

This Offer expires at 18:00 hours CET on 17 April 2008 unless extended

OFFER MEMORANDUM

dated 14 March 2008

RECOMMENDED CASH OFFER

BY

KENV ACQUISITION B.V.

(a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands, with its corporate seat in Utrecht, The Netherlands)

FOR ALL THE ISSUED AND OUTSTANDING ORDINARY SHARES WITH A PAR VALUE OF
EUR 0.50 IN THE SHARE CAPITAL OF

Koninklijke Econosto N.V.



(a public limited liability company (*naamloze vennootschap*) incorporated under the laws of The Netherlands, with its corporate seat in Rotterdam, The Netherlands)

This offer memorandum (the "**Offer Memorandum**") contains details of the recommended cash offer by KENV Acquisition B.V. (the "**Offeror**" or "**KENV Acquisition**"), an indirectly wholly owned subsidiary of Gilde Buy-Out Fund III B.V. and Gilde Buy-Out Fund III C.V., to all holders of issued and outstanding ordinary shares with a nominal value of EUR 0.50 each (the "**Shares**", holders of such Shares being referred to as "**Shareholders**"), in the share capital of Koninklijke Econosto N.V. ("**Econosto**" or the "**Company**") to purchase for cash the Shares held by them subject to the terms, conditions and restrictions contained in this Offer Memorandum (the "**Offer**"). Capitalised terms used in this Offer Memorandum have the meanings as set out in Section 3 (Definitions).

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 7.25 per Share (the "**Offer Price**"). The Offer Price is cum dividend, which reflects that the Company has committed not to declare any dividends or distributions on Shares prior to settlement of the Offer.

The Supervisory Board and the Management Board fully support the Offer and unanimously recommend to Shareholders to accept the Offer. See Part C Section 1 (Recommendation by the Supervisory Board and the Management Board).

The Acceptance Period under the Offer commences at 9:00 hours CET, on 17 March 2008 and, unless extended, expires at 18:00 hours CET, on 17 April 2008 (the "**Acceptance Closing Date**"). 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 any 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 6 (Invitation to the Shareholders). The provisions of Article 15, paragraph 2 of the Takeover Decree, require that such an announcement be made within three 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*) on a day within three Business Days following the Acceptance Closing Date (the "**Unconditional Date**"). The Offeror reserves the right to waive certain Offer Conditions if permitted by law. It may unilaterally waive the Offer Condition relating to the 95% acceptance level at an acceptance level of at least 66.67% and with the prior written consent of Econosto at a level below 66.67%. See Section 6.6 (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 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 *NRC Handelsblad*). See Section 6.12 (Announcements).

Certain holders of Shares have irrevocably undertaken to tender Shares held by them under the Offer on the terms and conditions of the Offer as described in this Offer Memorandum. The number of Shares committed under the Offer represents approximately 51.2% of the Shares. See Section 5.3 (Committed Shares).

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 promptly, but in any event within three 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*). At 10.00 hours CET, on 9 April 2008, the Extraordinary General Meeting of Shareholders will be held at Cypresbaan 63, 2908 LT in Capelle aan den IJssel, The Netherlands, in which meeting, among other matters, the Offer will be discussed in accordance with Article 18, paragraph 1 of the Takeover Decree.

This document consists of three separate parts, which have been published together for ease of reference. Part A taken together with Part B constitutes the offer memorandum as referred to in Article 8 of the Takeover Decree. Part B taken together with Part C constitutes the position statement made by the Management Board and the Supervisory Board as referred to in Article 18, paragraph 2 of the Takeover Decree (the "Position Statement").

The Offer Memorandum (Part A and Part B of this document) was approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten* or "AFM") in accordance with the provision of Article 8 of the Takeover Decree on 14 March 2008. The Position Statement as Part C of this document and is not part of the Offer Memorandum in the meaning of the Takeover Decree and the AFM has no authority to approve the Position Statement. Consequently the Position Statement has not been subject to approval of the AFM.

Part A of the Offer Memorandum

1. RESTRICTIONS AND IMPORTANT INFORMATION

1.1 Restrictions

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 Econosto, nor any of their respective affiliates or any of their 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 document 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 United States of America

The Offer is not being made, directly or indirectly, into the United States of America and may not be accepted in or from the United States of America by use or means of the interstate or foreign commerce or of any facility of a securities exchange in these jurisdictions including, but without limitation, electronic mail, post, facsimile transmission, telex and telephone. 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 of America.

This Offer Memorandum is not being and should not be mailed or otherwise distributed or sent in or into the United States of America.

1.1.2 Canada and Japan

The Offer and any solicitation in respect thereof is not being made, directly or indirectly, in or into Canada or Japan, or by use of the mails, or by any means or instrumentality of interstate or foreign commerce, or any facilities of a national securities exchange, of Canada or Japan. This includes, but is not limited to, post, facsimile transmission, telex or any other electronic form of transmission and telephone. Accordingly, copies of this Offer Memorandum and any related press announcements, acceptance forms and other documents are not being sent and must not be mailed or otherwise distributed or sent in, into or from Canada or Japan or, in their capacities as such, to custodians, nominees or trustees holding Shares for persons residing in Canada or Japan. Persons receiving this Offer Memorandum and/or such other documents must

not distribute or send them in, into or from Canada or Japan, or use such mails or any such means, instrumentality or facilities for any purpose in connection with the Offer; so doing will invalidate any purported acceptance of the Offer. The Offeror will not accept any tender by any such use, means, instrumentality or facility from within Canada or Japan.

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 the Offer.

The information included in Sections 1.1, 4.1, 4.2, 4.3, 4.5, 4.8, 4.9, 4.10, 5.3, 5.5, 5.6, 5.7.1, 5.7.2, 5.7.3, 5.9, 5.11, 6 introduction, 6.1, 6.2, 6.3, 6.5, 6.6, 6.7, 6.8, 6.10, 6.11, 6.12, 9 and 11 of Part A has been solely provided by the Offeror. The information included in Sections 4.4, 4.6, 5.4, 5.4.1, 5.4.2 and 7 of Part A has been solely provided by Econosto. The information included in Sections 1.2, 2, 3, 4.7, 4.11, 4.12, 4.13, 5.1, 5.2, 5.7.4, 5.7.5, 5.7.6, 5.7.7, 5.8, 5.10, 6.4, 6.9, 12 and 13 of Part A has been provided by the Offeror and Econosto jointly.

The information included in Sections 1.1, 1.2, 1.3, 2.1 - 2.37, 2.39, 3.1 and 3.2 of Part B Financial Information has been solely provided by Econosto. The information included in Sections 1.4, 2.38 and 3.3 of Part B Financial Information has been provided by Ernst & Young and is identical to the original auditor's report as of the date issued by Ernst & Young.

The information included in Section 1 of Part C has been solely provided by Econosto. The fairness opinion included in Section 2 of Part C has been provided by Kempen & Co and is identical to the original fairness opinion as of the same date issued by Kempen & Co.

The Offeror and Econosto are exclusively responsible for the accuracy and completeness of the information provided in this Offer Memorandum, each with respect to such information as it has provided, and together with respect to the information they have provided jointly, except for information that has not been provided by either of them (which includes the information in Sections 1.4, 2.38 and 3.3 of Part B which has been provided by Ernst & Young). Each of the Offeror and Econosto confirms, that 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. Please be aware that certain financial and statistical information and other figures contained in this Offer Memorandum may be rounded up or down and should therefore not be regarded as exact.

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 both the Offeror and Econosto, each in so far as it concerns them, to make a public announcement pursuant to Article 5:59 Wft and (with respect to the Offeror) to Article 4, paragraph 3 of the Takeover Decree, if applicable.

The Position Statement is not part of the Offer Memorandum in the meaning of the Takeover Decree and the AFM has no authority to approve the Position Statement. Consequently the Position Statement has not been subject to approval of the AFM.

No person, other than the Offeror and Econosto, and without prejudice to the fairness opinion issued by Kempen & Co included in Section 2 of Part C, is authorised in connection with the Offer to provide any information or to make any statements on behalf of the Offeror or Econosto 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 or Econosto, such information or statements should not be relied upon as having been provided by or made by or on behalf of the Offeror or Econosto. 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 or Econosto.

This Offer Memorandum and the agreements entered into between the Offeror and the Shareholders pursuant to the Offer are, and any tender, purchase or delivery of Shares 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 this Offer Memorandum, the agreements entered into between the Offeror and the Shareholders pursuant to the Offer and/or any tender, purchase or delivery of Shares. Accordingly, any legal action or proceedings arising out of or in connection with the Offer Memorandum, the Offer and/or any tender, purchase or delivery of Shares may be brought exclusively in 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.

Kempen & Co N.V. has been appointed as Settlement Agent in the context of the Offer.

Addresses

The Offeror

KENV Acquisition B.V.
Newtonlaan 91
3584 BP Utrecht
The Netherlands

The Company

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

The Settlement Agent

Kempen & Co N.V.
Attn: Mr D. Siemensma
Beethovenstraat 300
1077 WZ Amsterdam
The Netherlands
Tel: +31 (0)20 348 9554
Fax: +31 (0)20 348 9549
E mail: kas@kempen.nl

Availability of copy documentation

Digital copies of this Offer Memorandum are available on the website of Econosto (www.econosto.com). Econosto's 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 Econosto in Capelle aan den IJssel, The Netherlands and at the office of the Settlement Agent at the addresses mentioned above.

Copies of the KENV Acquisition Articles of Association are available free of charge at the offices of KENV Acquisition and can be obtained by contacting KENV Acquisition at the address mentioned above. KENV Acquisition is a newly incorporated entity and accordingly no annual reports of the Offeror are available.

Presentation of financial information

This Offer Memorandum contains financial information of Econosto relating to the Financial Year 2006, Financial Year 2005 and Financial Year 2004 which is derived from and is consistent with the financial statements for the Financial Year 2006 and Financial Year 2005 (including comparative figures for the Financial Year 2004). These financial statements have been audited by Ernst & Young as described in Part B (Financial Information). The financial information in Part B in relation to the Financial Year 2007 has been reviewed, but not audited. In general, the financial information contained in this Offer Memorandum has not been audited, unless it is identified as audited financial information.

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 2005 ended on 31 December 2005 (including comparative figures for the financial year 2004 ended on 31 December 2004) 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 free of charge at the head office of Econosto in Capelle aan den IJssel, The Netherlands and can be obtained by contacting Econosto at the address stated above. This information is also available on the website of Econosto (www.econosto.com).

Forward looking statements

This Offer Memorandum includes forward looking statements that involve risk and uncertainty. Generally, words such as may, will, expect, intend, estimate, anticipate, believe, plan, seek, continue or similar expressions identify forward looking statements. Although each of the Offeror and Econosto, each with respect to the statements it has provided, believes that the expectations reflected in such forward looking statements are based on reasonable assumptions and are, to the best of their knowledge, true and accurate on the date of this Offer Memorandum, no assurance can be given that such statements will be fulfilled or prove to be correct, and no representations are made as to the future accuracy and completeness of the forward looking statements. Any such forward looking statement must be considered together with the fact that actual events or results may vary materially from such forward looking statements due to, among other things, political, economic or legal changes in the markets and environments in which the Offeror and/or Econosto do business, to competitive developments or risks inherent to Econosto's business plans and to uncertainties, risk and volatility in financial markets and other factors affecting the Offeror and/or Econosto.

The Offeror and Econosto undertake 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 advisers

NIBC 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 NIBC or for providing advice in relation to the Offer.

Atlas is acting as financial adviser exclusively to Econosto and to no one else in connection with the Offer and will not be responsible to anyone other than Econosto for providing the protections afforded to the clients of Atlas 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 17 April 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 on 17 March 2008 and ends on the Acceptance Closing Date
Additional Shares	has the meaning described thereto in the <i>Information on Long-Term Incentive Plan</i> paragraph in Section 5.4.2
Admitted Institutions	those institutions admitted to Euronext Amsterdam
AFM	the Netherlands Authority for the Financial Markets (<i>Stichting Autoriteit Financiële Markten</i>)
Atlas	Atlas Advisors LLC
Boards	the Supervisory Board and the Management Board together
Business Day	a day, other than a general acknowledged public holiday as described in Article 3 of the General Extension of Time-limits Act (<i>Algemene termijnenwet</i>) and the non working days as set out in the Collective Agreements for the banking sector (<i>collectieve arbeidsovereenkomst voor het bankbedrijf</i>)
CET	Central European Time
Committed Shareholders	Dresdner VPV N.V., T.W.E. Beheer B.V., Janivo Beleggingen B.V. and Gestion Deelnemingen V B.V. and certain other shareholders which support the Offer as described in the <i>Committed Shares</i> paragraph in Section 5.3
Company	Koninklijke Econosto N.V., a public limited liability company (<i>naamloze vennootschap</i>), incorporated under the laws of The Netherlands, having its statutory seat (<i>statutaire zetel</i>) in Rotterdam, having its registered office at Cypresbaan 63, 2908 LT, Capelle aan den IJssel, The Netherlands and registered with the chamber of commerce under number 24001525, including the affiliates owned by it
Competing Offer	has the meaning described thereto in the <i>Certain arrangements between the Offeror and Econosto</i> paragraph in Section 5.8
Competition Authorities	the Nederlandse Mededingingsautoriteit and the Bundeskartellamt
Daily Official List	the Daily Official List (<i>Officiële Prijscourant</i>) of Euronext Amsterdam

Disappearing Entity	has the meaning described thereto in the <i>Legal Merger</i> paragraph in Section 4.10
Downstream Merger	has the meaning described thereto in the <i>Legal Merger</i> paragraph in Section 4.10
Econosto	Koninklijke Econosto N.V., a public limited liability company (<i>naamloze vennootschap</i>), incorporated under the laws of The Netherlands, having its statutory seat (<i>statutaire zetel</i>) in Rotterdam, having its registered office at Cypresbaan 63, 2908 LT, Capelle aan den IJssel, The Netherlands and registered with the chamber of commerce under number 24001525, including the affiliates owned by it
Econosto Articles of Association	of the articles of association (<i>statuten</i>) 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
Ernst & Young	Ernst & Young Accountants
EUR, Euro or €	Euro, the legal currency of the European Monetary Union
Euronext Amsterdam	Euronext Amsterdam by NYSE Euronext, the regulated market of Euronext Amsterdam N.V.
Extraordinary Meeting of Shareholders	General the extraordinary general meeting of Shareholders to be held at 10.00 hours CET, on 9 April 2008, at Cypresbaan 63, 2908 LT in Capelle aan den IJssel, The Netherlands, at which meeting the Offer, among other matters, will be discussed, in accordance with the provisions of Article 18 of the Takeover Decree
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
Financing Commitments	has the meaning ascribed thereto in the <i>Financing of the Offer</i> paragraph of Section 5.11
Gilde	Gilde Buy-Out Fund III B.V. and Gilde Buy-Out Fund III C.V.
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
Kempen & Co	Kempen & Co Corporate Finance B.V.
KENV Acquisition	KENV Acquisition B.V., a private limited liability company (<i>besloten vennootschap met beperkte aansprakelijkheid</i>) incorporated on 19 February 2008 and validly existing under the laws of The Netherlands, having its statutory seat (<i>statutaire zetel</i>) in Utrecht, The Netherlands and registered

	with the chamber of commerce under number 30236465), including the group companies as described in Article 2:24b of the Dutch Civil Code owned by it and the affiliates owned by it. KENV Acquisition B.V. is an indirectly wholly owned subsidiary of Gilde Buy-Out Fund III B.V. and Gilde Buy-Out Fund III C.V., as set out in the <i>Information on the Offeror</i> paragraph in Section 9.1
KENV Acquisition Articles of Association	the articles of association (<i>statuten</i>) of KENV Acquisition as they stand since its incorporation on 19 February 2008 or as amended from time to time
Legal Merger	has the meaning described thereto in the <i>Legal Merger</i> paragraph in Section 4.10
Long-Term Incentive Plan	the share incentive plan for Econosto's Group management as described in the <i>Information on Long-Term Incentive Plan</i> paragraph in Section 5.4.2
Management Board	the management board (<i>raad van bestuur</i>) of Econosto
Matching Shares	has the meaning described thereto in the <i>Information on Long-Term Incentive Plan</i> paragraph in Section 5.4.2
Material Adverse Change	any event or circumstance that has a material adverse effect on the profitability, financial or trading position, cash flows or business of the Econosto Group such that the Offeror cannot reasonably expected to continue with the Offer or to declare the Offer unconditional, other than any event or circumstance that directly results from (a) changes after the date of the Merger Protocol in applicable laws, rules or regulations, international financial reporting standards or interpretations thereof, (b) changes after the date of the Merger Protocol to the economy or to market conditions in general or to the industry in which Econosto operates, (c) any matter that is actually known to the Offeror or that is understandable on its face from information provided in the data room or disclosed by Econosto prior to the date of the Merger Protocol, or (d) a breach of the Merger Protocol or any applicable laws by the Offeror
Merger Date	has the meaning described thereto in the <i>Legal Merger</i> paragraph in Section 4.10
Merger Protocol	the merger protocol between Gilde and Econosto dated 13 January 2008
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 (<i>Wet op de ondernemingsraden</i>), the Merger Code 2000 <i>SER besluit Fusiegedragsregels 2000</i>), the rules and regulations of Euronext Amsterdam, the Dutch Civil Code and any other applicable securities or competition regulatory laws
Merging Entity	has the meaning described thereto in the <i>Legal Merger</i> paragraph in Section 4.10
Merging Entity Parent	has the meaning described thereto in the <i>Legal Merger</i> paragraph in Section

4.10

NIBC	NIBC Bank N.V.
Offer	the offer described in this Offer Memorandum
Offer Conditions	the conditions to the Offer as set out in the <i>Offer Conditions</i> paragraph in Section 5.2
Offer Memorandum	this offer memorandum relating to the Offer, consisting of Part A and Part B
Offer Price	a cash amount of EUR 7.25 for each Share validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and delivered (<i>geleverd</i>) under the terms and subject to the conditions and restrictions of the Offer. The Offer Price is cum dividend, which reflects that the Company has committed not to declare any dividends or distributions on Shares prior to settlement of the Offer
Offeror	KENV Acquisition B.V., a private limited liability company (<i>besloten vennootschap met beperkte aansprakelijkheid</i>) incorporated on 19 February 2008 and validly existing under the laws of The Netherlands, having its statutory seat (<i>statutaire zetel</i>) in Utrecht, The Netherlands and registered with the chamber of commerce under number 30236465), including the group companies as described in Article 2:24b of the Dutch Civil Code owned by it and the affiliates owned by it. KENV Acquisition B.V. is an indirectly wholly owned subsidiary of Gilde Buy-Out Fund III B.V. and Gilde Buy-Out Fund III C.V., as set out in the <i>Information on the Offeror</i> paragraph in Section 9.1
Position Statement	the position statement made by the Boards in accordance with Article 18, paragraph 2 of the Takeover Decree as included in the back of this document (Part C), but which does not form part of this Offer Memorandum
Restricted Shares	has the meaning described thereto in the <i>Information on Long-Term Incentive Plan</i> paragraph in Section 5.4.2
Section	a section of this Offer Memorandum
Settlement Agent	Kempen & Co N.V.
Settlement Date	the date on which, in accordance with the terms and conditions of the Offer, payment of the Offer Price shall be made by the Offeror 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 Day following the Unconditional Date, subject to the Offer being declared unconditional (<i>gestanddoening</i>)
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 <i>General</i> paragraph in Section 4.10
Supervisory Board	the supervisory board (<i>raad van commissarissen</i>) of Econosto.
Surviving Entity	has the meaning described thereto in the <i>Legal Merger</i> paragraph in Section 4.10
Takeover Decree	the Decree on public offers Wft (<i>Besluit openbare biedingen Wft</i>)
Unconditional Date	the date on which the Offeror shall publicly announce whether the Offer is declared unconditional (<i>gestand wordt gedaan</i>), in accordance with the Takeover Decree. Article 16 paragraph 1 of the Takeover Decree requires that such announcement be made within three Business Days following the Acceptance Closing Date
Upstream Merger	has the meaning described thereto in the <i>Legal Merger</i> paragraph in Section 4.10
Wft	Netherlands Financial Supervision Act (<i>Wet op het financieel toezicht</i>)
Works Council	has the meaning ascribed thereto in the <i>Employee Consultations</i> paragraph in Section 5.7.6

4. SUMMARY

This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offer Memorandum. Shareholders are advised to review the Offer Memorandum in detail and to seek independent advice where appropriate in order to reach a reasoned judgment in respect of the contents of the Offer Memorandum and the Offer itself. Unless the context requires otherwise, capitalised terms used in this Offer Memorandum shall have the meanings set out in Section 3 (Definitions).

4.1 The Offer

The Offeror hereby makes an Offer to purchase from the Shareholders all the Shares held by them, on the terms and subject to the conditions and restrictions contained in this Offer Memorandum. Shareholders tendering their Shares under the Offer will be paid a cash amount of EUR 7.25 in respect of each Share validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and delivered (geleverd), subject to the Offer being declared unconditional. The Offer Price is cum dividend, which reflects that the Company has committed not to declare any dividends or distributions on Shares prior to settlement of the Offer. See Section 6.1 (Offer Price).

The Offer Price of EUR 7.25 represents a premium of:

- (i) 38.4% relative to the closing share price of EUR 5.24 of an ordinary share on 11 January 2008, the last trading day prior to 14 January 2008, the day on which the Offeror and Econosto announced the Offer;
- (ii) 38.0% relative to the average closing share price of an ordinary share during the last month prior to 14 January 2008, the day on which the Offeror and Econosto announced the Offer; and
- (iii) 35.5% relative to the average closing share price of an ordinary share during the last twelve months prior to 14 January 2008, the day on which the Offeror and Econosto announced the Offer.

See also Section 5.5 (Substantiation of the Offer Price) and Section 8.3 (Share price development).

4.2 The Rationale for the Offer

The rationale for the Offer is that Econosto and the Offeror believe that a public-to-private transaction with respect to Econosto, would provide both short term and long term strategic, financial and other benefits to Econosto, the Offeror and the stakeholders of Econosto:

- (iv) the Offeror supports the overall strategy of the Management Board;
- (v) the Offeror has extensive experience and track-record in the industrial sector and has the means to support the management in growing Econosto;
- (vi) the Offeror will provide Econosto with financial and management resources to help Econosto accelerate its international growth strategy, which comprises *inter alia* both organic growth and growth through acquisitions; and
- (vii) the Offer provides current Shareholders the opportunity to sell their interest in Econosto at an attractive premium providing the opportunity to immediately realise certain value for their shares.

See also Section 5.6 (The Rationale for the Offer).

4.3 Financing of the Offer

The Offeror will finance acceptances under the Offer through a combination of fully committed debt facilities arranged by Fortis Bank (Nederland N.V.), ABN AMRO Bank N.V. and Landsbanki Islands hf. and committed equity financing being made available by funds managed and advised by or affiliated with Gilde. There are no conditions precedent, other than as set forth in or contemplated by the Financing Commitments themselves to funding. The Financing Commitments are subject to certain conditions precedent which are in line with conditions under the Offer and/or in accordance with market practice. The Offeror has no reason to believe that these conditions precedent under the Financing Commitments will not be satisfied on or prior to the Settlement Date.

4.4 Recommendation by the Supervisory Board and Management Board

The Supervisory Board and the Management Board fully support the Offer and unanimously recommend the Offer to Shareholders to accept the Offer. See Part C Section 1 (Recommendation by the Supervisory Board and the Management Board).

4.5 Committed Shares

The Committed Shareholders have committed towards the Offeror to tender an aggregate of 8.289.505 Shares representing approximately 51.2% of the issued share capital in Econosto under the same terms and conditions of the Offer as described in this Offer Memorandum.

