sustainable. performance.

annual report 2021

aalberts

mission critical technologies

aalberts
mission critical technologies

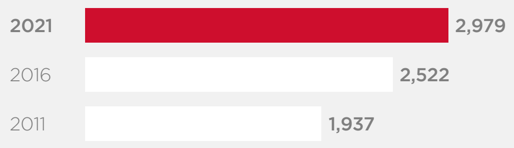
highlights 2021

16% organic revenue growth and an EBITA margin of 15.2%

revenue

(in EUR million)

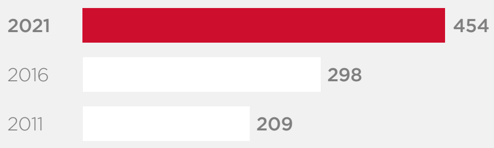
2,979



EBITA

(in EUR million)

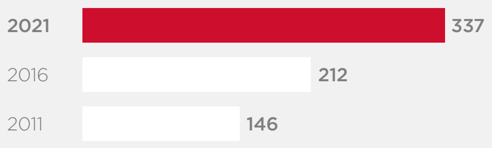
454



net profit before amortisation

(in EUR million)

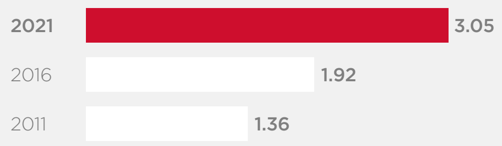
337



earnings per share before amortisation

(in EUR)

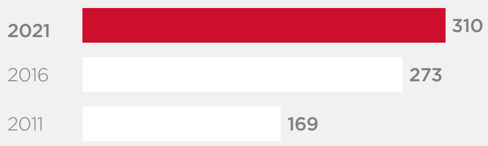
3.05



free cash flow (before interest and tax)

(in EUR million)

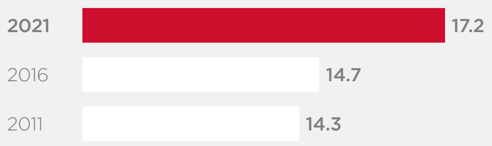
310



return on capital employed

(in %)

17.2



all figures before exceptionals

Aalberts at a glance

we are where technology matters and real progress can be made

14,402

mission-critical people

135

locations worldwide

America

25%

of total revenue

Western Europe

59%

of total revenue

Russia

1%

of total revenue

Eastern Europe

10%

of total revenue

APAC, Middle East, Africa

5%

of total revenue

4

end markets

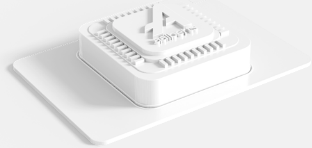
58%

of total revenue

shaping **eco-friendly buildings**

9%

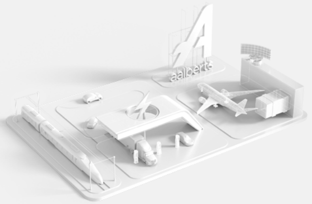
of total revenue



increasing **semicon efficiency**

15%

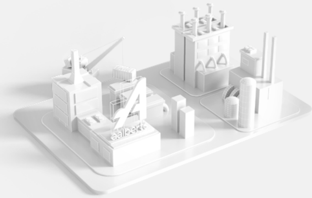
of total revenue



driving **sustainable transportation**

18%

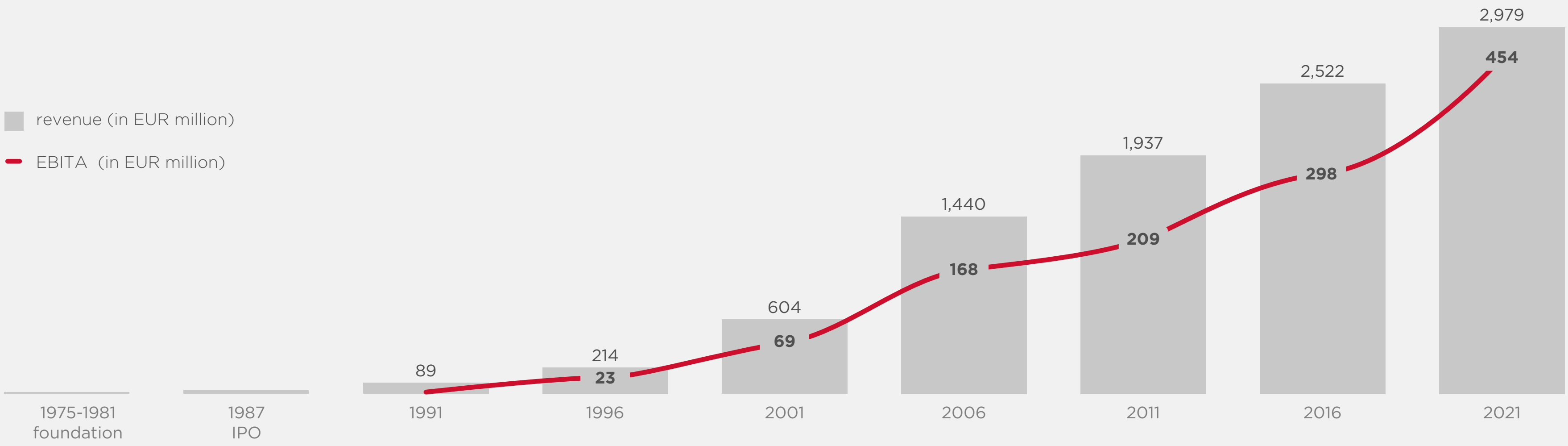
of total revenue



enhancing **industrial niches**

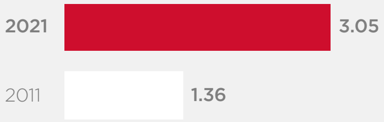
shareholder value creation

over 45 years of sustainable growth



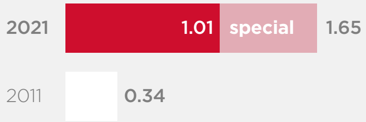
multi-industry focus → portfolio growth focus → mission-critical technology focus

earnings per share
(in EUR)



CAGR ↗ 8%

dividend per share
(in EUR)



CAGR ↗ 12%

return on incremental capital employed (ROICE)

EBITA		capital employed
209	2011	**1,464**
454	2021	**2,676**
(1)	IFRS 16	**(174)**
244		**1,038**

23.5%

long-term shareholders
(>3% holdings)

>50%

in this report

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risk & governance
report of the Supervisory Board
financial statements 2021
supplementary information

follow our progress

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This document is the PDF version of the Aalberts N.V. annual report 2021. A European single electronic format (ESEF) reporting package is available at **aalberts.com/investors**

message of the CEO

Dear shareholders, customers, partners and colleagues,

In 2021 we delivered a strong performance. Organic revenue growth accelerated to 16.0% and our orderbook increased with 52% compared to the year before. We realised a revenue of EUR 2,979 million, an EBITA of EUR 454 million and a net profit of EUR 337 million, with an earnings per share of EUR 3.05. Additionally, we realised an exceptional EBITA benefit of EUR 100 million as a result of the divestment programme. Our innovation rate increased to more than 15% and our SDG impact increased to 66% of revenue.

Our Aalberts people did a great job. We continued our operations in a safe way, despite an ongoing pandemic. We were able to manage the disruptions in our supply chains and the raw material and labour shortages, requiring a lot of attention of our business teams. We faced no severe issues and served our customers in the best possible way. We also faced price increases for raw materials and components and inflation in wages and other costs. We managed to take the right actions and kept our added value margin on a good level. Our unique positioning, mission-critical technologies, worldwide presence, strong local entrepreneurship and fast decision-making helped us to overcome these challenges. All Aalberts people deserve a big compliment for this strong performance.

We executed the strategic restructuring plan and inventory optimisation projects and evaluated and improved the business development initiatives of all business teams. To facilitate the growth plans, capital expenditure increased to EUR 147 million (+54%), continuing the investments in growing product lines, future technologies and innovations. With the acquisitions of Sentinel and Premier Thermal and the divestments of Lasco, Adex and Standard Hidráulica Group, we further optimised our portfolio.

In December we presented our updated strategy Aalberts ‘accelerates unique positioning’ during a virtual Capital Markets Day. Four main strategic actions 2022-2026 were defined. Firstly, we will continue to optimise the existing portfolio, strengthen our positions with bolt-on acquisitions and launch an additional divestment programme. Secondly, we will increase our organic revenue growth by focusing on four technology clusters and four end markets, drive related business plans, allocate capital and management accordingly, increase innovation expenditure to more than 5% of total revenue and increase capital expenditure to EUR 200-250 million per year. Thirdly, we will continue the relentless pursuit of operational excellence by launching an additional operational excellence programme, further consolidate and reduce locations and realise world-class operations: highly automated and efficient, with an excellent service and continuously drive pricing excellence. Fourthly, we will drive sustainable entrepreneurship by accelerating our unique positioning and capitalise the market opportunities, increase our SDG impact to more than 70% of total revenue in 2026 and commit to become net zero carbon in 2050 or earlier. We also updated our objectives for the coming years.

At Aalberts, we engineer mission-critical technologies for a clean, smart and responsible future. We firmly believe that sustainability only works when it is an integrated part of the Aalberts strategy and it applies to all stakeholders. That is why we call it sustainable entrepreneurship. Our playing field focuses on shaping eco-friendly buildings, driving sustainable transportation, increasing semicon efficiency and enhancing industrial niches. Megatrends urbanisation, energy & resource scarcity and internet of things are shaping our future, creating a shift towards co-development, connectivity and integration.

> “all Aalberts people deserve a big compliment for this strong performance”

In eco-friendly buildings we experience an increasing need for renovation and energy efficiency in buildings. Our hydronic flow control solutions combined with integrated piping systems have a prosperous future. In sustainable transportation the usage of passenger cars, commercial vehicles and aerospace travel is being redefined, the demand for e-bikes and e-mobility is lifting off in combination with usage of lightweight materials to reduce energy and extend the lifetime of materials. Our surface technologies activities are perfectly positioned to take advantage of these trends. In semicon efficiency the collection and analysis of data is set to explode, even more than expected. This creates many new business opportunities to support our key accounts in co-developing and manufacturing

"we firmly believe that sustainability only works if it applies to all stakeholders"

advanced mechatronics solutions. We are at the heart of these semicon efficiency developments and these technologies are also applied in several industrial niches. Regional manufacturing becomes favourable to improve service, protect the supply chains and reduce transport. We experience this reshoring trend in all businesses and are further strengthening our manufacturing footprint in Europe, United Kingdom and North America.

Our pragmatic entrepreneurial culture and lean structure keep us ahead of the game, while relentlessly running the Aalberts playbook, where good is never good enough. We win with the best teams, drive margin expansion through operational excellence and leverage, convert strong operational execution into free cash flow to reinvest in strengthening our market positions, innovations and portfolio optimisation. We do this through a disciplined capital allocation realising compounding returns. Our track record of more than 45 years of sustainable profitable growth proves the sustainability of this business model.

Our key strength is our mission-critical entrepreneurial people, taking ownership, going for excellence in everything we do, sharing knowledge to learn fast, continuously improving and innovating and always acting with integrity. 'The Aalberts way – winning with people' will continue to guide our culture. We can only win with the best teams as passionate drivers of our long-term business plans and innovation roadmaps. For the best ideas, processes and vital innovations it is a necessity to develop, retain and attract the best people and empower them to be an entrepreneur and take ownership. In 2021, 100 colleagues participated in our trainee, talent and leadership development programmes and we shared more best practices than ever through our people & culture network. The promotion of talents and leaders to other positions in the different business teams is increasing fast, generating energy and motivation in the organisation and utilising the knowledge within the group, greatness is made of shared knowledge. The Aalberts brand and values are embraced more and more by all our stakeholders, which is also reflected by the calibre of talent and leadership who joined us. Our Aalberts networks, driven by the head office leadership team and working closely together with the Executive Team and business teams leadership, made further progress stimulating teamwork, knowledge sharing, exchange of best practices, fast-learning, innovations and entrepreneurship.

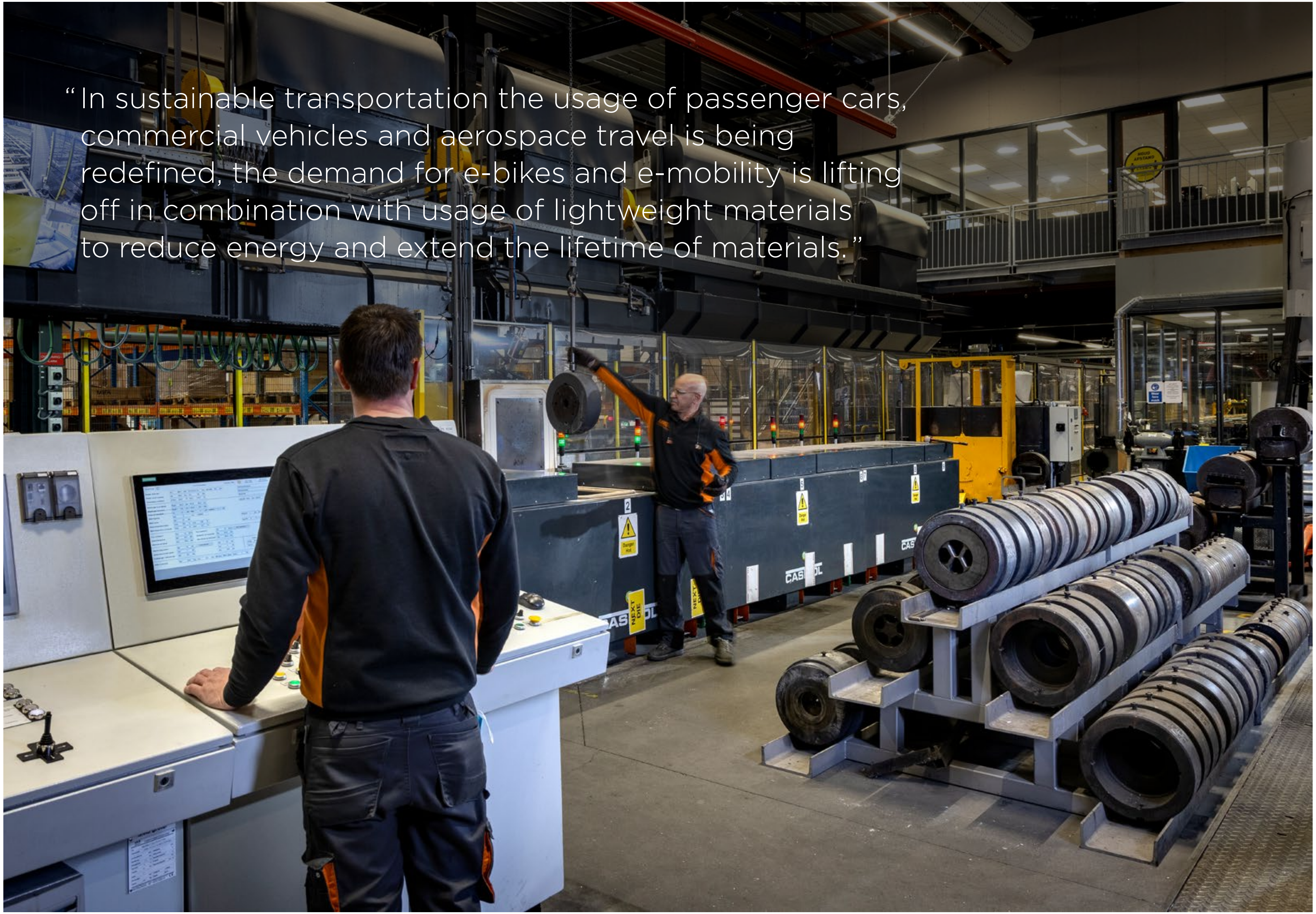
To the General Meeting we propose a cash dividend of EUR 1.01 per share (2020: EUR 0.60), an increase of 68% and a special cash dividend of EUR 0.64 per share, due to the exceptional EBITA benefit.

"due to the strong performance in 2021 and the exceptional EBITA benefit we were able to deliver great shareholder value"

We thank our customers for their patience and loyalty during the year, which was impacted by the disruptions in our supply chain and the raw material and labour shortages. We tried to serve everyone in the best possible way. A big thank you to all Aalberts people, continuing our operations in a safe way, serving our customers in difficult circumstances, delivering strong results and driving our long-term business plans forward. A great achievement, showing the strength of our business teams and entrepreneurial culture. We thank our shareholders for their loyalty and trust and for supporting our updated strategy. Due to the strong performance in 2021 and the exceptional EBITA benefit we were able to deliver great shareholder value. We are a sustainable profitable growth company you can count on.

In 2022, we started with a strong orderbook and will relentlessly execute our updated strategy Aalberts 'accelerates unique positioning'.

Sincerely,
Wim Pelsma



"In sustainable transportation the usage of passenger cars, commercial vehicles and aerospace travel is being redefined, the demand for e-bikes and e-mobility is lifting off in combination with usage of lightweight materials to reduce energy and extend the lifetime of materials."

about Aalberts

our essence

we engineer **mission-critical technologies** enabling a clean, smart and responsible future

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we are a company of mission-critical people who can't resist going beyond the line of duty **– good is never good enough**

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sharing and discussing 'bad' gets us to brilliant – **greatness is made of shared knowledge**

our way of value creation

the Aalberts playing field

mission-critical
technologies

the Aalberts playbook

good is never
good enough

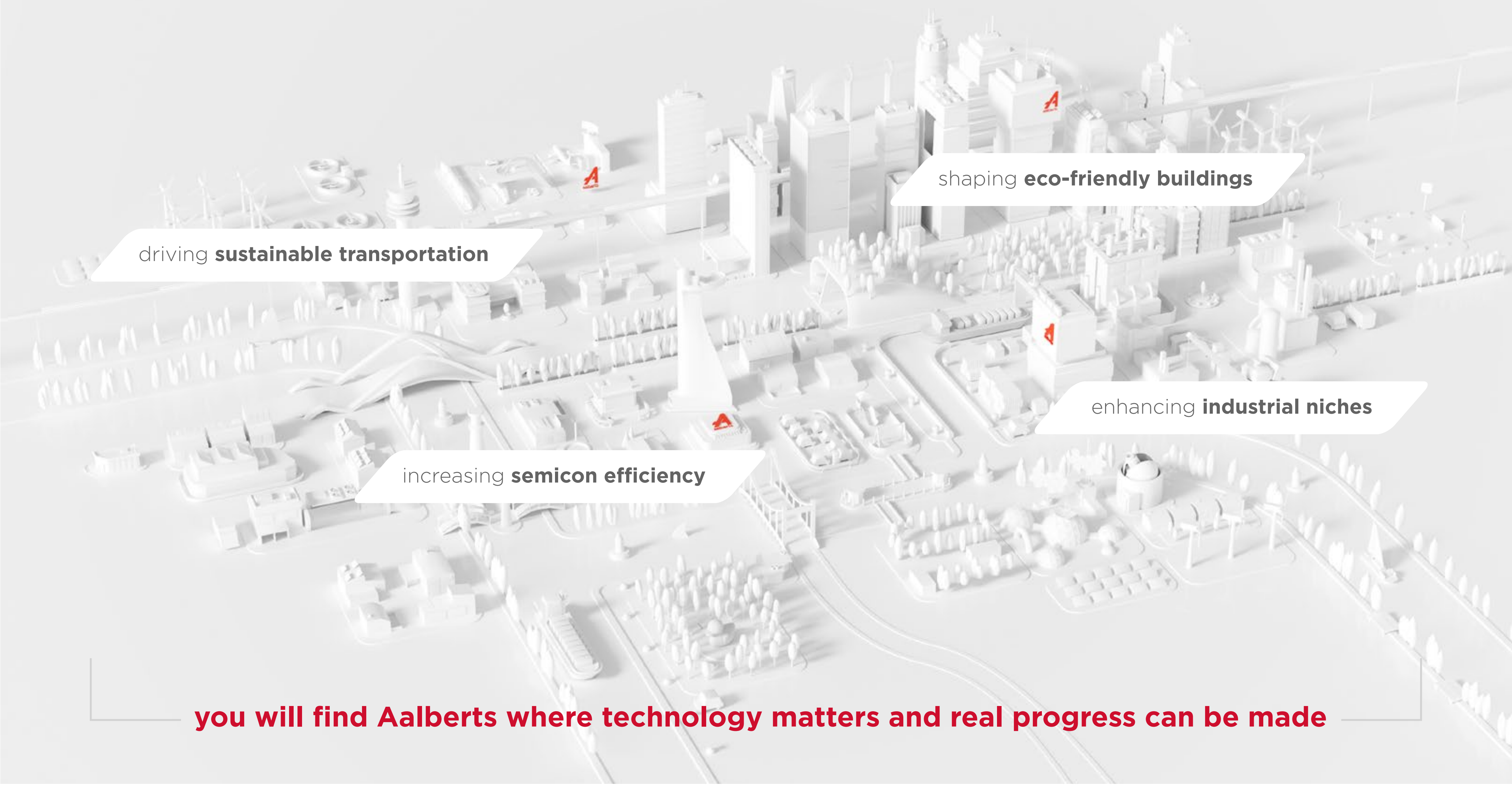
the Aalberts way

greatness is made
of shared knowledge

we are relentless in our pursuit of excellence

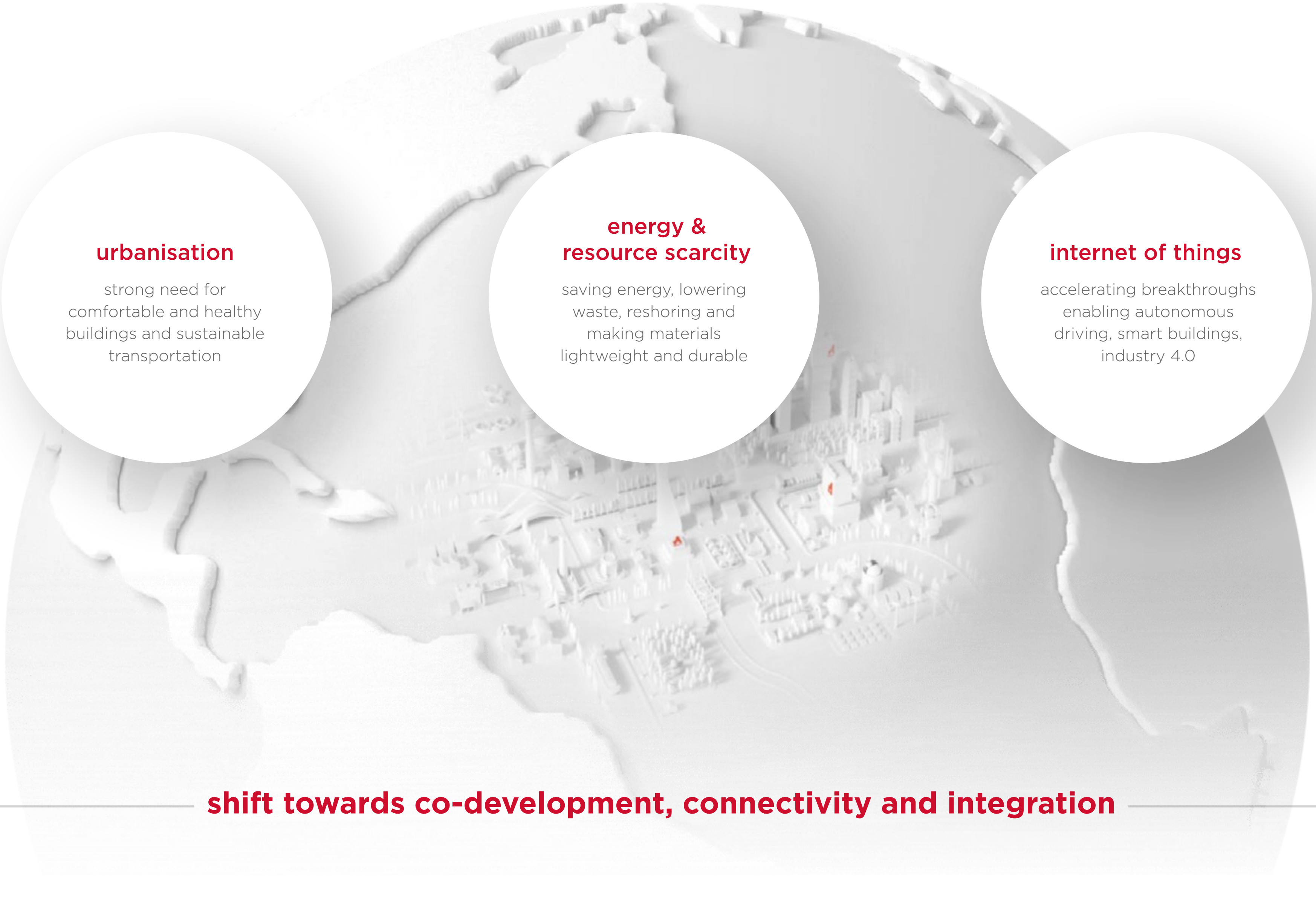
the Aalberts playing field

we engineer mission-critical technologies enabling a clean, smart and responsible future



you will find Aalberts where technology matters and real progress can be made

megatrends shaping our future



urbanisation

strong need for comfortable and healthy buildings and sustainable transportation

energy & resource scarcity

saving energy, lowering waste, reshoring and making materials lightweight and durable

internet of things

accelerating breakthroughs enabling autonomous driving, smart buildings, industry 4.0

shift towards co-development, connectivity and integration

the Aalberts playbook

good is never good enough

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

We are straight-talking, can-do, no-nonsense pragmatists. We win with people. It's that simple. We want to get the most out of ourselves, every day. We blend boundary pushing engineering with silo-breaking entrepreneurial business sense.

This is how we keep our eyes open for technological opportunities and how we manage to capitalise on them in a profitable way. Whatever the situation or request is, we put together the right team to change the game. That is how we deliver vital innovation to ground-breaking industries. Working as one, we improve the world of today and invent it for tomorrow.

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

We believe that greatness demands more than ingenuity and that failure is a valuable stop on the way to success. Sharing and discussing 'bad' gets us to 'brilliant'. No matter how big the problem or opportunity is, when we say "We got this", we won't let go until there is nothing left to learn. This is how we deliver excellence.

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

greatness is made of shared knowledge

“our pragmatic culture and lean structure keep us ahead of the game, no matter how frequently or significantly the game is disrupted”

Aalberts strategy & objectives

strategy

accelerating unique positions with mission-critical technologies, high entry barriers and pricing power

creating sustainable profitable growth with high added-value margins, EBITA margins and innovation rates

driving operational excellence and portfolio optimisation converting into free cash flow, achieving world-class operations

allocating capital in a disciplined way strengthening our unique positions

realising sustainable entrepreneurship with clear impact and commitment

ensuring an open, pragmatic culture and lean structure, using the Aalberts strengths

objectives 2022-2026

organic revenue growth (% annually) 4-6%	**EBITA margin** (% of revenue) 16-18%
ROCE 18-20%	**innovation rate** (% of revenue) >20%
SDG rate (% of revenue) >70%	**leverage ratio** <2.5

our lean and effective structure

With 14,402 employees, 135 locations and activities in over 50 countries, Aalberts operates four mission-critical technology clusters in four end markets with different developments and dynamics. This divergence contributes to long-term, balanced and sustainable profitable growth.

In addition, it gives us the opportunity to accelerate and develop our mission-critical technologies, end markets and regions simultaneously. We allocate our capital where we make the highest returns and where we can achieve unique positions. We are where technology matters and real progress can be made.

We drive innovation roadmaps per business team and strengthen our technology and/or footprint positions through bolt-on acquisitions and optimisations in our existing portfolio, continuously striving for leading unique market positions, creating long-term stakeholder value.

The Executive Team is responsible for the day-to-day leadership of the business teams, driving our strategy Aalberts 'accelerates unique positioning'.

The small head office leadership team drives the Aalberts networks, working closely together with the Executive Team and business teams leadership.

These networks, such as people & culture, business development, marketing & communications, HSR & sustainability, legal & governance, finance & tax, information & cyber security, protect and improve the performance of our organisation. Through a multidisciplinary, integrated audit, we relentlessly improve our processes, including exchange of best practices between the business teams. The head office has a leading role in increasing gender diversity, 40% of our head office positions is currently filled by women.

A lean and effective structure with a continuous share and learn approach, guided by 'the Aalberts way – winning with people'.


head office leadership team (fltr): Thijs van der Lugt, Erik Jörning, Arno Monincx, Anne-Lize van Dusseldorp, Mattijs Planken, Joey Hunsel, Wim Pelsma, Jeannette Zuidema, René Dekker

our people

Our key strength is not the technology we produce, but the relentless people who create it. For the best ideas, processes and vital innovations it is a necessity to nurture a future-proof workforce: attracting, developing and retaining the best people, empowering them to be an entrepreneur and take ownership.

attract

As a result of globalisation and consolidation, being able to continuously professionalise and improve is vital. The Aalberts company passport accelerates that process, creating awareness of our unique brand culture, which we continue to strengthen within an increasingly competitive marketplace. To keep us ahead of the game, we are fostering our pragmatic entrepreneurial culture and lean structure. We continue to make progress providing potential employees with a better understanding of who we are and what we are about. Employer branding continues to be a key focus area for Aalberts.

The people & culture network made strong progress setting priorities and responsibilities, combining our Aalberts company passport and unique culture, human resource and marketing & communications initiatives throughout the group, aligning the business teams and regions. Activity and engagement on our own digital channels and social channels are increasing. The newsroom at Aalberts is fundamental in enhancing our employer branding in the marketplace and creating clear and attractive view from the outside in.

Awareness of the Aalberts brand, entrepreneurial culture and lean structure is increasing amongst our stakeholders, which is again reflected by the

Willemijn Doornbos, Aalberts management trainee
“As someone who always had an interest in a wide variety of subjects, applying for a job after graduating as an MBA (generalist) was not an easy task. All I knew was that I wanted to experience working in an international company, preferably with the option to work abroad. It felt like a restraint to already decide on a specific direction in which I would start my career when I had not yet been able to experience any of my interests in practice.

The Aalberts management traineeship has proven to be perfect for me. I get the opportunity to experience working in different departments, as well as working in different countries, with all the tools available to learn and grow exponentially. What I like about the company culture is that it offers you the tools and resources, but leaves you responsible of taking ownership of your own role. Each assignment and company is different, but a recurring factor in each company is the entrepreneurial spirit. The mentality to take ownership and the drive to always improve creates a motivational environment to work in during each assignment.”

Julia Brey, human resource director Aalberts surface technologies
In this year's development programme Aalberts, people empowerment, 35 people from within Aalberts surface technologies, from different countries were brought together in 3 different groups (shape Aalberts, drive Aalberts and influence Aalberts) to work on their leadership abilities and define their personal way of leading.

This year's programme focused on Aalberts cultural principles & values giving the participants the opportunity to go beyond the line of duty and challenge themselves with the target to bring out the best of each individual and on the other hand creating an atmosphere of trust, integrity and openness to challenge each other and that way grow as a group. “Especially after the long covid pause it was great having the chance to meet other colleagues again and to feel the synergies from shared knowledge. says Renáta Horvath, group controller in Hungary. “From the first moment there was an atmosphere of trust and openness to grow. This really impressed me. I am looking very much forward to the next modules”.

“It was great seeing the engagement and passion of the participants to develop their skills and to get out of their comfort zone,” says Julia Brey, human resource director Aalberts surface technologies. “Investing in our people is one of the best ways of building a sustainable people organisation. I am really much looking forward to the upcoming modules and to accompany our participants in their development!”.

calibre of talent who joined us this year. The winning entrepreneurial voice, the resilience demonstrated in our overall performance and the continuation of investments play an important role. In this fast-changing world of technological innovations and increasing demands, Aalberts focuses on building a diversified future-proof workforce, attracting a blend of experienced leaders and young talents, who will ultimately be responsible for developing tomorrow's technologies.

With gender diversity high on Aalberts' agenda, the people & culture network and Executive Team are putting strong emphasis on connecting with female candidates in all recruitment activities.

