

STORIK®

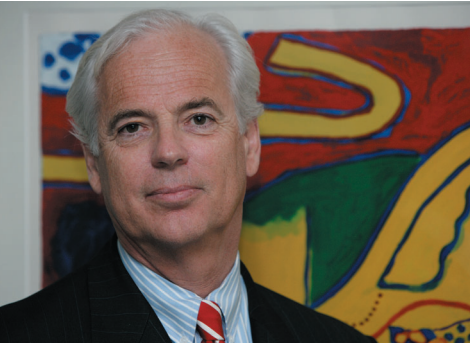
Annual Report 2008

Stork B.V.



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# Report by the CEO



After two hectic years, 2008 – the first year after delisting – was dedicated to growth and further improvement of profitability. Stork is a robust and modern company that is developing continuously and making substantial investments to offer added value to its customers around the world. Our customers are increasingly asking for a commitment from Stork, often extending far into the future. That commitment is built on a solid operational result in 2008 of € 90 million, substantial investments in projects and in the various lines of business, a sound financing structure and a workforce of more than 16,500.

On delisting we opted for a sound financing structure with a consortium of banks. The relatively low leverage, long-term commitment and repayment-free terms for the coming years form a good point of departure.

Both Stork Technical Services and Stork Fokker Aerospace received a number of new multi-year orders in 2008. The order book of € 1.3 billion for the coming two years forms a strong base for the (near) future.

Stork will nevertheless also be affected by the worldwide economic recession. Technical Services decided earlier to concentrate its activities on modifications, maintenance and services, mainly for existing plants. This focus offers relatively high stability through the changing economic cycles. For Aerospace it is the defence activities in particular that provide a strong base because of their relatively limited sensitivity to the economic cycle. Another stabilising factor is the broad spread in terms of our customer base, activities and geographical coverage. The 'late-cyclical' nature of our activities allows us to make timely tactical adjustments. Where possible we are reducing expenditure and maintaining a strong focus on cash flow. In addition, this is not the first economic crisis that Stork has faced in its 182-year history. Our collective knowledge, skills and professionalism are now more important than ever. Also on behalf of my colleagues in the Board of Management, I would like to sincerely thank all our employees for their contribution in the past year. We are confident that when the economy starts to recover, we can move on to the further growth and development of our activities.

Sjoerd Vollebregt,  
CEO, Chairman Board of Management

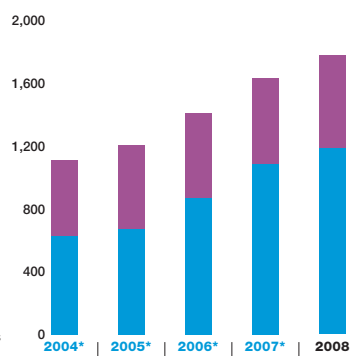
# Key financial figures

(in € million, unless stated otherwise)

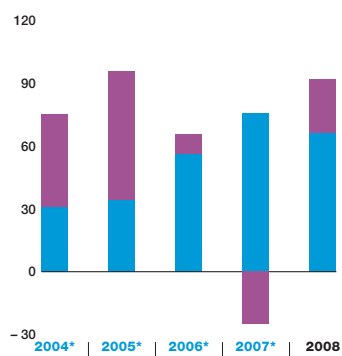
	2008	2007*	2006*	2005*	2004*
<b>Stork Technical Services</b>					
Net turnover	1,185	1,089	872	673	625
Result before depreciation and amortisation (EBITDA)	112	108	76	52	48
Operational result	66	76	56	34	31
Order book	473	289	205	255	154
Number of employees at 31 December	10,611	9,321	6,080	5,329	4,948
<b>Stork Fokker Aerospace</b>					
Net turnover	597	543	539	535	484
Result before depreciation and amortisation (EBITDA)	62	8	35	74	57
Operational result	26	(25)	10	62	44
Order book	831	818	773	617	634
Number of employees at 31 December	3,700	3,604	3,507	3,358	3,158
<b>Other activities</b>					
Net turnover (Inter company elimination)	(10)				
Result before depreciation and amortisation (EBITDA)	11				
Operational result	(1)				
Order book	–				
Number of employees at 31 December	75				
<b>Stork B.V.</b>					
Net turnover	1,772				
Result before depreciation and amortisation (EBITDA)	184				
Operational result	91				
Result after tax	84				
Order book	1,304				
Number of employees at 31 December	14,386				

\* Previous years are presented for reference purposes only.

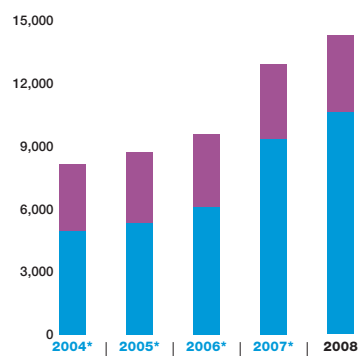
**Net turnover**  
(in € million)



**Operational result**  
(in € million)



**Number of employees**



■ Technical Services  
■ Aerospace

## Organisational structure

### Board of Management

Sj.S. Vollebregt\* (Chairman and CEO)

J.C.M. Schönfeld (Vice Chairman), until 1 January 2009

J. Turkesteen\*, from 1 August 2008 (CFO)

H.E.H. Bouland\* (COO)

	Director	Controller	HRM
<b>Stork Technical Services</b>			
	D. Meikle*	J.G.B.J. Hooge Venterink	I.J.H. Vermeulen MA
	J.B.J. Bruggenthijns*	C.A. van Rooden RA	E.W. Bot
	J.M. Ros*		
<b>Stork Fokker Aerospace</b>			
	H. Büthker*	G.J.H. Wijnands	R.M. Clermonts
	J.P.D.M. Lagasse*	R.J.H. Hutten RC	J.M. Matthijssen BA
	R.A.M. van Dijk MBA*	A. Hermsen RC	H.C.M. Vreeburg
	E.E. Schelling MBA	A. Franken	

Corporate Legal

Mrs. H.F.M. Defesche

Corporate Control

Mrs. A. Walles RA RC

Corporate HRM

I.J.H. Vermeulen MA

\* Member of the Group Management Committee.

## Vision

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Stork companies excel in the development and availability of critical components, industrial services and expert knowledge for Technical Services and Aerospace's customers at a competitive rate.

## Mission

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Build superior specialist businesses for future generations, generate adequate funding for growth and as a result grow our shareholders equity investment accordingly.

## Core activities

### Stork Technical Services

- Assembly, installation, (preventive) maintenance, repair, modification, relocation and extension of technical installations, ranging from process installation to process-supporting installations and equipment
- Asset management
- Consultancy and technical (maintenance) management
- Project management and execution
- Maintenance and repair of production machines, machine tools, gearboxes, steam and gas turbines, compressors and generators
- Production of turbine components
- Maintenance and production of components and pressure parts of power generation and service
- Materials and damage investigations
- Heat treatment, inspection and consultancy
- Sale and rental of equipment and tools

### Stork Fokker Aerospace

- Design, development and production of complex lightweight structures for the aviation, aerospace and defence industries
- Design, development and production of electrical wiring and interconnection systems for aircraft and engines
- Design, development, production and maintenance of composite and metal landing gear
- Project handling, system engineering and supply chain management
- Type Certificate Holder for the Fokker fleet and therefore responsible for airworthiness
- Integrated technical and maintenance services aimed at extending the lifetime of the worldwide Fokker fleet
- Component supply and maintenance solutions for operators of commercial and defence aircraft
- Modifications and conversions commercial and defence aircraft for other applications

# Summary of events

- 04-01-2008 Extraordinary General Meeting of Shareholders Stork
- 15-01-2008 Shareholders, representing 98% of Stork's share capital, accept London Acquisitions B.V.'s offer.
- 17-01-2008 London Acquisition declares offer for all outstanding shares of Stork unconditional.
- 22-01-2008 Settlement of offer for Stork completed.
- 24-01-2008 The Enterprise Chamber of the Amsterdam Court of Appeal has established that the investigation into the affairs of Stork has ended. The three extra supervisory board members designated by the Enterprise Chamber – Mr. D.G. Eustace, Mr. C.J.A. van Lede and Mr. W. Kok are no longer in function.
- 29-01-2008 Stork financial year 2007: Technical Services excellent, tough year for Aerospace.
- 04-02-2008 99.5% of outstanding shares Stork committed to London Acquisition.
- 20-02-2008 Listing of Stork N.V. at Euronext stock exchange is terminated.
- 13-03-2008 Stork Aerospace designs, develops and manufactures composite tail and bonded fuselage panels for the all new Gulfstream 650.
- 17-03-2008 Rheinmetall takes over Stork PWV.
- 18-04-2008 Stork Aerospace and Lockheed Martin sign agreement for F-35 (Joint Strike Fighter).
- 08-05-2008 Sale of Stork Food Systems to Marel Food Systems completed.
- 28-05-2008 Announcement of change in Board of Management of Stork. Mr. Maarten Schönfeld, CFO and Vice Chairman of the Board of Management, will step down with effect from 1 January 2009. His successor, Mr. Hans Turkesteen, will join the Board of Management from 1 August 2008.
- 28-05-2008 Fokker Services wins Siemens Product Lifecycle Management (PLM) Excellence Award 2008.
- 20-06-2008 Stork Asset Management Solutions BP&IT has gained accreditation from IBM Tivoli.
- 01-07-2008 Upstream legal merger of Stork B.V. into London Acquisition B.V., which subsequently changed its name into Stork B.V.
- 05-08-2008 Satisfying performance continuing operations first six months 2008; Technical Services continuously strong.
- 14-10-2008 By judgment dated 14 October 2008 the Enterprise Chamber of the Amsterdam Court of Appeal (the 'Enterprise Chamber') has ordered the minority shareholders in the capital of the Company (the 'Minority Shareholders') to transfer their ordinary shares in the Company (the 'Minority Shares') to Stork Holding B.V. ('Stork Holding').
- 13-11-2008 Fokker Elmo (part of Stork Fokker Aerospace) opens a new manufacturing facility in Izmir, Turkey.
- 03-12-2008 Essent rates Stork highest on safety. The 'Contractor Safety Award' in the category 'Projects over 10,000 hours' went to Stork Technical Services.
- 01-02-2009 Mr. Doug Meikle appointed head of management board Stork Technical Services.
- 06-03-2009 Annual results 2008: Robust performance in both core activities Stork Technical Services and Stork Fokker Aerospace.

## General

The corporate structure of Stork changed considerably in 2008 as a result of the public bid made in 2007 by a consortium led by Candover. The public-to-private transaction took effect on 22 January 2008. The public bid by London Acquisition B.V. resulted in an overwhelming tendering of 99.6% of all shares in Stork. The listing of the shares of Stork was terminated on 20 February 2008. The remaining 0.4% of the shares were obtained on 16 October 2008 by means of a so-called squeeze out procedure in accordance with the Dutch Civil Code.

The corporate restructuring involved, among others, changing Stork from an N.V. into a B.V., followed by a merger of Stork B.V. and London Acquisition B.V. Furthermore a corporate restructuring of Stork's companies in the USA took place. Stork granted security over its assets to the banks involved in financing the acquisition of Stork and in financing Stork's business.

The sale of Stork Food Systems to Marel Food Systems was completed on 8 May 2008.

The regular meetings of the Supervisory Board were held on a monthly basis and two extra meetings were held. In addition to the Annual General Meeting of Shareholders two Extraordinary General Meetings of Shareholders were held for discussing the public bid made by the consortium led by Candover and for deciding on the necessary corporate changes.

## Composition of the Supervisory Board

The composition of the Supervisory Board changed completely in January 2008. The ordinary members of the Supervisory Board agreed to stand down from the date on which the offer price under the public bid was paid by London Acquisition B.V. The court appointed the Enterprise Chamber of the Court in Amsterdam discharged members from their tasks on the date the investigation into Stork ended. Consequently until 22 January 2008 the chairmanship of the Supervisory Board was fulfilled by Mr. P.J. Kalf, and Mr. A. Van der Velden acted as Vice Chairman. Other members were Messrs Van den Driest and Aalberts. Almost simultaneously the three extra supervisory directors designated by the Enterprise Chamber of the Court in Amsterdam, Mr. D.G. Eustace, Mr. C.J.A. van Lede and Mr. W. Kok were discharged of their duties by the Enterprise Chamber.

We are very grateful for the effort and contribution of the previous members of the Supervisory Board, who have successfully led Stork, together with the Board of the Management, through 2 years of turmoil. They have also been most helpful to the new members of the Supervisory Board for them to settle in as quickly as possible and to assume their tasks.

Since 22 January 2008 the Supervisory Board consists of the following members: Mr. J.H. Schraven (Chairman), Mr. M.S. Gumienny (Vice Chairman), Mr. E.J.F.H.C. Ernst and Mr. P.F. Hartman. Mr. Schraven and Mr. Hartman are independent within the meaning of best practice provision II.2.1. of the Tabaksblad Code. Mr. Hartman was further recommended by the Central Works Council of Stork. Mr. Gumienny and Mr. Ernst are both from Candover. Mr. C.J. van den Driest has rejoined the Supervisory Board in February 2008. Mr. Van den Driest was also nominated on the recommendation of the Central Works Council of Stork and is independent within the meaning of the Tabaksblad Code (best practice III.2.2). Landsbanki and Eyrir Invest jointly had the right to request the Supervisory Board to make a nomination to the Supervisory Board. Consequently, Mr. A. Thordarson joined the Supervisory Board in June 2008. The composition of the Supervisory Board taken as a whole does not comply with best practice provision III 2.1. of the Tabaksblad Code.

## Supervisory Board Regulations and Profile

A new profile of the Supervisory Board of Stork N.V. was discussed at the Extraordinary Meeting of Shareholders on 4 January 2008, and this has since taken effect as part of the newly confirmed Supervisory Board Regulations.

In carrying out its duties and in its contacts the Supervisory Board has at all times focused on the interests of the company and its related businesses, and in doing so constantly gave careful attention to the interests of all stakeholders of Stork.

### **Consultation with the Board of Management**

In 2008 the Supervisory Board of Stork met on 14 occasions, all of which in the presence of the Board of Management. Apart from the regular meetings, an extra meeting was held in preparation of the EGM on 4 January 2008 and an extra meeting was held on 5 June 2008 in relation to amongst others the appointment of Mr. Thordarson as member of the Supervisory Board. Not all Supervisory Board members were always able to be present in person. This was in most cases solved by participation by telephone, or otherwise by exchanging information before and after the meetings. As a result no member of the Supervisory Board was frequently absent.

In addition, regular meetings were held between individual members of the Supervisory Board and of the Board of Management, whereby particularly the Chairman of the Supervisory Board and Mr. Ernst as Chairman of the Audit Committee maintained intensive contact with the CEO and the CFO. Significant parts of the regular meetings in January, April, July and November were devoted to the financial results of Stork, with the findings of the Audit Committee playing an important role on each of these occasions.

### **Consultation with the Central Works Council**

Members of the Supervisory Board were present at 4 of the consultative meetings of the Central Works Council. Furthermore there were frequent discussions between the chairman and members of the Supervisory Board with the chairman, co-chairman and secretary of the Central Works Council.

### **Financial statements 2008**

The external auditors, KPMG Accountants N.V, have audited the financial statements for 2008 prepared by the Board of Management. For the Auditors' report we refer to page 72.

The Audit Committee and the Supervisory Board discussed the financial statements with the Board of Management in the presence of KPMG.

In relation to the financial statements for 2007, the dividend proposal, the Management Letter of the external auditor, the Letter of Representation, the Declaration on risk management and the 2007 annual report were discussed at the January meeting, as were the preparations for the General Meeting of Shareholders.

The Operational Plan and the Investment Plan for 2009 were discussed and approved in the December meeting.

The Board of Management consults the Supervisory Board on potential and current major projects at each meeting. The same applies to important acquisitions and disposals arising in relation to the implementation of the strategy. Where necessary or useful the specific approval of the Supervisory Board is sought. In addition, the course of affairs and the strategy of Stork Technical Services and Stork Fokker Aerospace were repeatedly discussed partially in the presence of management of the relevant strategic units. Also the policy of Stork and accident rates regarding Safety, Health, Environment and Quality (SHEQ) were reviewed and discussed. In the last quarter the possible risks of the recession for Stork were extensively discussed.

In a meeting held without the presence of the Board of Management, the Supervisory Board assessed its own functioning against the requirements stated in the Outline profile of the Supervisory Board. At this same meeting, the functioning of the Board of Management and of its individual members was discussed.

## **Audit Committee**

The Audit Committee met four times in the presence of the CEO, CFO, corporate controller, the head of Operational Audits and external auditor, in each case prior to the meeting of the Supervisory Board covering the quarterly results. The Audit Committee discussed the following key subjects and reported on these to the Supervisory Board:

- The quarterly results and the annual result.
- The findings of the external auditor from the auditing process, the management letter and the follow-up of the recommendations contained therein.
- The internal control framework, including the functioning and the findings of the internal operational audits.
- Risk Management.
- Dividend policy.
- Financing issues.

On each occasion the Audit Committee concluded that the results and figures presented by the Board of Management had been produced in a methodical and structured way, and that they provided a true and fair representation of the actual situation. The committee also concluded on the basis of its findings that the internal control framework operates properly, and the whole Supervisory Board supported this conclusion.

## **Remuneration Committee**

The remuneration committee consisted during 2008 of the following members: Mr.C.J. van den Driest (Chairman) and Mr. M.S. Gumienny. The committee met on two occasions in 2008, apart from regular consultations held by telephone. The remuneration policy for the Board of Management remained essentially unchanged after the transition from a publicly listed company to a private environment as far as the fixed salaries and the annual bonus system are concerned. However an adjustment of the fixed salaries was applied to compensate for the loss of a previously existing annual stock appreciation rights plan. In addition, the Board of Management as well as certain other senior staff members of the company have been offered the opportunity to participate in a newly developed Stork Management Investment Plan.

The participation of management alongside the shareholders is in-line to what is customary in private equity. It is to ensure that amongst others interests of the company, management and shareholders continue to be well aligned and that stability and continuity of senior management in key positions is ensured.