Reference is made to Section 5.3 (Committed Shares)

4.6 Shares held by members of the Supervisory Board and the Management Board

As of the date of this 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. Mr J.F.A.M. van Os and Mr O. de Vries have committed to tender their Shares (including the Matching Shares and the Additional Shares) in the Offer subject to the same terms, conditions and restriction contained in this Offer Memorandum. The total amount of the Shares held by the Management Board represents less than 1.0% of the outstanding share capital of Econosto.

As of the date of this Offer Memorandum, no Shares are held by any of the members of the Supervisory Board.

4.7 Offer Conditions, Acceptance Period, declaring the Offer unconditional, extension and settlement of the Offer

4.7.1 Offer Conditions

The Offer shall be declared unconditional (*gestanddoening*) if the conditions as set out in Section 5.2 (Offer Conditions) are satisfied or, if permitted by applicable law, waived by the Offeror. The Offeror reserves the right to waive certain Offer Conditions if permitted by law. It may unilaterally waive the Offer Condition set out in Section 5.2(i) at an acceptance level of at least 66.67% or with the prior written consent of Econosto at a level below 66.67%.

4.7.2 Acceptance Period

The Acceptance Period begins on 17 March 2008 at 09:00 hours CET and ends, subject to extension in accordance with Article 15 of the Takeover Decree, on 17 April 2008 at 18:00 hours CET. See Section 6.5 (Acceptance Period (*aanmeldingstermijn*)).

If one or more of the Offer Conditions is not satisfied, the Offeror may extend the Acceptance Period for a minimum period of two weeks and a maximum period of ten weeks in order to satisfy or waive such Offer Conditions. Extension of the Acceptance Period may occur. See also Section 6.7 (Extension of the Acceptance Period).

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 any extension of the Acceptance Period in accordance with the provisions of Article 15 of the Takeover Decree. During any such 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 to withdraw the Shares he or she has 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 6.2 (Acceptance by Shareholders through an Admitted Institution).

4.7.3 Declaring the Offer Unconditional (*gestanddoening*)

The Offer shall be subject to the fulfillment of the Offer Conditions, including, but not limited to, the Offer Conditions that at least 95% of the issued and outstanding ordinary share capital of Econosto has been tendered under the Offer as set out in Section 5.2(i). The Offeror reserves the right to waive certain Offer Conditions if permitted by law. It may unilaterally waive the Offer Condition set out in Section 5.2(i) at an acceptance level of at least 66.67% or with the prior written consent of Econosto at a level below 66.67%. If the Offeror wishes to waive or reduce one or more Offer Conditions, the Offeror will inform Shareholders that it waives or reduces such Offer Conditions by such means as required by the Takeover Decree.

Unless the Acceptance Period is extended, the Offeror will, in accordance with Article 16, paragraph 1 of the Takeover Decree, announce within three Business Days after the Acceptance Closing Date, whether or not it declares the Offer unconditional. In the event the Offer will not be declared unconditional the Offeror will motivate such decision. See Section 6.6 (Declaring the Offer Unconditional (*gestanddoening*) and post Acceptance Period). In the event that the Offeror announces that the Offer is declared unconditional (*gestand wordt gedaan*) the Offeror will accept for payment all Shares validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and may continue the Offer by way of a post Acceptance Period as set out in Section 4.7.4 (Extension and post Acceptance Period).

4.7.4 Extension and post Acceptance Period

The Offeror may extend the Offer past the Acceptance Closing Date, in which case all references in this Offer Memorandum to the "Acceptance Closing Date" or "18:00 hours CET, on 17 April 2008" shall, unless the context requires otherwise, be moved to the latest date and time to which the Offer has been so extended. A 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 Settlement Agent in a timely manner.

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 is made not later than the third Business Day following the initial Acceptance Closing Date. See Section 6.7 (Extension of the Acceptance Period).

In the event that the Offeror announces that the Offer is declared unconditional (*gestand wordt gedaan*) the Offeror may, within three Business Days after declaring the Offer unconditional, announce a post Acceptance Period to enable Shareholders that did not tender their Shares in the Acceptance Period to tender their Shares under the same terms and conditions as the Offer. Such post Acceptance Period shall commence on the first Business Day following the announcement of a post Acceptance Period for a period of no longer than two weeks. The Offeror shall continue to accept for payment all Shares validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) during such period and shall pay for such Shares within three Business Days following the end of the post Acceptance Period.

4.7.5 Settlement of the Offer

In the event the Offeror announces that the Offer is declared unconditional (*gestand wordt gedaan*), 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*). See Section 6.8 (Settlement of the Offer).

4.8 Offeror

The Offeror is KENV Acquisition B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) duly incorporated on 19 February 2008 and validly existing under the laws of The Netherlands, with its statutory seat in Utrecht, The Netherlands, and is an indirectly wholly owned subsidiary of Gilde But-Out Fund III B.V. and Gilde Buy-Out Fund III C.V. Funds managed or advised by or affiliated with Gilde are the ultimate indirect shareholders of the Offeror and will hold their interests in the Offeror through one or more intermediate holding companies.

4.9 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 thereafter. 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 5.7.3 (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). 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. See Section 5.7.2 (Liquidity and Delisting).

4.10 Legal structure of Econosto following the Offer

Summary of risk factors following the Offer

Shareholders who do not tender their Shares in the Offer should carefully review this Section 4.10, which describes certain risks they will be subject to after the Offer is declared unconditional (*gestand wordt gedaan*). These risks are in addition to the exposure to the business of Econosto and its subsidiaries, as such business and the structure of the Econosto may change from time to time after the Settlement Date. The following is a summary of the key additional risks:

- **COMPULSORY PURCHASE**

As soon as the relevant legal requirements have been satisfied, the Offeror may seek to acquire the remaining Shares through the statutory Squeeze-Out procedure.

- **LOSS OF LIQUIDITY**

As soon as the relevant legal requirements have been satisfied, the Offeror will seek to terminate the listing of Econosto on Euronext Amsterdam and to convert Econosto into a private limited company (*besloten vennootschap met beperkte aansprakelijkheid*), which will *inter alia* cause all Shares to become subject to transfer restrictions.

Alternatively or cumulatively, the Offeror may seek to implement an Upstream Merger, which could result in Shareholders in Econosto becoming shareholders in a Merging Entity by operation of law. This Merging Entity will be a private limited company (*besloten vennootschap met beperkte aansprakelijkheid*), and the shares in its capital will not be listed or publicly traded, and will be subject to transfer restrictions.

Even if no conversion or merger is implemented, the size of the free float in Shares will be substantially reduced as a result of the Offer, and as a result trading volumes and liquidity of Shares will be materially adversely affected.

The Offeror may also seek a sale of substantially all assets of Econosto, which may be followed by a liquidation and a distribution of the sale proceeds.

- **INCREASED LEVERAGE**

As a result of one or more Legal Mergers or as a result of other measures implemented by the Offeror and Econosto after the Settlement Date, the proportion of the balance sheet of Econosto or its successor entities which is represented by debt may increase substantially compared to the current position and Econosto may incur substantial fees or other expenses in relation thereto or any expenses incurred by other parties in connection therewith.

- **REDUCED GOVERNANCE RIGHTS**

In the event that Econosto or its successor entity will no longer be listed and its shares will no longer be publicly traded, the statutory provisions applicable to the governance of public or listed companies will no longer apply and the rights of minority shareholders will be limited to the statutory minimum.

- **CONTROLLING SHAREHOLDER**

Following the Settlement Date, Econosto will be majority controlled by the Offeror and the Offeror will appoint all of the members of the Supervisory Board, except for any independent

members of the Supervisory Board appointed in accordance with Section 5.7.7 (Future Composition of the Boards).

- TAX TREATMENT OF DISTRIBUTIONS

The Offeror and Econosto have no insight into and no responsibility with respect to the tax treatment of Shareholders with respect to any distributions made by Econosto or any successor entity to Econosto, which may include dividends, repayments of capital and liquidation distributions. In the event that there is a sale of substantially all assets of Econosto, followed by a liquidation and a distribution of the sale proceeds, this may raise specific tax issues for Shareholders, including without limitation a liability to Dutch dividend withholding tax.

General

The Offeror reserves the right to use any legally permitted method to acquire 100% of Econosto's share capital, as well as to align Econosto with the holding and financing structure of the group of companies that includes the Offeror. For this purpose the Offeror will consider, depending *inter alia* on the number of Shares obtained by the Offeror as a result of the Offer, a number of processes, including a compulsory acquisition procedure (*uitkoopprocedure*) in accordance with Article 2:359c or 2:92a of the Dutch Civil Code (a "**Squeeze-Out**"), a legal merger (*juridische fusie*) between Econosto and the Offeror or an affiliate of the Offeror in accordance with Article 2:309 et seq of the Dutch Civil Code (a "**Legal Merger**"), a contribution of assets to Econosto in exchange for new shares issued (in which case the existing shareholders do not have pre-emptive rights), or a sale of assets by Econosto. Separately, the Offeror may cause Econosto to be converted into a private limited company (*besloten vennootschap met beperkte aansprakelijkheid*).

For the avoidance of doubt, any or all of the measures and processes described in Section 5.7.3 (Legal structure of Econosto following the Offer) may be applied cumulatively, alternatively, or not at all, at the discretion of the Offeror, subject to applicable provisions of Dutch law. Any such measures or processes may be subject to different tax consequences than those that apply in case the Shareholders had tendered their Shares in the Offer.

Squeeze-Out

In the event that the Offeror has acquired 95% or more of the issued and outstanding share capital of Econosto at or following the Settlement Date, the Offeror shall as soon as possible initiate a Squeeze-Out, in order to acquire the remaining Shares not tendered and not held by the Offeror or Econosto. The Offeror may also initiate a Squeeze-Out at any time after the Settlement Date, if and when it is entitled to do so, with respect to shares in any successor entity of Econosto, created through a Legal Merger or otherwise.

Legal Merger

At any time after the Offer has been declared unconditional (*gestand wordt gedaan*), the Offeror and Econosto may take steps to implement a Legal Merger between the Offeror or an affiliate of the Offeror (the "**Merging Entity**") and Econosto. As a result of such a Legal Merger, one of the two legal entities involved (the "**Disappearing Entity**") will disappear and the other (the "**Surviving Entity**") will survive and acquire all assets and liabilities of the Disappearing Entity by operation of law on the date on which the Legal Merger becomes effective (the "**Merger Date**"). The following paragraphs of this subsection explain two principal forms of Legal Merger which the Offeror may consider and set out a summary of the process that may be followed prior to any Legal Merger being implemented. No rights can be derived from these explanations and the Offeror reserves the right to pursue a Legal Merger on different terms.

In case a Legal Merger is effected in which Econosto is the Disappearing Entity (an "**Upstream Merger**"), Shareholders in Econosto (including Shareholders that have not tendered their Shares under the Offer, but excluding the Merging Entity) will, by operation of law, become shareholders in the Merging Entity, alongside the Offeror or the Offeror's affiliate which is already a shareholder of the Merging Entity (the "**Merging Entity Parent**"). The new shareholders will acquire shares in the capital of the Merging Entity that have the same economic value as the Shares they hold immediately before the Legal Merger becomes effective, which will be computed on the basis of the relevant prices set out in this Offer Memorandum, deducting any distributions made to the relevant shareholders after the Settlement Date. The capital of the Merging Entity is likely to be divided into different classes of shares and holders of one class of Shares may acquire one or more classes of ordinary and/or preference shares in the Merging Entity, depending on factors such as the rights attaching to the Shares they hold on the Merger Date and the amount of any debt financing the Merging Entity has outstanding at that time. The exact identity of the Merging Entity, the composition of its share capital, the economic and other rights attaching to each class of shares in that capital and the exchange ratio applicable to each class of Shares will only be established by the Management Board and the Offeror on or after the Unconditional Date and shall be approved by the Supervisory Board.

It is not intended that any shares in the Merging Entity will be listed on any stock exchange or will otherwise be publicly traded. As the Merging Entity will be a private limited company (*besloten vennootschap met beperkte aansprakelijkheid*), restrictions will apply to the transferability of these shares. However, the Merging Entity Parent may grant the new holders of shares in the Merging Entity the right for a certain period after the Merger Date to sell their shares to the Merging Entity Parent, for a price per share equal to the relevant price set out in this Offer Memorandum, deducting any distributions made to the relevant shareholders after the Settlement Date. Shareholders who do not tender their Shares in the Offer need to be aware that, in the event the Offer is declared unconditional (*gestand wordt gedaan*) and an Upstream Merger is implemented, except to the extent and for the period that any sale right is granted in accordance with the previous sentence, the shares in the Merging Entity which they receive in exchange for their Shares will be illiquid and cannot be freely traded.

As a further result of the Merging Entity in an Upstream Merger being an unlisted private limited company, statutory provisions applicable to the governance of public or listed companies will not apply to the Merging Entity and the rights of minority shareholders in the Merging Entity will be limited to the statutory minimum.

As an alternative or precursor to an Upstream Merger, the Offeror may choose to implement a Legal Merger in which the Merging Entity will be the Disappearing Entity and Econosto will be the Surviving Entity (a "**Downstream Merger**"). In such a case, the Shareholders will continue to hold their Shares. The Shares held by the Merging Entity will be cancelled and the Merging Entity Parent will be issued with new Shares, taking into account any assets or liabilities which the Merging Entity has on the Merger Date, other than Shares.

A Downstream Merger will not in itself affect the listing of Econosto on Euronext Amsterdam or the tradeability of Shares. The Downstream Merger does not, however, prevent the Offeror and Econosto from seeking a termination of that listing, when they are entitled to do so under applicable listing rules. Similarly, the Offeror may initiate a Squeeze-Out subsequent to a Downstream Merger, if and when it is entitled to do so, with respect to the Shares it does not at that point own (other than Shares owned by Econosto itself or its subsidiaries). In addition, the completion of the Offer and any subsequent measures initiated by the Offeror and Econosto, within the restrictions imposed by applicable law, are likely to significantly reduce the trading

volume in Shares and thereby the liquidity of a continued investment in Shares beyond the Settlement Date.

After implementing a Downstream Merger, the Offeror may decide to implement an Upstream Merger, with a different Merging Entity than that which disappeared as a result of the Downstream Merger. The previous subsection, relating to an Upstream Merger and the shares that will be issued to holders of Shares, will apply *mutatis mutandis* in such a case.

In the event that the Offeror chooses to pursue any Legal Merger, the process for achieving this result will be subject to Part 7 of Book 2 of the Dutch Civil Code and any other applicable provisions of Dutch law, and will include safeguards to ensure that the exchange ratio or ratios applicable to each respective class of Shares is confirmed as being fair by independent experts, and is ultimately approved by the Supervisory Board.

The process also requires a resolution of the general meeting of shareholders of the Disappearing Entity and, under certain circumstances, of the general meeting of shareholders of the Surviving Entity. Shareholders should be aware, however, that these safeguards and procedures do not prevent the Surviving Entity, in which they will be shareholders from the Merger Date, from having substantially more debt as a proportion of its balance sheet total than Econosto currently has.

Asset Sale

At any time after the Offer has been declared unconditional (*gestand wordt gedaan*), the Offeror and Econosto may take steps to cause a sale by Econosto of all, substantially all or a substantial part of its assets to a company directly or indirectly wholly owned by the Offeror or by an affiliate of the Offeror. In the event of a sale of all or substantially all assets, this sale may be made at a value that is different from the value calculated on the basis of share prices set out in this Offer Memorandum.

If necessary or appropriate, a confirmation will be obtained from independent experts as to the fairness of such a transaction and it would require the approval of the Supervisory Board, as well as that of the general meeting of Econosto's shareholders (including the Offeror). Following a sale of all or substantially all of Econosto's assets, Econosto may be liquidated, in which case the proceeds of the transaction will be distributed to its shareholders, in accordance with the provisions of the Econosto Articles of Association.

Other Possible Measures

The Offeror reserves the right to use any other permitted method to obtain 100% of Econosto's share capital, as well as to align the company structure of Econosto with the group's new holding and financing structure that will exist once the Offer has been declared unconditional (*gestand wordt gedaan*), including the contribution of assets by the Offeror to Econosto against the issue of new shares in the capital of Econosto, whilst at the same time excluding the pre-emptive rights (*voorkeursrechten*) (if any) of other Econosto Shareholders, all in accordance with Dutch law and the Econosto Articles of Association in force at the relevant time.

Finally, the Offeror reserves the right to pursue alterations to the corporate and capital structure of Econosto, including internal reorganisations, changes to the accounting policies applied by Econosto, amendments to the Econosto Articles of Association, a liquidation, a demerger as specified in Article 2:334a of the Dutch Civil Code or a rights issue, all to be effected in accordance with Dutch law and the Econosto Articles of Association (as amended from time to time). Any distributions made may take the form of a distribution out of reserves, an interim

dividend, a final dividend, payment upon cancellation or, in case the Company is liquidated, a liquidation distribution.

4.11 Dividend Policy

Econosto has not paid any dividend since 2002 due to the requirements under the convertible loan which was converted in 2006. Econosto announced on 6 June 2007 that it intended to restart declaring dividend in the future. Econosto has not declared any dividend since such announcement. The Offeror expects not to pay regular cash dividends for 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 5.7.3 (Legal structure of Econosto following the Offer).

4.12 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 made by press release and will be published in the Daily Official List and in at least one nationally distributed newspaper in The Netherlands (*Het Financieele Dagblad* or *NRC Handelsblad*). See Section 6.12 (Announcements). 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.

4.13 Indicative Timetable

Expected Date and Time	Event
(All times are CET)	
14 March 2008	Press release announcing the availability of the Offer Memorandum and the commencement of the Offer
15 March 2008	Publication of advertisement announcing the availability of the Offer Memorandum and the commencement of the Offer
09:00 hours, 17 March 2008	Commencement of the Acceptance Period under the Offer, in accordance with Article 14 of the Takeover Decree
10:00 hours, 9 April 2008	Extraordinary General Meeting of Shareholders, at which meeting the Offer, among other matters, will be discussed in accordance with the provisions of Article 18 of the Takeover Decree
18:00 hours, 17 April 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

Unconditional Date

the date on which the Offeror shall publicly announce whether the Offer is declared unconditional (*gestand wordt gedaan*) 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

Post Acceptance Period

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 (*na-aanmeldingstermijn*), 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

Settlement Date

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 (*geleverd*) 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 (*gestand wordt gedaan*)

5. EXPLANATION OF THE OFFER

5.1 Introduction

On 14 January 2008, Gilde and Econosto jointly announced that conditional agreement has been reached between Gilde and Econosto with respect to a public offer by Gilde for the entire issued and outstanding share capital of Econosto at an offer price of EUR 7.25 per share in cash. On 11 February 2008 Gilde and Econosto jointly announced that a request for approval by the AFM of this Offer Memorandum would be made in the next weeks in accordance with Article 7 paragraph 1 of the Takeover Decree.

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:

- (i) 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 and Shares which are the subject of purchase agreements in effect 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);
- (ii) 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 of that is higher than EUR 7.25;
- (iii) the Boards have not withdrawn or changed their recommendation (see Part C Section 1 (Recommendation by the Supervisory Board and the Management Board));
- (iv) 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;
- (v) 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;
- (vi) 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);
- (vii) 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;
- (viii) Econosto has not breached any of the provisions of the Merger Protocol to the extent that such breach could reasonably be expected to have a material adverse effect on

Econosto, the Offeror and/or the Offer, and such breach is not remedied within 5 Business Days;

- (ix) the Offeror has not breached any of the provisions of the Merger Protocol to the extent that such breach could reasonably be expected to have a material adverse effect on Econosto, the Offeror and/or the Offer, and such breach is not remedied within 5 Business Days;
- (x) since the date of this Offer Memorandum, no circumstance, event or series of events has occurred or become known that constitutes a Material Adverse Change, or that will or can reasonably be expected to result in a Material Adverse Change;
- (xi) the Offeror has received copies of resignation letters from all resigning members of the Supervisory Board;
- (xii) all notifications to all of the relevant Competition Authorities shall have been made;
- (xiii) the occurrence of one of the following events ultimately 3 (three) Business Days prior to the Unconditional Date:
 - (a) each of the relevant Competition Authorities issuing a decision in respect of the Offer constituting clearance of the proposed concentration;
 - (b) 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 conditions laid down in Section 5.2(i), (ii), (iii), (vi), (vii), (viii), (x) and (xi) are for the benefit of Offeror and may be waived by the Offeror (either in whole or in part) at any time by written notice to Econosto, provided that a waiver by the Offeror of the condition under 5.2(i) requires the prior written approval of Econosto in the event that the number of tendered Shares as at the Acceptance Date represent less than 66.67% of the issued and outstanding share capital. The conditions laid down in Section 5.2(iv), (xii) and (xiii) are for the benefit of the Offeror and Econosto and may be waived by the Offeror and Econosto jointly (either in whole or in part) at any time by written notice. The condition laid down in Section 5.2(v) is for the benefit of the Offeror and Econosto and may be waived by the Offeror and Econosto jointly, if following receipt of a notice as referred to in condition 5.2(v), such notification has been or will be revoked by the AFM, if such notification is overruled by a court decision or after consultation with the AFM. The condition laid down in Section 5.2(ix) is for the benefit of Econosto only and may only be invoked and/or waived by Econosto (either in whole or in part) at any time by written notice to Offeror. The conditions laid down in Section 5.2(xii) and 5.2(xiii) have been fulfilled on 15 february 2008 and 4 March 2008, respectively.

5.3 Committed Shares

The Committed Shareholders have committed towards the Offeror to tender an aggregate of 8,289,505 Shares representing approximately 51.2% of the issued share capital in Econosto under the same terms and conditions of the Offer as described in this Offer Memorandum. The undertaking of the Committed Shareholders is subject to an exception for a public offer for all Shares of Econosto by a third party for a consideration of at least EUR 7.75 per Share in cash.

The Committed Shareholders have not received information in relation to the Offer which is not included in this Offer Memorandum or which was already made public and is relevant for the assessment of the Offer.

5.4 Shareholdings of the members of the Supervisory Board and Management Board

As of the date of this 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. Mr J.F.A.M. van Os and Mr O. de Vries have committed to tender their Shares (including the Matching Shares and the Additional Shares) in the Offer, subject to the same terms, conditions and restrictions contained in this Offer Memorandum. The total value of the Shares held by the Management Board and tendered in the Offer amounts to EUR 136,379.75 for Mr J.F.A.M. van Os and to EUR 62,799.51 for Mr O. de Vries. The total amount of the Shares held by the Management Board represents less than 1.0% of the outstanding share capital of Econosto. See also Section 5.4.2 (Information on Long-Term Incentive Plan).

The members of the Management Board have not received information from the Offeror in relation to the Offer which is not included in this Offer Memorandum.

As of the date of this Offer Memorandum, no Shares are held by any of the members of the Supervisory Board.

5.4.1 Information on Shares

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

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.

5.4.2 Information on Long-Term Incentive Plan

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 this 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 hold 13,446 Matching Shares.

