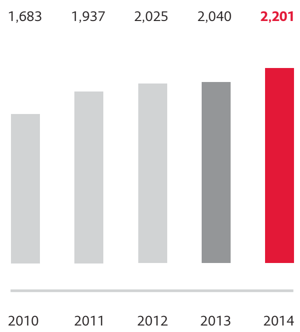
AALBERTS INDUSTRIES

ANNUAL **REPORT** 2014

KEY FIGURES 2014

REVENUE

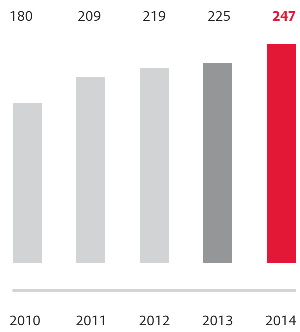
(in EUR million)



2,201
+8%

OPERATING PROFIT (EBITA)

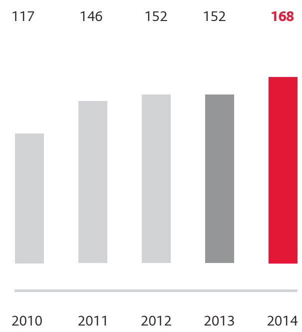
(in EUR million)



247
+10%

NET PROFIT BEFORE **AMORTISATION**

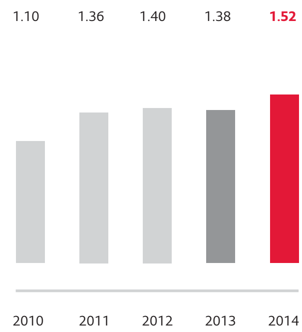
(in EUR million)



168
+11%

NET EARNINGS PER **SHARE** BEFORE **AMORTISATION**

(in EUR)

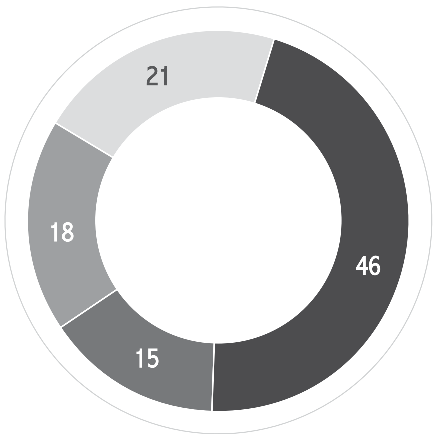


1.52
+10%

REVENUE SPREAD AALBERTS INDUSTRIES

PER **BUSINESS**

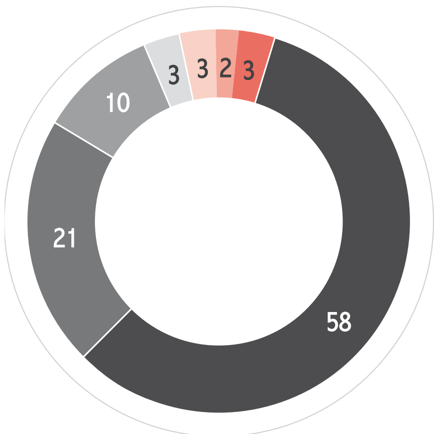
(in %)



- BUILDING INSTALLATIONS
- CLIMATE CONTROL
- INDUSTRIAL CONTROLS
- INDUSTRIAL SERVICES

PER **REGION**

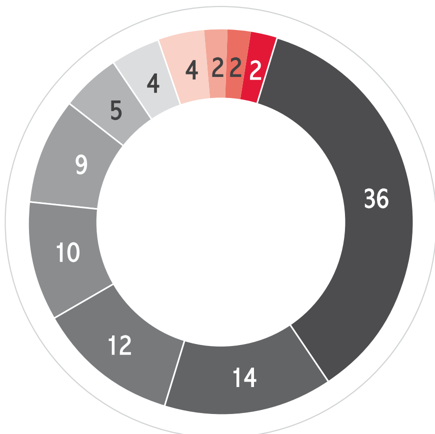
(in %)



- WESTERN & NORTHERN EUROPE
- NORTH AMERICA
- EASTERN EUROPE
- SOUTHERN EUROPE
- MIDDLE EAST & AFRICA
- FAR EAST
- OTHER

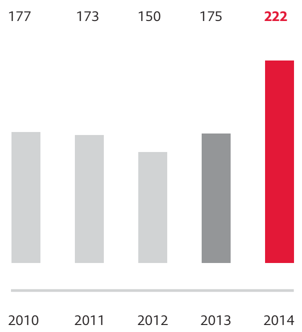
PER **END MARKET**

(in %)



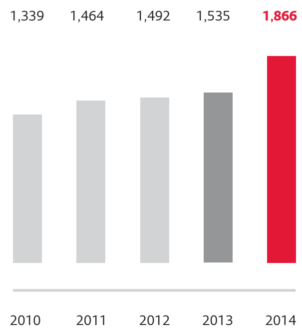
- BUILDING INSTALLATIONS
- BUILDING EFFICIENCY
- INDUSTRIAL
- AUTOMOTIVE
- MACHINE BUILD
- DISTRICT ENERGY, OIL & GAS
- WATER & GAS SUPPLY, IRRIGATION
- SEMICONDUCTOR
- TURBINE & AEROSPACE
- BEER & SOFT DRINK
- OTHER

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



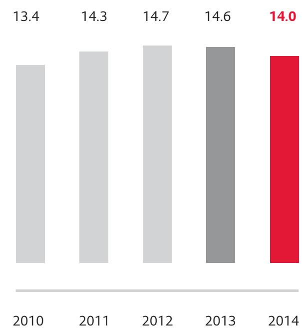
222
+27%

CAPITAL EMPLOYED
(in EUR million)



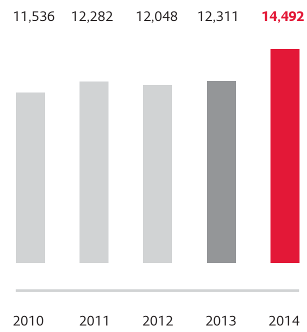
1,866
+22%

RETURN ON CAPITAL EMPLOYED (ROCE)
(in %)



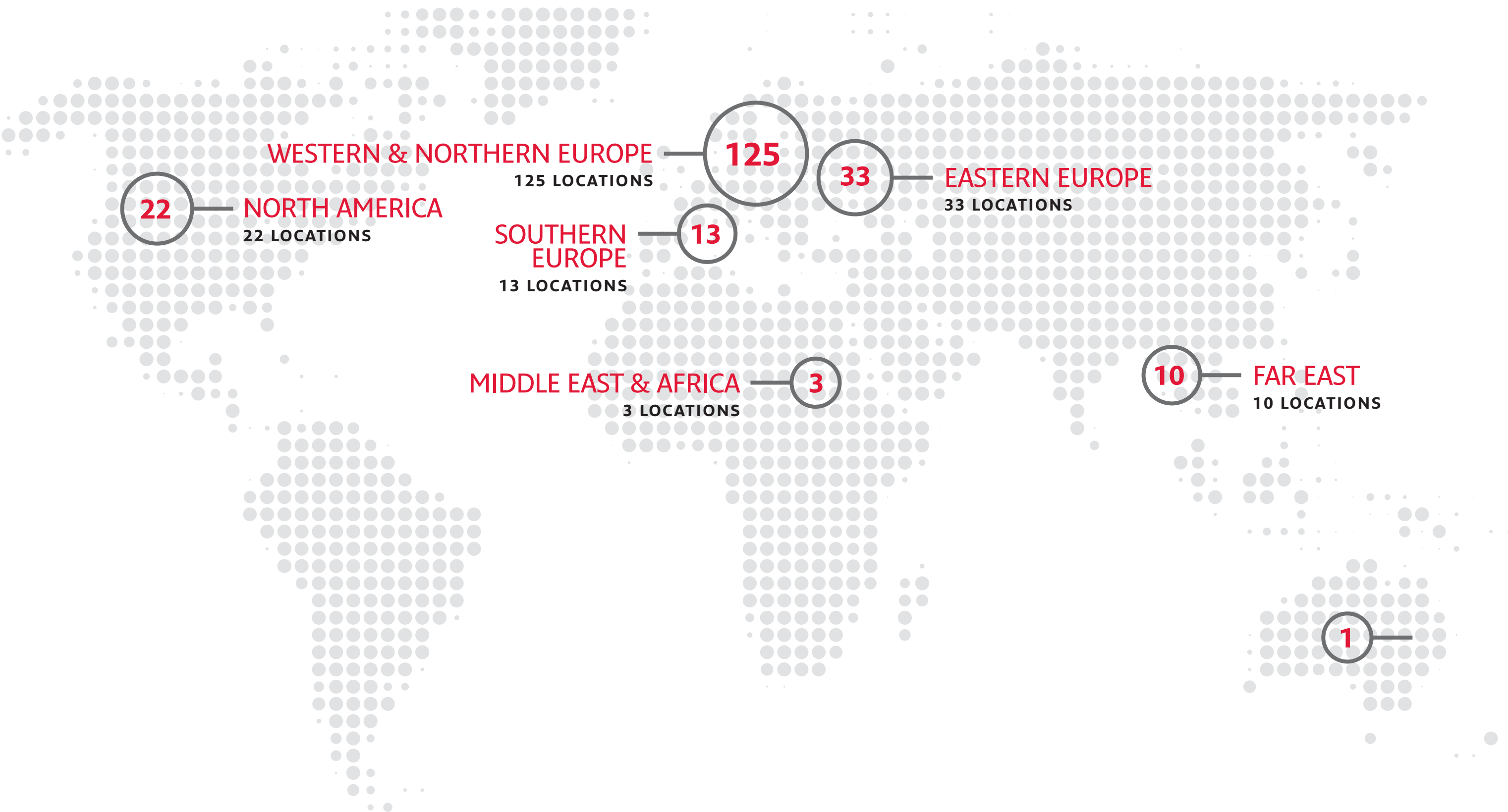
14.0

NUMBER OF EMPLOYEES
(year-end)



14,492
+18%

LOCATIONS AALBERTS INDUSTRIES WORLDWIDE



MORE KEY FIGURES ON PAGE 89

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ANNUAL REPORT 2014

DEAR SHAREHOLDERS, PARTNERS AND COLLEAGUES,

Another good year for Aalberts Industries. We managed to realise a record revenue of EUR 2,201 million and a record net profit before amortisation of EUR 168 million, an increase of 11% compared to 2013. Earnings per share before amortisation increased by 10% to EUR 1.52. As a result of our focus on technologies with growth potential and continuous improvement of our joint marketing and sales approach, we have achieved an organic revenue growth of more than 3%, despite difficult conditions in Europe in some markets.

In addition to the organic revenue growth, we strengthened our market positions with three acquisitions (Nexus Valve, Flamco and Impreglon). These are valuable additions to our product and technology portfolio and our worldwide service network.

As a group we have delivered a good performance and managed to increase the free cash flow (before interest and tax) by 27%. Despite two major acquisitions, we managed to keep our net debt to a level below two times operating profit (EBITDA) with an equity of 48% of total assets.

'AALBERTS INDUSTRIES LINKED' STRATEGY...

In 2014 we sharpened our strategy, based on the business and market opportunities, core technologies with growth potential and strong brand names. In this context, we aim for leading positions in order to achieve high added value for our end user. Worldwide we anticipate two long-term trends:

- efficiency, safety, energy saving and comfort in building installations;
- complex technical specifications for specific markets in combination with a worldwide service network.

The joint 'Aalberts Industries Linked' strategy for the period 2015-2018 has four pillars: focus our approach, improve the defined market positions, continuous improvement of the profitability and make more use of the strength of the group.

... IN PROGRESS

We increasingly focus on four defined businesses in end markets in which we globally want to play a leading role. We have introduced a business structure with its own management, linked to the head office. This structure ensures that more attention is paid to improving the return per business, the cooperation between the companies, the achievement of added value for the end user, and swifter introduction of new products.

We strengthened our market positions through organic growth and with acquisitions in the activities Climate Control and Industrial Services. We have been able to effectively arrange the financing of the three acquisitions with our existing financial partners, which sends a positive signal in terms of confidence. In the coming years, we will continue to aim for growth to strengthen our existing activities.

We also have invested a lot of energy in our Operational Excellence programme, which contains dozens of projects that will further improve our profitability. Examples include improvement of pricing, optimum utilisation of the production locations by means of concentration and specialisation, 'make or buy' decisions, inventory and capital management and efficiency improvements as a result of automation.

Moreover, a lot of attention was and is still being paid to utilise the group strength to enhance market positions. An example is the intensive exchange between the various businesses in the areas of products, material knowledge, production technology and the marketing and sales approach. This process is encouraged by an exchange of best practices at various levels within the group.

We have enhanced our head office in order to accelerate the implementation of our strategy and to continue properly organising the ever-increasing worldwide presence.

DEVELOPMENTS IN THE BUSINESSES

In Building Installations the markets in Europe were still challenging. Positive signs were visible in some countries. The sales of product lines with growth potential was successful. North America made a good year. Especially because of the growth of the new products and complete offering of the portfolio. The focus will remain on improving our joint marketing and sales approach, efficiency improvements and the utilisation of the various production sites.

In Climate Control good growth was achieved. The cooperation within this activity has intensified. Also the business is strengthened with two acquisitions. Nexus Valve, with a leading position in balancing valves, offers an opening to the North American market. The acquisition in the Netherlands of the strong brand Flamco extends the portfolio with expansion vessels, safety and efficiency-control valves. These additions enable Climate Control to offer a complete system solution with high added-value in many countries.

Industrial Controls achieved organic revenue growth, despite a decline in the semiconductor market during the year and challenging conditions in the Russian market in the second half year. In contrast, especially the activities in the industrial markets in North America and Europe and the beer & soft drink market performed well. Local investments and new products kept revenue on a good level in the district energy and oil & gas activities. Also several projects started to further improve (production) efficiency.

Industrial Services showed good revenue growth, although there was an impact by start-up and expansion costs of several production sites. Some smaller locations were integrated in bigger facilities to realise more efficiency. The acquisition of Impreglon strengthened the market position in surface treatment, the technology portfolio and the service network, especially in North America.

DEVELOPMENTS IN THE GROUP

Organic growth, acquisitions, new production locations, many improvement projects: it is clear that Aalberts Industries is on the move, and will continue to be so over the coming years. Four developments at group level that we would like to draw your attention to are talent development, marketing, safety and Corporate Governance.

In 2014, we offered new positions and challenges to over ten entrepreneurial talents in the group. These professionals have been coached for several years to successfully hold new management positions. With a strengthened HR Development position at the head office, we will work on talent development even more intensively during the coming years. Thanks to a stronger Marketing & Communications position at the head office, a strategy has been developed and is being implemented for the positioning and branding of our group and group companies, and we have launched a completely new website. During recent years we have also actively worked on improving safety in the companies, especially in Industrial Services. We have enhanced our Corporate Governance to properly organise the worldwide presence of our companies. In the coming year, we will make further steps to improve.

GOOD PROSPECTS

Aalberts Industries is in a healthy position. This is apparent from the many market opportunities, good profitability and solid balance sheet ratios. Knowing that a number of markets are showing positive signals, that our Operational Excellence programme and our marketing and sales approach are giving ever-improving results and that the companies acquired in 2014 will make contributions towards profits and growth, we look forward to the future with confidence. We will propose to the General Meeting that the dividend payment for 2014 will be declared at EUR 0.46 per share, to be paid in cash. An increase of 12% compared to 2013.

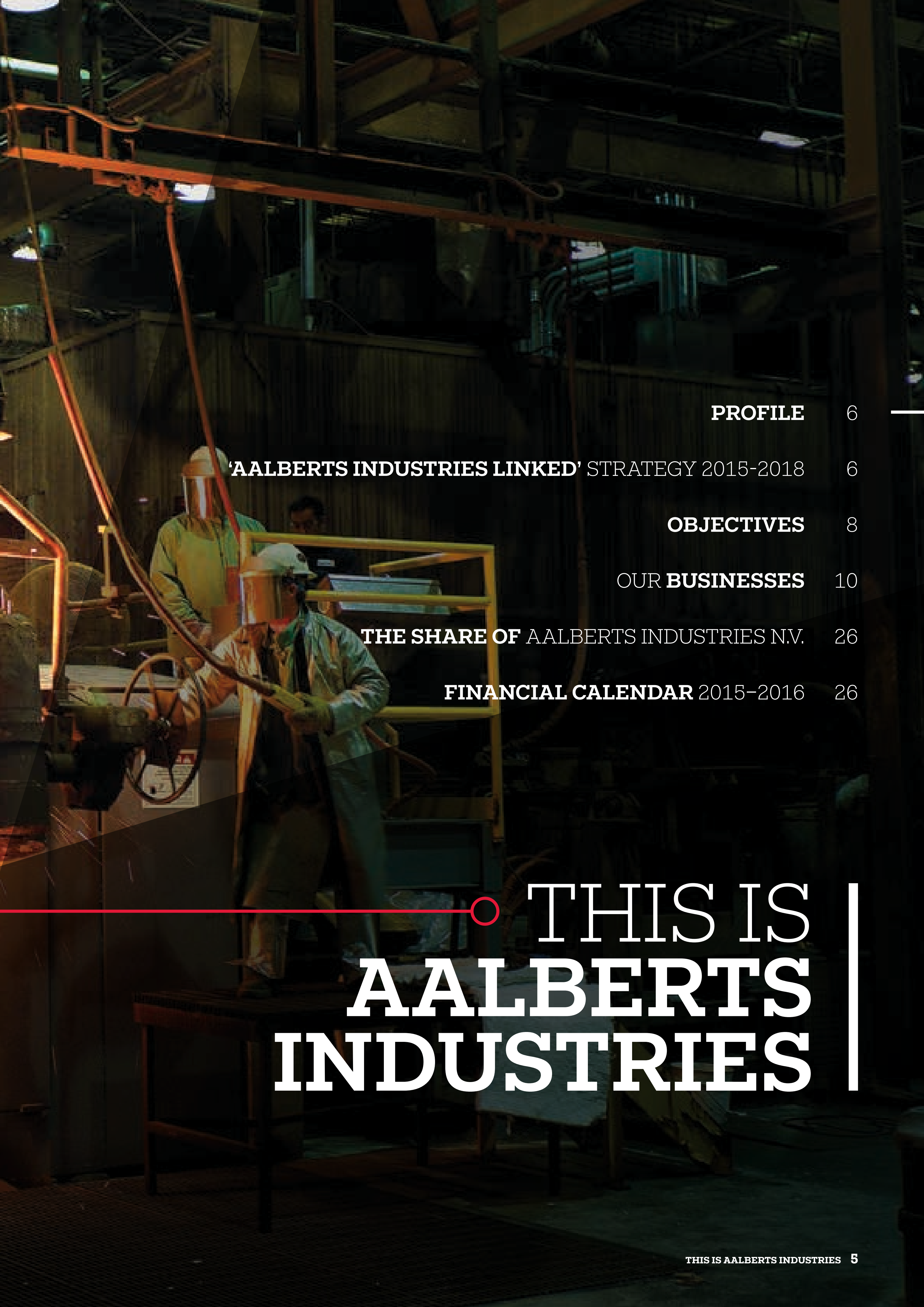
We have achieved this success together, as a group. On behalf of the Management Board, we would like to express our sincere thanks to all colleagues for their tremendous efforts and drive shown this year, which have led to such a good result. We would also like to thank our customers, partners and shareholders for their confidence.

We would like to express our special thanks to our founder Jan Aalberts, who stepped down from the Management Board in April 2014. As a true entrepreneur, he set up and expanded our company over a period of almost 40 years. An impressive performance for which we are extremely grateful. We consider it a privilege to continue developing the company.

LANGBROEK, 25 FEBRUARY 2015
WIM PELSMA (CEO)

INTRODUCTION BY THE CEO **WIM PELSMA**

“We **nurture entrepreneurship to grow our global** businesses”



THIS IS **AALBERTS INDUSTRIES**

THIS IS AALBERTS INDUSTRIES

PROFILE

Aalberts Industries is an innovative company that consists of four businesses: Building Installations, Climate Control, Industrial Controls and Industrial Services. We aim for a leading position in the defined business operations and end markets, and specialise in a number of core technologies with strong brand names.

We realise added value for customers by means of technology and product development, application knowledge, engineering expertise, high-quality production technology, where necessary combined with a complete technology and/or system offering and excellent logistical service.

Worldwide, we focus on ten end markets and six geographical regions with the best growth opportunities for our end users. This spread in businesses, end markets and geographical regions offers us, in addition to a stable basis, the opportunity to make use of our global footprint for realising new business opportunities.