In February the above-mentioned adjustment to the fixed salaries due to the abolishment of the previous share plan has been discussed with the Board of Management. Also the performance in relation to the agreed bonus targets for 2007 has been reviewed as 60% achieved on the basis of which the to be paid amounts over the year 2007 have been recommended to the Supervisory Board

In addition, an extra bonus was paid to all members of the board rewarding achievements with the process of P2P and the closing of discussion with shareholders.

In May the compensation package applicable to the newly appointed CFO Mr. H. Turkesteen has been discussed and agreed upon.

In June discussions with the Chairman of the Board of Management concerning the content of the Business Letter targets and Management Agenda 2008 took place. These targets have been developed on the basis of 'ambitious but doable' and will be used to determine the bonuses over the year 2008.

In September the arrangements in connection with the withdrawal of Mr. J.C.M. Schönfeld as CFO have been determined and confirmed.

Finally in November the committee was consulted on the compensation package for Mr. D. Meikle who has been appointed as CEO of Stork Technical Services and member of the Executive Board as from 1 February 2009.

Finally, the Supervisory Board would like to thank the employees for their commitment and contribution in the first year of Stork as a private enterprise. Their performance was very good under difficult circumstances.

## General

Stork can look back with satisfaction on 2008, its first year under private equity ownership. Stork N.V. ceased to exist as a listed company on 20 February 2008. The sale of Stork Food Systems to Marel Food Systems was subsequently concluded at the beginning of May. From that point the company was able to focus its attention entirely on the execution of its strategy as formulated earlier, and on the (operational) management of the core activities Stork Technical Services and Stork Fokker Aerospace. This allowed a certain degree of stability to be achieved during the year, and a further strengthening of the (financial) results. Turnover increased to almost € 1.8 billion, and the operational result of more than € 90 million can be regarded as solid. Together with substantial investments of € 91 million in projects and in the various lines of business, and an order book of around € 1.3 billion for the coming two years, an important step has been taken towards achievement of our strategic goals. The operational processes were again further improved in 2008 under the World Class Performance (WCP) programme. Stork employs a total of 16,500 people around the world, of whom around 50% in the Netherlands.

## Financial performance in 2008

The operational result of Stork B.V. in 2008 was € 90.5 million. After the acquisition by the consortium led by Candover a sound financing structure was chosen, combining external bank financing with a (subordinated) shareholder loan on which no cash interest is payable. Reference is made to page 14 for an overview of the transaction structure. At end-2008 the net debt for the Stork Group was approximately € 500 million, which amounts to 2.7 times EBITDA. The bank financing was provided by a syndicate of banks, and has a duration of 8 years. The relatively low leverage, long-term commitment and repayment-free terms for the coming years form a solid point of departure, especially in today's financial markets.

The turnover and EBITDA of Technical Services increased further to € 1.2 billion and € 112 million, respectively.

The specialists' activities made a significant contribution to these results. The result development at Aerospace was positive, certainly compared with 2007 when a substantial provision had to be charged for the NH90 programme. Turnover and EBITDA were € 0.6 billion and € 62 million, respectively. Major current programmes such as A380, NH90 and JSF, as well as service activities on the Fokker fleet and other aircraft, made good contributions to this performance.

## Strategy

In 2008 Stork continued to build on the solid base laid in past years. Stork has aimed strongly since 2002 on improving profitability, creating value in both the short and long term and strengthening focus on the core activities. Value is created on the one hand by organic growth and selective acquisitions, and on the other hand by working towards operational excellence in the companies. This strategy enables an optimal return on invested capital to be achieved. The World Class Performance (WCP) programme, which aims at continuous improvement of operational performance, plays an important role in achieving this.

Within the strategy, Stork focuses on further development of the core activities Stork Technical Services and Stork Fokker Aerospace. The underlying companies are specialists in their fields, each with leading market and technology positions and strongly placed for further growth. Both Technical Services and Aerospace have a 'triple A' customer base and an outstanding track record in technological innovation and the development of advanced service concepts.

## Core activities

### Stork Technical Services

Stork Technical Services is a knowledge-intensive and professional provider of integrated technical services and components for the modification and maintenance of process plants and machines in the industrial market. The focus is on creating added value by optimising the total cost of ownership. This implies the lowest possible cost per unit of product during the life cycle of an installation or machine (Asset and Integrity Management).

The growth strategy of Stork Technical Services focuses on the attractive markets for oil, chemicals, gas, energy and the related specialised services. Developments in these markets in the short term are not immune to the economic crisis, but in the longer term are positive. The economic recession first made its effects felt in the US and European industrial sector. Because customers are producing less, their investment budgets are under pressure. As a result, Technical Services aims at further increasing the efficiency of its partnerships with customers. The current situation is leading to new and creative measures. Processes are being tackled on an integrated basis, and costs made transparent. This creates predictability for customers, and reduces the complexity of plant management.

Technical Services expects that the market segments in which it operates will show no growth in 2009. The general maintenance market will decline as a result of the strong cost-reduction programmes of customers. This decline will be primarily addressed by reducing the numbers of temporary staff. However it is vitally important to retain knowledge, expertise and experience in the organisation.

The asset management, modification and maintenance activities are concentrated mainly in Europe and the Caribbean region. The more specialised technical expertise is represented worldwide, and is grouped in five clusters: Power Services, Thermal & Inspection Services, Materials Technology, Sales & Rental Services and Manufacturing Services. As soon as the markets begin to recover, they will jointly have a good point of departure for steady further international expansion. As well as organic growth, possible acquisitions may be made to strengthen the existing positions. Stork Technical Services maintains its ambition of being among the top players in the relevant benchmark.

#### **Financial results 2008**

Technical Services performed well in 2008. Turnover increased by 8.8% to € 1,185 million, and EBITDA increased by 3.7% to € 112 million. The specialists' activities in particular benefited from the generally favourable market situation in 2008, with a high production volume and a good product mix. In addition, operational costs and project execution were well controlled.

The order book (for the coming two years) increased further to € 473 million, and provides a good starting position for 2009. The redevelopment of the Schoonebeek oilfield for Nederlandse Aardolie Maatschappij and the modernisation and expansion of the Maasbracht power station are important orders received during the year.

Technical Services had over 10,600 employees at end-2008.

#### **Stork Fokker Aerospace**

Stork Fokker Aerospace develops and produces complex (lightweight) structures and electrical wiring systems for the aviation and aerospace industries. In addition, the service activities are directed at the maintenance of components and providing (integrated) logistics and engineering services for the Fokker fleet, as well as other aircraft types such as the Bombardier Dash 8.

The aviation industry will also feel the effects of the economic recession. The short-term impact is hard to predict, but is expected to become clear during 2010. In the long term this is a market with stable growth and an irreversible development in the direction of sustainable aviation with efficient aircraft and lower environmental impact. The use of lighter materials such as Glare and composites perfectly matches these trends. Aerospace plays a leading role in this area through its many years of experience in the development and application of these materials. Its knowledge and experience as integrator, based on the Fokker legacy, are important distinguishing characteristics in the market. They are also decisive factors in supporting customers in solving complex design problems for structural components and production, both in the Netherlands and in other countries.

The business model, which Fokker Elmo Wiring Systems has been following since the 1990s, seamlessly matches the current market developments. Under this model, the design and development of wiring systems for commercial aircraft are carried out in the Netherlands, with series production taking place in China. A comparable model is now being applied to wiring systems for military aircraft programmes, with the recently opened factory in Turkey.

Particularly in the current economic situation, customers' goals of reducing costs and increasing the flexibility of their cost structure are resulting in a sustained trend towards increasing outsourcing levels for service activities. Not only is the percentage of outsourced work growing, but the nature of outsourcing is also becoming increasingly comprehensive. For this reason, approaches that offer customers total, end-to-end support packages such as availability and 'power-by-the hour' concepts are increasingly in demand. However only a limited number of players are able to offer proven experience and a global support infrastructure for concepts of this kind.

#### **Financial results 2008**

Stork Fokker Aerospace also showed a satisfactory performance in 2008. Turnover increased by 9.9% to € 597 million, and EBITDA increased to € 62 million. All the Aerospace lines of business performed better than in the preceding year. However the landing gear and aircraft conversion activities have not yet reached the required profitability level. World Class Performance projects have made an important contribution to the further improvement of efficiency, cycle times and quality of the operational processes. In 2009 WCP will remain a vital factor in the integrated continuous improvement approach aimed at the highest achievable level – in other words operational excellence.

The order book (for the coming two years) is € 831 million, and provides a good starting position for 2009. In March 2008 Gulfstream introduced its G650 new generation business jet. Aerospace has been selected as partner for the tail section and floor panels, through which it is once again taking a prominent position in a leading business jet programme. In April 2008 Fokker Elmo Wiring Systems and Lockheed Martin signed the agreement for wiring systems for the F-35 Lightning II (JSF), with a total potential order value of US\$ 2 billion. This agreement again shows that the JSF programme is a success for the Netherlands. Together with other Dutch companies, Stork is in negotiations with the government about the correct interpretation of the joint financing agreement which was reached in 2002. The outcome is expected in the first half of 2009. Significant progress has been made together with the partners in the NH90 (helicopter) programme towards setting up a robust organisation for the sustainment phase of the programme. The order book for the Aerospace service activities increased slightly relative to the preceding year. Aerospace had 3,700 employees at end-2008.

#### **Safety, Health, Environment and Quality**

Safety as a core value is driven and promoted by the Board of Management, for example through mandatory guidelines. This is a license to operate. The policy was again intensified in 2008, with the aim of further improving working safety at Stork. The target is to reduce the number of accidents resulting in absence from work by at least 10% per year. Increasing safety awareness and improving safety among employees are the subjects of continuous efforts in the form of thematic actions, instruction and training.

The working safety approach is based on the Deming circle; a yearly cycle of planning, action, measuring the results and then adjusting the plan. As well as this structural approach, targeted safety audits were also carried out in the companies during 2008. Attention was further paid to the dissemination of safety-related knowledge and experience, with the emphasis on the shopfloor. This includes people holding each other accountable for unsafe behaviour. This approach has resulted in a further reduction in the number of accidents resulting in absence from work by 23% in relation to the total number of working hours.

#### **HRM policy**

Stork again made significant investments in (professional) training in 2008. The World Class Performance (WCP) programme was further embedded in the organisation, based on the strategy of also creating value through operational excellence. The contribution of HRM within the WCP programme is focused on extra attention for leadership and its development, in which change management skills are of great importance.

Selected employees have received specific training and are actively involved in the WCP programme. This has allowed an increasingly complete set of modules to be developed, which employees can put into practice directly. These modules are focused on the one hand on developing increased expertise in specialised areas, and on the other hand on efficient and effective working methods in relation to both the organisation and customers.

The economic situation means that the scarcity of technical staff has improved somewhat. However the shortage of people with the expertise required for the markets in which Stork operates is structural. Stork is therefore continuing its strategy in relation to the recruitment and retention of young people. This includes good representation in activities at the universities (of technology) and technical colleges, as well as other initiatives to increase the interest of young people in technology, for example in partnership with the Royal Netherlands Air Force and KLM in 2008. In addition, Stork is giving sustained attention to continuous employee education and training, both internally and together with external parties.

## **Risk management**

The Stork internal risk management system is based on the COSO framework. The significant risks to which Stork is exposed are identified and assessed at reporting unit level, and are then evaluated and discussed at corporate level. For more information, reference is made to page 30 of this report.

The Board of Management believes in relation to the financial reporting risks that the risk management and monitoring process provides an adequate degree of certainty, and that the financial reporting is free of material misstatements. Policy remains focused on the constant assessment and improvement of the risk management system, with the aim of continuous optimisation of the reliability and effectiveness of these processes. The Board of Management regularly discusses these processes and their monitoring with the Audit Committee and the Supervisory Board.

## **Outlook for 2009**

In accordance with our strategy, Stork is focusing on further successful and sustained growth of its core activities. Clear ambitions in this respect have been formulated in the new (shareholders) structure, and there is a robust foundation on which to build. However, Stork is anticipating a number of more difficult years as a result of the rapid changes in the economy and the resulting less favourable situation at present. The ambitions for the further growth of Stork Technical Services and Stork Fokker Aerospace will therefore be pursued only with great care.

On top of more than 14,000 employees worldwide, Stork has a flexible 'shell' in terms of personnel of around 15%, which allows it to absorb the fluctuations in the economy. In addition, Stork generates a solid cash flow which creates a buffer against the economic crisis. Stork will continue to devote a great deal of energy and attention to structural improvement of profitability and capital intensity, with the ambition to maintain a performance level in the top 25% of the benchmark group. This will strengthen the organisation and allow us to further develop through both organic growth and acquisitions. Stork will continue to invest in its customers, people, products, (technology) projects and lines of business.

It is not possible in the current economic climate to give a firm outlook for 2009. The progress made in 2008, however, provides the company with a solid starting position to weather the economic storm and move forward as soon as the market starts to recover.

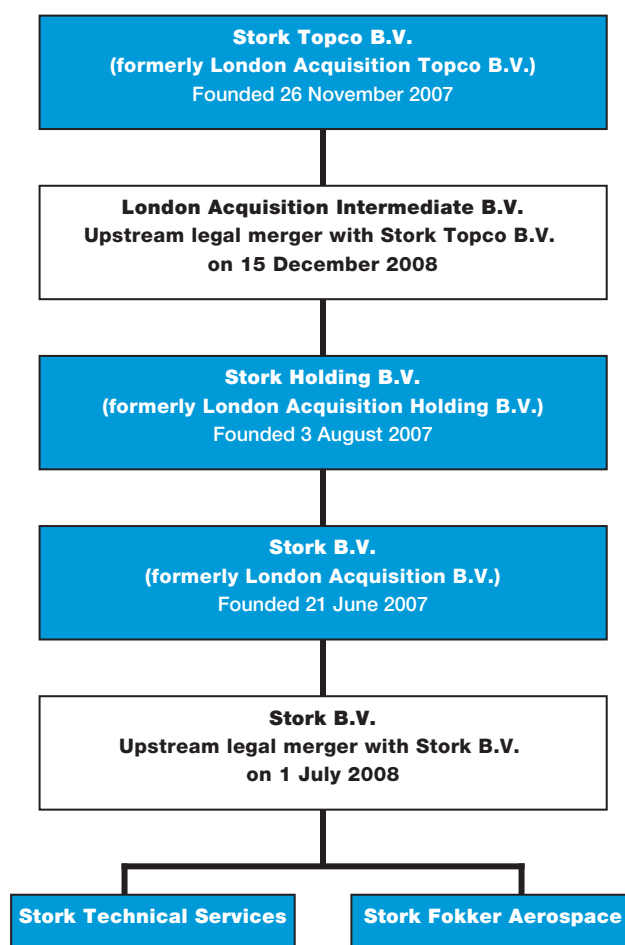
Sj.S. Vollebregt (Chairman and CEO)

J. Turkesteen (CFO)

H.E.H. Bouland (COO)

The Stork Group structure changed considerably during 2008. A public bid by a consortium led by Candover Partners Limited Ltd. on the shares of Stork N.V. resulted in the delisting of Stork N.V. from Euronext Stock Exchange on 20 February 2008. As a result of this public to private transaction, a corporate restructuring took place, which involved amongst others the change from Stork N.V. into a B.V., followed by an upstream merger between Stork B.V. and the bidding company, London Acquisition B.V. (which was thereafter immediately renamed into Stork B.V.).

The shares in the Stork Group are indirectly held by funds managed by Candover, Eyir Invest and management participation funds. Stork Topco B.V. is the ultimate Dutch holding company and head of the Dutch tax fiscal unity. Stork Holding B.V. holds the main part of the syndicate credit facility. Stork Topco B.V. and Stork Holding B.V. can be classified as the financial holding companies of the Group. Stork B.V. is the parent company of numerous operating companies. The Group structure is as follows:



The financial statements in this annual report concern Stork B.V. only. As discussed above a number of changes have occurred in the group structure of Stork as a result of the public to private transaction. The external bank debt, for instance, has been committed at the level of Stork Holding B.V. Further, shareholder funds were committed at the level of Stork Topco B.V. and pushed down to the level of Stork Holding B.V. As disclosed in notes 43 and 70 to the financial statements, Stork B.V. has pledged most of its assets on behalf of the syndicate credit facility, but does not (fully) reflect the bank debt on its balance sheet. For reference purposes we present below an unaudited pro forma income statement and balance sheet that include the financial impact of the external bank debt on the operational result and financial position of Stork B.V.

## Pro forma condensed consolidated income statement<sup>1)</sup>

(in € million)

	2008 (unaudited)
Net turnover	1.772
Cost of sales	(1.313)
<b>Gross operating income</b>	<b>459</b>
Sales costs	(85)
General administrative expenses	(301)
Other operating income	18
	(368)
<b>Operational result</b>	<b>91</b>
Financial income	18
Interest paid on bank debts	(68)
Share of profit of associates	5
<b>Result before tax</b>	<b>45</b>
<b>Result before depreciation and amortisation (EBITDA)</b>	<b>184</b>

<sup>1)</sup> Excluding transaction related income and expenses.

## Pro forma condensed consolidated balance sheet

(in € million)

	31-12-2008 (unaudited)
Non-current assets (excluding loans to parent companies)	1.295
Current assets (excluding cash and cash equivalents)	685
<b>Total assets</b>	<b>1.980</b>
Current liabilities (excluding bank overdraft)	672
Non-current liabilities (excluding long-term debt)	160
<b>Total liabilities</b>	<b>832</b>
<b>Capital employed</b>	<b>1.148</b>
Capital at risk (equity + shareholder loans)	624
Long-term bank debt	819
Net cash and cash equivalents	(295)
<b>Total funds</b>	<b>1.148</b>
<b>Working capital</b> (current assets -/- current liabilities)	<b>13</b>
<b>Net debt</b> (long-term bank debt -/- net cash and cash equivalents)	<b>524</b>

## **Stork B.V.**

Stork B.V. is a limited liability company according to Dutch Law, with its corporate seat in Amsterdam, the Netherlands. Because of Stork's size, the Dutch rules to statutory two-tier entities ('structuurvennootschap') are applicable.

