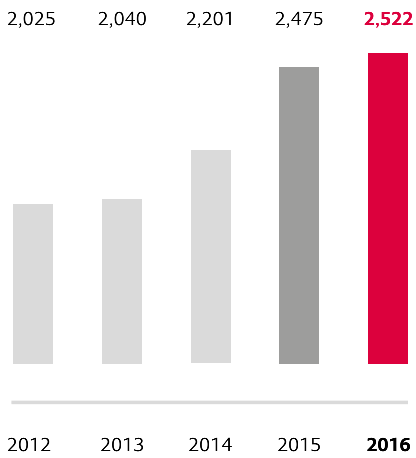
AALBERTS INDUSTRIES

Annual Report 2016

KEY FIGURES 2016

REVENUE

(in EUR million)



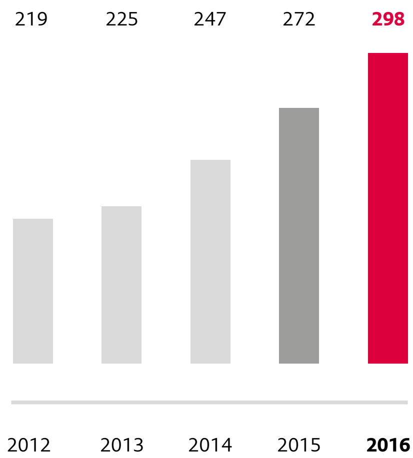
2,522

+2%

OPERATING PROFIT

(EBITA)

(in EUR million)



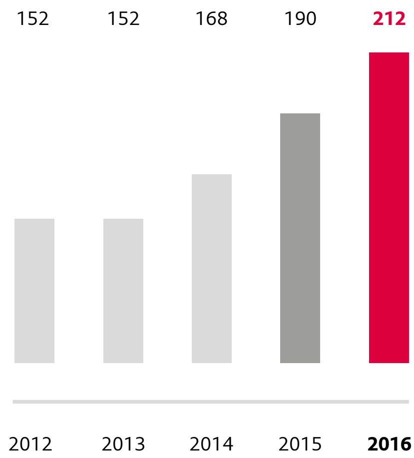
298

+10%

NET PROFIT

(BEFORE AMORTISATION)

(in EUR million)



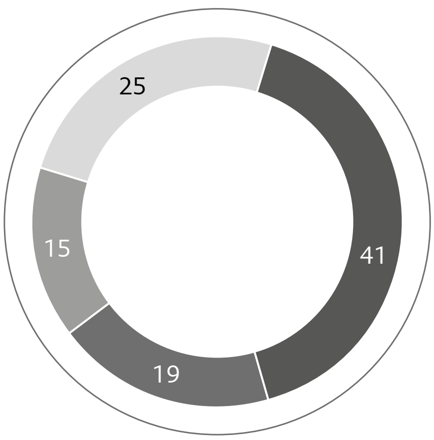
212

+12%

REVENUE SPREAD

PER BUSINESS

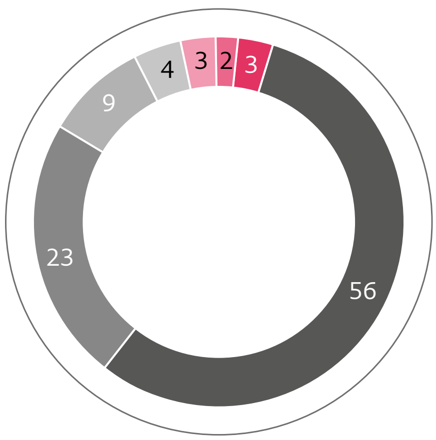
(in %)



- BUILDING INSTALLATIONS 41%
- CLIMATE CONTROL 19%
- INDUSTRIAL CONTROLS 15%
- INDUSTRIAL SERVICES 25%

PER REGION

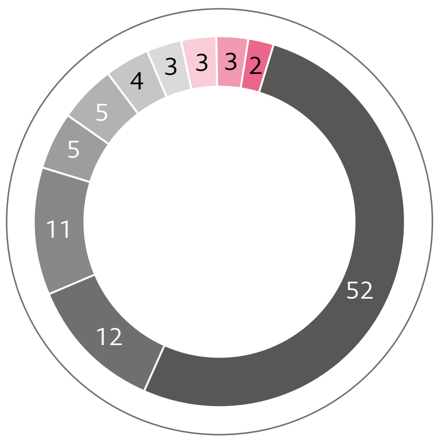
(in %)



- WESTERN & NORTHERN EUROPE 56%
- NORTH AMERICA 23%
- EASTERN EUROPE 9%
- SOUTHERN EUROPE 4%
- FAR EAST 3%
- MIDDLE EAST & AFRICA 2%
- OTHER 3%

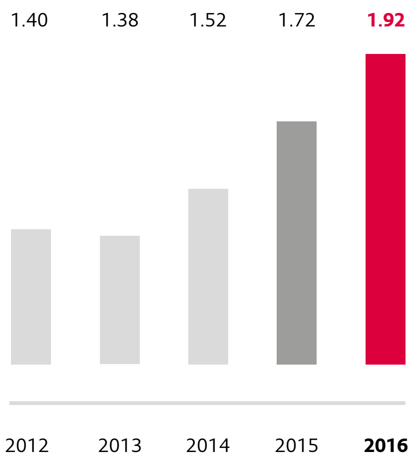
PER END MARKET

(in %)



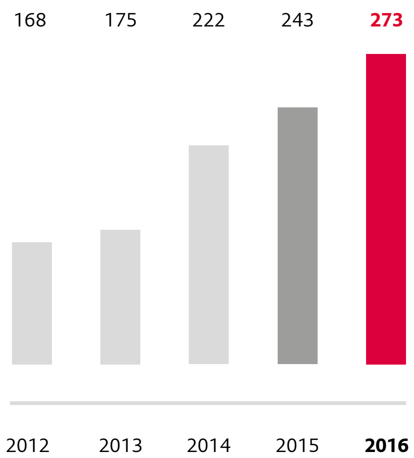
- BUILDING INSTALLATIONS 52%
- AUTOMOTIVE 12%
- GENERAL INDUSTRIES 11%
- INDUSTRIAL INSTALLATIONS 5%
- MACHINE BUILD 5%
- WATER & GAS SUPPLY, IRRIGATION 4%
- POWER GENERATION, AEROSPACE 3%
- SEMICON & SCIENCE 3%
- DISTRICT ENERGY, OIL & GAS 3%
- BEVERAGE DISPENSE 2%

EARNINGS PER SHARE (BEFORE AMORTISATION)
(in EUR)



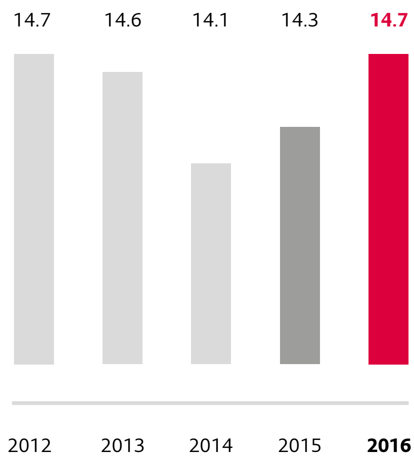
1.92
+12%

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



273
+12%

RETURN ON CAPITAL EMPLOYED (ROCE)
(in %)



14.7

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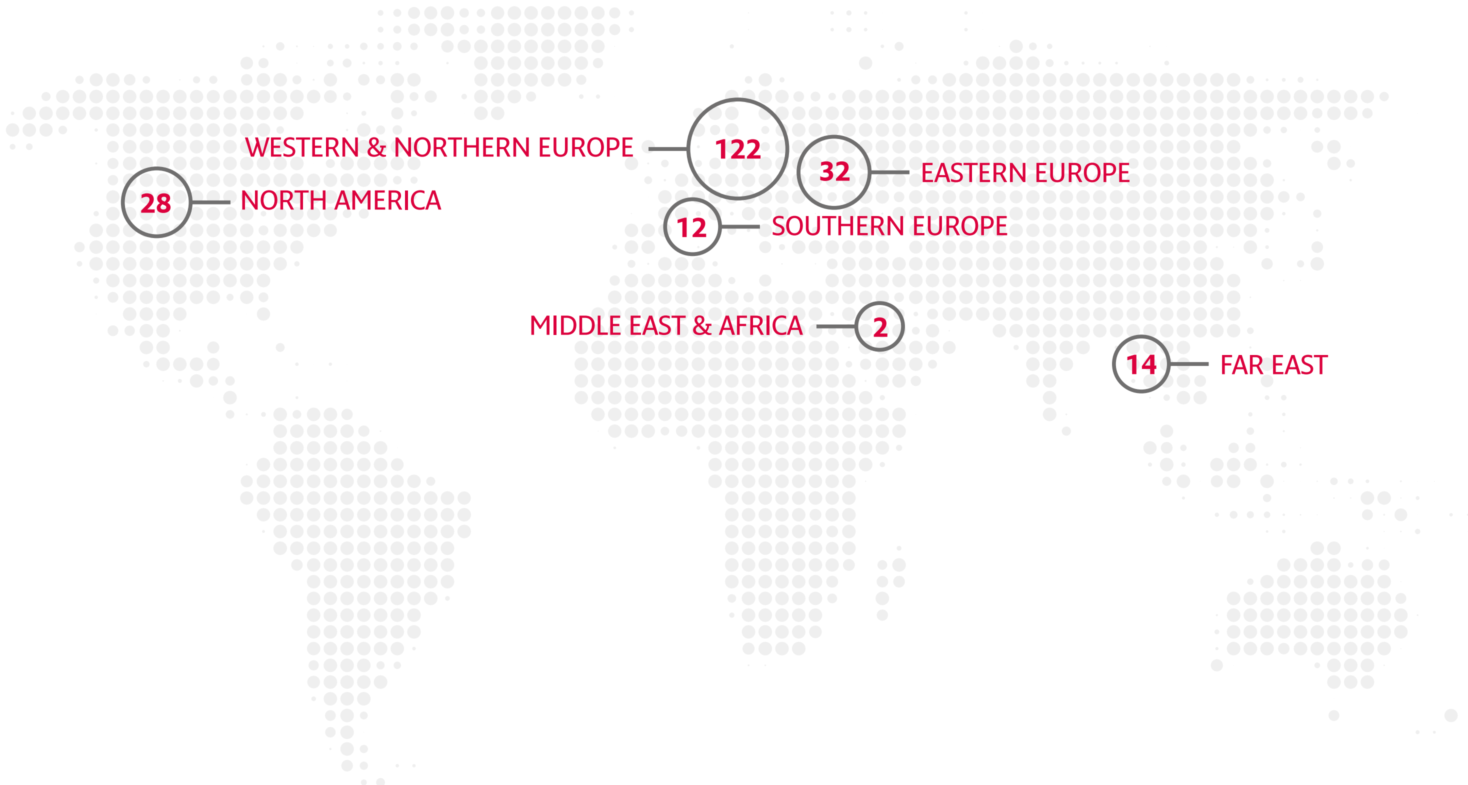
LOCATIONS WORLDWIDE



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NEXUS
VALVE

Dear shareholders,

In 2016 we made good progress with the consistent implementation of our strategy and delivered a good performance.

Again we realised sustainable, profitable growth and further increased our free cash flow. We posted a record net profit before amortisation of EUR 212 million (earnings per share: EUR 1.92), up 12% from 2015 and a record EBITA of EUR 298 million, up 10% from 2015. Our cash flow from operations increased to EUR 383 million, up 16% from 2015 and we managed to grow our revenue to EUR 2,522 million.

CONSISTENT IMPLEMENTATION OF OUR STRATEGY

We continued to implement our 'Aalberts Industries Linked' strategy 2015-2018. We focused on our core technologies with growth potential, further improved our marketing and sales approach and have driven forward our Operational Excellence programme, using our group strengths. We made further progress with our divestment programme during the year and acquired five bolt-ons, strengthening our defined market positions.

A great achievement of our Aalberts team is that despite challenging conditions in several end markets and regions and additional costs for integration, restructuring, marketing & sales, innovations and greenfields, we managed to realise an organic growth of 1.1% and improved our EBITA margin to 11.8% (2015: 11.0%).

We also implemented our values, strengthened governance and controls and integrated health & safety initiatives in our Operational Excellence programme. Many projects are in progress to further professionalise our organisation, improving step by step with a good team spirit.

DEVELOPMENTS PER BUSINESS

Building Installations in Europe & Middle East realised good organic growth and results. Higher revenues and operational improvements in combination with a focused market approach are becoming visible in the results. Our integrated piping system offering, consisting of connection and valve technology, resulted in several longer term agreements with new and existing Key Accounts. In the Netherlands we started the manufacturing of a new patented connection system in a newly built facility. Our plastic multilayer systems activity was very successful. In North America our business for the residential and commercial building end market performed well, but we faced challenging circumstances in the industrial installations end market. We kept our investments on a high level during the whole year to execute many ongoing projects. We acquired TRI-WENT, strengthening both our customer base and offering for cooling applications, and SHURJOINT, a company specialised in grooved components and systems.

Climate Control made a lot of progress, especially in realising the many ongoing projects. In most European and North American countries we delivered good growth and results. Also in France and Spain market circumstances improved. In several regions the sales force was strengthened with experienced people. We have started a new manufacturing location in Russia and transferred and consolidated several manufacturing sites. These projects were realised before year end, but increased costs during the year. A global innovation roadmap was defined to drive further organic growth and prioritise and align the many product development and business opportunities.

Industrial Controls showed a mixed picture. The engineered valve business for the District Energy, Oil & Gas end market was challenging. We transferred and strengthened our North American operation. In Denmark we invested in the manufacturing of a new patented valve product line. The fluid power business did very well. The newly formed business management team, including acquisition VENTREX (2015), is executing the integration plan and innovation roadmap. Our dispense technology business for the Beverage Dispense end market also made a good year. The business was globally aligned and during the year we acquired SCHROEDER and VIN SERVICE (2017). The product lines of both companies further complete our system offering towards (global) Key Accounts. The nano technology business for the Semicon & Science end market started slow, but improved during the second half. The precision extrusion business made an excellent year in organic growth and results, especially in the Aerospace end market.

In Industrial Services, the heat treatment activities made a good year despite lower volumes. The alignment of the heat treatment organisation and the rebranding was successfully implemented. The surface treatment activities made good progress with the ramp up of greenfield sites in China and Eastern Europe. In the Aerospace end market we realised good growth in the UK and signed a long term agreement with a major Key Account in France. Complex precision stamping showed good developments in Eastern Europe and Asia. In France we faced more difficult market circumstances. Our precision manufacturing, brazing and heat treatment activities for the Power Generation end market did well and realised excellent growth. Our market position was strengthened with the acquisition of USHERS enabling us to offer a combination of technologies to our Key Accounts.

MANY INITIATIVES FOR ORGANIC GROWTH AND INNOVATION

During the year we have driven forward many organic growth and innovation initiatives. Per business we also made an innovation roadmap for the coming years to prioritise and align our efforts and accelerate organic growth. The combined potential of these initiatives looks promising.

DIVIDEND PROPOSAL

We will propose to the General Meeting that the dividend payment for 2016 should be fixed at EUR 0.58 per share, to be paid in cash, an increase of 12% from 2015.

LOOKING AHEAD

We will consistently execute our strategy and drive our many organic growth and innovation initiatives, execute the integration plans of the acquired businesses and further strengthen our defined market positions through additional bolt-on acquisitions. We expect to realise further sustainable profitable growth.

Our successful track record is the result of our motivated Aalberts team driving results every day, our focused strategy and our patience and discipline in creating shareholder value. You can expect us to continue this in the years ahead.

We would like to thank all our employees for their energy and efforts they put in the business, their drive for results and innovation initiatives. We thank our clients and partners for the trust they place in Aalberts Industries.

Thank you again for being a shareholder in our company.

Langbroek, 27 February 2017

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

WE ARE AALBERTS INDUSTRIES

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Aalberts Industries is a technology company. We aim for leading niche technology-end market positions with a certain uniqueness. Where possible we combine and deliver our technologies towards the same customers and Key Accounts, using our strong brands and global footprint.

We have defined our businesses, technologies and end markets thoroughly. With our detailed market knowledge we realise sustainable profitable growth in pursuing all business opportunities aiming for leading niche technology-end market positions. We do this through organic growth, innovations and bolt-on acquisitions.

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

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

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

Founded in 1975, Aalberts Industries employs approximately 15,300 people in more than 30 countries. A responsible company with a very solid track record over the many years where entrepreneurial leadership by example, with integrity and teamwork are very important.

Our head office is based in the Netherlands and we have been listed on Euronext Amsterdam (ticker symbol: AALB.AS) since March 1987 and on the AEX index from 23 March 2015.

AALBERTS INDUSTRIES

OUR BUSINESSES

BUILDING INSTALLATIONS

REVENUE (in EUR million)
1,073

EBITA (in EUR million)
122

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

Strong focus on installers, contractors and wholesalers.

More on page 22

CLIMATE CONTROL

REVENUE (in EUR million)
502

EBITA (in EUR million)
54

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

Strong focus on building owners, specifying institutes and developers.

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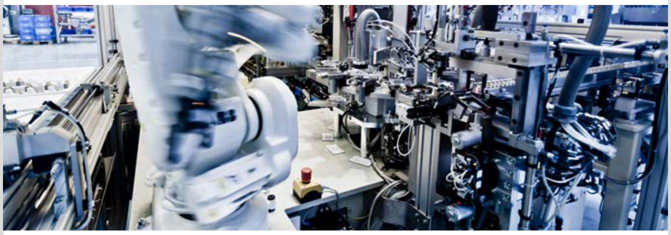
INDUSTRIAL CONTROLS

REVENUE (in EUR million)
381

EBITA (in EUR million)
57

Industrial Controls develops, engineers and manufactures systems to regulate and control gasses and liquids for specific niche applications. These niche technology-end market combinations are characterised by an increasing demand for high value and custom made, engineered solutions.

Strong focus on engineers and (global) Key Accounts.



More on page 30

INDUSTRIAL SERVICES

REVENUE (in EUR million)
635

EBITA (in EUR million)
79

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

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

More on page 34

We don't wait for the magic to happen, we take responsibility and ownership for our own targets and commitments. We explore opportunities and accept mistakes along the way, we act with integrity and lead by example, we work together as a team using our combined knowledge and strengths and learn from each other, we nurture our entrepreneurial spirit to create business and realise our dreams, our continuous drive for results and excellence to improve every day, our disciplined way of creating long term shareholder value, respecting our values and behaviours.... that is what we call 'The Aalberts Way'.

It is the DNA of our company, it is what we stand for and what we practice and deliver every day. This way of working gives our multiple stakeholders the comfort that they can create value with us. It is the common language in our organisation, it has been our strength since day one and is our foundation for an even greater future with new growth paths for the company.

It is also the basis of our human resources development, as it gives us a focus when we review, recruit, coach and develop our talents.

Strategic workforce planning as well as individual and organisational development are key drivers for Aalberts Industries' sustainable performance. Whether we invent new solutions or make existing solutions better; smart and committed people are at the heart of it. Against this background we further improved our talent development strategy.

THE AALBERTS WAY
Since we believe it's all about winning with people, 'The Aalberts Way' has become an integral part of our talent development strategy.

LEAN AND EFFECTIVE STRUCTURE
Although specific characteristics may vary in each of our businesses, we created an aligned methodology to drive talent management onwards. With a fixed frequency the Management Board reviews leadership and talent pipelines. A network of Human Resource Development Managers takes ownership for daily execution at business level.

FOCUSED APPROACH
Tailor made programmes aim to address three main challenges: recruiting and retaining the best people, making Aalberts' workforce stronger and more flexible and improving our employer branding to make Aalberts a more attractive employer.

Recruiting and retaining
Finding the best people to run our businesses is crucial to drive new opportunities and growth. Professional competency assessments and behavioural interviews are now fully embedded in our recruitment processes.

Stronger and more flexible workforce
Giving people opportunities to grow not only motivates them, it also makes our company stronger by utilising experiences in other areas of the group. Our development programmes are aimed at identifying people's personal objectives and strengths and should ensure that their ability and passion for achievements, personal leadership and excellence are key measures in the assessment for key leadership roles.

Improve employer branding
To meet future challenges like aging workforce and fluctuation in a very competitive world caused by a global war for talent, it is key for Aalberts Industries to continuously invest in becoming an even more attractive employer.

STRATEGY IN ACTION

Being part of a global company with many possibilities

"After a thorough investigation to identify the specific needs within the business, this year the Human Resources team started with three main topics on the agenda: a Talent Management Programme, a Trainee Programme and a Welcome to Industrial Services event," Julia Brey, Head of Human Resources Industrial Services explains.

"Whereas the Talent Management Programme focuses on the evaluation and development of seven leadership competencies for managers from different levels, the Traineeship strives to develop young potentials from the very first start of their careers within Aalberts Industries.

By getting to know different companies, we see that employees are better prepared to work across the businesses instead of being attached to the company where they once started. In this way, we promote 'networking' and enhance mutual learning within our businesses – which is also the case with our recently realised Welcome to Industrial Services event.

By organising such an event we offer networking possibilities and knowledge transfer and raise the awareness that people are part of a global company with many possibilities."

‘AALBERTS INDUSTRIES LINKED’ STRATEGY 2015-2018

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

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

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

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

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

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

EXCHANGE BEST PRACTICES
- Manufacturing technology
- Sales & distribution channels
- Innovations & investments
- Working methods & know-how
- Global footprint
- KPI tools
- Key Account Management
- Human Resources Talent Development

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

Global technology company with clear growth drivers

Worldwide leading niche technology-end market positions

in defined businesses with strong brand names serving a variety of global end markets.

Creating sustainable profitable growth

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

Generating high-added-value margins

by driving our Operational Excellence programme, providing excellent services close to our customers and continuously driving innovations.

Converting strong operational execution into free cash flow

to reinvest in selected businesses and technologies, with disciplined allocation of capital, to accelerate organic growth, innovations and acquisitions.

Achieve following financial ratios

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

5 reasons to invest in Aalberts Industries

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


2 TON

THE SHARE OF AALBERTS INDUSTRIES N.V.

KEY SHARE INFORMATION	2016	2015	2014	2013	2012
Closing price at year-end (in EUR)	30.82	31.79	24.54	23.18	15.70
Highest price of the year (in EUR)	32.00	31.92	25.90	23.40	15.95
Lowest price of the year (in EUR)	25.70	22.81	18.27	15.56	11.40
Average daily trading (in EUR thousands)	8,402	9,494	4,345	3,344	3,524
Average daily trading (in thousands of shares)	287	337	191	179	252
Number of shares issued as at year-end (in millions)	110.6	110.6	110.6	110.6	109.4
Average number of shares issued (in millions)	110.6	110.6	110.6	110.1	108.9
Market capitalisation at year-end (in EUR millions)	3,408	3,515	2,713	2,563	1,718
Earnings per share before amortisation (in EUR)	1.92	1.72	1.52	1.38	1.40
Dividend per share (in EUR)	0.58	0.52	0.46	0.41	0.35
Price/earnings ratio at year-end	16.1	18.5	16.1	16.8	11.2

LISTING

Aalberts Industries N.V. shares have been listed on the Euronext Amsterdam stock exchange since 1987 and are included in the AEX index since 23 March 2015. At year-end 2016, 110,580,102 ordinary shares with a nominal value of EUR 0.25 each were in circulation; the market capitalisation amounted to EUR 3,408 million (at year-end 2015: EUR 3,515 million).

DIVIDEND POLICY

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

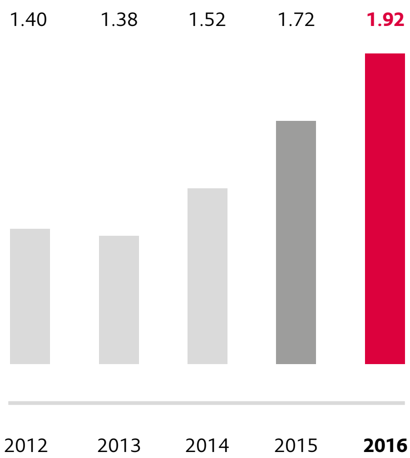
SHAREHOLDERS' INTERESTS

Around 90% 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 holding more than 3% of the outstanding shares must be disclosed.