Partnerships with entrepreneurial student teams to break new grounds with hydrogen racing cars, electrical race bikes and hydrogen solutions for eco-friendly buildings enable us to learn from the next generation, to connect with key universities and to create exposure for the Aalberts brand. We will further roll out these partnerships in Europe and North America in the coming years. On top, an Out-of-Home pilot campaign with billboards next to key Dutch highways to attract engineering talent was a great way to learn and create exposure.

develop

We empower our people to solve problems. We support and develop them. We stretch them to their limits, then take them a bit further. Always working together, because we believe that greatness depends on shared knowledge and shared skills. We also believe that diverse teams led by inclusive leaders are more engaged, and therefore deliver better governance and business performance. At Aalberts, training and development never stops. Our personal and leadership development programmes are designed to drive, shape and influence Aalberts and are tailored around seniority level - for those who recently embarked upon a career at Aalberts and for more experienced employees.

The ongoing pandemic and the shift away from face-to-face meetings, didn't stop us from continuing several international and personal development programmes to help our people develop, both as professionals as well as leaders. By taking ownership and adapting the programmes to fast-changing circumstances, we developed and rolled out three online workshops and transformed the original programmes to a set-up in which online and offline learning were combined for our 2021 participants.

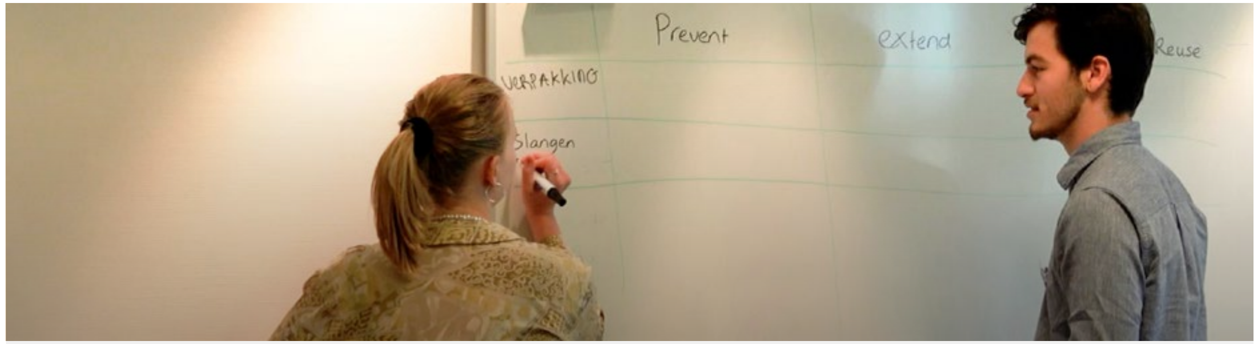
In total, 100 people participated in our development programmes, enabling them to learn the unique Aalberts culture and to connect with managers from different Aalberts businesses. With the experience gained around remote learning, we will continue to offer a combination of online and offline training through our development programmes.

Our development strategy for Aalberts' global trainees also proved to be successful and sustainable. As well as delivering real value to our companies by working on crucial projects and supporting our local management teams, the 2021 graduates have also been offered strategic positions across the organisation.

retain

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

Again in 2021, the ongoing pandemic forced us to leverage virtual tools to bring our colleagues closer together, without losing focus and ownership in the business teams. Increased engagement creates brand ambassadors and contributes to a better understanding of the overall mission and journey and how everyone is connected. Since 2021 we have been organising 'Aalberts share and learn sessions' to virtually connect our people and to share our expertise on relevant business topics.



Inge Colson, director HR & communications at Aalberts advanced mechatronics
We partnered with Eindhoven University of Technology (TU/e) on the TU/e contest, which helps us connect with the next generation of talented students who may go on to become Aalberts employees. Participants have been challenged to further develop their innovative ideas, prototypes, business plans or research projects, helping them to discover and develop their vision and creativity. To conclude this dynamic contest, we invited a select group of students to join a Sustainability Challenge. "Students worked on their tasks in approx. 40 teams, aided by coaches from participating companies, such as engineers from Aalberts advanced mechatronics," says Inge Colson, director HR & communications at Aalberts advanced mechatronics. "Teams could ask coaches questions, and the coaches guided them through a number of milestones. Because Aalberts is always on the lookout for new talent, and we require people from a wide range of specialisms who are passionate about helping us build a sustainable future together, the contest is an ideal way to see the students in action—how they think, approach a problem, and respond to challenges. "This sort of events enables us to present the company on a much deeper level than a university career day. It also gave us valuable insights into how (potential) future colleagues look at us, and what they expect from a future employer. Plus, we definitely left with a few more ambassadors for our brand and company."

We managed to retain talents and experienced leaders by promoting them to challenging positions in our company. Moves of people between different technology clusters is increasing fast, generating energy and motivation in the organisation and utilising the knowledge within the group.

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

When recruiting, internal candidates are given priority, helping to retain and nurture internal talent. For management, this requires a strong commitment to facilitate internal moves and to make them successful. All these efforts contribute to building a sustainable people organisation.

diversity and inclusion

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

Recruiting and developing a diverse and inclusive workforce gives us a wide range of perspectives and allows us to explore and adopt fresh ideas and technological innovations. It also allows us to better understand and meet the needs of our diverse customers and communities. At all levels of our organisation, we encourage diversity by recruiting people with different backgrounds and genders.

It's widely acknowledged that gender imbalance is more common in operational industries. Although gender diversity being high on Aalberts' agenda, improving our gender diversity remains a challenge. At year-end, 26.2% of our total workforce were women.

The Aalberts approach is to focus our efforts on improving gender balance within the senior leadership of the company (approx. top 100) by putting gender diversity on top of all conversations related to attracting, developing and retaining talents.

We already see more women entering various management levels. In the last years gender diversity increased towards 23% women at senior leadership level, through attraction and retention of employees, job rotation, mentoring and coaching programmes, personal development and leadership programmes and succession planning. Diversity is a priority and is driven by our people & culture network.

In 2022, next steps will be taken towards target setting for gender diversity at senior leadership level. In parallel, we continue to enhance our brand and unique culture, as this greatly contributes. This is how we increase gender diversity in a sustainable way.

community engagement and partnerships

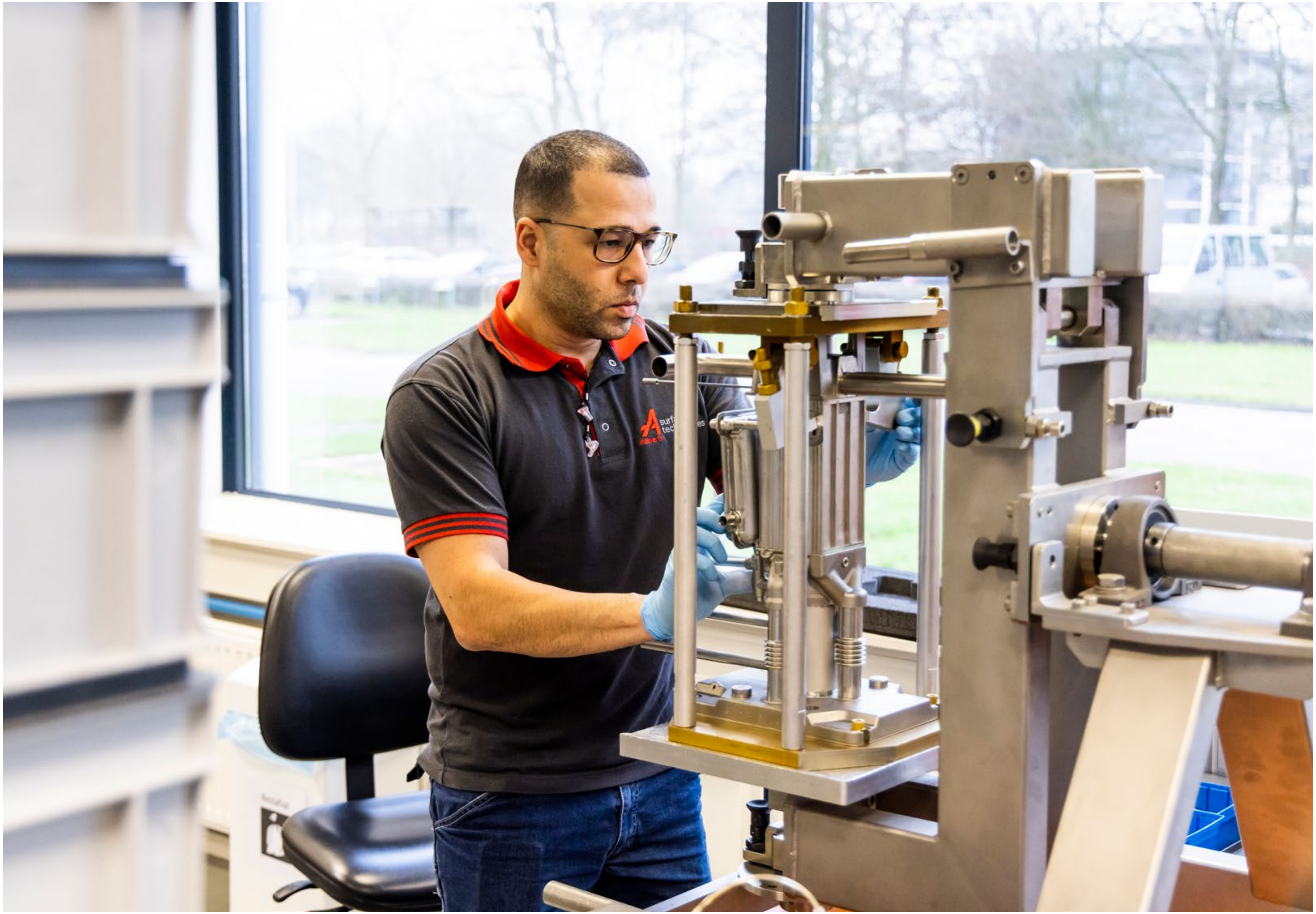
We believe in creating shared value for our stakeholders by supporting progress in society in various manners. That is why we have a partnership programme in place at head office level with a focus on technological progress and sustainable entrepreneurship.

Besides this programme, we are involved in countless regional and local philanthropic and community engagement initiatives, such as donations to charities, partnering with schools and universities to share knowledge.

As entrepreneurs, we see a shared value proposition in working with people with disabilities, refugees or un (and under)-employed people. Assembly of part of our products takes place at sheltered workshops. We have several business locations that integrate refugees into their workforce to increase capacity, for example a refugee project in Germany and the labour training centre in Norway. They receive language training combined with other education.

With our partnership projects we aim to support sustainable progress in society. Based on our policy, projects should match our strategy and values, focus on technology and sustainability and impact the SDGs that are material for Aalberts. Alongside our financial backing, we offer our knowledge and technologies to the respective projects.

Amongst other initiatives, we supported the electric superbike student team of the University of Twente and the Forze hydrogen racing team from the Delft University of Technology. We also partnered with the Delft University of Technology to explore hydrogen opportunities at the Green Village. Aalberts will further roll out these partnerships in Europe and North America in the coming years.



stakeholder dialogue

shareholders

"Aalberts brings strong returns on my investments, they breathe sustainable entrepreneurship and **their track record is impressive**"

customers

"Aalberts blends boundary-pushing engineering with entrepreneurial business sense, **together we make progress and disrupt the norm**"

employees

"**Aalberts enables me to grow and learn continuously**, I'm passionate to contribute to the success of this entrepreneurial company"

partners

"**Aalberts is a reliable and responsible partner**, their dedication to progress and entrepreneurship enables us to grow together"

society

"**Aalberts makes impact and contributes to a clean, smart and responsible future,** they enable real progress for all stakeholders"

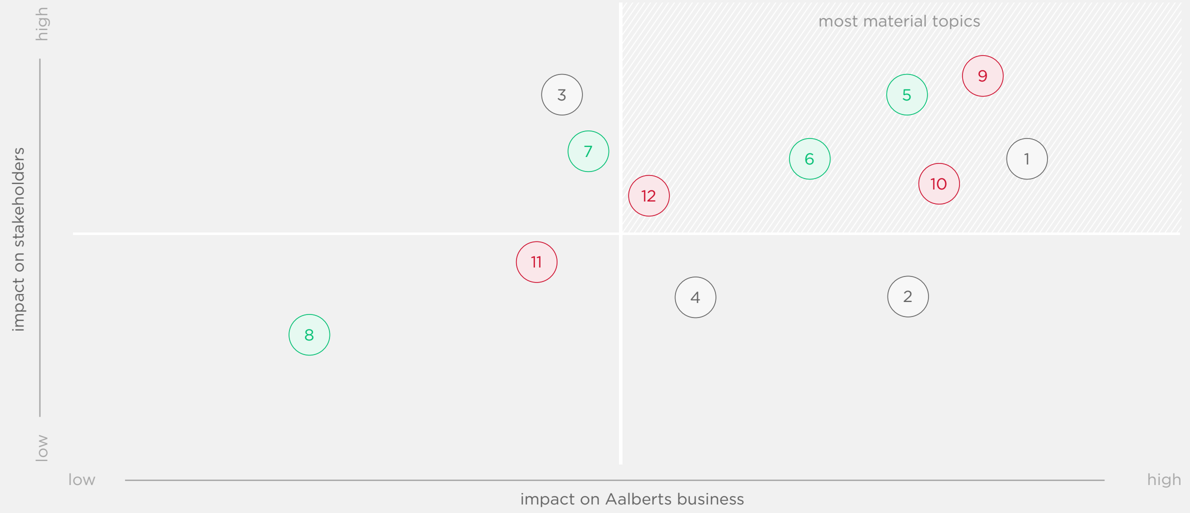
Aalberts engages with its stakeholders on a daily basis, creating dialogues to share our vision and strategy and learn about their expectations and views on us. Our stakeholders are parties affected by our activities or those who have a direct interest in or who can have an impact on our long-term business success.

We have identified five main stakeholder groups: shareholders, customers, employees, (business) partners and society. Our stakeholder engagement process includes meetings, conferences, surveys, webinars and events at the head office.

Aalberts considers human, environmental and financial impacts for its materiality analysis. Topics can be material from a financial as well as a non-financial perspective. Positive and negative impacts are considered as equally important. We further based our double materiality analysis on relevant megatrends, legislation, guidelines and standards (such as the NFRD and the GRI principles), investor questionnaires (such as Sustainalytics and S&P Global CSA) and desktop research. In follow-up discussions, we were able to assess the topics that have a high impact on our stakeholders, including society, and have the most significant impact on Aalberts' business.

The impact on stakeholders is not limited to the five main stakeholder groups but includes the impact on the environment as well. The outcome is presented in a materiality matrix. The materiality matrix recognises two axes. The Y-axis shows to what extend a topic has 'impact on stakeholders' being shareholders, customers, employees, (business) partners, society and the environment. To what extend a topic has a significant impact on Aalberts' business is presented on the X-axis, it reflects the view of the Management Board.

materiality matrix



	shareholders	customers	employees	partners	society
humanly					
(1) future-proof workforce*		•	•		
(2) pragmatic culture & lean structure		•	•		
(3) health and safety & human rights			•		•
(4) R&D partnerships and co-development		•		•	
environmentally					
(5) technological innovation with sustainable impact	•	•	•	•	•
(6) sustainable entrepreneurship enabling progress	•	•	•		•
(7) responsible production & resource efficiency		•	•	•	•
(8) community engagement & partnerships			•	•	•
financially					
(9) sustainable profitable growth	•		•	•	
(10) track record & value creation	•		•	•	
(11) world-class footprint & investment power		•	•	•	
(12) governance & risk management	•	•			•

* covers attract, develop, retain and diversity & inclusion as described on page 20-23

sustainable entrepreneurship

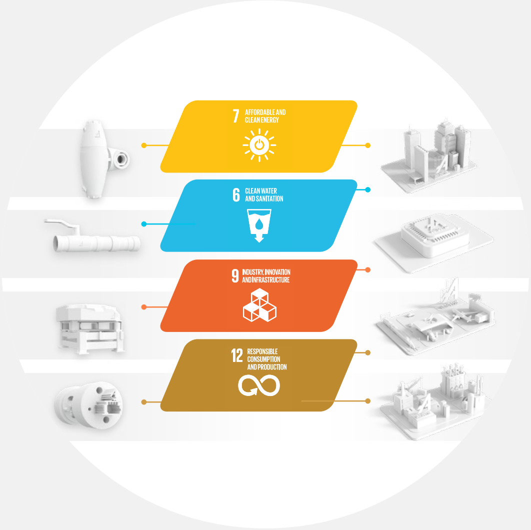
At Aalberts, we are no-nonsense, straight-talking, proudly technical people, who engineer mission-critical technologies for a clean, smart and responsible future. So it should be no surprise that sustainability has been a concern of ours since 1975 because it's just common sense.

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

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

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

our impact



"SDG impact increases to **>70% in 2026,** CO_2 intensity reduces with **30% in 2026**"

our commitment

our impact

To create shared value for all our stakeholders, sustainable entrepreneurship is fully embedded in our strategy, striving for unique positions with high growth potential and sustainable impact.

We identify three megatrends that are shaping our future: urbanisation, energy & resource scarcity and internet of things (see page 13).

These megatrends are bringing a shift towards co-development, connectivity and integration in the Aalberts playing field, providing opportunities for growth, while they may also pose a risk to our business (see our risk paragraph on page 48).

In our end markets eco-friendly buildings and sustainable transportation for example, the EU Green Deal with the expected renovation wave and the focus on a carbon neutral economy in 2050 offer us many opportunities. Our sustainable entrepreneurship strategy focuses on realising social and environmental impact in all four end markets and demonstrates our own commitment to take responsibility. Our social and environmental impact is reflected in our SDG rate: already 66% of our revenue contributes to those subgoals of the Sustainable Development Goals that are material to us.

SDG impact 66% of revenue

we engineer mission-critical technologies enabling a clean, smart and responsible future

creating energy savings

7 AFFORDABLE AND CLEAN ENERGY

Climate change and urbanisation reinforce the need for more energy efficient, comfortable and healthy buildings and smart, sustainable transportation. Space heating and cooling is accounting for a substantial part of the energy consumption in buildings. From the heat source to emitter, to distribution of heating or cooling, Aalberts hydronic flow control and Aalberts integrated piping systems cover a broad spectrum of mission-critical building technology systems that make residential, commercial and industrial buildings eco-friendly. Our technologies provide improved energy efficiency through hardware products such as balancing valves and air dirt separators. But also by digitised products and services, such as intelligent thermostats, smart radiator heads and remote services. Our air and dirt separators for example can save up to 15% in energy consumption, our hydronic balancing valves up to 20% and our thermostatic radiator heads up to 12% when installed.

Aalberts is partnering with its customers to engineer solutions that offer optimal efficiency or even cooling and heating systems with zero CO_2 emissions, for new build as well as for renovation. Our piping systems complement the hydronic flow control technologies as key parts of climate installation systems for new build and renovation.

We facilitate the growth of renewable and low carbon energy use with our technologies. We empower the energy transition by providing solutions needed for renewable energy systems, such as solar panels, heat pumps and hydrogen installations. For example, universal mounting systems and expansion vessels for solar powered installations or a thermal battery for domestic water, powered by solar. Our fittings and piping systems have a very high temperature resistance and are therefore suitable for use in solar installations. In addition, we have a wide range of technologies for district heating and underfloor heating.

Also in our sustainable transportation end market, creating energy savings is high on the agenda. We engineer mission-critical technologies for the electrification of vehicles, from valve engineering for battery cooling to surface treatments for electrical car parts. With our CNG, LNG and hydrogen technologies we enable progress in the automotive industry. Our maritime measurement systems enable ships to significantly decrease their fuel consumption and maintenance costs. For example, our high-tech propeller thrust sensor which enables shipowners to save up to 15% on fuel consumption and CO_2 emissions.

hygienic distribution of water

6 CLEAN WATER AND SANITATION

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

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

The materials used in the distribution systems are of a significant importance. A high potable water quality begins with the planning and the selection of the right material. Chemical substances must not be present in concentrations that are harmful to human health. For example, lead in drinking water can be harmful for humans and more in particular for children. We address such topics by offering lead free piping systems, for example from lead free alloy or composite. Obviously, our piping systems have all major national and international quality certifications and approvals in this respect, such as NSF/ANSI, KIWA, DVGW and qualify for green building rating systems like LEED, DGNB and BREEAM. In addition, we offer technologies to protect and improve water quality including filtration, purification and softening.

lifetime extension and lightweight materials

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Climate change and resource scarcity reinforce the need for solutions that improve energy efficiency, lower waste and make materials more lightweight and durable. These solutions are crucial for the transition to more sustainable transport by land, sea or air. Aalberts accelerates the transition towards sustainable transportation by engineering mission-critical technologies for the electrification of vehicles, from valve engineering for battery cooling to surface treatments for electrical car parts.

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

Aalberts surface technologies partners with leading industrial customers worldwide to develop, produce and finish functional and highly durable surface designs of metals through sophisticated heat and surface treatments. This not only improves their product quality and reliability, it also has a positive impact on the entire lifetime of the manufactured parts.

We also develop and produce high-tech, lightweight aluminium and magnesium components that are both strong and light.

They are of great importance for sustainable transportation in the automotive, e-bike and aerospace industries. For electrical vehicles surface technologies play a role in noise reduction, lightweight constructions to extend the range, safety measures and extension of service life due to lifetime extension of components, such as increased corrosion protection.

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

acceleration of technological breakthroughs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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

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

our own commitment

At Aalberts, engineering solutions enabling a clean, smart and responsible future, goes hand in hand with a responsible way of doing business and addressing the risk of climate change. We nurture sustainable entrepreneurship in a safe and clean working environment with room for personal growth, enhancing our strong reputation and track record of sustainable, profitable growth.

environmental policy

- operate from sustainable buildings with world-class operations
- increase energy efficiency and reduce CO_2 emissions
- reduce water consumption
- reduce waste and hazardous substances
- reduce and more efficient use of raw materials
- perform LCAs and work towards a circular economy
- travel consciously, limiting downstream and upstream transport
- enhance commitments in our supply chains

committed to be net zero carbon **in 2050 or earlier**

Aalberts is committed to be net zero carbon by 2050, or earlier. We measure, manage and monitor energy use, CO_2 emissions and energy and CO_2 intensity. It is Aalberts' objective to decrease its CO_2 intensity with 30% by 2026, taking 2018 as a base year. Within several business teams we have started measuring material categories of our scope 3 emissions. As soon as we have good insight into scope 3 measurement and performance at group level, we will integrate scope 3 in our targets.

Sustainable entrepreneurship and the opportunities and risks of climate change are regularly on the agenda of the Management Board, the Executive Team, the business teams leadership and the head office leadership team of Aalberts. Opportunities and risks are included in the innovation roadmaps of the various business teams to create technological innovation with sustainable impact. Sustainable entrepreneurship plays a role in co-development with customers and adaptation to fast changing circumstances. Innovation, social and environmental performance and health & safety are a recurring topic on the agenda for the annual strategy meetings of the business teams. Sustainable entrepreneurship, including the Aalberts commitments and objectives, is integrated in the updated strategy as presented by the Management Board to our stakeholders at the Capital Markets Day.

Sustainable entrepreneurship and social and environmental performance are incorporated in our HSR & sustainability network, driving health & safety, risk and sustainability performance. The network is coordinated by the director sustainable entrepreneurship and chaired by the CEO. Each business team is represented by its COO or equivalent position.

All business teams have developed a sustainability improvement plan, including clear targets per business team. The improvement plans must cover the social and environmental Aalberts KPIs. Performance and progress of the sustainability improvement plans is monitored via quarterly HSR & sustainability meetings throughout the year and more frequently where necessary. Best practices, such as detection of compressed air leaks or LCA calculations, are shared throughout the businesses via webinars and through other means. Ongoing interactions with and between the group companies enable fast-learning and adaptation.

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

increase energy efficiency and reduce CO_2 emissions

Energy use, energy intensity, CO_2 emissions and CO_2 intensity are key performance indicators for all our sites and locations. Energy and CO_2 efficiency action plans are integrated in the sustainability improvement plans of the business teams covering all locations of Aalberts. Where applicable, those energy efficiency plans are in line with the energy efficiency directive and requirements of ISO 14001 and ISO 50001 certifications. Action plans contain activities such as the roll-out of LED lighting, usage of residual heat for the heating or cooling of buildings, monitoring and reducing energy peaks and motion detector lights. As a result, increased energy efficiency has been realised at various group companies in 2021 and CO_2 emissions reduced.

Energy use and CO_2 emissions are taken into account in business decisions. For medium-term investments, such as LED lightning and for long-term investments, such as equipment or new sustainable buildings and we are also taking into account physical climate change risks. This approach reduces both emissions and energy costs. Considering the worldwide transition to a carbon neutral economy, related legislation and (future) CO_2 taxes in the countries we operate, reducing CO_2 is also important from a risk perspective.

We stimulate increasing the use of renewable energy, but we believe that the most sustainable long-term solution for our planet and our company is energy efficiency. We focus on working as energy efficient as possible, by improving processes and looking for new energy efficient solutions. The group companies work towards targets set for their business team, enabling us to reduce our CO_2 emissions in line with the Paris Agreement.

reduce water consumption

Another key performance indicator for all our sites and locations is efficient water consumption. We monitor and manage water use through the entire organisation and reduce, reuse and recycle water where possible in several manners. For example, with closed water circuits for cooling processes. This also prevents the discharge of legionella and avoids treatment of water with chemicals. These closed water circuits save up to 70% in water use. In Europe we already have several locations with a closed water circuit and this number will increase in the coming years. Another example is the use and recycling of rainwater for use in CNC production.

To reduce or even eliminate water withdrawal for processes that still require much water, like electroplating, we have own water treatment stations at various locations so that we can discharge the treated water back to the source.

reduce waste and hazardous substances

Aalberts is committed to continuously improve its management of all waste throughout its lifecycle in order to minimise its adverse impact on the environment. Monitoring the generation of waste by following the flow of materials and products throughout the production process helps to understand the flow of waste within the organisation. An overview of this waste flow and its causes, helps identifying opportunities for waste prevention and for adopting circularity measures. Waste flows are mapped at production and service locations and waste reduction programmes are in place and specifically addressed in the sustainability improvement plans prepared by the business teams. Aalberts' focus is to reduce waste and to reuse and recycle as much as possible, so minimum waste ends up in incineration or landfill.

At our production locations scrap, for example brass, is separated and sent to a recycling company or melted down in our own foundries as a raw material for reuse in our production process. For some of our processes chemical use is unavoidable. Where applicable, action plans for reduction or elimination of hazardous substances, such as CMR substances are in place. We develop and apply alternatives for hazardous substances, for example IVD coatings as substitute for chrome and cadmium coatings.

LCAs and circular economy

Our aim is to provide high-quality technologies with a minimum of natural resources and a responsible end of life. We see the circular economy as an opportunity and continued our projects to develop more products and technologies with a circular design. Life cycle assessments (LCAs) are performed for many of our products in accordance with standardised and internationally recognised methods (ISO 14040 and ISO 14044 standards) and by using professional programmes and data. The LCAs provide valuable reliable data about the environmental footprint of our products enabling us to make the right choices for material use. Upstream and downstream transport is taken into account as well and enhances the trend of reshoring. We use the data to innovate and realise further (environmental) savings. We also make the data accessible to our customers, so that they can use it to substantiate their product choices.

reduce packaging

Packaging is part of the LCAs performed and a focus point in the sustainability improvement plans of the business teams where it is a material topic. Many projects are initiated to reduce, replace or eliminate packaging. Think of more eco-friendly packaging such as cardboard, biodegradable foil and plastics, carton & pet tape, removing or using a smaller foil or bag, or the replacement of user manuals by QR codes. In 2021, several group companies adhered to projects with partners in the value chain to tackle this topic even more efficiently. As a recognition, our location in Nevers was awarded the MORE label in 2021, the first European label promoting the action of plastics processors for the circular economy and the integration of recycled plastics in production.

travel consciously

We monitor business travel and make more sustainable choices. Based on our experiences in the last two years, we found a balance in traveling and choosing for alternatives online. For example, with video-meetings or using augmented reality to train colleagues overseas. For employee commuting, we stimulate the choice for sustainable cars and train and bike commuting as a preferred choice.

creating energy savings was put into practice at the Green Village by connecting an existing home to an underground hydrogen network

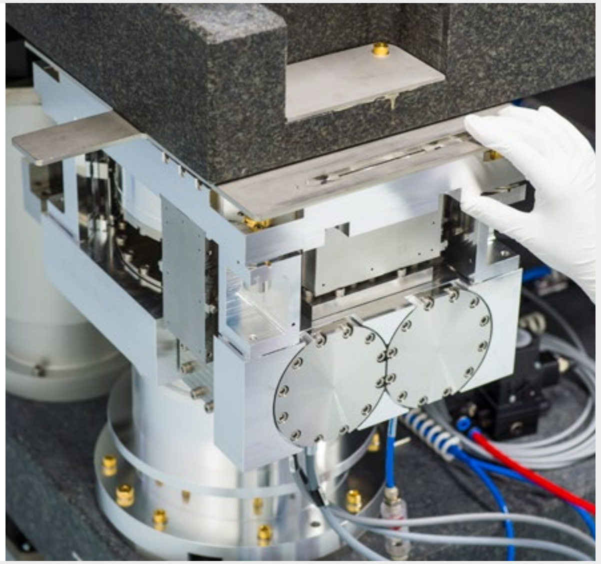
aalberts.com/SDG7

hygienic distribution of water is ranking high on our engineering roadmaps, ensuring our connection technologies are corrosion-free and lead-free

aalberts.com/SDG6

acceleration of technological breakthroughs is boosting multiple business opportunities in various fast-growing end markets

aalberts.com/SDG9



lifetime extension and lightweight materials are key priorities for our industrial customers to drive sustainable transportation

aalberts.com/SDG12

follow our progress

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progress and performance 2021

financial development

Revenue increased by EUR 368.7 million to EUR 2,979.1 million. The 2021 acquisitions (Sentinel and Premier Thermal) caused a positive revenue effect of EUR 34.7 million. Divestments in 2021 (Adex, Lasco and Standard Hidráulica Group) caused a negative revenue effect of EUR 50.1 million. Currency translation impact amounted to EUR 20.6 million negative, mainly USD. Overall, we realised an organic revenue growth of EUR 404.7 million or 16.0%.

EBITA before exceptionals increased in 2021 by EUR 171.7 million to EUR 454.2 million or 15.2% of the revenue. There was a positive effect of EUR 7.7 million from the 2021 acquisitions. Divestments in 2021 caused a negative effect of EUR 2.9 million. Currency translation impact amounted to EUR 1.9 million negative, resulting into an organic EBITA growth of EUR 168.8 million.

Holding/eliminations is reported EUR 7.3 million negative, same as in 2020. The additional operational excellence programme led to a one-off exceptional cost of EUR 53.9 million, funded by an exceptional disposal benefit of EUR 154.2 million, resulting in a total exceptional EBITA benefit of EUR 100.3 million in 2021.

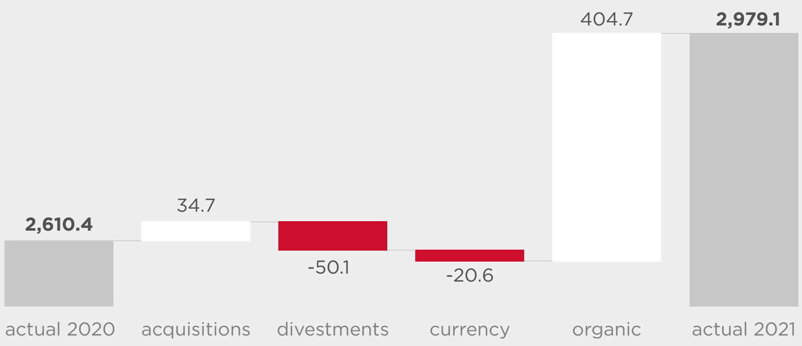
Net profit before amortisation and exceptionals increased by EUR 137.7 million to EUR 337.3 million, per share to EUR 3.05 (2020: EUR 1.81). The effective tax rate was 24.5% against 24.4% last year.

Working capital increased to EUR 452 million or 58 days (2020: EUR 399 million or 55 days). Inventories finished at EUR 688 million (2020: EUR 555 million), mainly caused by inflation and additional raw materials (EUR 53 million higher) and work in progress (EUR 44 million higher).

