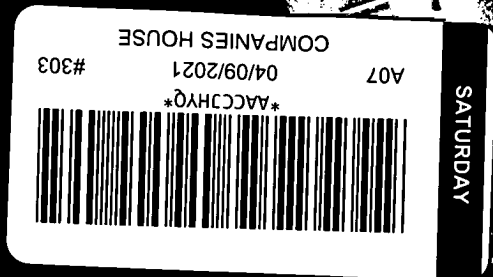


annual report 2020

aalberts
mission critical technologies



SATURDAY

highlights 2020

- limited number of COVID-19 infections; continued operations in a safe way
- revenue EUR 2,610 million; organic decline 70%
- orderbook at year-end 9.5% higher than last year
- EBITA amounted to EUR 283* million; as a % of revenue 10.8*
- net profit before amortisation EUR 200* million; per share EUR 1.81*
- strong free cash flow of EUR 339 million
- net debt (before IFRS 16) reduced with 24% to EUR 444 million
- continued investments and innovations; capital expenditure EUR 95 million
- acceleration strategy: one-off full year strategic restructuring cost of EUR 51 million with an annual benefit of approx. EUR 50 million

* before strategic restructuring cost

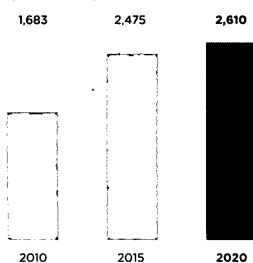
We are where technology matters
and real progress can be made.
Humanly, environmentally and financially.

Aalberts engineers mission-critical technologies
for ground-breaking industries and everyday life.

key figures

revenue

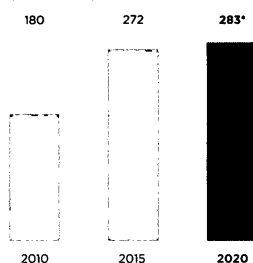
(in EUR million)



2,610

EBITA

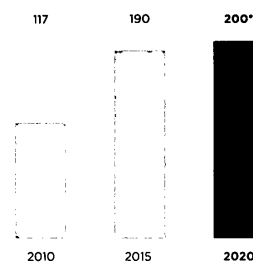
(in EUR million)



283

net profit (before amortisation)

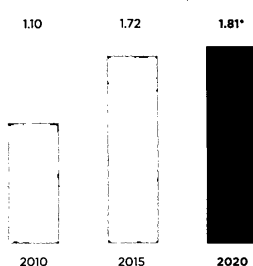
(in EUR million)



200

earnings per share (before amortisation)

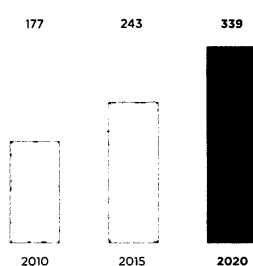
(in EUR)



1.81

free cash flow (before interest and tax)

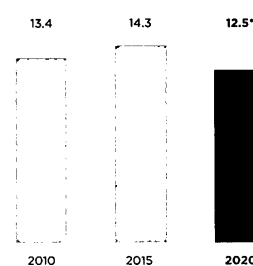
(in EUR million)



339

return on capital employed (before IFRS 16)

(in %)



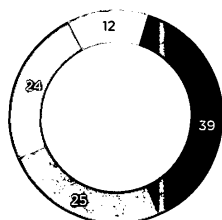
12.5

* before strategic restructuring cost

revenue spread

per business

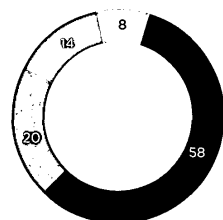
(in %)



- installation technology 39%
- material technology 25%
- climate technology 24%
- industrial technology 12%

per end market

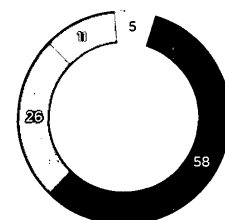
(in %)



- eco-friendly buildings 58%
- industrial niches 20%
- sustainable transportation 14%
- semicon efficiency 8%

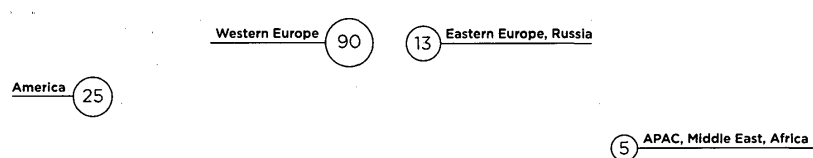
per region

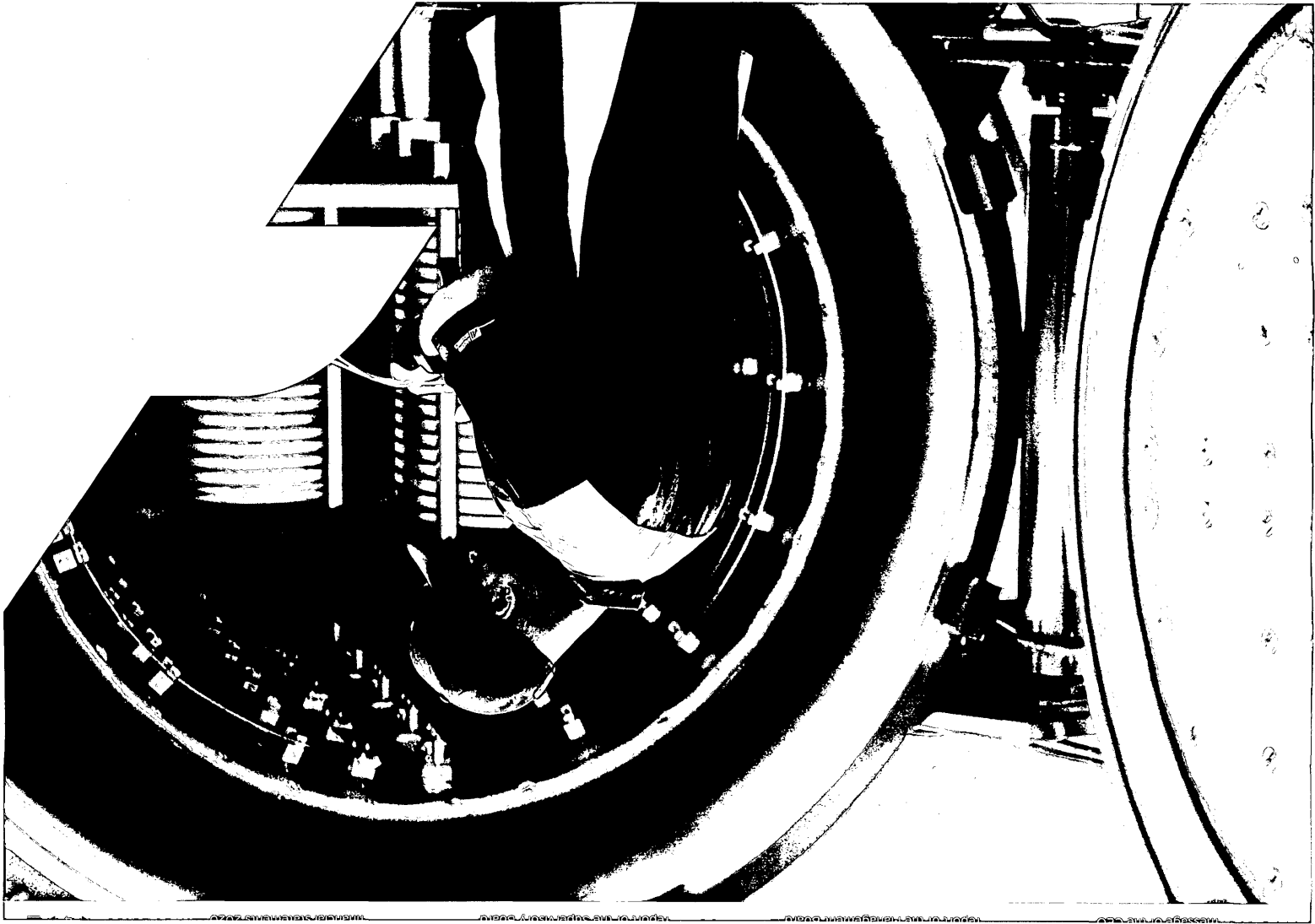
(in %)



- Western Europe 58%
- America 26%
- Eastern Europe, Russia 11%
- APAC, Middle East, Africa 5%

locations worldwide

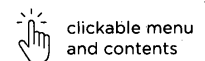






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message of the CEO

Dear shareholders, customers, partners and colleagues,

The year 2020 was a very special year. After a good start in the first months we were confronted with the effects of the COVID-19 pandemic. We quickly noticed the consequences, warned by the impact on our Italian facility in the neighbourhood of Bergamo. Based on this experience we immediately organised preventive safety actions in our worldwide operations to protect our people and processes. Parallel, we focused on cash management, cost optimisations and accelerated our action plan defined in the updated strategy 'focused acceleration'. We continued to invest in growing product lines, future technologies and innovations. Only a few locations in Southern Europe were closed for several weeks, due to governmental instructions. The impacted sites reopened beginning of May. Many manufacturing sites of Aalberts received special dispensation due to their mission-critical technologies and product lines. Fortunately, Aalberts only faced a limited number of COVID-19 infections during the year. Our Aalberts people did a great job in continuing our operations in a safe way, serving our customers all over the world, at the same time initiating lots of structural improvements and driving our innovations and strategy forward.

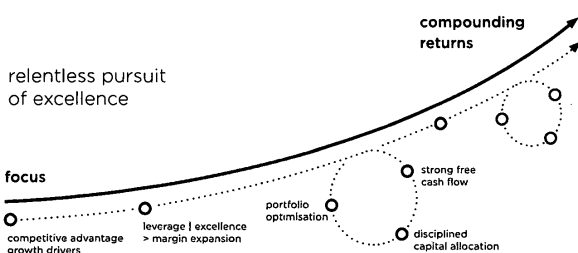
With the acceleration of our action plan defined in the updated strategy 'focused acceleration' we initiated many projects to reduce our structural costs, net working capital and further focus and simplify the organisational structure. This has led to a one-off full year strategic restructuring cost of EUR 51 million in 2020 with an annual benefit of approx. EUR 50 million, partly in 2020 and fully in 2021. In parallel, we kept our focus on innovations, organic revenue growth initiatives and portfolio optimisation. Our performance in 2020 was resilient and solid in a difficult uncertain market environment. We realised a revenue of EUR 2,610 million, an EBITA of EUR 283* million and a net

profit before amortisation of EUR 200* million, with an earnings per share of EUR 1.81*. Our focus on cash management resulted in a lower net debt position. Our diversity in niche technologies, leading market positions, worldwide presence, strong local entrepreneurship and fast decision-making has helped us through this special and difficult year.

At Aalberts, we engineer mission-critical technologies for a smart, clean and responsible future. We firmly believe that sustainability only works if it applies for all stakeholders, that is why we call it sustainable entrepreneurship. Our playing field focuses on shaping eco-friendly buildings, driving sustainable transportation, increasing semicon efficiency and enhancing industrial niches. Dialogues with key shareholders enabled us to further improve the sustainability section at aalberts.com, demonstrating Aalberts' ranking on leading indices and KPI performance. Megatrends as rapid urbanisation, climate change, resource scarcity and internet of things are shaping our future, creating a rapid shift towards co-development, connectivity and integration. In eco-friendly buildings we experienced increased renovation activity in residential housing and we see an increasing need for energy efficiency in commercial buildings. In sustainable transportation the usage of passenger cars is being redefined, the demand for e-bikes and e-mobility is lifting off while aerospace travel has faced an extreme drop. In semicon efficiency the collection and analysis of data is set to explode. This creates many new business opportunities for our company and we are at the heart of it.

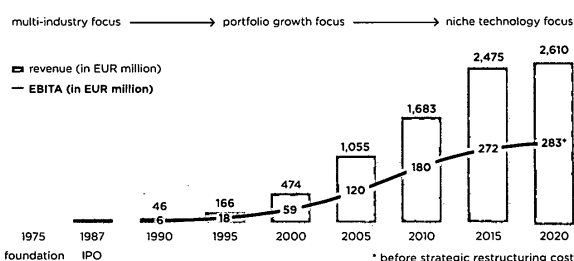
To keep us ahead of the game, we are fostering our pragmatic entrepreneurial culture and lean structure while relentlessly running the Aalberts playbook: creating compounding returns by focusing on our competitive advantage, driving margin expansion through operational leverage and excellence and converting strong operational execution into free cash flow to continuously

the Aalberts playbook



Aalberts annual report 2020

our track record - 45 years of sustainable profitable growth



reinvest in innovations and portfolio optimisation through disciplined capital allocation. Our track record of 45 years of sustainable profitable growth proves the sustainability of this business model.

We can only win with the best teams as passionate drivers of our long-term business plans and innovation roadmaps. For the best ideas, processes and vital innovations it is a necessity to develop, retain and attract the best people and empower them to be an entrepreneur and take ownership. Again in 2020, multiple talents participated in development programmes and we were able to retain experienced colleagues by promoting them to key positions in our company. Awareness of the Aalberts brand is increasing amongst our stakeholders, which is also reflected by the calibre of talent who joined us this year. Our key strengths are our mission-critical entrepreneurial people, taking ownership, going for excellence in everything we do, sharing knowledge to learn fast, continuously improving and innovating and always acting with integrity. 'The Aalberts way - winning with people' will continue to guide our culture.

Our Aalberts networks stimulate teamwork, knowledge sharing, exchange of best practices, fast-learning, innovations and entrepreneurship. The pricing and operational excellence networks made good progress, including health & safety and sustainability plans and improvements. During the year we initiated a people & culture network where we combine our Aalberts company passport, culture, human resource and marketing & communications initiatives throughout the group, aligning the business teams and regions. Our Aalberts governance, financial, audit, treasury and IT & cybersecurity networks were further developed with a strengthened, integrated approach driven by the Aalberts head office leadership, utilising the best practices within the business teams and regions.

Based on the resilient and solid performance of this year, our strong financial position and the acceleration of the strategic action plan we remain confident that we achieve our strategic objectives, presented in December 2019 during our Capital Markets Day. Aalberts is in a good shape with a prosperous future. We propose a cash dividend of EUR 0.60 per share (2019: EUR 0.80) to the General Meeting.

We thank our customers for their loyalty, patience and support. We were able to serve them well during the whole year, except for some closures due to governmental instructions. Thanks to our Aalberts people we were able to continue our operations in a safe way serving our customers, supported by our partners. At the same time they managed to deliver a solid and resilient performance and initiated a lot of structural improvements. An astonishing performance, showing the strength of the organisation. We also thank our shareholders for the trust they placed in Aalberts during this uncertain year. We have received a lot of support and stability from our shareholder base and therefore were proud that we could deliver the proposed dividend payment during the year, as promised. We are a sustainable strong company where you can count on, also in difficult times.

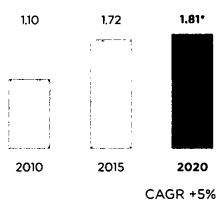
We really look forward to 2021, realising the many opportunities we have in the different business teams.

Sincerely,
Wim Pelsma

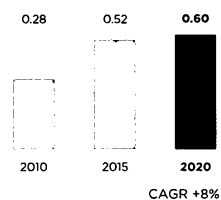


shareholder value creation

earnings per share (in EUR)



dividend per share (in EUR)



return on incremental capital employed (ROICE)

	EBITA	capital employed
2010	180	1,339
2020	283*	2,406
Δ	103	1,067
	97%	

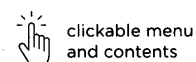
long-term shareholders (> 3% holdings)





report of the Management Board

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strategy and objectives 2018-2022

strategy 'focused acceleration'



non-financial objectives

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

financial objectives (before IFRS 16)

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

shareholder value creation

our essence

we engineer **mission-critical technologies** for ground-breaking industries and everyday life

our mission-critical people can't resist going beyond the line of duty – **good is never good enough**

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

shareholder value

leading niche technology positions in selective end markets resulting in high entry barriers and pricing power, while realising high added-value margins and sustainable growth

attitude and DNA resulting in operational excellence, efficiency and EBITA margin improvements, strong cash conversion and a disciplined allocation of capital

steadfast commitment to share what we have learned with each other, resulting in fast-learning and adaptation, technology exchange and delivering vital innovation

installation technology

revenue (in EUR million)	EBITA (in EUR million)
1,015	110
-5%	-15%
capex (in EUR million)	EBITA % (in % of revenue)
36	10.8
-18%	(2019: 12.1)



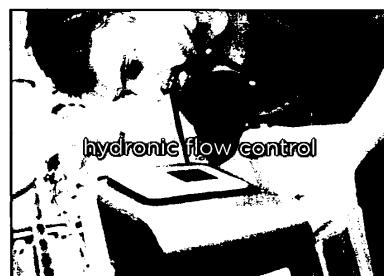
material technology

revenue (in EUR million)	EBITA (in EUR million)
665	56
-14%	-42%
capex (in EUR million)	EBITA % (in % of revenue)
36	8.5
-46%	(2019: 12.6)



climate technology

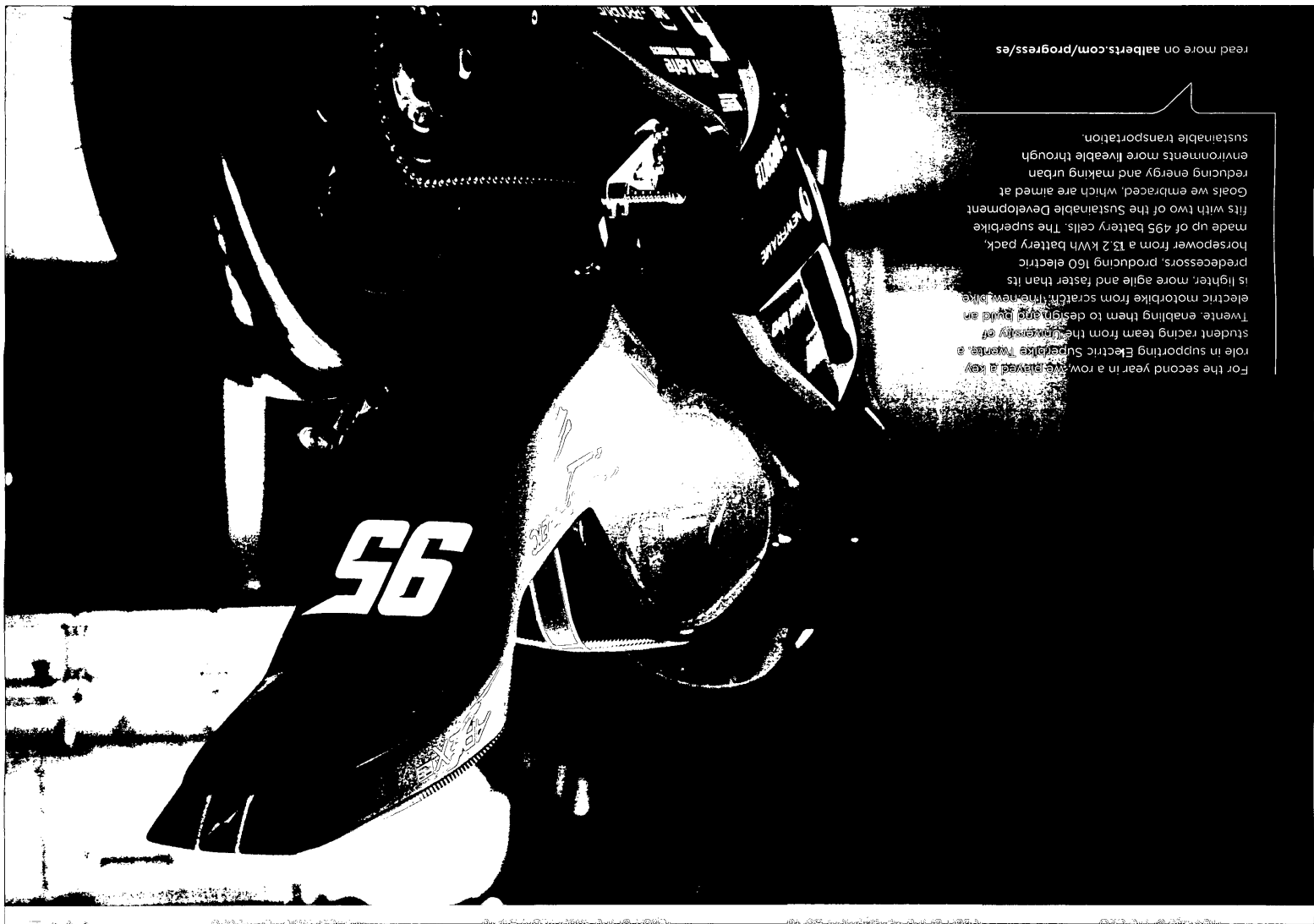
revenue (in EUR million)	EBITA (in EUR million)
634	77
-8%	-8%
capex (in EUR million)	EBITA % (in % of revenue)
13	12.1
-13%	(2019: 12.1)



industrial technology

revenue (in EUR million)	EBITA (in EUR million)
326	46
-5%	-28%
capex (in EUR million)	EBITA % (in % of revenue)
9	14.3
-56%	(2019: 18.6)





For the second year in a row, we played a key role in supporting Electric Supercars' Twente, a student racing team from the University of Twente, enabling them to design and build an electric motorbike from scratch. The new bike is lighter, more agile and faster than its predecessors, producing 160 electric horsepower from a 13.2 kWh battery pack, made up of 495 battery cells. The superbike fits with two of the Sustainable Development Goals we embraced, which are aimed at reducing energy and making urban environments more liveable through sustainable transportation.

read more on aalberts.com/progress/es

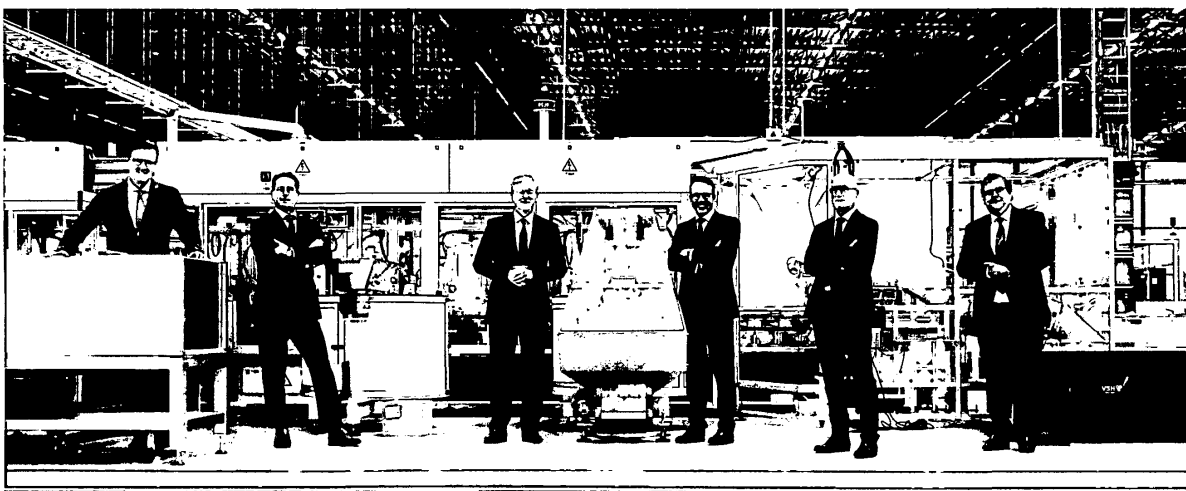
business development

Aalberts globally operates five niche technologies in four end markets with different developments and dynamics. This divergence contributes to the long-term, balanced and sustainable profitable growth.

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

We drive innovation roadmaps per business and, where it creates value, we strengthen our technology and/or footprint positions through bolt-on acquisitions and optimisations in our existing portfolio, continuously striving for leading unique market positions, creating long-term shareholder value. The Executive Team is responsible for the day-to-day leadership of the business teams, driving forward our strategy 'focused acceleration' 2018-2022, achieving our Aalberts objectives.

The small head office team, working closely together with the Executive Team and business teams leadership, drives the Aalberts leadership networks covering important strategic topics that impact the performance of our organisation. A lean and effective structure.



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

financial development

Revenue decreased by EUR 230.9 million to EUR 2,610.4 million. Overall, we realised an organic revenue decline of EUR 191.4 million or 7.0% (in 2H20 2.5% decline). The 2019 acquisitions (PPC & Applied) caused a positive revenue effect of EUR 18.5 million. Divestments in 2019 (HFI & STAG) caused a negative revenue effect of EUR 26.1 million. Currency translation | FX impact amounted to EUR 31.9 million negative, mainly USD, RUB, PLN and GBP.

Overall, EBITA before strategic restructuring cost decreased by EUR 80.1 million to EUR 282.5 million or 10.8% of revenue (2H20 12.2%). Strategic restructuring cost amounted to EUR 51.3 million, of which EUR 22.1 million is provided for in the balance sheet as cash out for 2021. We realised an organic EBITA decline of EUR 78.4* million. In 2020 there was a positive effect of EUR 2.9 million from 2019 acquisitions (PPC & Applied). Divestments in 2019 (HFI & STAG) had a negative impact of EUR 1.4 million. Currency translation | FX impact amounted to EUR 3.2 million negative.

Net profit before amortisation decreased by EUR 67.8 million to EUR 199.6* million, per share to EUR 1.81* (2019: EUR 2.42).

