilities by fully focusing on innovations and more added value for our customers. At the same time we are organising our manufacturing processes around these innovations. A good example is the development of a game changing new ball valve, which will be introduced in the first half of 2016. The manufacturing process is fully automated and also much more efficient. A higher degree of material freedom is realised by concentrating on fewer components, which will lead to extra innovations like stainless steel valves.

PORTFOLIO OF THE FUTURE

‘Focus our approach’ is about ongoing and disciplined strengthening of our businesses by simplifying and bringing focus. In 2015 we have substantially enhanced our portfolio by transferring technologies to different competence centres, by introducing and acquiring new technologies (BSM high pressure valve technology) and by divesting technologies that did no longer fit the selected strategy, or continued to show too little growth or profitability in the long term (LAB systems).

HIGH-TECH MANUFACTURING CENTRES

Our mid-term goal is to transform existing manufacturing facilities into high-tech, fully automated competence centres. Each centre will be linked to a core technology. As a result, more focus, clear prioritisation in R&D, sales and manufacturing, and higher added value for customers is realised.

IMPROVE DEFINED MARKET POSITIONS

“**INDUSTRIAL SERVICES** ON TRACK TO A STRONG WORLDWIDE POSITION IN POWER GENERATION”

Oliver Jäger

Industrial Services has a strong technology portfolio and leadership positions in relevant end markets. A clear strategy is in place to improve and accelerate these defined market positions.

ALIGNING TO STRATEGIC GLOBAL CLIENTS

A significant acceleration of our market positions in heat and surface treatment will be realised by leveraging our solid foundation of local services with strong Key Account Management for strategic partners, which are globally active. We do this organically and through acquisitions through regional expansion in Eastern Europe, USA and Asia and also by offering a combination of heat or surface treatment technologies with manufacturing expertise to our Key Accounts and local customers. We opened and expanded several locations in Eastern Europe, Far East and North America.

IMPROVING TECHNOLOGY POSITIONS

We focus on technologies like vacuum brazing, nitriding, heat treatment and special manufacturing processes with a high growth potential where we can become a real specialist with a worldwide position. Standardising manufacturing processes, technology exchange with other regions and market segments give us a tremendous potential.

IMPROVING MARKET POSITIONS

We also will focus to improve certain market positions where we see a big potential in combining heat or surface treatment with special manufacturing processes. A nice example is our position in the Power Generation market where we see lots of opportunities.

These well-organised strategic actions will make Industrial Services a unique and more integrated market player, attractive to both local and global customers. We are on track to achieve a strong worldwide position.

IMPROVE PROFITABILITY CONTINUOUSLY

"LEADERSHIP, DEDICATION AND A STRUCTURAL APPROACH IN **BUILDING INSTALLATIONS**"

Kevin Bernardini

In North America, Building Installations manages many Operational Excellence projects to improve its efficiency. The aim is to identify those projects which make the difference and really improve efficiency, profitability and return on investments. Each business is responsible for its own improvements, actively managed by an Operational Excellence team, which decides from a strategic point of view to which projects time and resources are being allocated.

LEADERSHIP IS CRUCIAL

A professional project management office manages the rollout of the Operational Excellence projects based on clear objectives, a structural approach and committed leadership. This is crucial in combination with managing performance matrixes and knowledge transfer in a dedicated and practical way.

IMPROVING THE DISTRIBUTION NETWORK

A good example is the distribution network improvement in North America, with a one-order, one-invoice and one-shipment system for clients, allowing them to order all products of all companies. It is a single network with a huge footprint. A clear win-win: improved efficiency and lower costs for customers and scale competiveness and sales synergy for the company.

LEADING TECHNOLOGY COMPETENCE CENTRES

Another improvement project is the North American press technology competence centre for our Building Installations customers. This is being transformed into a world-class centre of excellence. At the same time we are expanding and centralising our R&D activities, multidisciplinary engineering capabilities, customer training and quality performance.
The result of all of these efforts is that we are able to roll out new innovative products, in line with our clients' requirements. This has a huge spin-off to all the activities of the group and strongly improves profitability. We have installed high-tech 3D printers for printing models in just a few minutes.

Every customer visiting our competence centres experiences a tremendous creative and innovative spirit. For us, that is the proof of the pudding.

USE GROUP STRENGTHS

“BEST OF BOTH WORLDS IN **CLIMATE CONTROL**”

Maarten van de Veen

Climate Control specialises in technologies to save energy costs and increase comfort by optimising the complete hydronic system – from source to emission – for heating and cooling systems in residential, commercial and industrial buildings.

INTEGRATED MARKET APPROACH

Climate Control lines up at the early stages of the building process, when technical specifications are prescribed. Together with project developers and building owners we offer a solution for an efficient hydronic system, from the boiler room to the regulation and distribution of the warm and cold water. We define the specification, make the concept drawing, include the bill of material to come to an integrated hydronic system, which improves the performance of the heating or cooling. We offer these solutions locally through our network of sales engineering locations and train our people in our training centre where we also give project support. This enables us to service global projects through centrally coordinated technical support with local presence to fulfil the project specifications for our customers.

GLOBAL KEY ACCOUNT MANAGEMENT

By providing integrated solutions, Climate Control offers customers a single point of contact for ordering and services. Our Key Account Management activities are focused on global customers with critical technical installations. Examples are large industrial companies that are planning a new site or have plans for an upgrade or renovation, but also global hotel groups with a strong focus on energy savings.

INNOVATION ROADMAPS

Each Climate Control company has a legacy in bringing ongoing innovations. To stimulate this DNA and to accelerate innovations we coordinate and manage innovation roadmaps per technology on a central level, aligned with trends and developments. A good example is the district heating market, characterised by a substantial demand for low energy outputs. Cooling however, is energy-intensive. Climate Control developed a solar cooling system to tackle this contradiction. This solution is now being sold throughout all Climate Control group companies, especially outside Europe. Using our group strengths offers Climate Control the best of both worlds.

OBJECTIVES

Building leading niche market positions – in the defined businesses and core technologies with strong brand names serving a variety of global end markets.

Creating sustainable profitable growth – in earnings per share with a good spread in businesses, technologies, end markets and geographical regions with good growth potential.

Generating high-added-value margins – by driving our Operational Excellence projects, providing excellent services close to our customers and continuously driving innovations.

Converting strong operational execution into free cash flow – to reinvest in selected businesses and technologies, with disciplined allocation of capital, to accelerate organic growth, innovations and acquisitions.

Achieve following financial ratios

○ Solvability	> 40%	*Total equity as a % of total assets*
○ Leverage ratio	< 2.5	*Net debt / EBITDA (12-months-rolling)*
○ EBITA margin	> 12%	*EBITA as a % of revenue*
○ Free cash flow conversion ratio	> 70%	*Free cash flow (before interest and tax) / EBITDA*
○ Return on capital employed (ROCE)	> 16%	*EBITA (12-months-rolling) / Capital employed*

5 REASONS TO INVEST IN AALBERTS INDUSTRIES

THE LEADING GLOBAL TECHNOLOGY COMPANY WITH CLEAR GROWTH DRIVERS

1. Achieving leading niche market positions with core technologies and strong brands
2. Creating a balanced business portfolio, driven 'The Aalberts Way' with integrity
3. Driving Operational Excellence programmes to generate more free cash flow
4. Accelerating organic growth and innovations with increased focus on defined technologies
5. Allocating capital in a disciplined way to further stimulate growth and innovations

THE SHARE OF **AALBERTS INDUSTRIES N.V.**

KEY INFORMATION CONCERNING THE SHARE	2015	2014	2013	2012	2011
Closing price at year-end (in EUR)	31.79	24.54	23.18	15.70	12.98
Highest price of the year (in EUR)	31.92	25.90	23.40	15.95	17.28
Lowest price of the year (in EUR)	22.81	18.27	15.56	11.40	10.10
Average daily trading (in EUR thousands)	9,494	4,345	3,344	3,524	5,018
Average daily trading (in thousands of shares)	337	191	179	252	366
Number of shares issued as at year-end (in millions)	110.6	110.6	110.6	109.4	108.1
Average number of shares issued (in millions)	110.6	110.6	110.1	108.9	107.5
Market capitalisation at year-end (in EUR millions)	3,515	2,713	2,563	1,718	1,403
Earnings per share before amortisation (in EUR)	1.72	1.52	1.38	1.40	1.36
Dividend per share (in EUR)	0.52	0.46	0.41	0.35	0.34
Price/earnings ratio at year-end	18.5	16.1	16.8	11.2	9.5

Listing

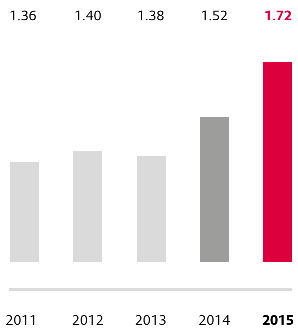
Aalberts Industries N.V. shares have been listed on the Euronext Amsterdam stock exchange since 1987 and are included in the AEX index since 23 March 2015. At year-end 2015, 110,580,102 ordinary shares with a nominal value of EUR 0.25 each were in circulation; the market capitalisation amounted to EUR 3,515 million (at year-end 2014: EUR 2,713 million).

Shareholders' interests

Some 90% of the shares are freely tradable. Pursuant to the Decree on Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions as part of the Dutch Financial Supervision Act, shareholders holding more than 3% of the outstanding shares must be disclosed.

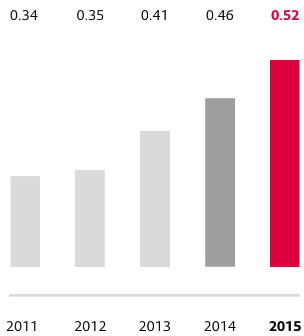
EARNINGS PER SHARE (BEFORE AMORTISATION)

(in EUR)



DIVIDEND PER SHARE

(in EUR)



NAME	% OF THE TOTAL CAPITAL INTEREST	DATE OF DISCLOSURE
Ameriprise Financial Inc.	4.83	04-02-2015
OppenheimerFunds, Inc.	5.09	10-05-2010
FMR LLC	10.11	24-11-2011
Aalberts Beheer B.V., J. Aalberts, J.A.M. Aalberts-Veen	13.27	03-02-2011

Dividend policy

In the General Meeting of 2014, shareholders agreed to a dividend payment percentage of 30% of net profit before amortisation and dividends only to be paid in cash.

FINANCIAL CALENDAR 2016 – 2017

22 March 2016	Registration date for the General Meeting
19 April 2016	General Meeting
21 April 2016	Quotation ex-dividend
22 April 2016	Record date for dividend
19 May 2016	Paying out dividend
28 July 2016	Publication of semi-annual figures 2016 *(before start of trading)*
28 February 2017	Publication of annual figures 2016 *(before start of trading)*
18 April 2017	General Meeting

“We delivered **sustainable, profitable growth** and further increased our **free cash flow**”

REPORT OF THE MANAGEMENT BOARD

REPORT OF THE MANAGEMENT BOARD

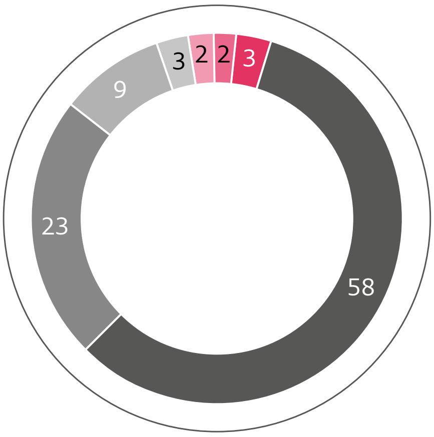
MARKET AND GEOGRAPHICAL DEVELOPMENTS
Aalberts Industries operates worldwide in four businesses, six geographical regions and ten end markets. Market developments and dynamics are different in each business, end market, technology and/or region, and it is this divergence that contributes to long-term, balanced and sustainable profitable growth for the group.

In addition, it gives us the opportunity to accelerate and develop several growth trajectories simultaneously and allocate our capital accordingly through the different business management leadership teams.

The graphics below show the revenue of Aalberts Industries per region and per end market. It also shows our future potential in the businesses in certain regions and niche end markets.

REVENUE PER REGION

(in %)



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- NORTH AMERICA 23%
- EASTERN EUROPE 9%
- SOUTHERN EUROPE 3%
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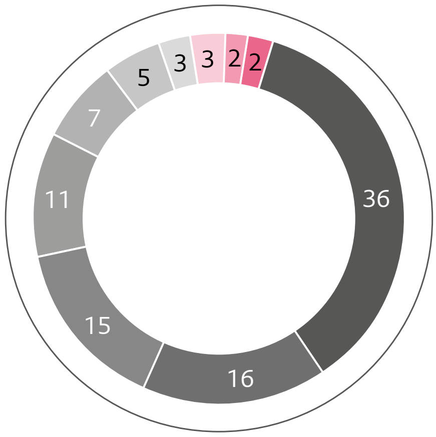
- FAR EAST 2%
- OTHER 3%

REVENUE PER END MARKET

(in %)



- BUILDING INSTALLATIONS 36%
- GENERAL INDUSTRIES 16%
- BUILDING EFFICIENCY 15%
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- MACHINE BUILD 7%
- WATER & GAS SUPPLY, IRRIGATION 5%
- SEMICON & SCIENCE 3%
- DISTRICT ENERGY, OIL & GAS 3%
- BEVERAGE DISPENSE 2%
- POWER GENERATION 2%

FINANCIAL RESULTS

REVENUE PER BUSINESS

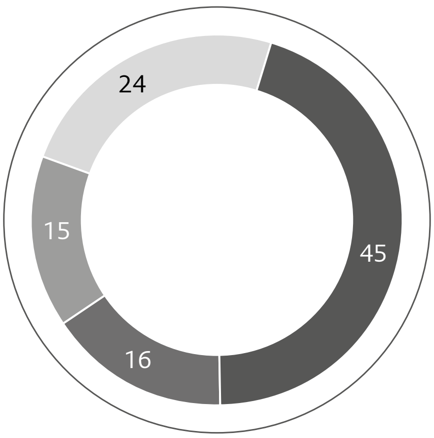
in EUR million	2015	2014	Δ
Building Installations	1,153.2	1,045.5	10%
Climate Control	406.6	339.8	20%
Industrial Controls	367.3	417.9	(12%)
Industrial Services	610.7	468.7	30%
Holding / Eliminations	*(62.5)*	*(71.1)*	-
TOTAL	**2,475.3**	**2,200.8**	**12%**

EBITA

in EUR million	2015	2014	Δ
Building Installations	122.5	99.8	23%
Climate Control	41.2	35.4	16%
Industrial Controls	45.9	53.5	(14%)
Industrial Services	77.1	62.7	23%
Holding / Eliminations	*(14.7)*	*(4.8)*	-
TOTAL	**272.0**	**246.6**	**10%**

REVENUE PER BUSINESS

(in %)



- BUILDING INSTALLATIONS 45%
- CLIMATE CONTROL 16%
- INDUSTRIAL CONTROLS 15%
- INDUSTRIAL SERVICES 24%

The revenue increased by 12% (organic +2%) to EUR 2,475 million (2014: EUR 2,201 million).

The added value margin (revenue minus raw materials and work subcontracted), improved to 61.5% (2014: 60.5%).

Operating profit (EBITA) increased by 10% to EUR 272.0 million (2014: EUR 246.6 million), 11.0% of the revenue (2014: 11.2%).

Net interest expense amounted to EUR 17.8 million (2014: EUR 15.7 million). The income tax expense increased to EUR 58.6 million (2014: EUR 56.4 million) resulting in an effective tax rate of 25.8% (2014: 27.4%).

Net profit before amortisation increased by 13% to EUR 190.4 million (2014: EUR 167.9 million), per share by 13% to EUR 1.72 (2014: EUR 1.52).

Capital expenditure on property, plant and equipment increased by 14% to EUR 96 million (2014: EUR 85 million). Net working capital increased to EUR 461 million, 18.3% of total revenue (2014: EUR 427 million, respectively 18.0%).

Cash flow (net profit + depreciation + amortisation) improved by EUR 33 million (+13%) to EUR 286 million (2014: EUR 253 million). Free cash flow improved by EUR 21 million (+10%) to EUR 243 million (2014: EUR 222 million). Return on capital employed (ROCE) improved to 14.3% (2014: 14.1%).

Total equity remained at a good level of 46.9% of the balance sheet total (2014: 45.6%) while, as result of acquisitions, net debt increased by EUR 28 million to EUR 718 million (2014: EUR 690 million). The leverage ratio ended at 1.8 (2014: 1.9), well below the bank covenant < 3.0.

BUILDING INSTALLATIONS

Building Installations manufactures and markets complete connection systems and valves to distribute and control water or gas in heating, cooling, (drinking) water, gas and sprinkler systems in residential, commercial and industrial buildings.

Our extensive portfolio in metal and plastics, including all relevant connection technologies, is being applied for new build, renovation, repair and maintenance. Our systems are designed to enable installers to work fast, simply, safely and therefore more efficiently and with a greater quality level.

"Reducing installation times and providing **leading quality and service** to installers worldwide – this is how we **add value**."

Our close cooperation with distributors and wholesalers enables installers and contractors to benefit from a worldwide distribution network and a complete system offering. Our sales organisations combine their local application know-how with strong, worldwide technology brands: a unique advantage in our market approach, customer service, logistics and distribution.

KEY FIGURES 2015

REVENUE
(in EUR million)

1,153
+10%

CAPEX
(in EUR million)

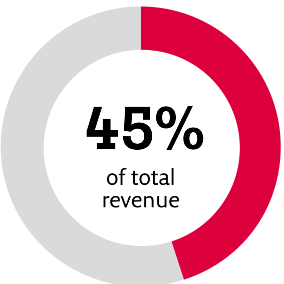
38
+39%

EBITA
(in EUR million)

123
+23%

EBITA %
(% of revenue)

10.6



OUR CORE TECHNOLOGIES

- Connection technology
- Multilayer system technology
- Engineered plastic connection technology
- Valve and backflow technology

OUR END MARKETS

- Building Installations
- General Industries
- Water & Gas Supply, Irrigation

OUR ADDED VALUE

- Speed up installation
- Guarantee system quality
- Offer a total package and availability

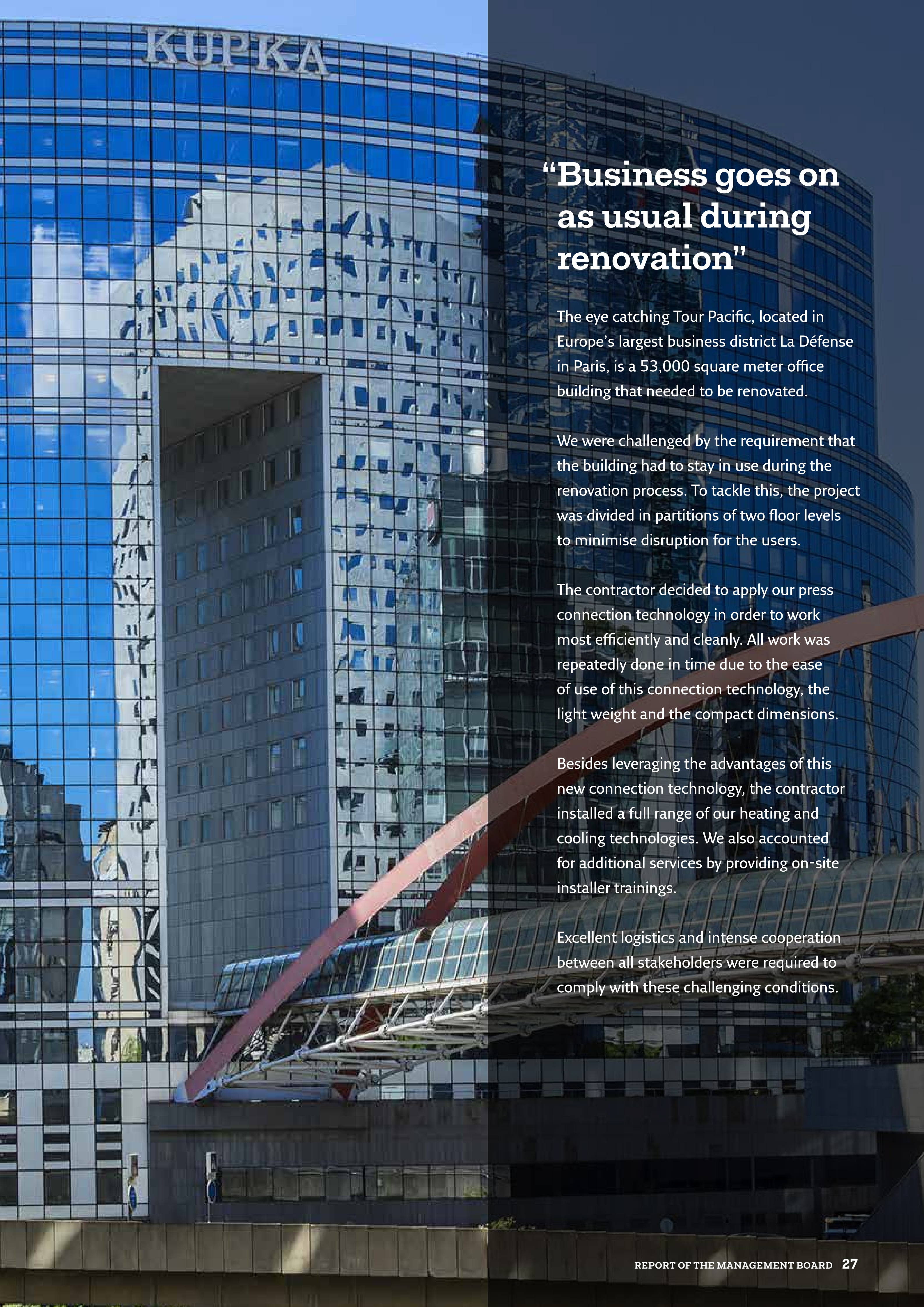
DEVELOPMENTS

Building Installations realised organic growth and good results. Europe showed a positive development in several countries. The higher activity level in these countries in combination with the focus on technologies with growth potential, an improved marketing and sales approach and the Operational Excellence projects resulted in a good performance.