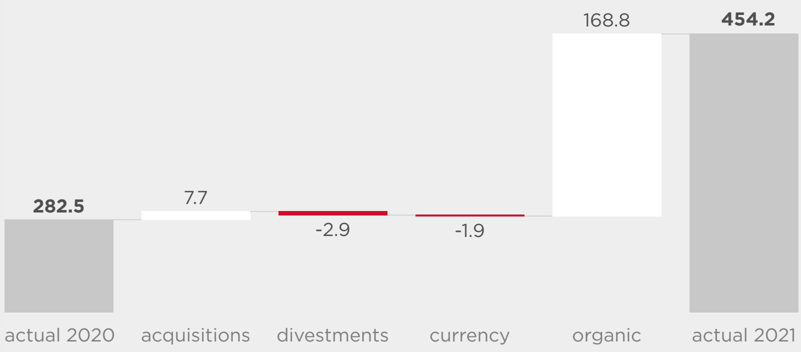
The cash flow from working capital of EUR 97 million negative (2020: EUR 62 million positive) and an increased CAPEX cash out of EUR 145 million (2020: EUR 108 million) led to a free cash flow before exceptionals of EUR 310 million (2020: EUR 360 million).

Return on capital employed increased from 11.7% to 17.2% (before IFRS 16 from 12.5% to 18.4%). Our capital employed increased with EUR 270 million to EUR 2,676 million. Equity increased to 59.7% of the balance sheet total (2020: 55.5%). Net debt further reduced to EUR 492 million (2020: EUR 600 million).

revenue bridge



EBITA bridge



operational development

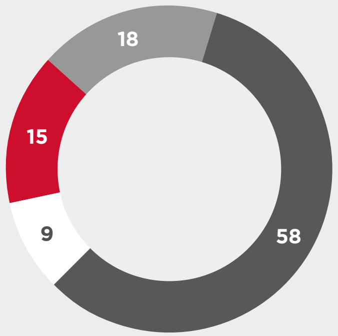
In 2021 Aalberts realised an organic revenue growth of 16.0% compared to last year. The year ended with a record orderbook, 52% higher than last year and 60% higher compared to 2019. The added value margin of 62.2% was on a good level.

Our business teams were able to continue operations in a safe way and to manage the disruptions in our supply chains, the raw material and labour shortages and inflation. We faced no severe issues and served our customers in the best possible way, despite these challenges. The implementation of the strategic restructuring programme, inventory optimisation projects and divestment programme made good progress and are on track. The business development projects and innovation roadmaps were evaluated during the year with our business teams and we accelerated the initiatives, driving our organic revenue growth this year and the coming years.

Capital expenditure increased with 54% compared to last year and will further increase the coming years, due to several developments. Firstly, capital will be allocated to the long-term business development plans and innovation roadmaps. Secondly, capacity will be increased in fast-growing product lines, and technologies. Thirdly, capital is allocated to drive the many operational excellence initiatives, including the additional operational excellence programme. Fourthly, regional manufacturing becomes favourable to improve service, protect supply chains and reduce transport to realise a more sustainable supply chain. This reshoring trend we experience in all businesses and we are anticipating on this trend in Europe, United Kingdom and North America.

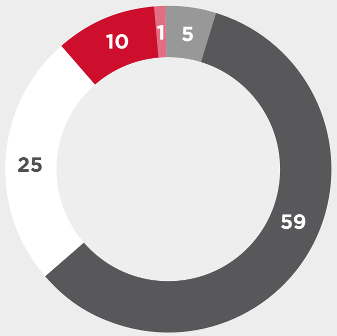
In December, during a virtual Capital Markets Day, we presented our updated strategy Aalberts 'accelerates unique positioning', including an action plan for 2022-2026 and updated objectives. The four main strategic actions are to continue portfolio optimisation, increase organic revenue growth, relentlessly pursuit operational excellence and drive sustainable entrepreneurship utilising and accelerating our unique market positions.

revenue per end market
in %



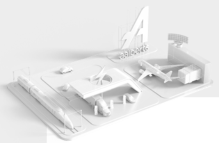
- eco-friendly buildings **58%**
- semicon efficiency **9%**
- sustainable transportation **15%**
- industrial niches **18%**

revenue per region
in %



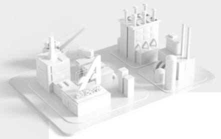
- Western Europe **59%**
- America **25%**
- Eastern Europe **10%**
- Russia **1%**
- APAC, Middle East, Africa **5%**

Activities in the **eco-friendly buildings** end market did very well in all regions. The orderbook increased to a record level. Many growth drivers are contributing to this good performance. First, the market recovery and the restocking of the distribution channels after the COVID-19 impact. The restocking of the distribution channels is still ongoing due to low stock levels. Secondly, end users are investing more in renovation and upgrading of residential housing and commercial buildings. Thirdly, our innovations launched the last years are driving our growth, such as the expansion of the connection and valve technology portfolio, integrated piping systems solutions with digital drawing services, hydronic flow control solutions combined with digital services and the acquisition of water treatment solutions of Sentinel. This is accelerated by governmental support programmes stimulating building efficiency and the transition towards sustainable heating and cooling systems. We made good progress with our many operational excellence initiatives to become more efficient, leverage our manufacturing locations and consolidate our distribution footprint. We increased and will further increase our manufacturing efficiency and capacity in fast-growing product lines in Europe, North America and Asia in combination with acceleration of our capital expenditure to realise 'world-class' operations.



Activities in the **sustainable transportation** end market realised a good performance, despite disruptions in the supply chain at the facilities of our customers, who faced backlogs and long delivery times. The end user demand for passenger cars and commercial vehicles continued to be strong. Many new co-developments with our customers are in progress for surface technologies in combination with precision manufactured parts for e-mobility and electrification of vehicles. This development is accelerating even faster than expected and giving many opportunities. First, the need for lightweight materials is leading to an increase of precision manufactured aluminium parts with additional surface technologies. Besides a leading position in Europe, we gained a strong position in North America, through the acquisition of Premier Thermal, a leading player in aluminium treatment. Secondly, connectors are growing fast with high-specified precision manufactured parts in combination with metal strip coatings. Thirdly, the development of many new passenger car and light truck models are generating additional business opportunities, because many new parts are needed and only a small percentage of our business is related to the engine of a vehicle. Additionally, the aerospace and marine market are recovering fast with an increased order intake and a strong orderbook, driven by sustainable solutions for lightweight materials and reduction of the carbon footprint of our customers.

In the **semicon efficiency** end market we realised a strong growth and good performance. The orderbook further increased to a record level. Long-term growth drivers are strong microchip demand for computer logic and storage, e-mobility developments, connectivity and IoT, investments in new fabs and 5G roll-out. These growth drivers are accelerating our business even faster than expected. Besides, microchip manufacturers are expanding their regional capacity to secure their own technology know-how and supply chain. This is accelerating additional investments in the most efficient microchip manufacturing equipment in all regions. Based on these growth drivers, the record orderbook and conversations with our key accounts, we are in the process of preparing capacity expansions and efficiency improvements in all our locations. In addition we are exploring possibilities for greenfield manufacturing expansions. In parallel, we are working on new product introductions with our key accounts to co-develop, assemble and manufacture integrated modules. Based on the long-term business plan of Aalberts advanced mechatronics we further strengthened the organisation and the management teams and recruited additional engineers and manufacturing people to facilitate the growth. Aalberts is a key enabler to realise capacity growth and new developments for its customers.



In the **industrial niches** end market our orderbook increased during the year in Europe and North America. A further recovery is visible in the order intake of the last months, although supply chain disruptions at the facilities of our customers also have impact in this end market. We further optimised our surface technologies portfolio and invested more in specific industrial niche segments with higher margins. These investments got more traction during the year and additional investments are in process to expand these technologies to other regions, utilising our service network. In Eastern Europe we installed additional equipment to facilitate the growth, due to the transfer of the business of our customers. Our orderbook of industrial valves in North America increased during the year and we prepared additional investments to facilitate the growth and to increase manufacturing efficiency.

Aalberts hydronic flow control
is introducing virtual reality (VR) training for one of their key products, with the goal to create a faster, simpler, and more accurate installation process

aalberts.com/hfc-progress

Aalberts advanced mechatronics
is investing heavily to support its semicon customers as they seize opportunities in an expanding market

aalberts.com/am-progress

Aalberts integrated piping systems
has consecutively pioneered the use of managing master data centrally, and sharing it internationally with websites, data pools, and stakeholders

aalberts.com/ips-progress

Aalberts surface technologies
is rebranding its sites around the world to the Aalberts identity, providing regional and global customers with an even stronger and more unified front

aalberts.com/st-progress

follow our progress

aalberts.com/progress
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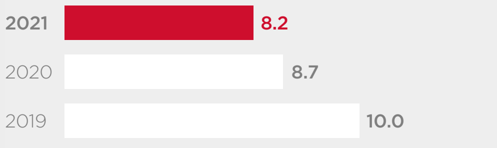
social performance

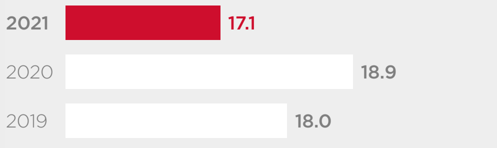
Our social performance is focused on health & safety and diversity. We have set clear health & safety KPIs including LTIFR (the number of lost time injuries per one million working hours), average days lost as a result of LTI and absenteeism rate to monitor our performance. For diversity we monitor gender diversity of our total workforce and focus on gender diversity within the senior leadership of the company.
The social performance of 100% of our locations is reflected in the data on this page.

lost time injury frequency ratio



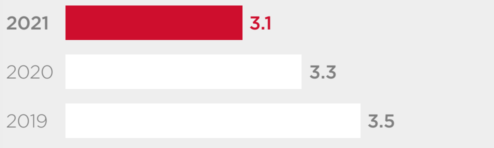
progress towards target of LTIFR <5
health & safety is driven by our HSR & sustainability network. The business teams have a joint responsibility to realise the group-wide average of an LTIFR below 5 in the coming years.

average number of days lost per LTI



average days lost per LTI decreased to 17.1
safety policies and improvement plans throughout the business teams lead to better performance and a decrease of the average number of days lost per LTI.

absenteeism rate (COVID-19 excluded)



absenteeism rate decreased to 3.1%. COVID-19 related absenteeism 0.5% (aggregated absenteeism 3.6%)
COVID-19 related absenteeism is not being able to work because of a COVID-19 infection or related reasons like quarantine, awaiting test results, preventive at home or other. Working from home is not included in the absenteeism rate.

gender diversity

total workforce
26%

Supervisory Board
33%

senior leadership
23%

gender diversity total workforce balanced at 26%
gender diversity is monitored at various levels, total workforce (26.2%), Supervisory Board (33%), head office (40%), senior leadership (23%). Diversity is a priority and is driven by our people & culture network.

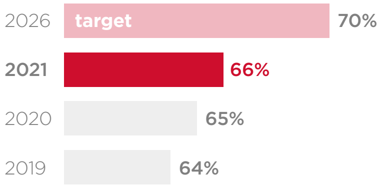
environmental performance

The main Aalberts KPIs to measure our environmental performance are SDG rate, CO_2 and energy intensity, our renewable share and water consumption intensity.
The aggregate SDG rate, carbon emissions, (renewable) energy use and water consumption of 100% of our locations is reflected in the data on this and the following page.

SDG rate

(in % of total revenue)

66%



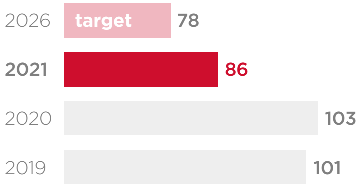
SDG impact further increased to 66% of total revenue

During our Capital Markets Day in December 2021 we committed to further increase our SDG impact to at least 70%.

CO_2 intensity

(tonnes of CO_2/EUR million revenue)

86



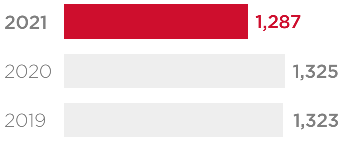
the CO_2 intensity decreased with 23% versus base year 2018

Sustainable progress towards our commitment of a 30% decrease in 2026, resulting in a CO_2 intensity of 78.

energy intensity

(GJ/EUR million revenue)

1,287



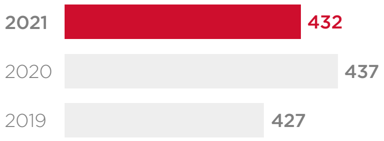
the energy intensity decreased with 8% versus base year 2018

From our total energy use, 50% is electricity consumption. Our renewable electricity share improved from 15% (2020) to 31% (2021). As of 2021 all Dutch locations are using renewable electricity.

water consumption intensity

(m^3/EUR million revenue)

432



the water consumption intensity decreased with 1% versus 2020

Our aim is to decrease our water consumption intensity. To achieve this we are investing in many water saving projects.

Aalberts has been reporting its greenhouse gas (GHG) emissions since 2017. We use accepted standards and protocols to compile, measure and disclose our GHG emissions related to our entire company. In doing so, we aim to ensure the reliability of our reported data by performing internal audits and thoroughly checking our data before we externally disclose it. Our GHG emissions are calculated and disclosed in line with the guidance set out in the GHG Protocol and cover our direct (scope 1) and indirect (scope 2) GHG emissions, which primarily consist of electricity and natural gas. In order to seek alignment with best practices, we report our GHG data using an improved market-based approach. We annually review and update our carbon emission factors to have these aligned to the latest guidance and best practices. Compared to the total reported numbers of 2020, our carbon emissions decreased by 4.8% and our energy consumption shows a 10.9% increase.

We are taking part in a CO_2 off-set programme through Verified Carbon Units (1,150 tCO_2 in 2021) to mitigate our CO_2. The off-set is not taken into account calculating the total carbon emissions as visible in the table

Organically our carbon emissions decreased by 6.6% and our energy consumption increased by 6.2%. These organic changes are shown for a fair year on year comparison. For this comparison we extracted the effects of acquisitions, divestments and changes to the measurement methodology.

The CO_2 and energy intensity are calculated by dividing the carbon emission and energy by revenue. The CO_2 intensity in 2021 was 86 tCO_2 per EUR million revenue, resulting in a 17% decrease compared to 2020. The energy intensity was 1,287 GJ per EUR million revenue, resulting in a 3% decrease compared to 2020.

Water use is defined as the total water withdrawn and water consumption as the total water withdrawn minus water treated. We started measuring the amount of water treated by our own water treatment stations in 2019. Most of our water use is drinking water. The aggregate water use decreased by 1.7% and water consumption increased by 12.9% compared to 2020. We are investing in water saving through multiple projects. Less water used results in a decrease of water treated, hence our percentage water treated decreased in 2021.

	2021	2020	2019
CO_2 (scope 1 & 2 Ktonnes)	**257**	**270**	**287**
scope 1	104	89	87
scope 2	153	181	200
CO_2 intensity (scope 1 & 2)	86	103	101

	2021	2020	2019
energy use (in TJ)	**3,835**	**3,458**	**3,760**
energy (electricity)	50%	53%	52%
energy other (gas, district heating, fuel)	50%	47%	48%
energy intensity	1,287	1,325	1,323
electricity consumption (TJ)	**1,915**	**1,826**	**1,967**
renewable electricity	31%	15%	14%

	2021	2020	2019
water use (in 1,000 m^3)	**1,567**	**1,594**	**1,904**
water consumption	82%	72%	65%
water treated	18%	28%	35%
water use (in 1,000 m^3)	**1,567**	**1,594**	**1,904**
drinking water	1,213	1,077	1,210
groundwater and surface water	354	517	694
water consumption (in 1,000 m^3)	**1,287**	**1,141**	**1,213**
water consumption intensity	432.1	436.9	426.9

EU taxonomy

In accordance with European Regulation 2020/852, Aalberts is disclosing the part of its revenue, its capital expenditures and operating expenses resulting from products or services associated with economic activities considered to be environmentally sustainable. The classification system, known as the 'EU taxonomy' establishes a list of economic activities considered to be environmentally sustainable based on science-based criteria, in line with EU's objective of carbon neutrality and the Paris Agreement.

For the reporting year 2021, only the Annexes relating to climate change mitigation (Annex 1) and climate change adaptation (Annex 2) are applicable. To disclose the required EU taxonomy information, Aalberts took several steps that are outlined below.

The first step we took was to define the business activities within Aalberts. These activities are clustered by technologies and/or markets. The second step was to determine per business activity whether the activity fits one of the six environmental objectives as described in the EU taxonomy, of which climate change mitigation (Annex 1) and climate change adaptation (Annex 2) are disclosed in 2021. In case the business activity was covered by Annex 1 or Annex 2, the activity is considered eligible.

The eligibility percentage is presented in three KPIs: revenue, capital expenditures and operating expenses. The revenue equals the revenue as presented in the consolidated income statement on page 71 and covers all business activities of Aalberts. Capital expenditures concerns the addition to the property, plant and equipment as presented in note 6. The operating expenses covers direct non-capitalised costs in accordance with the EU taxonomy. These expenses are part of the expenses within the consolidated income statement page 71. The business activities as defined do not have overlap, so risk of double counting is avoided.

The Aalberts way of value creation is to achieve unique positions with high growth potential and sustainable impact. The products and services we deliver are often enabling activities. Such activities play a crucial role in the decarbonisation of the economy by directly enabling other activities to be carried out at a low carbon level. However, for some of our activities the end-use of our products is not being defined in the taxonomy. Also, as only end-use is described in the taxonomy, it is not always clear whether our activities can be seen as an enabling activity. This is mainly related to Aalberts' business activities within advanced mechatronics and surface technologies. Therefore we took a conservative approach for those two technologies and are awaiting more guidance. An example of an activity within surface technologies we consider eligible is treatment of parts used in electrical vehicles.

The business activities of Aalberts that are eligible are mainly activities within hydronic flow control and integrated piping systems. We see a fit with climate change mitigation (Annex 1). The eligible activities of Aalberts are covered by chapters 3 (manufacturing), 4 (energy), 5 (water supply, sewerage, waste management and remediation), 6 (transport) and 7 (construction and real estate activities). The eligibility in construction and real estate activities is underlined by the renovation wave. Examples of eligible activities are efficiency & safety technology, smart home, and fittings for water & wastewater supply.

As the EU is working on the taxonomy, more guidance is expected which could have an impact on our 2021 findings.

The four Annexes to be disclosed in 2022 will be reviewed to see if our business activities have a (better) fit. Next step is working from eligibility to alignment by applying the technical screening criteria, investigate whether the activities meet the 'do not significant harm' criteria and check if the activity complies with the minimum social safeguards.

Whereas the EU taxonomy is still in a developing stage, sustainable progress is embedded in the Aalberts organisation for years. Our social and environmental impact is reflected in our SDG rate and the social and environmental performance are shown on pages 40 and 41.

	eligible	non-eligible
revenue	46%	54%
capital expenditure	41%	59%
operational expenses	43%	57%

risk & governance

business integrity

Aalberts is committed to conducting its business with honesty and integrity, to follow the law and to make sure that each employee and business partner is treated fairly and respectfully. We insist that everyone within our company acts with the greatest possible integrity and takes responsibility for maintaining Aalberts' good reputation. This requires all our employees to take ownership, act transparently and speak up in a joint effort to safeguard the integrity of Aalberts internally and towards third parties with whom Aalberts deals in its daily business operations.

Code of Conduct

Our Code of Conduct serves as a framework that reflects on our main business standards as rules of ethical conduct. It clarifies the rules and standards that all Aalberts employees must follow and sets out expected behaviour about: compliance with laws, prevention of fraud, no corruption or bribery, avoidance of conflict of interest, compliance with insider trading rules and accurate accounting & reporting. Furthermore, Aalberts' Code of Conduct informs about fair and timely disclosure of information, dealing with suppliers, responsible work conduct, responsible work environment, corporate responsibility, proper authorisations and approvals. More information can be found at **aalberts.com/code**.

When new employees join Aalberts we introduce the Code of Conduct immediately, by making it part of the employment onboarding package or processes. We check compliance with the Code of Conduct and other governance topics, with regular governance visits by the governance lead, together with a governance contact person from the particular business. A few of those governance visits could take place physically as part of integrated audits. However, due to travel restrictions many visits could only be done virtually via online meetings. Plans have been made for visits in 2022 by everyone in the governance network. This governance network consists of legal professionals who work together as much as possible beyond the borders of the business teams and countries, to ensure that available knowledge is used to the full. The visits are part of the governance plans, with concrete action lists, established by the governance network. In this way we further strengthen and embed governance in the company.

anti-corruption and bribery

The subjects included in the Code of Conduct are further specified in the annexes to the Code of Conduct and policies, for example, our anti-corruption and bribery policy. Doing business all over the world can expose Aalberts to local bribery and corruption risks, which can lead to substantial penalties and reputational harm. Aalberts has several additional anti-corruption and bribery initiatives, including:

- an anti-corruption and bribery checklist containing red flags about, for example, agents and public officials;
- due diligence and third-party screening procedures;
- use of anti-corruption clauses in contracts;
- speak up! procedure to report suspected irregularities.

In addition, we regularly perform a risk assessment for the geographical areas and sectors we do business in. We are cautious with high-risk countries and provide additional guidelines for doing business in these countries. As a result of our policies and initiatives, awareness of our governance topics, such as anti-corruption and bribery laws and policies, is high. We continuously focus on expanding our awareness measures in key geographical areas and business sectors. We do this through the Aalberts academy and by providing additional trainings.

Aalberts academy and other training

To ensure that the Code of Conduct is not only signed when a new employee joins, but that our employees also know what the content actually means for their daily work and that it becomes part of the actions of our employees, we have several e-learnings about our Code of Conduct and business integrity in our Aalberts academy. The Aalberts academy is our e-learning portal. The e-learnings in the Aalberts academy are mandatory for all management team members and other managerial staff, for all our employees in sales, purchase, finance & controlling, human resource and all key employees of other departments such as R&D, logistics, operations and customer service. Our target is that 100% of the participants pass. From the employees who participate in the Aalberts academy, 97% completed the e-learnings about: our Code of Conduct in general, no unfair competition, no corruption & bribery, sanctions & export control, personal data protection & information security and the speak up! (whistleblower) procedure. This high percentage is achieved through strong management focus and the right company culture, where acting with integrity is embraced by everyone.

Despite the circumstances in 2021, the governance network, which represents all legal counsels in the Aalberts Group, came (online) together every three weeks to discuss the short-term objectives. Every business team is responsible for its own governance plan with long-term objectives. The governance network was formed to share and learn from each other, to align Aalberts global governance topics and create synergy.

Also, additional training on the subjects of those e-learnings is provided. Physical trainings where possible and digital training sessions as a valuable alternative. In those trainings one or more governance topics are emphasised again, integrity dilemmas are raised and discussed, and employees are encouraged to speak up when confronted with a potential issue. Those extra trainings are adapted to the needs of the business teams and the applicable circumstances. Several business teams renewed focus, in alignment with their corporate governance person, on the Code of Conduct and on the importance of the regulation regarding sanctions and export controls via live trainings. We also updated our 'sanctions and export control checklist' and 'business partner due diligence form'.

speak up!

With the legal and integrity framework that we have in place we make sure that all our employees are familiar with our business standards. To uphold those standards, all employees play a role in monitoring compliance with the Code of Conduct and reporting inappropriate behaviour. We strive for a working environment that encourages open dialogue within all layers of the organisation and with third parties. We encourage our employees to speak up whenever they observe or suspect a violation. Our employees, but also external business parties, can report violations of the Code of Conduct or other misconduct via our speak up! procedure at **Aalberts.com/speakup** (anonymously if desired). To encourage our employees even more to express any concerns they may have regarding possible violations of our Code of Code or the law we launched a 'speak up campaign' that will continue in 2022. Within this campaign we remind our employees regularly about the speak up! procedure. Not only via mailings, but also with posters and banners in all offices, service locations and factories worldwide.

All relevant speak up! notifications have been investigated and followed up promptly. Where appropriate, necessary action has been taken. Relevant cases are reported to the Management Board and, if these occur, material violations will be immediately reported to the Audit Committee and the Supervisory Board. Even despite the start of the speak up! campaign, no material violations of the Code of Conduct were either reported via the speak up! procedure or were detected via the internal or external audits or governance checks in 2021.

health & safety

Due to the ongoing pandemic, protecting the health and safety of our people was again a topic of high importance in 2021. Preventive safety actions were continued worldwide, based on shared protocols and actions plans (e.g. use of protective materials, reorganise production floors to create sufficient distance between people, disinfection of locations with infections, ways of testing on infections).

The Aalberts culture, 'winning with people', means taking responsibility for our people by developing them and keeping them safe. That is why we are constantly focusing on providing a safe work environment. We focus on preventing incidents that may be harmful to our own people, but are also committed to the safety of our contractors, property and neighbouring communities. Safety policies are in place at all our production and service locations and most companies within the group have safety management systems in place in accordance with the OHSAS 18001/ISO 45001 standards. There are health & safety training programmes in place for employees, such as toolbox safety sessions, training on use of personal protection equipment, emergency preparedness procedures and hazard identification. Our policy focuses on improving procedures at all group sites that do not perform at the group average according to the KPIs and targets set.

We have incorporated health & safety in our health, safety, risk & sustainability programme, which is chaired by the CEO and includes COOs or other representatives of all business teams. Each business team has developed health & safety improvement plans which are discussed, challenged and carefully monitored throughout the year. Multi-year health & safety targets are set based on industry benchmarks. Targets vary per business team given the specifics of the operations. The business teams have a joint responsibility to realise the group-wide average of an LTIFR below 5 in the coming years.

supply chain management

We can only assure our integrity if our suppliers also subscribe to our business principles. To further improve integrity and sustainability throughout the entire value chain we partner with suppliers who live by the same main principles as our Code of Conduct (safe place to work, respect human rights, treat employees with respect and work in an environmentally friendly way). When selecting suppliers, we consider sustainability factors, such as quality, health & safety and environmental performance. At key suppliers we perform audits to check their standards. We also ask our suppliers to sign our Supplier Code of Conduct. By signing this Supplier Code of Conduct, suppliers agree to comply with our principles. Our Supplier Code of Conduct includes the principles of the Code of Conduct and the principles of the UN Global Compact and the OECD.

product safety and quality

Aalberts manufactures and delivers high quality products and services and is continuously improving this quality. In our development, design, manufacturing, and installation we think about how to make products safe and of high quality. Our group companies have quality management systems in accordance with the requirements of ISO 9001, are certified as such, and have additional industry specific certifications, such as ISO 16949 for the automotive industry or AS 9100 for the aerospace industry. Quality and product safety policies and statements are in place at local level. Our group companies manage risks from chemicals or hazardous substances and provide safety information on the substances in accordance with REACH and RoHS.

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

human rights & labour relations

As a responsible member of the global community, we have a strong commitment to preventing human rights violations. We conduct business based on fairness, honesty and integrity as expressed in our Code of Conduct and we expect the same from all of those we work with. Aalberts' commitment to respect human rights, as defined by the United Nations in its Universal Declaration of Human Rights, is laid down in a formal human rights policy. We support the principles laid down in the OECD Guidelines for Multinational Enterprises and those in the ILO Declaration on Fundamental Principles and Rights at Work. Aalberts wants to build long-term, sustainable relationships with its employees and therefore strives to pay fair salaries and benefits. Freedom of association and the right to collective bargaining are self-evident, fundamental rights, which we respect. At Aalberts, the principle of free choice of employment is inviolable. It applies to every employee in every country we operate. In 2021 we received no evidence of any human rights violations or abuses. Due diligence on human rights within our group companies and their supply chain forms part of all our governance visits, with special attention to this topic in areas where there may be a higher risk of impact to people.

tax policy

A coherent and responsible tax policy is a key element of our sustainable way of doing business. Taxation is an important contributor to society and for that reason, we regard it as part of our corporate social responsibility towards our various stakeholders. Over the years, Aalberts has developed and applied a conservative and cautious tax policy. We support and adhere to the principles on tax transparency and responsible tax management as published in various guidelines by the OECD and directives by the European Union.

The business is leading in setting up international operations: we declare profits and we pay tax in conformity with the added value of the business activities in each jurisdiction. This results in paying our fair share of tax in the countries in which we operate, which is clearly reflected in our overall effective tax rate. Our tax strategy is not only aimed at complying with the letter of tax laws and regulations but also with the spirit of these laws. This means that we do not use tax structures or tax havens intended for tax avoidance, nor will we make use of artificial transfers of profits.

In order to benefit from our strong innovative disposition, Aalberts aims to optimise the use of tax incentives and investment schemes such as innovation box and R&D deductions, but only to the extent these tax incentives have been designed. Furthermore, we aim at filing accurate and timely tax returns and we strive to maintain professional, transparent and respectful relationships with tax authorities in the various countries. As a result of our low tax risk appetite, the relationships with tax authorities are based on seeking open dialogs rather than seeking controversy.

Tax matters are being discussed with the CFO on a regular basis. As such, the Management Board has a proper oversight of tax-related risks and of the key factors that are affecting the effective tax rate of the group.

The involvement of the Aalberts tax department is not limited to corporate income tax but extends to VAT, wage tax, social securities, dividend withholding tax, sales and use tax, real estate tax and other taxes that Aalberts entities around the globe are subject to. To monitor and control the tax positions per entity, the Aalberts tax department deploys various internal tax controls. The effective tax rate is not a KPI of the tax department. The performance of the Aalberts tax department is assessed against compliance targets and adherence to tax regulations, such as compliance to transfer pricing documentation requirements and local tax return filing and payment obligations.

Since 2017, Aalberts submits a so-called "Country-by-Country-report" to the Dutch tax authorities on an annual basis. This report is available to tax authorities in each jurisdiction where Aalberts has a taxable presence.

Depending on materiality and complexity of a specific matter or transaction, Aalberts will seek external tax advice from independent, third party tax professionals. If appropriate, approval from tax authorities will be obtained to gain upfront certainty about the application of specific tax legislation.

personal data protection

Over the last years, we strengthened our policies, procedures and contracts for personal data protection. These procedures and policies are also a dedicated topic in the Aalberts academy. An e-learning module is devoted to personal data protection to train all key employees. In addition, our governance network, together with the business management teams, have together trained all employees responsible for processing personal data (such as HR, IT, sales and general management) and will do that on a regular basis to ensure sustainable progress and to further embed compliance with this important topic.

We also strengthened the internal control measures around our IT infrastructure and IT systems to increase the protection of personal data, intellectual property and other sensitive information. This includes the further implementation of a wide range of control measures that are part of our Aalberts security baseline. These controls are focused on critical topics such as security awareness, secure software configuration, user access management, email and endpoint protection as well as incident management to ensure appropriate response and fast recovery when needed.

risk and opportunity management

The nature of our business and our strategy means that we face a number of risks and opportunities. Taking risks is an inherent part of being an entrepreneur and controlled risk enables us to focus on the opportunities. Managing risks and opportunities is a continuous process, part of our daily business and strategic planning. New opportunities are on the horizon driven by megatrends including urbanisation, energy & resource scarcity and internet of things. We see many opportunities to benefit from these megatrends, but they can also bring a direct adverse effect. Failure to seize the opportunities or not being able to quickly respond and adapt is a risk.

Failure to mitigate risks could lead to damage: humanly, environmentally, and financially. Damage in either one of these areas could also lead to reputational damage. Our increasing use of the Aalberts brand can increase vulnerability to reputational risk. Our existing risk profile with spread in businesses, technologies, end markets and geographical regions reduces the impact because it limits our dependence on specific markets or customers.

We have carefully considered the type and extent of the risks to the group, achieving our objectives. No new risks were identified in 2021 but the relevance of risks driven by megatrends was further emphasised. This includes the long-term emerging risks related to climate change (energy & resource scarcity) and disruptive technologies and increased cyber threats (internet of things).

We also clearly see the increasing impact on our business of long-term emerging risks included in our materiality analysis, especially the shortage of qualified and talented people. This shows the necessity to nurture a future-proof workforce to enable our growth.

risk appetite and sensitivity

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

Risk appetite is different for the general risk areas that can be identified:

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

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

risk management and control systems

Managing risks and opportunities is not only part of our daily business, but also of a broadly felt joint responsibility with involvement of head office leadership team, our Aalberts networks, business teams and local ownership.