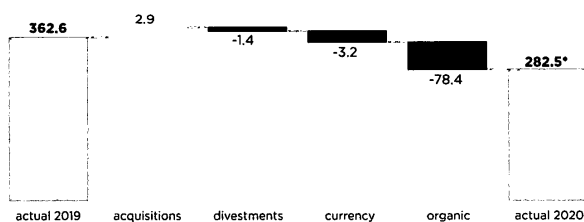
Free cash flow (before interest and tax) was EUR 339 million, EUR 27 million higher than in 2019, FCF conversion ratio 89.3% (2019: 63.2%). Lower EBITDA was compensated by a structural improved NWC and postponed CAPEX cash out. Working capital decreased to 55 days or EUR 399 million (2019: 61 days or EUR 490 million). Inventories reduced with EUR 71 million, resulting in an improved DIO. CAPEX cash out was EUR 105 million or EUR 34 million lower than last year. Capital expenditure finished at EUR 95 million (2019: EUR 148 million).

Return on capital employed (before IFRS 16) decreased from 15.1% to 12.5%. Capital employed decreased with EUR 186 million to EUR 2,406 million. Solvability improved to the level of 55.5% (2019: 53.0%). Net debt decreased with EUR 155 million to EUR 600 million, net debt (before IFRS 16) decreased with EUR 144 million to EUR 444 million. The leverage ratio (before IFRS 16) improved to 1.1 (2019: 1.3), well below the bank covenant of < 3.0.

revenue bridge



EBITA bridge



* before strategic restructuring cost

operational development

In 2020 the organic revenue decline amounted to 7.0%. In the second quarter our business was impacted by COVID-19 and temporary customer shutdowns. In the second half of the year business overall recovered. The year ended with a strong orderbook, 9.3% higher than last year. During the year we focused on cash management, cost optimisations and innovations, continued our investments in growing product lines and future technologies. Our R&D capacity was strengthened. Some building and capacity expansion investments were postponed.

overview end markets and regions

Within **eco-friendly buildings** our piping systems and hydronic flow control activities recovered well from a lower level in the second quarter. This was due to our innovations, reopening of distribution channels in some countries and an increase of customer demand and inventory level which continued in the second half of the year. The orderbook increased to a record level at year-end. The **semicon efficiency** activities of advanced mechatronics performed very well. We realised a strong growth and new co-development projects were initiated with our key accounts. We ended the year with a record orderbook.

Within **sustainable transportation** we faced difficult circumstances in the second quarter due to customer shutdowns and inventory reduction. After reopening of customer locations, we saw a gradual recovery end of May for fluid control, followed by surface technologies. In the second half of the year business further recovered due to increased customer demand and inventory level.

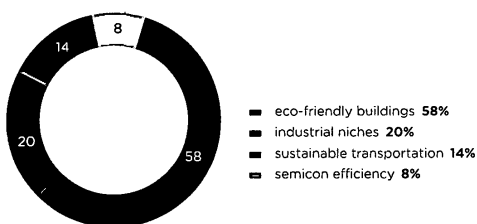
In **industrial niches** our activities increased gradually in the last quarter of the year, except for beverage dispense, where the worldwide lockdowns resulted in a difficult market situation during the year.

operational excellence and portfolio optimisation

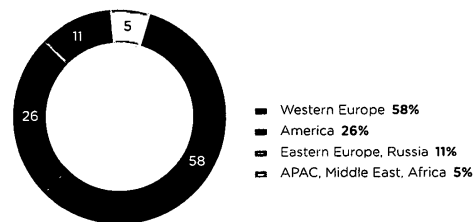
We accelerated the action plan as presented during our Capital Markets Day. We focused, clustered and simplified the organisation, reduced overhead in all segments and reduced net working capital structurally. Many projects were implemented to optimise our operations. The strategic restructuring projects led to a one-off full year strategic restructuring cost of EUR 51 million in 2020 with an annual benefit of approx. EUR 50 million, partly in 2020 and fully in 2021. We further optimised our portfolio following our divestment programme.

revenue spread

per end market



per region



organic growth, innovation and capital allocation

Piping systems continued to drive the sales and capacity expansions of the connection technology product range, including new innovations in several regions. Our valve technology product lines were expanded with a new patented full flow valve and patented balancing valve, both successfully launched during the year. We started our digital piping design services with a dedicated team in different regions. Automation of our master data over the last years enables us to engineer an optimised integrated piping system together with project developers and building companies. The number of

projects we are acquiring through this sales and engineering offering is strongly increasing. Our alignment of the organisation, utilising our combined strength, is making progress in the different regions. This becomes visible in a more efficient utilisation of our worldwide manufacturing capacity and technology. Our supply chain in North America is consolidated and optimised. In Europe we are optimising our new assembly and distribution centres in the Netherlands and Belgium. The reduction of working capital showed good results.

A man wearing AR glasses is smiling in a factory setting. The background shows industrial equipment and structures.

As we are expanding our production from the Netherlands to North America with new equipment, current travel limitations make it challenging to train our employees at our American operations. As a solution, we began using augmented reality (AR) glasses to train colleagues, better solve operational issues, and create closer cooperation with suppliers. With the help of the AR glasses, the local technician can virtually connect with a colleague in the Netherlands and look at the same technology in real-time. This results in a higher right-first-time rate and increases quality levels. Together with our suppliers, we can now work on improvements remotely. On top, it saves on travel, contributes to our sustainability goals, and cuts costs.

read more on aalberts.com/progress/ar

organic growth, innovation and capital allocation

Hydronic flow control continued the implementation of the newly launched product lines and increased the innovation rate. We scored many projects during the year including long-term contracts for data information and remote control, utilising our digital platform. It is still a small part of our revenue but fast-growing, giving us also the opportunity to gain more projects. The digital platform enables us to measure data from our systems to optimise the energy efficiency of the heating and cooling systems for our customers. The digital marketing and R&D capacity are further strengthened. Our strategy to align the competence centres to a unified focused organisation with less overhead

was accelerated. The new manufacturing and distribution facility in the Netherlands is in progress. In this new BREEAM outstanding certified facility we expand and automate our manufacturing capacity, consolidate our supply chain and create a new training and demonstration centre. The water supply and district energy activities performed well. A new composite gate valve for underground water and gas applications was launched successfully during the second quarter. We expanded the machining and assembly capacity of our new patented full flow valve for district energy and eco-friendly buildings.

Around 20% of Europe's total energy consumption comes from renewable sources such as wind or solar, which makes it vital that we create ways to store energy to use when required. We developed a solution, enabling heat in homes to be stored and then used on-demand to provide hot water and central heating. This innovation uses inorganic salts as phase change materials rather than water, and when an electric element heats the salt to 75 °C it becomes liquid. When someone in the house turns on the hot water tap, the salt cools down and transfers the energy to water-filled exchangers, which supply hot tap water. The system stores heat when electricity is cheaply available, and requires three times less space than conventional storage tanks.

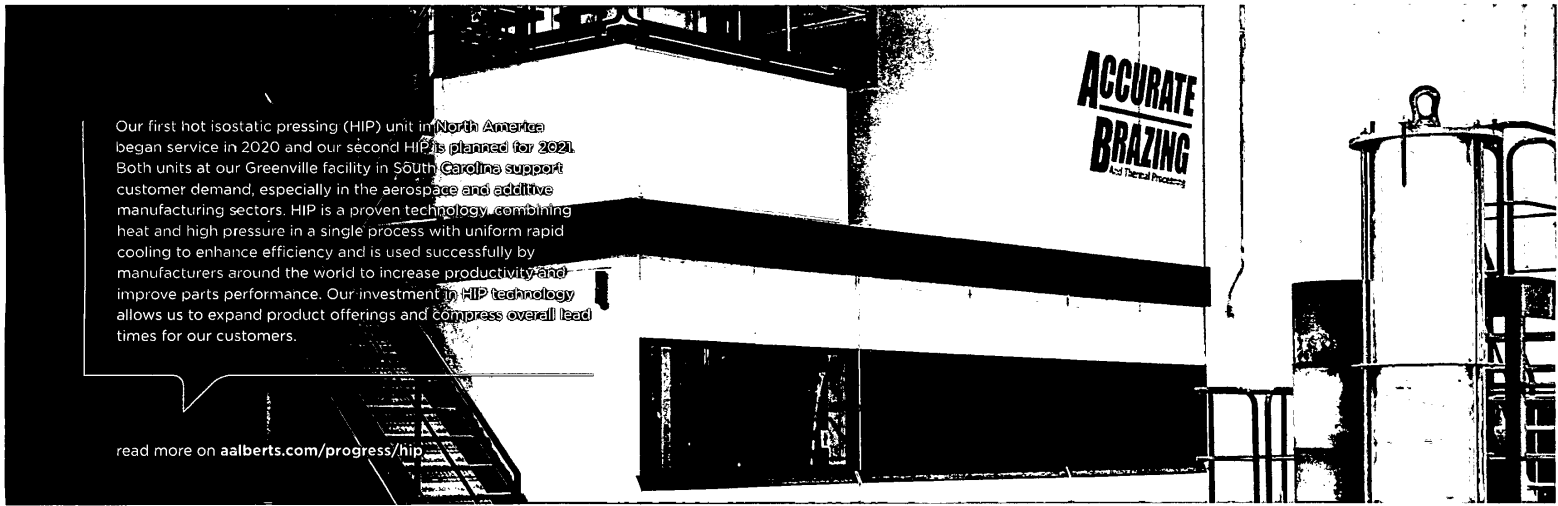
read more on aalberts.com/progress/hs



organic growth, innovation and capital allocation

Within **surface technologies** all our locations were reviewed, creating the right technologies for the future and an optimal geographical footprint of locations to follow our customers. Besides consolidations and cost reductions the technology portfolio was improved and investments continued in new technologies like hot isostatic pressing for additive manufactured parts. The strategic restructuring was based on market trends such as the electrification of vehicles, transfer of manufacturing locations of our customers to other

regions and new technologies for precision manufactured products and surface technology processes. Electrification of vehicles gives us a lot of opportunities for the development of processes for new parts with specifications such as lightweight, particle free, cooling, noise reduction and strengthening of lighter and new materials. Our worldwide footprint is an advantage to adapt our capacity and technology innovations in line with these market trends.



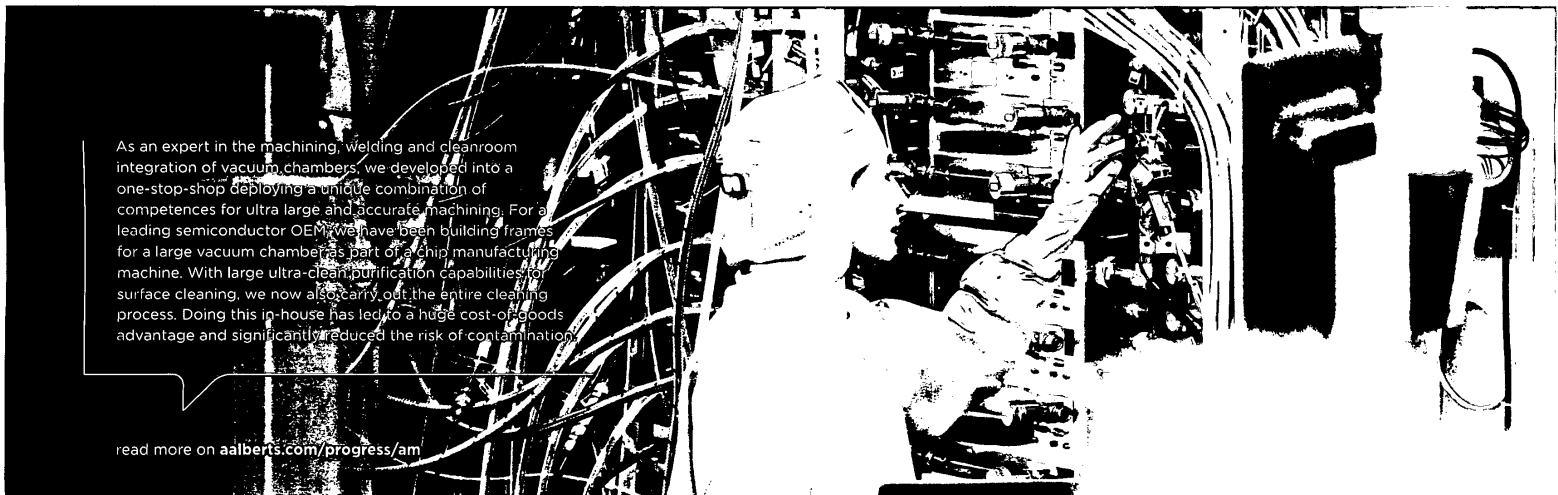
Our first hot isostatic pressing (HIP) unit in North America began service in 2020 and our second HIP is planned for 2021. Both units at our Greenville facility in South Carolina support customer demand, especially in the aerospace and additive manufacturing sectors. HIP is a proven technology combining heat and high pressure in a single process with uniform rapid cooling to enhance efficiency and is used successfully by manufacturers around the world to increase productivity and improve parts performance. Our investment in HIP technology allows us to expand product offerings and compress overall lead times for our customers.

read more on aalberts.com/progress/hip

organic growth, innovation and capital allocation

Despite **fluid control** facing a difficult year we continued our innovation roadmap, took advantage of new systems launched last years and launched new innovations for industrial niches and upgrades for sustainable transportation. Our innovation roadmap for regulators, valves and measuring systems focuses on fuel reduction and the conversion to alternative fuels like hydrogen, LNG and CNG for all means of transport. We also started to develop hydrogen fuel cell applications for electric vehicles. Although beverage dispense faced difficult circumstances, we launched dispensing systems for disinfection and soft drinks.

Advanced mechatronics realised a strong growth in an excellent year. We were able to deliver the service to our customers, despite the preventive measures we had to install. Many new co-development programmes were started, especially in our high purity fluid systems where we become a real co-developer, strongly expanding our engineering capacity. In our vibration isolation activity in Germany we will expand our facility further to facilitate the growth. Within our location for ultra-precision frames we are optimising our operations, after the capacity expansions of the last years, delivering the record orderbook. During the year we aligned the organisation, creating a focused strategy and culture with local entrepreneurship. Our focus on specialised technologies, co-development projects with key accounts, in combination with our investment power, makes us well positioned for fast growth.



As an expert in the machining, welding and cleanroom integration of vacuum chambers, we developed into a one-stop-shop deploying a unique combination of competences for ultra large and accurate machining. For a leading semiconductor OEM, we have been building frames for a large vacuum chamber as part of a chip manufacturing machine. With large ultra-clean purification capabilities for surface cleaning, we now also carry out the entire cleaning process. Doing this in-house has led to a huge cost-of-goods advantage and significantly reduced the risk of contamination.

read more on aalberts.com/progress/am



stakeholder dialogue

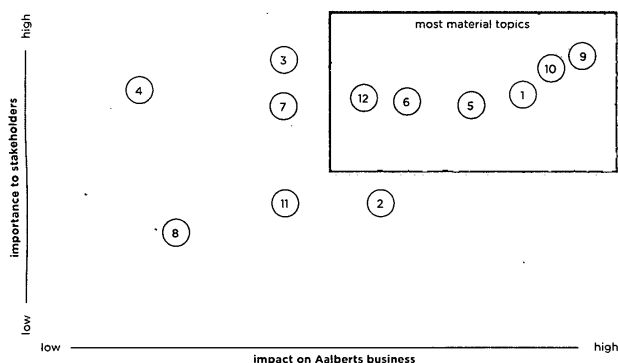
Aalberts engages with its stakeholders on a daily basis, creating dialogues to share our vision and strategy and learn about their expectations and views on us. Our stakeholders are parties affected by our activities or those who have a direct interest in or who can influence our long-term business success. We have identified five main stakeholder groups: shareholders, customers, employees, (business) partners and society.

Aalberts considers human, environmental and financial impacts for its materiality analysis. Our stakeholder engagement process includes meetings, conferences, surveys and events at the head office. We further based our materiality analysis on relevant megatrends, legislation, guidelines and standards (such as the GRI principles and ISO 26000), investor questionnaires (such as Sustainalytics and the Carbon Disclosure Project) and desktop research. In follow-up discussions, we were able to assess the topics that are

most important to our stakeholders and have the greatest impact on Aalberts' business. The outcome is presented in a materiality matrix.

The materiality matrix reflects topics that are material to Aalberts and its stakeholders and recognises two views. If a topic is 'important to stakeholders' it reflects the view of shareholders, customers, employees, (business) partners and society. If a topic has a significant human, environmental or financial impact on Aalberts' business, it reflects the view of the Management Board.

materiality matrix



humanly	shareholders	customers	employees	partners	society
① human resource development & entrepreneurship		•	•		
② co-development and R&D partnerships		•		•	
③ responsible work environment*			•		•
④ human rights			•	•	•
environmentally	shareholders	customers	employees	partners	society
⑤ technological innovation with sustainable impact	•	•	•	•	•
⑥ purpose & sustainable entrepreneurship	•		•		•
⑦ responsible production & resource efficiency		•	•	•	•
⑧ community engagement & partnerships	•		•	•	•
financially	shareholders	customers	employees	partners	society
⑨ long-term strategy & objectives	•				
⑩ financial track record & performance	•		•	•	
⑪ global footprint & investment power		•	•	•	
⑫ governance, responsible tax & risk management	•	•			•

* covers health & safety, diversity and inclusion as described on page 34.

megatrends shaping our future

From rising sea levels to natural resource depletion, everywhere we look there seems to be an environmental challenge.

So, from our position as engineers, inventors and innovators, what's our take?

We identify three equally ground-breaking megatrends prompting structural shifts in our industries where our mission-critical technologies can help.

1. rapid urbanisation

Cities are getting bigger and our aging population demands more and more services and comfort. Our technologies and products can help cities become healthier and more sustainable. It's a real opportunity, when managed properly, cities can be eco-friendly and comfortable places to live and work.

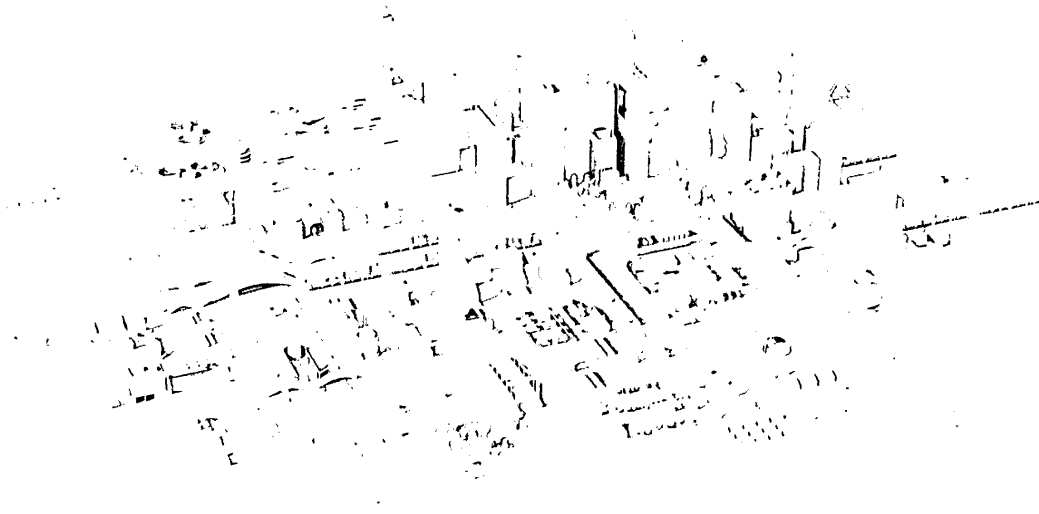
2. climate change and resource scarcity

The rising demand for energy and raw materials continues to strain the finite resources of the planet. The world needs solutions that improve energy efficiency, lower waste and make materials more lightweight and durable. Our breakthrough innovations can push real progress.

3. the Internet of Things

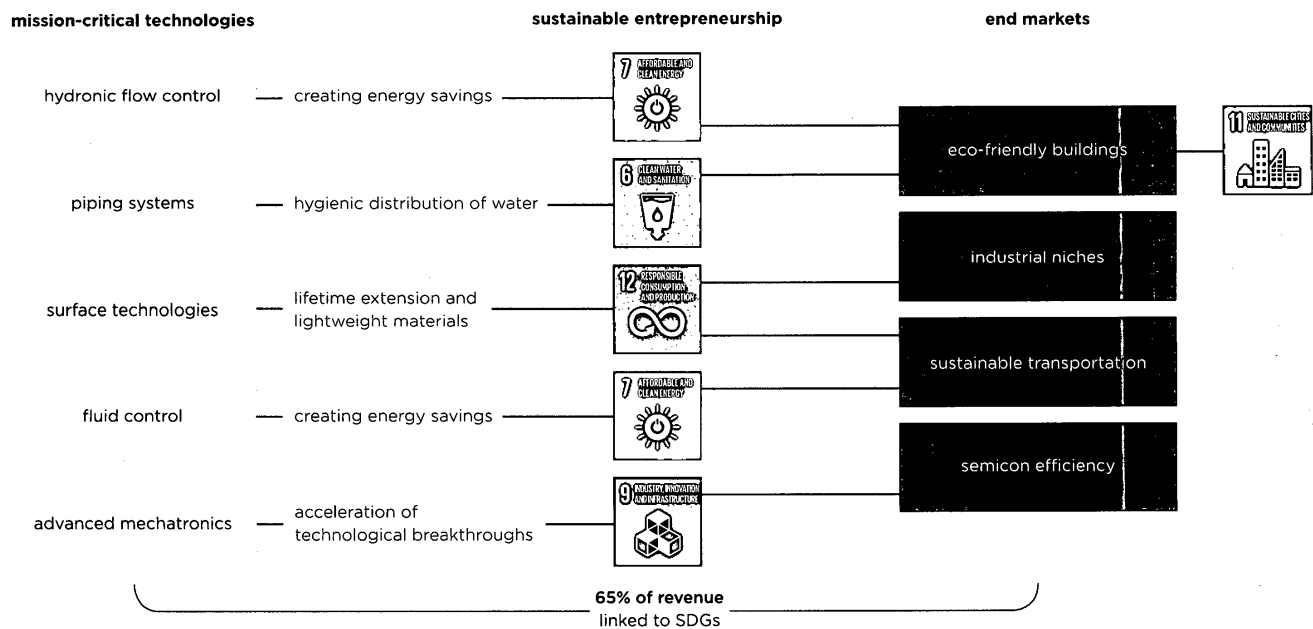
As sensors, semiconductors and connectivity become more capable and cost efficient, the collection and analysis of data is set to explode. Smart homes, autonomous cars and connected industries are all areas that we provide technologies for and will be important drivers of positive change.

these megatrends create a rapid shift towards co-development, connectivity and integration



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

sustainable entrepreneurship



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

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

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

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

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

To create shared value for all our stakeholders, sustainable entrepreneurship is embedded in our strategy, striving for unique market positions in selective end markets with our niche technologies. We identify three equally ground-breaking megatrends prompting structural shifts in our industries where our mission-critical technologies can help: rapid urbanisation, climate change & resource scarcity and the Internet of Things. These megatrends are shaping our future. On the one hand they may pose a risk to our business, while on the other hand providing ample opportunities for growth (see for more information our risk paragraph on page 40). With our technologies we offer solutions to address changes demanded from the shift to a carbon neutral economy.

For example in our end markets sustainable transportation and eco-friendly buildings. Sustainable entrepreneurship offers us many opportunities, more in particular in view of the EU Green Deal and the focus on a carbon neutral economy in 2050. Our sustainable entrepreneurship strategy focuses on realising social and environmental impact in our end markets and describes our own commitment to take responsibility.

shaping eco-friendly buildings

Climate change and rapid urbanisation reinforce the need for more energy efficient and sustainable buildings.

creating energy savings



Space heating and cooling is accounting for a substantial part of the energy consumption in buildings. From the heat source to emission to distribution of heating or cooling, Aalberts hydronic flow control

covers a broad spectrum of mission-critical building technology systems that make residential, commercial and industrial buildings eco-friendly. Our technologies provide improved energy efficiency through hardware products such as balancing valves and air dirt separators and by digitised products and services such as intelligent thermostats, smart radiator heads and remote services.

Our air and dirt separators for example can save up to 15% in energy consumption, our hydronic balancing valves up to 20% and our thermostatic radiator heads up to 12% when installed.

We empower the energy transition by providing solutions needed for renewable energy systems, such as solar panels, heat pumps and hydrogen installations. For example, universal mounting systems and expansion vessels for solar powered installations or a thermal battery for domestic water, powered by solar. In addition we have a wide range of technologies for district heating.

hygienic distribution of water



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

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

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

driving sustainable transportation

Climate change and resource scarcity reinforce the need for solutions that improve energy efficiency, lower waste and make materials more lightweight and durable. These solutions are crucial for the transition to more sustainable transport by land, sea or air.

lifetime extension and lightweight materials



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

Aalberts surface technologies partners with leading industrial customers worldwide to develop, produce and finish functional and highly durable surface designs of metals through sophisticated heat and surface treatments. This not only improves their product quality and reliability, it also has a positive impact on the entire lifetime of the manufactured parts (from service to disposal of metal). We also develop and produce high-tech, lightweight aluminum and magnesium components that are both strong and light. They are of great importance for sustainable transportation in the automotive and aerospace industries.

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

creating energy savings



Aalberts fluid control technologies accelerate the transition towards sustainable transportation. We engineer mission-critical technologies for the electrification of vehicles, from valve engineering for battery cooling to surface treatments for electrical car parts. With our CNG,



follow our sustainable progress
on aalberts.com/impact

We are focusing on developing solutions to further CO₂-neutral mobility, which is an area critical to our customers. With the Paris Agreement targeting a reduction in CO₂ outputs, the market is looking for more clean mobility - such as battery or fuel cell electric vehicles. We launched a hydrogen service defueling port, which enables original equipment manufacturers (OEMs) in the automotive industry to service and maintain hydrogen-powered vehicles. The defueling port is a vital tool for car manufacturers, enabling them to safely empty the car's hydrogen tank before they service the vehicle or carry out maintenance work. We expect that every kind of vehicle that has a hydrogen supply system will use such a device for defueling, so anticipate significant market growth.

read more on aalberts.com/progress/hydrogen



LNG and hydrogen technologies we empower a significant CO₂ reduction in the automotive industry. Our maritime measurement systems enable ships to significantly decrease their fuel consumption and maintenance costs. For example our high-tech propeller thrust sensor which enables shipowners to save up to 15% on fuel consumption and CO₂ emissions.

increasing semicon efficiency

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

acceleration of technological breakthroughs



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

our own commitment



At Aalberts, engineering solutions for a smart, clean and responsible future, goes hand in hand with a responsible way of doing business. We nurture personal growth in a safe and clean working environment, enhancing our strong reputation and track record of sustainable, profitable growth. We consume responsibly by reducing, reusing and recycling (raw) materials, water and energy in our own production processes and manage this properly.