Within the group, we pay a lot of attention to optimum cooperation: where possible, we take advantage of each other's sales and distribution channels, we jointly provide a complete system portfolio and we exchange technology, methodologies and know-how.

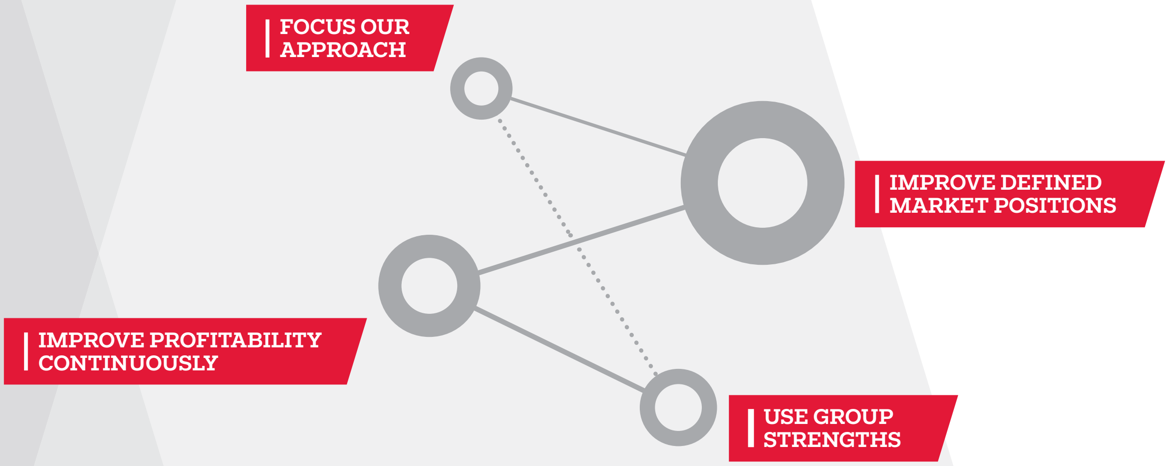
Aalberts Industries was founded in 1975 and has some 14,500 employees. We operate in more than 30 countries, and our head office is established in Langbroek in the Netherlands. The Aalberts Industries N.V. share has been listed on Euronext Amsterdam since March 1987.

'AALBERTS INDUSTRIES LINKED' STRATEGY 2015-2018

In 2014 we sharpened our strategy, based on the business and market opportunities, core technologies with growth opportunities, and strong brand names. In this context, we aim for leading positions in order to achieve high added value for our end user. Worldwide we anticipate two long-term trends:

- efficiency, safety, energy saving and comfort in building installations;
- complex technical specifications for specific markets in combination with a worldwide service network.

On this basis, the Management Board and the group management have formulated the joint '**Aalberts Industries Linked' Strategy** 2015- 2018.



FOCUS OUR APPROACH

Aalberts Industries increasingly focuses on:

- Businesses and end markets in which we play a leading role worldwide, based on providing added value by technology, product innovation, production technology or offering a combination of technologies/product lines;
- Distinctive core technologies with growth opportunities in combination with strong brand names;
- More added value for end users on the basis of technology and application know-how and professional customer support.

IMPROVE DEFINED MARKET POSITIONS

In all four businesses, for the defined end markets we continuously focus on:

- Strengthening the positions of core technologies and product lines with growth opportunities in combination with developing strong brand names;
- Implementing the innovation plan for each technology, in combination with additional acquisitions to further strengthen the market position;
- Offering a combination of technologies and product lines by means of Key Account Management.

IMPROVE PROFITABILITY CONTINUOUSLY

By means of Operational Excellence projects, we work on continuous improvement of profitability, free cash flow and return on capital employed. These projects concern mainly:

- Optimising our pricing in each defined end market by realising leading positions with high added value for customers;
- Producing and further developing core technologies and product lines in specialised competence centres. At these best in class production locations, we use the best high-grade production technology in combination with a high level of automation;
- Continuously improving the efficiency of our competence centres. In this context, we explore the options for automation of production facilities, joint purchasing of raw materials, and deciding on subcontracting or investing in specific production processes;
- Continuously analysing the number of competence centres and service locations on the basis of scale and regional service to end users. When possible, we combine, concentrate and optimise locations to achieve a higher level of efficiency;
- Continuously optimising our supply chain, service and stock locations. Part of this is the simplification of the supply structure with the help of integrated data provision;
- Possibly divesting operations that do not fit the selected strategy, or continue to show too little growth and/or profitability in the long term.

USE GROUP STRENGTHS

Where possible, the group makes use of the expertise in the various businesses and markets by exchanging know-how and sharing best practices. The collectiveness of the group is a strength we use more and more, mainly in the following areas:

Making use of each other's sales and distribution channels, in order to offer a more complete portfolio of products and technologies to end users, distributors or Key Accounts. This cross-selling takes place between both the companies in a specific business and between those in different businesses;

Exchanging innovations between the various businesses on a regular basis. This concerns, for example, production technologies in the fields of 3D printing, material knowledge, treatment processes for special materials, assembly processes and automation. Exchanging innovations and sharing information between the competence centres enables us to market products more swiftly;

Applying the acquisition expertise that Aalberts Industries has accumulated over the past decades. Acquisitions to strengthen our market positions are always managed by the head office and suggestions can be made by the various group companies;

Making increasing use of the group's global footprint, especially with starting up new or additional operations. This provides advantages with selecting management, knowledge of local legislation, using the available infrastructure, and exchanging staff and production and technology know-how;

Combining our solid financial position with investment power and local presence and service. Technology partnership between supplier and our worldwide operating customers is becoming more important, because the supply chains become more interwoven with each other. We have the financial strength, in cooperation with Key Accounts, to invest in product development, production and local service;

Professionally applying Key Account Management in all the businesses to provide the customers excellent service and to make optimum use of the joint group opportunities where possible. Know-how and methodology are exchanged in an intensive way in the fields of communications and reporting;

Encouraging talent development in the group from the head office to enable our management to get familiar with the specific strategy, entrepreneurial culture and way of working. Talented management is regularly being exchanged and offered positions in other businesses to accelerate the application of processes and best practices.

OBJECTIVES

Aalberts Industries endeavours to achieve stable growth that exceeds the market average.

LEADING BUSINESS POSITIONS
In many countries, we are either market leader or strongly positioned. We invest a lot in the development of leading business positions, core technologies, optimum pricing and leading competence centres.

STABLE GROWTH OF EARNINGS PER SHARE
The primary objective is stable growth of average earnings per share over several years.

SUSTAINABLE PROFITABLE REVENUE GROWTH
Leading market positions, combined with optimum pricing, high added value and operating margins are essential to realise further profit growth. This growth is achieved through organic growth, innovation and additional acquisitions.

HIGHER RETURN ON CAPITAL EMPLOYED (ROCE)
Optimum use of capital employed with the highest return based on leading positions.

BALANCED DISTRIBUTION OF PROFITS
Aalberts Industries realises a balanced spread of profits across geographical markets, end markets and customers to limit its dependence. This spread of risk benefits the company's continuity.

SOLID BALANCE SHEET RATIOS
In order to implement the chosen strategy successfully, the available financing possibilities are constantly being optimised. The financial objectives are:

- total equity amounting to at least 40% of total assets
- leverage ratio (net debt/EBITDA 12-months-rolling) no more than 2.5
- return on capital employed (ROCE) of >16%.


AHC

BUILDING INSTALLATIONS

Building Installations produces and sells **complete piping 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.

Strong **focus** on **installers, contractors and wholesalers.**

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

KEY FIGURES 2014

REVENUE
(in EUR x million)

1,046 +4%

OPERATING PROFIT (EBITA)
(in EUR x million)

100 +7%

CAPEX
(in EUR x million)

27 -5%

CORE TECHNOLOGIES

- Press connection technology
- Push connection technology
- Valve & control technology
- Plastic pipes and multilayer technology
- Water & gas supply connection technology
- Backflow prevention technology

END MARKETS

- Building installations
- Water & gas supply, Irrigation

BUILDING INSTALLATIONS

Building Installations produces and sells complete piping 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.

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 qualitatively.

"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.

PROJECT **REFERENCES**

PAKHUSET LANGELINIE, COPENHAGEN

Pakhuset Langelinie is situated in one of the most attractive locations in Copenhagen, at the end of a pier with a view over the port. This innovative, architectural building is extremely energy efficient. For example, seawater is used to cool the building in the summer and heat it in the winter.

Our client, one of Denmark's largest contractors, had to cope with considerable price pressure on the specified installation and associated purchase costs. A new approach focused on the overall process costs of the building's installation to strengthen profitability and competitiveness, without making concessions to quality and reliability. To reduce the price, Aalberts Industries supervised the conversion of the piping system and other hidden installation components to our multilayer piping system; the sprinkler system was converted to our stainless steel press connection system and we balanced the installation. We also trained the professionals to reduce installation risks and increase installation speed.

This close cooperation with all parties involved in the chain ensured a higher installation quality and an overall cost saving.

"**REDUCING COSTS,** INCREASING **QUALITY** AND **RELIABILITY**"

605 WEST 42ND STREET, NEW YORK

In Manhattan, at the corner of 42nd Street and 11th Avenue, a prominent tower with glass facade is being developed with more than 1.100 rented apartments, a shopping area and a car park. It is the largest development project in Manhattan since Battery Park. Future residents will have a view of the Hudson river, Central Park, Times Square, the Empire State Building and the Hudson Yards District.

This project needs to meet the highest requirements and thanks to our strong local brands, the complete system portfolio and guaranteed availability, our complete press connection technology, including valves is applied.

CLIMATE CONTROL

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 buildings**, both new build and renovation.

Strong **focus** on **building owners, specifying institutes** and **project developers.**

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

KEY FIGURES 2014

REVENUE
(in EUR x million)

340 +28%

OPERATING PROFIT (EBITA)
(in EUR x million)

35 +38%

CAPEX
(in EUR x million)

5 +2%

CORE TECHNOLOGIES

- Pump group, interface and control technology
- Balancing and measuring technology
- Expansion and storage technology
- Efficiency and safety technology
- Underfloor heating and cooling technology
- (Thermostatic) control technology
- Hydronic control technology

END MARKETS

- Building Efficiency

CLIMATE CONTROL

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 buildings, both new build and renovation.

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

We focus on energy efficiency (saving energy costs and increasing comfort), by optimising the performance of heating and cooling systems.

Worldwide, we provide engineering services based on application know-how and knowledge of local legislation to improve system performance, always combined with a product specification for the best possible energy efficiency.

The various product lines are offered as a complete system solution (where possible with piping systems). At an early stage of a new build or renovation project, Climate Control participates in the system engineering to realise efficiency improvements. As a result of strong local service, the products can be supplied and supported swiftly.

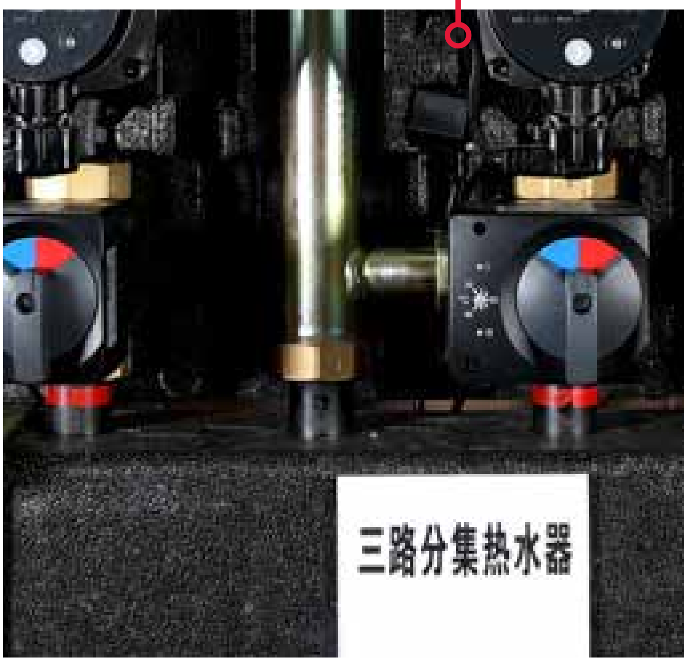
PROJECT **REFERENCES**

CHINA VILLA PARK 'GOLDEN VILLAGE'

A clear trend is the (worldwide) demand for more comfort and quality in living and working environments in combination with saving on energy consumption. Aalberts Industries offers architects, project developers and building managers a complete portfolio of strong technology brands and local market and system knowledge. This enables us to engineer heating and cooling systems to perform optimally, thus saving energy costs and increasing comfort.

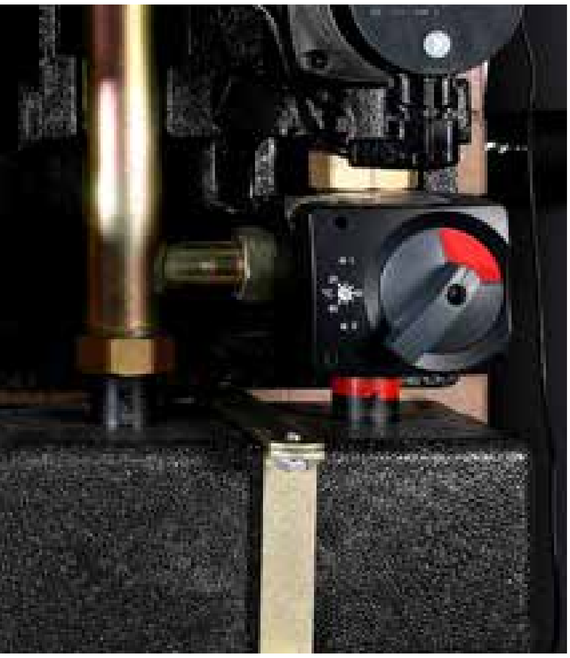
A challenging project to which Aalberts Industries added value is 'Golden Village'. This Chinese villa park in the Shandong province is not connected to the central heating network, which implicates that the almost 1,000 houses can only be used for recreational purposes.
For one of these villas, Aalberts Industries has combined various technology brands into an integrated complete solution of solar heating, gas boilers, underfloor and wall heating and control units.

Thanks to this system solution the villa can be occupied permanently. The proven success of this system was subsequently rolled out to the other villas on this park.



"**INNOVATIVE SYSTEMS** MAKE **PERMANENT RESIDENCE** POSSIBLE"

“OPTIMIMUM ENERGY EFFICIENCY AND **MAXIMUM COMFORT.”**



OFFICE AND APARTMENT COMPLEX EMPEREUR,
BRUSSELS

This prestigious project at a top location in Brussels consists of four floors with offices, four floors with apartments and, on the top floor, luxurious duplex apartments. The client was challenged to apply a system that could meet the different comfort requirements for the apartments and the offices.

An integrated system solution from Aalberts Industries has been selected for all technology between the heat source and the emitter. In the central boiler room, our pump groups and balancing valves have been applied to bring the hydraulic system into balance. All floors are heated using underfloor heating, sometimes in combination with radiators that are fitted with our thermostatic radiator valves. Thermostatic controls in each room guarantee the preferred comfort temperature for the individual residents.

This project illustrates the complete solutions Aalberts Industries offers by properly harmonising various product lines, obviously strengthened by continuous project support and associated system guarantee.

INDUSTRIAL CONTROLS

Regulation and control systems and **high-end custom made products** for **selected niche markets.** These **product-market combinations** are characterised by an increasing demand for **complex, high-value and specific applications.**

Strong **focus** on **engineers** and **(worldwide) Key Accounts.**

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

KEY FIGURES 2014

REVENUE
(in EUR x million)

418 +3%

OPERATING PROFIT (EBITA)
(in EUR x million)

54 +4%

CAPEX
(in EUR x million)

11 -56%

CORE **TECHNOLOGIES**

- Vibration control and frame technology & automation
- High purity gas systems & vacuum chamber technology
- (High pressure) valve & control technology
- Dispense technology
- High-end engineered customer-specific production technology

END MARKETS

- Semiconductor
- District energy, Oil & gas
- Beer & soft drink
- Industrial
- Automotive

INDUSTRIAL CONTROLS

Regulation and control systems and high-end custom made products for selected niche markets. These product-market combinations are characterised by an increasing demand for complex, high-value and specific applications.

To be able to meet the challenging customer specifications for special applications and critical conditions, we partner with engineers and Key Accounts in the selected end markets.

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

The globalisation of our customers requires worldwide standards with dedicated, local service. We make use of our worldwide sales and production network by exchanging know-how of the various applications. In this way our customers can do business with a (financially) strong strategic partner that provides continuity in development, production and capital expenditure.

The valve and control systems demand many specialised components that are produced and assembled with technical expertise. This high-end customer-specific know-how is also used for the benefit of other applications and customers. For the various product-market combinations, clusters are created that can serve the customer groups in the best possible way.

PROJECT **REFERENCES**

LIGHTER WORK
FOR SEMICONDUCTOR PRODUCER

For many years, Aalberts Industries has been a partner of the innovation-driven semiconductor industry. Ongoing increase in the use of computer chips also leads to an increase in the demand for more and more powerful memory chips that are ever smaller in size and consume less energy.

As a supplier, we play an extremely important role. Our group companies continually bundle their know-how, innovative power and modern production technology to supply high-end products to customers in niche markets.

Semiconductor producers work in cleanroom environments on increasingly smaller microchips with an increasing larger capacity. Aalberts Industries supplies an important producer with high-quality modules and components. Since 2014, our semiconductor team also supplies a high-tech lift that meets the ultimate challenge to do simple heavy work with a minimum risk of damage to particles in the vacuum chamber.

"**COMPACT WORK** UNDER **CHALLENGING CONDITIONS**"

"INTRODUCTION **NEW LIFT SYSTEM**"

PNEUMATIC VALVES FOR OIL COMPANY IN NORWAY

Products that are applied in the oil and gas market must meet very strict requirements and challenging specifications. Aalberts Industries offers a wide portfolio of innovative valves, controls and surface treatments. What distinguishes us is a unique combination of market and application know-how, continuity of our production, very short delivery times and the financial power to invest. Key Account Management plays an important role.

For the adjustment of an oil platform, a major oil company gave us the contract for supplying pneumatic valve actuators, including instrumentation systems. Because of the limited space on the project site, we were challenged to adapt each individual actuator to the restricted and unique space in which these must be installed. Guaranteed delivery time was crucial, because new equipment must be installed during a scheduled platform downtime. Lloyds SIL 3 and SIL 4 certifications were also essential to demonstrate product safety and reliability.

The contract was awarded to Aalberts Industries because of the compactness of the system, in combination with the added value of product design and project management at individual actuator level. This project underlines the successful cooperation within the oil & gas cluster of Aalberts Industries.

INDUSTRIAL SERVICES

Industrial Services offers a unique combination of advanced **material know-how, production expertise** and **high-grade local services** for specific end markets. Our worldwide and extensive **production and service network** of more than 80 locations handles and improves the material properties of the products for our customers.

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

"We provide **industrial customers worldwide** added value by **producing** and **improving** the **material characteristics** of their **products**."

KEY FIGURES 2014

REVENUE
(in EUR x million)

469 +13%

OPERATING PROFIT (EBITA)
(in EUR x million)

63 +10%

CAPEX
(in EUR x million)

41 -12%

CORE TECHNOLOGIES

- Anodizing & electroless nickel technology
- Diffusion & polymer technology
- Heat treatment technology
- Complex precision stamping technology

END MARKETS

- Automotive
- Machine build
- Turbine & aerospace
- Industrial

INDUSTRIAL SERVICES

Industrial Services offers a unique combination of advanced material know-how, production expertise and high-grade local services for specific end markets. Our worldwide and extensive production and service network of more than 80 locations handles and improves the material properties of the products for our customers. This worldwide presence enables us to do business with Key Accounts that expect global coverage with local, constant service.

"We provide **industrial customers worldwide** added value by **producing** and improving the **material characteristics** of their **products."**

Surface treatment
Our coatings and finishing processes ensure a considerable improvement of the functional quality of the surfaces of components. Our customers also benefit from an extensive package of services: granting licences at international level, technical expertise, R&D and patents. We also supply the chemicals to guarantee the best possible quality.

Heat treatment
In addition to surface treatments, we also provide heat treatments focused on improving the metal structure and in some cases even the chemical properties of metal components. A number of advanced treatment services have been patented by us.

Complex precision stamping
Industrial Services also operates a worldwide production network for the precision stamping of complex metal components or metal/plastic combinations, which in almost all cases are provided with a heat treatment and often a surface treatment.

Where possible we offer our customers a combination of our technologies based on specifications. In this context, we make use of our worldwide production and service network with high-grade local know-how and service.