NAME	% OF THE TOTAL CAPITAL INTEREST	DATE OF DISCLOSURE
Oppenheimer Funds, Inc.	9.91	22-11-2016
FMR LLC	10.11	24-11-2011
Aalberts Beheer B.V., J. Aalberts, J.A.M. Aalberts-Veen	13.27	03-02-2011

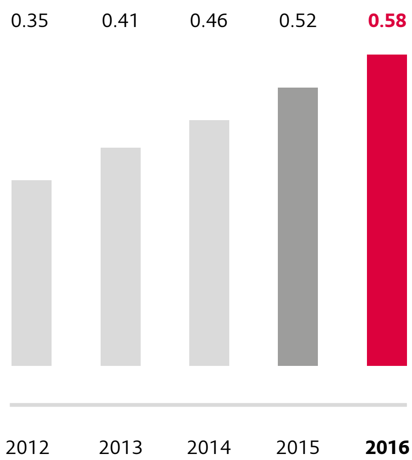
EARNINGS PER SHARE (BEFORE AMORTISATION)

(in EUR)



DIVIDEND PER SHARE

(in EUR)



REPORT OF THE MANAGEMENT BOARD

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IMPREGLON

MARKET AND GEOGRAPHICAL DEVELOPMENTS

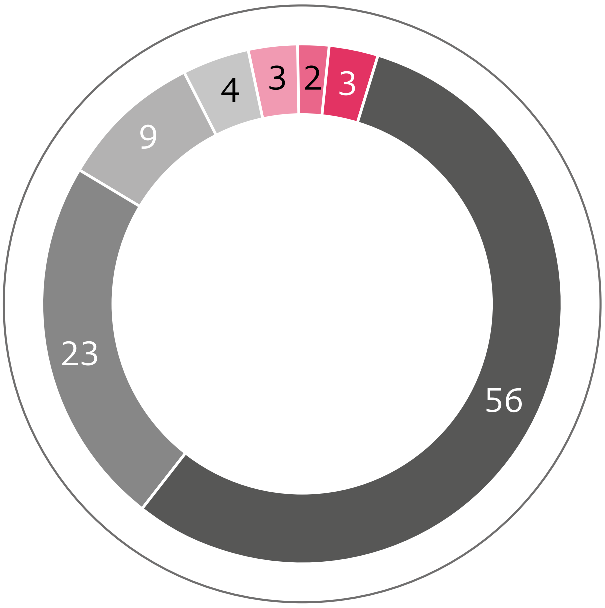
Aalberts Industries operates worldwide in four businesses, six geographical regions and ten end markets. Market developments and dynamics are different in each business, end market, technology and/or region, and it is this divergence that contributes to long-term, balanced and sustainable profitable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

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

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

REVENUE PER REGION

(in %)



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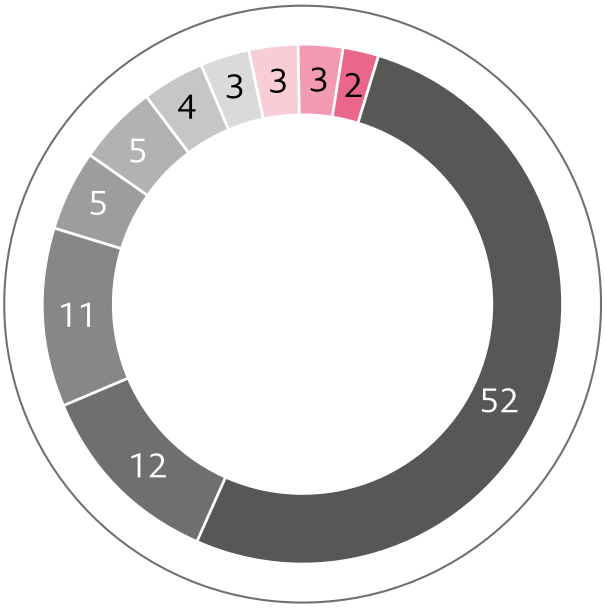
REVENUE PER END MARKET

(in %)



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- SEMICON & SCIENCE 3%
- DISTRICT ENERGY, OIL & GAS 3%
- BEVERAGE DISPENSE 2%

REVENUE PER BUSINESS

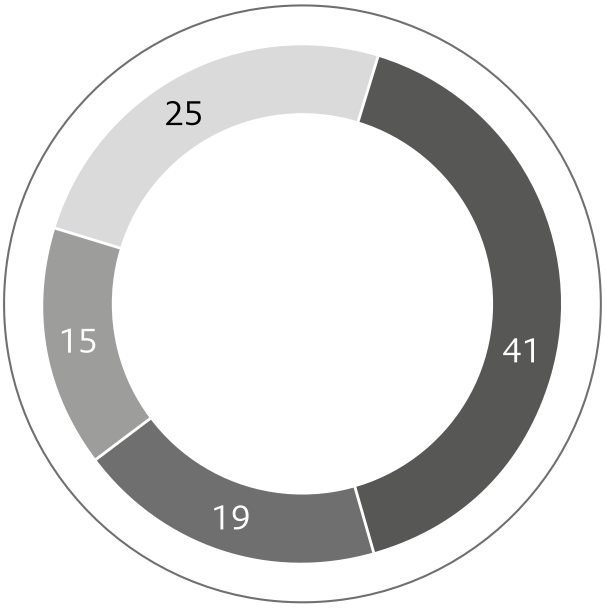
in EUR million	2016	2015	Δ
Building Installations	1,073.1	1,068.1	–
Climate Control	501.8	500.0	–
Industrial Controls	380.8	367.3	4%
Industrial Services	635.1	610.7	4%
Holding / Eliminations	*(68.7)*	*(70.8)*	
TOTAL	**2,522.1**	**2,475.3**	**2%**

EBITA

in EUR million	2016	2015	Δ
Building Installations	122.4	112.3	9%
Climate Control	54.0	51.3	5%
Industrial Controls	57.4	45.9	25%
Industrial Services	79.3	77.1	3%
Holding / Eliminations	*(15.0)*	*(14.6)*	
TOTAL	**298.1**	**272.0**	**10%**

REVENUE PER BUSINESS

(in %)



BUILDING INSTALLATIONS 41%
CLIMATE CONTROL 19%
INDUSTRIAL CONTROLS 15%
INDUSTRIAL SERVICES 25%

The revenue increased by 2% (organic +1.1%) to EUR 2,522 million (2015: EUR 2,475 million). Currency translation/FX impact amounted to EUR 39 million *negative*, mainly caused by British Pound (EUR 28 million), Russian Ruble (EUR 4 million) and Polish Zloty (EUR 4 million).

The added-value margin (revenue minus raw materials and work subcontracted) improved to 62.2% (2015: 61.5%).

Operating profit (EBITA) increased by 10% to EUR 298.1 million (2015: EUR 272.0 million), 11.8% of the revenue (2015: 11.0%). Currency translation/FX impact amounted to EUR 4 million *negative*, mainly caused by British Pound, Russian Ruble and Polish Zloty.

Net interest expense amounted to EUR 16.6 million (2015: EUR 17.8 million). The income tax expense increased to EUR 62.4 million (2015: 58.6 million) resulting in an effective tax rate of 25.2% (2015: 25.8%).

Net profit before amortisation increased by 12% to EUR 212.4 million (2015: EUR 190.4 million), per share also by 12% to EUR 1.92 (2015: EUR 1.72).

Capital expenditure on property, plant and equipment increased by 10% to EUR 105.6 million (2015: EUR 96.2 million).

Net working capital increased to EUR 480 million, 18.8% of revenue (2015: EUR 461 million, respectively 18.3%).

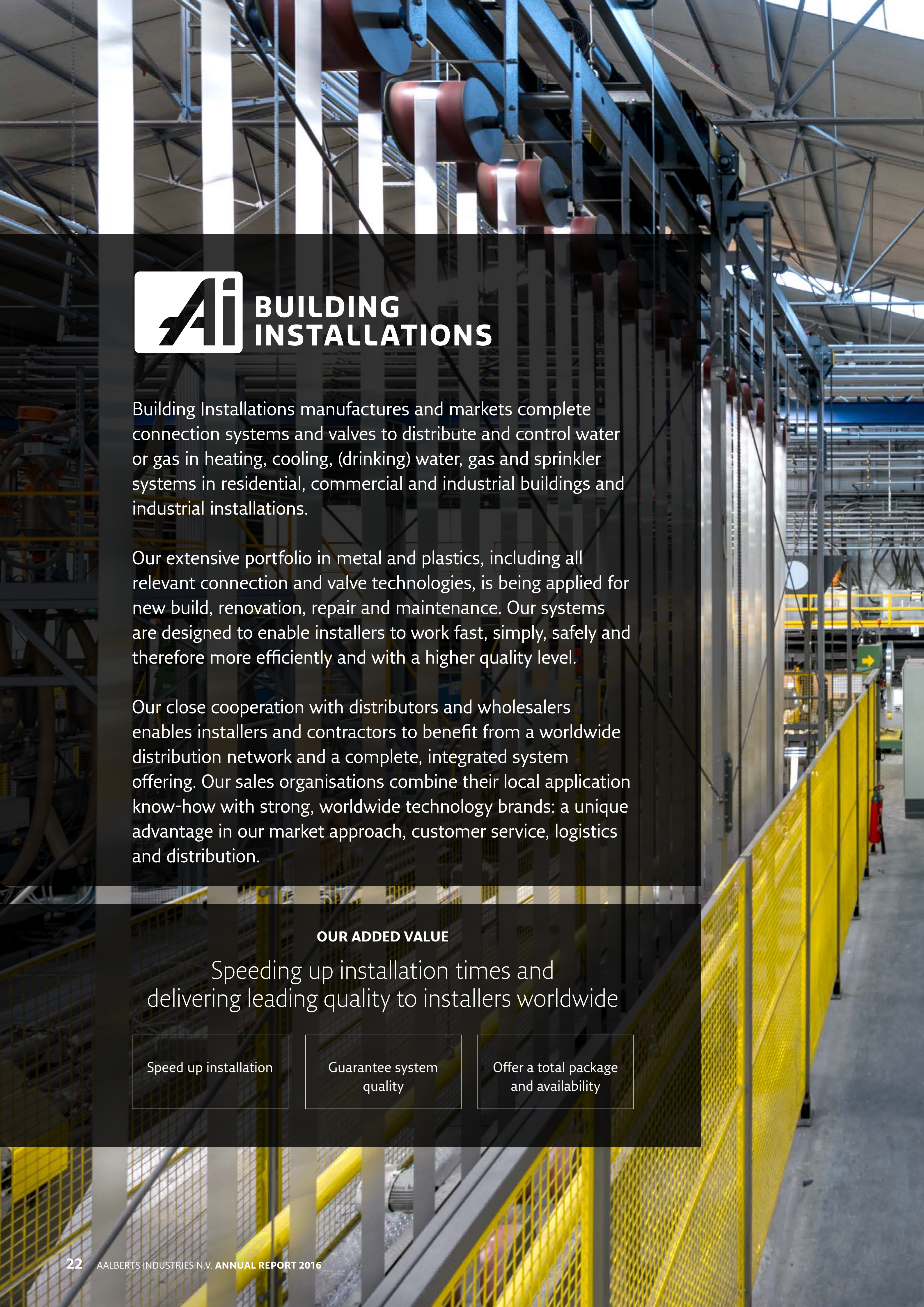
Cash flow (net profit + depreciation + amortisation) improved by 7% to EUR 306 million (2015: EUR 286 million).

Free cash flow improved by EUR 30 million (+12%) to EUR 273 million (2015: EUR 243 million) and the free cash flow conversion ratio improved to 69.8% of EBITDA (2015: 66.1%).

Return on capital employed (ROCE) improved to 14.7% (2015: 14.3%).

Total equity remained at a good level of 48.7% of the balance sheet total (2015: 46.9%).

Net debt amounted to EUR 713 million (2015: EUR 718 million) despite four bolt-on acquisitions. The leverage ratio ended at 1.7 (2015: 1.8), well below the bank covenant < 3.0.



BUILDING INSTALLATIONS

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

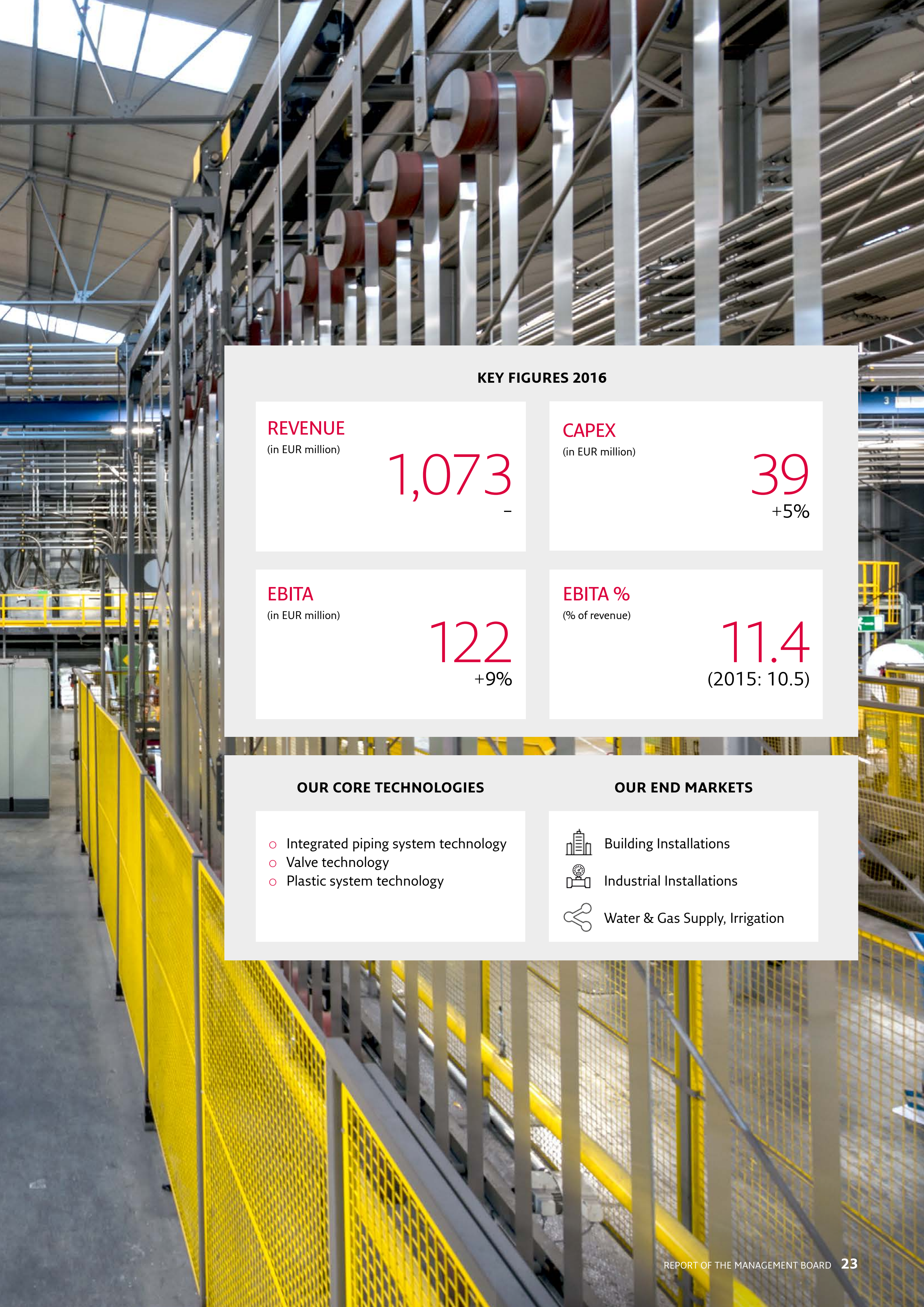
Our extensive portfolio in metal and plastics, including all relevant connection and valve technologies, is being applied for new build, renovation, repair and maintenance. Our systems are designed to enable installers to work fast, simply, safely and therefore more efficiently and with a higher quality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

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

OUR ADDED VALUE

Speeding up installation times and delivering leading quality to installers worldwide

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



KEY FIGURES 2016

REVENUE
(in EUR million)
1,073
–

CAPEX
(in EUR million)
39
+5%

EBITA
(in EUR million)
122
+9%

EBITA %
(% of revenue)
11.4
(2015: 10.5)

OUR CORE TECHNOLOGIES

- Integrated piping system technology
- Valve technology
- Plastic system technology

OUR END MARKETS

- Building Installations
- Industrial Installations
- Water & Gas Supply, Irrigation

STRATEGY IN ACTION

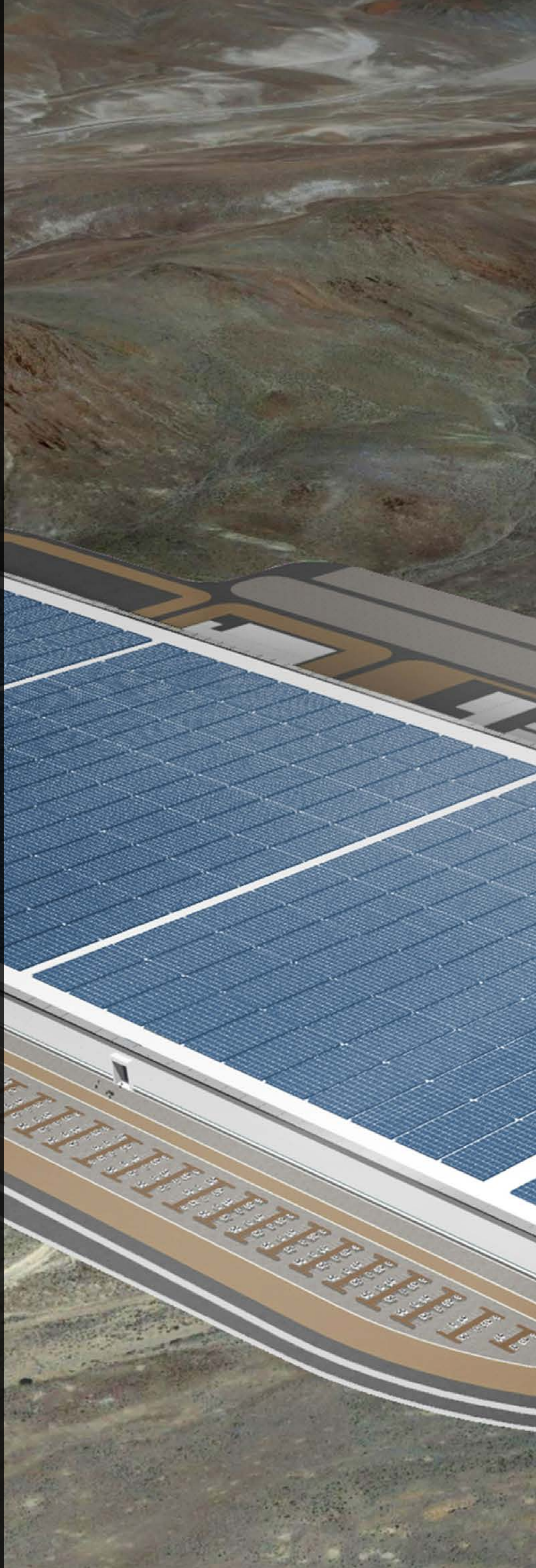
Local service, global impact

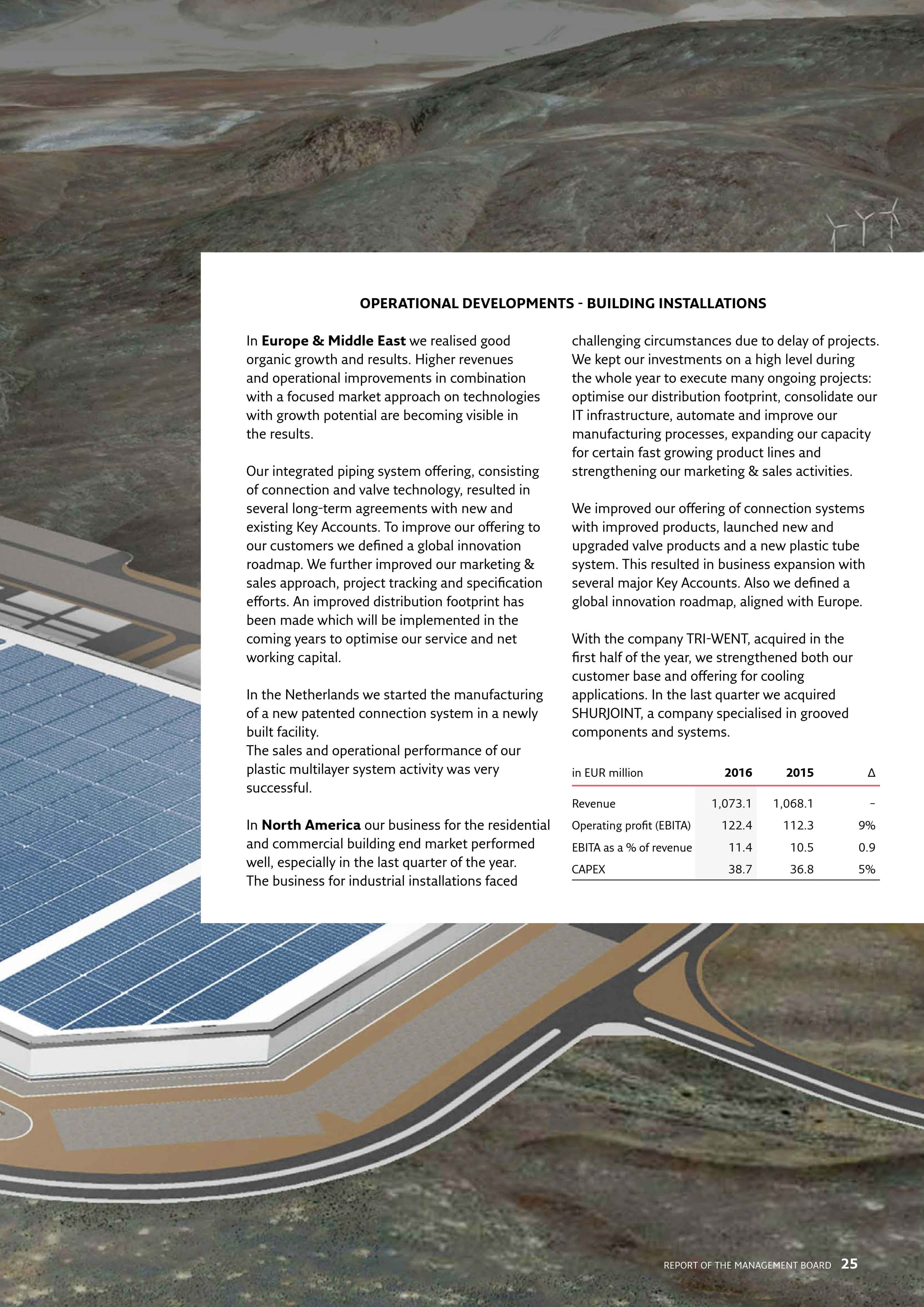
When America's most disruptive manufacturer of electrical vehicles announced it was building its gigafactory in Reno (Nevada), there was a scramble for position amongst contractors and their installation technology suppliers.

Four contractors were eventually chosen to supply the site and, after keen negotiations and intensive relationship building, Aalberts Building Installations was able to secure a commitment from three of them to support our 'Apollo Flow Controls' branded technology for this North American project.

Our ability to supply the systems in a timely manner and also support the project locally, through our Reno distribution centre, met the clients' strict timelines and budget demands. We feel confident that the good working relationship established with the contractors will deliver further referrals in the future.

This new lithium-ion battery gigafactory is a big deal to everyone involved as the project does not only offer a substantial market, it is also a great endorsement from one of the most high profile tech companies in the USA.





OPERATIONAL DEVELOPMENTS - BUILDING INSTALLATIONS

In **Europe & Middle East** we realised good organic growth and results. Higher revenues and operational improvements in combination with a focused market approach on technologies with growth potential are becoming visible in the results.

Our integrated piping system offering, consisting of connection and valve technology, resulted in several long-term agreements with new and existing Key Accounts. To improve our offering to our customers we defined a global innovation roadmap. We further improved our marketing & sales approach, project tracking and specification efforts. An improved distribution footprint has been made which will be implemented in the coming years to optimise our service and net working capital.

In the Netherlands we started the manufacturing of a new patented connection system in a newly built facility.
The sales and operational performance of our plastic multilayer system activity was very successful.

In **North America** our business for the residential and commercial building end market performed well, especially in the last quarter of the year. The business for industrial installations faced challenging circumstances due to delay of projects. We kept our investments on a high level during the whole year to execute many ongoing projects: optimise our distribution footprint, consolidate our IT infrastructure, automate and improve our manufacturing processes, expanding our capacity for certain fast growing product lines and strengthening our marketing & sales activities.

We improved our offering of connection systems with improved products, launched new and upgraded valve products and a new plastic tube system. This resulted in business expansion with several major Key Accounts. Also we defined a global innovation roadmap, aligned with Europe.