5.5 Substantiation of the Offer Price

5.5.1 Introduction

The Offer Price has been based on the following financial analyses:

- (i) a trading multiple analysis based on the financial performance of Econosto and the prices and trading activity of the Shares compared with those of certain comparable publicly traded companies and their securities. Companies reviewed for comparison with Econosto include industrial distributors such as Eriks, Wolseley, Indutrade, BSS, Brammer, and manufacturers such as Flowserve, Tyco and KSB. For this group of selected companies the median ratio of enterprise value to analyst consensus EBITDA expected for the year ended 31 December 2007 as provided by JCF Quant on 11 January 2008, the day prior to the announcement of the Offer and calendarised if different to the actual year end of the respective companies, was approximately 7.5x. At announcement of the Offer, the Offer was valued at approximately 8.6x EBITDA 2007, excluding the Kirishi project. This was based on an equity bid value of approximately EUR 117.4 million plus estimated net debt of approximately EUR 17.8 million and estimated EBITDA 2007, excluding the Kirishi project of approximately EUR 15.7 million. There are no estimates for 2008 enterprise value to EBITDA ratio available, as there are no official analyses made;
- (ii) an analysis of bid premiums in recent public offers for companies listed on Euronext Amsterdam that were deemed comparable, in the period from January 2004 to December 2007: Koninklijke Vendex KBB (KKR / Consortium), Delft Instruments (AlpInvest), Petroplus International (The Carlyle Group), Nedcon Groep (Voestalpine), Copaco (Molenwijck), Westersuyker (IEF Capital), PinkRocade (Getronics), Equant (France Telecom), Reesink (Van Herk Groep), Royal P&O Nedlloyd (A.P. Moller - Maersk), Versatel (Tele2), McGregor

Fashion Group (Toeca Fashion Holding), Priority Telecom (Chellomedia BV), Airspray (Rexam Plastics), Frans Maas (DFDS Transport), Athlon (De Lage Landen Groep), Bever Holding (Beauchamp Beheer), Corus (Tata Steel), Seagull (Rocket Software), Nedschroef (Gilde Buy Out Partners), Wegener (Mecom Group), Endemol (Cyrte-Mediaset-Goldman Sachs), ABN AMRO (RBS-Fortis-Banco Santander), Stork (Candover), Numico (Danone), Univar (CVC Capital Partners), Tele Atlas (TomTom), Getronics (KPN), Hagemeyer (Rexel), Vastned Retail (IEF Capital), Grolsch (SABMiller), and Vedior (Randstad), resulting in respective median and average 1-day premiums of 27% and 34%, and respective 30-day premiums of 29% and 35%; and

- (iii) a leveraged buy-out analysis, based on the operational and financial performance of the business as well as current conditions in the leveraged finance markets. In general, a leveraged buy-out analysis is used to evaluate an investment decision against investment criteria such as expected rate of return, investment period and leverage structure. The Offeror has concluded that Econosto's longterm objective 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, as described in Section 7.5.2 (Financial Outlook), meets its investment criteria.

The Offer Price has been calculated based on:

- (i) 16,190,220 Shares issued and outstanding as at 11 January 2008, the last Business Day prior to the announcement of the Offer; and
- (ii) estimates of the consolidated balance sheet position as of 2007, which do not differ materially from the actual consolidated balance sheet position as of 2007, of Econosto and in particular the net indebtedness of the Econosto group as set out in Section 3.2.1 of Part B. In addition, certain financial information as derived from Econosto's financial statements, market reports, press releases and additional financial information provided by Econosto have been reviewed.

5.5.2 Premiums

The Offer Price of EUR 7.25 represents a premium of:

- (i) 38.4% relative to the closing share price of EUR 5.24 of an ordinary share on 11 January 2008, the last trading day prior to 14 January 2008, the day on which the Offeror and Econosto announced the Offer;
- (ii) 38.0% relative to the average closing share price of an ordinary share during the last month prior to 14 January 2008, the day on which the Offeror and Econosto announced the Offer; and
- (iii) 35.5% relative to the average closing share price of an ordinary share during the last twelve months prior to 14 January 2008, the day on which the Offeror and Econosto announced the Offer.

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

On 11 March 2008, Kempen & Co rendered its fairness opinion in writing to the Supervisory Board and the Management Board. Such fairness opinion is reproduced in

Section 2 of Part C. As at the date of such opinion, and based upon and subject to the factors and assumptions referred to in such opinion, Kempen & Co considers the Offer Price to be fair, from a financial point of view, to the Shareholders.

5.6 The Rationale for the Offer

The rationale for the Offer is that Econosto and the Offeror believe that a public-to-private transaction with respect to Econosto, would provide both short term and long term strategic, financial and other benefits to Econosto, the Offeror and the stakeholders of Econosto:

- (i) the Offeror supports the overall strategy of the Management Board;
- (ii) the Offeror has extensive experience and track-record in the industrial sector and has the means to support the management in growing Econosto;
- (iii) the Offeror will provide Econosto with financial and management resources to help Econosto accelerate its international growth strategy, which comprises *inter alia* both organic growth and growth through acquisitions; and
- (iv) the Offer provides current Shareholders the opportunity to sell their interest in Econosto at an attractive premium providing the opportunity to immediately realise certain value of their shares.

5.7 Consequences of the Offer

5.7.1 Strategy

The Offeror intends that Econosto will continue its operations as an independent company under its present name and at the current place of establishment. Its full focus will continue to be on the company's core activities: technical wholesale activities in Europe, the Middle East and the Far East.

The Offeror supports the current vision and growth strategy of the Management Board. The Offeror has committed itself to keep the business of Econosto materially intact under one central management and to maintain a financing structure that enables Econosto to continue its current business strategy and allows Econosto to meet its debt obligations. By providing financial and management resources, the Offeror will enable Econosto to further grow its business both organically and through targeted acquisitions in the traditional MRO sector and the international project market.

5.7.2 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 5.7.3 (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.

5.7.3 Legal structure of Econosto following the Offer

Summary of risk factors following the Offer

Shareholders who do not tender their Shares in the Offer should carefully review this Section 5.7.3, which describes certain risks they will be subject to after the Offer is declared unconditional (*gestand wordt gedaan*). These risks are in addition to the exposure to the business of Econosto and its subsidiaries, as such business and the structure of the Econosto may change from time to time after the Settlement Date. The following is a summary of the key additional risks:

- **COMPULSORY PURCHASE**

As soon as the relevant legal requirements have been satisfied, the Offeror may seek to acquire the remaining Shares through the statutory Squeeze-Out procedure.

- **LOSS OF LIQUIDITY**

As soon as the relevant legal requirements have been satisfied, the Offeror may seek to terminate the listing of Econosto on Euronext Amsterdam and to convert Econosto into a private limited company (*besloten vennootschap met beperkte aansprakelijkheid*), which will inter alia cause all Shares to become subject to transfer restrictions.

Alternatively or cumulatively, the Offeror may seek to implement an Upstream Merger, which could result in shareholders in Econosto becoming shareholders in a Merging Entity by operation of law. This Merging Entity will be a private limited company (*besloten vennootschap met beperkte aansprakelijkheid*), and the shares in its capital will not be listed or publicly traded, and will be subject to transfer restrictions.

Even if no conversion or merger is implemented, the size of the free float in Shares will be substantially reduced as a result of the Offer, and as a result trading volumes and liquidity of Shares will be materially adversely affected.

The Offeror may also seek a sale of substantially all assets of Econosto, which may be followed by a liquidation and a distribution of the sale proceeds.

- **INCREASED LEVERAGE**

As a result of one or more Legal Mergers or as a result of other measures implemented by the Offeror and Econosto after the Settlement Date, the proportion of the balance sheet of Econosto or its successor entities which is represented by debt may increase substantially compared to the current position and Econosto may incur substantial fees or other expenses in relation thereto or any expenses incurred by other parties in connection therewith.

- **REDUCED GOVERNANCE RIGHTS**

In the event that Econosto or its successor entity will no longer be listed and its shares will no longer be publicly traded, the statutory provisions applicable to the governance of public or listed companies will no longer apply and the rights of minority shareholders will be limited to the statutory minimum.

- **CONTROLLING SHAREHOLDER**

Following the Settlement Date, Econosto will be majority controlled by the Offeror and the indirect shareholders of the Offeror will appoint all of the members of the Supervisory Board, except for any independent members of the Supervisory Board appointed in accordance with Section 5.7.7 (Future composition of the Boards).

- TAX TREATMENT OF DISTRIBUTIONS

The Offeror and Econosto have no insight into and no responsibility with respect to the tax treatment of Shareholders with respect to any distributions made by Econosto or any successor entity to Econosto, which may include dividends, repayments of capital and liquidation distributions. In the event that there is a sale of substantially all assets of Econosto, followed by a liquidation and a distribution of the sale proceeds, this may raise specific tax issues for Shareholders, including without limitation a liability to Dutch dividend withholding tax.

General

The Offeror reserves the right to use any legally permitted method to acquire 100% of Econosto's share capital, as well as to align Econosto with the holding and financing structure of the group of companies that includes the Offeror. For this purpose the Offeror will consider, depending inter alia on the number of Shares obtained by the Offeror as a result of the Offer, a number of processes, including a compulsory acquisition procedure (*uitkoopprocedure*) in accordance with Article 2:359c or 2:92a of the Dutch Civil Code (a "**Squeeze-Out**"), a legal merger (*juridische fusie*) between Econosto and the Offeror or an affiliate of the Offeror in accordance with Article 2:309 et seq of the Dutch Civil Code (a "**Legal Merger**"), a contribution of assets to Econosto in exchange for new shares issued (in which case the existing shareholders do not have pre-emptive rights), or a sale of assets by Econosto. Separately, the Offeror may cause Econosto to be converted into a private limited company (*besloten vennootschap met beperkte aansprakelijkheid*).

For the avoidance of doubt, any or all of the measures and processes described in this Section 5.7.3 may be applied cumulatively, alternatively, or not at all, at the discretion of the Offeror, subject to applicable provisions of Dutch law. Any such measures or processes may be subject to different tax consequences than those that apply in case the Shareholders had tendered their Shares in the Offer.

Squeeze-Out

In the event that the Offeror has acquired 95% or more of the issued and outstanding share capital of Econosto at or following the Settlement Date, the Offeror shall as soon as possible initiate a Squeeze-Out, in order to acquire the remaining Shares not tendered and not held by the Offeror or Econosto. The Offeror may also initiate a Squeeze-Out at any time after the Settlement Date, if and when it is entitled to do so, with respect to shares in any successor entity of Econosto, created through a Legal Merger or otherwise.

Legal Merger

At any time after the Offer has been declared unconditional (*gestand wordt gedaan*), the Offeror and Econosto may take steps to implement a Legal Merger between the Merging Entity and Econosto. As a result of such a Legal Merger, the Disappearing Entity will disappear and the Surviving Entity will survive and acquire all assets and liabilities of the Disappearing Entity by operation of law on the Merger Date. The

following paragraphs of this subsection explain two principal forms of Legal Merger which the Offeror may consider and set out a summary of the process that will be followed prior to any Legal Merger being implemented. No rights can be derived from these explanations and the Offeror reserves the right to pursue a Legal Merger on different terms.

In case a Legal Merger is effected by means of an Upstream Merger, Shareholders in Econosto (including Shareholders that have not tendered their Shares under the Offer, but excluding the Merging Entity) will become, by operation of law, shareholders in the Merging Entity, alongside the Merging Entity Parent. The new shareholders will acquire shares in the capital of the Merging Entity that have the same economic value as the Shares they hold immediately before the Legal Merger becomes effective, which will be computed on the basis of the relevant prices set out in this Offer Memorandum, deducting any distributions made to the relevant shareholders after the Settlement Date. The capital of the Merging Entity is likely to be divided into different classes of shares and holders of one class of Shares may acquire one or more classes of ordinary and/or preference shares in the Merging Entity, depending on factors such as the rights attaching to the Shares they hold on the Merger Date and the amount of any debt financing the Merging Entity has outstanding at that time. The exact identity of the Merging Entity, the composition of its share capital, the economic and other rights attaching to each class of shares in that capital and the exchange ratio applicable to each class of Shares will only be established by the Management Board of Econosto and the Offeror on or after the Unconditional Date and shall be approved by the Supervisory Board.

It is not intended that any shares in the Merging Entity will be listed on any stock exchange or will otherwise be publicly traded. As the Merging Entity will be a private limited company (*besloten vennootschap met beperkte aansprakelijkheid*), restrictions will apply to the transferability of these shares. However, the Merging Entity Parent may grant the new holders of shares in the Merging Entity the right for a certain period after the Merger Date to sell their shares to the Merging Entity Parent, for a price per share equal to the relevant price set out in this Offer Memorandum, deducting any distributions made to the relevant shareholders after the Settlement Date. Shareholders who do not tender their Shares in the Offer need to be aware that, in the event the Offer is declared unconditional (*gestand wordt gedaan*) and an Upstream Merger is implemented, except to the extent and for the period that any sale right is granted in accordance with the previous sentence, the shares in the Merging Entity which they receive in exchange for their Shares will be illiquid and cannot be freely traded.

As a further result of the Merging Entity in an Upstream Merger being an unlisted private limited company, statutory provisions applicable to the governance of public or listed companies will not apply to the Merging Entity and the rights of minority shareholders in the Merging Entity will be limited to the statutory minimum.

As an alternative or precursor to an Upstream Merger, the Offeror may choose to implement a Legal Merger by means of a Downstream Merger. In such a case, the Shareholders will continue to hold their Shares. The Shares held by the Merging Entity will be cancelled and the Merging Entity Parent will be issued with new Shares, taking into account any assets or liabilities which the Merging Entity has on the Merger Date, other than Shares.

A Downstream Merger will not in itself affect the listing of Econosto on Euronext Amsterdam or the tradeability of Shares. The Downstream Merger does not, however,

prevent the Offeror and Econosto from seeking a termination of that listing, when they are entitled to do so under applicable listing rules. Similarly, the Offeror may initiate a Squeeze-Out subsequent to a Downstream Merger, if and when it is entitled to do so, with respect to the Shares it does not at that point own (other than shares owned by Econosto itself or its subsidiaries). In addition, the completion of the Offer and any subsequent measures initiated by the Offeror and Econosto, within the restrictions imposed by applicable law, are likely to significantly reduce the trading volume in Shares and thereby the liquidity of a continued investment in Shares beyond the Settlement Date.

After implementing a Downstream Merger, the Offeror may decide to implement an Upstream Merger, with a different Merging Entity than that which disappeared as a result of the Downstream Merger. The previous subsection, relating to an Upstream Merger and the shares that will be issued to holders of Shares, will apply *mutatis mutandis* in such a case.

In the event that the Offeror chooses to pursue any Legal Merger, the process for achieving this result will be subject to Part 7 of Book 2 of the Dutch Civil Code and any other applicable provisions of Dutch law, and will include safeguards to ensure that the exchange ratio or ratios applicable to each respective class of Shares is confirmed as being fair by independent experts, and is ultimately approved by the Supervisory Board). The process also requires a resolution of the general meeting of shareholders of the Disappearing Entity and, under certain circumstances, of the general meeting of shareholders of the Surviving Entity. Shareholders should be aware, however, that these safeguards and procedures do not prevent the Surviving Entity, in which they will be shareholders from the Merger Date, from having substantially more debt as a proportion of its balance sheet total than Econosto currently has.

Asset Sale

At any time after the Offer has been declared unconditional (*gestand wordt gedaan*), the Offeror and Econosto may take steps to cause a sale by Econosto of all, substantially all or a substantial part of its assets to a company directly or indirectly wholly owned by the Offeror or by an affiliate of the Offeror, in a manner that is consistent with the undertakings reflected in Section 5.9 (Post Settlement Undertakings). In the event of a sale of all or substantially all assets, this sale may be made at a value that is different from the value calculated on the basis of share prices set out in this Offer Memorandum.

If necessary or appropriate confirmation will be obtained from independent experts as to the fairness of such a transaction and it would require the approval of the Supervisory Board, as well as that of the general meeting of Econosto's shareholders (including the Offeror). Following a sale of all or substantially all of Econosto's assets, Econosto may be liquidated, in which case the proceeds of the transaction will be distributed to its shareholders, in accordance with the provisions of the Econosto Articles of Association.

Other Possible Measures

The Offeror reserves the right to use any other permitted method to obtain 100% of Econosto's share capital, as well as to align the company structure of Econosto with the group's new holding and financing structure that will exist once the Offer has been declared unconditional (*gestand wordt gedaan*), including the contribution of assets by the Offeror to Econosto against the issue of new shares in the capital of Econosto, whilst at the same time excluding the pre-emptive rights (*voorkeursrechten*) (if any) of

Shareholders, all in accordance with Dutch law and the Econosto Articles of Association in force at the relevant time.

Finally, the Offeror reserves the right to pursue alterations to the corporate and capital structure of Econosto, including internal reorganisations, changes to the accounting policies applied by Econosto, amendments to the Econosto Articles of Association, a liquidation, a demerger as specified in Article 2:334a of the Dutch Civil Code or a rights issue, all to be effected in accordance with Dutch law and the Econosto Articles of Association (as amended from time to time). Any distributions made may take the form of a distribution out of reserves, an interim dividend, a final dividend, payment upon cancellation or, in case the Company is liquidated, a liquidation distribution.

5.7.4 Dividend policy

Econosto has not paid any dividend since 2002 due to the requirements under the convertible loan which was converted in 2006. Econosto announced on 6 June 2007 that it intended to restart declaring dividend in the future. 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 5.7.3 (Legal structure of Econosto following the Offer).

5.7.5 Arrangements relating to employees

The Offeror and Econosto expect that the Offer will not have any adverse consequences for employment at Econosto. The Offeror will endeavour that Econosto will respect and adhere to the current general employment policy of Econosto and that current employment conditions will be respected. In addition, the Offeror will respect existing obligations with respect to pension rights of Econosto's employees.

5.7.6 Employee consultations

On 13 January 2008, Econosto informed the works council of Econosto Nederland B.V. (the "**Works Council**"). After a formal request for advice was sent on 30 January 2008, Econosto met with the Works Council on 6 February 2008, together with a representative of the Offeror.

The Works Council has rendered its positive advice on 22 February 2008 as required pursuant to Article 25 paragraph 1 of the Dutch Works Councils Act (*Wet op de ondernemingsraden*). The Social Economic Council (*Sociaal Economische Raad*) has been informed of the Offer in accordance with the SER Merger Code 2000 (*SER-besluit Fusiegedragsregels 2000*).

5.7.7 Future composition of the Boards

It is currently envisaged that as from the Settlement Date the Management Board shall consist of the existing members of the Management Board, being Mr J.F.A.M. van Os en Mr O. de Vries.

The Parties have confirmed that one of the members of the Supervisory Board shall continue to serve as independent member on the Supervisory Board following the

Unconditional Date. Subject to (i) the Offer being declared unconditional (*gestanddoening*) and (ii) the appointment of at least one individual to be designated by the Offeror as member of the Supervisory Board, two of the members of the Supervisory Board shall resign from the Supervisory Board with effect from the Settlement Date. Mr Kostwinder and Mr Nanninga shall resign as members of the Supervisory Board and Mr Knol shall continue to serve as independent member of the Supervisory Board. The resigning members of the Supervisory Board will receive a pro rata share of their yearly remuneration for 2008 amounting to EUR 20,000 (corresponding to the part of the year that they have served on the Supervisory Board).

It is currently envisaged that as from the Settlement Date onwards, the Supervisory Board shall initially consist of Mr Knol (who is an existing member of the Supervisory Board), Mr Schreurs (designated by the Offeror) and Mr Scheffer (designated by the Offeror).

5.8 Certain arrangements between the Offeror and Econosto

In connection with the Offer, Econosto and the Offeror have agreed that, in certain specific circumstances, Econosto will be permitted to respond to an unsolicited written bona fide offer by a third party for more than 50% (fifty per cent) of the Shares or other proposals which would involve a change of control of Econosto through a merger (*juridische fusie*) or the acquisition of all or substantially all assets or business conducted by the Econosto Group, occurring on or prior to the Acceptance Closing Date which in the reasonable opinion of the Boards, acting in good faith, is better than the Offer as contemplated in this Offer Memorandum, provided that the consideration per Share offered by that third party must be at least EUR 7.75 (seven Euro seventy-five cent). Such an alternative proposal by a bona fide third party shall be deemed to be a "**Competing Offer**".

Econosto and the Offeror agreed that if the Offeror fails to announce a revised offer within 5 (five) Business Days after being notified by Econosto of a Competing Offer, Econosto shall be entitled to terminate the Merger Protocol with immediate effect and Econosto shall pay to the Offeror on first demand an amount of EUR 1,750,000 (one million seven hundred and fifty thousand Euros), irrespective whether or not Econosto terminates the Merger Protocol, provided that the Offeror has not declared the Offer unconditional. If the Offeror has declared the Offer unconditional and has received the payment of the amount of EUR 1,750,000 (one million seven hundred and fifty thousand Euros) prior to declaring the Offer unconditional it shall repay such amount to Econosto.

The above arrangements have been made between the Offeror and Econosto in order to enable Econosto to respond to a Competing Offer and on the other hand to compensate the Offeror for costs incurred with the preparation and making of the Offer, should the situation as described in the above Section occur.

5.9 Post Settlement Undertakings

For a period of 12 (twelve) months following the Settlement Date, the Offeror agrees with Econosto that it and/or its affiliates will not dispose of the Shares or assets representing more than 50% (fifty per cent) of Econosto Group's assets as shown in Econosto's consolidated balance sheet dated 31 December 2006, unless the Management Board and the Supervisory Board, which comprises a majority of independent members, approve the disposal. The Offeror confirms that it currently has no intention to dispose of any of these assets. The foregoing shall not prohibit the transfer by the Offeror of interests in Econosto to an affiliate or a syndication of minority interests in the Offeror to the extent that such transfer will not result in the Offeror, or its affiliated

investment funds, collectively owning, directly or indirectly, less than 50% of the then outstanding share capital of Econosto.

5.10 Termination Events

The Merger Protocol between the Offeror and Econosto may be terminated if (i) not all Offer Conditions are satisfied or waived on or before 1 June 2008, (ii) no revised offer is made by the Offeror within 5 (five) Business Days following notification by Econosto of a Competing Offer, (iii) the Offeror and/or Econosto shall have breached or failed to perform in any material respect any of its obligations or commitments pursuant to the Merger Protocol and (iv) the Offer has not been declared unconditional or or before 1 June 2008.

The above termination arrangements have been agreed between the Offeror and Econosto to make sure that the process regarding the Offer will not be longer than reasonably necessary and to provide certainty for both the Offeror and Econosto. Parties may agree to amend or supplement the current termination provisions and shall in such event publicly announce by means of a press release that the termination provisions have been amended or supplemented.

5.11 Financing of the Offer

The Offeror will finance acceptances under the Offer through a combination of fully committed debt facilities arranged by Fortis Bank (Nederland N.V.), ABN AMRO Bank N.V. and Landsbanki Islands hf. and committed equity financing being made available by funds managed and advised by or affiliated with Gilde. The Offeror has available committed debt and equity financing papers evidencing sufficient funding to satisfy its obligations under the Offer (the "**Financing Commitments**"). There are no conditions precedent, other than as set forth in or contemplated by the Financing Commitments themselves to funding. The Financing Commitments are subject to certain conditions precedent which are in line with conditions under the Offer and/or in accordance with market practice. The Offeror has no reason to believe that these conditions precedent under the Financing Commitments will not be satisfied on or prior to the Settlement Date.

On 25 February 2008 the Offeror announced that it has obtained commitments to finance acquisition of all Shares on the Settlement Date.

6. INVITATION TO THE SHAREHOLDERS

The Offeror hereby makes a recommended 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 5.7.3 (Legal structure of Econosto following the Offer) 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. Shareholders who consider not to tender their Shares are advised to review Section 4.10 (Summary of risk factors following the Offer). 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 subject to the terms, conditions and restrictions set out below.

6.1 Offer Price

For each Share tendered under the terms and conditions of the Offer, the Offeror offers the Offer Price of EUR 7.25 per Share in cash.

6.2 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 17 April 2008, unless the Acceptance Period is extended in accordance with Section 6.7 (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 Settlement Agent in a timely manner.

The Admitted Institutions may tender Shares for acceptance only to the Settlement Agent and only in writing. In tendering 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 prior to or ultimately on the Settlement Date, provided the Offer has been declared unconditional (*gestand wordt 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 or prior to the Settlement Date no transfer of such Shares may be effected (other than to the Settlement Agent on or prior to the Settlement Date if the Offer has been declared unconditional (*gestand wordt 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 Settlement Agent of the Offer Price in respect of those Shares.

6.3 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 through 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:

- (i) the tender of any Shares constitutes an acceptance by the Shareholder of the Offer, on and subject to the terms and conditions of the Offer;

- (ii) 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 the same 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
- (iii) 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.

