

The Offer expires at 18.00 hours CET on 23 May 2008, unless extended

**OFFER MEMORANDUM**

**dated 16 April 2008**

**CASH OFFER**

**by**

**ERIKS GROUP N.V.**



**FOR ALL ISSUED AND OUTSTANDING ORDINARY SHARES  
WITH A NOMINAL VALUE OF EUR 0.50 EACH**

**IN THE SHARE CAPITAL OF**

**KONINKLIJKE ECONOSTO N.V.**



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This offer memorandum (the “**Offer Memorandum**”) contains the details of the cash offer by ERIKS group nv (the “**Offeror**” or “**ERIKS**”) to all holders of issued and outstanding ordinary shares with a nominal value of EUR 0.50 each in the share capital of Koninklijke Econosto N.V. (“**Econosto**” or the “**Company**”) (the “**Shares**”, holders of such Shares being referred to as “**Shareholders**”) to purchase for cash the Shares held by them, on the terms and subject to the conditions and restrictions contained in this Offer Memorandum (the “**Offer**”). Capitalized terms used in this Offer Memorandum have the meaning as set out in Section 3 (Definitions) or elsewhere in this Offer Memorandum.

Shareholders tendering their Shares under the Offer will be paid, on the terms and subject to the conditions and restrictions contained in this Offer Memorandum, in consideration of each Share validly tendered (or defectively tendered, provided that such defect has been waived by the Offeror) and delivered (*geleverd*), a cash amount of EUR 8.21 per Share, which includes any dividend or other distribution on the Shares that may be declared prior to the Settlement Date and, consequently, the Offer Price will be decreased by the amount

of such declaration of dividend or other distribution, if any, prior to the Settlement Date (the "**Offer Price**"). See Section 4 (Invitation to the Shareholders).

The acceptance period under the Offer commences at 9:00 hours CET, on 17 April 2008 and, unless extended, expires at 18.00 hours CET, on 23 May 2008 (the "**Acceptance Closing Date**") (the "**Acceptance Period**"). Acceptance under the Offer must be made in the manner specified in this Offer Memorandum. Shares tendered on or prior to the Acceptance Closing Date may not be withdrawn, subject to the right of withdrawal of any tender during an extension of the Acceptance Period in accordance with the provisions of Article 15, paragraph 3 of the Decree on public offers Wft (*Besluit openbare biedingen Wft*) (the "**Takeover Decree**"). The Offeror reserves the right to extend the Offer past the Acceptance Closing Date. If the Offer is extended past the Acceptance Closing Date, the Offeror will make an announcement to that effect in accordance with the Takeover Decree. See Section 4 (Invitation to the Shareholders). The provisions of Article 15, paragraph 2 of the Takeover Decree, require that such an announcement be made within three (3) Business Days following the Acceptance Closing Date.

Unless the Acceptance Period is extended, the Offeror will, in accordance with Article 16 of the Takeover Decree, announce whether the Offer is declared unconditional (*gestand wordt gedaan*) within three (3) Business Days following the Acceptance Closing Date (the "**Unconditional Date**"). The Offeror reserves the right to waive certain Offer Conditions, if relevant and to the extent permitted by applicable law. See Section 4.7 (Declaring the Offer Unconditional (*gestanddoening*) and post-acceptance period).

Announcements declaring whether the Offer is declared unconditional (*gestand wordt gedaan*) and announcements in relation to an extension of the Offer Period past the Acceptance Closing Date will be made by press release and will be published in at least one nationally distributed newspaper in The Netherlands (*Het Financieele Dagblad* or *De Telegraaf*). See Section 4.13 (Announcements).

In the event that the Offeror announces that the Offer is declared unconditional (*gestand wordt gedaan*), the Shareholders who have tendered and delivered their Shares to the Offeror prior to the Acceptance Closing Date will receive within five (5) Business Days following the Unconditional Date (the "**Settlement Date**") the Offer Price in respect of each Share validly tendered (or defectively tendered, provided that such defect has been waived by the Offeror) and delivered (*geleverd*).

This Offer Memorandum has been prepared in accordance with Article 5:76 of the Wft in conjunction with Article 8, paragraph 1 of the Takeover Decree and has been approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the "**AFM**").

## **1 RESTRICTIONS AND IMPORTANT INFORMATION**

### **1.1 Restrictions**

The Offer is being made with due observance of such statements, conditions and restrictions as are included in the Offer Memorandum. The Offeror reserves the right to accept any tender under the Offer, which is made by or on behalf of a Shareholder, even if it has not been effected in the manner as set out in this Offer Memorandum. The Offer is not being made, and the Shares will not be accepted for purchase from or on behalf of any Shareholders, in any jurisdiction in which the making or acceptance thereof would not be in compliance with the securities or other laws or regulations of such jurisdiction or would require any registration, approval or filing with any regulatory authority not expressly contemplated by the terms of this Offer Memorandum. However, acceptances of the Offer by Shareholders not residing in the Netherlands will be accepted by the Offeror if such acceptances comply with the acceptance procedure set out in this Offer Memorandum. Persons obtaining the Offer Memorandum are required to take due note and observe all such restrictions and obtain any necessary authorisations, approvals or consents. Neither the Offeror nor any of its respective affiliates or any of its respective directors, employees or advisers accepts any liability for any violation by any person of any such restriction. Any person (including, without limitation, custodians, nominees and trustees) who would or otherwise intends to forward this Offer Memorandum or any related document to any jurisdiction outside the Netherlands should carefully read this Section 1 (Restrictions and important information) before taking any action. The distribution of this Offer Memorandum in jurisdictions other than the Netherlands may be restricted by law and therefore persons into whose possession this Offer Memorandum comes should inform themselves about and observe such restrictions. Any failure to comply with any such restrictions may constitute a violation of the law of any such jurisdiction.

#### **1.1.1 Canada and United States of America**

The Offer is not being made, directly or indirectly, in or into, or by use of the mailing systems of, or by any means or instrumentality (including, without limitation, electronic mail, post, telephone, facsimile, telex or electronic transmission) of interstate or foreign commerce of, or of any facility of a securities exchange of Canada or the United States of America, and the Offer cannot be accepted by any such use, means, instrumentality or facility or from within Canada or the United States of America. Accordingly, this Offer Memorandum and any related documents are not being and must not be mailed or otherwise distributed or sent in or into Canada the United States of America or in their capacities as such custodians, trustees, or nominees holding shares for American and Canadian persons and persons receiving such documents (including, without limitation, custodians, nominees and trustees) must not distribute or send them into such jurisdictions and doing so will render invalid any relevant purported acceptance of the Offer.

This Offer Memorandum has not been submitted to or reviewed by the United States Securities and Exchange Commission ("SEC") or any state securities commission and neither the SEC nor any such state securities commission has approved or disapproved or determined whether this Offer Memorandum is truthful or complete. Any representation to the contrary is a criminal offence in the United States.

## **1.2 Important information**

This Offer Memorandum contains important information that should be read carefully before any decision is made to tender Shares in connection with the Offer. Shareholders are advised to seek independent advice where necessary. In addition, Shareholders may wish to consult with their tax advisers regarding the tax consequences of tendering their Shares in connection with the Offer.

The information regarding Econosto as contained in this Offer Memorandum has been consistently derived by the Offeror from publicly available sources, such as the annual reports of Econosto, the Gilde Offer Memorandum (as defined below) and the website of Econosto, including without limitation, Sections 6.1 up to and including 6.6, 7.1, 7.2 and 7.4. In addition the information in Part 2 of this Offer Memorandum (Financial Information according to the Gilde Offer Memorandum) has been consistently derived by the Offeror from the Gilde Offer Memorandum. The Offeror accepts no responsibility for the accuracy of such information regarding Econosto, nor does the Offeror guarantee, whether implicitly or explicitly, that all information regarding Econosto which is publicly available has been included in this Offer Memorandum.

Except as set forth above, the Offeror is solely responsible for the accuracy and completeness of the information contained in this Offer Memorandum. The Offeror confirms that, at the date hereof, to the best of its knowledge and belief the information contained in this Offer Memorandum is in accordance with the facts and contains no omission likely to affect its import.

The information included in this Offer Memorandum reflects the situation as at the date of this Offer Memorandum unless specified otherwise. Neither the issue nor the distribution of this Offer Memorandum shall under any circumstances imply that the information contained herein is accurate and complete as of any time subsequent to this date or that there has been no change in the information set out in this Offer Memorandum or in the affairs of Econosto and/or its subsidiaries and/or its affiliates since the date of this Offer Memorandum. The foregoing does not affect the obligation of the Offeror to make a public announcement pursuant to Article 5:59 Wft and/or to Article 4 paragraph 1 of the Takeover Decree, if applicable.

No person, other than the Offeror, is authorised in connection with the Offer to provide any information or to make any statements on behalf of the Offeror in connection with this Offer or any information contained in this Offer Memorandum. If any such information or statement is provided or made by parties other than the Offeror, such information or statements should not be relied upon as having been provided by or made by or on behalf of the Offeror. Any information or representation not contained in

this Offer Memorandum must not be relied upon as having been provided by or made by or on behalf of the Offeror.

This Offer Memorandum is, and any tender, purchase or delivery of Shares pursuant to the Offer will be, governed by and construed in accordance with the laws of the Netherlands. The District Court of Amsterdam (rechtbank Amsterdam) and its appellate courts shall have exclusive jurisdiction to settle any disputes which might arise out of or in connection with the Offer, this Offer Memorandum and/or any tender, purchase or delivery of Shares pursuant to the Offer. Accordingly, any legal action or proceedings arising out of or in connection with the Offer Memorandum, the Offer and/or any tender, purchase, acceptance or delivery (levering) of Shares must be brought exclusively before such courts.

This Offer Memorandum is published in the English language and a Dutch language summary is included as Section 12 (Nederlandse samenvatting van het Bod). In the event of any differences, whether or not in interpretation, between the English language text of the Offer Memorandum and the Dutch language summary of this Offer Memorandum, the English language text of the Offer Memorandum shall prevail.

Fortis Bank (Nederland) N.V. has been appointed as Exchange Agent in the context of the Offer.

*Addresses*

**The Offeror**

ERIKS group nv  
Arcadialaan 14 Victory Buildings 32-C  
1813 KN Alkmaar  
The Netherlands

**The Company**

Koninklijke Econosto N.V.  
Cypresbaan 63  
2908 LT Capelle aan den IJssel  
The Netherlands

**The Exchange Agent**

Fortis Bank (Nederland) N.V.  
Rokin 55  
P.O. Box 243  
1000 AE Amsterdam  
The Netherlands  
Tel: +31 20 527 24 67

*Availability of copy documentation*

Digital copies of this Offer Memorandum are available on the website of ERIKS ([www.eriks.com](http://www.eriks.com)). ERIKS' website does not constitute a part of, and is not incorporated by reference into, this Offer Memorandum. Copies of this Offer Memorandum are

furthermore available free of charge at the head office of ERIKS in Alkmaar, the Netherlands and at the office of the Exchange Agent at the addresses mentioned above.

*Documentation incorporated by reference*

Copies of the Econosto Articles of Association and the financial information of Econosto relating to the annual financial statements (*jaarrekening*) of Econosto for the financial year 2006 ended on 31 December 2006 (including comparative figures for the financial year 2005 ended on 31 December 2005) as adopted by the general meeting of Shareholders, which documents are incorporated by reference in, and form an integral part of, this Offer Memorandum, are available on the website of Econosto ([www.econosto.com](http://www.econosto.com)).

*Forward looking statements*

This Offer Memorandum includes “forward-looking statements” and language indicating trends, such as “anticipated” and “expected”. Although ERIKS believes that the assumptions upon which its financial information and forward-looking statements are based are reasonable, it can give no assurance that these assumptions will prove to be correct. Important factors that could cause actual results to differ materially from ERIKS’ projections and expectations are disclosed in ERIKS’ annual report for the year ended 31 December 2007 and in other documents which are available on ERIKS’ website at [www.eriks.com](http://www.eriks.com). These factors include, among others, changes in consumer preferences and product trends; price discounting by major competitors; failure to realise anticipated results from synergy initiatives; failure to obtain regulatory consents or other third party approvals; and increases in costs generally. All forward-looking statements in this Offer Memorandum are expressly qualified by such cautionary statements and by reference to the underlying assumptions. ERIKS does not undertake to update forward-looking statements relating to its businesses, whether as a result of new information, future events or otherwise. ERIKS does not accept any responsibility for any financial information contained in this Offer Memorandum relating to the business or operations or results or financial condition of Econosto.

The Offeror undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws and regulations or by any appropriate regulatory authority.

*Financial adviser*

Fortis Corporate Finance & Capital Markets is acting as financial adviser exclusively to the Offeror and to no one else in connection with the Offer and will not be responsible to anyone other than the Offeror for providing the protections afforded to the clients of Fortis Corporate Finance & Capital Markets or for providing advice in relation to the Offer.

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### 3 DEFINITIONS

Any reference in this Offer Memorandum to defined terms in plural form shall constitute a reference to such defined terms in singular form, and vice versa. All grammatical and other changes required by the use of a definition in singular form shall be deemed to have been made herein and the provisions hereof shall be applied as if such changes have been made. A reference to “including” means “including without limitation”.

Defined terms used in this Offer Memorandum shall have the following meaning:

**Acceptance Closing Date** the time and date on which the Offer expires, being at 18.00 hours CET, on 23 May 2008, or, where appropriate, as extended in accordance with Article 15 of the Takeover Decree

**Acceptance Period** the period during which the Shareholders can tender their Shares to the Offeror, which begins at 09.00 hours CET, on 17 April 2008 and ends on the Acceptance Closing Date

**Additional Shares** has the meaning described thereto in the *Information on Long-Term Incentive Plan* paragraph in Section 7.4.2

**Admitted Institutions** those institutions admitted to Euronext Amsterdam

**AFM** the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*)

**Boards** the Supervisory Board and the Management Board of Econosto collectively

**Business Day** a day, other than a general acknowledged public holiday as described in Article 3 of the General Extension of Time-limits Act (*Algemene termijnenwet*) and the non-working days as set out in the Collective Agreements for the banking sector (*collectieve arbeidsovereenkomst voor het bankbedrijf*)

**CET** Central European Time

**Company** Koninklijke Econosto N.V., a public limited liability company (*naamloze vennootschap*), incorporated under the laws of The Netherlands, having its statutory seat (*statutaire zetel*) in Rotterdam, having its registered office at Cypresbaan 63, 2908 LT, Capelle aan den IJssel, the Netherlands, including its affiliates

**Competition Authorities** the Nederlandse Mededingingsautoriteit and the Bundeskartellamt in Germany

**Daily Official List** the Daily Official List (*Officiële Prijscourant*) of Euronext Amsterdam

**Econosto** Koninklijke Econosto N.V., a public limited liability company (*naamloze vennootschap*), incorporated under the laws of the Netherlands, having its statutory seat (*statutaire zetel*) in Rotterdam, having its registered office at Cypresbaan 63, 2908 LT, Capelle aan den IJssel, the Netherlands

**Econosto Articles of Association** the articles of association (*statuten*) of Econosto, as most recently amended on 18 July 2005

**Econosto Group** Econosto and its group companies as referred to in Article 2:24b of the Dutch Civil Code

**ERIKS** Eriks group nv, a public limited liability company (*naamloze vennootschap*), incorporated under the laws of the Netherlands, having its statutory seat (*statutaire zetel*) in Alkmaar, having its registered office at Arcadialaan 14 Victory Buildings 32-C, 1813 KN, Alkmaar, the Netherlands

**Euro** euro, the legal currency of the European Monetary Union

**Euronext Amsterdam** Euronext Amsterdam by NYSE Euronext

**Financial Year 2004** financial year of Econosto ended 31 December 2004

**Financial Year 2005** financial year of Econosto ended 31 December 2005

**Financial Year 2006** financial year of Econosto ended 31 December 2006

**Financial Year 2007** financial year of Econosto ended 31 December 2007

**Gilde Offer Memorandum** means the offer memorandum of KENV Acquisition B.V., dated 14 March 2008 in relation to the withdrawn recommended cash offer by KENV Acquisition B.V. for all the issued and outstanding ordinary shares with a nominal value of EUR 0.50 in the share capital of Econosto

**IFRS as adopted by the EU** the international accounting standards, international financial reporting standards and the related interpretations of these standards issued by the International Accounting Standards Board from time to time as adopted by the European Union.

**Long-Term Incentive Plan** the share incentive plan for Econosto's Group management as described in the *Information on Long-Term Incentive Plan* paragraph in Section 7.4.2

**Management Board** the management board (*raad van bestuur*) of Econosto

**Matching Shares** has the meaning described thereto in the *Information on Long-Term Incentive Plan* paragraph in Section 7.4.2

**Material Adverse Change** means any event(s) or circumstance(s) materially adversely affecting the business, condition (financial or otherwise), operations, performance, assets or prospects of the Econosto Group

**Merger Rules** all applicable laws and regulations, including without limitation the applicable provisions of the Wft, the Takeover Decree, any rules and regulations promulgated pursuant to the Wft and/or the Takeover Decree, the Dutch Works Council Act (*Wet op de ondernemingsraden*), the Merger Code 2000 (*SER besluit Fusiegedragsregels 2000*), the rules and regulations of Euronext Amsterdam, the Dutch Civil Code and any other applicable securities or competition regulatory laws

**Offer** the offer for the Shares as described in this Offer Memorandum

**Offer Conditions** the conditions to the Offer as set out in the *Offer Conditions* paragraph in Section 5.2

**Offer Memorandum** this offer memorandum relating to the Offer

**Offer Price** a cash amount of EUR 8.21 per Share, which includes any dividend or other distribution on the Shares that may be declared prior to the Settlement Date and, consequently, the Offer Price will be decreased by the amount of such declaration of dividend or other distribution, if any prior to the Settlement Date

**Offeror** Eriks group nv, a public limited liability company (*naamloze vennootschap*), incorporated under the laws of the Netherlands, having its statutory seat (*statutaire zetel*) in Alkmaar, having its registered office at Arcadialaan 14 Victory Buildings 32-C, 1813 KN, Alkmaar, the Netherlands

**Restricted Shares** has the meaning described thereto in the *Information on Long-Term Incentive Plan* paragraph in Section 7.4.2

**Section** a section of this Offer Memorandum

**Exchange Agent** is Fortis Bank (Nederland) N.V., Rokin 55, 1012 KK Amsterdam in The Netherlands

**Settlement Date** the date on which, in accordance with the terms and subject to the conditions and restrictions of the Offer, the Offeror shall pay the Offer Price to the Shareholders for each Share validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and delivered (*geleverd*) under the Offer, being no later than five (5) Business Days following the Unconditional Date, subject to the Offer being declared unconditional (*gestanddoening*)

**Share(s)** issued and outstanding ordinary shares with a nominal value of EUR 0.50 each in the capital of Econosto

**Shareholder(s)** holder(s) of one or more Share(s)

**Squeeze-Out** has the meaning described thereto in the *Legal structure of Econosto following the Offer* paragraph in Section 5.6.3

**Statutory Squeeze-Out** has the meaning described thereto in the *Legal structure of Econosto following the Offer* paragraph in Section 5.6.3

**Supervisory Board** the supervisory board (*raad van commissarissen*) of Econosto

**Takeover Decree** the Decree on public offers Wft (*Besluit openbare biedingen Wft*)

**Takeover Squeeze-Out** has the meaning described thereto in the *Legal structure of Econosto following the Offer* paragraph in Section 5.6.3

**Unconditional Date** the date on which the Offeror shall publicly announce whether the Offer is declared unconditional (*gestand wordt gedaan*), being no later than three (3) Business Days following the Acceptance Closing Date, in accordance with Article 16 paragraph 1 of the Takeover Decree

**Wft** Netherlands Financial Markets Supervision Act (*Wet op het financieel toezicht*)

## **4 INVITATION TO THE SHAREHOLDERS**

The Offeror hereby makes a public cash offer for all the Shares. Shareholders are advised to review this Offer Memorandum (including all documents incorporated by reference herein) and in particular Section 1 (Restrictions and important information) thoroughly and completely and to seek independent advice where appropriate in order to reach a balanced judgment with respect to the Offer and this Offer Memorandum.

With due reference to all statements, terms, conditions and restrictions included in this Offer Memorandum, Shareholders are hereby invited to tender their Shares under the Offer in the manner and on the terms and subject to the conditions and restrictions set out below.

### **4.1 Offer Price**

For each Share tendered under the terms and conditions of the Offer, the Offeror offers the Offer Price of EUR 8.21 per Share in cash, which includes any dividend or other distribution on the Shares that may be declared prior to the Settlement Date and, consequently, the Offer Price will be decreased by the amount of such declaration of dividend or other distribution, if any, prior to the Settlement Date.

### **4.2 Acceptance by Shareholders through an Admitted Institution**

Shareholders who hold their Shares through an Admitted Institution are requested to make their acceptance known via their bank or stockbroker no later than 18.00 hours CET on 23 May 2008, unless the Acceptance Period is extended in accordance with Section 4.8 (Extension of the Acceptance Period). Your custodian, bank or stockbroker may set an earlier deadline for communication by Shareholders in order to permit the custodian, bank or stockbroker to communicate its acceptances to the Exchange Agent in a timely manner.

The Admitted Institutions may tender Shares for acceptance only to the Exchange Agent and only in writing. In submitting the acceptance, the Admitted Institutions are required to declare that (i) they have the tendered Shares in their administration, (ii) each Shareholder who accepts the Offer irrevocably represents and warrants that the Shares tendered by him are being tendered in compliance with the restrictions set out in Section 1 (Restrictions and important information) and (iii) they undertake to transfer these Shares to the Offeror on the Settlement Date, provided the Offer has been declared unconditional (*gestand is gedaan*).

Subject to Article 15, paragraph 3 of the Takeover Decree, the tendering of Shares in acceptance of the Offer shall constitute irrevocable instructions to block any attempt to transfer the Shares tendered, so that on the Settlement Date no transfer of such Shares may be effected (other than to the Exchange Agent on the Settlement Date if the Offer has been declared unconditional (*gestand is gedaan*) and the Shares have been accepted for purchase) and to debit the securities account in which such Shares are held on the Settlement Date in respect of all of the Shares tendered, against payment by the Exchange Agent of the Offer Price in respect of those Shares.

### **4.3 Undertakings, representations and warranties by tendering Shareholders**

Each Shareholder tendering Shares pursuant to the Offer, by such tender undertakes, represents and warrants to the Offeror, on the date that such Shares are tendered up to and including the Settlement Date, subject to the proper withdrawal of any tender in accordance with Article 15, paragraph 3 of the Takeover Decree, that:

- (a) the tender of any Shares constitutes an acceptance by the Shareholder of the Offer, on the terms and subject to conditions and restrictions of the Offer;
- (b) such Shareholder has full power and authority to tender, sell and deliver (*leveren*), and has not entered into any other agreement to tender, sell or deliver (*leveren*) the Shares stated to have been tendered to any party other than the Offeror (together with all rights attaching thereto) and, when such Shares are purchased by the Offeror for cash, the Offeror will acquire such Shares, with full title guarantee and free and clear of all third party rights and restrictions of any kind; and
- (c) such Shares are being tendered in compliance with the restrictions as set out in Section 1 (Restrictions and important information) and the securities and other applicable laws or regulations of the jurisdiction in which such Shareholder is located or of which it is a resident and no registration, approval or filing with any regulatory authority of such jurisdiction is required in connection with the tendering of such Shares.

#### **4.4 Withdrawal rights**

Shares tendered on or prior to the Acceptance Closing Date may not be withdrawn, subject to the right of withdrawal of any tendered Shares during the extension of the Acceptance Period in accordance with the provisions of Article 15, paragraph 3 of the Takeover Decree. During such extension of the Acceptance Period, any Shares previously tendered and not withdrawn will remain subject to the Offer. Shares tendered during the extension of the Acceptance Period may not be withdrawn.

#### **4.5 Offer Conditions**

The Offer shall be declared unconditional (*gestand gedaan*) if the Offer Conditions as set out in Section 5.2 (Offer Conditions) are fulfilled or, if relevant and to the extent permitted by applicable law, waived.

#### **4.6 Acceptance Period**

The Acceptance Period begins at 09:00 hours CET on 17 April 2008 and ends, subject to extension in accordance with Article 15 of the Takeover Decree, on 23 May 2008 at 18.00 hours, CET.

If one or more of the Offer Conditions set out in Section 5.2 (Offer Conditions) is not fulfilled or waived on the Acceptance Closing Date, the Offeror may extend the Acceptance Period once for a minimum of two weeks up to a maximum of four weeks. See also Section 4.8 (Extension of the Acceptance Period). During the extension of the Acceptance Period, any Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the right of each Shareholder, in accordance with Article 15 the Takeover Decree, to withdraw the Shares already tendered.

If all Offer Conditions are satisfied or, where appropriate, waived, the Offeror will accept all Shares that have been validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and not previously withdrawn pursuant to the terms of the Offer in accordance with, for the Shares, the procedures set forth in Section 4.2 (Acceptance by Shareholders through an Admitted Institution).

#### **4.7 Declaring the Offer Unconditional (*gestanddoening*) and post-acceptance Period**

The Offer shall be subject to the fulfilment of the Offer Conditions. The Offeror reserves the right to waive certain Offer Conditions if relevant and to the extent permitted by applicable law. If the Offeror wishes to waive one or more Offer Conditions, the Offeror will inform Shareholders that it waives such Offer Conditions by such means as required by the Merger Rules.

No later than on the third Business Day following the Acceptance Closing Date, such date being the Unconditional Date, the Offeror will determine whether the Offer Conditions have been fulfilled or are to be waived. In addition, the Offeror will announce on the Unconditional Date, in accordance with Article 16, paragraph 1 of the Takeover Decree, whether (i) the Offer has been declared unconditional, (ii) the Offer will be extended in accordance with Article 15 of the Takeover Decree, or (iii) the Offer is terminated as a result of the Offer Conditions not having been fulfilled or waived by the Offeror.

No later than on the third Business Day following the Unconditional Date, the Offeror may announce a post-acceptance period (*na-aanmeldingstermijn*) for the Offer for a maximum period of two weeks. During a post-acceptance period, Shareholders that have not yet tendered their Shares under the Offer will be given the opportunity to do so in the same manner and on the same terms and subject to the same conditions and restrictions as set out in this Offer Memorandum all in accordance with Article 17 of the Takeover Decree.

#### **4.8 Extension of the Acceptance Period**

The Offeror may extend the Offer past the Acceptance Closing Date in accordance with Article 15 paragraph 1 of the Takeover Decree only once, notwithstanding the right of the Offeror to extend the Acceptance Period or extended Acceptance Period, as the case may be, in case of a competing offer in accordance with Article 15 paragraph 5 of the Takeover Decree, in which case all references in this Offer Memorandum to the “Acceptance Closing Date” or “18.00 hours CET, on 23 May 2008” shall, unless the context requires otherwise, be moved to the latest date and time to which the Offer has been so extended.

If the Acceptance Period is extended, a public announcement to that effect shall be made in accordance with the Merger Rules. Article 15, paragraph 2 of the Takeover Decree requires that such announcement be made not later than the third (3<sup>rd</sup>) Business Day following the initial Acceptance Closing Date.

During such extension of the Acceptance Period, any Shares previously tendered and not withdrawn will remain subject to the Offer. In accordance with Article 15, paragraph 3 of the Takeover Decree, Shares tendered on or prior to the original Acceptance Closing Date may be withdrawn during the Acceptance Period as extended. Shares tendered during the extension of the Acceptance Period may not be withdrawn.

The Takeover Decree requires that the Offeror announces within three (3) Business Days following the extended Acceptance Period whether or not the Offer is declared unconditional (*gestand wordt gedaan*).

#### **4.9 Settlement of the Offer**

In the event the Offeror announces that the Offer is declared unconditional (*gestand wordt gedaan*), the Shareholders who have tendered and delivered their Shares for acceptance pursuant to the Offer prior to or on the Acceptance Closing Date will receive on the Settlement Date the Offer Price in respect of each Share validly tendered (or defectively tendered, provided that

such defect has been waived by the Offeror) and delivered (*geleverd*), at which point, dissolution or annulment of a Shareholder's tender or delivery (*levering*) shall not be permitted.

#### **4.10 Dividends**

In the event that prior to the Settlement Date any dividends or other distributions are declared in respect of the Shares, the Offer Price will be decreased with an amount per Share equivalent to any such dividend or distribution per Share. The Offeror may elect not to cause Econosto to pay (cash) dividends or other distribution to the Shareholders in the future.

#### **4.11 Commission**

Admitted Institutions shall receive from the Exchange Agent on behalf of the Offeror a commission in the amount of EUR 0.02905 in respect of each Share validly tendered (or defectively tendered, provided that such defect has been waived by the Offeror) and delivered (*geleverd*), up to a maximum of EUR 1,000 per Shareholder tender. The commission must be claimed from the Offeror through the Exchange Agent upon the Settlement Date. No costs will be charged to the Shareholders by the Offeror or by Econosto for the delivery and payment of the Shares. The Offeror cannot rule out that Admitted Institutions (or custodians, banks or stockbrokers) will charge costs to Shareholders. Costs may also be charged if a foreign (i.e. non-Dutch) institution is involved in the delivery and payment of the Shares.

#### **4.12 Restrictions**

The Offer is being made with due observance of such statements, conditions and restrictions as are included in the Offer Memorandum. The Offeror reserves the right to accept any tender under the Offer, which is made by or on behalf of a Shareholder, even if it has not been effectuated in such manner as set out above.

#### **4.13 Announcements**

Announcements declaring whether the Offer is declared unconditional (*gestand wordt gedaan*) and announcements in relation to an extension of the Offer past the Acceptance Closing Date will be issued by press release and will be published in the Daily Official List and in at least one nationally distributed newspaper (*Het Financieele Dagblad* or *De Telegraaf*). Subject to any applicable requirements of the Merger Rules and without limiting the manner in which the Offeror may choose to make any public announcement, the Offeror will have no obligation to communicate any public announcement other than as described above.

#### **4.14 Indicative Timetable**

<b>Expected Date and Time</b> <b>(all times are CET)</b>	<b>Event</b>
16 April 2008	Press release announcing the availability of the Offer Memorandum and the commencement of the Offer
16 April 2008	Publication of advertisement announcing the availability of the Offer Memorandum and the commencement of the Offer

<b>Expected Date and Time</b> <b>(all times are CET)</b>	<b>Event</b>
09:00 hours, 17 April 2008	Commencement of the Acceptance Period under the Offer, in accordance with Article 14 of the Takeover Decree
18:00 hours, 23 May 2008, subject to extension	<i>Acceptance Closing Date</i>  Deadline for Shareholders wishing to tender Shares
Not later than three Business Days after the Acceptance Closing Date	<i>Unconditional Date</i>  The date on which the Offeror shall publicly announce whether the Offer is declared unconditional ( <i>gestand wordt gedaan</i> ) in accordance with the Merger Rules. Article 16, paragraph 1 of the Takeover Decree requires that such announcement is made within three Business Days after the Acceptance Closing Date
Not later than on the third Business Day following the Unconditional Date	<i>Post Acceptance Period</i>  The Offeror may announce a post-acceptance period ( <i>na-aanmeldingstermijn</i> ) for the Offer for a maximum period of two weeks. During a post-acceptance period ( <i>na-aanmeldingstermijn</i> ), Shareholders that have not tendered their Shares under the Offer will be given the opportunity to do so in the same manner and under the same conditions as set out in this Offer Memorandum all in accordance with Article 17 of the Takeover Decree
Not later than three Business Days after the Unconditional Date	<i>Settlement Date</i>  the date on which, in accordance with the terms and conditions of the Offer, the Offeror shall pay the Offer Price to the Shareholders who have validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and delivered ( <i>geleverd</i> ) their Shares under the Offer prior to the Acceptance Closing Date, which date shall be promptly, but in any event, within three Business Days following the Unconditional Date, subject to the Offer being declared unconditional ( <i>gestand</i>



**Expected Date and Time**  
**(all times are CET)**

**Event**

*wordt gedaan)*

## 5 EXPLANATION OF THE OFFER

### 5.1 Introduction

On 31 March 2008, the Offeror announced that it intended to make a public offer for the entire issued and outstanding share capital of Econosto at an offer price of EUR 7.80 per Share in cash. On 2 April 2008 the Offeror announced that a request for approval by the AFM of this Offer Memorandum had been made in accordance with Article 7 paragraph 1 of the Takeover Decree. On 3 April the Offeror announced that it increased the price per Share to EUR 8.21. On 4 April 2008 the Offeror announced that it had secured 44.9% of the Shares.

### 5.2 Offer Conditions

The obligation of the Offeror to declare the Offer unconditional (*gestand te doen*) shall be subject to the following conditions precedent being satisfied or waived, as the case may be:

- (a) on or before the Acceptance Closing Date, such number of Shares have been tendered for acceptance that these, together with the Shares directly or indirectly held by the Offeror or its group and affiliates at the Acceptance Closing Date represent at least 95% of all issued and outstanding share capital (*geplaatst kapitaal*) of Econosto as at the Acceptance Closing Date (excluding Shares held by the Econosto Group, if any);
- (b) no public announcement has been made announcing that a third party is preparing, revising, intending to make or making a public offer for all Shares offering a price per Share in excess of EUR 8.21;
- (c) on or before the Acceptance Closing Date all necessary approvals, permits, exemptions and permissions of domestic and international authorities, and/or third parties in connection with the Offer and its intended change of control have been obtained and remain in full force;
- (d) no notification has been received from the AFM stating that the preparation of the Offer is in violation of any of the provisions in chapter 5 of the Wft, or the Takeover Decree, in which case pursuant to Article 5:80 of the Wft the Dutch investment firms (*beleggingsonderneming* as defined in the Wft) would not be permitted to cooperate with the execution and completion of the Offer;
- (e) no circumstance, occurrence or development has occurred since the date of this Offer Memorandum that constitutes suspension of or limitation in trading in the Shares (other than on a temporary basis in the ordinary course of trading);
- (f) no order, stay, judgment or decree is issued by any court, arbitral tribunal, government, governmental authority or other regulatory or administrative authority and is in effect, or any statute, rule, regulation, governmental order or injunction shall have been enacted, enforced or deemed applicable to Econosto or the Offer, any of which restrains, prohibits or delays, or is reasonably likely to restrain, prohibit or delay consummation of the Offer in any material respect;
- (g) since the date of this Offer Memorandum, no circumstance, event or series of events has occurred or become known that reasonably constitutes a Material Adverse Change, or that will or can reasonably be expected to result in a Material Adverse Change;

- (h) the occurrence of one of the following events ultimately 3 (three) Business Days prior to the Unconditional Date:
- (i) each of the relevant Competition Authorities issuing a decision in respect of the Offer constituting clearance of the proposed concentration;
  - (ii) the expiry, lapsing or termination of all applicable waiting and other time periods (including) extensions thereof) under any applicable legislation or regulation of any other applicable jurisdiction.

The Offer Conditions are for the benefit of the Offeror and may be waived by the Offeror (either in whole or in part) at any time, if relevant and to the extent permitted by law.