PROJECT **REFERENCES**

“**EXCHANGE** OF **CAPACITY** AND **TECHNOLOGIES**”

CROSS-SELLING CAPACITY AND TECHNOLOGIES FOR AUTOMOTIVE MARKET

In the automotive market, better technical components lead to improved performance and innovations. Aalberts Industries has been active for many years in this innovation-driven market. We continuously combine our production technologies and innovative strength to achieve the best conditions for mass production, without affecting leading quality.

Our customer, market leader in the area of suspension, cooling and exhaust systems for the automotive market, was looking in Europe for an innovative, reliable and financially strong partner that could combine several production processes and technologies for the production of their front suspension forks.

Aalberts Industries developed a new production line that is capable of implementing several technologies and processes under one roof. We produce the inner tube, treat the surface with an environmentally-friendly coating, and we produce the aluminium outer tube. A text-book example of value creation for the end user as a result of successful know-how and technology exchange.

USE OUR GLOBAL FOOTPRINT IN THE TURBINE & AEROSPACE MARKET

Aalberts Industries has a strong reputation in the turbine & aerospace market and builds on many years of experience. We not only supply the production of OEM- parts, but also a combination of highly advanced production methods and a series of highly sustainable coatings and heat treatments.

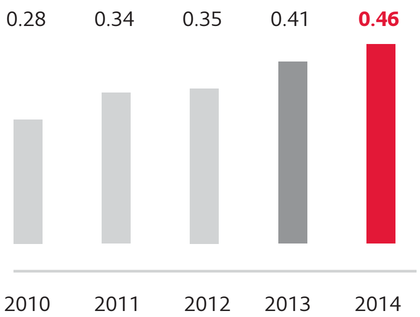
One of our customers in North America wanted to expand the cooperation to Europe to obtain a guaranteed and continuous process quality. The European market of vacuum processes for turbine parts also requires very high standards.

We succeeded in expanding our cooperation to Europe through our global footprint, a fast and efficient exchange of knowledge on heat treatment and maintenance methods between the American and European companies and the investment in welding machines and equipment for quality monitoring.

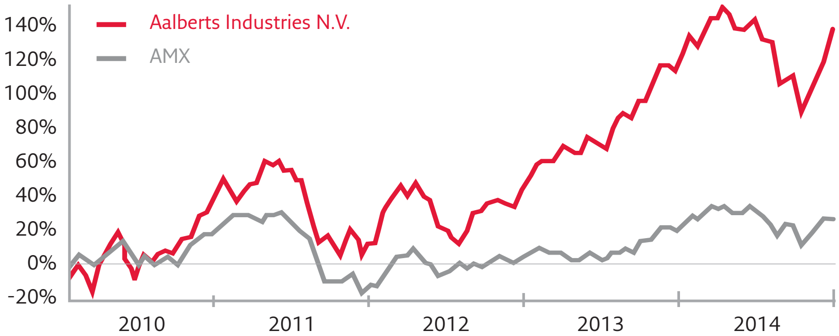
THE SHARE OF **AALBERTS INDUSTRIES N.V.**

KEY INFORMATION CONCERNING THE SHARE	2014	2013	2012	2011	2010
Closing price at year-end (in EUR)	24.54	23.18	15.70	12.98	15.77
Highest price of the year (in EUR)	25.90	23.40	15.95	17.28	15.98
Lowest price of the year (in EUR)	18.27	15.56	11.40	10.10	9.35
Average daily trading (in EUR thousands)	4,345	3,344	3,524	5,018	4,866
Average daily trading (in thousands of shares)	191	179	252	366	418
Number of shares issued as at year-end (in millions)	110.6	110.6	109.4	108.1	106.7
Average number of shares issued (in millions)	110.6	110.1	108.9	107.5	106.4
Market capitalisation at year-end (in EUR millions)	2,713	2,563	1,718	1,403	1,683
Earnings per share before amortisation (in EUR)	1.52	1.38	1.40	1.36	1.10
Dividend per share (in EUR)	0.46	0.41	0.35	0.34	0.28
Price/earnings ratio at year-end	16.1	16.8	11.2	9.5	14.3

DIVIDEND PER SHARE (in EUR)



SHARE PRICE PERFORMANCE (%)



Listing
Aalberts Industries N.V. shares have been listed on Euronext Amsterdam since 1987, are currently part of the AMX index and will be included in the AEX index as of 23 March 2015.
In addition, in 2006, Euronext.liffe introduced options on shares issued by Aalberts Industries. At year-end 2014, 110,580,102 ordinary shares with a nominal value of EUR 0.25 each were in circulation, the market capitalisation amounted to EUR 2,713 million (at year-end 2013: EUR 2,563 million).

Shareholders' interests
Some 90% of the shares are freely tradable. The Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions Decree and in accordance with the Financial Supervision Act, which includes the stipulation that shareholders holding more than 3% of the outstanding shares must be disclosed.

On the basis of this Decree, as per end of 2014, the names of the following holders of shares are disclosed:

NAME	% OF THE TOTAL CAPITAL INTEREST	DATE OF DISCLOSURE
Aalberts Beheer B.V. | J. Aalberts | J.A.M. Aalberts-Veen	13.27%	03-02-2011
Ameriprise Financial Inc.	5.04%	27-10-2010
FMR LLC	10.11%	24-11-2011
OppenheimerFunds, Inc.	5.09%	10-05-2010

Dividend policy
In the General Meeting of 2014, the shareholders agreed to a change in the dividend policy: the dividend payment percentage was increased from 25% to 30% of the net profit before amortisation, and dividends will only be paid in cash.

FINANCIAL **CALENDAR 2015-2016**

24 March 2015	Registration date for the General Meeting
20 April 2015	Trading update *(before start of trading)*
21 April 2015	General Meeting
23 April 2015	Quotation ex dividend
24 April 2015	Record date for dividend
19 May 2015	Paying out dividend
13 August 2015	Publication of 2015 semi-annual figures *(before start of trading)*
22 October 2015	Trading update 3rd quarter 2015 *(before start of trading)*
25 February 2016	Publication of annual figures for 2015 *(before start of trading)*

"In **2014** we **sharpened our strategy**"

REPORT OF THE MANAGEMENT BOARD

REPORT OF THE MANAGEMENT BOARD

MARKET AND GEOGRAPHICAL **DEVELOPMENTS**

In 2014, Aalberts Industries continued to sharpen its strategy. We strive for leading market and technology positions with which we can realise a high added value for the end user.

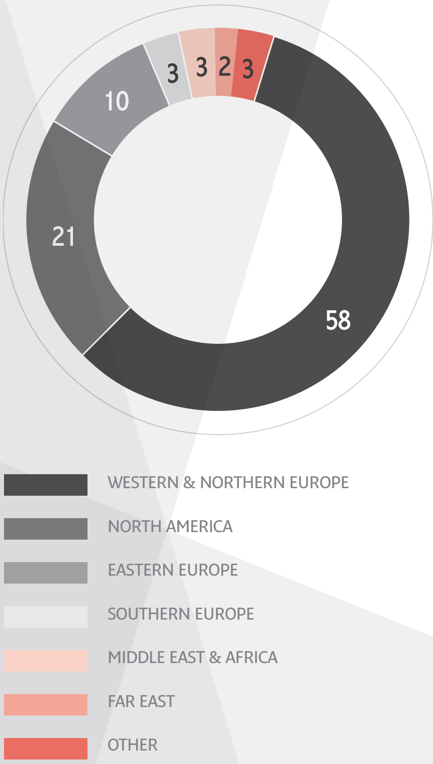
For this we anticipate worldwide two long-term trends:
- efficiency, safety, energy saving and comfort in building installations;
- complex technical specifications for specific markets in combination with a worldwide service network.

Aalberts Industries is active in four businesses and focuses on ten end markets. The developments and dynamics differ for each market and this contributes to a balanced and stable growth and profitability of the group.

The graphics below show the revenue of Aalberts Industries per region and per end market.

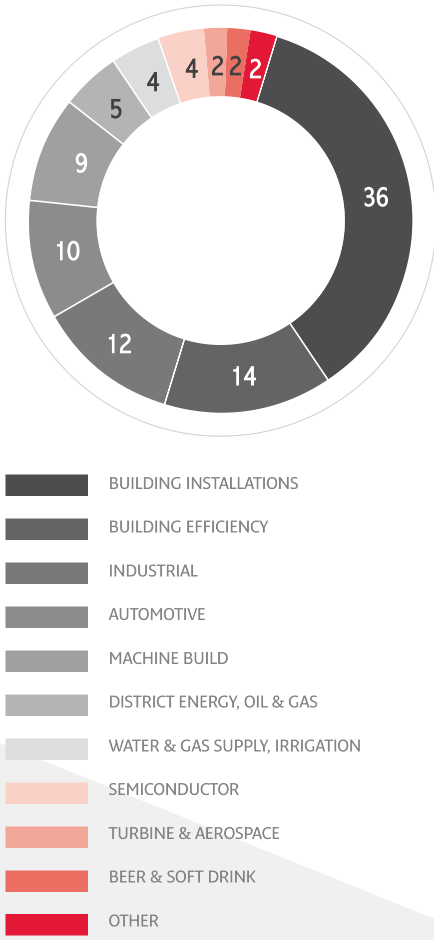
REVENUE PER **REGION**

(in %)



REVENUE PER END **MARKET**

(in %)



FINANCIAL RESULTS

REVENUE PER BUSINESS

in EUR million	2014	2013	Δ
Building Installations	1,045.5	1,006.6	4%
Climate Control	339.8	265.0	28%
Industrial Controls	417.9	405.3	3%
Industrial Services	468.7	416.6	13%
Eliminations	(71.1)	(53.5)	
TOTAL	**2,200.8**	**2,040.0**	**8%**

The revenue increased by 8% (organically 3.1%) to EUR 2,201 million (2013: EUR 2,040 million). The added value margin (revenue minus raw materials and work subcontracted), increased to 60.5% (2013: 60.0%).

Operating profit (EBITA) increased by 10% to EUR 246.7 million (2013: EUR 224.6 million), 11.2% of the revenue (2013: 11.0%).

Net interest expense amounted to EUR 15.7 million (2013: EUR 16.0 million). The income tax increased to EUR 56.4 million (2013: EUR 49.8 million); the effective tax rate was 27.4% (2013: 26.8%).

Net profit before amortisation increased by 11% to EUR 167.9 million (2013: EUR 151.7 million), per share by 10% to EUR 1.52 (2013: EUR 1.38).

Capital expenditure on property, plant and equipment decreased by 20% to EUR 85 million (2013: EUR 106 million). Net working capital increased to EUR 427 million, 18.0% of total revenue (2013: EUR 373 million, respectively 18.3%). Free cash flow improved strongly and increased by EUR 47 million to EUR 222 million (2013: EUR 175 million). Return on capital employed (ROCE) was 14.0% (2013: 14.6%) as a result of the acquisitions.

Total equity remained at a good level of 47.9% of the balance sheet total (2013: 52.8%) while, as result of acquisitions, the net debt increased by EUR 210 million to EUR 690 million (2013: EUR 480 million). The leverage ratio ended at 1.9, well below the bank covenant <3.0; the interest cover ratio improved from 19.0 to 22.6.

DEVELOPMENT PER BUSINESS

BUILDING INSTALLATIONS

in EUR million	2014	2013	Δ
Revenue	1,045.5	1,006.6	4%
Operating profit (EBITA)	99.8	93.6	7%
EBITA % revenue	9.5	9.3	0.2
CAPEX	27.1	28.6	(5%)

In Europe, some countries showed positive signals, but conditions remained challenging in the majority of countries. Russia showed a decrease in project activities during the second half of the year. We put a lot of effort into the sales of product lines with growth opportunities and the improvement of the efficiency and capacity utilisation of the production facilities.

Good organic growth was realised in North America on the basis of new products and the continuous strengthening of the joint marketing and sales. In particular, the press connection systems and the lead-free control valves showed strong growth. The joint sales approach yielded many new customers and ensured a more extensive portfolio with existing customers. Many investments have been made in the improvement of production technology, automation and efficiency.

In Building Installations the focus remains on specific product lines with growth opportunities, continuous improvement of the joint marketing and sales approach, further implementation of the many efficiency projects and the best possible utilisation of the production locations.

CLIMATE CONTROL

in EUR million	2014	2013	Δ
Revenue	339.8	265.0	28%
Operating profit (EBITA)	35.4	25.6	38%
EBITA % revenue	10.4	9.6	0.8
CAPEX	4.7	4.6	2%

There was good growth and closer cooperation. The business was strengthened with two acquisitions. Nexus is a leading company in balancing valves and provides an opening into the North American market. The first European products have already been sold via Nexus. The acquisition of the strong brand Flamco is a valuable expansion of our portfolio in the area of expansion vessels, safety and efficiency control valves. These

strategic acquisitions ensure that, in many countries in the world, Climate Control can provide complete system solutions with engineering know-how and high added value.

We focused a lot on the optimisation of the joint sales and distribution channels in the various countries. In Western Europe, the markets were mostly challenging, while the operations in Eastern Europe and Russia showed a healthy growth. Activities in North America and China also increased. In China we made good progress with the strengthening of the organisation.

INDUSTRIAL CONTROLS

in EUR million	2014	2013	Δ
Revenue	417.9	405.3	3%
Operating profit (EBITA)	53.5	51.3	4%
EBITA % revenue	12.8	12.7	0.1
CAPEX	11.4	26.0	(56%)

Industrial Controls achieved organic profitable growth, despite the decrease in semiconductor activities during the year. The prospects for the new generation extreme ultraviolet machines (EUV) continue to be very positive, especially for the control systems, high purity gas systems and frames.

To be able to meet future demand for these systems, investments in capital assets in the expansion of production locations have been done in Germany that were almost completed at the end of 2014. The high purity gas systems also showed a good development with a well-filled order book.

The operations in industrial markets in North America and Europe, as well as the beer and soft drink market performed well. Thanks to capital expenditure in local production capacity and many new products, activities in the district energy and oil and gas markets also remained at a good level. The number of projects in Russia, however, decreased during the second half of the year.

We developed a number of very promising new high-pressure control systems for the automotive and trucksector. There was an increase in automated production and surface treatment of front suspension systems for the automotive market and many new customer-specific extrusion products were supplied to new customers. In the framework of our Operational Excellence programme, various projects were started to improve production efficiency.

INDUSTRIAL SERVICES

in EUR million	2014	2013	Δ
Revenue	468.7	416.6	13%
Operating profit (EBITA)	62.7	57.2	10%
EBITA % revenue	13.4	13.7	(0.3)
CAPEX	41.2	46.8	(12%)

Industrial Services showed good revenue and profit growth, although the profit margin was affected by the start-up and expansion of various production locations.

We opened new establishments in Poland and China, locations in Poland and Slovakia have been expanded and various service locations in the Netherlands and Germany have been

renovated. We have integrated various small locations in this business into bigger locations to achieve more efficiency. For both surface treatment and heat treatment, all the locations will be linked to a new information system.

With the acquisition of Impreglon, we have strengthened our market position in surface treatment, our technology portfolio and the service network, especially in North America.

Within this business, the revenue and orders in the German automotive industry and machine build remained at a good, stable level. The French automotive and metal & electronics markets remained challenging. In Poland and China, the markets gradually improved.

Operations for the turbine & aerospace market showed a good revenue and profit development, especially in North America. Particularly in Eastern Europe, many new development projects were started for local customers in the field of complex precision stamping.

TALENT DEVELOPMENT

In 2014, we offered new positions and challenges to over ten entrepreneurial talents in the group. These professionals have been coached for several years to successfully hold new management positions. With a strengthened HR Development position at the head office, we will work on talent development even more intensively during the coming years, this is essential for the continued profitable growth of our group.

Training, coaching and challenging employees who have been with us for a long time has a strong motivating effect and contributes to accelerated exchange of best practices within the group. In 2015, a comparable project will start for the next group of entrepreneurial talents.

RESPONSIBLE BUSINESS

OUR RESPONSIBILITY

As a leading industrial production company, we are firmly embedded in society. We depend on society and are strongly aware of our own role in society. This role implies responsibilities that go beyond financial and economic management.

Aalberts Industries recognises the impact the company has on employees, the environment and society. After all, we work on a daily basis with suppliers, customers and other participants in society and commerce. We make use of raw materials and semi-finished products, consume energy and generate waste. The development of employees and the constant attention to a safe and healthy working environment are key topics in our group. Aalberts Industries endorses the OECD and ILO guidelines concerning responsible business.

ORGANISATION

We claim responsibility by focusing on the right people, partners and processes to achieve our objectives. The integration of responsible business in the day-to-day practice is primarily the responsibility of the group companies.

The Management Board provides the framework within which activities are developed. In order to properly manage the improvements within each pillar (see the diagram below), we have developed KPI's to monitor the performance. The Management Board is actively involved in the efforts to improve the accident and absenteeism figures, innovation and energy consumption. Regular consultations with the group companies enable sharing best practices. Responsible business is also part of the annual budget meetings.

RESPONSIBLE STRATEGY

We consider responsible business an integral part of our core strategy and our day-to-day practice. We are convinced that our customers, employees, investors and planet will benefit from responsible business and that it is essential that we actually prove this with the technologies and solutions we offer our customers.

To embed this responsibility in our day-to-day practice, we have developed a substantive structure for our group companies that provides them with references and direction.

We focus our efforts on four pillars and eight underlying themes:

PEOPLE	PLANET	MARKET	SOCIETY
Health & safety	Energy efficiency	Innovation	Compliance
Personal development	Waste & recycling	Sustainable solutions	Code of Conduct

PEOPLE

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.

1.5%

Our American group company scores well above average in terms of health and safety.

To further reduce absenteeism and increase awareness, the 'toolbox talk' has been introduced. A 5-minute meeting with management and the Management Board about safety. An incentive programme has also been started, in which employees are rewarded with an extra half day off with pay per quarter with no lost-time accidents and birthday off with pay.

This programme has led to a significant decrease in the number of accidents and an absenteeism rate below 1.5%.

Safety incentive program which require perfect attendance for participation, i.e. ½ day off with pay per quarter with no lost-time accidents and birthday off with pay. Our policy constantly focuses on improving procedures at all group locations that do not perform as well as the other group companies or external benchmarks. We measure the absenteeism and the Lost Time Injury Frequency Ratio, the number of working accidents per million hours worked.

75%

lower accident ratios than the regional benchmark

75% lower accident ratios than the regional benchmark and 90% reduction in the past 10 years. As a result of continuous focus on accident prevention, our group company in the United Kingdom is one of the safest workplaces in the industry.

By measuring and anticipating incidents that lead to loss of time and days lost as a result of those incidents, we try to keep the rates as low as possible. At each budget meeting, these performance indicators are a fixed topic on the agenda. The head office has the results at several locations assessed by external parties.

In addition, we set up special projects to improve health and safety at those companies where this is necessary. This policy, which we have pursued since 2010, provides a considerable annual reduction in the percentage of accidents. On an annual basis, the absenteeism rate of 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.

Personal development

Attracting and retaining staff is extremely important for the further growth of Aalberts Industries. We encourage an entrepreneurial culture with respect to the environment, safety and social developments. We also strive for a pleasant working environment by training and educating our people, creating challenging career perspectives and providing a market-level remuneration structure and employment conditions.

By providing equal opportunities, regardless of gender, religion or ethnic background, we aim to be a true reflection of society. Because of the diversity of employees, cultures and nationalities, local management is responsible for the further elaboration within these frameworks.

33%

energy saving and 60% increase in luminous intensity

at our group company in North America by applying energy-efficient lighting systems.

PLANET

Efficient energy consumption

Energy plays a very significant role in the manufacturing of our products. Efficient energy consumption therefore is a key performance indicator for our operations. We consider it our responsibility to work as energy-efficient as possible, so that both emissions and the energy costs can be reduced. We continuously seek improvements that are introduced locally to reduce our energy consumption effectively.

Examples are redesigning production processes, calibrating and adjusting equipment and encouraging energy-efficient behaviour. With each capital expenditure on new machinery, we thoroughly explore whether these contribute to the improvement of energy efficiency and safety of the workplace.

Waste & recycling
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. Waste is re-used where possible or supplied to third parties for re-use.

7 tons

of waste reduction per year

Cardboard scrap from suppliers to our American company ended up in the dumpster and eventually in landfills.
By purchasing a shredding machine, the cardboard no longer ended up in landfills and the recycled cardboard was used for packaging material for its own products. This investment reduces the amount of waste ending up in landfills by 7 tons per year and saves more than EUR 10,000 on the purchasing of packaging material.

At a number of production locations we use a closed system in which residual waste is re-used in the production process. This leads to a considerable reduction in waste flows. There are also locations that re-use waste water and only discharge treated water into the sewers.

At various locations, Lean Management, focusing on a more efficient use of time, manpower and/or material without affecting quality, has made a positive contribution to the recycling and re-use percentages. We strive to introduce these measures at more production locations.