Some regions in Europe were still challenging, especially France and Russia, or are coming from a low market activity level. In North America we realised a good result despite a market environment which was weaker during the year than expected. The business continued to focus on improvement of our joint marketing and sales approach, sales of technologies with growth potential, supported by many product improvements and additional products.

The Operational Excellence projects made good progress to increase our efficiency. In both Europe and North America the business management teams were strengthened to achieve a more focused market approach, gain more efficiency and accelerate organic growth and innovations.

in EUR million	**2015**	**2014**	Δ
Revenue	1,153.2	1,045.5	10%
Operating profit (EBITA)	122.5	99.8	23%
EBITA as a % of revenue	10.6	9.5	1.1
CAPEX	37.7	27.1	39%



"Business goes on as usual during renovation"

The eye catching Tour Pacific, located in Europe's largest business district La Défense in Paris, is a 53,000 square meter office building that needed to be renovated.

We were challenged by the requirement that the building had to stay in use during the renovation process. To tackle this, the project was divided in partitions of two floor levels to minimise disruption for the users.

The contractor decided to apply our press connection technology in order to work most efficiently and cleanly. All work was repeatedly done in time due to the ease of use of this connection technology, the light weight and the compact dimensions.

Besides leveraging the advantages of this new connection technology, the contractor installed a full range of our heating and cooling technologies. We also accounted for additional services by providing on-site installer trainings.

Excellent logistics and intense cooperation between all stakeholders were required to comply with these challenging conditions.

CLIMATE CONTROL

Climate Control develops and manufactures complete hydronic systems – from source to emitter – for heating and cooling systems. The systems are designed for residential, commercial and industrial buildings, both new build and renovation.

"For building owners and project developers, **we add value** by improving the system performance and realising energy savings."

In many worldwide locations we provide engineering services based on application know-how and knowledge of local legislation to improve the performance of heating and cooling systems. Using these systems as energy efficient as possible is an important part of the system solution.

We combine these systems in various product lines in such a way that we meet the system solution as requested or specified. We work closely together with our customers at an early stage of a new build or renovation project. Our system solution is combined with excellent local service and after sales.

KEY FIGURES 2015

REVENUE
(in EUR million)

407
+20%

CAPEX
(in EUR million)

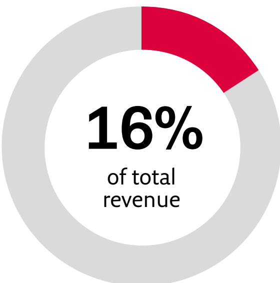
7
+45%

EBITA
(in EUR million)

41
+16%

EBITA %
(% of revenue)

10.1



OUR CORE TECHNOLOGIES

- Boiler room, metering & balancing technology
- Pressurisation and storage technology
- Efficiency and safety technology
- Intelligent valve technology

OUR END MARKETS

- Building Efficiency

OUR ADDED VALUE

- Engineered system solution on customer specification
- Realise energy efficiency through improved system performance
- Provide excellent local service and after sales

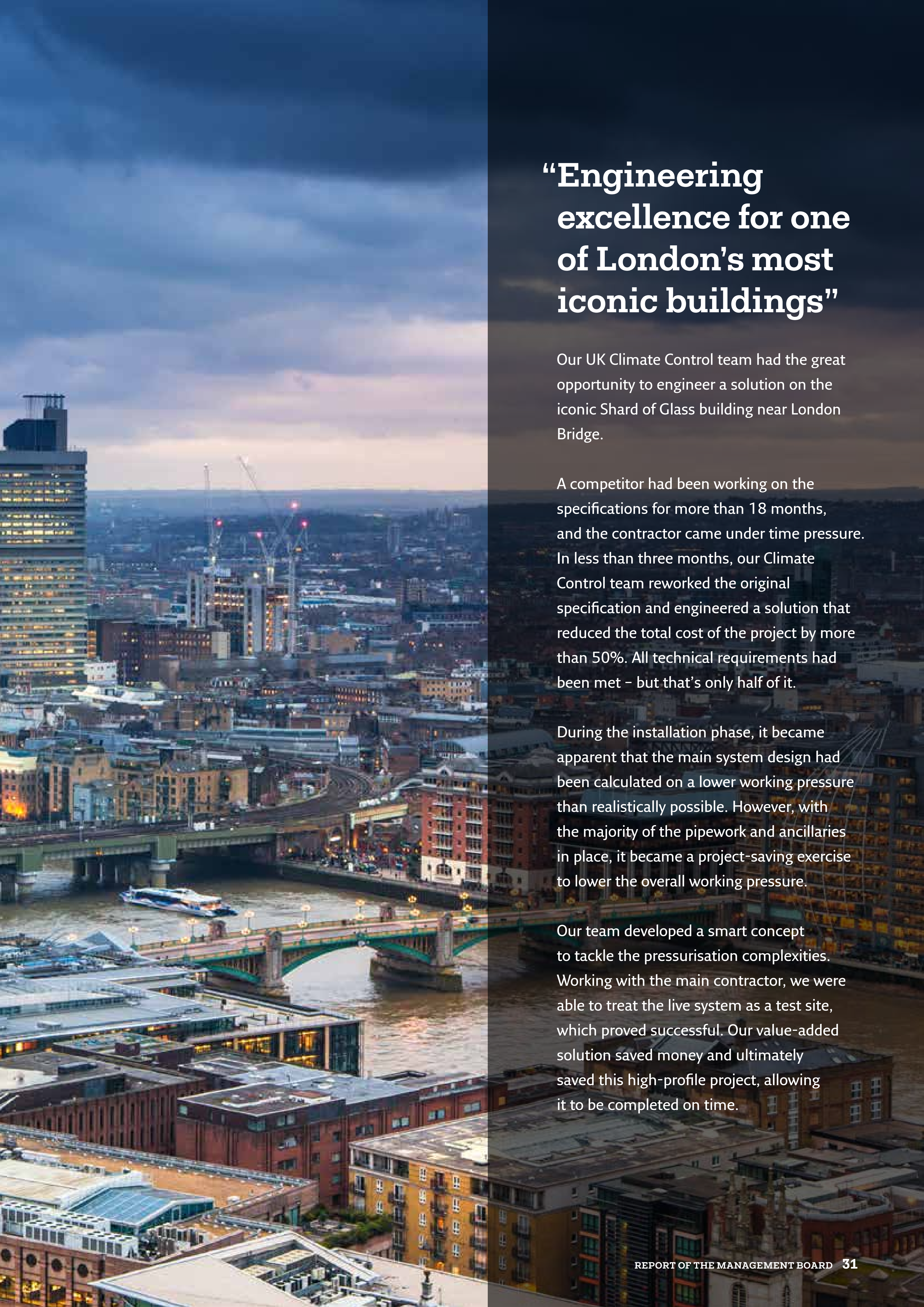
DEVELOPMENTS

Climate Control achieved a good growth of revenue and results, mainly driven by the two acquisitions in 2014 (Nexus Valve and Flamco) and intensified group cooperation.

The project activities in many markets were still on a low level, especially France and Russia faced challenging circumstances. In North America and the United Kingdom good growth was realised, mainly due to our combined system offering. In Europe we continued to integrate and optimise the acquisitions, improve the joint marketing and system sales approach in combination with the execution of the many Operational Excellence projects.

During the year a strengthened business management team was installed, the technology portfolio was more clearly defined and innovation roadmaps were prepared.

in EUR million	**2015**	**2014**	Δ
Revenue	406.6	339.8	20%
Operating profit (EBITA)	41.2	35.4	16%
EBITA as a % of revenue	10.1	10.4	(0.3)
CAPEX	6.8	4.7	45%



“Engineering excellence for one of London’s most iconic buildings”

Our UK Climate Control team had the great opportunity to engineer a solution on the iconic Shard of Glass building near London Bridge.

A competitor had been working on the specifications for more than 18 months, and the contractor came under time pressure. In less than three months, our Climate Control team reworked the original specification and engineered a solution that reduced the total cost of the project by more than 50%. All technical requirements had been met – but that’s only half of it.

During the installation phase, it became apparent that the main system design had been calculated on a lower working pressure than realistically possible. However, with the majority of the pipework and ancillaries in place, it became a project-saving exercise to lower the overall working pressure.

Our team developed a smart concept to tackle the pressurisation complexities. Working with the main contractor, we were able to treat the live system as a test site, which proved successful. Our value-added solution saved money and ultimately saved this high-profile project, allowing it to be completed on time.

INDUSTRIAL CONTROLS

Industrial Controls develops, engineers and produces regulation and control systems for selected niche markets. These technology-market combinations are characterised by an increasing demand for complex, high value and specific applications. To meet the challenging customer specifications under often severe and critical conditions we work closely together with the engineers of our Key Accounts. After achieving specification requirements we deliver excellent service anywhere in the world our partners need us.

“We add **value in our niche markets** by delivering the **most challenging system** specifications and excellent service.”

We aim for leading worldwide positions in our selected technology-market combinations to serve our customers globally. We make use of our global network of locations and combine our technologies if necessary using the strong brands.

We invest in world-class equipment to automate our processes to the optimum to achieve the highest efficiency and quality.

KEY FIGURES 2015

REVENUE
(in EUR million)

367
−12%

CAPEX
(in EUR million)

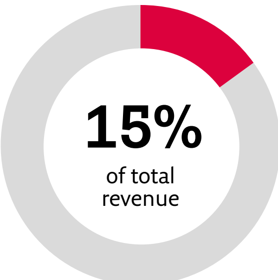
14
+19%

EBITA
(in EUR million)

46
−14%

EBITA %
(% of revenue)

12.5



OUR CORE TECHNOLOGIES
- Valve & actuator technology
- High pressure gas regulators & valve technology
- Vibration isolation & high vacuum technology
- Dispensing system technology

OUR END MARKETS
- District Energy, Oil & Gas
- Automotive
- Semicon & Science
- Beverage Dispense
- General Industries

OUR ADDED VALUE
- Deliver the most challenging customer specifications
- Guarantee an excellent global service capability
- Develop new technology solutions together with Key Accounts

DEVELOPMENTS

Industrial Controls showed a mixed picture. The valve technology & controls activities for the District Energy, Oil & Gas market faced difficult circumstances. During the second half of the year the order intake stabilised, mainly due to the renovation and repair segment, new customers and growth in new products, markets and regions.

Operational Excellence projects were intensified to consolidate locations and increase efficiency. Our high pressure gas regulator and valve business for the Automotive and industrial markets realised a good growth and was strengthened with the acquisition of VENTREX.

The business in the Semicon & Science market did well in the first half of the year but slowed down in the last months of the year, which resulted in additional actions to realise more market focus and efficiency. The precision extrusion and machining activities in the industrial markets performed well and we invested in additional equipment to facilitate the growth. Also dispensing systems for the Beverage Dispense market in North America made a good year. We divested two non-core activities which effected our annual revenue and operating profit (EBITA).

in EUR million	2015	2014	Δ
Revenue	367.3	417.9	(12%)
Operating profit (EBITA)	45.9	53.5	(14%)
EBITA as a % of revenue	12.5	12.8	(0.3)
CAPEX	13.6	11.4	19%

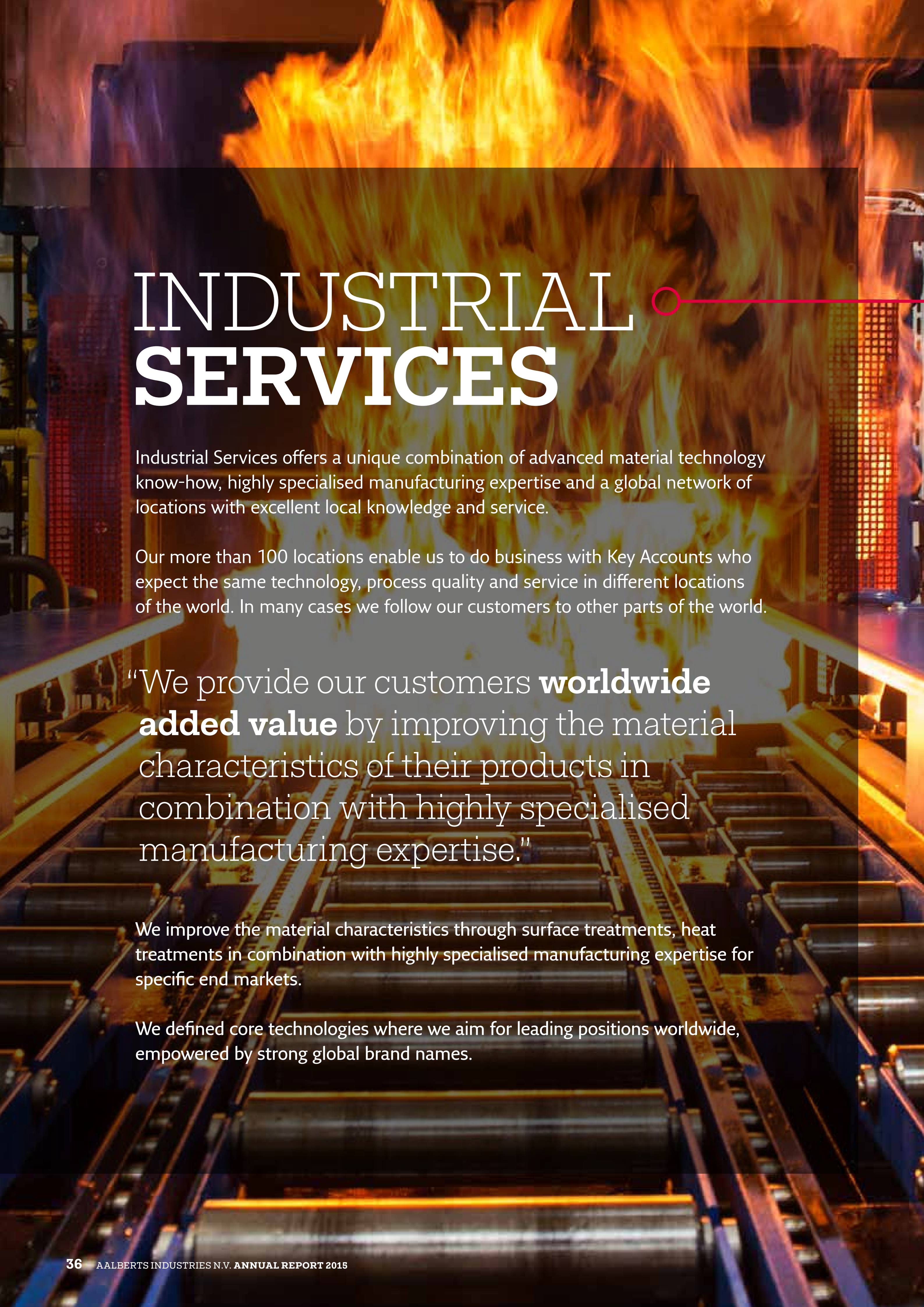
“In the front seat of this rapidly changing industry”

With its ongoing innovations, the automotive industry demands increasingly better performance of technical components. Aalberts Industries has a strong footprint in this end market with complex precision stamping parts, components for cars, commercial vehicles and trucks, and high-quality, environmentally friendly coatings and heat treatments for equipment, including turbo chargers.

To lower emissions and to reduce our dependence on foreign energy sources, the automotive industry increasingly powers vehicles with compressed natural gas (CNG). Aalberts Industries was awarded a contract for the development of a complete CNG system for a leading car manufacturer in Europe and North America.

This complete system –with components from the CNG filling inlet with bracket and piping, the check valve and the InTankValves at the CNG tanks– includes our patented thermal fuse integrated into high-pressure composite CNG tanks.

Our technology position as a system supplier brings many growth opportunities to the OEM business.



INDUSTRIAL **SERVICES**

Industrial Services offers a unique combination of advanced material technology know-how, highly specialised manufacturing expertise and a global network of locations with excellent local knowledge and service.

Our more than 100 locations enable us to do business with Key Accounts who expect the same technology, process quality and service in different locations of the world. In many cases we follow our customers to other parts of the world.

"We provide our customers **worldwide added value** by improving the material characteristics of their products in combination with highly specialised manufacturing expertise."

We improve the material characteristics through surface treatments, heat treatments in combination with highly specialised manufacturing expertise for specific end markets.

We defined core technologies where we aim for leading positions worldwide, empowered by strong global brand names.

KEY FIGURES 2015

REVENUE
(in EUR million)

611
+30%

CAPEX
(in EUR million)

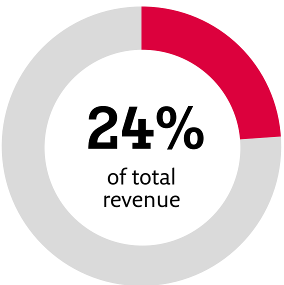
38
-8%

EBITA
(in EUR million)

77
+23%

EBITA %
(% of revenue)

12.6



OUR CORE TECHNOLOGIES

- Anodizing & electroless nickel surface technology
- Polymer & corrosion protection surface technology
- Heat treatment & brazing technology
- Specialised manufacturing technology

OUR END MARKETS

- Automotive
- Machine Build
- Power Generation
- General Industries

OUR ADDED VALUE

- Improve material characteristics on customer specification
- Offer a combination of highly specialised manufacturing expertise with improved material characteristics
- Make use of our global network of locations with excellent local knowledge and service

DEVELOPMENTS

In Industrial Services the heat treatment and surface treatment activities in Europe remained at a good level in the Automotive and Machine Build end markets, especially Eastern Europe performed well and realised good growth, utilising the capital investments of the last years.

In North America our brazing and heat treatment activities in the Power Generation end market made an excellent year, additional capital investments were made to drive growth further. The complex precision stamping activities in France were still challenging and were compensated by a good growth in Eastern Europe and Asia. A new global technology development centre opened in December 2015 to support our global Key Accounts.

The integration of Impreglon made good progress, especially during the second half of the year due to a strengthened management team and an improved technology focused business structure. The squeeze out process was successfully finalised in December 2015.

in EUR million	2015	2014	Δ
Revenue	610.7	468.7	30%
Operating profit (EBITA)	77.1	62.7	23%
EBITA as a % of revenue	12.6	13.4	(0.8)
CAPEX	37.8	41.2	(8%)

“What started in Germany is about to drive all over the world”

With decades of heat and surface treatment experience, Aalberts Industries has a strong focus on suppliers in the automotive industry.

Thanks to a historical business connection, we became in charge of hardening tubular drive shafts for a leading automotive driveline manufacturer in Germany. With our procedures dialled into the automotive industry, combined with in-depth heat treatment expertise, the cooperation over the years expanded into additional heat treatment technologies and new car manufacturers and car models.

With increased volumes, improved efficiency and disciplined capital allocation in new equipment, new competence centres and new technologies, we are developing this long-term partnership into a global story with a focus on Eastern Europe, North America and China.

As an exclusive and strategic supplier, this demonstrates our competence to offer the same procedures and technologies across the world and have the power to expand and invest in reliable certified environments for critical mass production.

THE AALBERTS WAY

Our company strives for certain values and behaviours, which we refer to as 'The Aalberts Way'. It helps to create a common language in our organisation, it has been our strength since day one and is our foundation for an even greater future. We have established the following five values so far:

ENTRE PRENEURSHIP	DRIVE FOR RESULTS	ENERGY	LEADERSHIP WITH INTEGRITY	CONTINUOUS IMPROVEMENT
We build up dreams and make them happen	We are persistent in achieving our commitments	We show passion in all our actions	We inspire people and lead by example	We learn and get better every day

Because we want to look ahead and maintain sustainable growth, we defined this first set of values with our Executive Team in 2015. We are still in the process of finalising this set to reflect our strategy and implement it further within our organisation and at the different levels of management. During 2016, we will make our key leadership people aware of how important these beliefs are for us. We will also include our values in the e-learning training for the Code of Conduct, in alignment with our governance programme as well as in our upcoming 'Giving Back' initiatives.

'The Aalberts Way' should be implemented and embedded at all levels of the organisation. This is our long-term mission, and leading by example is therefore essential.

It is also the basis of our HR Development strategy, as it gives us a focus when we review, recruit, coach and develop our talents.

Personal leadership
It drives results and stimulates entrepreneurship.
We actively pursue an entrepreneurial working environment that should allow our people to get the best out of themselves on a technological, commercial and personal level.

We want employees to act like business owners. People who feel personally accountable for everything they do and people who relentlessly pursue the objectives they set for themselves.

People with vision and passion who see opportunities rather than difficulties. Every job should be seen as an opportunity for personal growth. When people grow they learn more, are more motivated, more productive and more committed. They should feel empowered to be masters of their own destinies and should assume responsibility for every action needed to get there.

Passion for excellence
We welcome people who believe that there is always room for improvement and who share this passion. You can only make progress if you are prepared to challenge yourself on a daily basis. Not taking anything for granted, but improving continuously.

We are convinced that innovation is a direct result of people's personal commitment to progress. Higher quality, more efficiency, greater efficacy and lower environmental and social liabilities: all come from people who want to improve themselves every day.

The future is shaped by people who go above and beyond the standard of the present. We hire and train people who are curious about what's next. People who can't stop thinking, don't stop until a problem is solved, like finding an even better solution the next day.

Synergies and transparency
Substantial and sustainable growth can only be achieved by maintaining a company culture that allows people to learn from each other's mistakes and successes.