### 5.3 Shareholdings of the Offeror

At the date of this Offer Memorandum, the Offeror has a direct capital interest (ownership) in the share capital of the Company of 29% (being 4,695,164 Shares). See below an overview of the average trade price per trading day in respect of Shares acquired by the Offeror:

Date	Number of shares	Trade price	Low Trade of purchase	High Trade of purchase
31 March 2008	393,407	7.7951	7.7500	7.8000
01 April 2008	957,936	7.8000	7.8000	7.8000
02 April 2008	36,725	8.0000	8.0000	8.0000
08 April 2008	2,643,297	8.2100	8.2100	8.2100
11 April 2008	663,799	8.2100	8.2100	8.2100
Total	4,695,164			

In addition, the Offeror has obtained a call option on a further 15.9% (being 2,566,803 Shares). The Offeror has no indirect interests in the share capital of the Company. In total the Offeror has secured 44.9% of the Shares. According to public sources, the Company has no interest in the share capital of the Offeror, whether directly or indirectly.

### 5.4 Substantiation of the Offer Price

#### 5.4.1 Introduction

In considering the Offer the Boards based their financial assessment on the following analyses:

- (i) a discounted cash flow analysis considering the historic developments and using certain assumptions on the future development of the Econosto business standalone and in combination with the Offeror, as well as certain financial parameters such as a weighted cost of capital of 9.0% - 10.0% and a long term effective corporate tax rate of 27-30%;
- (ii) a trading multiple analysis based on the financial performance of Econosto and the prices and trading activity of the Econosto Share compared to the ERIKS share. Based on the offer price of EUR 8.21, the Offer was valued at approximately 10.0x EBIT 2008. This multiple was based on an equity bid

value of EUR 132.9 million plus estimated net debt of approximately EUR 13.8 million plus approximately EUR 3.0 million of transaction costs and an estimated EBIT 2008 of EUR 15.0 million, based on guidance provided by Econosto on 31 March 2008. This trading multiple is higher than the trading multiple of ERIKS. The expected synergies, additional growth and limited cost savings, further support the rationale behind the Offer Price

- (iii) an analysis of bid premiums in recent public offers for companies listed on Euronext Amsterdam were reviewed. The following public offers were included in the analysis: Koninklijke Vendex KBB (KKR / Consortium), Delft Instruments (AlpInvest), Petroplus International (The Carlyle Group), Nedcon Groep (Voestalpine), New Skies Satellites (Blackstone), PinkRoccade (Getronics), Royal P&O Nedlloyd (A.P. Moller – Maersk), Versatel (Tele2), AM (Koninklijke BAM), Frans Maas (DFDS Transport), VNU (AlpInvest/ Blackstone/ KKR/ Others), McGregor Fashion Group (Toeca Fashion Holding), Airspray (Rexam Plastics), Athlon (De Lage Landen Groep), Blydenstein-Willink (ABN AMRO Participaties/ Verosol), Corus (Tata Steel), Seagull (Rocket Software), Nedschroef (Gilde Buy Out Partners), ABN AMRO (RBS-Fortis-Banco Santander), Wegener (Mecom Group), Stork (Candover), Univar (CVC Capital Partners), Numico (Danone), Tele Atlas (TomTom), Getronics (KPN), Hagemeyer (Rexel), Grolsch (SABMiller), and Vedior (Randstad), resulting in respective median and average 1-day premiums of 26.0% and 33.0%, and respective 1-month premiums average closing price before announcement of 30.5% and 37.5%.

The Offer Price has been calculated based on:

- (iv) 16,190,220 Shares issued and outstanding as at 31 March 2008, the last Business Day prior to the announcement of the Offer
- (v) Certain financial information as derived from Econosto's financial statements, market reports, press releases and additional financial information provided by Econosto has been reviewed.

#### **5.4.2 Premiums**

The Offer Price of EUR 8.21 represents a premium of:

- (i) 15.0% relative to the closing share price of EUR 7.14 of an ordinary share on 28 March 2008, the last trading day prior to 31 March 2008, the day on which the Offeror announced the Offer;
- (ii) 56.7% relative to the closing share price of EUR 5.24 of an ordinary share on 11 January 2008, the last trading day prior to Gilde Buy Out Partners ("Gilde") and Econosto made a joint public announcement on the recommended cash offer by Gilde;
- (iii) 15.8% relative to the average closing share price of an ordinary share during the last month prior to 31 March 2008, the day on which the Offeror announced the Offer; and

- (iv) 45.7% relative to the average closing share price of an ordinary share during the last twelve months prior to 31 March 2008, the day on which the Offeror announced the Offer.

The offer is cum dividend: no further dividends are expected to be declared prior to the completion of the Offer.

## 5.5 The rationale for the Offer

By acquiring Econosto, ERIKS will take a significant step towards meeting its commercial objectives.

- (i) Econosto will strengthen ERIKS' position in the Netherlands and Belgium. The overlap in products and markets in these regions are limited.
- (ii) Via Econosto, ERIKS will create competence centres for valves, instrumentation and gaskets for the ERIKS UK and ERIKS Germany clusters. The development of the aimed twin business model in these regions will be accelerated.
- (iii) Econosto's innovative, largely own private brand products can be introduced in the ERIKS France and ERIKS Central Europe clusters.
- (iv) Econosto and ERIKS together will be European market leader in valves, industrial hoses and gaskets (top-3 position in almost all countries).
- (v) With Econosto, the ERIKS group has an international core competence centre (CCC) for valves and valve related products. From this CCC international product management will be organised.
- (vi) Econosto will strengthen the position of ERIKS in the Far East.

ERIKS supports the international growth strategy of Econosto and will contribute to an accelerated realization of this strategy.

ERIKS expects that the acquisition will result in:

- (i) Expansion of ERIKS' product range with Econosto's product groups in all ERIKS clusters.
- (ii) Broadening of the products and services range to be offered to the customers of Econosto.
- (iii) European market leadership in valves, industrial hoses and gaskets.
- (iv) Access to the very promising regions/markets in Spain and the Middle East.
- (v) Less vulnerable position in the Far East.
- (vi) Acceleration of the international presence for valves and gaskets.
- (vii) Strengthening of purchasing power.
- (viii) Limited cost savings.
- (ix) International presence in important industrial areas with valves, instrumentation, gaskets and industrial hoses.
- (x) ERIKS and Econosto together have extra growth opportunities.

- (xi) ERIKS intends to integrate the holding activities of Econosto (4 people) in Rotterdam, the Netherlands, with the holding activities of ERIKS in Alkmaar, the Netherlands. For the time being, all Econosto establishments remain active and in the countries where both Econosto and ERIKS are present a commercial cooperation will be created.

## **5.6 Consequences of the Offer**

### **5.6.1 Strategy**

The Offeror believes that a combination of the businesses of Econosto and the Offeror will contribute to their joint ability to better serve their customers. Econosto will be able to further develop itself within the Offeror as the international core competence centre for valves and valves-related projects, including products related thereto.

Both Econosto and the Offeror are in essence knowledge driven companies, focused on technique (product and application). This is what distinguishes both companies from their competitors. The Offeror knows that Econosto can rely on a strong and loyal customer base and has a solid track record in offering them an extensive range of high quality products and services. A combination with the Offeror would allow Econosto to offer these customers additional products. The Offeror's pan-European sales organisations and branches will allow Econosto to roll-out its existing business model through this network. On the other hand, Econosto's presence outside Europe offers opportunities for the Offeror to leverage on existing relationships and roll-out its products into this new territory. Furthermore, the combination can offer a larger and more complete range of existing products and services to many new clients. Finally, it would create ample opportunities to combine the efforts of Econosto and the Offeror in product development and expand their joint know-how for specific industries and products.

The Offeror supports the current vision and growth strategy of the Management Board. The Offeror will respect the existing rights and benefits of the Econosto employees and currently does not foresee any major restructurings of the Econosto group as a direct consequence of the Offer.

### **5.6.2 Liquidity and Delisting**

The purchase of Shares by the Offeror pursuant to the Offer, among other things, will reduce the number of Shareholders and the number of Shares that might otherwise trade publicly and could adversely affect the liquidity and market value of the remaining Shares not tendered and not held by Econosto.

Should the Offer be declared unconditional (*gestand wordt gedaan*), it is intended that Econosto's listing on Euronext Amsterdam will be terminated as soon as possible. This would further adversely affect the liquidity of any Shares not tendered. In addition, the Offeror may initiate any of the procedures as set out in Section 5.6.3 (Legal structure of Econosto following the Offer), including procedures which would result in termination of the listing of the Shares (including Shares not being tendered). As a policy rule, in case of a public offer Euronext Amsterdam does not permit delisting until at least 95% of the listed shares are held by a single entity or by a group controlled by a single entity.

### 5.6.3 **Legal structure of Econosto following the Offer**

Following the settlement of the Offer, the Offeror intends to propose (where applicable) and implement (or cause to be implemented) the following reorganization measures:

#### *Squeeze-Out*

Certain structural steps may be needed for the Offeror to obtain ownership of 100% of the Shares and the Offeror reserves the right to use any legally permitted method to obtain ownership of 100% of the Shares. In the event that upon the Settlement Date the Offeror holds 95% or more of the Shares (excluding Shares held by Econosto), the Offeror's current intention is to acquire the remaining Shares not tendered (and not held by Econosto) by means of a squeeze-out procedure (*uitkoopprocedure*) in accordance with Article 2:92a or 2:201a of the Dutch Civil Code ("**Statutory Squeeze-Out**") or, the takeover buy-out procedure in accordance with Article 2:359c of the Dutch Civil Code ("**Takeover Squeeze-Out**") and together with the Statutory Squeeze-Out, "**Squeeze-Out**").

Despite the Offeror having acquired 95% or more of the Shares and thus being entitled to initiate a Squeeze-Out procedure as set out above, the Offeror may also, and instead of proceeding with a Squeeze-Out, by a simple majority vote (if less than 50% of the share capital is present or represented at such meeting, a 2/3 majority is required) of the general meeting of shareholders of Econosto resolve that a legal merger (*juridische fusie*) between the Offeror and Econosto will be entered into in accordance with Articles 2:309 and 2:334 of the Dutch Civil Code or take any of the other steps set out under "*Other possible measures*" in this Section 5.6.3. The legal consequences of a legal merger, including the possibility to pursue a Statutory Squeeze Out thereafter, are the same as set out below under "*legal merger*" in this Section 5.6.3.

#### *Legal merger*

In the event that the Offeror has declared the Offer unconditional and has not acquired 95% or more of the Shares (excluding Shares held by Econosto) following the Settlement Date, the Offeror, subject to approval of the Supervisory Board, may by simple majority vote (if less than 50% of the share capital is present or represented at such meeting, a 2/3 majority is required) of the general meeting of shareholders of Econosto effect a legal merger (*juridische fusie*) between Econosto and the Offeror in accordance with Articles 2:309 and 2:334 of the Dutch Civil Code (which Articles refer to a "triangular merger" pursuant to which the shareholders of the disappearing company will become shareholders of a group company of the surviving company) with Econosto being the disappearing entity and the Offeror, being the surviving entity.

In the event that the legal merger is effected, Shareholders who have not tendered their Shares under the Offer will become, by operation of law, shareholders in the surviving entity alongside the existing shareholders in the surviving entity or, in the event of a "triangular merger", will become shareholders in such group company. If, after a legal merger is effected, the majority shareholder of the surviving entity holds 95% or more of the capital of the surviving entity, such majority shareholder may initiate a Statutory Squeeze-Out in relation to any shares in the surviving entity not held by such majority shareholder.

#### *Other possible measures*

The Offeror reserves the right to use any other legally permitted method to obtain 100% of the Shares or otherwise obtain full ownership of the Econosto business, including by way of a liquidation, a de-merger as specified in Article 2:334a of the Dutch Civil Code, a sale of all or substantially all of the assets of Econosto which may or may not be followed by a distribution of proceeds to the Shareholders or an international statutory triangular merger (*internationale juridische driehoeksfusie*), all in accordance with Dutch law, other applicable laws and the Econosto Articles of Association at that time. Also, the Offeror reserves the right to have the Offeror contribute assets to Econosto against the issuance of Shares, in which circumstances the pre-emptive rights (*voorkeursrechten*), if any, of other Shareholders would be excluded, all in accordance with Dutch law and the Econosto Articles of Association at that time. Any distribution may take the form of a distribution out of the reserves, an interim dividend, a dividend or, in the event Econosto is also liquidated, a liquidation distribution.

#### **5.6.4 Dividend policy**

According to the Gilde Offer Memorandum, Econosto has not paid any dividend since 2002 due to the requirements under the convertible loan which was converted in 2007. Econosto announced on 6 June 2007 that it intended to restart declaring dividend in the future. According to the Gilde Offer Memorandum, Econosto has not declared any dividend since such announcement. The Offeror expects not to pay regular cash dividend in the foreseeable future should the Offer be declared unconditional (*gestand wordt gedaan*). Distributions on the relevant shares made after the Settlement Date (if any) will, subject to any applicable requirements under Dutch law, be deducted for the purposes of establishing the value per Share in the event of any legal merger or other relevant measure as described in Section 5.6.3 (Legal structure of Econosto following the Offer).

#### **5.6.5 Social aspects**

The Offeror will respect the existing rights and benefits of the Econosto employees. The Offeror currently does not foresee any major restructurings of the Econosto group as a direct consequence of the Offer.

#### **5.6.6 Employee consultations**

In accordance with the SER Merger Code 2000 (*SER-besluit Fusiegedragsregels 2000*), the relevant trade unions and the Social Economic Council of the Netherlands (*Sociaal-Economische Raad*) have been informed of the Offer.

In view of the fact that no agreement has been reached with the Boards on the Offer, the Dutch Works Council Act (*Wet op de Ondernemingsraden*) does not require consultation by the Offeror of the works council of Econosto in respect of the actual Offer itself.

In accordance with the Dutch Works Council Act, a positive advice has been obtained from the works council of ERIKS with respect to the making and completion of the Offer.

#### **5.6.7 Future composition of the Boards**

*Supervisory Board*



The Offeror envisages amending the composition of the Supervisory Board, to reflect the Offeror's relative shareholding in Econosto. The Offeror aims to have Mr Van der Zouw and Mr De Boer nominated for appointment to the Supervisory Board and to have a majority of ERIKS representatives appointed to the Supervisory Board as soon as possible and in close cooperation with Econosto's works council.

#### *Managing Board*

It is currently envisaged that the members of the Management Board will remain in office as from the Settlement Date. The Offeror will consider making new appointments to the Management Board in due course.

#### **5.6.8 Amendment of the Econosto Articles of Association**

It is currently envisaged that, on completion of the Offer, the Econosto Articles of Association will be proposed to be amended, so that the current governance structure (*structuurregime*) applicable to Econosto, that provides, inter alia, for the members of the Management Board to be appointed and dismissed by the Supervisory Board, will be removed from the Econosto Articles of Association.

#### **5.7 Financing of the Offer**

The Offeror has secured fully committed debt financing from Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. in an amount sufficient to satisfy its obligations under the Offer. The committed debt financing is subject to certain conditions precedent, which are in line with the conditions under the Offer and/or are in accordance with current market practice. The Offeror has no reason to believe that these conditions precedent will not be fulfilled on or prior to the settlement of the Offer.

## 6 INFORMATION REGARDING ECONOSTO

The information in this Section is derived from the Gilde Offer Memorandum and the 31 March 2008 press release of Econosto, except for the information in Section 6.7.

### 6.1 Overview

Koninklijke Econosto N.V. is a Dutch company listed on Euronext Amsterdam, with a history that goes back to the year 1892.

Econosto, together with its subsidiaries, forms an international group of wholesale companies with operations in Europe, the Middle East and the Far East.

Econosto supplies a full range of high-quality industrial valves, accessories, seals and industrial hoses to companies in five core markets: the chemical and petrochemical industries, the oil and gas industry, shipbuilding, the heating and air conditioning market and general industry.

Econosto's distinctive features are its in-depth knowledge of developments in local markets, its global procurement strategy that yields significant cost savings, a state-of-the-art distribution system and comprehensive and accessible documentation, manuals and catalogues. Intensive contacts with leading industrial engineering consultancies guarantee extra added value.

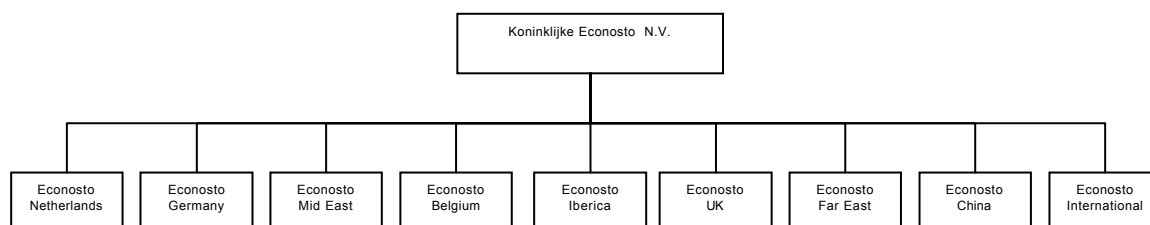
In 2007, Econosto achieved a turnover of EUR 260.5 million and a net result of EUR 17.9 million, including the effect of the non-recurring Kirishi project (as described in Section 6.5.1 (Recent Developments)). Econosto employed 678 employees.

### 6.2 Group structure

Econosto is a public company with limited liability (*naamloze vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands. Econosto is headquartered in Capelle aan den IJssel, The Netherlands.

Econosto maintains a central corporate and administrative unit, to which its various operating companies report, and has central warehouses in Capelle aan den IJssel, The Netherlands, and Dubai, United Arab Emirates.

Organisational Structure



### **6.3 Business overview**

Econosto aims to be a reliable, competent and flexible international partner for industrial customers in Europe, the Middle East and the Far East, by successful marketing and efficient distribution of a wide range of industrial valves, seals and related products.

Econosto's innovative, largely own-brand products, such as Econosto<sup>®</sup>, Econ<sup>®</sup>, Econgraph<sup>®</sup>, Hofland<sup>®</sup> and Deltaflex<sup>®</sup> are developed and produced under strict Econosto supervision in accordance with customer specifications and global uniform standards. The own-brand products are supplemented by a wide range of A-brands from leading manufacturers.

Econosto has continuous contact with its customers and is therefore able to respond proactively to their wishes in terms of offering the right products, technical innovation, logistical solutions and other services. Added value is provided by in-house engineering, quality control and application know-how, enabling the right product to be selected for customers.

Econosto's specialists are increasingly in demand to act as consultants in the development and implementation of complex industrial projects. The project market is characterised by one-off, long term contracts that make a solid contribution to the cash flow in the medium to long term.

In addition to project support, Econosto provides its customers with maintenance and repair services. This MRO market (replacement market) is characterised by short-term projects offering products from a wide range. Econosto can supply more than 30,000 products from stock within 24 hours.

### **6.4 Business strategy**

In recent years, Econosto has implemented a strategic reorientation, disposing of non-core activities to refocus on the core business. The action plan for a new strategy announced in 2002 was completed in 2006 with the sale of the last production activities. Econosto is now focusing exclusively on its core competencies as a technical wholesaler and has positioned itself to benefit from the favourable market conditions in its markets, notably in the chemical and petrochemical industries, the oil and gas industry and shipbuilding.

Econosto aims to achieve growth by concluding contracts for industrial projects and MRO contracts, by harnessing efficiency potential between the various operating companies. The establishment of sales organisations and agencies in new, promising markets should further strengthen Econosto's position. Strong collaboration among the operating companies should result in Econosto as a whole operating more effectively, both in the field of procurement and in the field of customer sales. The collaboration also increases the chance of participating in large, international projects.

In 2006, Econosto obtained an order of approximately EUR 42 million for the supply of valves for a large new petrochemical complex close to Kirishi in Russia. The order, which was granted after a long negotiating process with strong competition from world players, was the largest order in the history of Econosto and emphasises Econosto's strong position in the international project market. This order prompted Econosto to open an office in Moscow to obtain maximum benefit from the opportunities on the Russian market.

Over the next few years, Econosto will also focus on a number of new markets, which are a promising addition to its existing activities. For example, Econosto has a strong position in the biofuels market in Germany. In the United Kingdom and Germany, Econosto is also benefiting from strong demand for power stations and their maintenance.

Econosto will be devoting special attention to China. In this country the shipbuilding industry is developing particularly strong. In 2007 Econosto opened an office in Shanghai. The opening of new sales offices is a feature of Econosto's further international expansion. This is due to the fact that Econosto follows its customers in their international expansion, as well as recognise worldwide opportunities for further growth.

## **6.5 Recent developments and financial outlook**

### **6.5.1 Recent developments**

#### *Repayment of convertible bond loan*

In June 2007, Econosto repaid the outstanding 6.35% convertible subordinated bond loan prematurely and in full. Of this convertible subordinated bond loan, 50% could be converted into Shares at a conversion rate of EUR 4.00. Of the bondholders, 91% opted for conversion, which resulted in the issuance of 2,622,335 Shares, corresponding to a dilution of 19%. Following conversion, the number of Shares at year-end 2007 was 16,190,220.

The *non*-convertible portion of the bond loan was repaid by Econosto in cash. Of the remainder of the IFRS interest accrual on the convertible subordinated bond loan of EUR 3.7 million at 31 December 2006, EUR 2.1 million was processed directly through equity capital, while EUR 1.6 million was deducted from the 2007 profit.

By repaying and converting the bond loan, Econosto significantly improved the financial ratios. Based on the balance sheet ratios at 31 December 2006, Econosto's debt-to-equity ratio increased by 18% to 36% at year-end 2007. In addition, the repayment ensured that interest charges will decrease by approximately EUR 4 million in the next three years.

#### *Financing*

New credit facilities were established with ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. in June 2007. The central credit facility was increased from EUR 10.2 million to EUR 66.2 million, which was necessary to finance the successful early repayment of the convertible subordinated bond loan. The new central agreement ensures greater flexibility for Econosto in the allocation of resources to and from the foreign participating interests.

#### *Kirishi project and financial impact on 2007 results*

In 2006, Econosto entered into an agreement with main contractor ABB Lummus Global B.V. for the delivery of a comprehensive range of valves for a major new petrochemical industrial complex in Kirishi, which is located approximately 180 kilometres southeast of Saint Petersburg, Russia.

Econosto largely completed and invoiced the deliveries for the Kirishi project in 2007. The project accounted for EUR 33.4 million of Econosto's sales for the full financial year. The remainder of the deliveries for the Kirishi project are expected to be made in 2008.

From a financial perspective, operating profit (EBIT) of the Kirishi project amounted to EUR 5.9 million in 2007, which reflects approximately 30% of the total reported operating profit of Econosto for 2007.

As part of the agreement with ABB Lummus Global B.V., a guarantee has been issued amounting to EUR 6.7 million which expires at 1 April 2009. This guarantee is to cover risks of the project. The balance sheet as at 31 December 2007 includes a provision of EUR 1.7 million in connection with the Kirishi project, amongst other, for claims concerning the supply of products alleged to be defective for which it is likely that the liability will lead to an outflow of funds and where a reliable estimate could be made of the amount of the liability.

Winning the Kirishi contract further strengthened Econosto's good reputation among customers, contractors and banks. The Russian market is currently showing strong growth, and Econosto expects to benefit from this development in the years ahead, anticipating that it will be able to participate in a number of large projects.

### **6.5.2 Financial outlook**

Econosto has identified a number of substantial uncertainties for 2008: uncertainty regarding the impact of the credit crisis on the financial sector; uncertainty regarding political developments in the Middle East; and uncertainty regarding global economic growth prospects. Based on current insights, Econosto expects to be able to generate an operating profit (EBIT) of approximately EUR 15 million, not including the Kirishi project.

Econosto's EBIT for 2007 was EUR 13.4 million, again excluding the Kirishi project. Including the EUR 5.9 million operating profit generated by the Kirishi project, EBIT for 2007 totalled EUR 19.3 million. In 2007, Econosto reported a net profit of EUR 17.9 million. Excluding a tax benefit and the Kirishi project, the Company's net profit totalled EUR 9.4 million.

Econosto anticipates lower sales and EBIT for 2008 as a result of the one-off effect on sales and operating profit of the Kirishi project in 2007. Econosto currently has no projects of a comparable size in the pipeline.

## **6.6 Management Board, Supervisory Board**

As a statutory two-tier board (*structuur vennootschap*) the board of Econosto consists of two bodies; the Management Board and the Supervisory Board.

The Management Board consists of the following members:

### **J.F.A.M. van Os (1954)**

Frank van Os was appointed to the Management Board of Econosto as a member in 2002 and as its Chairman in May 2003. Frank van Os has been working at Econosto since 1977. Between 1997 and 2002, he was director of Econosto Netherlands. Prior to that, he held various managerial positions in the company.

### **O. de Vries (1951)**

Otto de Vries was appointed CFO of the Management Board in 2005. Previous positions held included that of financial director of Tulip Computers N.V., Van Gend en Loos B.V. and Nedlloyd Road Cargo International B.V. He also held interim positions at various listed and other companies for Boer en Croon Executive Managers B.V.

All members of the Supervisory Board are independent within the meaning of the Dutch Corporate Governance Code. The members of the Supervisory Board also have the specific expertise required and the composition of the board is such that it is able to carry out its tasks properly.

### **C. Knol (1943), Chairman**

Nationality: Dutch

Mr Knol was appointed as a member of the Supervisory Board and as its Chairman in 2003. His term of office ends at the time of the General Meeting of Shareholders in 2008. Mr Knol is the former Chairman of the Group Board of Management of Geveke N.V., a technical services provider. Prior to that he held various positions, including Vice President of Schlumberger Technologies and Managing Director of Maatschappij Van Berkel's Patent N.V. Mr Knol does not hold any shares in Econosto. Other positions held by Mr Knol:

- Member of the Supervisory Board of Thyssen Krupp Elevator N.V., Roermond;
- Member of the Supervisory Board of AMIS B.V., Nieuwegein;
- Member of the Supervisory Board of Barenbrug Holding B.V., Oosterhout gem. Nijmegen; and
- Chairman of the Board of Governors of Stichting Aandeelhouders Synergia Capital Fund II, Veenendaal.

### **B.F. Kostwinder (1963)**

Nationality: Dutch

Mr Kostwinder was appointed to the Supervisory Board in 2003. His term of office ends at the time of the General Meeting of Shareholders in 2008. Mr Kostwinder is Senior Business Controller of the Evangelische Omroep (EO). Until 2006, he spent 11 years as Vice President and CFO of the Freecom Technologies Group in Delft. Previously, he worked in the audit practice of Ernst & Young Accountants for thirteen years. Mr Kostwinder does not hold any shares in Econosto.

Other positions held by Mr Kostwinder:

- Member of the Supervisory Board of Freecom Technologies B.V., Delft;
- Member of the Board of Governors of Stichting Present, Utrecht;
- Member of the De Rank Baptist Community, Utrecht.

### **S.R. Nanninga (1957)**

Nationality: Dutch

Mr Nanninga was appointed to the Supervisory Board in 2003. His term of office ends at the time of the General Meeting of Shareholders in 2008. Mr Nanninga is Member of the Executive Board of Directors of SHV Holdings N.V. Prior to that, he was Group Managing Director Distribution Europe of CRH Europe and director of Technische Unie B.V.,

Amstelveen. Mr Nanninga does not hold any shares in Econosto. Mr Nanninga holds no other positions.

#### **6.7 Major shareholders**

According to information provided by the Netherlands Authority for the Financial Markets, on 3 April 2008, the following parties held 5% or more of the share capital of Econosto:

ERIKS group nv 29%

ERIKS group nv 15.9% (call option)

Gestion Deelnemingen V B.V. 6.62%

Janivo Beleggingen B.V. 5.29%

The Offeror has secured 44.9% of the Shares (see Section 5.3 Shareholdings of the Offeror).

## 7 CAPITAL AND SHARES

### 7.1 Authorised and issued share capital according to the Gilde Offer Memorandum

All shares in Econosto have a nominal value of EUR 0.50 each.

Share capital as per 1 February 2008:

Authorised share capital (in euro):	10,255,000
Consisting of:	
(a) Ordinary shares (in euro):	8,380,000
(b) Cumulative preference shares (in euro):	1,875,000
<hr/>	
Total authorised share capital (in numbers):	20,510,000

Issued and paid up ordinary shares (in numbers): 16,190,220

There are no cumulative preference shares outstanding at this time.

### 7.2 Changes in share capital according to the Gilde Offer Memorandum

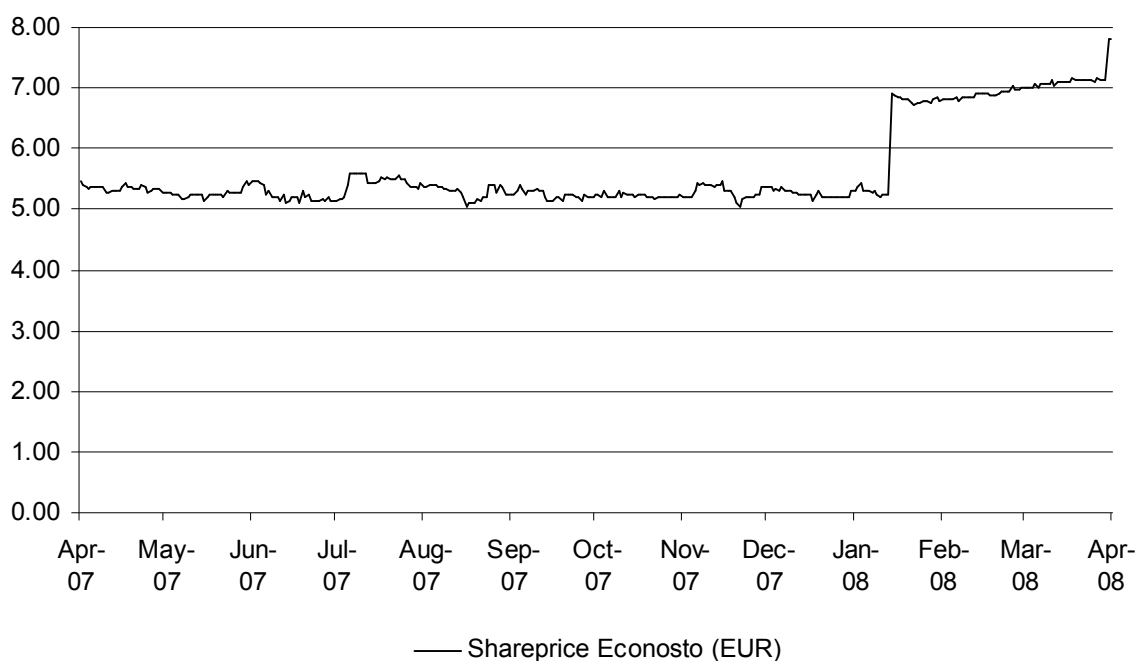
<i>1000x</i>	<b>2007</b>	<b>2006</b>
<hr/>		
<i>Authorised Share Capital</i>		
3,750,000 convertible cumulative preference (financing) shares of EUR 0.50	1,875	1,875
16,760,000 Shares of EUR 0.50	8,380	8,380
<hr/>		
<b>Total</b>	<b>10,255</b>	<b>10,255</b>
<hr/>		
<i>Issued Share Capital</i>		
<b>Shares</b>		
As per 1 January	6,784	6,784
Issue due to conversion of convertible subordinated bond loan	1,311	-
<hr/>		
<b>As per 31 December</b>	<b>8,095</b>	<b>6,784</b>
<hr/>		

On 6 June 2007, 2,622,335 ordinary Shares were issued due to the conversion of convertible subordinated bond loan. Thus, the number of issued ordinary Shares as per 31 December 2007 was 16,190,220. At 31 December 2006 13.567.885 ordinary Shares were issued.



### 7.3 Share price development

This graph sets out the Share price development from 1 April 2007 to 1 April 2008.



Source: Bloomberg

### 7.4 Overview of shares and options held by members of the Management Board and Supervisory Board according to the Gilde Offer Memorandum

At the date of the Gilde Offer Memorandum, 7,524 Shares are held by Mr J.F.A.M van Os and 3,082 Shares are held by Mr O. de Vries (excluding, for the avoidance of doubt, the Matching Shares under the Long Term Incentive Plan). 11,287 Matching Shares (including Additional Shares) are held by Mr J.F.A.M. van Os and 5,580 Matching Shares (including Additional Shares) are held by Mr O. de Vries. See also Section 7.4.2 (Information on Long Term Incentive Plan).

#### 7.4.1 Information on Shares according to the Gilde Offer Memorandum

According to the Gilde Offer Memorandum, the information in this Section is true in relation to the Shares.

All shares in Econosto have a nominal value of EUR 0.50 each.

Share capital as per 1 February 2008:

Authorized share capital (EUR):	10,255,000
Consisting of:	
(a) Ordinary shares (EUR):	8,380,000
(b) Cumulative preference shares (EUR):	1,875,000
Total authorized share capital (in numbers):	<u>20,510,000</u>

Issued and paid up ordinary shares (in numbers): 16,190,220

There are no cumulative preference shares outstanding.

#### **7.4.2 Information on Long-Term Incentive Plan according to the Gilde Offer Memorandum**

Members of the Management Board and the directors of a number of subsidiaries of Econosto are entitled to participate in the Long-Term Incentive Plan. The main features of the Long-Term Incentive Plan are:

- (i) based on achieving pre-determined financial and non-financial criteria, the members of the Management Board and the directors of the subsidiaries are granted a cash bonus;
- (ii) the participating members of the Management Board are obliged to invest 25% of their net cash bonus in Shares which have a specific restriction for the duration of the vesting period ("**Restricted Shares**");
- (iii) the participating directors of the subsidiaries have the option to invest 25% of their net cash bonus in Restricted Shares;
- (iv) the Long-Term Incentive Plan has a vesting period of three years after which the number of shares held by the participant are matched by granting a number of "**Matching Shares**" equal to the number of Restricted Shares held by such participant; and
- (v) depending on the growth of Econosto's value, the granting of Matching Shares to the members of the Management Board free of charge can be as high as 150% of the compulsory investment in Restricted Shares by the members of the Management Board (all such shares above 100% "**Additional Shares**").

The vesting period of the first Restricted Shares issued to the participants of the Long-Term Incentive Plan would terminate in 2008. Due to the Offer, the Long-Term Incentive Plan will be terminated. Thus, on the day prior to the Settlement Date, all Matching Shares (including the Additional Shares) held by the members of the Management Board and the other participants still in the service of Econosto shall be deemed to have been vested and shall be awarded to the participants.

As of the date of the Gilde Offer Memorandum 11,287 Matching Shares (including Additional Shares) are held by Mr J.F.A.M. van Os and 5,580 Matching Shares (including Additional Shares) are held by Mr O. de Vries. The other participants jointly held 13,446 Matching Shares.

## **8 INFORMATION ON THE OFFEROR**

### **8.1 Information on the Offeror**

ERIKS group nv is the Dutch holding company of a group of technical distribution companies and is listed on Euronext Amsterdam

In 2007, sales of EUR 949.1 million were achieved with an average workforce of 4,495 people. The net result in 2007 amounted to EUR 43.7 million.

ERIKS procures, stores, processes, sells and distributes a wide range of high-quality mechanical engineering components and provides a highly developed range of related technical and logistics services. Its operations are based on a broad and deep knowhow of market developments, product properties, product applications, product processing, logistics and a corresponding modern infrastructure. The ability to offer these six know-how domains means that ERIKS is ideally placed to make a positive contribution to its customers' and manufacturers' business operations.