MARKET

Innovation
By investing in technologies and high-quality services, Aalberts Industries wants to add ever-increasing value to its customers. We introduce high-quality products, characterised by ease of installation, high efficiency and a long life cycle. Because of the innovative value, many products are patented.

1,400

active patents & trademarks

The strong focus on innovation and new product launches each year provides for an increase of registered intellectual property rights. Aalberts Industries owns more than 1,400 active patents & trademarks.

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 realise sustainable buildings. As a result of the heat and surface treatments we perform for customers, we extend the life cycle of many metals. This means less metal ends up in landfills.

Many 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 have also had their environmental management systems certified in accordance with the ISO 14001 standard and have received certificates for the automotive and aerospace industries.

8%

improved performance

Heating installations are subject to ever-increasing stricter energy requirements. Our Dutch group company therefore introduced an innovative air and dirt separator to remove air and dirt from the openings of pump systems. The effect is a much better heat transfer and therefore lower energy consumption. This innovation with extremely low resistance performs 8% better than conventional air and dirt separators.

Compliance & code of conduct

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

Aalberts Industries is proud of its excellent reputation as a responsible and reliable employer and business partner. Notwithstanding company specific values, business principles or other local codes already in place at our various group companies throughout the world, the Code of Conduct of Aalberts Industries contains the seven main business standards as rules of ethical behaviour 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 dealing with suppliers, responsible work conduct and work environment, corporate responsibility and proper authorisations and approvals.

Our responsibility goes further than our own operations: we also hold our suppliers accountable. Our supplier code puts emphasis on themes such as a safe and healthy working environment and fair business dealing without bribery, corruption and fraud. Where possible, we contractually bind our suppliers to adhere to the principles in our Code of Conduct. Various main suppliers have already contractually agreed to adhere to the principles of our Code of Conduct.

CORPORATE **GOVERNANCE**

Aalberts Industries N.V. endorses the principles of the Dutch Corporate Governance Code and applies the majority of the best practice provisions of this Code. To a limited extent, these have been adjusted to specific circumstances of Aalberts Industries. 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 in the annual report.

On 22 April 2004, the General Meeting of Shareholders approved the corporate governance structure of Aalberts Industries. Since then there have been no substantial changes in the corporate governance structure of Aalberts Industries, the special rules and regulations, or the compliance with the Code. The Management Board and the Supervisory Board extensively discuss the special rules and regulations on a yearly basis, and updated them where necessary. In the opinion of the Supervisory Board and the Management Board, Aalberts Industries pursues a consistent corporate governance policy.

The main amendments with respect to the Dutch Corporate Governance Code relate to the following four subjects.

1. **Management Board**
   The company wants to offer such employment conditions that the right person can be recruited for the right position. The term of the appointment is unlimited. Management Board members must obtain the approval of the Supervisory Board before accepting supervisory directorships at other companies. Apart from the shares in Aalberts Industries N.V., private investments do not have to be disclosed. On dismissal, the existing employment conditions and regulations are taken into account; which also applies to new appointments.

2. **Supervisory Board**
   Members of the Supervisory Board are not prohibited from holding shares in Aalberts Industries. A former director may be a member of the Supervisory Board and can also be Chairman of that Board. With regard to expertise, the Supervisory Board must be composed such that the members of the Board can jointly fulfil their responsibilities. The maximum duration of Board membership is three terms of four years, but deviation from this is possible in the interests of the company. Before accepting an appointment or reappointment as a member of the Supervisory Board of another company, a member of Aalberts Industries' Supervisory Board must consult the Supervisory Board and the chairman of the Management Board in order to establish whether the acceptance of this appointment or reappointment is compatible with membership of Aalberts Industries' Supervisory Board.

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

4. **Provision of information**
   New information will be disseminated simultaneously and equally. Individuals are provided with information based on the above principle. The external auditor will not be invited to attend the General Meeting unless this is legally required or the Supervisory Board decides otherwise. However, for the past two years, the auditor has attended the meeting and will also be invited to the upcoming General Meeting. Aalberts Industries will amend its corporate governance structure after the upcoming General Meeting so that it no longer deviates from the principles on this point in the Dutch Corporate Governance Code. The external auditor will therefore be annually invited.

An overview of how Aalberts Industries complies with the provisions of the Corporate Governance Code and explains deviations can be downloaded from www.aalberts.com/governance.

DECISION MAKING AND PROTECTION MEASURES

The tasks 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.

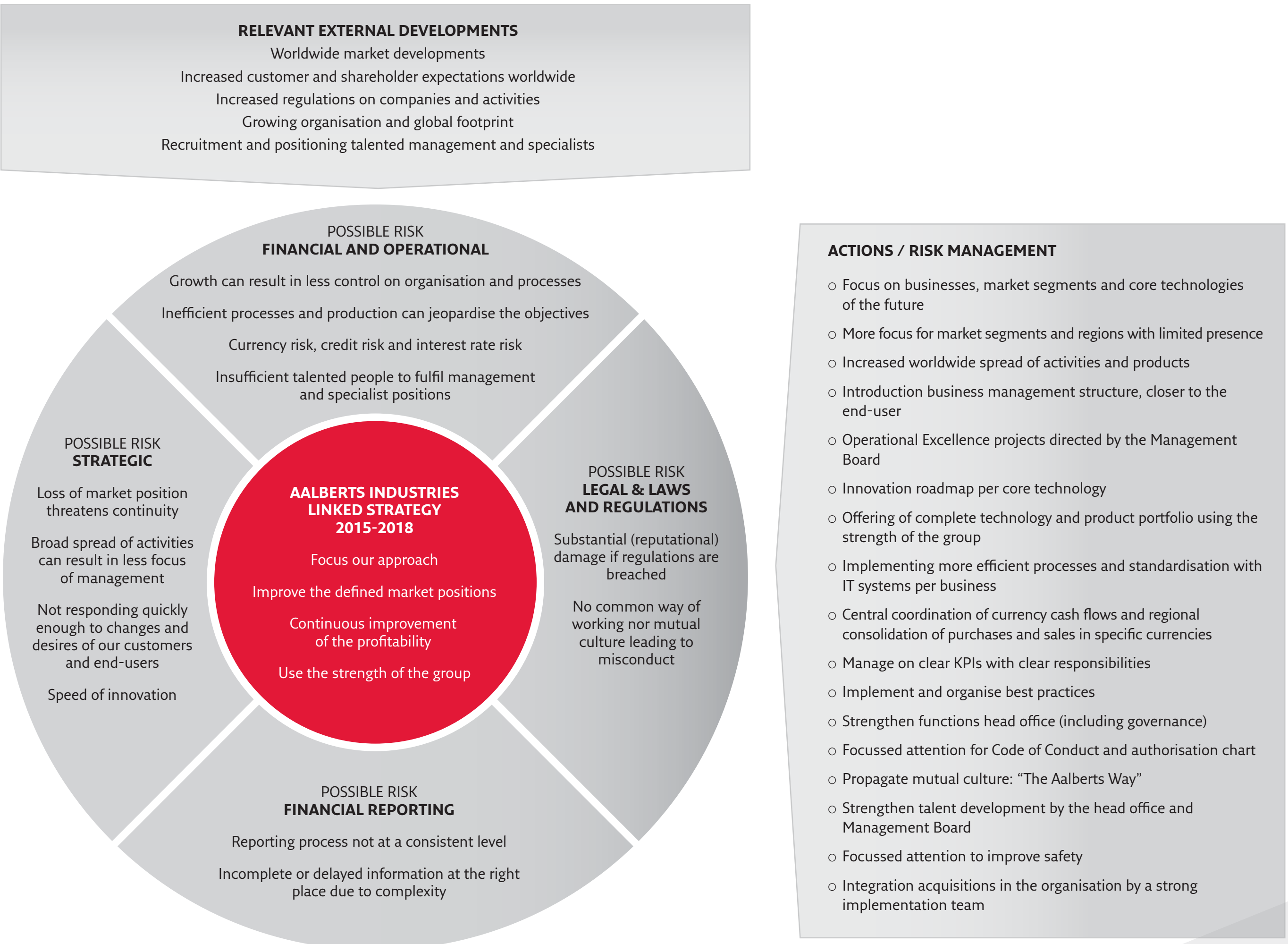
SPEAK UP & INSIDER TRADING

The Compliance Officer, responsible for dealing with violations of the Code of Conduct of Aalberts Industries, directly reports to the Management Board of Aalberts Industries and also, independently, once a year independently to the Supervisory Board. Violations of the Code of Conduct of Aalberts Industries can lead to immediate dismissal. Aalberts Industries does not allow any reprisals against employees who, in good faith, ask for advice or report conduct that is not in line with the Code of Conduct of Aalberts Industries. Procedures have improved on the basis of an evaluation of our whistleblowers procedure (Speak up!) in 2014 by the Supervisory Board. The full text is available 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 head office staff. The Compliance Officer keeps an up-to-date record of these persons. Aalberts Industries has a so-called insider trading procedure, the full text can be found at www.aalberts.com/insidertrading. This procedure is also included in the Code of Conduct of Aalberts Industries.

RISK **SECTION**

In its aiming for leading positions in order to achieve high added value for our end user, Aalberts Industries sees many opportunities and possibilities. Aalberts Industries however also identifies the following main risks relating to our strategy and takes actions to manage these risks as well as possible.



In addition to these risks and the risk management by Aalberts Industries we hereafter provide further explanation.

STRATEGIC
The group companies of Aalberts Industries are responsible within their own working areas for the key risk control aspects. This approach, supported at group level by the Management Board, enables Aalberts Industries to identify risks at various levels and to respond flexibly, efficiently and swiftly.

FINANCIAL AND OPERATIONAL
Aalberts Industries has a solid balance sheet and pursues an active policy of optimising the balance sheet ratios. Exclusively for the purpose of acquisitions, funding in local currencies with a maximum term of seven years has been obtained from various banks. This funding is normally based on interest only for the first two years, and then repaid from the free cash flow in equal quarterly or half-yearly amounts until the end of the term. Each loan amount has a different start and end date, which means that refinancing is not required. Aalberts Industries has contracted a proper package of insurance facilities for its property, plants and equipment and for potential (product) liability risks towards third parties. Other financial risk to which Aalberts Industries is exposed is explained in more detail on pages 56 and 57 of the financial statements.

LEGAL & LAWS AND REGULATIONS
The financial consequences of business risks are limited by various local insurance policies and the insurance policies for the group as a whole, combined with good service and quality management. The implementation of the Code of Conduct and the authorisation chart are part of the internal assessments by the group controllers of Aalberts Industries. In addition, our external auditors have assessed the proper implementation of the authorisation chart for the local management. This assessment showed that the authorisation chart was implemented adequately. Business integrity was a standing topic in the various group management and financial management meetings. In particular, strict compliance with competition laws, compliance with economic sanctions and export regulations and anti-bribery legislation were given a prominent position on the agenda of the local management as non-compliance with these laws and regulations can lead to substantial damages for the group and its stakeholders.

FINANCIAL REPORTING
The internal systems for risk management are intended to identify the key risks and to take effective measures. The key criterion for this is a swift and practical applicability. The financial reporting is drawn up within a strict budgeting and reporting framework. The individual group companies report to the Management Board, among others on related risks. The reports are critically assessed together with the Management Board for accuracy and completeness.

Accurate risk management and control systems do however not provide absolute assurance that errors, fraud, losses, or unlawful acts can be prevented. During the 2014 financial year, no significant shortcomings were found in the internal risk management and control systems and no significant changes were made or planned for these systems. The internal risk management and control systems have been discussed with the Supervisory Board. The internal risk management and control systems are adequate and provide a reasonable degree of assurance that the financial reporting does not contain any misstatements of material significance, and that the risk management and control systems operated properly during the 2014 financial year.

OUTLOOK

The focus remains on continuous strengthening of the market positions, improvement of the marketing and sales approach, further implementation of the Operational Excellence projects and the integration and optimisation of the recent acquisitions. It is expected that further profitable growth will be realised in 2015.

MANAGEMENT BOARD DECLARATION

The Management Board declares that, to the best of its knowledge:
1. the financial statements as included in this report provide a true and fair view of the assets, liabilities, financial position, and profit for the financial year of Aalberts Industries N.V. and the group companies included in the consolidation;
2. the annual report as included in this report provides a true and fair view of the situation on the balance sheet date, the business development during the financial year of Aalberts Industries N.V., and of its affiliated group companies included in the financial statements. The annual report describes the material risks confronting Aalberts Industries N.V..

Langbroek, 25 February 2015

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

“Cooperation between the various **group companies** has been **intensified** and makes a significant **contribution** to the **expected** further **profit growth.”**

REPORT OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

The **Supervisory Board** believes that the company took the right steps in 2014 to allow the company to **grow further**. **Cooperation** between the various **group companies has been intensified** and makes a significant contribution to the **expected further profit growth**. The Management Board and employees have performed well.

FINANCIAL STATEMENTS 2014

The 2014 financial statements have been prepared by the Management Board and have been signed by the Management Board and the Supervisory Board. Page 82 of the financial statement includes the auditor's report from the independent auditor of PricewaterhouseCoopers Accountants N.V. The Management Board will present the 2014 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 0.46 per share.

ADJUSTMENT OF DIVIDEND POLICY

On 22 April 2014, the General Meeting increased the dividend payment percentage from 25% to 30% of the net profit before amortisation and also approved payment of the dividend entirely in cash.

COMPOSITION OF THE MANAGEMENT BOARD

At the end of the General Meeting on 22 April 2014, the founder of Aalberts Industries, Mr. J. (Jan) Aalberts, stepped down from the Management Board.

During the above meeting, the General Meeting appointed Mr. Oliver Jäger as Executive Director, responsible for Industrial Services.

As at 22 April 2014 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 changed in 2014.

Mr. M.C.J. (Martin) van Pernis retired by rotation and was reappointed by the General Meeting for a new four-year term. Mr. R.J.A. van der Bruggen resigned his Supervisory Board membership for personal reasons.

Mr. W. (Walter) van de Vijver will retire by rotation immediately after the General Meeting on 21 April 2015, and will not stand for re-election. We thank Mr. Van de Vijver for his very valuable contributions during eight years as a member of the Supervisory Board.

Mr. H. (Henk) Scheffers will retire by rotation immediately after this General Meeting and will stand for re-election for another two-year term. As chairman of the Supervisory Board, Mr. Scheffers makes an excellent contribution and possesses the knowledge and expertise to satisfactorily fulfil his supervisory role. Stichting Prioriteit "Aalberts Industries N.V." intends to nominate him for reappointment.

In 2014, a start was also made to allow for the nomination of new members for the Supervisory Board who fit within the profile.

In 2015, Stichting Prioriteit "Aalberts Industries N.V." will propose to the General Meeting that Mr. J. (Jan) van der Zouw be nominated as a member of the Supervisory Board. Mr. Van der Zouw has many years of management experience in managing Eriks Group, an international industrial service provider. From 2005 to 2011, he was the CEO of this company.

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

As of 22 April 2014 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 2015.
Other relevant positions: Supervisory Board Vice-Chairman for Flint Holding N.V. and Koninklijke BAM Groep N.V., Member of the Supervisory Boards of Heineken N.V. and Board Member of Stichting Administratiekantoor Aandelen 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), Vice President Stichting De Bouwcampus (former Vernieuwing Bouw), Chairman Supervisory Board Rotterdams Philharmonisch Orkest).
Chairman of Whistleblowers Advisory Centre Committee (Commissie Adviespunt Klokkenluiders).

W. (WALTER) VAN DE VIJVER (1955)
Dutch nationality.
CEO of Reliance Industries E&P International.
In office since 2007. Current term of office until 2015.
No other relevant positions.

BALANCED DISTRIBUTION OF SEATS

With effect from 1 January 2013, the Management and Supervision Act came into force, which means that certain major companies must aim for a balanced distribution between men and women with respect to the number of seats on the Management Board and the Supervisory Board. Currently, the Management Board and the Supervisory Board consist entirely of men.

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, good female candidates were sought. 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 met six times; the attendance rate was 95%. No members were frequently absent. The Supervisory Board wants to monitor the company activities closely from its supervisory position; therefore these meetings regularly take place at a group company. In the year under review, this was Metalis & Métatherm in France.

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

During the meeting in the absence of the Management Board, the performance of the Management Board and the Supervisory Board was discussed. In the opinion of the Board, the Management Board discharged its responsibilities excellently in 2014.

The subjects discussed with the Management Board included the business progress, the developments around profit and markets, the semi-annual and annual figures, and the dividend policy. The strategy for the period from 2015 to 2018 was also further discussed and evaluated, in which special attention was paid to the acquisition policy and potential acquisitions. There was also extensive discussion of the business risks, the organisation structure, developments in the human resources policy, compliance with laws and regulations, and corporate social responsibility.

The Supervisory Board determined that Aalberts Industries has been able to continue the upward trend of previous years in 2014. 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 2015.

CORPORATE GOVERNANCE

The Supervisory Board has ascertained that the corporate governance structure, as this applies to Aalberts Industries, works well. The Supervisory board and the Management Board have also specifically discussed the implementation of the Code of Conduct of Aalberts Industries within the entire organisation, including the monitoring.

The improvements of the governance regulations and processes as these apply for the whistleblowers and insider trading schemes were also extensively discussed. The Supervisory Board supports the sharpened approach to possible governance risks at group companies combined with a further strengthening of governance at group level. No substantial changes have been made in the internal risk management and control systems.

The Supervisory Board refers to page 37 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 Corporate Governance 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 2014, 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 2014 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 Board as a whole carries out the tasks of both these committees. In this context, during the meetings in 2014, the Supervisory Board focused on performance appraisal, financial reporting, and the remuneration policy as approved by the General Meeting in 2010.

In accordance with the corporate governance structure within Aalberts Industries as approved by the General Meeting, it is considered annually whether it is advisable to strengthen risk management and control and to appoint a formal internal audit officer in addition to the existing procedures. For the time being, the existing structure works properly.

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 by the Management Board, and that by the individual members of both bodies. The Chairman also held interviews with the Supervisory Board's individual members.

EXTERNAL AUDITOR AND COMPULSORY ROTATION

As usual at Aalberts Industries, in the discussion of the half-yearly and annual figures, the Supervisory Board was informed by the external auditor, PricewaterhouseCoopers Accountants N.V. The work carried out, the internal risk management and control systems, and the figures to be published were discussed.

As a result of amendments to the Dutch Audit Firms Supervision Act (Wet toezicht accountantsorganisaties - Wta) concerning the work that auditing firms can do for organisations of public interest, Aalberts Industries is required to rotate its external auditor effective from 1 January 2016. An intensive selection process was conducted among various external auditing firms in 2014, in which the chairman of the Supervisory Board participated.

After careful consideration of the various options, it was decided to propose Deloitte Accountants B.V. to the General Meeting on 21 April 2015 as the external auditor for the reporting years 2015, 2016 and 2017.

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 Corporate Governance Code and the Best Practice principles contained in it, the Supervisory Board has implemented the remuneration policy in line with the strategy, risks and financial objectives of Aalberts Industries. This aims for a good balance between the fixed and variable remuneration and the short-term and long-term remuneration. More information is provided on page 81 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;
- a variable remuneration in cash for achievements in the short term (one year);
- a 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 or not, 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, return on capital employed (ROCE), and organic revenue growth. The Supervisory Board sets these targets at the beginning of each financial year. The variable remuneration package is based on performance to an important extent and, if the targets are achieved, can add a maximum of 75% to the basic salary.

In 2014, 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. This focuses on the strategic plan and the creation of value over a period of three years, after which the Supervisory Board assesses the extent to which the performance targets have been achieved, and decides how many shares will finally be awarded. Shares awarded conditionally must be held for at least five years or until the end of the employment, if this is sooner, unless the Compliance Officer can be shown that the shares were sold to pay tax and contribution obligations related to the awarding of these shares.

PENSION PLAN

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

ADJUSTMENT

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

NOTE OF THANKS

The Supervisory Board expresses its gratitude to the members of the Management Board and all employees of Aalberts Industries for their efforts and dedication in 2014.

Mr. Aalberts founded the company 40 years ago and over these years he succeeded in developing Aalberts Industries and realising fantastic growth. We are most grateful for Mr. Aalberts' dedication and commitment and thank him for his stimulating role and entrepreneurship.

