

STORK[®] *knows-how*

Annual Report 2007

Stork N.V.

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Dear reader,

For Stork 2007 was in many respects a very challenging year, with a high level of distraction caused by the discussions and negotiations about the future of Stork. This undeniably had its effect on the pace of growth in our operational units and results. The turnover increased to € 2.2 billion (2006: € 2.0 billion), the net results declined to € 67 million (2006: € 150 million including a substantial book profit of € 65 million from the sale of Stork WorkSphere).

Towards the end of 2007 the negotiations with Candover, as well as a number of large shareholders and other stakeholders, resulted in an outcome which in the circumstances is acceptable to all parties. Shareholders have received € 48.40 per share, which is a fair price for the sale of their interest. Stork is no longer a listed company from 20 February 2008, and is continuing in a private environment with Candover and the Icelandic companies Eyrir Invest and Landsbanki as joint investors.

Stork can now once again devote its full attention to the achievement of its growth ambitions. This will be achieved by both autonomous and acquired growth within the core activities Aerospace and Technical Services. An inseparable part of the negotiations with a number of large shareholders is the fact that Stork Food Systems will be sold after approval by the European competition authorities to Marel of Iceland. The sale of 60% of Stork Prints was concluded on 13 November 2007.

Stork can look forward to a new period of value creation, but now operating out of the spotlight. It will benefit from a more stable environment. Candover has extensive knowledge, experience and an excellent track record in the industrial sector, but will also give Stork the financial basis to implement its strategy. The management is now able to focus entirely on its operational and strategic business. Clarity has been created for customers, suppliers and employees.

Hard work was put into the World Class Performance (WCP) improvement programme in 2007, comprising large numbers of projects that contribute to improvement of operational performance. In the coming years continuous improvement will remain an essential part of the operational management of the group. The aim is for our companies to be among the best in the world in 2010, in terms of both growth and results. With a turnover of approximately € 1.6 billion (after the sale of Food Systems), our scale, strong reputation and high brand awareness will be important assets in recruiting and retaining the talent that will be needed to support the achievement of our ambitions for each of the operational units.

In the past year the cornerstones of Stork have once again proved their value. A lot has been achieved in the past few years, value has been created, and numerous stakeholders have shown that they continue to have confidence in our capabilities. This would never have been the case without the skills, talents and professionalism of our employees. Their efforts are the visible symbol of our strength, and that was again true in 2007. Also on behalf of my fellow members of the Board of Management and the group directors, I would like to express our sincere thanks for those efforts. This applies in particular in this challenging year to the management of the units and the staff of the holding company, whose future was discussed on many occasions without their direct involvement.

Sjoerd Vollebregt,
Chairman of the Board of Management and CEO

Organisational structure as per 1 January 2008

Board of Management

Sj.S. Vollebregt* (Chairman)

J.C.M. Schönfeld* (Vice Chairman)

H.E.H. Bouland*

	Director	Controller	HRM
Aerospace			
Industries	H. Büthker J.P.D.M. Lagasse	E.J. Kaman	R.M. Clermonts
Services	C.J. Berends van Loenen*	J.C. van Poppel RA a.i.	H.C.M. Vreeburg

Technical Services

Industry Services	J.B.J. Bruggenthijs*	C.A. van Rooden RA	E.W. Bot
Industry Specialists	J.M. Ros*	J.G.B.J. Hooge Venterink	I.J.H. Vermeulen MA

Food Systems	Th. Hoen*	H. van Konijnenburg	G.M.J. van Tilburg
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Corporate Communications & Investor Relations	D.T. Kors
Corporate Legal/Company Secretary	J.P. Witsen Elias
Corporate Strategy and Control	A. Walles RA RC

* Member of the Group Management Committee

Storks vision

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

Storks mission

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

Core activities

Stork Aerospace

Aerospace Industries

- Development, design and production of complex lightweight structures for the aviation, aerospace and defence industries
- Development, design and production of electrical wiring and interconnection systems for aircraft and engines
- Development, design, production and maintenance of (parts of) composite and metal landing gear
- Project handling, system engineering and supply chain management

Aerospace Services

- Type Certificate Holder for the Fokker fleet and therefore responsible for airworthiness
- Integrated technical and maintenance services aimed at extending the lifetime of the worldwide Fokker fleet
- Component supply and maintenance solutions for operators of commercial and defence aircraft
- Modification and conversions of commercial and defence aircraft for other applications, such as private jets

Stork Technical Services

Industry Services

- Assembly, installation, (preventive) maintenance, repair, renovation, modification, relocation and extension of technical installations, ranging from process installations to process-supporting installations and equipment
- Consultancy and technical management (maintenance management)
- Project management and execution
- Asset management