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 any extension of the Acceptance Period in accordance with the provisions of Article 15, paragraph 3 of the Takeover Decree. During any such extension of the Acceptance Period, any Shares previously tendered and not withdrawn will remain subject to the Offer.

6.4 Offer Conditions

The Offer shall be declared unconditional (*gestanddoening*) if the conditions as set out in Section 5.2 (Offer Conditions) are satisfied or, if permitted by applicable law, waived by the Offeror at any time by written notice to Econosto, no later than 1 June 2008. Subject to the Offer Conditions set out in Section 5.2 (Offer Conditions), the Offeror reserves the right to accept any tender for acceptance, even if it has not been effected in such manner as set out in Section 6.2 (Acceptance by Shareholders through an Admitted Institution).

6.5 Acceptance Period (*aanmeldingstermijn*)

The Acceptance Period begins on 17 March 2008 at 09:00 hours CET and ends, subject to extension in accordance with Article 15 of the Takeover Decree, on 17 April 2008 at 18:00 hours, CET.

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 6.2 (Acceptance by Shareholders through an Admitted Institution).

6.6 Declaring the Offer Unconditional (*gestanddoening*) and post Acceptance Period

The Offer shall be subject to the fulfillment of the Offer Conditions. The Offeror reserves the right to waive certain Offer Conditions if permitted by law. It may unilaterally waive the Offer Condition set out in Section 5.2(i) at an acceptance level of at least 66.67% or with the prior written consent of Econosto at a level below 66.67%. If the Offeror wishes to waive or reduce one or more Offer Conditions, the Offeror will inform Shareholders that it waives or reduces such Offer Conditions by such means as required by the Merger Rules.

Unless the Acceptance Period is extended, the Offeror will, in accordance with Article 16, paragraph 1 of the Takeover Decree, announce within three Business Days after the Acceptance Closing Date whether or not it declares the Offer unconditional. In the event the Offer will not be declared unconditional the Offeror will motivate such decision.

In the event that the Offeror announces that the Offer is declared unconditional (*gestand wordt gedaan*) the Offeror may, in accordance with Article 17 of the Takeover Decree, within three Business Days after declaring the Offer unconditional announce a post Acceptance Period to enable Shareholders that did not tender their Shares in the Acceptance Period to tender their Shares under the same terms and conditions as the Offer. Such post Acceptance Period shall commence on the first Business Day following the announcement of a post Acceptance Period and shall have a maximum of two weeks. The Offeror shall continue to accept for payment all Shares validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) during such period and shall pay for such Shares within three Business Days following the end of the post Acceptance Period.

6.7 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 17 April 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 Business Day following the initial Acceptance Closing Date.

During any 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.

The Takeover Decree requires that the Offeror announces within three Business Days after the extended Acceptance Period has ended whether or not the Offer is declared unconditional.

6.8 Settlement of the Offer

In the event the Offeror announces that the Offer is declared unconditional (*gestand wordt gedaan*), 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.

Admitted Institutions receiving Shares from Shareholders tendering under this Offer shall receive these Shares as custodian. In turn, Admitted Institutions will submit such Shares by written instruction to the Settlement Agent, being Kempen & Co N.V. (department Corporate Actions & Paying Agency), P.O. Box 75666, 1070 AR Amsterdam, The Netherlands, tel.: +31 (0)20 348 9554, fax: +31 (0)20 348 9549, email: kas@kempen.nl. By tendering such Shares, the Admitted Institutions declare that they have the Shares in their custody and that they procure transfer of the Shares to the Offeror on the Settlement Date.

6.9 Dividends

Econosto has undertaken that between 13 January 2008 and the Settlement Date no dividend or other distribution is declared. 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.

6.10 Commission

Admitted Institutions shall receive from the Settlement Agent on behalf of the Offeror a commission in the amount of EUR 0.02836 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 Settlement 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. However, costs might be charged by certain banks or stockbrokers.

6.11 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.

6.12 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 or advertisement and will be published in the Daily Official List and in at least one nationally distributed newspaper (*Het Financieele Dagblad* or *NRC Handelsblad*). 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.

7. INFORMATION REGARDING ECONOSTO

7.1 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.

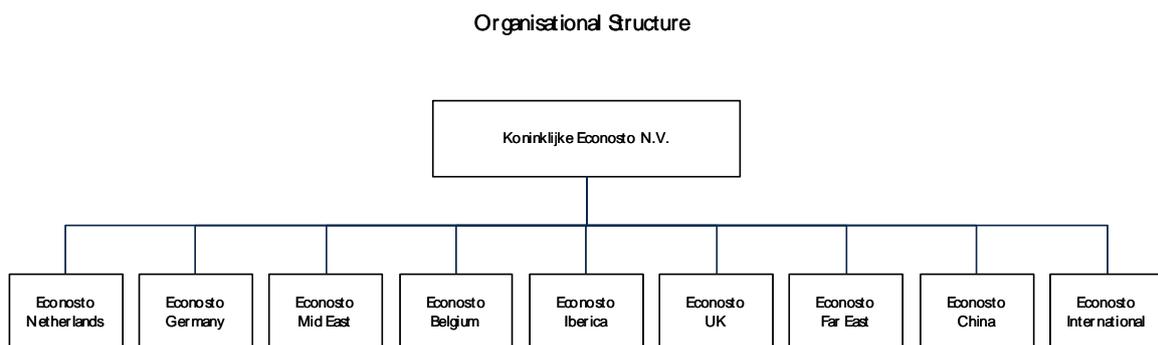
Econosto's distinctive features are its in-depth knowledge of developments in local markets, its global procurement strategy that yields significant cost savings, a state-of-the-art distribution system and comprehensive and accessible documentation, manuals and catalogues. Intensive contacts with leading 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 7.5.1 (Recent Developments)). Econosto employed 678 employees.

7.2 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.



7.3 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[®], Econ[®], Econgraph[®], Hofland[®] and Deltaflex[®] 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.

7.4 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.

7.5 Recent developments and financial outlook

7.5.1 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 € 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.

7.5.2 Financial 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.

7.6 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.

7.7 Major shareholders

According to information provided by the Netherlands Authority for the Financial Markets, on 1 February 2008, the following parties held 5% or more of the share capital of Econosto:

Gestion Deelnemingen V B.V.,	18.2%
Janivo Beleggingen B.V.,	14.2%

8. CAPITAL AND SHARES

8.1 Authorised and issued share capital

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

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.

8.2 Changes in share capital

X 1,000 euro

Authorised Share Capital

	2007	2006
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
Total	10,255	10,255

Issued Share Capital

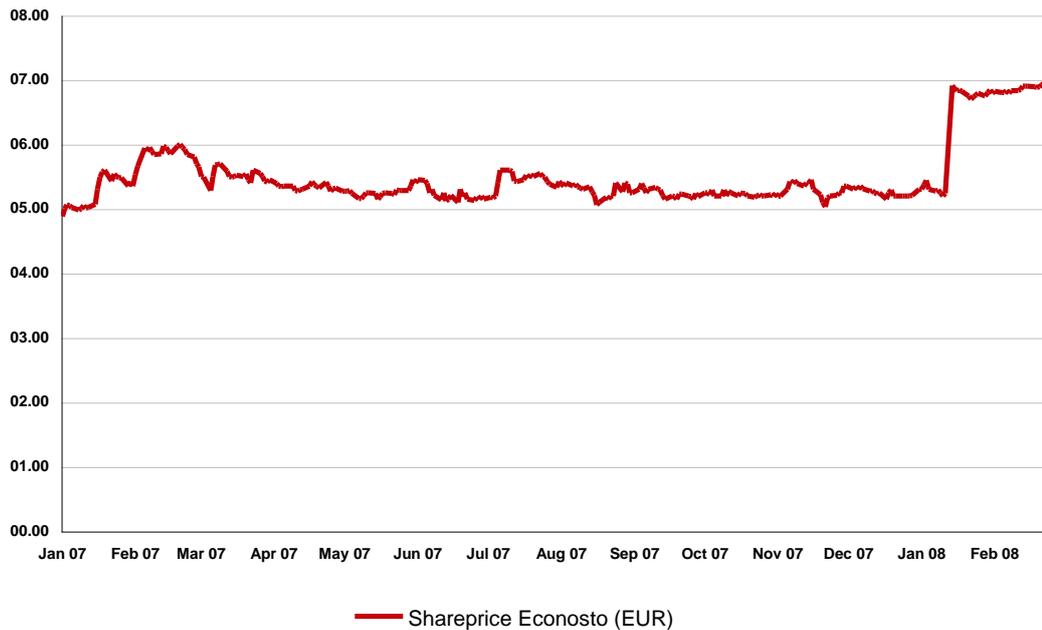
Shares

As per 1 January	6,784	6,784
Issue due to conversion of convertible subordinated bond loan	1,311	-
As per 31 December	8,095	6,784

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.

8.3 Share price development

This graph sets out the Share price development from 1 January 2007 to 26 February 2008.



Source: JCF Quant

8.4 Overview of shares and options held by members of the Management Board and Supervisory Board

As of the date of this 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 (for the avoidance of doubt excluding the Matching Shares under the Long-Term Incentive Plan, see Section 5.4.2 (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. Mr J.F.A.M. van Os and Mr O. de Vries have committed to tender their Shares (including the Matching Shares and Additional Shares) in the Offer subject to the terms, conditions and restrictions contained in this Offer Memorandum. The total value of the Shares held by the Management Board and tendered in the Offer amounts to EUR 136,379.75 for Mr J.F.A.M. van Os and to EUR 62,799.51 for Mr O. de Vries. The total amount of the Shares held by the Management Board represents less than 1.0% of the outstanding share capital of Econosto. See also Section 5.4.2 (Information on Long-Term Incentive Plan).

The members of the Management Board have not received information from the Offeror in relation to the Offer which is not included in this Offer Memorandum.

As of the date of this Offer Memorandum, no Shares are held by any of the members of the Supervisory Board.

9. INFORMATION ON THE OFFEROR

9.1 Information on the Offeror

The Offeror is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated on 19 February 2008 under the laws of The Netherlands, with its statutory seat in Utrecht, The Netherlands. The Offeror was incorporated by KENV Holding B.V. and is an indirectly wholly owned subsidiary of Gilde Buy-Out Fund III B.V. and Gilde Buy-Out Fund III C.V. Funds managed or advised by or affiliated with Gilde are the ultimate indirect shareholders of the Offeror and will hold their interests in the Offeror through one or more intermediate holding companies.

9.2 Board of Managing Directors

The sole statutory director of the Offeror is KENV Holding B.V. The sole statutory director of KENV Holding B.V. is Gilde Buy-Out Fund III Management B.V. The ultimate policy maker of the Offeror is the board of managing directors of Gilde Buy-Out Fund III Management B.V., consisting of Mr B.T. Molenaar, Mr R.A. Wyss, Mr P.A. Bekx, Mr R.M. Thole and Mr J.S. Wiersma. The Offeror does not have a supervisory board.

9.3 Capital and shares

The authorised capital of the Offeror amounts to EUR 90,000 and consists of 90,000 ordinary shares with a nominal value of EUR 1.00 per share. All shares of the Offeror are registered shares and held by KENV Holding B.V.

9.4 Information on the Investors in the Offeror

At the date of this Offer Memorandum, the Offeror is controlled by funds managed by Gilde Buy Out Partners.

Gilde Buy Out Partners is a leading private equity investor with offices in Utrecht, Paris and Zurich. Gilde has funds under management exceeding EUR 1.3 billion and has invested in more than 200 companies since its inception in 1982. Gilde specialises in mid-market buy out investments in Europe and has particular expertise with investments in industrial companies with a technological character comparable to Econosto.

Gilde has gained extensive experience with the complex delisting process through the public-to-private of Nedschroef, a leading manufacturer of fasteners for the automotive industry, in 2007. Furthermore, Gilde was involved in the public-to-private of Norit, a leading supplier of consumables, components, systems and complete purification solutions in 2000.

Econosto will be added to the Gilde Buy Out Fund III and will be the ninth investment of this EUR 600 million fund. Other investments of Gilde Buy Out Fund III include Heiploeg (shrimps), Novasep (synthesis and purification of fine chemicals for the life sciences industry), Nedschroef (manufacturer of fasteners for the automotive industry) and Hofmann-Menü (specialist in 'out-of-home' meals).

9.5 Information on Management Participation

In order to align the interests of the Offeror and senior executives of Econosto and to preserve their valuable know-how, senior executives of Econosto will be invited to discussions, which may result in direct or indirect equity or equity like participation by such senior executives in Econosto, its affiliates or their respective successors following completion of the Offer. The

identity of the individuals who will participate in Econosto is not yet known at the date of this Offer Memorandum. Such participation will be financed by private means.

10. 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) There have been consultations between the Offeror and Econosto regarding the Offer, which have resulted in the Merger Protocol. Discussions regarding the Offer took place between both the Offeror and the Supervisory Board and the Management Board.
- (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.
- (iii) The costs incurred or to be incurred by the Offeror in connection with the Offer are expected to amount to approximately EUR 6 million. A substantial portion of this amount will be incurred in connection with the raising of debt financing for the Offer. The total amount excludes certain advisory fees that would be borne exclusively by the Offeror and that are wholly contingent on the Offer being declared unconditional and would be borne exclusively by the Offeror and therefore not known at the date of this Offer Memorandum.
- (iv) Econosto incurred approximately EUR 3.2 million in costs in relation to the Offer.
- (v) 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 in respect of the members of the Management Board as described in Section 5.4 (Shareholdings of the Supervisory Board and the Management Board).

11. TAX ASPECTS OF THE OFFER

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Offer Memorandum and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. It does not purport to be a comprehensive description of all the Dutch tax considerations that may be relevant to a decision to dispose of the Shares and does not purport to deal with the tax consequences applicable to all categories of Shareholders, some of which may be subject to special rules.

For the purpose of this summary it is assumed that no holder of Shares has a substantial interest or a deemed substantial interest in Econosto.

Generally speaking, an individual holding Shares has a substantial interest in Econosto if such individual has, either alone or together with his partner, or if certain relatives of such individual or his partner have, directly or indirectly, the ownership of, or certain rights over, shares representing 5% or more of the total issued and outstanding capital (or of the issued and outstanding capital of any class of shares) of Econosto, rights to acquire such interest in the share capital (whether or not already issued) of Econosto, or the ownership of profit participating certificates (winstbewijzen) that relate to 5% or more of the annual profit or liquidation proceeds of Econosto. Also, an individual holding Shares has a substantial interest if he or his partner has, or if certain relatives of the individual or his partner have, a deemed substantial interest in Econosto. A person has a deemed substantial interest if either (a) such person or his predecessor has disposed of or is deemed to have disposed of all or part of a substantial interest or (b) such person has transferred an enterprise in exchange for shares in Econosto, on a non-recognition basis.

Generally speaking, an entity holding Shares has a substantial interest in Econosto if such entity has, directly or indirectly, the ownership of, or certain rights over, shares representing 5% or more of the total issued and outstanding capital (or of the issued and outstanding capital of any class of shares) of Econosto, rights to acquire such interest in the share capital (whether or not already issued) of Econosto, or the ownership of profit participating certificates (winstbewijzen) that relate to 5% or more of the annual profit or liquidation proceeds of Econosto. An entity holding Shares has a deemed substantial interest in Econosto if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

For the purpose of this summary, the term entity means a corporation as well as any other person that is taxable as a corporation for Dutch taxation purposes.

Shareholders are advised to consult their professional advisers as to the tax consequences of a disposal of the Shares.

11.1 Tax aspects of the Offer

11.1.1 Withholding Tax

There will be no withholding or deduction of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein in respect of the purchase price payable by KENV Acquisition for the Shares under the Offer.

11.1.2 Taxes on Income and Capital Gains

Resident Entities

An entity holding Shares which is, or is deemed to be, resident in The Netherlands for Dutch tax purposes and which is not tax exempt, will generally be subject to corporate

income tax in The Netherlands in respect of a capital gain derived from the Shares pursuant to the Offer at rates up to 25.5%, unless the holder has the benefit of the participation exemption (*deelnemingsvrijstelling*) with respect to the Shares.

Resident Individuals

An individual holding Shares who is, is deemed to be, or has elected to be treated as, resident in The Netherlands for Dutch tax purposes will be subject to income tax in The Netherlands in respect of a capital gain derived from the Shares pursuant to the Offer at rates up to 52% if:

- (i) the holder has an enterprise or an interest in an enterprise to which the Shares are attributable; or
- (ii) the capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor (ii) applies, such individual will be subject to income tax in The Netherlands on the basis of a deemed return, regardless of any actual capital gain derived from the Shares pursuant to the Offer. The deemed return amounts to 4% of the average value of the individual's net assets in the relevant fiscal year (including the Shares). Subject to application of personal allowances, the deemed return shall be taxed at a rate of 30%.

Non-Residents

An entity holding Shares which is not, is not deemed to be, and - in case the holder is an individual - has not elected to be treated as, resident in The Netherlands for Dutch tax purposes will not be subject to taxation in The Netherlands in respect of a capital gain derived from the Shares pursuant to the Offer unless:

- (i) such capital gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or permanent representative (*vaste vertegenwoordiger*) in The Netherlands; or
- (ii) the holder is an individual and such capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

11.1.3 Value Added Tax

No value added tax will be due in The Netherlands in respect of payments in consideration for the disposal of Shares pursuant to the Offer.

11.1.4 Other Taxes

There will be no registration tax, capital tax, customs duty, transfer tax, stamp duty, or any other similar tax or duty payable in The Netherlands in connection with the Offer.

11.2 Tax Aspects of the Legal Merger

11.2.1 Withholding Tax

There will be no withholding or deduction of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein in respect of the shares of the Surviving Entity received as a result of the Legal Merger.

11.2.2 Taxes on Income and Capital Gains

Resident Entities

An entity holding Shares which is, or is deemed to be, resident in The Netherlands for Dutch tax purposes and which is not tax exempt, will generally be subject to corporate income tax in The Netherlands in respect of a capital gain derived from the Shares as a result of the Legal Merger at rates up to 25.5%, unless the holder has the benefit of the participation exemption (*deelnemingsvrijstelling*) with respect to the Shares.

Resident Individuals

An individual holding Shares who is, is deemed to be, or has elected to be treated as, resident in The Netherlands for Dutch tax purposes will be subject to income tax in The Netherlands in respect of a capital gain derived from the Shares as a result of the Legal Merger at rates up to 52% if:

- (i) the holder has an enterprise or an interest in an enterprise to which the Shares are attributable; or
- (ii) the capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor (ii) applies, such individual will be subject to income tax in The Netherlands on the basis of a deemed return, regardless of any actual capital gain derived from the Shares as a result of the Legal Merger. The deemed return amounts to 4% of the average value of the individual's net assets in the relevant fiscal year (including the Shares). Subject to application of personal allowances, the deemed return shall be taxed at a rate of 30%.

Non-Residents

An entity holding Shares which is not, is not deemed to be, and - in case the holder is an individual - has not elected to be treated as, resident in The Netherlands for Dutch tax purposes will not be subject to taxation in The Netherlands in respect of a capital gain derived from the Shares as a result of the Legal Merger unless:

- (i) such capital gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or permanent representative (*vaste vertegenwoordiger*) in The Netherlands; or
- (ii) the holder is an individual and such capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*),

including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

Roll-over Relief

An exemption from Dutch taxation in respect of a capital gain derived from the Shares as a result of the Legal Merger (excluding taxation in respect of any consideration received as a result of the Legal Merger that does not exist of shares in the Surviving Entity) should be available provided that:

- (i) the Legal Merger satisfies the requirements set out in Article 3.57 of the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*); and
- (ii) the holder of Shares claiming the exemption records and continues to record the shares of the Surviving Entity at the same tax book value as that of the Shares at the moment immediately preceding the Legal Merger.

Whether or not a holder of Shares claims the benefits of the exemption is at his own discretion.

In case the Surviving Entity is tax resident in The Netherlands, generally, the Dutch tax treatment of income and capital gains derived from the shares of the Surviving Entity will be the same as that of the Shares.

11.2.3 Value Added Tax

No value added tax will be due in The Netherlands in connection with the Legal Merger.

11.2.4 Other Taxes

There is no registration tax, capital tax, customs duty, transfer tax, stamp duty, or any other similar tax or duty payable in The Netherlands in connection with the Legal Merger.

12. NEDERLANDSE SAMENVATTING VAN HET BOD

Dit Hoofdstuk 12 behelst de Nederlandse samenvatting van het Biedingsbericht, dat is uitgegeven ter zake van het aanbevolen openbaar bod uitgebracht door KENV Acquisition op alle uitstaande en geplaatste aandelen Econosto onder de bepalingen, voorwaarden en restricties zoals beschreven in dit Biedingsbericht (het "**Bod**"). De belangrijkste kenmerken van het Bod zijn beschreven in deze samenvatting.

De gedefinieerde termen in dit Hoofdstuk van het Biedingsbericht hebben de betekenis die daaraan wordt gegeven in Hoofdstuk 12.1.2. Deze Nederlandse samenvatting maakt deel uit van het Biedingsbericht, maar vervangt dit niet. Deze Nederlandse samenvatting is niet volledig en bevat niet alle informatie die voor Aandeelhouders van belang zou kunnen zijn om een afgewogen oordeel te vormen omtrent het Bod. Het lezen van deze Nederlandse samenvatting mag derhalve niet worden beschouwd als een alternatief voor het bestuderen van het volledige Biedingsbericht. Aandeelhouders wordt geadviseerd het volledige Biedingsbericht zorgvuldig te bestuderen en zo nodig onafhankelijk advies in te winnen teneinde een afgewogen oordeel te kunnen vormen omtrent het Bod, alsmede omtrent de beschrijving van het Bod in deze samenvatting en in het Biedingsbericht. In geval van verschillen tussen deze Nederlandse samenvatting en de Engelse tekst van het Biedingsbericht, prevaleert de Engelse tekst van het Biedingsbericht (inclusief alle documenten die daarin door middel van verwijzing zijn opgenomen).

1.1 Restricties en belangrijke informatie

Het uitbrengen van het Bod, de verkrijgbaarstelling van het Biedingsbericht en deze Nederlandse samenvatting, alsmede de verspreiding van enige andere informatie met betrekking tot het Bod, kunnen in bepaalde jurisdicties aan zekere restricties onderhevig zijn. Zie Hoofdstuk 1 (Restrictions and Important Information) van dit Biedingsbericht. Dit Bod wordt niet, direct of indirect, gedaan in, en mag niet worden geaccepteerd vanuit enige jurisdictie waarin het doen van het Bod of de aanvaarding daarvan niet in overeenstemming is met de in die jurisdictie geldende wet- en regelgeving. Niettemin zullen Aandelen die worden aangemeld onder het Bod door Aandeelhouders die niet woonachtig zijn of verblijven in Nederland, worden geaccepteerd indien zulke Aandelen worden aangemeld overeenkomstig de aanmeldingsprocedure zoals beschreven in dit Biedingsbericht. Het niet respecteren van deze restricties kan een overtreding van de effectenwet- en regelgeving van de desbetreffende jurisdictie opleveren. KENV Acquisition, Econosto en hun adviseurs sluiten iedere aansprakelijkheid uit ter zake van overtredingen van voornoemde restricties. Aandeelhouders dienen zo nodig onverwijld onafhankelijk advies in te winnen omtrent hun positie dienaangaande.

Het Biedingsbericht bevat belangrijke informatie die men zorgvuldig dient te lezen alvorens een besluit te nemen over het aanmelden van Aandelen onder het Bod. Zie Hoofdstuk 1 (Restrictions and Important Information) van dit Biedingsbericht. Aandeelhouders wordt aangeraden waar nodig onafhankelijk advies in te winnen. Daarnaast zullen Aandeelhouders mogelijk hun belastingadviseur willen raadplegen met betrekking tot de fiscale gevolgen van het aanmelden van Aandelen onder het Bod.