ERIKS supplies over 90,000 industrial customers (business-to-business), markets a range of over 600,000 articles, purchases worldwide from over 1,000 qualified suppliers and manufacturers and sends out approximately 2,5 million shipments every year.

The ERIKS group currently consists of over 50 group companies with branches in 15 countries. The geographical focus of the group's activities is in Western and Central Europe, where 95% of its sales are achieved. ERIKS also has branches in the USA and South-east Asia (Singapore and Malaysia).

ERIKS is pursuing a leading market position in Western, Central and Eastern Europe. ERIKS also wants a direct or indirect presence in the USA and South-east Asia if this is conducive to its position in Europe.

The current range of products is divided into eight core activities:

- (a) Sealing technology
- (b) Power transmission
- (c) Flow technology
- (d) Industrial plastics
- (e) Tools and Maintenance products
- (f) Electromechanical services and Condition monitoring
- (g) Tolerance rings and Tire technology
- (h) Technical and logistics services

Eriks provides technical and logistics services as a core activity linked to the product groups contained in its core activities and six know-how domains.

### **8.2 Strategy**

ERIKS believes it has the following competitive strengths:

- a large customer base and presence in important industrial segments
- broad and in-depth range of products/services

- innovative strength
- know-how-driven technical and logistics services
- ability to offer manufacturers volume and market share
- modern infrastructure (accommodation and ICT)
- entrepreneurship and highly trained employees
- financial health

Building on these competitive strengths, ERIKS strives to achieve the following objectives:

- to build a leading market position in Western, Central and Eastern Europe
- to achieve a strong market share (top 3) for all core activities in its range, in all regions where ERIKS has its own branch operations
- to offer an extensive range of high-quality mechanical engineering parts
- to possess and offer a high level of know-how so as to be an innovative supplier
- to have a balanced distribution of sales across the main customer types (buying profiles) of Maintenance Repair Overhaul and Original Equipment Manufacturers in order to control its risk profile
- to expand existing activities in the United States of America
- to maintain activities in South East Asia autonomously

ERIKS' strategy rests on the following pillars:

- autonomous growth
- growth through expansion
- employees
- efficient operational management
- realising synergy.

### **8.3 Management structure, executive board and supervisory board**

#### **8.3.1 Management structure**

ERIKS has a two-tier board structure, consisting of an executive board and a supervisory board. The executive board is responsible for the policy and operations of ERIKS under the supervision of the supervisory board.

#### **8.3.2 ERIKS executive board**

As at of this Offer Memorandum, the members of the executive board are:

<b>Name</b>	<b>Date of Birth</b>	<b>Business experience and activities</b>
J. van der	20 June 1954	Mr. Van der Zouw is a Dutch national. He was appointed to

<b>Name</b>	<b>Date of Birth</b>	<b>Business experience and activities</b>
Zouw		<p>the executive board on 1 January 2002 and was appointed as chairman of the executive board with the title of CEO on 12 May 2005 for an unlimited period of time.</p> <p>After completing his naval engineering degree, Mr. Van der Zouw started his professional career as a marine engineer in 1974. He joined Stork as sales and project engineer in 1977, responsible for Eastern Europe and Africa. In 1980, Mr. Van der Zouw started working for Eriks B.V. as product specialist and later as product manager, where he contributed to the positioning of ERIKS as a leading valve supplier. He then joined Econosto in 1986, as sales manager and later as deputy officer of the subsidiary Petrecon (supplier of valves for the chemical, petro chemical and oil and gas industry). From 1988 until his return to ERIKS, Mr. Van der Zouw occupied various management positions at Transmark, including the position of CEO of Transmark International since 1995. In 1999, Mr. Van der Zouw returned to ERIKS when he was appointed as managing director of ERIKS B.V.</p>
J.G. de Boer	23 December 1953	<p>Mr. De Boer is a Dutch national. He was appointed to the executive board with the title of CFO on 1 January 1996 for an unlimited period of time.</p> <p>Mr. De Boer is chartered accountant and started his professional career as an assistant controller and later accountant at Dijker and Doornbos Accountants (currently forming part of PwC). He joined ERIKS in 1985, initially as controller. He was appointed as group controller in 1991.</p>
M.T.A. Beckers	25 September 1951	<p>Mr. Beckers is a Belgian national. He was appointed to the executive board on 17 May 2005 for an unlimited period of time.</p> <p>After completing his A1 Industrial Chemistry degree at the Rega Institute, Catholic University Leuven, Mr. Beckers started working at Proctor &amp; Gamble as product development technician. He occupied various positions at Proctor &amp; Gamble, such as packaging manager, packaging coordinator and project coordinator. From 1984 to 1990, he worked at Duracell Europe as packaging manager Europe. Between 1990 and 1994, Mr. Beckers was member of the board of Volta Industries in Italy. In 1994, he joined Dover Elevators</p>

Name	Date of Birth	Business experience and activities
H.J. Maier	28 December 1960	<p data-bbox="692 342 1404 640">Europe in the United Kingdom, initially as Business Development Director and later as Managing Director. Between 1997 and 2005 he worked at Geveke in the Netherlands, starting as managing director of two subsidiaries and joining the executive board of Geveke in 2001; initially as COO and then as CEO until December 2003. Mr. Beckers joined ERIKS in May 2004 as cluster manager ERIKS Belgium and general manager ERIKS in Hoboken.</p> <p data-bbox="692 667 1404 779">Mr. Maier is a German national. He was appointed to the executive board on 1 January 2002 for an unlimited period of time.</p> <p data-bbox="692 842 1404 1323">After completing his law degree at the University of Tübingen and University of Munich, Mr. Maier finalised his formal training as a lawyer at the superior law court Hamm/Westf. In 1990, he started his professional career at Wörmann, Maier &amp; Partner Rechtsanwälte, Notare, in Germany as assistant attorney-at-law to become a partner. In 1992, Mr. Maier joined H+S Group as managing director of Heusinger + Salmon GmbH &amp; Co. As a result of the take-over of the H+S Group by ERIKS in 1997, he became managing director of the H+S Group. In 1999, he was appointed as managing director of the cluster ERIKS Germany and member of Group Council ERIKS, followed by the appointment as member of the executive board in 2002.</p> <p data-bbox="692 1391 1404 1458">Mr. Maier is a member of the supervisory board of Flexicon AG in Germany.</p>
B. Wilson	9 February 1955	<p data-bbox="692 1491 1404 1603">Mr. Wilson is a British national. He was appointed to the executive board as of 17 November 2006 for an unlimited period of time.</p> <p data-bbox="692 1666 1404 1995">Mr. Wilson started his professional career in 1972. After having occupied various positions, he joined PPG Investments Ltd. in 1983, initially as finance director and later as managing director. In 1986, he started working at Langside Ltd. as managing director until he joined George Boyd Ltd. as managing director in 1990. In 1994, he was employed by Würth Group as managing director of Monks and Crane Industrial Group Ltd. and later as coordinator of Würth Industrial Group. In November 2003, Mr. Wilson was</p>

Name	Date of Birth	Business experience and activities
		<p>appointed as CEO of WYKO Group Ltd.</p> <p>Mr. Wilson also acted as non executive director for FPT Group Ltd from November 1998 to March 2002. FPT Group Ltd. was sold to WYKO in 2002</p>
M. Dixon	6 October 1964	<p>Mr. Dixon is a British national. He was appointed to the executive board as of 17 November 2006 for an unlimited period of time.</p> <p>After completing his BSC Chemistry degree at the Imperial College of Science and Technology in 1986, Mr. Dixon started as assistant chartered accountant at Ernst &amp; Whinney in 1986. He became chartered accountant in 1989. In 1990, he joined Barratt Developments plc as corporate accountant. In 1994, he started as group accountant at Calder Group Ltd., which merged with Rubicon Group plc in 1995. As a result of this merger, Mr. Dixon was appointed as group financial controller of Rubicon Group plc in 1995 and was appointed to the executive committee in 1996. In 1998, he joined FPT Group Ltd., initially as group finance director and, as of 2000, as group managing director. During 2002, FPT Group Ltd. was sold to WYKO. Mr. Dixon took a temporary main board assignment to implement the merger of the two companies and left WYKO in November 2002. In November 2003, he was invited, together with Mr. Wilson, to return to WYKO as COO.</p>

At the date of this Offer Memorandum, the members of the executive board of ERIKS collectively hold 10,979 shares in ERIKS as long term investment. No option rights are granted to the members of the executive board of ERIKS.

### 8.3.3 ERIKS supervisory board

As at of this Offer Memorandum, the members of the supervisory board of ERIKS are:

Name	Date of birth	Business experience and activities
A.A. Olijslager	17 February 1944	<p>Mr. Olijslager, the chairman of the supervisory board, is a Dutch national. He was first appointed to the supervisory board in 2007 and his term ends in 2011.</p> <p>Mr. Olijslager's current positions include <i>inter alia</i>:</p>

Name	Date of birth	Business experience and activities
		<ul style="list-style-type: none"> <li>- Vice-president of the supervisory board of ABN AMRO Holding NV</li> <li>- Member of the supervisory board of Samas Group NV</li> <li>- Vice-president of the supervisory board of AVEBE UA</li> <li>- Member of the supervisory board of Center Parcs NV</li> <li>- Member of the supervisory board of Heijmans N.V.</li> <li>- Member of the Investment Committee of NPM Capital N.V.</li> <li>- Non-executive director of TREP Holding SE</li> <li>- Director Stichting Administratiekantoor Unilever NV</li> <li>-Chairman Nederlandse Vereniging van Participatiemaatschappijen</li> <li>- Member of the supervisory board of Stichting Nyenrode</li> <li>- Chairman of Stichting Maatschappij en Onderneming / member of the supervisory board of SMO B.V.</li> <li>- Member of the supervisory board of Fries Museum</li> <li>- Chairman Stichting Zeesleepboot Nederland</li> </ul>
R.J.A. van der Bruggen	26 November 1947	<p>Mr. Van der Bruggen is a Dutch national. He was first appointed to the Supervisory Board in 2005 and his term ends immediately after the annual General Meeting to be held in 2009.</p> <p>Mr. Van der Bruggen is CEO of Imtech N.V.</p> <p>Mr. Van der Bruggen is a member of the supervisory board of Gelderse Vallei Hospital and member of the advisory boards of ABN AMRO Bank N.V. and Cisco Systems.</p>
R.A.A. Oliemans	17 February 1944	<p>Mr. Oliemans is a Dutch national. He was first appointed to the Supervisory Board in 1997 and his term ends immediately after the annual General Meeting to be held in 2010.</p> <p>Mr. Oliemans is chairman of the supervisory board of Blydenstyn Willink N.V., member of the advisory council of VM&amp;M B.V.</p> <p>Mr. Oliemans is former CEO of Ammeraal Conveyor Belting B.V. and former CEO of Frans Maas Groep N.V.</p>
A. Wateler	12 May 1946	<p>Mr. Wateler is a Dutch national. He was first appointed to the Supervisory Board on 16 May 2006 and his term ends immediately after the annual General Meeting to be held in</p>



Name	Date of birth	Business experience and activities
------	---------------	------------------------------------

2010.

Mr. Wateler is chairman of the supervisory boards of BN International B.V. and of Bruynzeel Home Products B.V. and member of the supervisory boards of Fashion Fund B.V., Gamma Holding N.V. and Duke Street Capital, member of the investment committee of Ergon Capital Partners and member of the board of directors of Stichting Preferente Aandelen Grolsch.

Mr. Wateler is the former managing director of Parcom Ventures B.V. Parcom Ventures B.V. is part of ING Group N.V. and holds an interest in Eriks N.V.

At the date of this Offer Memorandum, the members of the supervisory board of ERIKS do not hold any shares in ERIKS. In addition, no option rights are granted to the members of the supervisory board of ERIKS.

#### 8.4 Capital and shares

The issued and outstanding share capital of the Offeror consists of 10,582,614 ordinary shares with a nominal value of EUR 0.50 each. All ordinary shares are listed on Euronext Amsterdam. A total of 10,533,255 ordinary bearer shares are included in the giro system as referred to in the Dutch Securities Giro Act (*Wet giraal effectenverkeer*) and are registered in the register of shareholders in the name of Euroclear Nederland. The remaining 49,359 issued ordinary shares are registered in the shareholders register in the names of the respective shareholders. The company has not paid out or issued any share options.

#### 8.5 Main shareholders

At the date of this Offer Memorandum, the following shareholders have registered with the AFM an interest in excess of 5% of the ERIKS' shares:

Shareholder	Percentage
ING Group N.V.	19.52
Kempen Capital Management N.V.	10.18
TG Holding AG	8.22
Delta Deelnemingen Fonds N.V.	7.35
Darlin N.V.	5.78
Aviva plc	5.28

Navitas B.V.	5.06
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## 9 FURTHER DECLARATIONS PURSUANT TO THE TAKEOVER DECREE

In addition to the other statements set out in this Offer Memorandum, the Offeror with regard to subjects (ii) and (iii), Econosto with regard to subject (iv) and the Offeror and the Boards with regard to subject (i), hereby declare as follows:

- (i) The Offeror has clarified the Offer and explained its intentions with Econosto going forward to the Boards. No agreement between the Offeror and Econosto was reached.
- (ii) With due observance of and without prejudice to the restrictions referred to in Section 1 (Restrictions and Important Information), the Offer applies on an equal basis to all Shares outstanding and is made to all Shareholders.  
  
The costs incurred or to be incurred by the Offeror in connection with the Offer are expected to amount to approximately EUR 3,527,935.
- (iii) The costs incurred by Econosto in relation to the Offer are not available to the Offeror.
- (iv) No transactions have taken place or will take place on the basis of concluded agreements with individuals and/or legal persons within the meaning of Annex A paragraph 2 subparagraphs 5, 6 and 7 of the Takeover Decree, other than the transactions mentioned in Section 5.3 (Shareholdings of the Offeror).

## 10 TAX ASPECTS OF THE OFFER

### Dutch Tax Considerations

#### 10.1 General

The following describes certain material Dutch tax consequences of the Offer.

The following is intended as general information only and it does not purport to present any comprehensive or complete description of all aspects of Dutch tax law which could be of relevance to a Shareholder. Shareholders should consult with their tax advisors with regard to the tax consequences of the Offer in their particular circumstances.

The following summary is based on Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

This part does not discuss the possible Dutch tax considerations or consequences that may be relevant to a Shareholder who receives or has received any benefits from Shares as employment income, deemed employment income or otherwise as compensation.

In this paragraph, “**Dutch Taxes**” shall mean taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities.

#### 10.2 Withholding tax

Any payments made under the Offer will not be subject to withholding or deduction for, or on account of any Dutch Taxes.

#### 10.3 Shareholders Resident in the Netherlands

The description of certain Dutch tax consequences in this paragraph is only intended for the following holders of Shares:

- (i) individuals who are resident or deemed to be resident in the Netherlands; and
- (ii) individuals who opt to be taxed as a resident of the Netherlands for purposes of Dutch taxation (jointly, “**Dutch Individuals**”); and
- (iii) entities that are subject to the Dutch Corporate Income Tax Act 1969 (“CITA”) and are resident or deemed to be resident in the Netherlands for the purposes of the CITA (“**Dutch Corporate Entities**”), excluding:
  - (iv) pension funds (pensioenfondsen) and other entities that are in whole or in part exempt from Dutch corporate income tax; or
  - (v) Dutch Corporate Entities which are entitled to the participation exemption with respect to the Shares based on article 13 CITA; or
  - (vi) investment institutions (*beleggingsinstellingen*) as defined in the CITA.

### **10.3.2 Dutch Individuals engaged or deemed to be engaged in an enterprise or in miscellaneous activities**

A Dutch Individual is generally subject to income tax at statutory progressive rates with a maximum of 52% with respect to any benefits derived or deemed to be derived from Dutch Enterprise Shares (as defined below), including any capital gains realised on the disposal thereof.

“**Dutch Enterprise Shares**” are Shares or any right to derive benefits from Shares:

- (i) which are attributable to an enterprise from which a Dutch Individual derives profits, whether as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder); or
- (ii) of which the benefits are taxable in the hands of a Dutch Individual as benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*) including, without limitation, activities which are beyond the scope of active portfolio investment activities.

Any capital gain realised by a Dutch Individual on the disposal of Shares qualifying as Dutch Enterprise Shares pursuant to the Offer will generally be considered a taxable benefit as described above.

### **10.3.3 Dutch Individuals having a (fictitious) substantial interest**

A Dutch Individual is generally subject to income tax at the statutory rate of 25% with respect to any benefits derived or deemed to be derived from Shares, excluding Dutch Enterprise Shares, (including any capital gains realised on the disposal thereof) that represent a (fictitious) substantial interest (such Shares being “**Substantial Interest Shares**”).

Generally, a shareholder has a substantial interest (*aanmerkelijk belang*) in a company if such shareholder, alone or together with his partner, directly or indirectly:

- (i) owns, or holds certain rights on, shares representing 5% or more of the total issued and outstanding capital of the company, or of the issued and outstanding capital of any class of shares of the company;
- (ii) holds rights to acquire shares, whether or not already issued, representing 5% or more of the total issued and outstanding capital of the company, or of the issued and outstanding capital of any class of shares of the company; or
- (iii) owns, or holds certain rights on, profit participating certificates that relate to 5% or more of the annual profit of the company or to 5% or more of the liquidation proceeds of the company.

A shareholder will also have a substantial interest if his partner or one of certain relatives of the shareholder or of his partner has a (fictitious) substantial interest.

Generally, a shareholder has a fictitious substantial interest (*fictief aanmerkelijk belang*) in a company if, without having an actual substantial interest in this company:

- (i) an enterprise has been contributed to the company in exchange for shares on an elective non-recognition basis;

- (ii) the shares have been obtained under inheritance law or matrimonial law, on a non-recognition basis, while the disposing shareholder had a substantial interest in the company;
- (iii) the shares have been acquired pursuant to a share merger, legal merger or legal demerger, on an elective non-recognition basis, while the shareholder prior to this transaction had a substantial interest in the company that was party thereto; or
- (iv) the shares held by the shareholder, prior to dilution, qualified as a substantial interest and, by election, no gain was recognised upon dequalification of these shares.

Any capital gain realised by a Dutch Individual on the disposal of Shares qualifying as Substantial Interest Shares pursuant to the Offer will generally be considered a taxable benefit as described above.

#### **10.3.4 Dutch Individuals not engaged or deemed to be engaged in an enterprise or in miscellaneous activities or having a (fictitious) substantial interest**

Generally, a Dutch Individual who owns Shares, excluding Dutch Enterprise Shares and Substantial Interest Shares, will be subject annually to an income tax imposed on a fictitious yield on such Shares under the regime for income from savings and investments (*inkomen uit sparen en beleggen*). Irrespective of the actual income or capital gains realised, the annual taxable benefit of all the assets and liabilities of a Dutch Individual that are taxed under this regime, including the Shares, is set at a fixed amount. The fixed amount equals 4% of the average fair market value of the assets reduced by the liabilities measured, in general, at the beginning and end of every calendar year. The tax rate under the regime for savings and investments is a flat rate of 30%.

Any capital gain realised by a Dutch Individual on the disposal of Shares not qualifying as Dutch Enterprise Shares or Substantial Interest Shares pursuant to the Offer will, by itself, not be subject to income tax.

#### **10.3.5 Dutch Corporate Entities**

A Dutch Corporate Entity is generally subject to corporate income tax at statutory rates up to 25.5% with respect to any benefits derived or deemed to be derived from (including any capital gains realised on the disposal of) Shares.

Any capital gain realised by a Dutch Corporate Entity on the disposal of Shares pursuant to the Offer will generally be considered a taxable benefit as described above.

#### **10.4 Shareholders not resident in the Netherlands**

The description of certain Dutch tax consequences in this paragraph is only intended for holders of Shares that are not resident or deemed to be resident in the Netherlands or, in case of an individual, have not opted to be treated as a resident of the Netherlands (“**Non-Resident Shareholders**”), excluding Non-Resident Shareholders which are entitled to the participation exemption with respect to Shares based on article 13 CITA.

A Non-Resident Shareholder will not be subject to any Dutch taxes on income or capital gains in respect of the disposal of Shares pursuant to the Offer, except if:

- (i) the Non-Resident Shareholder derives profits from an enterprise, whether as entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a shareholder, which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands, to which his Shares are attributable;
- (ii) the Non-Resident Shareholder is an individual and derives benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*) carried out in the Netherlands in respect of Shares, including, without limitation, activities which are beyond the scope of active portfolio investment activities;
- (iii) the Non-Resident Shareholder is entitled other than by way of the holding of securities to a share in the profits of an enterprise effectively managed in the Netherlands to which the Shares are attributable; or
- (iv) the Non-Resident Shareholder has a (fictitious) substantial interest in the Company and the Substantial Interest Shares are not attributable to the assets of an enterprise.

#### **10.5 Other Dutch Taxes**

No other Dutch Taxes, including turnover tax, gift tax, inheritance tax and taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by or on behalf of a Shareholder by reason only of the disposal of Shares pursuant to the Offer.

## 11 PRESS RELEASES

### 11.1 Press releases of ERIKS

#### 11.1.1 Press release of 31 March 2008

**From** Executive Board ERIKS group nv  
**Telephone** +31-72 54 75 888  
**Date** 31 March 2008  
**Subject** ERIKS GROUP INTENDS TO MAKE A PUBLIC OFFER OF EUR 8.21 IN CASH PER SHARE FOR ECONOSTO

*This is a public announcement by ERIKS group nv pursuant to the provisions of Section 5 paragraph 2 of the Dutch Decree on Public Takeover Bids (Besluit Openbare Biedingen Wft). This announcement does not constitute an offer for ordinary shares in Royal Econosto N.V. This announcement is not for release, distribution or publication in whole or in part, in or into Australia, Canada, Japan or the United States of America.*

ERIKS group nv ("ERIKS") intends to make a public offer for all issued and outstanding ordinary shares in the share capital of Royal Econosto N.V. ("Econosto") with a nominal value of EUR 0.50 each (the "Shares") at an offer price of EUR 8.21 in cash per Share (the "Offer Price") (the "Offer").

#### **The Offer**

On Friday 28 March 2008, ERIKS notified the Chairman of Econosto's Supervisory Board and Econosto's CEO of its intention to make the Offer. In summary, ERIKS' proposal constitutes the following:

- ERIKS intends to make a public offer for the Shares at an Offer Price of EUR 8.21 in cash per Share;
- The Offer Price represents a 43.9% premium to Econosto's 11 January 2008 closing price of EUR 5.42, the last day before Gilde Buy Out Partners ("Gilde") and Econosto made a joint public announcement on the recommended cash offer by Gilde;
- The Offer Price represents a 9.2% premium to Econosto's 28 March 2008 closing price of EUR 7.14, the last trading day prior to this press release;
- ERIKS supports Econosto's international growth strategy and the proposed acquisition will contribute to an accelerated realization of this strategy, which fits well into ERIKS' own strategy, whereby ERIKS sees Econosto's current activities in the Middle East as an exciting opportunity to further establish its international footprint;
- ERIKS currently does not foresee any major restructurings of the Econosto group as a direct consequence of the Offer;
- ERIKS has obtained all corporate approvals required to proceed with the intended Offer, as well as positive advice from its works council;
- ERIKS has secured committed financing for the intended Offer;



- ERIKS does not anticipate any merger clearance requirements and expects to obtain any requisite merger clearance at short notice.

We are convinced that the strategic, financial and social rationale of our intended Offer are beneficial to both Econosto and ERIKS, their shareholders, employees as well as all other stakeholders.

On Sunday 30 March 2008, ERIKS and the Supervisory Board and the Management Board of Econosto discussed the intended Offer.

### **Promising future for the combination Econosto and ERIKS**

ERIKS supports the current vision and growth strategy as implemented by management of Econosto. We believe that a combination of the businesses of Econosto and ERIKS will contribute to our joint ability to better serve their customers. Econosto will be able to further develop itself within ERIKS as the international core competence centre for valves and valves-related projects, including products related thereto. Throughout the regions in which Econosto and ERIKS are both active, Econosto will be able to benefit from ERIKS' local distribution networks.

### **Social aspects**

ERIKS will respect the existing rights and benefits of the Econosto employees. ERIKS currently does not foresee any major restructurings of the Econosto group as a direct consequence of the Offer.

### **Financing**

ERIKS has secured fully committed financing for the intended Offer. The ultimate financing structure of the new combination, after the successful completion of the intended Offer, will be in line with ERIKS' existing financing policy.

### **Pending Offer by Gilde**

According to section 5.8 of the offer memorandum dated 14 March 2008 issued by KENV Acquisition B.V. and Econosto, Econosto is permitted to respond to an "unsolicited written bona fide offer by a third party", which offer would, in the reasonable opinion of Econosto's Supervisory Board and Managing Board, be better than the offer contemplated in the offer memorandum of 14 March 2008, provided that the consideration per Share offered under the competing offer would at least amount to EUR 7.75.

Since ERIKS' Offer Price is in excess of EUR 7.75 and provides superior value to Econosto's shareholders, as well as material benefits to its employees, customers, suppliers and other stakeholders, we submit that our Offer constitutes a bona fide "Competing Offer". Thus, we have asked the Supervisory Board and Managing Board of Econosto to notify KENV Acquisition B.V. of our Competing Offer, so that the agreed five business days matching period will commence on Monday 31 March 2008 and will expire ultimately on Friday 4 April 2008.

### **Offer process**

We expect to finalize the offer memorandum and to obtain the formal approval of the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) in respect thereof and to make the Offer at the end of April.

Once the intended Offer is declared unconditional and ERIKS has acquired more than 95% of the Shares, it is intended that Econosto's shares will be delisted from Euronext Amsterdam N.V.

The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*), the Social-Economic Council of the Netherlands (*Sociaal Economische Raad*) and the relevant anti-trust authorities have been or will be informed of the intended Offer and, where relevant, requested to provide clearance. In addition, the relevant trade unions of Econosto and ERIKS will be notified.

#### **Advisers**

Fortis Corporate Finance & Capital Markets is acting as financial advisor and De Brauw Blackstone Westbroek N.V. is acting as legal advisor to ERIKS.

#### **Disclaimer**

This release does not constitute or form part of an offer to purchase, sell or subscribe for any securities of ERIKS group nv.

#### **Forward-looking statements**

*This press release includes “forward-looking statements” and language indicating trends, such as “anticipated” and “expected”. Although ERIKS believes that the assumptions upon which its financial information and forward-looking statements are based are reasonable, it can give no assurance that these assumptions will prove to be correct. Important factors that could cause actual results to differ materially from ERIKS’ projections and expectations are disclosed in ERIKS’ annual report for the year ended 31 December 2007 and in other documents which are available on ERIKS’ website at [www.eriks.com](http://www.eriks.com). These factors include, among others, changes in consumer preferences and product trends; price discounting by major competitors; failure to realize anticipated results from synergy initiatives; failure to obtain regulatory consents or other third party approvals; and increases in costs generally. All forward-looking statements in this press release are expressly qualified by such cautionary statements and by reference to the underlying assumptions. ERIKS does not undertake to update forward-looking statements relating to its businesses, whether as a result of new information, future events or otherwise. ERIKS does not accept any responsibility for any financial information contained in this press release relating to the business or operations or results or financial condition of Econosto.*

This press release is also published in Dutch.

Conference calls with the Executive Board of ERIKS group nv on 31 March 2008

- 10:00 a.m. CET press conference  
Dial in: +31 20 531 5813  
Replay: +31 70 315 4300 (code: 14 52 06#)  
The replay will be available one hour after having finished the conference call up to and including 14 April 2008.
- 11:30 a.m. CET analysts’ conference  
Dial in: +31 20 531 5825  
Replay: +31 70 315 4300 (code: 14 52 07#)  
The replay will be available one hour after having finished the conference call up to and including 14 April 2008.

Please refer to our website [www.eriks.com](http://www.eriks.com) for detailed information about the ERIKS group.

### 11.1.2 Press release of 1 April 2008

**From** Executive Board ERIKS group nv  
**Telephone** +31-72 54 75 888  
**Date** 1 April 2008  
**Subject** ERIKS GROUP ANNOUNCES SHAREHOLDING IN ECONOSTO IN EXCESS OF 8%

*This is a public announcement by ERIKS group nv pursuant to Article 4 paragraph 1 of the Dutch Decree on Public Takeover Bids (Besluit Openbare Biedingen Wft). This announcement does not constitute an offer for ordinary shares in Royal Econosto N.V. This announcement is not for release, distribution or publication in whole or in part, in or into Australia, Canada, Japan or the United States of America.*

On 31 March 2008 ERIKS group nv (“ERIKS”) announced that it intends to make a public offer for all issued and outstanding ordinary shares in the share capital of Royal Econosto N.V. (“Econosto”) with a nominal value of EUR 0.50 each at an offer price of EUR 8.21 in cash per share.

Since Monday 31 March 2008, ERIKS has acquired in excess of 8 percent of Econosto's total outstanding shares. In accordance with Dutch law, ERIKS will file the details of its current holding of Econosto shares with the Netherlands Authority for the Financial Markets (AFM).

#### **Disclaimer**

This release does not constitute or form part of an offer to purchase, sell or subscribe for any securities of ERIKS group nv.

This press release is also published in Dutch.

Please refer to our website [www.eriks.com](http://www.eriks.com) for detailed information about the ERIKS group.

### 11.1.3 Press release of 2 April 2008

**From** Executive Board ERIKS group nv  
**Telephone** +31-72 54 75 888  
**Date** 2 April 2008  
**Subject** ERIKS' intended public offer for Koninklijke Econosto N.V. – Offer memorandum submitted to AFM for approval and certain funds announcement

*This is a public announcement by ERIKS group nv pursuant to the provisions of Section 7 paragraphs 1 and 4 of the Dutch Decree on Public Takeover Bids (Besluit Openbare Biedingen Wft). This announcement does not constitute an offer for ordinary shares in Royal Econosto N.V. This announcement is not for release, distribution or publication in whole or in part, in or into Australia, Canada, Japan or the United States of America.*

On 31 March 2008, ERIKS group nv (“ERIKS”) announced that it intends to make a public offer for all of the issued and outstanding ordinary shares in the share capital of Royal Econosto N.V. (“Econosto”) with a nominal value of EUR 0.50 each at an offer price of EUR 7.80 in cash per share (the “Offer”).

This morning, ERIKS has submitted for approval a draft offer document relating to the Offer to the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*).

With reference to Section 7 paragraph 4 of the Dutch Decree on Public Takeover Bids, ERIKS confirms that it has secured fully committed debt financing from Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. in an amount sufficient to satisfy its obligations under the Offer. The committed debt financing is subject to certain conditions precedent, which will be in line with the conditions under the Offer and/or are in accordance with current market practice. ERIKS has no reason to believe that these conditions precedent will not be fulfilled on or prior to the settlement of the intended Offer.

#### **Disclaimer**

This release does not constitute or form part of an offer to purchase, sell or subscribe for any securities of ERIKS group nv.

#### **Forward-looking statements**

*This press release includes “forward-looking statements” and language indicating trends, such as “anticipated” and “expected”. Although ERIKS believes that the assumptions upon which its financial information and forward-looking statements are based are reasonable, it can give no assurance that these assumptions will prove to be correct. Important factors that could cause actual results to differ materially from ERIKS’ projections and expectations are disclosed in ERIKS’ annual report for the year ended 31 December 2007 and in other documents which are available on ERIKS’ website at [www.eriks.com](http://www.eriks.com). These factors include, among others, changes in consumer preferences and product trends; price discounting by major competitors; failure to realize anticipated results from synergy initiatives; failure to obtain regulatory consents or other third party approvals; and increases in costs generally. All forward-looking statements in this press release are expressly qualified by such cautionary statements and by reference to the underlying assumptions. ERIKS does not undertake to update forward-looking statements relating to its businesses, whether as a result of new information, future events or otherwise. ERIKS does not accept any responsibility for any financial information contained in this press release relating to the business or operations or results or financial condition of Econosto.*

This press release is also published in Dutch.

Please refer to our website [www.eriks.com](http://www.eriks.com) for detailed information about the ERIKS group.

#### **11.1.4 Press release of 3 April 2008**

<b>From</b>	Executive Board ERIKS group nv
<b>Telephone</b>	+31-72 54 75 888
<b>Date</b>	3 April 2008
<b>Subject</b>	ERIKS increases offer price for Econosto to EUR 8.21 and has secured 44.9% of the shares in Econosto for this increased offer

*This is a public announcement by ERIKS group nv pursuant to the provisions of Section 4 paragraph 1 and Section 7 paragraph 4 of the Dutch Decree on Public Takeover Bids (Besluit Openbare Biedingen Wft). This announcement does not constitute an offer for ordinary shares in Royal Econosto N.V. This announcement is not*

*for release, distribution or publication in whole or in part, in or into Australia, Canada, Japan or the United States of America.*

Reference is made to the press releases issued by ERIKS group nv (“ERIKS”) on 31 March, 1 April and 2 April 2008 in respect of its intended public offer for all of the issued and outstanding ordinary shares in the share capital of Royal Econosto N.V. with a nominal value of EUR 0.50 each (the “Shares”) at an offer price of EUR 7.80 in cash per Share.

ERIKS announces (i) to increase the offer price to EUR 8.21 in cash per Share (the “Increased Offer”) and (ii) that it has secured 44.9% of the Shares for this Increased Offer.

ERIKS has secured these Shares for its Increased Offer as follows:

- ERIKS has acquired 8.6% of the Shares through purchases via Euronext Amsterdam;
- ERIKS has agreed to acquire 20.4% of the Shares from a group of shareholders, including Janivo Participaties II B.V., Gestion Deelnemingen V B.V. and TWE Beheer B.V.;
- These large shareholders have committed themselves to tender the remaining 15.9% of the Shares held by them under the Increased Offer when it is made.

With reference to Section 7 paragraph 4 of the Dutch Decree on Public Takeover Bids, ERIKS confirms that the secured fully committed debt financing from Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. is sufficient to satisfy its obligations under the Increased Offer.

#### **Disclaimer**

This release does not constitute or form part of an offer to purchase, sell or subscribe for any securities of ERIKS group nv.

#### **11.1.5 Press release of 7 April 2008**

**From** Executive Board ERIKS group nv  
**Telephone** +31-72 54 75 888  
**Date** 7 April 2008  
**Subject** ERIKS GIVES NOTICE TO AFM OF SECURED SHAREHOLDING IN ECONOSTO

*This is a public announcement by ERIKS group nv pursuant to the provisions of Section 4 paragraph 1 of the Dutch Decree on Public Takeover Bids (Besluit Openbare Biedingen Wft). This announcement does not constitute an offer for ordinary shares in Royal Econosto N.V. This announcement is not for release, distribution or publication in whole or in part, in or into Australia, Canada, Japan or the United States of America.*

Reference is made to the press releases issued by ERIKS group nv (“ERIKS”) on 31 March, 1 April, 2 and 3 April 2008 in respect of its intended public offer for all of the issued and outstanding ordinary shares in the share capital of Royal Econosto N.V. with a nominal value of EUR 0.50 each (the “Shares”) at an increased offer price of EUR 8.21 in cash per Share.