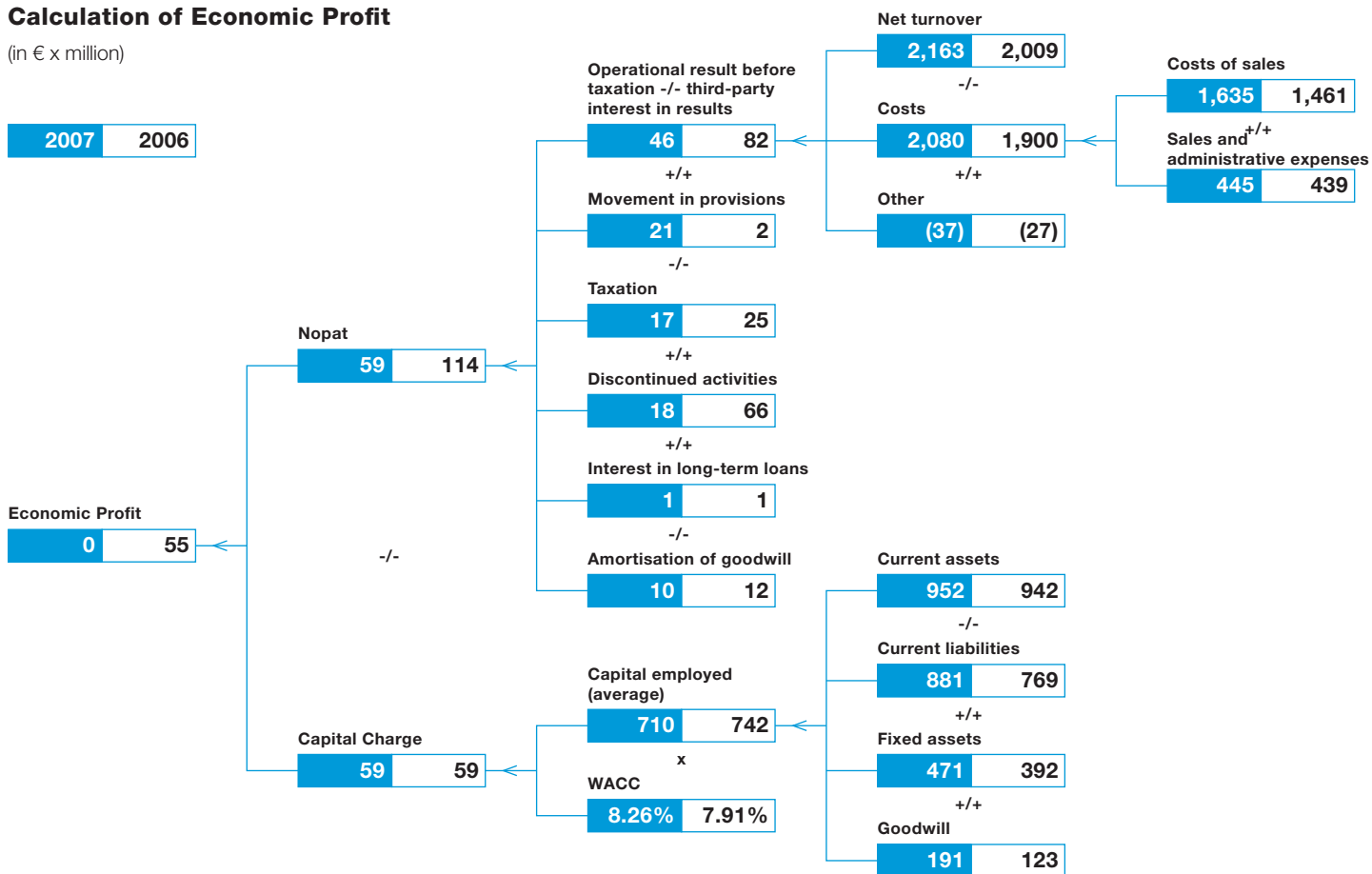
Industry Specialists

- Materials and damage investigations
- Heat treatment, inspection and consultancy
- Maintenance/repair of production machines, machine tools, gearboxes, steam and gas turbines, compressors and generators
- Production of turbine components
- Maintenance and production of components and pressure parts for power generation, and service
- Sale and rental of equipment and tools

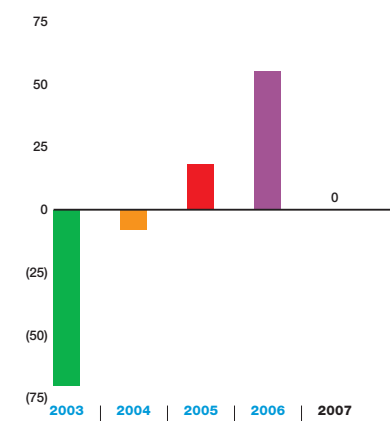
Calculation of Economic Profit

(in € x million)

2007 2006



Economic Profit 2003-2007



Economic Profit (EP) indicates whether a company is able to create value. This is the case when the 'free' cash flow (Nopat) is greater than the required return on capital employed (Capital Charge). $EP = Nopat - Capital\ Charge$.

Net Operating Profit After Tax (Nopat) is calculated by applying the following corrections to the operational result:

- Addition of the movement in provisions. When costs are actually incurred against provisions, these are deducted from the Nopat. If provisions are created but not immediately used, this increases the Nopat;
- Deduction of tax based on the normalised corporation tax percentage. This means that compensating and carried forward losses are not taken into account;
- Addition of interest paid to avoid this being counted twice. The costs of external financing are included in the Capital Charge;
- Deduction of the amortisation of paid goodwill in the last 15 years.