With the company TRI-WENT, acquired in the first half of the year, we strengthened both our customer base and offering for cooling applications. In the last quarter we acquired SHURJOINT, a company specialised in grooved components and systems.

in EUR million	**2016**	**2015**	Δ
Revenue	1,073.1	1,068.1	-
Operating profit (EBITA)	122.4	112.3	9%
EBITA as a % of revenue	11.4	10.5	0.9
CAPEX	38.7	36.8	5%

CLIMATE CONTROL

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

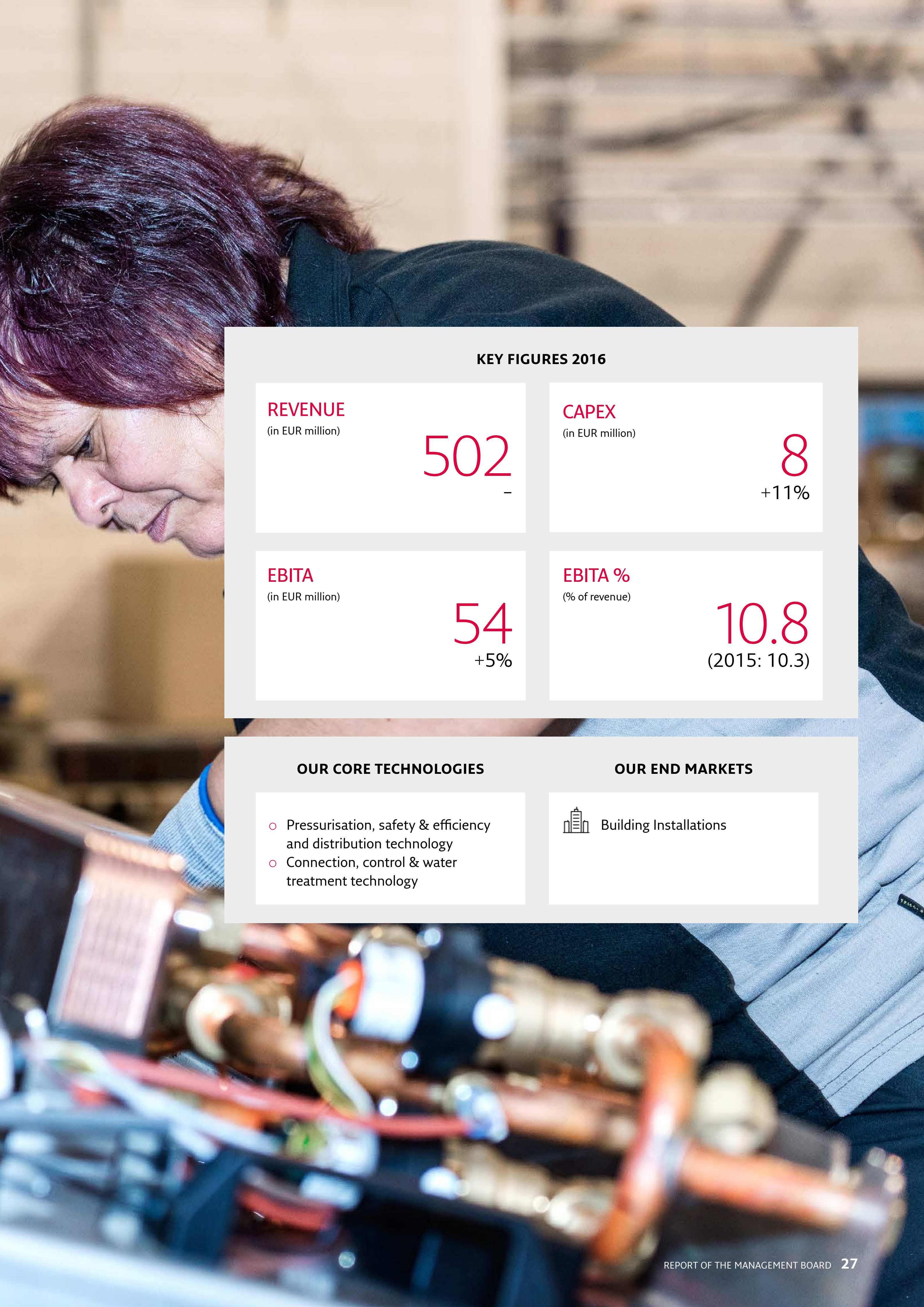
In many worldwide locations we provide engineering services based on application know-how and knowledge of local legislation to improve the performance of heating and cooling systems. Using them as energy efficient as possible is an important part of the total solution.

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

OUR ADDED VALUE

Adding value to building owners and specifiers by saving energy and water and improving system performance

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



KEY FIGURES 2016

REVENUE
(in EUR million)
502
–

CAPEX
(in EUR million)
8
+11%

EBITA
(in EUR million)
54
+5%

EBITA %
(% of revenue)
10.8
(2015: 10.3)

OUR CORE TECHNOLOGIES

- Pressurisation, safety & efficiency and distribution technology
- Connection, control & water treatment technology

OUR END MARKETS

Building Installations

STRATEGY IN ACTION

The finest thermal comfort in the most profitable way

With audaciously modern architectural lines, OVO Wroclaw is a multi-functional and luxurious complex that includes apartments, offices, shops, restaurants and bars as well as a 189-room hotel and conference centre.

One of the big challenges for this project was the design and delivery of the most energy efficient heating and hot water system for the residential apartments, one that would offer optimal comfort to the residents and the lowest possible exploitation cost.

Aalberts Climate Control became involved in the project already four years before completion and was instrumental in advising both the investor and architect on the facility concept. Ultimately we also offered and delivered a tailor-made thermal solution: our decentralised interface units enable each individual apartment to regulate the heat with the hot water being supplied using a heat exchanger.

The fact that the equipment has been developed and tested under laboratory conditions, and that we offered an energy efficient solution that worked meant that investors knew ahead of time that they were getting the best value for money without any compromise to comfort.

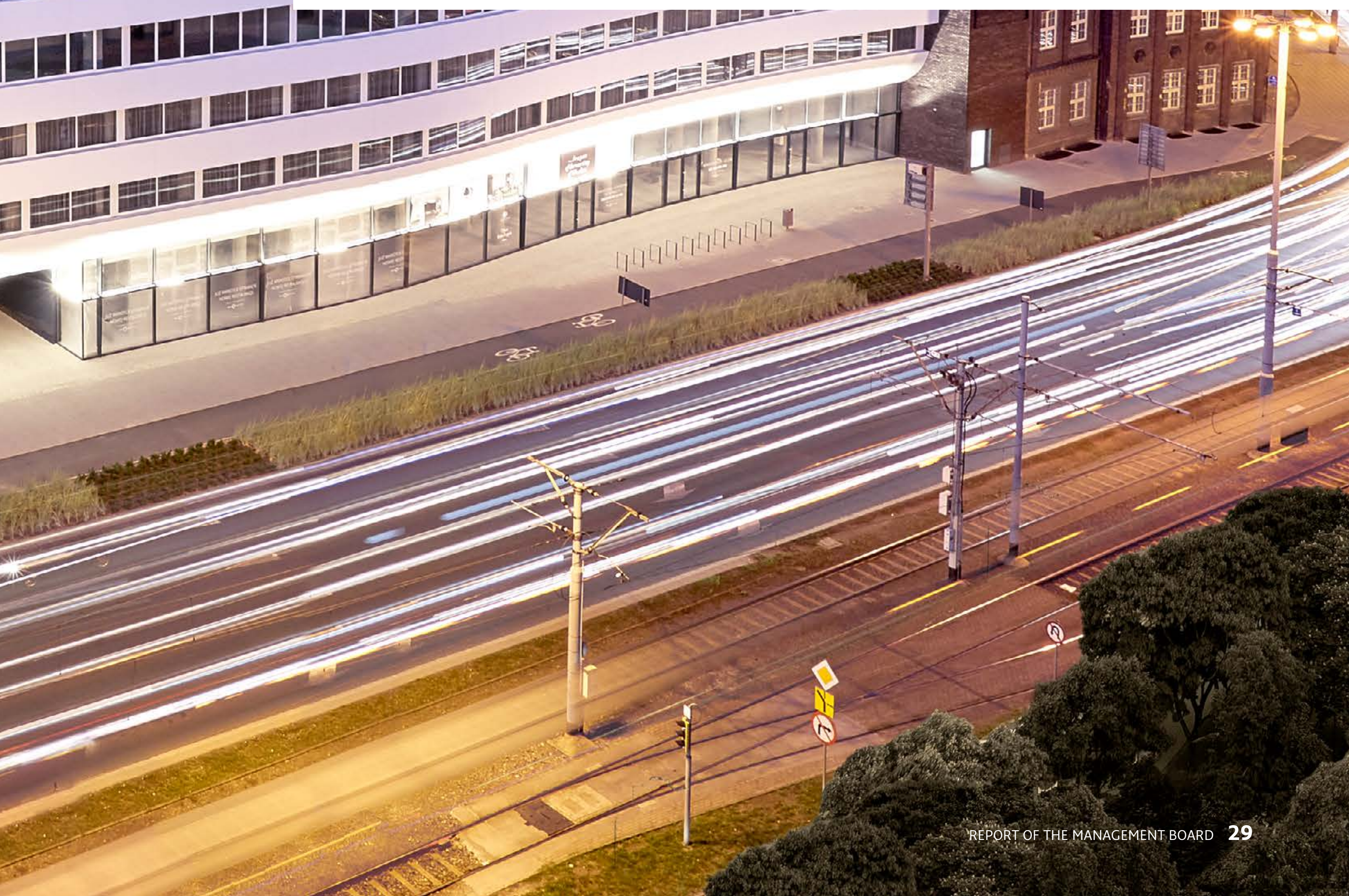
OPERATIONAL DEVELOPMENTS - CLIMATE CONTROL

We made a lot of progress in this business, especially in realising the many ongoing projects. In most European and North American countries we delivered good growth and results. Also in France and Spain market circumstances improved. Several product lines did very well, like our efficiency & safety valve range, water treatment and plastic connection systems. We continued to integrate and optimise our joint marketing & system sales approach based on core technologies in combination with the execution of many Operational Excellence projects. In several regions the sales force was strengthened with experienced people.

We have optimised our portfolio in certain countries, which has reduced our organic growth but strengthened our market position. We have started a new manufacturing site in Russia and transferred and consolidated several manufacturing sites. These projects were realised before year end, but increased costs during the year.

A global innovation roadmap was defined to drive further organic growth and prioritise and align the many product development and business possibilities.

in EUR million	2016	2015	Δ
Revenue	501.8	500.0	-
Operating profit (EBITA)	54.0	51.3	5%
EBITA as a % of revenue	10.8	10.3	0.5
CAPEX	8.4	7.6	11%



INDUSTRIAL CONTROLS

Industrial Controls develops, engineers and manufactures systems to regulate and control gasses and liquids for specific niche applications. These niche technology-end market combinations are characterised by an increasing demand for high value and custom made, engineered solutions.

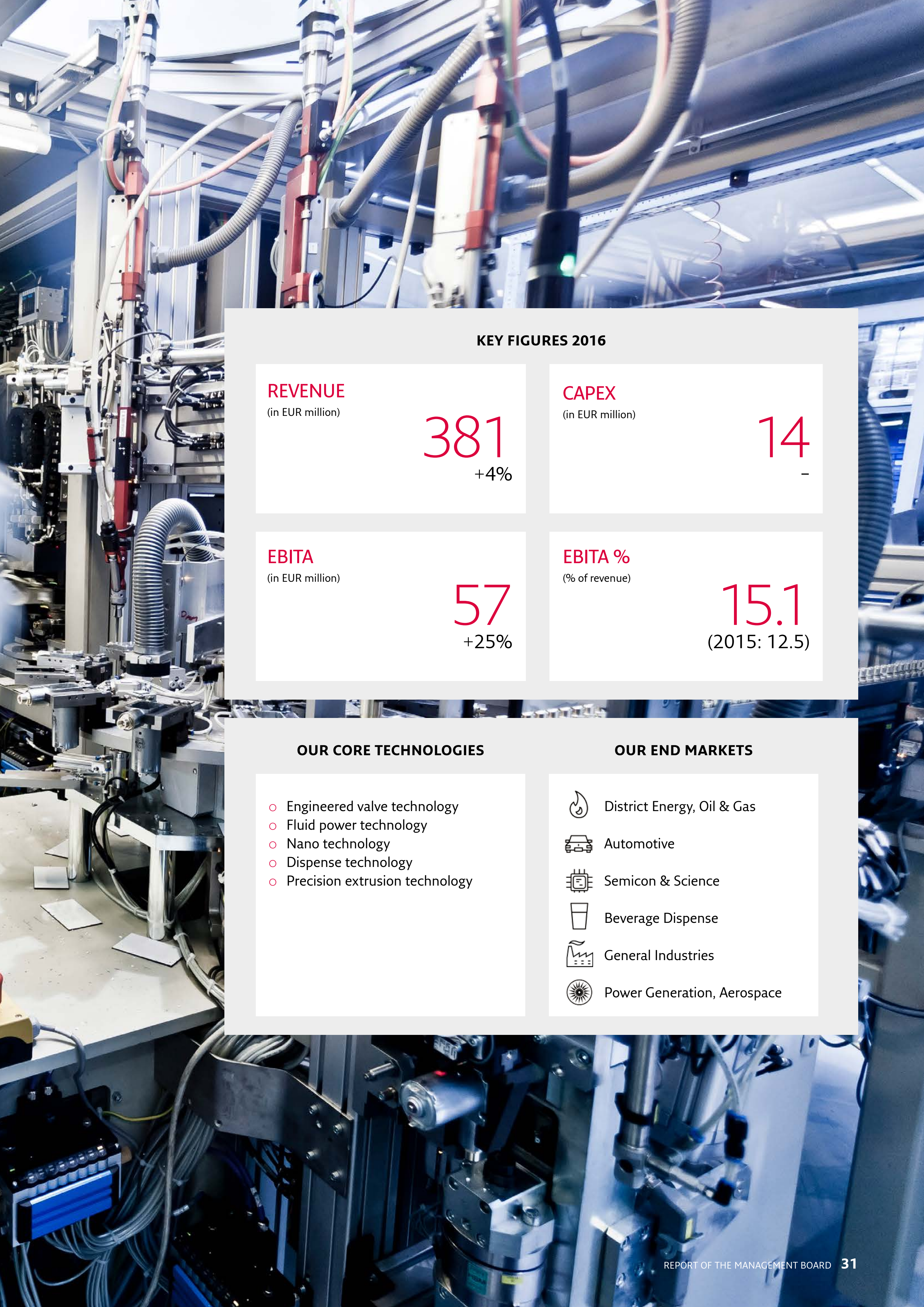
To meet the challenging customer specifications under often severe and critical conditions we work closely together with the engineers of our Key Accounts. After achieving specification requirements we deliver excellent service anywhere in the world our partners need us.

We aim for leading worldwide positions in our selected niche technology-end market combinations to serve our customers globally. We make use of our global network of locations and combine our technologies if necessary using the strong brands. We invest in world-class equipment to automate our processes to the optimum to achieve the highest efficiency and quality.

OUR ADDED VALUE

Delivering most challenging customer specifications combined with excellent service worldwide

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



KEY FIGURES 2016

REVENUE
(in EUR million)

381

+4%

CAPEX
(in EUR million)

14

–

EBITA
(in EUR million)

57

+25%

EBITA %
(% of revenue)

15.1

(2015: 12.5)

OUR CORE TECHNOLOGIES

- Engineered valve technology
- Fluid power technology
- Nano technology
- Dispense technology
- Precision extrusion technology

OUR END MARKETS

- District Energy, Oil & Gas
- Automotive
- Semicon & Science
- Beverage Dispense
- General Industries
- Power Generation, Aerospace

STRATEGY IN ACTION

Consistent superior quality, worldwide

For multinational beverage companies we engineered bar guns to offer flexible soda dispensing systems in bars and restaurants of large food chains, hotels and casinos. Soda is a highly competitive industry, for these global beverage companies consistent beverage quality is of the highest importance. We leveraged technologies and innovations from other applications and integrated them into a system that delivers the performance our customers rely on. They are a great example of how Aalberts Dispense Technology meets the performance, cost and quality expectations of their customers.

The technology is superior, and is recognised as such by both customers and the competition. The mechanical flow controls deliver a highly precise and stable ratio of water and syrup, while the layered fabrication and bonding ensures the durability of the flow performance. 'Plug and Play' technology makes servicing easy and high quality carbonation is guaranteed with our patented recirculation system.

Ever since we made the initial investment in Schroeder America in February 2016, Aalberts has selectively added industry expertise to the organisation to maintain and accelerate the development of additional configurations thereby increasing its availability to new customers.

OPERATIONAL DEVELOPMENTS - INDUSTRIAL CONTROLS

The **engineered valves** business for the District Energy, Oil & Gas end market faced challenging circumstances. We transferred and strengthened our North American operation. In Denmark we invested in a new manufacturing process for a new patented valve product line to be launched coming year. An innovation roadmap was defined and we invested in experienced sales persons in different regions.

The **fluid power** business for the Automotive and General Industries end markets did very well. The newly formed business management team, including 2015 acquisition VENTREX, is executing the integration plan and innovation roadmap. We see many opportunities to follow our Key Accounts in different parts of the world, using our global footprint.

The **dispense technology** business for the Beverage Dispense end market also made a good year. The business was globally aligned, business management team was strengthened, clear sales responsibilities were defined, many supply chain improvements were initiated and an innovation roadmap was made. We acquired SCHROEDER and VIN SERVICE (2017). The product lines of both companies further complete our system offering towards (global) Key Accounts.

Our **nano technology** business for the Semicon & Science end market started slow in the first half of the year. As expected, the business improved during the second half with a good revenue growth. We combined and strengthened the nano business management team and organisation and aligned our Key Account Management accordingly, using the strengths of the group.

The **precision extrusion** business made an excellent year in organic growth and results, due to more focus, business expansion with existing and new Key Accounts. A strong growth was realised in the Aerospace end market due to the unique combined offering of precision extrusion, specialised machining, surface treatment and assembly & testing. To facilitate growth we further invested in additional equipment and facilities. In parallel we divested one non-core activity in the Netherlands.

in EUR million	2016	2015	Δ
Revenue	380.8	367.3	4%
Operating profit (EBITA)	57.4	45.9	25%
EBITA as a % of revenue	15.1	12.5	2.6
CAPEX	13.6	13.6	-

INDUSTRIAL SERVICES

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

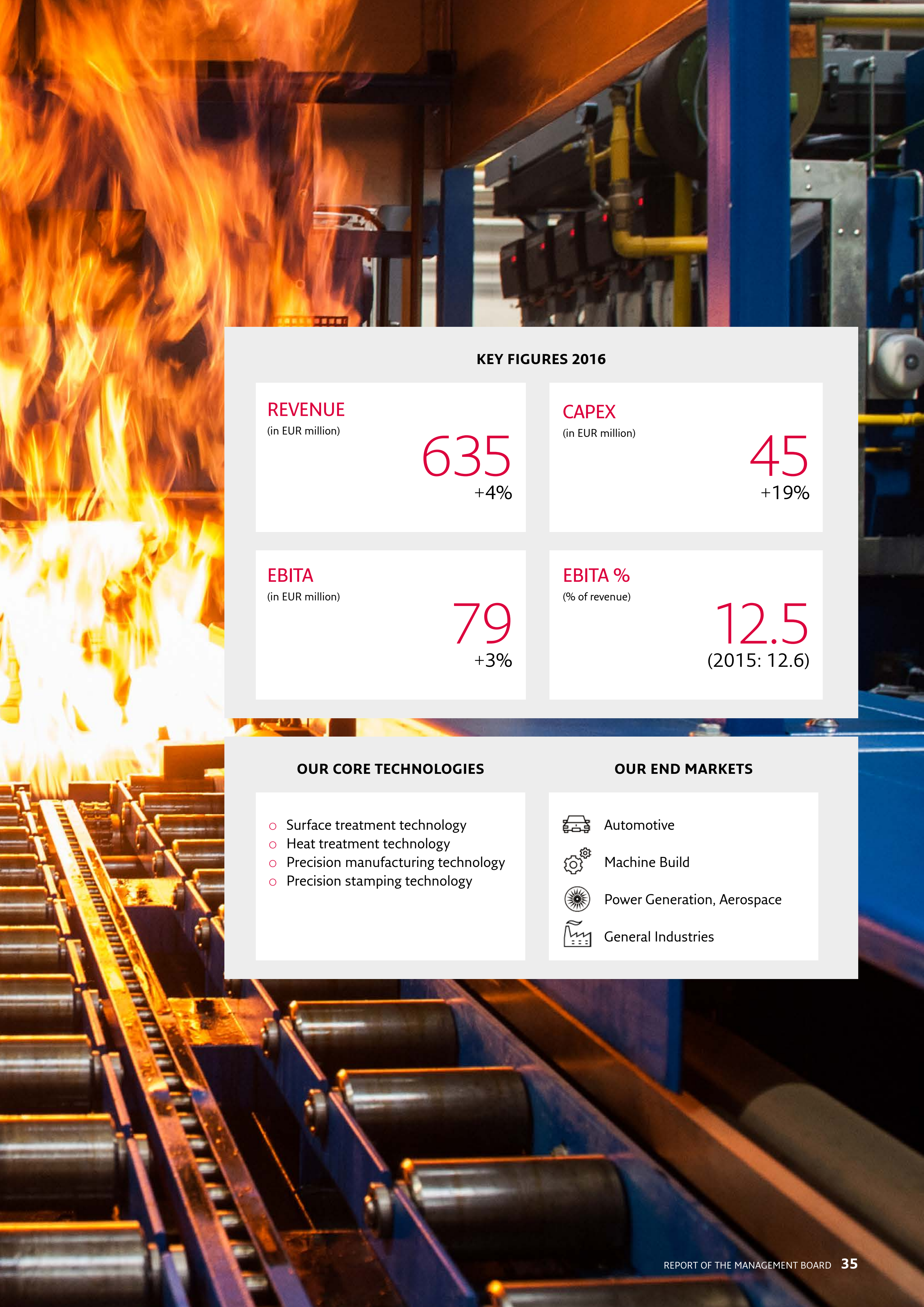
Our more than 100 locations enable us to do business with Key Accounts who expect the same technology, process quality and service in different locations of the world. In many cases we follow our customers to other parts of the world.

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

OUR ADDED VALUE

Improving material characteristics in combination with highly specialised manufacturing expertise

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



KEY FIGURES 2016

REVENUE (in EUR million) 635 +4%	**CAPEX** (in EUR million) 45 +19%
EBITA (in EUR million) 79 +3%	**EBITA %** (% of revenue) 12.5 (2015: 12.6)

OUR CORE TECHNOLOGIES

- Surface treatment technology
- Heat treatment technology
- Precision manufacturing technology
- Precision stamping technology

OUR END MARKETS

- Automotive
- Machine Build
- Power Generation, Aerospace
- General Industries

STRATEGY IN ACTION

Taking the lead in innovation

Aalberts Industries signed a long term service contract with a French manufacturer of military aircraft and business jets.

Over the last 40 years, this customer has appreciated our surface treatments of aluminum wing and structure pieces to combat corrosion.

The high-value agreement is very special, emphasising the importance of Aalberts Surface Treatment taking the lead in an innovation to produce in a more sustainable way. A significant investment will renew our production line in such a way that we are able to meet 'REACH' European regulation. In line with this new standard, chromium 6 – harmful for people and planet – will be suppressed in our treatments and replaced by sulphuric acid. This innovation was one of the most important reasons to collaborate with us.

Other major reasons to choose our service were the proximity of our locations in France, our 13-metre long bath to 'dip' the aircraft wings and the great flexibility we offer. A combination that makes us very competitive. We are one of the few suppliers able to deliver within five days. The deal is something to be proud of, it highlights the strength of our technology company and shows how successful teamwork leads to great results.

OPERATIONAL DEVELOPMENTS - INDUSTRIAL SERVICES

The **heat treatment** activities made a good year despite lower volumes in the Machine Build and General Industries end markets. The Automotive end market was on a good level. In Eastern Europe, Benelux and North America we realised good growth due to new projects with our Key Accounts. The alignment of the heat treatment organisation, business management team and the rebranding was successfully implemented.

The **surface treatment** activities made good progress with the ramp up of greenfield sites in China and Eastern Europe, a lot of new customers were serviced. Many Operational Excellence projects were executed during the year to improve, optimise and consolidate existing locations, resulting in more restructuring and start-up costs, lowering our profitability for the year. The Automotive end market performed at a good level. The Machine Build end market in Europe and the Oil & Gas end market in North America faced more difficult circumstances. In the Aerospace end market we realised good growth in the UK and signed a long term agreement with a major Key Account in France to surface treat aeroplane parts with a jointly developed new coating process.

Our **complex precision stamping** activities showed a good development in Eastern Europe and Asia. Last years we expanded several locations in these regions. In China we also added local manufacturing of mould technology to create a more complete offering for our local customers. In France we faced more difficult circumstances in the Automotive and General Industries end markets. To increase our growth in France we started a programme to develop more projects, especially in niche applications.

Our **precision manufacturing, brazing and heat treatment** activities for the Power Generation end market did very well and realised excellent growth. During the year we invested in additional capacity to facilitate the growth of newly gained agreements with our Key Accounts. Our market position was strengthened with the acquisition of USHERS in North America. We are now able to offer a combination of technologies (precision manufacturing, welding, brazing, assembly, testing and heat treatment) to our Key Accounts. We invested in a new precision manufacturing plant in South Carolina to facilitate growth.

in EUR million	**2016**	**2015**	Δ
Revenue	635.1	610.7	4%
Operating profit (EBITA)	79.3	77.1	3%
EBITA as a % of revenue	12.5	12.6	(0.1)
CAPEX	44.9	37.8	19%

As a leading manufacturing company, Aalberts Industries is firmly embedded in society and is deeply aware of its responsible role. We endorse the OECD and ILO guidelines concerning responsible business. To integrate our responsibility into day-to-day operations, we have developed a substantive responsible business framework for our group companies providing reference and direction. Ongoing interactions with the group companies enable us to share best practices. Responsible business is also integrated in the annual budget meetings.

RESPONSIBLE BUSINESS FRAMEWORK

HEALTH & SAFETY | **ENVIRONMENT** | **INTEGRITY**

HEALTH & SAFETY

SAFE PLACE TO WORK

At Aalberts Industries everything revolves around safety. We are focused on preventing incidents that may be harmful to our employees and neighbouring communities, or incidents that may cause environmental damage.

We continuously invest in a culture in which people know what their responsibility is to make Aalberts Industries a safe place to work. Our policy also focuses on improving procedures at all group sites that do not perform at the group average according to the KPIs set.

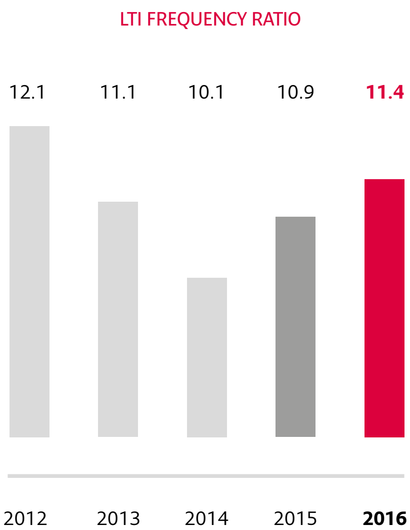
In order to further improve performance we included Health & Safety in our Operational Excellence programme.