Langbroek, 25 February 2015

Henk Scheffers (Chairman)
Martin van Pernis
Walter van de Vijver

FINANCIAL STATEMENTS 2014

1. CONSOLIDATED BALANCE SHEET

before profit appropriation

in EUR x 1,000	NOTES	31-12-2014	31-12-2013
ASSETS			
Goodwill	10	624,731	513,229
Other intangible assets	10	278,888	177,691
Property, plant and equipment	11	720,291	616,158
Deferred income tax assets	18	29,602	20,395
Non-current assets		**1,653,512**	**1,327,473**
Inventories	12	491,417	425,010
Trade receivables	13	247,745	212,012
Other current assets	14	61,429	31,783
Cash and cash equivalents	17	100	100
Current assets		**800,691**	**668,905**
TOTAL ASSETS		**2,454,203**	**1,996,378**
EQUITY AND LIABILITIES			
Shareholders' equity	4	1,143,295	1,042,320
Non-controlling interests	4	32,441	12,062
Total equity		**1,175,736**	**1,054,382**
Non-current borrowings	17	428,282	159,426
Employee benefit plans	19	86,968	63,778
Deferred income tax liabilities	18	103,694	69,533
Other provisions and long-term liabilities	19	15,694	9,342
Non-current liabilities		**634,638**	**302,079**
Current borrowings	17	158,179	207,824
Current portion of non-current borrowings	17	104,008	113,134
Trade and other payables		229,505	205,538
Current income tax liabilities		14,901	7,724
Other current liabilities	20	137,236	105,697
Current liabilities		**643,829**	**639,917**
TOTAL EQUITY AND LIABILITIES		**2,454,203**	**1,996,378**

2. CONSOLIDATED INCOME STATEMENT

in EUR x 1,000	NOTES	2014	2013
Revenue	9	**2,200,791**	**2,040,040**
Raw materials and work subcontracted		(868,892)	(816,685)
Personnel expenses	21	(617,778)	(564,601)
Depreciation of property, plant and equipment	11	(84,844)	(79,890)
Amortisation of intangible assets	10	(20,430)	(17,495)
Other operating expenses	22	(382,620)	(354,276)
Total operating expenses		**(1,974,564)**	**(1,832,947)**
Operating profit		**226,227**	**207,093**
Net interest expense	23	(15,671)	(15,979)
Foreign currency exchange results	23	(1,117)	(3,250)
Derivative financial instruments	23	(708)	241
Net interest expense on employee benefit plans	19	(2,655)	(2,461)
Net finance cost		**(20,151)**	**(21,449)**
Profit before tax		**206,076**	**185,644**
Tax expenses	24	(56,424)	(49,804)
NET PROFIT AFTER TAX		**149,652**	**135,840**
Attributable to:			
Shareholders		147,514	134,159
Non-controlling interests		2,138	1,681
Earnings per share			
Basic	25	1.33	1.22
Diluted	25	1.33	1.22
Earnings per share (before amortisation)			
Basic	25	1.52	1.38
Diluted	25	1.52	1.38

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR x 1,000	2014	2013
Profit for the period	**149,652**	**135,840**
Other comprehensive income:		
Remeasurements of employee benefit obligations	(17,553)	(1,324)
Income tax effect	3,686	331
Items that will not be reclassified to profit or loss	**(13,867)**	**(993)**
Currency translation differences	14,514	(14,894)
Fair value changes derivative financial instruments	1,831	3,670
Income tax effect	(1,134)	(1,765)
Items that may be subsequently reclassified to profit or loss	**15,211**	**(12,989)**
TOTAL COMPREHENSIVE INCOME	**150,996**	**121,858**
Attributable to:		
Shareholders	145,849	120,550
Non-controlling interests	5,147	1,308

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR x 1,000	ISSUED-CAPITAL	SHARE PREMIUM ACCOUNT	OTHER RESERVES	CURRENCY TRANSLATION AND HEDGING RESERVE	RETAINED EARNINGS	SHAREHOLDERS' EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
AS AT 1-1-2013	**27,357**	**201,125**	**596,013**	**(20,622)**	**135,068**	**938,941**	**11,084**	**950,025**
Dividends 2012	288	(288)	-	-	(17,294)	**(17,294)**	(330)	**(17,624)**
Addition to other reserves	-	-	117,774	-	(117,774)	**-**	-	**-**
Share based payments	-	-	123	-	-	**123**	-	**123**
Total comprehensive income	-	-	(993)	(12,616)	134,159	**120,550**	1,308	**121,858**
AS AT 31-12-2013	**27,645**	**200,837**	**712,917**	**(33,238)**	**134,159**	**1,042,320**	**12,062**	**1,054,382**
Dividends 2013	-	-	-	-	(45,338)	**(45,338)**	(434)	**(45,772)**
Addition to other reserves	-	-	88,821	-	(88,821)	**-**	-	**-**
Share based payments	-	-	(350)	-	-	**(350)**	-	**(350)**
Acquisitions	-	-	-	-	-	**-**	17,706	**17,706**
Transactions with non-controlling interests	-	-	814	-	-	**814**	(2,040)	**(1,226)**
Total comprehensive income	-	-	(13,867)	12,202	147,514	**145,849**	5,147	**150,996**
AS AT 31-12-2014	**27,645**	**200,837**	**788,335**	**(21,036)**	**147,514**	**1,143,295**	**32,441**	**1,175,736**

5. CONSOLIDATED CASH FLOW STATEMENT

in EUR x 1,000	NOTES	2014	2013
Cash flows from operating activities			
Operating profit	2	226,227	207,093
Adjustments for:			
Depreciation of property, plant and equipment	11	84,844	79,890
Amortisation of intangible assets	10	20,430	17,495
Result on sale of equipment		(1,203)	180
Changes in provisions and other movements		(16,380)	(7,172)
Changes in inventories		(18,899)	(3,723)
Changes in trade and other receivables		(2,284)	(10,595)
Changes in trade and other payables		14,593	3,629
Changes in working capital		**(6,590)**	**(10,689)**
Cash flow from operations		**307,328**	**286,797**
Net finance expenses paid		(14,979)	(18,908)
Income taxes paid		(56,795)	(55,006)
NET CASH FROM OPERATING ACTIVITIES		**235,554**	**212,883**
Cash flows from investing activities			
Acquisition of subsidiaries	28	(257,996)	(25,130)
Disposal of subsidiaries	28	11,891	-
Purchase of property, plant and equipment		(85,600)	(110,679)
Purchase of intangible assets		(4,327)	(3,074)
Proceeds from sale of equipment		4,341	2,337
NET CASH FROM INVESTING ACTIVITIES		**(331,691)**	**(136,546)**
Cash flows from financing activities			
Proceeds from non-current borrowings	17	323,523	19,406
Repayment of non-current borrowings	17	(120,909)	(136,939)
Dividends paid	4	(45,338)	(17,294)
Dividends and transactions with non-controlling interests	4	(1,996)	(330)
NET CASH FROM FINANCING ACTIVITIES		**155,280**	**(135,157)**
Net increase/(decrease) in cash and current borrowings		**59,143**	**(58,820)**
Cash and current borrowings at beginning of period		(207,724)	(150,231)
Net increase/(decrease) in cash and current borrowings		59,143	(58,820)
Currency differences on cash and current borrowings		(9,498)	1,327
CASH AND CURRENT BORROWINGS AS AT END OF PERIOD		**(158,079)**	**(207,724)**
Cash		100	100
Current borrowings		(158,179)	(207,824)
CASH AND CURRENT BORROWINGS AS AT END OF PERIOD		**(158,079)**	**(207,724)**

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Aalberts Industries, founded in 1975 and quoted on the stock exchange since March 1987, is a globally active specialist in high-quality industrial products and processes. The company develops high-value solutions for diverse customer needs in over 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 piping 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 and high-end custom made products for selected niche markets. These product-market combinations are characterised by an increasing demand for complex, high-value and specific applications. Industrial Services supplies a unique combination of advanced material know-how, production expertise and high-grade local services for specific end markets. A worldwide and extensive production and service network of more than 80 locations handles and improves the material properties of the products for customers.

Aalberts Industries N.V. is incorporated in Utrecht and domiciled in Langbroek, the Netherlands. The consolidated IFRS financial statements of the company for the year ended 31 December 2014 comprise the company and its subsidiaries ("the Group"). The financial statements have been adopted by the Supervisory Board on 25 February 2015 and will be submitted for approval to the General Meeting on 21 April 2015. The Management Board released the full-year results on 26 February 2015.

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1 BASIS FOR PREPARATION

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

The following standards and amendments have been adopted by the Group for the first time for the financial year 2014:

- IFRS 10 (Consolidated financial statements) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 11 (Joint arrangements). The new standard describes the accounting of joint arrangements.
- IFRS 12 (Disclosures of interests in other entities) includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

These new standards did not result in changes in the consolidation and recognition of subsidiaries compared to prior years and have no impact on the Group's equity and profit. The same is applicable for the consequential amendments to IAS 27 (Separate financial statements) and IAS 28 (Investments in associates).

- Amendments to IAS 32 (Offsetting financial assets and liabilities) clarify the requirements relating to offsetting. Specifically the meaning of legally enforceable right of set-off and simultaneous realisation of a financial asset and settlement of a Financial liability.
- Amendments to IAS 36 (Impairment of assets) lead to adjusted disclosure requirements related to impairment tests.
- Amendments to IAS 39 (Financial instruments: recognition and measurement) on the novation of derivatives and the continuation of hedge accounting.
- IFRIC 21 (Levies) addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised.

These amendments and IFRIC interpretations have no impact on the Group's equity and profit and did result in some required adjustments in disclosures.

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

- 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 2015. 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 2017 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.

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

7.2 BASIS FOR CONSOLIDATION

7.2.1 Subsidiaries

Subsidiaries are those entities controlled by the company. Control exists when the company has the power to govern directly or indirectly the financial and operational policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the control ceases. An overview of the group companies is disclosed on page 86 and 87.

7.2.2 Business combinations

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

All identifiable intangible assets of the acquired company are recorded at fair value. Intangible assets are separately identified and valued. An asset is identifiable when it either arises from contractual or other legal rights or if it is separable. An asset is separable if it can be sold on its own or with other assets. The transferred payment is allocated across the fair value of all assets and liabilities with any residual allocated to goodwill. Excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets over the fair value of the payment is recognised immediately in the statement of comprehensive income.
Transaction costs incurred by the acquirer in relation to the business combination are not included in the cost price of the business combination but once incurred are recognised as a charge in the income statement unless they refer to the issue of debt instruments or equity instruments.

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.

7.2.3 Intercompany and related party transactions

The Management and Supervisory Board and the pension funds in the United Kingdom have been identified as related parties. Transactions with the Management Board and the Supervisory Board only consist of remuneration and dividends. Transactions between group companies including unrealised gains on these transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Transactions with non-controlling interests are treated as third party transactions.

7.3 SEGMENT REPORTING

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

7.4 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

7.4.1 Functional and presentation currency

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

7.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions (spot rate). Foreign currency exchange gains and losses resulting from the settlement of financial transactions and from the translation at year-end exchange rates of borrowings and cash denominated in foreign currencies are recognised in the income statement as finance cost. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euros at foreign currency exchange rates effective at the date the values were determined. A summary of the main currency exchange rates applied in the year under review and the preceding year reads as follows:

CURRENCY EXCHANGE RATES		1 BRITISH POUND (GBP) = EUR	1 US DOLLAR (USD) = EUR
2014	Year-end	1.277	0.821
2014	Average	1.241	0.753
2013	Year-end	1.198	0.726
2013	Average	1.178	0.753

7.4.3 Group companies

The results and financial position of all the group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates.

All resulting exchange differences are recognised in equity through other comprehensive income. This also is applicable to currency, exchange differences on intercompany loans which are treated as investments in foreign activities.

7.5 INTANGIBLE ASSETS

7.5.1 Goodwill

Goodwill represents the excess of the costs of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is allocated to cash generating units, being the parts of the segments benefiting from the business combination in which the goodwill arose. Goodwill is not amortised but is tested annually for impairment.

7.5.2 Software

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

7.5.3 Research and development

Expenditure on research and development activities, undertaken with the prospect of gaining new technical knowledge and new commercially feasible products is recognised in the income statement. When future benefits from the development activities can reliably be measured, development costs are capitalised.

7.5.4 Other intangible assets

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

7.5.5 Subsequent expenditure

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

7.5.6 Amortisation

The straight-line amortisation method is used, based on the estimated useful life of the intangible asset. The amortisation period and the amortisation method have been reviewed at least at each financial year-end. If the expected useful life of the intangible asset was significantly different from previous estimates, the amortisation period has been changed accordingly. Goodwill is not subject to amortisation.

7.6 PROPERTY, PLANT AND EQUIPMENT

7.6.1 Valuation

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

7.6.2 Subsequent expenditure

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

7.6.3 Depreciation

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

CATEGORY	USEFUL LIFE (MINIMUM)	USEFUL LIFE (MAXIMUM)
Land	Infinite	Infinite
Buildings and installations	5 years	40 years
Machinery	5 years	15 years
Other factory equipment	3 years	10 years
Office equipment	3 years	5 years
Computer hardware	3 years	5 years
Company cars	3 years	5 years
Commercial vehicles	3 years	6 years

7.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

7.8 INVENTORIES

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

7.9 TRADE RECEIVABLES

Trade receivables are recognised initially at fair value. After their initial recognition trade receivables are carried at amortised costs, taking into account unrecoverable receivables. Indications for unrecoverable receivables are based on the past due aging. When receivables are considered to be uncollectible a provision for impairments is accounted for.

7.10 CASH AND CASH EQUIVALENTS

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

7.11 SHARE CAPITAL

Share capital is classified as equity.

7.12 SHARE-BASED PAYMENTS (PERFORMANCE SHARE PLAN)

A limited number of employees of the Group are given the opportunity to participate in a long-term equity-settled incentive plan. The fair value of the rights to shares is included as a charge during the vesting period and the total equity is amended accordingly. The total amount taken into account is determined based on the fair value of the shares as determined on the grant date without taking into account the non-market related performance criteria and continued employment conditions ("vesting conditions"). These vesting conditions are included in the expected number of shares that will be vested and this estimate will be revised on the date of vesting based on the actual number of shares that are granted. The shares in question are new shares to be issued by Aalberts Industries N.V.

7.13 DERIVATIVES AND BORROWINGS

Derivatives are stated at fair value. The change in fair value is included in net finance cost if no hedge accounting is applied. Fair value changes for derivative cash flow hedges which are accounted for under hedge accounting are added or charged through the total comprehensive income into equity, taking taxation into account. Upon expiration the result from derivatives is brought to the income statement in association with the hedged items. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

7.14 FINANCE LEASES

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

7.15 DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their net book amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affect neither accounting nor taxable profit or loss, it is not accounted for.
Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The deferred tax asset is recognised for the carry-forward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax asset will be realised.

7.16 EMPLOYEE BENEFIT PLANS

The Group has a number of pension plans in accordance with local conditions and practices. Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. In the UK, Germany, France, Italy and Norway, the plans are partly defined benefit plans. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit obligations are measured at present value, taking into account actuarial assumptions; plan assets are valued at fair value.

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

7.17 PROVISIONS

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

7.18 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue includes the proceeds of goods and services supplied, excluding VAT and net of price discounts and bonuses. The proceeds of goods supplied are recognised as soon as all major ownership rights and risks in respect of the goods have been transferred to the buyer. Sales of services are recognised in the accounting period in which the services are rendered on the basis of the actual service provided as a proportion of the total services to be provided. Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements. When the outcome of a construction contract can be reliably estimated, the contract revenue and expenses are recognised as revenue and expenses in the income statement by reference to the stage of completion at the balance sheet date.

7.19 OTHER INCOME

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

7.20 NET FINANCE COST

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

7.21 TAXATION

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

7.22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

7.23 OPERATIONAL LEASES

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

7.24 DIVIDEND DISTRIBUTION

Dividend distribution to the shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders.

8 FINANCIAL RISK MANAGEMENT

8.1 FINANCIAL RISK FACTORS

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

8.1.1 Market risk

The Group operates internationally and is exposed to foreign currency exchange risk arising from various currency exposures, primarily with respect to the US dollar and the British pound. Foreign currency exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign currency exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each foreign currency. In general, remaining substantial currency risks are covered by using currency instruments. The Group has several foreign subsidiaries of which the net equity is subject to currency risk. Where possible, this currency risk is hedged by financing the subsidiaries concerned with loans denominated in the relevant currencies, subject of course to the legal and fiscal opportunities and limitations.

The US dollar and British pound are the major foreign currencies for the Group. At 31 December 2014, 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 (2013: negative EUR 0.3 million). The net equity at year-end would have been impacted by positive EUR 14.7 million (2013: positive EUR 9.7 million). At 31 December 2014, 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 1.5 million (2013: positive EUR 0.6 million). The net equity at year-end would have been impacted by positive EUR 10.6 million (2013: positive EUR 8.9 million).
The Group is exposed to commodities price risk because of its dependence on certain raw materials, especially copper. Generally, commodity price variances are absorbed by the sales price developments. Additionally the Group makes use of its strong position in the market for commodities to realise the purchase and delivery of raw materials at the best possible conditions. Where considered necessary, exposures with high risk may be covered through commodity future contracts, besides currency and interest hedging derivatives to cover market risks relating to foreign currency exchange rates and interest rates.

8.1.2 Credit risk

The Group has no significant concentrations of credit risk due to the diversification of activities and markets. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history, as also required by credit insurance. The vast majority of companies in the Group make use of credit insurance, unless approved by higher management. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The maximum credit risk on financial assets, being the total carrying value of these assets before provisions for impairment of receivables, amounts to EUR 314,561 (2013: EUR 248,756):

	31-12-2014	31-12-2013
Trade receivables	253,032	216,873
Other current assets	61,429	31,783
Cash and cash equivalents	100	100
TOTAL	**314,561**	**248,756**

8.1.3 Liquidity risk

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

8.1.4 Cash flow and interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises mainly from current and non-current borrowings. Group policy is to maintain the majority of its borrowings in floating rate instruments. Where considered applicable the Group manages its interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. At 31 December 2014, if the interest levels for euro would have been 100 basis points higher, with all other variables constant, the net profit of the Group would have been impacted by negative EUR 5.5 million (2013: negative EUR 4.6 million), mainly as a result of higher interest expenses on floating rate borrowings. The net equity at year-end would have been impacted with the same amount. The change in the market value at balance sheet date of the derivative financial instruments, as a result of the interest adjustment, is excluded from this sensitivity analysis.

8.1.5 Capital risk

In order to manage going concern for shareholders and other stakeholders the Group periodically monitors the capital structure in consistency with the industry and financial institutions through the following principal financial ratios: leverage ratio (net debt / EBITDA on 12 months rolling basis), 2014: 1.9 (2013: 1.6), interest cover ratio (EBITDA / net interest expense on 12 months rolling basis), 2014: 22.6 (2013: 19.0) and gearing (net debt / total equity), 2014: 0.6 (2013: 0.5).

8.2 ACCOUNTING FOR HEDGING ACTIVITIES

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

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

8.3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

8.3.1 Estimated impairments of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 7.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The impairment model used is the discounted cash flow method using a weighted average cost of capital (WACC). The determination of useful lives and residual values require the use of estimates. Details on the impairment tests performed are stated in note 10.

8.3.2 Estimated useful lives and residual values

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

8.3.3 Pension plans

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

8.3.4 Taxes

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

8.3.5 Other critical accounting estimates and assumptions

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

9 SEGMENT REPORTING

9.1 REPORTABLE SEGMENTS

Aalberts Industries sharpened its strategy in 2014 based on the business and market opportunities, core technologies with growth perspective and strong brand names. Before, the businesses Flow Control and Industrial Services existed. During the financial year all group companies are organised in four businesses Building Installations, Climate Control, Industrial Controls and Industrial Services, controlled by the Management Board. Within these activities 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 our global footprint to realise new business opportunities.

As a consequence of the sharpened strategy and the resulting changes in operational steering, the number of reportable segments increased from two to four segments in line with the identified businesses.

Besides the identified reportable segments eliminations of intersegment transfers and transactions exist as well as unallocated items. Unallocated items are mainly related to supporting activities and projects at holding level and 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.