De informatie opgenomen in de Hoofdstukken 1.1, 4.1, 4.2, 4.3, 4.5, 4.8, 4.9, 4.10, 5.3, 5.5, 5.6, 5.7.1, 5.7.2, 5.7.3, 5.9, 5.11, 6 introduction, 6.1, 6.2, 6.3, 6.5, 6.6, 6.7, 6.8, 6.10, 6.11, 6.12, 9 en 11 van Deel A van het Biedingsbericht is uitsluitend door KENV Acquisition verstrekt. De informatie opgenomen in de Hoofdstukken 4.4, 4.6, 5.4, 5.4.1, 5.4.2 en 7 van Deel A van het Biedingsbericht is uitsluitend door Econosto verstrekt. De informatie opgenomen in de Hoofdstukken 1.2, 2, 3, 4.7, 4.11, 4.12, 4.13, 5.1, 5.2, 5.7.4, 5.7.5, 5.7.6, 5.7.7, 5.8, 5.10, 6.4, 6.9,

12 en 13 van Deel A van het Biedingsbericht is door KENV Acquisition en Econosto gezamenlijk verstrekt.

De informatie opgenomen in de Hoofdstukken 1.1, 1.2, 1.3, 2.1-2.37, 2.39, 3.1 en 3.2 van Deel B zijn uitsluitend door Econosto verstrekt. De informatie opgenomen in Hoofdstukken 1.4, 2.38 en 3.2 van Deel B zijn verstrekt door Ernst & Young en zijn identiek aan de originele accountantsverklaringen zoals afgegeven door Ernst & Young op dezelfde dag.

De informatie opgenomen in Hoofdstuk 1 van Deel C is uitsluitend door Econosto verstrekt. De fairness opinion opgenomen in Hoofdstuk 2 van Deel C van de Standpuntbepaling is verstrekt door Kempen & Co en is indentiek aan de originele fairness opinion zoals afgegeven door Kempen & Co op dezelfde dag.

Uitsluitend KENV Acquisition en Econosto zijn verantwoordelijk voor de juistheid en volledigheid van de informatie die in het Biedingsbericht is opgenomen, elk voor de informatie die door haar zelf werd verstrekt, en gezamenlijk voor de informatie die door hen gezamenlijk is verstrekt, met uitzondering van informatie die door geen van hen is verstrekt (welke omvat de informatie opgenomen in Hoofdstuk 1.4, 2.38 en 3.3 van Deel B van het Biedingsbericht welke door Ernst & Young is verstrekt).

KENV Acquisition en Econosto verklaren beiden, ieder ten aanzien van de gegevens die door hen in het Biedingsbericht zijn verstrekt, dat voorzover hun redelijkerwijs bekend kan zijn, dat de gegevens in dit Biedingsbericht in overeenstemming zijn met de werkelijkheid en dat geen gegevens zijn weggelaten waarvan vermelding de strekking van het Biedingsbericht zou wijzigen. Getallen in het Biedingsbericht kunnen naar boven of beneden zijn afgerond en dienen derhalve niet als exact te worden beschouwd.

De informatie in het Biedingsbericht geeft de situatie weer op de datum van het Biedingsbericht. Onder geen beding houden de publicatie en verspreiding van het Biedingsbericht in dat de hierin opgenomen informatie ook na de datum van het Biedingsbericht juist en volledig is of dat er sinds deze datum geen wijziging is opgetreden in de in het Biedingsbericht uiteengezette informatie of in de gang van zaken bij KENV Acquisition en/of Econosto en/of hun dochtermaatschappijen en/of aan hen gelieerde ondernemingen. Het voorgaande laat echter onverlet de verplichting van zowel KENV Acquisition als Econosto om, indien zulks van toepassing is, een openbare mededeling te doen ingevolge artikel 5:59 Wft en (met betrekking tot KENV Acquisition) artikel 4.3 van het Bob Wft voor zover van toepassing.

De Standpuntbepaling is geen onderdeel van het Biedingsbericht inde betekenis van het Bob Wft en de AFM heeft geen bevoegdheid de Standpuntbepaling goed te keuren. Dit betekent dat de Standpuntbepaling niet onderworpen is aan de goedkeuring van de AFM.

1.2 Nederlandse definities

In dit Biedingsbericht zal een verwijzing naar gedefinieerde termen in het meervoud gelijk staan aan verwijzingen naar dergelijk gedefinieerde termen in het enkelvoud en vice versa. Alle grammaticale en andere veranderingen die nodig zijn bij het gebruiken van een definitie in het enkelvoud zullen worden beschouwd hierin te zijn gemaakt en zullen worden toegepast alsof zulke veranderingen zijn gemaakt. Een verwijzing naar "inclusief" betekent een verwijzing naar "inclusief maar niet beperkt tot".

De gedefinieerde termen in dit Hoofdstuk van het Biedingsbericht hebben de volgende betekenis:

Aandeel	een geplaatst en uitstaand gewoon aandeel in het kapitaal van Econosto met een nominale waarde van EUR 0.50
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Aandeelhouder	houder(s) van één of meer Aandelen
Aanmeldingstermijn	de periode waarin de Aandeelhouders hun Aandelen bij de Bieder kunnen aanmelden, welke begint op 17 maart 2008 en eindigt op de Sluitingsdatum
Additional Shares	heeft de betekenis waarnaar wordt verwezen in Hoofdstuk 5.4.2 (Information on Long-Term Incentive Plan)
AFM	de Stichting Autoriteit Financiële Markten
Bieder	KENV Acquisition B.V., een besloten vennootschap met beperkte aansprakelijkheid, opgericht op 19 februari 2008 naar Nederlands recht, met statutaire zetel in Utrecht, Nederland en ingeschreven bij de Kamer van Koophandel onder nummer 30236465 en tevens haar groepsmaatschappijen zoals beschreven in artikel 2:24b van het Burgerlijk Wetboek en haar deelnemingen. KENV Acquisition B.V. is een indirecte, 100% dochtermaatschappij van Gilde Buy-Out Fund III B.V. en Gilde Buy-Out Fund III C.V., zoals omschreven in Hoofdstuk 9.1 (Information on the Offeror)
Biedingsbericht	dit biedingsbericht (inclusief de Engelse tekst) met betrekking tot het Bod bestaande uit Deel A en Deel B
Biedprijs	en bedrag in contanten van EUR 7.25 per Aandeel voor elk Aandeel dat op geldige wijze is aangemeld (of op ongeldige wijze, mits de Bieder de aanmelding daarvan desalniettemin aanvaardt) en geleverd onder de bepalingen, voorwaarden en restricties van het Bod. De Biedprijs is cum dividend, hetgeen tot uitdrukking brengt dat Econosto zich heeft verplicht om geen dividend of andere uitkeringen met betrekking tot de Aandelen vast te stellen voordat het Bod is afgerond
Bob Wft	Besluit openbare biedingen Wft
Bod	het bod zoals in dit Biedingsbericht beschreven
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
Buitengewone Vergadering van Aandeelhouders	de Buitengewone Vergadering van Aandeelhouders die wordt gehouden door Econosto op 9 april 2008, om 10:00 uur CET, te Cypresbaan 63, 2908 LT in Capelle aan den IJssel, Nederland, waarin onder andere het Bod zal worden toegelicht en besproken, overeenkomstig het bepaalde in artikel 18 van het Bob Wft
CET	Centrale Europese Tijd
Dag van Gestanddoening	de datum waarop de Bieder openbaar zal mededelen of het Bod gestand wordt gedaan overeenkomstig de Bob Wft. Artikel 16.1 van het Bob Wft bepaalt dat zo'n openbare mededeling zal worden gedaan binnen drie

Werkdagen na de Sluitingsdatum

Dag van Overdracht	de datum waarop de Bieder overeenkomstig de voorwaarden van het Bod, de Biedprijs per Aandeel prompt zal betalen aan de Aandeelhouders die op geldige wijze hun Aandelen hebben aangemeld (of op ongeldige wijze, mits de Bieder de aanmelding daarvan desalniettemin aanvaardt) en geleverd voor de Sluitingsdatum, zijnde niet later dan de derde Werkdag na de Dag van Gestanddoening, onder de voorwaarde dat het Bod gestand is 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 en ingeschreven bij de Kamer van Koophandel onder nummer 24001525 en en tevens de aan haar gelieerde bedrijven
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 meest recentelijk gewijzigd op 18 juli 2005
Ernst & Young	Ernst & Young Accountants
EUR, Euro or €	de Euro, het wettig betaalmiddel in de lidstaten van de Europese Monetaire Unie
Euronext Amsterdam	Euronext Amsterdam door NYSE Euronext, de geregementeerde markt van Euronext Amsterdam N.V.
Financieringstoezeggingen	heeft de betekenis waarnaar wordt verwezen in Hoofdstuk 12 subparagraaf 1.3.2 (Financiering van het Bod)
Fusie Protocol	het fusie protocol tussen Gilde en Econosto gedateerd op 13 januari 2008
Fusiedatum	heeft de betekenis waarnaar wordt verwezen in Hoofdstuk 12 subparagraaf 1.12.3 (Juridische Fusie)
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
Gecommitteerde Aandeelhouders	Dresdner VPV N.V., T.W.E. Beheer B.V., Janivo Beleggingen B.V. en Gestion Deelnemingen V B.V. en enkele andere Aandeelhouders die het Bod ondersteunen, zoals beschreven in Hoofdstuk 12 subparagraaf 1.5 (Aandelen van Gecommitteerde Aandeelhouders)
Gilde	Gilde Buy-Out Fund III B.V. en Gilde Buy-Out Fund III C.V.

Kempen & Co	Kempen & Co Corporate Finance B.V.
KENV Acquisition	KENV Acquisition B.V., een besloten vennootschap met beperkte aansprakelijkheid, opgericht op 19 februari 2008 naar Nederlands recht, met statutaire zetel in Utrecht, Nederland en ingeschreven bij de Kamer van Koophandel onder nummer 30236465 en tevens haar groepsmaatschappijen zoals beschreven in artikel 2:24b van het Burgerlijk Wetboek en haar deelnemingen. KENV Acquisition B.V. is een indirecte, 100% dochtermaatschappij van Gilde Buy-Out Fund III B.V. en Gilde Buy-Out Fund III C.V., zoals omschreven in Hoofdstuk 9.1 (Information on the Offeror)
KENV Acquisition Statuten	de statuten van KENV Acquisition, zoals deze van kracht zijn sinds de oprichting op 19 februari 2008 en zoals gewijzigd van tijd tot tijd
Long-Term Incentive Plan	het share incentive plan voor Econosto Groep's management zoals omschreven in Hoofdstuk 5.4.2 (Information on Long-term Incentive Plan)
Matching Shares	heeft de betekenis waarnaar wordt verwezen in Hoofdstuk 5.4.2 (Information on Long-Term Incentive Plan)
Materieel Nadelig Effect	een gebeurtenis of omstandigheid welke een materieel nadelig effect op de winstgevendheid, financiële of handelspositie, kasstromen of op de bedrijfsvoering van de Econosto Groep heeft zodat er redelijkerwijs van de Bieder niet verwacht kan worden om door te gaan met het Bod of om het Bod gestand te doen, anders dan een omstandigheid of gebeurtenis die direct voortvloeit uit (a) wijzigingen na de datum van het Fusie Protocol in toepasselijke wetgeving, regelingen of reglementen, standaarden voor internationale financiële verslaggeving of uitleg daarvan, (b) wijzigingen na de datum van het Fusie Protocol in de economie en marktomstandigheden in het algemeen of in de industrie waarin Econosto opereert, (c) een omstandigheid waar de Bieder daadwerkelijk bekend mee is of <i>prima facie</i> begrijpelijk op basis van de informatie zoals die is vestrekt in de data room of geopenbaard door Econosto voorafgaand aan de datum van het Fusie Protocol, of (d) een inbreuk op het Fusie Protocol of toepasselijke wetgeving door de Bieder.
Mededingingsautoriteiten	de Nederlandse mededingingsautoriteit en de Bundeskartellamt
Omwissel- en Betaalkantoor	Kempen & Co N.V.
Raad van Bestuur	raad van bestuur van Econosto
Raad van Commissarissen	raad van commissarissen van Econosto
Standpuntbepaling	De standpuntbepaling van de Raad van Bestuur en de Raad van Commissarissen van econosto (<i>Position Statement</i>) zoals omschreven in artikel 18 lid 2 van het Bob Wft, zoals opgenomen aan de andere kant van dit document; de standpuntbepaling is geen onderdeel van dit Biedingsbericht
Sluitingsdatum	de tijd en datum tot wanneer Aandelen onder het Bod kunnen worden aangemeld, zijnde om 18:00 uur CET op 17 april 2008, tenzij de

	Aanmeldingstermijn is verlengd overeenkomstig artikel 15 van het Bob Wft
Toegelaten Instelling	instelling die is toegelaten tot Euronext Amsterdam
Voorwaarden	de voorwaarden van het Bod uiteengezet in Hoofdstuk 12 subparagraaf 1.10 (Voorwaarden voor het Bod)
Werkdag	een dag, anders dan een algemeen erkende feestdag, zoals bedoeld in artikel 3 van de Algemene termijnenwet en een vrije dag zoals volgt uit de collectieve arbeidsovereenkomst voor het bankbedrijf
Wft	Wet op het financieel toezicht

1.3 Het Bod

KENV Acquisition is opgericht door KENV Holding B.V. om de aankoop van de Aandelen te voltooien. De bestuurder van KENV Acquisition is KENV Holding B.V.

De Bieder doet een Bod tot koop van alle Aandelen van Aandeelhouders, onder de Voorwaarden en conform de bepalingen en restricties 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 desalniettemin aanvaardt), betaling in contanten plaatsvinden van de Biedprijs. De Biedprijs is exclusief dividend, hetgeen tot uitdrukking brengt dat Econosto zich heeft verplicht geen dividend of andere uitkeringen met betrekking tot de Aandelen vast te stellen voordat het Bod is afgerond. Zie tevens Hoofdstuk 6.1 (Offer Price).

De Biedprijs van EUR 7.25 vertegenwoordigt een premie van:

- (i) 38.4% procent ten opzichte van de slotkoers per Aandeel van EUR 5,24 op 11 januari 2008, de laatste Werkdag voorafgaand aan 14 januari 2008, de dag waarop de Bieder en Econosto het Bod aankondigden;
- (ii) 38.0% ten opzichte van de gemiddelde slotkoers per Aandeel van de maand voorafgaand aan 14 januari 2008 de dag waarop de Bieder en Econosto het Bod aankondigden;
- (iii) 35.5% ten opzichte van de gemiddelde slotkoers per Aandeel gedurende de twaalf maanden voorafgaand aan 14 januari 2008 de dag waarop de Bieder en Econosto het Bod aankondigden; en

Zie tevens Hoofdstuk 5.5 (Substantiation of the Offer Price) en Hoofdstuk 8.3 (Share price development).

1.3.1 Motivering van het Bod

Econosto en de Bieder zijn van mening dat een public-to-private transactie ten aanzien van Econosto zowel op korte, als op lange termijn strategische-, financiële- en andere voordelen zal opleveren voor Econosto, de Bieder en andere belanghebbenden in Econosto:

- (i) de Bieder onderschrijft de algehele strategie van de Raad van Bestuur;
- (ii) de Bieder heeft uitgebreide ervaring en een track-record in de industriële sector en heeft middelen om het management te ondersteunen in de groei van Econosto;
- (iii) de Bieder stelt Econosto in staat haar internationale groeistrategie, welke zowel autonome groei als groei door middel van acquisities omvat, versneld uit te voeren; en
- (iv) het Bod geeft de huidige Aandeelhouders de mogelijkheid hun belangen in Econosto te verkopen tegen een aantrekkelijke premie en daarmee direct de bepaalde waarde van hun Aandelen te realiseren.

Zie tevens Hoofdstuk 5.6 (The Rationale for the Offer).

1.3.2 Financiering van het Bod

De Bieder zal aanmeldingen onder het Bod financieren door middel van een combinatie van geheel toegezegde kredietfaciliteiten gearrangeerd door Fortis Bank (Nederland) N.V., ABN AMRO Bank N.V. en Landsbanki Islands hf. en eigen vermogen, beschikbaar gesteld door fondsen die worden bestuurd en geadviseerd door- of gelieerd zijn aan Gilde. De Bieder beschikt over documenten waaruit blijkt dat kredietfaciliteiten zijn toegezegd en eigen vermogen ter beschikking zal worden gesteld door fondsen beheerd of geadviseerd door of verbonden met Gilde om de verplichtingen onder het Bod te voldoen (de "**Financieringstoezeggingen**"). De Financieringstoezeggingen zijn onderworpen aan bepaalde ontbindende voorwaarden welke in lijn zijn met de voorwaarden onder het Bod en/of in overeenstemming zijn met wat gebruikelijk is in de markt. De Bieder heeft geen reden om te geloven dat deze ontbindende voorwaarden onder de Financieringstoezeggingen niet vervuld zullen worden voorafgaande aan de Datum van Overdracht.

1.4 Aanbeveling van de Raad van Commissarissen en de Raad van Bestuur

De Raad van Commissarissen en de Raad van Bestuur steunen het Bod volledig en zij bevelen de Aandeelhouders unaniem aan om het Bod te accepteren.

Zie Hoofdstuk 1 van Deel C (Recommendation by the Supervisory Board and the Management Board).

1.5 Aandelen van Gecommitteerde Aandeelhouders

De Gecommitteerde Aandeelhouders die gezamenlijk 8.289.505 Aandelen houden, hetgeen gelijkstaat aan ongeveer 51,2% van het geplaatste en uitstaande aandelenkapitaal, hebben zich tegenover de Bieder verplicht om hun Aandelen aan te melden onder de bepalingen, voorwaarden en restricties van het Bod zoals beschreven in dit Biedingsbericht.

De Gecommitteerde Aandeelhouders hebben geen informatie ontvangen met betrekking tot het Bod welke niet is opgenomen in dit Biedingsbericht of welke al reeds publiek was gemaakt en relevant is voor de beoordeling van het Bod.

1.6 Aandelenbezit van de Raad van Commissarissen en de Raad van Bestuur

Op de datum van dit Biedingsbericht worden 7.524 Aandelen gehouden door de heer J.F.A.M. van Os en de heer 3.082 Aandelen door O. de Vries (ter verduidelijking, hiertoe behoren niet de Matching Shares onder het Long-Term Incentive Plan, zie Hoofdstuk 5.4.2 (Long-Term Incentive Plan)). 11.827 Matching Shares (inclusief Additional Shares) worden gehouden door de heer J.F.A.M. van Os en 5.580 Matching Shares (inclusief Additional Shares) worden gehouden door de heer O. de Vries. De heer J.F.A.M. van Os en de heer O. de Vries hebben zich verplicht om hun Aandelen (inclusief de Matching Shares en Additional Shares) aan te melden onder het Bod onder dezelfde bepalingen, voorwaarden en restricties zoals opgenomen in dit Biedingsbericht. De totale waarde van de Aandelen die worden gehouden door de Raad van Bestuur en die worden aangemeld onder het bod bedraagt EUR 136.379,75 voor de heer J.F.A.M. van Os en EUR 62.799,50 voor de heer O. de Vries. Het total aantal aandelen wat wordt gehouden door de Raad van Bestuur vertegenwoordigt minder dan 1% van het total uitstaande kapitaal van Econosto.

De leden van de Raad van Bestuur hebben geen informatie ontvangen van de Bieder met betrekking tot het Bod welke niet is opgenomen in dit Biedingsbericht.

Op de datum van dit Biedingsbericht worden er geen Aandelen gehouden door enig lid van de Raad van Commissarissen.

1.7 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 om 18.00 uur CET op 17 april 2008, tenzij de Aanmeldingstermijn is verlengd met in achtneming van Hoofdstuk 6.7 (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.

1.8 Aanmelding

Het Bod zal gestand worden gedaan indien voldaan is aan de Voorwaarden zoals beschreven in Hoofdstuk 5.2 (Offer Conditions), of, indien dat onder het toepasselijke recht is toegestaan, daarvan afstand is gedaan door de Bieder.

1.8.1 Aanmeldingstermijn

De Aanmeldingstermijn vangt aan op 17 maart 2008 om 09:00 uur CET en eindigt, tenzij de Aanmeldingstermijn wordt verlengd overeenkomstig artikel 15 van het Bob Wft, op 17 april 2008 om 18:00 uur CET. Zie tevens Hoofdstuk 6.5 (Acceptance Period (*Aanmeldingstermijn*)).

Indien aan alle Voorwaarden 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 desalniettemin 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 6.2 (Acceptance by Shareholders through an Admitted Institution).

1.8.2 Gestanddoening van het Bod

Het Bod wordt gedaan onder het voorbehoud van vervulling van de Voorwaarden. De Bieder behoudt zich het recht voor afstand te doen van bepaalde Voorwaarden zoals uiteengezet in sub-paragraaf 5.2(i), met dien verstande dat de Bieder dit eenzijdig mag doen bij een aanvaardingsdrempel van tenminste 66.67% en de voorafgaande goedkeuring van Econosto behoeft indien de Bieder de aanvaardingsdrempel wil verlagen naar een niveau lager dan 66.67% van het uitgegeven en uitstaande aandelenkapitaal van Econosto. Zie Hoofdstuk 5.2 (Offer Conditions). Indien de Bieder afstand wenst te doen van één of meer Voorwaarden, dan wel deze wenst te beperken, dan zal de Bieder op een daartoe redelijkerwijs geschikte wijze de Aandeelhouders informeren dat de Bieder afstand doet van deze Voorwaarde(n) dan wel deze wenst te beperken, op de wijze zoals voorzien in de Bob Wft.

Tenzij de Aanmeldingstermijn wordt verlengd, zal de Bieder met inachtneming van de bepalingen van artikel 16 van het Bob Wft binnen drie Werkdagen na de Sluitingsdatum aankondigen of het Bod gestand wordt gedaan. In het geval het Bod niet gestand wordt gedaan zal de Bieder zijn beslissing om niet gestand te doen motiveren. Zie Hoofdstuk 6.6 (Declaring the Offer Unconditional (*gestanddoening*) and post Acceptance Period).

Wanneer de Bieder aankondigt dat het Bod gestand wordt gedaan, dan kan de Bieder, in overeenstemming met artikel 17 van het Bob Wft, binnen drie Werkdagen na de mededeling dat gestand wordt gedaan een verlenging van de Aanmeldingstermijn aankondigen om Aandeelhouders die hun Aandelen niet hebben aangeboden tijdens de

Aanmeldingstermijn alsnog de mogelijkheid te bieden om hun Aandelen aan te bieden onder de bepalingen, voorwaarden en restricties van het Bod Zie Hoofdstuk 6.6 (Declaring the Offer Unconditional and post Acceptance Period). Een dergelijke verlenging van de Aanmeldingstermijn vangt aan op de eerste Werkdag volgend op de mededeling dat de Aanmeldingstermijn wordt verlengd en zal maximaal twee weken bedragen. De Bieder zal alle Aandelen blijven aanvaarden die op geldige wijze zijn aangemeld (of op ongeldige wijze, indien de Bieder de aanmelding desalniettemin aanvaardt) tijdens een dergelijke periode en zal voor dergelijke Aandelen betalen binnen drie Werkdagen na het einde van de verlengde Aanmeldingstermijn.

1.8.3 Verlenging

De Bieder kan het Bod maar eenmalig verlengen tot na de Sluitingsdatum in overeenstemming met artikel 15 lid 1 van het Bob Wft, niet tegenstaande 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, 17 april 2008" worden verschoven naar de uiterste datum en tijd waarnaar het Bod is verlengd, tenzij uit de context anders blijkt. Een bewaarnemer, bank of effectenmakelaar kan een vroegere uiterste termijn vaststellen voor de communicatie door de Aandeelhouders teneinde de bewaarnemer, bank of effectenmakelaar in staat te stellen hun acceptaties tijdig aan het Omwissel- en Betaalkantoor te communiceren.