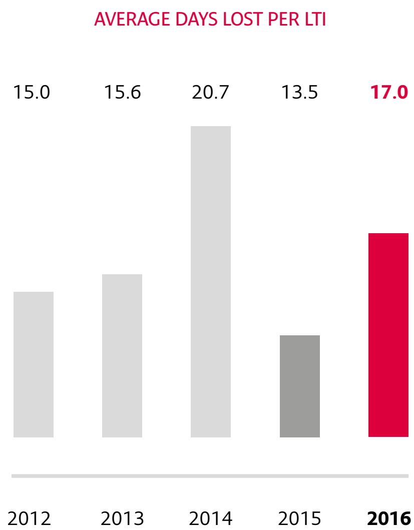
HEALTH & SAFETY PERFORMANCE INDICATORS

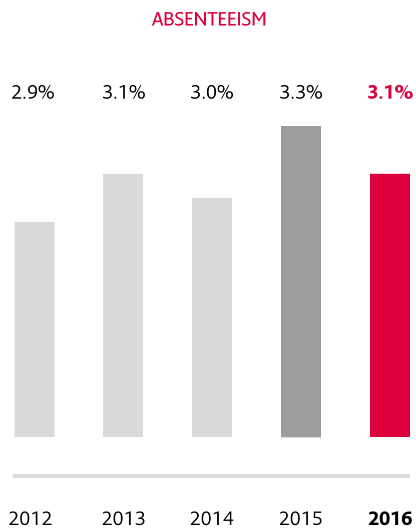
We set clear Health & Safety KPIs to monitor performance.

In 2016 our LTI Frequency Ratio (the number of lost time injuries per one million working hours) slightly increased to 11.4, the Average Days Lost per LTI was 17.0 days, and the absenteeism rate reduced to 3.1%. Worldwide our absenteeism rate is well below the national average and well below the industry average in the countries where we operate.

The KPIs displayed below show our performance over the last five years.







HEALTH & SAFETY CASE

Our North American foundry has gone one year without a missed day at work due to a work related injury or illness. The continuous and structural attention for safety measures made them win several safety awards in the last few years.

CERTIFICATION

The majority of our group companies are ISO 9001 quality management standard certified. Moreover, the safety management systems are in accordance with the OHSAS 18001 standards. A number of group companies also had their environmental management systems certified in accordance with the ISO 14001 standard and conform their sustainable management behaviours to the ISO 26000 standard.

ENVIRONMENT

Within this pillar we canalise our efforts on efficient energy and water consumption, lifecycle improvement and reducing, reusing and recycling.

EFFICIENT ENERGY & WATER CONSUMPTION

Efficient energy consumption is a key performance indicator for all our sites and locations. We consider it our responsibility to work as energy efficient as possible, bringing both emissions and energy costs down to a minimum.

In the majority of our businesses we offer a wide portfolio of products, services and technologies with positive environmental impact in its application. We supply and engineer solutions for heat and cold storage, solar collectors, irrigation systems and water supplies, enabling our customers to reduce energy and water consumption while improving the system performance, a prerequisite to construct sustainable buildings.

ENVIRONMENTAL CASE

The *Airfix* expansion vessel by one of our Climate Control companies helps preventing unnoticed waste of potable water. Traditionally, heated water expands in water heaters and the surplus leaks out via the safety valve. By installing an *Airfix* vessel next to the water heater, potable water is collected, kept clean and flows back into the water heater as soon as water is used. Not a single drop of water is wasted anymore. Applying this vessel approximately saves 1,200 litres of hot water per year. In 2016 Climate Control launched '*a litre for a litre*', a six months social responsibility project whereby the annual water saved by each sold *Airfix* vessel was given back as clean potable water to regions where this is not a luxury.

Our innovations and technologies continuously aim to contribute to the combat against the adverse effects of climate change. For example more frequent floods and dry periods require suitable solutions for water consumption.

LIFECYCLE IMPROVEMENT

As a result of the range of heat and surface treatments we perform for customers, we extend the lifecycle of various metals. We partner with leading (industrial) customers worldwide at the engineering and design phase to integrate our treatments in their manufacturing processes. This has a severe positive impact on the product quality and reliability plus the entire lifecycle of the manufactured parts (from service to disposal of metal ending up in landfills). It goes without saying that we also apply these mentioned lifecycle improvements to all of our products and innovations.

ENVIRONMENTAL CASE

A frequently applied heat treatment by Aalberts Industries is the hardening of steel. Right after hardening a product, the tempering process starts in which thermal tensions are reduced and the desired hardness is obtained. The result is a longer lasting component. A nice example is the hardening of bicycle locks. As a result of our heat treatments these locks meet the TNO standard, implying impossible to break, demolish or saw plus the locks have a much longer life.

REDUCE, REUSE, RECYCLE

Most Aalberts Industries companies use sustainable lifecycle concepts as a common thread in its services. To use materials as efficiently as possible, reusing and recycling are key focus areas in the policy of Aalberts Industries. We centralised the sourcing of key raw materials at the head office. This enables us to ensure sustainable sourcing, to manage the efficient usage of raw materials and the effective recycling of scrap.

We strive to generate as little waste as possible by conserving and recycling water, energy and chemicals and substituting hazardous substances. Nearly all group companies execute initiatives to optimise resource usage, decrease energy consumption, minimise environmental impact and reduce cost. Some group companies have also set up an integrated sustainable development or energy-efficiency plan.

ENVIRONMENTAL CASE

Aalberts Building Installations instituted a programme to recover nickel from nickel plating solutions and return it to the bath. In this way less nickel is used in the process and also keeps it from going out in the waste water. The waste water treatment centre of the company removes about 95% of the metallic contamination from the water. It is no longer needed to run water through the tank all the time. The company monitors the rinses using conductivity and determines how much water is actually needed. This process significantly reduces water usage.

INTEGRITY

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

CODE OF CONDUCT

The company is proud of its excellent reputation as a responsible and reliable employer and business partner. The Code of Conduct of Aalberts Industries contains seven main business standards as rules of ethical conduct all Aalberts Industries employees must follow. These business standards relate to:

1. business integrity;
2. fair and timely disclosure of information;
3. responsible supplier management;
4. responsible work conduct;
5. responsible work environment;
6. corporate responsibility; and
7. proper authorisations and approvals.

The themes around business integrity concern strict compliance with fair competition laws, compliance with economic sanctions and export control regulations, compliance with anti-bribery laws, prevention of fraud, avoidance of conflict of interest, accurate accounting and reporting and compliance with insider trading rules. More information can be found at www.aalberts.com/code.

Our Speak up! procedures enables our employees to report violations of the Code of Conduct or other misconduct. All Speak up! notifications are promptly investigated and the relevant cases are reported to the Management Board and Supervisory Board. The Code of Conduct is integrated into the employment agreements of all senior staff and management throughout the group.

AALBERTS INTEGRITY ACADEMY

In 2016 we successfully launched the Aalberts Integrity Academy, an e-learning portal covering business integrity matters and our Speak up! procedure. This e-learning is mandatory for all our key employees in finance, human resources, operations, purchase, sales, general management and management staff.

Guidance and the roll of both the Code of Conduct and the Aalberts Integrity Academy are effected through our worldwide governance network. In 2017 we will develop and implement additional e-learning modules.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

To further improve 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, treating employees with respect and work in an environmentally friendly way).

In 2016 we implemented our Supplier Code of Conduct, which includes the principles of the Code of Conduct and the principles of the UN Global Compact and the OECD. We contractually bind our suppliers to adhere to the principles of our Supplier Code of Conduct. Numerous key suppliers have contractually agreed to adhere to these principles. In 2017 we will further improve the coverage on our supplier base.

INTEGRITY CASE

One of our group companies is mainly active in Southern Europe, Eastern Europe and Asia and the majority of its procurement is done locally.
The company focuses on responsible supply chain management by concluding and implementing sustainable development partnerships with strategic suppliers. As a result, substantial percentages of the purchases done by customers are reallocated to environment, public services and jobs in the local territory. ECOVADIS has assessed and positioned our group company among the 2% most advanced companies in terms of Responsible Business.

RESPONSIBLE TAXATION
A coherent and responsible tax policy is a key element of our responsible business strategy.

Over the years, Aalberts Industries has applied a conservative and cautious tax policy in line with OECD Guidelines.
The business is leading in setting up international structures: we declare profits and we pay tax in the jurisdictions in which the economic activity occurs. Our tax planning strategy is based on the spirit of the law. This means that we do not seek to avoid taxes through 'artificial' structures in tax haven jurisdictions, we pay our fair share of tax in the countries in which we operate, we aim at filing accurate and timely tax returns and we strive to maintain strong and transparent relationships with the 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.

Through discussions with investors, we have become aware that a responsible tax policy can be a decisive factor in the consideration whether or not to invest in a company. For this reason, we have expressed our ambition to be transparent about our tax strategy.

The nature of both our business and our strategy means that we face a number of inherent risks. We have carefully considered the type and extent of the inherent risks to the group achieving its objectives. Aalberts Industries' spread in businesses, technologies, end markets and geographical regions limits our dependence on specific markets or customers and strongly benefits our strategic objective to create sustainable and profitable growth as mentioned on page 15.

We have identified the following main potential risks, including long term emerging risks, relating to our strategy and set out our actions to manage these risks as effective as possible:

RELEVANT DEVELOPMENTS

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

POTENTIAL RISK
OPERATIONAL

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

POTENTIAL RISK
STRATEGIC

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

'AALBERTS INDUSTRIES LINKED' STRATEGY 2015-2018

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

POTENTIAL RISK
LEGAL & REGULATORY

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

Non-compliance with the Code of Conduct

Insufficient training leading to misunderstanding of rules and regulations

Product liability proceedings

POTENTIAL RISK
FINANCIAL

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

RISK MANAGEMENT

STRATEGIC ACTIONS

	STARTED	IN PROGRESS	CONTINUOUS IMPROVEMENT	DONE
Further strengthening business management structure, closer to the end user				•
Consistently managing Operational Excellence programme using the strengths of the group			•	
Development of innovation roadmaps per core technology to generate additional growth	•			
Invest in R&D and competence centres per technology	•			
Continued focus on businesses, end markets and core technologies of the future		•		
Utilise global network of locations		•		
Use our strengths and combine portfolios and technologies on Key Account level		•		
More focus on end markets and regions with limited presence	•			
Integration of recent acquisitions in the organisation by strong implementation teams			•	

OPERATIONAL ACTIONS

	STARTED	IN PROGRESS	CONTINUOUS IMPROVEMENT	DONE
Strengthen Human Resource Development function per business	•			
Strengthen talent development by the head office and Management Board		•		
Further promotion of our corporate culture ‘The Aalberts Way’		•		
Become even more attractive for talented people in every discipline	•			
Increase focus on safety culture and include Health & Safety in Operational Excellence programme		•		
Implementing more efficient processes and standardisation of IT systems per business		•		
Define clear KPIs with clear responsibilities for Operational Excellence projects		•		
Include business continuity and proper insurance in Operational Excellence programme		•		
Further development of internal audit and monitoring activities		•		
Increase awareness for and limit cyber security vulnerabilities, threats and cyber-related attacks		•		
Further increase risk awareness throughout the group and development of group-wide key control principles		•		
Maintain proper package of insurance facilities for property, plant and equipment		•		
High level of quality assurance embedded in manufacturing processes			•	
Increased focus on supplier selection and dual sourcing where appropriate to reduce dependence			•	

LEGAL & REGULATORY ACTIONS

	STARTED	IN PROGRESS	CONTINUOUS IMPROVEMENT	DONE
Focused attention and continued awareness for Code of Conduct and authorisation chart			•	
Code of Conduct and authorisation chart integral part of internal assessments by group control and external auditor			•	
Further implementation of Speak up! procedure			•	
Business integrity matters standing topic in management meetings			•	
Launch Aalberts Integrity Academy for e-learning on business integrity matters and Speak up! procedure			•	
Semi-annual meetings with worldwide governance network			•	
Insurance notification process with central claim and proceedings management			•	
Proper package of insurance facilities for potential (product) liability risks in place			•	
Communicate expectations continuously to relevant third parties in our supply chain (e.g. Supplier Code)		•		

FINANCIAL ACTIONS

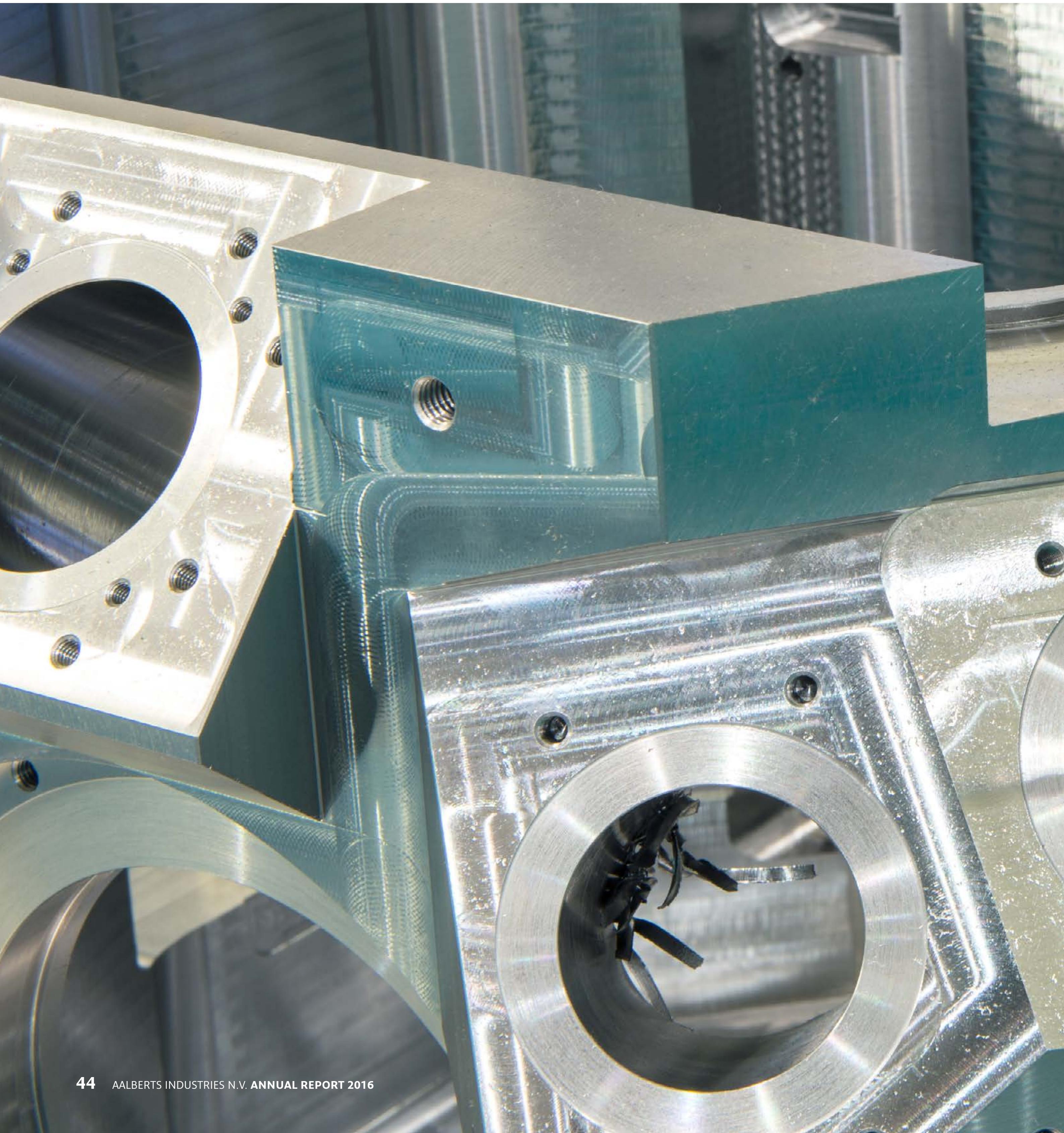
	STARTED	IN PROGRESS	CONTINUOUS IMPROVEMENT	DONE
Central currency cash flow coordination and regional consolidation of purchase and sales in specific currencies			•	
Critical assessment of risk reports by group control and Management Board		•		
Strengthen group control functions at head office				•
Strengthen group treasury functions at head office and optimise group treasury management system				•
Maintain healthy balance sheet ratios		•		
Ensure funding for acquisitions in local currencies with a maximum term of seven years			•	
Conduct internal audits and increase frequency of site visits and internal assessments		•		
Continuous training of financial operational staff		•		
Further harmonise policies and procedures for internal, financial and IT controls		•		

RISK APPETITE

Although our risk appetite for financial, legal and regulatory risks is low, we are willing to accept limited strategic and operational risks when this is necessary to achieve our strategic objectives.

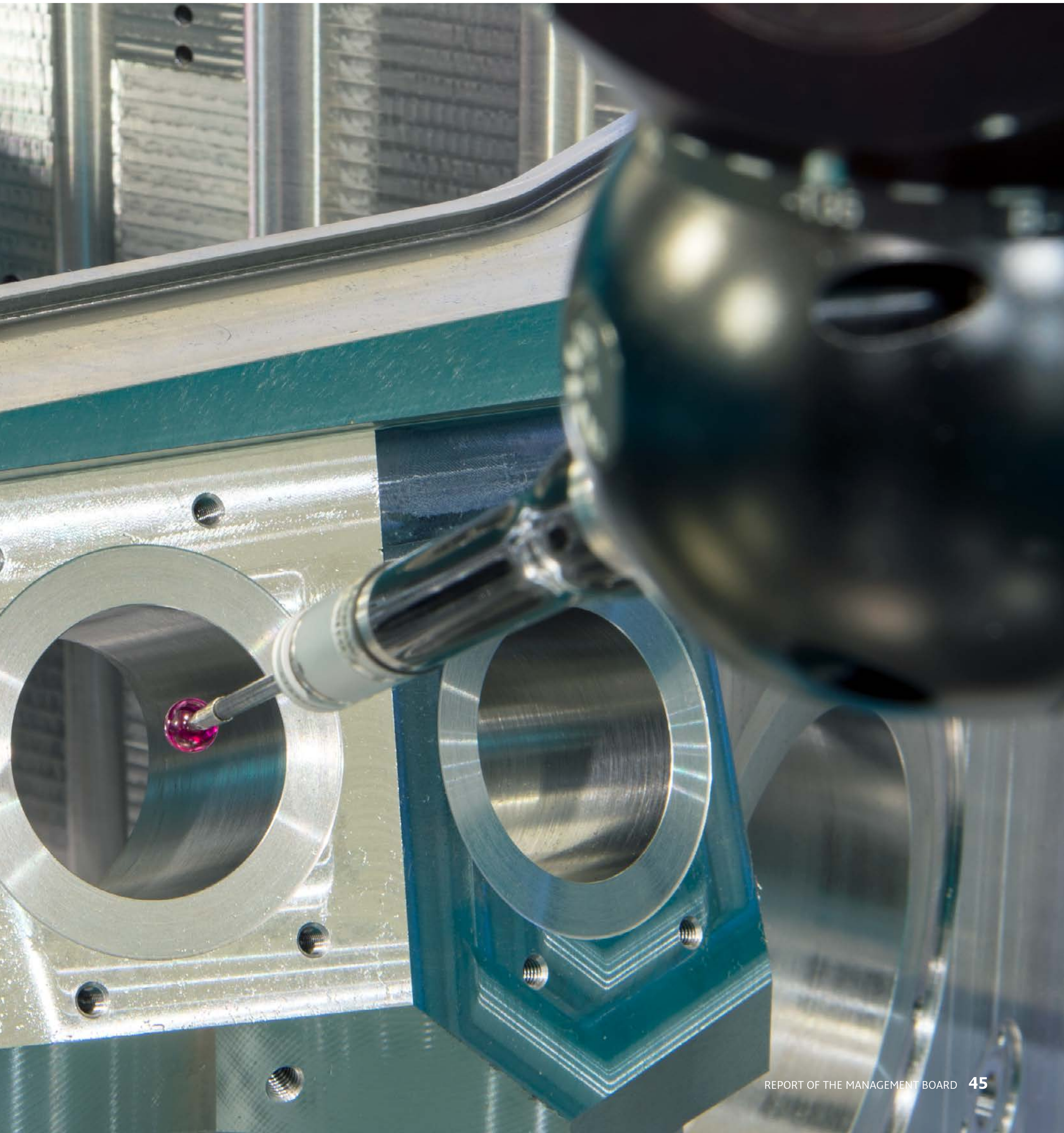
RISK MANAGEMENT AND CONTROL SYSTEMS

Our businesses 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 risk management and control systems as set out above do, however, not provide absolute assurance that errors, fraud, losses, or unlawful acts can



be prevented. During the 2016 financial year, no significant shortcomings were found in the internal risk management and control systems and no significant changes were made or scheduled for these systems, other than the further strengthening of the business management teams and the head office including governance, internal audit and global tax functions.

The internal risk management and control systems have been discussed with the Supervisory Board. These systems have been demonstrated to be adequate and they provide a reasonable degree of assurance that the financial reporting does not contain any material misstatements and that the risk management and control systems operated properly during the 2016 financial year.



Aalberts Industries N.V. endorses the principles of the Dutch Corporate Governance Code (*the "Code"*) and applies virtually all best practice provisions of this Code. To a limited extent, these have been adjusted to specific circumstances of Aalberts Industries. A guide detailing how Aalberts Industries further improved its compliance with the provisions of the Code is available at www.aalberts.com/governance. The Management Board therefore believes it meets the principles of 'comply or explain'. All the regulations pursuant to the Code that are applicable to Aalberts Industries concerning reporting and transparency of information have been incorporated into the annual report.

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

The deviations from the Code relate to the following four subjects.

- **Management Board**

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

- **General Meeting**

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

- **Company secretary**

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

- **Provision of information**

Aalberts Industries announces all press conferences and meetings with analysts in advance. Presentations to analysts are posted on the website of the company at the start of these meetings. At the moment we deviate from the provision that all shareholders should be able to follow the analyst meetings, presentations to (institutional) investors and press conferences at the same time by means of webcasting, telephone or otherwise. It is regularly examined whether it is desirable to provide those facilities. As a result thereof, Aalberts Industries will start with webcasting as from 2017.

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. To summarise, 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 holders of priority shares, which is the Stichting Prioriteit 'Aalberts Industries N.V.' (*the "Stichting"*).
If the Stichting 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 Stichting.

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 19 April 2016 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 Stichting. 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 19 April 2016 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 ANTI-TAKEOVER MEASURES

The duties and powers of the General Meeting, the Supervisory Board, the Management Board and the Stichting have been defined in such a way that a well-balanced allocation has been achieved with respect to the control and influence of the company's individual bodies. By doing so, Aalberts Industries has ensured as much as possible that, when essential decisions are made, the interests of all of the company's stakeholders are taken into account and that the decision-making process can always be conducted in a prudent manner.
According to provision IV.3.11 of the Code, the company is required to provide an overview of its actual or potential anti-takeover measures and to indicate in what circumstances it is expected that these measures may be used. The priority shares held by the Stichting may be considered to constitute a form of permanent anti-takeover measure.

The powers of the Stichting have been described in this chapter and on page 92 under 'Special Controlling Rights under the Articles of Association'.

SPEAK UP!

The confidentiality advisor is responsible for dealing with violations of the Code of Conduct of Aalberts Industries. These violations are reported to the Management Board. Once a year, material violations are reported to the Supervisory Board. Violations of the Code of Conduct can lead to immediate dismissal. Aalberts Industries does not permit retaliation against employees who, in good faith, seek advice or report conduct that is not in line with the Code of Conduct. In 2016 the Speak up! procedure has been implemented throughout the whole group. Our key-employees are further educated about the use of the Speak up! procedure by way of e-learning. The use of the Speak up! form and procedure have been moderated by giving additional guidance on the use of the form at www.aalberts.com/speakup.

INSIDER TRADING

Aalberts Industries has an insider trading policy in place. In 2016 the Annexes of the Code of Conduct regarding prevention of insider trading have been updated in accordance with new legislation which took effect as from 3 July 2016. The Compliance Officer keeps all permanent and deal specific insider lists up-to-date and has informed the insiders of all new obligations due to the changed legislation. The full text of the insider trading policy can be found at www.aalberts.com/code.

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 www.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 Industries.

MANAGEMENT BOARD DECLARATION

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

1. the financial statements as included in this report provide a true and fair view of the assets, liabilities, financial position, and profit for the financial year of Aalberts Industries N.V. and the group companies included in the consolidation; and
2. the management report as included in this report provides a true and fair view of the situation on the balance sheet date, the business development during the financial year of Aalberts Industries N.V., and of its affiliated group companies included in the financial statements. The management report describes the material risks to which Aalberts Industries N.V. is exposed.

Langbroek, 27 February 2017

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

FINANCIAL CALENDAR 2017–2018

21 March 2017	Registration date for General Meeting
18 April 2017	General Meeting
20 April 2017	Quotation ex-dividend
21 April 2017	Record date for dividend
11 May 2017	Paying out dividend
27 July 2017	Publication interim results 1H2017
28 February 2018	Publication full year results 2017
19 April 2018	General Meeting

REPORT OF THE SUPERVISORY BOARD

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VINSERVICE
ITALY

The Supervisory Board believes that Aalberts Industries took the right steps in 2016 to allow the company to further grow. Cooperation between the various group companies has been intensified and makes a significant contribution to the expected further profitable growth. The Management Board and employees have performed well.

FINANCIAL STATEMENTS 2016

The 2016 financial statements have been prepared by the Management Board and have been signed by the Management Board and the Supervisory Board. Page 96 of the financial statements includes the auditor's report from the independent auditor Deloitte Accountants B.V. The Management Board will present the 2016 financial statements to the General Meeting.

The Supervisory Board advises the General Meeting to adopt these financial statements, including the proposed cash dividend of EUR 0.58 per share.

DIVIDEND POLICY

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

COMPOSITION OF THE MANAGEMENT BOARD

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

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

COMPOSITION OF THE SUPERVISORY BOARD

The composition of the Supervisory Board is in accordance with the profile drawn up, which is published on the website of Aalberts Industries. The composition of the Supervisory Board changed in 2016.

Mr. P. (Piet) Veenema was appointed as member of the Supervisory Board.