Only if and when people feel the need – and feel free – to speak up, colleagues can jump in and build or improve further.
Top to bottom and bottom-up, the same principle applies when it comes to integrity. Transparency is the minimum requirement for any employee.

Our recruitment and talent development programmes are aimed at identifying people's personal objectives and strengths and at the same time, aligning them with the Aalberts Industries' strategy.

Giving our people opportunities to grow is not only very motivating for them, it also makes Aalberts Industries stronger by utilising experiences in other parts of our group.

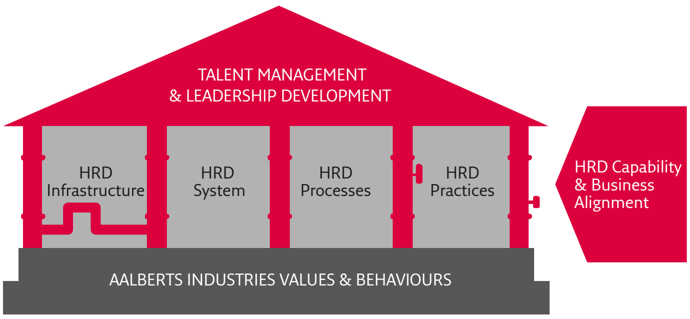
This is a huge strength of our group which we use over and over again. Developing people for new roles with more responsibilities frees up a lot of energy in the organisation which can be leveraged to continuously improve and strive for excellence.

Whether we invent new solutions or make existing solutions better; smart and committed people are at the heart of it. Our Human Resource Development (HRD) strategy, also based on 'The Aalberts Way', should ensure that the ability and appetite for achievement, personal leadership and excellence are key measures in the assessment of an employee's eligibility for key leadership roles.

HRD STRATEGY

Individual and organisational development are the main drivers for the company's long-term and sustainable performance. Activating those drivers in a strategic way will generate more and more engagement and motivation. A lack of talent availability could have a significant impact on most of the strategic objectives.

In 2015, we laid out our HRD strategy which looks like this:



This year, we designed the plans and created a strong foundation of common values and behaviours which are aligned with the business strategy.

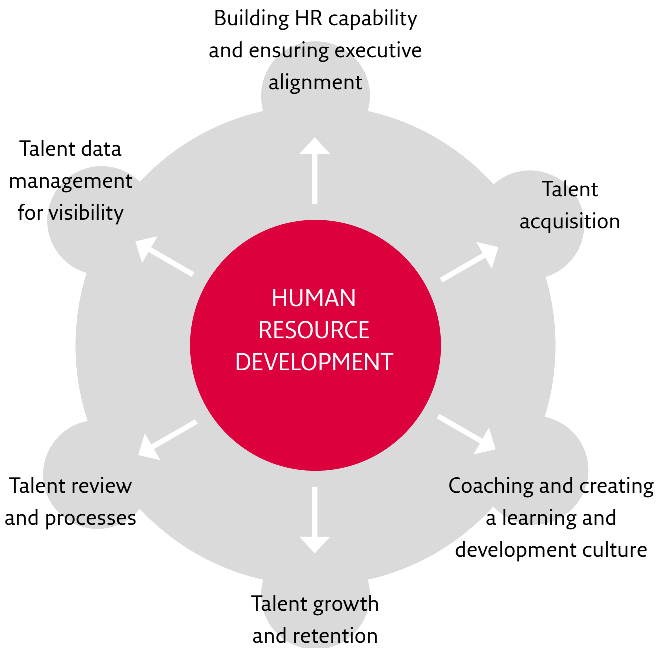
We created a common language to talk about talent and leadership across all businesses and will use it in the design of Leadership Development programmes to be rolled out in 2016.

From there, we will build the structure which will support the roof of talent and leadership development by implementing the processes and systems required in the course of 2016-2018.

IT IS ALL ABOUT PEOPLE

Developing our people and finding the best people to run our businesses is the most important factor in achieving leading positions in our niche markets and becoming the best company in the businesses we have defined. To grow our businesses we need the best people to drive new opportunities and growth.

In 2015, we made good progress with our HRD priorities:



HRD capability building

We strengthened our HRD capability by hiring the appropriate experts and we have defined with the Executive Team a network of HRD contacts in which each business has a responsible person to drive our HRD roadmap. The HRD network will work closely together with the head office and the Executive Management.

Talent data management

We have to know who our talents are and what potential they have. Through the HRD network, we are now running a pilot project to increase the visibility on talent availability and potential in one of our businesses and will extend it to the other businesses in 2016. The outcome and information will be managed in a data management system so that the information can be shared at an Executive Team level. We have started with entrepreneurial positions but will expand this to include financial, Key Account and other types of roles.

Talent acquisition
Recruiting the right people for the job is crucial to making fewer employment mistakes, gain speed, invest our money in training of the right people and achieve more personal motivation. A good talent acquisition process, including a professional competency assessment and behavioural interview, has been developed and has already been deployed in many areas. This will be further implemented during the coming years.

Talent review
Regularly reviewing our leadership and talent pipelines stimulates performance and encourages improvements. Doing this in a consistent and professional way is crucial to benchmarking our talents on the same set of criteria and it gives them the attention they deserve.

Talent growth and development culture
We ran a successful pilot project for the Entrepreneurial Talent programme and are looking forward to expanding to more talents in the organisation. Based on improved visibility of the talent and development needs, we will look at the Business Management area as well as the Finance and Key Account Management areas in 2016.

"Learning is about enhancing both your **personal skills** and those of your **team**, in order to **drive the business** forward."

"Working at Aalberts Industries means being part of a strong, experienced group where innovative thinking is encouraged and nurtured.

Impreglon is a new member of Aalberts Industries and through the Entrepreneurial talent programme I've been learning a lot about other businesses and their networks. A fantastic combination of people, processes and technologies leading the way forward. Although we're relatively new, I strongly believe Impreglon will experience further development and success: 'the whole is more than the sum of its parts!'

The learning culture at Aalberts Industries is as dynamic as the group itself. The programme is highly professional and focuses on the organisational and individual needs, making it both effective and valuable.

Having worked in a managerial position for several years, I'm used to taking responsibility and driving forward the business of a plant. Besides day-to-day business skills, this programme also enables me to improve my leadership skills and it is a great opportunity to really get involved in the Aalberts Industries network, learning more about the culture and philosophy.

I'm passionate about inspiring people, particularly when it comes to problem solving and continuous improvement relating to both internal processes and customer-related topics. Making things happen based on good quality decisions and ambitious leadership. More than simply reacting to management decisions, I want to be part of the drive to improve and innovate. Fulfilling my responsibilities and contributing to the success of Aalberts Industries."

Mareike Krüger - Impreglon Kaufbeuren

RESPONSIBLE BUSINESS

As a leading manufacturing company, we are firmly embedded in society and are deeply aware of our responsible role in society. Compliance with laws and the constant attention to a safe and healthy working environment are key priorities for our group. Aalberts Industries endorses the OECD and ILO guidelines concerning responsible business. To integrate this responsibility into our day-to-day operations, we have developed a substantive structure for our group companies that provides them with references and direction. The Management Board provides the framework within which activities are developed. The Management Board is actively involved in efforts to improve accident and absenteeism figures, innovation and energy consumption. Ongoing interactions with the group companies enable us to share best practices. Responsible business is also part of the annual budget meetings.

HEALTH & SAFETY

ENVIRONMENT

INTEGRITY

RESPONSIBLE BUSINESS FRAMEWORK

Our responsible business pillars are health & safety, the environment and integrity. In 2015 we focused on various topics within this responsible business framework. There was an increased focus on safety campaigns, safety culture and safety management. Environmental focus made us intensify our efforts in energy and waste reduction, recycling and investment in the environment. Integrity takes a very important place at Aalberts Industries and made us increase our actions relating to the Code of Conduct, compliance with laws and the renewed Speak Up! procedure. The 2015 focus is endorsed by several cases from our group companies.

SUSTAINABLE SOLUTIONS

A large proportion of the products and services of Aalberts Industries has a positive impact on our social responsibility as a company. We supply solutions for heat and cold storage, solar collectors, irrigation systems and water supplies. These products enable our customers to reduce their energy consumption, be efficient with water, and construct sustainable buildings. As a result of the heat and surface treatments we perform for customers, we extend the lifecycle of many metals. This means less metal ends up in landfills.

LIFECYCLE IMPROVEMENT

Many Aalberts Industries companies use a sustainable lifecycle concept as a common thread in their services. The idea to subject products to the entire lifecycle, from purchasing to manufacturing, and to the integration of these products into the technical solutions of our clients, and – after many years – in dismantling and recycling and giving them a second life. On the other hand Aalberts Industries improves its sustainability by conserving and recycling water, energy and chemicals and substituting hazardous substances. This also contributes to lifecycle improvement. For example, in our Industrial Services business we improved the lifecycle by sustainable metallurgy and in our Climate Control business by producing energy-efficient products.

CERTIFICATION

Many of our group companies have ISO 9001 quality management standard certification. Moreover, the safety management systems are in accordance with the OHSAS 18001 standards. A number of group companies also had their environmental management systems certified in accordance with the ISO 14001 standard. A few group companies have obtained or are striving to obtain an ISO 26000 sustainable management certification.

HEALTH & SAFETY

For us everything revolves around safety. We are focused on preventing incidents that may be harmful to our employees and neighbouring communities, or incidents that may cause environmental damage. We continue to invest in a culture in which people know what their responsibility is to make Aalberts Industries a safe place to work.

Our policy focuses on improving procedures at all group sites that do not perform at the group average according to the KPIs set.

This policy, which we have pursued since 2010, has resulted in a stable annual accident rate. In 2015 our LTI Frequency Ratio (the number of lost time injuries per one million working hours) remained stable at 10.9, the Average of Days Lost per LTI was significantly reduced to 13.5 days, and the absenteeism rate of 3.3% remains low and worldwide our rate is well below the national average and well below the industry average in the countries where we operate. See our KPIs, which monitor our performances over the last five years.

HEALTH & SAFETY CASE

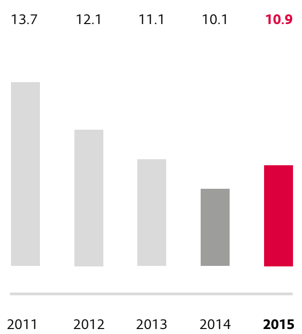
ZERO-ACCIDENT CULTURE

At our group company in North America structural safety measures are taken to ensure that everyone is committed to their ‘Zero Accident Culture’. These include safety meetings, toolbox safety walks, training and a safety incentive programme to provide encouragement at regular intervals. As a result, the LTIFR was reduced with 60% this year and one of their facilities received three safety awards from external parties for having zero lost-time accidents during the year.

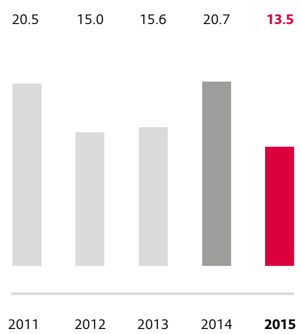
More responsible business cases on www.aalberts.com/responsibility

HEALTH & SAFETY PERFORMANCE INDICATORS

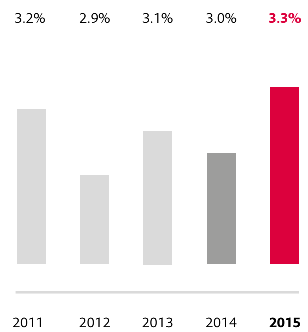
LTI FREQUENCY RATIO



AVERAGE # OF DAYS LOST PER LTI



ABSENTEEISM



ENVIRONMENT

To use materials as efficiently as possible, recycling and re-use are key focus areas in the policy of Aalberts Industries. We strive to produce as little waste as possible.

Efficient energy consumption is a key performance indicator for our operations. We consider it our responsibility to work as energy-efficiently as possible, so that both emissions and energy costs can be reduced.

Aalberts Industries started measuring energy consumption (electricity and gas) at a group level. Energy-efficiency plans are being developed and/or improved for our group companies. We aim to measure energy consumption for at least 35% of our group companies in 2016 and to increase this percentage from then on.

Nearly all our companies invested in further optimising their resource usage, decreasing their energy usage, minimising their environmental impact and reducing cost. At the same time some group companies have set up an integrated sustainable development plan.

ENVIRONMENTAL CASE

INTEGRATED SUSTAINABLE DEVELOPMENT PLAN

A good example is our French group company, well known for its sustainable goals. The company is 100% ISO 9001, ISO/TS16949, ISO 14001 and OHSAS 18001 certified and has defined six major axes of medium-term CSR progress: sustainable development, health & safety, talent development, carbon footprint reduction, eco-responsible purchasing and protection of the environment through eco-design. The impartial assessor EcoVadis awarded the company a CSR rating of 'Advanced', corresponding to a 'structured and proactive approach to CSR, and CSR commitments, policies and tangible actions on major issues'. Beyond this classification, a benchmark study involving a total of 150 companies conducted by EcoVadis places the company among the 10% most advanced companies in terms of social responsibility.

INTEGRITY

CODE OF CONDUCT

Aalberts Industries is committed to conducting its business with honesty and integrity, to follow the law and to make sure that each employee and business partner is treated respectfully.
The company is proud of its excellent reputation as a responsible and reliable employer and business partner. The Code of Conduct of Aalberts Industries contains the seven main business standards as rules of ethical conduct all Aalberts Industries employees must follow. The themes around business integrity concern strict compliance with fair competition laws, compliance with economic sanctions and export control regulations and anti-bribery laws, fair and timely disclosure of information, responsible supplier management, responsible work conduct and work environment, corporate responsibility and proper authorisations and approvals. The Code of Conduct is integrated into the employment agreements of all senior staff and management throughout the group. All Speak Up! notifications are promptly investigated and the relevant cases are reported to the Management Board and Supervisory Board. We began developing an online compliance training course in 2015 to educate colleagues on bribery and corruption topics and the Speak Up! procedure. This course must be completed by all purchase, sales and management staff and other relevant employees. New modules will be developed and implemented in 2016.

Where possible, we contractually bind our suppliers to adhere to the principles of our Code of Conduct. Various key suppliers have already contractually agreed to adhere to these principles. In 2015 a formal supplier code was developed which includes the principles of the Code of Conduct. This supplier code will be implemented in 2016.

RESPONSIBLE TAXATION

We believe that a coherent and responsible tax policy is an important element of our responsible business strategy.
Over the years Aalberts Industries has applied a conservative and cautious tax policy in line with the OECD Guidelines. We do not seek to avoid taxes through 'artificial' structures in tax haven jurisdictions. The weighted average applicable domestic tax rate amounted to 29.8% in 2015. Aalberts Industries contributes to society by creating jobs as well as by paying direct and indirect taxes and other charges in jurisdictions of the group companies and manufacturing countries.

INTEGRITY CASE

BIOM ATTITUDE PROJECT

An Aalberts Industries company in France was reviewed by BIOM, a French organisation, which rates companies based on sustainability. BIOM is using a calculation tool based on the balance sheet and thirty-five sustainable development referentials.
The goal is to assess to what extent the company contributes to local territory. BIOM calculated that 43% of our company expenses in France are distributed locally in order to create jobs, protect the environment and improve public services. The company was ranked 'very good' in a recent benchmark study.

While doing business in an international environment every company will be exposed to certain inherent risk. Aalberts Industries' good spread in businesses, technologies, end markets and geographical regions limits our dependence on specific markets or customers and strongly benefits our strategic objective to create sustainable profitable growth as mentioned on page 18. We have identified the following main potential risks relating to our strategy and set out our measures to manage these risks as effectively as possible. Although our risk appetite for financial, legal and regulatory risks is low, we are willing to accept limited strategic and operational risks when such is necessary to achieve our strategic objectives.

RELEVANT DEVELOPMENTS

Worldwide geopolitical developments in the market
Increased customer and shareholder expectations worldwide
Increased regulations for companies and activities
Growing organisation and global footprint
Ongoing demand for talented managers and specialists
Increased cybersecurity requirements and threats

POTENTIAL RISK
OPERATIONAL

Less control over organisation and processes due to growth
Inefficient processes and manufacturing can jeopardise the objectives
Insufficient number of talented people to fulfil management and specialist positions
Inadequate health and safety procedures leading to risks for employees (and disruption of business)
Increased global cybersecurity vulnerabilities, threats and cyber-related attacks

POTENTIAL RISK
STRATEGIC

Loss of market position due to spread of activities
Less focus of management
Not responding quickly enough to changes at customer level
Loss of margin when lacking speed of innovation

'AALBERTS INDUSTRIES LINKED' STRATEGY 2015-2018

Focus our approach
Improve defined market positions
Improve profitability continuously
Use group strengths

POTENTIAL RISK
LEGAL & REGULATORY

Substantial (reputational) damage if regulations are breached regarding:
- Export control & sanctions
- Unfair competition
- Anti-bribery and corruption
- Cybercrime/fraud

No standardised way of working nor corporate culture leading to misconduct
Insufficient training leading to misunderstanding of rules and regulations
Product liability proceedings

POTENTIAL RISK
FINANCIAL

Inconsistent or unreliable reporting process
Incomplete or delayed information at the right place due to complexity
Currency risk, credit risk and interest rate risk
Deterioration of conditions in global economy
Volatile commodity prices and dependence on certain raw materials and energy sources

RISK MANAGEMENT

STRATEGIC ACTIONS	STARTED	ONGOING	DONE
Introduction business management structure, closer to the end user			●
Operational Excellence projects directed by the Management Board			●
Innovation roadmap per core technology	●		
Invest in R&D I Technology centers per competence	●		
Focus on businesses, end markets and core technologies of the future		●	
Utilise global network of locations		●	
More focus on end markets and regions with limited presence	●		
Integration of acquisitions in the organisation by a strong implementation team		●	
Strengthen the acquisition team at the head office			●

OPERATIONAL ACTIONS	STARTED	ONGOING	DONE
Strengthen Human Resource Development function at the head office			●
Strengthen talent development by the head office and Management Board	●		
Propagate corporate culture: “The Aalberts Way”	●		
Focused attention to improve safety		●	
Implementing more efficient processes and standardisation of IT systems per business	●		
Aim for clear KPIs with clear responsibilities			●
Establishing an internal audit function			●
Developing an internal audit function		●	
Appropriate measures against cybercrime	●		

LEGAL & REGULATORY ACTIONS	STARTED	ONGOING	DONE
Strengthening functions of head office (including internal audit and governance)			●
Focused attention for Code of Conduct and authorisation chart		●	
Code of Conduct and authorization chart integral part of the internal assessments by group controllers and external auditor			●
Further implementation of Speak up! procedure			●
Business integrity standing topic in management meetings		●	
Strict compliance with competition laws, compliance with economic sanctions and export regulations and anti-bribery legislation placed high on the agenda of local management		●	
E-learning and training in compliance issues	●		
Central claim and proceedings database			●
Proper package of insurance facilities for property, plant and equipment and for potential (product) liability risks			●

FINANCIAL ACTIONS	STARTED	ONGOING	DONE
Central currency cash flow coordination and regional consolidation of purchase and sales in specific currencies			●
Critical assessments risk reports for accuracy and completeness by group controlling and Management Board		●	
Strengthening group controlling functions at the head office			●
Pursuing an active policy of optimising the balance sheet ratios		●	
Funding in local currencies with a maximum term of seven years for the purpose of acquisitions			●
Conducting internal audits and increasing frequency of site visits	●		
Continuous training of financial operational staff		●	
More harmonised policies and procedures for internal, financial and IT controls		●	

The accurate risk management and control systems as set out above do, however, not provide absolute assurance that errors, fraud, losses, or unlawful acts can be prevented. During the 2015 financial year, no significant shortcomings were found in the internal risk management and control systems and no significant changes were made or scheduled for these systems, other than the establishment of the internal audit function and strengthening of the governance function. The internal risk management and control systems have been discussed with the Supervisory Board. These systems have been demonstrated to be adequate and they provide a reasonable degree of assurance that the financial reporting does not contain any material misstatements and that the risk management and control systems operated properly during the 2015 financial year.

CORPORATE GOVERNANCE

Aalberts Industries N.V. endorses the principles of the Dutch Corporate Governance Code (the Code) and applies virtually all best practice provisions of this Code. To a limited extent, these have been adjusted to specific circumstances of Aalberts Industries. An updated guide detailing how Aalberts Industries further improved its compliance with the provisions of the Code is available from the Aalberts Industries website at www.aalberts.com/governance. The Management Board therefore 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 into the annual report. On 22 April 2004, the General Meeting of Shareholders (the General Meeting) 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 governance rules and regulations, or the compliance with the Code. The Management Board and the Supervisory Board annually discuss in detail the rules and regulations and update them where necessary. In the opinion of the Supervisory Board and the Management Board, Aalberts Industries pursues a consistent corporate governance policy. The deviations from the Code relate to the following four subjects.

- **Management Board**
  The term of the current appointment of the CEO and CFO is unlimited. The Executive Director has been appointed for a period of four years and Aalberts Industries will also apply this four year period for the appointment of new members of the Management Board. On dismissal, the existing employment conditions and regulations of the current directors are taken into account; this will not apply to new appointments.

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

- **Company secretary**
  The nature and size of the group is such that the creation of the position of company secretary is not deemed necessary for the time being.

- **Provision of information**
  New information will be disseminated simultaneously and equally. Individuals are provided with information based on the above principle.

DECISION MAKING AND ANTI-TAKEOVER MEASURES

The duties and powers of the General Meeting, the Supervisory Board, the Management Board and 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 individual bodies. By doing so, Aalberts Industries has ensured as much as possible that, when essential decisions are made, the interests of all of the company's stakeholders are taken into account and that the decision-making process can always be conducted in a prudent manner. In the structure, Aalberts Industries has not taken any formal measures to protect itself against a takeover of control.