The Aalberts environmental management policy covers energy consumption, CO₂ emissions, water consumption and waste. Ongoing interactions with the group companies enable us to share and learn and to lead by example. In recent years, we have incorporated environmental performance in our operational excellence programme, which is coordinated by the director sustainability and chaired by the CEO. Each business team represented by its COO has developed a sustainability improvement plan, including clear targets per business team. The improvement plans must cover the environmental Aalberts KPIs. Performance and progress is monitored via operational excellence meetings throughout the year. Best practices, such as detection of compressed air leaks or reduction of material use, are shared throughout the businesses.

Efficient energy consumption and reduction of CO₂ emissions are key performance indicators for all our sites and locations. Although we stimulate increasing the use of renewable energy, we believe that the most sustainable long-term solution for our planet and our company is energy efficiency. We focus on working as energy efficient as possible, by improving processes and looking for new energy efficient solutions. We take energy use into account by making business decisions, such as investments in new equipment. This approach brings both emissions and energy costs to a minimum. Considering the worldwide transition to a carbon neutral economy and related legislation and (future) CO₂ taxes in the countries we operate, reducing CO₂ is important from a risk perspective as well. Aalberts' group companies have set up an integrated energy efficiency plan in line with the sustainability improvement plan of their business team and where applicable in accordance with the

energy efficiency directive. They deploy activities such as the roll-out of LED lighting, monitoring and reducing energy peaks and usage of residual heat for the heating or cooling of buildings. As a result, substantial energy savings are realised at various group companies, while CO₂ emissions are monitored and managed. The group companies work towards targets that are set for their business team, which enable us to reduce our CO₂ emissions in line with the Paris Agreement.

Another key performance indicator for all our sites and locations is efficient water consumption. We monitor and manage water use through the entire organisation. We reduce and reuse water where possible, for example with closed water circuits for our cooling processes. We manage water use properly, but some of our processes still require much water, such as electroplating. To reduce or even eliminate the water withdrawal for these processes, we have own water treatment stations at various locations so that we can discharge the treated water back to the source. We coordinate the sourcing of key raw materials at the head office, enabling us to ensure sustainable sourcing and to manage the efficient usage of raw materials. We generate as little waste as possible and all scrap is recycled effectively. At our production locations scrap, for example brass, is separated and sent to a recycling company or melted down in our own foundries as a raw material for reuse in our production process. Aalberts is committed to continuously improve its management of all waste throughout its lifecycle in order to minimise its adverse impact on the environment. Waste flows are defined at production and service locations and waste reduction programmes are in place addressing more in particular the reduction of hazardous waste and non-recycled waste.

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

Our aim is to provide high-quality with a minimum of natural resources. Harmful substances are reduced or eliminated from products and processes.

We continued our projects to develop more products and technologies with a circular design and are supported by circular design workshops and trainings. Life cycle assessments (LCAs) are performed for many of our products resulting in the right choices for material use and sourcing. Transport is taken into account by making choices for outsourcing or insourcing certain processes or assembly activities. Packaging is a focus point, if possible packaging is reduced or eliminated. For example, user manuals of certain products are no longer included but replaced by QR codes. Alternatives for plastic, such as cardboard packaging or recycled or biodegradable plastic, are investigated and implemented.

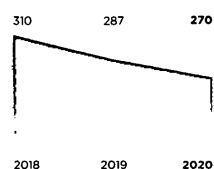
The Aalberts KPIs are CO₂ emissions, energy and water use and water consumption. We have been measuring the energy and water use of our entire organisation since 2017. The aggregate carbon emissions, (renewable) energy usage and water use and consumption of 100% of our locations is reflected in the table and graphs on the next page. We report our carbon emissions in line with the requirements set out by the GHG Protocol. Our carbon emissions cover our scope 1 and 2 emissions. Our carbon emissions and energy usage primarily consist of electricity and natural gas. Compared to the total reported numbers of 2019, our energy consumption (electricity, natural gas, district heating and fuel) shows a 8% decrease and our carbon emissions decreased by 6.1%. Our share of renewable energy use increased from 14% (2019) to 15% (2020).

Most of our water use is drinking water. The aggregate water use decreased by 16.3% and water consumption decreased by 6% compared to 2019. We started measuring the amount of water treated by our own water treatment stations for the first time in 2019. Water use is defined as the total water withdrawn, water consumption as the total water withdrawn minus water treated.

Organically our energy consumption decreased by 11.3%, our carbon emissions decreased by 6.7%, our water use decreased by 19.1% and our water consumption by 10.7%. These organic changes are shown for a fair year on year comparison. For this comparison we extracted the effects of acquisitions, divestments and changes to the measurement methodology.

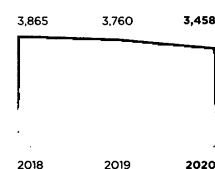
environmental performance

carbon emissions (CO₂ in Ktonnes)



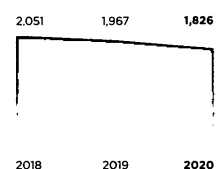
270

energy usage (in TJ)



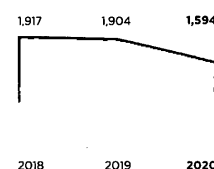
3,458

electricity consumption (in TJ)



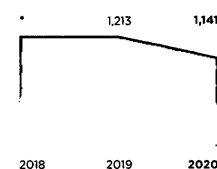
1,826

water use (in 1,000 m³)



1,594

water consumption (in 1,000 m³)



1,141

	2020	2019	2018
CO₂ (scope 1 & 2 in Ktonnes)	270	287	310
electricity	66%	65%	66%
gas	33%	30%	28%
district heating	1%	4%	5%
fuel	0%	1%	1%
energy usage (in TJ)	3,458	3,760	3,865
electricity	53%	52%	53%
gas	45%	40%	39%
district heating	2%	7%	7%
fuel	0%	1%	1%

	2020	2019	2018
electricity consumption (in TJ)	1,826	1,967	2,051
electricity - grey	85%	86%	90%
electricity - renewable	15%	14%	10%
water use (in 1,000 m³)	1,594	1,904	1,917
water consumption	72%	65%	*
water treated	28%	35%	*
water consumption (in 1,000 m³)	1,141	1,213	*
drinking water	94%	95%	*
groundwater	5%	4%	*
surface water	1%	1%	*

* not measured at that time

lean and effective structure

With approximately 15,000 employees, Aalberts operates 55 business locations and 60 service locations with activities in over 50 countries.

Our lean and effective organisational structure is covered by entrepreneurial business teams. The Executive Team is responsible for the day-to-day leadership of the business teams, driving forward our strategy 'focused acceleration' 2018-2022, achieving our Aalberts objectives.

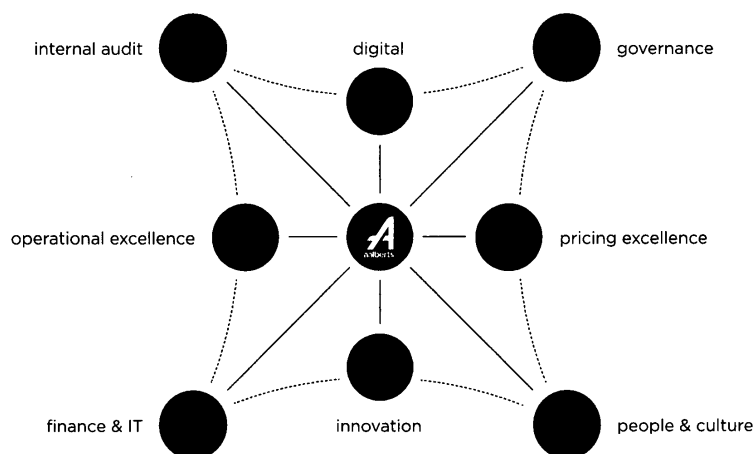
Our head office, based in the Netherlands with approximately 25 employees including the Management Board, facilitates central functions like strategy, marketing and communications, business development and M&A, investor relations, finance & control, tax, treasury, legal, governance, sustainability and HSR, internal audit, cybersecurity, IT and office management. Our head office has a leading role in increasing gender diversity, 40% of our head office positions is currently filled by women.



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

the Aalberts leadership networks

The small head office team, working closely together with the Executive Team and business leadership, drives the Aalberts leadership networks covering important strategic topics that impact the performance of our organisation. This setup facilitates the growth potential of the group and stimulates teamwork, knowledge sharing, exchange of best practices, fast-learning, innovations and entrepreneurship.



people and culture

our culture

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

the Aalberts way – winning with people



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

HRD strategy

We can only win with the best teams as passionate drivers of our long-term business plans and innovation roadmaps. For the best ideas, processes and vital innovations it is a necessity to develop, retain and attract the best people and empower them to be an entrepreneur and take ownership.

We are straight-talking, can-do, no-nonsense pragmatists. We win with people. It's that simple. We want to get the most out of ourselves, every day. We blend boundary pushing engineering with silo-breaking entrepreneurial business sense. This is how we keep our eyes open for technological opportunities and how we manage to capitalise on them in a profitable way. Whatever the situation or request is, we put together the right team to change the game. That is how we deliver vital innovation to ground-breaking industries. Working as one, we improve the world of today and invent it for tomorrow.

attract

As a result of globalisation and consolidation, being able to continuously professionalise and improve is vital. The Aalberts company passport, launched in 2018, accelerates that process, creating awareness of our unique brand culture so that we continue to strengthen within an increasingly competitive marketplace.

To keep us ahead of the game, we are fostering our pragmatic entrepreneurial culture and lean structure. We have made further progress providing potential employees with a better understanding of who we are and what we are about. During the year we initiated a people & culture network where we combine our Aalberts company passport, culture, human resource and marketing & communications initiatives throughout the group, aligning the business teams and regions. Dialogues with both internal and external stakeholders enabled us to launch an advanced newsroom at aalberts.com, demonstrating the real progress Aalberts' people and technologies are making. This section will be fundamental in enhancing our employer branding in the market place and creating a view from the outside in.

Awareness of the Aalberts brand, entrepreneurial culture and lean structure is increasing amongst our stakeholders, which is also reflected by the calibre of talent who joined us this year. In this fast-changing world of technological innovations and increasing demands, Aalberts also focuses on the younger generation, who will ultimately be responsible for developing tomorrow's technologies. We did attend several career days to connect with students and universities to illustrate what we do and offer at Aalberts.

develop

We empower our people to solve problems. We support and develop them. We stretch them to their limits, then take them a bit further. Always working together, because we believe that greatness depends on shared knowledge and shared skills. We also believe that diverse teams led by inclusive leaders are more engaged, and therefore deliver better safety and business performance. At Aalberts, training and development never stops. We launched several international development and personal development programmes to help our people develop as professionals and leaders.

In total, 145 people participated in our development programmes, enabling them to connect with managers from different Aalberts businesses.

The personal and leadership development programmes *CONNECT* and *FIT* are designed for those who have recently embarked upon a career at Aalberts and employees that are more experienced.

Following the outbreak of the COVID-19 pandemic, and the shift away from face-to-face meetings, the programmes lined up for 2020 were in jeopardy, however by taking ownership and adapting the programmes to fast-changing circumstances, we developed and rolled out three online workshops for our 2020 participants.



"take ownership – that's what it's all about for me"

Throughout her international management traineeship at Aalberts, Yvonne Spaltman has completed four human resource-related projects in various offices, both in France and the Netherlands. By carrying out each project in a different location, she has had the opportunity to get to know the company and the culture better and expand her network. Also, from start to finish, she was given full responsibility and autonomy over her projects. "This degree of freedom allowed me to be flexible, efficient and creative during the projects and bolster my social skills, knowledge and ensured a steep learning curve".



The themes covered:

- being remote and staying connected
- standing strong during special circumstances
- positioning yourself in a dynamic environment

The online workshops, which also offered participants the chance to gain experience with remote learning, were well received and we will therefore continue to offer a combination of online and offline training through our development programmes.

Our development strategy for Aalberts' global trainees also proved to be successful and sustainable. As well as delivering real value to our companies by working on crucial projects and supporting our local management teams, the 2020 graduates have also been offered strategic positions across the organisation. Having trainees in different companies and strategic positions is valuable in making the connection between the Aalberts companies.

"of all the companies I learned about, Aalberts was on top of my list"

Tim Golitz joined the Aalberts management trainee programme at Aalberts surface technologies in late 2019.



"During my studies I got to know the surface technology industry well as it was the focus of my master's programme, and of all the companies I learned about, Aalberts was on top of my list," Tim says. "They have one of the widest ranges of coating procedures in the industry, and I had heard great things about how they support trainees."

While Aalberts surface technologies may have been a no brainer, carrying out one of his projects at Aalberts advanced mechatronics was a less obvious fit. "This project was something completely new for me," Tim says. "My assignment was to bring a cleanroom to a higher level of cleanliness, and I developed a system for measuring contamination, conducted extensive tests to determine the sources, and suggested several improvements."

His team was delighted with the results. "It was great to see how a trainee could become so knowledgeable in a matter as complex as cleanroom contamination in just three months," says Jeen de Vries, one of Tim's mentors.

Now that the project is over, Tim feels one step closer to realising his ambitions. "I would like to be a leader at Aalberts someday, and the programme helps me get to know so many different departments, locations, cases and people. It's a fantastic education."

retain

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

Forced by COVID-19, we leveraged virtual tools to bring our colleagues closer together, without losing focus and ownership in the business teams. Increased engagement creates brand ambassadors and contributes to a better understanding of the overall mission and journey and how everyone is connected. In 2021 we will start organising 'Aalberts share and learn sessions' to virtually connect our people and to share our expertise on relevant business topics.

Again in 2020, multiple talents participated in development programmes and we were able to retain experienced colleagues by promoting them to key positions in our company. Moves of people between different technology clusters were received positively as it offered the chance to learn more about the strong entrepreneurial culture and different technologies.

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

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

diversity and inclusion

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

Recruiting and developing a diverse and inclusive workforce gives us a wide range of perspectives and allows us to explore and adopt new ideas and innovations in technology. It also allows us to better understand and meet the needs of our diverse customers and communities. At year-end, 26.4% (2019: 26.5%) of our workforce were women. A balanced gender diversity is still a challenge. We encourage diversity by recruiting people with different backgrounds and genders for our personal and leadership development programmes. We look closely to fill vacancies with a sound balance of men and women at management levels. As a consequence, more women are entering various management levels. This is how we increase gender diversity in a sustainable way.

health & safety

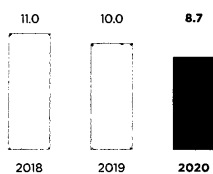
Protecting the health & safety of our people was even more important in 2020. From the moment COVID-19 spread worldwide, we formed an internal network bringing together people from all business teams and countries to share and learn. The experience gained at the beginning of the COVID-19 outbreak at some of our locations, for example in Italy, made us well prepared at locations that were affected at a later stage. Preventive safety actions were taken worldwide based on shared protocols and actions plans (e.g. use of

protective materials, reorganise production floors to create sufficient distance between people, disinfection of locations with infections, ways of testing on infections). The importance of the safety of our people and taking preventive actions was underlined by several video messages of our CEO. In this exceptional situation with conditions constantly changing, the strength of our lean and effective way of working showed itself once more.

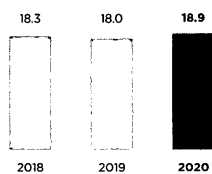
The Aalberts culture, 'winning with people', means taking responsibility for our people by developing them and keeping them safe. That is why we are constantly focusing on providing a safe work environment. We focus on preventing incidents that may be harmful to our own people, but are also committed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

health & safety performance indicators

LTI frequency ratio



average days lost per LTI



absenteeism



* without COVID-19 related absenteeism

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

We have set clear health & safety KPIs to monitor performance. In 2020 our LTI frequency ratio (the number of lost time injuries per one million working hours) decreased to 8.7 and the average days lost per LTI slightly increased to 18.9. If we exclude COVID-19 related absenteeism, our absenteeism has decreased to 3.3%. COVID-19 related absenteeism is defined as: not working because of a COVID-19 infection or because of a COVID-19 related reason, such as being in quarantine, waiting for test results, preventive at home or other reasons. People working from home are not included in the absence rate. The COVID-19 related absenteeism was 0.6% resulting in an aggregate absenteeism of 3.9%.

Despite the controls in place and our efforts related to safety, a fatal accident has occurred. We cannot emphasise how deeply we regret that this accident has occurred and that one of our employees lost his life. It is the first fatal accident at Aalberts, since we reported our health & safety KPIs in 2010. For Aalberts, every accident is one too many. We have fully investigated this tragic accident, shared findings and took measures to prevent it from happening again.

business integrity

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

anti-corruption and bribery

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

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

We check compliance with the Code of Conduct, amongst others, with regular governance visits by the governance lead, together with a governance contact person from the particular business. These physical governance visits could not take place most part of this year due to travel restrictions. Where possible, the governance visits were carried out digitally. Where this was difficult, plans have been made for visits next year by everyone in the governance network. This governance network consists of legal professionals who work together as much as possible beyond the borders of the business teams and countries, to ensure that available knowledge is used to the full. The visits are part of the governance plans, with concrete action lists, established by the governance network. In this way we further strengthen and embed governance in the company.

Code of Conduct

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

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

Aalberts academy and other training

To ensure that the Code of Conduct is not only signed when a new employee joins, but that our employees also know what the content actually means for their daily work and that it becomes part of the actions of our employees, we have several e-learning about our Code of Conduct and business integrity in our Aalberts academy. The Aalberts academy is our e-learning portal. The e-learning in the Aalberts academy are mandatory for all management team members and other managerial staff, for all our employees in sales, purchase, finance & controlling, human resource and all key-employees of other

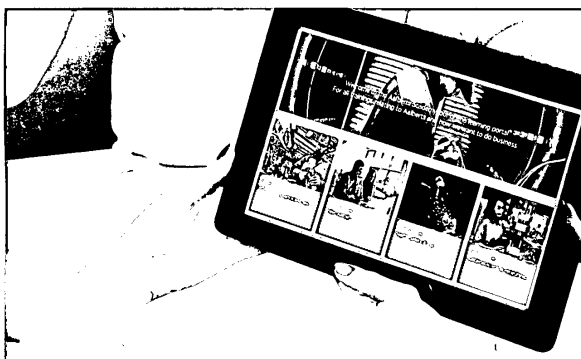
departments such as R&D, logistics, operations and customer service. Our target is that 100% of the participants pass. From the roughly 3,600 employees designated to participate in the Aalberts academy, 97% completed the e-learning about: our Code of Conduct in general, no unfair competition, no corruption & bribery, sanctions & export control, personal data protection & information security and the Speak up! (whistleblower) procedure. This high percentage can only be achieved through strong management focus and the right company culture, where acting with integrity is embraced by everyone.

Also additional training on the subjects of those e-learning is provided. Physical trainings where possible, but we have also (further) discovered that digital training sessions are a valuable alternative. In those trainings one or more governance topics are emphasised again, integrity dilemmas are raised and discussed and employees are encouraged to speak up when confronted with a potential issue. Those extra trainings are adapted to the needs of the business teams and the applicable circumstances.

We have sent various so called 'refresher' emails throughout the organisation to keep the governance topics on top of mind. Because of the increase in working from home due to COVID-19, additional attention was given this year to topics such as working safely from home, data protection, cybersecurity and to always act with integrity, even when things are not going as expected. We continuously focus on expanding our awareness measures in key geographical areas and business sectors.

Speak up!

All employees play a role in monitoring compliance with the Code of Conduct and reporting inappropriate behaviour. Our employees can report (anonymously if desired) violations of the Code of Conduct or other misconduct via our Speak up! procedure. All Speak up! notifications have been investigated and followed up promptly. Where appropriate, necessary action has been taken. Relevant cases are reported to the Management Board and, if these occur, material violations will be immediately reported to the Audit Committee. In 2020, no material violations of the Code of Conduct were either reported via the Speak up! procedure or were detected via the internal or external audits or governance checks.



supply chain management

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

product safety and quality

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

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

human rights & labour relations

As a responsible member of the global community, we have a strong commitment to preventing human rights violations. We conduct business on the basis of fairness, honesty and integrity as expressed in our Code of Conduct and we expect the same from all of those we work with. Aalberts' commitment to respect human rights, as defined by the United Nations in its Universal Declaration of Human Rights, is laid down in a formal human rights policy. We support the principles laid down in the OECD Guidelines for Multinational Enterprises and those in the ILO Declaration on Fundamental Principles and Rights at Work. Aalberts wants to build long-term, sustainable relationships with its employees and therefore strives to pay fair salaries and benefits. Freedom of association and the right to collective bargaining are self-evident, fundamental rights, which we respect. At Aalberts, the principle of free choice of employment is inviolable. It applies to every employee in every country we operate. In 2020 we received no evidence of any human rights violations or abuses via our Speak up! procedure. Due diligence on human rights within our group companies and their supply chain forms part of all our governance visits, with special attention to this topic in areas where there may be a higher risk of impact to people.

responsible tax policy

In our pursuit of doing business in a sustainable way, a coherent and responsible tax policy is key. Aalberts' responsible tax policy is based on the same core values that are embedded in our Code of Conduct. Our tax policy is set by the Management Board and has been discussed with the Audit Committee in 2020. Over the years, Aalberts 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. 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 tax authorities in the countries where we have taxable presence. As a result of our low tax risk appetite, the relationships with tax authorities are based on seeking open dialogues rather than seeking controversy.

The involvement of the Aalberts tax department is not limited to corporate income tax but extends to VAT, wage tax, social securities, dividend withholding tax, sales and use tax, real estate tax and other taxes that Aalberts entities around the globe are subject to. To monitor and control the tax positions per entity, the Aalberts tax department employs various internal tax controls. The effective tax rate is not a KPI of the tax department. The performance of the Aalberts tax department is assessed against compliance targets and adherence to tax regulations, such as compliance to transfer pricing documentation requirements and local tax return filing and payment obligations. Depending on materiality and complexity of a specific matter or transaction, Aalberts will seek external tax advice from independent, third party tax professionals. If appropriate, approval from tax authorities will be obtained to gain upfront certainty about the application of specific tax legislation.

privacy and personal data protection

Over the last years, we strengthened our policies, procedures and contracts for privacy and personal data protection. These procedures and policies are also a specific topic in the Aalberts academy. An entire e-learning is devoted to privacy and personal data protection to train all key-employees. In addition our governance network will further train all employees involved in processing personal data (such as HR, IT and sales managers) about this subject so that we can embed compliance with these regulations even more firmly.

community engagement and partnerships

We believe in creating shared value for our stakeholders by supporting progress in society in various manners. That is why we have a partnership programme in place at head office level with a focus on technological progress and sustainable entrepreneurship. Besides this programme, we are involved in countless regional and local philanthropic and community engagement initiatives, such as donations to charities, partnering with schools and universities to share knowledge and integration of refugees into our workforce. This year our local community engagement efforts were focused on COVID-19 support, such as donations of suits, face masks, safety glasses and nitrile gloves to hospitals and healthcare workers.

With our partnership projects we aim to support progress in society. Based on our policy, projects should match with our strategy and values, should have a technology and sustainability focus and should impact the SDGs that are material for Aalberts. Alongside our financial backing, we offer our knowledge and technologies to the respective projects. Amongst other initiatives, we supported the electric superbike of a student team of the University of Twente, the Green Village in cooperation with the Delft University of Technology and the solar car student team of the University of Eindhoven. We envisage for the coming years to extend the partnership programme initiated by the head office with projects worldwide.

We believe in an inclusive workforce and, entrepreneurial as we are, see an evident shared value proposition in working with refugees, people with disabilities or un (and under)-employed people. We have several business locations that integrate refugees into their workforce to increase capacity, for example a refugee project in Germany and the labour training centre in Norway. They receive language training combined with other education. Another example is the cooperation of Aalberts advanced mechatronics with the Dutch employee insurance agency, to re-educate un (or under)-employed people. The participants of these programmes qualify in a few months for the job market or their next step within the Aalberts group.

As healthcare professionals search for ways to improve the treatment they deliver to patients, we provided free kits directly to medical personnel to help them build 'Negative Pressure Airway Management Hoods'. The hoods, which help protect healthcare workers and patients as treatment is provided, were initially adapted by two anaesthesiologists from California. They were then refined and have been made available to doctors and hospitals around the United States. Another great example of how Aalberts offered help in whatever way possible to strengthen the COVID-19 response.

risk and opportunity management

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

We have carefully considered the type and extent of the risks to the group, achieving our objectives. Risks are driven by megatrends and related to topics included in our materiality analysis. Risks could lead to damage: humanly, environmentally and financially. Damage in either one of these areas could also lead to reputational damage. Our increasing use of the Aalberts brand can increase vulnerability to reputational risk. The identified risks also include long-term emerging risks related to disruptive technologies and increased cyber threats as well as increasing uncertainties in relation to climate change and changes in the (geo)political and economic landscape.

The spread in businesses, technologies, end markets and geographical regions has a reduced impact on our risk profile since this limits our dependence on specific markets or customers.

risk appetite and sensitivity

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

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

- strategic: pursuing our strategy includes investigating new business opportunities. We are prepared to take risks linked to increase game changing innovations, improve defined market positions and accelerate sustainable profitable growth.
- operational: sufficient talented people and additional investments in assets and IT systems are required to improve operations effectively and efficiently.