Newly appointed Supervisory Board member Piet Veenema was offered an introduction programme to become more familiar with the company. Individual meetings with Management Board members and Executive Directors provided insight into topics such as:

- the organisational and reporting structure;
- the 'Aalberts Industries Linked' strategy;
- the different business models including sales, marketing and distribution channels; and
- the risk management system and control framework.

Piet Veenema made one site visit in The Netherlands and one in Germany. The programme will continue in 2017.

In 2016, steps were also taken to allow for the nomination of new members for the Supervisory Board who fit the profile.

As of 19 April 2016 the Supervisory Board consists of:

H. (HENK) SCHEFFERS (1948), CHAIRMAN

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

M.C.J. (MARTIN) VAN PERNIS (1945)

Dutch nationality
Former President of Siemens Group in the Netherlands.
In office since 2010. Current term of office until 2018.
Other relevant positions:
Chairman Supervisory Board Batenburg Techniek N.V.
Member Supervisory Board and Chairman NSR Committee ASM International
Member Advisory Board G4S
Chairman Supervisory Board Sacon BV
Chairman Habitat for Humanity The Netherlands
Chairman Supervisory Board Rotterdams Philharmonisch Orkest

P. (PIET) VEENEMA (1955)

Dutch nationality
Former Chairman Management Board of Kendrion N.V.
In office since 2016. Current term of office until 2020.
Other relevant positions:
Chairman Supervisory Board N.V. Holding Westland Infra.
Member Supervisory Board Van Wijnen Holding N.V.
Member Supervisory Board M&G Holding B.V.
Member Advisory Board Egeria Industrials A.G.

J. (JAN) VAN DER ZOUW (1954)

Dutch nationality
Former Chairman Management Board Eriks Group N.V.
In office since 2015. Current term of office until 2019.
Other relevant positions:
Chairman Supervisory Board Van Wijnen Holding N.V.
Member Supervisory Board Masterflex S.E.
Chairman Board Europart Holding GmbH

DIVERSITY

We aim for a balanced distribution between men and women with respect to the number of seats on the Management Board and the Supervisory Board. In accordance with the profile of the Supervisory Board reasonable efforts were made to nominate a female candidate for the vacancy in the Supervisory Board in 2016 to effect a diverse composition of the Supervisory Board. Currently, the Management Board and the Supervisory Board consist entirely of men.
Two members of the Management Board are Dutch citizens and the member who joined in 2014 has German nationality.

INDEPENDENCE STATEMENT
All members of the Supervisory Board are fully independent. In addition, none of the members holds shares in the company.

THE WORK OF THE SUPERVISORY BOARD
The Supervisory Board convened on six occasions; the attendance rate was 95%. No members were frequently absent. Since the Supervisory Board wants to monitor the company activities closely from its supervisory position, these meetings are regularly held at one or more group companies. In the year under review, these were Flamco and VSH in the Netherlands.

The Chairman of the Supervisory Board regularly met with the Chief Executive Officer to discuss the business progress and the composition of the Management Board, as well as to prepare for the meetings with the Supervisory Board.

During the meeting in the absence of the Management Board, the performance of the Management Board and the Supervisory Board was discussed. In the opinion of the Supervisory Board, the Management Board performed its duties in 2016 in an excellent way.

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

The Supervisory Board was pleased to note that Aalberts Industries has been able to continue the upward trend of previous years in 2016. Encouraging progress was recorded in the year under review with respect to cost control and working capital management, revenue, profit and added value. The Supervisory Board approved the operational strategy and the targets to be achieved for 2017.

CORPORATE GOVERNANCE
The Supervisory Board has ascertained that the corporate governance structure, as this applies to Aalberts Industries, is effective. The Supervisory Board and the Management Board have also specifically discussed the further implementation of the Code of Conduct, violations of the Code of Conduct reported via the Speak up! procedure, the e-learning programme, governance regulations and processes of Aalberts Industries within the entire organisation, including the training and monitoring thereof. Furthermore they discussed the culture and values of Aalberts Industries and 'The Aalberts Way', the corporate social responsibility strategy including Health & Safety.

The Supervisory Board supports the more stringent approach to possible governance risks at our group companies combined with a further strengthening of governance at the group level and throughout the business. The General Legal Counsel discussed governance risk management and the work schedule of the legal and governance department with the Supervisory Board. The Director Internal Audit discussed internal risk management and the work schedule of the internal audit function with the Supervisory Board.

The Supervisory Board refers to page 46 for a more detailed explanation of the corporate governance structure of Aalberts Industries.

Independence
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 Article 4 of the Supervisory Board Bylaws. This details the statutory duties and duties provided for in the Articles of Association to the Supervisory Board, including providing the Management Board with solicited and unsolicited advice and support.

No conflict of interests
In 2016, 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 2016 between the company and natural persons or legal entities that hold at least 10% of the shares in the company.

Remuneration and audit committees
In accordance with Article 8 of the Supervisory Board Bylaws, the Supervisory Board has not set up separate remuneration and audit committees, but the Supervisory Board as a whole carries out the duties of both these committees. In this context, during the meetings in 2016, the Supervisory Board focused on performance appraisal, financial reporting, and the remuneration policy as approved by the General Meeting in 2010.

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

External auditor
Deloitte Accountants B.V. was appointed external auditor for the reporting years 2015, 2016 and 2017 at the General Meeting on 21 April 2015. In the discussion of the interim results and annual financial statements, the Supervisory Board was informed by the external auditor, Deloitte Accountants B.V. Topics discussed included the 2016 audit plan, the management letter, early warning reports and the year end Supervisory and Management Board report.

REMUNERATION POLICY

The Supervisory Board sets the remuneration of the Management Board members in accordance with the Articles of Association. The remuneration of the individual Management Board members, including share-based remuneration, is in accordance with the remuneration policy approved by the General Meeting. Within the framework of the Code and the Best Practice principles contained therein, the Supervisory Board has implemented the remuneration policy in line with the strategy, risks and financial objectives of Aalberts Industries. The aim is to achieve a good balance between fixed and variable remuneration and short-term and long-term remuneration. More information is provided on page 93 of the notes to the financial statements.

Objective

The objective of the remuneration policy is to recruit, motivate and retain qualified and experienced directors with industry experience for the Management Board. The remuneration structure for the Management Board is aimed at the best possible balance between the company's short-term results and its long-term goals.
The total remuneration of the Management Board members comprises the following components:

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

Basic salary

Once a year, the Supervisory Board determines whether, and if so, to what extent the basic salary will be adjusted, taking into account developments in the market and the results of Aalberts Industries.

Variable remuneration (short-term)

The variable remuneration is an important component of the remuneration package. Management Board members can be awarded an annual bonus for the achievement of predetermined targets, which include earnings per share before amortisation, Free Cash Flow, organic revenue growth and individual (non-financial) performance criteria. The Supervisory Board sets these targets at the beginning of each financial year. The detailed criteria are not disclosed, since the company is of the opinion that the disclosure of the (relevant) performance criteria is undesirable from the perspective of the competitive and market positioning of the company. The variable remuneration package is based on performance to an important extent and, if the targets are achieved, can add a maximum of 75% to the basic salary.

In 2016, in the context of the Dutch Claw Back Act excessive remuneration to directors, the Supervisory Board saw no reason to adjust the remuneration policy or to claim back bonuses paid. There are no specific arrangements for early termination of employment and resignation of the members of the Management Board.

Variable remuneration (long-term)

The remuneration in the long term for performance of Management Board members and certain members of Management, selected by the Supervisory Board, is in the form of a conditional awarding of shares. The long-term performance criteria focus on the strategic plan and the creation of value over a period of three years, after which the Supervisory Board assesses the extent to which the performance targets have been achieved and decides how many shares will finally be awarded. Shares awarded conditionally must be held for at least five years or until the end of the employment contract, if this is sooner. This does not apply if it can be demonstrated to the Compliance Officer that the shares were sold to pay tax and social contribution obligations related to the awarding of these shares.

Pension plan

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

Adjustment

Each year, the Supervisory Board reviews the Management Board remuneration policy and assesses its alignment with the market in more detail. Any adjustments to this policy will be submitted to the General Meeting.

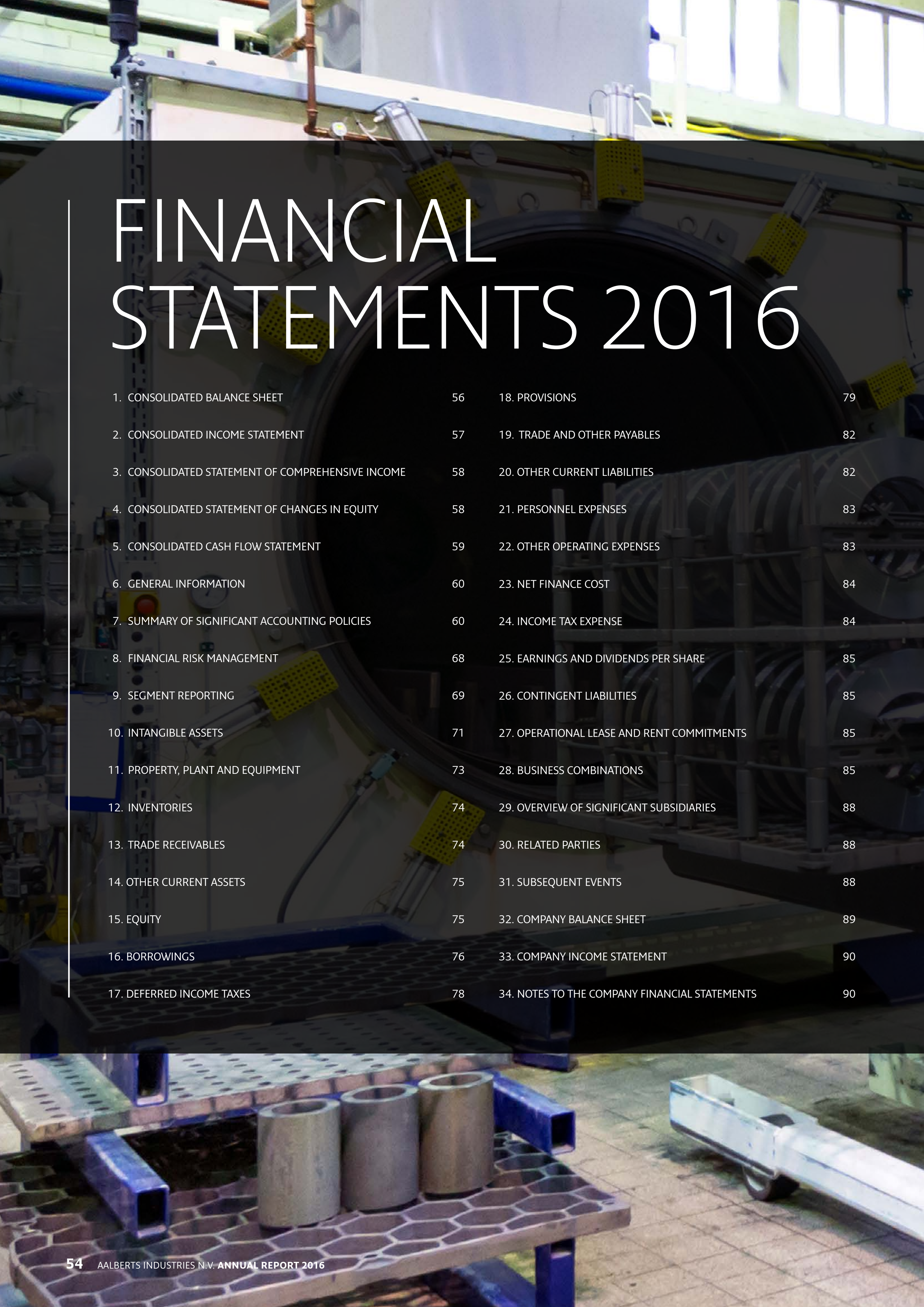
NOTE OF THANKS

The Supervisory Board would like to express its gratitude to the members of the Management Board and all employees of Aalberts Industries for their efforts and dedication in 2016.

Langbroek, 27 February 2017

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


Pegler Yorkshire



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1. CONSOLIDATED BALANCE SHEET

before profit appropriation

in EUR million	NOTES	31-12-2016	31-12-2015
ASSETS			
Intangible assets	10	1,128.2	1,049.8
Property, plant and equipment	11	761.5	736.4
Deferred income tax assets	17	13.4	13.1
Total non-current assets		**1,903.1**	**1,799.3**
Inventories	12	521.1	498.8
Trade receivables	13	346.6	342.7
Income tax receivables		4.3	10.8
Other current assets	14	42.6	43.6
Cash and cash equivalents	16	40.9	45.6
Total current assets		**955.5**	**941.5**
TOTAL ASSETS		**2,858.6**	**2,740.8**
EQUITY AND LIABILITIES			
Shareholders' equity	4	1,373.1	1,268.7
Non-controlling interests	4	18.0	16.0
Total equity		**1,391.1**	**1,284.7**
Non-current borrowings	16	461.2	557.7
Employee benefit plans	18	84.6	81.4
Deferred income tax liabilities	17	122.7	117.1
Other provisions and non-current liabilities	18	37.8	7.2
Total non-current liabilities		**706.3**	**763.4**
Current borrowings	16	202.5	148.8
Current portion of non-current borrowings	16	90.3	56.7
Trade and other payables	19	309.5	307.4
Income tax payables		22.2	18.6
Other current liabilities	20	136.7	161.2
Total current liabilities		**761.2**	**692.7**
TOTAL EQUITY AND LIABILITIES		**2,858.6**	**2,740.8**

2. CONSOLIDATED INCOME STATEMENT

in EUR million	NOTES	2016	2015
REVENUE	9	**2,522.1**	**2,475.3**
Raw materials and work subcontracted		(953.1)	(954.0)
Personnel expenses	21	(733.2)	(713.9)
Depreciation of property, plant and equipment	11	(93.7)	(95.3)
Amortisation of intangible assets	10	(29.9)	(24.8)
Other operating expenses	22	(444.0)	(440.1)
Total operating expenses		**(2,253.9)**	**(2,228.1)**
OPERATING PROFIT		**268.2**	**247.2**
Net interest expense	23	(16.6)	(17.8)
Foreign currency exchange results	23	(4.3)	1.0
Derivative financial instruments	23	3.2	(1.0)
Net interest expense on employee benefit plans	18	(2.3)	(2.6)
Net finance cost		**(20.0)**	**(20.4)**
PROFIT BEFORE INCOME TAX		**248.2**	**226.8**
Income tax expense	24	(62.4)	(58.6)
PROFIT AFTER INCOME TAX		**185.8**	**168.2**
Attributable to:			
Shareholders	4	182.6	165.7
Non-controlling interests	4	3.2	2.5
Earnings per share (in EUR)			
Basic and Diluted	25	1.65	1.50
Earnings per share before amortisation (in EUR)			
Basic and Diluted	25	1.92	1.72

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR million	2016	2015
Profit for the period	**185.8**	**168.2**
Other comprehensive income:		
Remeasurements of employee benefit obligations	(11.9)	7.9
Income tax effect	2.0	(1.6)
Other comprehensive income that will not be reclassified to profit or loss	**(9.9)**	**6.3**
Currency translation differences	(10.3)	19.8
Fair value changes derivative financial instruments	(1.1)	(0.5)
Income tax effect	0.9	(0.6)
Other comprehensive income that may subsequently be reclassified to profit or loss	**(10.5)**	**18.7**
Total other comprehensive income for the year, net of income tax	**(20.4)**	**25.0**
TOTAL COMPREHENSIVE INCOME/(LOSS)	**165.4**	**193.2**
Attributable to:		
Shareholders	162.7	190.8
Non-controlling interests	2.7	2.4

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR million	ISSUED AND PAID-UP SHARE CAPITAL	SHARE PREMIUM ACCOUNT	OTHER RESERVES	CURRENCY TRANSLATION AND HEDGING RESERVE	RETAINED EARNINGS	SHARE-HOLDERS' EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
AS AT 1 JANUARY 2015	**27.6**	**200.8**	**775.9**	**(21.0)**	**147.5**	**1,130.8**	**32.4**	**1,163.2**
Dividend 2014	–	–	–	–	(50.9)	**(50.9)**	(0.3)	**(51.2)**
Addition to other reserves	–	–	96.6	–	(96.6)	**-**	–	**-**
Share based payments	–	–	0.9	–	–	**0.9**	–	**0.9**
Transactions with non-controlling interests	–	–	(2.9)	–	–	**(2.9)**	(18.5)	**(21.4)**
Profit for the period	–	–	–	–	165.7	**165.7**	2.5	**168.2**
Other comprehensive income for the year, net of income tax	–	–	6.3	18.8	–	**25.1**	(0.1)	**25.0**
AS AT 31 DECEMBER 2015	**27.6**	**200.8**	**876.8**	**(2.2)**	**165.7**	**1,268.7**	**16.0**	**1,284.7**
AS AT 1 JANUARY 2016	**27.6**	**200.8**	**876.8**	**(2.2)**	**165.7**	**1,268.7**	**16.0**	**1,284.7**
Dividend 2015	–	–	–	–	(57.6)	**(57.6)**	(0.7)	**(58.3)**
Addition to other reserves	–	–	108.1	–	(108.1)	**-**	–	**-**
Share based payments	–	–	(0.4)	–	–	**(0.4)**	–	**(0.4)**
Transactions with non-controlling interests	–	–	(0.3)	–	–	**(0.3)**	–	**(0.3)**
Profit for the period	–	–	–	–	182.6	**182.6**	3.2	**185.8**
Other comprehensive income for the year, net of income tax	–	–	(9.9)	(10.0)	–	**(19.9)**	(0.5)	**(20.4)**
AS AT 31 DECEMBER 2016	**27.6**	**200.8**	**974.3**	**(12.2)**	**182.6**	**1,373.1**	**18.0**	**1,391.1**

5. CONSOLIDATED CASH FLOW STATEMENT

in EUR million	NOTES	2016	2015*
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit	2	268.2	247.2
Adjustments for:			
Depreciation of property, plant and equipment	11	93.7	95.3
Amortisation of intangible assets	10	29.9	24.8
Result on sale of equipment		(2.0)	(2.6)
Changes in provisions		(9.4)	(13.5)
Changes in inventories		(2.4)	6.0
Changes in trade and other receivables		2.9	(12.6)
Changes in trade and other payables		1.6	(14.5)
Changes in working capital		**2.1**	**(21.1)**
Cash flow from operations		**382.5**	**330.1**
Finance cost paid		(20.4)	(16.4)
Income taxes paid		(56.6)	(69.9)
NET CASH GENERATED BY OPERATING ACTIVITIES		**305.5**	**243.8**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	28	(121.5)	(126.4)
Disposal of subsidiaries	28	10.0	32.9
Purchase of property, plant and equipment		(109.7)	(91.9)
Purchase of intangible assets	10	(5.9)	(7.6)
Proceeds from sale of equipment		6.4	12.3
NET CASH GENERATED BY INVESTING ACTIVITIES		**(220.7)**	**(180.7)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from non-current borrowings	16	0.6	198.4
Repayment of non-current borrowings	16	(64.4)	(120.2)
Dividends paid	4	(57.6)	(50.9)
Cash flow to non-controlling interests		(2.7)	(24.1)
NET CASH GENERATED BY FINANCING ACTIVITIES		**(124.1)**	**3.2**
NET INCREASE/(DECREASE) IN CASH AND CURRENT BORROWINGS		**(39.3)**	**66.3**
Cash and current borrowings at beginning of period		(103.2)	(158.1)
Net increase/(decrease) in cash and current borrowings		(39.3)	66.3
Currency translation differences on cash and current borrowings		(19.1)	(11.4)
CASH AND CURRENT BORROWINGS AS AT END OF PERIOD		**(161.6)**	**(103.2)**
Cash		40.9	45.6
Current borrowings (excluding current portion of non-current borrowings)		(202.5)	(148.8)
CASH AND CURRENT BORROWINGS AS AT END OF PERIOD	16	**(161.6)**	**(103.2)**

* Adjusted for comparison purposes.

6. GENERAL INFORMATION

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

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

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

Industrial Controls develops, engineers and manufactures systems to regulate and control gasses and liquids for specific niche applications. These technology-end market combinations are characterised by an increasing demand for high value and custom made, engineered solutions.

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

Aalberts Industries N.V. has been incorporated in Utrecht and is domiciled in Langbroek, the Netherlands. The consolidated IFRS financial statements of the Company for the year ended 31 December 2016 comprise the company and its subsidiaries (‘the Group’). The financial statements were adopted by the Supervisory Board on 27 February 2017 and will be submitted for approval to the General Meeting on 18 April 2017. The Management Board released the full-year results on 28 February 2017.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1 STATEMENT OF COMPLIANCE

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

7.2 BASIS FOR PREPARATION

The Group has 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 financial statements are presented in EUR million, unless otherwise stated. The financial statements are prepared on the historical costs basis except derivative financial instruments which are stated at their fair value. Employee benefits are based on the projected unit credit method. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 7.30.

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:
- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

7.3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

No new standards have become effective or have been adopted by the Group for the first time for the financial year 2016. The following changes in the IFRS standards are effective from 1 January 2016. These changes do not have a material effect on the total equity attributable to shareholders or profit of the Group.

IFRS	TOPIC	EFFECTIVE DATE
Amendments to IAS 1	Disclosure Initiative	1 January 2016
Amendments IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
Amendments to IAS 27	Equity method in separate financial statements	1 January 2016
Amendments IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
Amendments IFRS 10, FRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2014 Cycle	1 January 2016

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

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

- IFRS 9 (Financial Instruments) replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. The Group performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its positions at 31 December 2016 and hedging relationships designated during 2016 under IAS 39.

  Based on the initial assessment, the Group does not believe that the new classification requirements, if applied at 31 December 2016, would have had a material impact on its accounting for trade receivables and loans or could have a material impact on impairment losses. Furthermore, the Group does not have an indication of any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 31 December 2016. Initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Group's current plan is that it will elect to apply the new requirements of IFRS 9.

  The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. In addition, the new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

  IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018.

- IFRS 15 (Revenue from Contracts with Customers) replaces the existing standards and interpretations related to revenue recognition. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces several existing revenue recognition guidelines, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

  The Group is currently performing a preliminary assessment of the impact resulting from the application of IFRS 15. Due to the diversity of the business, the spread of activities and the number of locations, it is expected that additional quantitative information can be disclosed only shortly before the adoption of IFRS 15.

  Based on an initial assessment the Group may be impacted under IFRS 15 in the following areas:
  - Within Building Installations, Climate Control and the main part of Industrial Controls the revenue is related to the sale of goods and therefore the timing of revenue recognition may change. For some made-to-order product contracts within Industrial Controls, the customer controls the work in progress during manufacturing. When this is the case, revenue will be recognised as the products are being manufactured. This will result in revenue, and some associated costs, for these contracts being recognised earlier than at present – i.e. before the goods are delivered to the customer.
  - Within Industrial Services and some parts of other businesses the Group is 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. This is expected to have a limited impact on the Group, as this is only applicable for some parts of the Industrial Controls business where revenue is currently recognised using the stage-of-completion method.
  - Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. Under IFRS 15, claims and variations will only be included in the contract accounting when they are approved.
  - Accounting for multiple performance obligations might have an impact on revenue recognition. Although the majority of the business is related to the sale of goods, there can be an impact from separate sales of additional warranty, especially within parts of the Climate Control segment.

  A full assessment of the impact of IFRS 15 is scheduled for 2017 where the impact on accounting processes, IT systems and internal controls will also be included in the assessment.

  The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as the contracts that are completed contracts at the beginning of the earliest period presented, are not restated.

  IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group plans to adopt I FRS 15 in its consolidated financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of IFRS 15 to each comparative period presented and adjust its consolidated financial statements.

- IFRS 16 (Leases) introduces a single, on-balance lease sheet accounting model for lessees. The new standard requires lessees to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This will have an impact on the Group's consolidated financial statements because operational lease and rent commitments as disclosed in note 27 will no longer be treated as off balance sheet commitments. Instead the present value of these commitments should be recognised in the balance sheet using a discount rate equal to the applicable average interest rate. This will increase the debt and leverage of the Group. Furthermore, the operating lease expenses will be replaced with depreciation and interest expenses that will increase EBITDA and have an impact on net profit and ratios.

  The exact impact is not known yet and will be dependent on the actual lease commitments and interest rates existing at the date IFRS 16 will be applied. In addition, the Group has not determined to what extent the optional exemptions for short-term leases and leases of low value items are applicable and how this will affect the number of contracts identified as leases on transition. As a lessee, the Group can also either apply the standard using a retrospective approach, or modified retrospective approach with optional practical expedients. Based on further assessment and the estimated potential impact on the consolidated financial statements, the Group will decide on the usage the optional exemptions and the transition approach to be applied.

  The standard is effective for annual periods on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Group currently plans to apply IFRS 16 initially on 1 January 2019.

Finally, the Group has not applied the following new and revised IFRSs that have been issued and are effective as of 1 January 2017:

IFRS	TOPIC	EFFECTIVE DATE
Amendments to IAS 7	Disclosure Initiative	1 January 2017
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017

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

7.4 BASIS FOR CONSOLIDATION

7.4.1 Subsidiaries

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

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

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

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

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

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

An overview of the Group companies is disclosed in note 29.

7.4.2 Business combinations

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

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.

Transaction costs incurred by the acquirer in relation to the business combination are not included in the cost price of the business combination but once incurred are recognised as a charge in the income statement unless they refer to the issue of debt instruments or equity instruments.