2014	BUILDING INSTALLATIONS	CLIMATE CONTROL	INDUSTRIAL CONTROLS	INDUSTRIAL SERVICES	HOLDING / ELIMINATIONS	TOTAL
Revenue						
External customers	1,012,061	318,095	406,884	463,751	–	**2,200,791**
Inter-segment	33,441	21,686	11,036	4,979	(71,142)	-
TOTAL REVENUE	**1,045,502**	**339,781**	**417,920**	**468,730**	**(71,142)**	**2,200,791**
Operating profit (EBITA)	99,787	35,377	53,484	62,660	(4,651)	**246,657**
EBITA as % of revenue	9.5	10.4	12.8	13.4	–	**11.2**
Assets	963,111	377,487	369,990	715,946	27,669	**2,454,203**
Liabilities	205,825	69,455	61,280	115,926	16,917	**469,403**
Depreciation	35,629	6,389	12,678	28,654	1,494	**84,844**
Capital expenditures	27,133	4,699	11,427	41,245	16	**84,520**

2013	BUILDING INSTALLATIONS	CLIMATE CONTROL	INDUSTRIAL CONTROLS	INDUSTRIAL SERVICES	HOLDING / ELIMINATIONS	TOTAL
Revenue						
External customers	986,603	244,885	397,289	411,263	–	**2,040,040**
Inter-segment	19,969	20,087	7,983	5,287	(53,326)	-
TOTAL REVENUE	**1,006,572**	**264,972**	**405,272**	**416,550**	**(53,326)**	**2,040,040**
Operating profit (EBITA)	93,585	25,566	51,334	57,163	(3,060)	**224,588**
EBITA as % of revenue	9.3	9.6	12.7	13.7	–	**11.0**
Assets	914,987	203,537	374,093	484,480	19,281	**1,996,378**
Liabilities	174,947	47,923	66,256	85,862	9,368	**384,355**
Depreciation	34,257	6,615	12,724	24,800	1,494	**79,890**
Capital expenditures	28,552	4,599	26,019	46,786	103	**106,059**

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

	2014	2013
Total operating profit (EBITA) of reportable segments	246,657	224,588
Amortisation of intangible assets	(20,430)	(17,495)
Net finance costs	(20,151)	(21,449)
CONSOLIDATED PROFIT BEFORE TAX	**206,076**	**185,644**

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:

	2014	2013
Total liabilities of reportable segments	469,403	384,355
Non current and current borrowings	671,290	459,832
Finance leases	19,179	20,552
Tax liabilities	118,595	77,257
Equity	1,175,736	1,054,382
CONSOLIDATED TOTAL EQUITY AND LIABILITIES	**2,454,203**	**1,996,378**

9.2 GEOGRAPHICAL INFORMATION

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

REVENUE	2014	%	2013	%
Western & Northern Europe	1,283,900	58.3	1,200,800	58.9
North America	450,434	20.5	401,501	19.7
Eastern Europe	228,901	10.4	221,602	10.9
Southern Europe	76,763	3.5	69,308	3.4
Middle East & Africa	61,394	2.8	56,341	2.7
Far East	42,582	1.9	35,626	1.7
Other countries	56,817	2.6	54,862	2.7
TOTAL	**2,200,791**	**100.0**	**2,040,040**	**100.0**

Assets are allocated based on the country in which the assets are located and include goodwill, other intangible assets, tangible fixed assets and deferred income tax assets.

NON-CURRENT ASSETS	2014	%	2013	%
Western & Northern Europe	1,253,715	75.9	1,004,010	75.7
North America	238,615	14.4	184,787	13.9
Eastern Europe	88,255	5.3	76,252	5.7
Southern Europe	47,066	2.8	46,687	3.5
Middle East & Africa	103	-	102	-
Far East	25,758	1.6	15,635	1.2
TOTAL	**1,653,512**	**100.0**	**1,327,473**	**100.0**

9.3 ANALYSES OF REVENUE BY CATEGORY

REVENUE	2014	%	2013	%
Sales of goods	1,862,713	84.6	1,751,974	85.9
Services	338,078	15.4	288,066	14.1
TOTAL	**2,200,791**	**100.0**	**2,040,040**	**100.0**

10. INTANGIBLE ASSETS

	GOODWILL	SOFTWARE	OTHER	OTHER INTANGIBLE ASSETS
As at 1 January 2013				
Cost	504,203	31,689	255,046	286,735
Accumulated amortisation	-	(26,647)	(78,214)	(104,861)
NET BOOK AMOUNT	**504,203**	**5,042**	**176,832**	**181,874**
Year ended 31 December 2013				
Opening net book amount	**504,203**	**5,042**	**176,832**	**181,874**
Additions	-	2,815	276	3,091
Acquisition of subsidiaries	12,328	4	12,000	12,004
Amortisation	-	(2,176)	(15,319)	(17,495)
Currency translation	(3,302)	(35)	(1,748)	(1,783)
Closing net book amount	**513,229**	**5,650**	**172,041**	**177,691**
As at 31 December 2013				
Cost	513,229	33,818	264,237	298,055
Accumulated amortisation	-	(28,168)	(92,196)	(120,364)
NET BOOK AMOUNT	**513,229**	**5,650**	**172,041**	**177,691**
Year ended 31 December 2014				
Opening net book amount	**513,229**	**5,650**	**172,041**	**177,691**
Additions	-	2,775	1,660	4,435
Acquisition of subsidiaries	100,370	4,169	106,687	110,856
Disposal of subsidiaries	-	(31)	(174)	(205)
Amortisation	-	(2,779)	(17,651)	(20,430)
Currency translation	11,132	(10)	6,551	6,541
Closing net book amount	**624,731**	**9,774**	**269,114**	**278,888**
As at 31 December 2014				
Cost	624,731	43,899	389,174	433,073
Accumulated amortisation	-	(34,125)	(120,060)	(154,185)
NET BOOK AMOUNT	**624,731**	**9,774**	**269,114**	**278,888**

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

Goodwill and impairment tests

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

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 goodwill to the reportable segments is, on aggregated level, as follows:

GOODWILL	2014	2013
Building Installations	270,599	263,982
Climate Control	96,050	47,897
Industrial Controls	69,649	67,681
Industrial Services	188,433	133,669
TOTAL	**624,731**	**513,229**

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 2015 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 development. For the period after 2019 a growth rate equal to expected long term inflation is taken into account.

The discount rates (pre-tax) reflect specific risks relating to the relevant cash generating units.

The assumptions used for impairment tests are as follows:

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%

2013	BUILDING INSTALLATIONS	CLIMATE CONTROL	INDUSTRIAL CONTROLS	INDUSTRIAL SERVICES
Average growth rate (first 5 years)	5.8%	5.8%	5.8%	6.2%
Long-term average growth rate (after 5 years)	1.0%	1.0%	1.0%	1.0%
Discount rate (pre-tax)	11.1% - 14.2%	11.9%	12.0%	11.8%
Discount rate (post-tax)	8.3% - 8.9%	8.3%	8.3%	8.3%

The impairment tests on all cash generating units within the Group did not result in an impairment 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 keeping 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 change in the key assumptions mentioned above 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 2013					
Cost	418,645	1,185,874	80,053	51,818	**1,736,390**
Accumulated depreciation	(189,869)	(884,422)	(69,706)	-	**(1,143,997)**
NET BOOK AMOUNT	**228,776**	**301,452**	**10,347**	**51,818**	**592,393**
Year ended 31 December 2013					
Opening net book amount	**228,776**	**301,452**	**10,347**	**51,818**	**592,393**
Additions	22,306	42,750	3,615	37,388	**106,059**
Assets taken into operation	8,389	33,873	932	(43,194)	**-**
Disposals	(1,467)	(1,020)	(30)	-	**(2,517)**
Acquisition of subsidiaries	3,856	3,715	337	6	**7,914**
Depreciation	(14,089)	(61,632)	(4,169)	-	**(79,890)**
Currency translation	(3,086)	(3,835)	(125)	(755)	**(7,801)**
Closing net book amount	**244,685**	**315,303**	**10,907**	**45,263**	**616,158**
As at 31 December 2013					
Cost	445,583	1,228,515	76,541	45,263	**1,795,902**
Accumulated depreciation	(200,898)	(913,212)	(65,634)	-	**(1,179,744)**
NET BOOK AMOUNT	**244,685**	**315,303**	**10,907**	**45,263**	**616,158**
Year ended 31 December 2014					
Opening net book amount	**244,685**	**315,303**	**10,907**	**45,263**	**616,158**
Additions	13,343	44,296	3,735	23,146	**84,520**
Assets taken into operation	5,220	21,236	164	(26,620)	**-**
Disposals	(299)	(2,064)	(45)	(878)	**(3,286)**
Acquisition of subsidiaries	48,216	44,354	3,874	5,577	**102,021**
Disposal of subsidiaries	(1,876)	(1,821)	(565)	(69)	**(4,331)**
Depreciation	(14,814)	(65,723)	(4,307)	-	**(84,844)**
Currency translation	(538)	9,007	(545)	2,129	**10,053**
Closing net book amount	**293,937**	**364,588**	**13,218**	**48,548**	**720,291**
As at 31 December 2014					
Cost	530,679	1,445,135	91,680	48,548	**2,116,042**
Accumulated depreciation	(236,742)	(1,080,547)	(78,462)	-	**(1,395,751)**
NET BOOK AMOUNT	**293,937**	**364,588**	**13,218**	**48,548**	**720,291**

At year-end, group companies had investment commitments outstanding in respect of property, plant and equipment to the amount of EUR 51,777 (2013: EUR 49,648) of which EUR 48,548 (2013: EUR 45,263) has been capitalised on the balance sheet as advance payment. The real estate as well as some machines of some subsidiaries are encumbered by a mortgage.

12. INVENTORIES

	31-12-2014	31-12-2013
Raw materials	117,185	94,558
Work in progress	117,247	111,090
Finished goods	244,742	207,510
Other inventories	12,243	11,852
TOTAL	**491,417**	**425,010**

The costs of inventories recognised as an expense and impairment losses on inventories are included in 'raw materials and work subcontracted'. No inventories are pledged as security for liabilities. The provision for write-down of inventories, due to obsolescence and slow moving amounts to EUR 26,834 (2013: EUR 26,768).

13. TRADE RECEIVABLES

	31-12-2014	31-12-2013
Trade receivables	253,032	216,872
Provision for impairment of receivables	(5,287)	(4,860)
TRADE RECEIVABLES (NET)	**247,745**	**212,012**

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. Trade receivables include liabilities related to customer bonuses for an amount of EUR 70,805 (2013: EUR 68,435). These amounts can be settled and legally enforceable and therefore offset in outstanding trade receivables. Impairment losses on trade receivables are included in the 'other operating expenses' and amount to EUR 1,072 (2013: EUR 1,175). The carrying amount approximates the fair value.

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

	2014	2013
As at 1 January	**4,860**	**5,338**
Additions	1,296	1,282
Used during year	(664)	(1,560)
Unused amounts reversed	(224)	(107)
Acquisition of subsidiaries	210	6
Disposal of subsidiaries	(300)	-
Currency translation	109	(99)
AS AT 31 DECEMBER	**5,287**	**4,860**

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

	31-12-2014	31-12-2013
Not past due	190,062	164,464
Past due less than 30 days	42,522	34,016
Past due between 30 days and 60 days	10,573	7,558
Past due between 60 days and 90 days	2,711	2,390
Past due more than 90 days	7,164	8,444
TRADE RECEIVABLES	**253,032**	**216,872**

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

TRADE RECEIVABLES	31-12-2014	31-12-2013
Euro	134,141	124,894
US dollar	55,123	42,615
British pound	30,210	24,881
Other currencies	33,558	24,482
TOTAL	**253,032**	**216,872**

14. OTHER CURRENT ASSETS

	31-12-2014	31-12-2013
Prepaid and accrued income	12,801	12,093
Derivative financial instruments	-	10
Other receivables	48,628	19,680
TOTAL	**61,429**	**31,783**

Other receivables include receivables related to the disposal of subsidiaries for an amount of EUR 20,978 (2013: EUR -).
The carrying amount approximates the fair value of the other current assets.

15. FINANCIAL INSTRUMENTS

	ASSETS 2014	ASSETS 2013	LIABILITIES 2014	LIABILITIES 2013
Interest rate swap contracts	-	-	2,909	4,647
Foreign currency exchange contracts	-	10	468	-
Metal hedging contracts	-	-	213	70
TOTAL	**-**	**10**	**3,590**	**4,717**

The principal amounts of the outstanding interest rate swap contracts at 31 December 2014 were EUR 85,000 (2013: EUR 146,816), for foreign currency exchange contracts EUR 37,667 (2013: EUR 15,768) and for metal hedging contracts EUR 8,304 (2013: EUR 13,392). The majority of the outstanding foreign currency exchange and metal hedging contracts has a short term nature. Interest rate swaps maturity is directly related to the bank borrowings concerned (note 17.1).The fair value of financial instruments equals the market value at 31 December 2014. This valuation has been carried out by the financial institutions where the instruments are held and derived from the related official rates and listings.

16. EQUITY

16.1 SHARE CAPITAL

The total number of shares outstanding at year-end was 110.6 million shares (2013: 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 32.4.

16.2 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.

118,000 conditional shares were granted and accepted in April/May 2011 (PSP 2011-2013). At the end of 2013, there were still 73,000 conditional shares in circulation. Based on the average growth of the earnings per share before amortisation (EPS) over the three-year period (2011-2013) 42% of the conditional shares vested in April 2014 which is equal to a total of 30,660 shares. These shares were purchased by Aalberts Industries in May 2014 for an amount of EUR 734 and this amount is charged to equity (other reserves).

82,000 (100%) conditional shares were granted and accepted in June/July 2013 (PSP 2013-2015) and another 10,000 (100%) shares in May 2014. At the end of 2014, there are still 78,000 conditional shares in circulation because a number of employees have left or will leave (2013: 76,000). The fair value of the Performance Shares granted in 2014 amount to EUR 22.83 per share. This is based on the share price on the grant date of EUR 23.65 per share minus the discounted value (risk-free rate of 0.07%-0.51%) of the expected dividends in the period that the shares were granted conditionally, in view of the fact that the participants are not entitled to dividends during the vesting period. The expected dividends are based on the company's dividend policy. The average fair value of these conditional shares is EUR 17.77 per share (2013: EUR 16.89). At the end of 2014, the total fair value of the 78,000 conditional shares was EUR 1,386 (2013: EUR 1,284) of which EUR 384 (2013: EUR 386) was charged to the personnel expenses in 2014 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 81.

16.3 NON-CONTROLLING INTERESTS

The increase of the non-controlling interests to an amount of EUR 32,441 (2013: EUR 12,062) mainly relates to the acquisition of Impreglon SE (see note 28).

17. BORROWINGS

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

COVENANTS	LEVERAGE RATIO	INTEREST COVER RATIO
As at 30 June of each year	< 3.5	> 3.0
As at 31 December of each year	< 3.0	> 3.0

Definitions:

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

The interest rate surcharges depends on the achieved leverage ratio. At year-end the requirements in the covenants are met as stated below.

REALISED COVENANT RATIOS	2014	2013
Leverage ratio	1.9	1.6
Interest cover ratio	22.6	19.0

NON-CURRENT BORROWINGS	BANK BORROWINGS	FINANCE LEASES	TOTAL
As at 1 January 2014	**252,008**	**20,552**	**272,560**
New borrowings	323,140	383	323,523
Repayments	(118,239)	(2,670)	(120,909)
Acquisition of subsidiaries	47,194	963	48,157
Translation differences	9,008	(49)	8,959
As at 31 December 2014	**513,111**	**19,179**	**532,290**
Current portion of non-current borrowings	(101,632)	(2,376)	(104,008)
NON-CURRENT BORROWINGS AS AT 31 DECEMBER 2014	**411,479**	**16,803**	**428,282**

The current portion of non-current borrowings amounts to EUR 104,008 (2013: EUR 113,134) and is presented within the current liabilities. The carrying amount approximates the fair value; the effective interest rate approximates the average interest rate. The interest rate for bank borrowings was between 1.0% and 5.0%.

17.1 BANK BORROWINGS

The maturity of bank borrowings is as follows:

MATURITY BANK BORROWINGS	2014	2013
Within 1 year	101,632	110,723
Between 1-5 years	284,056	139,963
Over 5 years	127,423	1,322
TOTAL	**513,111**	**252,008**

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

BANK BORROWINGS	2014	2013
Euro	424,196	178,607
US dollar	81,783	69,069
Other currencies	7,132	4,332
TOTAL	**513,111**	**252,008**

17.2 FINANCE LEASES

MATURITY FINANCE LEASES	2014	2013
Minimum lease payments:		
Within 1 year	3,680	3,693
Between 1-5 years	16,304	17,200
Over 5 years	13,273	13,619
	33,257	**34,512**
Future finance charges:		
Within 1 year	1,305	1,282
Between 1-5 years	4,769	4,789
Over 5 years	8,004	7,889
	14,078	**13,960**
Present value of finance leases:		
Within 1 year	2,375	2,411
Between 1-5 years	11,535	12,411
Over 5 years	5,269	5,730
PRESENT VALUE OF FINANCE LEASES IN THE BALANCE SHEET	**19,179**	**20,552**

17.3 CURRENT BORROWINGS

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 2014 amounted to EUR 778 million (2013: EUR 642 million), of which EUR 158 million was used (2013: EUR 208 million). The carrying amount approximates the fair value. The current borrowings amount to EUR 158.2 million and include the total of the short term liabilities (EUR 214.3 million) and cash and cash equivalents (EUR 56.1 million). The credit facilities mainly consist of cash pool agreements with several domestic and foreign credit institutions.

18. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The Group has unrecognized carry-forward tax losses amounting to some EUR 19 million (2013: EUR 20 million). The related deferred income tax assets have not been recorded, since future usage is mainly depending on profit-earning capacity. Deferred income tax assets mainly relate to pensions and capitalised losses. Deferred income tax liabilities mainly relate to temporary differences on other intangible assets which arose from acquisitions and temporary depreciation differences on property, plant and equipment.

	TAX LOSSES	INTANGIBLE ASSETS	PLANT AND EQUIPMENT	PROVISIONS	WORKING CAPITAL AND OTHER	OFF-SETTING	NET ASSET / LIABILITY
Assets	4,372	77	713	17,673	5,898	(4,812)	23,921
Liabilities	–	40,102	26,521	1,062	7,625	(4,812)	70,498
As at 1 January 2013	**(4,372)**	**40,025**	**25,808**	**(16,611)**	**1,727**	**-**	**46,577**
Income statement	723	(2,682)	232	770	(807)	–	(1,764)
Direct to equity	–	–	–	517	917	–	1,434
Acquisition subsidiaries	–	3,210	159	19	-	–	3,388
Currency translation	29	(418)	(291)	171	12	–	(497)
Movements 2013	**752**	**110**	**100**	**1,477**	**122**	**-**	**2,561**
Assets	3,620	104	680	15,921	4,834	(4,764)	20,395
Liabilities	–	40,239	26,588	787	6,683	(4,764)	69,533
As at 31 December 2013	**(3,620)**	**40,135**	**25,908**	**(15,134)**	**1,849**	**-**	**49,138**
Income statement	(104)	(2,691)	(1,058)	213	(1,505)	–	(5,145)
Direct to equity	–	–	–	(3,220)	668	–	(2,552)
Acquisition subsidiaries	–	31,654	44	(1,585)	958	–	31,071
Disposal subsidiaries	–	-	(507)	289	(121)	–	(339)
Currency translation	21	1,844	859	(701)	(104)	–	1,919
Movements 2014	**(83)**	**30,807**	**(662)**	**(5,004)**	**(104)**	**-**	**24,954**
Assets	3,703	135	1,200	21,751	4,940	(2,127)	29,602
Liabilities	–	71,077	26,446	1,613	6,685	(2,127)	103,694
AS AT 31 DECEMBER 2014	**(3,703)**	**70,942**	**25,246**	**(20,138)**	**1,745**	**-**	**74,092**

19. PROVISIONS

19.1 RETIREMENT BENEFIT OBLIGATIONS

	PRESENT VALUE (PARTLY) FUNDED OBLIGATIONS	FAIR VALUE PLAN ASSETS	NET LIABILITY	PRESENT VALUE UNFUNDED OBLIGATIONS	TOTAL
AS AT 1 JANUARY 2013	**131,799**	**(83,930)**	**47,869**	**18,206**	**66,075**
Current service cost	675	-	**675**	549	**1,224**
Past service cost	(108)	-	**(108)**	-	**(108)**
Curtailments and settlements	(136)	-	**(136)**	(112)	**(248)**
Interest expense / (income)	5,332	(3,457)	**1,875**	586	**2,461**
Total recognised in income statement	5,763	(3,457)	**2,306**	1,023	**3,329**
Actuarial gains and losses (demographic assumptions)	(99)	-	**(99)**	(91)	**(190)**
Actuarial gains and losses (financial assumptions)	8,226	-	**8,226**	167	**8,393**
Actuarial gains and losses (experience adjustments)	(277)	-	**(277)**	(52)	**(329)**
Remeasurements of plan assets	-	(6,550)	**(6,550)**	-	**(6,550)**
Total recognised in other comprehensive income	7,850	(6,550)	**1,300**	24	**1,324**
Contributions by employer	-	(3,851)	**(3,851)**	-	**(3,851)**
Contributions by participants	55	(55)	**-**	-	**-**
Benefits paid	(4,086)	4,086	**-**	(1,923)	**(1,923)**
Reclassification	-	-	**-**	(242)	**(242)**
Currency translation	(2,806)	1,887	**(919)**	(15)	**(934)**
AS AT 31 DECEMBER 2013	**138,575**	**(91,870)**	**46,705**	**17,073**	**63,778**
Current service cost	652	-	**652**	720	**1,372**
Past service cost	-	-	**-**	25	**25**
Curtailments and settlements	15	-	**15**	58	**73**
Interest expense / (income)	6,273	(4,187)	**2,086**	569	**2,655**
Total recognised in income statement	6,940	(4,187)	**2,753**	1,372	**4,125**
Actuarial gains and losses (demographic assumptions)	(204)	-	**(204)**	(79)	**(283)**
Actuarial gains and losses (financial assumptions)	18,074	-	**18,074**	3,264	**21,338**
Actuarial gains and losses (experience adjustments)	(181)	-	**(181)**	582	**401**
Remeasurements of plan assets	-	(3,903)	**(3,903)**	-	**(3,903)**
Total recognised in other comprehensive income	17,689	(3,903)	**13,786**	3,767	**17,553**
Contributions by employer	-	(3,117)	**(3,117)**	-	**(3,117)**
Contributions by participants	-	(313)	**(313)**	-	**(313)**
Benefits paid	(4,651)	4,651	**-**	(1,720)	**(1,720)**
Acquisition of subsidiaries	27	-	**27**	3,946	**3,973**
Disposal of subsidiaries	(342)	-	**(342)**	(198)	**(540)**
Currency translation	9,064	(5,751)	**3,313**	(84)	**3,229**
AS AT 31 DECEMBER 2014	**167,302**	**(104,490)**	**62,812**	**24,156**	**86,968**