On 3 April 2008 ERIKS gave notice to the Netherlands Authority for the Financial Markets (AFM), that it had purchased approximately 29% of the Shares and that it obtained a call option in respect of approximately 15.9% of the Shares held by certain large shareholders, who already had committed themselves to tender these Shares under the Offer when made. Thus, ERIKS has secured approximately 44.9% of the Shares.

## **Disclaimer**

This release does not constitute or form part of an offer to purchase, sell or subscribe for any securities of ERIKS group nv.

## **Forward-looking statements**

*This press release includes "forward-looking statements" and language indicating trends, such as "anticipated" and "expected". Although ERIKS believes that the assumptions upon which its financial information and forward-looking statements are based are reasonable, it can give no assurance that these assumptions will prove to be correct. Important factors that could cause actual results to differ materially from ERIKS' projections and expectations are disclosed in ERIKS' annual report for the year ended 31 December 2007 and in other documents which are available on ERIKS' website at [www.eriks.com](http://www.eriks.com). These factors include, among others, changes in consumer preferences and product trends; price discounting by major competitors; failure to realize anticipated results from synergy initiatives; failure to obtain regulatory consents or other third party approvals; and increases in costs generally. All forward-looking statements in this press release are expressly qualified by such cautionary statements and by reference to the underlying assumptions. ERIKS does not undertake to update forward-looking statements relating to its businesses, whether as a result of new information, future events or otherwise. ERIKS does not accept any responsibility for any financial information contained in this press release relating to the business or operations or results or financial condition of Econosto.*

This press release is also published in Dutch.

Please refer to our website [www.eriks.com](http://www.eriks.com) for detailed information about the ERIKS group.

## **11.2 Press release of Econosto**

### **11.2.1 Press release of 31 March 2008**

#### **Econosto informed about ERIKS group nv's proposed offer and provides trading update**

Capelle aan den IJssel, the Netherlands, 31 March 2008 - Koninklijke Econosto N.V. (Econosto), a technical service provider and supplier of industrial valves, fittings, seals and hoses (Euronext Amsterdam: ECON), has announced that ERIKS group nv has confirmed its intention to make a bid for Econosto. Econosto will also provide a trading update.

#### **Main points**

- Econosto receives letter from ERIKS group nv announcing its intention to make a bid for Econosto's shares
- Operating profit for the first 2 months of 2008 meet expectations; sales growth is lagging behind
- Kirishi project contributed significantly to sharp increase in EBIT in 2007
- 2008 sales and operating profit expectations down due to one-off effect of Kirishi project
- For 2008, Econosto anticipates an EBIT of approximately EUR 15 million (excluding the Kirishi project)

### **Letter from ERIKS group nv**

Econosto's Management Board and Supervisory Board have announced that on the evening of Friday 28 March, they received a letter from ERIKS group nv in which the latter announced its intention to make a bid for all outstanding Econosto shares, based on a price per share of EUR 8.21.

Over the weekend, the two companies held a meeting, during which ERIKS group nv explained its intentions. ERIKS group nv will issue a press release today before the stock exchange opens in which it will announce its intentions and provide more details with respect to its proposed offer.

The Econosto Management Board and Supervisory Board are currently considering the proposed offer made by ERIKS group nv.

### **Trading Update**

#### **Situation during the first 2 months of 2008**

During the first two months of 2008, Econosto experienced a delay in sales growth, as the number of projects completed was lower than expected. This caused sales to fall below expectation.

Nevertheless, operating profit for the first two months met expectations as a result of the higher gross margin on realised sales.

#### **Impact of the Kirishi project**

In 2006, Econosto was contracted to deliver a comprehensive range of valves for a new petrochemical complex based near Saint Petersburg, Russia, referred to as the Kirishi project. The contract, worth in excess of EUR 42 million, was the largest contract signed in the company's history, and the main portion of the project, with a value of over EUR 33 million, was completed in 2007. The remaining part, with a sales value of EUR 9 million, is scheduled to be completed in 2008.

Partly as a result of the start-up costs, the project operating loss for 2006 was EUR 0.8. In 2007 the project operating profit amounted to EUR 5.9 million, thereby exceeding initial expectations by EUR 2.8 million. In 2008, the project will likely incur an operating loss of more than EUR 2 million as a result of guarantees issued. The company has not made a provision for this negative result in the balance sheet, as its accounting practices were not in accordance with IFRS.

#### **Outlook for 2008**

Econosto has identified a number of substantial uncertainties for 2008: uncertainty regarding the impact of the credit crisis on the financial sector; uncertainty regarding political developments in the Middle East; and uncertainty regarding global economic growth prospects. Based on current insights, Econosto expects to be able to generate an operating profit (EBIT) of approximately EUR 15 million, not including the Kirishi project.

Econosto's EBIT for 2007 was EUR 13.4 million, again excluding the Kirishi project. Including the EUR 5.9 million operating profit generated by the Kirishi project, EBIT for 2007 totalled EUR 19.3 million. In 2007, Econosto reported a net profit of EUR 17.9 million. Excluding a tax benefit and the Kirishi project, the company's net profit totalled EUR 9.4 million.

Econosto anticipates lower sales and EBIT for 2008 as a result of the one-off effect on sales and operating profit of the Kirishi project in 2007. Econosto currently has no projects of a comparable size in the pipeline.

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**For further information, please contact:**

Koninklijke Econosto N.V.

J.F.A.M. (Frank) van Os, CEO

O. (Otto) de Vries, CFO

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## **12 NEDERLANDSE SAMENVATTING VAN HET BOD**

Dit Hoofdstuk 12 bevat een Nederlandse samenvatting van een aantal onderdelen van het Biedingsbericht. Deze Nederlandse samenvatting is onderdeel van het Biedingsbericht, maar vervangt dit niet. Deze Nederlandse samenvatting is niet volledig en bevat niet alle informatie die voor Aandeelhouders van belang is om een afgewogen oordeel te kunnen vormen over het Bod. Het bestuderen van deze Nederlandse samenvatting mag het bestuderen van het volledige Biedingsbericht niet vervangen. Aan Aandeelhouders wordt geadviseerd om het volledige Biedingsbericht (inclusief alle documenten die daarin door middel van verwijzing zijn opgenomen) zorgvuldig te bestuderen en zo nodig onafhankelijk advies in te winnen, teneinde een afgewogen oordeel te kunnen vormen over het Bod. In het geval dat de Nederlandse samenvatting afwijkt van de Engelse tekst van het Biedingsbericht, zal de Engelse tekst van het Biedingsbericht prevaleren.

### **12.1 Restricties en belangrijke informatie**

Het Bod wordt gedaan met inachtneming van de verklaringen, op de voorwaarden en binnen de restricties die zijn beschreven in het Biedingsbericht. De Bieder behoudt zich het recht voor om iedere aanmelding van of namens een Aandeelhouder onder het Bod te aanvaarden, ook indien de aanmelding niet is gebeurd op de wijze die is beschreven in dit Biedingsbericht. Het Bod wordt niet, direct of indirect, gedaan in, en mag niet worden aanvaard door, of namens Aandeelhouders vanuit een jurisdictie waarin het doen van het Bod of het aanvaarden daarvan niet in overeenstemming is met de in die jurisdictie geldende wet- en regelgeving, of waarvoor enige registratie bij, goedkeuring van of kennisgeving aan een toezichthoudende instantie door de Bieder is vereist. Aanmeldingen onder het Bod door of namens Aandeelhouders buiten Nederland zullen worden aanvaard door de Bieder, indien de aanmelding is geschied op de wijze die is beschreven in dit Biedingsbericht. Personen buiten Nederland die het Bod willen aanvaarden, dienen alle restricties te respecteren in die jurisdictie die van toepassing zijn onder de toepasselijke wet- en regelgeving en iedere vereiste autorisatie, goedkeuring of instemming te verkrijgen. Zowel de Bieder als haar adviseurs sluiten iedere aansprakelijkheid uit terzake van overtredingen van voornoemde restricties. Elke persoon (waaronder begrepen, zonder beperkingen, bewaarders, gevolmachtigden en beheerders) die dit Biedingsbericht of enig hieraan gerelateerd document naar een jurisdictie buiten Nederland wenst te zenden, of van plan zou zijn dit te doen, dient zorgvuldig Hoofdstuk 1 (Restrictions and important information) van het Biedingsbericht te lezen voordat hij hiertoe over gaat. De distributie van dit Biedingsbericht naar of in een jurisdictie buiten Nederland kan wettelijk zijn beperkt. Personen buiten Nederland die dit Biedingsbericht ontvangen dienen kennis te nemen van deze restricties en deze na te leven. Indien deze restricties niet worden nageleefd, kan dit een strafbaar feit opleveren naar het recht van de desbetreffende jurisdictie.

De informatie in dit Biedingsbericht die betrekking heeft op Econosto (onder meer de Hoofdstukken 6.1 tot en met 6.6, 7.1, 7.2 en 7.4 heeft de Bieder op consistente wijze overgenomen uit publieke bronnen, zoals onder meer de jaarverslagen, het Gilde Biedingsbericht en de website van Econosto. Ook heeft de Bieder de informatie in Deel 2 (Financiële informatie volgens het Gilde Biedingsbericht) van dit Biedingsbericht op consistente wijze overgenomen uit het Gilde Biedingsbericht. De Bieder is niet verantwoordelijk voor de juistheid van deze informatie. Voorts garandeert de Bieder niet

(impliciet of expliciet) dat alle beschikbare publieke informatie die betrekking heeft op Econosto in dit Biedingsbericht is opgenomen.

Met uitzondering van hetgeen hierboven is beschreven, is alleen de Bieder verantwoordelijk voor de juistheid en volledigheid van de informatie in dit Biedingsbericht. De Bieder verklaart per de datum van dit Biedingsbericht dat voor zover hem redelijkerwijs bekend kan zijn, de gegevens in het Biedingsbericht in overeenstemming zijn met de werkelijkheid en dat geen gegevens zijn weggelaten waarvan de vermelding de strekking van dit Biedingsbericht zou wijzigen. Getallen in dit Biedingsbericht kunnen naar boven of naar beneden zijn afgerond en dienen derhalve niet als exact te worden beschouwd.

De informatie in dit Biedingsbericht geeft de situatie weer op de datum van dit Biedingsbericht. Onder geen beding houden de uitgave en verspreiding van dit Biedingsbericht in dat de hierin opgenomen informatie ook na de publicatiedatum van dit Biedingsbericht juist en volledig is of dat er sinds deze datum geen wijziging is opgetreden in de in het Biedingsbericht opgenomen informatie of de bedrijfsvoering van de Econosto Groep. Het voorgaande laat echter onverlet de verplichting van zowel de Bieder als Econosto om, indien zulks van toepassing is, een openbare mededeling te doen ingevolge artikel 5:59 Wft en/of artikel 4 lid 1 Besluit openbare biedingen Wft (het "Bob Wft").

Niemand is gemachtigd om gegevens en verklaringen te verspreiden of af te leggen met betrekking tot het Bod en dit Biedingsbericht. Indien gegevens of verklaringen worden verspreid of afgelegd door een derde, dan kunnen deze gegevens of verklaringen niet worden beschouwd als verspreid of afgelegd door, of namens de Bieder en als gevolg daarvan dient men daar niet op te vertrouwen. Alle gegevens en verklaringen die niet zijn opgenomen in dit Biedingsbericht kunnen niet worden beschouwd als verspreid of afgelegd door, of namens de Bieder en als gevolg daarvan dient men daar niet op te vertrouwen.

## 12.2 Nederlandse definities

**Aandeel** een geplaatst en uitstaand gewoon aandeel in het kapitaal van Econosto met een nominale waarde van EUR 0,50

**Aandeelhouder(s)** houder(s) van één of meer Aandelen

**Aanmeldingstermijn** de periode waarin de Aandeelhouders hun Aandelen bij de Bieder kunnen aanmelden, die begint om 09.00 uur CET op 17 april 2008 en eindigt op de Sluitingsdatum

**AFM** de Stichting Autoriteit Financiële Markten

**Bieder of ERIKS** ERIKS group nv, een naamloze vennootschap met beperkte aansprakelijkheid, opgericht naar Nederlands recht, met statutaire zetel in Alkmaar, met adres aan de Arcadialaan 14, Victory Buildings 32-C, 1813 KN, Alkmaar in Nederland

**Biedingsbericht** dit biedingsbericht (inclusief de Engelse tekst) met betrekking tot het Bod, bestaande uit Deel 1 en Deel 2

**Biedprijs** een bedrag in contanten van EUR 8,21 per Aandeel voor elk Aandeel dat op geldige wijze is aangemeld en geleverd (of op ongeldige wijze, mits de Bieder de aanmelding daarvan toch aanvaardt) op de voorwaarden en binnen de restricties van het Bod die in dit Biedingsbericht zijn beschreven. De Biedprijs is cum dividend

**Bob Wft** Besluit openbare biedingen Wft

**Bod** het bod op de Aandelen tegen betaling in contanten van de Biedprijs op de voorwaarden en binnen de restricties die zijn beschreven in dit Biedingsbericht

**Boekjaar 2004** het boekjaar van Econosto dat eindigde op 31 december 2004

**Boekjaar 2005** het boekjaar van Econosto dat eindigde op 31 december 2005

**Boekjaar 2006** het boekjaar van Econosto dat eindigde op 31 december 2006

**Boekjaar 2007** het boekjaar van Econosto dat eindigde op 31 december 2007

**CET** Centraal-Europese tijd

**Dag van Overdracht** de datum waarop de Bieder overeenkomstig de voorwaarden van het Bod, de Biedprijs per Aandeel zal betalen aan de Aandeelhouders die op geldige wijze hun Aandelen hebben aangemeld (of op ongeldige wijze, mits de Bieder de aanmelding daarvan toch aanvaardt) welke datum niet later zal liggen dan de derde Werkdag na de Gestanddoeningsdatum, indien het Bod gestand wordt gedaan

**Econosto** Koninklijke Econosto N.V., een naamloze vennootschap, opgericht naar Nederlands recht, met statutaire zetel in Rotterdam, Nederland, met adres Cypresbaan 63, 2908 LT, Capelle aan den IJssel, Nederland

**Econosto Groep** Econosto en de groepsmaatschappijen zoals bedoeld in artikel 2:24b van het Burgerlijk Wetboek en haar deelnemingen

**Econosto Statuten** de statuten van Econosto, zoals laatstelijk gewijzigd op 18 juli 2005

**EUR of Euro** de Euro, het wettige betaalmiddel in de lidstaten van de Europese Monetaire Unie

**Euronext Amsterdam** Euronext Amsterdam door NYSE Euronext, de gereguleerde markt van Euronext Amsterdam N.V.

**Gestanddoeningsdatum** de datum waarop de Bieder zal aankondigen of het Bod gestand wordt gedaan, uiterlijk 3 Werkdagen na de Sluitingsdatum op grond van artikel 16 lid 1 Bob Wft

**Fusieregels** alle toepasselijke wet en regelgeving, inclusief maar niet beperkt tot de toepasselijke artikelen van de Wft en het Bob Wft, alsmede nadere regelgeving en beleidsregels afgekondigd onder de Wft en het Bob Wft, de Wet op de Ondernemingsraden, het SER besluit Fusiegedragsregels 2000, het reglement van Euronext Amsterdam, het Nederlandse Burgerlijk Wetboek en andere toepasselijke wet- en regelgeving op het gebied van het effectenrecht en het mededingingsrecht

**Gilde Biedingsbericht** het biedingsbericht van KENV Acquisition B.V. van 14 maart 2008 inhoudende het inmiddels ingetrokken openbare bod van KENV Acquisition B.V. op alle geplaatste en uitstaande aandelen van Econosto met een nominale waarde van EUR 0,50.

**Hoofdstuk** een hoofdstuk in dit Biedingsbericht

**Materieel Nadelig Effect** een gebeurtenis of omstandigheid die een materieel nadelig effect heeft op de bedrijfsvoering, financiële of handelspositie, de activiteiten, de winstgevendheid, de activa of de vooruitzichten van de Econosto Groep

**Mededingingsautoriteiten** de Nederlandse mededingingsautoriteit en de Bundeskartellamt in Duitsland

**Omwissel- en Betaalkantoor** Fortis Bank (Nederland) N.V., Rokin 55, 1012 KK  
Amsterdam, Nederland

**Raad van Bestuur** de raad van bestuur van Econosto

**Raad van Commissarissen** de raad van commissarissen van Econosto

**Sluitingsdatum** de tijd en datum tot wanneer Aandelen onder het Bod kunnen worden aangemeld, te weten 18.00 uur CET op 23 mei 2008, of, indien de Aanmeldingstermijn wordt verlengd op grond van artikel 15 van het Bob Wft, op de laatste dag van de verlengde aanmeldingstermijn

**Toegelaten Instelling** een instelling die is toegelaten tot Euronext Amsterdam

**Vennootschap** Koninklijke Econosto N.V., een naamloze vennootschap, opgericht naar Nederlands recht, met statutaire zetel in Rotterdam, Nederland, met adres Cypresbaan 63, 2908 LT, Capelle aan den IJssel, Nederland en tevens de aan haar gelieerde bedrijven

**Werkdag** een dag, die niet een algemeen erkende feestdag, zoals bedoeld in artikel 3 van de Algemene termijnenwet is of een vrije dag is volgens de collectieve arbeidsovereenkomst voor het bankbedrijf

**Wft** Wet op het financieel toezicht

### 12.3 Het Bod

De Bieder doet een aanbod tot koop van alle Aandelen die door Aandeelhouders worden gehouden, op de voorwaarden en binnen de restricties die zijn beschreven in dit Biedingsbericht. Op voorwaarde dat het Bod gestand wordt gedaan, zal aan de Aandeelhouders die hun Aandelen onder het Bod op geldige wijze hebben aangemeld en geleverd (of op ongeldige wijze, indien de Bieder de aanmelding daarvan toch aanvaardt), betaling van de Biedprijs in contanten plaatsvinden. De Biedprijs is cum dividend. Zie tevens Hoofdstuk 4.1 (Offer Price).

De Biedprijs van EUR 8,21 vertegenwoordigt een premie van:

- (i) 15,0% procent ten opzichte van de slotkoers per Aandeel van EUR 7,14 op 28 maart 2008, de laatste Werkdag voorafgaand aan 31 maart 2008, de dag waarop de Bieder het Bod aankondigde;
- (ii) 56,7% ten opzichte van de gemiddelde slotkoers per Aandeel van EUR 5,24 op 11 januari 2008, de laatste Werkdag voorafgaand aan de dag waarop Gilde Buy Out Partners ("**Gilde**") en Econosto een gezamenlijke openbare mededeling hebben gedaan waarin zij het openbaar bod in contanten van Gilde aankondigden;
- (iii) 15,8% ten opzichte van de gemiddelde slotkoers per Aandeel van de maand voorafgaand aan 31 maart 2008 de dag waarop de Bieder het Bod aankondigde;
- (iv) 45,7% ten opzichte van de gemiddelde slotkoers per Aandeel gedurende de twaalf maanden voorafgaand aan 31 maart 2008 de dag waarop de Bieder het Bod aankondigde;

Zie tevens Hoofdstuk 5.4 (Substantiation of the Offer Price) en Hoofdstuk 7.3 (Share price development).

#### 12.4 Motivering van het Bod

Door Econosto over te nemen, zal ERIKS een belangrijke sprong voorwaarts maken in het bereiken van haar commerciële doelstellingen.

- (i) Econosto zal ERIKS' positie in Nederland en België versterken. De overlap in producten en markten in deze regio's is beperkt.
- (ii) Via Econosto zal ERIKS een *competence centre* creëren voor afsluiters en afsluiter gerelateerde projecten voor clusters van ERIKS in Engeland en Duitsland. De ontwikkeling van het beoogde *twin business model* in deze regio's zal worden versneld.
- (iii) Econosto's innovatieve en grotendeels eigen producten kunnen worden geïntroduceerd in de clusters van ERIKS in Frankrijk en Centraal-Europa.
- (iv) Econosto en ERIKS zullen samen Europees marktleider zijn in afsluiters en afsluiter gerelateerde producten (top 3 positie in alle landen).
- (v) Door de overname van Econosto heeft de ERIKS groep een internationaal *core competence centre* voor afsluiters en afsluiter gerelateerde producten van waaruit het internationale productmanagement zal worden georganiseerd.
- (vi) Econosto zal de positie van ERIKS in het Verre Oosten versterken.

ERIKS ondersteunt de internationale groeistrategie van Econosto en zal bijdragen aan een versnelde realisatie van deze strategie.

ERIKS verwacht dat de transactie zal resulteren in:

- (i) Uitbreiding in alle ERIKS clusters van de ERIKS producten met de producten van Econosto.
- (ii) Toename van de producten en diensten die aan klanten van Econosto kunnen worden aangeboden.
- (iii) Europees marktleiderschap in afsluiters, hydraulische slangen en pakkingen.
- (iv) Toegang tot veelbelovende afzetregio's en -markten in Spanje en het Midden-Oosten.
- (v) Minder kwetsbare positie in het Verre Oosten.
- (vi) Versnelde toename van de internationale bekendheid op het gebied van afsluiters en pakkingen.
- (vii) Toegenomen inkoopkracht.
- (viii) Beperkte kostenbesparingen.
- (ix) Internationale bekendheid in belangrijke industriële gebieden op het gebied van afsluiters, instrumentatie, flensafdichtingen en hydraulische slangen.
- (x) De combinatie van de activiteiten van ERIKS en Econosto biedt extra groeimogelijkheden.
- (xi) ERIKS is van plan de holding activiteiten van Econosto in Rotterdam (het betreft 4 mensen) te integreren met de holding activiteiten van ERIKS in Alkmaar. Voorlopig zullen alle Econosto vestigingen blijven bestaan en zal er in landen

waar Econosto en ERIKS gevestigd zijn een commerciële samenwerking ontstaan.

Zie tevens Hoofdstuk 5.5 (The rationale of the Offer).

### **12.5 Financiering van het Bod**

De Bieder bevestigt dat Centrale Raiffeisen-Boerenleenbank B.A een volledig gecommiteerde schuldfinanciering heeft toegezegd, die de Bieder in staat zal stellen om aan de verplichtingen uit hoofde van het Bod te voldoen. Deze gecommiteerde schuldfinanciering is onderworpen aan marktconforme voorwaarden die in lijn zijn met de voorwaarden voor gestanddoening van het Bod. De Bieder heeft geen reden om aan te nemen dat deze voorwaarden niet uiterlijk op de Dag van Overdracht zullen worden vervuld.

### **12.6 Aanvaarding door de Aandeelhouders via een Toegelaten Instelling**

Aandeelhouders die Aandelen houden via een Toegelaten Instelling worden verzocht hun aanmelding kenbaar te maken via hun bank of commissionair niet later dan 18.00 uur CET op 23 mei 2008, tenzij de Aanmeldingstermijn is verlengd met in achtneming van Hoofdstuk 4.8 (Extension of the Acceptance Period). Uw bewaarder, bank of commissionair kan een eerdere uiterste datum stellen voor de Aandeelhouders om de bewaarder, bank of commissionair in de gelegenheid te stellen de aanmelding van die Aandelen op tijd aan het Omwissel- en Betaalkantoor te communiceren.

### **12.7 Voorwaarden voor gestanddoening van het Bod**

Het Bod zal gestand worden gedaan, indien op de Gestanddoeningsdatum de onderstaande voorwaarden voor gestanddoening zijn vervuld, of de Bieder hiervan (geheel of gedeeltelijk) afstand heeft gedaan:

- (a) de Aandelen die op of voor de Sluitingsdatum onder het Bod zijn aangemeld vertegenwoordigen, samen met de Aandelen die op de Sluitingsdatum direct of indirect worden gehouden door de Bieder, meer dan 95% van het op de Sluitingsdatum geplaatste aantal Aandelen;
- (b) op of voor de Sluitingsdatum is geen openbare mededeling gedaan waarin een derde aankondigt een openbaar bod op alle Aandelen voor te bereiden of het voornemen heeft dit uit te brengen of te herzien, tegen een prijs per Aandeel die hoger is dan EUR 8,21;
- (c) op of vóór de Sluitingsdatum zijn alle benodigde goedkeuringen, vergunningen, vrijstellingen en instemmingen verkregen van nationale en internationale autoriteiten en /of derde partijen die betrekking hebben op het Bod en de voorgenomen zeggenschapswijziging, en deze goedkeuringen, vergunningen, vrijstellingen en instemmingen blijven onverminderd van kracht;
- (d) op of vóór de Sluitingsdatum is er geen kennisgeving ontvangen van de AFM waarin wordt gesteld dat de voorbereiding van het Bod in strijd is met hoofdstuk 5.5 van de

Wft of het Bob en op grond van deze regels, de effecteninstellingen in de zin van artikel 5:80 van de Wft niet zouden mogen meewerken aan de uitvoering van het Bod;

- (e) op of vóór de Sluitingsdatum is de handel in de Beursgenoteerde Certificaten op Euronext Amsterdam niet permanent geschorst als gevolg van een noteringsmaatregel genomen door Euronext Amsterdam op grond van artikel 2706/1 van Euronext Rulebook II;
- (f) op of voor de Gestanddoeningsdatum is geen instructie, onderzoek, vonnis of beschikking uitgesproken door enige rechtbank, arbitrage commissie, overheidsinstantie of andere toezichthoudende of administratieve instantie, of aanhangig gemaakt, noch enige regel, wetgeving, overheidsinstructie of maatregel van toepassing verklaard ten aanzien van het Bod, die het Bod wezenlijk vertraagt of belemmert of waarvan redelijkerwijs aannemelijk is dat deze het Bod wezenlijk zal vertragen of belemmeren;
- (g) sinds de dagtekening van dit Biedingsbericht heeft zich geen omstandigheid, gebeurtenis of reeks van gebeurtenissen voorgedaan of is deze bekend geworden die in alle redelijkheid resulteert in een Materieel Nadelige Effect, of die in alle redelijkheid naar verwachting daarin zou kunnen resulteren;
- (h) uiterlijk 3 Werkdagen vóór de Dag van Gestanddoening zullen zich de navolgende gebeurtenissen hebben voorgedaan:
  - (i) elke Mededingingsautoriteit heeft ten aanzien van het Bod toestemming gegeven aan de voorgenomen concentratie die het gevolg is van het Bod; of
  - (ii) de afloop, het verval of de beëindiging van alle toepasselijke wachttermijnen en andere termijnen (inclusief verlengingen daarvan) naar iedere relevante wet- en regelgeving in elke relevante jurisdictie.

De in Hoofdstuk 12.7 (Voorwaarden voor gestanddoening) genoemde voorwaarden zijn uitsluitend ten behoeve van de Bieder gesteld. De Bieder kan, voorzover relevant en voor zover dit rechtens is toegestaan, geheel of gedeeltelijk afstand doen van één of meer van de voorwaarden voor gestanddoening.

## **12.8 Aanmeldingstermijn**

De Aanmeldingstermijn begint op 17 april 2008, 09:00 uur CET en eindigt op 23 mei 2008, 18:00 uur CET, of, indien de Aanmeldingstermijn wordt verlengd op grond van artikel 15 van het Bob Wft. Op de laatste dag van de verlengde aanmeldingstermijn. Zie tevens Hoofdstuk 4.6 (Acceptance Period).

Indien aan alle voorwaarden voor gestanddoening is voldaan of, voor zover van toepassing, daarvan afstand is gedaan, zal de Bieder alle Aandelen aanvaarden die op geldige wijze zijn aangemeld (of op ongeldige wijze, indien de Bieder de aanmelding toch aanvaardt) en niet eerder zijn teruggetrokken in overeenstemming met de voorwaarden van het Bod met inachtneming van, met betrekking tot de Aandelen, de procedures zoals uiteengezet in Hoofdstuk 4.2 (Acceptance by Shareholders through an Admitted Institution).



## **12.9 Gestanddoening van het Bod**

Het Bod wordt gedaan onder het voorbehoud van vervulling van de voorwaarden voor gestanddoening. De Bieder behoudt zich het recht voor afstand te doen van bepaalde voorwaarden voor gestanddoening, voorzover dit op grond van de wet is toegestaan. Zie Hoofdstuk 5.2 (Offer Conditions) (zie ook Hoofdstuk 12.7 Voorwaarden voor gestanddoening). Indien de Bieder afstand wenst te doen van één of meer voorwaarden voor gestanddoening dan zal de Bieder de Aandeelhouders hierover informeren op de wijze zoals voorzien in de Fusieregels.

Tenzij de Aanmeldingstermijn wordt verlengd, zal de Bieder met inachtneming van de bepalingen van artikel 16 van het Bob Wft op de derde Werkdag volgend op de Sluitingsdatum, de Gestanddoeningsdatum, vaststellen of aan de voorwaarden voor gestanddoening is voldaan of dat hiervan afstand wordt gedaan. Bovendien zal de Bieder op de Gestanddoeningsdatum een openbare mededeling doen inhoudende dat (i) het Bod gestand wordt gedaan, of (ii) het Bod zal worden verlengd met inachtneming van artikel 15 van het Bob Wft, of (iii) dat het Bod wordt beëindigd omdat er niet is voldaan aan de voorwaarden voor gestanddoening of daarvan geen afstand is gedaan door de Bieder. Zie Hoofdstuk 4.7 (Declaring the Offer Unconditional (gestanddoening) and post Acceptance Period).

Binnen drie Werkdagen na de Gestanddoeningsdatum, heeft de Bieder de mogelijkheid een na-aanmeldingstermijn in te stellen voor een periode van maximaal twee weken.

Gedurende de na-aanmeldingstermijn kunnen Aandeelhouders die hun Aandelen nog niet eerder hebben aangemeld, alsnog Aandelen onder het Bod aanmelden op dezelfde manier en op de voorwaarden en binnen de restricties als uiteengezet in dit Biedingsbericht, overeenkomstig artikel 17 van het Bob Wft.

## **12.10 Verlenging**

De Bieder kan het Bod éénmaal verlengen tot na de Sluitingsdatum in overeenstemming met artikel 15 lid 1 van het Bob Wft, niettegenstaande het recht van de Bieder om de Aanmeldingstermijn of de verlengde Aanmeldingstermijn, afhankelijk van de situatie, in het geval van een concurrerend bod in overeenstemming met artikel 15 lid 5 van het Bob Wft te verlengen, in welk geval alle verwijzingen in dit Biedingsbericht naar de "Sluitingsdatum" of naar "18:00 uur, CET, 23 mei 2008" worden verschoven naar de uiterste datum en tijd waarnaar het Bod is verlengd, tenzij uit de context anders blijkt.

Indien de Aanmeldingstermijn wordt verlengd, zal dit, met inachtneming van de toepasselijke wetgeving, openbaar worden meegedeeld. Artikel 15 lid 2 van het Bob Wft vereist dat een dergelijke mededeling uiterlijk op de derde Werkdag na de oorspronkelijke Sluitingsdatum wordt gedaan. Zie Hoofdstuk 4.8 (Extension of the Acceptance Period).

## **12.11 Overdracht en betaling**

In het geval dat de Bieder aankondigt dat het Bod gestand wordt gedaan, zullen Aandeelhouders die hun Aandelen voor of op de Sluitingsdatum hebben aangemeld en geleverd op de wijze die in dit Biedingsbericht is beschreven, de Biedprijs ontvangen voor

elk Aandeel dat op geldige wijze is aangemeld (of op ongeldige wijze, indien de Bieder de aanmelding toch aanvaardt) en overgedragen. Zie Hoofdstuk 4.9 (Settlement of the Offer).

## 12.12 De Bieder

**12.12.1** De Bieder, ERIKS group nv, is een naamloze vennootschap, opgericht naar Nederlands recht en met statutaire zetel te Alkmaar. ERIKS is genoteerd aan Euronext Amsterdam. ERIKS is de Nederlandse houdstermaatschappij van een groep technische handelsondernemingen die opereren als industriële dienstverleners met een uitgebreid assortiment werktuigbouwkundige componenten. Het zwaartepunt van de activiteiten ligt in West - en Centraal-Europa, waar 95% van de omzet wordt behaald. De ERIKS groep bestaat uit meer dan 50 groepsvennootschappen met branches in 15 verschillende landen. ERIKS heeft ook branches in de Verenigde Staten en Zuid-Oost Azië (Singapore en Maleisië). ERIKS heeft wereldwijd ongeveer 4500 werknemers in dienst. In 2007 realiseerde ERIKS een omzet van EUR 949,1 miljoen en een nettoresultaat van EUR 43,7 miljoen. Zie Hoofdstuk 8 (Information on the Offeror).

**12.12.2** De raad van bestuur van ERIKS is als volgt samengesteld:

J. van der Zouw (CEO)

J.G. de Boer (CFO)

M.T.A. Beckers

H.J. Maier

B. Wilson

M. Dixon

De raad van commissarissen van ERIKS is als volgt samengesteld:

A.A. Olijslager (voorzitter)

R.J.A. van der Bruggen

R.A.A. Oliemans

A. Wateler

Zie Hoofdstuk 8 (Information on the Offeror).

**12.12.3** Op de datum van dit Biedingsbericht heeft ERIKS een direct belang in het aandelenkapitaal van Econosto van 29% (ongeveer gelijk aan 4.695.164 Aandelen). De tabel hieronder geeft een overzicht van de gemiddelde prijs per handelsdag van de Aandelen die ERIKS heeft verkregen:

Datum	Aantal Aandelen	Prijs	Laag	Hoog
31 maart 2008	393,407	7.7951	7.7500	7.8000
01 april 2008	957,936	7.8000	7.8000	7.8000
02 april 2008	36,725	8.0000	8.0000	8.0000
08 april 2008	2,643,297	8.2100	8.2100	8.2100
11 april 2008	663,799	8.2100	8.2100	8.2100
Total	4,695,164			

Daarnaast heeft ERIKS een call optie verkregen van nog eens 15,9% (ongeveer gelijk aan 2.566.803 Aandelen). ERIKS heeft geen indirect belang in het aandelenkapitaal van Econosto. In totaal heeft ERIKS aldus 44,9% van de Aandelen veilig gesteld voor het Bod. Voor zover uit publieke bronnen op te maken, heeft Econosto geen direct of indirect belang in het aandelenkapitaal van ERIKS. (Zie Hoofdstuk 5.3 (Shareholdings of the Offeror).

## **12.13 Consequenties van het Bod**

### **12.13.1 Strategie**

Zowel Econosto als ERIKS zijn in essentie kennis gedreven vennootschappen, gericht op techniek (producten en toepassingen daarvan). Dit onderscheidt beide vennootschappen van hun concurrenten. ERIKS weet dat Econosto een sterk en betrouwbaar klantenbestand heeft met een goede reputatie. Zij biedt haar klanten grote diversiteit van producten en diensten van hoge kwaliteit aan. Een combinatie met ERIKS zal Econosto in staat stellen om deze klanten nieuwe producten aan te bieden. De ERIKS' pan-Europese verkooporganisatie en branches stellen Econosto in staat haar huidige businessmodel door te voeren in dit netwerk. Aan de andere kant, biedt de aanwezigheid van Econosto buiten Europa ERIKS kansen om gebruik te maken van bestaande relaties en haar producten op deze nieuwe markten te brengen. De combinatie biedt verder een groter en completer producten- en dienstenbestand aan vele nieuwe klanten. Tenslotte zijn er vele mogelijkheden om krachten te bundelen op het terrein van productontwikkeling en de gezamenlijke knowhow voor specifieke industrieën en producten uit te breiden.