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

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

7.4.3 Intercompany and related party transactions

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

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

7.5 SEGMENT REPORTING

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

7.6 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

7.6.1 Functional and presentation currency

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

7.6.2 Transactions and balances

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

CURRENCY EXCHANGE RATES	1 BRITISH POUND (GBP) = EUR	1 US DOLLAR (USD) = EUR
2016 Year-end	1.172	0.950
2016 Average	1.225	0.904
2015 Year-end	1.357	0.917
2015 Average	1.377	0.901

7.6.3 Group companies

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

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

All resulting exchange differences are recognised in equity through other comprehensive income. This 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, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

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

7.7 INTANGIBLE ASSETS

7.7.1 Goodwill

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

7.7.2 Software

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

7.7.3 Research and development

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

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

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

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

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

7.7.4 Other intangible assets

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

7.7.5 Subsequent expenditure

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

7.7.6 Amortisation

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

Goodwill is not subject to amortisation.

7.8 PROPERTY, PLANT AND EQUIPMENT

7.8.1 Valuation

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

7.8.2 Subsequent expenditure

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

7.8.3 Depreciation

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

CATEGORY	USEFUL LIFE (MINIMUM)	USEFUL LIFE (MAXIMUM)
Land	Indefinite	Indefinite
Buildings	5 years	40 years
Plant and equipment	3 years	15 years
Other	3 years	5 years

7.8.4 Derecognition

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

7.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

7.10 INVENTORIES

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

7.11 TRADE RECEIVABLES

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

7.12 CASH AND CASH EQUIVALENTS

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

7.13 SHARE CAPITAL

Share capital is classified as equity.

7.14 SHARE-BASED PAYMENTS (PERFORMANCE SHARE PLAN)

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

7.15 DERIVATIVES AND BORROWINGS

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

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

7.16 FINANCE LEASES

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has the majority of all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Lease payments are allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.
The corresponding rental obligations, net of finance charges, are included in non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

7.17 DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their net book amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction 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 by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The deferred tax asset is recognised for the carry-forward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax asset will be realised.

7.18 EMPLOYEE BENEFIT PLANS

The Group has a number of pension plans in accordance with local conditions and practices. Group companies operate various pension schemes.
The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. 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 defined benefit obligations are measured at present value, taking into account actuarial assumptions; plan assets are valued at fair value.
The service costs including past service costs and the impact of curtailments and settlements are recognised as personnel expenses. The interest expenses are recognised as net interest expenses on employee benefit plans as part of net finance cost. Curtailment gains and losses are accounted for as past service costs. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets.
The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.
The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Remeasurements, including actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are recognised in other comprehensive income and therefore immediately charged or credited to equity. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

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

7.19 PROVISIONS

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

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

7.20 TRADE AND OTHER PAYABLES

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

7.21 CURRENT INCOME TAX

Current income tax liabilities arise from the Group's normal business operations. The calculation of the current tax is based on the taxable profit for the year.

7.22 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue includes the proceeds of goods and services supplied, excluding VAT and net of price discounts and bonuses.

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

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

Sales of services are recognised in the accounting period in which the services are rendered on the basis of the actual service provided as a proportion of the total services to be provided. The stage of completion of the contract is determined as follows:

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

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

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

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

7.23 OTHER INCOME

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

7.24 NET FINANCE COST

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

7.25 TAXATION

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

7.26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

7.27 OPERATIONAL LEASES

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

7.28 DIVIDEND DISTRIBUTION

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

7.29 ACCOUNTING FOR HEDGING ACTIVITIES

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

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

Fair value hedges

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

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

Cash flow hedges

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

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

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

7.30 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

7.30.1 Estimated impairments of goodwill

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

7.30.2 Estimated useful lives and residual values

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

7.30.3 Pension plans

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

7.30.4 Taxes

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

7.30.5 Purchase Price Allocation

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

7.30.6 Other critical accounting estimates and assumptions

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

8. FINANCIAL RISK MANAGEMENT

8.1 FINANCIAL RISK FACTORS

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

8.1.1 Market risk

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

The US dollar and British pound are the major foreign currencies for the Group. As at 31 December 2016, if the Euro had weakened against the US dollar by 10%, with all other variables held constant, the net profit of the Group would have been impacted by positive EUR 0.4 million (2015: positive EUR 0.8 million). The net equity as at year-end would have been impacted by positive EUR 32.3 million (2015: positive EUR 22.5 million).
As at 31 December 2016, if the Euro had weakened against the British pound by 10%, with all other variables held constant, the net profit of the Group would have been impacted by positive EUR 0.8 million (2015: positive EUR 0.7 million). The net equity as at year-end would have been impacted by positive EUR 11.0 million (2015: positive EUR 12.8 million).

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

8.1.2 Credit risk

The Group has no significant concentrations of credit risk due to the diversification of activities and markets. It has policies in place to ensure that wholesale sales of products are made to creditworthy customers.
The vast majority of the group companies make use of credit insurance. Derivative and cash transactions are executed with creditworthy financial institutions.

The maximum credit risk on financial assets, being the total carrying value of these assets before provisions for impairment of receivables, amounts to EUR 437.7 million (2015: EUR 439.1 million):

in EUR million	31-12-2016	31-12-2015
Trade receivables (before provision for impairment of receivables)	354.2	349.9
Other current assets	42.6	43.6
Cash and cash equivalents	40.9	45.6
TOTAL	**437.7**	**439.1**

8.1.3 Liquidity risk

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

8.1.4 Cash flow and interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises mainly from current and non-current borrowings. Group policy is to maintain the majority of its borrowings in floating rate instruments. Where considered applicable the Group manages its interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. As at 31 December 2016, 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 2.8 million (2015: negative EUR 5.6 million), mainly as a result of higher interest expenses on floating rate borrowings. The net equity as at year-end would have been impacted with the same amount. The change in the market value as at balance sheet date of the derivative financial instruments, as a result of the interest adjustment, is excluded from this sensitivity analysis.

8.1.5 Capital risk

In order to manage going concern for shareholders and other stakeholders the Group periodically monitors the capital structure in consistency with the industry through the following principal financial ratios: leverage ratio (net debt / EBITDA on 12 months rolling basis), 2016: 1.7 (2015: 1.8), interest cover ratio (EBITDA / net interest expense on 12 months rolling basis), 2016: 24.6 (2015: 21.8), and gearing (net debt / total equity), 2016: 0.5 (2015: 0.6).

9. SEGMENT REPORTING

9.1 REPORTABLE SEGMENTS

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

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

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

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

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

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

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

2016	BUILDING INSTALLATIONS	CLIMATE CONTROL	INDUSTRIAL CONTROLS	INDUSTRIAL SERVICES	HOLDING / ELIMINATIONS	TOTAL
Revenue						
External customers	1,038.8	478.4	377.0	627.9	–	**2,522.1**
Inter-segment	34.3	23.4	3.8	7.2	(68.7)	**-**
TOTAL REVENUE	**1,073.1**	**501.8**	**380.8**	**635.1**	**(68.7)**	**2,522.1**
Operating profit (EBITA)	122.4	54.0	57.4	79.3	(15.0)	**298.1**
EBITA as % of revenue	11.4	10.8	15.1	12.5	–	**11.8**
Assets	1,086.9	445.5	506.3	756.0	63.9	**2,858.6**
Liabilities	287.3	79.6	72.0	114.7	15.0	**568.6**
Depreciation	35.9	8.4	10.7	37.3	1.4	**93.7**
Capital expenditures	38.7	8.4	13.6	44.9	–	**105.6**

2015*	BUILDING INSTALLATIONS	CLIMATE CONTROL	INDUSTRIAL CONTROLS	INDUSTRIAL SERVICES	HOLDING / ELIMINATIONS	TOTAL
Revenue						
External customers	1,031.6	477.1	362.0	604.6	–	**2,475.3**
Inter-segment	36.5	22.9	5.3	6.1	(70.8)	**-**
TOTAL REVENUE	**1,068.1**	**500.0**	**367.3**	**610.7**	**(70.8)**	**2,475.3**
Operating profit (EBITA)	112.3	51.3	45.9	77.1	(14.6)	**272.0**
EBITA as % of revenue	10.5	10.3	12.5	12.6	–	**11.0**
Assets	990.5	458.5	497.3	721.6	72.9	**2,740.8**
Liabilities	260.9	96.1	78.5	111.2	10.5	**557.2**
Depreciation	37.0	8.6	10.6	37.6	1.5	**95.3**
Capital expenditures	36.8	7.6	13.6	37.8	0.4	**96.2**

* Adjusted for comparison purposes.

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

	2016	2015
Total operating profit (EBITA) of reportable segments	298.1	272.0
Amortisation of intangible assets	(29.9)	(24.8)
Net finance cost	(20.0)	(20.4)
CONSOLIDATED PROFIT BEFORE INCOME TAX	**248.2**	**226.8**

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

Segment liabilities do not include borrowings, finance leases and other liabilities that are incurred for financing rather than operating purposes. In addition, segment liabilities do not include deferred tax liabilities and current income tax liabilities.

Reconciliation to consolidated balance sheet is as follows:

	2016	2015
Total liabilities of reportable segments	568.6	557.2
Non-current and current borrowings	745.6	750.8
Finance leases	8.4	12.4
Tax liabilities	144.9	135.7
Equity	1,391.1	1,284.7
CONSOLIDATED TOTAL EQUITY AND LIABILITIES	**2,858.6**	**2,740.8**

9.2 GEOGRAPHICAL INFORMATION

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

REVENUE	2016	%	2015	%
Western & Northern Europe	1,405.2	55.7	1,428.3	57.7
North America	580.7	23.0	559.1	22.6
Eastern Europe	225.4	9.0	213.2	8.6
Southern Europe	90.6	3.6	80.2	3.2
Middle East & Africa	58.3	2.3	61.0	2.5
Far East	67.8	2.7	57.8	2.3
Other countries	94.1	3.7	75.7	3.1
TOTAL	**2,522.1**	**100.0**	**2,475.3**	**100.0**

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

NON-CURRENT ASSETS	2016	%	2015	%
Western & Northern Europe	1,323.7	69.6	1,355.8	75.4
North America	343.3	18.0	266.3	14.8
Eastern Europe	89.4	4.7	95.2	5.3
Southern Europe	45.3	2.4	44.5	2.5
Middle East & Africa	0.1	–	0.2	–
Far East	101.3	5.3	37.3	2.0
TOTAL	**1,903.1**	**100.0**	**1,799.3**	**100.0**

9.3 ANALYSES OF REVENUE BY CATEGORY

REVENUE	2016	%	2015	%
Sales of goods	2,047.6	81.2	2,006.9	81.1
Services	474.5	18.8	468.4	18.9
TOTAL	**2,522.1**	**100.0**	**2,475.3**	**100.0**

10. INTANGIBLE ASSETS

	GOODWILL	OTHER INTANGIBLES	SOFTWARE	TOTAL
AS AT 1 JANUARY 2015				
Cost	621.1	389.2	43.9	**1,054.2**
Accumulated amortisation	–	(120.1)	(34.1)	**(154.2)**
NET BOOK AMOUNT	**621.1**	**269.1**	**9.8**	**900.0**
Additions	–	3.0	4.6	**7.6**
Acquisition of subsidiaries	71.0	79.1	0.3	**150.4**
Disposal of subsidiaries	–	–	(0.1)	**(0.1)**
Amortisation	–	(21.0)	(3.8)	**(24.8)**
Currency translation	10.1	5.2	1.4	**16.7**
CLOSING NET BOOK AMOUNT	**702.2**	**335.4**	**12.2**	**1,049.8**
AS AT 31 DECEMBER 2015				
Cost	702.2	483.6	49.3	**1,235.1**
Accumulated amortisation	–	(148.2)	(37.1)	**(185.3)**
NET BOOK AMOUNT	**702.2**	**335.4**	**12.2**	**1,049.8**
Additions	–	0.5	5.4	**5.9**
Acquisition of subsidiaries	33.5	63.0	0.2	**96.7**
Amortisation	–	(25.8)	(4.1)	**(29.9)**
Currency translation	0.5	5.1	0.1	**5.7**
CLOSING NET BOOK AMOUNT	**736.2**	**378.2**	**13.8**	**1,128.2**
AS AT 31 DECEMBER 2016				
Cost	736.2	551.8	51.9	**1,339.9**
Accumulated amortisation	–	(173.6)	(38.1)	**(211.7)**
NET BOOK AMOUNT	**736.2**	**378.2**	**13.8**	**1,128.2**

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

10.1 GOODWILL

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

Impairment tests

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

	2016	2015*
Building Installations	269.5	242.7
Climate Control	122.3	122.9
Industrial Controls	147.3	144.9
Industrial Services	197.1	191.7
TOTAL	**736.2**	**702.2**

* 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 budgets for 2017 which are approved by management and extrapolated for the four years thereafter. Management determined budgeted growth rates based on past performance and its expectations of market developments. For the period after 2021 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:

2016	BUILDING INSTALLATIONS	CLIMATE CONTROL	INDUSTRIAL CONTROLS	INDUSTRIAL SERVICES
Average growth rate (first 5 years)	3.6% - 5.3%	3.7% - 4.9%	3.0% - 5.9%	4.8%
Long-term average growth rate (after 5 years)	1.0%	1.0%	1.0%	1.0%
Discount rate (pre-tax)	10.6% - 15.7%	10.9% - 12.5%	9.7% - 11.4%	10.6%
Discount rate (post-tax)	8.0% - 9.2%	7.7% - 8.8%	7.3% - 8.5%	7.7%

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

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

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

- Decrease of the average growth rate by 2.0%
- Decrease of the long term average growth rate by 1.0%
- Increase of the discount rate (post-tax) by 1.0%

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

11. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS	PLANT AND EQUIPMENT	OTHER	UNDER CONSTRUCTION	TOTAL
AS AT 1 JANUARY 2015					
Cost	536.7	1,445.1	91.7	48.5	**2,122.0**
Accumulated depreciation	(236.8)	(1,080.5)	(78.4)	–	**(1,395.7)**
NET BOOK AMOUNT	**299.9**	**364.6**	**13.3**	**48.5**	**726.3**
Additions	9.9	50.0	3.8	32.5	**96.2**
Assets taken into operation	9.1	28.0	1.6	(38.7)	**-**
Disposals	(5.4)	(2.8)	(0.9)	–	**(9.1)**
Acquisition of subsidiaries	5.5	4.4	–	0.1	**10.0**
Disposal of subsidiaries	(6.7)	(1.6)	(0.7)	–	**(9.0)**
Depreciation	(16.9)	(73.5)	(4.9)	–	**(95.3)**
Currency translation	5.3	9.9	–	2.1	**17.3**
CLOSING NET BOOK AMOUNT	**300.7**	**379.0**	**12.2**	**44.5**	**736.4**
AS AT 31 DECEMBER 2015					
Cost	555.7	1,534.8	94.3	44.5	**2,229.3**
Accumulated depreciation	(255.0)	(1,155.8)	(82.1)	–	**(1,492.9)**
NET BOOK AMOUNT	**300.7**	**379.0**	**12.2**	**44.5**	**736.4**
Additions	15.8	53.9	3.5	32.4	**105.6**
Assets taken into operation	14.1	21.5	1.6	(37.2)	**-**
Disposals	(1.2)	(2.8)	(0.3)	–	**(4.3)**
Acquisition of subsidiaries	7.2	13.2	0.5	–	**20.9**
Disposal of subsidiaries	(0.2)	(1.7)	–	–	**(1.9)**
Depreciation	(16.8)	(71.8)	(5.1)	–	**(93.7)**
Currency translation	(0.1)	(1.0)	0.1	(0.5)	**(1.5)**
CLOSING NET BOOK AMOUNT	**319.5**	**390.3**	**12.5**	**39.2**	**761.5**
AS AT 31 DECEMBER 2016					
Cost	595.4	1,572.7	88.9	39.2	**2,296.2**
Accumulated depreciation	(275.9)	(1,182.4)	(76.4)	–	**(1,534.7)**
NET BOOK AMOUNT	**319.5**	**390.3**	**12.5**	**39.2**	**761.5**

At year-end, Group companies had investment commitments outstanding in respect of property, plant and equipment in the amount of EUR 49.3 million (2015: EUR 47.7 million) of which EUR 39.2 million (2015: EUR 44.5 million) has been capitalised on the balance sheet as advance payment.

The Group leases production equipment under a number of finance leases. The leased equipment secures the lease obligations. At 31 December 2016, the net carrying amount of leased equipment was EUR 8.2 million (2015: EUR 12.2 million).

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

12. INVENTORIES

	31-12-2016	31-12-2015
Raw materials	117.2	116.9
Work in progress	134.0	126.9
Finished goods	266.4	250.1
Other inventories	3.5	4.9
TOTAL	**521.1**	**498.8**

The costs of inventories recognised as an expense and impairment losses on inventories are included in 'raw materials and work subcontracted'. In 2016 EUR 895.3 million (2015: EUR 901.7 million) raw materials is recognised in the consolidated income statement as raw materials used.

The provision for write-down of inventories, due to obsolescence and slow moving stock, amounts to EUR 30.1 million (2015: EUR 29.2 million). During 2016 a write-off expense of EUR 0.2 million (2015: EUR 2.3 million) is included in the raw materials and work subcontracted.

No inventories are pledged as security for liabilities.

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

13. TRADE RECEIVABLES

	31-12-2016	31-12-2015
Trade receivables (gross)	354.2	349.9
Provision for impairment of receivables	(7.6)	(7.2)
TRADE RECEIVABLES (NET)	**346.6**	**342.7**

There is no concentration of credit risk with respect to trade receivables, as the Group has a large customer base which is internationally dispersed and makes use of credit insurance for a majority of its receivables.

Impairment losses on trade receivables are included in the 'other operating expenses' and amount to EUR 0.9 million (2015: EUR 3.1 million). The carrying amount approximates the fair value.

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

	2016	2015
AS AT 1 JANUARY	**7.2**	**5.3**
Additions	0.9	3.1
Used during year	(1.4)	(1.3)
Acquisition of subsidiaries	0.9	–
Currency translation	–	0.1
AS AT 31 DECEMBER	**7.6**	**7.2**

The provision for impairment of receivables of EUR 7.6 million (2015: EUR 7.2 million) is related to receivables past due more than 90 days. The impairment of receivables is based on individual cases.

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

	31-12-2016	31-12-2015
Not past due	294.6	287.2
Past due less than 30 days	40.1	37.3
Past due between 30 days and 60 days	8.7	9.7
Past due between 60 days and 90 days	2.9	5.4
Past due more than 90 days	7.9	10.3
TRADE RECEIVABLES (GROSS)	**354.2**	**349.9**

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

	31-12-2016	31-12-2015
Euro	165.8	167.8
US dollar	99.8	91.9
British pound	36.7	43.7
Other currencies	51.9	46.5
TRADE RECEIVABLES (GROSS)	**354.2**	**349.9**

14. OTHER CURRENT ASSETS

	31-12-2016	31-12-2015
Prepaid and accrued income	17.7	14.3
Derivative financial instruments	1.5	–
Other receivables	23.4	29.3
TOTAL	**42.6**	**43.6**

The derivative financial instruments consist of metal hedging contracts, please also refer to note 20.

15. EQUITY

15.1 SHARE CAPITAL

The total number of shares outstanding at year-end was 110.6 million shares (2015: 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 34.5.

15.2 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.

15.3 SHARE BASED PAYMENTS (PERFORMANCE SHARE PLAN)

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

PSP 2013-2015: Based on the average growth of the earnings per share before amortisation (EPS) over the three-year period (2013-2015), 73% of the conditional shares vested in 2016. A total of 56,940 shares were purchased at market value for EUR 1.7 million in June 2016. An amount of EUR 0.1 million was charged to the personnel expenses in 2016 and credited to total equity (overall no impact on equity).

PSP 2015-2017: In 2015 a total number of 135,500 (100%) and in 2016 another 5,000 (100%) conditional shares were granted and accepted. A reduction of 8,000 shares was registered because an employee left during 2016. The fair value of the Performance Shares is based on the share price on the grant date, minus the discounted value (risk-free rate of minus 0.090% - minus 0.169%) of the expected dividends in the period that the shares were granted conditionally, in view of the fact that the participants are not entitled to dividends during the vesting period.

The expected dividends are based on the company's dividend policy. As at the end of 2016, the total fair value of the outstanding 132,500 conditional shares was EUR 3.6 million. An amount of EUR 1.2 million was charged to the personnel expenses in 2016 and credited to total equity (overall no impact on equity).

The Management Board members of Aalberts Industries N.V. participate in the Performance Share Plan. The details are mentioned in the remuneration of the board on page 93.

15.4 DIVIDEND

The dividends paid in 2016 were EUR 0.52 per share (2015: EUR 0.46 per share). A dividend in respect of the year ended 31 December 2016 of EUR 0.58 per share will be proposed at the General Meeting to be held on 18 April 2017. These financial statements do not reflect this dividend payable.

15.5 NON-CONTROLLING INTERESTS

Non-controlling interest amount to EUR 18.0 million (2015: EUR 16.0 million), where the result for the year amounts to EUR 2.7 million (2015: 2.4 million).

16. BORROWINGS

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

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

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

Definitions:

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

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

COVENANT RATIOS AS AT YEAR END	2016	2015
Leverage ratio	1.7	1.8
Interest cover ratio	24.6	21.8

	BANK BORROWINGS	FINANCE LEASES	TOTAL 2016	TOTAL 2015
AS AT 1 JANUARY	**602.0**	**12.4**	**614.4**	**532.3**
New borrowings	0.5	0.1	0.6	198.4
Repayments	(60.4)	(4.0)	(64.4)	(120.2)
Acquisition of subsidiaries	0.3	–	0.3	(4.9)
Currency translation differences	0.7	(0.1)	0.6	8.8
AS AT 31 DECEMBER	**543.1**	**8.4**	**551.5**	**614.4**
Current portion of non-current borrowings	(89.3)	(1.0)	(90.3)	(56.7)
NON-CURRENT BORROWINGS AS AT 31 DECEMBER	**453.8**	**7.4**	**461.2**	**557.7**

The current portion of non-current borrowings amounts to EUR 90.3 million (2015: EUR 56.7 million) and is presented within the current liabilities. The carrying amount approximates the fair value; the effective interest rate approximates the average interest rate. The average effective interest rate on the portfolio of borrowings outstanding in 2016, including hedge instruments related to these borrowings, amounted to 1.9% (2015: 1.9%).

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

16.1 BANK BORROWINGS

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

	REPAYMENTS BANK BORROWINGS	INTEREST PAYMENTS	TOTAL 2016	TOTAL 2015
2016	–	–	–	65.1
2017	89.3	8.9	98.2	101.3
2018	112.7	6.8	119.5	119.5
2019	107.8	4.9	112.7	110.7
2020	104.6	3.0	107.6	107.1
2021	97.6	1.3	98.9	99.5
2022 and thereafter	31.1	0.3	31.4	31.8
TOTAL	**543.1**	**25.2**	**568.3**	**635.0**

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

BANK BORROWINGS	2016	2015
Euro	505.4	542.7
US dollar	32.4	52.2
Other currencies	5.3	7.1
TOTAL	**543.1**	**602.0**

16.2 FINANCE LEASES

MATURITY FINANCE LEASES	2016	2015*
Minimum lease payments		
Within 1 year	1.3	4.3
Between 1-5 years	6.0	6.5
Over 5 years	2.2	3.0
	9.5	**13.8**
Future finance charges		
Within 1 year	0.3	0.4
Between 1-5 years	0.7	0.8
Over 5 years	0.1	0.2
	1.1	**1.4**
Present value of finance lease		
Within 1 year	1.0	3.9
Between 1-5 years	5.3	5.7
Over 5 years	2.1	2.8
PRESENT VALUE OF FINANCE LEASE IN THE BALANCE SHEET	**8.4**	**12.4**

* Adjusted for comparison purposes.

16.3 CASH AND CURRENT BORROWINGS

BANK BORROWINGS	31-12-2016	31-12-2015
Cash	40.9	45.6
Current borrowings	(202.5)	(148.8)
CASH AND CURRENT BORROWINGS	**(161.6)**	**(103.2)**

The cash and current borrowings amount to EUR 161.6 million negative (2015: EUR 103.2 million negative). The cash consists of cash and bank balances for an amount of EUR 39.1 million (2015: EUR 41.8 million) and cash in transit for an amount of EUR 1.8 million (2015: EUR 3.8 million). The current borrowings are drawn on credit facilities which mainly consist of zero balancing cash pool agreements with several domestic and foreign financial institutions. Cash is freely disposable.

Current borrowings are short-term credit facilities consisting of committed and uncommitted credit lines, provided by a number of credit institutions. The total of these facilities at year-end 2016 amounted to EUR 905.5 million (2015: EUR 856.0 million), of which EUR 202.5 million was used (2015: EUR 148.8 million). On average, an amount between EUR 300 million and EUR 350 million was used. During 2016, RCF credit facilities have been renewed with eight relationship banks for five years. Six of these RCF credit facilities consist of EUR 50.0 million committed and EUR 50.0 million uncommitted and two of these RCF credit facilities consist of USD 50.0 million committed and USD 50.0 million uncommitted, bringing the total committed RCF credit facilities to EUR 395.0 million. The carrying amount approximates the fair value.