The Management Board has the overall responsibility for achieving our strategy, objectives and establishment of adequate internal risk management and internal control systems. The Management Board is supported in this by the Executive Team, business teams leadership and head office leadership team. The business teams are responsible for maintaining an effective risk and control environment as part of day-to-day operations. This includes the risk management and control systems, as set out above, which are regularly updated to respond to the group's changing risk profile.

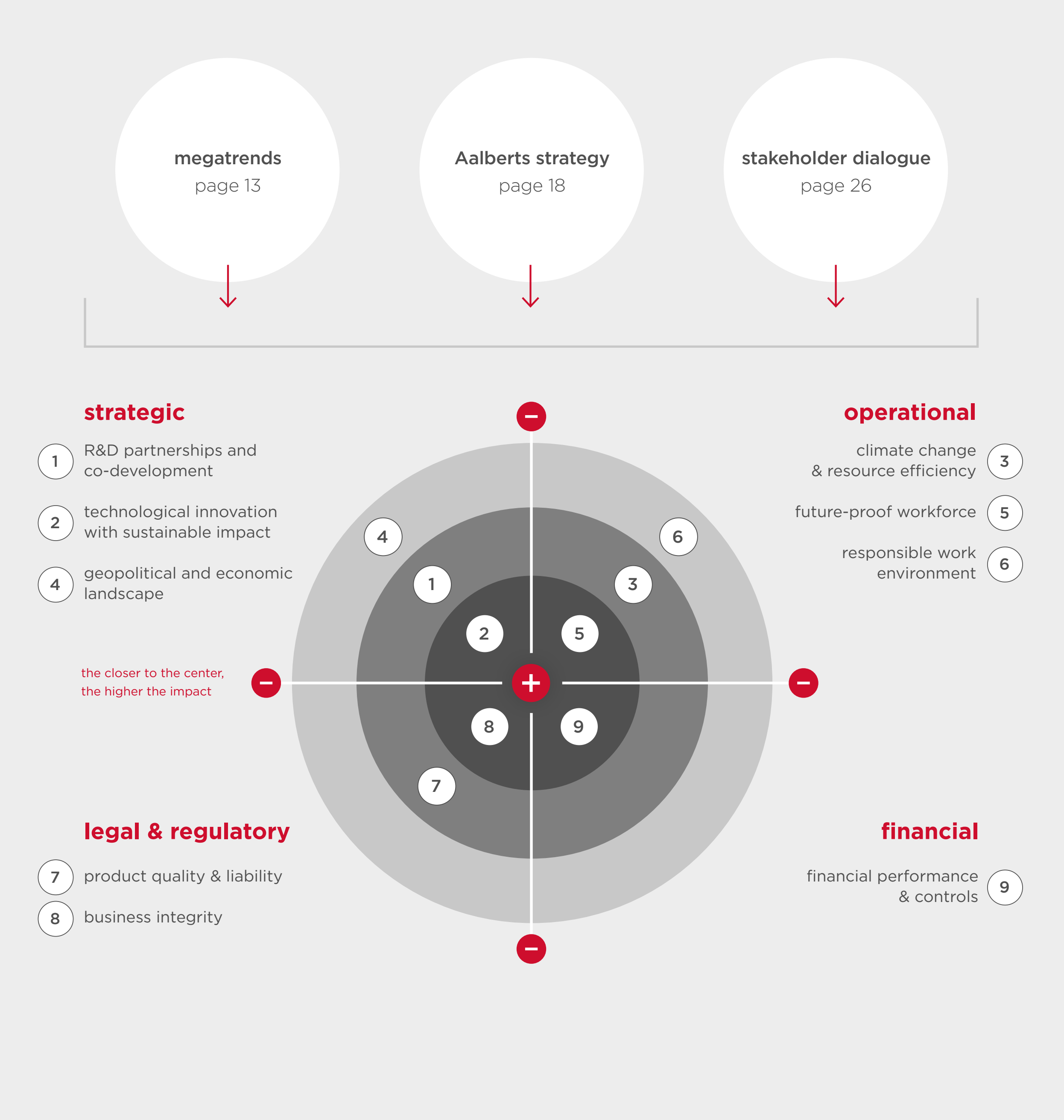
The Aalberts networks also play an important role in our risk management approach by sharing knowledge on identified risks, exchanging best practices to mitigate these risks and monitor progress.

The risk management and control systems do, however, not provide absolute assurance that errors, fraud, losses, or unlawful acts can be prevented. During 2021, no significant shortcomings were found in the internal risk management and control systems and no significant changes were made or scheduled for these systems, other than the further strengthening of our business management teams and head-office with increased focus on topics related to sustainability and information security.

We also started in 2021 our multidisciplinary and integrated audits for the first business teams and will further expand the number of audits in 2022. These audits cover a broad range of topics with a focus on people & culture, sustainability, legal & governance and finance & IT. Through these audits we continuously identify opportunities to improve our processes and related controls that are fundamental to the further growth of our business

The internal risk management and control systems have been discussed with the Supervisory Board. These systems have demonstrated to be adequate, and they provide a reasonable degree of assurance that the financial reporting does not contain any material misstatements and that the risk management and control systems operated properly during 2021. The progress and performance in 2021 also showed the value of resilience through our lean and effective business model. Our diversity in mission-critical technologies, leading market positions, worldwide presence, strong local entrepreneurship and fast decision-making really helped us to get stronger out of the COVID-19 pandemic and related challenges.

The next pages show an overview of the themes and related risks and opportunities that we believe are most relevant for the achievement of our objectives. The overview also shows the key actions driven by our Aalberts networks. The sequence of risks does not reflect an order of importance, vulnerability or materiality. This overview is not exhaustive and should be considered in connection with forward-looking statements. There may be risks not yet known to us or which are currently not deemed to be material.



1. R&D partnerships and co-development

business development network and pricing excellence network

opportunities	risks
our technologies, global footprint and deep industry and market knowledge enable intensified cooperation with key customers in fast-growing markets	co-development leads to increased investments, complexity and interdependency and could potentially limit our added value margin

key actions to manage risks

- continue investments in R&D and competence centres per technology and increase innovation expenditure to >5% of revenue to drive further sustainable organic growth
- further reduce complexity by simplifying our organisational structure through consolidation and reduction of locations
- continue portfolio optimisation through execution of divestment programmes to focus on defined technology clusters and end markets
- continue strong financial performance to maintain healthy balance sheet ratios and investment power
- critically select the right partners and further optimise Key Account Management with an integrated offering and global presence

2. technological innovation with sustainable impact

business development network

opportunities	risks
our technologies accelerate breakthroughs in smart homes, transportation, and industries, enabling new business models, (digital) services with sustainable impact	disruption can limit our growth potential and profitability, innovation cycles are reduced substantially and (sophisticated) cyber-attacks can expose sensitive data

key actions to manage risks

- ensure fast anticipation and adaptation through our lean and effective business model
- increase innovation rates and SDG rate by implementing long-term innovation roadmaps focused on sustainable impact with disciplined capital allocation
- harmonise and standardise IT systems per business team to support business processes and realise more efficiency
- increase focus and strengthen policies, procedures and contracts to protect privacy, personal data, intellectual property and other sensitive information
- implement Aalberts cyber security baseline derived from the CIS Critical Security Controls and additional measures to prevent, detect and respond to threats and incidents

3. climate change & resource efficiency

HSR & sustainability network

opportunities	risks
shifting to a carbon neutral economy with increased focus on resource efficiency has a positive impact on our reputation, operational and financial performance	climate change leads to transition risks (e.g., adaptation portfolio, legislation, carbon pricing) and causes extreme weather conditions that could bring physical risks to our operations

key actions to manage risks

- monitor and manage Aalberts environmental KPIs via HSR & sustainability network and share best practices
- scenario planning related to CO_2 intensity and our net zero carbon roadmap
- execute sustainability improvement plans per business to reduce CO_2, energy and water consumption and reduce, reuse and recycle (raw) materials
- drive innovations to increase SDG rate, ensure successful shift to net zero carbon and apply resource efficiency in R&D based on circular design and LCAs
- evaluate physical risks regularly in cooperation with our property risk insurer and focus on follow-up of recommendations to mitigate risks and improve

4. geopolitical and economic landscape

business development network and integrated audit network

opportunities	risks
our balanced portfolio and global footprint with local presence and empowerment create resilience, providing opportunities for sustainable profitable growth	changes in geopolitical and economic landscape or major events like trade wars and pandemics, can impact our business continuity and financial performance

key actions to manage risks

- embed resilience to rapidly adjust to changing circumstances through our lean and effective business model focused on entrepreneurship and appropriate autonomy
- strengthen our technology positions through optimisation of our regional portfolio and local manufacturing footprint
- ensure disciplined capital allocation and critical review of potential investments including bolt-on acquisitions
- promote and monitor operating effectiveness of key control principles and strengthen internal audit activities throughout the group

5. future-proof workforce

people & culture network

opportunities	risks
our culture focuses on entrepreneurship and personal growth, enabling us to attract, develop and retain a diverse, inclusive and engaged workforce to seize opportunities	an insufficient level of knowledge or unbalanced workforce lacking diversity can slow down innovation and company growth and can lead to suboptimal cooperation

key actions to manage risks

- promote our culture 'the Aalberts way' accelerated by our company passport which provides an Aalberts branding to recruit, coach, review and develop our talents
- establish people & culture network to combine our Aalberts company passport, culture, human resource and marketing & communications initiatives throughout the group
- continue focus on training and development through international and personal development programmes driven by our people & culture network and Executive Team
- increase diversity by focus on recruiting people with different backgrounds and fill vacancies for our development and leadership programmes with a sound balance

6. responsible work environment

HSR & sustainability network and people & culture network

opportunities	risks
ensuring a safe work environment with a strong emphasis on ethical behaviour for both our own operations and business partners increases employee satisfaction	health & safety incidents and human rights violations affect employees and can lead to business interruption, claims, absenteeism, dissatisfaction, and reputational harm

key actions to manage risks

- further enhance a 'safe place to work' culture through 'the Aalberts way' and manage KPIs set to improve
- ensure implementation of safety policies at all our production and service locations and further expand the number of locations with ISO 45001 certifications
- embed responsible work environment in our Code of Conduct and employer agreements and enable employees to address non-conformances through our speak up! procedure
- critically select and contractually bind suppliers to adhere to our Supplier Code of Conduct to ensure that business integrity and human rights are respected

7. product quality & liability

governance network and HSR & sustainability network

opportunities	risks
our world-class manufacturing, trained and engaged workforce and high-quality technologies and services provide a competitive advantage and pricing power	product failures and quality issues may cause injuries, damage or non-compliance with regulations, resulting in liability proceedings, financial loss and reputational harm

key actions to manage risks

- embed quality assurance programmes in production process of individual companies including ISO9001 certification and additional industry specific certification
- accelerate operational excellence programmes and share best practices on quality assurance and control
- further align terms and conditions in purchase and sales contracts to limit liabilities driven by our governance network
- maintain group wide product liability insurance facilities and conduct related risk engineering activities to prevent and mitigate potential losses

8. business integrity

governance network

opportunities	risks
compliance with legislation and our Code of Conduct and respectful interactions with all stakeholders safeguard our reputation as responsible and reliable business partner	different legislation and habits per country can expose us to non-compliance issues and breaches can result in litigation, substantial penalties and reputational harm

key actions to manage risks

- realise full awareness and understanding of the Aalberts values and Code of Conduct supported by additional e-learning courses through our Aalberts integrity academy
- support, train and educate key employees within our business teams and ongoing meetings to share and learn driven by our worldwide governance network
- continue and increase number of governance visits and reviews within all business teams as part of our integrated and multidisciplinary audit approach
- further increase awareness and opportunities to enable employees to report Code of Conduct violations through our speak up! procedure and prompt investigation of notifications

9. financial performance & controls

finance & IT network and integrated audit network

opportunities	risks
our financial performance provides access to capital markets and our (financial) risk and control practices increase stability, performance and cash flows to invest	ineffective financial controls can result in reporting delays or misstatements, financial loss or inappropriate decision-making which could harm our financial performance

key actions to manage risks

- further strengthen our finance organisation within all business teams and increase level of expertise through training and exchange of best practices
- continue thorough weekly and monthly reporting process resulting in timely and accurate financial reports assessed by group control and Management Board
- implement Aalberts Control Principles prescribing minimum expected financial controls including appropriate segregation of duties, authorisations and approval
- monitor implementation of controls through self-assessments and additional risk-based internal audits as part of our integrated and multidisciplinary audit approach
- mitigate impact of commodity price, currency and interest rate fluctuations as part of our financial risk management activities (note 3 of the consolidated financial statements)

corporate governance

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

Aalberts endorses the principles of the Dutch Corporate Governance Code (**the Code**). Our corporate governance structure has been updated in accordance with the Code in the past years. In 2021 there was no substantial change in the corporate governance structure of Aalberts nor in the compliance with the Code. Aalberts virtually applies all best practice provisions of the Code. To a limited extent, these have been adjusted to specific circumstances of Aalberts. As a result, the Management Board believes it meets the principles of 'comply or explain'. All the regulations pursuant to the Code and Dutch law concerning reporting and transparency of information applicable to Aalberts have been incorporated into the management report. Further guidance on how we comply with the provisions of the Code is available at **aalberts.com/governance**.

The deviations from the Code relate to the following subjects.

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

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

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

appointment and dismissal of Management Board and Supervisory Board

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

powers Management Board

The general powers of the Management Board are those arising from legislation and regulations and are set out in the Articles of Association. The Management Board was authorised by the General Meeting held on 27 May 2021 to issue ordinary shares, to grant rights to subscribe for ordinary shares and to restrict or exclude pre-emptive rights of existing shareholders in the case of issuing ordinary shares, all subject to approval of the Priority. The authorisation has been granted for 18 months and is valid for a maximum of 10% of the issued share capital at the time of issuing. The Management Board was further authorised by the General Meeting held on 27 May 2021 to repurchase the company's own ordinary shares up to a maximum of 10% of the issued share capital, other than for no consideration. The authorisation has been granted for 18 months.

decision-making and priority shares

The duties and powers of the General Meeting, the Supervisory Board, the Management Board and the Priority have been defined in such a way that a well-balanced allocation has been achieved with respect to the control and influence of the company's individual bodies. By doing so, Aalberts has ensured as much as possible that, when essential decisions are made, the interests of all company's stakeholders are considered and that the decision-making process can always be conducted in a prudent manner.

The powers of the Priority have been described in this chapter and on page 120 under 'Special Controlling Rights under the Articles of Association'. The authority to make a binding nomination to the General Meeting concerning the appointment of members of the

Management Board and Supervisory Board could be an essential instrument in the well-balanced decision-making process. Therefore, the deprivation of the binding character of the nomination is aligned with Dutch law instead of the Code.

speak up!

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

insider trading

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

bilateral contacts

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

Corporate Governance Statement

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

Management Board declaration

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

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

Utrecht, 23 February 2022

Wim Pelsma (CEO)
Arno Monincx (CFO)

financial calendar 2022-2023

21 April 2022	registration date General Meeting
19 May 2022	trading update
19 May 2022	General Meeting
23 May 2022	quotation ex-dividend
24 May 2022	record date for dividend
1 July 2022	paying out dividend
21 July 2022	publication interim results
9 November 2022	trading update
23 February 2023	publication full year results
11 May 2023	trading update
11 May 2023	General Meeting

report of the Supervisory Board

message of the Chairman

It is a pleasure to chair the Supervisory Board of Aalberts. In 2021, we have seen a strong performance and sustainable progress on many topics. Innovation roadmaps, further portfolio optimisation and operational excellence programmes are driving our sustainable profitable growth. The SDG impact further increased, emphasising the role of our mission-critical technologies for a clean, smart and responsible future. The awareness of the Aalberts brand and the entrepreneurial, open and pragmatic culture played an important role in attracting many new talents in 2021. Despite a tight labour market, Aalberts was able to increase its delivery capacity, also through further robotisation and automation.

A key topic on the agenda in 2021 was the updated strategy Aalberts 'accelerates unique positioning' presented during the Capital Markets Day in December. By focusing on four technology clusters with high growth potential and sustainable impact in eco-friendly buildings, semicon efficiency, sustainable transportation and industrial niches, Aalberts will accelerate its unique positioning.

We successfully expanded our Supervisory Board with the appointment of Lieve Declercq and Peter van Bommel. Besides a continued balance in gender diversity, Lieve brings substantial experience in the end markets where Aalberts is active, more in particular eco-friendly buildings and industrial niches. Peter brings substantial financial expertise and experience in the semicon efficiency end market. As a result of COVID-19, our annual and Extraordinary General Meeting of shareholders were forced to be virtual again. The year 2021 has proven all too well that we cannot predict how the virus will be controlled, but we do look forward to a live meeting with our trusted shareholders when the possibility is there.

The Supervisory Board congratulates the Management Board and the employees in the worldwide operations of Aalberts with the results in the fiscal year 2021 and is grateful for their relentless efforts. More in particular with a strong performance in a fiscal year with increasing raw material and transport costs and an ongoing pandemic. I also thank my colleagues in the Supervisory Board for their constructive contribution in the meetings and conversations.

Martin van Pernis

composition of the Supervisory Board

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

The composition of the Supervisory Board changed in 2021. Mrs. M.J. (Marjan) Oudeman retired by rotation in May 2021 and did not stand for re-election. Mrs. L.C.A. (Lieve) Declercq and Mr. P.A.M. (Peter) van Bommel were appointed as new members of the Supervisory Board.

Lieve Declercq and Peter van Bommel were offered an onboarding programme to become more familiar with the company.

Individual meetings with Management Board members and Executive Directors provided insight into topics such as the Aalberts strategy, the business teams, business models, including sales, marketing, and distribution channels. In addition, individual meetings with the head office leadership team provided insight into topics such as governance, sustainability, marketing and communication, business development, investor relations, risk management and our integrated audit process. Lieve Declercq and Peter van Bommel visited production locations of all technology clusters, in the Netherlands and Germany. The programme will continue with other visits and activities in 2022.

M.C.J. (Martin) van Pernis
Former President Siemens Group in the Netherlands
other relevant positions:
- Chairman supervisory board ASM International N.V., member NSR Committee
- Chairman supervisory board CM.com N.V., member NSR Committee
- Member advisory board G4S the Netherlands
- Member advisory board Rabobank Wealth management
- Board member Koning Willem I Foundation
- Chairman Habitat for Humanity Netherlands

P.A.M. (Peter) van Bommel
Former CFO ASM International N.V., Philips Semiconductors and NXP
other relevant positions:
- Member of the supervisory board of Nedap N.V.
- Non-executive director SES S.A.
- Board member of the Bernhoven Foundation
- Chairman of the EMFC Curatorium of the Amsterdam Business School

L.C.A. (Lieve) Declercq
CEO SPIE Nederland B.V., executive board member SPIE Group and supervisory board member SPIE Deutschland & Zentraleuropa
other relevant positions:
- Non-executive board member Ramboll Group A/S
- Board member Nationale Opera & Ballet Fund
- Member supervisory board Foundation for Natural Leadership
- Board member Techniek Nederland

A.H. (Annette) Rinck
President and CEO of Leica Microsystems (as per January 2022)
General Manager Saia Burgess Controls & CentraLine (Honeywell Building Management Systems) (until December 2021)
other relevant positions:
- Non-executive board member and audit committee u-blox Holding AG

P. (Piet) Veenema
Former Chairman management board Kendrion N.V.
other relevant positions:
- Member supervisory board Hydratec Industries N.V.

J. (Jan) van der Zouw
Former Chairman management board Eriks Group N.V.
other relevant positions:
- Chairman supervisory board HGG International B.V.
- Chairman supervisory board Den Helder Airport C.V.
- Member supervisory board Masterflex S.E.

composition of the Supervisory Board as of 30 September 2021

name	position	nationality	gender	year of birth	initial appointment	term expires
M.C.J. van Pernis	Chairman of the Supervisory Board Member of the Remuneration, Selection and Appointment Committee	Dutch	male	1945	2010	2022
L.C.A. Declercq	Member of the Supervisory Board	Belgian	female	1966	2021	2025
P.A.M. van Bommel	Member of the Supervisory Board Member of the Audit Committee	Dutch	male	1957	2021	2025
A.H. Rinck	Member of the Supervisory Board	Swiss & German	female	1965	2020	2024
P. Veenema	Member of the Supervisory Board Chairman of the Audit Committee	Dutch	male	1955	2016	2024
J. van der Zouw	Member of the Supervisory Board Chairman of the Remuneration, Selection and Appointment Committee	Dutch	male	1954	2015	2023

the work of the Supervisory Board

The Supervisory Board monitors the implementation of the strategy and the principal risks associated with the strategy. Business risks, risk appetite, governance risks, internal risk management and control systems were addressed in these discussions. Operational, health & safety and property risks had increased attention in 2021 in order to avoid possible business disruption. These risks were addressed in the HSR & sustainability network. In addition, disruption of the supply chains due to raw material shortages and labour shortages were given additional attention in 2021. The business teams were able to manage this well, making use of the lean and effective structure. Given the ongoing pandemic, the health & safety of the Aalberts people was a recurring topic on the agenda. The company continued its strong focus on preventive safety actions in its operations. Aalberts' people did again a great job in continuing the operations in a safe way, serving its customers worldwide. The implementation of the strategic restructuring programme and the inventory reduction projects were regularly discussed to monitor progress.

In 2021, the Supervisory Board discussed and evaluated in depth the implementation of the Aalberts strategy 'focused acceleration' and the non-financial and financial objectives 2018-2022.

In parallel the Management Board presented an updated strategy to the Supervisory Board in the second half of the year. The key takeaways of this updated strategy are that the company will continue to optimise the portfolio, accelerate the unique positions with high growth potential and sustainable impact, allocate the capital and management accordingly to increase organic revenue growth. Aalberts will continue the relentless pursuit of operational excellence and will drive sustainable entrepreneurship. Also an update of the Aalberts objectives 2022-2026 was presented. This updated strategy Aalberts 'accelerates unique positioning' was discussed intensively between Supervisory Board and Management Board and was approved.

Supervisory Board (fltr): Peter van Bommel, Jan van der Zouw, Annette Rinck, Lieve Declercq, Piet Veenema, Martin van Pernis

The strategic actions 2022-2026 to realise this strategy & objectives were defined and discussed. The existing portfolio will be further optimised with an additional divestment programme in combination with bolt-on acquisitions to strengthen the positions of four technology clusters active in four end markets. To increase the organic growth existing business plans will be driven forward allocating the capital and management accordingly. The innovation expenditure will be increased to >5% of revenue and capital expenditure will be strongly increased. An additional operational excellence programme will be started, including further consolidation and/or reduction of locations. Our aim is to realise world-class operations, highly automated, efficient with an excellent service. Driving sustainable entrepreneurship is integrated in the strategy & objectives and will accelerate our unique positions, capitalising the market opportunities. The Aalberts objective is to increase the SDG impact to >70% of total revenue in 2026. The Management Board and the Supervisory Board commit to net zero carbon in 2050 or earlier. All business teams have sustainability improvement plans in place to drive towards these objectives.

The updated strategy Aalberts 'accelerates unique positioning' 2022-2026 was presented on the Capital Markets Day on 2 December 2021. Reference is made to page 18 for a more detailed explanation.

A considerable amount of attention was paid to Aalberts' entrepreneurial, open and pragmatic culture, the organisational structure, the lean and effective management structure and resilience of the Aalberts people. In 2021, the people & culture network further embedded the Aalberts culture into the organisation and put diversity high on the agenda. Special attention was paid to the attraction, retention and development of people, by amongst others traineeships and leadership development programmes. The Supervisory Board considers it of vital importance that the company is able to attract and retain a diversified future-proof workforce, to facilitate the success and growth of the company. Succession planning was also discussed in this respect.

Other topics addressed by the Supervisory Board were the financial and operational developments, the forecast and the dividend policy. The Supervisory Board reviewed and discussed Aalberts' annual and interim financial statements, prior to publication thereof. The Supervisory Board is pleased to note that Aalberts increased its innovation expenditure to >5% of total revenue to facilitate innovation roadmaps. The Supervisory Board approved the strategy and objectives to be achieved for 2026.

The Supervisory Board formally convened on six occasions to meet with the Management Board and on three occasion to meet without the Management Board. Due to restrictions related to the pandemic, a number of the meetings were attended online by some of the participants. Nevertheless, these meetings were effective. All members attended all scheduled Supervisory Board meetings. Since the Supervisory Board considers it important to visit a business location at least once a year, these meetings are regularly held at one or more business locations. In the year under review, this was at a location of Aalberts hydronic flow control in Almere and at MIFA in Venlo, both in the Netherlands.

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

diversity

The Supervisory Board recognises the importance of diversity within the Supervisory Board and the Management Board (**the Boards**) and believes that the business of Aalberts benefits from a wide range of skills and a variety of different backgrounds. A diverse composition of the Boards contributes to a well-balanced decision-making process and proper functioning of the Boards. Diversity should not be limited to the Boards, but should extend to all areas of the Aalberts business. In accordance with the Code, a diversity policy is in place for the composition of the Boards. The following diversity aspects have been identified as relevant for the company and its business, considering the market in which the company operates and the diversity of its customer base: (i) education/experience; (ii) nationality/cultural background; (iii) gender; and (iv) age.

With respect to the Supervisory Board, the objectives of Aalberts' diversity policy are to maintain a sound balance of nationality and cultural background within the Supervisory Board, to increase the gender diversity within the Supervisory Board, such that at least 30% of the Supervisory Board will consist of women and at least 30% will consist of men and to increase the age diversity within the Supervisory Board. With the appointment of Lieve Declercq and Peter van Bommel in 2021, the Supervisory Board consists of two women and four men with diversity in education, experience, nationality and age and thus meets the targets of the diversity policy and the gender quota of 30% as laid down in new legislation.

Currently, the Management Board consists of two men who are both Dutch citizens, there was no vacancy to be fulfilled in 2021. The Aalberts approach to realise the diversity policy is to continue the efforts to increase gender diversity within the senior leadership of the company (approx. top 100). In the last years gender diversity increased strongly in this leadership team towards 23% women, through attraction and retention of employees, job rotation, mentoring and coaching, personal development and leadership programmes and succession planning. Diversity is a priority and is driven by our people & culture network.

In 2022, next steps will be taken towards target setting. Through educating, coaching and building leadership in the business teams, head office and networks Aalberts aims for creating talents who are eventually able to make the step towards a Management Board role. This is a long-term approach, executed 'the Aalberts way'.

Supervisory Board meeting and attendance

name	Supervisory Board	Audit Committee	Remuneration, Selection and Appointment Committee
M.C.J. van Pernis[1]	100%	100%	100%
L.C.A. Declercq[2]	100%	n/a	n/a
P.A.M. van Bommel[3]	100%	100%	n/a
A.H. Rinck	100%	n/a	n/a
P. Veenema	100%	100%	n/a
J. van der Zouw	100%	n/a	100%
M.J. Oudeman[4]	100%	100%	n/a

1. Mr. Van Pernis was interim member of the Audit Committee, in the period between the resignation of Mrs. Oudeman and the appointment of Mr. Van Bommel
2. attendance as from appointment 27 May 2021
3. attendance as from appointment 30 September 2021
4. attendance until end of term on 27 May 2021

Reference is made to the paragraph on diversity and inclusion on page 23.

corporate governance

In view of the Code, the Supervisory Board has reviewed and discussed the corporate governance structure of Aalberts with the Management Board. The governance structure was updated in 2017 in line with the Code, Dutch corporate law and market practice and is still effective. The Supervisory Board refers to page 53 for a more detailed explanation of the corporate governance structure of Aalberts.

The Boards have specifically discussed the further implementation of the Code of Conduct, the monitoring of the effectiveness and compliance with the Code of Conduct and violations of the Code of Conduct reported via the speak up! procedure. It was agreed to pay additional attention to the speak up! procedure, as a result whereof a speak up! campaign was launched through the entire Aalberts organisation. In addition, the e-learning programme, governance regulations and internal processes, including the training and monitoring thereof via governance visits and multidisciplinary audits, have been discussed. There was specific attention for the Aalberts brand, entrepreneurial culture and core values of Aalberts, the implementation thereof throughout the entire organisation and how this contribute to the long-term value creation and attractiveness of Aalberts for its stakeholders.

Taking into account geopolitical, international economic, health and climate developments, the Supervisory Board supports the more stringent approach to possible governance, health & safety, cybersecurity and climate related risks at group companies combined with a further strengthening of governance and sustainability at Aalberts head office and throughout the business. Governance risk management and the work schedule of the legal department and governance network were discussed with the Supervisory Board. The work schedule of the internal audit function has been approved by the Supervisory Board.

independence

All members of the Supervisory Board are fully independent. There are no members of the Supervisory Board holding shares in the company. In the Supervisory Board's opinion, the composition of the Supervisory Board is such that the members can act critically and independently from each other and the Management Board, as stipulated in the Code and the Supervisory Board rules. This means that the tasks of the Supervisory Board as laid down by law and by the Articles of Association are being fulfilled, including providing the Management Board with solicited and unsolicited advice and support.

In 2021, 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 2021 between the company and natural persons or legal entities that hold at least 10% of the shares in the company.

committees

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

Audit Committee

The Audit Committee aids and advises the Supervisory Board in its responsibility to supervise the integrity and quality of the Aalberts' financial reporting and the effectiveness of Aalberts' internal risk management and control systems. The Audit Committee consisted of Marjan Oudeman (chairman) and Piet Veenema, until Marjan Oudeman's resignation as per the 2021 AGM. Martin van Pernis was interim member of the Audit Committee until Peter van Bommel joined the Audit Committee in October. At year end the Audit Committee consists of Piet Veenema (chairman) and Peter van Bommel, who qualifies as financial and risk expert.

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

Specific topics addressed in the Audit Committee in 2021 were the multidisciplinary and integrated audit approach and assumptions used for purpose of goodwill impairment testing. Besides finance topics, the multidisciplinary and integrated audit approach includes people & culture, health & safety, sustainability, governance and IT topics. Pilot audits performed in the first half of 2021 were evaluated. The WACC used for the goodwill impairment testing was evaluated and the peer group for underlying assumptions to determine the WACC was reassessed. The additional strategic restructuring costs were discussed and savings of the restructuring plans were monitored closely per business team. In 2021 the emphasis on fraud risk management including fraud risk assessments further increased and cyber security resilience and IT roadmaps were discussed. The overall risk profile, implemented control measures, monitoring activities and follow-up to further mitigate the risks were discussed.

Other topics on the agenda of the Audit Committee meetings were: the company's financial performance, the company's financial reporting including the annual report, and the financial statements including application of accounting principles. The company's internal risk management systems including the risk assessment processes have been evaluated, the multidisciplinary and integrated audit plan for 2021 was discussed and approved and the essence of the internal audit results were reviewed. Specific attention was given to climate risk and risks associated with (geo)political developments, more in particular to raw material shortages, supply chain disruptions and price increases. Process and outcome of the speak up! procedures and (potential) claims and liabilities were also standing topics on the agenda. Other agenda items during the year were the company's tax policy and the treasury and funding strategy. For these topics, relevant experts from the company participated in the meetings.

The Audit Committee discussed the external auditor's performance with the Management Board without the presence of Deloitte Accountants. The Audit Committee reported to the Supervisory Board on its deliberations and findings which were discussed by the Supervisory Board.

Remuneration, Selection and Appointment Committee

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

The role of the RemCo is described in its charter, which is part of the Supervisory Board rules available at **aalberts.com/governance**. During the year, the RemCo met five times. The work they performed relating to the remuneration of the Management Board is further described in the remuneration report 2021 that has been prepared by the RemCo.

In 2021, the RemCo was involved in the nomination for two additional members of the Supervisory Board. A specific search profile was prepared in line with the Supervisory Board's profile and diversity policy and an international search firm was instructed to assist with both searches. In order to maintain a strong and diverse profile in international business experience and executive leadership, the RemCo advised the Supervisory Board and the Priority to nominate Lieve Declercq and Peter van Bommel for appointment as Supervisory Board member at the AGM 2021 and the EGM 2021 respectively. The knowledge and experience of Lieve Declercq in different end markets where Aalberts is active and her broad network within industry and government are a welcome complement to the Supervisory Board. Peter van Bommel has extensive knowledge and experience in Aalberts' end market semicon efficiency and has broad financial and management experience in various stock listed companies which competences complement the present competences and experiences in the Supervisory Board.