ERIKS is ervan overtuigd dat de combinatie van de activiteiten van Econosto en ERIKS ertoe zal leiden dat de gezamenlijke klanten beter bediend kunnen worden. Econosto zal zich binnen ERIKS verder ontwikkelen als het internationale "competence centre" voor afsluiters en afsluiter gerelateerde projecten, inclusief het daarbijbehorende product management.

### **12.13.2 Liquiditeit en beëindiging beursnotering Aandelen**

De aankoop van de Aandelen door de Bieder onder het Bod zal, onder andere, tot gevolg hebben dat het aantal Aandeelhouders zal verminderen, evenals het aantal Aandelen dat ter beurse wordt verhandeld; dit zal een negatieve invloed hebben op de liquiditeit en marktwaarde van de Aandelen die niet onder het Bod zijn aangemeld en niet gehouden worden door Econosto.

Indien het Bod gestand wordt gedaan, is de Bieder voornemens om zo spoedig mogelijk daarna de notering van Econosto op Euronext Amsterdam te beëindigen. Dit zou een negatieve invloed hebben op de liquiditeit en marktwaarde van de Aandelen die niet onder het Bod zijn aangemeld. Verder zou de Bieder één van de procedures zoals beschreven in Hoofdstuk 5.6.3 (Legal Structure of Econosto following the Offer) kunnen initiëren, inclusief procedures die leiden tot de beëindiging van de beursnotering van de Aandelen (inclusief de niet aangeboden Aandelen). Het beleid van Euronext Amsterdam houdt in dat in het geval van een openbaar bod het opheffen van de beursnotering niet is toegestaan totdat

ten minste 95% van alle beursgenoteerde aandelen worden gehouden door een enkele rechtspersoon of een groep bestuurd door een enkele rechtspersoon.

### **12.13.3 Juridische structuur van Econosto na het Bod**

Na de afwikkeling van het Bod, is de Bieder voornemens om de volgende reorganisatie maatregelen voor te stellen en te implementeren:

#### *Uitkoop*

Bepaalde structurele stappen kunnen nodig zijn voor de Bieder om 100% van de Aandelen te verkrijgen; de Bieder houdt zich het recht voor om iedere juridisch toelaatbare mogelijkheid te gebruiken om 100% van de Aandelen te verkrijgen. Indien de Bieder op de Dag van Betaling 95% of meer van de Aandelen heeft verworven, is de Bieder voornemens de resterende Aandelen te verkrijgen door middel van de wettelijke uitkoopprocedure overeenkomstig artikel 2:92a of 2:201a van het Burgerlijk Wetboek of door middel van de uitkoopprocedure overeenkomstig artikel 2:359c van het Burgerlijk Wetboek.

#### *Juridische fusie*

Indien de Bieder het Bod gestand doet, en na de Dag van Betaling minder dan 95% van de Aandelen heeft verkregen (exclusief Aandelen gehouden door Econosto), kan de Bieder, onder voorbehoud van goedkeuring van de Raad van Commissarissen, met gewone meerderheid van stemmen (indien minder dan 50% van het aandelenkapitaal aanwezig of vertegenwoordigd is bij deze vergadering, is een meerderheid van 2/3 vereist) in een algemene vergadering van aandeelhouders van Econosto een juridische fusie tussen Econosto en de Bieder tot stand brengen, in overeenstemming met de artikelen 2:309 en 2:334 van het Burgerlijk Wetboek (die verwijzen naar een “*driehoeksfusie*”, als gevolg waarvan de aandeelhouders van de verdwijnende vennootschap aandeelhouders worden van een groepsmaatschappij van de overblijvende vennootschap), waarbij Econosto de verdwijnende vennootschap zou zijn en de Bieder, de verkrijgende vennootschap.

Indien een juridische fusie tot stand is gebracht, zullen Aandeelhouders die hun aandelen niet hebben aangemeld, van rechtswege aandeelhouder worden van de verkrijgende vennootschap. Na een juridische fusie mag de grootaandeelhouder van de verkrijgende vennootschap die 95% of meer van het kapitaal houdt een uitkoopprocedure starten, teneinde de aandelen in de verkrijgende vennootschap die nog niet door die grootaandeelhouder worden gehouden, te verkrijgen.

#### *Andere mogelijke maatregelen*

De Bieder behoudt zich het recht voor ook andere maatregelen te treffen om 100% van de Aandelen te verkrijgen, of op andere wijze de volledige eigendom van Econosto's onderneming te verkrijgen, zoals door middel van een liquidatie, splitsing als bedoeld in artikel 2:334a van het Burgerlijk Wetboek of verkoop van alle of nagenoeg alle activa van Econosto, al dan niet gevolgd door een uitkering van de daarmee gepaard gaande verkoopopbrengsten aan de Aandeelhouders. Tevens behoudt de Bieder zich het recht voor om een activa-inbreng te doen in Econosto tegen uitgifte van aandelen in het kapitaal van

Econosto. Elke uitkering zou kunnen plaatsvinden in de vorm van een uitkering uit de reserves, een interim-dividend, een dividend, of, in geval Econosto wordt geliquideerd, een liquidatieuitkering.

#### **12.14 Dividend beleid**

Volgens het Gilde Biedingsbericht heeft Econosto sinds 2002 geen dividend uitgekeerd doordat de voorwaarden van de converteerbare lening (die is omgezet in 2007) dat niet toelieten. Econosto heeft op 6 juni 2007 aangekondigd dat de intentie bestaat om in de nabije toekomst opnieuw dividend uit te gaan keren. Volgens het Gilde Biedingsbericht heeft Econosto geen dividend uitgekeerd sinds deze aankondiging.

ERIKS verwacht dat Econosto in de nabije toekomst geen regulier dividend uit zal keren indien het Bod gestand wordt gedaan. Indien uitkeringen worden gedaan op de relevante aandelen na de Dag van Overdracht zullen, met inachtneming van bepalingen van Nederlands recht, deze worden afgetrokken van de waarde per aandeel omwille van het vaststellen van de waarde per Aandeel in het geval van een juridische fusie of andere relevante maatregel zoals beschreven in Hoofdstuk 5.6.3 (Legal structure of Econosto following the Offer).

#### **12.15 Sociale aspecten**

De Bieder zal de huidige rechten en arbeidsvoorwaarden die de werknemers van Econosto hebben respecteren. De Bieder voorziet op dit moment geen substantiële herstructureringen van de Econosto Groep als een direct gevolg van het Bod.

#### **12.16 Werknemersbelangen**

In overeenstemming met het SER-fusiebesluit Fusiegedragsregels 2000 zijn de relevante vakbonden en de Sociaal Economische Raad geïnformeerd over het Bod.

Omdat er geen overeenstemming met de Raad van Bestuur en Raad van Commissarissen is bereikt in verband met het Bod, is, volgens de Wet op de Ondernemingsraden, het inwinnen van advies over het Bod door de Bieder bij de ondernemingsraad van Econosto niet vereist.

In overeenstemming met de Wet op de Ondernemingsraden is er een positief advies afgegeven door de ondernemingsraad van de Bieder met betrekking tot het uitbrengen en gestand doen van het Bod.

#### **12.17 Toekomstige samenstelling van de Raad van Bestuur en de Raad van Commissarissen**

##### *Raad van Commissarissen*

ERIKS zal voorstellen doen om de samenstelling van de Raad van Commissarissen te wijzigen om het relatieve aandelenbezit van ERIKS in de Vennootschap tot uiting te laten komen. ERIKS is voornemens de heren Van der Zouw en De Boer voor te dragen voor benoeming in de Raad van Commissarissen en om zo snel mogelijk, in goede

samenwerking met Econosto's ondernemingsraad, een meerderheid van ERIKS vertegenwoordigers te benoemen in de Raad van Commissarissen.

#### *Raad van Bestuur*

ERIKS verwacht op dit moment dat de samenstelling van de Raad van Bestuur ongewijzigd blijft na de Dag van Overdracht. De Bieder zal te zijner tijd additionele kandidaten in de Raad van Bestuur voordragen.

### **12.18 Wijziging van de Econosto Statuten**

Het is voorzien dat bij afronding van het Bod, een voorstel wordt gedaan de statuten van Econosto aan te passen, zodat het huidige toepasselijke structuurregime, dat o.a. regelt dat de leden van de Raad van Bestuur door de Raad van Commissarissen worden benoemd en ontslagen, uit de statuten van Econosto wordt geschrapt.

### **12.19 Aankondigingen**

Aankondigingen in verband met gestanddoening van het Bod en een verlenging van de Aanmeldingstermijn zullen door middel van een persbericht of een advertentie worden gedaan en tevens worden gepubliceerd in ten minste één landelijk verspreid Nederlands dagblad (Het Financieele Dagblad of De Telegraaf). Met inachtneming van de Fusieregels en zonder de wijze waarop de Bieder een publieke aankondiging kan doen te beperken, heeft de Bieder geen verplichting enige publieke aankondiging te doen anders dan hierboven beschreven.

### **12.20 Indicatief tijdschema**

<b>Verwachte Datum en Tijd (Alle tijden zijn in CET)</b>	<b>Gebeurtenis</b>
16 april 2008	Persbericht met betrekking tot de verkrijgbaarstelling van het Biedingsbericht en het begin van de Aanmeldingstermijn
16 april 2008	Advertentie met betrekking tot de verkrijgbaarstelling van het Biedingsbericht en het begin van de Aanmeldingstermijn
09:00 uur, 17 april 2008	Aanvang van de Aanmeldingstermijn op grond van artikel 14 van het Bob Wft
18:00 uur, 23 mei 2008, behoudens verlenging	<i>Sluitingsdatum</i>  Uiterste datum waarop Aandeelhouders hun Aandelen onder het Bod kunnen aanmelden

**Verwachte Datum en Tijd  
(Alle tijden zijn in CET)**

**Gebeurtenis**

Uiterlijk drie Werkdagen na de Sluitingsdatum

*Gestanddoeningsdatum*

De dag waarop de Bieder openbaar aankondigt of het Bod gestand wordt gedaan. Volgens artikel 16 lid 1 van het Bob Wft is dit uiterlijk drie Werkdagen na de Sluitingsdatum

Uiterlijk binnen drie Werkdagen na de Dag van Gestanddoening

*Na-aanmeldingstermijn*

De Bieder heeft de mogelijkheid een na-aanmeldingstermijn aan te kondigen voor een periode van maximaal twee weken

Uiterlijk drie Werkdagen na de Dag van Gestanddoening

*Dag van Overdracht*

De datum waarop, overeenkomstig de Voorwaarden voor gestanddoening, de Bieder zal overgaan tot betaling van de Biedprijs per Aandeel aan de Aandeelhouders die op geldige wijze hun Aandelen hebben aangemeld en geleverd (of op ongeldige wijze, mits de Bieder de aanmelding en levering daarvan toch aanvaardt)

## 13 ADVISERS

### Advisers to the Offeror

#### Financial adviser

Fortis Bank (Nederland) N.V.  
Rokin 55  
1012 KK Amsterdam  
The Netherlands

#### Legal adviser

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Burgerweeshuispad 301  
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**14 PART 2: FINANCIAL INFORMATION ACCORDING TO THE GILDE OFFER MEMORANDUM**

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## 1. COMPARATIVE OVERVIEW OF THE FINANCIAL YEAR 2006 - 2004 ACCORDING TO THE GILDE OFFER MEMORANDUM

The following abbreviated overviews of the consolidated income statement in Section 1.1 of this Part 2, the consolidated balance sheet in Section 1.2 of this Part 2 and the consolidated cash flow statement in Section 1.3 of this Part 2 for the Financial Year 2006, the Financial Year 2005 and the Financial Year 2004 are derived from the Gilde Offer Memorandum and as stated in the Gilde Offer Memorandum Gilde and Econosto have confirmed that these overviews are consistent with the financial statements for the Financial Year 2006 and the Financial Year 2005 (including the comparative figures for the Financial Year 2004). These financial statements have been audited by Ernst & Young and include unqualified auditor's reports (*goedkeurende verklaringen*) dated respectively 5 April 2007 and 18 April 2006, which reports are included in the Gilde Offer Memorandum.

For a better understanding of Econosto's financial position and results the abbreviated overviews should be read in conjunction with the unabbreviated audited financial statements of the Financial Year 2006 and the Financial Year 2005.

### 1.1 Consolidated Income Statement 2006-2004

<b>Consolidated Income Statement</b> <i>in Euro '000</i>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Continuing operations</b>			
Net Sales	191,366	162,564	158,957
Cost of raw materials and consumables	(131,582)	(109,742)	(103,777)
<b>Gross Profit</b>	<b>59,784</b>	<b>52,822</b>	<b>55,180</b>
Other income	632	9,042	353
Employee benefit expense	(27,954)	(28,010)	(27,917)
Depreciation of property, plant and equipment	(2,396)	(2,629)	(3,303)
Impairment loss	0	(779)	(358)
Other expense	(22,089)	(17,215)	(18,196)
<b>Operating profit</b>	<b>7,977</b>	<b>13,231</b>	<b>5,759</b>
Finance revenue	121	94	114
Finance costs	(4,656)	(4,543)	(5,852)

<b>Profit before taxes</b>	<b>3,442</b>	<b>8,782</b>	<b>21</b>
Tax income (expense)	(435)	147	(18)
<b>Profit for the year from continuing operations</b>	<b>3,007</b>	<b>8,929</b>	<b>3</b>
<b>Discontinued operations</b>			
Profit / (loss) for the year on discontinued operations	911	(6,271)	(8)
<b>Profit / (loss) for the year</b>	<b>3,918</b>	<b>2,658</b>	<b>(5)</b>

#### Earnings per share

Basic, for profit for the year attributable to ordinary shareholders of Koninklijke Econosto N.V.	0.29	0.20	0.00
Basic, for profit for the year on continuing operations attributable to ordinary shareholders of Koninklijke Econosto N.V.	0.22	0.66	0.00
Diluted, for profit for the year attributable to ordinary shareholders of Koninklijke Econosto N.V.	0.29	0.20	0.00
Diluted, for profit for the year on continuing operations attributable to ordinary shareholders of Koninklijke Econosto N.V.	0.22	0.66	0.00

### 1.2 Consolidated Balance Sheet 2006-2004

<b>Consolidated Balance Sheet</b> <i>in Euro '000</i>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	8,996	6,128	29,852
Financial assets	730	226	301
Pension plan assets	1,432	822	0
Deferred tax assets	2,962	2,999	2,839
	<b>14,120</b>	<b>10,175</b>	<b>32,992</b>
Current assets			
Inventories	38,824	33,024	33,441
Trade and other receivables	53,270	40,476	39,550
Forward currency contracts	122	76	0
Cash and short-term deposits	2,705	5,718	6,457
	<b>94,921</b>	<b>79,294</b>	<b>79,448</b>

Assets held for sale	0	14,564	0
	<b>94,921</b>	<b>93,858</b>	<b>79,448</b>
<b>Total Assets</b>	<b>109,041</b>	<b>104,033</b>	<b>112,440</b>

### Consolidated Balance Sheet

*in Euro '000*

	2006	2005	2004
<b>Equity and Liabilities</b>			
Equity attributable to ordinary shareholders of Koninklijke Econosto N.V.			
Issued capital	6,784	6,784	6,784
Share premium	4,473	4,473	4,473
Treasury shares	(77)	(38)	0
Retained earnings	9,031	5,087	2,429
Other reserves	(754)	1,368	(419)
	<b>19,457</b>	<b>17,674</b>	<b>13,267</b>
Minority interests	0	352	352
<b>Total equity</b>	<b>19,457</b>	<b>18,026</b>	<b>13,619</b>
Non-current liabilities			
Interest-bearing loans	50	0	7,594
Convertible subordinated bond loan			
loan capital component	13,859	17,779	16,412
Provisions	2,261	1,766	3,290
Pension liabilities	1,143	1,221	0
Other liabilities	1,126	1,833	2,069
	<b>18,439</b>	<b>22,599</b>	<b>29,365</b>
Current liabilities			
Trade and other payables	46,312	37,741	35,534
Interest-bearing loans	16,345	15,456	31,421
Convertible subordinated bond loan			

loan capital component	5,521	0	0
Income tax liabilities	237	123	0
Taxes and social security contributions	2,181	2,042	1,997
Provisions	147	42	175
Pension liabilities	143	0	0
Other liabilities	259	221	329
	<b>71,145</b>	<b>55,625</b>	<b>69,456</b>
Liabilities for assets held for sale	0	7,783	0
	71,145	63,408	69,456
<b>Total liabilities</b>	<b>89,584</b>	<b>86,007</b>	<b>98,821</b>
<b>Total Equity and Liabilities</b>	<b>109,041</b>	<b>104,033</b>	<b>112,440</b>

### 1.3 Consolidated Cash Flow Statement 2006-2004

<b>Consolidated Cash Flow Statement</b> <i>in Euro '000</i>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Cash flows from operating activities</b>			
Profit for the year	3,918	2,658	(5)
Finance revenue and costs	4,574	4,473	5,821
Income tax	438	(589)	46
Adjustment for depreciation of property, plant and equipment	2,396	3,388	3,923
Adjustment for impairment loss on property, plant and equipment	0	5,395	258
Movement in provisions (including pension plan assets)	(352)	(851)	(528)
Release of reserve for cumulative translation differences	(1,091)	0	0
Gains on sale of property, plant and equipment and subsidiaries	(632)	(8,642)	0
Share-based payments	26	0	0
<b>Cash flows from operating activities before change in working capital</b>	<b>9,277</b>	<b>5,832</b>	<b>9,515</b>
Movements in working capital			
- inventories	(3,341)	(2,235)	1,738
- receivables	(9,198)	(4,106)	5,515
- current liabilities (excluding interest-bearing loans)	5,965	5,385	999

	(6,574)	(956)	8,252
<b>Cash flows from operating activities</b>	<b>2,703</b>	<b>4,876</b>	<b>17,767</b>
Income tax paid	(73)	0	0
Interest received	121	44	114
Interest paid	(2,876)	(3,150)	(4,769)
<b>Net cash flows from operating activities</b>	<b>(2,828)</b>	<b>(3,106)</b>	<b>(4,655)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(3,811)	(3,717)	(2,317)
Sale of subsidiary (net of funds disposed of) <sup>a</sup>	1,106	422	4,310
Proceeds from sale of property, plant and equipment <sup>b, d</sup>	4,650	19,557	6,293
<b>Cash flows from investing activities</b>	<b>1,945</b>	<b>16,262</b>	<b>8,286</b>
<b>Cash flows from financing activities</b>			
Repayment of long-term loans	96	75	0
Repayment of minority interests	(352)	0	(52)
Treasury shares	(39)	(38)	0
Repayment of mortgage loans	(1,955)	(5,488)	(5,900)
Repayment of short-term loans	(1,550)	(13,551)	(15,302)
Finance lease obligations	(223)	(732)	(269)
<b>Cash flows from financing activities</b>	<b>(4,023)</b>	<b>(19,734)</b>	<b>(21,523)</b>
<b>Net cash flows</b>	<b>(2,203)</b>	<b>(1,702)</b>	<b>(125)</b>
Foreign currency translation	(1,101)	1,254	(990)
Cash and cash equivalents at 1 January	6,009	6,457	7,572
<b>Cash and cash equivalents at 31 December<sup>c</sup></b>	<b>2,705</b>	<b>6,009</b>	<b>6,457</b>

(a) Net after granting of loan of EUR 800,000 to former group company

(b) The netted amounts are disclosed in the cash flow statement in the 2005 financial statements

(c) 2005 broken out as cash and short term deposits EUR 5,718 and cash attributable to discontinued operations of EUR 291 d) 2004 includes proceeds from sale of financial assets of EUR 139

(d) 2004 includes proceeds from sale of financial assets of EUR 139

#### **1.4 Auditor's report on the Comparative Overview of the Financial Year 2006-2004**

On 14 March 2008, Ernst & Young Accountants have issued an auditor's report in respect of the abbreviated financial statements of Econosto for the financial years 2006, 2005 and 2004, which report is included on page 76 of the Gilde Offer Memorandum.

**2. FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2006, INCLUDING  
EXPLANATORY NOTES AND AUDITOR'S REPORT ACCORDING TO THE GILDE OFFER  
MEMORANDUM**

FINANCIAL STATEMENTS 2006  
KONINKLIJKE ECONOSTO N.V.



**CONSOLIDATED BALANCE SHEET (x EUR 1,000)**

	<b>Notes</b>	<b>31-Dec-06</b>	<b>31-Dec-05</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	8,996	6,128
Financial assets	4	730	226
Pension plan assets	5	1,432	822
Deferred tax assets	18	2,962	2,999
		<b>14,120</b>	<b>10,175</b>
<b>Current assets</b>			
Inventories	6	38,824	33,024
Trade and other receivables	7	53,270	40,476
Forward currency contracts		122	76
Cash and short-term deposits	8	2,705	5,718
		<b>94,921</b>	<b>79,294</b>
Assets held for sale	19	-	14,564
		<b>94,921</b>	<b>93,858</b>
<b>TOTAL ASSETS</b>		<b>109,041</b>	<b>104,033</b>

## CONSOLIDATED BALANCE SHEET

<i>(x EUR 1,000)</i>	Notes	31-Dec-06	31-Dec-05
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to ordinary shareholders of Koninklijke Econosto N.V.</b>			
	9	6.784	6.784
Share premium	9	4.473	4.473
Treasury shares	9	(77)	(38)
Retained earnings	9	9.031	5.087
Other reserves	9	(754)	1,368
		<b>19,457</b>	<b>17,674</b>
<b>Minority interests</b>		<b>-</b>	<b>352</b>
<b>Total equity</b>		<b>19,457</b>	<b>18,026</b>
<b>Non-current liabilities</b>			
Interest-bearing loans	12	50	-
Convertible subordinated bond loan - loan capital component	12	13,859	17,779
Provisions	10	2.261	1.766
Pension liabilities	11	1.143	1.221
Other liabilities	12	1,126	1,833
		<b>18,439</b>	<b>22,599</b>
<b>Current liabilities</b>			
Trade and other payables	13	46,312	37,741
Interest-bearing loans	12	16,345	15,456
Convertible subordinated bond loan loan capital component	12	5,521	-
Income tax liabilities	18	237	123
Taxes and social security contributions		2,181	2,042
Provisions	10	147	42
Pension liabilities	11	143	-
Other liabilities	12	259	221
		<b>71,145</b>	<b>55,625</b>
Liabilities for assets held for sale	19	-	7,783
		<b>71,145</b>	<b>63,408</b>
<b>Total liabilities</b>		<b>89,584</b>	<b>86,007</b>
<b>TOTAL EQUITIES AND LIABILITIES</b>		<b>109,041</b>	<b>104,033</b>

## CONSOLIDATED INCOME STATEMENT

(x EUR 1,000)

	Notes	2006	2005
<b>Continuing operations</b>			
Net sales		191,366	162,564
Costs of raw materials and consumables		(131,582)	(109,742)
<b>Gross profit</b>		<b>59,784</b>	<b>52,822</b>
Other income	17.1	632	9,042
Employee benefits expense	17.2	(27,954)	(28,010)
Depreciation of property, plant and equipment		(2,396)	(2,629)
Impairment losses	17.3	-	(779)
Other expense		(22,089)	(17,215)
<b>Operating profit</b>		<b>7,977</b>	<b>13,231</b>
Finance revenue	17.4	121	94
Finance costs	17.4	(4,656)	(4,543)
<b>Profit before taxes</b>		<b>3,442</b>	<b>8,782</b>
Tax income (expense)	18	(435)	147
<b>Profit for the year on continuing operations</b>		<b>3,007</b>	<b>8,929</b>
Discontinued operations			
Profit / (loss) for the year on discontinued operations	19	911	(6,271)
<b>Profit / (loss) for the year</b>		<b>(3,918)</b>	<b>2,658</b>

The share of minority shareholders in the profit for 2006 and 2005 is nil. It follows that for both years the full profit is attributable to ordinary shareholders of Koninklijke Econosto N.V.

Earnings per share	20		
- Basic, for profit for the year attributable to ordinary shareholders of Koninklijke Econosto N.V.		EUR 0.29	EUR 0.20
- Basic, for profit on continuing operations attributable to ordinary shareholders of Koninklijke Econosto N.V.		EUR 0.22	EUR 0.66
- Diluted, for profit for the year attributable to ordinary shareholders of Koninklijke Econosto N.V.		EUR 0.29	EUR 0.20
- Diluted, for profit on continuing operations attributable to ordinary shareholders of Koninklijke Econosto N.V.		EUR 0.22	EUR 0.66

## CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

<i>(x EUR 1,000)</i>	Issued capital premium	Share Treasury shares	Retained earnings	Other reserves	Minority Total interests	Total equity		
<b>31 December 2004</b>	<b>6,784</b>	<b>4,473</b>	<b>-</b>	<b>2,429</b>	<b>(419)</b>	<b>13,267</b>	<b>352</b>	<b>13,619<sup>a</sup></b>
Net gains on cash flow hedges	-	-	-	76	76	-	-	76
Foreign currency translation	-	-	-	1,711	1,711	-	-	1,711
<hr/>								
Total income and expense for the year recognised directly in equity	-	-	-	1,787	1,787	-	-	1,787
Profit for the year	-	-	2,658	-	2,658	-	-	2,658
Total income and expense for the year	-	-	2,658	1,787	4,445	-	-	4,445
Treasury shares	-	-	(38)	-	(38)	-	-	(38)
<b>31 December 2005</b>	<b>6,784</b>	<b>4,473</b>	<b>(38)</b>	<b>5,087</b>	<b>1,368</b>	<b>17,674</b>	<b>352</b>	<b>18,026</b>
Share-based payments	-	-	-	26	-	26	-	26
Net gains on cash flow hedges	-	-	-	46	46	-	-	46
Foreign currency translation	-	-	-	(2,168)	(2,168)	-	-	(2,168)
<hr/>								
Total income and expense for the year recognised directly in equity	-	-	26	(2,122)	(2,096)	-	-	(2,096)
Other movements	-	-	-	-	-	(352)	-	(352) <sup>1</sup>
Profit for the year	-	-	3,918	-	3,918	-	-	3,918
<hr/>								
Total income and expense for the year	-	-	3,944	(2,122)	1,822	(352)	-	1,470
Treasury shares	-	-	(39)	-	(39)	-	-	(39)
<b>31 December 2006</b>	<b>6,784</b>	<b>4,473</b>	<b>(77)</b>	<b>9,031</b>	<b>(754)</b>	<b>19,457</b>	<b>-</b>	<b>19,457</b>

1 The minority interest relates to the share of third parties in Parklaan 1 C.V. This limited partnership was dissolved following the sale of the properties in 2006, with equity being distributed.

## CONSOLIDATED CASH FLOW STATEMENT

<i>(x EUR 1,000)</i>	Notes	2006	2005
<b>Cash flows from operating activities</b>			
Profit for the year		3,918	2,658
Finance revenue and costs	17.4	4,574	4,473
Income tax	18	438	-589
Adjustment for depreciation of property, plant and equipment		2,396	3,388
Adjustment for impairment loss on property, plant and equipment		-	5,395
Movement in provisions (including pension plan assets)		(352)	(851)
Release of reserve for cumulative translation differences		(1,091)	-
Gains on sale of property, plant and equipment and subsidiaries		(632)	8,642 <sup>b</sup>
Share-based payments		26	-
<b>Cash flows from operating activities before change in working capital</b>		<b>9,277</b>	<b>5,832</b>
Movements in working capital			
- inventories		(3,341)	(2,235)
- receivables		(9,198)	(4,106)
- current liabilities (excluding interest-bearing loans)		5,965	5,385
		(6,574)	(956)
<b>Cash flows from operating activities</b>		<b>2,703</b>	<b>4,876</b>
Income tax paid		(73)	-
Interest received		121	44
Interest paid		(2,876)	(3,150)
<b>Net cash flows from operating activities</b>		<b>(2,828)</b>	<b>(3,106)</b>
Purchase of property, plant and equipment		(3,811)	(3,717)
Sale of subsidiary (net of funds disposed of)	4	1,106 <sup>a</sup>	422
Proceeds from sale of property, plant and equipment		4,650	19,557 <sup>b</sup>
<b>Cash flows from investing activities</b>		<b>1,945</b>	<b>16,262</b>
Repayment of long-term loans		96	75
Repayments of minority interests		(352)	-
Treasury shares		(39)	(38)
Repayment of mortgage loans		(1,955)	(5,488)
Repayment of short-term loans		(1,550)	(13,551)

Finance lease obligations		(223)	(732)
<b>Cash flows from financing activities</b>		<b>(4,023)</b>	<b>(19,734)</b>
<b>Net cash flows</b>		-	<b>(1,702)</b>
Foreign currency translation		(2,203)	
		(1,101)	1,254
Cash and cash equivalents at 1 January		6,009	6,457
<b>Cash and cash equivalents at 31 December</b>	<b>8</b>	<b>2,705</b>	<b>6,009</b>

- (a) Net after granting of loan of EUR 800,000 to former group company.
- (b) The netted amounts are disclosed in the cash flow statement in the 2005 financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The 2006 consolidated financial statements of Koninklijke Econosto N.V. were drawn up by the Board of Management and approved for publication in pursuance of the Supervisory Board resolution of 5 April 2007. The financial statements drawn up by the Board of Management are to be submitted for adoption to the General Meeting of Shareholders on 22 May 2007.

Koninklijke Econosto N.V., a public company incorporated under the laws of the Netherlands, is established in the Netherlands. Its shares are publicly traded and its registered office is in Rotterdam.

Koninklijke Econosto N.V. operates chiefly as a technical service provider and distributor of industrial valves and seals.

Since the results of Koninklijke Econosto N.V. are included in the consolidated financial statements, the company income statement has been included in abridged form as permitted under Section 402 of Book 2 of the Netherlands Civil Code.

#### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the historical cost convention, except for the derivative financial instruments, which are recognised at fair value. Assets held for sale are recognised at the lower of their carrying amount and sales value less selling expenses. Unless stated otherwise, the consolidated and other financial statements are denominated in euro and all amounts are rounded off to thousands (EUR 1,000).

The consolidated financial statements of Koninklijke Econosto N.V. and its subsidiaries are drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of Koninklijke Econosto N.V. and its subsidiaries. The financial statements of the subsidiaries have been drawn up for the same reporting year as that of the parent company, with consistent accounting policies used throughout.

All Koninklijke Econosto N.V. balances, transactions, income and expense, and profits and losses arising from Koninklijke Econosto N.V. transactions included in its assets, are fully eliminated. Subsidiaries are consolidated as from the date of acquisition, being the date on which effective control is obtained over the entity concerned; such consolidation continues until the moment effective control ceases. The significant operating companies and holding companies included in the consolidation are listed on page 70 (Note 15).

#### Foreign currency translation

The consolidated financial statements are denominated in euro. This currency is also the functional and reporting currency of Koninklijke Econosto N.V. Each group entity determines its own functional currency. The items included in the financial statements of each entity are recognised on the basis of this functional currency. On initial recognition, transactions in foreign currency are accounted for at the rate of the functional currency as at the date of the transaction. Monetary assets

and liabilities denominated in foreign currencies are translated at the rate of the functional currency as at the balance sheet date. Any differences are charged to the income statement.

As at the reporting date, the assets and liabilities of the subsidiaries outside the Eurozone are translated into the reporting currency of Koninklijke Econosto N.V. (the euro) at the rate ruling on the balance sheet date, while the income statements are translated at the weighted average rate for the year. The exchange differences resulting from this translation, as well as the translation of the long-term intercompany loans to these subsidiaries are taken directly to the currency translation differences reserve. In the event of disposal of a foreign entity, the deferred cumulative amount included for this foreign entity in the currency translation differences reserve is recognised in the income statement.

### **Discontinued operations**

A discontinued operation is a component of the activities of Koninklijke Econosto N.V. that represents a separate significant line of business or separate significant geographical area of operation, or is a subsidiary that has been acquired with the sole intention of reselling it. An operation is classified as discontinued when it is sold, or, if it has not yet been sold, when the operation meets the criteria for classification as held for sale.

The results of discontinued operations are not consolidated. The net profit or loss on discontinued operations is recognised as 'Profit/(loss) for the year on discontinued operations.' The assets and liabilities of discontinued operations are classified as 'Assets held for sale' and 'Liabilities for assets held for sale'.

## **2.2 Significant accounting judgements and estimates**

### **Accounting judgements**

In the process of applying the financial reporting policies of Koninklijke Econosto N.V., the Board of Management has made the following judgements, apart from those involving estimations, which have a significant impact on the amounts recognised in the financial statements.

The lease contracts (including the sale and leaseback contracts) have been reviewed to determine whether they qualify as finance or operating leases. Assumptions and estimates are made to calculate the pension provision. Since actuarial gains and losses initially fall inside a corridor, they will only affect the result to the extent that their net total exceeds the limits of this corridor. In that event, the excess is charged to the income statement, spread over a number of years.

### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Deferred income tax assets*

Each year, Econosto estimates the probability that deferred income tax assets can be realised. If it is probable that deferred income tax assets are realised based on the projected profit for the next few years, the deferred income tax assets will be capitalised. Depending on the extent to which the actual results differ from the estimates in future years, changes in the valuation of deferred income tax assets may be necessary.

#### *Convertible subordinated bond loan*



An effective rate of interest of 17% was used to determine the amortised cost of the loan capital component of the convertible subordinated bond loan. This is the estimated market rate that would have applied in 2003 had Koninklijke Econosto N.V. contracted a comparable loan without conversion and unscheduled repayment options.

#### *Claim concerning the supply of products alleged to be defective*

As in previous years, in 2006, Econosto received claims concerning supplies of allegedly defective products. Based on the available documentation, the conclusion was drawn that for a number of claims it was unclear whether the settlement of the liability, if any, would result in an outflow of funds and that no reliable estimate could be made of the amount of the liability. No provision was formed for these claims in the balance sheet at 31 December 2006. For claims for which it is likely that the liability will lead to an outflow of funds and where a reliable estimate can be made of the amount of the liability, a provision was formed for the amount concerned.

### **2.3 Summary of significant accounting policies**

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

Property, plant and equipment is stated at the lower of cost net of depreciation, and the recoverable amount. Buildings, plant and equipment and other operating assets are depreciated straight-line over their useful lives, taking into account any residual value. Useful lives are as follows:

- Buildings: up to 30 years;
- Plant and equipment: 5 years;
- Other operating assets: 3 to 10 years.

The carrying amounts of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Such an impairment loss is charged to the income statement. The useful lives and any residual values are likewise reviewed annually and adjusted as appropriate.

Property, plant and equipment is not carried in the balance sheet in the event of disposal or if no future economic benefits are expected from the use or disposal thereof. Any gain or loss resulting from the removal of the asset from the balance sheet (which is calculated as the difference between the net gain on disposal and the carrying amount of the asset) is charged to the income statement in the year in which the asset is removed from the balance sheet.

#### **Financial assets**

The loans recognised as financial assets have a term longer than one year. Repayments of long-term loans expected to be made within one year are recognised as current assets. The loans are stated at amortised cost.