17. DEFERRED INCOME TAXES

	TAX LOSSES	INTANGIBLE ASSETS	PLANT AND EQUIPMENT	PROVISIONS	WORKING CAPITAL AND OTHER	OFF-SETTING	(NET ASSET) / LIABILITY
Assets	4.1	0.1	1.2	23.3	6.1	(20.8)	14.0
Liabilities	–	75.6	35.4	1.6	6.7	(20.8)	98.5
AS AT 1 JANUARY 2015	**(4.1)**	**75.5**	**34.2**	**(21.7)**	**0.6**	**-**	**84.5**
Income statement	(0.4)	(2.1)	(3.9)	2.6	(0.3)	–	(4.1)
Direct to other comprehensive income	–	(0.1)	–	2.4	(0.1)	–	2.2
Acquisition subsidiaries	–	19.7	(0.1)	(0.2)	–	–	19.4
Currency translation	(0.1)	1.5	1.8	(1.2)	–	–	2.0
Movements 2015	**(0.5)**	**19.0**	**(2.2)**	**3.6**	**(0.4)**	**-**	**19.5**
Assets	4.6	0.2	1.3	19.8	9.9	(22.7)	13.1
Liabilities	–	94.7	33.3	1.7	10.1	(22.7)	117.1
AS AT 31 DECEMBER 2015	**(4.6)**	**94.5**	**32.0**	**(18.1)**	**0.2**	**-**	**104.0**
Income statement	1.2	(2.0)	(1.0)	–	(2.5)	–	(4.3)
Direct to other comprehensive income	–	–	0.1	(2.7)	(0.3)	–	(2.9)
Acquisition subsidiaries	–	9.2	0.3	2.9	(3.0)	–	9.4
Currency translation	–	1.1	0.5	1.9	(0.4)	–	3.1
Movements 2016	**1.2**	**8.3**	**(0.1)**	**2.1**	**(6.2)**	**-**	**5.3**
Assets	3.4	0.4	2.1	21.1	12.0	(25.6)	13.4
Liabilities	–	103.2	34.0	5.1	6.0	(25.6)	122.7
AS AT 31 DECEMBER 2016	**(3.4)**	**102.8**	**31.9**	**(16.0)**	**(6.0)**	**-**	**109.3**

Deferred income tax assets mainly relate to temporary differences on pension provisions and recognised tax losses. Deferred income tax liabilities mainly relate to temporary differences on other intangible assets which arose from acquisitions and temporary depreciation differences on property, plant and equipment.

17.1 UNRECOGNISED UNUSED TAX LOSSES

The Group has unrecognised carry-forward tax losses amounting to some EUR 31.7 million (2015: EUR 27.6 million). The related deferred income tax assets have not been recorded, since future usage is mainly depending on profit-earning capacity.

UNRECOGNISED UNUSED TAX LOSSES	31-12-2016	31-12-2015
Expire in less than 1 year	–	–
Expire between 1 and 5 years	13.0	9.4
Expire from 5 years or more	4.2	0.7
Indefinite	14.5	17.5
TOTAL UNRECOGNISED UNUSED TAX LOSSES	**31.7**	**27.6**

18. PROVISIONS

18.1 RETIREMENT BENEFIT OBLIGATIONS

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

	PRESENT VALUE (PARTLY) FUNDED OBLIGATIONS	FAIR VALUE PLAN ASSETS	NET LIABILITY	PRESENT VALUE UNFUNDED OBLIGATIONS	TOTAL
AS AT 1 JANUARY 2016	**190.4**	**(129.1)**	**61.3**	**20.1**	**81.4**
Current service cost	1.2	–	**1.2**	0.6	**1.8**
Settlements	(0.2)	0.1	**(0.1)**	–	**(0.1)**
Interest expense / (income)	5.8	(3.8)	**2.0**	0.3	**2.3**
Total recognised in income statement	6.8	(3.7)	**3.1**	0.9	**4.0**
Actuarial gains and losses (demographic assumptions)	(6.1)	–	**(6.1)**	–	**(6.1)**
Actuarial gains and losses (financial assumptions)	33.9	–	**33.9**	1.2	**35.1**
Actuarial gains and losses (experience adjustments)	(2.2)	–	**(2.2)**	0.3	**(1.9)**
Re-measurements of plan assets	–	(15.2)	**(15.2)**	–	**(15.2)**
Total recognised in other comprehensive income	25.6	(15.2)	**10.4**	1.5	**11.9**
Contributions by employer	–	(3.8)	**(3.8)**	–	**(3.8)**
Contributions by participants	0.3	(0.3)	**-**	–	**(0.0)**
Benefits paid	(6.2)	6.2	**-**	(1.2)	**(1.2)**
Reclassifications	2.8	(0.8)	**2.0**	(2.3)	**(0.3)**
Currency translation	(22.0)	14.6	**(7.4)**	–	**(7.4)**
AS AT 31 DECEMBER 2016	**197.7**	**(132.1)**	**65.6**	**19.0**	**84.6**

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

	UNITED KINGDOM	GERMANY	FRANCE	OTHER	TOTAL
Present value of (partly) funded obligations	159.4	9.4	2.1	26.8	**197.7**
Fair value of plan assets	(106.2)	(3.9)	(0.1)	(21.9)	**(132.1)**
	53.2	**5.5**	**2.0**	**4.9**	**65.6**
Present value of unfunded obligations	–	8.7	8.1	2.2	**19.0**
LIABILITY IN THE BALANCE SHEET AS AT 31 DECEMBER 2016	**53.2**	**14.2**	**10.1**	**7.1**	**84.6**
LIABILITY IN THE BALANCE SHEET AS AT 31 DECEMBER 2015	**53.0**	**13.6**	**9.4**	**5.4**	**81.4**

AMOUNTS RECOGNISED IN INCOME STATEMENT	UNITED KINGDOM	GERMANY	FRANCE	OTHER	TOTAL
Current service cost	0.2	0.2	0.6	0.8	**1.8**
Settlements	–	–	–	(0.1)	**(0.1)**
Total recognised in personnel expenses	0.2	0.2	0.6	0.7	**1.7**
Interest expense / (income)	1.8	0.3	0.2	–	**2.3**
TOTAL RECOGNISED IN INCOME STATEMENT	**2.0**	**0.5**	**0.8**	**0.7**	**4.0**

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

ACTUARIAL ASSUMPTIONS 2016	UNITED KINGDOM	GERMANY	FRANCE
Discount rate	2.70%	1.50%	1.50%
Rate of inflation	3.25%	1.50%	2.00%
Future salary increases	2.32%	2.30%	2.00%

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

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

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

		IMPACT ON DEFINED BENEFIT OBLIGATION	
ACTUARIAL ASSUMPTION	CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	0.50%	Decrease by 8.2%	Increase by 8.4%
Rate of inflation	0.50%	Increase by 5.6%	Decrease by 5.5%
Future salary increases	0.50%	Increase by 3.7%	Decrease by 3.7%
Life expectancy	1 year	Increase by 3.0%	Decrease by 3.0%

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

The plan assets consist of the following categories:

PLAN ASSET CATEGORIES	2016	2015
Equities	49%	54%
Bonds	6%	5%
Other net assets	45%	41%
TOTAL	**100%**	**100%**

The other net assets mainly comprise of collective insurance contracts held by insurance companies.
The Dutch subsidiaries participate in multi-employer pension plans, under IFRS these plans qualify as defined contribution plans.
The Group expects EUR 5.4 million in contributions to be paid to its defined benefit plans in 2017 of which EUR 2.8 million is related to the UK defined benefit plans.

UK Defined Benefit Plans

The defined benefit plans in the UK comprise the Yorkshire Fittings Pension Scheme and the TTI Group Pension Scheme. The defined benefit plans can be classified as final salary benefit plans. The level of retirement benefit is principally based on salary earned in the last few years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

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.

The actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out by an external company. Both actuaries are Fellow of the Institute and Faculty of Actuaries. None of the fair values of the related assets include any direct investments in the company's own financial instruments or any property occupied by, or other assets used by, the company. All of the scheme assets have a quoted market price in an active market with the exception of the Trustee's bank account balance.

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 574 past employees as at 31 March 2015. The average duration of the defined benefit obligation at the period ended 31 December 2016 is 18 years.

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 93% of the inflation risk and 74% of the interest rate risk to the liabilities. The asset is classified as 'other net assets' as at December 2016 and as at December 2015.

Together with the trustees, the investment strategy is reviewed at the time of each funding valuation. The Yorkshire Fittings Pension Scheme is subject to a tri-annual actuarial review, in accordance with the scheme funding requirements of the Pensions Act 2004, at which point the future funding strategy is agreed between the trustees and the company. The most recent tri-annual valuation of Yorkshire Fittings Pension Scheme was carried out as at 31 March 2015 and showed a deficit of GBP 36.1 million. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 11 years from 31 March 2016 by the payment of GBP 1.9 million per annum, increasing by 4% per annum.

The IAS19 Disclosure Report regarding the Yorkshire Fittings Pension Scheme provided by an independent actuary shows a deficit of GBP 38.1 million as at 31 December 2016 (2015: GBP 34.5 million).

In addition to and in accordance with the actuarial valuations, the Group has agreed with the trustees of the Yorkshire Fittings Pension Scheme that it will meet expenses of the plan and levies to the Pension Protection Fund as and when they are due. Aalberts Industries has issued a parent guarantee, for a maximum amount of GBP 75.0 million and is therefore supportive to the Yorkshire Fittings Pension Scheme.

TTI Group Pension Scheme

The TTI Group Pension Scheme is a separate trustee administrated fund holding the pension assets to meet long term pension liabilities for some 162 past employees as at 31 December 2012. The average duration of the defined benefit obligation at the period ended 31 December 2016 is 17 years.

Together with the trustees, the investment strategy is reviewed at the time of each funding valuation. The TTI Group Pension Scheme is subject to a tri-annual actuarial review, in accordance with the scheme funding requirements of the Pensions Act 2004, at which point the future funding strategy is agreed between the trustees and the company. Currently, the tri-annual actuarial valuation of the TTI Group Pension Scheme as at 31 December 2015 is in the process of being finalized and will be filed ultimately at 31 March 2017. The tri-annual actuarial valuation as at 31 December 2012, which is finalized and filed, showed a deficit of GBP 5.4 million. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 17 years from 31 December 2012 by the payments of annual contributions of GBP 0.5 million in respect of the deficit.

The IAS19 Disclosure Report regarding the TTI Group Pension Scheme provided by an independent actuary shows a deficit of GBP 7.3 million as at 31 December 2016 (2015: GBP 4.5 million).

In addition to and in accordance with the actuarial valuations, the Group has agreed with the trustees of the TTI Group Pension Scheme that it will meet expenses of the plans and levies to the Pension Protection Fund as and when they are due. Aalberts Industries has issued a parent guarantee, for a maximum amount of GBP 9.5 million and is therefore supportive to the TTI Group Pension Scheme.

18.2 OTHER PROVISIONS AND NON-CURRENT LIABILITIES

	2016	2015
AS AT 1 JANUARY	**7.2**	**18.2**
Additions	1.1	1.6
Used during year	(1.4)	(3.8)
Unused amounts reversed	(0.7)	(1.9)
Acquisition subsidiaries	–	1.8
Deferred considerations	34.2	–
Reclassified to current	(2.7)	(9.6)
Currency translation	0.1	0.9
AS AT 31 DECEMBER	**37.8**	**7.2**

The other provisions consist of liabilities related to deferred considerations, normal business operations and provisions for restructuring and environmental restoration. The unpaid parts of purchase considerations for acquisitions included in other provisions are EUR 34.2 million of which EUR 2.7 million is reclassified to current liabilities (2015: EUR nil) as this will be settled in 2017.

19. TRADE AND OTHER PAYABLES

	31-12-2016	31-12-2015
Trade creditors	242.2	218.0
Investment creditors	10.1	14.3
Customer related payables	57.2	75.1
TOTAL	**309.5**	**307.4**

20. OTHER CURRENT LIABILITIES

	31-12-2016	31-12-2015
Social security charges and taxes	21.0	23.8
Value added tax	6.7	6.5
Accrued expenses	38.1	36.4
Amounts due to personnel	51.8	52.2
Deferred considerations	2.7	24.6
Derivative financial instruments	4.4	5.0
Other	12.0	12.7
TOTAL	**136.7**	**161.2**

The deferred considerations related to the unpaid part of recent acquisitions and are expected to be paid in full in the first half year 2017.

The derivative financial instruments consist of the following items:

	31-12-2016	31-12-2015
Interest rate swap contracts	4.3	3.4
Foreign currency exchange contracts	0.1	0.7
Metal hedging contracts	–	0.9
TOTAL	**4.4**	**5.0**

The principal amounts of the outstanding interest rate swap contracts at 31 December 2016 were EUR 341.3 million (2015: EUR 375.0 million), for foreign currency exchange contracts EUR 185.5 million (2015: EUR 156.1 million) and for metal hedging contracts EUR 9.4 million (2015: EUR 11.5 million).

The majority of the outstanding foreign currency exchange and metal hedging contracts has a short term nature. Interest rate swaps maturity is directly related to the bank borrowings concerned (note 16). The fair value of financial instruments equals the market value at 31 December 2016. All financial instruments are classified as level 2.

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

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

21. PERSONNEL EXPENSES

	2016	2015
Wages and salaries	(586.7)	(570.2)
Social security charges	(108.2)	(105.0)
Defined benefit plans	(1.7)	(1.1)
Defined contribution plans	(15.3)	(17.4)
Other expenses related to employees	(21.3)	(20.2)
TOTAL	**(733.2)**	**(713.9)**

In the year under review, the average number of full-time employees amounted to 15,287 (2015: 14,843) of which 13,492 (2015: 12,917) 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 34.10).

22. OTHER OPERATING EXPENSES

	2016	2015
Production expenses	(251.0)	(249.4)
Selling expenses	(77.0)	(76.3)
Housing expenses	(41.2)	(41.8)
General expenses	(95.1)	(88.5)
Warranty costs	(3.5)	(3.6)
Other operating income	23.8	19.5
TOTAL	**(444.0)**	**(440.1)**

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

Other operating income is income not related to the key business activities of the Group or relates to non-recurring items like government grants and insurance amounts received. The realised book profit on the disposals of subsidiaries recognised in 2016 amounts to EUR 6.3 million (2015: EUR 4.9 million). The proceeds from the 2016 transactions were used to further strengthen the existing market positions and operations. Several projects started in 2015 and continued in 2016 lead to non-recurring expenses for an amount of EUR 12.7 million (2015: EUR 12.7 million).

23. NET FINANCE COST

	2016	2015
Interest income	**0.8**	**0.6**
Interest expenses:		
Bank borrowings	(17.1)	(17.7)
Finance leases	(0.3)	(0.7)
Total interest expense	**(17.4)**	**(18.4)**
Net interest expense	**(16.6)**	**(17.8)**
Foreign currency exchange results	**(4.3)**	**1.0**
Fair value results on financial instruments:		
Interest/foreign currency swaps	0.8	(0.4)
Metal price hedge contracts	2.4	(0.6)
Total fair value results on derivative financial instruments	**3.2**	**(1.0)**
Net interest expense on employee benefit plans	**(2.3)**	**(2.6)**
NET FINANCE COST	**(20.0)**	**(20.4)**

24. INCOME TAX EXPENSE

	2016	2015
Current tax:		
Current year	(67.7)	(60.5)
Prior years	1.0	(2.2)
	(66.7)	**(62.7)**
Deferred tax	4.3	4.1
TOTAL INCOME TAX EXPENSE	**(62.4)**	**(58.6)**

	2016	2015*
Profit before tax	**248.2**	**226.8**
Tax calculated at domestic rates applicable to profits	(72.1)	(67.6)
Expenses not deductible for tax purposes	(2.2)	(4.4)
Tax-exempt results and tax relief facilities	7.0	9.2
Other effects	4.9	4.2
TOTAL INCOME TAX EXPENSE	**(62.4)**	**(58.6)**
Effective tax rate	25.2%	25.8%

* Adjusted for comparison purposes.

The weighted average applicable domestic tax rate decreased due to changes in the country mix. For 2016 the weighted average applicable domestic tax rate amounted to 29.1% (2015: 29.8%).

25. EARNINGS AND DIVIDENDS PER SHARE

	2016	2015
Net profit (in EUR million)	182.6	165.7
Weighted average number of shares in issue (x1)	110,580,102	110,580,102
Basic earnings per share (in EUR)	**1.65**	**1.50**
Net profit (in EUR million)	182.6	165.7
Weighted average number of shares in issue including effect of performance share plan (x1)	110,712,602	110,772,542
Diluted earnings per share (in EUR)	**1.65**	**1.50**
Net profit before amortisation (in EUR million)	212.4	190.4
Weighted average number of shares in issue (x1)	110,580,102	110,580,102
Basic earnings per share before amortisation (in EUR)	**1.92**	**1.72**
Net profit before amortisation (in EUR million)	212.4	190.4
Weighted average number of shares in issue including effect of performance share plan (x1)	110,712,602	110,772,542
Diluted earnings per share before amortisation (in EUR)	**1.92**	**1.72**

The dividends paid in 2016 were EUR 0.52 per share (2015: EUR 0.46 per share). A dividend in respect of the year ended 31 December 2016 of EUR 0.58 per share will be proposed at the General Meeting to be held on 18 April 2017. These financial statements do not reflect this dividend payable.

26. CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of bank and other guarantees arising from the ordinary course of business. It is not anticipated that any material liabilities will rise from the contingent liabilities. The Group has provided guarantees in the ordinary course of business amounting to EUR 9.4 million (2015: EUR 18.6 million) to third parties.

Outstanding commitments related to the purchase of copper, brass and aluminium for the European Building Installations and Climate Control operations amounted to EUR 38.0 million as at year-end (2015: EUR 47.7 million).

27. OPERATIONAL LEASE AND RENT COMMITMENTS

It has been agreed with banks that no security will be provided to third parties without the banks' permission.

OPERATIONAL LEASE AND RENT COMMITMENTS	2016	2015
Due in less than 1 year	24.2	19.7
Due between 1 and 5 years	50.4	45.9
Due from 5 years or more	24.7	17.1
TOTAL COMMITMENTS	**99.3**	**82.7**

28. BUSINESS COMBINATIONS

The Group acquired the following entities during 2016:

GROUP COMPANY	HEAD OFFICE IN	CONSOLIDATED AS FROM	INTEREST	GROUP ACTIVITY
Ushers Machine & Tool Co., Inc.	United States	15 January 2016	100%	Industrial Services
Schroeder Industries, Inc.	United States	1 February 2016	100%	Industrial Controls
Tri-Went Group	United States	1 June 2016	100%	Building Installations
Shurjoint Group	Taiwan	1 October 2016	100%	Building Installations

28.1 ACQUISITIONS

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

In January 2016 Aalberts Industries N.V. reached an agreement to acquire 100% of the shares of Ushers Machine & Tool Co., Inc. (Ushers) with locations in Round Lake, NY, Sunapee, NH and Greenville, SC. Ushers generates an annual revenue of approximately USD 40 million and will strengthen the position of Industrial Services in the power generation end market. Ushers services the OEM in the power generation end market directly with several high grade technologies, such as precision machining, welding, assembly and testing of complex parts and modules for industrial gas turbines (IGT).

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

The results of Ushers are consolidated effective from 15 January 2016 and directly contributed to the earnings per share. The acquisition has been financed from existing credit facilities.

ACQUISITION SCHROEDER INDUSTRIES, INC. (UNITED STATES)

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

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

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

The results of Schroeder are consolidated from 1 February 2016. The acquisition has been financed from existing credit facilities.

ACQUISITION TRI-WENT GROUP (UNITED STATES/CANADA)

In June 2016, Aalberts Industries N.V. reached an agreement to acquire several assets of Tri-Went Inc. and 100% of the shares of Tri-Went Industries Limited ('Tri-Went').

Tri-Went is known for its proprietary hard and software technology in the manufacture of complex serpentine and multi-plan fabricated tube products, generates an annual revenue of approximately USD 7 million. The product lines of Tri-Went are complementary to our existing building installation products produced at Elkhart Products Corporation and Elkhart Products Ltd.

As of 1 June 2016 Tri-Went is consolidated and directly contributed to the earnings per share. The acquisition has been financed from existing credit facilities.

ACQUISITION SHURJOINT GROUP (TAIWAN/CHINA/UNITED STATES)

In October 2016 Aalberts Industries N.V. reached an agreement to acquire 100% of the shares of Shurjoint Piping Products USA, Inc., Haohan Metal (Kunshan) Co. Ltd. and Shurjoint Metals Inc. ('Shurjoint').

Shurjoint is an innovative leader in the development, manufacturing, sales and distribution of grooved components for mechanical piping systems, generating an annual revenue of approximately USD 42 million. The company is based in Taiwan and China (ductile iron foundries, development & engineering, machining, assembly and coating) and North America (engineering, sales & distribution). Shurjoint has a complete portfolio of mechanical piping components with more than 3,000 items in sizes from 1/2" to 104", for use with a variety of piping materials to connect mechanical piping systems in commercial buildings and many industrial applications.

Groove systems are a strategic fit to the existing connection technology portfolio in the Building Installations business.

The results of Shurjoint are consolidated as of 1 October 2016. The acquisition directly contributed to the earnings per share and has been financed from existing credit facilities.

28.2 FAIR VALUE AND CONTRIBUTION OF BUSINESS COMBINATIONS

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

FAIR VALUES OF ASSETS AND LIABILITIES ARISING FROM BUSINESS COMBINATIONS	BUILDING INSTALLATIONS	INDUSTRIAL CONTROLS	INDUSTRIAL SERVICES	TOTAL
Intangible assets	41.5	3.2	18.5	**63.2**
Property, plant and equipment	14.6	1.5	4.8	**20.9**
Inventories	17.1	1.7	4.2	**23.0**
Receivables and other current assets	1.8	1.2	1.7	**4.7**
Cash and current borrowings	4.8	(3.4)	(2.7)	**(1.3)**
Bank borrowings	–	(0.3)	–	**(0.3)**
Net deferred tax asset/(liability)	(9.6)	0.2	–	**(9.4)**
Payables and other current liabilities	(3.4)	(1.2)	(2.1)	**(6.7)**
Net assets acquired	**66.8**	**2.9**	**24.4**	**94.1**
Purchase consideration settled in cash	65.5	4.1	25.2	**94.8**
Deferred purchase consideration	23.6	3.7	5.5	**32.8**
Total purchase consideration	**89.1**	**7.8**	**30.7**	**127.6**
GOODWILL	**22.3**	**4.9**	**6.3**	**33.5**
Purchase consideration settled in cash	(65.5)	(4.1)	(25.2)	**(94.8)**
Cash and current borrowings	4.8	(3.4)	(2.7)	**(1.3)**
CASH OUTFLOW ON ACQUISITIONS	**(60.7)**	**(7.5)**	**(27.9)**	**(96.1)**

The fair values of the identifiable assets and liabilities as at acquisition date relate to the four acquisitions made during 2016 and were determined provisionally and are subject to change. This is mainly related to fair value assessments of tangible fixed assets, intangible assets and the related deferred tax liabilities.
The fair values are based on the outcome of the preliminary purchase price allocations which will be finalised within 12 months from acquisition date.

The deferred purchase consideration of EUR 32.8 million consist of EUR 17.5 million related to agreed upon additional considerations depending on the results for the year 2016-2019 and EUR 15.3 million related to agreed fixed deferred payments.
The deferred purchase consideration relating to these transactions represents its fair value as at acquisition date. The non-current part of the deferred purchase considerations is recognised as part of the other provisions and non-current liabilities and the current part is recognised as part of the other current liabilities.

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

The increase of the 2016 revenue due to the consolidation of acquisitions amounted to EUR 45.1 million. Total 2016 revenue reached an amount of EUR 81.5 million (pro forma). The contribution to the 2016 operating profit of Aalberts Industries amounted to EUR 6.5 million where a total operating profit for the year was reached of EUR 18.0 million (pro forma). The nominal value of the acquired receivables amounts to EUR 4.7 million (fair value EUR 4.7 million).

In addition to the cash outflow of EUR 96.1 million, contingent purchase considerations with respect to prior year acquisitions were paid for a total amount of EUR 24.4 million and EUR 1.0 million was paid in advance for the acquisition of Vin Service srl.

28.3 ACQUISITION RELATED COSTS

The Group incurred acquisition related costs such as external legal fees and due diligence costs for an amount of EUR 2.2 million (2015: EUR 0.6 million). These costs have been included in other operating expenses (general expenses).

28.4 DIVESTMENTS

In 2016, Aalberts Industries divested the entities Machinefabriek Technologie Twente B.V. and Germefa B.V. (both in The Netherlands and part of the segment Industrial Controls). Aalberts Industries will put more focus on the defined business segments, end markets and core technologies where a leading position and sustainable profitable growth can be achieved. Divestment of non-core activities is part of this strategy.

These transactions were closed in 2016 and resulted in a net cash inflow of EUR 10.0 million. The realised book profit (EUR 6.3 million) on the disposed activities is recognised in other operating income (see note 22). The proceeds from this transaction will be used to strengthen existing market positions and operations. Machinefabriek Technologie Twente B.V. and Germefa B.V. have been deconsolidated as from 1 June 2016.

The book value of the assets and liabilities disposed of and derecognised as at 1 June 2016 is as follows:

BOOK VALUE OF THE ASSETS AND LIABILITIES DISPOSED	TOTAL
Property, plant and equipment	1.9
Inventories	2.9
Receivables and other current assets	1.4
Cash and current borrowings	(0.4)
Payables and other current liabilities	(2.1)
NET ASSETS DISPOSED	**3.7**

The contribution of the disposed activities to the 2016 revenue of Aalberts Industries amounted to approximately EUR 3.6 million. The contribution to the 2016 operating profit amounted to approximately EUR 0.8 million.

29. OVERVIEW OF SIGNIFICANT SUBSIDIARIES

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

30. RELATED PARTIES

The Management and Supervisory Board and the pension funds in the United Kingdom have been identified as related parties. No material transactions have been executed other than intercompany transactions and remuneration, as stated in note 34.10, under normal business conditions.

31. SUBSEQUENT EVENTS

In January 2017 Aalberts Industries N.V. acquired 100% of the shares of Vin Service srl (Vin Service) after finalising the necessary formalities. The company, based in Zanica (Bergamo), Northern Italy, generates an annual revenue of approximately USD 30 million. The results of Vin Service will be consolidated as of 1 January 2017.