We are willing to accept risks to deliver high added-value for our customer, but our risk appetite can be described as cautious to averse. We especially aim to minimise risks to ensure a responsible and safe work environment and to protect our Aalberts brand.

- legal & regulatory: complying with applicable laws, regulations and the Code of Conduct is fundamental to our reputation. We have a zero-tolerance policy towards non-compliance or breaches in these areas. We are also risk averse with respect to potential product failures or quality issues.
- financial: maintaining a prudent financing strategy and ensuring consistent and timely reporting are needed to realise our objectives. We are cautious regarding risks related to our financial position and performance (e.g. currency, credit and interest rate risk) and risk averse to any risk that could jeopardise the integrity of our reporting.

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

risk management and control systems

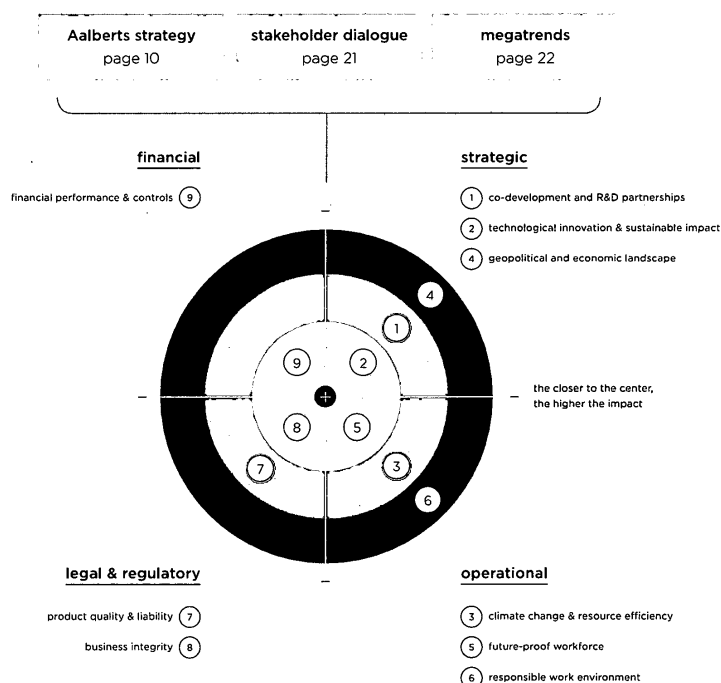
Managing risks and opportunities is not only part of our daily business, it is also part of a broadly felt joint responsibility with involvement of head office leadership team, our network groups, business team management and local ownership.

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

The risk management and control systems do, however, not provide absolute assurance that errors, fraud, losses, or unlawful acts can be prevented. During 2020, 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.

The internal risk management and control systems have been discussed with the Supervisory Board. These systems have demonstrated to be adequate and they provide a reasonable degree of assurance that the financial reporting does not contain any material misstatements and that the risk management and control systems operated properly during 2020. The COVID-19 pandemic showed the value of resilience through our lean and effective business model. Our diversity in niche technologies, leading market positions, worldwide presence, strong local entrepreneurship and fast decision-making really helped us through this difficult market situation.

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



1. co-development and R&D partnerships

innovation network and pricing excellence network

opportunities

our technologies, global footprint and deep industry and market knowledge enable intensified cooperation with key customers in fast-growing markets

key actions to manage risks

continue investments in R&D and competence centres per niche technology and increase investments in sustainable organic growth and innovation in relation to megatrends
further reduce complexity by simplifying our organisational structure and increase focus on defined core technologies
continue strong financial performance to maintain healthy balance sheet ratios and investment power
critically select the right partners and further optimise Key Account Management with an integrated offering and global presence

risks

co-development leads to increased investments, complexity and interdependency and could potentially limit our added value margin

2. technological innovation & sustainable impact

digital network and innovation network

opportunities

our technologies accelerate breakthroughs in smart homes, transportation and industries, enabling new business models, (digital) services and sustainable impact

key actions to manage risks

ensure fast anticipation and adaptation through our lean and effective business model
increase innovation rates by implementing long-term innovation roadmaps focused on sustainable impact with disciplined capital allocation
harmonise and standardise IT systems per business team to support business processes and realise more efficiency
increase focus and strengthening of policies, procedures and contracts for privacy and personal data protection driven by our governance network
implement Aalberts cyber security baseline derived from the CIS Critical Security Controls and monitor effectiveness of measures

risks

disruption can limit our growth potential and profitability, innovation cycles are reduced substantially and (sophisticated) cyber-attacks can expose sensitive data

3. climate change & resource efficiency

operational excellence network

opportunities

shifting to a carbon neutral economy with increased focus on resource efficiency has a positive impact on our reputation, operational and financial performance

key actions to manage risks

monitor and manage Aalberts environmental KPIs via operational excellence network and share best practices
implement sustainability improvement plan per business to reduce CO₂, energy and water use and reuse and recycle (raw) materials
drive innovations with sustainable impact in line with the shift to a carbon neutral economy and apply resource efficiency in R&D based on circular design and LCAs
evaluate physical risks regularly in cooperation with our property risk insurer and focus on follow-up of recommendations to mitigate risks and improve

risks

climate change causes extreme weather conditions that could bring physical risks to our operations and leads to transition risks (e.g. legislation, carbon pricing)

4. geopolitical and economic landscape

innovation network and internal audit network

opportunities

our balanced portfolio and global footprint with local presence and empowerment create resilience, providing opportunities for sustainable profitable growth

key actions to manage risks

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

risks

changes in geopolitical and economic landscape or major events like COVID-19, trade wars and Brexit, can impact our business continuity and financial performance

5. future-proof workforce

people & culture network

opportunities

our culture focuses on entrepreneurship and personal growth, enabling us to attract, develop and retain a diverse, inclusive and engaged workforce to seize opportunities

key actions to manage risks

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

risks

an insufficient level of knowledge or unbalanced workforce lacking diversity can slow down innovation and company growth and can lead to suboptimal cooperation

6. responsible work environment

operational excellence network and people & culture network

opportunities

ensuring a safe work environment with a strong emphasis on ethical behaviour for both our own operations and business partners increases employee satisfaction

key actions to manage risks

further enhance a 'safe place to work' culture through 'the Aalberts way' and manage KPIs set to improve
ensure implementation of safety policies at all our production and service locations and further expand the number of locations with OHSAS 18001/ISO 45001 certifications
embed responsible work environment in our Code of Conduct and employer agreements and enable employees to address non-conformances through our Speak up! procedure
critically select and contractually bind suppliers to adhere to our Supplier Code of Conduct to ensure that business integrity and human rights are respected

risks

health & safety incidents and human rights violations affect employees and can lead to business interruption, claims, absenteeism, dissatisfaction and reputational harm

7. product quality & liability

governance network and operational excellence network

opportunities

our world-class manufacturing, trained and engaged workforce and high-quality technologies and services provide a competitive advantage and pricing power

key actions to manage risks

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

risks

product failures and quality issues may cause injuries, damage or non-compliance with regulations, resulting in liability proceedings, financial loss and reputational harm

8. business integrity

governance network

opportunities

compliance with legislation and our Code of Conduct and respectful interactions with all stakeholders safeguard our reputation as responsible and reliable business partner

key actions to manage risks

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

risks

different legislation and habits per country can expose us to non-compliance issues and breaches can result in litigation, substantial penalties and reputational harm

9. financial performance & controls

finance & IT network and internal audit network

opportunities

our financial performance provides access to capital markets and our (financial) risk and control practices increase stability, performance and cash flows to invest

key actions to manage risks

further strengthen our finance organisation within all business teams and increase level of expertise through training and exchange of best practices
continue thorough weekly and monthly reporting process resulting in timely and accurate financial reports assessed by group control and Management Board
implement Aalberts Control Principles prescribing minimum expected financial controls including appropriate segregation of duties, authorisations and approval
monitor implementation of controls through self-assessments and additional risk-based internal audits as part of our integrated and multidisciplinary audit approach
mitigate impact of commodity price, currency and interest rate fluctuations as part of our financial risk management activities (note 8 of the consolidated financial statements)

risks

ineffective financial controls can result in reporting delays or misstatements, financial loss or inappropriate decision-making which could harm our financial performance

corporate governance

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

Aalberts endorses the principles of the Dutch Corporate Governance Code (**the Code**). Our corporate governance structure has been updated in accordance with the Code in the past years. In 2020 there was no substantial change in the corporate governance structure of Aalberts nor in the compliance with the Code. Aalberts virtually applies all best practice provisions of the Code. To a limited extent, these have been adjusted to specific circumstances of Aalberts. As a result, the Management Board believes it meets the principles of 'comply or explain'. All the regulations pursuant to the Code and Dutch law concerning reporting and transparency of information applicable to Aalberts have been incorporated into the management report. Further guidance on how we comply with the provisions of the Code is available at aalberts.com/governance.

The deviations from the Code relate to the following subjects.

Management Board

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

General Meeting

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

company secretary

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

appointment and dismissal of Management Board and Supervisory Board

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

powers Management Board

The general powers of the Management Board are those arising from legislation and regulations and are set out in the Articles of Association. The Management Board was authorised by the General Meeting held on 25 June 2020 to issue ordinary shares, to grant rights to subscribe for ordinary shares and to restrict or exclude pre-emptive rights of existing shareholders in the case of issuing ordinary shares, all subject to approval of the Priority. The authorisation has been granted for 18 months and is valid for a maximum of 10% of the issued share capital at the time of issuing. The Management Board was further authorised by the General Meeting held on 25 June 2020 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 Priority have been defined in such a way that a well-balanced allocation has been achieved with respect to the control and influence of the company's individual bodies. By doing so, Aalberts has ensured as much as possible that, when essential decisions are made, the interests of all company's stakeholders are considered and that the decision-making process can always be conducted in a prudent manner. According to provision 4.2.6 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 Priority may be considered to constitute a form of anti-takeover measure. The powers of the Priority have been described in this chapter and on page 115 under 'Special Controlling Rights under the Articles of Association'. The authority to make a binding nomination to the General Meeting concerning the appointment of members of the Management Board and Supervisory Board could be an essential instrument in the well-balanced decision-making process. Therefore, the deprivation of the binding character of the nomination is aligned with Dutch law instead of the Code.

Speak up!

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

insider trading

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

bilateral contacts

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

Corporate Governance Statement

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

Management Board declaration

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

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

6. the report of the Management Board as included in this annual report provides a true and fair view of the situation on the balance sheet date, the business development during the financial year of Aalberts, and of its affiliated group companies included in the financial statements. The report of the Management Board describes the material risks to which Aalberts is exposed.

Utrecht, 24 February 2021

Wim Pelsma (CEO)
Arno Monincx (CFO)

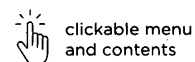
financial calendar 2021-2022

29 April 2021	registration date General Meeting
27 May 2021	General Meeting
31 May 2021	quotation ex-dividend
1 June 2021	record date for dividend
2 July 2021	paying out dividend
22 July 2021	publication interim results
22 July 2021	webcast interim results
24 February 2022	publication full year results
24 February 2022	webcast full year results
19 May 2022	General Meeting



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report of the Supervisory Board

message of the Chairman

It is a pleasure to chair the Supervisory Board of Aalberts. The COVID-19 pandemic resulted in a challenging year, where the value of Aalberts' lean and effective business model became apparent once again. Strong local entrepreneurship, short lines of communication and decisive actions enabled the company to quickly react on the difficult market situation. With the health & safety of the Aalberts' people being most important, the company had a strong focus on preventive safety actions in its operations to protect people and processes. Fortunately Aalberts only faced a limited number of COVID-19 infections. Only a few locations were closed for several weeks, due to governmental instructions in the first half of the year.

The Supervisory Board was closely involved in the approach of the company to deal with the challenges related to the pandemic. During the second quarter there was regular contact between the Management Board and the Supervisory Board to evaluate the situation and discuss scenarios and actions.

It was agreed to accelerate the action plan as defined in the updated strategy 'focused acceleration' 2018-2022 presented during the Capital Markets Day (CMD) in December 2019. Good progress was made by further focusing its mission-critical technologies on shaping eco-friendly buildings, driving sustainable transportation and increasing semicon efficiency. With rapidly changing dynamics in these end markets, the impact of technology has never been more profound.

Investments in growing product lines, future technologies and innovations continued to drive the strategy forward. Capacity expansions and building expansions were in some cases postponed. The continuation of the investments and innovations and the strong cash flow performance show the strength of the company, also in these uncertain market environments. Although the financial performance was on a lower level than last year, Aalberts delivered a resilient and solid performance.

The Aalberts brand is being widely adopted in the company and is becoming stronger in the market place. The global Aalberts networks are driving new initiatives in the group and embed the Aalberts brand and culture further into the organisation. The Supervisory Board considers it of vital importance that the company is able to employ the right people that fit the culture, to facilitate the success of the company. We experience increased sharing of success stories both internally as externally via aalberts.com and its social channels.

We successfully expanded our Supervisory Board with the appointment of Annette Rinck. Besides a stronger balance in gender diversity, Annette brings substantial experience in marketing and digitisation. As a result of COVID-19, our annual shareholder meeting was forced to be virtual. We can not predict how the virus will be controlled, but we do look forward to a live meeting with our trusted shareholders when the possibility is there.

The Supervisory Board congratulates the Management Board, the employees in the head office and the worldwide operations of Aalberts with the results in the fiscal year 2020 and is grateful for their relentless efforts in a difficult year. I also thank my colleagues in the Supervisory Board for their constructive contribution in the regular and special meetings and conversations.

Martin van Pernis



composition of the Supervisory Board

The composition of the Supervisory Board changed in 2020 and is still in accordance with the profile drawn up, which is published on the website of Aalberts.

Mr. M.C.J. (Martin) van Pernis first two-year period ended by rotation and he was re-elected as member and Chairman of the Supervisory Board for a second two-year period. Mr. Van Pernis took over the role of Chairman of the Supervisory Board in 2017 and has made an outstanding contribution during the past period. He has long experience both as director and as a supervisory board director of (technical) companies operating internationally. For the continuity of the chair of the Supervisory Board, and his long experience with, and knowledge of Aalberts, he was re-elected for another two-year period. He continued his role as member of the Remuneration, Selection and Appointment Committee. Mr. P. (Piet) Veenema retired by rotation and was re-elected as member of the Supervisory Board for a second four-year period. He continued his role as member of the Audit Committee.

Mrs. A. (Annette) Rinck was appointed as fifth member of the Supervisory Board. Mrs. Rinck was offered an (online) onboarding programme to become more familiar with the company. Individual meetings with Management Board members and Executive Directors provided insight into topics such as the organisational and reporting structure, the Aalberts strategy and the different business models including sales, marketing and distribution channels. In addition, individual meetings with the head office leadership team provided insight into topics such as governance, sustainability, marketing and communications, business development, risk management system and control framework and internal and external audit. Mrs. Rinck will visit company locations in 2021 once travel restrictions are lifted.

M.C.J. (Martin) van Pernis

Former President Siemens Group in the Netherlands

Other relevant positions:

Vice Chairman supervisory board ASM International, chairman NSR Committee

Vice Chairman supervisory board Coolback Company

Chairman supervisory board CM.com N.V.

Member advisory board G4S the Netherlands

Board member Koning Willem 1 Foundation

Chairman Habitat for Humanity The Netherlands

M.J. (Marjan) Oudeman

Former member executive committee Corus Group (nowadays

Tata Steel Group) and executive committee of AkzoNobel

Other relevant positions:

Member supervisory board SHV Holdings N.V.

Member supervisory board Solvay SA

Member of the board of directors of UPM-Kymmene Corporation

Member of the board of directors of Novolipetsk Steel

Chairman supervisory board Ronald McDonald Kinderfonds

A. (Annette) Rinck

General Manager Saia Burgess Controls & CentraLine (Honeywell Building Management Systems)

Other relevant positions:

Member supervisory board and audit committee u-blox Holding AG

P. (Piet) Veenema

Former Chairman management board Kendrion N.V.

Other relevant positions:

Member supervisory board M&G Holding B.V.

J. (Jan) van der Zouw

Former Chairman management board Eriks Group N.V.

Other relevant positions:

Chairman supervisory board HGG International B.V.

Chairman supervisory board Den Helder Airport C.V.

Member supervisory board Masterflex S.E.

composition of the Supervisory Board as of 25 June 2020

name	position	nationality	gender	year of birth	initial appointment	term expires
M.C.J. van Pernis	Chairman of the Supervisory Board Member of the Remuneration, Selection and Appointment Committee	Dutch	Male	1945	2010	2022
M.J. Oudeman	Vice-chairman of the Supervisory Board Chairman of the Audit Committee	Dutch	Female	1958	2017	2021
A. Rinck	Member of the Supervisory Board	Swiss & German	Female	1965	2020	2024
P. Veenema	Member of the Supervisory Board Member of the Audit Committee	Dutch	Male	1955	2016	2024
J. van der Zouw	Member of the Supervisory Board Chairman of the Remuneration, Selection and Appointment Committee	Dutch	Male	1954	2015	2023



Supervisory Board (fltr): Piet Veenema, Annette Rinck, Marjan Oudeman, Jan van der Zouw, Martin van Pernis

the work of the Supervisory Board

The Supervisory Board monitors the implementation of the strategy and the principal risks associated with the strategy. Business risks, risk appetite, governance risks, internal risk management and control systems were addressed in these discussions, more in particular in relation to COVID-19. Operational, health & safety and property risks had increased attention in 2020 in order to avoid possible business disruption. These risks were addressed in the operational excellence network.

In 2020, the Supervisory Board was closely involved in the approach of the company to deal with the challenges related to the pandemic. The company dealt with COVID-19 effectively from various perspectives. With the health & safety of the Aalberts' people being most important, the company had a strong focus on preventive safety actions in its operations. Aalberts' people did a great job in adopting new ways of working and continuing the operations in a safe way, serving its customers worldwide. In parallel, they

initiated lots of structural improvements, optimising OPEX, NWC and CAPEX, driving the strategy forward. From a financial perspective there was strong focus on cash management and cost optimisations. With its lean and effective organisation Aalberts proved its resilience in challenging times.

It was agreed to accelerate the action plan as defined in the updated strategy 'focused acceleration' 2018-2022 presented during the CMD in December 2019 and discussed in depth with the Supervisory Board. Many projects were initiated to reduce structural costs and net working capital. This led to one-off strategic restructuring costs during 2020, which partly benefitted 2020 and will fully benefit 2021. To ensure innovation roadmaps of all niche technologies continued, the accelerated actions also included continuation of investments in innovations, growing product lines and future technologies. R&D teams were strengthened to accelerate new product and (digital) system innovations. In 2020, the Supervisory Board closely monitored the goal to evolve faster into a stronger and better Aalberts, realising the strategic objectives. To achieve unique leading market positions with sustainable impact, even more focus on sustainability and leveraging opportunities arising from the megatrends shaping Aalberts' future (see page 22) were discussed. Potential bolt-on and strategic acquisitions are regularly discussed, as well as the integration of previous acquisitions.

A considerable amount of attention was paid to the Aalberts culture, the organisational structure and the lean and effective management structure and the resilience of the Aalberts people. In 2020, Aalberts evolved its global HRD network towards a people & culture network in order to embed the Aalberts culture further into the organisation. The Supervisory Board considers it of vital importance that the company is able to employ the right people that fit the culture, to facilitate the success and growth of the company. Special attention was paid to the attraction, retention and development of people, by amongst others traineeships and leadership development programmes. Succession planning was also discussed in this respect.

Other topics addressed by the Supervisory Board were the financial and operational developments, the forecast and the dividend policy. The

Supervisory Board reviewed and discussed Aalberts' annual and interim financial statements, prior to publication thereof.

The Supervisory Board is pleased to note that Aalberts continued the innovation initiatives and the related investment plans, despite more challenging times. Encouraging progress was made in the year under review with respect to further focus and simplification of the organisation, portfolio optimisation and working capital management. The Supervisory Board approved the strategy and objectives to be achieved for 2021.

Supervisory Board meeting and attendance

Supervisory Board member	Supervisory Board	Audit Committee	Remuneration, Selection and Appointment Committee
M.C.J. van Pernis	100%	n/a	100%
J. van der Zouw	100%	n/a	100%
P. Veenema	100%	100%	n/a
M.J. Oudeman	100%	100%	n/a
A. Rinck	100%	n/a	n/a

The Supervisory Board formally convened (partly digitally) on five occasions to meet with the Management Board and on one occasion to meet without the Management Board. In addition, there were regular business updates related to the COVID-19 pandemic in between formal meetings. Due to restrictions related to the pandemic, most of the meetings in 2020 were partly online and physical. Nevertheless these meetings were effective and all members attended all formal Supervisory Board meetings and business updates.

Given the restrictions, visits to business locations in the year under review were limited. Part of the Supervisory Board visited the new distribution centre of Aalberts integrated piping systems in Zeewolde and the new head office and production facility of Aalberts hydronic flow control in Almere.

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

diversity

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

The objectives of Aalberts' diversity policy are to maintain a sound balance of nationality and cultural background within the Boards, to increase the gender diversity within the Boards, such that at least 30% of the Boards will consist of women and at least 30% will consist of men and to increase the age diversity within the Boards. With the appointment of Annette Rinck in 2020, the Supervisory Board now consists of two women and three men with diversity in education, experience, nationality and age and thus meets the targets of the diversity policy, including the gender target of 30%.

Currently, the Management Board consists of two men who are both Dutch citizens, there was no vacancy to be fulfilled in 2020. The objectives of the diversity policy have not yet been achieved, but Aalberts will continue its efforts to increase gender diversity within the Management Board on the long-term, by taking into account gender diversity for recruitment, appointment to roles, attraction and retention of employees, mentoring and coaching programmes, personal development and leadership programmes and succession planning.

corporate governance

In view of the Code, the Supervisory Board has reviewed and discussed the corporate governance structure of Aalberts with the Management Board. The governance structure was updated in 2017 in line with the Code, Dutch corporate law and market practice and is still effective. The Supervisory Board refers to page 45 for a more detailed explanation of the corporate governance structure of Aalberts.

The Boards have specifically discussed the further implementation of the Code of Conduct, the monitoring of the effectiveness and compliance with the Code of Conduct and violations of the Code of Conduct reported via the Speak up! procedure. In addition, the e-learning programme, governance regulations and processes of Aalberts within the entire organisation, including the training and monitoring thereof via governance visits, have been discussed.

Furthermore, there was specific attention for the culture and core values of Aalberts and 'the Aalberts way', the implementation thereof throughout the entire organisation and how these values can contribute to the long-term value creation of Aalberts. The Management Board reported to the Supervisory Board on the updated sustainability approach of Aalberts, including the connection to the Sustainable Development Goals and the realisation of sustainable impact with the mission-critical technologies of Aalberts. The more structured and stringent approach towards sustainability, health & safety and property risk in the operational excellence network contributes to the own sustainability commitments.

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

independence

All members of the Supervisory Board are fully independent. There is one member of the Supervisory Board that holds shares in the company, but this holding is far below 10% of the shares in the company (see shareholders' interests on page 124). In the Supervisory Board's opinion, the composition of the Supervisory Board is such that the members can act critically and independently from each other and the Management Board, as stipulated in the Code and the Supervisory Board rules. This means that the tasks of the Supervisory Board as laid down by law and by the Articles of Association are being fulfilled, including providing the Management Board with solicited and unsolicited advice and support.

In 2020, 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 2020 between the company and natural persons or legal entities that hold at least 10% of the shares in the company.

committees

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

Audit Committee

The Audit Committee aids and advises the Supervisory Board in its responsibility to supervise the integrity and quality of the Aalberts' financial reporting and the effectiveness of Aalberts' internal risk management and control systems. The Audit Committee consists of Marjan Oudeman (Chairman) and Piet Veenema, who both qualify as financial and risk experts.

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

Specific topics addressed in the Audit Committee in 2020 were the approach of Aalberts towards the COVID-19 pandemic from a financial and risk perspective, the strategic restructuring costs, IT controls, cybersecurity and a change to the forecast process. To be able to respond more quickly to increased uncertainties, the forecast procedure was discussed with the Audit Committee and then changed to a rolling forecast procedure. With respect to the approach to the pandemic, various COVID-19 impact sensitivity analysis were performed and discussed based on different COVID-19 scenarios. The strategic restructuring costs were discussed and the savings of the restructuring plans will be monitored closely per business team. In 2020 the emphasis on cyber security and fraud risk management increased. The overall risk profile, control measures, monitoring activities and follow-up to further decrease the risks were discussed.

Other topics discussed during Audit Committee meetings include: the company's financial performance, the company's financial reporting including the annual report, the financial statements including application of accounting principles and the implications of applying new IFRS standards. The company's internal risk management systems including the risk assessment processes have been evaluated, the internal audit plan for 2020 was discussed and approved and the essence of the internal audit results were reviewed. Specific attention was given to risks associated with (geo)political developments, more in particular to Brexit. Sensitivity analyses have been performed related to the operational and financial impact of Brexit.

Process and outcome of the Speak up! procedures and (potential) claims and liabilities were also standing topics on the agenda. Other agenda items during the year were the company's tax policy and the treasury and funding strategy. For these topics, relevant experts from the company participated in the meetings.

The Audit Committee discussed the external auditor's performance with the Management Board without the presence of Deloitte Accountants. Due to mandatory rotation, a new audit partner of Deloitte took over the Aalberts' audit in the reporting year 2020. The new audit lead was offered and followed an introduction programme including several visits to individual production locations.

The Audit Committee reported to the Supervisory Board on its deliberations and findings which were discussed by the Supervisory Board.