#### **Deferred tax assets**

A provision is formed for deferred taxes based on the temporary differences as at the balance sheet date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax losses can be utilised.

The carrying amount of the deferred income tax assets is reviewed at the balance sheet date and reduced to the extent that it is improbable that sufficient profit for tax purposes will be available against which the temporary difference can be set off in full or in part. Unrecognised deferred income tax assets are reviewed again at the balance sheet date and recognised to the extent that it is probable that there will be a profit for tax purposes in the future against which this deferred asset can be set off.

Deferred income tax assets and liabilities are stated at nominal value. When calculating this nominal value, the tax rates of the countries in question at the balance sheet date are assumed, taking account of rates applicable in the years ahead, to the extent that they have been enacted.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to set off income tax assets against income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **Inventories**

Raw materials and consumables are stated at the lower of cost (purchase price plus additional costs), on a first-in-first-out basis, and net realisable value.

Finished goods are stated at the lower of their full production cost, excluding interest expense, and net realisable value.

Goods for resale are stated at the lower of cost (purchase price) and additional costs, on a first-in-first-out basis, and net realisable value.

Where appropriate, the carrying amount of inventories takes into account impairment losses due to obsolescence. Unrealised intercompany gains and losses are eliminated.

### **Trade and other receivables**

Receivables included under current assets have a term or remaining term of less than one year. Receivables are carried net of value adjustments due to a provision for bad debts. Value adjustments are determined individually for each item.

### **Derivative financial instruments and hedging of risks**

Koninklijke Econosto N.V. uses forward exchange contracts to hedge the currency fluctuation risks to which it is exposed. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value at the balance sheet date. Derivatives are carried as assets if the fair value is positive and as liabilities if the value is negative. The fair value of forward exchange contracts is determined on the basis of ruling market prices.

For the purpose of hedge accounting, these financial instruments are regarded as cash flow hedges. Movements in the fair value of the hedging instruments are recognised in equity to the extent that the hedge is effective. Movements in the fair value of ineffective hedges are taken directly to the income statement. The amounts recognised in equity are transferred to the income statement in the same period as that in which the hedged income or expense is recognised or the expected sale or purchase materialises. If the transaction is no longer expected to materialise, the amounts that were initially recognised in equity are transferred to the income statement.

### **Cash and short-term deposits**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand.

### **Treasury shares**

Equity instruments that are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of Koninklijke Econosto N.V.'s equity instruments.

## **Pensions**

Koninklijke Econosto N.V. has various pension plans in place in accordance with local regulations and conditions. Based on IAS 19, a number of these plans are classified as defined benefit plans. For the majority of its employees, Koninklijke Econosto N.V. has pension plans in which the members' rights are based on the number of years of service and the amount of their salary.

### *Defined benefit plans*

Stichting Econosto's Pensioenfonds administers the pension plan that secures the benefits that Koninklijke Econosto N.V. has undertaken to provide to its employees in the Netherlands. The costs of defined benefit plans are actuarially measured based on the projected unit credit method. Actuarial gains and losses are recognised as income or expense if, at the end of the previous financial year, the net total of unrecognised actuarial gains and losses of each individual plan amounted to more than 10% of the defined benefit plan liability, or the fair value of the plan assets as at that date, whichever is the higher. These gains and losses are allocated to the expected average remaining years of service of the employees who are members of the plans.

The net defined benefit plans liability of Koninklijke Econosto N.V. is calculated separately for each plan by making an estimate of the pension benefits employees have accumulated in exchange for their services in the period under review and in past periods. These pension benefits are discounted to determine their present value and the fair value of the plan assets deducted from this to obtain the balance. The liability is calculated using the projected unit credit method. The discount rate is based on the yield as at the balance sheet date of bonds with a credit rating equivalent to that of high-quality corporate bonds (in accordance with the 'iBoxx 10yr+Annual AA allstock' index).

If the calculation results in a positive balance, the recognition of the asset is limited to an amount not exceeding the balance of any unrecognised actuarial losses and past service pension costs, and the lower of the present value of any future refunds by the pension plan and future pension contributions.

Whenever the pension plan benefits are improved, the portion of the improved benefits relating to employees' past service is recognised straight-line as a charge to the income statement over the average period until the pension benefits become unconditional. To the extent that the benefits become unconditional directly, the charge is likewise recognised in the income statement directly. The liabilities of pension plans are measured by qualified actuaries.

### *Defined contribution plans*

Liabilities for contributions to defined contribution plans are recognised as an expense in the income statement at the time such contributions are due.

## **Provisions**

Provisions are recognised when (i) Koninklijke Econosto N.V. has a present obligation (legal or constructive) as a result of a past event; (ii) it is probable that an outflow of funds representing economic benefits will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation. If Koninklijke Econosto N.V. expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only if the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Other provisions include:

- a provision for guarantees;
- provisions for legal claims;
- a provision for payments marking anniversaries.

#### **Convertible subordinated bond loan**

The loan capital component of the convertible subordinated bond loan is measured by restating the future flow of payments of interest and repayments at their present value using the ruling market rate of interest for a comparable obligation without an equity component (conversion option) as applicable at the time of adapting the conversion conditions and the repayment schedule. The ruling effective market rate of interest at the time of adapting the conversion conditions and the repayment schedule in mid-2003 was determined to be 17%. The loan capital component is stated at amortised cost. In addition to the conversion option, the convertible subordinated bond loan includes an unscheduled repayment option to be stated at fair value. This value was virtually nil at the end of 2006 and 2005.

#### **Share-based payment transactions**

Members of the Board of Management and the directors of a number of subsidiaries receive remuneration in the form of share-based payments. The members of the Board of Management are required to invest a portion of their bonus in Koninklijke Econosto N.V. shares. Directors of a number of subsidiaries have the option to do so. Further details of this Matching Shares Plan are given in Note 15.

#### **Equity-settled transactions**

The costs of equity-settled transactions with members of the Board of Management and the directors of a number of subsidiaries are measured by reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the Koninklijke Econosto N.V. shares (market conditions), if applicable.

The costs of equity-settled transactions are recognised, together with a corresponding increase in equity, over the period in which the performance and/or the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the grant (the vesting date). The cumulative expenses recognised for equity-settled transactions at each reporting date until the vesting date reflect the extent to which the vesting period has expired and Koninklijke Econosto N.V.'s best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movements in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for grants that do not ultimately vest, except for grants where vesting is conditional upon market conditions, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

If the terms of an equity-settled grant are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the Board of Management and the directors of a number of subsidiaries as measured at the date of modification.

If an equity-settled grant is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the grant is recognised directly. However, if a new grant is substituted for the cancelled grant, and designated as a replacement grant on the grant date, the cancelled and new grants are treated as if they were a modification of the original grant, as described above.

#### *Cash-settled transactions*

The cost of cash-settled transactions is initially measured at fair value at the grant date taking into account the terms and conditions on which the instruments were granted. The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured at each balance sheet date up to and including the settlement date, with changes in fair value recognised in the income statement.

#### **Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset. This assessment is reconsidered if, after the agreement is entered into, one of the following situations arises:

- (i) There is a change in the conditions, other than a modification or renewal of the arrangement;
- (ii) A modification option is performed or renewal is granted, unless the conditions were already included in the initial arrangement;
- (iii) A change in the determination of whether the fulfilment is dependent on the use of a specific asset;
- (iv) A substantial change in the assets.

#### *Koninklijke Econosto N.V. as a lessee*

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to Koninklijke Econosto N.V. are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that Koninklijke Econosto N.V. will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

#### **Interest-bearing loans**

Interest-bearing loans are stated at amortised cost, using the effective interest rate method.

#### **Other assets and liabilities**

The other assets and liabilities are carried at face value.

## **2.4 Accounting policies - income statement**

### **General**

The accounting policies used to measure profit or loss are closely related to the accounting policies used to measure the value of assets and liabilities. The matching principle is used to allocate income and expense.

### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will accrue to Koninklijke Econosto N.V. and can be reliably measured.

The revenue from the sale of goods and services is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

### **Net sales**

Net sales is understood to mean the proceeds of the sale of goods and services net of discounts, bonuses, commission and VAT.

### **Costs of raw materials and consumables**

These include the cost of purchasing and/or additional manufacturing of the goods and services included in sales, less prompt payments and other discounts received and plus the directly attributable external costs of outsourcing and delivery, such as transport, insurance and customs. Discounts and bonuses received from suppliers are deducted from this.

The costs of raw materials and consumables include the write-down of inventories to their lower recoverable amount.

### **Other income**

This includes income from ordinary activities, but which because of its nature, size and/or sporadic character is presented separately.

### **Finance revenue and costs**

Recognition of interest income is based on that attributable to the reporting year, received on loans to third parties, outstanding deposits and bank balances. Recognition of interest expense is based on that attributable to the reporting year paid on loans and credits received from third parties.

### **Taxes**

Taxes are calculated at the rates applicable in the countries concerned, allowing for special tax facilities and taking carry-forward tax losses into account.

Deferred income tax relating to items that are recognised directly in equity is likewise taken directly to equity and accordingly does not affect the result.

## **2.5 Cash flow statement**

The cash flow statement has been drawn up in accordance with the indirect method, the movement in cash and cash equivalents being restated based on the profit for the year as disclosed in the consolidated income statement. Cash flows in foreign currencies are translated at the weighted average rates in the reporting year. Transactions that have not yet resulted in a cash flow are not taken into account. Various assets and liabilities are classified in the consolidated financial statements as held for sale, so that the cash flows presented do not always agree with the movements discussed in the consolidated balance sheet.

## **2.6 Impact of new accounting standards**

Koninklijke Econosto N.V. has not applied the new alternative in IAS 19 Employee Benefits that permits actuarial gains and losses arising from defined benefit plans to be carried in the balance sheet directly instead of in the income statement.

The following amendments to standards and new interpretations have been effective since 1 January 2006, but have no impact on the financial statements of Koninklijke Econosto N.V. for 2006:

- IAS 21 (Amendment), Net Investment in a Foreign Operation.
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions.
- IAS 39 (Amendment), The Fair Value Option.
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts.
- IFRS 6, Exploration for and Evaluation of Mineral Resources.
- IFRIC 4, Determining whether an Arrangement contains a Lease.
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.
- IFRIC 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment.

Koninklijke Econosto N.V. has not opted for an early implementation of the following new standards, amendments to standards and new IFRIC interpretations for which application is mandatory for financial years commencing on or after 1 January 2007 or later years:

- IFRS 7, Financial Instruments - Disclosures.
- IFRS 8, Operating Segments.
- IAS 1 (Amendment), Presentation of Financial Statements - Capital Disclosures.
- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies.
- IFRIC 8, Scope of IFRS 2.
- IFRIC 9, Reassessment of Embedded Derivatives.

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Koninklijke Econosto N.V. does not expect the application of these new standards, amended standards and new IFRIC interpretations to have a significant effect on the company's financial statements in future financial years.

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### 3. PROPERTY, PLANT AND EQUIPMENT

31 December 2006	Land and buildings	Plant and equipment	Other operating assets	Plant and equipment under construction/ prepayment	Total
Cost	3,799	5,232	19,189	542	28,762
Accumulated depreciation and impairment losses	(2,159)	(4,181)	(16,294)	-	(22,634)
Carrying amount at 31 December 2005	1,640	1,051	2,895	542	6,128
Additions	2,069	234	1,325	183	3,811
Taken into use	1,794	-	542	(2,336)	0
Assets previously stated under assets held for sale	445	-	-	1,794	2,239
Disposals		(30)	(220)	-	(250)
Other movements	(512)	-	-	-	(512)
Exchange differences	(3)	1	(22)	-	(24)
Depreciation	(213)	(341)	(1,842)	-	(2,396)
Carrying amount at 31 December 2006	5,220	915	2,678	183	8,996
Cost	8,188	5,034	12,734	183	26,139
Accumulated depreciation and impairment losses	(2,968)	(4,119)	(10,056)	-	(17,143)
Carrying amount at 31 December 2006	5,220	915	2,678	183	8,996

Total depreciation in 2006 amounted to EUR 2,396,000 (2005: EUR 3,388,000).

Koninklijke Econosto N.V. decided not to sell the properties in Dubai and Dortmund. These properties, which had been recognised under assets held for sale at year-end 2005, were therefore included again under property, plant and equipment at 31 December 2006 at the carrying amount applicable at the time.

Land and buildings with a carrying amount of EUR 420,000 are subject to a first charge as security for the mortgage obtained. The furniture and equipment of the Dutch-resident companies with a carrying amount of EUR 1.9 million have been pledged as security for the central loan.

The carrying amount of the land and buildings and other operating assets obtained under finance lease agreements was EUR 935,000 and EUR 667,000, respectively, at 31 December 2006.

<b>31 December 2005</b>	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Other operating assets</b>	<b>Plant and equipment under construction/ prepayment</b>	<b>Total</b>
Cost	33,318	16,197	21,104	27	70,646
Accumulated depreciation and impairment losses	(11,801)	(11,980)	(17,013)	-	(40,794)
Carrying amount at 31 December 2004	21,517	4,217	4,091	27	29,852
Additions	73	804	919	2,309	4,105
Disposals	(10,627)	(187)	(101)		(10,915)
Deconsolidation	(10)	(120)	(3)	-	(133)
Exchange differences	206	189	62	-	457
Depreciation	(638)	(1,075)	(1,675)		(3,388)
Assets held for sale	(4,005)	(2,581)	(75)	(1,794)	(8,455)
Impairment losses	(4,876)	(196)	(323)	-	(5,395)
Carrying amount at 31 December 2005	1,640	1,051	2,895	542	6,128
Cost	3,799	5,232	19,189	542	28,762
Accumulated depreciation and impairment losses	(2,159)	(4,181)	(16,294)	-	(22,634)
Carrying amount at 31 December 2005	1,640	1,051	2,895	542	6,128

Total depreciation in 2005 amounted to EUR 3,388,000. Of this amount, EUR 2,629,000 was charged to the income statement under 'depreciation of property, plant and equipment' and EUR 759,000 under 'loss for the year on discontinued operations'

In view of the planned disposal of production companies and the sale and leaseback of the remaining immovable properties, an estimate was made of the realisable value of certain property, plant and equipment. An impairment loss of EUR 5.4 million was recognised to reduce the carrying amount of these assets to their realisable value. The estimate of the realisable value was based on the fair value less selling expenses. This amount was recognised as follows in the 2005 income statement:

- impairment loss of EUR 0.8 million on continuing operations
- loss after tax of EUR 4.6 million on discontinued operations.

The carrying amount of land and buildings and other operating assets obtained under finance lease agreements was EUR 1,433,000 and EUR 388,000 respectively at 31 December 2005

#### 4. FINANCIAL ASSETS

	2006	2005
Loans	730	226

Loans include a loan of EUR 100,000 granted to third parties. An amount of EUR 50,000 is repaid annually on this loan, the last instalment being due on 1 February 2009. The interest rate is based on a commercial borrowing rate of 6% per annum.

In addition, at 31 December 2006, loans included an interest-free loan to a former group company of EUR 552,000 (originally EUR 800,000). This loan will be set off against future deliveries. The loan is expected to be repaid in full in 2009. A bank guarantee of EUR 175,000 with a term to 31 December 2010 has been received from the former group company as security. The current portion of the loan of EUR 200,000 is stated under current receivables.

The balance of EUR 78,000 (2005: EUR 76,000) relates to interest-free loans and guarantees provided to third parties.

#### 5. DEFINED BENEFIT PLAN

Koninklijke Econosto N.V. has two defined benefit plans in place. Stichting Econosto's Pensioenfonds (STEP) administers the pension plans that secure the benefits that Koninklijke Econosto N.V. has undertaken to provide to its employees in the Netherlands. The benefits are based on an indexed average pay system subject to a maximum salary. For salaries in excess of this maximum, a defined contribution plan is in place. The plan is reinsured with an insurance company. Siekmann Econosto (SE) has an unfunded defined benefit plan in place for a limited number of members and former members of its board of directors. It follows that this plan does not have any fund assets.

The table below gives a summary of the costs of the applicable post-employment benefits recognised in the consolidated income statement, of the funding and the amounts of the benefits under the plans concerned as recognised in the consolidated balance sheet.

*Costs of the benefits (included in wages, salaries and social security contributions)*

	Pension plans					
	STEP plan		SE plan		Total	
	2006	2005	2006	2005	2006	2005
Current service cost	1,253	1,067	19	31	1,272	1,098
Interest expense on benefits obligation	2,837	2,942	37	40	2,883	2,982
Expected return on plan assets	(3,244)	(3,260)	-	-	(3,244)	(3,260)
Net costs of the benefits	846	749	56	71	911	820
Actual return on plan assets	391	5,093	-	-	391	5,093

*Balance sheet items relating to the costs of the benefits*

	<b>Pension plans</b>					
	<b>STEP plan</b>		<b>SE plan</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Defined benefit obligation	(69,836)	(70,681)	(1,042)	(1,034)	(70,878)	(71,715)
Fair value of plan assets	68,131	68,706	-	-	68,131	68,706
	(1,705)	(1,975)	(1,042)	(1,034)	(2,747)	(3,009)
Unrecognised net actuarial losses	3,137	2,797	-	58	3,137	2,855
Benefit asset/(liability)	1,432	822	(1,042)	(976)	390	(154)

Movements in the present value of the defined benefit obligations are as follows:

	<b>Pension plans</b>					
	<b>STEP plan</b>		<b>SE plan</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Opening balance of defined benefit obligation	70,681	65,481	1,034	917	71,715	66,398
Interest expense	2,837	2,942	37	40	2,874	2,982
Current service cost	1,253	1,067	19	31	1,272	1,098
Management fee	(134)	(104)	-	-	(134)	(104)
Benefits paid	(2,731)	2,728	(48)	(12)	(2,779)	(2,740)
Actuarial losses on liabilities	(2,512)	3,553	-	58	(2,512)	3,611
Employees' contributions	4442	470	-	-	442	470
Closing balance of defined benefit obligations	69,836	70,681	1,042	1,034	70,878	71,715

The movements in the fair value of the STEP plan assets are as follows:

	<b>2006</b>	<b>2005</b>
Opening balance of the fair value of plan assets	68,706	64,404
Expected return	3,244	3,260
Employer's contribution	1,764	1,937
Paid benefits	(2,731)	(2,728)
Actuarial gains/(losses)	(2,852)	1,833
Closing balance of the fair value of plan assets	68,131	68,706

Royal Econosto Group expects to contribute EUR 1.3 million to the defined benefit plan in 2007 (2006: EUR 1.8 million).

The main categories of the STEP plan assets as a percentage of the fair value of the STEP total plan assets are as follows:

	<b>2006</b>	<b>2005</b>
	%	%
Fixed-interest securities (bonds and other loans)	76.2	74.1
Property and shares	22.1	23.8
Cash and cash equivalents	1.7	2.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

The total expected return on bonds is measured on the basis of the creditworthiness rating of the 'iBoxx 10yr+Annual AA allstock' index. For property and shares, the expected return is based on the assumption that a risk premium of 3% applies compared with the bonds.

The key assumptions used in measuring the pension liabilities of the Koninklijke Econosto N.V. pension plans are as follows:

	<b>STEP</b>		<b>SE</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	%	%	%	%
Discount rate	4.60	4.00	4.50	4.25
Expected return on assets	4.75	4.75	0.00	0,00
Future salary increases	1.90	1.90	0.00	0.00
Future pension increases	1.30	0,95	1.00	1.00

The amounts for the current period and those for the two preceding periods can be broken down as follows:

	<b>STEP plan</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
Gross liability under defined benefit plan	(69,836)	(70,681)	(65,48)
Plan assets	68,131	68,706	64,404
Surplus / (defecit)	(1,7050)	(1,975)	(1,077)
Impact of adjustments of key assumptions to plan liabilities	(992)	1,208	1,169
Impact of adjustments of key assumptions to plan assets	(2,852)	1,833	(460)

**SE plan**

	2006	2005	2004
Gross liability under defined benefit plan	(1,042)	(1,034)	(917)
Plan assets	-	-	-
Surplus / (defecit)	(1,042)	(1,034)	(917)
Impact of adjustments of key assumptions to plan liabilities	-	58	-
Impact of adjustments of key assumptions to plan assets	-	-	-

## 6. INVENTORIES

	2006	2005
Raw materials and consumables	384	308
Finished goods and goods for resale	38,440	32,716
Total	38,824	33,024

The write-down of inventories recognised as an expense is EUR 0.1 million (2005: EUR 0.6 million). This expense is included in 'costs of raw materials and consumables' forming part of continuing operations.

All inventories of the companies operating in the Netherlands, EUR 14.5 million (2005: EUR 14.4 million), have been provided as security for the central facility at 2006 year-end (see also Note 12).

## 7. TRADE AND OTHER RECEIVABLES

	2006	2005
Trade receivables	45,801	38,901
Other receivables, prepayments and accrued income	7,469	1,575
Total	53,270	40,476

The receivables of the operating companies in the Netherlands amounting to EUR 13.2 million (2005: EUR 14.0 million) have been provided as security for the central credit facility.

## 8. CASH AND SHORT-TERM DEPOSITS

Variable interest based on the daily rate applicable to bank deposits is paid on the bank balances.

At 31 December 2006, Koninklijke Econosto N.V. had not utilised EUR 18.2 million (2005: EUR 9.5 million) of its central credit facilities.

Of the cash and cash equivalents, EUR 1.0 million (2005: EUR 0.5 million) is not freely disposable.

The cash and short-term deposits at 31 December for the purpose of the consolidated cash flow statement can be broken down as follows:

	2006	2005
Cash and short-term deposits	2,705	5,718
Cash attributable to discontinued operations (Note 19)	-	291
Total	2,705	6,009

For the consolidated cash flow statement, the inflow of cash and short-term deposits as a result of the sale of subsidiaries is as follows:

	2006	2005
<b>Assets</b>		
Plant, property and equipment	651	133
Inventories	2,585	193
Receivables	3,779	493
	7,015	819
<b>Liabilities</b>		
Provisions	70	
Payables	1,820	40
Interest-bearing loans	2,725	-
Other non-interest bearing liabilities	830	369
	5,445	409
Carrying amount of discontinued operations	1,570	410
Cash flow on sale of subsidiaries:		
Cash and cash equivalents of subsidiaries	519	178
Received	1,625	600
Increase in cash and short-term deposits	1,106	422

## 9. ISSUED CAPITAL AND RESERVES

The authorised share capital consists of the following:

	2006	2005
3,750,000 convertible cumulative preference financing shares of EUR 0.50 nominal value each	1,875	1,875
16,760,000 ordinary shares of EUR 0.50 nominal value each	8,380	8,380
	10,255	10,255
<b>Issued and paid-up share capital</b>		
	7,015	819
<b>Priority shares</b>		
Balance at 1 January	-	5
Conversion into ordinary shares	-	(5)
Balance at 31 December	-	-
<b>Ordinary shares</b>		
Balance at 1 January	6,784	6,779
Issued as a result of conversion of priority shares	-	5
Balance at 31 December	6,784	6,784

Total number of ordinary shares issued at 2006 year-end: 13,567,885 (2005: 13,567,885)

Stichting Prioriteits aandelen and Stichting Econosto were wound up in 2005. The priority shares were converted into ordinary shares.

	2006	2005
<b>Share premium</b>		
Balance at 1 January	4,473	4,473
Movements	-	
Balance at 31 December	4,473	4,473
<b>Treasury shares</b>		
Balance at 1 January	(38)	(38)
Movements	(39)	
Balance at 31 December	(77)	(38)



<b>Retained earnings and Other reserves</b>	<b>Retained earnings</b>	<b>Currency translation differences and cash flow hedges reserve</b>	<b>Total</b>
At 1 January 2005	2,429	(419)	2,010
Net gain on cash flow hedges	-	76	76
Currency translation differences	-	1,711	1,711
Loss on discontinued operations	(6,271)	-	(6,271)
<b>Profit on continuing operations</b>	<b>8,929</b>	<b>-</b>	<b>8,929</b>
Balance at 31 December 2005	5,087	1,368	6,455
Share-based payments	26		26
Unrealised net gain on cash flow hedges	-	122	122
Recognition of loss on cash flow hedges in income statement		(76)	(76)
Currency translation differences	-	(1,077)	(1,077)
Cumulative currency translation differences recognised in income statement as result of sale of subsidiary	-	(1,091)	(1,091)
Profit on discontinued operations	911	-	911
<b>Profit on continuing operations</b>	<b>3,007</b>	<b>-</b>	<b>3,007</b>
<b>Balance at 31 December 2006</b>	<b>9,031</b>	<b>(754)</b>	<b>8,277</b>

#### *Retained earnings*

Retained earnings represent the cumulative undistributed profits, including the unappropriated profit for 2006 amounting to EUR 3,918,000.

In accordance with the arrangements agreed with the shareholders and the bondholders – laid down in the Trust Deed of 28 August 2003 – no dividend will be distributed to holders of ordinary shares until the convertible subordinated bond loan has been fully repaid. The entire profit for 2006 will therefore be added to retained earnings.

#### *Currency translation differences and cash flow hedges reserve*

The reserve comprises the currency translation differences resulting from the translation of the financial statements of foreign subsidiaries, as well as the effect of translating the long-term intercompany loans granted to these foreign operations. In addition, the movement in the fair value of a forward exchange contract is credited to this reserve.

As a result of the disposal of the discontinued operations at 6 June 2006, the cumulative currency translation difference related to this, accrued from 2004, is credited to the income statement under the 'profit or loss for the year on discontinued operations'.

## 10. PROVISIONS

	<b>Other provisions</b>
At 1 January 2006	1,808
Additions	904
Withdrawals	(304)
At 31 December 2006	2,408
Current at 31 December 2006	147
Non-current at 31 December 2006	2,261
Total	2,408
Current at 31 December 2005	42
Non-current at 31 December 2005	1,766
Total	1,808

For all provisions classified as current at year-end 2006, the expectation is that the cash flow will materialise in 2007. Koninklijke Econosto N.V. expects payments relating to the non-current portion to be made in the period 2008 to 2010.

### **Other provisions**

Other provisions include provisions for guarantees, legal claims and payments marking anniversaries.

The guarantee provisions are included for after-sales leniency policy purposes and for any technical defects concerning goods and services. Current sales volumes have been assumed in calculating this provision.

The legal claims provision is formed for expenses expected in connection with ongoing legal proceedings.

The provision for payments marking anniversaries is formed for benefits expected to be paid in respect of 25-year and 40-year service anniversaries of employees of the Dutch operating companies.

## 11. PENSION LIABILITIES

	<b>Pension liabilities</b>
At 1 January 2006	1,221
Additions	15
Withdrawals	(92)
At 31 December 2006	1,286
Current at 31 December 2006	143
Non-current at 31 December 2006	1,143
Total	1,286
Current at 31 December 2005	-
Non-current at 31 December 2005	1,221
Total	1,221

Of the pension provision, EUR 1,042,000 (2005: EUR 976,000) relates to the Siekmann Econosto defined benefit plan. Further details of the defined benefit plans are given in Note 5. The remaining part of the pension provision amounting to EUR 244,000 (2005: EUR 245,000) relates to bridging provisions for Econosto Belgium redundant employees.

## 12. INTEREST-BEARING LOANS AND OTHER NON-CURRENT LIABILITIES

	Nominal rate of interest %	Due date	2006	2005
<b>Long-term interest-bearing loans</b>				
Mortgage loan, Siekmann Econosto	4.45	2009	50	-
<b>Long-term portion of convertible subordinated bond loan</b>				
	6.35	2008-2010	13,859	17,779
<b>Other non-current liabilities</b>				
Present value of finance lease obligations	5.75	From 2009	1,126	1,833
<b>Short-term interest-bearing loans</b>				
Bank credits		See notes page 67	16,345	15,456
<b>Short-term portion of convertible subordinated bond loan</b>				
	6.35	2007	5,521	-
<b>Other current liabilities</b>				
Present value of finance lease obligations	5.75	From 2009	259	221

This relates to the balance of the mortgage loan on the premises in Dortmund. The premises and related mortgage loan were recognised under assets and liabilities held for sale in 2005. The premises

in Dortmund, Germany were provided as security. The repayment obligation for 2007 is recognised under short-term interest-bearing loans.

#### *Convertible subordinated bond loan*

The following key conditions apply to the bond loan, which is listed on the stock exchange:

- the loan, comprising 59,966 bonds, each having a nominal value of EUR 385.03, amounting to EUR 23,088,709.98, is to be repaid by Koninklijke Econosto N.V. in four equal instalments on 5 June 2007, 5 June 2008, 5 June 2009 and 5 June 2010, except for unscheduled repayment in full or in part
- by Koninklijke Econosto N.V. Unscheduled repayments are to be deducted from the first compulsory payment;
- in principle, 50% of the nominal value of the bond loan (being the 3rd and 4th instalments) can be converted as from 6 June 2008 at a price of EUR 4 per share. Should Koninklijke Econosto N.V. go ahead with unscheduled repayment of the 3rd and/or 4th instalment, the bondholders will have the option to convert until the date on which repayment is due;
- Koninklijke Econosto N.V. will not make any cash distributions to holders of ordinary shares until the bond loan is repaid in full (as agreed in the Trust Deed of 28 August 2003).

Further details are given in Note 23.

#### *Finance lease obligations*

Pursuant to IAS 17, a number of leases qualify as finance leases, including those relating to the premises in Zwenkau, Germany, of EUR 1,093,000 (2005: EUR 1,583,000) and the IT equipment of Econosto Nederland B.V. of EUR 234,000 (2005: EUR 374,000).

#### *Bank credits - central credit facility*

On 10 February 2006, Koninklijke Econosto N.V. reached final agreement with the banks on a new central credit facility. During the year, amended agreements were concluded. The credit can be cancelled on a day-to-day basis. The credit facility contains change of control and change of ownership clauses requiring Koninklijke Econosto N.V. to inform the banks in advance of any changes or intended changes to its Board of Management and/or legal titles. The banks have the right to claim immediate re-payment of the amounts outstanding under the facility if, in their opinion, the changes or intended changes to the Board of Management and/or legal titles are not appropriate. The credit facility, in which two Dutch credit institutions each participate for 50%, amounts to EUR 56 million and can be used in the form of a current account overdraft and/or as cash loans to a maximum of EUR 26 million, and a contingent liability facility for providing guarantees and letters of credit to a maximum of EUR 30 million. Of the contingent liability facility, EUR 20 million can be used exclusively by Econosto Mideast for its activities in Dubai.

With due observance of these limits, the total use of the basic facility will be limited to a maximum of 70% of the consolidated trade receivables and 50% of the consolidated inventories position. Amounts can be allocated to the operating companies and charged to the facility.

Koninklijke Econosto N.V. has provided the following security for this new central credit facility:

- right of pledge of the shares that Koninklijke Econosto N.V. holds in the capital of its principal Dutch and foreign subsidiaries;
- right of pledge of the intercompany receivables of Koninklijke Econosto N.V. from all its subsidiaries;

- right of pledge of furniture and equipment, inventories and trade receivables of all the Dutch subsidiaries.

In addition, the company may not, without the prior written permission of the credit institutions, dispose of any assets either in full or in part, encumber them for third parties or obtain finance from third parties.

Koninklijke Econosto N.V. is required to meet the following ratios at all times:

- the ratio of capital base to total assets is at least 25%;
- up to and including 31 December 2006, the ratio of net current and non-current interest-bearing liabilities to EBITDA is less than or equal to 3.0, and, after 31 December 2006, less than or equal to 2.5.

At 31 December 2006, both ratios were met.

The interest payable is based on the 1-month Euribor average plus a mark-up that depends on the ratio of total current and non-current interest-bearing liabilities (including the convertible subordinated bond loan) to EBITDA.

#### *Bank credits - Kirishi facility*

In addition to the central credit facility, project financing has been obtained from two Dutch credit institutions amounting to EUR 32 million. This facility can be used for a current account overdraft of up to EUR 7.5 million, a contingent liability facility for a performance bond with a maximum term of three years up to a maximum of EUR 8 million and a contingent liability facility for other guarantees and/or letters of credit with a maximum term of 1.5 years to a maximum of EUR 16.5 million. This additional credit may be used exclusively by Econosto International B.V. to participate in the Kirishi project and will be reduced to EUR 8 million at 31 December 2007 and to nil at 31 December 2009.

In addition to the security provided for the central credit facility, the following additional security has been provided for the Kirishi facility:

- first right of pledge of Econosto International's accounts;
- first right of pledge of the rights under the transport insurance policy and/or any other policies to be concluded, which relate wholly or partly to the transport of goods in respect of the Kirishi project;
- first right of pledge of the rights from concluded export letters of credit amounting to a minimum of US\$ 40 million.

### 13. TRADE AND OTHER PAYABLES

	<b>2006</b>	<b>2005</b>
Trade payables	35,178	26,299
Accrued expenses and deferred income	8,958	9,019
Other payables	2,176	2,423
<b>Total</b>	<b>46,312</b>	<b>37,741</b>

### 14. COMMITMENTS AND CONTINGENCIES

#### Operating lease obligations

Long-term financial commitments have been entered into in the form of operating leases in respect of the property in Capelle aan den IJssel, vehicles, furniture and equipment and IT equipment as follows:

	<b>2006</b>	<b>2005</b>
Within one year	3,296	2,780
After one year but within five years	9,452	8,697
After five years	15,834	17,570
<b>Total</b>	<b>28,582</b>	<b>29,047</b>

The property in Capelle aan den IJssel was disposed of in 2005 in the form of a sale and leaseback transaction. The lease, which has a term of fifteen years, includes options to extend the term.

#### Finance lease obligations

Long-term financial commitments have been entered into in the form of finance leases in respect of property in Germany and IT equipment in the Netherlands. The leases have options to extend the term, but do not contain any option to buy or expansion clauses. The option to extend is at the discretion of the specific entity in question. The future minimum finance lease instalments pursuant to finance lease agreements and the present value of the minimum lease instalments are as follows:

	<b>2006</b>		<b>2005</b>	
	<b>Minimum Instalment</b>	<b>Present value of instalments</b>	<b>Minimum instalment</b>	<b>Present value of instalments</b>
Within one year	320	259	308	221
After one year but within five years	692	501	1,062	703
After five years	908	625	1,468	1,130
<b>Total minimum lease instalments</b>	<b>1,920</b>	<b>1,385</b>	<b>2,838</b>	<b>2,054</b>
Less: finance costs	535	-	784	-
<b>Total present value of minimum lease instalments</b>	<b>1,385</b>	<b>1,385</b>	<b>2,054</b>	<b>2,054</b>

### Capital expenditure commitments

At 31 December 2006, capital expenditure commitments totalled EUR 0.1 million. At year-end 2005, the Econosto Group had capital expenditure commitments totalling AED 18.4 million (EUR 4.2 million), mainly relating to the completion of a new office and warehouse in Dubai, United Arab Emirates, of which AED 7.8 million (approximately EUR 1.8 million) was recognised in the balance sheet at 31 December 2005 under 'assets held for sale'

### Purchase commitments

The total purchase commitments at 2006 year-end in respect of the Kirishi project amounted to EUR 21 million.

### Guarantees

Guarantees amounting to EUR 26.5 million (2005: EUR 7.8 million) have been provided to third parties not forming part of Koninklijke Econosto N.V. These relate primarily to the Kirishi project.