SPEAK UP & INSIDER TRADING

The Compliance Officer, responsible for dealing with violations of the Code of Conduct of Aalberts Industries, reports to the Management Board and also, independently, once a year to the Supervisory Board. Violations of the Code of Conduct can lead to immediate dismissal. Aalberts Industries does not permit retaliation against employees who, in good faith, seek advice or report conduct that is not in line with the Code of Conduct. In 2015 steps were taken to further implement the improved Speak up! procedure throughout the businesses. The use of the Speak up! form and procedure has been moderated by making it publicly available in various languages at www.aalberts.com/speakup.

There are share transaction notification and regulation provisions in place that apply to members of the Supervisory Board, members of the Management Board, managers of group companies and other designated persons, such as the head office staff. The Compliance Officer keeps an up-to-date record of these persons. Aalberts Industries has an insider trading procedure in place. In 2015 the Annex regarding prevention of insider trading as included in the Code of Conduct was improved. The full text of the insider-trading procedure can be found at www.aalberts.com/insidertrading.

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 to which Aalberts Industries N.V. is exposed.

Langbroek, 24 February 2016

Wim Pelsma (CEO)
John Eijgendaal (CFO)
Oliver Jäger (Executive Director)

"The Supervisory Board has **ascertained** that the corporate governance structure is **effective**"

REPORT OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board believes that the company took the right steps in 2015 to allow the company to further grow. Cooperation between the various group companies has been intensified and makes a significant contribution to the expected further profitable growth. The Management Board and employees have performed well.

FINANCIAL STATEMENTS 2015

The 2015 financial statements have been prepared by the Management Board and have been signed by the Management Board and the Supervisory Board. Page 97 of the financial statements includes the auditor's report from the independent auditor Deloitte Accountants B.V. The Management Board will present the 2015 financial statements to the General Meeting.

The Supervisory Board advises the General Meeting to adopt these financial statements, including the proposed cash dividend of EUR 0.52 per share.

DIVIDEND POLICY

The dividend payment percentage is 30% of the net profit before amortisation. The payment of the dividend is entirely in cash.

COMPOSITION OF THE MANAGEMENT BOARD

The Management Board of Aalberts Industries N.V. consists of:

- Wim Pelsma (CEO)
- John Eijgendaal (CFO)
- Oliver Jäger (Executive Director)

COMPOSITION OF THE SUPERVISORY BOARD

The composition of the Supervisory Board is in accordance with the profile drawn up, which is published on the website of Aalberts Industries. The composition of the Supervisory Board changed in 2015.

Mr. H. (Henk) Scheffers retired by rotation and was re-elected for another two-year term and continued his role as chairman of the Supervisory Board. Mr. W. (Walter) van de Vijver also retired by rotation but did not stand for re-election. He was replaced by Mr. J. (Jan) van der Zouw as new member of the Supervisory Board.

Newly appointed Supervisory Board member Jan van der Zouw was offered an introduction program to become more familiar with the company. Individual meetings with Management Board members and Executive Directors provided insight into the organisational and reporting structure, the 'Aalberts Industries Linked' strategy, the different business models including sales, marketing and distribution channels, the risk management system and control framework. One site visit in The Netherlands was made and two in Germany. The program will continue in 2016.

In 2015, steps were also taken to allow for the nomination of new members for the Supervisory Board who fit the profile.

As of 21 April 2015 the Supervisory Board consists of:

H. (HENK) SCHEFFERS (1948), CHAIRMAN

Dutch nationality
Former Management Board Member of SHV Holdings N.V.
In office since 2007. Current term of office until 2017.
Other relevant positions:
Vice-Chairman Supervisory Board Flint Holding N.V.
Vice-Chairman Supervisory Board Royal BAM Group N.V.
Member of the Supervisory Board Heineken N.V.
Board Member Foundation Administration Office Shares KAS BANK.

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.
In office since 2010. Current term of office until 2018.
Other relevant positions:
Chairman Supervisory Board Batenburg Techniek N.V.
Member Supervisory Board and Chairman NSR Committee ASM International
Member Advisory Board G4S
President Koninklijk Instituut Van Ingenieurs (KIVI)
Chairman Supervisory Board Rotterdams Philharmonisch Orkest
Chairman of Whistleblowers Advisory Centre Committee (Commissie Adviespunt Klokkenluiders).

J. (JAN) VAN DER ZOUW (1954)

Dutch nationality
Former Chairman Management Board Eriks Group N.V.
Former Chairman Management Board Transmark International
In office since 2015. Current term of office until 2019.
Other relevant positions:
Chairman Supervisory Board Grontmij N.V. (until October 2015)
Chairman Supervisory Board Van Wijnen Holding N.V.

BALANCED DISTRIBUTION OF SEATS

The Management and Supervision Act came into force on 1 January 2013, 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.

Two members of the Management Board are Dutch citizens and the member who joined in 2014 has German nationality. In 2014, the General Meeting appointed a new member of the Management Board, leaving the distribution of positions unchanged. For a new member of the Management Board in 2014, a number of strong female candidates were recruited. However, no available female candidates of equal suitability were found. In the future, we will again try to realise a balanced distribution. The capabilities of potential candidates are most important in this respect.

THE WORK OF THE SUPERVISORY BOARD

The Supervisory Board convened on six occasions; the attendance rate was 100%. No members were frequently absent. Since the Supervisory Board wants to monitor the company activities closely from its supervisory position, these meetings are regularly held at one or more group companies. In the year under review, these were Meibes and Rossweiner in Germany.

The Chairman of the Supervisory Board regularly met with the Chief Executive Officer to discuss the business progress and the composition of the Management Board, as well as to prepare 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 Supervisory Board, the Management Board performed its duties in 2015 in an excellent way.

The subjects discussed with the Management Board included the business progress, developments related to results and markets, the interim results and annual financial statements, and the dividend policy. The strategy for the period from 2015 to 2018 was also further discussed and evaluated, with a special focus on the acquisition policy and potential acquisitions. There was also extensive discussion of the business risks, governance risks, internal risk management and control systems, 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 2015. 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 2016.

CORPORATE GOVERNANCE

The Supervisory Board has ascertained that the corporate governance structure, as this applies to Aalberts Industries, is effective. The Supervisory Board and the Management Board have also specifically discussed the further implementation of the Code of Conduct, governance regulations and processes of Aalberts Industries within the entire organisation, including the training and monitoring thereof.

The Supervisory Board supports the more stringent approach to possible governance risks at our group companies combined with a further strengthening of governance at the group level and throughout the business. The general legal counsel discussed governance risk management and a work schedule with the Supervisory Board.
The internal auditor discussed internal risk management and his work schedule with the Supervisory Board and started mid 2015.

The Supervisory Board refers to page 48 providing 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 act critically and independently from each other and the Management Board, as stipulated in the Code and Article 4 of the Supervisory Board Bylaws. This details the statutory duties and duties provided for in the Articles of Association to the Supervisory Board, including providing the Management Board with solicited and unsolicited advice and support.

No conflict of interests

In 2015, there were no conflicts of interests between the company and members of the Management Board or members of the Supervisory Board. Nor were there any transactions of material significance in 2015 between the company and natural persons or legal entities that hold at least 10% of the shares in the company.

Remuneration and audit committees

In accordance with Article 8 of the Supervisory Board Bylaws, the Supervisory Board has not set up separate remuneration and audit committees, but the Supervisory Board as a whole carries out the duties of both these committees. In this context, during the meetings in 2015, the Supervisory Board focused on performance appraisal, financial reporting, and the remuneration policy as approved by the General Meeting in 2010.

Appraisal of performance by 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 held interviews with the Supervisory Board's individual members.

External auditor
Deloitte Accountants B.V. was appointed external auditor for the reporting years 2015, 2016 and 2017 at the General Meeting on 21 April 2015. In the discussion of the interim results and annual financial statements, the Supervisory Board was informed by the external auditor, Deloitte Accountants B.V. Topics discussed included the work carried out, the internal risk management and control systems, and the figures to be published.

REMUNERATION POLICY

The Supervisory Board determines the remuneration of the Management Board members in accordance with the Articles of Association. The remuneration of the individual Management Board members, including share-based remuneration, must be in accordance with the remuneration policy approved by the General Meeting. Within the framework of the Code and the Best Practice principles contained therein, the Supervisory Board has implemented the remuneration policy in line with the strategy, risks and financial objectives of Aalberts Industries. The aim is to achieve a good balance between fixed and variable remuneration and short-term and long-term remuneration. More information is provided on page 94 of the notes to the financial statements.

Objective
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
- variable remuneration in cash for achievements in the short term (one year)
- variable remuneration in shares for achievements in the long term (three years)
- a pension plan.

Basic salary
Once a year, the Supervisory Board determines whether, and if so, to what extent the basic salary will be adjusted, taking into account developments in the market and 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, Free Cash Flow, organic revenue growth, individual (non-financial) performance criteria. The Supervisory Board sets these targets at the beginning of each financial year. The precise criteria are not disclosed, since the company is of the opinion that the disclosure of the (relevant) performance criteria is undesirable from the perspective of the competitive and market positioning of the company. 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 2015, in the context of the Dutch Claw Back Act excessive remuneration to directors, the Supervisory Board saw no reason to adjust the remuneration policy or to claim back bonuses paid.

Variable remuneration (long-term)
The remuneration in the long term for performance of Management Board members and certain members of Management, selected by the Supervisory Board, is in the form of a conditional awarding of shares. The long-term performance criteria focus 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 contract, if this is sooner, unless it can be demonstrated to the Compliance Officer 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 one-third of the contribution.

Adjustment
Each year, the Supervisory Board reviews 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 would like to express its gratitude to the members of the Management Board and all employees of Aalberts Industries for their efforts and dedication in 2015.

Langbroek, 24 February 2016

Henk Scheffers (Chairman)
Martin van Pernis
Jan van der Zouw

FINANCIAL STATEMENTS 2015

1. CONSOLIDATED BALANCE SHEET

before profit appropriation

in EUR million	NOTES	31-12-2015	31-12-2014
ASSETS			**RESTATED***
Intangible assets	10	1,049.8	900.0
Property, plant and equipment	11	736.4	726.3
Deferred income tax assets	17	13.1	14.0
Total non-current assets		**1,799.3**	**1,640.3**
Inventories	12	498.8	489.4
Trade receivables	13	342.7	318.5
Income tax receivables		10.8	7.6
Other current assets	14	43.6	61.5
Cash and cash equivalents	16	45.6	34.8
Total current assets		**941.5**	**911.8**
TOTAL ASSETS		**2,740.8**	**2,552.1**
EQUITY AND LIABILITIES			
Shareholders' equity	4	1,268.7	1,130.8
Non-controlling interests	4	16.0	32.4
Total equity		**1,284.7**	**1,163.2**
Non-current borrowings	16	557.7	428.3
Employee benefit plans	18	81.4	87.0
Deferred income tax liabilities	17	117.1	98.5
Other provisions	18	7.2	18.2
Total non-current liabilities		**763.4**	**632.0**
Current borrowings	16	148.8	192.9
Current portion of non-current borrowings	16	56.7	104.0
Trade and other payables	19	307.4	300.3
Income tax payables		18.6	22.5
Other current liabilities	20	161.2	137.2
Total current liabilities		**692.7**	**756.9**
TOTAL EQUITY AND LIABILITIES		**2,740.8**	**2,552.1**

* We refer to note 7.2 for details of the restatement.

2. CONSOLIDATED INCOME STATEMENT

in EUR million	NOTES	2015	2014
REVENUE	9	**2,475.3**	**2,200.8**
Raw materials and work subcontracted		(954.0)	(868.9)
Personnel expenses	21	(713.9)	(617.8)
Depreciation of property, plant and equipment	11	(95.3)	(84.8)
Amortisation of intangible assets	10	(24.8)	(20.4)
Other operating expenses	22	(440.1)	(382.7)
Total operating expenses		**(2,228.1)**	**(1,974.6)**
OPERATING PROFIT		**247.2**	**226.2**
Net interest expense	23	(17.8)	(15.7)
Foreign currency exchange results	23	1.0	(1.1)
Derivative financial instruments	23	(1.0)	(0.7)
Net interest expense on employee benefit plans	18	(2.6)	(2.7)
Net finance cost		**(20.4)**	**(20.2)**
PROFIT BEFORE INCOME TAX		**226.8**	**206.0**
Income tax expense	24	(58.6)	(56.4)
PROFIT AFTER INCOME TAX		**168.2**	**149.6**
Attributable to:			
Shareholders		165.7	147.5
Non-controlling interests		2.5	2.1
Earnings per share (in EUR)			
Basic	25	1.50	1.33
Diluted	25	1.50	1.33
Earnings per share (before amortisation) (in EUR)			
Basic	25	1.72	1.52
Diluted	25	1.72	1.52

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR million	2015	2014
Profit for the period	**168.2**	**149.6**
Other comprehensive income:		
Remeasurements of employee benefit obligations	7.9	(17.5)
Income tax effect	(1.6)	3.7
Other comprehensive income that will not be reclassified to profit or loss	**6.3**	**(13.8)**
Currency translation differences	19.8	14.5
Fair value changes derivative financial instruments, net of income tax	(0.5)	1.8
Income tax effect	(0.6)	(1.1)
Other comprehensive income that may subsequently be reclassified to profit or loss	**18.7**	**15.2**
Total other comprehensive income for the year, net of income tax	**25.0**	**1.4**
TOTAL COMPREHENSIVE INCOME/(LOSS)	**193.2**	**151.0**
Attributable to:		
Shareholders	190.8	145.9
Non-controlling interests	2.4	5.1

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR million	ISSUED AND PAID-UP SHARE 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 2014	**27.6**	**200.8**	**712.9**	**(33.2)**	**134.2**	**1,042.3**	**12.1**	**1,054.4**
Dividend 2013	–	–	–	–	(45.3)	**(45.3)**	(0.4)	**(45.7)**
Addition to other reserves	–	–	88.9	–	(88.9)	**-**	–	**-**
Share based payments	–	–	(0.4)	–	–	**(0.4)**	–	**(0.4)**
Acquisitions	–	–	–	–	–	**-**	17.7	**17.7**
Transactions with non-controlling interests	–	–	0.8	–	–	**0.8**	(2.1)	**(1.3)**
Profit for the period	–	–	–	–	147.5	**147.5**	2.1	**149.6**
Other comprehensive income for the year, net of income tax	–	–	(13.8)	12.2	–	**(1.6)**	3.0	**1.4**
AS AT 31 DECEMBER 2014	**27.6**	**200.8**	**788.4**	**(21.0)**	**147.5**	**1,143.3**	**32.4**	**1,175.7**
Effect of prior period restatement	–	–	(12.5)	–	–	**(12.5)**	–	**(12.5)**
AS AT 31 DECEMBER 2014 (RESTATED)	**27.6**	**200.8**	**775.9**	**(21.0)**	**147.5**	**1,130.8**	**32.4**	**1,163.2**
Dividend 2014	–	–	–	–	(50.9)	**(50.9)**	(0.3)	**(51.2)**
Addition to other reserves	–	–	96.6	–	(96.6)	**-**	–	**-**
Share based payments	–	–	0.9	–	–	**0.9**	–	**0.9**
Transactions with non-controlling interests	–	–	(2.9)	–	–	**(2.9)**	(18.5)	**(21.4)**
Profit for the period	–	–	–	–	165.7	**165.7**	2.5	**168.2**
Other comprehensive income for the year, net of income tax	–	–	6.3	18.8	–	**25.1**	(0.1)	**25.0**
AS AT 31 DECEMBER 2015	**27.6**	**200.8**	**876.8**	**(2.2)**	**165.7**	**1,268.7**	**16.0**	**1,284.7**

5. CONSOLIDATED CASH FLOW STATEMENT

in EUR million	NOTES	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit	2	247.2	226.2
Adjustments for:			
Depreciation of property, plant and equipment	11	95.3	84.8
Amortisation of intangible assets	10	24.8	20.4
Result on sale of equipment		(2.6)	(1.2)
Changes in provisions		(13.5)	(16.3)
Changes in inventories		6.0	(18.9)
Changes in trade and other receivables		(12.6)	(2.3)
Changes in trade and other payables		(14.5)	14.6
Changes in working capital		**(21.1)**	**(6.6)**
Cash flow from operations		**330.1**	**307.3**
Finance cost paid		(21.4)	(15.0)
Income taxes paid		(69.9)	(56.8)
NET CASH GENERATED BY OPERATING ACTIVITIES		**238.8**	**235.5**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	28	(126.4)	(258.0)
Disposal of subsidiaries	28	32.9	11.9
Purchase of property, plant and equipment		(91.9)	(85.6)
Purchase of intangible assets	11	(7.6)	(4.3)
Proceeds from sale of equipment		12.3	4.3
NET CASH GENERATED BY INVESTING ACTIVITIES		**(180.7)**	**(331.7)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from non-current borrowings	16	198.4	323.5
Repayment of non-current borrowings	16	(120.2)	(120.9)
Dividends paid	4	(50.9)	(45.3)
Cash flow to non-controlling interests	28	(24.1)	(2.0)
NET CASH GENERATED BY FINANCING ACTIVITIES		**3.2**	**155.3**
NET INCREASE/(DECREASE) IN CASH AND CURRENT BORROWINGS		**61.3**	**59.1**
Cash and current borrowings at beginning of period		(158.1)	(207.7)
Net increase/(decrease) in cash and current borrowings		61.3	59.1
Currency differences on cash and current borrowings		(6.4)	(9.5)
CASH AND CURRENT BORROWINGS AS AT END OF PERIOD		**(103.2)**	**(158.1)**
Cash		45.6	34.8
Current borrowings		(148.8)	(192.9)
CASH AND CURRENT BORROWINGS AS AT END OF PERIOD	16	**(103.2)**	**(158.1)**

6. GENERAL INFORMATION

Aalberts Industries N.V., founded in 1975 and quoted on the Euronext Amsterdam stock exchange since March 1987, is a technology company building leading niche market positions in defined businesses serving diverse end markets by focusing on selected core technologies with strong brand names. The company operates from more than 200 locations in more than 30 countries, divided in the activities Building Installations, Climate Control, Industrial Controls and Industrial Services.

Building Installations produces and sells complete connection systems and valves to distribute and control water or gas in heating, cooling, (drinking) water, gas and sprinkler installations in residential, commercial and industrial buildings.

Climate Control develops and produces complete hydronic systems-from source to emitter- for heating and cooling systems. The systems are designed for residential, commercial and industrial building, both new build and renovation.

Industrial Controls develops and produces regulation and control systems for selected niche markets. These technology-market combinations are characterised by an increasing demand for complex, high-value and specific applications.

Industrial Services offers a unique combination of advanced material technology know-how, highly specialised manufacturing expertise and a global network of more than 100 locations with excellent local knowledge and service.

Aalberts Industries N.V. has been incorporated in Utrecht and is domiciled in Langbroek, the Netherlands. The consolidated IFRS financial statements of the company for the year ended 31 December 2015 comprise the company and its subsidiaries ('the Group'). The financial statements were adopted by the Supervisory Board on 24 February 2016 and will be submitted for approval to the General Meeting on 19 April 2016. The Management Board released the full-year results on 25 February 2016.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

7.2 BASIS FOR PREPARATION

The Group has adopted the International Financial Reporting Standards (IFRS) for the preparation of the consolidated financial statements issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. The financial statements also comply with the financial reporting requirements included in section 9 of Book 2 of the Netherlands Civil Code, as far as applicable. In accordance with section 2:402 of the Netherlands Civil Code, an abbreviated version of the statement of operations is prepared in the Parent Company Financial Statements.

The financial statements are presented in EUR million, unless otherwise stated. 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 7.30.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Prior period restatements

The financial statements include prior period restatements for:

- *Adjustments due to finalisation of the preliminary purchase price allocations*
  The fair value of the identifiable assets and liabilities at acquisition date were only determined provisionally by the end of 2014. The purchase price allocations were finalised in 2015 within 12 months from the respective acquisition dates. This has led to some changes in the fair value of tangible fixed assets, inventories and the related deferred tax position. These changes, including the impact on goodwill, have been applied retrospectively in the consolidated balance sheet as at 31 December 2014. These adjustments had no impact on shareholders' equity, cash flow, net profit or earnings per share. We refer to note 28.2 for further details.

- *Adjustments of deferred tax positions originating from acquisitions*
  During the current year, the Group performed a review of past purchase price allocations, as well as other temporary differences and determined that the recognition of deferred tax liabilities and subsequent measurements required adjustments. The adjustments have been applied retrospectively in the consolidated balance sheet as at 31 December 2014 with a total impact on shareholders' equity of EUR 12.5 million. It was considered impracticable to determine the impact on shareholders' equity, net profit or earnings per share for 2014 and earlier years. The impact of any earlier restatement is, however, not expected to be material.

- *Adjustments due to offsetting of assets and liabilities*
  During the current year, the Group completed its reassessment of the impact of amendments to IAS 32 and concluded that amounts previously offset in the presentation of trade debtors, cash and cash equivalents and tax related balance sheet items should be reclassified since the conditions to offset were not met in all circumstances. These changes have been applied retrospectively in the consolidated balance sheet as at 31 December 2014 and mainly impact the gross presentation of customer related payables (EUR 70.8 million) and cash and cash equivalents (EUR 34.7 million) with corresponding entries in current liabilities. In addition the gross presentation of income tax receivables (EUR 7.6 million) and deferred income tax assets (EUR 15.6 million) have been adjusted with corresponding entries in income tax liabilities and deferred income tax liabilities. These adjustments and reclassifications had no impact on shareholders' equity, cash flow, net profit or earnings per share.