Storks corporate structure changed considerably during 2008. A public bid by a consortium led by Candover Partners Limited Ltd on the shares of Stork N.V. resulted in the delisting of Stork N.V. from Euronext Stock Exchange on 20 February 2008. As a result of this public to private transaction, a corporate restructuring took place, which involved amongst others the change from Stork N.V. into a B.V., followed by an upstream merger between Stork B.V. and the bidding company, London Acquisition B.V.

Stork B.V. is now the parent company of numerous subsidiaries, which together form the Stork group of companies.

A picture of the structure of the Stork Group including the ultimate holding company, Stork Topco B.V., can be found on page 14 of this annual report.

The shares in the Stork Group are indirectly held by funds managed by Candover, Eyir Invest and management participation funds.

Since Stork B.V. is no longer a listed company, the Netherlands Corporate Governance Code is not applicable to Stork B.V. Nonetheless; Stork's corporate governance practices are in conformity with most of the best practice provisions of the Code.

## **General Meeting of Shareholders**

In accordance with the articles of association of Stork B.V., the General Meeting of Shareholders has the power to determine the number of managing and supervisory directors, to adopt the remuneration policy of the Board of Management and to determine the remuneration of the Supervisory Board members. The approval of the General Meeting of Shareholders is furthermore required for resolutions of the Board of Management about an important change of the identity or the nature of the company.

## **Board of Management**

The Board of Management of Stork B.V. is responsible for the management of Stork, which means, among other things, that it is responsible for achieving the company's targets, strategy and managing the risks inherent in the business activities. The Board of Management is accountable to the Supervisory Board and to the General Meeting of Shareholders. The Board of Management is guided by the interests of Stork as a whole and its business, taking into consideration the relevant interests of all those involved in Stork.

The Board of Management is responsible for complying with all relevant legislation and regulations, for managing the risks associated with Storks activities and for the financing of the Company.

The Board of Management is appointed by the Supervisory Board and consists of at least three members. As of 2008 (new) members are appointed for a period of four years and can immediately qualify for re-appointment. They can be dismissed (and suspended) by the Supervisory Board.

The Board of Management needs the approval of the Supervisory Board for a number of decisions in accordance with the law and the articles of association.

## **Supervisory Board**

The Supervisory Board has the task of supervising the policy of the Board of Management and the general course of affairs of the Company and the business connected with it. The Supervisory Board supports the Board of Management with advice. The responsibility for the discharge of its duties rests collectively with the Supervisory Board.

The Supervisory Board consists of at least five members and are appointed by the General Meeting of Shareholders upon nomination of the Supervisory Board. One third of the members of the Supervisory Board are nominated upon recommendation of the Works Council, unless the Supervisory Board objects to the recommendation based on the expectation that the recommended person will be unsuitable for the performance of the duties or that the Supervisory Board will not be suitably composed. The members are appointed for a period of four years but can immediately qualify for re-appointment, up till a maximum period of twelve years or upon reaching the age of seventy. The remuneration of the members of the Supervisory Board are determined by the General Meeting of Shareholders.

In performing its duties the Supervisory Board acts in accordance with the interests of the Company and the business connected with it, taking into account the interests of the Company's stakeholders. Members of the Supervisory Board carry out their duties in accordance with the law. The Supervisory Board is responsible for the quality of its own performance.

The Supervisory Board has drawn up an outline profile of its size and composition. The outline profile is available on written request to the Company for the attention of the Company Secretary.

The supervision of the Board of Management by the Supervisory Board includes: (i) the achievement of the Company's objectives; (ii) the company strategy and risks inherent in the business activities; (iii) the structure and operation of the internal risk management and control systems; (iv) the financial reporting process; and (v) compliance with the applicable legislation and regulations.

## **Financial reporting**

The Board of Management is responsible for the quality and the completeness of publicly disclosed financial statements. The Supervisory Board shall supervise compliance with internal procedures as defined by the Board of Management for the drawing up and publication of the annual accounts.

The annual financial statements of Stork B.V. are prepared in accordance with International Financial Reporting Standards (IFRS, as adopted by the EU). The annual report is available in the English language only. The annual financial statements are signed by the members of Board of Management and the Supervisory Board. The Supervisory Board or (the chairman of) its Audit Committee discusses the prepared annual financial statements with the external auditor prior to signing of the financial statements.

## Information on members of the Board of Management

---

### **Sj.S. Vollebregt (1954)**

*Nationality:* Dutch

Chairman Board of Management and Chief Executive Officer since 2002

*Supervisory Board memberships:* none

*Other activities:* none

### **J.C.M. Schönfeld (1949)**

*Nationality:* Dutch

Chief Financial Officer and vice-Chairman Board of Management since 2001, (CFO until 1 October 2008 and vice-Chairman until 1 January 2009)

*Supervisory Board memberships:* Arcadis N.V., Netherlands Blood Supply Foundation Sanquin, Technical University Delft, Royal School of Music and Art Academy The Hague

*Other activities:* Board Member 'Vereniging Effectenuitgevende Ondernemingen', member of the Board of Governors 'Postdoctorale Controllersopleiding Vrije Universiteit Amsterdam', member of the AFM Committee on Financial Reporting

### **J. Turkesteen (1963)**

*Nationality:* Dutch

Member Board of Management since 1 August 2008 and Chief Financial Officer since 1 October 2008

*Supervisory Board memberships:* none

*Other activities:* none

### **H.E.H. Bouland (1949)**

*Nationality:* Dutch

Member Board of Management and Chief Operations Officer since 1998

*Supervisory Board memberships:* none

*Other activities:* STEM Industrial Marketing Centre, Materials Innovation Institute M2i, Advisory Board University Fund Delft, Association FME-CWM

## Information on members of the Supervisory Board

---

### **J.H. Schraven (1942) (chairman) <sup>1)</sup>**

First appointed 2008

Member until AGM 2012

*Nationality:* Dutch

Former Chairman VNO-NCW / Former President Shell Nederland BV

*Other Supervisory Board memberships:* Corus Nederland BV, Tata Steel Ltd (India), Nuon NV, Oranje-Nassau Groep BV, Fortis Obam NV.

*Management and supervisory positions:* chairman Netherlands Normalisation Institute (NEN), chairman Netherlands Blood Supply Foundation Sanquin, Rotterdam Philharmonic Orchestra

*Other activities:* board member Carnegie Foundation

<sup>1)</sup> Member Audit Committee.

### **M.S. Gumienny (1959) (vice chairman) <sup>3)</sup>**

First appointed 2008

Member until AGM 2012

*Nationality:* British

Director of Candover Partners Limited

*Non executive directorships:* Candover Partners Ltd, EurotaxGlass, Gala Coral Group Limited, Parques Reunidos, Technogym SpA

### **E.J.F.H.C. Ernst (1972) <sup>2)</sup>**

First appointed 2008

Member until AGM 2012

*Nationality:* Dutch

Director of Candover Partners Limited

*Non executive directorships:* Springer Science + Business Media SA, ALcontrol Holdings Limited

### **P.F. Hartman (1949)**

First appointed 2008

Member until AGM 2012

*Nationality:* Dutch

President & CEO KLM nv

*Other Supervisory Board memberships:* Kenya Airways Group, RAI Amsterdam.

*Management and supervisory positions:* Advisory Board Made in Scotland, Advisory Board University Fund Delft, Advisory Board Netherlands Agency for Aerospace Programs, Advisory Board National Aerospace Laboratory (NLR) Foundation, Netherlands Board of Tourism and Conventions Supervisory Board, Dutch Dakota Association Recommending Committee, Royal Netherlands Navy Brass Band Recommending Committee

### **C.J. van den Driest (1947) <sup>4)</sup>**

First appointed 2006

Member until AGM 2012

*Nationality:* Dutch

Former chairman Board of Management Koninklijke Vopak N.V.

*Other Supervisory Board memberships:* Anthony Veder Group N.V., Darlin N.V., Dura Vermeer Groep N.V., Van Oord N.V., Koninklijke Vopak N.V.

### **A.O. Thordarson (1969)**

First appointment in (June) 2008

Member until AGM 2012

*Nationality:* Icelandic

Chief Executive Officer Eyir Invest ehf

*Other Supervisory Board memberships:* chairman Marel Food Systems hf, Board member Egils Brewery

*Management and supervisory positions:* none

The profile of the Supervisory Board can be found on [www.stork.com](http://www.stork.com).

<sup>2)</sup> Chairman Audit Committee.

<sup>3)</sup> Member Remuneration Committee.

<sup>4)</sup> Chairman Remuneration Committee.

### **Consultation with the Central Works Council**

The Central Works Council met in six regular consultative meetings and one extra meeting in 2008. The extra meeting was held in relation to the intended appointment of Mr. J. Turkesteen as CFO of Stork. The Central Works Council responded positively.

The following subjects, amongst others, were discussed in the regular meetings:

- Annual and quarterly results
- Management agenda's
- World Class Performance programme
- Sick leave and safety policy
- Management participation plan
- Profit sharing scheme
- 125 years of representative advisory council ('medezeggenschap')

The Chairman of the Board of Management and the Corporate HRM director attended almost all meetings. Four meetings were attended by a delegation from the Supervisory Board.

### **Composition of the Central Works Council**

The composition of the council was changed during the year. The council has the following composition:

Jan Plat (chairman)	(Technical Services)
Ben Eikens (secretary)	(Head office)
Guus Janssen (vice-chairman/secretary a.i.)	(Aerospace)
Bert Boersma	(Aerospace)
Arjan Meeuse	(Aerospace)
Paul de Jong	(Technical Services)
Gerard Goedkoop	(Technical Services)
Herman Marcus	(Technical Services)
Jacob van de Velde	(Aerospace)

# Financial Statements 2008

Stork B.V.

# Consolidated income statement

(in € x 1,000)

	For the period 21-06-2007 – 31-12-2008*
Net turnover <sup>32</sup>	1,772,040
Cost of sales	(1,313,466)
<b>Gross operating income</b>	<b>458,574</b>
Sales costs	(85,258)
General administrative expenses <sup>38</sup>	(300,834)
Other operating income <sup>39</sup>	18,052
	(368,040)
<b>Operational result</b>	<b>90,534</b>
Financial income <sup>40</sup>	31,333
Interest paid on long-term debts <sup>41</sup>	(13,633)
Issuing costs <sup>41</sup>	(14,511)
Share of profit of associates	4,992
<b>Result before tax</b>	<b>98,715</b>
Income tax <sup>42</sup>	(14,855)
<b>Result after tax</b>	<b>83,860</b>
<b>Attributable to</b>	
Equity holders of the company (net result)	83,862
Minority interest	(2)

\* As the company is established at 21 June 2007, no comparable figures are presented.

# Consolidated statement of recognised income and expense

(in € x 1,000)

	2008
<b>Equity at the beginning of the period</b>	–
Ordinary share capital as per opening balance of 26 November 2007	18
Share capital contribution	31,233
Share premium contribution	1,555,006
	<b>1,586,257</b>
Foreign exchange translation difference	(1,136)
Effective portion of changes in fair value of cash flow hedges	(21,018)
Net change in fair value of cash flow hedges transferred to the income statement	(11,412)
<b>Net result recognised directly in equity</b>	<b>(33,566)</b>
Result for the period	83,862
<b>Total recognised income and expense for the period</b>	<b>50,296</b>
Other movements	(20)
Movements in minority interest	72
<b>Equity at the end of the period</b>	<b>1,636,605</b>
<b>Net result recognised directly in equity</b>	<b>(33,566)</b>
Result for the period	83,860
<b>Total result for the period</b>	<b>50,294</b>
<b>Total result attributable to:</b>	
Equity holders of the company	50,296
Minority interest	(2)
	<b>50,294</b>

# Consolidated balance sheet

(in € x 1,000)

	31-12-2008	Opening balance as per 21-06-2007
<b>Non-current assets</b>		
Property, plant and equipment <sup>43</sup>	371,824	
Goodwill <sup>44</sup>	564,067	
Other intangible assets <sup>44</sup>	281,948	
Investments in associates <sup>45</sup>	33,003	
Receivables from associates <sup>45</sup>	117	
Derivative financial instruments <sup>68</sup>	36,855	
Loans to parent companies <sup>46</sup>	418,000	
Deferred tax assets <sup>57</sup>	7,004	
	1,712,818	-
<b>Current assets</b>		
Inventories <sup>48</sup>	184,902	
Due from customers <sup>49</sup>	134,013	
Trade and other receivables <sup>50</sup>	365,955	
Cash and cash equivalents <sup>51</sup>	310,410	18
	995,280	18
<b>Assets</b>	2,708,098	18
<b>Equity</b> <sup>52</sup>		
Share capital <sup>53</sup>	31,251	18
Share premium <sup>53</sup>	1,555,006	
Statutory reserve	(12,221)	
Other reserve	62,497	
Total equity attributable to equity holders of the company	1,636,533	
Minority interest <sup>56</sup>	72	
<b>Total equity</b>	1,636,605	18
<b>Non-current liabilities</b>		
Long-term debts <sup>58</sup>	224,333	
Employee benefits <sup>61</sup>	15,016	
Provisions <sup>60</sup>	31,453	
Derivative financial instruments <sup>68</sup>	19,924	
Deferred tax liabilities <sup>57</sup>	94,036	
	384,762	-
<b>Current liabilities</b>		
Due to customers <sup>49</sup>	213,440	
Trade and other payables <sup>59</sup>	403,720	
Current tax payable	19,187	
Bank overdraft <sup>51</sup>	15,128	
Current part of long-term debt	-	
Provisions <sup>60</sup>	35,256	
	686,731	
<b>Liabilities</b>	2,708,098	18

# Consolidated cash flow statement

(in € x 1,000)

	For the period 21-06-2007 – 31-12-2008
Operational result	90,534
Adjustments for	
Depreciation of property, plant and equipment	42,970
Amortisation of intangible fixed assets	35,830
Result from divestments of property, plant, equipment and others	(3,517)
Changes in provisions	(7,916)
Cash flow from ordinary operations before movements in working capital	157,901
Movements in inventories	(13,954)
Movements in receivables	7,842
Movements in liabilities	(2,893)
	(9,005)
<b>Cash flow from operational activities</b>	<b>148,896</b>
Income tax paid	(10,451)
Interest paid	(2,071)
Finance costs	(36,152)
Financial instruments	22,300
<b>Cash flow to financing operations</b>	<b>(26,374)</b>
Interest received	8,804
Dividends received	11,152
Proceeds from sale of property, plant and equipment	13,621
Proceeds from sale of subsidiaries	447,971
Investments in property, plant and equipment	(69,722)
Investments in other intangible fixed assets	(21,345)
Acquisition of subsidiaries	(1,578,610)
<b>Cash flow from investment activities</b>	<b>(1,188,129)</b>
Dividends paid	–
Additional capital and loans to group companies	1,168,257
Receipts from long-term debts	191,400
<b>Cash flow from financing activities</b>	<b>1,359,657</b>
<b>Net cash flow</b>	<b>294,050</b>
Exchange rate and translation differences on cash	1,214
<b>Movements in liquidity</b>	<b>295,264</b>
<b>Liquidity at opening balance</b>	<b>18</b>
<b>Liquidity at 31 December</b>	<b>295,282</b>
Bank overdraft	15,128
<b>Cash and cash equivalents</b>	<b>310,410</b>

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# Explanatory notes to consolidated financial statements

London Acquisition B.V. a private company with limited liability, was founded on 21 June 2007. On 1 July 2008 London Acquisition B.V. legally merged with Stork B.V. which was thereafter immediately renamed into Stork B.V. Stork B.V. (further referred to as 'Stork') has its statutory seat in Amsterdam, the Netherlands. Its headoffice is located in Naarden. Stork Holding B.V. is the parent and London Acquisition Luxco S.a.r.l. the ultimate parent company of Stork B.V. The first financial book year relates to the period from 21 June 2007 upto and including 31 December 2008. Until the acquisition of Stork N.V. on 22 January 2008 (see note 33), the company had no activities.

## 1 Consolidation principles

In the consolidated financial statements, Stork and the entities in which it directly or indirectly holds more than half of the shares or has a predominant influence on the management are consolidated in full. Minority interests in equity and result are stated separately. Associates are entities in which the group has a significant influence on the financial and operational policy but not a controlling interest. A significant influence is assumed to exist if the group holds between 20 and 50 per cent of the voting rights of another entity. Joint ventures are entities which the group jointly controls, and in which this control is laid down in an agreement and in which strategic decisions about the financial and operational policy are taken by unanimous agreement.

Associates and entities which Stork jointly controls are valued on the basis of the 'equity' method (investments are recognised according to the 'equity' method) and are valued at historic cost when first recognised. The investment of Stork includes goodwill as determined on acquisition, after deduction of cumulative impairment losses. The consolidated financial statements include the share of Stork in the total result and the movements in equity of non-consolidated investments recognised according to the 'equity' method, after correction of the accounting policies in accordance with the policies of Stork, from the date on which Stork first held a significant influence until the date from which this was no longer the case.

If the share of Stork exceeds the interest in an investment valued according to the 'equity' method, the carrying amount of that interest (including any long-term investments) in the balance sheet of Stork is reduced to zero and further losses are no longer taken into account except to the extent that Stork has entered into an obligation or has made payments on behalf of an investment valued according to the 'equity' method.

A jointly controlled activity is a joint venture in which each participant uses its own assets for the joint activities.

The consolidated financial statements include the assets controlled by Stork and the obligations which Stork enters into in carrying out the joint activity, as well as the costs incurred by Stork and the share of the income earned by Stork in the joint activity.

Intragroup balances and any unrealised gains and losses on intragroup transactions or income and expenses are eliminated in the preparation of the consolidated financial statements. Unrealised profits from transactions with associates and jointly controlled entities are eliminated to the extent of the interest held by Stork in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication for impairment.

## 2 Significant accounting policies

### 3 General

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and with Title 9 Book 2 of the Netherlands Civil Code. The consolidated financial statements were authorised for issue by the Board of Management and Supervisory Board on 5 March 2009.