The retirement benefit obligations mainly relates 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 COUNTRIES	TOTAL
Present value of (partly) funded obligations	156,775	5,176	2,049	3,302	**167,302**
Fair value of plan assets	(99,601)	(2,469)	(173)	(2,247)	**(104,490)**
	57,174	**2,707**	**1,876**	**1,055**	**62,812**
Present value of unfunded obligations	-	16,286	6,606	1,264	**24,156**
LIABILITY IN THE BALANCE SHEET AS AT 31 DECEMBER 2014	**57,174**	**18,993**	**8,482**	**2,319**	**86,968**
LIABILITY IN THE BALANCE SHEET AS AT 31 DECEMBER 2013	**42,770**	**11,504**	**7,650**	**1,854**	**63,778**

AMOUNTS RECOGNISED IN INCOME STATEMENT	UNITED KINGDOM	GERMANY	FRANCE	OTHER COUNTRIES	TOTAL
Current service cost	270	356	443	303	**1,372**
Past service costs	-	-	25	-	**25**
Curtailments and settlements	-	58	-	15	**73**
Total recognised in personnel expenses	270	414	468	318	**1,470**
Interest expense / (income)	1,937	406	276	36	**2,655**
TOTAL RECOGNISED IN INCOME STATEMENT	**2,207**	**820**	**744**	**354**	**4,125**

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

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%

ACTUARIAL ASSUMPTIONS 2013	UNITED KINGDOM	GERMANY	FRANCE
Discount rate	4.50%	3.25%	3.50%
Rate of inflation	3.40%	1.75%	2.00%
Future salary increases	2.40%	1.75%	2.00%

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:

ACTUARIAL ASSUMPTION	CHANGE IN ASSUMPTION	IMPACT ON DEFINED BENEFIT OBLIGATION	
		INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	0.50%	Decrease by 8.5%	Increase by 8.8%
Rate of inflation	0.50%	Increase by 7.7%	Decrease by 7.5%
Future salary increases	0.50%	Increase by 4.6%	Decrease by 4.5%
Life expectancy	1 year	Increase by 2.8%	Decrease by 2.8%

The sensitivity analysis is based on a change in an assumption keeping 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	2014	2013
Equities	64%	66%
Bonds	27%	28%
Other net assets	9%	6%
TOTAL	**100%**	**100%**

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

The Group expects EUR 4.3 million in contributions to be paid to its defined benefit plans in 2015.

19.2 OTHER PROVISIONS AND LONG-TERM LIABILITIES

	2014	2013
As at 1 January	**9,342**	**8,450**
Additions	2,563	2,236
Used during year	(1,715)	(784)
Unused amounts reversed	(1,061)	(3,540)
Acquisition subsidiaries	6,729	3,050
Disposal subsidiaries	(338)	-
Currency translation	174	(70)
AS AT 31 DECEMBER	**15,694**	**9,342**

The other provisions and long-term liabilities include EUR 9.8 million related to the unpaid part of the purchase consideration for acquisitions. The remaining part consists of liabilities related to normal business operations and provisions for restructuring and environmental restoration.

20. OTHER CURRENT LIABILITIES

	31-12-2014	31-12-2013
Social security charges and taxes	22,011	20,795
Value added tax	8,235	6,120
Accrued expenses	38,819	24,715
Amounts due to personnel	48,130	40,953
Derivative financial instruments	3,590	4,717
Other	16,451	8,397
TOTAL	**137,236**	**105,697**

The carrying amount approximates the fair value

21. PERSONNEL EXPENSES

	2014	2013
Wages and salaries	(490,988)	(445,029)
Social security charges	(92,870)	(87,464)
Pension expenses:		
Defined benefit plans	(1,470)	(867)
Defined contribution plans	(15,418)	(14,885)
Other expenses related to employees	(17,032)	(16,356)
TOTAL	**(617,778)**	**(564,601)**

In the year under review, the average number of full-time employees amounted to 13,338 (2013: 12,489).
The remuneration of the Management and Supervisory Board is disclosed as part of the company financial statements (note 32.8).

22. OTHER OPERATING EXPENSES

	2014	2013
Production expenses	(212,215)	(201,088)
Selling expenses	(66,751)	(64,861)
Housing expenses	(34,607)	(32,660)
General expenses	(86,986)	(68,332)
Warranty costs	(2,993)	(2,374)
Other operating income	20,932	15,039
TOTAL	**(382,620)**	**(354,276)**

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

Other operating income is income not related to the key business activities of the Group or relates to incidental and/or non-recurring items like government grants and insurance amounts received. The realised book profit on the disposal of subsidiaries in 2014 amounts to EUR 20.0 million (2013: 4.0 million) as well as fair value adjustments on agreed upon contingent consideration for an amount of EUR 0.5 million (2013: EUR 2.5 million). The proceeds from these transactions will be used to strengthen the existing market positions and operations for which several projects were already started in 2014 and lead to non-recurring expenses for an amount of EUR 14.8 million (2013: EUR 5.8 million).

23. NET FINANCE COST

	2014	2013
Interest income	1,885	7,765
Interest expenses:		
Bank borrowings	(16,819)	(22,972)
Finance leases	(737)	(772)
Net interest expense	**(15,671)**	**(15,979)**
Foreign currency exchange results	**(1,117)**	**(3,250)**
Fair value results on financial instruments:		
Interest rate swaps	(571)	83
Metal price hedge contracts	(137)	158
Total fair value results on derivative financial instruments	**(708)**	**241**
Net interest expense on employee benefit plans	**(2,655)**	**(2,461)**
NET FINANCE COST	**(20,151)**	**(21,449)**

24. INCOME TAX EXPENSES

	2014	2013
Current tax:		
Current year	59,622	51,534
Prior years	1,947	34
	61,569	**51,568**
Deferred tax	(5,145)	(1,764)
INCOME TAX EXPENSES	**56,424**	**49,804**

	2014	2013
Profit before tax	**206,076**	**185,644**
Tax calculated at domestic rates applicable to profits	59,762	54,023
Expenses not deductible for tax purposes	2,697	3,003
Tax-exempt results and tax relief facilities	(6,924)	(7,526)
Other effects	889	304
INCOME TAX EXPENSES	**56,424**	**49,804**
Effective tax rate	27.4%	26.8%

The weighted average applicable domestic tax rate slightly decreased in 2014 due to changes in the country mix and amounted to 29.0% (2013: 29.1%).

25. EARNINGS AND DIVIDENDS PER SHARE

	2014	2013
Net profit	147,514	134,159
Weighted average number of shares in issue (x1)	110,580,102	110,136,200
Basic earnings per share (x EUR 1)	**1.33**	**1.22**
Net profit	147,514	134,159
Weighted average number of shares in issue including effect of share options (x1)	110,658,102	110,242,860
Diluted earnings per share (x EUR 1)	**1.33**	**1.22**
Net profit before amortisation	167,944	151,654
Weighted average number of shares in issue (x1)	110,580,102	110,136,200
Basic earnings per share before amortisation (x EUR 1)	**1.52**	**1.38**
Net profit before amortisation	167,944	151,654
Weighted average number of shares in issue including effect of share options (x1)	110,658,102	110,242,860
Diluted earnings per share before amortisation (x EUR 1)	**1.52**	**1.38**

The dividends paid in 2014 were EUR 0.41 per share (2013: EUR 0.35 per share). A dividend in respect of the year ended 31 December 2014 of EUR 0.46 per share will be proposed at the General Meeting to be held on 21 April 2015. These financial statements do not reflect this dividend payable.

26. CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business. It is not anticipated that any material liabilities will rise from the contingent liabilities. The Group has given guarantees in the ordinary course of business amounting to EUR 20,816 (2013: EUR 10,765) to third parties.

Outstanding commitments related to the purchase of copper, brass and aluminium for the European Building Installations and Climate Control activities amounted to EUR 35.0 million at year-end (2013: EUR 41.0 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	2014	2013
Due in less than 1 year	18,307	14,705
Due between 1 and 5 years	40,484	29,671
Due from 5 years or more	14,805	16,527
TOTAL COMMITMENTS	**73,596**	**60,903**

28. BUSINESS COMBINATIONS

The Group acquired the following entities in 2014:

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 B.V.	The Netherlands	1 July 2014	100.0%	Climate Control
Impreglon SE	Germany	1 October 2014	86.0%	Industrial Services

28.1 NEXUS VALVE INC.

On 13 March 2014 Aalberts Industries N.V. acquired 100% of the shares of Nexus Valve, Inc. ("Nexus"). Nexus sells, develops, produces, assembles and tests a complete assortment of hydronic components such as balancing valves for use in installations in residential and commercial buildings. These valves balance (hot and cold) water flows in buildings in the most efficient possible way. The company is considered a market leader in North America and has extensive experience and knowledge in the field of specification of projects. Nexus cooperates with a network of technical partners, architects, project developers and building managers. Also innovative installation solutions are introduced to installers which enable them to work more easily, quickly, safely, and more user-friendly. This way the installation efficiency is increased and savings can be made. In addition to the (hot and cold) water applications, Nexus supplies a complete portfolio for air heating and air conditioning systems, a strengthening of the existing portfolio in Climate Control.

The acquisition of Nexus is an important strategic step, because an opening is offered to the North American market for Climate Control. There are many possibilities for cross-selling, especially on account of the strong project specification. Nexus can make use of the sales channels in Europe, Russia, Middle East, South Africa and China, where Aalberts Industries has, or is building up, a good market position.

Nexus is based in Fishers (IN) in the United States and generates annual revenues of approximately USD 20 million with about 60 employees. After the acquisition, current experienced management will retain day-to-day operational management responsibility and will further develop the company.

Nexus' results are consolidated as of 1 March 2014 and contributed directly to the earnings per share. The acquisition is financed from existing credit facilities.

28.2 FLAMCO HOLDING B.V.

Aalberts Industries N.V. reached an agreement on 4 July 2014 to acquire 100% of the shares of Flamco Holding B.V. and its subsidiaries ("Flamco"), with head office in Bunschoten, the Netherlands.

Flamco has a strong brand name and is an important manufacturer of expansion vessels, accessories and fixing technology. Flamco has production locations in Germany, the Netherlands, United Kingdom and China and sales and distribution offices in several countries in (Eastern) Europe. The products of Flamco are used in heating and cooling installations for residential and (commercial) buildings. A market where Aalberts Industries already has a good position in Europe and North America. Flamco and Aalberts Industries will be able to offer a more complete systemportfolio to project developers, installers and wholesalers and therefore realise a stronger market position.

Through this acquisition Aalberts Industries will have many opportunities for growth in Climate Control. In West European countries Flamco and Aalberts Industries can optimise cooperation by using the existing sales and distribution networks. In Eastern Europe, Russia, China and North America Flamco can use the strong market position of Aalberts Industries already in place. Also the OEM market offers a good opportunity for growth, especially in Germany. In this market, specific systems are developed with often new technologies which in a later stage can also be used in project specifications for heating and cooling installations for buildings. Improvements in production efficiency can be realised through exchange of technologies between the locations of Flamco and Aalberts Industries. The management team of Flamco will work closely together with Aalberts Industries to implement the many opportunities.

Flamco generates annual revenues of approximately EUR 125 million with 700 employees. The acquisition is consolidated effective 1 July 2014 and contributed directly to the earnings per share. The acquisition is financed from credit facilities.

28.3 IMPREGLON SE

Aalberts Industries has reached an agreement on 7 July 2014 with the major shareholders of Impreglon SE ("Impreglon"), a public listed company in Germany, and has decided to make a public offer on all outstanding shares.

The shareholders of Impreglon are offered a consideration of EUR 14.00 in cash per share, which equals a total consideration of approximately EUR 119 million for all outstanding shares. In addition, it is decided to make a public offer in cash of EUR 132.33 plus accrued interest to the holders of convertible bonds issued by Impreglon. In September 2014 all completion conditions of the offer were fulfilled, including the 75% acceptance threshold. As at 31 December 2014 Aalberts Industries has acquired in total 87.6% on a fully diluted basis of the issued and outstanding shares and convertible bonds in Impreglon.

Impreglon, with head office based in Lüneburg, Germany, is founded in 1983 and listed on the stock market since 2006. Impreglon generates annual revenues of approximately EUR 140 million and is active in surface treatment via 31 owned production locations and 4 franchise operations in 15 countries in Europe, Eastern Europe, North America and Asia. Impreglon is mainly active in the market segments machine building, repair and revision after sales markets and to some extent in automotive. The high grade technologies used by Impreglon for surface treatment are almost completely supplemental to Aalberts Industries. Impreglon has a strong position in especially surface treatments combined with polymer which improves the resistance to wear and the sliding characteristics of components. The company also excels in thermal spray technologies, a high grade service market for the performance of partial surface treatments.

The results of Impreglon are consolidated as from 1 October 2014 and contributed directly to the earnings per share. The acquisition is financed from credit facilities.

28.4 FAIR VALUE AND CONTRIBUTION OF ACQUISITIONS

Estimates and assumptions are used for the purpose of purchase price allocation to determine fair values of the identified assets and liabilities. At acquisition date the fair values of assets, liabilities and cash flow on account of these acquisitions are accounted for as follows:

FAIR VALUES OF ASSETS AND LIABILITIES ARISING FROM ACQUISITIONS	CLIMATE CONTROL	INDUSTRIAL SERVICES	TOTAL
Intangible assets	64,746	46,110	110,856
Property, plant and equipment	17,098	84,923	102,021
Inventories	37,827	8,250	46,077
Receivables and other current assets	23,432	22,739	46,171
Cash and cash equivalents (current borrowings)	(47,809)	3,732	(44,077)
Payables and other current liabilities	(19,607)	(20,256)	(39,863)
Net deferred tax assets (liabilities)	(15,571)	(15,500)	(31,071)
Other provisions	(2,012)	(3,209)	(5,221)
Non-current borrowings	(6,679)	(41,478)	(47,695)
Net assets acquired	**51,425**	**85,311**	**136,736**
Purchase consideration settled in cash	92,104	121,815	213,919
Contingent purchase consideration	5,481	-	5,481
Non-controlling interest	-	17,706	17,706
Total purchase consideration	**97,585**	**139,521**	**237,106**
GOODWILL	**46,160**	**54,210**	**100,370**
Purchase consideration settled in cash	(92,104)	(121,815)	(213,919)
Cash and current borrowings	(47,809)	3,732	(44,077)
CASH OUT FLOW ON ACQUISITIONS	**(139,913)**	**(118,083)**	**(257,996)**

The fair value of the identifiable assets and liabilities at acquisition date could only be determined provisionally for Flamco Holding BV and Impreglon SE and are subject to change. This mainly relates to fair value assessment of tangible fixed assets, intangible assets and the related deferred tax liabilities. This assessment is based on the outcome of the purchase price allocation which will be finalized within 12 months from acquisition date.

The contingent purchase consideration of EUR 5.5 million relates to agreed upon additional considerations depending on the 2014 and 2015 results (payable in 2016). The contingent purchase consideration relating to these transactions represents its fair value at acquisition date. The non-current part of the consideration is recognised under other provisions and long-term liabilities.

The non-controlling interest of EUR 17.7 million relates to 12.4% of the shares of Impreglon SE. The non-controlling interest at acquisition date as well as year-end is recognized at the fair value based on the quoted share price of Impreglon SE.

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

The increase of the 2014 revenue due to the consolidation of acquisitions amounted to EUR 112.9 million. Total 2014 revenue reached an amount of EUR 281.4 million (pro forma). The contribution to the 2014 operating profit of Aalberts Industries amounted to EUR 11.1 million where a total operating profit for the year was reached of EUR 21.9 million (pro forma). The nominal value of the acquired receivables amounts to EUR 46,381 (fair value EUR 46,171).

28.5 ACQUISITION RELATED COSTS

The Group incurred acquisition related costs such as external legal fees and due diligence costs for an amount of EUR 1.3 million. These costs have been included in other operating expenses (general expenses).

28.6 DIVESTMENTS GROUP COMPANIES

Aalberts Industries wants to focus more on defined business segments, markets and core technologies where a leading market position and a sustainable profitable growth can be achieved. Small divestments of non-core activities are part of this strategy.

In 2014 Aalberts Industries divested the activities of both Clesse Industries (with operations in France, United Kingdom, Brazil and Italy) and Broen LAB systems (located in Denmark). The transactions were closed in 2014 and resulted in a net cash inflow of EUR 11,891 consisting of the consideration received and the disposed sum of cash and short term borrowings. The deferred consideration amounting to EUR 20,978 is recognized in other receivables.

The realised book profit on the disposed activities, after transaction related costs, is recognized in other operating income (see note 22). The proceeds from these transactions will be used to strengthen the existing market positions and operations for which several projects already started in 2014 and lead to non-recurring expenses.

The book values of the assets and liabilities disposed of and derecognized in the consolidated balance sheet as per 31 December 2014 are as follows:

BOOK VALUES OF THE ASSETS AND LIABILITIES DISPOSED	INDUSTRIAL CONTROLS
Intangible assets	205
Property, plant and equipment	4,331
Inventories	8,845
Receivables and other current assets	9,148
Cash and cash equivalents (current borrowings)	(1,158)
Payables and other current liabilities	(9,037)
Net deferred tax assets (liabilities)	(339)
Other provisions	(878)
Net assets disposed	**11,117**

The combined contribution of the disposed activities to the 2014 revenue of Aalberts Industries amounted to approximately EUR 45 million. The contribution to the 2014 operating profit amounted to approximately EUR 4.5 million.

29. RELATED PARTIES

The Management and Supervisory Board and the pension funds in the United Kingdom have been identified as related parties. No material transactions have been executed other than intercompany transactions and remuneration, as stated in note 32.8, under normal business conditions.

30. COMPANY BALANCE SHEET

before profit appropriation

in EUR x 1,000	NOTES	31-12-2014	31-12-2013
ASSETS			
Tangible fixed assets			
Other tangible fixed assets	32.2	3	6
Financial fixed assets			
Investments in subsidiaries	32.3	1,223,951	1,145,434
Loans to group companies		202,070	229,270
Non-current assets		**1,426,024**	**1,374,710**
Receivables			
Other debtors, prepayments and accrued income		41,481	8,593
Current assets		**41,481**	**8,593**
TOTAL ASSETS		**1,467,505**	**1,383,303**
EQUITY AND LIABILITIES			
Issued capital		27,645	27,645
Share premium account		200,837	200,837
Other reserves		788,335	712,917
Currency translation and hedging reserve		(21,036)	(33,238)
Retained earnings		147,514	134,159
Shareholders' equity	32.4	**1,143,295**	**1,042,320**
Provisions			
Deferred taxation		6,215	5,590
Long-term liabilities			
Non-current borrowings	32.6	-	20,000
Non-current liabilities		**6,215**	**25,590**
Current borrowings		13,400	53,055
Current portion of non-current borrowings		20,000	40,000
Trade creditors		98	216
Taxation and social security charges		67	225
Other payables, accruals and deferred income		284,430	221,897
Current liabilities		**317,995**	**315,393**
TOTAL EQUITY AND LIABILITIES		**1,467,505**	**1,383,303**

31. COMPANY INCOME STATEMENT

in EUR x 1,000	2014	2013
Profit from subsidiaries after tax	144,984	132,184
Other income and expenses after tax	2,530	1,975
NET PROFIT	**147,514**	**134,159**

32. NOTES TO THE COMPANY FINANCIAL STATEMENTS

32.1 ACCOUNTING PRINCIPLES

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

The average number of employees amounted to 16 full time equivalents (2013: 13), at year-end 15 (2013: 14).