These changes have been recognised in the relevant notes to the financial statements.

7.3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

No new standards have become effective or have been, adopted by the Group for the first time for the financial year 2015. The amendments to IAS 19 (Defined Benefit Plans) and the changes related to the annual improvements to IFRSs had no material impact on the Group.

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

IFRS	TOPIC	EFFECTIVE DATE
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

- 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 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 accounting periods beginning on or after 1 January 2018.
  The Group does not plan on early adoption of this standard and the impact on the Group's equity and profit is not yet determined.

- IFRS 15 (Revenue from Contracts with Customers) replaces the existing standards and interpretations related to revenue recognition. The new standard contains significantly more prescriptive and precise requirements in comparison with existing IFRS. This means that the timing and profile of revenue recognition might change. IFRS 15 is effective for accounting periods beginning on or after 1 January 2018 and either a full or modified retrospective application is required.
  The Group does not plan on early adoption of this standard and the impact on the Group's equity and profit is not yet determined.

- Under IFRS 16 (Leases) a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period. The standard will be effective for accounting periods beginning on or after 1 January 2019.
  The Group does not plan on early adoption of this standard and the impact on the Group's equity and profit is not yet determined.

In addition, the Group has not applied the following new and revised IFRSs that have been issued and are effective as of 1 January 2016:

IFRS	TOPIC	EFFECTIVE DATE
Amendments to IFRS 11	Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
Amendments to IAS 1	Disclosure Initiative	1 January 2016
Amendments IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
Amendments IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2014 Cycle	1 January 2016

These changes are not expected to have a material effect on the total equity attributable to shareholders or profit of the Group.

7.4 BASIS FOR CONSOLIDATION

7.4.1 Subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company and its subsidiaries. Control is achieved when the company:

- has power over the investee,
- is exposed, or has rights, to variable returns from its involvement with the investee, and
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

An overview of the main operational Group companies is disclosed in note 28.5.

7.4.2 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 acquire 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 acquires 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.

The accounting of non-controlling interests is determined per transaction. The non-controlling interests are valued either at the fair value on the acquisition date or at a proportionate part of the acquiree's identifiable assets and liabilities. If an acquisition is 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.

7.4.3 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.

Intercompany and related party transactions are determined on an arm's length basis.

7.5 SEGMENT REPORTING

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

7.6 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

7.6.1 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.

7.6.2 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
2015	Year-end	1.357	0.917
2015	Average	1.377	0.901
2014	Year-end	1.277	0.821
2014	Average	1.241	0.753

7.6.3 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.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

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

7.7 INTANGIBLE ASSETS

7.7.1 Goodwill

Goodwill represents the excess of the costs of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is allocated to cash generating units, being the parts of the segments benefiting from the business combination in which the goodwill arose. Goodwill is not amortised but is tested annually for impairment, or more frequently when there is an indication that the unit may be impaired. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

7.7.2 Software

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

7.7.3 Research and development

Expenditure on research and development activities, undertaken with the prospect of gaining new technical knowledge and new commercially feasible products is recognised in the income statement.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits,
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

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

7.7.4 Other intangible assets

Other intangible assets include brand names 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 which is between 10 and 20 years.

7.7.5 Subsequent expenditure

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

7.7.6 Amortisation

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

Goodwill is not subject to amortisation.

7.8 PROPERTY, PLANT AND EQUIPMENT

7.8.1 Valuation

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

7.8.2 Subsequent expenditure

The Group recognises in the net book amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs such as repair and maintenance costs are recognised in the income statement as an expense as incurred. The difference between opening and closing balance of assets under construction normally consists of additions and reclassifications to other categories of property, plant and equipment.

7.8.3 Depreciation

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

CATEGORY	USEFUL LIFE (MINIMUM)	USEFUL LIFE (MAXIMUM)
Land	Indefinite	Indefinite
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

7.8.4 Derecognition

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

7.9 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). : If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. 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.

7.10 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.

7.11 TRADE RECEIVABLES

Trade receivables are recognised initially at fair value. After their initial recognition trade receivables are carried at amortised cost, 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.

7.12 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.

7.13 SHARE CAPITAL

Share capital is classified as equity.

7.14 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 expensed on a straight-line basis over the vesting period with a corresponding increase in equity . The total amount taken into account is determined based on the fair value of the shares as determined on the grant date without taking into account the non-market related performance criteria and continued employment conditions ("vesting conditions"). These vesting conditions are included in the expected number of shares that will be vested and this estimate will be revised at the end of each reporting period. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the other reserves. The shares in question are new shares to be issued by Aalberts Industries N.V.

7.15 DERIVATIVES AND BORROWINGS

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

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.

7.16 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. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

7.17 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted 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 profits 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.

7.18 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. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. 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 service costs including past service costs and the impact of curtailments and settlements are recognised as personnel expenses. The interest expenses are recognised as net interest expenses on employee benefit plans as part of net finance cost. Curtailment gains and losses are accounted for as past service costs. 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 retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Remeasurements, including actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are recognised in other comprehensive income and therefore immediately charged or credited to equity. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

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

7.19 PROVISIONS

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are 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.

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

7.20 TRADE AND OTHER PAYABLES

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

7.21 CURRENT INCOME TAX LIABILITIES

Current income tax liabilities are liabilities arising from the Group's normal business operations. The tax currently payable is based on taxable profit for the year and are mainly current.

7.22 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.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods,
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Group, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period,
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, and
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.
When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

7.23 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.

7.24 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.

7.25 TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax. Taxable profit differs from 'profit before tax' as reported in the consolidated [statement of profit or loss and other comprehensive income/ statement of profit or loss] because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

7.26 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.

7.27 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.

7.28 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.

7.29 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 derived from observable market information.

If a derivative financial instrument is designated as a hedge against the variability in the cash flows of a recognised asset, liability or highly probable forecasted transaction, the effective part of the hedge is recognised through the total result into equity. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or liability, the associated gain or loss that was recognised directly in equity is brought to the income statement. Where hedge accounting is applied, the Group has documented at inception of the hedge relationship the relationship between hedging instruments and hedged items, as well as its risk management objectives for undertaking these hedge transactions.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

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

Cash flow hedges

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

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

7.30 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

7.30.1 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.

7.30.2 Estimated useful lives and residual values

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

7.30.3 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.

7.30.4 Taxes

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

7.30.5 Purchase Price Allocation

For the purpose of the Purchase Price Allocation judgments, estimates and assumptions are made to determine the fair value of the identifiable assets and liabilities at acquisition date. This is mainly related to fair value assessment of tangible fixed assets, intangible assets and the related deferred tax liabilities.

7.30.6 Other critical accounting estimates and assumptions

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

8. FINANCIAL RISK MANAGEMENT

8.1 FINANCIAL RISK FACTORS

The Group's activities are exposed to a variety of financial risks: 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 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 segment 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. This currency risk is monitored but not hedged.

The US dollar and British pound are the major foreign currencies for the Group. As at 31 December 2015, if the Euro had weakened against the US dollar by 10%, with all other variables held constant, the net profit of the Group would have been impacted by positive EUR 0.8 million (2014: positive EUR 0.8 million). The net equity as at year-end would have been impacted by positive EUR 22.5 million (2014: positive EUR 14.7 million). As at 31 December 2015, 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 0.7 million (2014: positive EUR 1.5 million). The net equity as at year-end would have been impacted by positive EUR 12.8 million (2014: positive EUR 10.6 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 in the sales price. Additionally the Group makes use of its strong position in the market for commodities to realise the purchase and delivery of raw materials at the best possible terms and conditions. Where considered necessary, exposures with high risk may be covered through commodity future contracts.

8.1.2 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 the group companies make use of credit insurance. Derivative and cash transactions are executed with creditworthy financial institutions.

The maximum credit risk on financial assets, being the total carrying value of these assets before provisions for impairment of receivables, amounts to EUR 439.1 million (2014: EUR 420.1 million):

in EUR million	31-12-2015	31-12-2014
Trade receivables (before provision for impairment of receivables)	349.9	323.8
Other current assets	43.6	61.5
Cash and cash equivalents	45.6	34.8
TOTAL	**439.1**	**420.1**

8.1.3 Liquidity risk

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

8.1.4 Cash flow and interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises mainly from current and non-current borrowings. 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. As at 31 December 2015, if the Euribor 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 5.6 million (2014: negative EUR 5.5 million), mainly as a result of higher interest expenses on floating rate borrowings. The net equity as at year-end would have been impacted with the same amount. The change in the market value as at balance sheet date of the derivative financial instruments, as a result of the interest adjustment, is excluded from this sensitivity analysis.

8.1.5 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 through the following principal financial ratios: leverage ratio (net debt / EBITDA on 12 months rolling basis), 2015: 1.8 (2014: 1.9), interest cover ratio (EBITDA / net interest expense on 12 months rolling basis), 2015: 21.8 (2014: 22.6), and gearing (net debt / total equity), 2015: 0.6 (2014: 0.6).

9. SEGMENT REPORTING

9.1 REPORTABLE SEGMENTS

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

- Building Installations
- Climate Control
- Industrial Controls
- Industrial Services

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

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

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

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

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

2015	BUILDING INSTALLATIONS	CLIMATE CONTROL	INDUSTRIAL CONTROLS	INDUSTRIAL SERVICES	HOLDING / ELIMINATIONS	TOTAL
Revenue						
External customers	1,124.4	384.3	362.0	604.6	–	**2,475.3**
Inter-segment	28.8	22.3	5.3	6.1	(62.5)	**-**
TOTAL REVENUE	**1,153.2**	**406.6**	**367.3**	**610.7**	**(62.5)**	**2,475.3**
Operating profit (EBITA)	122.5	41.2	45.9	77.1	(14.7)	**272.0**
EBITA as % of revenue	10.6	10.1	12.5	12.6	–	**11.0**
Assets	1,058.6	392.0	496.8	720.5	72.9	**2,740.8**
Liabilities	275.1	82.2	78.5	111.2	10.2	**557.2**
Depreciation	38.0	7.6	10.6	37.6	1.5	**95.3**
Capital expenditures	37.7	6.8	13.6	37.8	0.3	**96.2**

2014	BUILDING INSTALLATIONS	CLIMATE CONTROL	INDUSTRIAL CONTROLS	INDUSTRIAL SERVICES	HOLDING / ELIMINATIONS	TOTAL
Revenue						
External customers	1,012.1	318.0	406.9	463.8	–	**2,200.8**
Inter-segment	33.4	21.8	11.0	4.9	(71.1)	**-**
TOTAL REVENUE	**1,045.5**	**339.8**	**417.9**	**468.7**	**(71.1)**	**2,200.8**
Operating profit (EBITA)	99.8	35.4	53.5	62.7	(4.8)	**246.6**
EBITA as % of revenue	9.5	10.4	12.8	13.4	–	**11.2**
Assets (restated)	1,004.0	400.7	370.4	717.4	59.6	**2,552.1**
Liabilities (restated)	259.9	86.6	63.0	116.3	16.9	**542.7**
Depreciation	35.6	6.4	12.7	28.7	1.4	**84.8**
Capital expenditures	27.1	4.7	11.4	41.2	0.1	**84.5**

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

	2015	2014
Total operating profit (EBITA) of reportable segments	272.0	246.6
Amortisation of intangible assets	(24.8)	(20.4)
Net finance cost	(20.4)	(20.2)
CONSOLIDATED PROFIT BEFORE INCOME TAX	**226.8**	**206.0**

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:

	2015	2014
Total liabilities of reportable segments	557.2	542.7
Non-current and current borrowings	750.8	706.0
Finance leases	12.4	19.2
Tax liabilities	135.7	121.0
Equity	1,284.7	1,163.2
CONSOLIDATED TOTAL EQUITY AND LIABILITIES	**2,740.8**	**2,552.1**

9.2 GEOGRAPHICAL INFORMATION

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

REVENUE	2015	%	2014	%
Western & Northern Europe	1,428.3	57.7	1,283.9	58.3
North America	559.1	22.6	450.4	20.5
Eastern Europe	213.2	8.6	228.9	10.4
Southern Europe	80.2	3.2	76.8	3.5
Middle East & Africa	61.0	2.5	61.4	2.8
Far East	57.8	2.3	42.6	1.9
Other countries	75.7	3.1	56.8	2.6
TOTAL	**2,475.3**	**100.0**	**2,200.8**	**100.0**

Assets are allocated based on the country in which the assets are located and include goodwill, other intangible assets and tangible fixed assets:

NON-CURRENT ASSETS	2015	%	2014	%
Western & Northern Europe	1,355.8	75.4	1,251.6	76.3
North America	266.3	14.8	227.5	13.9
Eastern Europe	95.2	5.3	88.2	5.4
Southern Europe	44.5	2.5	47.1	2.8
Middle East & Africa	0.2	0.0	0.1	0.0
Far East	37.3	2.0	25.8	1.6
TOTAL	**1,799.3**	**100.0**	**1,640.3**	**100.0**

9.3 ANALYSES OF REVENUE BY CATEGORY

REVENUE	2015	%	2014	%
Sales of goods	2,006.9	81.1	1,862.7	84.6
Services	468.4	18.9	338.1	15.4
TOTAL	**2,475.3**	**100.0**	**2,200.8**	**100.0**

10. INTANGIBLE ASSETS

	GOODWILL	OTHER INTANGIBLES	SOFTWARE	TOTAL
AS AT 1 JANUARY 2014				
Cost	513.2	264.2	33.8	**811.2**
Accumulated amortisation	–	(92.2)	(28.2)	**(120.4)**
NET BOOK AMOUNT	**513.2**	**172.0**	**5.6**	**690.8**
Additions	–	1.7	2.6	**4.3**
Acquisition of subsidiaries	100.4	106.7	4.2	**211.3**
Disposal of subsidiaries	–	(0.2)	–	**(0.2)**
Amortisation	–	(17.6)	(2.8)	**(20.4)**
Currency translation	11.1	6.5	0.2	**17.8**
CLOSING NET BOOK AMOUNT	**624.7**	**269.1**	**9.8**	**903.6**
AS AT 31 DECEMBER 2014				
Cost	624.7	389.2	43.9	**1,057.8**
Accumulated amortisation	–	(120.1)	(34.1)	**(154.2)**
NET BOOK AMOUNT	**624.7**	**269.1**	**9.8**	**903.6**
Effect of prior period restatement	(3.6)	–	–	**(3.6)**
AS AT 31 DECEMBER 2014 (RESTATED)	**621.1**	**269.1**	**9.8**	**900.0**
Additions	–	3.0	4.6	**7.6**
Acquisition of subsidiaries	71.0	79.1	0.3	**150.4**
Disposal of subsidiaries	–	–	(0.1)	**(0.1)**
Amortisation	–	(21.0)	(3.8)	**(24.8)**
Currency translation	10.1	5.2	1.4	**16.7**
CLOSING NET BOOK AMOUNT	**702.2**	**335.4**	**12.2**	**1,049.8**
AS AT 31 DECEMBER 2015				
Cost	702.2	483.6	49.3	**1,235.1**
Accumulated amortisation	–	(148.2)	(37.1)	**(185.3)**
NET BOOK AMOUNT	**702.2**	**335.4**	**12.2**	**1,049.8**

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

10.1 GOODWILL

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

Impairment tests

The book amount of goodwill has been allocated to the cash generating units within Building Installations, Climate Control, Industrial Controls and Industrial Services for the purpose of impairment testing. The allocation of the book amount of goodwill to the reportable segments is, on aggregated level, as follows:

	2015	2014
Building Installations	259.9	259.5
Climate Control	105.7	102.1
Industrial Controls	144.9	69.6
Industrial Services	191.7	189.9
TOTAL	**702.2**	**621.1**

The recoverable amount of a cash generating unit is determined based on their calculated value in use. These calculations are pre-tax cash flow projections based on the financial budgets for 2016 which are approved by management and extrapolated for the four years thereafter. Management determined budgeted growth rates based on past performance and its expectations of market developments. For the period after 2020 a growth rate equal to expected long term inflation is taken into account. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash generating units.

The assumptions used for impairment tests are as follows:

2015	BUILDING INSTALLATIONS	CLIMATE CONTROL	INDUSTRIAL CONTROLS	INDUSTRIAL SERVICES
Average growth rate (first 5 years)	3.7% - 5.4%	4.5%	4.7%	4.7%
Long-term average growth rate (after 5 years)	1.0%	1.0%	1.0%	1.0%
Discount rate (pre-tax)	10.7% - 14.9%	11.1%	10.1% - 12.5%	10.7%
Discount rate (post-tax)	8.2% - 9.0%	8.2%	7.5% - 8.0%	7.8%

2014	BUILDING INSTALLATIONS	CLIMATE CONTROL	INDUSTRIAL CONTROLS	INDUSTRIAL SERVICES
Average growth rate (first 5 years)	3.0% - 5.0%	3.8%	4.4% - 4.8%	4.3%
Long-term average growth rate (after 5 years)	1.0%	1.0%	1.0%	1.0%
Discount rate (pre-tax)	10.5% - 12.7%	10.5%	10.5% - 11.0%	10.8%
Discount rate (post-tax)	7.8% - 7.9%	8.0%	7.9% - 8.0%	7.9%

No impairment was necessary following impairment tests on all cash generating units within the Group, since the discounted future cash flows from the cash generating units exceeded the value of the 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. Therefore a sensitivity analysis is performed based on a change in an assumption while holding all other assumptions constant. The following changes in assumptions are assessed:

- Decrease of the average growth rate by 2%
- Decrease of the long term average growth rate by 1%
- Increase of the discount rate (post-tax) by 1%

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

11. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS	PLANT AND EQUIPMENT	OTHER	UNDER CONSTRUCTION	TOTAL
AS AT 1 JANUARY 2014					
Cost	445.6	1,228.5	76.5	45.3	**1,795.9**
Accumulated depreciation	(200.9)	(913.2)	(65.6)	–	**(1,179.7)**
NET BOOK AMOUNT	**244.7**	**315.3**	**10.9**	**45.3**	**616.2**
Additions	13.3	44.3	3.7	23.2	**84.5**
Assets taken into operation	5.2	21.2	0.2	(26.6)	**-**
Disposals	(0.3)	(2.1)	–	(0.9)	**(3.3)**
Acquisition of subsidiaries	48.2	44.4	3.9	5.6	**102.1**
Disposal of subsidiaries	(1.9)	(1.8)	(0.6)	(0.1)	**(4.4)**
Depreciation	(14.8)	(65.7)	(4.3)	–	**(84.8)**
Currency translation	(0.5)	9.0	(0.5)	2.0	**10.0**
CLOSING NET BOOK AMOUNT	**293.9**	**364.6**	**13.3**	**48.5**	**720.3**
AS AT 31 DECEMBER 2014					
Cost	530.7	1,445.1	91.7	48.5	**2,116.0**
Accumulated depreciation	(236.8)	(1,080.5)	(78.4)	–	**(1,395.7)**
NET BOOK AMOUNT	**293.9**	**364.6**	**13.3**	**48.5**	**720.3**
Effect of prior period restatement	6.0	–	–	–	**6.0**
AS AT 31 DECEMBER 2014 (RESTATED)	**299.9**	**364.6**	**13.3**	**48.5**	**726.3**
Additions	9.9	50.0	3.8	32.5	**96.2**
Assets taken into operation	9.1	28.0	1.6	(38.7)	**-**
Disposals	(5.4)	(2.8)	(0.9)	–	**(9.1)**
Acquisition of subsidiaries	5.5	4.4	–	0.1	**10.0**
Disposal of subsidiaries	(6.7)	(1.6)	(0.7)	–	**(9.0)**
Depreciation	(16.9)	(73.5)	(4.9)	–	**(95.3)**
Currency translation	5.3	9.9	–	2.1	**17.3**
CLOSING NET BOOK AMOUNT	**300.7**	**379.0**	**12.2**	**44.5**	**736.4**
AS AT 31 DECEMBER 2015					
Cost	555.7	1,534.8	94.3	44.5	**2,229.3**
Accumulated depreciation	(255.0)	(1,155.8)	(82.1)	–	**(1,492.9)**
NET BOOK AMOUNT	**300.7**	**379.0**	**12.2**	**44.5**	**736.4**

At year-end, Group companies had investment commitments outstanding in respect of property, plant and equipment to the amount of EUR 47.7 million (2014: EUR 51.8 million) of which EUR 44.5 million (2014: EUR 48.5 million) has been capitalised on the balance sheet as advance payment.

Some subsidiaries have encumbered their land and buildings as well as machines by a mortgage.

12. INVENTORIES

	31-12-2015	31-12-2014
Raw materials	116.9	117.2
Work in progress	126.9	120.5
Finished goods	250.1	245.5
Other inventories	4.9	6.2
TOTAL	**498.8**	**489.4**

The costs of inventories recognised as an expense and impairment losses on inventories are included in 'raw materials and work subcontracted'. In 2015 EUR 901.7 million (2014: EUR 823.2 million) raw materials is recognised in the consolidated income statement as raw materials used.

The provision for write-down of inventories, due to obsolescence and slow moving stock, amounts to EUR 29.2 million (2014: EUR 30.8 million). During 2015 a write-off expense of EUR 2.3 million (2014: EUR 1.5 million) is recognised in the consolidated income statement.

No inventories are pledged as security for liabilities.

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

13. TRADE RECEIVABLES

	31-12-2015	31-12-2014
Trade receivables	349.9	323.8
Provision for impairment of receivables	(7.2)	(5.3)
TRADE RECEIVABLES (NET)	**342.7**	**318.5**

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 3.1 million (2014: EUR 1.1 million). The carrying amount approximates the fair value.