The financial statements are presented in euros, rounded to the nearest thousand, unless explicitly stated otherwise.

The financial statements are prepared on historical cost basis, except for (derivative) financial instruments which are measured at fair value. Assets held for sale are stated at the lower of carrying amount or fair value minus the cost to sell.

For the separate income statement of Stork B.V., use is made of the exemption pursuant to Section 2:402 of Book 2 of the Netherlands Civil Code.

#### 4. Accounting policies

The financial reporting policies described below have been consistently applied presented in this consolidated financial statement.

The accounting policies are applied consistently by the group entities.

#### 5 Foreign currency

##### Foreign currency transactions

Transactions in foreign currencies are translated into euro at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into euro at the exchange rates at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in euro at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to euros at the exchange rate at the date that the fair value was determined. Exchange rate differences arising on retranslation are recognised in the income statement, except for a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in equity.

##### Translation of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into euro at the exchange rates applying on the balance sheet date. The turnover and expenses from foreign operations are translated into euro at an moving average exchange rate. Income and costs from foreign activities subject to hyper inflation are translated into euro at the exchange rate applying on the balance sheet. This situation did not occur in 2008. Exchange rate translation differences are recognised directly in the translation reserve.

##### Net investments in foreign activities

Exchange rate differences arising on the valuation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised directly in equity, to the extent that the hedge is effective. To the extent the hedge is ineffective, the differences are recognised in the income statement. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is recycled to the income statement.

The most important exchange rates used in relation to the euro are:

	2008
<b>Income statement</b>	
<b>Average exchange rates during the year</b>	
US dollar	1.48
Canadian dollar	1.56
Pound sterling	0.79
China Renminbi Yuan	10.23

	2008
<b>Balance sheet</b>	
<b>Exchange rates at year-end</b>	
US dollar	1.39
Canadian dollar	1.71
Pound sterling	0.95
China Renminbi Yuan	9.48

## 6 Financial instruments

### Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, long term debts, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised costs using the effective interest method, less any impairment loss.

### Derivative financial instruments

Stork holds derivative financial instruments to hedge its foreign currency and interest rate risk exposure arising from operational and financing activities. Stork holds the interest rate swaps on behalf of Stork Holding B.V. In accordance with treasury policy, Stork holds no derivatives for trading purposes nor does it issue these.

Derivative financial instruments are recognised at fair value. The fair value of currency forward exchange contracts is the listed market price on the balance sheet date, i.e. the present value of the forward price. The fair value of currency options is the listed market price on the balance sheet date. The profit or loss arising from changes in the fair value, due to exchange and interest rate differences, is recognised directly to the income statement except where cash flow hedge accounting is applied.

### Cash flow hedge accounting foreign exchange

Stork applies hedge accounting for currency risks arising from the Aerospace programmes. Financial instruments are used specifically to hedge the highly probable cash flows in US dollars expected from the Aerospace programmes. The effective parts of gains or loss on these financial instruments are recognised in the cash flow hedge reserve in equity. At the moment when the turnover or the cost of sales of the hedged cash flow is realised, the related cumulative gain or loss on the financial instrument is transferred from cash flow hedge reserve to turnover (incoming US dollar cash flows) or the cost of sales (outgoing US dollar cash flows). The ineffective part of the cash flow hedge is recognised immediately in the income statement.

When a financial instrument expires or is sold, the cumulative gain or loss remains in equity when the hedged transaction is still expected to occur. This gain or loss is recognised in accordance with the above principle when the transaction takes place. If the cash flow is no longer expected to occur, the cumulative unrealised gain or loss, which is deferred in equity, is immediately recognised in the income statement.

## 7 Financial risk management

### Risk management

The internal risk management system of Stork is based on the COSO framework for internal management.

The various significant risks with which Stork is faced in the strategic, operational and financial areas are identified and assessed at unit level. These risks are then evaluated and discussed at corporate level.

## Control measures

Policy rules and procedures are in place within Stork to control the identified risks. The most important are:

- the policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Therefore the Board of Management monitors the return on capital.
- the Corporate Governance structure (laid down in the Articles of Association of Stork B.V., the Terms of Reference of the Board of Management and the Supervisory Board, the Corporate Governance procedures for internal decision-making, approval requirements and advisory and notification requirements);
- the Stork Financial Manual containing the instructions for the structure of the financial reporting and the procedures to be followed in drawing up these reports;
- the Treasury Policy Plan containing the objectives and the policy rules for cash and currency management and financing;
- the procedure for Notification of Major Tenders, which states that every tender with a value exceeding € 2.5 million requires the approval of the Board of Management before commitments are entered into;
- the Safety, Health, Environment and Quality (SHEQ) policy, including the Code of Conduct;
- the investment and project control procedures.

These procedures and policy rules have been implemented at operating company level.

Where risks cannot be eliminated or prevented, the measures are focused on managing them.

The financial consequences of a number of those risks are covered by insurances, such as:

- Business liability insurance covering all Stork companies worldwide;
- Aviation Hull and Legal Liability Insurance covering all Stork companies with aviation-related activities;
- Extensive property risk insurance;
- Construction All Risks insurance.

## Control framework

The control framework gives coherence to the internal management elements, and contributes to a disciplined, structured approach. The factors determining the quality of the control framework are: the integrity, business ethics and expertise of employees, the management style and the way in which powers and responsibilities are delegated and monitored by management, but also the efforts and development of employees and the extent to which the factors referred to above are managed.

The control framework within Stork is based on a policy declaration by the Board of Management which is laid down in the Stork Code of Conduct. All employees have been made aware of the Code of Conduct, and it also appears on Stork's intranet and internet site.

## Information and communication

The communication of financial and management information takes place in accordance with predefined guidelines. For this purpose Stork uses a combination of verbal and written communication tools. The internal company training courses are also an important communication tool. Risk management forms an integrated part of many of the training programmes. The Units have training courses in the field of contract and project management which are focused on their own specific activities.

## Monitoring

Regular checks are made of whether the control activities are being applied properly and if they are sufficiently effective. Assessment is performed by means of continuous monitoring and evaluation. Monitoring of the internal risk management system is carried out in the monthly business reviews held by the Board of Management with the management of the Units, as well as in similar reviews within the Units. An important element of this process is the discussion of the financial reports which are submitted monthly – and every quarter in an extended form – by the management of the Units and the operating companies. Estimates of the possible financial consequences of the reported risks also form part of these reviews. The Board

of Management believes that the systematic reporting of the significant risks forms an important aspect of demonstrating the effectiveness of the internal risk management system.

### Evaluation

Evaluations are held at company, Unit and operating company level. This is done by the operational units themselves (Self-Assessment), the Stork Operational Audit group, Corporate Risk Management and the external auditor.

The Operational Audits provide independent, objective assurance and consulting on the operational activities of Stork. An important characteristic of an Operational Audit is that it by definition concerns a process or system audit. The assessment is therefore also applicable to the control system.

The Operational Audit group reports to the Board of Management, and also issues a report of its work to the Audit Committee of the Supervisory Board. It also coordinates its activities with the external auditor. The auditors help Stork and its operating companies to achieve their targets by assessing the effectiveness of the risk management, monitoring and control processes following a methodical and structured approach. Any shortcomings that are identified lead to improvement actions the progress of which will be monitored by means of follow-up audits.

Risk Management Audits are carried out to assess a number of essential aspects to determine whether the Corporate Governance rules are complied with.

This assessment includes:

- proper authorisation for the actions of employees;
- the sales process;
- the procurement process;
- project control procedures for the control of project risks.

The planning of these audits takes place at the initiative of the Board of Management, the management of the Unit or Risk Management itself.

Annually the external auditor assesses the financial reporting and the accounting and internal audit organisation in so far as these are relevant to the task of auditing the financial statements. The findings are reported in Management Letters to the Board of Management, the management of the Unit and the management of the individual operating companies. The external auditor also reports on the implementation of earlier recommendations. The external auditor reports on a regular basis to the Audit Committee of the Supervisory Board of Stork B.V. In addition, monthly consultations are held with the CFO and the Corporate Controller.

Stork applies a cascade system of Letters of Representation. These are declarations in which the operating company directors and controllers confirm the correctness and completeness of the information presented, as well as the proper observation of the Stork Code of Conduct. Next, the directors and controllers of the Units sign their Letters of Representation. Finally the Board of Management signs the Letter of Representation for the whole company. A declaration relating to internal risk management is signed in accordance with the same cascade system. This declaration states that the person signing it has during the reporting period independently and in a systematic manner analysed and assessed the risk management environment and the significant risks of the organisation concerned. This declaration also contains an assessment of the effectiveness of the internal risk management procedure.

### Important risks

#### Currency risks

The worldwide spread of the Stork activities means that currency risks are present. A core policy element is that these currency risks are hedged. This applies to both sales and procurement.

The translation risk on the US dollar of the investments in the US-based operating companies has been hedged by a US dollar loans from the syndicate credit facility in 2008. For this relation Stork applies net investment hedge accounting.

A basic principle is that tenders are made and contracts entered into in euro. However this is not always possible, especially in the Aerospace industry. Currency risks are in the first instance mitigated in the tender stage by means of appropriate tender conditions. Any currency exposures which nevertheless arise in this stage are hedged wherever possible. Currency risks in transactions are limited by conditions of payment, as well as by the use of various instruments which are available for this purpose.

Currency risks relate primarily to the US dollar. In this respect, Stork also recognises the longer-term economic risk of a threat to its competitive position in dollar-based markets. For this reason Stork takes measures aimed at reducing sensitivity to the value of the dollar. Particularly in the Aerospace activities, Stork has long-term currency liabilities (see note 64 for more information about currency management).

### **Innovation and technology development risks**

Stork is exposed to these risks in particular in the Aerospace activities. Stork distinguishes a number of risks in this area.

If a product is supplied with customer specifications that differ substantially from the standard, this can involve a risk.

This is already taken into account in the tender stage and in the acceptance of the order.

In most cases Stork supplies well tested and proven products and services. Agreements must be made with customers for the development of new products and services. In addition, the in-house technological developments are carried out within the framework of an approach which has been prepared in detail, including predefined milestones for go/no go decisions.

This also reduces the risks relating to whether the development is a match for market demand.

The aircraft industry has its own specific characteristics relating to development financing. In the civil aviation market it is customary in the case of orders for new programmes for suppliers to finance the costs of their own new developments, as well as the non-recurring costs for production preparation. Investments in new design and production programmes for the aircraft industry (non-recurring costs) must be capitalised and are charged to the result in accordance with the delivery schedule.

The innovation policy also involves specific risks inherent in investing in the development of new technologies that not only have to meet operational requirements, but also have to gain a position in the market if value creation is to be achieved.

Innovation policy therefore requires specific and constant attention and supervision if it is ultimately to result in successful new products.

### **Project and programme risks**

The Board of Management takes an active role in tenders for major projects in both Technical Services and Aerospace.

These tenders require the explicit approval of the Board of Management. Systematic risk analysis leads to risk-limitation measures in the tender stage, and is intended to avoid tendering for projects with an unacceptably high risk profile.

### **Project control**

The quality of project and contract management is improved by embedded in various training programmes. Project control is also essential for the management of project risks. The operating companies have project control procedures in which the progress of projects is assessed on a monthly basis in terms of costs, physical progress, contract variations and expected turnover. Any developments in the area of risks and the related risk management measures form an explicit element of these periodical assessments.

### Market risks

Specific programme risks exist in the Aerospace activities, especially in the commercial aerospace market. The most important risks are: delay in design, development and certification of an aircraft and failure to meet expectations for the number of aircraft sold. This latter risk is subject both to economic developments in general and to the influence of the sales success of a specific aircraft in particular.

These factors can lead to significant delays in cash flow as well as substantial reductions of the returns from an aircraft programme, which can also mean that the development costs may not be recovered in full. Achieving participation in new programmes (and a spread of programmes covering both commercial and defence orders) is of great importance. To mitigate threats originating from a high cost level in the Netherlands Stork focuses on technologically advanced specialisations, while for more conventional techniques Stork establishes production facilities in countries with lower labour-cost levels.

### Liquidity risks

The policy of Stork is to prevent working capital from rising more rapidly than the increase in turnover. This is achieved by strict financing of the operating companies and a monthly evaluation.

### Raw materials

In current market circumstances prices of raw materials are volatile. For Aerospace this applies specifically to materials such as aluminium and titanium. Besides cost effects, there are also uncertainties in relation to the timely availability of raw materials. Price effects are mitigated and deliveries assured as far as possible by means of future contracts.

### Safety and the environment

In view of the nature of the processes and the close relationship of safe working conditions with care for the environment, Stork considers it desirable to take an integrated approach to quality, working conditions and environment. A special attention area is the safety of personnel, both from Stork and its contractors, with the emphasis on prevention of personal injury and damage to the environment.

Structural attention is given to safety. Improvement initiatives have been taken based on the systematic reporting of accidents. This led in 2008 to a reduction of approximately 23% in the number of accidents resulting in absence from work.

Credit and interest risks are covered in notes 65 – 66.

### Estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires management to reach judgments and make assumptions that influence the application of accounting policies and the recognised values of assets and liabilities, and of income and expenses. The actual outcomes may differ from these estimates. The estimates and underlying assumptions are constantly assessed. Revised estimates are recognised in the period in which they are revised, and in future periods which are influenced by them.

## 8 Income statement

The following policies are applied for the determination of the results.

### 9 Net turnover

This is the turnover from the sale of goods and services and construction contracts to third parties, less discounts and taxes charged on turnover.

Turnover from the sale of goods is allocated to turnover after delivery and transfer of legal ownership, except where the production of the goods forms part of a project contract.

Where the results of project contracts or services to third parties can be estimated reliably, turnover and costs are determined in proportion to the stage of completion of the project. The stage of completion is assessed from the ratio of costs incurred to expected total costs.

Project costs, including tender costs, are charged to the income statement for the period in which these are incurred. If it may be assumed that the total contract costs will exceed the associated turnover, the expected loss is recognised directly in the income statement. If the outcome of projects cannot reliably be estimated, the turnover is recognised to the level of costs incurred that are likely to be recoverable.

## **10 Cost of sales**

Cost of sales include the direct attributable costs of producing the goods and services sold. It also includes movements in the provisions with the exception of provisions recognised under general administrative expenses.

## **11 General administrative expenses**

General administrative expenses consist primarily of (indirect) personnel expenses, depreciation, administrative expenses, research costs and non-capitalised development costs as well as depreciation of capitalised development costs, and are offset against received subsidies. In addition, the contribution to the provision for doubtful debts and release of provisions for general administrative expenses incurred are included in this.

## **12 Financial income and expenses**

Interest income and expenses on bank accounts belonging to the same interest combination are offset. The net interest expense of the interest combination is allocated to interest income or interest expense. The costs incurred in relation to financing are shown separately. These include commitment fees. Financing income and expenses are recognised in the income statement using the effective interest method.

## **13 Income tax**

Income tax on the profit for the financial year comprises the current and deferred tax. Income tax is recognised to the income statement, except where it relates to items which are recognised directly to equity, in which case the tax is recognised to equity as well.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

## **14 Balance sheet**

### **15 Property, plant and equipment**

Valuation is at cost less accumulated depreciation and impairment losses. Depreciation is linear and calculated at fixed percentages, based on the expected useful life of the asset and taking into account any residual value. Land is not depreciated. The costs of assets produced in-house comprise material costs, direct labour costs, a first estimate where relevant of the dismantling and disposal costs of the asset and the restoration costs of the site on which the asset is located, and the directly identifiable indirect production costs.

Property, plant and equipment included as a result of a business combination are initially recognised at fair value, which is based on the market value. The market value of property is the estimated value on the value date for which an immovable property can be traded between an informed buyer and a seller in an objective business transaction in which both parties acted carefully and without compulsion. The market value of other tangible assets and inventory is based on listed market prices of comparable assets and articles.

The estimated useful life for each asset category is:

Buildings	25 – 30 years
Machines and equipment	5 – 15 years
Other productive assets	3 – 11 years
Assets not used in production	10 – 30 years

Residual values and useful life, if significant, are reassessed annually.

## 16 Intangible fixed assets

### Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures and represents the difference between the costs of acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any cumulative impairment losses. Goodwill is allocated to cash flow-generating units and tested annually. For associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on acquisition is recognised directly in the income statement.

### Development costs

Costs incurred for research activities carried out with the aim of gaining new scientific or technical knowledge and understanding are charged to the income statement when they are incurred.

Costs incurred for development activities, in which the research results are applied in a plan or design for the production of new or significantly improved products and processes, are capitalised if the product or process is technically and commercially feasible, if the costs can be measured reliably and Stork has sufficient resources to complete the development. The capitalised costs comprise material costs, direct labour costs and the directly identifiable indirect costs. The other development costs are charged to the income statement when they are incurred, except where they are covered by credits committed by the Ministry of Economic Affairs. These credit commitments are allocated to long-term debt in the financial statements. The capitalised development costs are valued at cost less cumulative amortisation (see below) and impairment losses.

Start-up costs and costs incurred for training, relocation or reorganisation are charged directly to the income statement.

### Other intangible fixed assets from acquisitions

Intangible fixed assets acquired as part of a business combination are initially recognised at fair value. The fair value of acquired patents and trademarks is determined using the discounted estimated royalties avoided by the ownership of said patent or trademark. The fair value of other intangible assets acquired is based on the discounted cash flow from the use and final sale of the assets.

### Other intangible fixed assets

The other intangible fixed assets acquired by Stork are valued at cost less cumulative amortisation and impairment losses.

### Amortisation

Amortisation is charged on a linear basis to the income statement, based on the estimated useful life of the intangible assets, with the exception of goodwill, non-recurring costs and intangible assets with an indefinite life. The amortisation of the non-recurring costs of Aerospace programmes is based on the projected number of shipsets. Amortisation of other intangible assets starts as soon as the assets are ready for use.

The estimated useful life is as follows:

Patents and trademarks	10 – 30 years
Capitalised development costs	5 – 10 years
Other intangible fixed assets	10 – 20 years

Residual values and useful life, if significant, are reassessed annually.