In 2021, the RemCo reviewed and discussed the remuneration policy of the Management Board and recommended to revise this policy, by adding Return on Capital Employed percentage as a performance criteria of the LTI.

The opinions of stakeholders were taken into account in the preparation of the updated remuneration policy. An updated version of the remuneration policy was presented to the General Meeting on 27 May 2021 and was adopted and approved.

The RemCo discussed succession planning of the Management Board, the leadership potential within the group and succession planning of the Supervisory Board.

appraisal of performance by the Management Board and the Supervisory Board

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

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

Outside the Management Board's presence, the Supervisory Board evaluated and assessed the performance of the Management Board and the individual members. In the opinion of the Supervisory Board, the Management Board performed its duties in 2021 in an excellent way.

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

The outcome of the evaluation meetings of the Boards resulted in an action plan, to be realised in the following fiscal year. The action items related to, amongst others, the performance of the Boards, the communication between the Boards and stakeholders of the company, the individual targets of the members of the Management Board, the composition of the Boards and the committees and the succession plans of the Boards. The Supervisory Board will evaluate the progress on the action plan during their meetings.

financial statements 2021

The 2021 financial statements have been prepared by the Management Board and have been signed by the Management Board and the Supervisory Board. Page 121 of the financial statements includes the independent auditor's report from the external auditor Deloitte Accountants. The Management Board will present the 2021 financial statements to the General Meeting on 19 May 2022. The Supervisory Board advises the General Meeting to adopt these financial statements, including the proposed cash dividend of EUR 1.01 and the special cash dividend of EUR 0.64. The dividend payment percentage of the cash dividend (EUR 1.01) is approximately 30% of the net profit before amortisation, the special cash dividend (EUR 0.64) is an additional dividend. The payment of the dividend is entirely in cash.

external auditor

Deloitte Accountants was appointed as external auditor for the reporting year 2022 at the General Meeting on 27 May 2021. In the discussion of the annual financial statements, the Supervisory Board was informed by the external auditor, Deloitte Accountants. Topics discussed included the 2021 audit plan, the management letter, early warning reports and the report to the Audit Committee, Supervisory Board and Management Board.

Utrecht, 23 February 2022

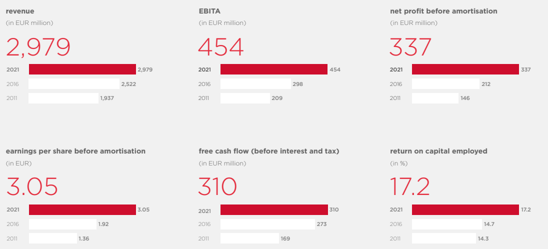
Martin van Pernis (Chairman)
Peter van Bommel
Lieve Declercq
Annette Rinck
Piet Veenema
Jan van der Zouw

remuneration report

For the evaluation of the remuneration of the Management Board in 2021, the Supervisory Board takes into account the short-term company performance for 2021 and the long-term Aalberts non-financial objectives and financial objectives 2018-2022.

highlights 2021

16% organic revenue growth and an EBITA margin of 15.2%



For further details of Aalberts' performance, reference is made to the report of the Management Board.

The Supervisory Board is satisfied that the Management Board has delivered solid short-term results and long-term value creation for Aalberts' stakeholders during 2021. Overall, Aalberts is well positioned to execute its updated strategy Aalberts 'accelerates unique positioning' and to drive long-term sustainable profitable growth.

amendment to the remuneration policy of the Management Board

In 2021, the Supervisory Board, upon recommendation of the Remuneration, Selection and Appointment Committee (**RemCo**), proposed to revise the remuneration policy of the Management Board. The General Meeting's advisory vote on the remuneration report 2019 and opinions of stakeholders were taken into account for the review of the remuneration policy as adopted in 2020 and proposal to update it. Compared to the 2020 policy, the proposed amendment of the remuneration policy of the Management Board related to the long-term incentives (**LTI**); to make the vesting of the performance shares also subject to the achievement of the Return On Capital Employed percentage (**ROCE %**) over the performance period, besides the achievement of the company's average growth of earnings per share before amortisation (**EPS**).

voting results at the General Meeting

During the Annual General Meeting on 27 May 2021 (**AGM 2021**):

- the revised remuneration policy of the Management Board was adopted by a majority vote of 97.4%;
- the advisory vote on the remuneration report 2020, relating to the implementation of the remuneration policy 2020, was adopted with a majority vote of 52.4%.

Following the voting behaviour in the AGM 2021 regarding the advisory vote on the remuneration report 2020 (for 52.4%, against 47.6%), the company entered into an open dialogue with its stakeholders on the contents of the remuneration report. To address the most discussed topic in this dialogue, more insight and transparency on the performance criteria for the STI is provided in this remuneration report. The RemCo believes that a sound balance has been found between the request for transparency by shareholders and the company's hesitation to disclose commercially sensitive information, as disclosure of such information may not be in the interest of Aalberts and all its stakeholders.

remuneration policy of the Management Board

The remuneration policy of the Management Board supports the company's purpose, values, strategy and objectives. Aalberts is where technology matters and real progress can be made. Humanly, environmentally and financially. The remuneration policy encourages the Management Board to relentlessly execute the Aalberts strategy and objectives by being entrepreneurial, taking ownership, going for excellence in everything they do, sharing knowledge to learn fast, continuously improving and innovating and acting with integrity. Aalberts strives for sustainable profitable growth and to continuously improve business results, while integrating sustainability in its strategy and taking responsibility for human and environment. Taking this into account, 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 objectives. The objective of the remuneration policy is to recruit, motivate and retain qualified and experienced directors with industry experience for the Management Board. The best qualified talent is necessary to continuously improve company performance and create long-term value with mission-critical technologies. Meanwhile the public context around remuneration is acknowledged and the interests of all Aalberts' stakeholders are recognised.

Annually, the RemCo reviews the total remuneration of the Management Board members, as well as each remuneration component of their package, such on behalf of the Supervisory Board. In doing so, the RemCo takes the remuneration objectives and principles as reflected in the remuneration policy into account.

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

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

The aim is to achieve a good balance between fixed and non-fixed remuneration and short-term variable and long-term value remuneration.

fixed and variable remuneration of the Management Board

The aggregate fixed and variable remuneration of the members of the Management Board for 2021 amounted to EUR 2.6 million (2020: EUR 2.0 million) and is determined in accordance with the remuneration policy. The remuneration of the individual Management Board members split out by component is reflected in the table on page 64.

application remuneration policy

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

fixed remuneration

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

base salary

Once a year, the Supervisory Board determines whether, and if so, to what extent the base salary will be adjusted, taking into account developments in the market, the reward structures of peer group companies, the results of Aalberts and the pay ratio within the Aalberts group. The RemCo uses various benchmarks to arrive at an informed position. Medium size and Dutch stock-listed companies included in the AEX and the AMX as well as Dutch and European peer group companies are considered most relevant. The Supervisory Board takes into consideration factors like the size and nature of the company, global presence, nature and complexity of the business and exposure of the Management Board.

pension plan

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

- basic arrangements for that part of the annual pensionable salary up to EUR 112,189 (2021);
- net surplus arrangement for that part of the annual pensionable salary above EUR 112,189. The employer contributions to this arrangement are made to participants in the form of gross cash compensation subject to tax withholdings, which can be used to fund a voluntary net defined contribution plan.

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

non-fixed remuneration

The non-fixed remuneration consists of variable remuneration in the form of short-term incentives (STI) and value remuneration in the form of long-term incentives (LTI) and is an important component of the remuneration package. The distribution between the STI and the LTI aims to achieve an optimal balance between short-term result and long-term value creation. The non-fixed remuneration for 2021 relates to the 5-year business plan of Aalberts as reflected in the non-financial and financial objectives 2018-2022 under the strategy ‘focused acceleration’ 2018-2022. The Aalberts 5-year business plan is based on the plans of the business teams, which are discussed and evaluated each year with the Management Board during the forecast & strategy meetings.

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

strategy ‘focused acceleration’

non-financial objectives

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

financial objectives (before IFRS 16)

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

message of the CEO
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		fixed remuneration	variable remuneration	total fixed and variable remuneration	value remuneration	
name and position	base salary* (in EUR 1,000)	pension plan (in EUR 1,000)	STI* (in EUR 1,000)	(in EUR 1,000)	LTI** (in number of shares)	proportion of variable remuneration (in %)
Wim Pelsma (CEO)	820	150	615	1,585	0	38.8
Arno Monincx (CFO)	520	79	390	989	0	39.4
total	**1,340**	**229**	**1,005**	**2,574**	**0**	**39.0**

* The STI is reflected in this table as the STI awarded over the financial year 2021.
** No shares vested in 2021 under the current PSPs.

These Aalberts Strategic Objectives are updated for 2022-2026 in the updated strategy Aalberts 'accelerates unique positioning' as follows:

strategy

- **accelerating unique positions** with mission-critical technologies, high entry barriers and pricing power
- **creating sustainable profitable growth** with high added-value margins, EBITA margins and innovation rates
- **driving operational excellence and portfolio optimisation** converting into free cash flow, achieving world-class operations
- **allocating capital in a disciplined way** strengthening our unique positions
- **realising sustainable entrepreneurship** with clear impact and commitment
- **ensuring an open, pragmatic culture** and lean structure, using the Aalberts strengths

objectives 2022-2026

organic revenue growth (% annually) 4-6%	**EBITA margin** (% of revenue) 16-18%
ROCE 18-20%	**innovation rate** (% of revenue) >20%
SDG rate (% of revenue) >70%	**leverage ratio** <2.5

short-term incentives (STI)

The STI is an important component of the remuneration package to reward short-term performance in line with the long-term Aalberts Strategic Objectives, combined with additional individual non-financial performance objectives. The Supervisory Board sets the yearly financial and non-financial targets, based on the Aalberts strategy & objectives and the yearly updated Aalberts 5-year business plan, at the beginning of each financial year and these are evaluated in a personal conversation after the end of each financial year.

Depending on the level of achievement of the targets, the STI can add from a minimum of 0% up to a maximum of 75% to the base salary. The on-target bonus percentage for the Management Board members is 75% of base salary and will not exceed that percentage in case of above-target performance of some or all of the criteria, except in exceptional circumstances as determined by Supervisory Board. Above-target and under-target performance can be compensated with each other, where 90% is the minimum for under-target performance of the objectives. If all objectives are achieved for a percentage under 90%, the STI will be 0, which endorses the pay for performance principle.

The targets are based on three financial objectives, earnings per share before amortisation (**EPS**), free cash flow (**FCF**) and revenue (**revenue**) and on

non-financial objectives. The non-financial objectives are not specifically disclosed yet, Aalberts is in the process making its overall non-financial objectives more specific and measurable via KPIs.

STI

performance criteria	weighting	target achievement
EPS	32%	above target
FCF	32%	below target
revenue	16%	above target
non-financial objectives	20%	on-target

The Supervisory Board has established the extent to which the STI targets set for 2021 have been achieved by the members of the Management Board as set out above. The achievement of the non-financial objectives is based on personal defined targets and visits of the Supervisory Board to locations in 2021. During these visits, meetings and conversations took place with the business teams and head office leadership on topics relating to the non-financial objectives for 2021. The non-financial objectives for 2021 have been achieved on-target.

The average overall achievement of the financial and non-financial objectives is 100.8%. In accordance, the STI awarded over the financial year 2021 is 75% of the base salary (100.8% multiplied by 75% with a maximum of 75%) and amounts to EUR 1,005k.

long-term incentives (LTI)

The value remuneration in the long-term for performance of Management Board members is in the form of a conditional awarding of shares. Under the Performance Share Plan (**PSP**), shares will conditionally be granted to Management Board members. Vesting of these shares is conditional on the achievement of certain predetermined performance targets at the end of a three-year period. The long-term performance criteria attached to the granting of the performance shares relate to the implementation of the Aalberts Strategic Objectives over a three-year period (the performance period). The Supervisory Board determines upfront how many shares will be conditionally awarded to the Management Board members.

Under the PSP 2019-2021 the vesting of the performance shares is subject to the achievement of the company's average growth of the EPS over the performance period, in accordance with the vesting schedule as included in the PSP. The vesting schedule reflects that the actual number of performance shares to be released after the performance period can be a number between 0% and 125% of the shares that have been conditionally awarded. The percentage of the conditionally awarded shares that will be released is ten times the percentage of the average annual growth of EPS in the performance period. If for example the average annual growth of EPS in the performance period equals 10%, then 100% of the performance shares will vest and will be released. If the average annual growth of EPS in the period equals 7.5% then 75% of the performance shares will vest and will be released.

Under the PSP 2021-2023 the vesting of the performance shares is subject to the achievement of the company's average growth of the EPS and the ROCE % over the performance period, in accordance with the vesting schedule as included in the PSP. The vesting schedule reflects that the actual number of performance shares to be released after the performance period can be a number between 0% and 125% of the shares that have been conditionally awarded. If the average annual growth of EPS in the performance period equals 10% and the average ROCE % in the performance period equals 17%, then 100% of the performance shares will vest and will be released.

During the financial year 2021, no performance shares vested under a PSP.

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

Wim Pelsma (CEO) held a total number of 148,125 (2020: 145,125) ordinary shares in Aalberts at year-end. Of this number 29,050 are subject to a holding period of 2 years pursuant to the vesting and release of shares in 2020 under the PSP 2017-2019. The number of conditional performance shares awards that were granted in 2021 (PSP 2021-2023) amounted to 35,000 shares for which EUR 336k was charged to the income statement. It is expected that 125% of the 35,000 shares that were granted in 2019 (PSP 2019-2021) will vest in May 2022 as the average annual growth of the EPS was >12.5%. For those shares EUR 565k (2020: EUR 341k) was charged to the income statement.

Arno Monincx (CFO) held a total number of 18,000 (2020: 18,000) ordinary shares in Aalberts at year-end. Of this number 12,450 are subject to a holding period of 2 years pursuant to the vesting and release of shares in 2020 under the PSP 2017-2019. The number of conditional performance shares awards that were granted in 2021 (PSP 2021-2023) amounted to 20,000 shares for which EUR 192k was charged to the income statement. It is expected that 125% of the 15,000 shares that were granted in 2019 (PSP 2019-2021), will vest in May 2022 as the average annual growth of the EPS was >12.5%. For those shares EUR 242k (2020: EUR 146k) was charged to the income statement.

The total remuneration of the members of the Management Board for 2021, including the amounts charged to the income statement for the LTI, amounted to EUR 3.9 million (2020: EUR 2.7 million).

sustainable profitable growth

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

The Supervisory Board believes that the total remuneration package is a sound balance to realise the Aalberts Strategic Objectives. The remuneration package encourages the Management Board members to deliver solid results every year and to relentlessly execute the updated strategy 2022-2026 Aalberts 'accelerates unique positioning'.

pay ratio

The average annual employee compensation is calculated by dividing the total Aalberts' personnel expenses specified in note 21 of the financial statements – excluding the LTI of all employees, termination benefits and the total remuneration of the members of the Management Board - by the average number of employees minus the average number of Management Board members.

The average annual Management Board members' compensation is calculated by adding up the amounts of salary, pension contribution and STI of the Management Board members and dividing this aggregate amount by the number of Management Board members.

The pay ratio is defined as the ratio between the average annual employee compensation and the average annual Management Board members' compensation. The pay ratio in 2021 was 23.7 (2020: 20.3).

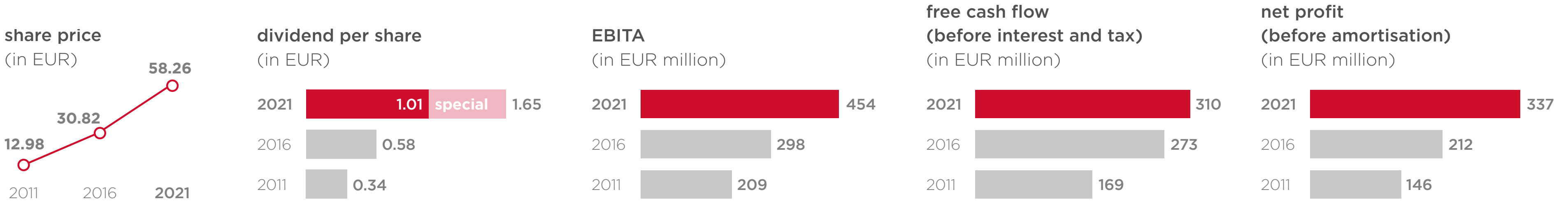
comparative information

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

	2017		2018		2019		2020		2021	
annual change	fixed and STI (in EUR 1,000)	LTI** (in number of shares)	fixed and STI (in EUR 1,000)	LTI** (in number of shares)	fixed and STI (in EUR 1,000)	LTI** (in number of shares)	fixed and STI (in EUR 1,000)	LTI** (in number of shares)	fixed and STI (in EUR 1,000)	LTI** (in number of shares)
W.A. Pelsma (CEO)	1,371	0	1,441	37,500	1,441	0	1,286	29,050	1,585	0
A.R. Monincx (CFO) (as from 1 May 2017)	455	0	794	12,500	815	0	754	12,450	989	0
company performance										
organic revenue growth %	5.5		4.6		1.1		(7.0)		16.0	
EBITA	336		366		363		283*		454*	
EPS	2.15		2.49		2.42		1.81*		3.05*	
FCF	310		312		312		360*		310*	
average remuneration on a full-time equivalent basis of employees										
employees of the group	48.1		49.2		51.4		50.3		54.4	

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

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



all figures before exceptionals

miscellaneous

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

update

Each year, the Supervisory Board reviews the Management Board remuneration policy and assesses its alignment with the market in more detail.

remuneration policy Supervisory Board

The remuneration policy of the Supervisory Board supports the company's purpose, values, strategy and objectives. The remuneration policy of the Supervisory Board aims to recruit and retain Supervisory Board members with the right expertise and experience. The remuneration policy of the Supervisory Board supports the Supervisory Board to duly execute its duties and responsibilities independently, and, hence, contribute as best as possible to the realisation of the company's strategic objectives, including long term value creation for the company and its stakeholders. It achieves these objectives by providing remuneration that consists of fixed elements only, with remuneration levels that are sustainable within the level playing field in the Netherlands.

The remuneration policy of the Supervisory Board was updated in 2020 to be in accordance with the Shareholders Rights Directive II. Limited amendments were made and the amounts did not change. The remuneration policy of the Supervisory Board was approved by the General Meeting on 25 June 2020.

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

	EUR 1,000
general membership fee	45
committee membership/chairmanship fee	5/10
chairmanship fee	15

remuneration Supervisory Board

The following fixed individual remuneration were paid members of the Supervisory Board in accordance with the remuneration policy. The table also reflects the annual change of remuneration of each individual member of the Supervisory Board over the five most recent financial years. Information on performance of the company and average remuneration of employees is provided on page 66.

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

No loans, advances or guarantees have been granted to the members of the Supervisory Board. No options have been granted to members of the Supervisory Board. At year-end there are no members of the Supervisory Board that hold shares in the company.

amounts in EUR 1,000	**2021**	**2020**	**2019**	**2018**	**2017**
M.C.J. van Pernis	65	65	65	65	58
J. van der Zouw	55	55	55	55	49
P. Veenema	50	50	50	50	46
A.H. Rinck [1]	45	23			
L. Declercq [2]	34	–			
P.A.M. van Bommel [3]	12	–			
M.J. Oudeman [4]	23	55	55	55	39
total	**284**	**248**	**225**	**225**	

1. appointed AGM 2020
2. appointed AGM 2021
3. appointed EGM 2021
4. till AGM 2021

financial statements 2021

consolidated financial statements

consolidated balance sheet

in EUR million	notes	31-12-2021	31-12-2020
assets			
intangible assets	5	1,377.3	1,255.7
property, plant and equipment	6	880.6	828.6
right-of-use assets	7	175.3	157.6
non-current financial assets	8	7.3	10.0
deferred income tax assets	16	19.4	21.2
total non-current assets		**2,459.9**	**2,273.1**
inventories	9	688.4	554.9
trade receivables	10	336.7	323.6
current income tax receivables		16.9	8.5
other current assets	11	54.7	39.3
cash and cash equivalents	12	72.0	55.8
assets held for sale	29.3	26.7	–
total current assets		**1,195.4**	**982.1**
total assets		**3,655.3**	**3,255.2**

in EUR million	notes	31-12-2021	31-12-2020
equity and liabilities			
shareholders' equity	13	2,143.7	1,774.1
non-controlling interests	13	40.0	32.2
total equity		**2,183.7**	**1,806.3**
bank loans	14	178.9	263.7
lease liabilities	15	149.8	127.4
deferred income tax liabilities	16	134.2	112.6
provisions for employee benefits	17	53.5	77.3
provisions	18	7.3	6.5
non-current financial liabilities	20.2	1.8	–
total non-current liabilities		**525.5**	**587.5**
current portion of bank loans	14	96.4	161.7
current portion of lease liabilities	15	33.7	31.7
current borrowings	12	104.1	71.3
current portion of provisions	18	12.5	22.1
trade and other payables	19	450.3	373.1
current income tax payables		38.9	29.7
other current liabilities	20	205.1	171.8
liabilities held for sale	29.3	5.1	–
total current liabilities		**946.1**	**861.4**
total equity and liabilities		**3,655.3**	**3,255.2**

consolidated income statement

in EUR million	notes	2021	2020
revenue	4	**2,979.1**	**2,610.4**
raw materials used and work subcontracted	9	(1,138.5)	(1,001.4)
personnel expenses	21	(837.0)	(808.6)
other operating expenses	22	(475.0)	(435.6)
amortisation of intangible assets	5	(48.4)	(43.8)
depreciation of property, plant and equipment	6	(108.5)	(110.9)
depreciation of right-of-use assets	7	(43.1)	(37.2)
total operating expenses		**(2,650.5)**	**(2,437.5)**
other income	23	177.5	14.5
operating profit		**506.1**	**187.4**
net finance cost	24	(13.2)	(22.4)
profit before income tax		**492.9**	**165.0**
income tax expense	25	(125.1)	(39.9)
profit after income tax		**367.8**	**125.1**
attributable to:			
shareholders		360.1	117.3
non-controlling interests		7.7	7.8
profit after income tax		**367.8**	**125.1**
earnings per share (in EUR)			
basic	26.1	3.26	1.06
diluted	26.1	3.25	1.06

consolidated statement of comprehensive income

in EUR million	notes	2021	2020
profit for the period		**367.8**	**125.1**
other comprehensive income:			
remeasurements of employee benefit obligations	17	22.2	(7.1)
income tax effect on remeasurements	16	(4.3)	1.7
items that will not be reclassified to profit or loss		**17.9**	**(5.4)**
currency translation differences		48.9	(56.4)
fair value changes of derivative financial instruments	20.1	6.8	(5.5)
income tax effect on fair value changes of derivatives	16	(1.7)	1.4
items that may be reclassified to profit or loss		**54.0**	**(60.5)**
other comprehensive income		**71.9**	**(65.9)**
total comprehensive income		**439.7**	**59.2**
attributable to:			
shareholders		431.8	54.8
non-controlling interests		7.9	4.4
total comprehensive income		**439.7**	**59.2**

consolidated statement of changes in equity

in EUR million	share capital	share premium	translation reserve	hedging reserve	retained earnings	**shareholders' equity**	non-controlling interests	**total equity**
as at 1 January 2021	**27.6**	**200.8**	**(75.5)**	**(8.3)**	**1,629.5**	**1,774.1**	**32.2**	**1,806.3**
profit for the period	–	–	–	–	360.1	**360.1**	7.7	**367.8**
other comprehensive income	–	–	48.7	5.1	17.9	**71.7**	0.2	**71.9**
total comprehensive income	**–**	**–**	**48.7**	**5.1**	**378.0**	**431.8**	**7.9**	**439.7**
dividend 2020	–	–	–	–	(66.3)	**(66.3)**	(0.1)	**(66.4)**
share based payments	–	–	–	–	4.1	**4.1**	–	**4.1**
as at 31 December 2021	**27.6**	**200.8**	**(26.8)**	**(3.2)**	**1,945.3**	**2,143.7**	**40.0**	**2,183.7**

in EUR million	share capital	share premium	translation reserve	hedging reserve	retained earnings	**shareholders' equity**	non-controlling interests	**total equity**
as at 1 January 2020	**27.6**	**200.8**	**(22.5)**	**(4.2)**	**1,608.1**	**1,809.8**	**28.0**	**1,837.8**
profit for the period	–	–	–	–	117.3	**117.3**	7.8	**125.1**
other comprehensive income	–	–	(53.0)	(4.1)	(5.4)	**(62.5)**	(3.4)	**(65.9)**
total comprehensive income	**–**	**–**	**(53.0)**	**(4.1)**	**111.9**	**54.8**	**4.4**	**59.2**
dividend 2019	–	–	–	–	(88.5)	**(88.5)**	(0.2)	**(88.7)**
share based payments	–	–	–	–	(2.0)	**(2.0)**	–	**(2.0)**
as at 31 December 2020	**27.6**	**200.8**	**(75.5)**	**(8.3)**	**1,629.5**	**1,774.1**	**32.2**	**1,806.3**

consolidated cash flow statement

in EUR million	notes	2021	2020
cash flow from operating activities			
operating profit		**506.1**	**187.4**
adjustments for:			
amortisation of intangible assets	5	48.4	43.8
depreciation of property, plant and equipment	6	108.5	110.9
depreciation of right-of-use assets	7	43.1	37.2
result on sale of equipment		1.1	(0.5)
gain on disposal of subsidiaries	29	(173.7)	–
changes in provisions	18	(10.0)	13.0
total adjustments		**17.4**	**204.4**
changes in inventories		(156.2)	42.0
changes in trade and other receivables		(63.7)	2.6
changes in trade and other payables		122.6	17.3
changes in working capital		**(97.3)**	**61.9**
cash flow from operations		**426.2**	**453.7**
finance cost paid		(14.9)	(22.2)
income taxes paid		(119.6)	(53.9)
net cash generated by operating activities		**291.7**	**377.6**

in EUR million	notes	2021	2020
cash flow from investing activities			
acquisition of subsidiaries	29.1	(191.1)	(19.9)
disposal of subsidiaries	29.2	298.4	12.1
purchase of property, plant and equipment	6	(144.6)	(107.6)
purchase of intangible assets	5	(12.2)	(10.4)
proceeds from sale of equipment		2.1	3.0
net cash generated by investing activities		**(47.4)**	**(122.8)**
cash flow from financing activities			
repayment of bank loans	14	(163.2)	(131.5)
lease payments	15	(36.2)	(38.2)
dividends paid	13.4	(66.4)	(88.5)
settlement of share based payment awards	13.3	–	(3.8)
net cash generated by financing activities		**(265.8)**	**(262.0)**
net increase/(decrease) in cash and current borrowings		**(21.5)**	**(7.2)**
cash and current borrowings as at 1 January		(15.5)	(6.2)
effect of changes in exchange rates		4.9	(2.1)
cash and current borrowings as at 31 December	12	**(32.1)**	**(15.5)**

notes to the consolidated financial statements

1. reporting entity

Aalberts N.V. (the Company and together with its subsidiaries Aalberts or the Group) engineers mission-critical technologies to achieve leading positions in eco-friendly buildings, sustainable transportation, semicon efficiency and industrial niches. Aalberts operates some 135 business locations with activities in over 50 countries, split into the segments building technology and industrial technology.

Aalberts is incorporated and domiciled in Utrecht, the Netherlands. The address of the Company's registered office is WTC Utrecht, Stadsplateau 18 in Utrecht. The Company is registered in the Trade Register of Utrecht under No. 30089954. The head office is based in Utrecht, the Netherlands. Aalberts N.V. has been listed on Euronext Amsterdam (ticker symbol: AALB.AS) since March 1987 and is included in the AMX index.

2. general accounting policies

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

The consolidated financial statements of the Group for the year ended 31 December 2021 comprise the financial statements of the Company and its subsidiaries. The financial statements were signed and authorised for issue by the Management Board and Supervisory Board on 23 February 2022. The Management Board released the full-year results on 24 February 2022. The adoption of the financial statements and the dividend are reserved for the shareholders in the General Meeting on 19 May 2022.

The financial statements are presented in EUR million, unless otherwise stated. The financial statements are prepared on the historical cost basis unless otherwise indicated. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.8.

2.2 changes in accounting policies
The accounting policies described in these consolidated financial statements have been applied consistently to all periods presented in these consolidated financial statements. Several IFRS amendments apply for the first time in 2021. However, these do not materially impact the Group's consolidated financial statements.

There are no new accounting standards, amendments to existing standards or new IFRIC interpretations published that are not yet effective that are expected to have a material impact on the Group in future reporting periods and on foreseeable future transactions.

2.3 changes in presentation
The Group has made improvements to the presentation of the following line items in the financial statements:
- non-current borrowings are split into bank loans and lease liabilities
- non-current financial assets and liabilities are separately presented on the face of the balance sheet

2.4 basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by Aalberts. Control is achieved when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests.

Intercompany transactions are determined on an arm's length basis. On consolidation, all intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated. Unrealised gains on intercompany transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

foreign currency transactions and balances

Foreign currency transactions are translated into the respective functional currencies of Aalberts entities using the exchange rate at the transaction date. Receivables, payables and other monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the exchange rates at the balance sheet date. Foreign currency exchange gains and losses resulting from the settlement of financial transactions and from the translation at year-end exchange rates are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The following exchange rates, for the most important countries in which Aalberts has operations, were used while preparing these consolidated financial statements:

	1 British pound (GBP) = EUR	1 US dollar (USD) = EUR
2021 year-end	1.190	0.880
2021 average	1.163	0.845
2020 year-end	1.119	0.819
2020 average	1.125	0.876

group companies

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

- assets and liabilities are translated at the exchange rate at the date of that balance sheet
- income and expenses are translated at average exchange rates (approximating the exchange rates at the transactions dates), and
- all resulting translation differences are recognised in other comprehensive income and are presented within equity in the currency translation reserve, unless the operation is not a wholly owned subsidiary for which the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

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

2.6 offsetting financial instruments

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

2.7 cash flow statement

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

2.8 significant accounting estimates and judgements

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.

impairments of goodwill

The Group annually tests whether goodwill has suffered any impairment losses. 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). Details on the impairment tests performed are stated in note 5.

estimated useful lives and residual values

The useful life and residual value of intangible assets (note 5) and property, plant and equipment (note 6) are periodically reviewed during the life of the asset to ensure that it reflects current circumstances.

leases
The lease liability (note 15) is determined based on judgement in determining the lease terms, which includes assessing whether extension and termination options are exercised. Assumptions are used to determine the incremental borrowing rate for discounting future lease payments, which as a result could have an impact on the lease liability.

pension plans
Assumptions are used for determining the defined benefit obligation of pension plans (note 17). Assumptions are used such as future salary increase, the rate of return on plan investments, mortality rates, and the rates at which plan participants are expected to leave the pension plans because of retirement, disability and termination.

taxes
The Group is subject to taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for taxes (note 16). 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.

purchase price allocation
For the purpose of the purchase price allocation (note 29.1) judgments, estimates and assumptions are made to determine the fair value of the identifiable assets and liabilities at acquisition date. This is mainly related to fair value assessments of property, plant and equipment, intangible assets and the related deferred tax liabilities.

3. financial risk management

3.1 financial risk factors

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

3.1.1 foreign currency risk

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

The Group has several foreign subsidiaries of which the net equity is subject to currency translation risk resulting from the translation of foreign operations into the reporting currency of Aalberts. This currency translation risk is monitored but not hedged.

The US dollar and British pound are the major foreign currencies for the Group. As at 31 December 2021, 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 2.0 million (2020: positive EUR 2.1 million) and the net equity would have been impacted by positive EUR 46.7 million (2020: positive EUR 28.6 million). As at 31 December 2021, 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 negative EUR 0.5 million (2020: negative EUR 0.6 million) and the net equity would have been impacted by positive EUR 21.7 million (2020: positive EUR 16.6 million).