The portfolio of Vin Service is complementary and will strengthen our global market position in the beverage dispense market. We see many possibilities for the Vin Service product range and technologies in especially North America and Asia, utilising our Key Account contacts.

The acquisition will directly contribute to the earnings per share and will be financed from existing credit facilities.

32. COMPANY BALANCE SHEET

before profit appropriation

in EUR million	NOTES	31-12-2016	31-12-2015
ASSETS			
Intangible assets		0.4	0.4
Investments in subsidiaries	34.2	1,402.0	1,245.7
Loans to Group companies	34.3	27.1	277.6
Fixed assets		**1,429.5**	**1,523.7**
Other debtors, prepayments and accrued income	34.4	41.8	44.9
Cash and cash equivalents		170.5	–
Current assets		**212.3**	**44.9**
TOTAL ASSETS		**1,641.8**	**1,568.6**
EQUITY AND LIABILITIES			
Issued and paid-up share capital		27.6	27.6
Share premium account		200.8	200.8
Other reserves		974.3	876.8
Currency translation and hedging reserve		(12.2)	(2.2)
Retained earnings		182.6	165.7
Shareholders' equity	34.5	**1,373.1**	**1,268.7**
Loans from Group companies		6.8	–
Deferred taxation		2.2	2.7
Non-current liabilities		**9.0**	**2.7**
Current borrowings		–	0.8
Trade creditors		0.6	0.8
Taxation and social security charges		0.1	0.1
Payables to Group companies, other payables, accruals and deferred income		259.0	295.5
Current liabilities		**259.7**	**297.2**
TOTAL EQUITY AND LIABILITIES		**1,641.8**	**1,568.6**

33. COMPANY INCOME STATEMENT

in EUR million	NOTES	31-12-2016	31-12-2015
Management fees		6.2	5.3
Personnel expenses	34.7	(6.3)	(5.2)
Housing expenses		(0.3)	(0.2)
General expenses		(5.7)	(3.8)
Amortisation of intangible assets		–	–
NET OPERATING EXPENSES		**(6.1)**	**(3.9)**
OPERATING PROFIT / (LOSS)		**(6.1)**	**(3.9)**
Net interest income / (expense)		3.3	3.4
PROFIT / (LOSS) BEFORE INCOME TAX		**(2.8)**	**(0.5)**
Income tax benefit / (expense)	34.8	4.8	11.1
Result subsidiaries		180.6	155.1
PROFIT / (LOSS) AFTER INCOME TAX		**182.6**	**165.7**

34. NOTES TO THE COMPANY FINANCIAL STATEMENTS

34.1 ACCOUNTING PRINCIPLES

The company financial statements of Aalberts Industries N.V. are prepared in accordance with Generally Accepted Accounting Principles in the Netherlands and compliant with the requirements included in Part 9 of Book 2 of the Dutch Civil Code. As from 2005, Aalberts Industries N.V. prepares its consolidated financial statements according to International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realised.

34.2 INVESTMENTS IN SUBSIDIARIES

	INVESTMENTS IN SUBSIDIARIES
AS AT 1 JANUARY 2015	**1,211.5**
Share in 2015 profit	155.1
Capital contribution / (repayment)	(109.7)
Dividends paid	(36.2)
Currency translation and remeasurements	25.0
AS AT 31 DECEMBER 2015	**1,245.7**
Share in 2016 profit	180.6
Capital contribution / (repayment)	1.0
Dividends paid	(5.4)
Currency translation and remeasurements	(19.9)
AS AT 31 DECEMBER 2016	**1,402.0**

34.3 LOANS TO GROUP COMPANIES

	2016	2015
AS AT 1 JANUARY	**277.6**	**202.1**
New loans	–	100.5
Repayments	(250.5)	(25.0)
AS AT 31 DECEMBER	**27.1**	**277.6**

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

34.4 OTHER DEBTORS, PREPAYMENTS AND ACCRUED INCOME

	31-12-2016	31-12-2015
Intercompany debtors	30.6	30.7
Prepaid and accrued income	1.4	0.1
Current tax receivable	9.8	14.1
TOTAL DEBTORS	**41.8**	**44.9**

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

34.5 EQUITY

34.5.1 Shareholders' equity

	ISSUED AND PAID-UP SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES	CURRENCY TRANSLATION AND HEDGING RESERVE	RETAINED EARNINGS	TOTAL SHARE-HOLDERS' EQUITY
AS AT 1 JANUARY 2015	**27.6**	**200.8**	**775.9**	**(21.0)**	**147.5**	**1,130.8**
Dividend 2014	–	–	–	–	(50.9)	**(50.9)**
Addition to other reserves	–	–	96.6	–	(96.6)	**-**
Share based payments	–	–	0.9	–	–	**0.9**
Transactions with non-controlling interests	–	–	(2.9)	–	–	**(2.9)**
Profit financial year	–	–	–	–	165.7	**165.7**
Remeasurements of employee benefit obligations	–	–	7.9	–	–	**7.9**
Currency translation differences	–	–	–	19.9	–	**19.9**
Fair value changes derivative financial instruments	–	–	–	(0.5)	–	**(0.5)**
Income tax effect on direct equity movements	–	–	(1.6)	(0.6)	–	**(2.2)**
AS AT 31 DECEMBER 2015	**27.6**	**200.8**	**876.8**	**(2.2)**	**165.7**	**1,268.7**
Dividend 2015	–	–	–	–	(57.6)	**(57.6)**
Addition to other reserves	–	–	108.1	–	(108.1)	**-**
Share based payments	–	–	(0.4)	–	–	**(0.4)**
Transactions with non-controlling interests	–	–	(0.3)	–	–	**(0.3)**
Profit financial year	–	–	–	–	182.6	**182.6**
Remeasurements of employee benefit obligations	–	–	(11.9)	–	–	**(11.9)**
Currency translation differences	–	–	–	(9.7)	–	**(9.7)**
Fair value changes derivative financial instruments	–	–	–	(1.1)	–	**(1.1)**
Income tax effect on direct equity movements	–	–	2.0	0.8	–	**2.8**
AS AT 31 DECEMBER 2016	**27.6**	**200.8**	**974.3**	**(12.2)**	**182.6**	**1,373.1**

The authorised share capital amounts to EUR 50.0 million divided into:

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

The issued and paid-up share capital did not change in the course of the year under review. As at 31 December 2016, a total of 110,580,102 ordinary shares and 100 priority shares were issued and paid-up. The currency translation and hedging reserve is not to be used for profit distribution.

34.5.2 Special controlling rights under the Articles of Association

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

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

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

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

34.6 PROFIT APPROPRIATION

In accordance with the resolution of the General Meeting held on 19 April 2016, the profit for 2015 has been appropriated in conformity with the proposed appropriation of profit stated in the 2015 Financial Statements.

The net profit for 2016 attributable to the shareholders amounting to EUR 182.6 million shall be available in accordance with the articles of association.

The Management Board proposes to declare a dividend of EUR 0.58 solely in cash per share of EUR 0.25 par value. Any residual profit shall be added to reserves.

34.7 PERSONNEL EXPENSES

	2016	2015
Wages and salaries	(5.3)	(4.4)
Social security charges	(0.2)	(0.2)
Defined contribution plans	(0.6)	(0.4)
Other expenses related to employees	(0.2)	(0.2)
TOTAL	**(6.3)**	**(5.2)**

The average number of employees amounted to 23.1 full time equivalents (2015: 16.0), as at year-end 24.4 (2015: 21.0).

34.8 INCOME TAX BENEFIT / (EXPENSE)

	2016	2015
Current tax:		
Current year	4.8	8.5
Prior years	(0.5)	(0.9)
Deferred tax	0.5	3.5
TOTAL INCOME TAX BENEFIT / (EXPENSE)	**4.8**	**11.1**

34.9 AUDIT FEES

The following amounts are paid as audit fees to the Deloitte Accountants B.V. and its member firm and/or affiliates and included in other operating expenses (amounts in EUR x1,000).

2016	DELOITTE ACCOUNTANTS B.V.	OTHER DELOITTE ACCOUNTANTS B.V. NETWORK	TOTAL DELOITTE ACCOUNTANTS B.V. NETWORK
Audit of annual accounts	545	1,920	2,465
Other audit services	–	4	4
Tax advisory services	–	339	339
Other non-audit services	–	5	5
TOTAL	**545**	**2,268**	**2,813**

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

The fees listed above relate to the services applied to the Company and its consolidated Group entities by accounting firms and independent external auditors as referred to in Section 1(1) of the Dutch Audit Firms (Supervision) Act (Wta), as well as by Dutch and foreign-based audit firms, including their tax services and advisory groups. During the year under review Deloitte Accountants B.V. and its member firm and/or affiliates network took over the audit of several entities which, during 2015, were audited by a non Deloitte Accountants B.V. network firm.

34.10 REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BOARD (AMOUNTS IN EUR X1,000)

The total remuneration of the members of the Management Board for 2016 amounted to EUR 3.8 million (2015: EUR 3.2 million) and is determined in accordance with the remuneration policy as disclosed in the Report of the Supervisory Board.

Mr. W.A. Pelsma (CEO) received a salary of EUR 680 (2015: EUR 600), a bonus amounting to EUR 510 (2015: EUR 450) and a pension contribution of EUR 111 (2015: EUR 79). At year-end he held a total number of 89,775 shares in Aalberts Industries N.V. (2015: 72,175 shares). The number of conditional performance share awards that were granted in 2015 (PSP 2015-2017) amounted to 30,000 shares for which EUR 281 (2015: EUR 173) was charged to the income statement. Of the 20,000 conditional shares that were granted in 2013 (PSP 2013-2015), a total of 14,600 shares (73%) vested in 2016, for which EUR 30 was charged to the income statement (2015: EUR 10).

Mr. J. Eijgendaal (CFO) received a salary of EUR 540 (2015: EUR 520), a bonus amounting to EUR 405 (2015: EUR 390) and a pension contribution of EUR 83 (2015: EUR 87). At year-end he held a total of 148,000 shares in Aalberts Industries N.V. (2015: 130,000 shares). The number of conditional performance share awards that were granted in 2015 (PSP 2015-2017) amounted to 25,000 shares for which EUR 229 (2015: EUR 142) was charged to the income statement. Of the 20,000 conditional shares that were granted in 2013 (PSP 2013-2015), a total of 14,600 shares (73%) vested in 2016, for which EUR 36 was charged to the income statement (2015: EUR 13).

Mr. O.N. Jäger (Executive Director) received a salary of EUR 440 (2015: EUR 390) and a bonus amounting to EUR 330 (2015: EUR 293). At year-end he held a total of 12,057 shares in Aalberts Industries N.V. (2015: 8,457 shares). The number of conditional performance share awards that were granted in 2015 (PSP 2015-2017) amounted to 15,000 shares for which EUR 138 (2015: EUR 85) was charged to the income statement. Of the 10,000 conditional shares that were granted in 2013 (PSP 2013-2015), a total of 7,300 shares (73%) vested in 2016 for which EUR 15 was charged to the income statement (2015: EUR 6).

Additional information regarding conditional performances share awards disclosed in note 15.3. The share price as at 31 December 2016 amounted to EUR 30.82 per share.

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

	2016	2015
H. Scheffers	50	50
M.C.J. van Pernis	40	40
J. van der Zouw	40	30
P. Veenema	30	–
W. van de Vijver	–	10
TOTAL	**160**	**130**

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

34.11 LIABILITY

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

Starting for the year 2016 several German subsidiaries as listed below 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 Industries (Deutschland) GmbH, Gelsenkirchen	100%
Aalberts Industries Grundstücksverwaltungsgesellschaft mbH, Gelsenkirchen	100%
D.S.I. Getränkearmaturen GmbH, Hamm	100%
BROEN GmbH, Gelsenkirchen	100%
VTI Ventil Technik GmbH, Menden	100%
Simplex Armaturen & Systeme GmbH, Argenbühl-Eisenharz	100%
Seppelfricke Service GmbH, Gelsenkirchen	100%
Seppelfricke Armaturen GmbH, Gelsenkirchen	100%
Seppelfricke Vertriebs + Produktions GmbH, Gelsenkirchen	100%
Melcher + Frenzen Armaturen GmbH, Gelsenkirchen	100%
Meibes System-Technik GmbH, Machern OT Gerichshain	100%
Raufoss Metall GmbH, Hemer	100%
Integrated Dynamics Engineering GmbH, Raunheim	100%
AI Industrial Services GmbH, Kerpen	100%
AHC Oberflächentechnik GmbH, Kerpen	100%
MT Grundstücksverwaltungs GmbH, Kerpen	100%

NAME AND SEAT OF THE COMPANY	DIRECT AND INDIRECT PARTICIPATION %
Impreglon Solingen GmbH, Kerpen	100%
AHC Oberflächentechnik GmbH, Burg	100%
Duralloy Süd GmbH, Villingen-Schwenningen	100%
Impreglon Zwönitz GmbH, Zwönitz	100%
Impreglon Moers GmbH, Moers	100%
Hauck Heat Treatment GmbH, Remscheid	100%
Hauck Heat Treatment Süd GmbH, Gaildorf	100%
Impreglon GmbH, Kerpen	100%
Impreglon Oberflächentechnik GmbH, Lüneburg	100%
Impreglon Beschichtungen GmbH, Landsberg	100%
Impreglon Engineering GmbH, Jessenitz	100%
Impreglon Material Technology GmbH, Lübeck	100%
Hauck Heat Treatment GmbH, Dunningen	100%
ALZI Metallveredelung GmbH, Wünschendorf (Zwickau)	100%
Gebr. Linke GmbH, Zwickau	100%
TOP Oberflächen GmbH, Würzburg	100%
Impreglon Surface Engineering GmbH, Kaufbeuren	100%

The company has guaranteed the non-current borrowings and the current portion of the non-current borrowings of the Group companies for an amount of EUR 524.3 million (2015: EUR 570.4 million). In addition, the Company has guaranteed the two UK defined benefit Pension Schemes for an amount of EUR 99.1 million.

Langbroek, 27 February 2017

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

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

4. INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2016

Our Opinion

We have audited the financial statements 2016 of Aalberts Industries N.V. ('the Company'), based in Langbroek. The financial statements include the consolidated financial statements and the company financial statements as set out on the pages 54 up to and including 94.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of Aalberts Industries N.V. as at 31 December 2016 and of its result and its cash flows for 2016 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 company financial statements give a true and fair view of the financial position of Aalberts Industries N.V. as at 31 December 2016 and of its result for the year 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated balance sheet as at 31 December 2016;
- The following statements for 2016: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows; and
- The notes to the consolidated financial statements, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company balance sheet as at 31 December 2016;
- The company income statement for 2016; and
- The notes to the company financial statements, comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of Aalberts Industries N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" ('ViO') and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" ('VGBA').

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

Materiality

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

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 11 million (2015: EUR 10 million). The materiality is based on 5% of the 2015 profit before income tax. We reassessed the group materiality level based on the 2016 actual profit before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Audits of group entities (components) were performed using materiality levels determined by the judgement of the group audit team, having regard to the materiality of the consolidated financial statements as a whole. Component materiality did not exceed 60% of group materiality and for most components, the materiality applied is significantly less than this. We agreed with the Supervisory Board that misstatements in excess of EUR 500 thousand (2015: EUR 500 thousand), which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

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

Because we are ultimately responsible for the opinion, 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 ('components'). 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. Aalberts Industries N.V. is divided into four reportable segments, as disclosed in note 6 of the consolidated financial statements of Aalberts Industries N.V. These four reportable segments encompass 14 (groups of) reporting entities that report to responsible management. No component individually contributes more than 20% of the consolidated revenue of Aalberts Industries N.V.

Our group audit mainly concentrated on significant components in terms of size and financial interest or where significant risks or complex activities were present, leading to full scope audits performed for 27 components.

We have performed audit and analytical procedures ourselves at corporate entities, several operations in the Netherlands and new acquisitions. Furthermore, we performed audit procedures at group level on areas such as consolidation, disclosures, goodwill, intangible assets, financial instruments, acquisitions and divestments. Specialists were involved amongst others in the areas of information technology, tax, accounting, and valuation.
For all relevant foreign components, the group audit team provided detailed written instructions, which, in addition to communicating the requirements of component audit teams, detailed significant audit areas and information

obtained centrally relevant to the audit of individual components including awareness for risk related to management override. Furthermore, we developed a plan for overseeing each component audit team based on its relative significance to the Company and certain other risk characteristics. This included procedures such as visiting components and/or component teams (Belgium, China, Denmark, France, Germany, Hungary, The Netherlands, Poland and the United States) during the year, performing file reviews, holding conference calls, attending meetings and reviewing component audit team deliverables to gain sufficient understanding of the work performed.

Considering their share in the consolidated revenue 93% of the components are subject to full scope audit procedures. Specific audit procedures or analytical procedures are performed in respect of components that have not been audited.

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

Our key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the key audit matter was addressed in the audit
Risk in relation to the decentralized group structure Aalberts Industries is a group with more than 200 legal entities, grouped in 27 components that are part of the four reportable segments. The geographical decentralized structure and the relatively small size of some of these entities to the group as a whole, increase the complexity of the company's control environment and our ability as group auditor to obtain an appropriate level of understanding of these entities.	We have evaluated the Company's internal controls that address these risks, including centralized monitoring controls at both group and segment level. The Internal Audit function, in close cooperation with segment management and the Group Control department, is in the process of implementing a more harmonized system and procedures across the Company. During our audit we have specifically focused on risks in relation to the decentralized structure and we have extended our involvement in local audit work performed by the component auditors. We organized site visits, meetings and conference calls with components in our audit scope. We have also requested component auditors to specifically address certain risks and attention areas defined at group level, by requiring all teams to complete specific risk-based questionnaires and detailed audit programs in order to ensure a consistent approach in areas that were deemed most relevant from a group audit perspective.

Key audit matter	How the key audit matter was addressed in the audit
Accounting for business combinations In 2016 the Company acquired Ushers Machine & Tool Co., Inc. (US), Shurjoint Piping Products USA Inc. (US), Haohan Metal (Kunshan) Co. Ltd. (China), Shurjoint Metals Inc. (Taiwan), Schroeder Industries Inc. (US) and Tri-Went Limited (US). For these acquisitions, preliminary purchase price allocations were performed by the Company. Furthermore, the preliminary purchase price allocation of the 2015 acquisition of Ventrex Automotive GmbH (Austria) has been finalized during the year. These purchase price allocations require management to identify and calculate the fair value of the acquired assets, including tangible and intangible assets. These fair value calculations represent important estimates that require the use of valuation models, reliable source documentation and a significant level of management judgement.	In our audit procedures we have obtained contractual information, business plans and forecasts to understand the acquisitions and we have involved valuation specialists to review the valuation model applied and some of the key assumptions. We have also assessed the reasonableness of changes made in the finalized purchase price allocation, compared to the preliminary assumptions used. We have met or organized conference calls with the local audit teams of Ushers and Shurjoint to obtain an understanding of the entity acquired and the audit procedures performed on the acquired entities. Members of the group audit team performed certain audit procedures and analytical procedures for Shurjoint, Schroeder and Tri-Went. We have also evaluated the disclosures as included in the consolidated financial statements in note 28.

Key audit matter	How the key audit matter was addressed in the audit
Valuation of goodwill The Company has recorded a significant amount of goodwill (and other intangibles) that is subject to an annual impairment test. The goodwill is allocated to the cash generating units (CGUs) within the four reportable segments and amounts to EUR 736 million as at 31 December 2016 (2015: EUR 702 million). Procedures on management's annual impairment test were significant to our audit because the assessment process is complex and the impairment test is based on estimates and assumptions. The Company performs an annual impairment test to identify impairment losses, arising when the recoverable amount for a cash generating unit is lower than the carrying amount recorded. Based on the impairment tests, no impairment losses have been identified. These impairment tests are based on valuation models that use assumptions in respect of future market and economic conditions such as economic growth, expected inflation rates, demographic developments, expected market share, revenue and margin development.	For our audit we assessed and tested, together with our valuation specialists, the assumptions, the discount rates, methodologies and data used by the Company, for example by comparing them to external data such as expected inflation rates, external market growth expectations and by analysing sensitivities in the Company's valuation model. We specifically focused on the sensitivity in the available headroom of CGUs and whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We also assessed the historical accuracy of management's estimates. Furthermore we have evaluated the internal controls related to the preparation of the impairment model and the review of the forecasted cash flows, growth rates, discount rates and other relevant assumptions. In our audit procedures we have also compared actual performance per cash generating unit to assumptions applied in prior year models to assess the historical accuracy of management's estimates. Finally, we have assessed the adequacy of disclosure notes, including the disclosures on the sensitivity of assumptions used. Reference is made to notes 7.7.1 and 10.1 of the consolidated financial statements.

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;
- Other Information pursuant to Part 9 of Book 2 of the Dutch Civil Code; and
- Other information included in the Annual Report.

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

- is consistent with the financial statements and does not contain material misstatements; and
- 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 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were appointed by the Annual General Meeting as auditor of Aalberts Industries N.V. on 21 April 2015. The audit for year 2016 was our second year audit.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

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

Our responsibilities for the audit of the financial statements

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

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.

For an overview of our responsibilities we refer to NBA's website www.nba.nl (Standard texts auditor's report).

Amsterdam, 27 February 2017

Deloitte Accountants B.V.
Signed by: B.E. Savert

OVERVIEW GROUP COMPANIES

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

BUILDING INSTALLATIONS

Conbraco Industries, Inc.	USA
Elkhart Products Corporation	USA
Henco Industries N.V.	BEL
KAN Sp. z.o.o. (51%)	POL
LASCO Fittings, Inc.	USA
Pegler Yorkshire Group Limited	GBR
Raufoss Water & Gas AS	NOR
Seppelfricke Armaturen GmbH	DEU
Shurjoint Metals, Inc.	TWN
Tri-Went Industries Limited	CAN
VSH Fittings B.V.	NLD

CLIMATE CONTROL

Comap S.A.	FRA
Flamco Holding B.V.	NLD
HSF Samenwerkende Fabrieken B.V.	NLD
Meibes System-Technik GmbH	DEU
Nexus Valve, Inc.	USA
Simplex Armaturen & Systeme GmbH	DEU
Standard Hidráulica S.A.U.	ESP
Westco Flow Control Limited	GBR

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

INDUSTRIAL CONTROLS

Adex B.V.	NLD
BROEN A/S	DNK
BSM Valves Holding B.V.	NLD
Clorius Controls A/S	DNK
DSI Getränkearmaturen GmbH	DEU
Fijnmechanische Industrie Venray B.V.	NLD
Hartman Fijnmechanische Industrie B.V.	NLD
Integrated Dynamics Engineering GmbH	DEU
Lamers High Tech Systems B.V.	NLD
Mifa Aluminium B.V.	NLD
Mogema B.V.	NLD
Taprite-Fassco Manufacturing, Inc.	USA
Schroeder Industries, Inc.	USA
VENTREX Automotive GmbH	AUT
Vin Service srl (as of 2017)	ITA
VTI Ventil Technik GmbH	DEU

INDUSTRIAL SERVICES

Accurate Brazing Corporation	USA
AHC Oberflächentechnik GmbH	DEU
DEC S.A.	FRA
Hauck Heat Treatment GmbH	DEU
Impreglon GmbH	DEU
Ionic Technologies Inc.	USA
Metalis S.A.S.	FRA
SGI Société de Galvanoplastie Industrielle S.A.S.	FRA
Ushers Machine & Tool Co., Inc.	USA

KEY FIGURES 2012-2016

	2016	2015	2014	2013	2012
Results (in EUR million)					
Revenue	2,522	2,475	2,201	2,040	2,025
Added-value	1,569	1,521	1,332	1,223	1,197
Operating profit (EBITDA)	392	367	332	305	296
Operating profit (EBITA)	298	272	247	225	219
Net profit before amortisation	212	190	168	152	152
Depreciation	94	95	85	80	77
Cash flow (net profit+depreciation+amortisation)	306	286	253	232	229
Free cash flow (before interest and tax)	273	243	222	175	168
Balance sheet (in EUR million)					
Intangible assets	1,128	1,050	900	691	686
Property, plant and equipment	762	736	726	616	592
Capital expenditure	106	96	85	106	104
Net working capital	480	461	427	373	370
Total equity	1,391	1,285	1,163	1,054	950
Net debt	713	718	690	480	542
Capital employed	2,104	2,002	1,854	1,535	1,492
Total assets	2,859	2,741	2,552	1,996	1,965
Number of employees at end of period	15,338	14,709	14,492	12,311	12,048
Ratios					
Total equity as a % of total assets	48.7	46.9	45.6	52.8	48.3
Leverage ratio	1.7	1.8	1.9	1.6	1.8
EBITA as a % of revenue	11.8	11.0	11.2	11.0	10.8
Free cash flow conversion ratio	69.8	66.1	66.9	57.6	56.8
Return on capital employed (ROCE)	14.7	14.3	14.1	14.6	14.7
Added-value as a % of revenue	62.2	61.5	60.5	60.0	59.1
EBITDA as a % of revenue	15.5	14.8	15.1	14.9	14.6
Net profit before amortisation as a % of revenue	8.4	7.7	7.6	7.4	7.5
Net debt / total equity	0.5	0.6	0.6	0.5	0.6
Interest cover ratio	24.6	21.8	22.6	19.0	14.4
Shares issued (in millions)					
Ordinary shares (average)	110.6	110.6	110.6	110.1	108.9
Ordinary shares (at year-end)	110.6	110.6	110.6	110.6	109.4
Figures per share (in EUR)					
Cashflow before amortisation	2.77	2.58	2.29	2.10	2.10
Net profit before amortisation	1.92	1.72	1.52	1.38	1.40
Dividend	0.58	0.52	0.46	0.41	0.35
Share price at year-end	30.82	31.79	24.54	23.18	15.70

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