## **17 Financial fixed assets**

Associates and joint ventures in which Stork exercises a significant influence on financial and operational policy, but does not have a controlling interest, are valued using the equity method from the date on which Stork has a significant influence until the date from which this is no longer the case. If the share of Stork in losses exceeds the interest in an associate, the carrying value of the entity in the Stork balance sheet is reduced to zero and further losses are no longer taken into account except to the extent that Stork has an obligation or has made payments on behalf of an associate. Receivables from associates are valued at costs less impairment losses.

## **18 Deferred tax assets**

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the current tax assets and liabilities and those assets and liabilities are related to income tax charged by the same tax authority to the same taxable entity, or to a number of taxable entities which intend to offset those tax assets and liabilities or for which the tax assets and liabilities are realised at the same time.

Deferred tax assets relate to tax losses eligible for carry-forward which will probably be realised within a reasonable period and to temporary differences in valuation as determined for commercial and fiscal purposes.

## **19 Inventories**

Inventories are valued at cost or net realisable value if lower. Net realisable value is the estimated sale price in the ordinary course of business, less the estimated costs of completion and selling cost, and after deduction of a provision for obsolete stock. Cost is based on the purchase price (based on the first-in first-out principle) plus the costs of bringing the inventories to their existing location and condition. Semi-finished goods are valued at the direct attributable costs to bring the inventories into their existing location and condition.

Inventory acquired as part of a business combination is initially recognised at fair value. This fair value is determined on the basis of the estimated sale price in the ordinary course of business, less the estimated costs of completion and selling cost, plus a reasonable profit margin, which expresses the efforts for completion and sales.

## **20 Work in progress**

Work in progress is valued at cost plus profit, less a provision for foreseeable losses, and less progress billing in proportion to the progress of the project. Cost includes all expenditure related directly to specific projects plus an allocation of the fixed and variable indirect costs in relation to the contract activities of Stork based on the normal operating capacity. Contracts for which

the balance of costs incurred and profit recognised exceeds the progress billing are presented as due from customers. Contracts for which the balance of costs incurred and profit recognised is less than the progress billing are presented as due to customers.

## **21 Trade and other receivables**

Non-discounted receivables with a term longer than one year are valued at present value. The discount rate applied at 31 December 2008 was 3.50%. The costs of discounted trade bills are deducted from this item, to the extent that there is a recourse risk. Provision for doubtful debtors is made as considered necessary. The provision is allocated to receivables for which there is a significant chance that they will not be paid.

Debtors with a term of less than one year are valued at amortised costs, less any provisions considered necessary for doubtful debtors.

## **22 Cash and cash equivalents**

Cash and cash equivalents comprise cash, bank balances and other deposits which are available on call. Current account credits which are available for direct withdrawal and form an integrated part of the treasury activities of Stork are allocated to cash in the cash flow statement.

## **23 Impairment**

The carrying amounts of non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have an indefinite life, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted, using a cash generating unit specific discount rate between 9.0% and 9.5%, to their present value.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of goodwill (if applicable) allocated to the cash-generating units and then to reduce the carrying amounts of other assets in the unit on a pro rata basis.

If a reduction in the fair value of a financial asset available for sale is allocated directly to equity and there is an objective indication that the asset is impaired, the cumulative loss that had been recognised directly to equity is recognised in the income statement, even though the financial asset concerned has not been derecognised. The cumulative loss recognised in the income statement is the difference between cost and the current fair value, less any impairment loss on that financial asset that is already recognised in the income statement.

An impairment loss relating to a receivable stated at the amortised cost is reversed if the increase, after deduction of this charge, of the recoverable amount can objectively be related to an event that took place after the impairment loss was recognised. Impairment losses are not reversed in relation to goodwill.

For other assets, impairment losses are reversed if the estimates on which the recoverable amount is determined have changed. Impairment losses are only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount after deduction of depreciation or amortisation in a situation in which no impairment loss would have been recognised.

## **24 Share capital**

### **Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

### **Share premium**

Share premium is classified as equity. The share premium account is the capital that a company raises upon issuing shares that is in excess of the nominal value of the shares.

### **Dividend**

Dividends are recognised in liabilities in the period in which they are declared.

## **25 Long-term debts**

Long-term debts are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing debts are valued at amortised cost, whereby a difference between the cost and the redemption value is recognised in the income statement on the basis of the effective interest method over the term of the debts.

The tranches borrowed from the syndicate credit facility are stated as long-term debt on the balance sheet.

## **26 Provisions**

Provisions are made for present legal or constructive obligation as a result of a past event where it is probable that an outflow of economic benefits will follow, which can be estimated reliably. Short-term provisions are shown at fair value. Long-term provisions are shown at present value based on a pre-tax rate which represents both the current market interest rate as well as the liability's specific risks.

## **27 Employee benefits**

Stork has several pension plans in accordance with local rules and conditions. Based on IAS 19, several of these plans are classified as Defined Benefit plans. In general, these plans are funded by payments to insurance companies or to funds administered by third parties. For the majority of its employees, Stork has pension plans in which the liabilities to employees are based primarily on the number of years of service and the salary levels.

The liabilities for these pension plans are covered systematically by insurance contracts or by the inclusion of liabilities in the balance sheet. Investments are made primarily in fixed-interest securities, listed shares and related instruments, and real estate.

The most important plan in this regard is administered by Stichting Pensioenfonds Stork (Stork Pension Fund Foundation). The pension commitments of Dutch Stork operating companies (so-called average salary schemes) are managed by Stichting Pensioenfonds Stork. The coverage ratio is determined annually, based on actuarial calculations and guidelines issued by the Dutch Central Bank. Taking into account the outcome of this determination, the pension contributions are determined and if possible the conditional indexation is effected. Of the contributions as determined annually, 58% are payable by the company and 42% by the employee. At year-end 2008 the expected coverage ratio was 90%.

The net liabilities of Stork arising out of Defined Benefit commitments are calculated separately for each plan by estimating the pension benefits built up by employees in exchange for their services in the financial year and earlier periods. These pension benefits are discounted to determine their present value, from which the fair value of the plan is deducted. The liability is calculated by means of the projected unit credit method. The discount rate is the yield on the balance sheet date of AA credit-rated bonds that have maturity dates approximating that of the Stork Defined Benefit obligation.

If the pension benefits of a plan have improved, the part of the improved pension benefits relating to the past service by employees is recognised on a linear basis to the income statement over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Actuarial gains and losses in the calculation of the obligation of Stork in respect of a pension plan, to the extent that any cumulative unrecognised actuarial gains or losses exceed 10% of the greater of the present value of the Defined Benefit obligations or the fair value of the plan assets, are recognised in the income statement over the expected average remaining period of service of the employees participating in that plan. Otherwise the actuarial gain or loss is not recognised.

If the calculation results in a benefit, the recognised asset is limited to an amount maximally equal to the economic benefits available. The calculation is performed by qualified actuaries.

A Defined Contribution plan is a plan to provide benefits after retirement in which an entity makes fixed contributions to a separate entity, and legally has no constructive obligation to make further contributions. Obligations relating to Defined Contribution pension plans are charged to the income statement as employee remuneration expenses when the contributions are payable. Contributions paid in advance are presented as assets to the extent that cash repayment or a reduction in future contributions is available.

## **28 Other assets and liabilities**

Other assets and liabilities are stated at amortised cost.

## **29 Cash flow statement**

The indirect method is used for the cash flow statement, in which the movements in cash are determined on the basis of the operational result as presented in the consolidated income statement including discontinued operational activities.

Transactions which have not yet led to cash flow are not taken into account in the cash flow statement. Asset/liability transactions are presented as acquisitions and divestments. Resulting cash flows as presented in the consolidated cash flow statement do not correspond to the movements stated in the consolidated balance sheet.

## **30 Discontinued operations**

A discontinued operational activity is a component of the Stork activities representing a separate major line of business or a geographical area, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation takes place on divestment or, if earlier, when the operational activity meets the criteria for classification as held for sale (IFRS 5).

A disposed group can also meet these criteria. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

## **31 New standards and interpretations not yet applied**

A number of new standards, amendments to standards and interpretations were not yet effective in 2008 and have accordingly not been applied to the consolidated financial statements.

- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 consolidated financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions, the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Group's 2009 consolidated financial statements.
- Revised IAS 1 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an

income statement and a separate statement of comprehensive income. Revised IAS 1 becomes mandatory for the Group's 2009 consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 consolidated financial statements.

- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Group's 2009 consolidated financial statements, with retrospective application required, are expected to have no influence on the consolidated financial statements.
- Revised IFRS 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Group's operations:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statements. The revised IFRS 3 is subject to endorsement by the EU.

- Amended IAS 27 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The influence of the amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, cannot be determined beforehand.
- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies that availability of pension assets is the case when, at the balance sheet date, there is an unconditional right to the surplus now or in the future by means of reimbursements and/or reductions in future contributions. Minimum funding requirements may have an impact on the availability. IFRIC 14, which becomes mandatory for the Group's 2009 consolidated financial statements, with limited retrospective application, is expected to have no impact on the financial statements.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation discusses a number of issues in relation to hedging currency risks on foreign operations (net investment hedges). IFRIC 16 specifically confirms only the risk from differences between the functional currencies of the parent and the subsidiary can be hedged. Additionally, currency risks can only be hedged by every (direct or indirect) parent company, as long as the risk is only hedged once in the consolidated financial statements. IFRIC 16 also determines the hedge instrument of a net investment hedge can be held by every group company, except for foreign operation itself). IFRIC 16, which becomes mandatory for the Group's 2009 consolidated financial statements, with prospective application, is expected to have no influence on the consolidated financial statements.
- IFRIC 17 Distributions of Non-cash Assets to Owners addresses the treatment of distributions in kind to shareholders. Outside the scope of IFRIC 17 are distributions in which the assets being distributed are ultimately controlled by the same party or parties before and after the distribution (common control transactions). A liability has to be recognised when the dividend has been appropriately authorised and is no longer at the discretion of the entity, to be measured at the fair value of the non-cash assets to be distributed. IFRIC 17, which becomes mandatory for the Group's 2010 consolidated financial statements, with prospective application, is expected to have no impact on the financial statements.

- IFRIC 18 Transfers of Assets from Customers addresses the accounting by access providers for property, plant and equipment contributed to them by customers. Recognition of the assets depends on who controls it. When the asset is recognised by the access provider, it is measured at fair value upon initial recognition. The timing of the recognition of the corresponding revenue depends on the facts and circumstances. IFRIC 18, which becomes mandatory for the Group's 2010 consolidated financial statements, with prospective application, is expected to have no impact on the financial statements.
- Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate revises, amongst others, the accounting for 'pre-acquisition dividends' received from participating interests. Those dividends should be recognised as revenue, but such dividends may imply an indicator for the impairment of the participating interest. The amendment, which becomes mandatory for the Group's 2009 consolidated financial statements, with prospective application, is expected to have no impact on financial statements.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items provides additional guidance concerning specific positions that qualify for hedging ('eligible hedged items'). The amendment to IAS 39, which becomes mandatory for the Group's 2010 consolidated financial statements, with retrospective application, is expected to have no influence on the consolidated financial statements.
- Improvements to IFRSs (2008) is a collection of minor improvements to existing standards. This collection, which becomes mandatory for the Group's 2009 consolidated financial statements, is expected to have very limited impact.

### 32 Net turnover

Analysis of Stork net turnover:

	2008
Turnover from sale of goods and services	1,435,747
Turnover from construction contracts	336,293
	<b>1,772,040</b>

### 33 Acquisition of subsidiaries

Stork finalised the following share purchase and asset/liabilities transactions in 2008. Unless other wise stated Stork acquired 100% of the shares/voting rights.

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The value of assets, liabilities and contingent liabilities recognised on acquisition date are their estimated fair values.

#### Stork N.V.

On 22 January 2008 Stork N.V. was acquired at € 48.40 per share by a consortium led by Candover. The purchase price of Stork N.V. amounted to € 1,530 million. This includes a goodwill of € 558 million including acquisition costs (€ 37 million).

Stork N.V. was a Dutch listed company based on three divisions: Technical Services, Aerospace and Food Systems.

The squeeze out of the initially remaining minority shareholders was completed on 16 October 2008.

Management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2008. The fair values of assets and liabilities have been determined based on external valuation reports. The results have been consolidated as of 1 January 2008. As an integrated part of the acquisition, Food Systems has been sold to Marel Food Systems on 8 May 2008. Stork PWV (land based vehicles), part of the Aerospace division, has been sold to one of the consortium partners in the Boxer programme, The Rheinmetall Group on 31 May 2008. At the time of the acquisition both units were classified as held for sale and therefore valued at their fair value less costs to sell.

## Balance of assets and liabilities of Stork N.V. on acquisition date

(in € x million)

	Recognised value	Fair value adjustment	Pre-acquisition carrying amount
Property, plant and equipment	351	103	248
Intangible fixed assets	296	213	83
Inventories	172	–	172
Investments in associates	39	5	34
Financial derivatives	75	–	75
Deferred tax liability	(107)	(81)	(26)
Trade and other receivables	507	–	507
Loans and borrowings	(154)	–	(154)
Cash and cash equivalents	74	–	74
Provisions	(125)	–	(125)
Assets held for sale	592	345	247
Liabilities held for sale	(145)	–	(145)
Bank overdraft	(116)	–	(116)
Trade and other payables	(487)	–	(487)
<b>Net identifiable assets and liabilities</b>	<b>972</b>	<b>585</b>	<b>387</b>
Goodwill	558		
<b>Purchase price</b>	<b>1,530</b>		
Cash acquired	42		
<b>Net outflow of cash</b>	<b>1,572</b>		

The goodwill recognised on the acquisition of Stork N.V. is attributable mainly to the skills, expertise and technical qualities of the acquired business's workforce.

### Subspection Ltd.

On 4 April 2008 Technical Services bought 100% of the shares of Subspection Ltd, which in its turn holds 100% shares in Subspection Pte. Ltd. Subspection is specialized in subsea technical integrity and corrosion solutions. It achieved a turnover of approximately € 3 million in financial year 2007 with 30 employees.

### Garwood Laboratories Inc.

Technical Services concluded the acquisition of 51% of the shares in Garwood Laboratories Inc. on 1 May 2008 with an option to purchase all remaining shares in 2010. Garwood Laboratories is based in California, USA, and the activities can be described as product testing for many different industries of mainly electronic equipment and parts. Garwood has about 60 employees and an annual turnover of approximately € 5 million.

### Heat Application Ltd.

Technical Services completed the acquisition of Heat Applications Limited and HAL International Ltd. on 2 July 2008. The company is based in the United Kingdom and specialises in heat treatment services. HAL employs about 11 employees and generates an annual turnover of approximately € 1 million.

**Nortel Ltd.**

Technical Services has acquired Nortel Ltd. in Whangarei, New Zealand, with effect from 18 August 2008. Nortel specialises in heat treatment services and related testing and inspection services for the New Zealand market. Nortel has about 25 employees. The annual turnover amounts to approximately € 1.5 million.

**Asset transaction Sheffield Testing**

With effect from 1 August 2008 Technical Services completed the acquisition of the assets and business of Corrosion and Environmental Services Ltd. (CESL) based in Derbyshire in the United Kingdom. CESL is a leading provider of corrosion consultancy services. CESL has been successfully integrated with Sheffield Testing Laboratory in the Stork Materials Technology Group.

The purchase price of the other acquisitions amounts to € 9.3 million. This price includes a goodwill of € 5.9 million, including acquisition costs and earn out schemes.

**Balance of assets and liabilities of other acquired companies on acquisition date**

(in € x million)

	Recognised value	Fair value adjustment	Pre-acquisition carrying amount
Property, plant and equipment	2.1	0.4	1.7
Intangible fixed assets	0.2	0.2	–
Inventories	0.1	(0.2)	0.3
Trade and other receivables	1.0	–	1.0
Cash and cash equivalents	0.7	–	0.7
Trade and other payables	(0.7)	–	(0.7)
<b>Balance of identifiable assets and liabilities</b>	<b>3.4</b>	<b>0.4</b>	<b>3.0</b>
Goodwill	5.9		
<b>Purchase price</b>	<b>9.3</b>		
Cash acquired	(0.7)		
<b>Net outflow of cash</b>	<b>6.5</b>		
Recognised as liability	2.2		

The goodwill can mainly be attributed to the expertise and technical qualities of the workforce of the acquired company and the expected synergy benefit from integration.

### 34 Salaries and social security contributions

Analysis of total salaries and social security contributions:

	2008
Salaries	487,721
Social security contributions	68,433
Pension premiums and other post-retirement payments	48,063
	604,217
Of which in the Netherlands	401,790

Pension premiums and other post-retirement payments are recognised in the income statement as follows: costs of sales: € 31.8 million, sales costs € 4.4 million, general administrative expenses € 11.9 million.

### 35 Personnel

The average number of employees is divided among the groups as follows:

	2008
Technical Services	9,884
Aerospace	3,642
Holdings and other activities	85
	13,611

### 36 Remuneration of Board of Management

	2008
Salaries	1,789
Profit sharing and bonus payments*	578
Post-employment benefits**	671
Post-employment benefits** to former directors	214
	3,252

\* Granted for financial year (not yet formally confirmed for 2008).

\*\* Pension expenses etc.

**37 Remuneration of Supervisory Board****2008**

Remuneration	480
Former Supervisory Board members	55
	<b>535</b>

No loans, advances or guarantees have been granted to the members of the Supervisory Board.

**38 General administrative expenses**

General administrative expenses consist primarily of (indirect) personnel expenses, depreciation, administrative expenses, research costs and non-capitalised development costs as well as depreciation of capitalised development costs, and are offset against received subsidies. In addition, the contribution to the provision for doubtful debts and release of provisions for general administrative expenses incurred are included in this.