Remuneration, Selection and Appointment Committee

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

The role of the RemCo is described in its charter, which is part of the Supervisory Board rules available at aalberts.com/governance. During the year, the RemCo met four times. The work they performed relating to the remuneration of the Management Board is further described in the remuneration report 2020 that has been prepared by the RemCo.

In 2020, the RemCo was involved in the nomination for an additional member of the Supervisory Board. A specific search profile was prepared in line with the Supervisory Board's profile and diversity policy and an international search firm was instructed to assist with the search. In order to maintain a strong and diverse profile in international business experience and executive leadership, the RemCo advised the Supervisory Board and the Priority to nominate Annette Rick for appointment as Supervisory Board member at the General Meeting in 2020. The knowledge and experience of Annette Rinck about, amongst others, digitisation, Internet of Things and Industry 4.0, are a welcome complement to the Supervisory Board. For the continuity of the chair of the Supervisory Board, and his long experience with and knowledge of Aalberts, the RemCo also advised the Supervisory Board and Stichting

Prioriteit to nominate Martin van Pernis for reappointment as Chairman of the Supervisory Board for another two-year period.

Considerable time was spent on the implications of the Shareholder Rights Directive II (SRD) for the existing remuneration policy and the preparation of a separate remuneration report. Based on an analysis of the existing remuneration policy, amendments were made in accordance with the SRD to be more transparent on the remuneration of the Management Board. The opinions of stakeholders were taken into account in the preparation of the updated remuneration policy and the remuneration report. In addition, a separate remuneration policy for the Supervisory Board was prepared in line with the SRD. An updated version of the remuneration policy and the remuneration report for 2020 was presented to the General Meeting on 25 June 2020 and was adopted and approved.

The RemCo discussed succession planning of the Management Board and the leadership potential within the group. Succession planning of the Supervisory Board was discussed as well.

appraisal of performance by the Management Board and the Supervisory Board

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

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

Outside the Management Board's presence, the Supervisory Board evaluated and assessed the performance of the Management Board and the individual members. In the opinion of the Supervisory Board, the Management Board performed its duties in 2020 in an excellent way.

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

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

financial statements 2020

The 2020 financial statements have been prepared by the Management Board and have been signed by the Management Board and the Supervisory Board. Page 116 of the financial statements includes the independent auditor's report from the external auditor Deloitte Accountants. The Management Board will present the 2020 financial statements to the General Meeting on 27 May 2021. The Supervisory Board advises the General Meeting to adopt these financial statements, including the proposed cash dividend of EUR 0.60 per share. The dividend payment percentage is approximately 30% of the net profit before amortisation. The payment of the dividend is entirely in cash.

external auditor

Deloitte Accountants was appointed as external auditor for the reporting year 2021 at the General Meeting on 25 June 2020. In the discussion of the annual financial statements, the Supervisory Board was informed by this external auditor, Deloitte Accountants. Topics discussed included the 2020 audit plan, the management letter, early warning reports and the report to the Audit Committee, Supervisory Board and Management Board.

Utrecht, 24 February 2021

Martin van Pernis (Chairman)
Marjan Oudeman
Annette Rinck
Piet Veenema
Jan van der Zouw

remuneration report

For the evaluation of the remuneration of the Management Board, the Supervisory Board takes into account the short-term company performance for 2020 and the long-term Aalberts non-financial objectives and financial objectives 2018-2022. Despite the difficult uncertain market environment in 2020, Aalberts achieved a resilient and solid performance.

remuneration policy of the Management Board

The remuneration policy was updated in 2020 to be in accordance with the Shareholder Rights Directive II (SRD). Amendments were made to provide more transparency on the remuneration of the Management Board. In the preparation of the updated remuneration policy, opinions of stakeholders were taken into account. The remuneration policy of the Management Board was approved by the General Meeting on 25 June 2020.

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

Annually, the Remuneration Committee (**RemCo**) reviews the total remuneration of the Management Board members, as well as each

remuneration component of their package, such on behalf of the Supervisory Board. In doing so, the RemCo takes the remuneration objectives and principles as reflected in the remuneration policy into account.

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

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

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

fixed and variable remuneration of the Management Board

The aggregate fixed and variable remuneration of the members of the Management Board for 2020 amounted to EUR 2.0 million (2019: EUR 3.5 million) and is determined in accordance with the remuneration policy. The remuneration of the individual Management Board members split out by component is reflected in the table on page 60.

application remuneration policy

In accordance with the Articles of Association, the remuneration of the Management Board members has been set by the Supervisory Board. The remuneration of the individual Management Board members, including share-based remuneration, is in accordance with the remuneration policy. Scenario analyses have been performed in conformity with the Code and have been taken into account by setting the remuneration. The General Meeting's advisory vote on the remuneration report 2019 has been taken into account for the review of the current remuneration policy and proposal to update it.

fixed remuneration

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

base salary

Once a year, the Supervisory Board determines whether, and if so, to what extent the base salary will be adjusted, taking into account developments in the market, the reward structures of peer group companies, the results of Aalberts and the pay ratio within the Aalberts group. In 2020 the individual members of the Management Board decided to reduce their fixed base salary with 20% in Q2 in view of the uncertainties Aalberts was facing at the start of the COVID-19 pandemic.

pension plan

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

- basic arrangements for that part of the annual pensionable salary up to EUR 110,111 (2020);

- net surplus arrangement for that part of the annual pensionable salary above EUR 110,111. The employer contributions to this arrangement are made to participants in the form of gross cash compensation subject to tax withholdings, which can be used to fund a voluntary net defined contribution plan.

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

non-fixed remuneration

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

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



name and position of Management Board member	fixed remuneration		variable remuneration		total fixed and variable remuneration		value remuneration	proportion of variable remuneration (in %)
	base salary* (in EUR 1,000)	pension plan (in EUR 1,000)	STI** (in EUR 1,000)	STI** (in EUR 1,000)	STI** (in EUR 1,000)	STI** (in EUR 1,000)	LTI*** (in number of shares)	
Wim Pelsma (CEO)	760	148	378	1,286	29,050	29.4		
Arno Monincx (CFO)	456	71	227	754	12,450	30.1		
Total	1,216	219	605	2,040	41,500	29.7		

* Base salary minus 20% reduction in Q2.

** The STI is reflected in this table as the STI awarded over the financial year 2020.

*** The LTI is reflected in this table as the number of shares vested in 2020 under the current PSPs.

short-term incentives (STI)

The STI is an important component of the remuneration package to reward short-term performance in line with the long-term Aalberts Strategic Objectives, combined with additional individual non-financial performance goals. The Supervisory Board sets the yearly financial targets based on the targets for that year, in line with the Aalberts Strategic Objectives and the individual non-financial targets at the beginning of each financial year and these are evaluated in a personal conversation after the end of each financial year. The individual non-financial criteria are not disclosed, as these qualify as commercially sensitive information. Depending on the level of achievement of the targets, the STI can add from a minimum of 0% up to a maximum of 75% to the base salary. The achievement of the financial targets on an individual basis is between a minimum of 90% and a maximum of 110%. The weighting of the non-financial targets and the financial targets is 20% and 80% respectively. If the non-financial targets are achieved for 0% and all financial targets are achieved for a percentage under 90%, the STI will be 0, which endorses the pay for performance principle.

The Supervisory Board has established the extent to which the STI targets set for 2020 has been achieved. This results in an average overall achievement of 62.9%. In accordance, the STI awarded over the financial year 2020 is 47.2% of the base salary.

long-term incentives (LTI)

The value remuneration in the long-term for performance of Management Board members is in the form of a conditional awarding of shares. Under the Performance Share Plan (**PSP**), shares will conditionally be granted to Management Board members. Vesting of these shares is conditional on the achievement of certain predetermined performance targets at the end of a three-year period. The long-term performance criteria attached to the granting of the performance shares relate to the implementation of the Aalberts Strategic Objectives over a three-year period (the performance period). The Supervisory Board determines upfront how many shares will be conditionally awarded to the Management Board members. The vesting of the performance shares is subject to the achievement of the company's average growth of the earnings per share before amortisation (**EPS**) over the performance period, in accordance with the vesting schedule as included in the PSP. The vesting schedule reflects that the actual number of performance shares to be released after the performance period can be a number between 0% and 125% of the shares that have been conditionally awarded. If the average annual growth of EPS in the performance period equals 10%, then 100% of the performance shares will vest and will be released.

Shares awarded conditionally must be held for at least five years (three years vesting period plus two years holding period) or until the end of the

employment contract, if this is sooner. Given this five-year period Management Board members are driven and motivated to contribute to the realisation of the Aalberts Strategic Objectives, creating long-term value creation for the stakeholders of Aalberts. Upon the release of the performance shares, personal tax and social contribution obligations arise for the Management Board members. The holding period of five years does not apply if the shares are sold to pay these tax and social contribution obligations.

Wim Pelsma (CEO) held a total number of 145,125 (2019: 120,075) ordinary shares in Aalberts at year-end. Of the 35,000 conditional performance shares that were granted in 2017 (PSP 2017-2019), a total of 29,050 (83%) vested in 2020, for which kEUR 104 (2019: kEUR 228) was charged to the income statement. Those shares are subject to a holding period of 2 years pursuant to their vesting and release in 2020. The number of conditional performance shares awards that were granted in 2019 (PSP 2019-2021) amounted to 35,000 shares for which kEUR 341 (2019: kEUR 213) was charged to the income statement.

Arno Monincx (CFO) held a total of 18,000 (2019: 6,250) ordinary shares in Aalberts at year-end. Of the 15,000 conditional performance shares that were granted in 2017 (PSP 2017-2019), a total of 12,450 (83%) vested in 2020, for which kEUR 44 (2019: kEUR 98) was charged to the income statement. Those shares are subject to a holding period of 2 years pursuant to their vesting and release in 2020. The number of conditional performance shares awards that were granted in 2019 (PSP 2019-2021) amounted to 15,000 shares for which kEUR 146 (2019: kEUR 91) was charged to the income statement.

The total remuneration of the members of the Management Board for 2020, including the amounts charged to the income statement for the LTI, amounted to EUR 2.7 million (2019: EUR 4.3 million).

sustainable profitable growth

The Supervisory Board took note of the individual Management Board members' views with regard to the amount and structure of their own remuneration and more in particular their voluntary salary reduction. Within

the framework of the Code and the best practice principles contained therein, the Supervisory Board has implemented the remuneration policy in line with the strategy, long-term value creation objectives, risks and (non-)financial objectives of Aalberts.

The Supervisory Board believes that the total remuneration package is a sound balance to realise the Aalberts Strategic Objectives. The remuneration package encourages the Management Board members to deliver solid results every year and to relentlessly execute the Aalberts strategy 'focused acceleration' 2018-2022.

pay ratio

The average annual employee compensation is calculated by dividing the total Aalberts' personnel expenses specified in note 22 of the financial statements - excluding the LTI of all employees, termination benefits and the total remuneration of the members of the Management Board - by the average number of employees minus the average number of Management Board members.

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

The pay ratio is defined as the ratio between the average annual employee compensation and the average annual Management Board members' compensation. The pay ratio in 2020 was 20.3 (2019: 20.4).

comparative information

The table on page 62 provides information on the annual change of remuneration of each individual member of the Management Board, of the performance of the company and of average remuneration on a full-time equivalent basis of employees of the company other than Management Board members over the five most recent financial years.

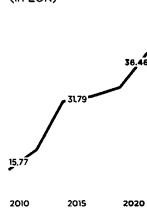
	2016		2017		2018		2019		2020	
annual change	fixed and STI (in EUR 1,000)	LTI** (in number of shares)	fixed and STI (in EUR 1,000)	LTI** (in number of shares)	fixed and STI (in EUR 1,000)	LTI** (in number of shares)	fixed and STI (in EUR 1,000)	LTI** (in number of shares)	fixed and STI (in EUR 1,000)	LTI** (in number of shares)
Management Board member remuneration										
W.A. Pelsma (CEO)	1,301	14,600	1,371	0	1,441	37,500	1,441	0	1,286	29,050
A.R. Monincx (CFO) (as from 1 May 2017)	-	-	455	0	794	12,500	815	0	754	12,450
company performance										
organic revenue growth %	1.1		5.5		4.6		1.1		(7.0)	
EBITA	298		336		366		363		283*	
EPS	1.92		2.15		2.49		2.42		1.81*	
FCF	273		310		312		312		339	
average remuneration on a full-time equivalent basis of employees										
employees of the group	47.7		48.1		49.2		51.4		50.3	

* before strategic restructuring cost

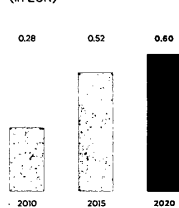
** LTI is reflected in this table as number of shares vested under a PSP in the relevant financial year

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

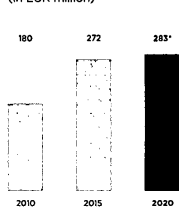
share price
(in EUR)



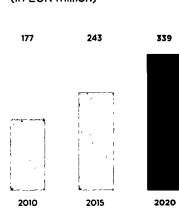
dividend per share
(in EUR)



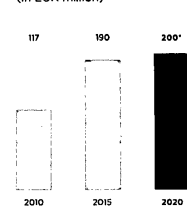
EBITA
(in EUR million)



**free cash flow
(before interest and tax)**
(in EUR million)



**net profit
(before amortisation)**
(in EUR million)



* before strategic restructuring cost

miscellaneous

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

update

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

remuneration policy Supervisory Board

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

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

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

	EUR 1,000
a general fee for membership of the Supervisory Board	45
a committee membership fee / a committee chairmanship fee	5/10
a fee for chairmanship of the Supervisory Board	15

remuneration Supervisory Board

The following fixed individual remuneration were paid to members of the Supervisory Board in accordance with the remuneration policy. The table also reflects the annual change of remuneration of each individual member of the Supervisory Board over the five most recent financial years. Information on performance of the company and average remuneration of employees is provided on page 62.

amounts in EUR 1,000	2020	2019	2018	2017	2016
M.C.J. van Pernis	65	65	65	58	40
M.J. Oudeman	55	55	55	39	
A. Rinck*	23				
P. Veenema	50	50	50	46	30
J. van der Zouw	55	55	55	49	40
total	248	225	225		

* appointed mid 2020 as member of the Supervisory Board

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

No loans, advances or guarantees have been granted to the members of the Supervisory Board. No options have been granted to members of the Supervisory Board. At year-end there is one member of the Supervisory Board that holds shares in the company: M.J. Oudeman holds 330 ordinary shares.



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1. consolidated balance sheet (before profit appropriation)

in EUR million	notes	31-12-2020	31-12-2019
assets			
intangible assets	10	1,255.7	1,319.8
property, plant and equipment	11	828.6	874.3
right-of-use assets	12	157.6	173.7
deferred income tax assets	18	21.2	14.7
total non-current assets		2,263.1	2,382.5
inventories	13	554.9	626.0
trade receivables	14	323.6	338.5
current income tax receivables		8.5	6.3
other current assets	15	49.3	53.8
cash and cash equivalents	17.2	55.8	58.5
total current assets		992.1	1,083.1
total assets		3,255.2	3,465.6

in EUR million	notes	31-12-2020	31-12-2019
equity and liabilities			
shareholders' equity	4, 16	1,774.1	1,809.8
non-controlling interests	4, 16	32.2	28.0
total equity	4, 16	1,806.3	1,837.8
non-current borrowings	17	391.1	581.9
deferred income tax liabilities	18	112.6	122.2
employee benefit plans	19.1	77.3	76.1
other provisions and non-current liabilities	19.2	6.5	12.8
total non-current liabilities		587.5	793.0
current borrowings	17.2	71.3	64.7
current portion of non-current borrowings	17	193.4	166.4
current portion of other provisions	19.2	22.1	-
trade and other payables	20	373.1	403.9
current income tax payables		29.7	32.0
other current liabilities	21	171.8	167.8
total current liabilities		861.4	834.8
total equity and liabilities		3,255.2	3,465.6

2. consolidated income statement

in EUR million	notes	2020	2019
revenue	9	2,610.4	2,841.3
raw materials and work subcontracted	13	(1,001.4)	(1,056.7)
personnel expenses	22	(808.6)	(856.4)
amortisation of intangible assets	10	(43.8)	(41.7)
depreciation of property, plant and equipment	11	(110.9)	(95.7)
depreciation of right-of-use assets	12	(37.2)	(35.1)
other operating expenses	23	(421.1)	(434.8)
total operating expenses		(2,423.0)	(2,520.4)
operating profit		187.4	320.9
net finance cost	24	(22.4)	(23.2)
profit before income tax		165.0	297.7
income tax expense	25	(39.9)	(68.2)
profit after income tax		125.1	229.5
attributable to:			
shareholders	4	117.3	225.7
non-controlling interests	4	7.8	3.8
profit after income tax		125.1	229.5
earnings per share (in EUR)			
basic	26	1.06	2.04
diluted	26	1.06	2.03

3. consolidated statement of comprehensive income

in EUR million	notes	2020	2019
profit for the period		125.1	229.5
other comprehensive income:			
remeasurements of employee benefit obligations	19.1	(7.1)	(7.2)
income tax effect on remeasurements	18	1.7	1.7
other income tax effects	18	-	(0.2)
items that will not be reclassified to profit or loss		(5.4)	(5.7)
currency translation differences	4	(56.4)	20.1
fair value changes of derivative financial instruments	21	(5.5)	(2.6)
income tax effect on fair value changes of derivatives	18	1.4	0.7
items that may be reclassified to profit or loss		(60.5)	18.2
other comprehensive income	4	(65.9)	12.5
total comprehensive income	4	59.2	242.0
attributable to:			
shareholders		54.8	238.0
non-controlling interests		4.4	4.0
total comprehensive income		59.2	242.0

4. consolidated statement of changes in equity

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

in EUR million	issued and paid- up share capital	share premium account	currency translation reserve	hedging reserve	retained earnings	share- holders' equity	non- controlling interests	total equity
as at 1 January 2019	27.6	200.8	(42.4)	(2.3)	1,467.9	1,651.6	24.2	1,675.8
profit for the period	-	-	-	-	225.7	225.7	3.8	229.5
other comprehensive income	-	-	19.9	(1.9)	(5.7)	12.3	0.2	12.5
total comprehensive income	-	-	19.9	(1.9)	220.0	238.0	4.0	242.0
dividend 2018	-	-	-	-	(82.9)	(82.9)	(0.2)	(83.1)
share based payments	-	-	-	-	3.1	3.1	-	3.1
as at 31 December 2019	27.6	200.8	(22.5)	(4.2)	1,608.1	1,809.8	28.0	1,837.8

5. consolidated cash flow statement

in EUR million	notes	2020	2019	in EUR million	notes	2020	2019
operating activities				investing activities			
operating profit	2	187.4	320.9	acquisition of subsidiaries	29.1	(19.9)	(127.3)
adjustments for:				disposal of subsidiaries	29.2	12.1	16.7
amortisation of intangible assets	10	43.8	41.7	purchase of property, plant and equipment	11	(107.6)	(144.0)
depreciation of property, plant and equipment	11	110.9	95.7	purchase of intangible assets	10	(10.4)	(13.7)
depreciation of right-of-use assets	12	37.2	35.1	proceeds from sale of equipment		3.0	4.7
result on sale of equipment		(0.5)	(3.1)	net cash generated by investing activities		(122.8)	(263.6)
changes in provisions		13.0	(10.0)				
total adjustments		204.4	159.4	financing activities			
changes in inventories		42.0	(3.7)	proceeds from non-current borrowings	17	-	121.9
changes in trade and other receivables		2.6	39.7	repayment of non-current borrowings	17	(131.5)	(127.8)
changes in trade and other payables		17.3	(51.2)	lease payments	12	(38.2)	(34.7)
changes in working capital		61.9	(15.2)	dividends paid	16.4	(88.5)	(82.9)
cash flow from operations		453.7	465.1	settlement of share based payment awards and other	16.3	(3.8)	(0.2)
finance cost paid		(22.2)	(20.2)	net cash generated by financing activities		(262.0)	(123.7)
income taxes paid		(53.9)	(67.1)				
net cash generated by operating activities		377.6	377.8	net increase/(decrease) in cash and current borrowings		(7.2)	(9.5)
				cash and current borrowings as at 1 January		(6.2)	1.5
				effect of changes in exchange rates		(2.1)	1.8
				cash and current borrowings as at 31 December	17.2	(15.5)	(6.2)

6. general information

Aalberts N.V. (**the Company** and together with its subsidiaries **Aalberts or the Group**) engineers mission-critical technologies to achieve leading positions in eco-friendly buildings, sustainable transportation, semicon efficiency and industrial niches. Aalberts N.V. has been listed on Euronext Amsterdam (ticker symbol: AALB.AS) since March 1987 and is included in the AMX index. The head office is based in Utrecht, the Netherlands. Aalberts operates some 130 business locations with activities in over 50 countries, divided in the activities installation technology, material technology, climate technology and industrial technology.

Aalberts has been incorporated and domiciled in Utrecht, the Netherlands. The address of the Company's registered office is WTC Utrecht, Stadsplateau 18 in Utrecht. The Company is registered in the Trade Register of Utrecht under No. 30089954.

7. summary of significant accounting policies

7.1 basis of preparation

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

The consolidated IFRS financial statements of the Group for the year ended 31 December 2020 comprise the Company and its subsidiaries. The financial statements were signed and authorised for issue by the Management Board and Supervisory Board on 24 February 2021. The Management Board released the full-year results on 24 February 2021. The adoption of the financial statements and the dividend are reserved for the shareholders in the General Meeting on 27 May 2021.

The financial statements are presented in EUR million, unless otherwise stated. The financial statements are prepared on the historical cost basis, except for derivative financial instruments and defined benefit plan assets which are stated at their fair value. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 7.26.

7.2 application of new and revised International Financial Reporting Standards

The following changes in the IFRS standards are effective from 1 January 2020, but these changes do not have a material effect on the total equity attributable to shareholders or results of the Group:

IFRS	topic	effective date
amendments to IAS 1 and IAS 8	definition of materiality	1 January 2020
amendments to IFRS 3	definition of a business	1 January 2020
amendments to IFRS 9, IAS 39 and IFRS 7	interest rate benchmark reform	1 January 2020
amendments to Conceptual Framework	amendments to references to the conceptual framework in IFRS Standards	1 January 2020

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 17	insurance contracts	1 January 2021
amendments to IAS 1	classification of liabilities as current or non-current	1 January 2022

The adoption of these changes is expected not to have a material effect on the total equity attributable to shareholders or results of the Group in future periods.

7.3 basis of consolidation

7.3.1 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 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. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

7.3.2 business combinations

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

Any contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

All identifiable intangible assets of the acquired company are recorded at fair value. Intangible assets are separately identified and valued. An asset is identifiable when it either arises from contractual or other legal rights or if it is separable. An asset is separable if it can be sold on its own or with other assets. The transferred payment is allocated across the fair value of all assets and liabilities with any residual allocated to goodwill.

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

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

7.3.3 intercompany and related party transactions

The Management Board and Supervisory Board of the Group, and the Aalberts' pension funds have been identified as related parties. Transactions with the Management Board and the Supervisory Board only consist of remuneration and dividends. Intercompany and related party transactions are determined on an arm's length basis. 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.

7.4 foreign currency transactions and translation

7.4.1 functional and presentation currency

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

7.4.2 transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions (spot rate). Foreign currency exchange gains and losses resulting from the settlement of financial transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated

in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

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
2020 year-end	1.119	0.819
2020 average	1.125	0.876
2019 year-end	1.183	0.892
2019 average	1.140	0.894

7.4.3 group companies

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet. Income and expenses for each income statement are translated at average exchange rates, and
- 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 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 exchange rate prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

7.5 offsetting financial instruments

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

7.6 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.

7.7 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. 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. Any impairment loss for goodwill is recognised directly in profit and loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. 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 to 5 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 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. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

After initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and 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, customer base and technology. 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 15 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.

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	infinite	infinite
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 leases

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

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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

7.9.1 lease liability

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Rental contracts are typically made for fixed periods, but may have extension or termination options. Lease payments to be made under reasonably certain extension options are also included (termination options: excluded) in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Aalberts, which does not have recent third party financing, and makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payment of principal amounts are included in the cash flow from financing activities, while payments of interest are included in the cash flow from operating activities.

7.9.2 right-of-use asset

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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

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

7.10 impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair-value-less-costs-of-disposal and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash

inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

7.11 inventories

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

7.12 trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are initially recognised at the transaction price. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Amortised cost is reduced by impairment losses.

7.13 cash and cash equivalents

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

7.14 equity

Share capital is classified as equity. 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, on or before the end of the reporting period but not distributed at the end of the reporting period.

7.15 share based payments (performance share plan)

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

7.16 borrowings

Borrowings are initially recognised 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 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.

7.17 income taxes

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

7.17.1 current income tax

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

7.17.2 deferred income taxes

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

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

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

7.18 employee benefits

7.18.1 short-term employee obligations

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.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. 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 and involves the payment of termination benefits.

7.18.2 post-employment obligations

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

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

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

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

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

7.19 provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions have been made in connection with liabilities related to normal business operations, these comprise mainly restructuring 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. Provisions are not recognised for future operating losses.

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 revenue recognition

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

The Group applies the 5-step approach to recognise revenue and recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Determining the timing of the transfer of control – at a point in time or over time – requires judgement. If one of the following criteria are met, then the Group recognises revenue over time:

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

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

The following is a description of the activities where the Group generates revenue, including the nature and timing of satisfaction of the performance obligations. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (see note 9).

- Within installation technology, climate technology and the main part of industrial technology the revenue is related to the sale of goods. Revenue is recognised for each separate performance obligation when control over the corresponding goods is transferred to the customer and in accordance with the applicable incoterms.
- Within material technology 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. Revenue is recognised at a point in time since none of the criteria to recognise revenue over time are met. The customer can only benefit from the services rendered after Group's performance and not when the performance is delivered.
- For some made-to-order product contracts within industrial technology, the customer controls the work in progress during manufacturing. When this is the case, revenue is recognised as the products are being manufactured. This results in revenue for these contracts being recognised over time.