### Disputes and legal proceedings

Koninklijke Econosto N.V. and its subsidiaries are involved in a number of disputes and legal proceedings. Based on the information currently available and on legal advice obtained, any adverse consequences resulting from these disputes and legal proceedings are adequately provided for.

#### *Claim on the supply of allegedly defective products*

Further details of this claim are given in Note 2.2.

## 15. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Koninklijke Econosto N.V. and the significant operating companies and holding companies listed below:

(if no percentage is given, the figure is 100%)

<b>Name</b>	<b>Country of establishment</b>
Econosto Nederland B.V.	Netherlands
Econosto International B.V.	Netherlands
Econosto Nederland Holding B.V.	Netherlands
Econosto International Holding B.V.	Netherlands
Kralingen Vastgoed B.V.	Netherlands
N.V. Econosto	Belgium
Econosto International Holding GmbH	Germany
Siekmann Econosto Verwaltungs GmbH	Germany
Siekmann Econosto GmbH & Co KG	Germany
Siekmann Econosto Armaturen und Dichtungstechnik GmbH	Germany
Econosto Italia sre	Italy
Econosto Ball Valves Ltd	United Kingdom
Econosto UK Ltd	United Kingdom
Econosto Ibérica S.A.	Spain
Econosto Mideast B.V.	**
Econosto Singapore Pte	**
Ltd Econosto Malaysia Snd Bhd	United Arab Emirates

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*Related parties*

The following organisation is a Koninklijke Econosto N.V. related party:

Stichting Econosto's Pensioenfonds administers the pension plans for the employees of the Dutch companies. In accordance with a funding agreement, pension contributions amounting to EUR 1.8 million (2005: EUR 1.9 million) were made to the pension plan in the year under review. Further details are given in Note 5.

**Remuneration of Board of Management and Supervisory Board members**

	<b>Salaries</b>	<b>Bonus payments</b>	<b>Long-term remuneration</b>	<b>Total remuneration for 2006</b>
<b>Board of Management member</b>				
J.F.A.M. van Os	195	120	36	351
O. de Vries	156	84	29	269
<b>Supervisory Board members</b>				
C. Knol	25	-	-	25
B.F. Kostwinder	20	-	-	20
S.R. Nanninga	20	-	-	20
<b>Total</b>	<b>416</b>	<b>204</b>	<b>65</b>	<b>685</b>



	Salaries	Bonus payments	Long-term remuneration	Remuneration in the form of redundancy payments	Total remuneration for 2005
<b>Current and former Board of Management members</b>					
J.F.A.M. van Os	195	78*	36	-	309
O. de Vries (from 1 May 2005)	90	45	17	-	152
T. Vis (till 1 May 2005)	45	-	25	101	171
<b>Supervisory Board Members</b>					
C. Knol	20	-	-	-	20
B.F. Kostwinder	16	-	-	-	16
S.R. Nanninga	16	-	-	-	16
<b>Total</b>	<b>382</b>	<b>123</b>	<b>78</b>	<b>101</b>	<b>684</b>

\* excluding 2004 bonus of EUR 70,000 paid in 2005

Long-term remuneration relates to pension contributions paid.

Based on the old regulations, former Board of Management members were paid EUR 31,000 (2005: EUR 31,000) in pensions. In addition, there is an outstanding interest-free loan to a former Board of Management member of EUR 93,000 (2005: EUR 93,000).

None of the former Board of Management members and former Supervisory Board members was granted any type of bonus.

#### *Matching Shares Plan*

Members of the Board of Management and the directors of a number of subsidiaries of Koninklijke Econosto N.V. are entitled to participate in the Matching Shares Plan. The main features of the plan are as follows:

- based on achieving pre-determined financial and non-financial criteria, the members of the Board of Management and the directors of the subsidiaries are granted a cash bonus;
- by participating in the plan, the members of the Board of Management are obliged to invest 25% of their net cash bonus in Econosto shares;

- by participating in the plan, the directors of the subsidiaries have the option to invest 25% of their net cash bonus in Econosto shares;
- the Matching Shares Plan has a vesting period of three years. If a participant in the Matching Shares Plan is still in the service of Econosto after the vesting date and has not sold the shares referred to above, the company grants a number of Matching Shares to the participant free of charge, equal to the number of shares purchased with the bonus;
- depending on the growth in the company's value, the granting of Matching Shares to the members of the Board of Management free of charge can be as high as 150% of the compulsory investment in shares by the members of the Board of Management;
- the term of the Matching Shares Plan has been set at five years.

In 2006, 8,537 Matching Shares were purchased by Koninklijke Econosto N.V. as follows:

	Number	Price EUR	Amount EUR	Total Number purchased
<b>Members of the Board of Management</b>				
J.F.A.M. van Os	3,051	4,60	14,035	7,196
O. de Vries	1,760	4,60	8,096	2,716
<b>Directors of subsidiaries</b>	<b>3,726</b>	<b>4,60</b>	<b>17,140</b>	<b>10,985</b>
<b>Total</b>	<b>8,537</b>		<b>39,271</b>	<b>20,897</b>

Movements in the number of Matching Shares purchased by Koninklijke Econosto N.V. were as follows:

	Number	Average price EUR	Amount EUR
1 January 2006	12,360	3,04	37,574
Granted in 2006	8,537	4,60	39,271
<b>31 December 2006</b>	<b>20,897</b>	<b>3,68</b>	<b>76,845</b>

The following amounts in respect of the Matching Shares Plan are in the income statement:

	2006	2005
Charge based on equity-based payments	26	0

## 16. SEGMENT INFORMATION

The primary segmentation is based on geographical area, since Koninklijke Econosto N.V.'s risks and rates of return are affected predominantly by the different regions in which it operates. The geographical areas of Koninklijke Econosto N.V. are based on the physical location of the assets. The nature of the operations is so similar across the geographic areas that secondary segmentation is not considered expedient.

To determine the selling prices for intra-group deliveries, the cost plus model is used, involving a standard mark-up. For larger projects, the mark-up is determined on a project-by-project basis.

## Geographical segments

The following tables show net sales, results, assets and liabilities of the Koninklijke Econosto N.V. segments at 31 December 2006 and 2005.

For further details of the discontinued operations, see note 19.

2006	Continuing operations				Total	Discontinued operations	Total
	Europe	Middle East	Far East	Eliminations			
<b>Net sales</b>							
Net sales to external parties	143,902	43,810	3,654	-	191,366	5,125	196,491
Inter - segment sales	8,895	274	154	(9,323)	-	-	
Total net sales	152,797	44,084	3,808	(9,323)	191,366	5,125	196,491
<b>Results</b>							
Segment results	4,534	3,045	398	-	7,977	(138)	7,839
Cumulative exchange differences from equity as a result of sale of subsidiary	-	-	-	-	-	1,091	1,091
Finance revenue and costs					(4,535)	(39)	(4,574)
Profit before tax					3,442	914	4,356
Taxes					(435)	(3)	(438)
Net Profit for the year					3,007	911	3,918
<b>Segment assets</b>	77,220	29,390	2,431	-	109,041	-	109,041
<b>Liabilities</b>							
Segment Liabilities	31,510	16,902	5,472	-	53,884	-	53,884
Non-allocated liabilities					35,700	-	35,700
Total liabilities					89,584	-	89,584

**Other  
segment  
information**

Additions to property, plant and equipment	967	2,824	20	-	3,811
Depreciation	2,174	188	34	-	2,396
Addition to provisions	904	-	-	-	904

Net sales of the continuing operations based on the location of the customer can be broken down as follows:

	Europe	Middle East	Far East	Other	Total
<b>Net sales</b>	136,437	43,051	7,940	3,938	191,366

2005	Continuing operations					Discontinued operations	Total
	Europe	Middle East	Far East	Eliminations	Total		
<b>Net Sales</b>							
Net sales to external parties	126,376	33,387	2,801	-	162,564	9,153	171,717
Inter-segment sales	7,446	2	103	(7,551)	-	1,572	1,572
<b>Total net sales</b>	<b>133,822</b>	<b>33,389</b>	<b>2,904</b>	<b>(7,551)</b>	<b>162,564</b>	<b>10,725</b>	<b>173,289</b>
<b>Results</b>							
Segment results	10,696	2,313	222	-	13,231	(6,689)	6,542
Finance revenue and costs					(4,449)	(24)	(4,473)
Profit/ (loss) before tax					8,782	(6,713)	2,069
Taxes					147	442	589
Net profit/ (loss) for the year					8,929	(6,271)	2,658
<b>Segment assets</b>	<b>71,075</b>	<b>24,031</b>	<b>1,858</b>	<b>-</b>	<b>96,964</b>	<b>7,069</b>	<b>104,033</b>
<b>Liabilities</b>							
Segment liabilities	35,375	11,821	532	-	47,728	5,044	52,772
Non-allocated liabilities					33,235	-	33,235
<b>Total Liabilities</b>					<b>80,963</b>	<b>5,044</b>	<b>86,007</b>
<b>Other segment information</b>							

Additions to Property, plant and equipment	1,909	1,955	10	-	3,874	231	4,105
Depreciation	2,479	92	58	-	2,629	759	3,388
Impairment losses							
Recognised in income statement	779	-	-		779	4,616	5,395
Addition to provisions	366	-	-		366	-	366

Net sales of the continuing operations based on the location of the customer can be broken down as follows:

	Europe	Middle East	Far East	Other	Total
<b>Net sales</b>	123,971	29,848	4,804	3,941	162,564

## 17. OTHER INCOME AND EXPENSE

### a. Other income

	2006	2005
Net gain on sale of property, plant and equipment	577	8,452
Net gain on sale of subsidiary	-	190
Net gain on sale of activities	55	-
Reversal of impairment losses on inventories and receivables	-	400
<b>Total</b>	<b>632</b>	<b>9,042</b>

### b. Wages, salaries and social security charges

	2006	2005
Wages and salaries	23,416	23,490
Social Security	3,349	3,560
Pension costs	1,189	960
<b>Total</b>	<b>27,954</b>	<b>28,010</b>

Pension costs also include an amount of EUR 670,000 (2005: EUR 820,000) under defined benefit plans.

### c. Impairment losses

	2006	2005
Impairment losses	-	(779)

In 2005, property was impaired in connection with an intended disposal

d. Finance revenue and costs

	<b>2006</b>	<b>2005</b>
<b>Finance revenue</b>		
Bank and other interest received	121	44
Exchange rate differences	-	50
<b>Total</b>	<b>121</b>	<b>94</b>
<b>Finance costs</b>		
Bank loans and bank credits	1,371	1,616
Finance charges incurred on finance leases	66	94
Coupon interest on convertible subordinated bond loan	1,466	1,466
Annual interest added to convertible subordinated bond loan	1,602	1,367
Exchange rate differences	151	-
<b>Total</b>	<b>4,656</b>	<b>4,543</b>

**18. INCOME TAX**

The major components of income tax expense for 2006 and 2005 are as follows:

	<b>2006</b>	<b>2005</b>
<b>Consolidated income statement</b>		
<i>Current income tax</i>		
Current income tax charge	(314)	(141)
<i>Deferred income taxes</i>		
Expense based on use of capitalised foreign carry-forward tax losses	(203)	-
Income due to capitalising foreign carry-forward tax losses	82	288
<b>Income tax expense recognised in consolidated income statement</b>	<b>(435)</b>	<b>147</b>

A reconciliation between the tax expense and the results of the calculation of profit before tax, multiplied by the local income tax rate in the Netherlands for the years ended 31 December 2006 and 2005 is as follows:

	<b>2006</b>	<b>2005</b>
Profit before tax on continuing operations	3,442	8,782
Profit/(loss) before tax on a discontinued operation	914	(6,713)
<b>Profit before income tax</b>	<b>4,356</b>	<b>2,069</b>
At the statutory income tax rate of 29.6% (2005:31.5%) applicable in the Netherlands	(1,289)	(652)
Non-deductible expenses (including interest charge on convertible subordinated bond loan, pension costs and impairment loss on subsidiaries)	(293)	(1,789)
Unrecognised carry-forward tax losses outside the Netherlands	443	34
Different tax rate outside the Netherlands	(36)	-
Tax-exempt profit outside the Netherlands	833	761
Cumulative exchange rate difference	323	-
Carry-forward losses set off against profit in the Netherlands	-	2,235

Losses for the year not capitalised in the Netherlands	(419)	-
At the effective income tax rate of 10.1% (2005: -28.5%)	(438)	589
Income tax expense recognised in consolidated income statement	(435)	147
Income tax attributable to discontinued operation	(3)	442
	(438)	589

### Deferred taxes

Deferred taxes at 31 December relate to the following

	Consolidated balance sheet		Consolidated income statement	
	2006	2005	2006	2005
<i>Deferred tax liabilities</i>				
Cash flow hedges and share-based payments	(21)	(24)	(3)	24
Equity component of convertible subordinated bond loan	(1,098)	(1,672)	(574)	(431)
Pensions	(424)	(259)	165	259
<b>Total</b>	<b>(1,543)</b>	<b>(1,955)</b>	<b>(412)</b>	<b>(148)</b>
<i>Deferred tax assets</i>				
Cash flow hedges and share-based payments	21	24	3	(24)
Equity component of convertible subordinated bond loan	1,098	1,672	574	431
Pensions	424	259	(165)	(259)
Carry-forward losses available in the Netherlands	2,711	2,711	-	-
Temporary differences	84	-	-	-
Carry-forward losses available outside the Netherlands	167	288	(121)	288
<b>Total</b>	<b>4,505</b>	<b>4,954</b>	<b>291</b>	<b>436</b>
<b>Deferred income tax assets less liabilities</b>	<b>2,962</b>	<b>2,999</b>	<b>(121)</b>	<b>288</b>

A deferred income tax liability is recognised for the equity component of the convertible subordinated bond loan, the cash flow hedges and the share-based payments. In addition, a further deferred income tax liability is included due to lower pension costs under IFRS relating to the defined benefit plan administered by Stichting Econosto's Pensioenfond. Given the available carry-forward losses of the tax group in the Netherlands, deferred income tax assets are recognised for the same amount as the deferred income tax liabilities.

The Koninklijke Econosto N.V. tax group in the Netherlands has carry-forward tax losses amounting to EUR 43.9 million (2005: EUR 43.0 million), which were incurred by the Dutch companies. Of this amount, EUR 7.6 million is available for set-off until 2011, EUR 0.6 million until 2013, EUR 32.9 million can be carried-forward for nine years and carried back for one year and

EUR 2.8 million is available for set-off indefinitely. A deferred income tax asset of EUR 2.7 million (2005: EUR 0.7 million) is recognised in respect of these carryforward tax losses.

Foreign subsidiaries have carry-forward tax losses of EUR 2.2 million (2005: EUR 5.8 million). They represent a deferred income tax asset of EUR 0.6 million (2005: EUR 1.6 million). Of this amount, EUR 0.2 million is recognised as a deferred income tax asset in the balance sheet at 31 December 2006 (2005: EUR 0.7 million). In 2005, an amount of EUR 0.4 million was recognised as part of the assets held for sale.

## 19. DISCONTINUED OPERATIONS

In 2005, the company drew up a plan to dispose of the remaining production companies and dispose of its remaining property under a sale and leaseback transaction. In 2006, the production companies and some of the remaining property was disposed of.

The results of the operating activities classified as significant are recognised under profit or loss on discontinued operations. Consolidation of the significant production companies sold continued until effective control ceased to exist, in this case on 6 June 2006. The cumulative exchange rate difference, accrued from 2004, was credited to the income statement under 'Profit or loss on discontinued operations.'

The sale of the premises in Dortmund and Dubai, which were included under the 'Assets held for sale' at 2005 year-end did not go ahead. These premises are therefore recognised under property, plant and equipment at year-end 2006.

As a result of the sale of the property, the mortgage loans on Parklaan 1 C.V. were repaid in full at 1 September 2006.

The results of the discontinued operations that qualify as significant are as follows:

	<b>2006</b>	<b>2005</b>
Net sales	5,125	9,153
Costs	5,252	11,223
Gross loss	(127)	(2,070)
Cumulative exchange differences from equity as a result of sale of subsidiary	1,091	-
Finance revenue and costs	(39)	(24)
Loss on recognition at fair value	(11)	(4,619)
Profit/ (loss) on discontinued operations before income tax	914	(6,713)
Income taxes	(3)	442
Profit/ (loss) on discontinued operations after income tax	911	(6,271)

Net cash flows from discontinued operations are as follows:

	<b>2006</b>	<b>2005</b>
Operating activities	(39)	192
Investing activities	(44)	(72)
Financing activities	30	(344)
Net outflow	(53)	(224)

Earnings per share:

Basic, for profit for the year on discontinued operations attributable to ordinary shareholders of Koninklijke Econosto N.V. EUR 0.07 (EUR 0.46)



Diluted, for profit for the year on discontinued operations attributable to ordinary shareholders of Koninklijke Econosto N.V.

EUR 0.07 (EUR 0.46)

The principal asset and liabilities categories of the remaining property held for sale at 31 December were as follows:

	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Property plant and equipment	-	8,455
Inventories		2,459
Trade and other receivables	-	3,359
Cash and cash equivalents	-	291
Assets held for sale	-	14,564
<b>Liabilities</b>		
Provision		407
Trade and other payables	-	1,968
Interest-bearing loans	-	4,444
Other non-interest-bearing liabilities	-	964
Liabilities for assets held for sale	-	7,783
Net carrying amount of discontinued operations	-	6,781

## 20. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year attributable to the holders of ordinary shares by the weighted average number of ordinary shares issued during the year. The weighted average number of shares in issue in 2006 was 13,567,885 (2005: 13,563,885).

When calculating the diluted earnings per share, the weighted average number of ordinary shares issued is adjusted for the conversion effect of the convertible subordinated bond loan. It is assumed in this context that all bonds convertible into ordinary shares resulting in dilution were converted at the start of every year. Based on the convertible amount of the convertible subordinated bond loan of EUR 11,544,355 and a conversion price of EUR 4.00, this results in 2,886,089 additional shares.

Since the potential conversion of the convertible subordinated bond loan in 2006 and 2005 results in higher diluted earnings per share compared with basic earnings per share, the effect of dilution is not taken into account.

The table below shows the figures for profit and shares used in the calculations of the ordinary and diluted earnings per share:

	<b>2006</b>	<b>2005</b>
Profit for the year on continuing operations attributable to holders of ordinary shares	3,007	8,929
Profit/ (loss) on discontinued operations attributable to holders of ordinary shares	911	(6,271)
Profit for the year attributable to holders of ordinary shares		

## 21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial instruments of Koninklijke Econosto N.V. are non-interest-bearing trade receivables and payables, bank loans and overdrafts, a convertible subordinated bond loan, finance leases and cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the operations of Koninklijke Econosto N.V. Koninklijke Econosto N.V. also has various other financial assets and liabilities, such as trade receivables and trade payables arising directly from its operations.

In general, Koninklijke Econosto N.V. does not trade in financial instruments and did not do so throughout the year under review.

The main risks arising from Koninklijke Econosto N.V.'s financial instruments are currency, price and delay risks, credit risks, liquidity risks and interest rate risks. The Board of Management reviews and agrees policies for managing each of these risks (see the summary below).

### *Currency risk*

The currency risks to which Koninklijke Econosto N.V. is exposed as a result of its operations are limited and manageable. If long-term contracts are entered into, the need for hedging each individual contract is reviewed. The principal risks based on the Kirishi project have been hedged using forward exchange contracts.

Owing to investment operations of its subsidiaries outside the Eurozone, Koninklijke Econosto N.V.'s balance sheet can be affected significantly by movements in the local currencies against the euro.

### *Price and delay risks*

Koninklijke Econosto N.V.'s exposure to price risk is small. Depending on the reasons for increasing purchase prices, the increases can be passed on to the market.

The risks relating to the delay in deliveries of goods to which Koninklijke Econosto N.V. is exposed are managed as far as possible by strict internal procedures.

### *Credit risk*

Koninklijke Econosto N.V. only trades with recognised, creditworthy third parties. Koninklijke Econosto N.V.'s policy is that all customers who wish to trade on credit terms are subject to credit verification procedures. Trade credit insurance is taken out for certain groups of customers. In addition, outstanding balances are monitored on an ongoing basis, with the result that Koninklijke Econosto N.V.'s exposure to bad debts is not significant.

Since Koninklijke Econosto N.V. only trades with recognised third parties, there is no need for them to provide security.

In the case of large projects, supplies are made as much as possible under confirmed letters of credit.

### *Liquidity risk*

Koninklijke Econosto N.V. intends to find a balance between continuity and flexibility of financing by using a mix of bank credits, bank loans, bond loans, as well as finance lease and hire purchase agreements. With the funds obtained in 2006, there is sufficient scope for stable growth. Further details on this credit facility are given in Note 12.

Specific long-term projects are funded on a project basis.

Koninklijke Econosto N.V. does not expect to have any problems achieving the ratios set by the banks.

*Interest rate risk*

Koninklijke Econosto N.V.'s risk policy is geared to paying interest on loans and debts based as much as possible on low variable rates. The interest rates on bank facilities depend on 1-month Euribor.

## 22. FINANCIAL INSTRUMENTS

### Fair values

Koninklijke Econosto N.V.'s financial instruments consist of non interest-bearing trade receivables and payables, bank loans and bank credits, a convertible subordinated bond loan, finance leases and cash and short-term deposits.

A comparison between the carrying amounts and fair values of all the financial instruments not held for sale recognised in Koninklijke Econosto N.V.'s financial statements is set out below.

	Carrying Amount		Fair value	
	2006	2005	2006	2005
<b>Financial assets</b>				
Cash and short-term deposit	2,705	5,718	2,705	5,718
Trade and other receivables	53,270	40,476	53,270	40,476
Loans receivable	730	226	658	226
<b>Financial liabilities</b>				
Short-term interest-bearing loans	16,345	15,456	16,345	15,456
Long-term interest-bearing loans	50	-	45	-
Finance lease liabilities	1,385	2,054	1,920	2,230
Convertible subordinated bond loan	19,380	17,779	25,498	22,995

### Interest rate risk

The following tables show the carrying amounts of the financial instruments of Koninklijke Econosto N.V. not held for sale and in respect of which it is exposed to interest rate risk, broken down by the term of the instrument.

#### At 31 December 2006

*Fixed rate*

	With one year	1-2 years	2-3 years	3-4 years	4-5 Years	>5 years	Total
Finance lease liabilities and hire purchase agreements	-	257	203	-	-	925	1,385
Convertible subordinated bond Loan	5,521	5,104	4,603	4,152	-	-	19,380

*Variable rate*

	<b>With one year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Short-term interest-bearing loans	16,345	-	-	-	-	-	16,345

**At 31 December 2006***Fixed rate*

	<b>With one year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Finance lease liabilities and hire purchase agreements	-	-	-	471	-	1,583	2,054
Convertible subordinated bond loan	-	5,104	4,603	4,152	3,920	-	17,779*

\* The allocation of the annual repayments of the convertible subordinated loan to the various years has changed compared with the 2005 financial statements. In the 2005 financial statements, the annual repayments were spread evenly over the term.

*Variable rate*

	<b>With one year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Short-term interest-bearing loans	15,456	-	-	-	-	-	15,456

The interest rate on financial instruments classified as variable is reviewed at least once a year. The interest rate on financial instruments classified as fixed is fixed until the due date of the instrument. The other financial instruments of Koninklijke Econosto N.V. not included in the above tables are noninterest bearing, so that they do not expose Koninklijke Econosto N.V. to any interest rate risk.

**Credit risk**

Since Koninklijke Econosto N.V. trades with recognised, creditworthy third parties, the credit risk is estimated to be low. There are no significant concentrations of credit risks within Koninklijke Econosto N.V.

**Hedging activities***Cash flow hedges*

At 31 December 2006, Koninklijke Econosto N.V. designated the following forward exchange contracts as hedges of expected future sales to customers for which Koninklijke Econosto N.V. had entered into commitments. At 31 December 2006, Koninklijke Econosto N.V. had a number of forward

exchange contracts classified as hedges of expected future purchases from suppliers in US\$ for which Koninklijke Econosto N.V. had entered into commitments. The conditions of these contracts were as follows:

	<b>Due date</b>	<b>Exchange rate</b>
<b>Sale</b>		
Forward exchange contracts to hedge expected future sales		
US\$ 155,000		
US\$ 297,169	2 April 2007	1.3010
US\$ 151,426	11 May 2007	1.3380
US\$ 284,470	18 May 2007	1.3384
US\$ 17,278,000	13 July 2007	1.3406
US\$ 15,662,000	15 August 2007	1.3228
US\$ 3,026,000	16 October 2007	1.3265
US\$ 4,400,000	15 November 2007	1.3285
	17 March 2008	1.3425
	<b>Due date</b>	<b>Exchange rate</b>
<b>Purchase</b>		
Forward exchange contracts to hedge expected future sales		
US\$ 36,264		
US\$ 114,202	16 April 2007	1.3215
US\$ 26,774	16 April 2007	1.3215
US\$ 26,305	16 April 2007	1.3215
	16 April 2007	1.3215

The cash flow hedges of expected future sales and purchases were considered effective, with an unrealised gain of EUR 122,000 as well as a deferred income tax charge of nil relating to the hedging instrument, being recognised in equity.

### **23. EVENTS AFTER THE BALANCE SHEET DATE**

On 2 April 2007, Koninklijke Econosto N.V. announced its intention to repay the 6,35% subordinated bond loan of EUR 23,088,708.98, convertible to ordinary shares issued in 1996 and expiring in 2010, in full on 5 June 2007.

**BALANCE SHEET OF KONINKLIJKE ECONOSTO N.V.**

	Notes	31 December 2006	31 December 2005
<b>ASSETS</b>			
<b>Non current assets</b>			
Subsidiaries	26	53,536	50,487
Loans to group companies	27	8,706	9,768
Deferred income tax assts	28	2,711	2,711
Other receivables	4*	552	-
		65,505	62,966
<b>Current assets</b>			
Group company receivables		6,048	1,389
Other receivables		350	908
Prepayments and accrued income		51	54
		6,449	2,351
<b>TOTAL ASSETS</b>		<b>71,954</b>	<b>65,317</b>

\* For the notes to these items, reference is made to the consolidated financial statements.

**BALANCE SHEET OF KONINKLIJKE ECONOSTO N.V. (x EUR 1,000)**

(x EUR 1,000)

	Notes	31 December 2006	31 December 2005
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to ordinary shareholders of</b>			
<b>Koninklijke Econosto N.V.</b>			
Issued capital	29	6,784	6,784
Share premium	29	4,473	4,473
Other reserves	29	5,036	2,391
Statutory reserves	29	(876)	1,292
Revaluation reserves	29	122	76
Profit for the year	29	3,918	2,658
		19,457	17,674
<b>Provisions</b>			
Other provisions	30	1,129	1,376
<b>Non-current liabilities</b>			
Convertible subordinated bond loan - loan capital component	12*	13,859	17,779
<b>Current liabilities</b>			
Credit institutions	12*	28,687	24,905
Convertible subordinated bond loan - loan capital component	12*	5,521	
Accruals and deferred income		3,301	3,583
		37,509	28,488
<b>Total liabilities</b>		<b>52,497</b>	<b>47,643</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>71,954</b>	<b>65,317</b>

\* For the notes to these items, reference is made to the consolidated financial statements

## OTHER INFORMATION

### INCOME STATEMENT OF KONINKLIJKE ECONOSTO N.V.

<i>(x EUR 1,000)</i>	Notes	2006	2005
Profit of subsidiaries after tax		3,918	2,658
Profit for the year		3,918	2,658

### NOTES TO THE FINANCIAL STATEMENTS OF KONINKLIJKE ECONOSTO N.V.

#### 24. GENERAL

Since the results of Koninklijke Econosto N.V. are included in the consolidation, the company income statement is presented in a condensed format in accordance with Section 402 of Book 2 of the Netherlands Civil Code.

#### 25. ACCOUNTING POLICIES

The accounting policies of Koninklijke Econosto N.V.'s company financial statements are based on the option provided by Section 362(8) of Book 2 of the Netherlands Civil Code. This means that the accounting policies applied to Koninklijke Econosto N.V.'s company financial statements are the same as those applied to the consolidated financial statements. Subsidiaries over which significant influence is exercised are therefore recognised in accordance with the net asset value method. The consolidated financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. For a description of these accounting policies, reference is made to the accounting policies of the consolidated financial statements.

Interests held in group companies are recognised at net asset value in accordance with uniform accounting policies.

The share of the result of companies in which Koninklijke Econosto N.V. has an interest comprises Koninklijke Econosto N.V.'s share of the results of these subsidiaries. Results on transactions involving the transfer of assets and liabilities between Koninklijke Econosto N.V. and its subsidiaries, and among these subsidiaries themselves, are not recognised to the extent that they can be regarded as unrealised.

#### 26. INVESTMENTS IN SUBSIDIARIES

A list of significant operating companies and holding companies is included in Note 15. For a complete list of all Koninklijke Econosto N.V. group companies and the liability undertakings issued on their behalf, reference is made to the list of subsidiaries filed with the Trade Registry of the Rotterdam Chamber of Commerce.

The financial statements of all group companies are included in the consolidated financial statements



## 27. LOANS TO GROUP COMPANIES

	<b>2006</b>	<b>2005</b>
Carrying amount at 1 January	9,768	9,288
Repayments	(854)	
Currency translation differences	(208)	480
Carrying amount at 31 December	8,706	9,768

The loans all relate to group companies.

No interest is charged on the outstanding long-term loans to group companies, except for a long-term loan to Econosto Mideast ( EUR 0.7 million) and a component of the long-term loan to Siekmann Econosto (EUR 0.75 million). Interest at 5% and 4% respectively is charged on these loans.

The aim of the loans is to benefit the business operations of the group companies on a long-term basis. Although no repayment schedule has been agreed, the decision on making repayments is made annually based on cash available and the solvency of the group companies. The loans are denominated in local currencies.

## 28. DEFERRED TAX ASSET

An amount of EUR 0.9 million is expected to be settled within a year. In contrast to the previous financial year, the deferred tax asset is classified under non-current assets. For further details of the deferred tax asset, see note 18 to the consolidated financial statements.

## 29. EQUITY

The authorised share capital consists of the following

	<b>2006</b>	<b>2005</b>
3,750,000 convertible cumulative preference financing		
Shares of EUR 0.50 nominal value each	1,875	1,875
16,760,000 ordinary shares of EUR 0.50 nominal value each	8,380	8,380
	10,255	10,255

Issued and paid-up share capital

	<b>2006</b>	<b>2005</b>
<b>Priority shares</b>		
Balance at 1 January	-	5
Conversion into ordinary Ishare	-	(5)
Balance at 31 December	-	-
	<b>2006</b>	<b>2005</b>
<b>Ordinary shares</b>		
Balance at 1 January	6,784	6,779
Conversion into ordinary Ishare	-	5
Balance at 31 December	6,784	6,784

Total number of ordinary shares issued: 13,567,885 (2005: 13,567,885)

Stichting Prioriteits aandelen en Stichting Econosto were dissolved in 2005. The priority shares were converted into ordinary shares.

	<b>2006</b>	<b>2005</b>
<b>Share premium</b>		
Balance at 1 January	4,473	4,473
Movements	-	-
Balance at 31 December	4,473	4,473

<b>Other reserves, statutory reserves and revaluation reserves</b>	<b>Other reserves</b>	<b>Statutory reserves (translation differences reserve)</b>	<b>Revaluation reserves (cash flow hedges reserve)</b>	<b>Total</b>
At 1 January 2005	2,434	(419)	-	2,015
Treasury shares	(38)	-	-	(38)
Net gain on cash flow hedges	-	-	76	76
Currency translation differences	-	1,711	-	1,711
Loss for the year	(5)	-	-	(5)
At 31 December 2005	2,391	1,292	76	3,759
Treasury shares	(39)	-	-	(39)
Share-based payments	26	-	-	26
Unrealised net gain on cash flow hedges	-	-	122	122
Loss on cash flow hedges in income statement	-	-	(76)	(76)
Currency translation differences	-	(1,077)	-	(1,077)
Cumulative currency translation differences to income statement as a result of sale of subsidiary	-	(1,091)	-	(1,091)
Loss on discontinued operations	(6,271)	-	-	(6,271)
Profit for the year on continuing operations	8,929	-	-	8,929
31 December 2006	5,036	(876)	122	4,282

If statutory reserves show a deficit, no distribution equal to the amount of the deficit can be charged to other reserves.

	<b>2006</b>	<b>2005</b>
Profit / (loss) for the year		
Balance at 1 January	2,658	(5)
Addition to other reserves	(2,658)	5
Net profit for the year	3,918	2,658
Balance at 31 December	3,918	2,658

### 30. PROVISIONS

Movements in provisions were as follows:

	2006	2005
At 1 January	1,376	1,839
Additions	54	
Release	(100)	
Withdrawals	(201)	(463)
At 31 December	1,129	1,376
Current at 31 December 2006	32	
Non-current at 31 December 2006	1,097	
Total	1,129	
Current at 31 December 2005	31	
Non-current at 31 December 2005	1,345	
Total	1,376	

Further details of the provisions are given in Note 10 of the consolidated financial statements.

### 31. COMMITMENTS AND CONTINGENCIES

#### *Guarantees for debts of third parties*

Within the framework of Section 403 of Book 2 of the Netherlands Civil Code, the company has assumed joint and several liability for the debts arising from the legal acts of a number of Dutch group companies. The debts of these group companies amounted to EUR 20.5 million at year-end 2006 (2005: EUR 17.6 million), of which EUR 9.0 million (2005: EUR 6.0 million) related to debts to credit institutions. The company also provided guarantees to third parties amounting to EUR 1.5 million (2005: EUR 3.2 million).

Koninklijke Econosto N.V. stands surety for any failure of performance of Econosto International in the implementation of the Kirishi project. Finally, Koninklijke Econosto N.V. stands surety for the equity deficit of Econosto Malaysia at 31 December 2006 (EUR 2.4 million).

Koninklijke Econosto N.V. forms a tax group for income tax purposes with its Dutch companies and is accordingly jointly and severally liable for the tax liabilities of the group.

Koninklijke Econosto N.V. also stands surety for the rental obligations referred to in the notes to the consolidated financial statements.

### 32. FINANCIAL INSTRUMENTS

Further details of the financial instruments are given in Note 22 of the consolidated financial statements.

### 33. STAFF COSTS AND REMUNERATION

Further details of staff costs are given in Note 15 setting out the remuneration of the Board of Management.

Koninklijke Econosto N.V. employed four staff in 2006 (2005: 4).

### 34. EVENTS AFTER THE BALANCE SHEET DATE

Details of events after the balance sheet date are given in Note 23 to the consolidated financial statements.