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

	2015	2014
AS AT 1 JANUARY	**5.3**	**4.9**
Additions	3.1	1.3
Used during year	(1.3)	(0.7)
Unused amounts reversed	–	(0.2)
Acquisition of subsidiaries	–	0.2
Disposal of subsidiaries	–	(0.3)
Currency translation	0.1	0.1
AS AT 31 DECEMBER	**7.2**	**5.3**

The provision for impairment of receivables of EUR 7.2 million (2014: EUR 5.3 million) is related to receivables past due more than 90 days. The impairment of receivables is based on individual cases.

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

	31-12-2015	31-12-2014
Not past due	287.2	260.8
Past due less than 30 days	37.3	42.5
Past due between 30 days and 60 days	9.7	10.6
Past due between 60 days and 90 days	5.4	2.7
Past due more than 90 days	10.3	7.2
TRADE RECEIVABLES	**349.9**	**323.8**

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

	31-12-2015	31-12-2014
Euro	167.8	171.7
US dollar	91.9	70.5
British pound	43.7	38.7
Other currencies	46.5	42.9
TRADE RECEIVABLES	**349.9**	**323.8**

14. OTHER CURRENT ASSETS

	31-12-2015	31-12-2014
Prepaid and accrued income	14.3	12.8
Other receivables	29.3	48.7
TOTAL	**43.6**	**61.5**

Other receivables include receivables related to the disposal of subsidiaries for an amount of EUR nil (2014: EUR 21.0 million) and the carrying amount approximates the fair value.

15. EQUITY

15.1 SHARE CAPITAL

The total number of shares outstanding at year-end was 110.6 million shares (2014: 110.6 million shares) with a par value of EUR 0.25 per share.
In addition, there are 100 priority shares issued with a par value of EUR 1.00 per share. An explanation of the total number of shares outstanding is included in note 33.5.

15.2 SHARE BASED PAYMENTS (PERFORMANCE SHARE PLAN)

Aalberts Industries reviews on an annual basis whether awards from the 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.

PSP 2013-2015: In June/July 2013, a total number of 82,000 (100%) conditional shares were granted and accepted and another 10,000 (100%) shares in May 2014. As at the end of 2015, there are still 78,000 conditional shares in circulation because a number of employees left (2014: 78,000 shares). Based on the average growth of the earnings per share before amortisation (EPS) over the three-year period (2013-2015) it is expected that 73% of the conditional shares will vest in April 2016, which is equal to a total of 56,940 shares (market value of EUR 1.8 million as at the end of 2015). An amount of EUR 0.1 million was charged to the personnel expenses and credited to total equity (overall no impact on equity).

PSP 2015-2017: In May/June 2015, a total number of 135,500 (100%) conditional shares were granted and accepted. The fair value of the Performance Shares is based on the share price on the grant date, minus the discounted value (risk-free rate of minus 0.090% - minus 0.169%) 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. As at the end of 2015, the total fair value of the 135,500 conditional shares was EUR 3.6 million. An amount of EUR 0.8 million was charged to the personnel expenses and credited to total equity (overall no impact on equity).

The 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 94.

15.3 DIVIDEND

The dividends paid in 2015 were EUR 0.46 per share (2014: EUR 0.41 per share). A dividend in respect of the year ended 31 December 2015 of EUR 0.52 per share will be proposed at the General Meeting to be held on 19 April 2016. These financial statements do not reflect this dividend payable.

15.4 NON-CONTROLLING INTERESTS

Non-controlling interests amount to EUR 16.0 million (2014: EUR 32.4 million). The decrease in 2015 is mainly related to Impreglon SE. Aalberts Industries N.V. achieved 100% ownership of Impreglon SE after successfully finalising the squeeze out process. The purchase price paid for the expansion of the controlling interest from 86.0% to 100.0% has been recognised (including transaction costs) as a transaction with shareholders and is therefore charged to equity.

16. 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	< 3.5	> 3.0
As at 31 December of each year	< 3.0	> 3.0

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

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

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

COVENANT RATIOS AS AT YEAR END	2015	2014
Leverage ratio	1.8	1.9
Interest cover ratio	21.8	22.6

	BANK BORROWINGS	FINANCE LEASES	TOTAL 2015	TOTAL 2014
AS AT 1 JANUARY 2015	**513.1**	**19.2**	**532.3**	**272.5**
New borrowings	197.7	0.7	198.4	323.5
Repayments	(117.5)	(2.7)	(120.2)	(120.9)
Acquisition of subsidiaries	–	(4.9)	(4.9)	48.2
Translation differences	8.7	0.1	8.8	9.0
AS AT 31 DECEMBER 2015	**602.0**	**12.4**	**614.4**	**532.3**
Current portion of non-current borrowings	(55.0)	(1.7)	(56.7)	(104.0)
NON-CURRENT BORROWINGS AS AT 31 DECEMBER 2015	**547.0**	**10.7**	**557.7**	**428.3**

The current portion of non-current borrowings amounts to EUR 56.7 million (2014: EUR 104.0 million) and is presented within the current liabilities. The carrying amount approximates the fair value; the effective interest rate approximates the average interest rate. The average effective interest rate on the portfolio of borrowings outstanding in 2015, including hedge instruments related to these borrowings, amounted to 1.9% (2014: 2.5%).

16.1 BANK BORROWINGS

The maturity of the future undiscounted cash flows related to bank borrowings is as follows:

	REPAYMENTS BANK BORROWINGS	INTEREST PAYMENTS	TOTAL 2015	TOTAL 2014
2015	–	–	–	113.8
2016	55.0	10.1	65.1	64.3
2017	93.1	8.2	101.3	99.1
2018	113.4	6.1	119.5	80.1
2019	106.3	4.4	110.7	74.5
2020	104.3	2.8	107.1	73.3
2021 and thereafter	129.9	1.4	131.3	62.0
TOTAL	**602.0**	**33.0**	**635.0**	**567.1**

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

BANK BORROWINGS	2015	2014
Euro	542.7	424.2
US dollar	52.2	81.8
Other currencies	7.1	7.1
TOTAL	**602.0**	**513.1**

16.2 FINANCE LEASES

MATURITY FINANCE LEASES	2015	2014
Minimum lease payments		
Within 1 year	2.8	3.7
Between 1-5 years	14.6	16.3
Over 5 years	8.7	13.3
	26.1	**33.3**
Future finance charges		
Within 1 year	1.2	1.3
Between 1-5 years	4.7	4.8
Over 5 years	7.9	8.0
	13.8	**14.1**
Present value of finance lease		
Within 1 year	1.7	2.4
Between 1-5 years	10.0	11.5
Over 5 years	0.7	5.3
PRESENT VALUE OF FINANCE LEASE IN THE BALANCE SHEET	**12.4**	**19.2**

16.3 CASH AND CURRENT BORROWINGS

BANK BORROWINGS	31-12-2015	31-12-2014
Cash	45.6	34.8
Current borrowings	(148.8)	(192.9)
CASH AND CURRENT BORROWINGS	**(103.2)**	**(158.1)**

The cash and current borrowings amount to EUR 103.2 million negative (2014: EUR 158.1 million negative). The cash consists of cash and bank balances: EUR 41.8 million (2014: EUR 34.8 million) and cash in transit: EUR 3.8 million (2014: EUR nil). The current borrowings are drawn on credit facilities which consist of cash pool agreements with several domestic and foreign financial institutions. Cash is freely disposable.

Current borrowings are short-term credit facilities consisting of committed and uncommitted lines, provided by a number of credit institutions. The total of these facilities at year-end 2015 amounted to EUR 856.0 million (2014: EUR 778.0 million), of which EUR 148.8 million was used (2014: EUR 192.9 million). The carrying amount approximates the fair value.

17. DEFERRED INCOME TAXES

	TAX LOSSES	INTANGIBLE ASSETS	PLANT AND EQUIPMENT	PROVISIONS	WORKING CAPITAL AND OTHER	OFF-SETTING	(NET ASSET) / LIABILITY
Assets	3.6	0.1	0.7	15.9	4.9	(4.8)	20.4
Liabilities	–	40.2	26.6	0.8	6.7	(4.8)	69.5
AS AT 1 JANUARY 2014	**(3.6)**	**40.1**	**25.9**	**(15.1)**	**1.8**	**–**	**49.1**
Income statement	–	(2.7)	(1.1)	0.2	(1.6)	–	(5.2)
Direct to other comprehensive income	–	–	–	(3.2)	0.7	–	(2.5)
Acquisition subsidiaries	–	31.7	–	(1.6)	1.0	–	31.1
Disposal subsidiaries	–	–	(0.5)	0.3	(0.1)	–	(0.3)
Currency translation	–	1.8	0.9	(0.8)	–	–	1.9
Movements 2014	**–**	**30.8**	**(0.7)**	**(5.1)**	**–**	**–**	**25.0**
Assets	3.6	0.2	1.2	21.8	4.9	(2.1)	29.6
Liabilities	–	71.1	26.4	1.6	6.7	(2.1)	103.7
AS AT 31 DECEMBER 2014	**(3.6)**	**70.9**	**25.2**	**(20.2)**	**1.8**	**–**	**74.1**
Effect of prior period restatement	(0.5)	4.6	9.0	(1.5)	(1.2)	–	10.4
Assets (restated)	4.1	0.1	1.2	23.3	6.1	(20.8)	14.0
Liabilities (restated)	–	75.6	35.4	1.6	6.7	(20.8)	98.5
AS AT 31 DECEMBER 2014 (RESTATED)	**(4.1)**	**75.5**	**34.2**	**(21.7)**	**0.6**	**–**	**84.5**
Income statement	(0.4)	(2.1)	(3.9)	2.6	(0.3)	–	(4.1)
Direct to other comprehensive income	–	(0.1)	–	2.4	(0.1)	–	2.2
Acquisition subsidiaries	–	19.7	(0.1)	(0.2)	–	–	19.4
Currency translation	(0.1)	1.5	1.8	(1.2)	–	–	2.0
Movements 2015	**(0.5)**	**19.0**	**(2.2)**	**3.6**	**(0.4)**	**–**	**19.5**
Assets	4.6	0.2	1.3	19.8	9.9	(22.7)	13.1
Liabilities	–	94.7	33.3	1.7	10.1	(22.7)	117.1
AS AT 31 DECEMBER 2015	**(4.6)**	**94.5**	**32.0**	**(18.1)**	**0.2**	**–**	**104.0**

Deferred income tax assets mainly relate to temporary differences on pension provisions and recognised tax 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.

17.1 UNRECOGNISED UNUSED TAX LOSSES

The Group has unrecognised carry-forward tax losses amounting to some EUR 27.6 million (2014: EUR 19.0 million). The related deferred income tax assets have not been recorded, since future usage is mainly depending on profit-earning capacity.

UNRECOGNISED UNUSED TAX LOSSES	31-12-2015	31-12-2014
Expire in less than 1 year	–	–
Expire between 1 and 5 years	9.4	–
Expire from 5 years or more	0.7	1.0
Indefinite	17.5	18.0
TOTAL UNRECOGNISED UNUSED TAX LOSSES	**27.6**	**19.0**

18. PROVISIONS

18.1 RETIREMENT BENEFIT OBLIGATIONS

	PRESENT VALUE (PARTLY) FUNDED OBLIGATIONS	FAIR VALUE PLAN ASSETS	NET LIABILITY	PRESENT VALUE UNFUNDED OBLIGATIONS	TOTAL
AS AT 1 JANUARY 2014	**138.6**	**(91.9)**	**46.7**	**17.1**	**63.8**
Current service cost	0.7	–	**0.7**	0.7	**1.4**
Curtailments and settlements	–	–	**-**	0.1	**0.1**
Interest expense / (income)	6.3	(4.2)	**2.1**	0.6	**2.7**
Total recognised in income statement	7.0	(4.2)	**2.8**	1.4	**4.2**
Actuarial gains and losses (demographic assumptions)	(0.2)	–	**(0.2)**	(0.1)	**(0.3)**
Actuarial gains and losses (financial assumptions)	18.1	–	**18.1**	3.2	**21.3**
Actuarial gains and losses (experience adjustments)	(0.2)	–	**(0.2)**	0.6	**0.4**
Re-measurements of plan assets	–	(3.9)	**(3.9)**	–	**(3.9)**
Total recognised in other comprehensive income	17.7	(3.9)	**13.8**	3.7	**17.5**
Contributions by employer	–	(3.1)	**(3.1)**	–	**(3.1)**
Contributions by participants	–	(0.3)	**(0.3)**	–	**(0.3)**
Benefits paid	(4.7)	4.7	**-**	(1.7)	**(1.7)**
Acquisition subsidiaries	20.9	(17.5)	**3.4**	0.5	**3.9**
Disposal subsidiaries	(0.3)	–	**(0.3)**	(0.2)	**(0.5)**
Currency translation	9.0	(5.8)	**3.2**	–	**3.2**
AS AT 31 DECEMBER 2014	**188.2**	**(122.0)**	**66.2**	**20.8**	**87.0**

	PRESENT VALUE (PARTLY) FUNDED OBLIGATIONS	FAIR VALUE PLAN ASSETS	NET LIABILITY	PRESENT VALUE UNFUNDED OBLIGATIONS	TOTAL
AS AT 1 JANUARY 2015	**188.2**	**(122.0)**	**66.2**	**20.8**	**87.0**
Current service cost	1.3	–	**1.3**	0.6	**1.9**
Past service cost	(0.8)	–	**(0.8)**	–	**(0.8)**
Interest expense / (income)	6.3	(4.1)	**2.2**	0.4	**2.6**
Total recognised in income statement	6.8	(4.1)	**2.7**	1.0	**3.7**
Actuarial gains and losses (demographic assumptions)	(0.3)	–	**(0.3)**	(0.2)	**(0.5)**
Actuarial gains and losses (financial assumptions)	(5.4)	–	**(5.4)**	–	**(5.4)**
Actuarial gains and losses (experience adjustments)	(2.0)	–	**(2.0)**	(0.2)	**(2.2)**
Re-measurements of plan assets	–	0.2	**0.2**	–	**0.2**
Total recognised in other comprehensive income	(7.7)	0.2	**(7.5)**	(0.4)	**(7.9)**
Contributions by employer	(0.1)	(4.1)	**(4.2)**	–	**(4.2)**
Contributions by participants	0.3	(0.3)	**-**	–	**-**
Benefits paid	(7.3)	7.3	**-**	(1.3)	**(1.3)**
Currency translation	10.2	(6.1)	**4.1**	–	**4.1**
AS AT 31 DECEMBER 2015	**190.4**	**(129.1)**	**61.3**	**20.1**	**81.4**

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	158.1	4.8	1.9	25.6	**190.4**
Fair value of plan assets	(105.1)	(2.7)	(0.1)	(21.2)	**(129.1)**
	53.0	**2.1**	**1.8**	**4.4**	**61.3**
Present value of unfunded obligations	–	11.5	7.6	1.0	**20.1**
LIABILITY IN THE BALANCE SHEET AS AT 31 DECEMBER 2015	**53.0**	**13.6**	**9.4**	**5.4**	**81.4**
LIABILITY IN THE BALANCE SHEET AS AT 31 DECEMBER 2014	**57.2**	**19.0**	**8.5**	**2.3**	**87.0**

AMOUNTS RECOGNISED IN INCOME STATEMENT	UNITED KINGDOM	GERMANY	FRANCE	OTHER	TOTAL
Current service cost	0.2	0.1	0.5	1.1	**1.9**
Past service costs	–	–	–	(0.8)	**(0.8)**
Total recognised in personnel expenses	0.2	0.1	0.5	0.3	**1.1**
Interest expense / (income)	2.1	0.2	0.2	0.1	**2.6**
TOTAL RECOGNISED IN INCOME STATEMENT	**2.3**	**0.3**	**0.7**	**0.4**	**3.7**

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

ACTUARIAL ASSUMPTIONS 2015	UNITED KINGDOM	GERMANY	FRANCE
Discount rate	3.80%	2.20%	2.00%
Rate of inflation	3.10%	1.50%	2.00%
Future salary increases	2.10%	2.00%	2.00%

ACTUARIAL ASSUMPTIONS 2014	UNITED KINGDOM	GERMANY	FRANCE
Discount rate	3.50%	1.80%	2.50%
Rate of inflation	3.00%	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 8.1%	Increase by 8.0%
Rate of inflation	0.50%	Increase by 6.7%	Decrease by 6.9%
Future salary increases	0.50%	Increase by 3.3%	Decrease by 3.5%
Life expectancy	1 year	Increase by 2.7%	Decrease by 2.7%

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

The plan assets consist of the following categories:

PLAN ASSET CATEGORIES	2015	2014
Equities	54%	55%
Bonds	5%	6%
Other net assets	41%	39%
TOTAL	**100%**	**100%**

The other net assets mainly comprise of collective insurance contracts held by insurance companies.
The Dutch subsidiaries participate in multi-employer pension plans, under IFRS these plans qualify as defined contribution plans.
The Group expects EUR 5.3 million in contributions to be paid to its defined benefit plans in 2016 of which EUR 3.2 million is related to the UK defined benefit plans.

UK Defined Benefit Plans

The defined benefit plans in the UK comprise the Yorkshire Fittings Pension Scheme and the TTI Group Pension Scheme. These are separate trustee administrated funds holding the pension assets to meet long term pension liabilities for some 740 pension scheme members. The defined benefit plans can be classified as final salary benefit plans. The actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out by an external company. Both actuaries are Fellow of the Institute and Faculty of Actuaries.
None of the fair values of the related assets include any direct investments in the company's own financial instruments or any property occupied by, or other assets used by, the company. All of the scheme assets have a quoted market price in an active market with the exception of the Trustee's bank account balance. The plan asset scheme of Yorkshire Fittings Pension Scheme holds next to equities, bonds, property and cash also Liability Driven Investments ('LDI'). The LDI aim to hedge 50% of the inflation risk and 30% of the interest risk rate to the liabilities. The asset is classified as 'other net assets' as at December 2015 and as at December 2014 (restated).
The average duration of the defined benefit obligation at the period ended 31 December 2015 is 18 years for the Yorkshire Fittings Pension Scheme and 17 years for the TTI Group Pension Scheme.

Together with the trustees, the investment strategy is reviewed at the time of each funding valuation. The pension schemes are subject to a tri-annual actuarial review at which point the future funding strategy is agreed between the trustees and the company.

As at 31 December 2015, the actuarial valuation of the Yorkshire Fittings Pension Scheme showed a deficit of EUR 51.7 million. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 15 years from 1 April 2012 by the payment of EUR 2.2 million per annum in respect of the deficit, increasing 4% per annum. Based on the actuarial review held in 2015, an update of the annual payment is currently re-assessed.

As at 31 December 2015, the actuarial valuation of TTI Group Pension Scheme showed a deficit of EUR 7.4 million. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 17 years and 3 months from 31 December 2012 by the payments of contributions of EUR 0.4 million for the year 2013, followed by contributions of EUR 0.6 million per annum thereafter.

In addition and in accordance with the actuarial valuation, the Group has agreed with the trustees that it will meet expenses of the plans and levies to the Pension Protection Fund as and when they are due.

18.2 OTHER PROVISIONS

	2015	2014
AS AT 1 JANUARY	**18.2**	**9.3**
Additions	1.6	2.6
Used during year	(3.8)	(1.7)
Unused amounts reversed	(1.9)	(1.1)
Acquisition subsidiaries	1.8	6.7
Disposal subsidiaries	–	(0.3)
Reclassified to current	(9.6)	–
Currency translation	0.9	0.2
AS AT 31 DECEMBER	**7.2**	**15.7**
Effect of prior period restatement		2.5
AS AT 31 DECEMBER (RESTATED)		**18.2**

The other provisions consist of liabilities related to normal business operations and provisions for restructuring and environmental restoration. The unpaid parts of purchase considerations for acquisitions included in other provisions are EUR nil (2014: EUR 9.8 million) because they will be settled in 2016 and therefore included in other current liabilities.

19. TRADE AND OTHER PAYABLES

	31-12-2015	31-12-2014
Trade creditors	218.0	219.8
Investment creditors	14.3	9.7
Customer related payables	75.1	70.8
TOTAL	**307.4**	**300.3**

20. OTHER CURRENT LIABILITIES

	31-12-2015	31-12-2014
Social security charges and taxes	23.8	22.0
Value added tax	6.5	8.2
Accrued expenses	36.4	38.8
Amounts due to personnel	52.2	48.1
Contingent purchase considerations	24.6	-
Derivative financial instruments	5.0	3.6
Other	12.7	16.5
TOTAL	**161.2**	**137.2**

The contingent purchase considerations are related to the unpaid part of recent acquisitions and will be paid in full in the first half year 2016.

The derivative financial instruments consist of the following items:

	31-12-2015	31-12-2014
Interest rate swap contracts	3.4	2.9
Foreign currency exchange contracts	0.7	0.5
Metal hedging contracts	0.9	0.2
TOTAL	**5.0**	**3.6**

The principal amounts of the outstanding interest rate swap contracts at 31 December 2015 were EUR 375.0 million (2014: EUR 90.0 million), for foreign currency exchange contracts EUR 156.1 million (2014: EUR 37.0 million) and for metal hedging contracts EUR 11.5 million (2014: EUR 8.0 million).

The majority of the outstanding foreign currency exchange and metal hedging contracts has a short term nature. Interest rate swaps maturity is directly related to the bank borrowings concerned (note 16). The fair value of financial instruments equals the market value at 31 December 2015. All financial instruments are classified as level 2.

The valuation of foreign currency hedging contracts is based on future cash flows which are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. For interest rate swaps the valuation is based on future cash flows which are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties. An assessment had been made of a potential debit situation, however, has not been recorded as adjustment as deemed immaterial. This approach is equal to prior years.