The transaction price allocated to (partially) unsatisfied performance obligations at period end date are limited given the nature and timing of satisfaction of the performance obligations as described above. Contract balances and relevant disclosures are limited to receivables and are described as 'trade receivables' in note 14.

7.22 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 non-monetary assets and/or liabilities, commissions from third parties, certain government grants and insurance amounts received. Insurance amounts received relate to business interruption insurance and to the excess amounts received above the net book value of the lost assets.

7.22.1 government grants

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 compensation for personnel are deducted from the personnel expenses. Government grants relating to the purchase of property, plant and equipment are deducted from the carrying amount of that property, plant and equipment.

7.23 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 financial instruments for which hedge accounting is applied are brought from equity to net finance cost upon expiration and in relation with the hedged item.

7.24 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 because of acquisitions are eliminated from the cash flows arising from these assets and liabilities. These changes have been incorporated in the cash flow from investment activities under 'Acquisition of subsidiaries'. The net cash flow consists of the net change of cash and current borrowings in comparison with the previous year.

7.25 derivatives and hedging activities

The Group uses derivative 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 derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivatives are stated at fair value. Changes in the fair value of these financial instruments are recognised immediately in the income statement. However, where the derivatives qualify for hedge accounting, recognition of any resulting gain or loss depends on the nature of the item being hedged. The valuation of the fair value is derived from observable market information.

At the inception of the hedge relationship, the Group determines the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on ongoing basis, the Group determines whether the hedging instrument

is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the hedge effectiveness requirements. If a hedging relationship ceases to meet the hedge effectiveness requirements relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

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.

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.

7.26 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.

7.26.1 impairments of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 7.7.1. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The impairment model used is the discounted cash flow method using a weighted average cost of capital (WACC). Details on the impairment tests performed are stated in note 10.1.

7.26.2 estimated useful lives and residual values

The useful life and residual value of intangible assets (note 10) and property, plant and equipment (note 11) are periodically reviewed during the life of the asset to ensure that it reflects current circumstances.

7.26.3 pension plans

Assumptions are used for determining the defined benefit obligation of pension plans (note 19). Assumptions are used such as future salary increase, the rate of return on plan investments, mortality rates, and the rates at which plan participants are expected to leave the pension plans because of retirement, disability and termination.

7.26.4 taxes

The Group is subject to taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for taxes (note 18 and 25). 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.

7.26.5 purchase price allocation

For the purpose of the purchase price allocation (note 29) judgments, estimates and assumptions are made to determine the fair value of the identifiable assets and liabilities at acquisition date. This is mainly related to fair value assessments of property, plant and equipment, intangible assets and the related deferred tax liabilities.

7.26.6 leases

The lease liability (note 17) is determined based on judgement in determining the lease terms, which includes assessing whether extension and termination options are exercised. Assumptions are used to determine the incremental borrowing rate for discounting future lease payments, which as a result could have an impact on the lease liability.

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

8.1.1 foreign currency risk

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

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

The US dollar and British pound are the major foreign currencies for the Group. As at 31 December 2020, if the Euro had weakened against the US dollar by 10%, with all other variables held constant, the net profit of the Group would have been impacted by positive EUR 2.1 million (2019: positive EUR 0.3 million) and the net equity would have been impacted by positive EUR 28.6 million (2019: positive EUR 29.0 million).

As at 31 December 2020, if the Euro had weakened against the British pound by 10%, with all other variables held constant, the net profit of the Group would have been impacted by negative EUR 0.6 million (2019: positive EUR 0.5 million) and the net equity would have been impacted by positive EUR 16.6 million (2019: positive EUR 15.1 million).

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 majority of the Group companies make use of credit insurance. The Group did not receive any collateral for its financial assets. Derivative and cash transactions are executed with creditworthy financial institutions.

The maximum credit risk on financial assets, being the total carrying value of these assets before provisions for impairment of receivables, amounts to EUR 433.3 million (2019: EUR 456.7 million):

in EUR million	31-12-2020	31-12-2019
trade receivables (gross)	328.2	344.4
other current assets	49.3	53.8
cash and cash equivalents	55.8	58.5
total	433.3	456.7

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.

A maturity analysis of financial liabilities is provided in note 17.

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. Bank borrowings are mainly entered into using floating rate debt. Where considered applicable, the Group manages its interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

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

- bank borrowings amounting to EUR 425.4 million of which EUR 59.9 million was floating rate debt, EUR 4.9 million was fixed rate debt, and EUR 360.6 million was hedged from floating rate to fixed rate (2019: EUR 575.5 million of which EUR 91.5 million floating, EUR 6.5 million fixed, and EUR 477.5 million hedged)
- current borrowings amounting to EUR 71.3 million remained unhedged (2019: EUR 64.7 million)

As at 31 December 2020, if the Euribor/US Libor would have been 100 basis points higher, with all other variables constant, the net profit of the Group would have been impacted by negative EUR 0.8 million (2019: negative EUR 1.3 million), mainly as a result of higher interest expenses on floating rate borrowings. The net equity as at year-end would have been impacted by the same amount. The change in the market value as at balance sheet date of the derivative financial instruments, as a result of the interest adjustment, is excluded from this sensitivity analysis.

8.1.5 price risk

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

8.1.6 capital risk

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

- leverage ratio (net debt / EBITDA on 12 months rolling basis), 2020: 1.4 (2019: 1.5)
- interest cover ratio (EBITDA / net interest expense on 12 months rolling basis), 2020: 23.6 (2019: 22.1)
- gearing (net debt / total equity), 2020: 0.3 (2019: 0.4).

The above calculated 2020 ratios include the IFRS 16 impact. The bank covenants are disclosed in note 17 Borrowings and are excluding the IFRS 16 impact. Proposed and paid dividend are set out in note 16.4.

8.2 financial instruments

The Group holds the following financial instruments:

financial assets	notes	31-12-2020	31-12-2019
financial assets at amortised cost			
- trade receivables	14	323.6	338.5
- cash and cash equivalents	17.2	55.8	58.5
- other financial assets at amortised cost	15	49.3	53.8
total financial assets at amortised cost		428.7	450.8

financial liabilities	notes	31-12-2020	31-12-2019
financial liabilities at amortised cost			
- trade and other payables	20	373.1	403.9
- current borrowings	17.2	71.3	64.7
- bank borrowings	17	425.4	575.5
- other financial liabilities at amortised cost	21	161.7	162.8
total financial liabilities at amortised cost		1,031.5	1,206.9
lease liabilities	17	159.1	172.8
derivative financial instruments	21	10.1	5.0
total financial liabilities		1,200.7	1,384.7

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

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

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

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

9. segment reporting

9.1 reportable segments

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

- installation technology
- material technology
- climate technology
- industrial technology

installation technology develops, designs and manufactures piping systems to distribute and regulate water or gas flows in heating, cooling, water, gas and sprinkler systems in eco-friendly buildings and industrial niches. material technology offers an extensive range of surface technologies utilising a global network of service locations with excellent local knowledge to customers active in sustainable transportation and industrial niches. climate technology develops, manufactures and monitors hydronic flow control systems for heating and cooling in eco-friendly buildings to improve the energy efficiency. industrial technology develops, engineers and manufactures technologies to regulate and control fluids under severe and critical conditions for sustainable transportation and industrial niches and advanced mechatronics solutions for worldwide active OEMs in semicon efficiency. This spread in businesses, end markets and geographical areas enables a resilient fundament and the possibility to make use of our global footprint to realise new business opportunities.

The businesses in a segment are each managed separately by a business management team which is held directly responsible for the functioning and performance of the business and which reports to the Management Board (the chief operating decision maker). The results of the businesses are monitored on the level of 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 transfers 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:

2020	installation technology	material technology	climate technology	industrial technology	holding / eliminations	total
revenue						
external customers	1,000.5	661.1	623.3	325.5	-	2,610.4
intersegment	14.7	3.6	10.5	-	(28.8)	-
total revenue	1,015.2	664.7	633.8	325.5	(28.8)	2,610.4
EBITA *	110.1	56.3	77.0	46.4	(7.3)	282.5
EBITA as % of revenue *	10.8	8.5	12.1	14.3	-	10.8
total assets	1,059.4	959.6	571.2	567.2	97.8	3,255.2
total liabilities	264.5	147.7	141.6	81.0	16.0	650.8
depreciation of property, plant and equipment	33.7	45.3	12.2	9.2	10.5	110.9
capital expenditure of property, plant and equipment	36.4	36.4	13.1	9.2	0.2	95.3
2019**						
revenue						
external customers	1,054.0	769.5	673.9	343.9	-	2,841.3
intersegment	17.4	2.5	16.8	0.0	(36.7)	-
total revenue	1,071.4	772.0	690.7	343.9	(36.7)	2,841.3
EBITA	129.6	97.2	83.4	64.1	(11.7)	362.6
EBITA as % of revenue	12.1	12.6	12.1	18.6	-	12.8
total assets	1,152.4	1,026.9	621.5	580.8	84.0	3,465.6
total liabilities	268.8	151.3	140.4	88.8	11.3	660.6
depreciation of property, plant and equipment	28.2	45.7	12.2	7.8	1.8	95.7
capital expenditure of property, plant and equipment	44.2	66.8	15.0	21.1	0.9	148.0

* before strategic restructuring cost; refer to note 26 for further details

** 2019 figures are adjusted for comparison purposes due to movement of activities between business segments

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

	2020	2019
total EBITA of reportable segments	231.2	362.6
amortisation of intangible assets	(43.8)	(41.7)
net finance cost	(22.4)	(23.2)
consolidated profit before income tax	165.0	297.7

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

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

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

	31-12-2020	31-12-2019
total liabilities of reportable segments	650.8	660.6
non-current and current borrowings	496.7	640.2
lease liabilities	159.1	172.8
tax liabilities	142.3	154.2
equity	1,806.3	1,837.8
consolidated equity and liabilities	3,255.2	3,465.6

9.2 geographical information

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

revenue	2020	%	2019	%
Western Europe	1,506.5	57.7	1,664.8	58.6
Americas	677.7	26.0	711.0	25.0
Russia, Eastern Europe	288.5	11.0	303.2	10.7
Far East, Middle East, Africa	137.7	5.3	162.3	5.7
total	2,610.4	100.0	2,841.3	100.0

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

non-current assets	31-12-2020	%	31-12-2019	%
Western Europe	1,589.3	70.2	1,643.9	69.0
Americas	484.2	21.4	540.0	22.7
Russia, Eastern Europe	119.2	5.3	119.5	5.0
Far East, Middle East, Africa	70.4	3.1	79.1	3.3
total	2,263.1	100.0	2,382.5	100.0

9.3 analysis of revenue by category

revenue	2020	%	2019	%
sale of goods	2,161.7	82.8	2,310.3	81.3
services	448.7	17.2	531.0	18.7
total	2,610.4	100.0	2,841.3	100.0

10. intangible assets

	goodwill	other intangibles	software	assets under construction	total	goodwill	other intangibles	software	assets under construction	total
	2020					2019				
as at 1 January										
cost	850.6	713.8	67.0	12.2	1,643.6	808.6	641.0	63.5	1.8	1,514.9
accumulated amortisation	-	(272.8)	(51.0)	-	(323.8)	-	(233.9)	(46.2)	-	(280.1)
net book amount as at 1 January	850.6	441.0	16.0	12.2	1,319.8	808.6	407.1	17.3	1.8	1,234.8
additions	-	2.5	4.7	1.3	8.5	-	3.4	3.8	7.4	14.6
transfers	-	2.3	1.5	(2.8)	1.0	-	0.2	-	3.0	3.2
acquisition of subsidiaries	(1.8)	-	-	-	(1.8)	37.8	64.4	-	-	102.2
disposal of subsidiaries	-	-	-	-	-	-	-	(0.1)	-	(0.1)
amortisation	-	(37.9)	(5.9)	-	(43.8)	-	(36.5)	(5.2)	-	(41.7)
currency translation	(14.6)	(12.5)	(0.5)	(0.4)	(28.0)	4.2	2.4	0.2	-	6.8
net book amount as at 31 December	834.2	395.4	15.8	10.3	1,255.7	850.6	441.0	16.0	12.2	1,319.8
as at 31 December										
cost	834.2	696.4	67.9	10.3	1,608.8	850.6	713.8	67.0	12.2	1,643.6
accumulated amortisation	-	(301.0)	(52.1)	-	(353.1)	-	(272.8)	(51.0)	-	(323.8)
net book amount as at 31 December	834.2	395.4	15.8	10.3	1,255.7	850.6	441.0	16.0	12.2	1,319.8

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

At year-end, Group companies had investment commitments outstanding in respect of intangible assets in the amount of EUR 0.7 million (2019: EUR 1.5 million).

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 installation technology, material technology, climate technology and industrial technology for the purpose of impairment testing. The allocation of the book amount of goodwill to the reportable segments is, on aggregated level, as follows:

	31-12-2020	31-12-2019*
installation technology	249.1	254.9
material technology	248.1	255.6
climate technology	138.2	139.4
industrial technology	198.8	200.7
total	834.2	850.6

* adjusted for comparison purposes

The recoverable amount of a cash generating unit is determined based on their calculated value-in-use. These calculations are pre-tax cash flow projections based on the financial forecast for 2021 and the strategic business plans for the subsequent years. Management determined budgeted growth rates based on past performance and its expectations of market developments. For the period after 2025 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 used discount rates increased compared to the discount rates used in 2019 which reflects a higher volatility as a result of the COVID-19 pandemic.

The assumptions used for impairment tests are as follows:

2020	installation technology	material technology	climate technology	industrial technology
average growth rate (first 5 years)	2.6% - 4.5%	2.8% - 5.8%	3.7% - 5.2%	3.8% - 10.7%
long-term average growth rate (after 5 years)	1.0%	1.0%	1.0%	1.0%
discount rate (pre-tax)	10.4% - 12.4%	9.2% - 10.9%	9.8% - 11.4%	9.5% - 10.6%
discount rate (post-tax)	8.0% - 9.4%	6.9% - 8.1%	7.3% - 8.7%	7.2% - 8.0%

2019	installation technology	material technology	climate technology	industrial technology
average growth rate (first 5 years)	3.1% - 4.2%	2.4% - 6.0%	1.2% - 4.5%	2.2% - 7.2%
long-term average growth rate (after 5 years)	1.0%	1.0%	1.0%	1.0%
discount rate (pre-tax)	8.9% - 11.9%	8.7% - 10.2%	9.8% - 10.3%	8.7% - 11.3%
discount rate (post-tax)	6.8% - 9.1%	6.7% - 7.7%	7.3% - 7.8%	6.7% - 8.5%

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

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

To reflect increased uncertainty related to the COVID-19 pandemic, the parameters of the sensitivity analysis are amended in 2020. The following changes in assumptions are assessed:

- decrease of the average growth rate by 5.0% (2019: 3.0%)
- decrease of the long-term average growth rate by 1.0% to 0.0%
- increase of the discount rate (post-tax) by 2.0% (2019: 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	assets under construction	total	land and buildings	plant and equipment	other	assets under construction	total
	2020					2019				
as at 1 January										
cost	650.7	1,715.9	102.2	73.2	2,542.0	621.1	1,640.2	95.8	65.5	2,422.6
accumulated depreciation	(316.6)	(1,267.9)	(83.2)	-	(1,667.7)	(308.4)	(1,227.1)	(79.9)	-	(1,615.4)
net book amount as at 1 January	334.1	448.0	19.0	73.2	874.3	312.7	413.1	15.9	65.5	807.2
addition	12.5	36.0	2.8	44.0	95.3	22.0	66.0	5.9	54.1	148.0
transfers	4.0	-	-	(1.0)	3.0	-	-	(0.1)	(3.1)	(3.2)
assets taken into operation	-	48.9	1.5	(50.4)	-	9.6	32.1	2.7	(44.4)	-
disposals	(0.2)	(2.0)	(0.4)	-	(2.6)	-	(1.0)	-	-	(1.0)
acquisition of subsidiaries	-	-	-	-	-	3.0	11.4	0.6	0.8	15.8
disposal of subsidiaries	(1.8)	(2.1)	-	-	(3.9)	(1.2)	(3.7)	(0.1)	(0.3)	(5.3)
depreciation	(20.4)	(84.5)	(6.0)	-	(110.9)	(15.0)	(74.7)	(6.0)	-	(95.7)
currency translation	(9.4)	(14.1)	(0.7)	(2.4)	(26.6)	3.0	4.8	0.1	0.6	8.5
net book amount as at 31 December	318.8	430.2	16.2	63.4	828.6	334.1	448.0	19.0	73.2	874.3
as at 31 December										
cost	648.7	1,671.3	100.8	63.4	2,484.2	650.7	1,715.9	102.2	73.2	2,542.0
accumulated depreciation	(329.9)	(1,241.1)	(84.6)	-	(1,655.6)	(316.6)	(1,267.9)	(83.2)	-	(1,667.7)
net book amount as at 31 December	318.8	430.2	16.2	63.4	828.6	334.1	448.0	19.0	73.2	874.3

As part of the strategic restructuring in 2020, the Group has impaired property, plant and equipment for an amount of EUR 8.0 million which is included in the depreciation of EUR 110.9 million and is related to land and buildings and plant and equipment.

At year-end, Group companies had investment commitments outstanding in respect of property, plant and equipment in the amount of EUR 23.5 million (2019: EUR 25.9 million).

12. right-of-use assets

	31-12-2020	31-12-2019
land and buildings	129.2	142.0
plant and equipment	13.8	14.1
company cars and other	14.6	17.6
net book amount right-of-use assets	157.6	173.7

Additions to the right-of-use assets during 2020 amounted to EUR 31.2 million (2019: EUR 51.0 million).

The income statement shows the following amounts relating to leases:

	2020	2019
depreciation expense right-of-use assets:		
land and buildings	23.3	21.7
plant and equipment	4.4	5.1
company cars and other	9.5	8.3
total depreciation expense right-of-use assets	37.2	35.1
interest expense on lease liabilities (included in finance cost)	2.7	2.8
expenses relating to leases	39.9	37.9

Lease expenses in relation to short-term and low-value assets are included in other operating expenses. The lease liabilities related to the right-of-use assets are disclosed in note 17. Leases that are committed but have not yet commenced at balance sheet date are disclosed in note 28. Payment of principal amounts of leases amounting to EUR 38.2 million (2019: EUR 34.7 million) are included in the cash flow from financing activities, and payments of interest on leases amounting to EUR 2.7 million (2019: EUR 2.8 million) are included in the cash flow from operating activities. Refer to note 5 (consolidated cash flow statement).

13. inventories

	31-12-2020	31-12-2019
raw materials	133.7	146.2
work in progress	145.5	159.4
finished goods	268.3	313.3
other inventories	7.4	7.1
total	554.9	626.0

The costs of inventories are recognised as an expense and write-offs on inventories are included in 'raw materials and work subcontracted' in the income statement. In 2020 an amount of EUR 944.3 million (2019: EUR 997.9 million) is recognised as raw materials used. In 2020 a net write-off expense of EUR 0.2 million (2019: EUR 0.6 million) is recognised.

The provision for write-down of inventories, due to obsolescence and slow-moving stock, amounts to EUR 26.3 million (2019: EUR 28.1 million). The vast majority of the inventory has a turnover of less than one year.

14. trade receivables

	31-12-2020	31-12-2019
trade receivables (gross amount)	328.2	344.4
allowance for expected credit losses of receivables	(4.6)	(5.9)
trade receivables (net amount)	323.6	338.5

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

	2020	2019
as at 1 January	5.9	7.7
additions/(reversals)	1.4	0.9
used during year	(2.7)	(2.8)
acquisition of subsidiaries	-	0.1
as at 31 December	4.6	5.9

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

The allowance for expected credit losses of receivables of EUR 4.6 million (2019: EUR 5.9 million) is mainly related to receivables past due more than 90 days. The allowance for expected credit losses (ECL) of trade receivables is based on a periodically review whether an allowance for credit losses is needed by considering factors such as payment history, credit quality, expected lifetime losses and current economic conditions that may affect a customer's ability to pay. Additions to the allowance for expected credit losses amount to EUR 1.4 million (2019: EUR 0.9 million) and are included in the 'other operating expenses'.

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

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

	31-12-2020	31-12-2019
not past due	284.5	285.1
past due less than 30 days	29.3	40.9
past due between 30 days and 60 days	4.8	5.6
past due between 60 days and 90 days	1.3	2.7
past due more than 90 days	8.3	10.1
trade receivables (gross amount)	328.2	344.4

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

	31-12-2020	31-12-2019
Euro	164.1	173.7
US dollar	81.2	80.6
British pound	36.8	37.8
other currencies	46.1	52.3
trade receivables (gross amount)	328.2	344.4

15. other current assets

	31-12-2020	31-12-2019
prepaid expenses and accrued income	21.7	21.6
deferred consideration for the disposal of subsidiaries	11.7	12.7
other receivables	15.9	19.5
total	49.3	53.8

16. equity

16.1 share capital

The total number of ordinary shares outstanding at year-end was 110.6 million shares (2019: 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 35.4.

16.2 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.

16.3 share based payments (performance share plan)

Aalberts reviews on an annual basis whether awards from the existing Performance Share Plan will be granted to a limited number of executives. This plan is a share based equity-settled incentive plan. Conditional shares are awarded that become unconditional three years after the start of the performance period as long as the related conditions with regard to employment and performance have been met. The performance conditions attached to the granting of Performance Shares are based on the Group's financial performance over a three-year performance period. The financial performance over the three calendar years is measured based on the average growth of the earnings per share before amortisation (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 2017-2019: Based on the average growth of the earnings per share before amortisation (EPS) over the three-year period (2017-2019), 83% of the conditional shares at the end of 2019 (142,000 shares) vested in 2020 (117,860 shares). In July 2020, a total of 95,550 shares were purchased at market value for EUR 3.0 million and transferred to the security accounts of the individual employees. A total of 22,310 shares with a market value of EUR 0.6 million were used to settle the income tax liability of several employees ('net settlement feature'). An amount of EUR 0.4 million was deducted from (2019: 1.7 million was charged to) personnel expenses and debited (2019: credited) to total equity (overall no impact on equity).

PSP 2019-2021: In May/June 2019, a total number of 149,500 (100%) conditional shares were granted and accepted. As at the end of 2020, there are still 146,500 conditional shares in circulation because a number of employees left (2019: 149,500 shares). The fair value of the Performance Shares is based on the share price on the grant date, minus the discounted value of the expected dividends in the period that the shares were granted conditionally, in view of the fact that the participants are not entitled to dividends during the vesting period. The expected dividends are based on the Group's dividend policy. As at the end of 2020, the total fair value of the 146,500 conditional shares was EUR 4.3 million. An amount of EUR 1.4 million was charged to the personnel expenses and credited to total equity (overall no impact on equity).

PSP 2019-2022 BT: In May/June 2019, a total number of 112,500 (100%) conditional shares were granted and accepted. As at the end of 2020, there are still 93,000 conditional shares in circulation because a number of employees left (2019: 112,500 shares). The fair value of the Performance Shares is based on the share price on the grant date, minus the discounted value of the expected dividends in the period that the shares were granted conditionally, in view of the fact that the participants are not entitled to dividends during the vesting period. The expected dividends are based on the Group's dividend policy. As at the end of 2020, the total fair value of the 93,000 conditional shares was EUR 2.7 million. An amount of EUR 0.6 million was charged to the personnel expenses and credited to total equity (overall no impact on equity).

The Management Board members participate in the Performance Share Plan. The details are mentioned in the remuneration of the Management and Supervisory Board as disclosed in note 35.9.

16.4 dividend

The dividends paid in 2020 amounted to EUR 0.80 per share (2019: EUR 0.75 per share). A dividend in respect of the year ended 31 December 2020 of EUR 0.60 per share will be proposed at the General Meeting to be held on 27 May 2021. These financial statements do not reflect this dividend payable. The dividend payment will be subject to 15% Dutch withholding tax.

16.5 non-controlling interests

Non-controlling interests amount to EUR 32.2 million (2019: EUR 28.0 million), where the result for the year, including other comprehensive income, amounts to EUR 4.4 million (2019: EUR 4.0 million).

17. borrowings

	bank borrowings	lease liabilities	total	bank borrowings	lease liabilities	total
			2020			2019
as at 1 January	575.5	172.8	748.3	578.2	153.9	732.1
new bank borrowings	-	-	-	121.9	-	121.9
new leases and renewals	-	31.2	31.2	-	51.0	51.0
repayments bank borrowings	(131.5)	-	(131.5)	(127.8)	-	(127.8)
lease payments	-	(41.0)	(41.0)	-	(37.4)	(37.4)
interest expense on lease liabilities	-	2.7	2.7	-	2.8	2.8
currency translation differences	(18.6)	(6.6)	(25.2)	3.2	2.5	5.7
as at 31 December	425.4	159.1	584.5	575.5	172.8	748.3
current portion of non-current borrowings as at 31 December	161.7	31.7	193.4	131.6	34.8	166.4
non-current borrowings as at 31 December	263.7	127.4	391.1	443.9	138.0	581.9
as at 31 December	425.4	159.1	584.5	575.5	172.8	748.3

The current portion of non-current borrowings amounts to EUR 193.4 million (2019: EUR 166.4 million) and is presented within the current liabilities. The carrying amount of bank borrowings 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 2020, including hedge instruments related to these borrowings, amounted to 2.2% (2019: 1.9%).

bank covenants

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

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

The interest rate margin depends on the leverage ratio achieved.