Indien de Aanmeldingstermijn wordt verlengd, zal dit, met inachtneming van de toepasselijke wetgeving, openbaar worden medegedeeld. Artikel 15.2 van het Bob Wft vereist dat een dergelijke mededeling uiterlijk op de derde Werkdag na de oorspronkelijke Sluitingsdatum wordt gedaan. Zie Hoofdstuk 6.7 (Extension of the Acceptance Period).

1.8.4 Overdracht

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 overeenkomstig het Bod, de Biedprijs ontvangen met betrekking tot elk Aandeel dat op geldige wijze is aangemeld (of op ongeldige wijze, indien de Bieder de aanmelding desalniettemin aanvaardt). Zie Hoofdstuk 6.8 (Settlement of the Offer).

Toegelaten Instellingen die Aandelen ontvangen van zich onder dit Bod aanmeldende Aandeelhouders zullen deze Aandelen als bewaarder ontvangen. De Toegelaten Instellingen zullen op hun beurt dergelijke Aandelen schriftelijk aanmelden bij het Omwissel- en Betaalkantoor, zijnde Kempen & Co N.V. (afdeling Corporate Actions & Paying Agency), Postbus 75666, 1070 AR Amsterdam, tel: +31 (0)20 348 9554, fax +31 (0)20 348 9549, e-mail kas@kempen.nl. Door dergelijke Aandelen aan te melden verklaren de Toegelaten Instellingen dat zij de Aandelen in bewaring hebben en verplichten zij zich ertoe deze Aandelen op de Dag van Overdracht te zullen leveren.

1.9 Bieder

De Bieder is KENV Acquisition B.V., een besloten vennootschap met beperkte aansprakelijkheid, opgericht op 19 februari 2008 naar Nederlands recht, en statutair gevestigd in Utrecht, Nederland, en is een indirecte, 100% dochtermaatschappij van Gilde Buy-Out Fund III B.V. en Gilde Buy-Out Fund III C.V. Fondsen beheerd of geadviseerd door of gelieerd aan Gilde zijn indirecte

aandeelhouders van de Bieder zijn en zullen een belang houden in de Bieder door middel van een of meer tussen liggende houdstermaatschappijen.

De enige statutair bestuurder van de Bieder is KENV Holding B.V. De enige statutair bestuurder van KENV Holding B.V. is Gilde Buy-Out Fund III Management B.V. De uiteindelijke beleidsmaker van de Bieder is het bestuur van Gilde Buy-Out Fund III Management B.V., bestaande uit de heer B.T. Molenaar, de heer R.A. Wyss, de heer P.A. Bekx, de heer R.M. Thole en de heer J.S. Wiersma. De Bieder heeft geen raad van commissarissen.

1.10 Voorwaarden voor het Bod

De verplichting van de Bieder om het Bod gestand te doen geldt indien aan elk van de volgende Voorwaarden wordt voldaan, tenzij van bepaalde Voorwaarden afstand wordt gedaan:

- 1.10.1 op of voorafgaand aan de Sluitingsdatum, een zodanig aantal Aandelen ter aanvaarding is aangemeld dat deze, tezamen met de Aandelen die rechtstreeks of indirect door de Bieder of haar groep en de aan haar gelieerde bedrijven op de Sluitingsdatum worden gehouden en de Aandelen welke onderworpen zijn aan koopovereenkomsten die effectief zijn op de Sluitingsdatum, tenminste 95% van het geplaatst en uitstaand aandelenkapitaal van Econosto vertegenwoordigen (exclusief Aandelen die door de Econosto Groep worden gehouden, indien van toepassing);
- 1.10.2 er is geen openbare of schriftelijke mededeling gedaan waaruit blijkt dat een derde partij voorbereidingen treft, aanpassingen maakt of van plan is om een openbaar bod te doen of doet op alle Aandelen en daarvoor een prijs biedt hoger dan EUR 7,25 per Aandeel;
- 1.10.3 de Raad van Bestuur en de Raad van Commissarissen hebben hun aanbevelingen niet ingetrokken of gewijzigd (zie Deel C Hoofdstuk 1) (Recommendation by the Supervisory Board and the Management Board));
- 1.10.4 op of voorafgaand aan de Sluitingsdatum zijn alle vereiste goedkeuringen, vergunningen, vrijstellingen en toestemmingen van nationale en internationale autoriteiten, en/of derde partijen in verband met het Bod en de verwachte wijziging in de zeggenschap verkregen en blijven van kracht;
- 1.10.5 er is geen mededeling ontvangen van de AFM dat de voorbereiding van het Bod in strijd is met enige bepaling van hoofdstuk 5 van de Wft, of het Bob Wft, in welk geval ingevolge artikel 5:80 van de Wft het beleggingsondernemingen niet is toegestaan om mede te werken aan de uitvoering en gestanddoening van het Bod;
- 1.10.6 er heeft geen omstandigheid, gebeurtenis of ontwikkeling plaatsgevonden sinds de datum van dit Biedingsbericht welke een opschorting of beperking in de handel van de Aandelen inhoudt (anders dan op een tijdelijke basis of in het gewone handelsverkeer);
- 1.10.7 geen bevel, schorsing, vonnis of besluit is gegeven of verstrekt door een rechter, arbitragecommissie, overheid, overheidsinstantie of andere toezichthoudende of administratieve instantie, noch is er enig(e) wet, regel, regeling, bevel of verbod van overheidswege in de wet opgenomen, ten uitvoer gelegd of van toepassing geacht op het Bod, welke op enigerlei wijze het Bod beperkt, verbiedt of vertraagt, of waarvan redelijkerwijs aannemelijk is dat deze de uitvoering van het Bod in enige materiële zin zal beperken, verbieden of vertragen;
- 1.10.8 Econosto heeft geen inbreuk gemaakt op de bepalingen van het Fusie Protocol voor zover redelijk te verwachten is dat een dergelijke inbreuk een materieel nadelig effect

op Econosto, de Bieder en/of het Bod kan hebben, en een dergelijke inbreuk niet is hersteld binnen 5 Werkdagen;

- 1.10.9 de Bieder heeft geen inbreuk gemaakt op de bepalingen van het Fusie Protocol voor zover redelijk te verwachten is dat een dergelijke inbreuk een materieel nadelig effect op Econosto, de Bieder en/of het Bod kan hebben, en een dergelijke inbreuk niet is hersteld binnen 5 Werkdagen;
- 1.10.10 sinds de datum van dit Biedingsbericht, heeft er zich geen gebeurtenis, omstandigheid of samenloop van omstandigheden voorgedaan of blijkt daarvan welke een Materieel Nadelig Effect inhoudt, of dat redelijkerwijs verwacht kan worden dat dit zal resulteren in een Materieel Nadelig Effect;
- 1.10.11 de Bieder heeft een kopie ontvangen van de aftredingsbrieven van alle aftredende leden van de Raad van Commissarissen;
- 1.10.12 alle mededelingen aan de Mededingingsautoriteiten zijn gedaan;
- 1.10.13 het plaatshebben van één van de volgende gebeurtenissen uiterlijk drie (3) Werkdagen voor de Dag van Gestanddoening:
 - (i) elk van de relevante Mededingingsautoriteiten die een beschikking afgeven met betrekking tot het Bod, inhoudende goedkeuring van de voorgestelde concentratie;
 - (ii) het verlopen, verstrijken of beëindigd zijn van alle relevante wachtperiodes en andere tijdsperiodes (met inbegrip van verlengingen daarvan) volgens iedere van toepassing zijnde wetgeving of regelgeving;

De Voorwaarden zoals opgenomen onder subparagraaf 1.10.1, 1.10.2, 1.10.3, 1.10.6, 1.10.7, 1.10.8, 1.10.10 en 1.10.11 strekken ten behoeve van de Bieder, die daarvan op elk moment (geheel of gedeeltelijk) afstand kan doen door schriftelijke kennisgeving aan Econosto, met dien verstande dat ten aanzien van de Voorwaarde in subparagraaf 1.10.1 alleen met voorafgaande goedkeuring van Econosto afstand kan worden gedaan door de Bieder wanneer het aantal aangemelde Aandelen op de Sluitingsdatum minder dan 66.67% van het totaal geplaatste aandelenkapitaal vertegenwoordigt. De Voorwaarden zoals opgenomen in subparagraaf 1.10.4, 1.10.12, 1.10.13 strekken ten behoeve van de Bieder en Econosto, die daarvan op elk moment (geheel of gedeeltelijk) gezamenlijk afstand van kunnen doen door schriftelijke kennisgeving. De Voorwaarde zoals opgenomen in subparagraaf 1.10.5 strekt ten behoeve van de Bieder en Econosto, die daarvan gezamenlijk afstand van kunnen doen, wanneer na ontvangst van een mededeling als bedoeld in Voorwaarde 1.10.5, deze mededeling is of zal worden ingetrokken door de AFM, deze mededeling door een gerechtelijke uitspraak terzijde wordt geschoven of na consultatie met de AFM. De Voorwaarde zoals opgenomen in subparagraaf 1.10.9 strekt ten behoeve van Econosto alleen, die deze alleen kan invoeren en/of daarvan op elk moment (geheel of gedeeltelijk) afstand kan doen door schriftelijke kennisgeving aan de Bieder. De Voorwaarden zoals opgenomen in 1.10.12 en 1.10.13 zijn reeds vervuld op 15 februari 2008 en 4 maart 2008, respectievelijk.

1.11 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 en het aantal Aandelen dat anders openbaar verhandeld zou kunnen worden verminderd en zou een negatieve invloed kunnen hebben op de liquiditeit en de

marktwaarde van de overige Aandelen die niet zijn aangemeld en niet gehouden worden door Econosto.

Indien het Bod gestand wordt gedaan is het voornemen om zo spoedig mogelijk daarna de notering van de Aandelen aan Euronext Amsterdam te beëindigen. Dit zal verdere negatieve gevolgen hebben voor de liquiditeit van de Aandelen die niet zijn aangemeld. Verder zou de Bieder één van de procedures zoals beschreven in Hoofdstuk 5.7.3 (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. Zie subparagraaf 5.7.2 (Liquidity and Delisting).

1.12 Juridische structuur van Econosto na het Bod

Samenvatting van de risicofactoren na het Bod

Aandeelhouders die hun Aandelen niet aanmelden onder het Bod dienen zorgvuldig dit Hoofdstuk 12.1.12 te bestuderen, waarin bepaalde risico's worden beschreven die zij lopen nadat het Bod gestand wordt gedaan. Het betreft hier additionele risico's die men loopt naast de risico's die samenhangen met de bedrijfsuitoefening door Econosto en haar dochterondernemingen, aangezien deze bedrijfsuitoefening en de structuur van de Econosto Groep na de Dag van Overdracht kunnen wijzigen. Hieronder volgt een samenvatting van de belangrijkste additionele risico's:

- **VERPLICHTE KOOP**

Op het moment dat is voldaan aan de relevante juridische vereisten kan de Bieder besluiten de resterende Aandelen te verwerven door middel van een wettelijke Uitkoopprocedure.

- **VERLIES LIQUIDITEIT**

De Bieder kan op het moment dat is voldaan aan de relevante vereisten er voor kiezen de beursnotering van de Aandelen aan Euronext Amsterdam te beëindigen en Econosto om te zetten in een besloten vennootschap met beperkte aansprakelijkheid wat er, onder andere, toe zal leiden dat alle Aandelen slechts beperkt overdraagbaar zijn.

De Bieder kan, in plaats daarvan of in aanvulling daarop, kiezen voor een fusie waarbij Econosto de verdwijnende vennootschap is, hetgeen er toe kan leiden dat de aandeelhouders in Econosto van rechtswege aandeelhouders worden van de verkrijgende vennootschap. De verkrijgende vennootschap zal een besloten vennootschap met beperkte aansprakelijkheid zijn en de aandelen in haar kapitaal zullen niet genoteerd dan wel publiek verhandelbaar zijn en zullen slechts in beperkte mate overdraagbaar zijn.

Zelfs wanneer er geen sprake is van een omzetting of van een fusie zal het aantal vrij verhandelbare Aandelen substantieel afnemen als gevolg van het Bod. Dit zal een negatieve invloed hebben op het handelsvolume en de liquiditeit van de Aandelen.

De Bieder kan ook besluiten om substantieel alle activa van Econosto te verkopen hetgeen gevolgd kan worden door een liquidatie en een uitkering van de verkoopopbrengsten.

- **VERHOOGING VAN FINANCIERING MET VREEMD VERMOGEN**

Als gevolg van een of meer juridische fusies of als gevolg van andere maatregelen die door de Bieder en Econosto na de Dag van Overdracht worden geïmplementeerd kan het gedeelte van Econosto of haar rechtsopvolgers' balanstotaal dat bestaat uit vreemd vermogen substantieel toenemen ten opzichte van de huidige situatie.

- **BEPERKTERE GOVERNANCE**

Wanneer Econosto of haar rechtsopvolger niet meer beursgenoteerd is en haar aandelen niet langer publiekelijk verhandeld worden, zullen de wettelijke bepalingen inzake de governance van publieke of genoteerde ondernemingen niet langer van toepassing zijn en zullen de rechten van de minderheidsaandeelhouders worden beperkt tot het wettelijk minimum.

- **CONTROLLERENDE AANDEELHOUDER**

Na de Dag van Overdracht zal de Bieder een meerderheidsbelang houden in Econosto en zullen de indirecte aandeelhouders van de Bieder alle leden van de Raad van Commissarissen benoemen, afgezien van onafhankelijke leden van de Raad van Commissarissen die zijn aangesteld in overeenstemming met subparagraaf 5.7.7 (Future composition of the Boards).

- **FISCALE BEHANDELING VAN UITKERINGEN**

De Bieder en Econosto hebben geen inzicht in en geen verantwoordelijkheid voor de fiscale behandeling van uitkeringen zoals dividenden, terugbetaling van kapitaal en liquidatie opbrengsten, gedaan door Econosto of één van haar rechtsopvolgers. Wanneer verkoop plaatsvindt van substantieel alle activa van Econosto gevolgd door liquidatie en uitkering van de verkoopopbrengsten zal dit kunnen leiden tot specifieke fiscale kwesties voor de Aandeelhouders (inclusief, maar niet beperkt tot een aansprakelijkheid op grond van verschuldigde Nederlandse dividendbelasting).

1.12.1 Algemeen

De Bieder behoudt zich het recht voor om elke juridisch toegestane methode aan te wenden om 100% van het aandelenkapitaal van Econosto te verkrijgen, alsmede om de structuur van Econosto in lijn te brengen met de houdster- en financieringsstructuur van de groep ondernemingen waartoe de Bieder behoort. Hiertoe zal de Bieder, afhankelijk van, onder andere, het aantal Aandelen verkregen door de Bieder als gevolg van het Bod, een aantal processen overwegen, waaronder een uitkoopprocedure overeenkomstig artikel 2:359c of 2:92a van het Nederlandse Burgerlijk Wetboek ("**Uitkoopprocedure**"), een juridische fusie tussen Econosto en de Bieder of een aan de Bieder gelieerde (rechts)persoon overeenkomstig artikel 2:309 en verder van het Nederlandse Burgerlijk Wetboek ("**Juridische Fusie**"), een inbreng van activa in Econosto in ruil voor nieuw uit te geven aandelen (in welk geval de bestaande aandeelhouders geen voorkeursrechten hebben), of de verkoop van activa door Econosto. Daarnaast kan de Bieder Econosto laten omzetten in een besloten vennootschap met beperkte aansprakelijkheid.

Ter voorkoming van misverstanden, de Bieder heeft, behoudens toepasselijke bepalingen van Nederlands recht, de discretionaire bevoegdheid om de maatregelen en processen beschreven in deze subparagraaf 12.1.12.1 cumulatief, alternatief of helemaal niet toe te passen.

1.12.2 Uitkoopprocedure

Wanneer de Bieder 95% of meer van het geplaatste en uitstaande aandelenkapitaal van Econosto op of na de Dag van Overdracht heeft verkregen, zal de Bieder zo spoedig mogelijk een Uitkoopprocedure initiëren om de resterende aandelen, die niet zijn aangeboden noch gehouden worden door de Bieder of Econosto, te verkrijgen. De Bieder kan ook op enig moment na de Dag van Overdracht, indien en wanneer hij daartoe bevoegd is, een Uitkoopprocedure initiëren met betrekking tot de aandelen in enig rechtsopvolger van Econosto, ontstaan door een Juridische Fusie of op andere wijze.

1.12.3 Juridische Fusie

Op ieder moment na gestanddoening van het Bod kunnen de Bieder en Econosto stappen zetten om een Juridische Fusie tussen de Bieder of een gelieerde (rechts)persoon van de Bieder (de "**Fuserende Entiteit**") en Econosto te bewerkstelligen. Als gevolg van een dergelijke Juridische Fusie zal er één van de twee betrokken juridische entiteiten verdwijnen (de "**Verdwijvende Entiteit**"). De andere entiteit (de "**Verkrijgende Entiteit**") zal overblijven en alle activa en passiva van de Verdwijvende Entiteit overnemen op de dag dat de Juridische Fusie van rechtswege effectief wordt (de "**Fusiedatum**"). De volgende alinea's van deze subparagraaf verklaren de twee belangrijkste vormen van een Juridische Fusie die de Bieder kan overwegen en geven een samenvatting van het proces dat doorlopen dient te worden alvorens een Juridische Fusie kan worden geïmplementeerd. Er kunnen geen rechten worden ontleend aan deze verklaring en de Bieder behoudt zich het recht voor om een Juridische Fusie onder andere voorwaarden na te streven.

Wanneer een Juridische Fusie wordt geëffectueerd waarin Econosto de Verdwijvende Entiteit is, een zogenaamde "**Opwaartse Juridische Fusie**", zullen de aandeelhouders van Econosto (inclusief aandeelhouders die hun Aandelen niet hebben aangeboden onder het Bod, maar exclusief de Fuserende Entiteit) van rechtswege aandeelhouders in de Fuserende Entiteit worden, naast de Bieder of de aan de Bieder gelieerde (rechts)persoon die reeds aandeelhouder van de Fuserende Entiteit is. De nieuwe aandeelhouders zullen aandelen verkrijgen in het kapitaal van de Fuserende Entiteit die dezelfde economische waarde hebben als de aandelen Econosto die zij houden direct voordat de Juridische Fusie wordt geëffectueerd, welke waarde zal worden berekend op basis van de relevante prijzen uiteengezet in dit Biedingsbericht verminderd met eventuele uitkeringen aan de betrokken aandeelhouders uitgekeerd na de Dag van Overdracht. Het kapitaal van de Fuserende Entiteit zal waarschijnlijk worden verdeeld in verschillende klassen aandelen en houders van aandelen van een bepaalde klasse in Econosto kunnen één of meer klassen van aandelen in de Fuserende Entiteit verkrijgen, afhankelijk van een aantal factoren zoals bijvoorbeeld de rechten verbonden aan de aandelen in Econosto die zij houden op de Fusiedatum en het bedrag aan vreemd vermogen dat de Fuserende Entiteit op dat moment heeft uitstaan. De precieze identiteit van de Fuserende Entiteit, de samenstelling van het aandelenkapitaal, de economische en andere rechten behorend bij iedere klasse aandelen in dat kapitaal en de ruilverhouding van toepassing op elke klasse aandelen in Econosto, zullen pas worden vastgesteld door de Raad van Bestuur van Econosto en van de Bieder op of na de Dag van Gestanddoening en zullen worden goedgekeurd door de Raad van Commissarissen.

Het is niet de bedoeling dat enige aandelen in de Fuserende Entiteit worden genoteerd aan enige beurs of op een andere manier openbaar worden verhandeld. Omdat de Fuserende Entiteit een besloten vennootschap met beperkte aansprakelijkheid zal zijn, zullen beperkingen gelden met betrekking tot de overdraagbaarheid van deze aandelen.

Echter, de Bieder of de aan de Bieder gelieerde (rechts)persoon die reeds aandeelhouder van de Fuserende Entiteit is kan de nieuwe aandeelhouders in de Fuserende Entiteit het recht geven om voor een bepaalde periode na de Fusiedatum hun aandelen aan hen te verkopen, voor een prijs per aandeel gelijk aan de relevante prijs uiteengezet in dit Biedingsbericht, verminderd met uitkeringen aan de betrokken aandeelhouders gedaan na de Dag van Overdracht. Aandeelhouders die hun Aandelen niet hebben aangeboden tijdens het Bod, moeten zich bewust zijn dat wanneer het Bod gestand wordt gedaan en een dergelijke Juridische Fusie wordt geïmplementeerd, met uitzondering van de mate en voor de periode dat een verkooprecht is gegarandeerd in overeenstemming met de vorige zin, de aandelen in de Fuserende Entiteit die zij ontvangen in ruil voor hun Aandelen niet liquide zullen zijn en niet vrijelijk kunnen worden verhandeld.

Een ander gevolg van het feit dat de Fuserende Entiteit in een Opwaartse Juridische Fusie een niet genoteerde besloten vennootschap met beperkte aansprakelijkheid zal zijn, is dat statutaire bepalingen die van toepassing zijn op de governance van openbare of genoteerde ondernemingen niet van toepassing zullen zijn op de Fuserende Entiteit en de rechten van de minderheidsaandeelhouders in de Fuserende Entiteit beperkt zullen worden tot het wettelijke minimum.

Als een alternatief voor of voorafgaand aan een Juridische Fusie als hierboven beschreven kan de Bieder kiezen om een Juridische Fusie te implementeren waarbij de Fuserende Entiteit de Verdwijnende Entiteit zal zijn en Econosto de Verkrijgende Entiteit. In een dergelijk geval zullen de aandeelhouders van Econosto hun aandelen blijven houden. De aandelen die worden gehouden door de Fuserende Entiteit zullen worden ingetrokken en aan de Bieder of de aan de Bieder gelieerde (rechts)persoon die reeds aandeelhouder is van de Fuserende Entiteit zullen nieuwe aandelen worden uitgegeven, rekening houdend met alle activa of passiva die de Fuserende Entiteit bezit op de Fusiedatum, anders dan aandelen.

Een dergelijke "**Neerwaartse Juridische Fusie**" zal op zichzelf de notering van Econosto aan Euronext Amsterdam of verhandelbaarheid van Aandelen niet beïnvloeden. Dit zal echter de Bieder en Econosto niet verhinderen om te streven naar een beëindiging van die notering, als ze hiertoe bevoegd zijn onder de toepasselijke noteringregels. De Bieder kan, als en wanneer zij hiertoe bevoegd is, ook volgend op een Neerwaartse Juridische Fusie een Uitkoopprocedure starten met betrekking tot de aandelen in Econosto die zij op dat moment niet bezit (anders dan de aandelen die Econosto of haar dochtermaatschappijen bezitten). De voltooiing van het Bod en enige daaropvolgende maatregelen geïnitieerd door de Bieder en Econosto, binnen de beperkingen gesteld door de toepasselijke wet-en regelgeving, zullen bovendien waarschijnlijk het handelsvolume van de Aandelen aanzienlijk verminderen en daarmee de liquiditeit van een aangehouden investering in de Aandelen na de Dag van Overdracht.

Nadat een Neerwaartse Juridische Fusie is geïmplementeerd, kan de Bieder beslissen om een Opwaartse Juridische Fusie te implementeren, met een andere Fuserende Entiteit dan degene die verdwenen is als gevolg van de Neerwaartse Juridische Fusie. De vorige subparagraaf betreffende een Opwaartse Juridische Fusie en de aandelen die zullen worden uitgegeven aan houders van aandelen in Econosto, zal mutatis mutandis van toepassing zijn in een dergelijk geval.