3.1.2 credit risk

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

The maximum credit risk on financial assets, being the total carrying value of these assets before provisions for impairment of receivables, amounts to EUR 476.1 million (2020: EUR 433.3 million):

in EUR million	31-12-2021	31-12-2020
trade receivables (gross)	342.1	328.2
non-current financial assets	7.3	10.0
other current assets	54.7	39.3
cash and cash equivalents	72.0	55.8
total	**476.1**	**433.3**

3.1.3 liquidity risk

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

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

	within 1 year	between 1 - 5 years	over 5 years	**total contractual cash flows**	carrying amount
as at 31 December 2021					
bank loans	98.5	181.4	0.1	**280.0**	275.3
lease liabilities	35.5	87.8	67.8	**191.1**	183.5
current borrowings	104.1	–	–	**104.1**	104.1
trade and other payables	450.3	–	–	**450.3**	450.3
other current liabilities [1]	156.4	–	–	**156.4**	156.4
total financial liabilities at amortised cost	**844.8**	**269.2**	**67.9**	**1,181.9**	**1,169.6**
derivative liabilities	3.4	4.9	–	**8.3**	4.5
total financial liabilities	**848.2**	**274.1**	**67.9**	**1,190.2**	**1,174.1**

1. excluding taxes payable

	within 1 year	between 1 - 5 years	over 5 years	**total contractual cash flows**	carrying amount
as at 31 December 2020					
bank loans	165.2	255.0	13.4	**433.6**	425.4
lease liabilities	35.0	96.7	37.2	**168.9**	159.1
current borrowings	71.3	–	–	**71.3**	71.3
trade and other payables	373.1	–	–	**373.1**	373.1
other current liabilities [1]	114.8	–	–	**114.8**	114.8
total financial liabilities at amortised cost	**759.4**	**351.7**	**50.6**	**1,161.7**	**1,143.7**
derivative liabilities	4.6	7.7	0.1	**12.4**	11.2
total financial liabilities	**764.0**	**359.4**	**50.7**	**1,174.1**	**1,154.9**

1. excluding taxes payable

For more information on derivative financial instruments we refer to note 20.1.

3.1.4 cash flow and interest rate risk

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

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

	31-12-2021	31-12-2020
banks loans:		
• floating rate	30.0	59.9
• fixed rate	4.0	4.9
• hedged from floating rate to fixed rate	241.3	360.6
total bank loans	**275.3**	**425.4**
current borrowings – floating rate	104.1	71.3
total bank loans and current borrowings	**379.4**	**496.7**

As at 31 December 2021, if the Euribor/US Libor would have been 100 basis points higher, with all other variables constant, the net profit of the Group would have been impacted by negative EUR 0.8 million (2020: negative EUR 0.8 million), mainly as a result of higher interest expenses on floating rate borrowings. The net equity as at year-end would have been impacted by the same amount. The change in the market value as at balance sheet date of the derivative financial instruments, as a result of the interest adjustment, is excluded from this sensitivity analysis.

3.1.5 price risk

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

3.1.6 capital risk

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

- leverage ratio (net debt / EBITDA): 0.9 (2020: 1.4)
- interest cover ratio (EBITDA / net interest expense): 42.7 (2020: 23.6)
- gearing ratio (net debt / total equity): 0.2 (2020: 0.3)

EBITDA is adjusted for non-recurring items. Both EBITDA and net interest expense are on 12-month rolling basis.

3.2 financial instruments

The Group holds the following financial instruments:

	notes	31-12-2021	31-12-2020
financial assets			
• non-current financial assets	8	7.3	10.0
• trade receivables	10	336.7	323.6
• other current assets [1]	11	39.1	39.3
• cash and cash equivalents	12	72.0	55.8
financial assets at amortised cost		**455.1**	**428.7**
derivative assets at fair value	20.1	1.9	1.1
total financial assets		**457.0**	**429.8**
financial liabilities			
• bank loans	14	275.3	425.4
• lease liabilities	15	183.5	159.1
• current borrowings	12	104.1	71.3
• trade and other payables	19	450.3	373.1
• other current liabilities [1]	20	156.4	114.8
financial liabilities at amortised cost		**1,169.6**	**1,143.7**
derivative liabilities at fair value	20.1	4.5	11.2
total financial liabilities		**1,174.1**	**1,154.9**

1. excluding taxes receivable and payable

Financial instruments are measured at amortised cost or fair value. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability.

Fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

All financial instruments carried at fair value are classified as level 2. The carrying amounts of the financial instruments approximate their fair values.

4. segment reporting

4.1 reportable segments

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

	building technology	industrial technology	holding / eliminations	total 2021	building technology	industrial technology	holding / eliminations	total 2020[1]
revenue	1,837.9	1,141.2	–	**2,979.1**	1,623.8	986.6	–	**2,610.4**
EBITA before exceptionals	285.7	175.8	(7.3)	**454.2**	187.1	102.7	(7.3)	**282.5**
EBITA before exceptionals as % of revenue	15.5	15.4	–	**15.2**	11.5	10.4	–	**10.8**
total assets	1,772.1	1,761.6	121.6	**3,655.3**	1,630.6	1,526.8	97.8	**3,255.2**
total liabilities	438.8	280.2	16.6	**735.6**	406.1	228.7	16.0	**650.8**
depreciation of property, plant and equipment	44.2	49.4	14.9	**108.5**	45.9	54.5	10.5	**110.9**
capital expenditure of property, plant and equipment	75.7	68.1	2.9	**146.7**	49.5	45.6	0.2	**95.3**

1. 2020 figures are adjusted for comparison purposes

Reconciliation of EBITA before exceptionals of reportable segments to profit before income tax is as follows:

	2021	2020
total EBITA before exceptionals	**454.2**	**282.5**
amortisation of intangible assets	(48.4)	(43.8)
exceptional income / (costs)	100.3	(51.3)
net finance cost	(13.2)	(22.4)
consolidated profit before income tax	**492.9**	**165.0**

Total exceptional items consist of:

	2021	2020
gain on disposals	154.2	–
operational excellence programme[1]	(33.2)	–
strategic restructuring cost	–	(43.3)
impairment property, plant and equipment	(13.7)	(8.0)
impairment right-of-use assets	(7.0)	–
total exceptional income / (costs)	**100.3**	**(51.3)**

1. includes personnel expenses EUR 13.5 million, other operating expenses EUR 8.3 million and write-off inventories EUR 11.4 million

The implementation of the 2020 strategic restructuring programme is on track. An additional operational excellence programme has been started, including further consolidation and reduction of our locations from 135 (end of 2021) to 108 (end of 2026), excluding acquisitions. This programme will lead to a one-off exceptional cost in 2021 of EUR 53.9 million, funded by an exceptional disposal benefit of EUR 154.2 million from the Lasco disposal.

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

Reconciliation of total liabilities of reportable segments to the consolidated balance sheet is as follows:

	31-12-2021	31-12-2020
total liabilities of reportable segments	**735.6**	**650.8**
non-current and current borrowings	379.4	496.7
lease liabilities	183.5	159.1
tax liabilities	173.1	142.3
equity	2,183.7	1,806.3
consolidated equity and liabilities	**3,655.3**	**3,255.2**

4.2 geographical information

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

	2021	%	2020	%
revenue				
Western Europe	1,763.0	59.2	1,506.5	57.7
America	731.7	24.6	677.7	26.0
Eastern Europe, Russia	333.6	11.2	288.5	11.0
APAC, Middle East, Africa	150.8	5.0	137.7	5.3
total	**2,979.1**	**100.0**	**2,610.4**	**100.0**

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

	31-12-2021	%	31-12-2020	%
non-current assets				
Western Europe	1,656.7	67.4	1,596.9	70.3
America	616.0	25.0	484.2	21.4
Eastern Europe, Russia	133.0	5.4	119.2	5.2
APAC, Middle East, Africa	54.2	2.2	72.8	3.2
total	**2,459.9**	**100.0**	**2,273.1**	**100.0**

4.3 analysis of revenue by category

	2021	%	2020	%
revenue				
sale of goods	2,459.0	82.5	2,161.7	82.8
services	520.1	17.5	448.7	17.2
total	**2,979.1**	**100.0**	**2,610.4**	**100.0**

accounting policies

segment reporting

In 2021 Aalberts continued its focus and management of operations on the level of identifiable technologies. In addition, more integration and strategic initiatives are executed based on end market perspective. This process has led to a focus in reportable segments, thereby reducing the number of segments from four reportable segments in 2020 to two reportable segments in 2021 being building technology and industrial technology. We believe that information based on these two segments provide financial statement users with information that allows them to evaluate our business and the environment we operate in, and is consistent with Aalberts' management view on it. For comparison purposes, the 2020 comparative figures are adjusted by combing the former segments installation technology and climate technology into the new segment building technology and by combining the former segments material technology and industrial technology into the new segment industrial technology. This is in line with Aalberts' external communication as per the Capital Markets Day in December 2021.

Aalberts businesses are presented in the reportable segments building technology and industrial technology. Building technology develops, manufactures and monitors hydronic flow control systems for heating and cooling to improve the energy efficiency and develops, designs and manufactures integrated piping systems to distribute and regulate water or gas flows in heating, cooling, water, gas and sprinkler systems in eco-friendly buildings and industrial niches. The market approach in this segment is based on local sales platforms focused on installers, contractors and wholesalers.

Industrial technology co-develops, engineers and manufactures advanced mechatronics and technologies to regulate, measure and control fluids under severe and critical conditions for worldwide active OEMs in semicon efficiency, sustainable transportation and industrial niches and offers an extensive range of surface technologies utilising a global network of service locations with excellent local knowledge to customers active in sustainable transportation and industrial niches.

Besides the identified reportable segments there are head office activities, unallocated items and eliminations of intersegment transfers or transactions. These are grouped together as holding/eliminations and are mainly related to supporting activities and projects at the level of the head office. The related gains and losses are directly monitored by the Management Board. Unallocated assets mainly consist of (deferred) income tax assets. Intersegment transfers or transactions are entered into under transfer pricing terms and conditions that are comparable with terms and conditions with unrelated third parties.

The businesses in a segment are each managed separately by a business management team which is held directly responsible for the functioning and performance of the business and which reports to the Management Board (the chief operating decision maker) which is responsible for the allocation of the available resources, the assessment of the operational results and strategic decisions. The results of the businesses are monitored on the level of EBITA before exceptionals, being the operating profit before amortisation, interest and tax related expenses, and is adjusted for exceptional items. Exceptional items are income and expense items of such nature, size and/or frequency of occurrence that their disclosure is relevant to explain Aalberts' performance. Exceptional items include, amongst others, impairments, restructuring costs and gains and losses from acquisition and disposal. EBITA before exceptionals is not a financial measure calculated in accordance with IFRS, but is used to measure performance as management believes that this measurement is the most relevant in evaluating the results of the businesses. The presentation of these financial measures may not be comparable to similarly titled measures reported by other companies due to differences in the ways the measures are calculated. Operational segment reporting is performed consistently with the internal reporting as provided to the Management Board.

revenue

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

The Group applies the 5-step approach to recognise revenue and recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. If one of the following criteria are met, then the Group recognises revenue over time:

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

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

The following is a description of the activities where the Group generates revenue, including the nature and timing of satisfaction of the performance obligations, which is is consistent with the revenue information that is disclosed for each reportable segment:

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

The transaction price allocated to (partially) unsatisfied performance obligations at period end date are limited given the nature and timing of satisfaction of the performance obligations as described above. Contract balances and relevant disclosures are limited to receivables and are described as 'trade receivables' in note 10.

5. intangible assets

	goodwill	other intangibles	software	assets under construction	total 2021	goodwill	other intangibles	software	assets under construction	total 2020
as at 1 January										
cost	834.2	696.4	67.9	10.3	**1,608.8**	850.6	713.8	67.0	12.2	**1,643.6**
accumulated amortisation	–	(301.0)	(52.1)	–	**(353.1)**	–	(272.8)	(51.0)	–	**(323.8)**
net book amount as at 1 January	**834.2**	**395.4**	**15.8**	**10.3**	**1,255.7**	**850.6**	**441.0**	**16.0**	**12.2**	**1,319.8**
additions	–	2.3	2.6	7.6	**12.5**	–	2.5	4.7	1.3	**8.5**
transfers	–	0.5	4.6	(5.1)	**-**	–	2.3	1.5	(2.8)	**1.0**
acquisition of subsidiaries	74.8	110.1	0.1	–	**185.0**	(1.8)	–	–	–	**(1.8)**
disposal of subsidiaries	(37.2)	(8.8)	(1.6)	–	**(47.6)**	–	–	–	–	**-**
reclassified to held for sale	(5.3)	(3.7)	–	–	**(9.0)**	–	–	–	–	**-**
amortisation	–	(41.6)	(6.8)	–	**(48.4)**	–	(37.9)	(5.9)	–	**(43.8)**
currency translation	14.8	13.5	0.4	0.4	**29.1**	(14.6)	(12.5)	(0.5)	(0.4)	**(28.0)**
net book amount as at 31 December	**881.3**	**467.7**	**15.1**	**13.2**	**1,377.3**	**834.2**	**395.4**	**15.8**	**10.3**	**1,255.7**
as at 31 December										
cost	881.3	787.0	70.8	13.2	**1,752.3**	834.2	696.4	67.9	10.3	**1,608.8**
accumulated amortisation	–	(319.3)	(55.7)	–	**(375.0)**	–	(301.0)	(52.1)	–	**(353.1)**
net book amount as at 31 December	**881.3**	**467.7**	**15.1**	**13.2**	**1,377.3**	**834.2**	**395.4**	**15.8**	**10.3**	**1,255.7**

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

At year-end, Group companies had no investment commitments outstanding in respect of intangible assets (2020: EUR 0.7 million).

goodwill impairment test

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

	31-12-2021	31-12-2020[1]
building technology	374.3	387.3
industrial technology	507.0	446.9
total	**881.3**	**834.2**

1. adjusted for comparison purposes

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 forecast for 2022 and the strategic business plans for the subsequent years. Management determined budgeted growth rates based on past performance and its expectations of market developments. For the period after 2026 a growth rate equal to expected long-term inflation is taken into account. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash generating units.

The assumptions used for impairment tests are as follows:

	building technology 2021	industrial technology 2021	building technology 2020[1]	industrial technology 2020[1]
average growth rate (first 5 years)	1.6% - 7.0%	1.4% - 8.8%	2.6% - 5.2%	2.8% - 10.7%
long-term average growth rate (after 5 years)	1.0%	1.0%	1.0%	1.0%
discount rate (pre-tax)	9.1% - 12.0%	8.8% - 10.1%	9.8% - 12.4%	9.2% - 10.9%
discount rate (post-tax)	6.9% - 9.1%	6.7% - 7.7%	7.3% - 9.4%	6.9% - 8.1%

1. adjusted for comparison purposes

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

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

To reflect the increased uncertainty related to the COVID pandemic, the parameters of the sensitivity analysis were amended in 2020. In 2021 these parameters are kept constant, which means the following changes in assumptions are assessed:

- decrease of the average growth rate by 5.0% (2020: 5.0%)
- decrease of the long-term average growth rate by 1.0% to 0.0% (2020: 0.0%)
- increase of the discount rate (post-tax) by 2.0% (2020: 2.0%)

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

accounting policies

goodwill

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

other intangible assets

Other intangible assets include brand names, customer base and technology. Intangible assets that are acquired through acquired companies are initially valued at fair value. These identifiable intangibles are then systematically amortised over the estimated useful life which is between 15 and 20 years.

software and research and development

Acquired software is capitalised and stated at cost less accumulated amortisation and impairment losses. Software is amortised over the estimated useful life, normally 3 to 5 years. Expenditure on internally developed software is capitalised when the expenditure qualifies as development activities, otherwise it is recognised in profit or loss when incurred.

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and new commercially feasible products is recognised in the income statement. An internally-generated intangible asset arising from development is only recognised if all relevant criteria have been met, otherwise development expenditure is recognised in the income statement in the period in which it is incurred. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. After initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and impairment losses.

Amortisation is calculated over the cost of the asset less its residual value. Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives from the date they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Changes in useful lives or residual value are recognised prospectively.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair-value-less-costs-of-disposal and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). An impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit and loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

6. property, plant and equipment

	land and buildings	plant and equipment	other	assets under construction	total 2021	land and buildings	plant and equipment	other	assets under construction	total 2020
as at 1 January										
cost	648.7	1,671.3	100.8	63.4	**2,484.2**	650.7	1,715.9	102.2	73.2	**2,542.0**
accumulated depreciation	(329.9)	(1,241.1)	(84.6)	–	**(1,655.6)**	(316.6)	(1,267.9)	(83.2)	–	**(1,667.7)**
net book amount as at 1 January	**318.8**	**430.2**	**16.2**	**63.4**	**828.6**	**334.1**	**448.0**	**19.0**	**73.2**	**874.3**
addition	22.3	45.0	3.8	75.6	**146.7**	12.5	36.0	2.8	44.0	**95.3**
transfers	–	–	–	–	**-**	4.0	–	–	(1.0)	**3.0**
assets taken into operation	21.4	31.6	1.4	(54.4)	**-**	–	48.9	1.5	(50.4)	**-**
disposals	(1.9)	(0.3)	(0.4)	(0.7)	**(3.3)**	(0.2)	(2.0)	(0.4)	–	**(2.6)**
acquisition of subsidiaries	13.2	17.9	0.4	1.3	**32.8**	–	–	–	–	**-**
disposal of subsidiaries	(8.6)	(16.6)	(0.9)	(3.7)	**(29.8)**	(1.8)	(2.1)	–	–	**(3.9)**
reclassified to held for sale	(1.0)	(3.1)	(0.1)	(0.1)	**(4.3)**	–	–	–	–	**-**
depreciation	(20.0)	(83.0)	(5.5)	–	**(108.5)**	(20.4)	(84.5)	(6.0)	–	**(110.9)**
currency translation	6.2	10.4	0.4	1.4	**18.4**	(9.4)	(14.1)	(0.7)	(2.4)	**(26.6)**
net book amount as at 31 December	**350.4**	**432.1**	**15.3**	**82.8**	**880.6**	**318.8**	**430.2**	**16.2**	**63.4**	**828.6**
as at 31 December										
cost	689.8	1,720.6	98.0	82.8	**2,591.2**	648.7	1,671.3	100.8	63.4	**2,484.2**
accumulated depreciation	(339.4)	(1,288.5)	(82.7)	–	**(1,710.6)**	(329.9)	(1,241.1)	(84.6)	–	**(1,655.6)**
net book amount as at 31 December	**350.4**	**432.1**	**15.3**	**82.8**	**880.6**	**318.8**	**430.2**	**16.2**	**63.4**	**828.6**

As part of the operational excellence programme, the Group has impaired property, plant and equipment for an amount of EUR 13.7 million (2020: EUR 8.0 million as part of the strategic restructuring cost) which is included in the depreciation of EUR 108.5 million and is related to land and buildings and plant and equipment.

At year-end, Group companies had investment commitments outstanding in respect of property, plant and equipment in the amount of EUR 54.5 million (2020: EUR 23.5 million).

accounting policies

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

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:

	useful life (minimum)	useful life (maximum)
land	infinite	infinite
buildings	5 years	40 years
plant and equipment	3 years	15 years
other	3 years	5 years

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Property, plant and equipment that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

7. right-of-use assets

	31-12-2021	31-12-2020
land and buildings	147.4	129.2
plant and equipment	14.8	13.8
company cars and other	13.1	14.6
net book amount right-of-use assets	**175.3**	**157.6**

Additions to the right-of-use assets during 2021 amounted to EUR 65.1 million (2020: EUR 31.2 million).

The income statement includes the following amounts relating to leases:

	2021	2020
depreciation expense right-of-use assets:		
• land and buildings	30.2	23.3
• plant and equipment	4.4	4.4
• company cars and other	8.5	9.5
total depreciation expense right-of-use assets	**43.1**	**37.2**
interest expense on lease liabilities	2.4	2.7
expenses relating to leases	**45.5**	**39.9**

As part of the operational excellence programme, the Group has impaired right-of-use assets for an amount of EUR 7.0 million which is included in the depreciation of EUR 43.1 million and is related to land and buildings.

Lease expenses in relation to short-term and low-value assets are included in other operating expenses. Payment of principal amounts of leases amount to EUR 36.2 million (2020: EUR 38.2 million) and payments of interest on leases amount to EUR 2.4 million (2020: EUR 2.7 million). The lease liabilities related to the right-of-use assets are disclosed in note 15.

accounting policies

The Group leases various production facilities, machinery and equipment, warehouses and company cars. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Extension and termination options are included in a number of leases across the Group. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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

Right-of-use assets are measured at cost and comprise the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs.

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

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

8. non-current financial assets

	2021	2020
as at 1 January	**11.7**	**12.7**
additions	0.4	0.3
payments	(1.2)	(1.2)
disposal of subsidiaries	(1.9)	–
currency translation differences	–	(0.1)
as at 31 December	**9.0**	**11.7**
current portion of deferred consideration receivable	1.7	1.7
non-current financial assets	7.3	10.0
as at 31 December	**9.0**	**11.7**

Non-current financial assets consist of deferred consideration receivables in relation to the disposal of subsidiaries. No loss allowance is recognised for the financial asset. The current portion of the deferred consideration amounting to EUR 1.7 million is presented under other current assets.

accounting policies

Non-current financial assets are initially measured at fair value. The Group holds these financial assets with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost minus any impairment losses.

9. inventories

	31-12-2021	31-12-2020
raw materials	186.4	133.7
work in progress	189.3	145.5
finished goods	301.4	268.3
other inventories	11.3	7.4
total	**688.4**	**554.9**

The costs of inventories are recognised as an expense and write-offs on inventories are included in 'raw materials used and work subcontracted' in the income statement. In 2021 an amount of EUR 1,072.9 million (2020: EUR 944.3 million) is recognised as raw materials used. In 2021 a net write-off expense of EUR 13.5 million (2020: EUR 0.2 million) is recognised, of which EUR 11.4 million as part of the operational excellence programme. The provision for write-down of inventories, due to obsolescence and slow-moving stock, amounts to EUR 28.7 million (2020: EUR 26.3 million). The vast majority of the inventory has a turnover of less than one year.

accounting policies

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

10. trade receivables

	31-12-2021	31-12-2020
trade receivables (gross amount)	342.1	328.2
allowance for expected credit losses of receivables	(5.4)	(4.6)
trade receivables (net amount)	**336.7**	**323.6**

The movement in the allowance for expected credit losses of receivables is as follows:

	2021	2020
as at 1 January	**4.6**	**5.9**
additions/(reversals)	1.5	1.4
used during year	(0.7)	(2.7)
acquisition of subsidiaries	0.2	–
disposal of subsidiaries	(0.3)	–
currency translation differences	0.1	–
as at 31 December	**5.4**	**4.6**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. There is no concentration of credit risk with respect to trade receivables, as the Group has a large customer base which is internationally dispersed and makes use of credit insurance for a majority of its receivables.

The allowance for expected credit losses of receivables of EUR 5.4 million (2020: EUR 4.6 million) is mainly related to receivables past due more than 90 days.
The allowance for expected credit losses (ECL) of trade receivables is based on a periodically review whether an allowance for credit losses is needed by considering factors such as payment history, credit quality, expected lifetime losses and current economic conditions that may affect a customer's ability to pay. Additions to the allowance for expected credit losses amount to EUR 1.5 million (2020: EUR 1.4 million) and are included in the 'other operating expenses'.

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

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

	31-12-2021	31-12-2020
not past due	293.5	284.5
past due less than 30 days	29.6	29.3
past due between 30 days and 60 days	6.4	4.8
past due between 60 days and 90 days	3.5	1.3
past due more than 90 days	9.1	8.3
trade receivables (gross amount)	**342.1**	**328.2**

The majority of the carrying amounts is denominated in the functional currency of the reported entities:

	31-12-2021	31-12-2020
Euro	169.2	164.1
US dollar	84.1	81.2
British pound	33.3	36.8
other currencies	55.5	46.1
trade receivables (gross amount)	**342.1**	**328.2**

accounting policies
Trade receivables are initially measured at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost minus any impairment losses.

11. other current assets

	31-12-2021	31-12-2020
prepaid expenses and accrued income	22.3	21.7
deferred consideration receivable	1.7	1.7
value added tax receivable	13.7	–
derivative financial instruments	1.9	–
other receivables	15.1	15.9
total	**54.7**	**39.3**

12. cash and current borrowings

	31-12-2021	31-12-2020
cash and cash equivalents	72.0	55.8
current borrowings	(104.1)	(71.3)
total cash and current borrowings	**(32.1)**	**(15.5)**

The cash and current borrowings amount to EUR 32.1 million negative (2020: EUR 15.5 million negative). The carrying amounts of cash and current borrowings approximate their fair values.

The cash consists of cash and bank balances for an amount of EUR 72.0 million (2020: EUR 55.8 million). Cash is freely disposable.

The current borrowings of EUR 104.1 million (2020: EUR 71.3 million) are drawn on credit facilities which mainly consist of zero balancing cash pool agreements with several domestic and foreign financial institutions. Current borrowings are short-term credit facilities consisting of committed and uncommitted credit lines, provided by a number of credit institutions. The total of these facilities at year-end 2021 amounted to EUR 938.0 million (2020: EUR 908.1 million), of which generally between EUR 150 million and EUR 300 million was used throughout the year. At year-end 2021, the total committed revolving credit facilities amounted to EUR 438.0 million (2020: EUR 431.9 million), consisting of seven credit facilities of EUR 50 million and two credit facilities of USD 50 million.

accounting policies

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

13. equity

13.1 share capital

The total number of ordinary shares outstanding at year-end was 110.6 million shares (2020: 110.6 million shares) with a par value of EUR 0.25 per share. In addition, there are 100 priority shares issued with a par value of EUR 1.00 per share. An explanation of the total number of shares outstanding is included in note 33.4.

13.2 currency translation and hedging reserve

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

13.3 share based payments (performance share plan)

Aalberts reviews on an annual basis whether awards from the existing Performance Share Plan will be granted to a limited number of executives. This plan is a share based equity-settled incentive plan. Conditional shares are awarded that become unconditional three years after the start of the performance period as long as the related conditions with regard to employment and performance have been met. The performance conditions attached to the granting of Performance Shares are based on the Group's financial performance over a three-year performance period. The financial performance over the three calendar years is measured based on the average growth of the earnings per share before amortisation and exceptionals (EPS) for PSP 2019-2021 and PSP 2019-2022 BT. For PSP2021-2023 the financial performance over the three calendar years is measured based on the average growth of EPS and based on the average ROCE percentage. The conditions of the plan stipulate that ultimately a maximum of 125% of the number of conditionally granted shares at the start of the performance period can be paid out.

PSP 2019-2021: In May/June 2019, a total number of 149,500 (100%) conditional shares were granted and accepted. As at the end of 2021, there are still 143,500 conditional shares in circulation because a number of employees left (2020: 146,500 shares). The fair value of the Performance Shares is based on the share price on the grant date, minus the discounted value of the expected dividends in the period that the shares were granted conditionally, in view of the fact that the participants are not entitled to dividends during the vesting period. The expected dividends are based on the Group's dividend policy. Based on the average growth of the earnings per share before amortisation and exceptionals (EPS) over the three-year period (2019-2021) it is expected that 125% of the conditional shares will vest in May 2022. As at the end of

2021, the total fair value of the 143,500 conditional shares was EUR 5.2 million. An amount of EUR 2.3 million was charged to the personnel expenses and credited to total equity (overall no impact on equity).

PSP 2019-2022 BT: In May/June 2019, a total number of 112,500 (100%) conditional shares were granted and accepted. As at the end of 2021, there are still 78,000 conditional shares in circulation because a number of employees left (2020: 93,000 shares). The fair value of the Performance Shares is based on the share price on the grant date, minus the discounted value of the expected dividends in the period that the shares were granted conditionally, in view of the fact that the participants are not entitled to dividends during the vesting period. The expected dividends are based on the Group's dividend policy. As at the end of 2021, the total fair value of the 78,000 conditional shares was EUR 2.2 million. An amount of EUR 0.4 million was charged to the personnel expenses and credited to total equity (overall no impact on equity).

PSP 2021-2023: In May/June 2021, a total number of 150,000 (100%) conditional shares were granted and accepted. The fair value of the Performance Shares is based on the share price on the grant date, minus the discounted value of the expected dividends in the period that the shares were granted conditionally, in view of the fact that the participants are not entitled to dividends during the vesting period. The expected dividends are based on the Group's dividend policy. As at the end of 2021, the total fair value of the 150,000 conditional shares was EUR 6.5 million. An amount of EUR 1.4 million was charged to the personnel expenses and credited to total equity (overall no impact on equity).

The Management Board members participate in the Performance Share Plan. The details are mentioned in the remuneration of the Management and Supervisory Board as disclosed in note 33.9.

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

13.4 dividend
The dividends paid in 2021 amounted to EUR 0.60 per share (2020: EUR 0.80 per share).

A dividend in respect of the year ended 31 December 2021 of EUR 1.01 per share and a special dividend of EUR 0.64 per share will be proposed at the General Meeting to be held on 19 May 2022.

These financial statements do not reflect this dividend payable. The dividend payment will be subject to 15% Dutch withholding tax.

13.5 non-controlling interests
Non-controlling interests amount to EUR 40.0 million (2020: EUR 32.2 million), where the result for the year, including other comprehensive income, amounts to EUR 7.9 million (2020: EUR 4.4 million).

14. bank loans

	2021	2020
as at 1 January	**425.4**	**575.5**
repayment of bank loans	(163.2)	(131.5)
currency translation differences	13.1	(18.6)
as at 31 December	**275.3**	**425.4**
current portion of bank loans	96.4	161.7
non-current bank loans	178.9	263.7
as at 31 December	**275.3**	**425.4**

The carrying amount of bank loans approximates the fair value; the effective interest rate approximates the average interest rate. The average effective interest rate on the portfolio of loans outstanding in 2021, including hedge instruments related to these loans, amounted to 2.2% (2020: 2.2%). There are no assets pledged as security for bank loans.

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

	31-12-2021	31-12-2020
Euro	109.0	224.8
US dollar	166.3	200.6
Total	**275.3**	**425.4**

14.1 bank covenants

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

	leverage ratio	interest cover ratio
as at 30 June of each year	< 3.5	> 3.0
as at 31 December of each year	< 3.0	> 3.0

The interest rate margin depends on the leverage ratio achieved.

The following definitions are used to calculate the ratios:

- leverage ratio: net debt / EBITDA
- interest cover ratio: EBITDA / net interest expense

EBITDA is adjusted for non-recurring items in accordance with the bank covenants. Both EBITDA and net interest expense are on 12-month rolling basis.

Depending on the bank loan the financial covenants are calculated and determined either including or excluding the impact of IFRS 16. At year-end the requirements in the covenants are met as stated below:

	31-12-2021	31-12-2020
leverage ratio including IFRS 16 impact	0.9	1.4
leverage ratio excluding IFRS 16 impact	0.6	1.1
interest cover ratio including IFRS 16 impact	42.7	23.6
interest cover ratio excluding IFRS 16 impact	47.7	25.1

EBITDA, net debt and net interest expense amounts are calculated as follows:

	2021	2020
reported EBITDA	706.1	379.3
adjustment for acquisitions and disposals	(176.2)	(3.0)
adjustment for non-recurring items	42.5	47.6
EBITDA	**572.4**	**423.9**
IFRS 16 impact	(43.4)	(37.2)
EBITDA excluding IFRS 16 impact	**529.0**	**386.7**

	31-12-2021	31-12-2020
bank loans	275.3	425.4
lease liabilities	183.5	159.1
lease liabilities held for sale	1.3	–
current borrowings	104.1	71.3
cash	(72.0)	(55.8)
net debt	**492.2**	**600.0**
IFRS 16 impact	(182.2)	(155.8)
net debt excluding IFRS 16 impact	**310.0**	**444.2**

	2021	2020
net interest expense	**(13.4)**	**(18.0)**
IFRS 16 impact	2.3	2.6
net interest expense excluding IFRS 16 impact	**(11.1)**	**(15.4)**

accounting policies

Bank loans are initially recognised at fair value net of transaction costs and are subsequently stated at amortised cost using the effective interest method. Bank loans 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.