The following definitions are used to calculate the ratios:

- leverage ratio: Net debt (2020: EUR 444.2 million) / LTM EBITDA on 12 months rolling basis (2020: EUR 386.7 million)
- interest cover ratio: LTM EBITDA (2020: EUR 386.7 million) / net interest expense on 12 months rolling basis (2020: EUR 15.4 million)

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

	31-12-2020	31-12-2019
leverage ratio	1.1	1.3
interest cover ratio	25.1	23.3

The financial covenants as set out above are calculated excluding the impact of IFRS 16.
The LTM EBITDA is adjusted for exceptional items in accordance with the bank covenants.

The LTM EBITDA (12 months rolling basis) amount is calculated as follows:

	2020	2019
reported EBITDA	379.3	493.4
adjustment for acquisitions and disposals	(3.0)	(1.5)
adjustment for exceptional items	47.6	10.5
LTM EBITDA	423.9	502.4
IFRS 16 impact	(37.2)	(33.9)
LTM EBITDA excluding IFRS 16 impact	386.7	468.5

The net debt amount is calculated as follows:

	31-12-2020	31-12-2019
cash	(55.8)	(58.5)
current borrowings	71.3	64.7
bank borrowings	425.4	575.5
lease liabilities	159.1	172.8
net debt	600.0	754.5
IFRS 16 impact	(155.8)	(166.6)
net debt excluding IFRS 16 impact	444.2	587.9

The net interest expense is calculated as follows:

	2020	2019
net interest expense	(18.0)	(22.7)
IFRS 16 impact	2.6	2.6
net interest expense excluding IFRS 16 impact	(15.4)	(20.1)

17.1 bank borrowings

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

	31-12-2020	31-12-2019
Euro	224.8	326.5
US dollar	200.6	247.6
other currencies	-	1.4
total	425.4	575.5

There are no assets pledged as security for bank borrowings.

17.2 cash and current borrowings

	31-12-2020	31-12-2019
cash	55.8	58.5
current borrowings	(71.3)	(64.7)
total cash and current borrowings	(15.5)	(6.2)

The cash and current borrowings amount to EUR 15.5 million negative (2019: EUR 6.2 million negative). The carrying amounts of cash and current borrowings approximate their fair values.

The cash consists of cash and bank balances for an amount of EUR 55.8 million (2019: EUR 57.8 million) and no cash in transit (2019: EUR 0.7 million). Cash is freely disposable.

The current borrowings of EUR 71.3 million (2019: EUR 64.7 million) are drawn on credit facilities which mainly consist of zero balancing cash pool agreements with several domestic and foreign financial institutions. Current borrowings are short-term credit facilities consisting of committed and uncommitted credit lines, provided by a number of credit institutions. The total of these facilities at year-end 2020 amounted to EUR 908.1 million (2019: EUR 932.4 million), of which between EUR 200 million and EUR 300 million was used throughout the year. At year-end 2020, the total committed revolving credit facilities amounted to EUR 431.9 million (2019: EUR 439.2 million), consisting of seven credit facilities of EUR 50 million and two credit facilities of USD 50 million.

17.3 maturity of financial liabilities

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

	within 1 year	between 1- 5 years	over 5 years	total contractual cash flows	carrying amount	within 1 year	between 1- 5 years	over 5 years	total contractual cash flows	carrying amount
	as at 31 December 2020					as at 31 December 2019				
bank borrowings	169.8	262.7	13.5	446.0	425.4	142.4	399.5	66.2	608.1	575.5
lease liabilities	35.0	96.7	37.2	168.9	159.1	38.0	100.1	47.0	185.1	172.8
current borrowings	71.3	-	-	71.3	71.3	64.7	-	-	64.7	64.7
trade and other payables	373.1	-	-	373.1	373.1	403.9	-	-	403.9	403.9
total	649.2	359.4	50.7	1,059.3	1,028.9	649.0	499.6	113.2	1,261.8	1,216.9

For derivative financial instruments we refer to note 21.

18. deferred income taxes

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

	tax losses	intangible assets	property, plant and equipment	right-of-use assets	lease liabilities	provisions	working capital and other	offsetting	net (asset)/liability
as at 1 January 2019	(3.3)	96.2	26.4	36.2	(36.2)	(17.0)	(0.4)	-	101.9
income statement	(1.3)	(2.9)	5.2	5.0	(5.5)	(0.2)	1.2	-	1.5
other comprehensive income (equity)	-	-	-	-	-	(1.5)	(0.7)	-	(2.2)
acquisition subsidiaries	(0.1)	6.7	1.2	-	-	-	(1.7)	-	6.1
currency translation	-	0.5	0.5	-	-	(0.6)	(0.2)	-	0.2
as at 31 December 2019	(4.7)	100.5	33.3	41.2	(41.7)	(19.3)	(1.8)	-	107.5
deferred income tax assets	(4.7)	(0.1)	(2.5)	-	(41.7)	(20.2)	(6.3)	60.8	(14.7)
deferred income tax liabilities	-	100.6	35.8	41.2	-	0.9	4.5	(60.8)	122.2
as at 31 December 2019	(4.7)	100.5	33.3	41.2	(41.7)	(19.3)	(1.8)	-	107.5

18.1 unrecognised unused tax losses

The Group has unrecognised carry-forward tax losses amounting to EUR 29.2 million (2019: EUR 37.0 million). The related deferred income tax assets have not been recorded.

	31-12-2020	31-12-2019
expire in less than 1 year	3.7	2.7
expire between 1 and 5 years	4.0	10.0
expire from 5 years or more	7.6	4.5
indefinite	13.9	19.8
total	29.2	37.0

18.2 unrecognised temporary differences

The Group has temporary differences of EUR 22.4 million (2019: EUR 22.4 million) relating to undistributed earnings of subsidiaries. The related deferred income tax liability has not been recognised since Aalberts is able to control the timing of the distributions and none of these profits are expected to be distributed in the foreseeable future.

19. provisions

19.1 retirement benefit obligations

	present value (partly) funded obligations	fair value plan assets	net liability of funded schemes	present value unfunded obligations	total	present value (partly) funded obligations	fair value plan assets	net liability of funded schemes	present value unfunded obligations	total
	2020					2019				
as at 1 January	196.4	(141.0)	55.4	20.7	76.1	167.9	(117.4)	50.5	19.1	69.6
current service cost	1.2	-	1.2	0.8	2.0	1.1	-	1.1	0.7	1.8
interest expense / (income)	3.3	(2.4)	0.9	0.2	1.1	4.4	(3.1)	1.3	0.3	1.6
gains on curtailments and settlements	(0.1)	-	(0.1)	(0.8)	(0.9)	(0.8)	-	(0.8)	(0.5)	(1.3)
recognised in income statement	4.4	(2.4)	2.0	0.2	2.2	4.7	(3.1)	1.6	0.5	2.1
remeasurements										
- plan assets	-	(15.2)	(15.2)	-	(15.2)	-	(14.0)	(14.0)	-	(14.0)
- demographic assumptions	-	-	-	-	-	(0.9)	-	(0.9)	(0.2)	(1.1)
- financial assumptions	22.9	-	22.9	0.3	23.2	19.0	-	19.0	1.9	20.9
- experience adjustments	(0.8)	-	(0.8)	(0.1)	(0.9)	1.0	-	1.0	0.4	1.4
recognised in other comprehensive income	22.1	(15.2)	6.9	0.2	7.1	19.1	(14.0)	5.1	2.1	7.2
contributions by employer	-	(3.9)	(3.9)	-	(3.9)	-	(4.2)	(4.2)	-	(4.2)
contributions by participants	0.2	(0.2)	-	-	-	0.2	(0.2)	-	-	-
benefits paid	(7.9)	7.9	-	(1.4)	(1.4)	(5.0)	5.0	-	(1.0)	(1.0)
currency translation	(9.3)	6.6	(2.7)	(0.1)	(2.8)	9.5	(7.1)	2.4	-	2.4
as at 31 December	205.9	(148.2)	57.7	19.6	77.3	196.4	(141.0)	55.4	20.7	76.1

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

amounts recognised in balance sheet	United Kingdom	Germany	France	other	total
present value of (partly) funded obligations	169.2	11.0	2.1	23.6	205.9
fair value of plan assets	(124.2)	(5.6)	(0.8)	(17.6)	(148.2)
net liability of funded schemes	45.0	5.4	1.3	6.0	57.7
present value of unfunded obligations	-	7.7	9.0	2.9	19.6
liability in the balance sheet as at 31 December 2020	45.0	13.1	10.3	8.9	77.3
liability in the balance sheet as at 31 December 2019	41.4	13.8	10.6	10.3	76.1
amounts recognised in income statement	United Kingdom	Germany	France	other	total
current service cost (in personnel expenses)	0.2	0.1	0.7	1.0	2.0
interest expense / (income)	0.8	0.2	0.1	-	1.1
gains on curtailments and settlements (in personnel expenses)	-	-	(0.9)	-	(0.9)
total recognised in income statement 2020	1.0	0.3	(0.1)	1.0	2.2
total recognised in income statement 2019	1.3	0.3	(0.4)	0.9	2.1

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

actuarial assumptions	United Kingdom	Germany	France	United Kingdom	Germany	France
			2020			2019
discount rate	1.4%	1.1%	0.4%	2.1%	1.1%	0.7%
rate of inflation	2.9%	1.5%	2.0%	2.4%	1.5%	2.0%
future salary increases	-	2.5%	2.0%	-	2.5%	2.0%

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

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

actuarial assumptions	change in assumption	impact on defined benefit obligation
discount rate	+ 0.5%	decrease by 8%
rate of inflation	+ 0.5%	increase by 6%
future salary increases	+ 0.5%	increase by 1%
life expectancy	+ 1 year	increase by 3%

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:

	2020	2019
equities	60%	58%
bonds	4%	6%
other net assets	36%	36%
total	100%	100%

The other net assets mainly comprise collective insurance contracts held by insurance companies. The Dutch subsidiaries participate in multi-employer pension plans. Under IFRS these plans qualify as defined contribution plans as sufficient information is not available to recognise as a defined benefit plan. The Group expects EUR 4.4 million in contributions to be paid to its defined benefit plans in 2021 of which EUR 3.5 million is related to the UK defined benefit plans.

United Kingdom defined benefit plans

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

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 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 560 past employees as at 31 March 2018. The scheme closed to future accrual with effect from 31 December 2010. The average duration of the defined benefit obligation at the period ended 31 December 2020 is 17 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 a significant part of the inflation risk and interest rate risk to the liabilities. The LDI are classified as 'other net assets'.

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 periodic actuarial review. The most recent valuation of Yorkshire Fittings Pension Scheme was carried out as at 31 March 2018 and showed a deficit of GBP 29.4 million. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 7 years and 10 months from 31 March 2019 by the payment of GBP 2.1 million per annum, increasing by 4% per annum. In addition 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.

The IAS 19 Disclosure Report regarding the Yorkshire Fittings Pension Scheme provided by an independent actuary shows a deficit of GBP 32.7 million as at 31 December 2020 (2019: GBP 28.6 million). Aalberts has issued a parent guarantee, for a maximum amount of GBP 75.0 million and is therefore supportive to the Yorkshire Fittings Pension Scheme.

Hauck Heat Treatment Limited Group Pension Scheme

The Hauck Heat Treatment Limited Group Pension Scheme is a separate trustee administrated fund, holding the pension assets to meet long-term pension liabilities for some 160 past employees as at 31 December 2018. The scheme closed to future accrual with effect from 30 September 2007. The average duration of the defined benefit obligation at the period ended 31 December 2020 is 16 years.

Together with the trustees, the investment strategy is reviewed at the time of each funding valuation. The Hauck Heat Treatment Limited Group Pension Scheme is subject to a periodic actuarial review. The most recent valuation of Hauck Heat Treatment Limited Group Pension Scheme was carried out as at 31 December 2018 and showed a deficit of GBP 4.1 million. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 7 years from 1 January 2019 by the payments of annual contributions of GBP 0.6 million in respect of the deficit. In addition and in accordance with the actuarial valuations, the Group has agreed with the trustees of the Hauck Heat Treatment Limited Group Pension Scheme that it will meet expenses of the plans and levies to the Pension Protection Fund as and when they are due.

The IAS 19 Disclosure Report regarding the Hauck Heat Treatment Limited Group Pension Scheme provided by an independent actuary shows a deficit of GBP 7.6 million as at 31 December 2020 (2019: GBP 6.4 million). Aalberts has issued a parent guarantee, for a maximum amount of GBP 9.5 million and is therefore supportive to the Hauck Heat Treatment Limited Group Pension Scheme.

19.2 other provisions and non-current liabilities

	deferred purchase consideration	strategic restructuring	other	total
as at 1 January 2020	22.9	-	9.2	32.1
additions	0.7	43.3	2.6	46.6
used / paid during year	(19.9)	(21.2)	(5.2)	(46.3)
unused amounts reversed	(1.8)	-	(0.2)	(2.0)
unwinding of discounting	0.2	-	-	0.2
currency translation	(0.6)	-	0.1	(0.5)
as at 31 December 2020	1.5	22.1	6.5	30.1
current portion	1.5	22.1	-	23.6
non-current portion	-	-	6.5	6.5
total	1.5	22.1	6.5	30.1

The total amount of deferred purchase considerations as per 31 December 2020 amounts to EUR 1.5 million (2019: EUR 22.9 million) which is related to fixed deferred payments. The total deferred purchase considerations is included in other current liabilities (2019: EUR 19.3 million).

During 2020, a restructuring provision of EUR 43.3 million was established to cover the cost of the strategic restructuring. The restructuring provision includes employee termination benefits of EUR 34.6 million (note 22) and other restructuring expenses of EUR 8.7 million (note 23). At year-end the restructuring provisions amounts to EUR 22.1 million. The restructuring activities will be completed within 1 year and the provision is therefore presented as current. Other strategic restructuring cost in 2020 includes an impairment loss of property, plant and equipment of EUR 8.0 million which is not included in the restructuring provision but deducted from property, plant and equipment (note 11). Other provisions include liabilities related to normal business operations and provisions for environmental restoration amount to EUR 6.5 million as per 31 December 2020 (2019: EUR 9.2 million).

20. trade and other payables

	31-12-2020	31-12-2019
trade creditors	282.8	306.3
investment creditors	14.3	29.0
customer related payables	76.0	68.6
total	373.1	403.9

Trade and other payables fall due in less than one year. The fair value of the trade and other payables approximates the book value, due to their short-term character.

21. other current liabilities

	31-12-2020	31-12-2019
social security charges and taxes	24.2	24.6
value added tax	22.7	10.6
accrued expenses	47.5	37.8
amounts due to personnel	55.4	55.4
deferred considerations	1.5	19.3
derivative financial instruments	10.1	5.0
other	10.4	15.1
total	171.8	167.8

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

The deferred considerations relate to the unpaid part of recent acquisitions and are expected to be paid in full in the first half year of 2021.

The derivative financial instruments consist of the following items:

	31-12-2020	31-12-2019
interest rate swap contracts	11.2	5.6
foreign currency exchange contracts	(0.9)	(0.6)
metal price hedging contracts	(0.2)	-
total	10.1	5.0

The principal amounts of the outstanding interest rate swap contracts at 31 December 2020 were EUR 360.6 million (2019: EUR 477.5 million), for foreign currency exchange contracts EUR 131.8 million (2019: EUR 155.6 million) and for metal price hedging contracts EUR 1.2 million (2019: EUR 12.3 million).

All outstanding foreign currency exchange and metal hedging contracts are short-term. Interest rate swaps maturity is directly related to the bank borrowings concerned (note 17). The fair value of financial instruments equals the market value at 31 December 2020. 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.

22. personnel expenses

	2020	2019
wages and salaries	(620.1)	(683.6)
social security charges	(108.4)	(122.7)
defined benefit plans	(1.1)	(0.5)
defined contribution plans	(18.8)	(17.6)
termination benefits	(34.6)	-
other expenses related to employees	(25.6)	(32.0)
total	(808.6)	(856.4)

During 2020, due to strategic restructuring of certain locations, the Group has recognised a restructuring provision (see note 19.2). The related termination benefits amount to EUR 34.6 million.

In the year under review, the average number of full-time employees amounted to 15,310 (2019: 16,544) of which 13,233 (2019: 14,423) full-time employees are active outside the Netherlands. The Group received government compensation for personnel expenses in relation to the COVID-19 pandemic for an amount of EUR 14.7 million which has been netted with the personnel expenses.

The remuneration of the Management and Supervisory Board is disclosed as part of the company financial statements (note 35.9).

23. other operating expenses

	2020	2019
production expenses	(244.5)	(272.1)
selling expenses	(38.6)	(62.0)
housing expenses	(30.9)	(29.9)
general expenses	(115.4)	(111.9)
warranty costs	(6.2)	(2.4)
other operating income	14.5	43.5
total	(421.1)	(434.8)

Other operating income is income not related to the key business activities of the Group and relates to non-recurring items like insurance amounts received of EUR 3.5 million (2019: EUR 19.7 million), book profits on divestments and earn-out gains of EUR 4.2 million (2019: EUR 11.6 million), government grants of EUR 1.4 million (2019: EUR 3.2 million) and other non-recurring items of EUR 5.4 million (2019: EUR 9.0 million). Other operating expenses also include EUR 8.7 million strategic restructuring cost included in the restructuring provision (note 19.2).

24. net finance cost

	2020	2019
interest expense:		
bank borrowings	(15.6)	(20.3)
interest cost on lease liabilities	(2.7)	(2.8)
total interest expense	(18.3)	(23.1)
interest income	0.3	0.4
net interest expense	(18.0)	(22.7)
fair value results on financial instruments:		
foreign currency exchange contracts	0.2	0.3
metal price hedge contracts	0.2	-
total fair value results on derivative financial instruments	0.4	0.3
net interest expense on employee benefit plans	(1.1)	(1.6)
unwinding discounts on provisions	0.2	(0.5)
foreign currency exchange results	(3.9)	1.3
net finance cost	(22.4)	(23.2)

25. income tax expense

	2020	2019
current tax:		
- current year	(52.3)	(74.6)
- prior years	2.4	7.8
total current tax	(49.9)	(66.8)
deferred tax	10.0	(1.4)
total income tax expense	(39.9)	(68.2)

	2020	%	2019	%
profit before tax	165.0	100.0	297.7	100.0
tax calculated at domestic rates	(38.7)	(23.4)	(76.2)	(25.6)
tax effect of:				
- non-deductible expenses	(3.4)	(2.1)	(3.2)	(1.1)
- tax-exempt results and tax relief facilities	8.3	5.0	10.2	3.4
- other effects	(6.1)	(3.7)	1.0	0.4
total income tax expense and effective tax rate %	(39.9)	(24.2)	(68.2)	(22.9)

26. earnings and dividends per share

26.1 earnings per share

Earnings per share are calculated as follows:

	2020	2019
net profit (in EUR million)	117.3	225.7
weighted average number of shares in issue (in units)	110,580,102	110,580,102
basic earnings per share (in EUR)	1.06	2.04
net profit (in EUR million)	117.3	225.7
weighted average number of shares in issue including effect of performance share plan (in units)	110,819,602	110,984,102
diluted earnings per share (in EUR)	1.06	2.03

In addition to the earnings per share based on net profit, the Group calculated earnings per share before amortisation and strategic restructuring cost (SRC).

	2020	2019
net profit before amortisation and SRC (in EUR million)	199.6	267.4
weighted average number of shares in issue (in units)	110,580,102	110,580,102
basic earnings per share before amortisation and SRC (in EUR)	1.81	2.42
net profit before amortisation and SRC (in EUR million)	199.6	267.4
weighted average number of shares in issue including effect of performance share plan (in units)	110,819,602	110,984,102
diluted earnings per share before amortisation and SRC (in EUR)	1.80	2.41

The net profit before amortisation and strategic restructuring cost (in EUR million) is calculated as follows:

in EUR million	notes	2020	2019
net profit		117.3	225.7
amortisation	10	43.8	41.7
strategic restructuring cost			
- employee termination benefits	22	34.6	-
- impairment losses property, plant and equipment	11	8.0	-
- other restructuring expenses	23	8.7	-
- tax impact on SRC		(12.8)	-
net profit before amortisation and SRC		199.6	267.4

26.2 dividends per share

The dividends paid in 2020 were EUR 0.80 per share (2019: EUR 0.75 per share). A dividend in respect of the year ended 31 December 2020 of EUR 0.60 per share will be proposed at the General Meeting to be held on 27 May 2021. These financial statements do not reflect this dividend payable.

27. contingent liabilities

The Group has contingent liabilities in respect of bank and other guarantees arising from the ordinary course of business. It is not anticipated that any material liabilities will rise from the contingent liabilities. The Group has provided bank guarantees in the ordinary course of business amounting to EUR 10.4 million (2019: EUR 16.6 million) to third parties. In addition, the guarantees and liability undertakings mentioned in note 35.10 apply to the Group.

28. commitments

Outstanding commitments related to the purchase of copper, steel, brass and aluminium for the European installation technology and climate technology operations amounted to EUR 43.7 million as at year-end (2019: EUR 56.6 million).

At year-end, the Group had investment commitments outstanding in respect of intangible assets in the amount of EUR 0.7 million (2019: EUR 1.5 million) and in respect of property, plant and equipment in the amount of EUR 23.5 million (2019: EUR 25.9 million). Refer to note 10 intangible assets and note 11 property, plant and equipment.

Aalberts started the construction of a new manufacturing and distribution centre, office and academy for Aalberts hydronic flow control in Almere, the Netherlands. The Group has committed to a lease within the range of EUR 35-40 million related to the construction of these buildings. The lease has not yet commenced as at 31 December 2020 and is therefore recognised off-balance (2019: EUR 35-40 million).

29. business combinations

29.1 acquisition of subsidiaries

No companies were acquired in 2020.

The following Group companies were acquired in 2019:

group company	head office in	consolidated	interest	group activity
Precision Plating Company, Inc.	United States	May 2019	100%	material technology
Applied Process, Inc.	United States	August 2019	100%	material technology

The fair values of the identifiable assets and liabilities as at acquisition date for the acquisitions in 2019 were only determined provisionally by the end of 2019 based on the outcome of the preliminary purchase price allocations. The purchase price allocations were finalised in 2020 within 12 months from the respective acquisition dates. This has led to a release of a deferred purchase consideration which decreased the goodwill for an amount of EUR 1.8 million. These changes have been reflected in the consolidated financial statements ending 31 December 2020. Contingent purchase considerations with respect to prior year acquisitions were paid in cash during 2020 for a total amount of EUR 19.9 million.

29.2 disposal of subsidiaries

In 2020, Aalberts divested Aalberts Surface Treatment S.r.l. within Material Technology and COMAP (Jiangmen) Plumbing & Heating Equipment Co., Ltd within Climate Technology. These non-core activities were divested as part of the overall Group strategy.

The book value of the assets and liabilities disposed of and the cash flow impact in 2020 is as follows:

book value of the assets and liabilities disposed	divestments 2020	prior year divestments	total
property, plant and equipment	3.9	-	3.9
inventories	2.3	-	2.3
receivables and other current assets	2.0	-	2.0
cash and current borrowings	2.0	-	2.0
payables and other current liabilities	(1.6)	-	(1.6)
net assets disposed	8.6	-	8.6
consideration settled in cash	10.2	3.8	14.0
deferred consideration	2.4	(3.6)	(1.2)
total consideration	12.6	0.2	12.8
book profit on disposal	4.0	0.2	4.2
consideration settled in cash	10.2	3.8	14.0
cash and current borrowings	(1.9)	-	(1.9)
cash inflow from disposals	8.3	3.8	12.1

The transactions were closed in 2020 and resulted in a net cash inflow of EUR 8.3 million and a contingent deferred consideration of EUR 2.4 million (discounted amount). The book profit on these disposals in 2020 amounted to EUR 4.0 million. The deferred consideration related to prior year divestments increased with EUR 0.2 million. As a result, the book profit on the 2020 disposals and the adjustment to prior year divestments amounted to EUR 4.2 million and is recognised in other operating income (see note 23).

Deferred considerations for prior year divestments were settled in cash in 2020 for an amount of EUR 3.8 million. Together with the EUR 8.3 million cash inflow for 2020 divestments, this results in a total cash inflow from disposals of EUR 12.1 million.

The contribution of the disposed activities to the 2020 revenue amounted to EUR 1.7 million. The contribution to the 2020 operating profit amounted to negative EUR 0.3 million.

30. overview of significant subsidiaries

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

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

31. related parties

The Management Board and the Supervisory Board are considered key management. Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group as a whole. The total remuneration of key management in 2020 amounts to EUR 2.9 million (2019: EUR 4.5 million).

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

No material related party transactions have been executed other than intercompany transactions, transactions with pension funds (note 19.1) and remuneration of the Management Board and the Supervisory Board (note 35.9) under normal business conditions.

32. subsequent events

There are no subsequent events to report.