In het geval dat de Bieder ervoor kiest een Juridische Fusie na te streven, zal het proces om dit te bereiken onderworpen zijn aan Titel 7 van Boek 2 van het Nederlandse Burgerlijk Wetboek en enige andere toepasselijke bepalingen van Nederlands recht. Het

proces zal garanties bevatten om te verzekeren dat door onafhankelijke experts wordt bevestigd dat de ruilverhoudingen en verhoudingen, van toepassing op iedere respectievelijke klasse aandelen in Econosto, redelijk zijn en zal uiteindelijk worden goedgekeurd door de Raad van Commissarissen.

Het proces vereist ook een besluit van de aandeelhoudersvergadering van de Verdwijnende Entiteit en, onder bepaalde omstandigheden, van de algemene vergadering van aandeelhouders van de Verkrijgende Entiteit. Aandeelhouders moeten zich echter bewust zijn dat deze garanties en procedures de Verkrijgende Entiteit, waarvan zij aandeelhouders zullen zijn vanaf de Fusiedatum, er niet van weerhouden om substantieel meer schulden te hebben in verhouding tot zijn balanstotaal dan Econosto momenteel heeft.

1.12.4 Verkoop van activa

Op elk moment nadat het Bod gestand is gedaan, kunnen de Bieder en Econosto stappen nemen om een verkoop door Econosto van alle of nagenoeg alle of een substantieel deel van haar activa aan een onderneming direct of indirect volledig eigendom van de Bieder of van een (rechts)persoon gelieerd aan de Bieder, te effectueren.

Indien nodig of gewenst, zal een bevestiging van de redelijkheid van een dergelijke transactie worden gevraagd van onafhankelijke experts. Voor een dergelijke transactie zal daarnaast de goedkeuring van de Raad van Commissarissen zijn vereist, alsmede de goedkeuring van de algemene vergadering van aandeelhouders van Econosto (inclusief de Bieder). Na een verkoop door Econosto van alle of nagenoeg alle van haar activa, kan Econosto worden geliquideerd, in welk geval de opbrengsten van de transactie worden verdeeld onder haar aandeelhouders, in overeenstemming met de bepalingen van de statuten van Econosto van kracht op het relevante tijdstip.

1.12.5 Overige mogelijke maatregelen

De Bieder behoudt zich het recht voor om elke juridisch toegestane methode aan te wenden om 100% van Econosto's aandelenkapitaal te verkrijgen, alsmede om de structuur van Econosto in lijn te brengen met de nieuwe houdster- en financieringsstructuur die zal bestaan zodra het Bod gestand is gedaan, inclusief de inbreng van activa door de Bieder in Econosto tegen de uitgifte van aandelen in het kapitaal van Econosto, daarbij de voorkeursrechten (indien aanwezig) van Aandeelhouders uitsluitend, dit alles in overeenstemming met het Nederlands recht en de statuten van Econosto die van kracht zijn op het relevante tijdstip.

Tenslotte houdt de Bieder zich het recht voor om zich te richten op wijziging van de bedrijfs- en kapitaalsstructuur van Econosto, met inbegrip van interne reorganisaties, wijziging van de accountingmethodes zoals deze worden toegepast door Econosto, wijziging van de Econosto Statuten, een liquidatie, een splitsing zoals beschreven in artikel 2:334a van het Nederlandse Burgerlijke Wetboek of een claimemissie, alles met inachtneming van de relevante bepalingen van het Nederlands recht en de Econosto Statuten (zoals die van tijd tot tijd worden gewijzigd). Gedane uitkeringen kunnen de vorm hebben van een uitkering uit de reserves, een interim dividend, een slotdividend, een betaling na intrekking of in het geval Econosto wordt geliquideerd, een uitkering van de liquidatieopbrengsten.

1.13 Dividendbeleid

Econosto heeft sinds 2002 geen dividend uitgekeerd wegens de vereisten onder de converteerbare lening, die in 2006 is geconverteerd. Econosto heeft in haar persbericht van 6 juni 2007 aangekondigd dat het voornemens was om in de toekomst dividend uit te keren. Econosto heeft geen dividend uitgekeerd sinds die aankondiging. De Bieder verwacht niet dat het in de nabije toekomst reguliere dividenden in contanten zal uitkeren 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 subparagraaf 5.7.3 (Legal structure of Econosto following the Offer).

1.14 Werknemersbelangen

Op 13 januari 2008 heeft Econosto de ondernemingsraad van Econosto Nederland B.V. (de "**Ondernemingsraad**") geïnformeerd. Nadat een formele adviesaanvraag was ingediend op 30 januari 2008, hebben Econosto en een vertegenwoordiger van de Bieder met de Ondernemingsraad overleg gehad op 6 februari 2008. De Ondernemingsraad heeft op 22 februari 2008 een positief advies gegeven overeenkomstig artikel 25 lid 1 Wet op de Ondernemingsraden en ondersteunt dat Econosto doorgaat met het Bod en de verkoop van Econosto. Consultatie van de vakbonden heeft eveneens plaatsgevonden en de Sociaal Economische Raad is geïnformeerd over het Bod overeenkomstig het SER-Besluit Fusiegedragsregels 2000.

1.15 Toekomstige samenstelling van de Raad van Commissarissen en de Raad van Bestuur

Het is op dit moment beoogd dat met ingang van de Dag van Overdracht de Raad van Bestuur zal bestaan uit de huidige leden van de Raad van Bestuur, zijnde de heer J.F.A.M. van Os en de heer O. de Vries.

Partijen hebben bevestigd dat één van de leden van de Raad van Commissarissen zal aanblijven als onafhankelijk lid van de Raad van Commissarissen na de Dag van Gestanddoening. Afhankelijk van (i) gestanddoening van het Bod en (ii) de aanwijzing van tenminste één individu voorgedragen door de Bieder als lid van de Raad van Commissarissen, zullen twee leden van de Raad van Commissarissen terugtreden uit de Raad van Commissarissen met ingang vanaf de Dag van Overdracht. De heer Kostwinder en de heer Nanninga zullen terugtreden als leden van de Raad van Commissarissen en de heer Knol zal aanblijven als onafhankelijk lid van de Raad van Commissarissen. De terugtredende leden van de Raad van Commissarissen zullen een pro rata deel van hun jaarlijkse beloning voor 2008 ontvangen ter hoogte van EUR 20,000 (welke overeenkomt met het jaar waarin zij hun functie als lid van de Raad van Commissarissen hebben vervuld).

Het is op dit moment beoogd dat met ingang van de Dag van Overdracht, de Raad van Commissarissen zal bestaan uit de heer Knol (wie een huidig lid is van de Raad van Commissarissen), de heer Schreurs (voorgedragen door de Bieder) en de heer Scheffer (voorgedragen door de Bieder).

1.16 Verplichtingen na de Overdracht

De Bieder is met Econosto overeengekomen dat gedurende een periode van twaalf maanden na de Dag van Overdracht zij of één van de aan haar gelieerde bedrijven de aandelen of activa die meer dan 50% van de activa van de Econosto Groep vertegenwoordigen, zoals zichtbaar is in de geconsolideerde balans van 31 december 2006, niet zal verkopen, tenzij de Raad van Bestuur en de Raad van Commissarissen, welke bestaat uit een meerderheid van onafhankelijke leden, de verkoop goedkeuren. De Bieder bevestigt dat het momenteel niet de intentie heeft om enige activa te verkopen. Het voorgaande verbiedt niet de overdracht van een belang in Econosto door de

Bieder aan een aan haar gelieerd bedrijf of een syndicatie van een minderheidsbelang in de Bieder voor zover een dergelijke overdracht niet ten gevolge heeft dat de Bieder, of een gelieerde beleggingsonderneming, collectief direct of indirect minder dan 50% in het geplaatste en uitstaande kapitaal in Econosto hebben.

1.17 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 tenminste één landelijk verspreid Nederlands dagblad (Het Financieele Dagblad of NRC Handelsblad). 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.

1.18 Beoogd tijdschema

Verwachte Datum en Tijd	Gebeurtenis
(Alle tijden zijn in CET)	
14 maart 2008	Persbericht met betrekking tot de verkrijgbaarstelling van het Biedingsbericht en de aanvang van het Bod
15 maart 2008	Publicatie van het bericht met betrekking tot de verkrijgbaarstelling van het Biedingsbericht en de aanvang van het Bod
09:00 uur, 17 maart 2008	Aanvang van de Aanmeldingstermijn onder het Bod overeenkomstig artikel 14 van het Bob Wft
10:00 uur, 9 april 2008	Buitengewone Algemene Vergadering van Aandeelhouders, waarin onder andere het Bod zal worden toegelicht en besproken, overeenkomstig het bepaalde in artikel 18 van het Bob Wft
18:00 uur, 17 April 2008, behoudens verlenging	Sluitingsdatum Uiterste datum waarop Aandeelhouders hun Aandelen onder het Bod kunnen aanmelden
Uiterlijk drie Werkdagen na de Sluitingsdatum	Dag van Gestanddoening De dag waarop de Bieder openbaar aankondigt of het Bod gestand wordt gedaan, overeenkomstig de Fusieregels. Volgens artike16 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 van het Bod voor een periode van maximaal twee weken. Gedurende de na-aanmeldingstermijn kunnen Aandeelhouders alsnog hun Aandelen onder het Bod aanmelden die nog niet zijn aangemeld op dezelfde manier en onder dezelfde voorschriften en voorwaarden als uiteengezet in het Biedingsbericht, alles met inachtneming van artikel 17 van het Bob Wft

Uiterlijk drie Werkdagen na de Dag van Gestanddoening	<p>Dag van Overdracht</p> <p>De datum waarop, overeenkomstig de Voorwaarden van het Bod, de Bieder zal overgaan tot betaling van de Biedprijs per Aandeel aan de Aandeelhouders die op geldige wijze hun Aandelen hebben aangemeld (of op ongeldige wijze, mits de Bieder de aanmelding en levering daarvan desalniettemin aanvaardt) en geleverd voor de Sluitingsdatum, onder de voorwaarde dat het Bod gestand wordt gedaan, zijnde uiterlijk drie Werkdagen na de Dag van Gestanddoening.</p>
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1.19 Verkrijgbaarheid informatie

Digitale exemplaren van dit biedingsbericht zijn verkrijgbaar op de website van Econosto (www.econosto.com). De website van Econosto maakt op geen enkele wijze deel uit van dit Biedingsbericht. Exemplaren van dit Biedingsbericht zijn verder kosteloos verkrijgbaar op het hoofdkantoor van Econosto te Capelle aan den IJssel, Nederland, en op het kantoor van het Omwissel en Betaalkantoor op onderstaande adressen.

Exemplaren van de KENV Acquisition Statuten zijn kosteloos verkrijgbaar op het kantoor van KENV Acquisition en kunnen verkregen worden door contact op te nemen met KENV Acquisition op onderstaand adres. Aangezien KENV Acquisition een nieuw opgerichte vennootschap is, is er geen jaarverslag van KENV Acquisition beschikbaar.

Exemplaren van de Econosto Statuten, de voorgestelde statuten van Econosto, de financiële informatie met betrekking tot de jaarrekening van Econosto voor het Boekjaar 2005 (inclusief de vergelijkende cijfers voor het Boekjaar 2004) zoals goedgekeurd door de algemene vergadering van Aandeelhouders van Econosto, welke documenten door middel van verwijzing (incorporation by reference) zijn opgenomen in, en een onderdeel vormen van het Biedingsbericht, zijn kosteloos verkrijgbaar op het kantoor van Econosto, te Capelle aan den IJssel, Nederland en kunnen verkregen worden door contact op te nemen met Econosto op onderstaand adres.

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Part B Financial Information

1. COMPARATIVE OVERVIEW OF THE FINANCIAL YEAR 2006 - 2004

The following abbreviated overviews of the consolidated income statement in Section 1.1 of this Part B, the consolidated balance sheet in Section 1.2 of this Part B and the consolidated cash flow statement in Section 1.3 of this Part B for the Financial Year 2006, the Financial Year 2005 and the Financial Year 2004 are derived from and 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.

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

Consolidated Income Statement

in Euro '000

	2006	2005	2004
Continuing operations			
Net Sales	191,366	162,564	158,957
Cost of raw materials and consumables	-131,582	-109,742	-103,777
Gross Profit	59,784	52,822	55,180
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
Operating profit	7,977	13,231	5,759
Finance revenue	121	94	114
Finance costs	-4,656	-4,543	-5,852
Profit before taxes	3,442	8,782	21
Tax income (expense)	-435	147	-18
Profit for the year from continuing operations	3,007	8,929	3
Discontinued operations			
Profit / (loss) for the year on discontinued operations	911	-6,271	-8
Profit / (loss) for the year	3,918	2,658	-5
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 continueing 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 continueing operations attributable to ordinary shareholders of Koninklijke Econosto N.V.	0.22	0.66	0.00

1.2 Consolidated Balance Sheet 2006-2004

Consolidated Balance Sheet

in Euro '000

	2006	2005	2004
Assets			
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
	14,120	10,175	32,992
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
	94,921	79,294	79,448
Assets held for sale	0	14,564	0
	94,921	93,858	79,448
Total Assets	109,041	104,033	112,440
Equity and Liabilities			
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
	19,457	17,674	13,267
Minority interests	0	352	352
Total equity	19,457	18,026	13,619
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
	18,439	22,599	29,365
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
	71,145	55,625	69,456
Liabilities for assets held for sale	0	7,783	0
	71,145	63,408	69,456
Total liabilities	89,584	86,007	98,821
Total Equity and Liabilities	109,041	104,033	112,440

1.3 Consolidated Cash Flow Statement 2006-2004

Consolidated Cash Flow Statement

in Euro '000

	2006	2005	2004
Cash flows from operating activities			
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
Cash flows from operating activities before change in working capital	9,277	5,832	9,515
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
Cash flows from operating activities	2,703	4,876	17,767
Income tax paid	-73	0	0
Interest received	121	44	114
Interest paid	-2,876	-3,150	-4,769
Net cash flows from operating activities	-2,828	-3,106	-4,655
Cash flows from investing activities			
Purchase of property, plant and equipment	-3,811	-3,717	-2,317
Sale of subsidiary (net of funds disposed of) ^a	1,106	422	4,310
Proceeds from sale of property, plant and equipment ^{b,d}	4,650	19,557	6,293
Cash flows from investing activities	1,945	16,262	8,286
Cash flows from financing activities			
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
Cash flows from financing activities	-4,023	-19,734	-21,523
Net cash flows	-2,203	-1,702	-125
Foreign currency translation	-1,101	1,254	-990
Cash and cash equivalents at 1 January	6,009	6,457	7,572
Cash and cash equivalents at 31 December^c	2,705	6,009	6,457

a) Net after granting of loan of €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 €5,718 and cash attributable to discontinued operations of €291

d) 2004 includes proceeds from sale of financial assets of €139

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

To: The Shareholders of Koninklijke Econosto N.V.

AUDITOR'S REPORT

Introduction

We have audited whether the accompanying abbreviated financial statements of Koninklijke Econosto N.V., Rotterdam, for the financial years 2006, 2005 and 2004 (as set out in Part B, Section 1 of this Offer Memorandum) have been derived consistently from the audited financial statements for the financial years 2006 and 2005 (including the comparative figures for the financial year 2004). In our auditor's reports dated 5 April 2007 and 18 April 2006, respectively, we expressed unqualified opinions on these financial statements. Management is responsible for the preparation of the abbreviated financial statements in accordance with the accounting policies as applied in the respective financial statements. Our responsibility is to express an opinion on these abbreviated financial statements.

Scope

We conducted our audit in accordance with Dutch law. This law requires that we plan and perform the audit to obtain reasonable assurance that the abbreviated financial statements have been derived consistently from the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these abbreviated financial statements have been derived consistently, in all material respects, from the financial statements.

Emphasis of matter

For a better understanding of the company's financial position and results and the scope of our audit, we emphasize that the abbreviated financial statements should be read in conjunction with the unabbreviated financial statements, from which the abbreviated financial statements were derived and our unqualified auditor's reports thereon dated 5 April 2007 and 18 April 2006, respectively. Our opinion is not qualified in respect of this matter.

Rotterdam, 14 March 2008

for Ernst & Young Accountants

Signed by J.F.M. Kamphuis

2. **FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2006, INCLUDING
EXPLANATORY NOTES AND AUDITOR'S REPORT**

FINANCIAL STATEMENTS 2006

KONINKLIJKE ECONOSTO N.V.

CONSOLIDATED BALANCE SHEET
(x € 1,000)

	<i>Notes</i>	<i>31-Dec-06</i>	<i>31-Dec-05</i>
ASSETS			
Non-current assets			
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	<u>2,962</u>	<u>2,999</u>
		<u>14,120</u>	<u>10,175</u>
Current assets			
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	<u>2,705</u>	<u>5,718</u>
		<u>94,921</u>	<u>79,294</u>
Assets held for sale	19	<u>-</u>	<u>14,564</u>
		<u>94,921</u>	<u>93,858</u>
TOTAL ASSETS		<u>109,041</u>	<u>104,033</u>

CONSOLIDATED BALANCE SHEET
(x € 1,000)

		<i>31-Dec-06</i>	<i>31-Dec-05</i>
	<i>Notes</i>		
EQUITY AND LIABILITIES			
Equity attributable to ordinary shareholders of Koninklijke Econosto N.V.			
issued capital	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
		<u>19,457</u>	<u>17,674</u>
Minority interests		-	352
Total equity		<u>19,457</u>	<u>18,026</u>
Non-current liabilities			
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
		<u>18,439</u>	<u>22,599</u>
Current liabilities			
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
		<u>71,145</u>	<u>55,625</u>
Liabilities for assets held for sale	19	-	7,783
		<u>71,145</u>	<u>63,408</u>
Total liabilities		<u>89,584</u>	<u>86,007</u>
TOTAL EQUITIES AND LIABILITIES		<u>109,041</u>	<u>104,033</u>

CONSOLIDATED INCOME STATEMENT
(x € 1,000)

	Notes	2006	2005
Continuing operations			
Net sales		191,366	162,564
Costs of raw materials and consumables		<u>(131,582)</u>	<u>(109,742)</u>
Gross profit		59,784	52,822
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		<u>(22,089)</u>	<u>(17,215)</u>
Operating profit		7,977	13,231
Finance revenue	17.4	121	94
Finance costs	17.4	<u>(4,656)</u>	<u>(4,543)</u>
Profit before taxes		3,442	8,782
Tax income (expense)	18	<u>(435)</u>	<u>147</u>
Profit for the year on continuing operations		3,007	8,929
Discontinued operations			
Profit / (loss) for the year on discontinued operations	19	<u>911</u>	<u>(6,271)</u>
Profit / (loss) for the year		<u>(3,918)</u>	<u>2,658</u>
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.		€ 0.29	€ 0.20
- Basic, for profit on continuing operations attributable to ordinary shareholders of Koninklijke Econosto N.V.		€ 0.22	€ 0.66
- Diluted, for profit for the year attributable to ordinary shareholders of Koninklijke Econosto N.V.		€ 0.29	€ 0.20
- Diluted, for profit on continuing operations attributable to ordinary shareholders of Koninklijke Econosto N.V.		€ 0.22	€ 0.66

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

(x € 1,000)

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

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
(x € 1,000)

		2006	2005
Cash flows from operating activities	<i>Notes</i>		
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 ^b
Share- based payments		26	-
Cash flows from operating activities before change in working capital		9,277	5,832
Movements in working capital			
- inventories		(3,341)	(2,235)
- receivables		(9,198)	(4,106)
- current liabilities (excluding interest-bearing loans)		5,965	5,385
		<u>(6,574)</u>	<u>(956)</u>
Cash flows from operating activities		2,703	4,876
Income tax paid		(73)	-
Interest received		121	44
Interest paid		(2,876)	(3,150)
Net cash flows from operating activities		(2,828)	(3,106)
Purchase of property, plant and equipment		(3,811)	(3,717)
Sale of subsidiary (net of funds disposed of)	4	1,106 ^a	422
Proceeds from sale of property, plant and equipment		4,650	19,557 ^b
Cash flows from investing activities		1,945	16,262
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)
Cash flows from financing activities		(4,023)	(19,734)
Net cash flows		-	(1,702)
		(2,203)	
Foreign currency translation		(1,101)	1,254
Cash and cash equivalents at 1 January		6,009	6,457
Cash and cash equivalents at 31 December	8	2,705	6,009

a. Net after granting of loan of € 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 (€ 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:

- (vi) There is a change in the conditions, other than a modification or renewal of the arrangement;
- (vii) A modification option is performed or renewal is granted, unless the conditions were already included in the initial arrangement;
- (viii) A change in the determination of whether the fulfilment is dependent on the use of a specific asset;
- (ix) 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.

<p>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 companies financial statements in future financial years.</p>
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3. Property, plant and equipment

31 December 2006	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Other operating assets</i>	<i>Plant and equipment under constructi on/prepay ment</i>	<i>Total</i>
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	<u>1,640</u>	<u>1,051</u>	<u>2,895</u>	<u>542</u>	<u>6,128</u>
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	<u>5,220</u>	<u>915</u>	<u>2,678</u>	<u>183</u>	<u>8,996</u>
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	<u>5,220</u>	<u>915</u>	<u>2,678</u>	<u>183</u>	<u>8,996</u>

Total depreciation in 2006 amounted to € 2,396,000 (2005: € 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 € 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 € 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 € 935,000 and € 667,000, respectively, at 31 December 2006.

31 December 2005	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Other operating assets</i>	<i>Plant and equipment under construction/prepayment</i>	<i>Total</i>
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	<u>21,517</u>	<u>4,217</u>	<u>4,091</u>	<u>27</u>	<u>29,852</u>
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	<u>1,640</u>	<u>1,051</u>	<u>2,895</u>	<u>542</u>	<u>6,128</u>
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	<u>1,640</u>	<u>1,051</u>	<u>2,895</u>	<u>542</u>	<u>6,128</u>

Total depreciation in 2005 amounted to € 3,388,000. Of this amount, € 2,629,000 was charged to the income statement under ‘depreciation of property, plant and equipment’ and € 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 € 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 € 0.8 million on continuing operations
- loss after tax of € 4.6 million on discontinued operations.

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

4. Financial assets

	<i>2006</i>	<i>2005</i>
Loans	<u>730</u>	<u>226</u>

Loans include a loan of € 100,000 granted to third parties. An amount of € 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 € 552,000 (originally € 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 € 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 € 200,000 is stated under current receivables.

The balance of € 78,000 (2005: € 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)

	<i>Pension plans</i>				<i>Total</i>	
	<i>STEP plan</i>		<i>SE plan</i>		<i>2006</i>	<i>2005</i>
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>		
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	<u>846</u>	<u>749</u>	<u>56</u>	<u>71</u>	<u>911</u>	<u>820</u>
Actual return on plan assets	391	5,093	-	-	391	5,093

Balance sheet items relating to the costs of the benefits

	<i>Pension plans</i>				<i>Total</i>	
	<i>STEP plan</i>		<i>SE plan</i>		<i>2006</i>	<i>2005</i>
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>		
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
Unrecognised net actuarial losses	(1,705)	(1,975)	(1,042)	(1,034)	(2,747)	(3,009)
	3,137	2,797	-	58	3,137	2,855
Benefit asset/(liability)	<u>1,432</u>	<u>822</u>	<u>(1,042)</u>	<u>(976)</u>	<u>390</u>	<u>(154)</u>

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

	<i>Pension plans</i>				<i>Total</i>	
	<i>STEP plan</i>		<i>SE plan</i>		<i>2006</i>	<i>2005</i>
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>		
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	442	470	-	-	442	470
Closing balance of defined benefit obligation	<u>69,836</u>	<u>70,681</u>	<u>1,042</u>	<u>1,034</u>	<u>70,878</u>	<u>71,715</u>

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

	<i>2006</i>	<i>2005</i>
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	<u>68,131</u>	<u>68,706</u>

Royal Econosto Group expects to contribute € 1.3 million to the defined benefit plan in 2007 (2006: € 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:

	<i>2006</i>	<i>2005</i>
	<i>%</i>	<i>%</i>
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
Total	<u>100.0</u>	<u>100.0</u>

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:

	<i>Pension plans</i>			
	<i>STEP</i>		<i>SE</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
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:

	<i>STEP plan</i>		
	<i>2006</i>	<i>2005</i>	<i>2004</i>
Gross liability under defined benefit plan	(69,836)	(70,681)	(65,481)
Plan assets	68,131	68,706	64,404
Surplus / (deficit)	(1,705)	(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)
	<i>SE plan</i>		
	<i>2006</i>	<i>2005</i>	<i>2004</i>
Gross liability under defined benefit plan	(1,042)	(1,034)	(917)
Plan assets	-	-	-
Surplus / (deficit)	(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

	<i>2006</i>	<i>2005</i>
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 € 0.1 million (2005: € 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, € 14.5 million (2005: € 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

	<i>2006</i>	<i>2005</i>
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 € 13.2 million (2005: € 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 € 18.2 million (2005: € 9.5 million) of its central credit facilities.