Capelle aan den IJssel

5 April 2007

Board of Management	Supervisory Board
J.F.A.M. van Os, Chairman	C. Knol, Chairman
O.de Vries,	B.F. Kostwinder
	S.R. Nanninga

### 35. SUBSTANTIAL SHAREHOLDING DISCLOSURES

At 5 April 2007, the company reported interests of 5% or more in the share capital of the following companies:

	%
Gestion Deelnemingen V B.V., Amsterdam	18.2
Janivo Beleggingen B.V., Zeist	14.2
TWE Beheer B.V., Amsterdam	6.5
Total	38.9

### 36. ARTICLES OF ASSOCIATION PROVISION GOVERNING THE APPROPRIATION OF PROFIT

The Articles of Association provision governing the appropriation of profit (Article 37), to the extent it is significant in the context of this report, is summarised below:

By resolution passed by the General Meeting of Shareholders, the dividend on ordinary shares may be fully or partly distributed in the form of shares. On a motion of the Board of Management approved by the Supervisory Board, the General Meeting of Shareholders can decide to charge distributions to holders of ordinary shares to one or more reserves that do not have to be kept according to law.

### 37. APPROPRIATION OF PROFIT

As disclosed in the income statement, the profit for the year amounts to:	3,918
Dividend distribution:	-
Credited to other reserves	3,918

In accordance with the agreements made with the shareholders and bondholders – as laid down in the Trust Deed of 28 August 2003 – no dividend shall be distributed to holders of ordinary shares until the

convertible subordinated bond loan has been repaid in full. The profit for the year will accordingly be added to other reserves.

### **38. AUDITOR'S REPORT**

On 5 April 2007, Ernst & Young Accountants have issued an auditor's report in respect of the consolidated and the company financial statements of Econosto for the financial year 2006, which report is included on page 126 of the Gilde Offer Memorandum.

### **39. TRUSTEE'S REPORT**

6.35% 1996/2010 Koninklijke Econosto N.V. subordinated bond loan, originally amounting to NLG 60,000,000 (EUR 27,226,800), currently amounting to \$23,088,708.98, convertible into ordinary Koninklijke Econosto N.V. shares.

In compliance with the provisions of article 11 of the trust deed, most recently amended on 28 August 2003 by deed executed before H.B.H. Kraak, civil-law notary practising in Amsterdam, we report as follows.

On 18 May 2006, the General Meeting of Shareholders was held. Bondholders who had applied to attend the meeting were invited to do so, although without being granted voting powers.

The loan will be repaid by Koninklijke Econosto N.V. in four equal instalments on 5 June 2007, 5 June 2008, 5 June 2009 and 5 June 2010, except for earlier repayment in full or in part by Koninklijke Econosto N.V.

Of the principal of the loan, an amount of EUR 23,088,708.98 as determined following amendment of the trust deed on 28 August 2003 – half will be convertible, as from 6 June 2008, into ordinary Koninklijke Econosto N.V. shares of EUR 0.50 nominal value each at a conversion price of EUR 4 per share; the other half is not convertible.

In compliance with article 4(11) of the trust deed, as many ordinary shares have been deposited in the name of the trustee as are required to enable full conversion of all outstanding bonds.

No bonds were offered for conversion during the year under review. The amount of the loan outstanding at 31 December 2006 was EUR 23,088,708.98.

Amsterdam, 25 January 2007

N.V. Algemeen Nederlands Trustkantoor ANT

L.J.J.M. Lutz

### **3. CONDENSED FIGURES FINANCIAL YEAR 2007 AND THE FINANCIAL YEAR 2006, INCLUDING REVIEW REPORT BY ERNST & YOUNG FOR THE FINANCIAL YEAR 2007 ACCORDING TO THE GILDE OFFER MEMORANDUM**

This Section 3 of Part 2 (Financial information) of this Offer Memorandum contains, amongst others, condensed consolidated financial information extracted from the annual financial statements (jaarrekening) of Koninklijke Econosto N.V. for the Financial Year 2006 and condensed consolidated financial information for the Financial Year 2007. Consequently, certain terms have been redefined in this Section and/or these terms may differ from the terms used in Section 3 of Part 1 (Definitions) of this Offer Memorandum. The terms defined and used in this Section 3 of Part 2 of this Offer Memorandum should be read to pertain only to this Section 3 of Part 2 of this Offer Memorandum, and not to any other Section of this Offer Memorandum.

Condensed consolidated financial information of the financial year of Koninklijke Econosto N.V. ended 31 December 2007 is included in Section 3.2 of Part 2 of this Offer Memorandum.

Ernst & Young has reviewed the condensed consolidated balance sheet as at 31 December 2007, the condensed consolidated profit and loss account for the year ended 31 December 2007, the condensed consolidated statement movements in shareholders' equity and the condensed consolidated cash flow statement for the year ended 31 December 2007 and the basis of presentation. Their review report is included on page 146 of the Gilde Offer Memorandum.

#### **INDEX TO FINANCIAL INFORMATION FOR THE FINANCIAL YEAR 2007**

- 3.1 Introduction
- 3.2 **Condensed consolidated financial information for the Financial Year 2007**
  - 3.2.1 Condensed consolidated balance sheet
  - 3.2.2 Condensed consolidated profit and loss account
  - 3.2.3 Condensed consolidated statement of movements in shareholders' equity
  - 3.2.4 Condensed consolidated cash flow statement
  - 3.2.5 Basis of presentation
- 3.3 Review report in respect of the Koninklijke Econosto N.V. condensed consolidated financial information relating to the Financial Year 2007

### 3.1 Introduction

#### 2007 Highlights

- Net sales rise by 36%: from EUR 191.4 million to EUR 260.5 million, EUR 33.4 million of which was generated by the one-off Kirishi project; excluding the Kirishi project, net sales increased by 19%
- Operating profit (EBIT), including the Kirishi project, increases from EUR 7.4 million (excluding other income) in 2006 to EUR 19.3 million in 2007
- Net profit, including the Kirishi project and a one-off tax benefit of EUR 2.9 million: EUR 17.9 million compared to EUR 3.9 million in 2006
- Basic earnings per share EUR 1.19 compared to EUR 0.29 in 2006
- Order portfolio, excluding the Kirishi project, increases from EUR 50.3 million at year-end 2006 to EUR 67.4 million at year-end 2007
- Convertible subordinated bond loan repaid prematurely
- New credit facilities without collateral security provided

#### Outlook for 2008<sup>1</sup>

- Market conditions remain favourable
- Lower contribution from the Kirishi project to net sales and operating profit in 2008. Given current uncertainties, Econosto refrains from making any statements regarding projected sales and profit for 2008
- Proposed public cash offer on Econosto shares

<b>Key figures (x EUR 1,000)</b>	<b>2007</b>	<b>2006</b>	<b>%change</b>
Net sales	260,504	191,366	36%
Gross profit	80,039	59,784	34%
Operating profit	19,324	7,977	142%
Profit before taxes	15,880	3,442	361%
Profit after taxes on continued activities	17,860	3,007	494%
Profit after taxes on discontinued activities	-	911	
Net profit	17,860	3,918	356%

<sup>1</sup> See the press release in Section 11.2.1 of this Offer Memorandum for an update of the Outlook 2008

## **2007 annual results**

### **Net sales**

Econosto achieved net sales totalling EUR 227.1 million in 2007, excluding the Kirishi project, representing an organic increase of 19% in comparison to 2006, when net sales totalled EUR 191.4 million. Net sales of the Kirishi project totalled EUR 33.4 million, thereby increasing total net sales for 2007 to EUR 260.5 million – 36% higher than in 2006.

All the Group companies contributed to the rise in net sales in 2007, with sales from projects showing significant growth as well. The strong growth of the activities in the Middle East made a particularly striking contribution to the increase in sales. The activities in the Netherlands, Belgium and the United Kingdom also showed strong growth.

### **Net profit**

Operating profit (excluding other income) rose from EUR 7.4 million to EUR 19.3 million in 2007. Net profit increased from EUR 3.9 million to EUR 17.9 million, partly as a result of the inclusion of a deferred tax asset of EUR 2.9 million. Basic earnings per share amounted to EUR 1.19 in 2007, compared to EUR 0.29 in 2006.

The operating profit was positively influenced by the increase in net sales and effective cost control. The profit was negatively influenced by the pressure on the margins that resulted from rising raw material prices and increased international competition in 2007.

### **Net operating capital**

Due to the increased activities in 2007, net operating capital (which comprises total inventories and trade receivables less trade payables) rose to EUR 57.4 million at year-end 2007, representing a 16% increase in comparison to 31 December 2006 (year-end 2006: EUR 49.4 million). Net operating capital as a percentage of net sales on 31 December 2007 fell to 22.0% (2006: 25.8%).

### **Liquidity**

Net interest-bearing debts, i.e. the total amount of current and non-current interest-bearing liabilities, net of cash and short-term deposits, decreased by EUR 20.4 million in 2007: from EUR 34.2 million to EUR 13.8 million.

### **Dividend**

The Management Board will propose to the General Meeting of Shareholders to be held on 15 May 2008 to forego a dividend for 2007, as was the case in 2006.

### **Outlook**

Econosto expects market conditions to remain favourable overall in 2008. It is however not yet clear what the impact will be of the credit crunch in the financial industry, uncertainties regarding the political developments in the Middle East and the global economic growth prospects. Given the current insecurities, Econosto will refrain from making any statements on projected sales and profit in 2008. The fact that Kirishi was a one-off project means that its contribution to net sales and operating profit will be lower in 2008.

Econosto's long-term objective is to achieve a return on average capital invested in excess of 20%, operating profit of more than 5% of net sales and net operating capital of less than 25% of net sales.



## **Key events in 2007**

### **Repayment of convertible bond loan**

In June 2007, Econosto repaid the outstanding 6.35% convertible subordinated bond loan prematurely and in full. Of this convertible subordinated bond loan, 50% could be converted into ordinary Econosto shares with a par value of EUR 0.50 at a conversion rate of EUR 4.00. Of the bondholders, 91% opted for conversion, which resulted in the issuance of 2,622,335 ordinary Econosto shares, corresponding to a dilution of 19%. Following conversion, the number of outstanding Econosto shares at year-end 2007 was 16,190,220.

The non-convertible portion of the bond loan was repaid by Econosto in cash. Of the remainder of the IFRS interest accrual on the convertible subordinated bond loan of EUR 3.7 million at 31 December 2006, EUR 2.1 million was processed directly through equity capital, while EUR 1.6 million was deducted from the 2007 profit.

By repaying and converting the bond loan, Econosto significantly improved the financial ratios. Based on the balance sheet ratios at 31 December 2006, Econosto's debt-to-equity ratio increased by 18% to 36% at year-end 2007. In addition, the repayment ensured that interest charges will decrease by approximately EUR 4 million in the next three years.

### **Financing**

New credit facilities were established with ABN AMRO Bank and Fortis Bank in June 2007. The central credit facility was increased from EUR 10.2 million to EUR 66.2 million, which was necessary to finance the successful early repayment of the convertible subordinated bond loan. The new central agreement ensures greater flexibility for Econosto in the allocation of resources to and from the foreign participating interests.

### **Kirishi project**

In 2006, Econosto entered into an agreement with main contractor ABB Lummus Global for the delivery of a comprehensive range of valves for a major new petrochemical industrial complex in Kirishi, which is located approximately 180 kilometres southeast of Saint Petersburg.

Econosto largely completed and invoiced the deliveries for the Kirishi project in 2007. The project accounted for EUR 33.4 million of Econosto's sales for the full financial year. The remainder of the deliveries for the Kirishi project are expected to be made in 2008.

Winning the Kirishi contract further strengthened Econosto's good reputation among customers, contractors and banks. The Russian market is currently showing strong growth, and Econosto expects to benefit from this development in the years ahead, anticipating that it will be able to participate in a large number of projects.

The positive outlook for the Russian market prompted Econosto to open an office in Moscow in the second half of 2007.

## Developments by region

### Europe Region (including the Kirishi project)

<i>(x EUR 1 million)</i>	<b>2007</b>	<b>2006</b>	<b>Difference in %</b>
Net sales	196.6	143.9	+ 37%
EBIT	14.9	3.9	+ 282%
EBIT as % of sales	7.6%	2.7%	+ 177%
Employees in FTEs	492	476	+ 3%

Econosto's European organisation comprises five pillars in the strategic markets in Europe. The largest office with a central European warehouse facility is based in Capelle aan den IJssel, where virtually all product innovation is initiated. In addition, Econosto has divisions in Belgium, Germany, the United Kingdom and Spain. In their respective markets, these divisions serve all industries important to Econosto, supplying both the company's own products and premium brands from leading suppliers, in addition to providing services.

In 2007, sales from the European operations increased by 37% to EUR 196.6 million. The Netherlands and the United Kingdom, in particular, experienced strong growth. A large portion of the deliveries for the Kirishi project was also posted in 2007. EBIT in the Europe region, including the results from holding company Koninklijke Econosto N.V., amounted to EUR 14.9 million in 2007 (compared to EUR 3.9 million in 2006).

### Middle East Region

<i>(x EUR 1 million)</i>	<b>2007</b>	<b>2006</b>	<b>Difference in %</b>
Net sales	60.0	43.8	+ 37%
EBIT	4.3	3.1	+ 39%
EBIT as % of sales	7.2%	7.1%	+ 2%
Employees	153	152	+ 1%

The Middle East region is served by Econosto Mideast, which is based in Dubai in the United Arab Emirates. Econosto Mideast supplies to a variety of markets and industries related to valves, instrumentation and pipes throughout the neighbouring countries.

The main industries that Econosto focuses on are the ventilation and air-conditioning markets, the oil and gas industry, the chemical and petrochemical industries, the energy market and waterworks.

Markets in the Middle East region continued to grow in 2007, particularly due to increasing investments in the Persian Gulf Region. Econosto Mideast's sales increased by 37% to EUR 60.0 million. Despite the delivery of a number of less profitable large projects, EBIT increased from EUR 3.1 million in 2006 to EUR 4.3 million in 2007.

## Far East Region

<i>(x EUR 1 million)</i>	<b>2007</b>	<b>2006</b>	<b>Difference in %</b>
Net sales	3.9	3.7	+ 5%
EBIT	0.1	0.4	- 75%
EBIT as % of sales	2.6%	10.8%	- 76%
Employees	33	31	+ 6%

In the Far East, Econosto is represented by three divisions: Econosto Singapore, Econosto Malaysia and Econosto Shanghai. These divisions focus on local and neighbouring industrial markets, providing Econosto products such as valves and seals.

In 2007, Econosto's sales in this region increased by 5% to 3.9 million. The main reason for the decrease in EBIT to 0.1 million were the start-up costs of the office in Shanghai, China (in 2006, EBIT was EUR 0.4 million).

### 3.2 Condensed consolidated financial information for the Financial Year 2007

#### 3.2.1 Condensed consolidated balance sheet

<i>(x EUR 1,000)</i>	<b>2007</b>	<b>2006</b>
Tangible fixed assets	8,638	8,996
Other fixed assets	8,451	5,124
Current assets	104,967	94,921
<b>Total assets</b>	<b>122,056</b>	<b>109,041</b>
Capital and reserves	43,930	19,457
Non-current liabilities	5,900	18,439
Current liabilities	72,226	71,145
<b>Total equity and liabilities</b>	<b>122,056</b>	<b>109,041</b>

#### 3.2.2 Condensed consolidated profit and loss account

<i>(x EUR 1,000)</i>	<b>2007</b>	<b>2006</b>
<b>Net sales</b>	<b>260,504</b>	<b>191,366</b>
<b>Operating profit, excluding other income</b>	<b>19,324</b>	<b>7,345</b>
Other income	-	632
<b>Operating profit</b>	<b>19,324</b>	<b>7,977</b>
Financial result	(3,444)	(4,535)
<b>Profit before taxes</b>	<b>15,880</b>	<b>3,442</b>
Taxes	1,980	(435)
<b>Profit after taxes on continued activities</b>	<b>17,860</b>	<b>3,007</b>
Profit after taxes on continued activities	-	911
<b>Net profit</b>	<b>17,860</b>	<b>3,918</b>

#### 3.2.3 Condensed consolidated statement of movements in shareholders' equity

<i>(x EUR 1,000)</i>	<b>2007</b>	<b>2006</b>
<b>At 1 January</b>	<b>19,457</b>	<b>17,674</b>
Movements:		
Profit for the year	17,860	3,918
Net gains on cash flow hedges	494	46
Foreign currency translation	(2,185)	(2,168)
Share based payment	32	26
Conversion	8,331	-
Treasury shares	(59)	(39)
<b>At 31 December</b>	<b>43,930</b>	<b>19,457</b>

### 3.2.4 Condensed consolidated cash flow statement

<i>(x EUR 1,000)</i>	2007	2006
<b>Cash flow generated from:</b>		
Operating activities	17,063	(125)
Investing activities	(1,742)	2,041
Financing activities	(10,735)	(4,119)
Net cash flows	4,586	(2,203)
Exchange rate differences	(1,235)	(1,101)
<b>Change in cash and cash equivalents</b>	<b>3,351</b>	<b>(3,304)</b>

### 3.2.5 Basis of presentation

The condensed consolidated financial information has been drawn up in accordance with the accounting policies as described below.

The condensed consolidated financial information has been prepared in accordance with the historical cost convention, except for the derivative financial instruments, which are recognised at fair value. Unless stated otherwise, the condensed consolidated financial information are denominated in euros and all amounts are rounded off to thousands (EUR 1,000).

#### Basis of consolidation

The condensed consolidated financial information comprise Koninklijke Econosto N.V. and its subsidiaries (hereinafter referred to as 'Koninklijke Econosto N.V.'). The financial information of the subsidiaries have been drawn up for the same reporting year as that of the parent company, with consistent accounting policies used throughout.

All intra-group balances, transactions, income and expense, and profits and losses arising from intragroup transactions included in its assets, are fully eliminated. Subsidiaries are consolidated as from the date of acquisition, being the date on which effective control is obtained over the entity concerned; such consolidation continues until the moment effective control ceases.

#### Foreign currency translation

The condensed consolidated financial information is denominated in euros. This currency is also the functional and reporting currency of Koninklijke Econosto N.V. Each group entity determines its own functional currency. The items included in the financial information of each entity are recognised on the basis of this functional currency. On initial recognition, transactions in foreign currency are accounted for at the rate of the functional currency as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of the functional currency as at the balance sheet date. Any differences are charged to the income statement.

As at the reporting date, the assets and liabilities of the subsidiaries outside the Eurozone are translated into the reporting currency of Koninklijke Econosto N.V. (the euro) at the rate ruling on the balance sheet date, while the income statements are translated at the weighted average rate for the year. The exchange differences resulting from this translation, as well as the translation of the long-term intercompany loans to these subsidiaries, are taken directly to the currency translation differences reserve. In the event of disposal of a foreign entity, the deferred cumulative amount included for this

foreign entity in the currency translation differences reserve is recognised in the income statement.

## **Discontinued operations**

A discontinued operation is a component of the activities of Koninklijke Econosto N.V. that represents a separate significant line of business or separate significant geographical area of operation, or is a subsidiary that has been acquired with the sole intention of reselling it. An operation is classified as discontinued when it is sold or, if it has not yet been sold, when the operation meets the criteria for classification as held for sale.

The results of discontinued operations are presented as a single amount in the income statement both for the current and prior period. The net profit or loss on discontinued operations is recognised as 'Profit/(loss) for the year on discontinued operations'.

The assets and liabilities of disposal groups are classified as 'Assets held for sale' and 'Liabilities associated with assets held for sale', when the criteria for classification as held for sale are met. Prior period figures are not re-presented.

## **Condensed significant accounting judgements and estimates**

### **Accounting judgements**

In the process of applying the financial reporting policies of Koninklijke Econosto N.V., the Board of Management has made the following judgements, apart from those involving estimations, which have a significant impact on the amounts recognised in the consolidated financial information.

The lease contracts (including the sale and leaseback contracts) have been reviewed to determine whether they qualify as finance or operating leases.

### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Pensions*

The costs of defined benefit plans following a member's retirement are actuarially measured. Since actuarial gains and losses initially fall inside a corridor, they will only affect the result to the extent that their net total exceeds the limits of this corridor. In that event, the excess is charged to the income statement, spread over a number of years. The actuarial methods applied comprise the use of assumptions regarding discount rates, expected returns on investments, future salary increases, mortality rates and the future indexation of pensions. Due to the long-term nature of these plans, such estimations carry a substantial degree of uncertainty.

#### *Deferred income tax assets*

Each year, Econosto estimates the probability that deferred income tax assets can be realised. If it is probable that deferred income tax assets are realised based on the projected profit for the next few years, the deferred income tax assets will be recognised. Depending on the extent to which the actual results differ from the estimates in future years, changes in the valuation of deferred income tax assets may be necessary.

#### *Claims concerning the supply of products alleged to be defective*

As in previous years, in 2007, Econosto received claims concerning supplies of allegedly defective products. Based on the available documentation, the conclusion was drawn that for a number of claims it was not probable whether the settlement of the liability, if any, would result in an outflow of funds. No provision has been formed for such claims in the condensed

consolidated balance sheet at 31 December 2007. For claims for which it is probable that the liability will lead to an outflow of funds and where a reliable estimate can be made of the amount of the liability, a provision was formed for the best estimate of the amounts concerned.

#### *Doubtful accounts*

Econosto maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

#### *Obsolescence of inventories*

For the carrying amount of inventories Econosto takes into account an estimation of impairment losses due to obsolescence. Actual write-offs might be higher than expected.

#### *Other provisions*

Other provisions includes items concerning guarantees, (legal) claims, and jubilee payments. Only for risks for which it is probable that the liability will lead to an outflow of funds and where a reliable estimate can be made of the amount of the liability a provision has been formed for the best estimate of the amounts concerned.

### **Condensed consolidated balance sheet**

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

Property, plant and equipment is stated at the lower of cost, net of depreciation, and the recoverable amount. Buildings, plant and equipment and other operating assets are depreciated straight-line over their useful lives, taking into account any residual value. Useful lives are as follows.

- Buildings: up to 30 years
- Plant and equipment: five years
- Other operating assets: three to ten years

The carrying amounts of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Such an impairment loss is charged to the income statement. The useful lives and any residual values are likewise reviewed annually and adjusted as appropriate.

Property, plant and equipment is derecognised in the event of disposal or if no future economic benefits are expected from the use or disposal thereof. Any gain or loss resulting from the removal of the asset from the balance sheet (which is calculated as the difference between the net gain on disposal and the carrying amount of the asset) is charged to the income statement in the year in which the asset is removed from the balance sheet.

#### **Financial fixed assets**

Financial fixed assets are initially recognised at fair value, plus directly allocable transaction costs. Koninklijke Econosto N.V. reviews whether the contract includes derivatives when it becomes a party to the contract. Koninklijke Econosto N.V. classifies its financial fixed assets upon initial recognition and, if permitted and applicable, reviews the classification at the end of each financial year.



The loans recognised as financial fixed assets have a term longer than one year. Repayments of long-term loans expected to be made within one year are recognised as current assets. The loans are stated at amortised cost, using the effective interest rate method, net of a provision for doubtful debts.

#### **Impairment loss on financial fixed assets**

At the balance sheet date, Koninklijke Econosto N.V. tests financial fixed assets or groups of financial fixed assets for impairment.

##### *Assets recognised at amortised cost*

In the event of objective evidence for an impairment loss on loans and receivables recognised at amortised cost, the amount concerned is determined as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted at the original effective interest rate of the financial fixed asset. The carrying amount of the asset is reduced using a provision account. The amount of the loss is recognised in profit or loss.

Koninklijke Econosto N.V. first establishes whether there is objective evidence for an impairment loss on separate financial fixed assets that are significant on an individual basis.

In the event that the amount of the impairment loss decreases during a subsequent period and the decrease can be objectively linked to an event that took place after recognition of the impairment loss, the impairment loss previously recognised is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the date of the reversal.

#### **Deferred income tax assets**

A provision is formed for deferred taxes based on the temporary differences as at the balance sheet date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for unused tax losses, to the extent that it is probable that taxable profit will be available in the foreseeable future against which these carry-forward losses can be set off, as well as for temporary differences. The carrying amount of the deferred income tax assets is reviewed at the balance sheet date and reduced to the extent that it is improbable that sufficient profit for tax purposes will be available against which the temporary difference can be set off in full or in part. Unrecognised deferred income tax assets are reviewed again at the balance sheet date and recognised to the extent that it is probable that there will be a profit for tax purposes in the future against which this deferred asset can be set off.

Deferred income tax assets and liabilities are stated at nominal value. When calculating this nominal value, the tax rates of the countries in question at the balance sheet date are taken as a basis, taking account of rates applicable in the years ahead, to the extent that they have been enacted.

Deferred income tax assets and liabilities are set off if a legally enforceable right exists to set off income tax assets against income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **Inventories**

Raw materials and consumables are stated at the lower of cost (purchase price plus additional costs), on a first-in-first-out basis, and net realisable value.

Finished goods are stated at the lower of their full production cost, excluding interest expense, and net realisable value.

Goods for resale are stated at the lower of cost (purchase price) and additional costs, on a first-in-first-out basis, and net realisable value.

Where appropriate, the carrying amount of inventories takes into account impairment losses due to obsolescence. Unrealised intercompany gains and losses are eliminated.

#### **Trade and other receivables**

Receivables included under current assets have a term or remaining term of less than one year. A provision is formed for impairment losses on trade receivables if there is objective evidence (such as the probability of a bankruptcy or substantial financial problems on the part of the debtor) of Koninklijke Econosto N.V. not being able to collect all amounts outstanding as evidenced by the original invoice. The carrying amount of the receivable is reduced using the provision for doubtful debts. Impaired receivables are no longer recognised once their irrecoverability has been established. The impairment loss is recognised under operating expenses.

#### **Derivative financial instruments and hedging of risks**

Koninklijke Econosto N.V. uses forward exchange contracts to hedge the currency fluctuation risks to which it is exposed. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value at the balance sheet date. Derivatives are carried as assets if the fair value is positive and as liabilities if the value is negative. The fair value of forward exchange contracts is determined on the basis of ruling market prices.

For the purpose of hedge accounting, these financial instruments are regarded as cash flow hedges. Movements in the fair value of the hedging instruments are recognised in equity to the extent that the hedge is effective. Movements in the fair value of ineffective hedges are taken directly to the income statement. The amounts recognised in equity are transferred to the income statement in the same period as that in which the hedged income or expense is recognised or the expected sale materialises. If the hedge results in the recognition of a non-financial asset, the amounts recognised in equity will be transferred for inclusion in the initial cost of the non-financial asset. If the transaction is no longer expected to materialise, the amounts that were initially recognised in equity will be transferred to the income statement.

#### **Cash and short-term deposits**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand.

For the purpose of the condensed consolidated cash flow statement, cash and short-term deposits comprise the cash in hand and at bank defined above.

#### **Treasury shares**

Equity instruments that are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of Koninklijke Econosto N.V.'s equity instruments.

#### **Pensions**

Koninklijke Econosto N.V. has various pension plans in place in accordance with local regulations and conditions. A number of these plans are classified as defined benefit plans. For the majority of its

employees, Koninklijke Econosto N.V. has pension plans in which the members' rights are based on the number of years of service and the amount of their salary.

#### *Defined benefit plans*

Stichting Econosto's Pensioenfonds administers the pension plan that secures the benefits that Koninklijke Econosto N.V. has undertaken to provide to its employees in the Netherlands. The costs of the defined benefit plans are actuarially measured based on the projected unit credit method. Actuarial gains and losses are recognised as income or expense if, at the end of the previous financial year, the net total of unrecognised actuarial gains and losses of each individual plan amounted to more than 10% of the defined benefit plan liability or the fair value of the plan assets as at that date, whichever is the higher. These gains and losses are allocated to the expected average remaining years of service of the employees who are members of the plans.

The net defined benefit plans liability of Koninklijke Econosto N.V. is calculated separately for each plan by making an estimate of the pension benefits employees have accumulated in exchange for their services in the period under review and in past periods. These pension benefits are discounted to determine their present value and the fair value of the plan assets deducted from this to obtain the balance. The liability is calculated using the projected unit credit method. The discount rate is based on the yield as at the balance sheet date of bonds with a credit rating equivalent to that of high-quality corporate bonds.

If the calculation results in a positive balance, the recognition of the asset will be limited to an amount not exceeding the balance of any unrecognised actuarial losses and past service pension costs, and the present value of any future refunds by the pension plan or future pension contributions.

Whenever the pension plan benefits are improved, the portion of the improved benefits relating to employees' past service will be recognised straight-line as a charge to the income statement over the average period until the pension benefits become unconditional. To the extent that the benefits become unconditional directly, the charge is recognised in the income statement directly.

The liabilities of pension plans are measured by qualified actuaries.

#### *Defined contribution plans*

Liabilities for contributions to defined contribution plans are recognised as an expense in the income statement at the time such contributions are due.

### **Provisions**

Provisions are recognised when (i) Koninklijke Econosto N.V. has a current obligation (contractual or constructive) as a result of a past event; (ii) it is probable that an outflow of funds representing economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. If Koninklijke Econosto N.V. expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement will be recognised as a separate asset only if the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Other provisions include:

- a provision for guarantees;

- provisions for (legal) claims;
- a provision for jubilee payments.

### **Convertible subordinated bond loan**

The liability component of the convertible subordinated bond loan was measured based on the future flow of payments of interest and repayments at their present value using the ruling market rate of interest for a comparable obligation without an equity component (conversion option) as applicable at the time of adapting the conversion conditions and the repayment schedule. The ruling effective market rate of interest at the time of adapting the conversion conditions and the repayment schedule in mid-2003 was determined to be 17%. The liability component was stated at amortised cost. In addition to the conversion option, the convertible subordinated bond loan includes an unscheduled repayment option to be stated at fair value. This value was virtually nil as of the end of 2006. As of the end of 2007, this option was no longer available as a result of the conversion in 2007.

### **Share-based payment transactions**

Members of the Board of Management and the directors of a number of subsidiaries receive remuneration in the form of share-based payments. The members of the Board of Management are required to invest a portion of their bonus in Koninklijke Econosto N.V. shares. Directors of a number of subsidiaries have the option to do so.

#### *Equity-settled transactions*

The costs of equity-settled transactions with members of the Board of Management and the directors of a number of subsidiaries are measured by reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the Koninklijke Econosto N.V. shares (market conditions), if applicable.

The costs of equity-settled transactions are recognised, together with a corresponding increase in equity, over the period in which the performance and/or the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the grant (the vesting date). The cumulative expenses recognised for equity-settled transactions at each reporting date until the vesting date reflect the extent to which the vesting period has expired and Koninklijke Econosto N.V.'s best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movements in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for grants that ultimately do not vest, except for grants where vesting is conditional upon market conditions, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

If the terms of an equity-settled grant are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the Board of Management and the directors of a number of subsidiaries as measured at the date of modification.

If an equity-settled grant is cancelled, it will be treated as if it has vested on the date of cancellation, and any expense not yet recognised for the grant will be recognised directly. However, if a new grant is substituted for the cancelled grant and designated as a replacement grant on the grant date, the cancelled and new grants will be treated as if they were a modification of the original grant, as described above.

### *Cash-settled transactions*

The cost of cash-settled transactions is initially measured at fair value at the grant date, taking into account the terms and conditions on which the instruments were granted. The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured at each balance sheet date up to and including the settlement date, with changes in fair value recognised in the income statement.

### **Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the time of conclusion of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset. This assessment will be reconsidered if, after the agreement is entered into, one of the following situations arises.

- (c) There is a change in the conditions, other than a renewal or extension of the arrangement.
- (d) A renewal option is exercised or extension is granted, unless the conditions were already included in the initial arrangement.
- (e) A change in the determination of whether the fulfilment is dependent on the use of a specific asset
- (f) A substantial change in the assets

### *Koninklijke Econosto N.V. as a lessee*

Finance leases that transfer substantially all the risks and rewards incidental to ownership of the leased item to Koninklijke Econosto N.V. are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that Koninklijke Econosto N.V. will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

### **Interest-bearing loans**

All loans are initially recognised at the fair value of the consideration received, less the directly allocable transaction costs.

After this initial recognition, interest-bearing loans are stated at amortised cost, using the effective interest rate method.

Gains and losses are taken to net profit or loss once the liabilities are no longer carried in the balance sheet, as well as being recognised through the amortisation process.

### **Other assets and liabilities**

The other assets and liabilities are carried at face value.

## **Derecognition of financial assets and liabilities**

### *Financial assets*

A financial asset is no longer recognised in the event that:

- the entity is no longer entitled to the cash flows from the asset;
- Koninklijke Econosto N.V. has reserved the right to receive the cash flows from the asset, but assumed a liability to pay such in full to a third party without any significant delay pursuant to a special arrangement; or
- Koninklijke Econosto N.V. has transferred its rights to receive the cash flows from the asset, and (a) has transferred substantially all the risks and rewards of the asset; or (b) has not transferred or retained substantially all the risks and rewards of the asset, but has transferred control over the asset.

In the event that Koninklijke Econosto N.V. has transferred its rights to receive the cash flows from an asset, but has not transferred or retained substantially all the risks and rewards of the asset and has not transferred control, the asset will be recognised to the extent that Koninklijke Econosto N.V. is still involved in the asset.

### *Financial liabilities*

A financial liability is no longer recognised once the performance ensuing from the liability has been provided or been lifted, or has expired.

In the event that an existing financial liability is replaced by another liability from the same lender on different conditions, or the conditions of the existing liability are substantially modified, such replacement or modification will be treated as a derecognition of the original liability and a recognition of a new liability. The difference in the carrying amounts concerned is taken to profit or loss.

## **Condensed consolidated profit and loss account**

### **General**

The accounting policies used to measure profit or loss are closely related to the accounting policies used to measure the value of assets and liabilities. The matching principle is used to allocate income and expense.

### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will accrue to Koninklijke Econosto N.V. and can be reliably measured.

The revenue from the sale of goods and services is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

**Net sales**

Net sales include the proceeds of the sale and delivery of goods and services net of discounts, bonuses, commission and VAT.

**Costs of raw materials and consumables**

These include the cost of purchasing and/or additional manufacturing of the goods and services included in sales, less prompt payments and other discounts received, and plus the directly attributable external costs of purchasing and delivery, such as transport, insurance and customs. Discounts and bonuses received from suppliers are deducted from this.

The costs of raw materials and consumables include the write-down of inventories to their lower recoverable amount.

**Other income**

This includes income from ordinary activities, but which because of its nature, size and/or sporadic character is presented separately.

**Finance revenue and costs**

Recognition of interest income is based on that attributable to the reporting year received on loans to third parties, outstanding deposits and bank balances. Recognition of interest expense is based on that attributable to the reporting year paid on loans and credits received from third parties.

**Income taxes**

Income taxes are calculated at the rates applicable in the countries concerned, allowing for special tax facilities and taking carry-forward tax losses into account.

Income tax relating to items that are recognised directly in equity is likewise taken directly to equity and accordingly does not affect the result.

**Condensed consolidated cash flow statement**

The condensed consolidated cash flow statement has been drawn up in accordance with the indirect method, the movement in cash and cash equivalents being derived from the profit for the year as disclosed in the condensed consolidated income statement. Cash flows in foreign currencies are translated at the weighted average rates in the reporting year. Transactions that have not yet resulted in a cash flow are not taken into account.

### **3.3 Review report in respect of the Koninklijke Econosto N.V. condensed consolidated financial information relating to the Financial Year 2007**

On 14 March 2008, Ernst & Young Accountants have issued a review report in respect of the condensed consolidated financial information of Econosto for the financial year 2007, which report is included on page 146 of the Gilde Offer Memorandum.