33. company balance sheet (before profit appropriation)

in EUR million	notes	31-12-2020	31-12-2019
assets			
intangible assets		0.7	0.4
tangible fixed assets		1.7	1.9
investments in subsidiaries	35.2	2,021.7	1,973.3
total non-current assets		2,024.1	1,975.6
receivables	35.3	3.8	15.2
total current assets		3.8	15.2
total assets		2,027.9	1,990.8
equity and liabilities			
issued and paid-up share capital		27.6	27.6
share premium		200.8	200.8
currency translation reserve		(75.5)	(22.5)
hedging reserve		(8.3)	(4.2)
retained earnings		1,512.2	1,382.4
profit for the year		117.3	225.7
shareholders' equity	35.4	1,774.1	1,809.8
deferred taxation		2.2	2.3
total non-current liabilities		2.2	2.3
current borrowings		248.8	175.2
current liabilities	35.5	2.8	3.5
total current liabilities		251.6	178.7
total equity and liabilities		2,027.9	1,990.8

34. company income statement

in EUR million	notes	2020	2019
management fee income		9.2	9.1
personnel expenses	35.6	(7.1)	(7.8)
housing expenses		(0.6)	(0.5)
general expenses		(3.5)	(5.4)
amortisation of intangible assets		(0.1)	(0.1)
depreciation of property, plant and equipment		(0.3)	(0.3)
net operating expenses		(2.4)	(5.0)
operating profit / (loss)		(2.4)	(5.0)
net interest income / (expense)		(2.3)	(1.6)
profit / (loss) before income tax		(4.7)	(6.6)
income tax benefit / (expense)	35.7	2.0	6.0
result subsidiaries	35.2	120.0	226.3
profit after income tax		117.3	225.7

35. notes to the company financial statements

35.1 accounting principles

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

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

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

investments in subsidiaries

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

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

35.2 investments in subsidiaries

	2020	2019
as at 1 January	1,973.3	1,763.7
share in profit for the period	120.0	226.3
share in other comprehensive income	(62.5)	12.3
capital contribution / (repayment)	(9.1)	3.1
dividends paid	-	(32.1)
as at 31 December	2,021.7	1,973.3

35.3 receivables

	31-12-2020	31-12-2019
current income tax receivables	2.1	14.3
intercompany receivables	1.2	0.6
other receivables	0.5	0.3
total	3.8	15.2

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

35.4 shareholders' equity

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

	issued and paid-up share capital	share premium	currency translation reserve	hedging reserve	retained earnings	profit for the year	total shareholders' equity
as at 1 January 2019	27.6	200.8	(42.4)	(2.3)	1,229.7	238.2	1,651.6
profit for the period	-	-	-	-	-	225.7	225.7
other comprehensive income:							
- remeasurements of employee benefit obligations	-	-	-	-	(7.2)	-	(7.2)
- currency translation differences	-	-	19.9	-	-	-	19.9
- fair value changes of derivative financial instruments	-	-	-	(2.6)	-	-	(2.6)
- income tax effect on direct equity movements	-	-	-	0.7	1.5	-	2.2
other comprehensive income	-	-	19.9	(1.9)	(5.7)	-	12.3
total comprehensive income	-	-	19.9	(1.9)	(5.7)	225.7	238.0
dividend 2018	-	-	-	-	-	(82.9)	(82.9)
addition to retained earnings	-	-	-	-	155.3	(155.3)	-
share based payments	-	-	-	-	3.1	-	3.1
as at 31 December 2019	27.6	200.8	(22.5)	(4.2)	1,382.4	225.7	1,809.8

share capital

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

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

The issued and paid-up share capital did not change in the course of the year under review. As at 31 December 2020, a total of 110,580,102 ordinary shares and 100 priority shares were issued and paid-up. We refer to the section Other information for the Special controlling rights under the Articles of Association of the 100 priority shares.

legal reserves

The legal reserves include the currency translation reserve and the hedging reserve. In addition, retained earnings contain a legal reserve for development cost recognised as intangible assets for an amount of EUR 6.7 million (2019: EUR 4.1 million). Legal reserves cannot be used for profit distribution.

profit appropriation 2019

In accordance with the resolution of the General Meeting held on 25 June 2020, the profit for 2019 has been appropriated in conformity with the proposed appropriation of profit stated in the 2019 financial statements.

profit appropriation 2020

The net profit for the year 2020 attributable to the shareholders amounting to EUR 117.3 million shall be available in accordance with the articles of association as disclosed in the section Other information. The Management Board proposes to declare a dividend of EUR 0.60 solely in cash per share of EUR 0.25 par value. Any residual profit shall be added to reserves.

35.5 current liabilities

	31-12-2020	31-12-2019
accounts payable	0.4	0.6
intercompany payables	-	0.5
other payables and accruals	2.4	2.4
total	2.8	3.5

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

35.6 personnel expenses

	2020	2019
wages and salaries	(5.8)	(6.5)
social security charges	(0.3)	(0.2)
defined contribution plans	(0.8)	(0.8)
other expenses related to employees	(0.2)	(0.3)
total	(7.1)	(7.8)

The average number of employees amounted to 24 full-time equivalents (2019: 24), as at year-end 23 (2019: 26), of which no (2019: no) full-time employees are active outside the Netherlands.

35.7 income tax benefit / (expense)

	2020	2019
current tax:		
- current year	2.0	4.7
- prior years	(0.1)	1.2
total current tax	1.9	5.9
deferred tax	0.1	0.1
total income tax benefit / (expense)	2.0	6.0

35.8 audit fees

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

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

	Deloitte Accountants B.V.	other Deloitte network	total Deloitte
			2019
audit of financial statements	603	1,933	2,536
other audit services	-	20	20
tax advisory services	-	178	178
other non-audit services	-	-	-
total	603	2,131	2,734

The fees listed above relate to the services applied to the Company and its consolidated group companies by accounting firms and independent external auditors as referred to in Section 1(l) of the Dutch Audit Firms (Supervision) Act (Wta), as well as by Dutch and foreign-based Deloitte audit firms, including their tax services and advisory groups. The audit fees relate to the audit of the 2020 financial statements, regardless of whether the work was performed during the financial year.

35.9 remuneration of the Management and Supervisory Board (amounts in EUR 1,000)

The total remuneration of the members of the Management Board for 2020 amounted to EUR 2.7 million (2019: EUR 4.3 million) and is determined in accordance with the remuneration policy as disclosed in the remuneration report.

Mr. W.A. Pelsma (CEO) received a salary of EUR 760 (2019: EUR 780), a bonus amounting to EUR 378 (2019: EUR 507) and a pension contribution of EUR 148 (2019: EUR 154). At year-end he held a total number of 145,125 (2019: 120,075) ordinary shares in Aalberts at year-end. Of the 35,000 conditional performance shares that were granted in 2017 (PSP 2017-2019), a total of 29,050 (83%) vested in 2020, for which EUR 104 (2019: EUR 228) was charged to the income statement. The number of conditional performance shares awards that were granted in 2019 (PSP 2019-2021) amounted to 35,000 shares for which EUR 341 (2019: EUR 213) was charged to the income statement.

Mr. A.R. Monincx (CFO) received a salary of EUR 456 (2019: EUR 450), a bonus amounting to EUR 227 (2019: EUR 293) and a pension contribution of EUR 71 (2019: EUR 72). At year-end he held a total of 18,000 (2019: 6,250) ordinary shares in Aalberts at year-end. Of the 15,000 conditional performance shares that were granted in 2017 (PSP 2017-2019), a total of 12,450 (83%) vested in 2020, for which EUR 44 (2019: EUR 98) was charged to the income statement. The number of conditional performance shares awards that were granted in 2019 (PSP 2019-2021) amounted to 15,000 shares for which EUR 146 (2019: EUR 91) was charged to the income statement.

The share price of Aalberts as at 31 December 2020 amounted to EUR 36.46 per ordinary share. Additional information regarding conditional performances share awards is disclosed in note 16.3.

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

	2020	2019
M.C.J. van Pernis	65.0	65.0
M.J. Oudeman	55.0	55.0
A. Rinck *	22.5	-
P. Veenema	50.0	50.0
J. van der Zouw	55.0	55.0
total	247.5	225.0

* appointed mid 2020 as member of the Supervisory Board

No loans, advances or guarantees have been granted to the members of the Management Board and the Supervisory Board. No options have been granted to members of the Supervisory Board. At year-end there is one member of the Supervisory Board that holds shares in the company: M.J. Oudeman holds 330 ordinary shares.

35.10 contingent liabilities and commitments

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 420.8 million (2019: EUR 568.6 million). In addition, the Company has guaranteed the two UK defined benefit Pension Schemes for an amount of GBP 84.5 million (2019: GBP 84.5 million).

The Company has guaranteed the liabilities of almost all of its Dutch group companies in accordance with the provisions of article 403, paragraph 1, Book 2, Part 9 of the Dutch Civil Code. Consequently, these companies are exempt from publication requirements. The company forms a tax unity with almost all of its Dutch subsidiaries for both the income tax and value added tax. All tax unity members (including the Company) are jointly and severally liable for the tax obligations of the tax unity as a whole.

For the period ended 31 December 2020, the UK subsidiaries as listed below intend to exercise the exemption in section 479A of the UK companies Act 2006 that releases them from the obligation to have their annual financial statements audited.

name, registration number and seat of the company	direct and indirect participation %
Aalberts Limited (4363831), Doncaster	100%
Aalberts Investments Limited (4379874), Doncaster	100%
Aalberts U.K. Limited (3596780), Doncaster	100%
Aalberts Surface Technologies Limited (961458), Kirkby-in-Ashfield	100%
STH Westco Holdings Limited (2597032), Manchester	100%
Pegler Holdings Limited (4928300), Doncaster	100%
Pegler Limited (1194543), Doncaster	100%
Pegler Yorkshire Group Limited (401507), Doncaster	100%
Hauck Heat Treatment Limited (884462), Luton	100%
STH Westco Limited (1322734), Leigh	100%
Yorkshire Fittings Distribution Limited (4628713), Doncaster	100%
Flamco Flexcon Limited (956716), St. Helens	100%
Flamco Limited (980683), St. Helens	100%
Aalberts Surface Treatment Tamworth Limited (2028357), Tamworth	100%
Aalberts Surface Technologies OCT Limited (3676535), Tamworth	100%

In accordance with section 479C of the Companies Act 2006, the Company will guarantee the debts and liabilities of the above UK subsidiary undertakings.

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 Deutschland GmbH, Gelsenkirchen	100%
Aalberts Immobilien GmbH, Gelsenkirchen	100%
D.S.I. Getränkearmaturen GmbH, Hamm	100%
VTI Ventil Technik GmbH, Menden	100%
Simplex Armaturen & Systeme GmbH, Argenbühl-Eisenharz	100%
Seppelfricke Service GmbH, Gelsenkirchen	100%
Seppelfricke Armaturen GmbH, Gelsenkirchen	100%
Seppelfricke Vertriebs + Produktions GmbH, Gelsenkirchen	100%
Meibes System-Technik GmbH, Machern OT Gerichshain	100%
ISIFLO GmbH, Hemer	100%
Integrated Dynamics Engineering GmbH, Raunheim	100%
Aalberts Material Technology GmbH, Kerpen	100%
Aalberts Surface Technologies GmbH, Kerpen	100%
Aalberts Surface Technologies Grundstücksverwaltungs GmbH, Kerpen	100%
Aalberts Surface Technologies GmbH, Solingen	100%
Aalberts Surface Technologies GmbH, Burg	100%
Aalberts Surface Treatment GmbH, Villingen-Schwenningen	100%
Aalberts Surface Technologies GmbH, Zwönitz	100%
Aalberts Surface Technologies GmbH, Moers	100%
Aalberts Surface Technologies GmbH, Remscheid	100%
Aalberts Surface Technologies GmbH, Gaildorf	100%
Aalberts Surface Technologies Polymer GmbH, Lüneburg	100%
Aalberts Surface Technologies GmbH, Lüneburg	100%
Aalberts Surface Technologies GmbH, Landsberg am Lech	100%
Aalberts Surface Treatment GmbH, Lübtheen OT Jessenitz	100%
Aalberts Surface Technologies GmbH, Lübeck	100%
Aalberts Surface Technologies GmbH, Dunningen	100%
Aalberts Surface Treatment GmbH, Wünschendorf/Elster	100%
Aalberts Surface Technologies GmbH, Zwickau	100%
Aalberts Surface Treatment GmbH, Würzburg	100%
Aalberts Surface Technologies GmbH, Kaufbeuren - Neugablonz	100%
Aalberts Surface Technologies GmbH, Göppingen	100%

35.11 subsequent events

There are no subsequent events to report.

Utrecht, 24 February 2021

the Management Board

Wim Pelsma (CEO)

Arno Monincx (CFO)

the Supervisory Board

Martin van Pernis (Chairman)

Marjan Oudeman (Member)

Piet Veenema (Member)

Jan van der Zouw (Member)

Annette Rinck (Member)

other information

1. appropriation of profits under the articles of association

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

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

2. special controlling rights under the articles of association

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

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

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

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

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

3. independent auditor's report

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

report on the audit of the financial statements 2020 included in the annual report

our opinion

We have audited the accompanying financial statements 2020 of Aalberts N.V. (the Company or the Group), based in Utrecht. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion

- the accompanying consolidated financial statements give a true and fair view of the financial position of Aalberts N.V. as at 31 December 2020, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code; and
- the accompanying company financial statements give a true and fair view of the financial position of Aalberts N.V. as at 31 December 2020, and of its results for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated balance sheet as at 31 December 2020;
2. the following statements for 2020: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as at 31 December 2020;
2. the company income statement for 2020; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

basis for our opinion

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

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

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

materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 13.5 million (2019: EUR 16.0 million). In prior year, our materiality was based on profit before income tax from continuing operations. In 2020, because of the exceptional effects of the restructuring expenses our materiality is based on the profit before income tax from continuing operations before restructuring expenses.

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

Audits of components were performed using materiality levels determined by judgment of the group engagement team, taking into account the materiality of the financial statements as a whole and the reporting structure within the Group. Component performance materiality did not exceed EUR 6.5 million.

We agreed with the Supervisory Board that misstatements in excess of EUR 0.5 million (2019: EUR 0.5 million), which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view should be reported on qualitative grounds.

scope of the group audit

Aalberts N.V. is at the head of a group of entities with activities in more than 50 countries. The financial information of this group is included in the consolidated financial statements of Aalberts N.V. No component individually contributes more than 15% of the consolidated revenues of the Group.

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

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

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence was obtained as a basis for our opinion on the group financial statements as a whole, also considering COVID-19 related travel restrictions. For each component we determined whether we required an audit of their complete financial information or whether other procedures would be sufficient. In most cases, the components with an audit scope are components that are financial significant to the consolidated financial statements. Due to travel restrictions all oversight procedures have been performed remotely whereby we varied the nature, timing and extent of these procedures based on both quantitative and qualitative considerations. The group engagement team held online sessions with local management and auditors of several key locations. In addition, we performed review procedures or specified audit procedures at other components.

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

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

scope of fraud and non-compliance with laws and regulations within our audit

In accordance with the Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error. Non-compliance with laws and regulations may result in fines, litigation or other consequences for the Company that may have a material effect on the financial statements.

consideration of fraud

In identifying potential risks of material misstatement due to fraud, we obtained an understanding of the Company and its environment, including its internal controls. We evaluated the Company's fraud risk assessment and made inquiries with, management, those charged with governance and others within the Company, including but not limited to, Legal & Governance, Internal audit function and Group Control. We evaluated several fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud. We involved our forensic specialists in our risk assessment and in determining the audit response.

Following these procedures, and the presumed risks under the prevailing auditing standards, we considered the fraud risks in relation to management override of controls, including evaluating whether there was evidence of bias by the Management Board and other members of management, which may represent a risk of material misstatement due to fraud.

As part of our audit procedures to respond to these fraud risks, we evaluated the design and implementation and, where considered appropriate, tested the operating effectiveness of the internal controls relevant to mitigate these risks. We performed substantive audit procedures, including detailed testing of journal entries and evaluating the accounting estimates for bias. We also incorporated elements of unpredictability in our audit. The procedures described are in line with the applicable auditing standards and are not primarily designed to detect fraud. Our procedures to address fraud risks did not result in a key audit matter.

consideration of compliance with laws and regulations

We assessed the laws and regulations relevant to the Company through discussion with Legal & Governance, Internal audit function, the Management Board and reading relevant minutes. We involved forensic specialists in our audit.

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

Apart from these, the Group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance through imposing fines or litigation. Given the nature of the business we considered the risk of relevant laws and regulations. Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to the Company's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to (i) inquiry of management, the Management Board, those charged with governance and others within the Company as to whether the Company is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. We also remained alert to indications of (suspected) non-compliance throughout the audit, both at component and group levels.

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

Because of the characteristics of fraud, particularly when it involves sophisticated and carefully organized schemes to conceal it, such as forgery, intentional omissions, misrepresentation and collusion, an unavoidable risk remains that we may not detect all fraud during our audit.

our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance to 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. The matters considered as key to our audit are 'International group structure and coordination of the group audit' and 'Recoverability of non-current assets'. Except for IFRS 16 'Leases', due to its first-year adoption of the standard in 2019, the key audit matters are consistent with those identified in prior year taking into account the following:

In 2020, the Company was affected by COVID-19 which had an impact on revenues and profitability given the global (economic) uncertainties. The uncertainties related to global economic outlook and timing of recovery, if any, of COVID-19 increased the management judgments related to among others projecting future cash flows and predictability of values in use. As a result of these uncertainties and increased management judgments we have extended previous years' goodwill key audit matter to non-current assets.

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

international group structure and coordination of the group audit

description

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

how the key audit matter was addressed in the audit

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

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

Following the foregoing, at group and component level we:

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

our observation

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

recoverability of non-current assets

description

Intangible assets, property, plant and equipment and right-of-use-assets amounted to EUR 2,242 million as at 31 December 2020, represents 69% of the Company's total assets. These assets are allocated to cash generating units for which management is required to assess the recoverability. In 2020, the Company is impacted by COVID-19 which impacted revenue and profitability given the global (economic) uncertainties.

The Company uses assumptions and applies judgments in forecasting future market and economic conditions such as economic growth, expected inflation rates, revenue and margin developments. Due to the significance of management's judgments in the assumptions used in the forecasts, we consider the recoverability of the non-current assets as a key audit matter. The key assumptions and sensitivities are disclosed in note 10 to the consolidated financial statements.

how the key audit matter was addressed in the audit

Our audit procedures mainly comprised of substantive audit procedures and consists of:

- obtaining an understanding of management's annual goodwill impairment tests (including relevant controls);
- involving our valuation specialists to assist us in evaluating the valuation assumptions and methodologies used in the annual goodwill impairment test prepared by the Company. We challenged management's business assumptions that were most sensitive to movements in their analyses, including projected revenue growth over the forecasted period, EBITA margin and discount rate. The Company used a multiple scenario model for determining future profitability and related cashflows;
- evaluating the results of the goodwill impairment test for possible impact on the valuation of the non-current assets;
- challenging management's judgments and estimates by comparing the business assumptions to historic performance, future outlooks, analyst reports and industry outlook taking into account COVID-19;
- assessing the sensitivity of changes to the respective assumptions on the outcome as disclosed in note 10 of the financial statements.

our observation

Our procedures did not result in any reportable matters with respect to the recoverability of non-current assets and the corresponding disclosures.

report on the other information included in the annual report

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

- report of the Management Board;
- report of the Supervisory Board;
- remuneration report; and
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

report on other legal and regulatory requirements

engagement

We were initially appointed by the General Meeting for the audit of financial year 2015. For the audit of 2020, we were appointed by the General Meeting held on 17 April 2019.

no prohibited non-audit services

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

description of responsibilities regarding 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 the Management Board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

The Management Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

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

our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

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

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

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

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

Because we are ultimately responsible for the independent auditor's report, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Management Board and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the Audit Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public interest entities. The information included in this additional report is consistent with our opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Amsterdam, 24 February 2021

Deloitte Accountants B.V.

Signed by: M.R. van Leeuwen

glossary non-GAAP measures

results

EBITA	earnings before finance cost, income taxes and amortisation
EBITDA	earnings before finance cost, income taxes, depreciation and amortisation
free cash flow (before interest and tax)	cash flow from operations less (net) investments in property, plant and equipment, and other intangible fixed assets
added value	revenue less raw materials and work subcontracted
strategic restructuring cost (SRC)	one-off restructuring cost to realise recurring benefits

balance sheet

net debt	non-current and current interest bearing (bank) borrowings and lease liabilities less cash and cash equivalents
net debt (before IFRS 16)	net debt excluding the impact of the IFRS 16 lease liabilities
capital employed	equity plus net debt and dividend payable
net working capital	total of inventories and trade and other receivables less trade and other payables, excluding income taxes and finance cost
capital expenditure	investments in property, plant and equipment

ratios

solvability	equity as a percentage of total assets
leverage ratio (before IFRS 16)	net debt before IFRS 16 divided by adjusted EBITDA on 12 months rolling basis
EBITA margin	EBITA as a percentage of revenue
free cash flow conversion ratio	free cash flow (before interest and tax) divided by EBITDA
ROCE (return on capital employed)	rolling twelve month's EBITA divided by capital employed
ROCE (before IFRS 16)	return on capital employed excluding the impact of IFRS 16
added value margin	added value as a percentage of revenue
gearing ratio	net debt divided by total equity
interest cover ratio (before IFRS 16)	adjusted EBITDA divided by the net interest expense before IFRS 16 on 12 months rolling basis

earnings per share

earnings per share before amortisation	net profit before amortisation divided by the weighted average number of shares
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overview group companies

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

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

installation technology

Aalberts integrated piping systems APAC Inc.	TWN
Aalberts integrated piping systems B.V.	NLD
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

climate technology

BROEN A/S	DNK
Comap S.A.	FRA
Flamco Holding B.V.	NLD
ISIFLO AS	NOR
Nexus Valve, Inc.	USA

material technology

Aalberts Surface Treatment Corp	USA
Aalberts Surface Technologies GmbH	DEU
Metalis S.A.S.	FRA
Mifa Aluminium B.V.	NLD

industrial technology

Aalberts advanced mechatronics B.V.	NLD
D.S.I. Getränkearmaturen GmbH	DEU
Taprite, Inc.	USA
VAF Instruments B.V.	NLD
Ventrex Automotive GmbH	AUT
Vin Service S.r.l.	ITA
VTI Ventil Technik GmbH	DEU

Aalberts operates some 130 business locations with activities in over 50 countries. To learn more, please visit aalberts.com/contact

the Aalberts share

At year-end 2020, 110,580,102 ordinary shares with a nominal value of EUR 0.25 each were in circulation; the market capitalisation amounted to EUR 4,032 million (at year-end 2019: EUR 4,424 million).

dividend policy

In the General Meeting of 2015, shareholders agreed to a dividend payment percentage of 30% of net profit before amortisation and dividends only to be paid in cash.

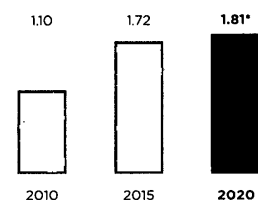
shareholders' interests

Around 85% of the shares is freely tradable. Pursuant to the Decree on Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions as part of the Dutch Financial Supervision Act, shareholders with a substantial participating interest of more than 3% must be disclosed.

shareholder	Interest	disclosure date
Aalberts Beheer B.V., J. Aalberts, J.A.M. Aalberts-Veen	13.27%	3 February 2011
FMR LLC	10.00%	14 December 2020
Capital Group	9.92%	6 January 2020
Invesco Limited	5.04%	19 November 2020
BlackRock, Inc.	3.24%	21 December 2020
Impax Asset Management	3.02%	2 April 2019
BNP Paribas Asset Management Holding	3.01%	26 November 2018
New Perspective Fund	3.00%	17 September 2018

earnings per share

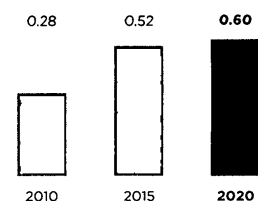
(before amortisation in EUR)



* before strategic restructuring cost

dividend per share

(in EUR)



key share information	2020	2019	2018	2017	2016
closing price at year-end (in EUR)	36.46	40.01	29.05	42.40	30.82
highest price of the year (in EUR)	43.11	40.92	45.05	43.77	32.00
lowest price of the year (in EUR)	16.16	27.52	27.43	29.97	25.70
average daily trading (in EUR thousands)	10,591	10,549	12,169	11,792	8,402
number of shares issued as at year-end (in millions)	110.6	110.6	110.6	110.6	110.6
market capitalisation at year-end (in EUR millions)	4,032	4,424	3,212	4,688	3,408
earnings per share before amortisation (in EUR)	1.81*	2.42	2.49	2.15	1.92
dividend per share (in EUR)	0.60	0.80	0.75	0.65	0.58
price/earnings ratio at year-end	20.1	16.5	11.7	19.7	16.1

key figures 2016-2020

	2020	2019	2018	2017	2016
results (in EUR million)					
revenue	2,610	2,841	2,759	2,694	2,522
EBITDA	423*	493	462	422	392
EBITA	283*	363	366	336	298
net profit before amortisation	200*	267	275	238	212
cash flow from operations	454	465	427	427	383
free cash flow (before interest and tax)	339	312	312	310	273
balance sheet (in EUR million)					
intangible assets	1,256	1,320	1,235	1,127	1,128
property, plant and equipment	829	874	818	775	762
capital expenditure	95	148	134	119	106
net working capital	399	490	464	455	480
total equity	1,806	1,838	1,676	1,513	1,391
net debt (before IFRS 16)	444	588	586	569	713
capital employed	2,406	2,592	2,262	2,081	2,104
total assets	3,255	3,466	3,148	2,910	2,859
number of employees at end of period (x1)	14,782	16,094	16,452	16,003	15,338
ratios					
solvability (total equity as a % of total assets)	55.5	53.0	53.2	52.0	48.7
leverage ratio (before IFRS 16)	1.1	1.3	1.3	1.3	1.7
EBITA as a % of revenue	10.8*	12.8	13.3	12.5	11.8
free cash flow conversion ratio	89.3	63.2	67.6	73.4	69.8
ROCE (return on capital employed before IFRS 16)	12.5*	15.1	16.6	16.2	14.7
added value as a % of revenue	61.6	62.8	62.6	62.3	62.2
effective tax rate	24.2	22.9	21.4	24.6	25.2
gearing ratio (net debt divided by total equity)	0.3	0.4	0.3	0.4	0.5
interest cover ratio (before IFRS 16)	25.1	23.3	27.2	25.9	24.6
number of ordinary shares issued (in millions)	110.6	110.6	110.6	110.6	110.6
figures per share (in EUR)					
net profit before amortisation	1.81*	2.42	2.49	2.15	1.92
dividend	0.60	0.80	0.75	0.65	0.58
share price at year-end	36.46	40.01	29.05	42.40	30.82

* before strategic restructuring cost