15. lease liabilities

	2021	2020
as at 1 January	**159.1**	**172.8**
new leases and renewals	65.1	31.2
lease payments	(38.6)	(41.0)
interest expense on lease liabilities	2.4	2.7
acquisition of subsidiaries	3.0	–
disposal of subsidiaries	(10.0)	–
reclassified to held for sale	(1.3)	–
early terminations	(1.5)	–
currency translation differences	5.3	(6.6)
as at 31 December	**183.5**	**159.1**
current portion of lease liabilities	33.7	31.7
non-current lease liabilities	149.8	127.4
as at 31 December	**183.5**	**159.1**

The right-of-use assets related to the lease liabilities are disclosed in note 7.

accounting policies

Lease liabilities are initially measured at the present value of the lease payment to be paid during the lease term, discounted using the incremental borrowing rate. Lease liabilities are subsequently increased by the interest expense on the lease liabilities and decreased by lease payments made during the lease term. Lease contracts may have extension or termination options. Lease payments to be made under reasonably certain extension options are also included (termination options: excluded) in the measurement of the liability. Lease liabilities are remeasured when there is a change in the amount to be paid (variable lease payments based on an index or rate) or when there is a change in the assessment of the lease term (making use of the extension and termination options).

To determine the incremental borrowing rate, the Group uses a build-up approach that includes a risk-free interest rate adjusted for credit risk for leases held by Aalberts, and makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Payment of principal amounts are included in the cash flow from financing activities, while payments of interest are included in the cash flow from operating activities.

16. deferred income taxes

	tax losses	intangible assets	property, plant and equipment	right-of-use assets	lease liabilities	provisions	working capital and other	offsetting	**net (asset)/ liability**
as at 1 January 2021	**(9.1)**	**98.0**	**29.4**	**38.0**	**(38.9)**	**(22.0)**	**(4.0)**	**–**	**91.4**
income statement	5.0	(4.6)	0.4	4.9	(6.6)	–	1.7	–	**0.8**
other comprehensive income (equity)	–	–	–	–	–	4.3	1.7	–	**6.0**
acquisition of subsidiaries	0.2	20.2	(1.3)	–	–	0.5	0.2	–	**19.8**
disposal of subsidiaries	1.5	(7.8)	–	–	–	0.4	(0.1)	–	**(6.0)**
currency translation	(0.4)	2.0	1.7	–	–	(0.7)	0.2	–	**2.8**
as at 31 December 2021	**(2.8)**	**107.8**	**30.2**	**42.9**	**(45.5)**	**(17.5)**	**(0.3)**	**–**	**114.8**
deferred income tax assets	(2.8)	(0.7)	(7.9)	–	(45.5)	(18.5)	(8.3)	64.3	**(19.4)**
deferred income tax liabilities	–	108.5	38.1	42.9	–	1.0	8.0	(64.3)	**134.2**
as at 31 December 2021	**(2.8)**	**107.8**	**30.2**	**42.9**	**(45.5)**	**(17.5)**	**(0.3)**	**–**	**114.8**

	tax losses	intangible assets	property, plant and equipment	right-of-use assets	lease liabilities	provisions	working capital and other	offsetting	**net (asset)/ liability**
as at 1 January 2020	**(4.7)**	**100.5**	**33.3**	**41.2**	**(41.7)**	**(19.3)**	**(1.8)**	**–**	**107.5**
income statement	(4.5)	(0.1)	(2.3)	(3.2)	2.8	(2.0)	(0.7)	–	**(10.0)**
other comprehensive income (equity)	–	–	–	–	–	(1.7)	(1.4)	–	**(3.1)**
currency translation	0.1	(2.4)	(1.6)	–	–	1.0	(0.1)	–	**(3.0)**
as at 31 December 2020	**(9.1)**	**98.0**	**29.4**	**38.0**	**(38.9)**	**(22.0)**	**(4.0)**	**–**	**91.4**
deferred income tax assets	(9.1)	(0.1)	(5.5)	–	(38.9)	(22.9)	(7.7)	63.0	**(21.2)**
deferred income tax liabilities	–	98.1	34.9	38.0	–	0.9	3.7	(63.0)	**112.6**
as at 31 December 2020	**(9.1)**	**98.0**	**29.4**	**38.0**	**(38.9)**	**(22.0)**	**(4.0)**	**–**	**91.4**

unrecognised unused tax losses

The Group has unrecognised carry-forward tax losses amounting to EUR 36.5 million (2020: EUR 29.2 million). The related deferred income tax assets have not been recorded.

	31-12-2021	31-12-2020
expire in less than 1 year	5.6	3.7
expire between 1 and 5 years	5.8	4.0
expire from 5 years or more	11.1	7.6
indefinite	14.0	13.9
total	**36.5**	**29.2**

unrecognised temporary differences

The Group has temporary differences of EUR 22.4 million (2020: EUR 22.4 million) relating to undistributed earnings of subsidiaries. The related deferred income tax liability has not been recognised since Aalberts is able to control the timing of the distributions and none of these profits are expected to be distributed in the foreseeable future.

accounting policies

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

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

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

17. provisions for employee benefits

	present value (partly) funded obligations	fair value plan assets	**net liability of funded schemes**	present value unfunded obligations	**total 2021**	present value (partly) funded obligations	fair value plan assets	**net liability of funded schemes**	present value unfunded obligations	**total 2020**
as at 1 January	**205.9**	**(148.2)**	**57.7**	**19.6**	**77.3**	**196.4**	**(141.0)**	**55.4**	**20.7**	**76.1**
current service cost	1.2	–	**1.2**	0.8	**2.0**	1.2	–	**1.2**	0.8	**2.0**
interest expense / (income)	2.6	(1.9)	**0.7**	0.1	**0.8**	3.3	(2.4)	**0.9**	0.2	**1.1**
curtailments and settlements	(1.5)	0.8	**(0.7)**	(0.1)	**(0.8)**	(0.1)	–	**(0.1)**	(0.8)	**(0.9)**
in income statement	**2.3**	**(1.1)**	**1.2**	**0.8**	**2.0**	**4.4**	**(2.4)**	**2.0**	**0.2**	**2.2**
remeasurements:										
• plan assets	–	(14.2)	**(14.2)**	–	**(14.2)**	–	(15.2)	**(15.2)**	–	**(15.2)**
• demographic assumptions	0.5	–	**0.5**	–	**0.5**	–	–	**-**	–	**-**
• financial assumptions	(5.1)	–	**(5.1)**	(1.3)	**(6.4)**	22.9	–	**22.9**	0.3	**23.2**
• experience adjustments	(2.0)	–	**(2.0)**	(0.1)	**(2.1)**	(0.8)	–	**(0.8)**	(0.1)	**(0.9)**
in other comprehensive income	**(6.6)**	**(14.2)**	**(20.8)**	**(1.4)**	**(22.2)**	**22.1**	**(15.2)**	**6.9**	**0.2**	**7.1**
contributions by employer	–	(4.6)	**(4.6)**	–	**(4.6)**	–	(3.9)	**(3.9)**	–	**(3.9)**
contributions by participants	0.2	(0.2)	**-**	–	**-**	0.2	(0.2)	**-**	–	**-**
benefits paid	(7.3)	7.3	**-**	(1.1)	**(1.1)**	(7.9)	7.9	**-**	(1.4)	**(1.4)**
currency translation	11.2	(9.0)	**2.2**	(0.1)	**2.1**	(9.3)	6.6	**(2.7)**	(0.1)	**(2.8)**
as at 31 December	**205.7**	**(170.0)**	**35.7**	**17.8**	**53.5**	**205.9**	**(148.2)**	**57.7**	**19.6**	**77.3**

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

	United Kingdom	Germany	France	other	**total 2021**	United Kingdom	Germany	France	other	**total 2020**
balance sheet										
funded obligations	170.3	11.0	1.7	22.7	**205.7**	169.2	11.0	2.1	23.6	**205.9**
fair value of plan assets	(145.5)	(5.6)	(0.8)	(18.1)	**(170.0)**	(124.2)	(5.6)	(0.8)	(17.6)	**(148.2)**
net liability of funded schemes	**24.8**	**5.4**	**0.9**	**4.6**	**35.7**	**45.0**	**5.4**	**1.3**	**6.0**	**57.7**
unfunded obligations	–	7.3	7.9	2.6	**17.8**	–	7.7	9.0	2.9	**19.6**
as at 31 December	**24.8**	**12.7**	**8.8**	**7.2**	**53.5**	**45.0**	**13.1**	**10.3**	**8.9**	**77.3**
income statement										
current service cost	0.3	0.1	0.7	0.9	**2.0**	0.2	0.1	0.7	1.0	**2.0**
interest expense / (income)	0.6	0.2	–	–	**0.8**	0.8	0.2	0.1	–	**1.1**
curtailments and settlements	–	–	(0.2)	(0.6)	**(0.8)**	–	–	(0.9)	–	**(0.9)**
in income statement	**0.9**	**0.3**	**0.5**	**0.3**	**2.0**	**1.0**	**0.3**	**(0.1)**	**1.0**	**2.2**

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

	United Kingdom	Germany	France	United Kingdom	Germany	France
actuarial assumptions						
discount rate	1.8%	1.2%	0.8%	1.4%	1.1%	0.4%
rate of inflation	3.4%	1.7%	2.0%	2.9%	1.5%	2.0%
future salary increases	–	2.5%	2.0%	–	2.5%	2.0%

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

	change in assumption	impact on defined benefit obligation
actuarial assumptions		
discount rate	+ 0.5%	decrease by 8%
rate of inflation	+ 0.5%	increase by 5%
future salary increases	+ 0.5%	increase by 1%
life expectancy	+ 1 year	increase by 7%

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

The plan assets consist of the following categories:

	2021	2020
equities	60%	60%
bonds	3%	4%
other net assets	37%	36%
total	**100%**	**100%**

The other net assets mainly comprise collective insurance contracts held by insurance companies. The Dutch subsidiaries participate in multi-employer pension plans. Under IFRS these plans qualify as defined contribution plans as sufficient information is not available to recognise as a defined benefit plan. The Group expects EUR 4.5 million in contributions to be paid to its defined benefit plans in 2022 of which EUR 3.6 million is related to the UK defined benefit plans.

United Kingdom defined benefit plans

The defined benefit plans in the UK comprise the Yorkshire Fittings Pension Scheme and the Hauck Heat Treatment Limited Group Pension Scheme (previously known as TTI Group Pension Scheme). The defined benefit plans can be classified as final salary benefit plans.

Both plans are subject to funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK. Together with the trustees, the investment strategy is reviewed at the time of each funding valuation. In addition and in accordance with the actuarial valuations, the Group has agreed with the trustees of the pension schemes that it will meet expenses of the plans and levies to the Pension Protection Fund as and when they are due.

None of the fair values of the related assets include any direct investments in the company's own financial instruments or any property occupied by, or other assets used by, the company. All the scheme assets have a quoted market price in an active market with the exception of the Trustee's bank account balance. The plan asset scheme of Yorkshire Fittings Pension Scheme holds next to equities, bonds, property and cash also Liability Driven Investments ('LDI'). The LDI aim to hedge a significant part of the inflation risk and interest rate risk to the liabilities. The LDI are classified as 'other net assets'.

Yorkshire Fittings Pension Scheme

The Yorkshire Fittings Pension Scheme is a separate trustee administrated fund, holding the pension assets to meet long-term pension liabilities for some 560 past employees. The scheme closed to future accrual with effect from 31 December 2010. The average duration of the defined benefit obligation at the period ended 31 December 2021 is 17 years. The most recent statutory funding valuation of Yorkshire Fittings Pension Scheme was carried out as at 31 March 2018 and showed a deficit of GBP 29.4 million. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 7 years and 10 months from 31 March 2019 by the payment of GBP 2.1 million per annum, increasing by 4% per annum. The Company has issued a parent guarantee, for a maximum amount of GBP 75.0 million.
The IAS 19 acturial report of the Yorkshire Fittings Pension Scheme shows a deficit of GBP 15.4 million as at 31 December 2021 (2020: GBP 32.7 million).

Hauck Heat Treatment Limited Group Pension Scheme

The Hauck Heat Treatment Limited Group Pension Scheme is a separate trustee administrated fund, holding the pension assets to meet long-term pension liabilities for some 160 past employees. The scheme closed to future accrual with effect from 30 September 2007. The average duration of the defined benefit obligation at the period ended 31 December 2021 is 16 years. The most recent statutory funding valuation of Hauck Heat Treatment Limited Group Pension Scheme was carried out as at 31 December 2018 and showed a deficit of GBP 4.1 million. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 7 years from 1 January 2019 by the payments of annual contributions of GBP 0.6 million in respect of the deficit. The Company has issued a parent guarantee, for a maximum amount of GBP 9.5 million.
The IAS 19 acturial report of the Hauck Heat Treatment Limited Group Pension Scheme shows a deficit of GBP 5.5 million as at 31 December 2021 (2020: GBP 7.6 million).

accounting policies

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

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

Mainly in the UK, Germany, France, Italy and Norway, the plans are partly defined benefit plans. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Remeasurements, including actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are recognised in other comprehensive income and therefore immediately charged or credited to equity. The service costs including past service costs and the impact of curtailments and settlements are recognised as personnel expenses. The interest expenses are recognised as net interest expenses on employee benefit plans as part of net finance cost. Curtailment gains and losses are accounted for as past service costs.

18. provisions

	restructuring	other	total
current portion	22.1	–	**22.1**
non-current portion	–	6.5	**6.5**
as at 1 January 2021	**22.1**	**6.5**	**28.6**
additions	11.5	2.9	**14.4**
used / paid during year	(19.9)	(0.8)	**(20.7)**
acquired subsidiaries	–	0.2	**0.2**
unused amounts reversed	(1.4)	(1.6)	**(3.0)**
currency translation	0.2	0.1	**0.3**
as at 31 December 2021	**12.5**	**7.3**	**19.8**
current portion	12.5	–	**12.5**
non-current portion	–	7.3	**7.3**
as at 31 December 2021	**12.5**	**7.3**	**19.8**

In 2021 an amount of EUR 11.5 million was added to the restructuring provision as part of the operational excellence programme (2020: EUR 43.3 million for strategic restructuring). At year-end the restructuring provision amounts to EUR 12.5 million (2020: EUR 22.1 million).

Other provisions include liabilities related to normal business operations and provisions for environmental restoration amount to EUR 7.3 million as per 31 December 2021 (2020: EUR 6.5 million).

accounting policies

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

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

19. trade and other payables

	31-12-2021	31-12-2020
trade creditors	341.6	282.8
investment creditors	16.6	14.3
customer related payables	92.1	76.0
total	**450.3**	**373.1**

Trade and other payables are payables arising from the Group's normal business operations. Trade and other payables fall due in less than one year. The fair value of the trade and other payables approximates the book value, due to their short-term character.

accounting policies

Trade and other payables are initially measured at fair value and subsequently at amortised cost. Trade payables are derecognised when the contractual obligation is either discharged, cancelled or expired.

20. other current liabilities

	31-12-2021	31-12-2020
social security charges and taxes	24.2	24.2
value added tax	20.0	22.7
accrued expenses	57.1	47.5
amounts due to personnel	68.3	55.4
deferred consideration liability	9.4	1.5
derivative financial instruments	4.5	10.1
other	21.6	10.4
total	**205.1**	**171.8**

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

20.1 derivative financial instruments

The derivative financial instruments consist of the following items:

	31-12-2021	31-12-2020
interest rate swap contracts	4.3	11.2
foreign currency exchange contracts	0.2	–
derivative financial instruments - liabilities	**4.5**	**11.2**
foreign currency exchange contracts	(1.4)	(0.9)
metal price hedging contracts	(0.5)	(0.2)
derivative financial instruments - assets	**(1.9)**	**(1.1)**
total	**2.6**	**10.1**

The principal amounts of the outstanding interest rate swap contracts at 31 December 2021 were EUR 241.3 million (2020: EUR 360.6 million), for foreign currency exchange contracts EUR 133.7 million (2020: EUR 131.8 million) and for metal price hedging contracts EUR 7.0 million (2020: EUR 1.2 million).

The maturity of interest rate swaps is directly related to the bank loans (note 14) and are used for hedging. The foreign currency exchange and metal hedging contracts are classified as held for trading and are short-term.

The fair value of financial instruments equals the market value at 31 December 2021. All financial instruments are classified as level 2.

accounting policies

The Group uses derivative financial instruments like interest rate swaps, foreign 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 classified as held for trading instruments for accounting purposes and are accounted for at fair value through profit and loss. Derivatives are stated at fair value. 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.

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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

20.2 deferred consideration liability

	2021	2020
as at 1 January	**1.5**	**22.9**
additions / (reversals)	–	(1.1)
payments	(1.7)	(19.9)
acquired subsidiaries	10.9	–
unwinding discounting	–	0.2
currency translation	0.5	(0.6)
as at 31 December	**11.2**	**1.5**
current portion of deferred consideration liability	9.4	1.5
non-current financial liabilities	1.8	–
as at 31 December	**11.2**	**1.5**

As per 31 December 2021 the total amount of deferred consideration liability in relation to the acquisition of subsidiaries amounts to EUR 11.2 million which is related to fixed deferred payments. The non-current portion is presented under non-current financial liabilities and the current portion under other current liabilities.

21. personnel expenses

	2021	2020
wages and salaries	(669.2)	(620.1)
social security charges	(107.1)	(108.4)
defined benefit plans	(1.2)	(1.1)
defined contribution plans	(19.9)	(18.8)
termination benefits	(13.5)	(34.6)
other expenses related to employees	(26.1)	(25.6)
total	**(837.0)**	**(808.6)**

In the year under review, the average number of full-time employees amounted to 15,013 (2020: 15,310) of which 12,885 (2020: 13,233) full-time employees are active outside the Netherlands.

The remuneration of the Management and Supervisory Board is disclosed as part of the company financial statements (note 33.9).

accounting policies
Personnel expenses are recognised when the related service is provided. For more details on accounting policies related to employee benefits provisions and share-based payments refer to note 17 and 13 respectively.

22. other operating expenses

	2021	2020
production expenses	(272.4)	(244.5)
selling expenses	(42.0)	(38.6)
housing expenses	(32.9)	(30.9)
general expenses	(123.0)	(115.4)
warranty costs	(4.7)	(6.2)
total	**(475.0)**	**(435.6)**

23. other income

	2021	2020
gains on disposal and earn-out gains	173.7	4.2
insurance amounts received	0.5	3.5
government grants	1.7	1.4
result on property, plant and equipment	(1.1)	0.5
other	2.7	4.9
total	**177.5**	**14.5**

The gains on disposals and earn-out gains of EUR 173.7 million mostly relate to the disposal of Lasco. Refer to note 29.2 for further details on the diposal of subsidiaries.

accounting policies
Other income is income not related to the key business activities of the Group or relates to non-recurring items. Other income from asset disposals is recognised in profit or loss when control over the sold asset is transferred to the buyer. The amount recognised as other income equals the proceeds obtained minus the net book value of the sold asset. Insurance amounts received relate to business interruption insurance and to the excess amounts received above the net book value of the lost assets. Government grants 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 compensation for personnel are deducted from the personnel expenses. Government grants relating to the purchase of property, plant and equipment are deducted from the carrying amount of that property, plant and equipment.

24. net finance cost

	2021	2020
interest cost on bank loans and current borrowings	(11.3)	(15.6)
interest cost on lease liabilities	(2.4)	(2.7)
total interest expense	**(13.7)**	**(18.3)**
interest income	0.3	0.3
net interest expense	**(13.4)**	**(18.0)**
foreign currency exchange contracts	0.3	0.2
metal price hedge contracts	0.3	0.2
fair value results on derivative financial instruments	**0.6**	**0.4**
net interest expense on employee benefit plans	(0.8)	(1.1)
unwinding of discounts	0.3	0.2
foreign currency exchange results	0.1	(3.9)
net finance cost	**(13.2)**	**(22.4)**

accounting policies

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

25. income tax expense

	2021	2020
current tax:		
• current year	(127.0)	(52.3)
• prior years	2.7	2.4
total current tax	**(124.3)**	**(49.9)**
deferred tax	(0.8)	10.0
total income tax expense	**(125.1)**	**(39.9)**

	2021	%	2020	%
profit before tax	492.9	100.0	165.0	100.0
tax at domestic rates	**(123.2)**	**(25.0)**	**(38.7)**	**(23.4)**
non-deductible expenses	(3.8)	(0.8)	(3.4)	(2.1)
tax-exempt results and tax relief facilities	6.3	1.3	8.3	5.0
other effects	(4.4)	(0.9)	(6.1)	(3.7)
total income tax expense and effective tax rate %	**(125.1)**	**(25.4)**	**(39.9)**	**(24.2)**

accounting policies

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

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

26. earnings and dividends per share

26.1 earnings per share
Earnings per share are calculated as follows:

	2021	2020
net profit (in EUR million)	360.1	117.3
weighted average number of shares in issue (in units)	110,580,102	110,580,102
basic earnings per share (in EUR)	**3.26**	**1.06**
net profit (in EUR million)	360.1	117.3
weighted average number of shares in issue including effect of performance share plan (in units)	110,951,602	110,819,602
diluted earnings per share (in EUR)	**3.25**	**1.06**

In addition to the earnings per share based on net profit, the Group calculated earnings per share before amortisation and exceptionals:

	2021	2020
net profit before amortisation and exceptionals (in EUR million)	337.3	199.6
weighted average number of shares in issue (in units)	110,580,102	110,580,102
basic earnings per share before amortisation and exceptionals (in EUR)	**3.05**	**1.81**
net profit before amortisation and exceptionals (in EUR million)	337.3	199.6
weighted average number of shares in issue including effect of performance share plan (in units)	110,951,602	110,819,602
diluted earnings per share before amortisation and exceptionals (in EUR)	**3.04**	**1.80**

The net profit before amortisation and exceptionals (in EUR million) is as follows:

in EUR million	2021	2020
net profit	**360.1**	**117.3**
amortisation	48.4	43.8
exceptional (income) / costs	(100.3)	51.3
tax impact on exceptionals	29.1	(12.8)
net profit before amortisation and exceptionals	**337.3**	**199.6**

accounting policies
The Group presents basic and diluted earnings per share (EPS) data for its shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year. Diluted EPS is determined by dividing the profit or loss attributable to shareholders by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential shares which comprise share rights granted for performance share plans.

26.2 dividends per share
The dividends paid in 2021 were EUR 0.60 per share (2020: EUR 0.80 per share). A dividend in respect of the year ended 31 December 2021 of EUR 1.01 per share and a special dividend of EUR 0.64 per share will be proposed at the General Meeting to be held on 19 May 2022. These financial statements do not reflect this dividend payable.

27. contingent liabilities

The Group has contingent liabilities in respect of bank and other guarantees arising from the ordinary course of business. It is not anticipated that any material liabilities will rise from the contingent liabilities. The Group has provided bank guarantees in the ordinary course of business amounting to EUR 6.0 million (2020: EUR 10.4 million) to third parties. In addition, the guarantees and liability undertakings mentioned in note 33.10 apply to the Group.

accounting policies
A contingent liability is a liability of uncertain timing and amount. Contingencies are not recognised in the balance sheet because the existence can only be confirmed by occurrence or non-occurrence of one or more uncertain future events, or because the risk of loss is estimated to be possible but not probable or because the amount cannot be measured reliably.

28. commitments

At year-end, outstanding commitments related to the purchase of copper, steel, brass and aluminium for the European building technology operations amounted to EUR 67.4 million (2020: EUR 43.7 million).

At year-end, outstanding investment commitments in respect of property, plant and equipment EUR 54.5 million (2020: EUR 23.5 million) and no commitments related to intangible assets (2020: EUR 0.7 million).

29. business combinations

29.1 acquisition of subsidiaries

The following Group companies were acquired in 2021:

	as of	interest	segment
Sentinel Performance Solutions Group	May 2021	100%	building technology
Mesoline	July 2021	100%	industrial technology
Premier Thermal Solutions	September 2021	100%	industrial technology

Sentinel Performance Solutions Group (United Kingdom)

Aalberts acquired 100% of the shares of Sentinel Performance Solutions Group Limited ('Sentinel') based in Daresbury (UK), generating an annual revenue of approximately GBP 20 million with 60 employees.

Sentinel is specialised in the cleaning, protecting and maintenance of heating and cooling systems in eco-friendly buildings through the optimisation of water quality. The Sentinel portfolio of additives, filters, and scale protection ensures optimum temperature transfer to all applicable parts in heating and cooling systems. This contributes significantly to energy savings, improves the system performance and extends the lifetime. The Sentinel product range will further strengthen the existing portfolio of **Aalberts hydronic flow control**, offering integrated solutions to increase the energy efficiency of heating and cooling systems in eco- friendly buildings from source to emitter. The strong sales organisation of Aalberts hydronic flow control will drive the growth of Sentinel's product range in regions and segments where Sentinel is not yet active.

Utilising the combined strength and knowledge of our teams will result in a long-term innovation roadmap, aimed at driving significant future growth in improving the energy efficiency of heating and cooling systems for our end users. The digital services developed by Aalberts in recent years, will be part of this roadmap.

Mesoline (the Netherlands)

Aalberts acquired 100% of the shares of Mesoline Inc, based in the Netherlands. Mesoline has developed a micro-channel particle deposition (MPD) technology which offers a completely new way to create microstructures using nanoparticles to enable next-generation semiconductor devices. Mesoline strengthens the technology portfolio of **Aalberts advanced mechatronics** and does not yet generate any revenue.

Premier Thermal Solutions (United States)

Aalberts acquired 100% of the shares of Premier Thermal Solutions LLC ('PTS'), based in Lansing (Michigan, USA). PTS operates nine locations across the industrial Midwest in Michigan, Wisconsin, Indiana and Ohio, generating an annual revenue of approximately USD 60 million with 250 employees.

PTS provides **Aalberts surface technologies** metallurgical specifications for its various industrial customers. As leading aluminium treatment provider in North America, PTS is serving the light and heavy truck, electrical vehicles, agriculture, defense and aerospace end markets. For steel treatments, PTS also offers ferritic nitrocarburising processes. PTS invented NitroSteel®, a more durable and sustainable alternative to chrome plated steel products. This ferritic nitrocarburised steel bar is wear-resistant and corrosion-resistant, providing outstanding durability for cylinder rods.

PTS is active in the industrial Midwest region of the USA, where Aalberts surface technologies already has core activities in the Northeast and Southeast region. The specialised technology portfolio is complementary to Aalberts surface technologies. The combination of Aalberts' surface technologies business with PTS's technologies and footprint creates a stronger business with significantly increased scale, a wider surface technologies offering to our customers, expanded geographical footprint and enhanced growth prospects throughout the North American market.

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

	building technology	industrial technology	total
fair values of assets and liabilities arising from business combinations			
intangible assets	27.3	82.9	**110.2**
property, plant and equipment	0.4	32.4	**32.8**
right-of-use assets	1.3	1.7	**3.0**
inventories	2.0	0.9	**2.9**
receivables and other current assets	4.2	6.2	**10.4**
cash and current borrowings	6.2	7.0	**13.2**
net deferred tax asset/(liability)	(6.5)	(13.3)	**(19.8)**
lease liabilities	(1.3)	(1.7)	**(3.0)**
provisions	–	(0.2)	**(0.2)**
payables and other current liabilities	(5.6)	(5.2)	**(10.8)**
net assets acquired	**28.0**	**110.7**	**138.7**
purchase consideration settled in cash	51.9	150.7	**202.6**
deferred purchase consideration	–	10.9	**10.9**
total purchase consideration	**51.9**	**161.6**	**213.5**
goodwill	**23.9**	**50.9**	**74.8**
purchase consideration settled in cash	51.9	150.7	**202.6**
cash and current borrowings	(6.2)	(7.0)	**(13.2)**
cash outflow from acquisitions	**45.7**	**143.7**	**189.4**

The fair values of the identifiable assets and liabilities as at acquisition date for the acquisitions in 2021 are based on the outcome of the preliminary purchase price allocations. Therefore, the fair values of the identifiable assets and liabilities were determined provisionally and are subject to change, awaiting further validation and verification of assumptions used. The purchase price allocations will be finalised within 12 months from the applicable acquisition dates.

The total purchase consideration of EUR 213.5 million includes a fixed deferred purchase consideration of EUR 10.9 million. The deferred purchase consideration relating to these transactions represents its fair value as at acquisition date. The deferred purchase considerations are disclosed in note 20.2.

The goodwill of EUR 74.8 million related to the acquired businesses mainly include amounts related to the benefit of anticipated synergies, future market developments and knowhow. The goodwill arising on these acquisitions is not tax deductible.

The nominal value of the acquired receivables and other current assets at acquisition dates amounts to EUR 10.6 million (fair value EUR 10.4 million).

The increase of the 2021 revenue due to the consolidation of acquisitions amounted to EUR 34.7 million. The contribution to the 2021 operating profit of Aalberts amounted to EUR 7.5 million. Had these acquisitions been effected at 1 January 2021, the contribution to the 2021 revenue would have been EUR 76.1 million (pro forma). The contribution to the operating profit for the year would have been EUR 13.8 million (pro forma).

The Group incurred acquisition related costs such as external legal fees and due diligence costs for an amount of EUR 1.1 million. These costs have been excluded from the purchase consideration and have been recognised as an expense in the current year within the general expenses line item (part of other operating expenses).

Contingent purchase considerations with respect to prior year acquisitions were paid in cash during 2021 for a total amount of EUR 1.7 million. Together with the EUR 189.4 million cash outflow for 2021 acquisitions, this results in a total cash outflow from acquisitions of EUR 191.1 million.

accounting policies

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

Any contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. All identifiable intangible assets of the acquired company are recorded at fair value. Intangible assets are separately identified and valued. An asset is identifiable when it either arises from contractual or other legal rights or if it is separable. An asset is separable if it can be sold on its own or with other assets. The transferred payment is allocated across the fair value of all assets and liabilities with any residual allocated to goodwill.

Excess of the acquirer's interest in the net fair value of the acquired identifiable assets over the fair value of the payment is recognised immediately in the statement of comprehensive income. Acquisition-related costs are expensed as incurred.

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

29.2 disposal of subsidiaries

The following Group companies were divested in 2021:

	as of	interest	segment
Adex	June 2021	100%	industrial technology
Lasco Fittings	August 2021	100%	building technology
Standard Hidráulica Group	December 2021	100%	building technology

Adex (the Netherlands)

In June 2021 Aalberts has divested 100% of the shares of Adex B.V. in the Netherlands, generating an annual revenue of approx. EUR 10 million.

Lasco Fittings (United States)

In August 2021 Aalberts has divested 100% of the shares of Lasco Fittings, Inc in Tennessee, USA, generating an annual revenue of approx. USD 150 million.

Standard Hidráulica Group (Spain)

In December 2021 Aalberts has divested 100% of the shares of Standard Hidráulica Group in Barcelona, Spain, generating an annual revenue of approx. EUR 90 million.

The book value of the assets and liabilities disposed of and the cash flow impact in 2021 is as follows:

	building technology	industrial technology	total
book value of the assets and liabilities disposed			
intangible assets	47.6	–	**47.6**
property, plant and equipment	27.1	2.7	**29.8**
right-of-use assets	9.5	0.2	**9.7**
inventories	37.5	0.6	**38.1**
receivables and other current assets	53.6	1.2	**54.8**
cash and current borrowings	7.8	4.9	**12.7**
net deferred tax asset/(liability)	(6.0)	–	**(6.0)**
lease liabilities	(9.8)	(0.2)	**(10.0)**
payables and other current liabilities	(37.5)	(2.9)	**(40.4)**
currency translation	(0.3)	0.2	**(0.1)**
net assets disposed	**129.5**	**6.7**	**136.2**
consideration settled in cash	295.4	14.5	**309.9**
deferred consideration	–	–	**-**
total consideration	**295.4**	**14.5**	**309.9**
gain on disposal	**165.9**	**7.8**	**173.7**
consideration settled in cash	295.4	14.5	**309.9**
cash and current borrowings	(7.8)	(4.9)	**(12.7)**
cash inflow from disposals	**287.6**	**9.6**	**297.2**

The gain on the disposals in 2021 amounted to EUR 173.7 million and is recognised in other income (see note 23).