**39 Other operating income****2008**

Licensing costs	(230)
Book profit on disposed property, plant and equipment	8,282
Settlement fee	10,000
	<b>18,052</b>

**40 Financial income****2008**

Interest received from banks	6,620
Interest received from parent companies	13,226
Exchange rate differences	10,290
Other interest income	1,197
	<b>31,333</b>

**41 Financial expense****2008**

Interest paid on long-term debts	(13,633)
Issuing costs	(14,511)
	<b>(28,144)</b>

Issuing costs mainly relate to the investments of the shareholders in London Acquisition Luxco Sarl.

## 42 Income tax

### Recognised in the income statement

(in € x million)

	2008
Income tax payable for financial year	(25.3)
Corrections for previous years	0.1
	<b>(25.2)</b>
<b>Deferred income tax</b>	
Origination and reversal of temporary differences	7.2
Benefits of tax losses recognised	(5.9)
Reduction in tax rate	–
Income due to capitalised tax loss carry-forward	9.0
	<b>10.3</b>
<b>Total income tax in the income statement</b>	<b>(14.9)</b>
<b>Allocation of income tax</b>	
Income tax on result of subsidiaries	(15.9)
Income tax on result of Stork B.V.	1.0
	<b>(14.9)</b>

Besides the Dutch tax laws, the activities of Stork are subject to various tax regimes in other countries, with different legal tax rates. The weighted average legal corporation tax rate of 9.9% is the weighted average of 0% tax rate for the Dutch tax fiscal unity and 30.6% for the combined foreign activities. Stork B.V. is part of the Dutch tax fiscal unity of Stork Topco B.V. for corporation tax purposes. As agreed between parties the current tax position will be settled with the Dutch tax authorities by Stork Topco B.V. Therefore no current tax is recognised on a Stork B.V. level concerning the Dutch tax fiscal unity. In the financial statements an effective tax profit is recognised of 15.9% of the result before tax. For further detail on the tax position of the Dutch tax fiscal unity we refer to the consolidated financial statements of Stork Topco B.V.

### Reconciliation of effective tax rate

	2008	
Result before tax in the income statement		98.7
minus: Share of profit of associates		5.0
Result before tax for income tax purposes		<b>93.7</b>
Weighted average legal corporation tax rate	(9.9%)	(9.3)
Non-deductible costs	(9.5%)	(8.9)
Effect of tax losses utilised	3.4%	3.2
Correction for previous years	0.1%	0.1
<b>Effective tax rate</b>	<b>(15.9%)</b>	<b>(14.9)</b>

The deferred tax recognised directly in equity relates to cash flow hedge reserve and amounts to € 11.1 million at year-end 2008.

### 43 Property, plant and equipment

	Land and buildings	Machines and equipment	Other productive assets	Under construction	Not used in the production process	Total
Carrying amount opening balance	-	-	-	-	-	-
Acquisition Stork N.V.	111,024	90,554	25,540	20,746	93	247,957
Fair value adjustments	101,300	2,100	-	-	-	103,400
Other acquisitions	429	1,370	28	-	-	1,827
Investments	8,048	34,929	10,795	15,950	-	69,722
Disposals	(5,177)	(1,933)	(121)	-	(12)	(7,243)
Depreciation	(9,298)	(23,831)	(9,834)	-	(7)	(42,970)
Exchange rate differences	325	(29)	(972)	54	-	(622)
Other movements	457	6,285	(1,973)	(5,016)	-	(247)
Completed property, plant and equipment	5,048	5,116	471	(10,635)	-	-
<b>Carrying amount as at 31-12-2008</b>	<b>212,156</b>	<b>114,561</b>	<b>23,934</b>	<b>21,099</b>	<b>74</b>	<b>371,824</b>
Historic costs	221,454	138,392	33,768	21,099	81	414,794
Depreciation and impairment losses	(9,298)	(23,831)	(9,834)	-	(7)	(42,970)
<b>Carrying amount as at 31-12-2008</b>	<b>212,156</b>	<b>114,561</b>	<b>23,934</b>	<b>21,099</b>	<b>74</b>	<b>371,824</b>

The company owns 100 hectares of land. Assets not used in production consist primarily of other fixed assets rented to third parties.

In 2008 Stork pledged most of its assets in The Netherlands, Germany, United States of America and Canada on behalf of the syndicate credit facility. See also note 58.

### 44 Intangible fixed assets

	Goodwill	Development costs	Other	Total
Acquisition Stork N.V.	558,195	83,039	-	641,234
Fair value adjustments	-	-	213,113	213,113
Other acquisitions	6,011	-	213	6,224
Investments	-	21,345	-	21,345
Deconsolidation	-	-	-	-
Amortisation	-	(11,301)	(24,529)	(35,830)
Exchange rate differences	(139)	68	-	(71)
<b>Carrying amount as at 31-12-2008</b>	<b>564,067</b>	<b>93,151</b>	<b>188,797</b>	<b>846,015</b>
Historic costs	564,067	104,452	213,326	881,845
Amortisation and impairment losses	-	(11,301)	(24,529)	(35,830)
<b>Carrying amount as at 31-12-2008</b>	<b>564,067</b>	<b>93,151</b>	<b>188,797</b>	<b>846,015</b>

The additions through business combinations of other intangible fixed assets are the result of acquisitions during the year.

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired (a 'triggering event'). The recoverable amount of goodwill is determined based on expected cashflows within the cash generating units of the group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue and related expenditure. Discount rates are arrived at based on pre-tax rates that reflect current market conditions, adjusted for the specific risks associated with the cash generating unit. Growth rates are based on industry growth forecasts. Cash flow forecasts are based on the 5 year strategic plan.

### Amortisation

The amortisation is shown under the following items in the income statement:

	2008
Cost of sales	(7,586)
Sales costs	(2)
General administrative expenses	(28,242)
	<b>(35,830)</b>

The following units contain significant goodwill items:

	2008
Technical Services	465,477
Aerospace	98,590
	<b>564,067</b>

The recoverable amount of cash flow generating units that contain goodwill is equal to the operating value, or the fair value less costs to sell. In measuring the carrying amount, the cash value of the estimated future cash flows is measured using a cash generating unit specific discount rate between 9.0% and 9.5%. Based on the annual impairment test no recognition of a loss was required.

## 45 Investment in associates

Significant associates included are: Stork Prints Group B.V. (Boxmeer, 40%); Friday Eurotech Holding (Amsterdam, 50%); Jamjoom Wescon Co. Ltd. (Jeddah, 50%); S.A.B.C.A. (Brussels, 43.6%); SPM B.V. (Hengelo, 36%); APP Beheer B.V. (Klundert, 50%) and several associated participating interests that are not materially significant.

	Associates	Loans	Total
Carrying amount opening balance	-	-	-
Acquisition Stork N.V.	34,239	117	34,356
Fair value adjustments	5,400	-	5,400
Share of profit of associates	4,992	-	4,992
Impairments	-	-	-
Dividends received	(11,152)	-	(11,152)
(Des)investments	(508)	-	(508)
Other movements	32	-	32
<b>Carrying amount as at 31-12-2008</b>	<b>33,003</b>	<b>117</b>	<b>33,120</b>

The table below shows the summarised financial data of the significant associates, based on the latest available information. The 2008 figures are based on November/December 2008, with the exception of S.A.B.C.A., which publishes its results half-yearly and APP Beheer B.V. for which 2007 numbers are presented.

2008	Assets	Liabilities	Turnover	Profits/ Loss (-)
Stork Prints Group B.V.	119.2	51.1	167.1	5.0
Friday Eurotech Holding	n.a.	n.a.	25.9	1.5
Jamjoom Wescon Co. Ltd.	4.5	0.8	4.6	1.1
S.A.B.C.A.	261.1	202.8	72.1	3.5
SPM B.V.	24.1	14.2	27.7	0.9
APP Beheer B.V.	6.4	3.8	3.2	0.0

#### 46 Loans to parent companies

	Currency	Nominal interest rate	Year of maturity	Debt 31-12-2008
• Stork Topco B.V.	EUR	6.5%	2011	138,000
• Stork Holding B.V.	EUR	6.5%	2011	280,000
				418,000

#### 47 Financial instruments

Financial instruments are recognised at fair value. For further information about financial instruments, reference is made to note 68.

#### 48 Inventories

	2008
Raw materials and consumables	61,365
Semi-finished products	63,531
Trading inventories and finished products	60,006
	184,902

**49 Work in progress**

	2008
Due from customers, recognised under current assets	134,013
Due to customers, recognised under current liabilities	(213,440)
	(79,427)
Direct costs of current projects	655,323
Profits minus losses taken on these projects	56,355
Billed on current projects	(689,885)
	21,793
Provisions for foreseeable losses on current projects	(101,220)
	(79,427)

The provision for loss orders regarding major Aerospace programmes is calculated at actual exchange rates. If this causes a loss and cash flow hedge accounting is applied, an equivalent part of the cash flow hedge reserve is reclassified to provisions for foreseeable losses on current projects.

**50 Trade and other receivables**

	2008
Debtors (medium term)	17
Debtors (current)	311,731
Prepaid costs	11,515
Interest from parent companies	13,226
Other receivables	29,466
	365,955

**Debtors (medium term)**

	2008
Trade receivables	17
Discounted trade bills	–
	17

**Debtors (current)**

	2008
Trade receivables	276,269
Receivables from associates	35,462
	311,731

**Trade receivables by age****2008**

Not yet due	176,889
Due 0 – 30 days	57,370
Due 31 – 60 days	17,748
Due 61 – 120 days	8,988
Due 120 – 365 days	12,659
More than a year	10,726
Provisions	(8,111)
	<b>276,269</b>

**Trade receivables by currency****2008**

EUR	169,380
USD	71,846
GBP	8,264
CAD	11,217
Other	23,673
Provisions	(8,111)
	<b>276,269</b>

Trade receivables are presented after deduction of impairment losses and provisions made. The contribution to the provision for doubtful debtors is shown in the income statement under general administrative charges. The losses due to bankruptcy of customers during 2008 were limited.

Receivables from foreign entities are recognised in the local currencies and are related to production in the same foreign currencies. For euro entities that have receivables in foreign currencies, these are 100% hedged in accordance with Stork guidelines. For further information on currency management, please refer to note 64.

**51 Cash and cash equivalents****2008**

Cash and banks	112,410
Segregated account	185,000
Deposits	13,000
	<b>310,410</b>
Bank overdraft	(15,128)
	<b>295,282</b>

The cash on the segregated accounts can only be used for cash collateral regarding guarantees (€ 85.0 million) and financing of capital expenditures (€ 100.0 million).

## 52 Equity

Summary of movements in equity of the legal entities forming part of group equity.

	Share capital	Share premium	Statutory reserve	Reserve for development	Cashflow hedge reserve	Other reserve	Total	Minority interest	Total equity
Opening balance	18	-	-	-	-	-	18	-	18
Share capital	31,233	1,555,006	-	-	-	-	1,586,239	-	1,586,239
Total income and expense directly recognised in equity	-	-	(1,136)	-	(32,430)	83,862	50,296	(2)	50,294
Capitalised development costs	-	-	-	21,345	-	(21,345)	-	-	-
Dividend	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	(20)	(20)	74	54
<b>Balance as at 31-12-2008</b>	<b>31,251</b>	<b>1,555,006</b>	<b>(1,136)</b>	<b>21,345</b>	<b>(32,430)</b>	<b>62,497</b>	<b>1,636,533</b>	<b>72</b>	<b>1,636,605</b>

## 53 Share capital and share premium

The authorised share capital comprises:

50,000,000 ordinary shares of € 1.- € 50,000,000.-

### Ordinary shares

Opening balance as per 21-06-2007	18
Share premium contribution	31,233
<b>Issued share capital (31,250,528 ordinary shares) as at 31-12-2008</b>	<b>31,251</b>

### Share premium

Opening balance as per 21-06-2007	-
Share capital contribution	(31,233)
Share premium contribution	1,586,239
<b>Balance as at 31-12-2008</b>	<b>1,555,006</b>

## 54 Statutory reserve

### Reserve for development costs

A statutory reserve for development costs is formed in the Stork B.V. company accounts. This is shown in drawing up the consolidated equity to maintain the reconciliation with the analysis of equity in the Stork B.V. separate company accounts.

### Translation reserve

The translation reserve comprises all differences in foreign currency arising as a result of the translation of the financial statements of subsidiaries outside the euro region. Revaluations of this translation risk are recognised in equity.

### Cash flow hedge reserve

Stork applies cash flow hedge accounting for a large proportion of the currency concluded with banks. The currency future contracts are primarily euro/US dollar future contracts relating to the Aerospace group. The cash flow hedge reserve comprises the effective part of the changes in value of the financial instruments for which cash flow hedge accounting is applied. In addition, the cash flow hedge reserve is reduced by a correction made for hedged Aerospace programmes that would become wholly or partly loss-making on the basis of calculations at the current exchange rate, as described in note 49. The cash flow hedge reserve is also reduced by the inclusion of a deferred tax position.

## 55 Dividend

The Board of Management proposed to make no dividend payment for 2008.

## 56 Minority interest

This accounts for the share of third parties in the shareholders' equity of consolidated subsidiaries.

## 57 Deferred tax position

	Opening balance as at 21-06-2007	Acquisition Stork N.V.	Fair value adjustments	2008 movements recognised via	Exchange rate differences	Balance as at 31-12-2008	
				Income statement	Equity		
Intangible fixed assets	–	(4,299)	(53,898)	2,814	–	44	(55,339)
Property, plant and equipment	–	(20,362)	(26,603)	1,696	–	(162)	(45,431)
Inventories	–	1,107	–	1,054	–	8	2,169
Receivables	–	(13,516)	–	1,991	–	5	(11,520)
Debts	–	807	–	1,972	–	12	2,791
Provisions:							
• employee benefits	–	(2,103)	–	(556)	–	1	(2,658)
• restructuring	–	4,939	–	(921)	–	–	4,018
• guarantees	–	3,257	–	(105)	–	–	3,152
• others	–	5,476	–	(778)	–	–	4,698
Fiscal value of tax losses carried forward	–	11,709	–	3,159	–	–	14,868
Cash flow hedge reserve	–	(14,881)	–	–	11,101	–	(3,780)
<b>Deferred tax assets/(liabilities)</b>	–	<b>(27,866)</b>	<b>(80,501)</b>	<b>(10,326)</b>	<b>11,101</b>	<b>(92)</b>	<b>(87,032)</b>

The deferred tax position is shown in the consolidated balance sheet for each unit that is individually liable for taxation (independent legal entity or fiscal unit). The deferred tax assets and liabilities are attributable to the following:

	Assets 2008	Liabilities 2008	Balance 2008
Property, plant and equipment	1,072	(56,411)	(55,339)
Intangible fixed assets	902	(46,332)	(45,431)
Inventories	4,113	(1,944)	2,169
Receivables	145	(11,665)	(11,520)
Debts	3,033	(243)	2,791
Provisions			
• employee benefits	726	(3,383)	(2,658)
• restructuring	4,018	–	4,018
• guarantees	3,157	(5)	3,152
• others	4,719	(20)	4,698
Fiscal value of tax losses carried forward	14,868	–	14,868
Cash flow hedge reserve	–	(3,780)	(3,780)
<b>Net tax assets / (liabilities)</b>	<b>36,751</b>	<b>(123,783)</b>	<b>(87,032)</b>
Balance of tax assets and liabilities	(29,747)	29,747	–
<b>Net tax assets / (liabilities)</b>	<b>7,004</b>	<b>(94,036)</b>	<b>(87,032)</b>

#### Off-balance sheet deferred tax positions

	2008
Temporary differences eligible for carry-forward	788
Tax losses not recognised	
Duration unlimited	1,805
Duration > 10 years	260
Duration 5 > 10 years	–
Duration 1 > 4 years	2,914
Duration < 1 year	–
	<b>4,979</b>

**58 Long-term debts**

		Interest rate	Maturity	31-12-2008
Long-term loans:				
Guarantee Facility 1	EUR	Euribor + 2.375%	2015	85,000
Capex 2 Loan	EUR	Euribor + 2.375%	2016	50,000
Capex 3 Loan	EUR	Euribor + 2.625%	2017	50,000
Loans provided by the Nederlands Instituut voor Vliegtuigontwikkeling en Ruimtevaart				
	EUR	Average interest 5.13%		22,726
Loans to MASA, Columbia	COP	Average interest 13.58%		14,320
Other loans	EUR			2,287
				<b>224,333</b>
Repayments due in 2009				–
				<b>224,333</b>
Of which with a remaining term of more than five years				185,000

The loans provided by the Nederlands Instituut voor Vliegtuigontwikkeling en Ruimtevaart have no fixed term.

**Syndicate credit facility**

On 17 January 2008 a finance facility became effective with a syndicate of credit institutions. The syndicate credit facility has been underwritten by Goldman Sachs. The Royal Bank of Scotland is the facilities Agent. The several facilities of the syndicate finance are secured by the assets of the operating companies in The Netherlands, Germany, the United States of America and Canada. The syndicate credit facility has a term between seven and approximately ten years. It comprises the following:

	Original amount	Drawn 31-12-2008	Undrawn 31-12-2008
Long-term loans:			
• Capex 1 Facility	50,000	–	50,000
• Capex 2 Facility	50,000	50,000	–
• Capex 3 Facility	50,000	50,000	–
• Guarantee Facility 1	85,000	85,000	–
<b>Total available facilities</b>	<b>235,000</b>	<b>185,000</b>	<b>50,000</b>
• Senior Facility A3	26,000		
• Senior Facility B3	40,900		
• Senior Facility C3	40,900		
• Guarantee Facility 2 (USD 60 mln)	41,379		
<b>Total repaid/cancelled facilities</b>	<b>149,179</b>		
	<b>384,179</b>		

The interest periods of all facilities are floating. In 2008 Stork renewed the drawn amounts once a month. The Guarantee Facility of € 85 million is used as cash collateral with several banks for guarantees issued to third parties especially performance, prepayments, labour and material bonds. The amount of € 85 million is included in Total Cash on the Balance sheet. The drawn Capex Facilities can be used for investments and acquisitions. Stork did not use the drawn amount of € 100 million. This amount is also included in Total Cash on the Balance sheet.