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

21. PERSONNEL EXPENSES

	2015	2014
Wages and salaries	(570.2)	(491.0)
Social security charges	(105.0)	(92.9)
Defined benefit plans	(1.1)	(1.5)
Defined contribution plans	(17.4)	(15.4)
Other expenses related to employees	(20.2)	(17.0)
TOTAL	**(713.9)**	**(617.8)**

In the year under review, the average number of full-time employees amounted to 14,843 (2014: 13,338) of which 12,917 (2014: 11,472) full-time employees are active outside The Netherlands.

The remuneration of the Management and Supervisory Board is disclosed as part of the company financial statements (note 33.10).

22. OTHER OPERATING EXPENSES

	2015	2014
Production expenses	(249.4)	(212.2)
Selling expenses	(76.3)	(66.8)
Housing expenses	(41.8)	(34.6)
General expenses	(88.5)	(87.0)
Warranty costs	(3.6)	(3.0)
Other operating income	19.5	20.9
TOTAL	**(440.1)**	**(382.7)**

Production expenses mainly comprise 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 non-recurring items like government grants and insurance amounts received. The realised book profit on the disposals of subsidiaries recognised in 2015 amounts to EUR 4.9 million (2014: EUR 20.0 million). The proceeds from the 2015 transactions were used to further strengthen the existing market positions and operations. Several projects started in 2014 and continued in 2015 lead to non-recurring expenses for an amount of EUR 12.7 million (2014: EUR 14.8 million).

23. NET FINANCE COST

	2015	2014
Interest income	**0.6**	**1.9**
Interest expenses:		
Bank borrowings	(17.7)	(16.9)
Finance leases	(0.7)	(0.7)
Total interest expense	**(18.4)**	**(17.6)**
Net interest expense	**(17.8)**	**(15.7)**
Foreign currency exchange results	**1.0**	**(1.1)**
Fair value results on financial instruments:		
Interest/foreign currency swaps	(0.4)	(0.6)
Metal price hedge contracts	(0.6)	(0.1)
Total fair value results on derivative financial instruments	**(1.0)**	**(0.7)**
Net interest expense on employee benefit plans	**(2.6)**	**(2.7)**
NET FINANCE COST	**(20.4)**	**(20.2)**

24. INCOME TAX EXPENSES

	2015	2014
Current tax:		
Current year	60.5	59.6
Prior years	2.2	1.9
	62.7	**61.5**
Deferred tax	(4.1)	(5.1)
TOTAL INCOME TAX EXPENSE	**58.6**	**56.4**

	2015	2014
Profit before tax	**226.8**	**206.0**
Tax calculated at domestic rates applicable to profits	67.6	59.8
Expenses not deductible for tax purposes	4.4	2.7
Tax-exempt results and tax relief facilities	(15.7)	(6.9)
Other effects	2.3	0.8
TOTAL INCOME TAX EXPENSE	**58.6**	**56.4**
Effective tax rate	25.8%	27.4%

The weighted average applicable domestic tax rate increased due to changes in the country mix. For 2015 the weighted average applicable domestic tax rate amounted to 29.8% (2014: 29.0%).

25. EARNINGS AND DIVIDENDS PER SHARE

	2015	2014
Net profit (in EUR million)	165.7	147.5
Weighted average number of shares in issue (x1)	110,580,102	110,580,102
Basic earnings per share (in EUR)	**1.50**	**1.33**
Net profit (in EUR million)	165.7	147.5
Weighted average number of shares in issue including effect of performance share plan (x1)	110,772,542	110,658,102
Diluted earnings per share (in EUR)	**1.50**	**1.33**
Net profit before amortisation (in EUR million)	190.4	167.9
Weighted average number of shares in issue (x1)	110,580,102	110,580,102
Basic earnings per share before amortisation (in EUR)	**1.72**	**1.52**
Net profit before amortisation (in EUR million)	190.4	167.9
Weighted average number of shares in issue including effect of performance share plan (x1)	110,772,542	110,658,102
Diluted earnings per share before amortisation (in EUR)	**1.72**	**1.52**

The dividends paid in 2015 were EUR 0.46 per share (2014: EUR 0.41 per share). A dividend in respect of the year ended 31 December 2015 of EUR 0.52 per share will be proposed at the General Meeting to be held on 19 April 2016. These financial statements do not reflect this dividend payable.

26. CONTINGENCIES

The Group has contingent liabilities in respect of bank and other guarantees arising from the ordinary course of business. It is not anticipated that any material liabilities will rise from the contingent liabilities. The Group has provided guarantees in the ordinary course of business amounting to EUR 18.6 million (2014: EUR 20.8 million) to third parties.

Outstanding commitments related to the purchase of copper, brass and aluminium for the European Building Installations and Climate Control operations amounted to EUR 47.7 million as at year-end (2014: EUR 35.0 million).

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	2015	2014
Due in less than 1 year	19.7	18.3
Due between 1 and 5 years	45.9	40.5
Due from 5 years or more	17.1	14.8
TOTAL COMMITMENTS	**82.7**	**73.6**

28. BUSINESS COMBINATIONS

The Group acquired the following entities during 2015:

GROUP COMPANY	HEAD OFFICE IN	CONSOLIDATED AS FROM	INTEREST	GROUP ACTIVITY
VENTREX Automotive GmbH	Austria	1 October 2015	100.0%	Industrial Controls

Next to the VENTREX acquisition, Aalberts Industries acquired a small location within the segment Industrial Services.

28.1 VENTREX AUTOMOTIVE GmbH (VENTREX)

Aalberts Industries N.V. has reached an agreement to acquire 100% of the shares of VENTREX Automotive GmbH (VENTREX). The company with 145 employees, based in Graz, Austria, generates an annual revenue of approximately EUR 50.0 million. VENTREX has a leading global market position as a tier 1 and 2 supplier for charge valves for automotive air conditioning, CNG regulators and valves for the automotive industry. The company is also a leading supplier of seat compressors for the agricultural and heavy duty industrial machinery. With customers all over the world, VENTREX has a reputation as innovative leader with highly automated manufacturing, sophisticated clean room assembly facilities, strong research & development and highly skilled staff. Consistent innovation in all operational areas with strict quality management is the basis of its continuous sustainable profitable growth.

Our group company Ventil Technik International GmbH (VTI) based in Menden, Germany, is also specialised in high pressure valve and regulator technology and has a complementary portfolio in the markets for automotive, medical, air-fire and technical gases. The combination VENTREX-VTI enables us to offer combined technologies in different end markets; develop regions with combined strength and joint research & development capabilities, such as North America and Asia; optimise manufacturing and assembly processes by using the best practices; accelerate organic growth through joint and intensified investments in research & development.

The results of VENTREX are consolidated effective 1 October 2015 and directly contributed to the earnings per share. The acquisition has been financed from credit facilities.

28.2 FAIR VALUE AND CONTRIBUTION OF BUSINESS COMBINATIONS

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

FAIR VALUES OF ASSETS AND LIABILITIES ARISING FROM BUSINESS COMBINATIONS	TOTAL
Intangible assets	79.4
Property, plant and equipment	10.0
Inventories	3.9
Receivables and other current assets	6.6
Cash and current borrowings	9.9
Payables and other current liabilities	(8.3)
Net deferred tax assets (liability)	(19.4)
Other provisions	(1.8)
Net assets acquired	**80.3**
Purchase consideration settled in cash	136.3
Contingent purchase consideration	15.0
Total purchase consideration	**151.3**
GOODWILL	**71.0**
Purchase consideration settled in cash	(136.3)
Cash and current borrowings	9.9
CASH OUTFLOW ON ACQUISITIONS	**(126.4)**

The fair values of the identifiable assets and liabilities as at acquisition date mainly relate to the VENTREX acquisition and were determined provisionally and are subject to change. This is mainly related to fair value assessment of tangible fixed assets, intangible assets and the related deferred tax liabilities. The fair values are based on the outcome of the preliminary purchase price allocation which will be finalised within 12 months from acquisition date.

The contingent purchase consideration of EUR 15.0 million relates to agreed upon additional considerations depending on the results for the year 2015. The contingent purchase consideration relating to these transactions represents its fair value as at acquisition date. The contingent purchase consideration is recognised under other current liabilities.

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

The increase of the 2015 revenue due to the consolidation of acquisitions amounted to EUR 11.0 million. Total 2015 revenue reached an amount of EUR 50.0 million (pro forma). The contribution to the 2015 operating profit of Aalberts Industries amounted to EUR 3.3 million where a total operating profit for the year was reached of EUR 18.0 million (pro forma). The nominal value of the acquired receivables amounts to EUR 6.6 million (fair value EUR 6.6 million).

In 2014 the following entities were acquired:

GROUP COMPANY	HEAD OFFICE IN	CONSOLIDATED AS FROM	INTEREST	GROUP ACTIVITY
Nexus Valve Inc.	United States	1 March 2014	100.0%	Climate Control
Flamco Holding BV	The Netherlands	1 July 2014	100.0%	Climate Control
Impreglon SE	Germany	1 October 2014	86.0%	Industrial Services

In 2015 Aalberts Industries N.V. achieved 100% ownership of Impreglon SE after successfully finalising the squeeze out process. The integration and improvement plans, which were already in place, will be accelerated in the coming period. The purchase price paid for the expansion of the controlling interest from 86.0% to 100.0% amounts to EUR 19.5 million. Together with the expansion of other non-controlling interests this leads to a total amount of EUR 24.1 million which has been recognised in the cash flow from financing activities.

The fair value of the identifiable assets and liabilities at acquisition date were only determined provisionally by the end of 2014 based on the outcome of the preliminary purchase price allocations. These purchase price allocations were finalised in 2015 within 12 months from the respective acquisition dates. This has led to some changes in the fair value, mainly related to tangible fixed assets, intangible assets and the related deferred tax liabilities. These changes have been adjusted retrospectively and included in the restated consolidated balance sheet as at per 31 December 2014.

The impact of the finalisation of the purchase price allocation can be summarised as follows:

FAIR VALUES OF ASSETS AND LIABILITIES ARISING FROM BUSINESS COMBINATIONS	AS REPORTED	ADJUSTMENT	RESTATED
Intangible assets	110.9		110.9
Property, plant and equipment	102.0	6.0	108.0
Inventories	46.1	(2.0)	44.1
Receivables and other current assets	46.2		46.2
Cash and current borrowings	(44.1)		(44.1)
Payables and other current liabilities	(39.9)		(39.9)
Net deferred tax assets (liability)	(31.1)	4.8	(26.3)
Other provisions	(5.2)		(5.2)
Non-current borrowings	(48.2)		(48.2)
Net assets acquired	**136.7**	**8.8**	**145.5**
Purchase consideration settled in cash	213.9		213.9
Contingent purchase consideration	5.5	2.5	8.0
Non-controlling interest	17.7		17.7
Total purchase consideration	**237.1**	**2.5**	**239.6**
GOODWILL	**100.4**	**(6.3)**	**94.1**
Purchase consideration settled in cash	(213.9)		(213.9)
Cash and current borrowings	(44.1)		(44.1)
CASH OUTFLOW ON ACQUISITIONS	**(258.0)**		**(258.0)**

28.3 ACQUISITION RELATED COSTS

The Group incurred acquisition related costs such as external legal fees and due diligence costs for an amount of EUR 0.6 million (2014: EUR 1.3 million). These costs have been included in other operating expenses (general expenses). The costs related to the expansion of the controlling interest in Impreglon SE have been charged to equity for an amount of EUR 1.0 million.

28.4 DIVESTMENTS

In 2015, Aalberts Industries divested the entities Overeem B.V. and BSM Actuators & Controls B.V. (both in The Netherlands and part of the segment Industrial Controls). Aalberts Industries will put more focus on the defined business segments, end markets and core technologies where a leading position and sustainable profitable growth can be achieved. Divestment of non-core activities is part of this strategy.

These transactions were closed in 2015 and resulted in a net cash inflow of EUR 12.1 million. The realised book profit (EUR 4.9 million) on the disposed activities, after transaction related costs, is recognised in other operating income (see note 22). The proceeds from this transaction will be used to strengthen existing market positions and operations. Overeem B.V. and BSM Actuators & Controls B.V. have been deconsolidated as from 1 December 2015.

The book value of the assets and liabilities disposed of and derecognised as at 1 December 2015 is as follows:

BOOK VALUE OF THE ASSETS AND LIABILITIES DISPOSED	TOTAL
Intangible assets	0.1
Property, plant and equipment	9.0
Inventories	3.9
Receivables and other current assets	3.1
Cash and current borrowings	(0.1)
Non-current borrowings	(4.5)
Payables and other current liabilities	(4.0)
NET ASSETS DISPOSED	**7.5**

The contribution of the disposed activities to the 2015 revenue of Aalberts Industries amounted to approximately EUR 16.8 million. The contribution to the 2015 operating profit amounted to approximately EUR 1.3 million.

Next to the 2015 disposals, the Company received cash from the 2014 disposals of Broen LAB and Clesse for an amount of EUR 20.8 million. The total net cash inflow from disposals amounted to EUR 32.9 million.

28.5 OVERVIEW OF SIGNIFICANT SUBSIDIARIES

The consolidated financial statements of Aalberts Industries N.V. include the assets and liabilities of more than 200 legal entities. The overview on page 102 and 103 shows the most important operational legal entities including the country in which their main operations are located. They all are wholly owned subsidiaries, unless indicated otherwise.

29. RELATED PARTIES

The Management and Supervisory Board and the pension funds in the United Kingdom have been identified as related parties. No material transactions have been executed other than intercompany transactions and remuneration, as stated in note 33.10, under normal business conditions.

30. SUBSEQUENT EVENTS

30.1 ACQUISITION USHERS MACHINE & TOOL CO., INC. (UNITED STATES)

In January 2016 Aalberts Industries N.V. reached an agreement to acquire 100% of the shares of Ushers Machine & Tool Co., Inc. (Ushers) with locations in Round Lake, NY, Sunapee, NH and Greenville, SC. Ushers generates an annual revenue of approximately USD 40.0 million and will strengthen the position of Industrial Services in the power generation end market. Ushers services the OEM in the power generation end market directly with several high grade technologies, such as precision machining, welding, assembly and testing of complex parts and modules for industrial gas turbines (IGT).

For many years, Ushers works closely together with our brazing and heat treatment activity in North America. The complex parts and modules are applied in the combustion chamber and hot gas path of an industrial gas turbine. The market for IGT is growing fast due to the worldwide need for ‘green’ energy.

The results of Ushers will be consolidated effective from 1 January 2016 and will directly contribute to the earnings per share. The acquisition is financed from existing credit facilities.

30.2 ACQUISITION SCHROEDER INDUSTRIES, INC. (UNITED STATES)

In February 2016, Aalberts Industries N.V. reached an agreement to acquire 100% of the shares of Schroeder Industries, Inc. (Schroeder). The company, based in San Antonio, Texas, generates an annual revenue of approximately USD 13 million and strengthens our global position in the beverage dispense market, part of our Industrial Controls business.

Schroeder is known for its strong innovation and patented products, such as: bar dispensers, non-carbonated post-mix and beverage dispensers, carbonators, chillers and accessories. The product lines of Schroeder are complementary to our existing dispensing technologies, Taprite (also in San Antonio, Texas, USA) and DSI (Germany).

By combining our portfolios, utilising our strong brands and sales & distribution channels, we are able to offer an even more complete dispensing system to our global customers. Also we see many possibilities to improve our supply chain, optimise our manufacturing and strengthen our R&D developments.

The results of Schroeder will be consolidated from 1 February 2016.

31. COMPANY BALANCE SHEET

before profit appropriation

In EUR million	NOTES	31-12-2015	31-12-2014
ASSETS			**RESTATED***
Intangible assets			
Intangible assets		0.4	–
Financial fixed assets			
Investments in subsidiaries	33.2	1,245.7	1,211.5
Loans to Group companies	33.3	277.6	202.1
Fixed assets		**1,523.7**	**1,413.6**
Debtors			
Other debtors, prepayments and accrued income	33.4	44.9	41.5
Current assets		**44.9**	**41.5**
TOTAL ASSETS		**1,568.6**	**1,455.1**
EQUITY AND LIABILITIES			
Issued and paid-up share capital		27.6	27.6
Share premium account		200.8	200.8
Other reserves		876.8	775.9
Currency translation and hedging reserve		(2.2)	(21.0)
Retained earnings		165.7	147.5
Shareholders' equity	33.5	**1,268.7**	**1,130.8**
Provisions			
Deferred taxation		2.7	6.2
Current borrowings		0.8	13.4
Current portion of non-current borrowings		–	20.0
Trade creditors		0.8	0.1
Taxation and social security charges		0.1	0.1
Payables to Group companies, other payables, accruals and deferred income		295.5	284.5
Current liabilities		**297.2**	**318.1**
TOTAL EQUITY AND LIABILITIES		**1,568.6**	**1,455.1**

* We refer to note 7.2 for details of the restatement.

32. COMPANY INCOME STATEMENT

in EUR million	2015	2014
Profit from subsidiaries after tax	155.1	145.0
Other income and expenses after tax	10.6	2.5
NET PROFIT	**165.7**	**147.5**

33. NOTES TO THE COMPANY FINANCIAL STATEMENTS

33.1 ACCOUNTING PRINCIPLES

The company financial statements of Aalberts Industries N.V. are prepared in accordance with Generally Accepted Accounting Principles in the Netherlands and compliant with the requirements included in Part 9 of Book 2 of the Dutch 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.

In accordance with article 362 sub 8 of Part 9, Book 2 of the Dutch Civil Code, we have prepared our Company Financial Statements in accordance with Dutch GAAP applying the accounting principles as adopted in the Consolidated Financial Statements, except for the accounting for investments in subsidiaries. Subsidiaries of the parent company are accounted for using the net equity value. In case of a negative net equity value of a subsidiary, the negative value is deducted from the loan due from the respective subsidiary. The company income statement has been drawn up using the exemption of article 402 of Part 9, Book 2 of the Dutch Civil Code.
The subsidiaries are stated at net asset value, based upon policies applied in the consolidated financial statements.

33.2 FINANCIAL FIXED ASSETS

	INVESTMENTS IN SUBSIDIARIES
AS AT 1 JANUARY 2014	**1,145.4**
Share in 2014 profit	145.0
Capital repayment	(50.0)
Dividends paid	(16.0)
Currency translation and remeasurements	(1.7)
Other movements	1.3
AS AT 31 DECEMBER 2014	**1,224.0**
Effect of prior period restatement	(12.5)
AS AT 31 DECEMBER 2014 (RESTATED)	**1,211.5**
Share in 2015 profit	155.1
Capital repayment	(109.7)
Dividends paid	(36.2)
Currency translation and remeasurements	25.0
Other movements	–
AS AT 31 DECEMBER 2015	**1,245.7**

33.3 LOANS TO GROUP COMPANIES

	2015	2014
AS AT 1 JANUARY	**202.1**	**229.3**
New loans	100.5	–
Repayments	(25.0)	(27.2)
AS AT 31 DECEMBER	**277.6**	**202.1**

All loans to group companies relate to intercompany group loans. Loans to group companies are determined on an arm's length basis.

33.4 DEBTORS

	31-12-2015	31-12-2014
Intercompany debtors	30.7	30.4
Prepaid and accrued income	0.1	0.1
Current tax receivable	14.1	11.0
TOTAL DEBTORS	**44.9**	**41.5**

Intercompany transactions are determined on an arm's length basis.

33.5 SHAREHOLDERS' EQUITY

	ISSUED AND PAID-UP SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES	CURRENCY TRANSLATION AND HEDGING RESERVE	RETAINED EARNINGS	TOTAL SHARE-HOLDERS' EQUITY
AS AT 1 JANUARY 2014	**27.6**	**200.8**	**712.9**	**(33.2)**	**134.2**	**1,042.3**
Dividend 2013	–	–	–	–	(45.3)	**(45.3)**
Addition to other reserves	–	–	88.9	–	(88.9)	**-**
Share based payments	–	–	(0.4)	–	–	**(0.4)**
Transactions with non-controlling interests	–	–	0.8	–	–	**0.8**
Profit financial year	–	–	–	–	147.5	**147.5**
Remeasurements of employee benefit obligations	–	–	(17.5)	–	–	**(17.5)**
Currency translation differences	–	–	–	11.5	–	**11.5**
Fair value changes derivative financial instruments	–	–	–	1.8	–	**1.8**
Income tax effect on direct equity movements	–	–	3.7	(1.1)	–	**2.6**
AS AT 31 DECEMBER 2014	**27.6**	**200.8**	**788.4**	**(21.0)**	**147.5**	**1,143.3**
Effect of prior period restatement	–	–	(12.5)	–	–	**(12.5)**
AS AT 31 DECEMBER 2014 (RESTATED)	**27.6**	**200.8**	**775.9**	**(21.0)**	**147.5**	**1,130.8**
Dividend 2014	–	–	–	–	(50.9)	**(50.9)**
Addition to other reserves	–	–	96.6	–	(96.6)	**-**
Share based payments	–	–	0.9	–	–	**0.9**
Transactions with non-controlling interests	–	–	(2.9)	–	–	**(2.9)**
Profit financial year	–	–	–	–	165.7	**165.7**
Remeasurements of employee benefit obligations	–	–	7.9	–	–	**7.9**
Currency translation differences	–	–	–	19.9	–	**19.9**
Fair value changes derivative financial instruments	–	–	–	(0.5)	–	**(0.5)**
Income tax effect on direct equity movements	–	–	(1.6)	(0.6)	–	**(2.2)**
AS AT 31 DECEMBER 2015	**27.6**	**200.8**	**876.8**	**(2.2)**	**165.7**	**1,268.7**

The authorised share capital amounts to EUR 50.0 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

The issued and paid-up share capital did not change in the course of the year under review. As at 31 December 2015, a total of 110,580,102 ordinary shares and 100 priority shares were issued and paid-up. The currency translation and hedging reserve is not to be used for profit distribution.