32.2 FIXED ASSETS

in EUR x 1,000	OTHER TANGIBLE FIXED ASSETS	SOFTWARE
As at 1 January 2014		
Cost	554	410
Accumulated depreciation	(548)	(410)
Net book amount	**6**	**-**
Movements 2014		
Depreciation	(3)	-
	3	-
As at 31 December 2014		
Cost	554	410
Accumulated depreciation	(551)	(410)
NET BOOK AMOUNT	**3**	**-**

32.3. FINANCIAL FIXED ASSETS

	INVESTMENTS IN SUBSIDIARIES
AS AT 1 JANUARY 2014	**1,145,434**
Share in 2014 profit	144,984
Capital repayment	(50,000)
Dividends paid	(16,000)
Currency translation and remeasurements	(1,665)
Other movements	1,198
AS AT 31 DECEMBER 2014	**1,223,951**

32.4. SHAREHOLDERS' EQUITY

	ISSUED CAPITAL	SHARE PREMIUM	OTHER RESERVES	CURRENCY TRANSLA-TION AND HEDGING RESERVE	RETAINED EARNINGS	TOTAL SHARE-HOLDERS' EQUITY
AS AT 1 JANUARY 2013	**27,357**	**201,125**	**596,013**	**(20,622)**	**135,068**	**938,941**
Dividend 2012	288	(288)	-	-	(17,294)	**(17,294)**
Addition to other reserves	-	-	117,774	-	(117,774)	**-**
Share based payments	-	-	123	-	-	**123**
Profit financial year	-	-	-	-	134,159	**134,159**
Remeasurements of employee benefit obligations	-	-	(1,324)	-	-	**(1,324)**
Currency translation differences	-	-	-	(14,521)	-	**(14,521)**
Fair value changes derivative financial instruments	-	-	-	3,670	-	**3,670**
Income tax effect on direct equity movements	-	-	331	(1,765)	-	**(1,434)**
AS AT 31 DECEMBER 2013	**27,645**	**200,837**	**712,917**	**(33,238)**	**134,159**	**1,042,320**
Dividend 2013	-	-	-	-	(45,338)	**(45,338)**
Addition to other reserves	-	-	88,821	-	(88,821)	**-**
Share based payments	-	-	(350)	-	-	**(350)**
Transactions with non-controlling interests	-	-	814	-	-	**814**
Profit financial year	-	-	-	-	147,514	**147,514**
Remeasurements of employee benefit obligations	-	-	(17,553)	-	-	**(17,553)**
Currency translation differences	-	-	-	11,505	-	**11,505**
Fair value changes derivative financial instruments	-	-	-	1,831	-	**1,831**
Income tax effect on direct equity movements	-	-	3,686	(1,134)	-	**2,552**
AS AT 31 DECEMBER 2014	**27,645**	**200,837**	**788,335**	**(21,036)**	**147,514**	**1,143,295**

The authorised share capital amounts to EUR 50 million divided into:

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

The issued share capital did not change in the course of the year under review. As at 31 December 2014, 110,580,102 and 100 priority shares were issued.
The currency translation and hedging reserve are not to be used for profit distribution.

32.5 PROFIT APPROPRIATION

In accordance with the resolution of the General Meeting held on 22 April 2014, the profit for 2013 has been appropriated in conformity with the proposed appropriation of profit stated in the 2013 Financial Statements. The net profit for 2014 attributable to the shareholders amounting to EUR 147,514 shall be available in accordance with the articles of association.

The Management Board proposes to declare a dividend of EUR 0.46 solely in cash per share of EUR 0.25 par value. Any residual profit shall be added to reserves.

32.6 NON-CURRENT BORROWINGS

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

32.7 AUDIT FEES

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

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**

2013	PRICEWATERHOUSECOOPERS ACCOUNTANTS N.V.	OTHER PRICEWATERHOUSECOOPERS ACCOUNTANTS N.V. NETWORK	TOTAL PRICEWATERHOUSECOOPERS ACCOUNTANTS N.V. NETWORK
Audit of annual accounts	322	1,478	1,800
Other audit services	-	10	10
Tax advisory services	-	41	41
Other non-audit services	-	5	5
TOTAL	**322**	**1,534**	**1,856**

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

32.8 REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BOARD

The total remuneration of the members of the Management Board for 2014 amounted to 3,239 (2013: EUR 2,118) 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 540 (2013: EUR 529), a bonus amounting to EUR 393 (2013: EUR 110) and a pension contribution of EUR 79 (2013: EUR 71). At year-end he held a total of 70,175 shares in Aalberts Industries N.V. (2013: 65,975). The number of conditional performance share awards that were granted in 2013 (PSP 2013-2015) amounted to 20,000 of which EUR 97 was charged to the profit and loss in 2014 (2013: EUR 96). Of the 20,000 conditional shares that were granted in 2011 (PSP 2011-2013) 42% vested in April 2014 and a total of 8,400 shares have been settled.

Mr. J. Eijgendaal (CFO) received a salary of EUR 490 (2013: EUR 480), a bonus amounting to EUR 357 (2013: EUR 100) and a pension contribution of EUR 84 (2013: EUR 97). At year-end he held a total of 125,000 shares in Aalberts Industries N.V. (2013: 114,276). The number of conditional performance share awards that were granted in 2013 (PSP 2013-2015) amounted to 20,000 of which EUR 115 was charged to the profit and loss in 2014 (2013: EUR 115). Of the 20,000 conditional shares that were granted in 2011 (PSP 2011-2013) 42% vested in April 2014 and a total of 8,400 shares have been settled.

Mr. O.N. Jäger joined the Management Board as Executive Director as per 22 April 2014 and received a salary of EUR 233 and a bonus amounting to EUR 147. At year-end he held a total of 4,200 shares in Aalberts Industries N.V. The number of conditional performance share awards that were granted in 2013 (PSP 2013-2015) amounted to 10,000 of which EUR 33 was charged to the profit and loss in 2014. Of the 10,000 conditional shares that were granted in 2011 (PSP 2011-2013) 42% vested in April 2014 and a total of 4,200 shares have been settled.

Mr. J. Aalberts (President) stood down from the Management Board following the General Meeting of 22 April 2014 and received a salary of EUR 540 (2013: EUR 529) and a bonus amounting to EUR 131 (2013: EUR 110).

Additional information regarding conditional performance share awards originating from the Performance Share Plan is disclosed in note 16.2. The share price as per 31 December 2014 amounted to EUR 24.54 per share.

The Dutch government did not charge an additional wage tax payable by companies employing personnel earning more than EUR 150 anymore in 2014. Consequently, this has not lead to an additional expense in 2014 (2013: EUR 250).

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

	2014	2013
H. Scheffers	50	50
M.C.J. van Pernis	40	40
W. van de Vijver	40	40
R.J.A. van der Bruggen	20	40
TOTAL	**150**	**170**

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

32.9 LIABILITY

The company has guaranteed the liabilities of most of its Dutch group companies in accordance with the provisions of article 403, paragraph 1, Book 2, Part 9 of the Netherlands Civil Code. As a consequence, these companies are exempt from publication requirements.

The company forms a tax unity with almost all of its Dutch subsidiaries.
The company therefore is liable for the tax obligations of the tax unity as a whole.

Langbroek, 25 February 2015

The Management Board

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

The Supervisory Board

Henk Scheffers (Chairman)
Martin van Pernis
Walter van de Vijver

33. SPECIAL CONTROLLING RIGHTS UNDER THE ARTICLES OF ASSOCIATION

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

The following principal powers are vested in the holders of priority shares:

- authorisation of every decision to issue shares;
- authorisation of every decision to limit or exclude the preferential rights of shareholders in the event of an issue of shares;
- authorisation of every decision to buy paid-up shares in shareholders' equity or certification thereof without payment or subject to conditions;
- authorisation of every decision to dispose of shares held by the company;
- authorisation of every decision to reduce the issued capital through the cancellation of shares or through a decrease in the par value of shares by amending the articles of association;
- determination of the number of members of the Management Board;
- to make a binding nomination to the General Meeting concerning the appointment of management and supervisory board members;
- to approve the sale of a substantial part of the operations of the company;
- to approve acquisitions that would signify an increase of more than 15% in the company's revenue, or that would involve more than 10% of the company's balance sheet total;
- to approve the borrowing of funds that would involve an amount of EUR 100 million or more;
- to recommend to the General Meeting a change in the Articles of Association, a legal merger, a split-up or the dissolution of the company.

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

34 PROFIT APPROPRIATION AND DIVIDEND

The profit appropriation and dividend is disclosed in note 32.5.

35 SUBSEQUENT EVENTS

There were no subsequent events that required additional disclosure.

36. INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS 2014

Our opinion

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 2014 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements give a true and fair view of the financial position of Aalberts Industries N.V. as at 31 December 2014 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2014 of Aalberts Industries N.V., Utrecht ('the company'). The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2014;
- the following statements for 2014: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2014;
- the company income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The 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 "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

Our audit approach

Overview

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the management board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

Materiality

- Overall materiality € 7 million based on 5% of profit before tax.

Audit scope

- Audit work was conducted on most components.
- We performed audit work on the acquisitions in Germany (Impreglon), the Netherlands (Flamco) and the United States (Nexus).
- As group auditors, we visited 15 components (based in 5 countries) as part of our audit. The majority of these visits relate to attending the components closing meetings. Additionally, we participated in 5 components closing meetings by means of videoconference.

Key audit matters

- Inventories and accounts receivable
- Goodwill
- Acquisitions
- Divestments

Materiality

The scope of our audit is influenced by the application of materiality. Our audit opinion aims on providing reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality
€ 7 million (2013: € 7 million).
How we determined it
Based on 5% of profit before tax.
Rationale for benchmark applied
We have applied this benchmark based on our analysis of the common information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the company. Furthermore, we included EBITA as benchmark in our analysis given the importance of EBITA within the group and in external communication. Using 3% of EBITA as benchmark results in the same materiality levels.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above € 350,000 (2013: € 350,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

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

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

Aalberts Industries N.V. is organized in four reportable segments as disclosed in note 9 of the financial statements. Within these four segments there are 27 companies or groups of companies (hereafter referred to: components) that report to responsible management. Assurance procedures are performed on each of these 27 components. Our group audit focused on all components: 96% of revenues is subject to a full scope audit scope; 4% of revenues is subject to review procedures for group reporting purposes. In our group audit, we rely to a large extent on the audit work performed by the component auditors, who audit the results of a separate component or a group of components. Due to the composition and spread of the group and the number of components, no component is individually financially significant to the group as a whole.

As group auditor, we are ultimately responsible for the audit of the financial statements of Aalberts Industries N.V. and managing, supervising and performing of the component audits by the component auditors is an important element in our audit. These procedures include amongst others issuing audit instructions to the component auditors, discussing and analyzing the audit approach regarding significant risks per component with the component auditors, having frequent dialogues with these component auditors following the performed and reported audit procedures, assessing and discussing their reports with observations and auditors' reports for group purpose and attending the component closing meetings of the respective component auditors and management - including via video conference. The component auditors who performed audit work for group reporting purposes are primarily from the PwC network.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those functions to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. Based on size, rotation and events during the year, we determine which component auditors will be visited by the group audit team. For the 2014 audit, we participated in closing meetings in Germany (Material Technology group, Meibes and Seppelfricke), France (Comap, Clesse and Metalis), Belgium (Henco) and the Netherlands (VSH, Flamco, Industrial Products group, Lamers and BSM). Furthermore, we participated in closing meetings in the United States (Conbraco, Lasco and Elkhart), the United Kingdom (Pegler Yorkshire group) and Denmark (Broen group) via videoconference. We also visited KAN Hydroplast in Poland. Following the acquisitions of Impreglon and Flamco (refer to key audit matters) we paid specific attention to the audit work performed on these companies. The group team performed audit work on the consolidation of the group, the disclosures in the financial statements and other complex matters such as the accounting of acquisitions, the groups financing, the group tax position and the valuation of the goodwill.

By performing the procedures above at component level combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.
The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matters

Inventories and accounts receivable

Inventories and accounts receivable are an important part of the assets of Aalberts Industries N.V. and amount to € 491 million and € 248 million respectively. Working capital management is primarily a decentralized responsibility within Aalberts Industries N.V., where the group retains a level of oversight concerning developments in overall working capital while component management is responsible for managing working capital at that level. Monitoring working capital is an important element of the accountability of component management by the management board of Aalberts Industries N.V. Existence, valuation and cut-off of inventories and accounts receivable are therefore a key audit matter.

How our audit addressed the matter

The existence of inventories and the cut-off of revenues are assessed in the component audits. Stock counts at all material inventory locations are attended. Furthermore, cost prices at which inventories are valued are tested by performing detailed testing on the accuracy of the (standard) cost price calculations. Valuation of inventories is tested by, amongst others, testing ageing of inventories, turnover within inventories, developments within the product range and the analysis of the obsolete stock. Existence and cut-off of accounts receivable is tested by amongst others the following procedures: accounts receivable confirmations, performing run-off testing of the accounts receivable based on subsequent bank receipts and performing testing procedures on the initial recognition of the accounts receivable. When testing the valuation of accounts receivable, credit insurance is taken into account. At group level, we performed analytical procedures on the developments within accounts receivable and inventories of the group companies as a whole.

Goodwill

As at 31 December 2014, Aalberts Industries N.V. reported € 625 million in goodwill as a result of previous acquisitions. In accordance with IFRS, the company performs an impairment test per cash generating unit to assess whether the goodwill might be impaired. The tests performed by Aalberts Industries N.V. per the various cash generating units did not result in an impairment of goodwill since the realizable value based on future cash flows per unit exceeded the carrying amount of goodwill and other net assets. The assumptions, sensitivities and results of the tests performed are disclosed in note 10 of the financial statements. These tests are a key audit matter due to the complexity, the required estimates of management and the dependency on future market circumstances.

How our audit addressed the matter

We involved our valuation specialists in our audit to support our assessment of the assumptions and methods that were used by Aalberts Industries N.V. in testing the discount rates per cash generating unit and assessing the model that calculates future cash flows. Furthermore, we tested expected growth rates and the related expected future cash flows. We assessed whether these future cash flows, amongst others, were based on the strategic plan 2015-2018 as prepared by the management board and approved by the supervisory board, business plans per segment of group companies and other relevant developments in the business of the cash generating unit. We also assessed the appropriateness of the disclosures in the financial statements of the assumptions and the sensitivity.

Acquisitions

In 2014, Aalberts Industries N.V. acquired three companies (Nexus, Flamco and Impreglon), for a total purchase consideration of € 237 million. The company prepared a purchase price allocation for these acquisitions, by which the purchase price is allocated to the assets and liabilities of the respective acquired company. The acquisitions and the purchase price allocation are disclosed in note 28.4 of the financial statements. Given the significance of the purchase consideration and the management estimates that are required to prepare a purchase price allocation, we consider the acquisitions to be a key audit matter.

How our audit addressed the matter

In our audit of the accounting of the acquisitions, we assessed the sale/purchase agreements and tested the payment of the purchase price to the sellers. An important element of our audit relates to the identification of the acquired assets (e.g. valuation of customers and relations, trade names and technology) and liabilities (provisions, other liabilities). We tested this identification based on our understanding of the business of the acquired companies and the explanations and plans of the management board that supported this acquisition. Subsequently, we tested the fair values of the acquired assets and liabilities based on common valuation models. We involved our valuation specialists in our audit of the fair values. As disclosed in note 28.4, the purchase price allocations of Flamco and Impreglon are provisional. As a result, adjustments can be made in 2015 to the purchase price allocations based on new information. Furthermore, we assessed the appropriateness of the disclosures in the financial statements regarding the acquisitions.

Divestments

In late 2014, Aalberts Industries N.V. divested two (group) companies: Broen Lab (part of the Broen group) and Clesse. The book profit realized on these sales as disclosed in note 22 in the financial statements is material to the group and is therefore a key audit matter.

How our audit addressed the matter

We assessed that the accounting of the divestments is in accordance with the purchase/sale agreements and that the agreed purchase prices had been received. Furthermore, we assessed that the divestments and the related book profits are appropriately recorded in the results for the year ended 31 December 2014.

Responsibilities of the management board and the supervisory board

The management board is responsible for:

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

As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going concern basis of accounting unless the management board 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 responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all frauds or errors.
A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the Report of the management board and the other information

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

Our appointment

We were reappointed as auditors of Aalberts Industries N.V. for the financial year 2014 in the general meeting held on 22 April 2014. We are auditors of the company for an uninterrupted engagement period of 18 years. The undersigned is the external auditor of the company for the last five years.

Amsterdam, 25 February 2015
PricewaterhouseCoopers Accountants N.V.

Official Dutch version signed by

P.J. van Mierlo

Appendix to our auditor's report on the financial statements 2014 of Aalberts Industries N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.
Our audit consisted, among others of:

- 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 intentional 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 the management board.
- Concluding on the appropriateness of the management board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. 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 deficiencies 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 the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

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.	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
Kluin Wijhe B.V.	NLD
Lamers High Tech Systems B.V.	NLD
Machinefabriek Technology Twente B.V.	NLD
Mifa Aluminium B.V.	NLD
Mogema B.V.	NLD
Overeem B.V.	NLD
Taprite-Fassco Manufacturing, Inc.	USA
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 (90%)	DEU
GTO Slovakia s.r.o.	SVK
Hanghzou AHC Surface Treatment Technology Co., Ltd	CHN
Härterei Hauck GmbH	DEU
Heat & Surface Treatment B.V.	NLD
Impreglon SE (88%)	DEU
Ionic Technologies Inc. (94%)	USA
Mamesta B.V.	NLD
Metalis S.A.S.	FRA
Métatherm S.A.S.	FRA
Nowak S.A.S.	FRA
SGI Société de Galvanoplastie Industrielle S.A.S.	FRA
Stålservice Värmebehandling Nordic AB	SWE
T. Térmicos Tey, S.L.	ESP
T. Térmicos Traterh, S.A.U.	ESP
TTI Group Limited	GBR

KEY FIGURES 2010-2014

	2014	2013	2012	2011	2010
Results (in EUR million)					
Revenue	**2,201**	2,040	2,025	1,937	1,683
Added-value	**1,332**	1,223	1,197	1,146	1,004
Operating profit (EBITDA)	**332**	305	296	279	248
Operating profit (EBITA)	**247**	225	219	209	180
Net profit before amortisation	**168**	152	152	146	117
Depreciation	**85**	80	77	71	68
Cash flow* (net profit + depreciation)	**253**	232	229	216	186
Free cash flow (before interest and tax)	**222**	175	150	173	177
Balance sheet (in EUR million)					
Intangible assets	**904**	691	686	701	609
Property, plant and equipment	**720**	616	592	565	530
Capital expenditure	**85**	106	104	84	63
Net working capital	**427**	373	370	345	304
Total equity	**1,176**	1,054	950	859	746
Net debt	**690**	480	542	606	594
Capital employed	**1,866**	1,535	1,492	1,464	1,339
Total assets	**2,454**	1,996	1,965	1,932	1,778
Number of employees at end of period (x1)	**14,492**	12,311	12,048	12,282	11,536
Ratios					
Added-value as a % of revenue	**60.5**	60.0	59.1	59.1	59.7
EBITDA as a % of revenue	**15.1**	14.9	14.6	14.4	14.8
EBITA as a % of revenue	**11.2**	11.0	10.8	10.8	10.7
Interest cover ratio (12-months-rolling)	**22.6**	19.0	14.4	12.9	10.4
Net profit* as a % of revenue	**7.6**	7.4	7.5	7.5	7.0
Total equity as a % of total assets	**47.9**	52.8	48.3	44.4	42.0
Net debt / total equity	**0.6**	0.5	0.6	0.7	0.8
Return on capital employed (ROCE 12-months-rolling)	**14.0**	14.6	14.7	14.3	13.4
Leverage ratio (12-months-rolling)	**1.9**	1.6	1.8	2.0	2.3
Shares issued (in millions)					
Ordinary shares (average)	**110.6**	110.1	108.9	107.5	106.4
Ordinary shares (at year-end)	**110.6**	110.6	109.4	108.1	106.7
Figures per share (in EUR)					
Cashflow*	**2.29**	2.10	2.10	2.01	1.74
Net profit*	**1.52**	1.38	1.40	1.36	1.10
Dividend	**0.46**	0.41	0.35	0.34	0.28
Share price at year-end	**24.54**	23.18	15.70	12.98	15.77

* Before amortisation