In respect of the syndicate credit facility Stork has to comply with four financial covenants on a quarterly basis.

The financial covenants are:

- cash flow cover, defined as cash flow divided by net debt service
- interest cover, defined as EBITDA divided by net finance charges
- leverage, defined as net debt divided by EBITDA
- capital expenditure, fixed amount not to be exceeded.

Stork complied with the financial covenants in 2008.

## 59 Trade and other payables

	2008
Trade creditors	196,766
Amounts due to associates	638
Other taxes and social insurance contributions	22,355
Pensions	12,114
Prepayments received	2,458
Other liabilities	169,389
	403,720

## 60 Provisions

	Balance at 21-06-2007	Acquisition Stork N.V.	Addition charged to income statement	Release amount credited to income statement	Movements*	Unwind of discount	Balance at 31-12-2008
Reorganisation provision	–	14,156	12,120	(3,045)	(5,865)	–	17,366
Environmental provision	–	740	–	–	(24)	–	716
Guarantees	–	19,433	4,513	(4,645)	(777)	54	18,578
Liabilities relating to employees	–	16,200	1,448	(1,722)	(2,713)	843	14,056
Claims, disputes and other contractual obligations	–	21,074	4,695	(4,683)	(5,093)	–	15,993
	–	71,603	22,776	(14,095)	(14,472)	897	66,709
Of which short-term		38,726					35,256
Provisions with a remaining term longer than five years		19,557					18,233

\* Movements relate to deductions for the intended purpose and additions in relation to acquisitions.

### Reorganisation provision

The estimated costs are based on a plan that has been agreed by the management and employee representatives. Disbursements are expected to take place mainly during the next two years.

### Environmental provision

The estimated costs are related to environmentally beneficial measures and reducing noise nuisance as well as other factors, and are based on research reports. A detailed plan with a specification of the costs is available in relation to the provision.

The provision is expected to be used within one to three years.

### Guarantees

The provision for guarantees is related to guarantees issued contractually on products and services supplied. The purpose of the provision is to cover possible costs arising if products and services supplied do not meet the agreed quality requirements under normal conditions of use. The provision is based on estimates made on the basis of historic guarantee data relating to comparable products and services. In general the liabilities are expected to arise in the next two years, with the exception of a number of major aircraft programmes.

### Liabilities relating to employees

The provision for liabilities, other than pension schemes, relating to employees relates to agreed compensation schemes as well as other factors, some of which have a longer term.

### Claims, disputes and other contractual obligations

The claims, disputes and other contractual obligations consists of sums for which it may be assumed that a judgment for compensation will be issued by an independent party. The provisions shown are based on best estimates, made on the basis of the available information, and will largely expire within five years.

## 61 Employee benefits

(in € x million)

The liability at acquisition date of Stork, 22 January 2008.

	The Netherlands 2008	Other countries 2008	Total 2008
Defined Benefit obligation	(1,822.4)	(20.4)	(1,842.8)
Plan assets	1,837.6	10.9	1,848.5
<b>Net position</b>	15.2	(9.5)	5.7
The effect of limiting the asset*	(18.0)	–	(18.0)
<b>Subtotal – balance liability</b>	(2.8)	(9.5)	(12.3)
Other liabilities relating to pensions	(1.4)	(1.0)	(2.4)
<b>Pension liabilities</b>	(4.2)	(10.5)	(14.7)

\* A net pension asset will be recognised for the first time when economic benefits become available.

The liability as at 31 December 2008 is given below.

	The Netherlands 2008	Other countries 2008	Total 2008
Defined Benefit obligation	(1,962.5)	(11.6)	(1,974.1)
Plan assets	1,739.2	1.6	1,740.8
<b>Net position</b>	<b>(223.3)</b>	<b>(10.0)</b>	<b>(233.3)</b>
Unrecognised actuarial gains and losses	237.0	–	237.0
The effect of limiting the asset*	(16.6)	–	(16.6)
<b>Subtotal – balance liability</b>	<b>(2.9)</b>	<b>(10.0)</b>	<b>(12.9)</b>
Other liabilities relating to pensions	(1.5)	(0.6)	(2.1)
<b>Pension liabilities</b>	<b>(4.4)</b>	<b>(10.6)</b>	<b>(15.0)</b>

#### Defined Benefit obligation

	The Netherlands 2008	Other countries 2008	Total 2008
Opening balance as per 21 June 2007	–	–	–
Acquisition of Stork N.V.	1,822.4	20.4	1,842.8
<b>Defined benefit obligation after acquisition</b>	<b>1,822.4</b>	<b>20.4</b>	<b>1,842.8</b>
Service costs	24.4	0.2	24.6
Interest costs	101.3	0.9	102.2
Plan participants contributions	20.7	–	20.7
Actuarial gains and losses	77.9	–	77.9
Benefits paid	(84.2)	(0.5)	(84.7)
Curtailment**	–	(7.3)	(7.3)
Changes in exchange rates	–	(2.1)	(2.1)
<b>Balance as at 31-12-2008</b>	<b>1,962.5</b>	<b>11.6</b>	<b>1,974.1</b>

#### Plan assets

	The Netherlands 2008	Other countries 2008	Total 2008
Opening balance as per 21 June 2007	–	–	–
Acquisition of Stork N.V.	1,837.6	10.9	1,848.5
<b>Plan assets after acquisition</b>	<b>1,837.6</b>	<b>10.9</b>	<b>1,848.5</b>
Expected returns on plan assets	117.4	0.5	117.9
Employer's contribution	24.8	0.4	25.2
Plan participants contributions	20.7	–	20.7
Actuarial gains and losses	(177.1)	(0.1)	(177.2)
Benefits paid	(84.2)	(0.5)	(84.7)
Curtailment**	–	(7.5)	(7.5)
Changes in exchange rates	–	(2.1)	(2.1)
<b>Balance as at 31-12-2008</b>	<b>1,739.2</b>	<b>1.6</b>	<b>1,740.8</b>

\* A net pension asset will be recognised for the first time when economic benefits become available.

\*\* The amount mentioned in the 'curtailment' line relates to Stork Protech UK.

The net period pension costs of the above pension plans:

	The Netherlands 2008	Other countries 2008	Total 2008
Service costs	24.4	0.2	24.6
Interest costs	101.3	0.9	102.2
Expected returns on plan assets	(117.4)	(0.5)	(117.9)
Amortised actuarial gains and losses	–	0.1	0.1
Curtailment**	–	0.2	0.2
The effect of limiting the asset*	16.6	–	16.6
<b>Pension expense</b>	<b>24.9</b>	<b>0.9</b>	<b>25.8</b>

\* A net pension asset will be recognised for the first time when economic benefits become available.

\*\* The amount mentioned in the 'curtailment' line relates to Stork Protech UK.

The other pension plans are mainly based on a Defined Contribution plan. The costs of these plans were € 22.3 million in 2008.

These costs also include costs in relation to the early retirement scheme for the industry (so-called 55+ plan). In fact this involves a Defined Benefit plan. This is processed as a Defined Contribution plan, because the administration of the industry pension fund is not structured to provide the requested information. There is no obligation to compensate for any shortfalls in the fund, nor is there any entitlement to any surpluses.

The pension contribution expected to be paid by Stork for 2009 is € 50 million (2008: € 48 million).

As the Stork Pension Fund is in a situation of underfunding, a recovery plan should be set up in 2009. The outcome of this recovery plan could lead to an additional premium payment in 2009.

The weighted average assumptions on which the calculation of the pension obligations is based are as follows:

	The Netherlands 2008	Other countries 2008	Total 2008
Pension obligation as at 31 December:			
Discount rate used	5.3	6.1	5.3
Expected return on plan assets	5.9	5.3	5.9
Future salary increases	3.0	2.3	3.0
Future pension increases	2.0	1.0	2.0

The mortality table used for the Netherlands is based on the Prognosis table 2005-2050 of the Actuariële Genootschap.

The assumptions for the expected return on plan assets have been reached on the basis of assessment of the historic returns of the various categories in which the investments are made. The historic returns on these asset categories are weighted on the basis of the expected long-term allocation of the plan assets.

The return on plan assets for 2008 is estimated at 12.7% negative.

The plan assets consist primarily of fixed-interest securities, listed shares and related instruments, as well as property. The allocation of the investments per asset category for the pension plans in the Netherlands at 31 December 2008 is as follows:

	Percentage allocation of investment as at 31-12-2008
Shares and related instruments	35
Fixed-interest securities	46
Property	17
Other	2
<b>Total</b>	<b>100</b>

#### Historical summary

	2008
Cash value of the obligations related to Defined Benefit plans	(1,974.1)
Fair value of the plan assets	1,740.8
<b>Net obligations</b>	<b>(233.3)</b>
Experience adjustments incurred on obligations of the plan	(134.0)
Experience adjustments incurred on plan assets	(177.1)

## 62 Treasury activities

The treasury activities of Stork are coordinated from the head office in Naarden. The policy is focused on creating and maintaining the optimal financial prerequisites for the development of the operational activities of Stork.

Corporate Treasury analyses and assesses the risks associated with the plans of operating companies in relation to financing and currency risks. Contracts with financial institutions (money market, currency market, interest market, commodities, guarantees, export insurances, letters of credit etc.) are entered into only if there is an underlying asset on the consolidated balance sheet or through contracts with suppliers and customers.

## 63 Cash management

Stork centralises its liquidity management in the Netherlands, Belgium and the USA. The bank accounts of operating companies have for this purpose been placed with a limited number of banks in cash pool arrangements. In 2008 Stork was active on a daily basis in the money market to conclude daily cash contracts, deposits and cash loans. The maximum credit facility per operating company is determined centrally.

For most of the facilities for bank guarantees Stork placed cash collateral. Stork used € 60 million from the available € 85 million cash from the syndicate credit facility for cash collaterals with five banks.

Stork has got foreign exchange facilities with six banks.

## 64 Currency management

### General

In the management of currency risks Stork aims to limit the effect on the group result of exchange-rate fluctuations. However in the long-term structural changes, especially in the value of the US dollar relative to the euro, and changes in the difference between the US and European interest rates, will influence the consolidated result. Stork uses two policies to manage the currency risks: the Aerospace currency policy and the Stork currency policy for the other Stork activities.

### Aerospace currency management

The Aerospace currency policy expresses how Stork addresses the currency risks of the major Aerospace programmes. The currency risks are material because of the size of the transactions and the long terms of the contracts. The currency risks relate mainly to the exposure to the US dollar. Of the forward exchange contracts entered into by Stork for commercial purposes, 95% relate to the Aerospace currency policy.

Each quarter Stork evaluates the projected cash flows from the aircraft programmes. A model is used to calculate the expected cash flow per year in US dollars over the entire duration of the programmes, including min-max scenarios.

#### Expected US-dollar cash flow (in million)

2009	2010	2011	2012	2013	> 2013
204	168	123	128	153	483

Of the total expected cash flow of contracts entered into for the period 2009-2030, amounting to \$ 1,259 million, 67% was hedged at the end of 2008 (\$ 844 million). The policy is aimed at hedging 80-100% of the expected (highly probable) cash flows. At the end of 2008, Stork hedged 100% of the expected cash flows up to the end of 2011. The currency risks are managed and hedged on a portfolio basis. The external hedging of currency risk in 2008 made virtually exclusive use of forward exchange contracts. For this purpose Stork has substantial credit facilities with six banks for forward exchange contract transactions with terms from three to fifteen years.

Cash flow hedge accounting is applied for the revaluation of the financial instruments. For this purpose, each month effectiveness is calculated. In 2008, an ineffectiveness of € 0.7 million is recognised in the incomestatement under exchange rate differences. Recognition of an ineffectiveness of between 80% and 100% is in accordance with policy and the hedge documentation.

### Movements in cash flow hedge reserve

	Foreign exchange 2008
Starting balance	–
Acquisition Stork B.V.	
Increase through effective hedge	(30,709)
Recycling to income statement	(25,533)
Ineffectiveness	(666)
Contribution to cash flow hedge provision	13,378
Movement in cash flow hedge deferred tax position	11,100
<b>Ending balance</b>	<b>(32,430)</b>

### Currency management for other activities

Stork's currency policy for other activities includes the procedures, regulations and authorisations relating to other currency risks. Currency risks at the start of contracts under which the sales volume will generate a certain cash flow are centrally hedged. Operating companies have no open foreign currency positions in relation to these contracts. Through a coherent infrastructure and strict procedures Stork strives to minimise the effect of exchange rate fluctuations. Currency exposures during the proposal phase are mainly hedged by exchange rate clauses. Proposals with a high chance of success can be hedged with currency options. Use was made in 2008 of forward exchange contracts and cash transactions for external hedging of currency risks. All results of this policy are recognised directly in the income statement and no hedge accounting is applied.

## **Hedging**

The financial instruments entered into with banks are entered into directly by Stork. As at 31 December 2008, a total of € 918 million in contracts were centrally hedged for operating companies in relation to export contracts and € 296 million in relation to import contracts. As at year-end 2008, Stork had a derivatives portfolio consisting only of forward exchange contracts.

The average term of the derivatives portfolio is three years and two months. Currency risks relating to future revenues for which no commercial contracts have been concluded are in principle not hedged. The currency risk on the net investment in foreign activities is where possible and relevant minimised by financing in local currencies. Residual amounts are not hedged.

## **Sensitivity analysis**

A decrease of 10% in the spot rate of the US dollar and related currencies in relation to the euro would have had a negative effect on Stork's 2008 result before taxes by an expected approximate 3%. This calculation takes account of the forward exchange contracts concluded with banks. This analysis assumes that all other variables, in particular interest rates, remain constant.

## **65 Interest management**

Stork is exposed to interest rate risk, mainly with regard to the long-term debts. Stork B.V. has not hedged the risk on a company level. The interest management of Stork B.V. is related to interest risk exposure of the Stork Group. Stork B.V. uses interest rate swaps to cover these interest rate risks, mainly on behalf of Stork Holding B.V. The interest rate swaps hedges 1 month interest periods into three years until 2011.

## **66 Credit risks**

Stork follows an active policy to minimise credit risks. The ways in which this is achieved include the recruitment and training of professional credit managers, the use of sales information systems, strict internal guidelines, the consultation of external sources, requesting security for payment and concluding credit-risk insurances. There is no concentration of credit risks for significant amounts at debtors. Stork does not purchase credit derivatives.

Stork has insured a significant part of the outstanding debtors balance by means of turnover policies and single-transaction policies. Stork makes use of Letters of Credit as instruments for obtaining security for payment. Stork receives prepayments from customers to finance work in progress in relation to projects and long-term contracts (see note 49).

## **67 Commodities**

No future contracts on commodities or other derivatives were entered into in 2008. Stork will make only limited use of these instruments.

**68 Derivative financial instruments**

(in € x million)

**Fair value**

	31-12-2008	
	Carrying amount	Fair value
Trade and other receivables	366	366
Cash and cash equivalents	310	310
Forward exchange contracts:		
• Aerospace	8	8
• Other	9	9
Interest rate swaps on behalf of Stork B.V.	20	20
Interest rate swaps (external)	(20)	(20)
Trade and other payables	(404)	(404)
Long-term debts	224	224
Bank overdrafts	(15)	(15)
	<b>498</b>	<b>498</b>

The interest rate used in calculating the fair value of derivatives as at 31 December 2008 was based on market rates. These are shown below.

	2008
<b>Derivatives</b>	
Euro interest rate	2.5 – 3.7%
US dollar interest rate	0.8 – 2.9%

**69 Contingent liabilities****Guarantees issued**

At 31 December 2008 guarantees issued to third parties totalled € 126.1 million.

**Contingencies**

Stork and its consolidated companies are involved in a number of legal actions. Based on currently available information and legal opinions, Stork believes that the outcomes of these legal actions will either have no significant adverse effect on the financial position of the company, or that any possible adverse effects are adequately reflected in provisions.

**Revolving credit facility**

One of the subordinates of Stork B.V. holds € 50 million of the revolving credit facility available to the parent company Stork Holding B.V.

**70 Related parties**

The ultimate parent company of Stork B.V. is London Acquisition Luxco S.a.r.l., with its statutory seat in Luxembourg. Stork Topco B.V. is the head of the Dutch tax fiscal unity for corporation tax purposes. According to the standard conditions, each of the companies is liable for tax payable of all the companies included in the legal entity.

The shares in the Stork Group are indirectly held by funds managed by Candover, Eyir Invest and management participation funds. The Board of Management as well as certain other senior staff members of the company participate.

In 2008 Stork B.V. pledged most of its assets in the Netherlands, United States of America, Germany and Canada on behalf of the syndicate credit facility.

The table below shows the specification of the € 595 million of the syndicate credit facility held by Stork Holding B.V.

	Currency	Nominal interest rate	Year of maturity	Debt 31-12-2008
Long-term loans:				
Senior Loan A	USD	Libor + 2.75%	2015	95,580
Senior Loan B	USD	Libor + 3.25%	2016	32,407
Senior Loan B	EUR	Euribor + 3.25%	2016	129,050
Senior Loan C	USD	Libor + 3.50%	2017	32,407
Senior Loan C	EUR	Euribor + 3.50%	2017	129,050
Mezzanine Loan	EUR	Euribor + 3.50% and 7.25% non cash	2017	197,356
Capitalised finance costs				(20,933)
				<b>594,917</b>
Repayments due in 2009				-
				<b>594,917</b>
Of which with a remaining term of more than five years				594,917

The interest management of Stork B.V. is related to interest risk exposure of the Stork Group. Stork B.V. uses interest rate swaps to cover these interest rate risks, mainly on behalf of Stork Holding B.V.

Relationships between related parties exist between Stork and its subsidiaries, associates and joint ventures (see note 45), the Stork Pension Fund and the directors and higher management of the company.

The most important task of the Stork Pension Fund is to administer the pension plan for the employees of Stork and former employees drawing pension benefits.

The result of the AJS and Stork GLT joint ventures is at the disposal of both Stork and the other participants in the joint venture. To support the activities of the joint venture, the participants increase their investments in the joint venture if necessary.