The 2021 disposals resulted in a net cash inflow of EUR 297.2 million. Deferred considerations for prior year disposals were settled in cash in 2021 for an amount of EUR 1.2 million. Together with the cash inflow for 2021 disposals, this results in a total cash inflow from disposal of EUR 298.4 million.

The contribution of the disposed activities to the 2021 revenue amounted to EUR 174.3 million. The contribution to the 2021 operating profit amounted to EUR 18.2 million.

29.3 assets held for sale

In January 2022 Aalberts has reached an agreement to divest 100% of the shares of Elkhart Tri-Went Industrial ('ETI'), with locations in Geneva (IN) and Knoxville (TN) in the USA and in Ajax (ON), Canada. ETI generates an annual revenue of approximately USD 45 million with 220 employees and is part of the business segment building technology. As at 31 December 2021 ETI qualified as a subsidiary held for sale which is measured at the lower of its carrying amount and fair value, less costs to sell. The classification to held for sale did not impact the carrying value of ETI's assets and liabilities and therefore did not impact the result. The following assets and liabilities were reclassified as held for sale as at 31 December 2021:

	31-12-2021
intangible assets	9.0
property, plant and equipment	4.3
right-of-use assets	1.3
inventories	7.0
receivables and other current assets	5.1
assets held for sale	**26.7**
lease liabilities	1.3
payables and other current liabilities	3.8
liabilities held for sale	**5.1**
net assets held for sale	**21.6**

accounting policies

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are not depreciated or amortised while they are classified as held for sale. An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

30. overview of significant subsidiaries

The consolidated financial statements of Aalberts incorporate the financial information of more than 200 legal entities controlled by the Company and its subsidiaries.

The overview group companies as included in this annual report (see page 129) shows the most important operational legal entities including the country in which their main operations are located. They all are wholly owned subsidiaries, unless indicated otherwise.

31. related parties

The Management Board and the Supervisory Board are considered key management. Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group as a whole. The total remuneration of key management in 2021 amounts to EUR 4.2 million (2020: EUR 2.9 million).

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

No material related party transactions have been executed other than intercompany transactions, transactions with pension funds (note 17) and remuneration of the Management Board and the Supervisory Board (note 33.9) under normal business conditions.

32. subsequent events

acquisition ISEL Germany AG

In January 2022 Aalberts has reached an agreement to acquire 100% of the shares of ISEL Germany AG (ISEL), based in Germany and generating an annual revenue of approximately EUR 35 million with 200 employees. ISEL is part of the business segment industrial technology.

ISEL combines mechanics, electronics and software knowledge to develop, engineer and manufacture wafer handling & robotics and machine systems with digital services. ISEL is active in the semicon efficiency and industrial niches end markets. Through this acquisition Aalberts strengthens its technology portfolio in advanced mechatronics and expands its manufacturing footprint in Germany.

The acquisition will be financed from existing credit facilities. The preliminary purchase price allocation for this acquisition is still in progress at the authorisation date of these financial statements. ISEL will be consolidated as of 1 February 2022.

disposal of Elkhart Tri-Went Industrial

In January 2022 Aalberts reached an agreement to divest 100% of the shares of Elkhart Tri-Went Industrial (ETI) with locations in the USA and Canada. ETI generated an annual revenue of approximately USD 45 million with 220 employees. ETI was active in the integrated piping systems technology and part of the business segment building technology.

The related assets and liabilities were classified as held for sale as at 31 December 2021 (refer to note 29.3). ETI will be deconsolidated as of 1 February 2022.

company financial statements

company balance sheet (before profit appropriation)

in EUR million	notes	31-12-2021	31-12-2020
assets			
intangible assets		0.6	0.7
propery, plant and equipment		1.4	1.7
investments in subsidiaries	33.2	2,435.6	2,021.7
total non-current assets		**2,437.6**	**2,024.1**
receivables	33.3	12.8	3.8
total current assets		**12.8**	**3.8**
total assets		**2,450.4**	**2,027.9**

in EUR million	notes	31-12-2021	31-12-2020
equity and liabilities			
issued and paid-up share capital		27.6	27.6
share premium		200.8	200.8
currency translation reserve		(26.8)	(75.5)
hedging reserve		(3.2)	(8.3)
retained earnings		1,585.2	1,512.2
profit for the year		360.1	117.3
shareholders' equity	33.4	**2,143.7**	**1,774.1**
deferred taxation		2.2	2.2
total non-current liabilities		**2.2**	**2.2**
current borrowings		299.5	248.8
current liabilities	33.5	5.0	2.8
total current liabilities		**304.5**	**251.6**
total equity and liabilities		**2,450.4**	**2,027.9**

company income statement

in EUR million	notes	2021	2020
management fee income		12.4	9.2
personnel expenses	33.6	(9.2)	(7.1)
housing expenses		(0.6)	(0.6)
general expenses		(2.3)	(3.5)
amortisation of intangible assets		(0.1)	(0.1)
depreciation of property, plant and equipment		(0.3)	(0.3)
operating profit / (loss)		**(0.1)**	**(2.4)**
net interest income / (expense)		(2.8)	(2.3)
profit / (loss) before income tax		**(2.9)**	**(4.7)**
income tax benefit / (expense)	33.7	3.1	2.0
result subsidiaries	33.2	359.9	120.0
profit after income tax		**360.1**	**117.3**

notes to the company financial statements

33.1 accounting principles

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

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

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

33.2 investments in subsidiaries

	2021	2020
as at 1 January	**2,021.7**	**1,973.3**
share in profit for the period	359.9	120.0
share in other comprehensive income	71.7	(62.5)
capital contribution / (repayment)	5.2	(9.1)
dividends paid	(22.9)	–
as at 31 December	**2,435.6**	**2,021.7**

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

accounting policies

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

33.3 receivables

	31-12-2021	31-12-2020
current income tax receivables	9.6	2.1
intercompany receivables	2.5	1.2
other receivables	0.7	0.5
total	**12.8**	**3.8**

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

33.4 shareholders' equity

	share capital	share premium	translation reserve	hedging reserve	retained earnings	profit for the year	**total shareholders' equity**
as at 1 January 2021	**27.6**	**200.8**	**(75.5)**	**(8.3)**	**1,512.2**	**117.3**	**1,774.1**
profit for the period	–	–	–	–	–	360.1	**360.1**
other comprehensive income:							
• remeasurements of employee benefit obligations	–	–	–	–	22.2	–	**22.2**
• currency translation differences	–	–	48.7	–	–	–	**48.7**
• fair value changes of derivative financial instruments	–	–	–	6.8	–	–	**6.8**
• income tax effect on direct equity movements	–	–	–	(1.7)	(4.3)	–	**(6.0)**
other comprehensive income	**–**	**–**	**48.7**	**5.1**	**17.9**	**–**	**71.7**
total comprehensive income	**–**	**–**	**48.7**	**5.1**	**17.9**	**360.1**	**431.8**
dividend 2020	–	–	–	–	–	(66.3)	**(66.3)**
addition to retained earnings	–	–	–	–	51.0	(51.0)	**–**
share based payments	–	–	–	–	4.1	–	**4.1**
as at 31 December 2021	**27.6**	**200.8**	**(26.8)**	**(3.2)**	**1,585.2**	**360.1**	**2,143.7**

	share capital	share premium	translation reserve	hedging reserve	retained earnings	profit for the year	**total shareholders' equity**
as at 1 January 2020	**27.6**	**200.8**	**(22.5)**	**(4.2)**	**1,382.4**	**225.7**	**1,809.8**
profit for the period	–	–	–	–	–	117.3	**117.3**
other comprehensive income:							
• remeasurements of employee benefit obligations	–	–	–	–	(7.1)	–	**(7.1)**
• currency translation differences	–	–	(53.0)	–	–	–	**(53.0)**
• fair value changes of derivative financial instruments	–	–	–	(5.5)	–	–	**(5.5)**
• income tax effect on direct equity movements	–	–	–	1.4	1.7	–	**3.1**
other comprehensive income	**–**	**–**	**(53.0)**	**(4.1)**	**(5.4)**	**–**	**(62.5)**
total comprehensive income	**–**	**–**	**(53.0)**	**(4.1)**	**(5.4)**	**117.3**	**54.8**
dividend 2019	–	–	–	–	–	(88.5)	**(88.5)**
addition to retained earnings	–	–	–	–	137.2	(137.2)	**–**
share based payments	–	–	–	–	(2.0)	–	**(2.0)**
as at 31 December 2020	**27.6**	**200.8**	**(75.5)**	**(8.3)**	**1,512.2**	**117.3**	**1,774.1**

share capital
The authorised share capital amounts to EUR 50.0 million divided into:
- 200,000,000 ordinary shares of EUR 0.25 par value each; and
- 100 priority shares of EUR 1.00 par value each

The issued and paid-up share capital did not change in the course of the year under review. As at 31 December 2021, a total of 110,580,102 ordinary shares and 100 priority shares were issued and paid-up. We refer to the section Other information for the Special controlling rights under the Articles of Association of the 100 priority shares.

legal reserves
The legal reserves include the currency translation reserve and the hedging reserve. In addition, retained earnings contain a legal reserve for development cost recognised as intangible assets for an amount of EUR 6.3 million (2020: EUR 6.7 million). Legal reserves cannot be used for profit distribution.

profit appropriation 2020
In accordance with the resolution of the General Meeting held on 27 May 2021, the profit for 2020 has been appropriated in conformity with the proposed appropriation of profit stated in the 2020 financial statements.

profit appropriation 2021
The net profit for the year 2021 attributable to the shareholders amounting to EUR 360.1 million shall be available in accordance with the articles of association as disclosed in the section Other information. The Management Board proposes to declare a cash dividend of EUR 1.01 per share of EUR 0.25 par value and a special cash dividend of EUR 0.64 per share of EUR 0.25 par value. Any residual profit shall be added to reserves.

33.5 current liabilities

	31-12-2021	31-12-2020
accounts payable	0.8	0.4
other payables and accruals	4.2	2.4
total	**5.0**	**2.8**

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

33.6 personnel expenses

	2021	2020
wages and salaries	(7.6)	(5.8)
social security charges	(0.3)	(0.3)
defined contribution plans	(0.9)	(0.8)
other expenses related to employees	(0.4)	(0.2)
total	**(9.2)**	**(7.1)**

The average number of employees amounted to 27 full-time equivalents (2020: 24), as at year-end 27 (2020: 23), of which no (2020: no) full-time employees are active outside the Netherlands.

33.7 income tax benefit / (expense)

	2021	2020
current tax:		
• current year	1.6	2.0
• prior years	1.5	(0.1)
total current tax	**3.1**	**1.9**
deferred tax	–	0.1
total income tax benefit / (expense)	**3.1**	**2.0**

33.8 audit fees

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

2021	Deloitte Accountants B.V.	Deloitte network	**Deloitte total**
audit of financial statements	829	1,742	**2,571**
other audit services	–	–	**–**
tax advisory services	–	89	**89**
other non-audit services	–	–	**–**
total	**829**	**1,831**	**2,660**

2020	Deloitte Accountants B.V.	Deloitte network	**Deloitte total**
audit of financial statements	740	1,753	**2,493**
other audit services	–	15	**15**
tax advisory services	–	107	**107**
other non-audit services	–	–	**–**
total	**740**	**1,875**	**2,615**

The fees listed above relate to the services applied to the Company and its consolidated group companies by accounting firms and independent external auditors as referred to in Section 1(1) of the Dutch Audit Firms (Supervision) Act (Wta), as well as by Dutch and foreign-based Deloitte audit firms, including their tax services and advisory groups. The audit fees relate to the audit of the 2021 financial statements, regardless of whether the work was performed during the financial year.

33.9 remuneration of the Management and Supervisory Board

The total remuneration of the members of the Management Board for 2021 amounted to EUR 3.9 million (2020: EUR 2.7 million) and is determined in accordance with the remuneration policy as disclosed in the remuneration report.

amounts in EUR 1,000:
Mr. W.A. Pelsma (CEO) received a salary of EUR 820 (2020: EUR 760), a bonus amounting to EUR 615 (2020: EUR 378) and a pension contribution of EUR 150 (2020: EUR 148). At year-end he held a total number of 148,125 (2020: 145,125) ordinary shares in Aalberts. The number of conditional performance share awards that were granted in 2021 (PSP 2021-2023) amounted to 35,000 shares for which EUR 336 was charged to the income statement. It is expected that 125% of the 35,000 conditional shares that were granted in 2019 (PSP 2019–2021) will vest in May 2022 for which EUR 565 (2020: EUR 341) was charged to the income statement.

amounts in EUR 1,000:
Mr. A.R. Monincx (CFO) received a salary of EUR 520 (2020: EUR 456), a bonus amounting to EUR 390 (2020: EUR 227) and a pension contribution of EUR 79 (2020: EUR 71). At year-end he held a total number of 18,000 (2020: 18,000) ordinary shares in Aalberts. The number of conditional performance share awards that were granted in 2021 (PSP 2021-2023) amounted to 20,000 shares for which EUR 192 was charged to the income statement. It is expected that 125% of the 15,000 conditional shares that were granted in 2019 (PSP 2019–2021) will vest in May 2022 for which EUR 242 (2020: EUR 146) was charged to the income statement.

The share price of Aalberts as at 31 December 2021 amounted to EUR 58.26 per ordinary share. Additional information regarding conditional performances share awards is disclosed in note 13.

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

amounts in EUR 1,000	2021	2020
M.C.J. van Pernis	65	65
J. van der Zouw	55	55
P. Veenema	50	50
A.H. Rinck [1]	45	23
L. Declercq [2]	34	–
P.A.M. van Bommel [3]	12	–
M.J. Oudeman [4]	23	55
total	**284**	**248**

1. appointed AGM 2020
2. appointed AGM 2021
3. appointed EGM 2021
4. till AGM 2021

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. At year-end the members of the Supervisory Board do not hold shares in the Company.

33.10 contingent liabilities and commitments

The Company has guaranteed the bank loans of the Group for an amount of EUR 273.4 million (2020: EUR 420.8 million). In addition, the Company has guaranteed the two UK defined benefit Pension Schemes for an amount of GBP 84.5 million (2020: GBP 84.5 million).

The Company has guaranteed the liabilities of almost all of its Dutch group companies in accordance with the provisions of article 403, paragraph 1, Book 2, Part 9 of the Dutch Civil Code. Consequently, these companies are exempt from publication requirements.

The company forms a tax unity with almost all of its Dutch subsidiaries for both the income tax and value added tax. All tax unity members (including the Company) are jointly and severally liable for the tax obligations of the tax unity as a whole.

As of fiscal year 2021 the Company no longer guarantees the debts and liabilities of UK subsidiary undertakings in accordance with section 479C of the Companies Act 2006 due to the Brexit.

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

name and seat of the company	direct and indirect participation %
Aalberts Deutschland GmbH, Gelsenkirchen	100%
Aalberts Immobilien GmbH, Gelsenkirchen	100%
D.S.I. Getränkearmaturen GmbH, Hamm	100%
VTI Ventil Technik GmbH, Menden	100%
Simplex Armaturen & Systeme GmbH, Argenbühl	100%
Aalberts integrated piping systems GmbH, Gelsenkirchen	100%
Meibes System-Technik GmbH, Machern OT Gerichshain	100%
ISIFLO GmbH, Hemer	100%
Integrated Dynamics Engineering GmbH, Raunheim	100%
Aalberts Surface Technologies GmbH, Velbert	100%
Aalberts Surface Technologies GmbH, Kerpen	100%
Aalberts Surface Technologies Grundstücksverwaltungs GmbH, Kerpen	100%
Aalberts Surface Technologies GmbH, Solingen	100%
Aalberts Surface Technologies GmbH, Burg	100%
Aalberts Surface Technologies GmbH, Zwönitz	100%
Aalberts Surface Technologies GmbH, Moers	100%
Aalberts Surface Technologies GmbH, Remscheid	100%
Aalberts Surface Technologies GmbH, Gaildorf	100%
Aalberts Surface Technologies GmbH, Dunningen	100%
Aalberts Surface Technologies GmbH, Landsberg am Lech	100%
Aalberts Surface Technologies GmbH, Lübeck	100%
Aalberts Surface Technologies GmbH, Zwickau	100%
Aalberts Surface Technologies GmbH, Kaufbeuren	100%
Aalberts Surface Technologies GmbH, Göppingen	100%
Aalberts Surface Technologies GmbH, Lüneburg	100%
Aalberts Surface Technologies Polymer GmbH, Lüneburg	100%
Aalberts Process Technologies GmbH, Villingen-Schwenningen	100%
Aalberts Process Technologies GmbH, Lübtheen OT Jessenitz	100%
Aalberts Process Technologies GmbH, Wünschendorf/Elster	100%

Utrecht, 23 February 2022

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

the Supervisory Board
Martin van Pernis (Chairman)
Peter van Bommel (Member)
Lieve Declercq (Member)
Annette Rinck (Member)
Piet Veenema (Member)
Jan van der Zouw (Member)

other information

1. appropriation of profits under the articles of association

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

a. The Company may only pay dividends and make other distributions to the shareholders and other persons entitled to the profit available for distribution to the extent that the shareholders' equity is greater than the amount of the paid-in and called-up portion of the capital plus the reserves that must be maintained by law.
b. From the profit insofar as it may be distributed a distribution is, if possible, first made on each priority share, said distribution being a percentage of the nominal value paid-up on those shares. No further profit distributions are made on priority shares.
c. The General Meeting may decide on the basis of a proposal of the Management Board approved by the Supervisory Board to make distributions chargeable to a reserve available for distribution, if the requirement reflected sub a. has been met.

2. special controlling rights under the articles of association

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

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

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

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

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

3. Independent auditor's report

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

report on the audit of the financial statements 2021 included in the annual report

our opinion

We have audited the financial statements 2021 of Aalberts N.V. ("the company" or "the group"), based in Utrecht, the Netherlands. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:
- The accompanying consolidated financial statements give a true and fair view of the financial position of Aalberts N.V. as at 31 December 2021, and of its result and its cash flows for 2021 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 accompanying company financial statements give a true and fair view of the financial position of Aalberts N.V. as at 31 December 2021, and of its results for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
1. The consolidated balance sheet as at 31 December 2021.
2. The following statements for 2021: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
1. The company balance sheet as at 31 December 2021.
2. The company income statement for 2021.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

basis for our opinion

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

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

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

information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 20 million (2020: EUR 13.5 million). The materiality is based on the profit before income tax, adjusted for certain non-recurring items.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Audits of components were performed using materiality levels determined by judgment of the group engagement team, taking into account the materiality of the financial statements as a whole and the reporting structure of the group. Component performance materiality did not exceed EUR 9.6 million. The materiality of the majority of the components is less than this amount.

We agreed with the Supervisory Board that profit and loss misstatements in excess of EUR 0.5 million and reclassification and disclosure misstatement in excess of EUR 1 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view should be reported on qualitative grounds.

scope of the group audit

Aalberts N.V. is at the head of a group of entities with activities in more than 50 countries. The financial information of this group is included in the consolidated financial statements of Aalberts N.V. One component individually contributes more than 15% of the consolidated revenues of the group.

In establishing the overall group audit strategy and plan, the group engagement team determined the type of work that needed to be performed. We directed and supervised the work of component auditors as part of the group audit.

Our group audit mainly focused on the significant entities within the group. Our assessment of entities that are significant to the group was done as part of our audit planning and was aimed to obtain sufficient coverage of the risks of a material misstatement for the significant account balances, classes of transactions and disclosures that we have identified. In addition, we considered qualitative factors as part of our assessment.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence was obtained as a basis for our opinion on the group financial statements as a whole. For each component we determined whether we required an audit of their complete financial information or whether other procedures would be sufficient. Similar to previous year, due to travel restrictions all oversight procedures have been performed remotely whereby we varied the nature, timing and extent of these procedures based on both quantitative and qualitative considerations. The group engagement team held remote sessions with local management and auditors of several key locations. In addition, we performed review procedures or specified audit procedures at other components.

The group consolidation, financial statements disclosures and certain centrally coordinated accounting topics were audited by the group engagement team. These include among others the annual goodwill impairment testing, corporate income tax, acquisitions, divestments and share-based payments. Specialists were involved in the areas of fraud, tax, accounting, information technology and valuation.

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

audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes. We evaluated Aalbert's fraud risk assessment and made inquiries with management, those charged with governance and others within the group, including but not limited to, Internal audit function, Legal & Governance and group Control. We involved our fraud specialists in our risk assessment and in determining the audit response.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as, among others, the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

Following these procedures, and the presumed risks under the prevailing auditing standards, we identified the fraud risk in relation to management override of controls, including the potential risk of bias by management and other, which may represent a risk of material misstatement due to fraud.

As part of our audit procedures to respond to this risk, we evaluated whether the selection and application of accounting policies by the group, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting. We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 2.8 of the financial statements. We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements. Impairment testing of goodwill is a significant area to our audit as the determination whether these assets are not carried at more than their recoverable amounts is subject to significant management judgment. Reference is made to the section “Our key audit matters”. For significant transactions, we evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

This did not lead to indications for fraud potentially resulting in material misstatements.

audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the company through inquiries with the Management Board, Legal & Governance, Internal audit function, Group Control and Tax accounting and reading relevant minutes. We involved our fraud specialists in this evaluation.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements. We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation. Given the nature of Aalbert’s business, we considered the risk of relevant laws and regulations applicable to listed companies.

Our procedures are more limited with respect to other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to company’s ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to (i) inquiries of management, the Management Board, those charged with governance and others within the company as to whether the company is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. We also remained alert to indications of (suspected) non-compliance throughout the audit, both at component and group levels.

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

audit approach going concern

The financial statements have been prepared in accordance with the going concern assumption. The appropriateness of the going concern assumption depends on management’s assessment of the expexted company performance within its future economic environment. The Management Board believes that no events or conditions, give rise to doubt the ability of the group to continue in operation duringat least twelve months after the adoption of the financial statements.

We have obtained management’s assessment of the entity’s ability to continue as a going concern, and have assessed the going concern assumption applied. As part of our procedures, we evaluated whether sufficient appropriate audit evidence has been obtained regarding, and have concluded on, the appropriateness of management’s use of the going concern basis of accounting in the preparation of the consolidated financial statements. Based on these procedures, we did not identify any reportable findings related to the entity’s ability to continue as a going concern.

our key audit matters

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

In 2020, the company was affected by COVID-19 which had an impact on the revenues and profitability. As a result in 2020, we had extended the valuation of goodwill key audit matter to include non-current assets. In 2021, the business performance of the company recovered and therefore we reversed the key audit matter to the valuation of goodwill only (consistent with 2019).

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, and we do not provide a separate opinion on these matters.

key audit matters

international group structure and coordination of the group audit

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

how the key audit matter was addressed in the audit
Our audit procedures to address the key audit matter identified started with, among others, obtaining an understanding of the group, including inquiries with the Management Board and those charged with governance regarding risks of material misstatements due to error, fraud or non-compliance with laws and regulations. We also obtained an understanding of the process for identifying and responding to these risks, including the relevant group-wide policies and procedures.

Our response furthermore comprised of a centralized risk assessment, the determination of the group audit scope and instructions to component auditor focusing specifically on risks of material misstatements due to error, fraud or non-compliance with laws and regulations.

Following the foregoing, at group and component level:
- We held virtual discussions with component audit teams, group and component management and other key employees.
- We evaluated the company's internal control environment, including entity level controls and monitoring controls at group, business teams and operating level.
- We held virtual periodic meetings with component auditors, reviewing submitted interoffice reportings and conducting remote file reviews.

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

valuation of goodwill

description
On 31 December 2021 Aalbert's goodwill carrying amount is EUR 881 million. The goodwill is allocated to cash generating units (CGUs) which is subject to an annual impairment test under EU-IFRS.

An impairment arises when the carrying amount for a CGU is higher than the recoverable amount. The recoverable amount is dependent on expected future cash flows from the underlying CGUs.

The company uses assumptions and applies judgments in forecasting future market and economic conditions such as economic growth, expected inflation rates, revenue and margin developments. Due to the significance of management's judgments in the assumptions used in the forecasts, we consider the valuation of goodwill as a key audit matter. The company's annual impairment test resulted in the conclusion that no impairment was needed for 2021.

The key assumptions and sensitivities are disclosed in note 5 to the consolidated financial statements.

how the key audit matter was addressed in the audit
Our audit procedures related to the projected cash flows and discount rates used by management included the following, among others:
- We obtained an understanding of management's process over the annual goodwill impairment tests (including relevant controls).
- We involved our valuation specialists to assist us in evaluating the valuation assumptions and methodologies used in the annual goodwill impairment test prepared by the company. We challenged management's business assumptions that were most sensitive to movements in their analyses, including projected revenue growth over the forecasted period, EBITA margin and discount rate.
- We challenged management's judgments and estimates by comparing the business assumptions to historic performance, future outlooks, analyst reports and industry outlook.
- We assessed the sensitivity of changes to the respective assumptions on the outcome as disclosed in note 5 of the financial statements.

our observation
Our procedures did not result in any reportable matters with respect to the goodwill recorded and the corresponding disclosures.

report on the other information included in the annual report

In addition to the financial statements and our auditor's report, the annual report contains other information that consists of:

- Report of the Management Board.
- Report of the Supervisory Board.
- Remuneration report.
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements.
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

report on other legal and regulatory requirements

engagement

We were initially engaged by the General Meeting as auditor for the year 2015 and have operated as statutory auditor ever since that financial year. For the audit of 2021, we were appointed by the General Meeting held on 25 June 2020.

no prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

The company has prepared its annual report in ESEF. The requirements for this are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in XHTML format, including the partially marked-up consolidated financial statements, as included in the reporting package by the company, complies in all material respects with the RTS on ESEF.

The Management Board is responsible for preparing the annual report including the financial statements in accordance with RTS on ESEF, whereby the Management Board combines the various components in a reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (the Netherlands Institute of Chartered Accountants), included amongst others:

- Obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package.
- Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance and the XBRL extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF.
- Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

description of responsibilities regarding the financial statements

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

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless 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 objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

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

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

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

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

Because we are ultimately responsible for the independent auditor's report, we are also responsible for directing, supervising and performing the group audit. In this respect, we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

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

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

Amsterdam, 23 February 2022

Deloitte Accountants B.V.

Signed by: M.R. van Leeuwen

glossary non-GAAP measures

results	
EBITA	earnings before finance cost, income taxes and amortisation
EBITDA	earnings before finance cost, income taxes, depreciation and amortisation
free cash flow (before interest and tax)	cash flow from operations less (net) investments in property, plant and equipment, and other intangible fixed assets
added value	revenue less raw materials used and work subcontracted
exceptional items [1]	income and expense items of such nature, size and/or frequency of occurrence that their disclosure is relevant to explain Aalberts' performance, including impairments, restructuring costs and gains and losses from acquisition and disposal
balance sheet	
net debt	bank loans, lease liabilities and current borrowings less cash and cash equivalents
capital employed	equity plus net debt and dividend payable
net working capital	total of inventories and trade and other receivables less trade and other payables, excluding income taxes and finance cost
capital expenditure	investments in property, plant and equipment
ratios	
solvability	equity as a percentage of total assets
leverage ratio	net debt divided by adjusted EBITDA on 12 months rolling basis
EBITA margin	EBITA as a percentage of revenue
free cash flow conversion ratio	free cash flow (before interest and tax) divided by EBITDA
ROCE (return on capital employed)	rolling twelve month's EBITA divided by capital employed
added value margin	added value as a percentage of revenue
gearing ratio	net debt divided by total equity
interest cover ratio	adjusted EBITDA divided by the net interest expense on 12 months rolling basis
earnings per share	
earnings per share before amortisation	net profit before amortisation divided by the weighted average number of shares

1. the results of the businesses are monitored on the level of KPIs before exceptionals

overview Aalberts group companies

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

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

building technology		industrial technology	
Aalberts hfc holding B.V.	NLD	Aalberts advanced mechatronics B.V.	NLD
Aalberts integrated piping systems Americas, Inc.	USA	Aalberts surface technologies GmbH	DEU
Aalberts integrated piping systems B.V.	NLD	Aalberts surface treatment Corp	USA
Aalberts integrated piping systems Limited	GBR	Aalberts process technologies GmbH	DEU
Aalberts integrated piping systems APAC Inc.	TWN	Metalis S.A.S.	FRA
KAN Sp. z.o.o. (51%)	POL	Mifa Aluminium B.V.	NLD
Henco Industries N.V.	BEL	Aalberts fluid control B.V.	NLD
BROEN A/S	DNK		
ISIFLO AS	NOR		

Aalberts operates 135 locations with activities in over 50 countries.
To learn more, visit **aalberts.com/contact**

the Aalberts share

At year-end 2021 a total number of 110,580,102 ordinary shares with a nominal value of EUR 0.25 each were in circulation; the market capitalisation amounted to EUR 6,442 million (at year-end 2020: EUR 4,032 million).

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

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

shareholder	interest	disclosure date
Aalberts Beheer B.V., J. Aalberts, J.A.M. Aalberts-Veen	13.27%	3 Feb 2011
FMR LLC	10.00%	18 Oct 2021
Capital Group	9.92%	6 Jan 2020
Invesco Limited	4.99%	25 Jun 2021
BlackRock, Inc.	3.29%	2 Feb 2021
Impax Asset Management	3.02%	2 Apr 2019
BNP Paribas Asset Management Holding	3.01%	26 Nov 2018
New Perspective Fund	3.00%	17 Sep 2018

key share information	2021	2020	2019	2018	2017
closing price at year-end (in EUR)	58.26	36.46	40.01	29.05	42.40
highest price of the year (in EUR)	58.46	43.11	40.92	45.05	43.77
lowest price of the year (in EUR)	36.09	16.16	27.52	27.43	29.97
average daily trading (in EUR thousands)	8,766	10,591	10,549	12,169	11,792
number of shares issued as at year-end (in millions)	110.6	110.6	110.6	110.6	110.6
market capitalisation at year-end (in EUR millions)	6,442	4,032	4,424	3,212	4,688
earnings per share before amortisation (in EUR)	3.05*	1.81*	2.42	2.49	2.15
dividend per share (in EUR)	1.01	0.60	0.80	0.75	0.65
price/earnings ratio at year-end	19.1	20.1	16.5	11.7	19.7

* before exceptionals

key figures 2017-2021

	2021	2020	2019	2018	2017
results (in EUR million)					
revenue	2,979	2,610	2,841	2,759	2,694
EBITDA	585*	423*	493	462	422
EBITA	454*	283*	363	366	336
net profit before amortisation	337*	200*	267	275	238
cash flow from operations	426	454	465	427	427
free cash flow (before interest and tax)	310*	360*	312	312	310
balance sheet (in EUR million)					
intangible assets	1,377	1,256	1,320	1,235	1,127
property, plant and equipment	881	829	874	818	775
capital expenditure	147	95	148	134	119
net working capital	452	399	490	464	455
total equity	2,184	1,806	1,838	1,676	1,513
net debt	492	600	755	586	569
capital employed	2,676	2,406	2,592	2,262	2,081
total assets	3,655	3,255	3,466	3,148	2,910
number of employees at end of period (x1)	14,402	14,782	16,094	16,452	16,003
ratios					
solvability (total equity as a % of total assets)	59.7	55.5	53.0	53.2	52.0
leverage ratio	0.9	1.4	1.5	1.3	1.3
EBITA as a % of revenue	15.2*	10.8*	12.8	13.3	12.5
free cash flow conversion ratio	52.9*	85.2*	63.2	67.6	73.4
ROCE (return on capital employed)	17.2*	11.7*	14.1	16.6	16.2
added value as a % of revenue	62.2*	61.6	62.8	62.6	62.3
effective tax rate	24.5*	24.4*	22.9	21.4	24.6
gearing ratio (net debt divided by total equity)	0.2	0.3	0.4	0.3	0.4
interest cover ratio	42.7	23.6	22.1	27.2	25.9
number of ordinary shares issued (in millions)	110.6	110.6	110.6	110.6	110.6
figures per share (in EUR)					
net profit before amortisation	3.05*	1.81*	2.42	2.49	2.15
dividend	1.01	0.60	0.80	0.75	0.65
special dividend	0.64				
share price at year-end	58.26	36.46	40.01	29.05	42.40

* before exceptionals


aalberts
mission critical technologies