Of the cash and cash equivalents, € 1.0 million (2005: € 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	<u>2,705</u>	<u>6,009</u>

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
<i>Assets</i>		
Plant, property and equipment	651	133
Inventories	2,585	193
Receivables	3,779	493
	<u>7,015</u>	<u>819</u>
<i>Liabilities</i>		
Provisions	70	-
Payables	1,820	40
Interest-bearing loans	2,725	-
Other non-interest bearing liabilities	830	369
	<u>5,445</u>	<u>409</u>
Carrying amount of discontinued operations	<u>1,570</u>	<u>410</u>
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	<u>1,106</u>	<u>422</u>

9. Issued capital and reserves

The authorised share capital consists of the following:

	2006	2005
3,750,000 convertible cumulative preference financing shares of € 0.50 nominal value each	1,875	1,875
16,760,000 ordinary shares of € 0.50 nominal value each	<u>8,380</u>	<u>8,380</u>
	<u><u>10,255</u></u>	<u><u>10,255</u></u>

Issued and paid-up share capital

Priority shares

Balance at 1 January	-	5
Conversion into ordinary shares	<u>-</u>	<u>(5)</u>
Balance at 31 December	<u>-</u>	<u>-</u>

Ordinary shares

Balance at 1 January	6,784	6,779
Issued as a result of conversion of priority shares	<u>-</u>	<u>5</u>
Balance at 31 December	<u><u>6,784</u></u>	<u><u>6,784</u></u>

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

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

	2006	2005
<i>Share premium</i>		
Balance at 1 January	4,473	4,473
Movements	<u>-</u>	<u>-</u>
Balance at 31 December	<u><u>4,473</u></u>	<u><u>4,473</u></u>

	2006	2005
<i>Treasury shares</i>		
Balance at 1 January	(38)	-
Movements	<u>(39)</u>	<u>(38)</u>
Balance at 31 December	<u><u>(77)</u></u>	<u><u>(38)</u></u>

<i>Retained earnings and Other reserves</i>	<i>Retained earnings</i>	<i>Currency translation differences and cash flow hedges reserve</i>	<i>Total</i>
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)
Profit on continuing operations	8,929	-	8,929
Balance at 31 December 2005	<u>5,087</u>	<u>1,368</u>	<u>6,455</u>
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
Profit on continuing operations	3,007	-	3,007
Balance at 31 December 2006	<u>9,031</u>	<u>(754)</u>	<u>8,277</u>

Retained Earnings

Retained earnings represent the cumulative undistributed profits, including the unappropriated profit for 2006 amounting to € 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

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

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

	<i>Pension liabilities</i>
At 1 January 2006	1,221
Additions	157
Withdrawals	<u>(92)</u>
At 31 December 2006	<u>1,286</u>
Current at 31 December 2006	143
Non-current at 31 December 2006	<u>1,143</u>
Total	<u>1,286</u>
Current at 31 December 2005	-
Non-current at 31 December 2005	<u>1,221</u>
Total	<u>1,221</u>

Of the pension provision, € 1,042,000 (2005: € 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 € 244,000 (2005: € 245,000) relates to bridging provisions for Econosto Belgium redundant employees.

12. Interest-bearing loans and other non-current liabilities

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

Mortgage loan, Siekmann Econosto

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 € 385.03, amounting to € 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 € 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 € 1,093,000 (2005: € 1,583,000) and the IT equipment of Econosto Nederland B.V. of € 234,000 (2005: € 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 € 56 million and can be used in the form of a current account overdraft and/or as cash loans to a maximum of € 26 million, and a contingent liability facility for providing guarantees and letters of credit to a maximum of € 30 million. Of the contingent liability facility, € 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 € 32 million. This facility can be used for a current account overdraft of up to € 7.5 million, a contingent liability facility for a performance bond with a maximum term of three years up to a maximum of € 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 € 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 € 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

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

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:

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

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:

	2006		2005	
	<i>Minimum instalment</i>	<i>Present value of instalments</i>	<i>Minimum instalment</i>	<i>Present value of instalments</i>
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
Total minimum lease instalments	<u>1,920</u>	<u>1,385</u>	<u>2,838</u>	<u>2,054</u>
Less: finance costs	535	-	784	-
Total present value of minimum lease instalments	<u>1,385</u>	<u>1,385</u>	<u>2,054</u>	<u>2,054</u>

Capital expenditure commitments

At 31 December 2006, capital expenditure commitments totalled € 0.1 million. At year-end 2005, the Econosto Group had capital expenditure commitments totalling AED 18.4 million (€ 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 € 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 € 21 million.

Guarantees

Guarantees amounting to € 26.5 million (2005: € 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%)

<i>Name</i>	<i>Country of establishment</i>
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.	United Arab Emirates
Econosto Singapore PteLtd	Singapore
Econosto Malaysia Sdn Bhd	Malaysia

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 € 1.8 million (2005: € 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

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

	<i>Salaries</i>	<i>Bonus paymen ts</i>	<i>Long- term remuner ation</i>	<i>Remuner ation in the form of redunda ncy payment s</i>	<i>Total remuner ation for 2005</i>
<i>Current and former Board of Management members</i>					
J.F.A.M. van Os	195	78*	36	-	309
O. de Vries (<i>from 1 May 2005</i>)	90	45	17	-	152
T. Vis (<i>till 1 May 2005</i>)	45	-	25	101	171
<i>Supervisory Board members</i>					
C. Knol	20	-	-	-	20
B.F. Kostwinder	16	-	-	-	16
S.R. Nanninga	16	-	-	-	16
Total	<u>382</u>	<u>123</u>	<u>78</u>	<u>101</u>	<u>684</u>

* excluding 2004 bonus of € 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 € 31,000 (2005: € 31,000) in pensions. In addition, there is an outstanding interest-free loan to a former Board of Management member of € 93,000 (2005: € 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:

	<i>Number</i>	<i>Price</i>	<i>Amount</i>	<i>Total Number purchased</i>
		€	€	
<i>Members of the Board of Management</i>				
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
<i>Directors of subsidiaries</i>	3,726	4.60	17,140	10,985
Total	<u>8,537</u>		<u>39,271</u>	<u>20,897</u>

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

	<i>Number</i>	<i>Average price</i>	<i>Amount</i>
		€	€
1 January 2006	12,360	3.04	37,574
Granted in 2006	8,537	4.60	39,271
31 December 2006	<u>20,897</u>	<u>3.68</u>	<u>76,845</u>

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			
Net sales							
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	<u>152,797</u>	<u>44,084</u>	<u>3,808</u>	<u>(9,323)</u>	<u>191,366</u>	<u>5,125</u>	<u>196,491</u>
Results							
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					<u>3,007</u>	<u>911</u>	<u>3,918</u>
Segment assets	77,220	29,390	2,431	-	109,041	-	109,041
Liabilities							
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:

	<i>Europe</i>	<i>Middle East</i>	<i>Far East</i>	<i>Other</i>	<i>Total</i>		
Net sales	136,437	43,051	7,940	3,938	191,366		
2005	<i>Continuing operations</i>				<i>Discontinued operations</i>	<i>Total</i>	
	<i>Europe</i>	<i>Middle East</i>	<i>Far East</i>	<i>Eliminations</i>	<i>Total</i>		
Net sales							
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
Total net sales	<u>133,822</u>	<u>33,389</u>	<u>2,904</u>	<u>(7,551)</u>	<u>162,564</u>	<u>10,725</u>	<u>173,289</u>
Results							
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					<u>8,929</u>	<u>(6,271)</u>	<u>2,658</u>
Segment assets	71,075	24,031	1,858	-	96,964	7,069	104,033
Liabilities							
Segment liabilities	35,375	11,821	532	-	47,728	5,044	52,772
Non-allocated liabilities					33,235	-	33,235
Total liabilities					80,963	5,044	86,007
Other segment information							
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:

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

17. Other income and expense

17.1 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
Total	<u>632</u>	<u>9,042</u>

17.2 Wages, salaries and social security charges

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

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

17.3 Impairment losses

	2006	2005
Impairment losses	<u>-</u>	<u>(779)</u>

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

17.4 Finance revenue and costs

	2006	2005
<i>Finance revenue</i>		
Bank and other interest received	121	44
Exchange rate differences	<u>-</u>	<u>50</u>
Total	<u>121</u>	<u>94</u>
<i>Finance costs</i>		
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	<u>151</u>	<u>-</u>
Total	<u>4,656</u>	<u>4,543</u>

18. Income tax

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

	2006	2005
Consolidated income statement		
<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	<u>82</u>	<u>288</u>
Income tax expense recognised in consolidated income statement	<u>(435)</u>	<u>147</u>

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:

	2006	2005
Profit before tax on continuing operations	3,442	8,782
Profit/(loss) before tax on a discontinued operation	914	(6,713)
Profit before income tax	<u>4,356</u>	<u>2,069</u>
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%)	<u>(438)</u>	<u>589</u>
Income tax expense recognised in consolidated income statement	(435)	147
Income tax attributable to discontinued operation	(3)	442
	<u>(438)</u>	<u>589</u>

Deferred taxes

Deferred taxes at 31 December relate to the following:

	<i>Consolidated balance sheet</i>		<i>Consolidated income statement</i>	
	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
Total	<u>(1,543)</u>	<u>(1,955)</u>	<u>(412)</u>	<u>(148)</u>
<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 tax losses available in the Netherlands	2,711	2,711	-	-
Temporary differences	84	-	-	-
Carry-forward losses available outside the Netherlands	167	288	(121)	288
Total	<u>4,505</u>	<u>4,954</u>	<u>291</u>	<u>436</u>
Deferred income tax assets less liabilities	<u>2,962</u>	<u>2,999</u>	<u>(121)</u>	<u>288</u>

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 € 43.9 million (2005: € 43.0 million), which were incurred by the Dutch companies. Of this amount, € 7.6 million is available for set-off until 2011, € 0.6 million until 2013, € 32.9 million can be carried-forward for nine years and carried back for one year and € 2.8 million is available for set-off indefinitely. A deferred income tax asset of € 2.7 million (2005: € 0.7 million) is recognised in respect of these carry-forward tax losses.

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

	<i>2006</i>	<i>2005</i>
Net sales	5,125	9,153
Costs	5,252	11,223
Gross loss	<u>(127)</u>	<u>(2,070)</u>
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	<u>(11)</u>	<u>(4,619)</u>
Profit/(loss) on discontinued operations before income tax	914	<u>(6,713)</u>
Income taxes	(3)	442
Profit/(loss) on discontinued operations after income tax	<u><u>911</u></u>	<u><u>(6,271)</u></u>

Net cash flows from discontinued operations are as follows:

	2006	2005
Operating activities	(39)	192
Investing activities	(44)	(72)
Financing activities	30	(344)
Net outflow	<u>(53)</u>	<u>(224)</u>
Earnings per share:		
Basic, for profit for the year on discontinued operations attributable to ordinary shareholders of Koninklijke Econosto N.V.	€ 0.07	(€ 0.46)
Diluted, for profit for the year on discontinued operations attributable to ordinary shareholders of Koninklijke Econosto N.V.	€ 0.07	(€ 0.46)

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

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

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 € 11,544,355 and a conversion price of € 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:

	2006	2005
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	<u>3,918</u>	<u>2,658</u>

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.

	<i>Carrying amount</i>		<i>Fair value</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
<i>Financial assets</i>				
Cash and short-term deposits	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
<i>Financial liabilities</i>				
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*

	<i>Within one year</i>	<i>1-2 years</i>	<i>2-3 years</i>	<i>3-4 years</i>	<i>4-5 years</i>	<i>> 5 years</i>	<i>Total</i>
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

	<i>Within one year</i>	<i>1-2 years</i>	<i>2-3 years</i>	<i>3-4 years</i>	<i>4-5 years</i>	<i>> 5 years</i>	<i>Total</i>
Short-term interest-bearing loans	16,345	-	-	-	-	-	16,345

At 31 December 2005*Fixed rate*

	<i>Within one year</i>	<i>1-2 years</i>	<i>2-3 years</i>	<i>3-4 years</i>	<i>4-5 years</i>	<i>> 5 years</i>	<i>Total</i>
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

	<i>Within one year</i>	<i>1-2 years</i>	<i>2-3 years</i>	<i>3-4 years</i>	<i>4-5 years</i>	<i>> 5 years</i>	<i>Total</i>
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 non-interest 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:

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

The cash flow hedges of expected future sales and purchases were considered effective, with an unrealised gain of € 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 € 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.
(x €1,000)

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

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

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

		<i>31</i> <i>December</i> <i>2006</i>	<i>31</i> <i>December</i> <i>2005</i>
	<i>Notes</i>		
EQUITY AND LIABILITIES			
Equity attributable to ordinary shareholders of Koninklijke Econosto N.V.			
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
		<hr/>	<hr/>
		19,457	17,674
Provisions			
Other provisions	30	1,129	1,376
Non-current liabilities			
Convertible subordinated bond loan – loan capital component	12*	13,859	17,779
Current liabilities			
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
		<hr/>	<hr/>
		37,509	28,488
Total liabilities		<hr/>	<hr/>
		52,497	47,643
TOTAL EQUITY AND LIABILITIES		<hr/> <hr/>	<hr/> <hr/>
		71,954	65,317

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

OTHER INFORMATION

INCOME STATEMENT OF KONINKLIJKE ECONOSTO N.V.

	<i>Notes</i>	2006	2005
Profit of subsidiaries after tax		3,918	2,658
Profit for the year		<u>3,918</u>	<u>2,658</u>

(x € 1,000)

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

	2006	2005
Carrying amount at 1 January	9,768	9,288
Repayments	(854)	-
Currency translation differences	(208)	480
Carrying amount at 31 December	<u>8,706</u>	<u>9,768</u>

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 (€ 0.7 million) and a component of the long-term loan to Siekmann Econosto (€ 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 € 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

	2006	2005
3,750,000 convertible cumulative preference financing shares of € 0.50 nominal value each	1,875	1,875
16,760,000 ordinary shares of € 0.50 nominal value each	8,380	8,380
	<u>10,255</u>	<u>10,255</u>

Issued and paid-up share capital

Priority shares

Balance at 1 January	-	5
Conversion into ordinary shares	-	(5)
Balance at 31 December	<u>-</u>	<u>-</u>

Ordinary shares

Balance at 1 January	6,784	6,779
Issue as a result of conversion of priority shares	-	5
Balance at 31 December	<u>6,784</u>	<u>6,784</u>

Total number of ordinary shares issued: 13,567,885 (2005: 13,567,885)

Stichting Prioriteitsaandelen and Stichting Econosto were dissolved in 2005. The priority shares were

	2006	2005
<i>Share premium</i>		
Balance at 1 January	4,473	4,473
Movements	-	-
Balance at 31 December	<u>4,473</u>	<u>4,473</u>

converted into ordinary shares.

<i>Other reserves, statutory reserves and revaluation reserves</i>	<i>Other reserves</i>	<i>Statutory reserves (translation differences reserve)</i>	<i>Revaluation reserves (cash flow hedges reserve)</i>	<i>Total</i>
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	<u>2,391</u>	<u>1,292</u>	<u>76</u>	<u>3,759</u>
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	<u>8,929</u>	<u>-</u>	<u>-</u>	<u>8,929</u>
31 December 2006	<u><u>5,036</u></u>	<u><u>(876)</u></u>	<u><u>122</u></u>	<u><u>4,282</u></u>

If the statutory reserves show a deficit, no distribution equal to the amount of the deficit can be charged to other reserves.

	2006	2005
<i>Profit/(loss) for the year</i>		
Balance at 1 January	2,658	(5)
Addition to other reserves	(2,658)	5
Net profit for the year	<u>3,918</u>	<u>2,658</u>
Balance at 31 December	<u><u>3,918</u></u>	<u><u>2,658</u></u>

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	<u>1,129</u>	<u>1,376</u>
Current at 31 December 2006	32	
Non-current at 31 December 2006	<u>1,097</u>	
Total	<u>1,129</u>	
Current at 31 December 2005	31	
Non-current at 31 December 2005	<u>1,345</u>	
Total	<u>1,376</u>	

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 € 20.5 million at year-end 2006 (2005: € 17.6 million), of which € 9.0 million (2005: € 6.0 million) related to debts to credit institutions. The company also provided guarantees to third parties amounting to € 1.5 million (2005: € 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 (€ 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

J.F.A.M. van Os, *Chairman*
O.de Vries

Supervisory Board

C. Knol, *Chairman*
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	<u>38.9</u>

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

To the General Meeting of Shareholders of Koninklijke Econosto N.V.

Report on the financial statements

We have audited the financial statements of Koninklijke Econosto N.V., Rotterdam, the Netherlands, for the year 2006. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2006, the company income statement for the year then ended and the notes.

Management's responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Koninklijke Econosto N.V. as at 31 December 2006 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Koninklijke Econosto N.V. as at 31 December 2006 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 393(5)(e) of the Netherlands Civil Code, we report, to the extent of our competence, that the Board of Management Report is consistent with the financial statements as required by Section 391(4) of the Netherlands Civil Code.

Rotterdam, 5 April 2007

for Ernst & Young Accountants

J.F.M. Kamphuis

39. **Trustee's Report**

6.35% 1996/2010 Koninklijke Econosto N.V. subordinated bond loan, originally amounting to NLG 60,000,000 (€ 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 € 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 € 0.50 nominal value each at a conversion price of € 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 € 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

This Section 3 of Part B (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 A (Definitions) of this Offer Memorandum. The terms defined and used in this Section 3 of Part B of this Offer Memorandum should be read to pertain only to this Section 3 of Part B 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 B 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 in Section 3.3 of Part B of this 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
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 - 3.2.3 Condensed consolidated statement of movements in shareholders' equity
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 - 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 € 191.4 million to € 260.5 million, € 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 € 7.4 million (excluding other income) in 2006 to € 19.3 million in 2007
- Net profit, including the Kirishi project and a one-off tax benefit of € 2.9 million: € 17.9 million compared to € 3.9 million in 2006
- Basic earnings per share € 1.19 compared to € 0.29 in 2006
- Order portfolio, excluding the Kirishi project, increases from € 50.3 million at year-end 2006 to € 67.4 million at year-end 2007
- Convertible subordinated bond loan repaid prematurely
- New credit facilities without collateral security provided

Outlook for 2008

- 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

Key figures (x € 1,000)	2007	2006	%change
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%

2007 annual results

Net sales

Econosto achieved net sales totalling € 227.1 million in 2007, excluding the Kirishi project, representing an organic increase of 19% in comparison to 2006, when net sales totalled

€ 191.4 million. Net sales of the Kirishi project totalled € 33.4 million, thereby increasing total net sales for 2007 to € 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 € 7.4 million to € 19.3 million in 2007. Net profit increased from € 3.9 million to € 17.9 million, partly as a result of the inclusion of a deferred tax asset of € 2.9 million. Basic earnings per share amounted to € 1.19 in 2007, compared to € 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 € 57.4 million at year-end 2007, representing a 16% increase in comparison to 31 December 2006 (year-end 2006: € 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 € 20.4 million in 2007: from € 34.2 million to € 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 € 0.50 at a conversion rate of € 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 € 3.7 million at 31 December 2006, € 2.1 million was processed directly through equity capital, while € 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 € 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 € 10.2 million to € 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 € 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)

<u>(x € 1 million)</u>	<u>2007</u>	<u>2006</u>	<u>Difference in %</u>
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 € 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 € 14.9 million in 2007 (compared to € 3.9 million in 2006).

Middle East Region

<u>(x € 1 million)</u>	<u>2007</u>	<u>2006</u>	<u>Difference in %</u>
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 € 60.0 million. Despite the delivery of a number of less profitable large projects, EBIT increased from € 3.1 million in 2006 to € 4.3 million in 2007.

Far East Region

<u>(x € 1 million)</u>	<u>2007</u>	<u>2006</u>	<u>Difference in %</u>
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 € 0.4 million).

3.2 Condensed consolidated financial information for the Financial Year 2007

3.2.1 Condensed consolidated balance sheet

(x € 1,000)

	<u>2007</u>	<u>2006</u>
Tangible fixed assets	8,638	8,996
Other fixed assets	8,451	5,124
Current assets	104,967	94,921
Total assets	<u>122,056</u>	<u>109,041</u>
Capital and reserves	43,930	19,457
Non-current liabilities	5,900	18,439
Current liabilities	72,226	71,145
Total equity and liabilities	<u>122,056</u>	<u>109,041</u>

3.2.2 Condensed consolidated profit and loss account

(x € 1,000)

	<u>2007</u>	<u>2006</u>
Net sales	260,504	191,366
Operating profit, excluding other income	19,324	7,345
Other income	-	632
	-----	-----
Operating profit	19,324	7,977
Financial result	-3,444	-4,535
	-----	-----
Profit before taxes	15,880	3,442
Taxes	1,980	-435
	-----	-----
Profit after taxes on continued activities	17,860	3,007
Profit after taxes on discontinued activities	-	911
	-----	-----
Net profit	<u>17,860</u>	<u>3,918</u>

3.2.3 Condensed consolidated statement of movements in shareholders' equity

(x € 1,000)

	<u>2007</u>	<u>2006</u>
At 1 January	19,457	17,674
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
	-----	-----
At 31 December	43,930	19,457

3.2.4 Condensed consolidated cash flow statement

(x € 1,000)

	<u>2007</u>	<u>2006</u>
Cash flow generated from:		
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
	-----	-----
Change in cash and cash equivalents	3,351	-3,304

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 (€ 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 intra-group 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 include 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.

- (a) There is a change in the conditions, other than a renewal or extension of the arrangement.
- (b) A renewal option is exercised or extension is granted, unless the conditions were already included in the initial arrangement.
- (c) A change in the determination of whether the fulfilment is dependent on the use of a specific asset
- (d) 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

To: The Shareholders of Koninklijke Econosto N.V.

Introduction

We have reviewed the accompanying condensed consolidated financial information of Koninklijke Econosto N.V. for the financial year 2007, which comprises the condensed consolidated balance sheet as at 31 December 2007, the condensed consolidated profit and loss account, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and the basis of presentation, as set out in Part B, Section 3.2 of the Offer Memorandum. Management is responsible for the preparation and presentation of this condensed consolidated financial information in accordance with the basis of presentation as set out in Part B, Section 3.2.5 of the Offer Memorandum. Our responsibility is to express a conclusion on this condensed consolidated financial information based on our review.

Scope

We conducted our review in accordance with Dutch law, including Standard 2400 'Engagements to review financial statements'. This law requires that we plan and perform the review to obtain moderate assurance about whether this condensed consolidated financial information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial information as at 31 December 2007, is not prepared, in all material respects, in accordance with the basis of presentation as set out in Part B, Section 3.2.5 of the Offer Memorandum.

Rotterdam, 14 March 2008

for Ernst & Young Accountants

Signed by J.F.M. Kamphuis