33.6 PROFIT APPROPRIATION

In accordance with the resolution of the General Meeting held on 21 April 2015, the profit for 2014 has been appropriated in conformity with the proposed appropriation of profit stated in the 2014 Financial Statements.

The net profit for 2015 attributable to the shareholders amounting to EUR 165.7 million shall be available in accordance with the articles of association.

The Management Board proposes to declare a dividend of EUR 0.52 solely in cash per share of EUR 0.25 par value. Any residual profit shall be added to reserves.

33.7 NON-CURRENT BORROWINGS

For the purpose of financing acquisitions, the company took up a 7 year loan in 2008 issued by a Dutch credit institution against a floating interest rate based upon Euribor plus an agreed margin. The loan is fully repaid in 2015.

33.8 AUDIT FEES

The following amounts are paid as audit fees and included in other operating expenses (amounts in EUR x1,000).

2015	DELOITTE ACCOUNTANTS B.V.	OTHER DELOITTE ACCOUNTANTS B.V. NETWORK	TOTAL DELOITTE ACCOUNTANTS B.V. NETWORK
Audit of annual accounts	465	1,620	2,085
Other audit services	–	8	8
Tax advisory services	–	606	606
Other non-audit services	–	21	21
TOTAL	**465**	**2,255**	**2,720**

2014	PRICEWATERHOUSECOOPERS ACCOUNTANTS N.V.	OTHER PRICEWATERHOUSECOOPERS ACCOUNTANTS N.V. NETWORK	TOTAL PRICEWATERHOUSECOOPERS ACCOUNTANTS N.V. NETWORK
Audit of annual accounts	390	1,561	1,951
Other audit services	6	15	21
Tax advisory services	–	249	249
Other non-audit services	–	–	–
TOTAL	**396**	**1,825**	**2,221**

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 Audit Firms (Supervision) Act (Wta), as well as by Dutch and foreign-based audit firms, including their tax services and advisory groups.

33.9 EMPLOYEES

The average number of employees amounted to 16 full time equivalents (2014: 16), as at year-end 21 (2014: 15).

33.10 REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BOARD (amounts in EUR x1,000)

The total remuneration of the members of the Management Board for 2015 amounted to EUR 3.2 million (2014: EUR 3.2 million) and is determined in accordance with the remuneration policy as disclosed in the Report of the Supervisory Board.

Mr. W.A. Pelsma (CEO) received a salary of EUR 600 (2014: EUR 540), a bonus amounting to EUR 450 (2014: EUR 393) and a pension contribution of EUR 79 (2014: EUR 79). At year-end he held a total number of 72,175 shares in Aalberts Industries N.V. (2014: 70,175 shares). The number of conditional performance share awards that were granted in 2015 (PSP 2015-2017) amounted to 30,000 shares for which EUR 173 was charged to the profit and loss. It is expected that 73% of the 20.000 conditional shares that were granted in 2013 (PSP 2013-2015) will vest in April 2016, which is equal to a total of 14,600 shares for which EUR 10 was charged to the profit and loss (2014: EUR 97).

Mr. J. Eijgendaal (CFO) received a salary of EUR 520 (2014: EUR 490), a bonus amounting to EUR 390 (2014: EUR 357) and a pension contribution of EUR 87 (2014: EUR 84). At year-end he held a total of 130,000 shares in Aalberts Industries N.V. (2014: 125,000 shares). The number of conditional performance share awards that were granted in 2015 (PSP 2015-2017) amounted to 25,000 shares for which EUR 142 was charged to the profit and loss. It is expected that 73% of the 20.000 conditional shares that were granted in 2013 (PSP 2013-2015) will vest in April 2016, which is equal to a total of 14,600 shares for which EUR 13 was charged to the profit and loss (2014: EUR 115).

Mr. O.N. Jäger joined the Management Board as Executive Director as at 22 April 2014. He received a salary of EUR 390 (2014: EUR 233) and a bonus amounting to EUR 293 (2014: EUR 147). At year-end he held a total of 8,457 shares in Aalberts Industries N.V. (2014: 4,200 shares). The number of conditional performance share awards that were granted in 2015 (PSP 2015-2017) amounted to 15,000 shares for which EUR 85 was charged to the profit and loss. It is expected that 73% of the 10.000 conditional shares that were granted in 2013 (PSP 2013-2015) will vest in April 2016, which is equal to a total of 7,300 shares for which EUR 6 was charged to the profit and loss (2014: EUR 33).

Additional information regarding conditional performances share awards originating from the Performance Share Plan is disclosed in note 15.2. The share price as at 31 December 2015 amounted to EUR 31.79 per share.

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

	2015	2014
H. Scheffers	50	50
M.C.J. van Pernis	40	40
J. van der Zouw	30	–
W. van de Vijver	10	40
R.J.A. van der Bruggen	–	20
TOTAL	**130**	**150**

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

33.11 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 for both the income tax and value added tax. The company therefore is liable for the tax obligations of the tax unity as a whole.

The company has guaranteed the non-current borrowings and the current portion of the non-current borrowings of the Group companies for an amount of EUR 570.4 million (2014: EUR 472.1 million).

Langbroek, 24 February 2016

The Management Board
Wim Pelsma (CEO)
John Eijgendaal (CFO)
Oliver Jäger (Executive Director)

The Supervisory Board
Henk Scheffers (Chairman)
Martin van Pernis (Member)
Jan van der Zouw (Member)

OTHER INFORMATION

1. 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 board members consist of Management Board and Supervisory Board members of Aalberts Industries N.V. and an independent third party.

- Every board 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 board members present or represented at the meeting who are also members of the Supervisory Board of Aalberts Industries N.V.
- Every board member who is also a member of the Supervisory Board of Aalberts Industries N.V. has the right to cast as many votes as there are board members present or represented at the meeting who are also members of the Management Board of Aalberts Industries N.V. The independent member of the board 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 designate a corporate body other than the General Meeting to issue shares;
- authorisation of every decision to limit or exclude the preferential rights of shareholders in the event of an issue of shares;
- authorisation of every decision to repurchase paid-up shares in the capital of the company or depositary receipts thereof for no consideration or subject to conditions;
- authorisation of every decision to dispose of shares held by the company in its own capital;
- authorisation of every decision to reduce the issued capital through the cancellation of shares or through a decrease in the par value of shares by amending the articles of association;
- determination of the number of members of the Management Board;
- to make a binding nomination to the General Meeting concerning the appointment of members of the Management Board and Supervisory Board;
- to approve the sale of a substantial part of the operations of the company;
- to approve acquisitions that would signify an increase of more than 15% in the company's revenue, or that would involve more than 10% of the company's balance sheet total;
- to approve the borrowing of funds that would involve an amount of EUR 100 million or more; and
- to approve a change in the Articles of Association, a legal merger, a split-up or the dissolution of the company.

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

2 . PROFIT APPROPRIATION AND DIVIDEND

The profit appropriation and dividend are disclosed in note 33.6.

3. SUBSEQUENT EVENTS

Reference is made to note 30.

4. INDEPENDENT AUDITOR'S REPORT

To: the Shareholders and Supervisory Board of Aalberts Industries N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2015

Our Opinion

We have audited the accompanying financial statements 2015 of Aalberts Industries N.V. ('the Company') based in Utrecht. The financial statements include the consolidated financial statements and the company financial statements as set out on the pages 57 to 96.

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 2015, its financial results and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU') and with Part 9 of Book 2 of the Dutch Civil Code; and
- The company financial statements give a true and fair view of the financial position of Aalberts Industries N.V. as at 31 December 2015, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated balance sheet as at 31 December 2015;
- The following statements for 2015: consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended; and
- The notes to the consolidated financial statements, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company balance sheet as at 31 December 2015;
- The company income statement for 2015; and
- The notes to the company financial statements comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of Aalberts Industries N.V. in accordance with the Regulation on Auditor Independence in Assurance Engagements *['Verordening inzake de onafhankelijkheid van accountants' – ViO]* and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Regulation on Rules of Professional Conduct and Practice of Accountants *['Verordening Gedrags- en Beroepsregels Accountants' – VGBA]*.

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

Materiality

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

Based on our professional judgement we have set the materiality for the financial statements as a whole at EUR 10 million (2014: EUR 7 million). The materiality has been set by applying a factor of 5% of profit before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We have agreed with the Supervisory Board to report to them any misstatements identified during the audit in excess of EUR 500 thousand (2014: EUR 350 thousand), as well as smaller misstatements that in our view must be reported on qualitative grounds.

Materiality overview	
Group materiality level	EUR 10 million
Basis for group materiality level	5% of profit before tax
Threshold for reporting misstatements	EUR 0.5 million

Scope of the group audit

Aalberts Industries N.V. is the ultimate parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Aalberts Industries N.V.

Because we are ultimately responsible for the opinion, we are also responsible for managing, supervising and performing the group audit. We have thus determined the nature and extent of the audit procedures to be carried out for group entities, with which the size and/or the risk profile of the group entities or operations were decisive. This is the basis on which we have selected group entities for which an audit or review had to be performed on the complete set of financial information or on specific items.

Aalberts Industries N.V. is divided into four reportable segments, as disclosed in note 9 of the consolidated financial statements of Aalberts Industries N.V. These four reportable segments encompass 28 operating companies or groups of operating companies (hereinafter referred to as: components) that report to responsible management. Assurance procedures are performed on each of these 28 components. Due to the composition and spread of the group and the number of components, no component individually contributes more than 20% to the Company's sales or assets. The most significant components are Material Technology Group, Conbraco Industries, Inc and Pegler Yorkshire Group which contribute 14%, 11% and 9% of consolidated sales, respectively.

Our group audit mainly focused on the group entities that are considered most relevant from a quantitative or qualitative perspective. We ourselves have performed audit procedures at the components Industrial Products Group, VSH, Flamco, Trateriber, Mamesta and some of the holding companies in the Netherlands and United States.

For the remainder of the components we have involved other auditors to perform audit procedures, review procedures or audit procedures on specific account balances or transactions. In our capacity of group auditor we have had a strong involvement in these component audits, in accordance with the International Standard on Auditing 600. This involvement includes the issuance of audit instructions to the component auditors, organizing a centralised kick-off meeting with the teams responsible for the larger components, involvement in determining the audit approach on significant risks, frequent consultations with these component auditors during the audit process and the finalization phase, assessing and discussing their reporting for group purposes, visiting selected component locations together with group management and the component auditor, and attending the closing meetings of the respective component auditors with management.

Considering their share in the consolidated sales, 96% of the components is subject to audit procedures. Specific audit or analytical procedures have been performed in respect of components that have not been not audited, mostly at group level.

Audit coverage*	
Audit coverage of consolidated revenues	96%
Audit coverage of profit before tax	92%
Audit coverage of total assets	98%

Performing the procedures at the components as referred to above, together with additional procedures at group level, has allowed us to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the key audit matter was addressed in the audit
Risk in relation to auditor's rotation and planning and performing the group audit for the first time Taking into account the mandatory rotation legislation, Aalberts Industries decided to change auditor effective 2015. We have identified risks and attention areas that relate to carrying out the audit for the first time, including areas such as: ○ Gaining sufficient understanding of the Company and its operations including its control environment and information systems, to enable our group-wide audit risk assessment, audit strategy and audit plan; ○ Obtaining sufficient appropriate evidence regarding the opening balances, including the selection and application of accounting principles; ○ Communicating with the previous auditor about the scope and the approach of the previous audit and the conclusions reached; ○ Selecting specialists to support the audit team in certain areas; and ○ Selecting and instructing (local) component auditors to carry out audit procedures based on our instructions.	In cooperation with the Company's management and key personnel we developed and executed an audit transition plan, which embedded all relevant risks and judgment areas. As part of the transition plan we have visited several Dutch and foreign components including those in Germany, France, Belgium, Spain, the United Kingdom, Denmark and the United States. We also organised a global planning meeting in May 2015, which was attended by representatives of all key audit teams as well as key financial management of the Company and its components. The observations and conclusions from these transition procedures have been communicated with the Management Board and the Supervisory Board and have been incorporated in our 2015 group audit plan. At group level we have spent approximately 1,300 hours on our transition activities, including 400 hours at partner and director level.

Key audit matter	How the key audit matter was addressed in the audit
Risk in relation to the decentralised group structure Aalberts Industries is a group with more than 200 legal entities, grouped in 28 components that are part of the four reportable segments. The geographical decentralised structure and the relatively small size of some of these entities to the group as a whole, increase the complexity of the company's control environment and our ability as group auditor to obtain an appropriate level of understanding of these entities.	We have evaluated the Company's internal controls that address these risks, including centralised monitoring controls at both group and segment level. We noted that the company is in the process of setting up an internal audit department and implementing more harmonised systems and procedures across the group and as a result of our evaluation we shared with management areas in which we believe policies and documentation could be further improved. During our audit we have specifically focused on risks in relation to the decentralised structure and we have extended our involvement in local audit work performed by the component auditors. We organised site visits, meetings and conference calls with components in our audit scope. We have also requested component auditors to specifically address certain risks and attention areas defined at group level, by requiring all teams to complete specific risk-based questionnaires and detailed audit programs in order to ensure a consistent approach in areas that were deemed most relevant from a group audit perspective.

Key audit matter	How the key audit matter was addressed in the audit
Accounting for business combinations In 2015 the Company acquired Ventrex Automotive GmbH, based in Graz, Austria, and a preliminary purchase price allocation was performed. Furthermore, the purchase price allocations of the 2014 acquisitions of Nexus Valve Inc., Flamco Holding BV and Impreglon SE were finalised during the year. These purchase price allocations require management to identify and calculate the fair value of the acquired assets, including tangible and intangible assets. These fair value calculations represent important estimates that require the use of valuation models and a significant level of management judgement.	In our audit procedures we have obtained contractual information and business plans and forecasts to understand the acquisitions and we have involved valuation specialists to review the valuation model applied and some of the key assumptions. We have also assessed the reasonableness of changes made in the finalised purchase price allocation, compared to the preliminary assumptions used. We have met with the local audit teams of Ventrex and Impreglon to obtain an understanding of the entities acquired and the audit procedures performed on the acquired entities. Members of the group engagement team were also involved in the audit of Flamco. We have also evaluated the disclosures as included in the consolidated financial statements in note 28.

Key audit matter	How the key audit matter was addressed in the audit
Valuation of goodwill The Company has recorded a significant amount of goodwill that is subject to an annual impairment test. The goodwill is allocated to the cash generating units within the four reportable segments and amounts to EUR 702 million as at 31 December 2015 (2014 restated: EUR 621million). The Company performs an annual impairment test to identify impairment losses, arising when the recoverable amount for a cash generating unit is lower than the carrying amount recorded. Based on the impairment test, no impairment losses have been identified. The impairment review is based on valuation models that require the input of cash flow forecasts estimated by management as well as other key assumptions.	We have reviewed the impairment models and involved valuation specialists to assess the models used and the key assumptions applied. Furthermore we have evaluated the internal controls related to the preparation of the impairment model and the review of the forecasted cash flows, growth rates, discount rates and other relevant assumptions. In our audit procedures we have also compared actual performance per cash generating unit to assumptions applied in prior year models to address the risk of bias. Finally, we have assessed the adequacy of disclosure notes, including the disclosures on the sensitivity of assumptions used. Reference is made to notes 7 and 10 of the consolidated financial statements.

Key audit matter	How the key audit matter was addressed in the audit
Accounting for current and deferred taxes As the Company operates in various jurisdictions around the world, it is exposed to different tax regimes and regulations. We have considered taxation as a key audit matter, because of the inherent complexity that the many different tax regimes in which the group operates, but also because in many cases the composition of tax groups differs from the Company's reporting structure. Furthermore, acquisition accounting and temporary differences (especially related to depreciation timing differences) have resulted in the recognition of deferred tax assets and liabilities. The deferred tax position is disclosed in note 17 of the consolidated financial statements.	During our audit we have involved tax accounting specialists at the group level as well as in the most significant countries, to obtain an understanding of the current and deferred tax positions that have been recorded. As disclosed in note 7, the company has recorded an adjustment relating to prior years to correct understated deferred taxes in the United States amounting to EUR 9 million with corresponding entries to goodwill (EUR 4 million credit) and retained earnings (EUR 13 million debit). We have reviewed the adjustment and have recommended that management enhance the monitoring of the recorded deferred tax positions.

Responsibilities of the Management Board and the Supervisory Board for the financial statements

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

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

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

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

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

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

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Report of the Management Board and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code, concerning our obligation to report about the Report of the Management Board and other information, we declare that:

- We have no deficiencies to report as a result of our examination whether the Report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed; and
- We report that the Report of the Management Board, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the Annual General Meeting as auditor of Aalberts Industries N.V. on 21 April 2015 for the audit for the years 2015, 2016 and 2017.

Amsterdam, 24 February 2016

Deloitte Accountants B.V.

Signed by: B.E. Savert

OVERVIEW GROUP COMPANIES

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

BUILDING INSTALLATIONS

Conbraco Industries, Inc.	USA
Elkhart Products Corporation	USA
Henco Industries N.V.	BEL
KAN Sp. z.o.o. (51%)	POL
LASCO Fittings, Inc.	USA
Pegler Yorkshire Group Limited	GBR
Raufoss Water & Gas AS	NOR
Seppelfricke Armaturen GmbH	DEU
Simplex Armaturen & Systeme GmbH	DEU
Standard Hidráulica S.A.U.	ESP
VSH Fittings B.V.	NLD
Westco Flow Control Limited	GBR

CLIMATE CONTROL

Comap S.A.	FRA
Flamco Holding B.V.	NLD
HSF Samenwerkende Fabrieken B.V.	NLD
Meibes System-Technik GmbH	DEU
Nexus Valve, Inc.	USA

We operate from more than 200 locations. At www.aalberts.com/contact a full overview is available.

INDUSTRIAL CONTROLS

Adex B.V.	NLD
BROEN A/S	DNK
BSM Valves Holding B.V.	NLD
Clorius Controls A/S	DNK
DSI Getränkearmaturen GmbH	DEU
Fijnmechanische Industrie Venray B.V.	NLD
Germefa B.V.	NLD
Hartman Fijnmechanische Industrie B.V.	NLD
Integrated Dynamics Engineering GmbH	DEU
Lamers High Tech Systems B.V.	NLD
Machinefabriek Technology Twente B.V.	NLD
Mifa Aluminium B.V.	NLD
Mogema B.V.	NLD
Taprite-Fassco Manufacturing, Inc.	USA
VENTREX Automotive GmbH	AUT
VTI Ventil Technik GmbH	DEU

INDUSTRIAL SERVICES

Accurate Brazing Corporation	USA
Acorn Surface Technology Limited	GBR
AHC Benelux B.V.	NLD
AHC Oberflächentechnik GmbH	DEU
Cotterlaz Connectors Shenzhen Ltd.	CHN
DEC S.A.	FRA
Galvanotechnik Baum GmbH	DEU
GtO Slovakia s.r.o.	SVK
Hanghzou AHC Surface Treatment Technology Co., Ltd	CHN
Hauck Heat Treatment GmbH	DEU
Impreglon GmbH	DEU
Ionic Technologies Inc.	USA
Metalis S.A.S.	FRA
Nowak S.A.S.	FRA
SGI Société de Galvanoplastie Industrielle S.A.S.	FRA

KEY FIGURES 2011-2015

	2015	2014	2013	2012	2011
Results (in EUR million)					
Revenue	2,475	2,201	2,040	2,025	1,937
Added-value	1,521	1,332	1,223	1,197	1,146
Operating profit (EBITDA)	367	332	305	296	279
Operating profit (EBITA)	272	247	225	219	209
Net profit before amortisation	190	168	152	152	146
Depreciation	95	85	80	77	71
Cash flow* (net profit + depreciation)	286	253	232	229	216
Free cash flow (before interest and tax)	243	222	175	168	169
Balance sheet (in EUR million)					
Intangible assets	1,050	900	691	686	701
Property, plant and equipment	736	726	616	592	565
Capital expenditure	96	85	106	104	84
Net working capital	461	427	373	370	345
Total equity	1,285	1,163	1,054	950	859
Net debt	718	690	480	542	606
Capital employed	2,002	1,854	1,535	1,492	1,464
Total assets	2,741	2,552	1,996	1,965	1,932
Number of employees at end of period	14,709	14,492	12,311	12,048	12,282
Ratios					
Total equity as a % of total assets	46.9	45.6	52.8	48.3	44.4
Leverage ratio	1.8	1.9	1.6	1.8	2.0
EBITA as a % of revenue	11.0	11.2	11.0	10.8	10.8
Free cash flow conversion ratio	66.1	66.9	57.6	56.8	60.4
Return on capital employed (ROCE)	14.3	14.1	14.6	14.7	14.3
Added-value as a % of revenue	61.5	60.5	60.0	59.1	59.1
EBITDA as a % of revenue	14.8	15.1	14.9	14.6	14.4
Net profit* as a % of revenue	7.7	7.6	7.4	7.5	7.5
Net debt / total equity	0.6	0.6	0.5	0.6	0.7
Interest cover ratio	21.8	22.6	19.0	14.4	12.9
Shares issued (in millions)					
Ordinary shares (average)	110.6	110.6	110.1	108.9	107.5
Ordinary shares (at year-end)	110.6	110.6	110.6	109.4	108.1
Figures per share (in EUR)					
Cashflow*	2.58	2.29	2.10	2.10	2.01
Net profit*	1.72	1.52	1.38	1.40	1.36
Dividend	0.52	0.46	0.41	0.35	0.34
Share price at year-end	31.79	24.54	23.18	15.70	12.98

* Before amortisation

www.aalberts.com/2015