A loan of € 300,000 has been granted to a member of the Board of Management

## 71 Current commitments

Investment commitments relating to assets on order are € 5.5 million.

## 72 Non-current commitments

Commitments relating to rental and operational leasing contracts are € 37.3 million.

	2008
Shorter than 1 year	10.9
Between 1 and 5 years	18.2
Longer than 5 years	8.2

Financial leasing commitments are € 4.0 million.

### 73 Legal and constructive obligations

Stork participates in a number of joint ventures in which it has accepted individual liability for the obligations entered into by the joint venture.

This relates to the following joint ventures:

- The NH90 helicopter. A joint venture of Stork Fokker AESP with, among others, Eurocopter and Agusta in the NH90 helicopter.
- Stork Groningen Long Term. A joint venture of Stork Industry Services together with Jacobs Engineering, Siemens, Yokogawa and Siemens Demag Delaval for the renovation of the Groningen Gas Fields.
- AJS. A joint venture of Stork Industry Services with Amec and Jacobs Engineering, to carry out the renovation of a number of offshore projects in the North Sea.

### 74 Estimates and judgments by management

The Board of Management has discussed with the Audit Committee the development and selection of, and gaining information about, the critical principles for financial reporting and estimates, as well as the application of these principles and estimates.

#### Primary sources of uncertainties in estimates

Note 23 contains information about the assumptions and the corresponding risk factors relating to impairment of goodwill and intangible fixed assets resulting from business combinations. Note 6 gives an analysis of the financial instruments, as well as of the risks relating to changes in currency values.

#### Recoverability of development costs

The most important part of development costs consists of non-recurring costs for aircraft programmes within Aerospace. The recoverability of the carrying amount is assessed periodically on the basis of expected cash flows based on market and customer estimates of quantities sold. These estimates are made with an appropriate degree of prudence. The carrying amount of development costs is included in note 44.

#### Assumptions concerning pensions

Note 61 contains information concerning the valuation of pension obligations. Stork assumes longer-term returns on invested assets as applied by the Dutch central bank (DNB), taking into account the asset mix of the Stork Pension Fund. It should be noted that this percentage is higher than the average returns achieved over the past three years (mainly caused by the last two years). If the expected returns continue to be lower than expected, this would have a negative effect on the unrecognised actuarial results of Stork. A decline in the long-term market interest rate and therefore the applied discount rate would mean an increase in the obligations and as a result also in the actuarial results which have not yet been recognised. Both these factors lead to a risk that the actuarial results not yet recognised would further exceed the specified range in 2009. In that case the additional part exceeding the range would further influence the pension charge as of 2010.

#### Assumptions concerning the valuation of the deferred tax position

Note 13 provides information about the assumptions and the corresponding risk factors in relation to the valuation of the deferred tax position.

# Company income statement of Stork B.V.

(in € x 1,000)

	For the period 21-06-2007 – 31-12-2008
Income from subsidiaries after taxes	106,780
Other results after tax	(22,920)
<b>Net result</b>	<b>83,860</b>

# Company balance sheet of Stork B.V.

(in € x 1,000)

After appropriation of profit

	2008	Opening balance as per 21-06-2007
<b>Non-current assets</b>		
Property, plant and equipment <sup>77</sup>	417	
Derivative financial instruments <sup>88</sup>	36,855	
Financial fixed assets <sup>78</sup>	1,906,369	
	1,943,641	–
<b>Current assets</b>		
Current tax asset	2,265	
Cash and cash equivalents	35,295	18
Trade and other receivables <sup>79</sup>	41,895	
	79,455	18
<b>Assets</b>	2,023,096	18
<b>Equity</b>		
Share capital <sup>81</sup>	31,251	18
Share premium <sup>82</sup>	1,555,006	
Statutory reserve <sup>83</sup>	(12,221)	
Other reserve <sup>84</sup>	62,497	
	1,636,533	18
<b>Provisions</b> <sup>85</sup>	103,030	
<b>Current liabilities</b>		
Derivative financial instruments <sup>88</sup>	19,924	
Trade and other payables <sup>87</sup>	78,609	
	98,533	–
<b>Non current liabilities</b>		
Long-term debts <sup>86</sup>	185,000	
	185,000	–
<b>Liabilities</b>	2,023,096	18

# Notes to the separate financial statements

## 75 General

The separate financial statements are part of the 2008 financial statements of Stork B.V. For the separate income statement of Stork B.V., use is made of the exemption pursuant to Section 2:402 of Book 2 of the Netherlands Civil Code.

## 76 Principles for valuation and determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its separate financial statements, Stork B.V. makes use of the option provided in Section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result for the separate financial statements of Stork B.V. are the same as those for the consolidated financial statements. In this context, investments in companies in which significant control is exercised are measured according to the net asset value method. The consolidated financial statements are prepared according to the standards set by the International Accounting Standards Board (IASB) and adopted by the European Union and with Title 9 Book 2 of the Netherlands Civil Code. For a description of these accounting principles, reference is made to the accounting principles with the consolidated financial statements. The share in the result of enterprises in which the company has holdings comprises the share of Stork B.V. in the result of these participating interests. Results on transactions in which transfer of assets and liabilities has occurred between Stork B.V. and its participating interests, and mutually between participating interests with each other, are not recognised insofar as these can be considered as not realised.

## 77 Property, plant and equipment

	Land and buildings	Other productive assets	Total
Carrying amount opening balance as per 21-06-2007	–	–	–
Acquisition Stork N.V.	4,040	442	4,482
Fair value adjustments	–	–	–
Other investments	–	–	–
Disposals	(3,783)	–	(3,783)
Depreciation	(143)	(139)	(282)
<b>Carrying amount as at 31-12-2008</b>	<b>114</b>	<b>303</b>	<b>417</b>
Historic cost	257	442	699
Depreciation and impairment losses	(143)	(139)	(282)
<b>Carrying amount as at 31-12-2008</b>	<b>114</b>	<b>303</b>	<b>417</b>

## 78 Financial fixed assets

	Interest in group companies	Associates	Loans to group companies	Total
Carrying amount opening balance as per 21-06-2007	–	–	–	–
Acquisition Stork N.V.	1,233,181	24,327	–	1,257,508
Result of subsidiaries	104,283	2,497	–	106,780
Dividends received	(86,789)	(8,552)	–	(95,341)
Exchange rate differences	1,347	–	(2,483)	(1,136)
Movements in loans	–	–	638,558	638,558
<b>Carrying amount as at 31-12-2008</b>	<b>1,252,022</b>	<b>18,272</b>	<b>636,075</b>	<b>1,906,369</b>

Stork B.V. has (directly or indirectly) capital interests in the group companies presented on page 75 – 76.

## 79 Trade and other receivables

	2008
Debtors (current)	528
Debtors subsidiaries	7,970
Receivables from associates	23
Interest parent companies	13,226
Other receivables	20,148
	<b>41,895</b>

## 80 Equity

The equity in the Stork B.V. separate financial statements is reconciled with the equity in the consolidated financial statements. For details of the movements in equity, reference is made to note 52.

### 81 Share capital

The authorised share capital comprises:

50,000,000 ordinary shares of € 1.– € 50,000,000.–

#### Ordinary shares

Opening balance as per 21-06-2007	18
Share premium contribution	31,233
<b>Issued share capital (31,250,528 ordinary shares)</b>	
<b>as at 31-12-2008</b>	<b>31,251</b>

### 82 Share premium

Opening balance as per 21-06-2007	–
Share capital contribution	(31,233)
Share premium contribution	1,586,239
<b>Balance as at 31-12-2008</b>	<b>1,555,006</b>

The share premium is exempted from tax in the Netherlands and therefore freely available for payment to shareholders.

### 83 Statutory reserve

Opening balance as per 21-06-2007	–
Movement in capitalised development costs	21,345
Movement in cash flow hedge reserve	(32,430)
Exchange rate difference in valuation of participating interests	(1,136)
<b>Balance as at 31-12-2008</b>	<b>(12,221)</b>

A statutory reserve is formed for participating interests. It is released as the carrying amount of the development costs is reduced.

### 84 Other reserve

Opening balance as per 21-06-2007	–
Result for 2008	83,862
Movement in capitalised development costs	(21,345)
Other movements	(20)
<b>Balance as at 31-12-2008</b>	<b>62,497</b>

**85 Long-term debts**

	Currency	Nominal interest rate	Year of maturity	Debt 31-12-2008
Long-term loans				
• Guarantee Facility 1	EUR	Euribor + 2.375%	2015	85,000
• Capex 2 Loan	EUR	Euribor + 2.375%	2016	50,000
• Capex 3 Loan	EUR	Euribor + 2.625%	2017	50,000
				185,000
Repayments due in 2009				-
				185,000

Of which with a remaining term of more than five years

185,000

**86 Provisions**

	Balance at 21-06-2007	Acquisition Stork N.V.	Addition charged to income statement	Release amount credited to income statement	Movements*	Balance at 31-12-2008
Deferred tax liabilities	-	113,157	-	(6,750)	(19,019)	87,388
Reorganisation liabilities	-	5,553	1,565	(310)	(1,133)	5,675
Claims, disputes and other contractual obligations	-	6,842	739	(1,687)	(477)	5,417
Pension liabilities	-	6,011	466	(1,614)	(313)	4,550
	-	131,563	2,770	(10,361)	(20,942)	103,030

Of which short-term

6,921

Of which with a remaining term longer than five years

1,078

**87 Trade and other payables**

	2008
Due to customers*	17,758
Trade creditors	5,225
Group company creditors	375
Pensions	224
Other taxes and social security contributions	16,794
Other liabilities	38,233
	78,609

\* This item relates to the provision for loss orders for major aircraft programmes, which would be loss-making only on the basis of calculation at fair value. Since cash flow hedge accounting is applied at corporate level by Stork B.V., the related provision is therefore recognised in the Company income statement of Stork B.V. The background to cash flow hedge accounting is explained in note 6 to the consolidated financial statements.

**88 Derivative financial instruments**

For an explanation concerning derivative financial instruments, reference is made to notes 68.

## 89 Employee costs and benefits

For the employee costs, reference is made to note 36 in which the remuneration of the Board of Management is set out. The employees of Stork B.V. have the same Defined Benefit pension plan as described in the consolidated financial statements. In view of the fact that the attribution of the liabilities and investments of the Stork Pension Fund Foundation to such a small population relative to the total number of participants in the Stork Pension Fund Foundation would lead to a high degree of inaccuracy, the contributions paid to the Stork Pension Fund Foundation are regarded as a pension cost.

## 90 Liabilities not shown on the balance sheet

### Individual liability and guarantees

At 31 December 2008, guarantees issued to third parties totalled € 52.7 million.

For the Dutch operating companies listed on page 75 – 76, notices of liability have been filed for liabilities resulting from legal actions.

## 91 Subsequent events

No events with a material impact on the financial statements as per 31 December 2008 have occurred.

Naarden, 5 March 2009

### Supervisory Board

J.H. Schraven (Chairman)  
M.S. Gumienny (Vice Chairman)  
E.J.F.H.C. Ernst  
P.F. Hartman  
C.J. van den Driest  
A.O. Thordarson

### Board of Management

Sj.S. Vollebregt (Chairman)  
J. Turkesteen  
H.E.H. Bouland

We hereby present you with these financial statements for your assessment and confirmation at the General Meeting of Shareholders on 23 March 2009.

To: The general meeting of shareholders of Stork B.V.

### **Auditor's report**

#### **Report on the financial statements**

We have audited the accompanying financial statements 2008 of Stork B.V., Amsterdam, as set out on page 21 to 71.

The financial statements consist of the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, the profit and loss account, statement of recognised income and expense and cash flow statement for the period 21 June 2007 – 31 December 2008, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2008, the company profit and loss account for the period 21 June 2007 – 31 December 2008 and the notes.

#### **Management's responsibility**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion with respect to the consolidated financial statements**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Stork B.V. as at 31 December 2008, and of its result and its cash flows for the period 21 June 2007 – 31 December 2008 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

**Opinion with respect to the company financial statements**

In our opinion, the company financial statements give a true and fair view of the financial position of Stork B.V. as at 31 December 2008, and of its result for the period 21 June 2007 -31 December 2008 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 5 March 2009

KPMG ACCOUNTANTS N.V.

A.S. Welling RA

## Provisions of the articles of association regarding profit distribution (article 26)

1. Distribution of profits to the shareholders and others entitled to distribution of profits may be made only insofar as the net assets exceed the paid in and called up part of the capital plus the reserves which must be maintained by virtue of the law.
2. Distribution of profits may be made only after the annual accounts evidencing justification of such distribution are drawn up.
3. At the expense of the profit such a reserve will be made as the Management Board will determine subject to the approval of the Supervisory Board.
4. The then remaining profit will be at the disposal of the General Meeting of Shareholders.
5. Resolutions to discontinue the reserves formed by virtue of paragraph 3 in part or in full can only be passed by the General Meeting of Shareholders on a proposal of the Management Board with the approval of the Supervisory Board.

# List of major consolidated operating companies

(100% owned, unless otherwise stated)

## **Stork Technical Services**

Stork Industry Services B.V., Utrecht (NL)  
Stork Maintenance Management B.V., Utrecht (NL)  
Stork MEC N.V., Antwerp (BE)  
Stork Sutherland Schultz, Cambridge (CA)  
iicorr Ltd., Aberdeen (GB)  
Stork Turbo Blading B.V., Sneek (NL)  
Stork Turbo Service B.V., Almere (NL)  
Stork Turbo Service GmbH, Regensburg, Essen (DE)  
Stork H&E Turbo Blading Inc., Ithaca (US)  
Stork Gears & Services B.V., Rotterdam (NL)  
Stork Trading B.V., Hengelo (NL)  
Stork Thermeq B.V., Hengelo (NL)  
Stork Materials Technology B.V., Amsterdam (NL)  
Stork Cellramic Inc., Milwaukee (US)  
Stork Technimet Inc., New Berlin (US)  
Stork Materials Testing and Inspection Inc., Huntington Beach (US)  
Stork Herron Testing Laboratories Inc., Cleveland (US)  
Stork Testing and Metallurgical Consulting Inc., Houston (US)  
Stork East West Technology, Jupiter (US)  
MTT Werkstofflabor GmbH, Herne (DE)  
Stork Intermeas N.V., Antwerp (BE)  
Stork Twin City Testing Inc., St.Paul (US)  
Stork Cooperheat UK Ltd., Merseyside (GB)  
Cooperheat Saudi Arabia Co Ltd., Jubail, Kingdom of Saudi Arabia (SA)  
Cooperheat Middle East, Dubai, United Arab Emirates (AE)  
Stork Cooperheat of Australia (Pty) Ltd, Wetherill Park, Australia (AU)  
Stork Special Products B.V., Zwolle (NL)  
2Rent B.V., Rozenburg (NL)  
Interlas B.V., Rozenburg (NL)  
HiTecs B.V., De Meern (NL)

## **Stork Aerospace**

Stork Fokker AESP B.V., Papendrecht, Hoogeveen (NL)  
Fokker Elmo B.V., Hoogerheide (NL)  
Fokker Elmo Electrical Systems Co Ltd., Langfang (CN)  
Fokker Elmo Aerospace Industries LLC, Izmir (TR)  
Stork SP Aerospace, Helmond (NL)  
Fokker Services B.V., Nieuw-Vennep (NL)  
Fokker Aircraft Services B.V., Hoogerheide (NL)  
Fokker Services Asia Pte. Ltd., Singapore (SG)  
Fokker Services Inc., Atlanta (US)  
Fokker Airinc, Fairhope (US)  
Aerotron Air Power, LaGrange (US)

**Others and holdings**

Stork United Corporation LLC., Charlotte (US)

Stork German Holding GmbH, Regensburg (DE)

Stork Power USA Holding Inc., Charlotte (US)

SMT USA Holding Inc., Charlotte (US)

Stork A.G., Zug (CH)

Chemica A.G., Zug (CH)

Use has been made of the exemption provided by Section 2:403, part IX, Book of the Netherlands Civil Code with respect to the Dutch operating companies.

# Glossary of terms

**Capital employed** Property, plant and equipment plus financial fixed assets plus working capital.

**Cash flow hedge reserve** Part of equity to which is charged the change in the cumulative value of the difference between the nominal value and the current value of derivative financial instruments to which cash flow hedge accounting is applicable.

**Corporate Governance** Relates to the management of the company, the supervision of the management, the accountability of management and the way in which stakeholders can exert an influence on decision making.

**COSO framework** Framework for risk control in accordance with the system of the Committee of Sponsoring Organizations of the Treadway Commission (see [www.coso.org](http://www.coso.org)).

**Costs of capital** The costs that have to be paid for a specific form of capital, expressed as a percentage of the amount of the capital concerned.

**Derivative financial instruments** are instruments used for financing and risk management. Their value is derived from the changes in the value of underlying assets such as shares, interest rates, currencies or commodities.

**EBIT** Earnings before interest and taxes and net finance expenses. Operational result, including exchange rate differences and income from associates.

**EBITDA** Earnings before interest, taxes, depreciation and amortisation.

**IFRS** International Financial Reporting Standards. Also referred to as IAS (International Accounting Standards).

**Net asset value** The value of a company expressed by the difference between assets and liabilities.

**Net debt** Long-term debts and bank overdrafts less cash.

**Net turnover** Realised sales proceeds less any discounts granted to customers.

**Non-recurring costs** Investments in design, development and production of aerospace programmes.

**Operational result** The net turnover of a company minus the costs that are made to achieve that turnover. No allowance is made in the calculation of the operational result for interest receipts or payments, exchange rate differences, income from associates and minority interests, or taxation payable.

**Return on average capital employed** The EBIT of the current financial year divided by the average capital employed, calculated on the basis of the balance at the end of the preceding year and the end of the current year.

**Return on Sales** EBIT divided by net turnover.

**WACC** Weighted Average Cost of Capital. The weighted average of the required profitability on equity and borrowed capital.

**Working capital** Current assets (excluding cash and cash equivalents and deferred tax claims) minus provisions and current liabilities.

## **Colophon**

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**Stork B.V.**

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