Capital Charge is the compensation required by capital providers for the capital they invest.

This payment is calculated by multiplying the average capital employed by the Weighted Average Cost of Capital (WACC).

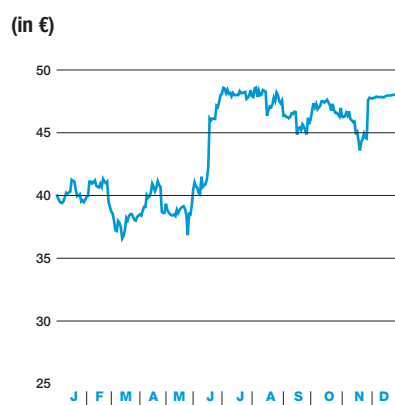
- The average capital employed is corrected for capitalisation of goodwill paid in the last 15 years. The goodwill paid was charged directly to the other reserves in 2000 and preceding years;
- The WACC is the weighted average of the return required by equity providers and of the costs of external financing corrected for a normalised tax rate.

Stork share information

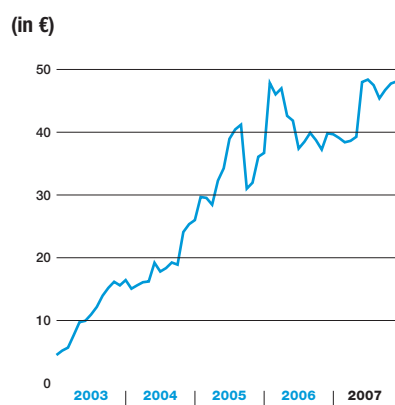
Relative performance of Stork shares in 2007 vs. Midkap and AEX



Stork share price 2007



Stork share price 2002-2007



Paid up ordinary Stork shares

The ordinary Stork shares have a nominal value of € 1 as bearer certificates (depository receipts), which cannot be exchanged (either wholly or partly) for individual physical shares. The depository receipts are held by the NECIGEF (Netherlands central institute for electronic share transactions). Stork shares, formerly included in the Dutch 'Midkap' index, are no longer listed from 20 February 2008.

Share capital at 31-12-2007

Ordinary shares	50,000,000
Of which issued	31,250,528
Of which paid up	30,403,538
Preference shares	100,000,000
Authorised share capital (in €)	150,000,000

Distribution of shareholdings

During 2007 the institutional shareholdings became strongly concentrated at three large shareholders: Centaurus, Paulson and LME. Together, they held around 77% of the issued share capital at the end of the financial year.

Under the WMZ legislation (Disclosure of Major Holdings in Listed Companies Act), the following institutions have notified the Autoriteit Financiële Markten (Netherlands Authority for the Financial Markets) of their investment interests:

(Position at 31-12-2007)

LME eignarhaldsfélag ehf	
Notification effective on 31-08-2007	43.34%
Centaurus Capital Ltd. & Paulson & Co Inc.	
Notification effective on 11-05-2007	33.17%

After the offer by the consortium led by Candover was declared unconditional, the share ownership was as follows:

(Position at 31-01-2008)

Candover Partners Limited	
Notification effective on 01-02-2008	99.5%

Share price

(in €)

	2007	2006	2005	2004	2003
Year-end price	48.10	39.78*	36.09	25.35	15.70
Highest price	48.60	49.10	42.74	25.50	16.50
Lowest price	36.58	35.71	25.13	13.86	4.40

* This price is after the capital reduction by € 4 on 16 May 2006. For an objective comparison with the preceding years, this price should be increased by € 4.

Changes in share capital

From 11 May 2007 the issued ordinary share capital of Stork is 31,250,528 shares. In addition, all the issued cumulative preference shares B were withdrawn on 11 May 2007. A list of the shares held by members of the Board of Management is shown on page 88.

Dividend policy

The policy of Stork in recent years has been focused on achieving a flow of dividend which is on average increasing.

No further dividend has been paid for the financial year 2007, as the offer price of € 48.40 per share was inclusive of dividend.

Investor Relations

The number of IR activities and contacts was very limited in 2007, with a restrained communication policy being followed.

In view of the circumstances, there was not a high level of interest from institutional investors in the Stork investment case.

Following the first offer for Stork by Candover in June, the IR activities for existing shareholders were intensified for a short period. However during the same period the institutional shareholdings became very strongly concentrated at the three large shareholders Centaurus, Paulson and LME.

Important dates

29 January 2008	Results for 2007
20 February 2008	Deleting Stork from Amsterdam Stock Exchange
7 March 2008	Annual General Meeting

Summary of events in 2007

Interest in Stork

19/06/07	Stork announces interest from Candover
26/06/07	Announcement of intended offer by Candover of € 47 per Stork share
25/07/07	Thirty-day announcement of intended offer by Candover
10/08/07	Candover makes recommended offer for all Stork shares
03/09/07	Candover extends the acceptance period for the public offer to 18 September
17/09/07	Candover withdraws current public offer. Candover, Stork and LME continue discussions on an alternative structure
15/10/07	Stork, LME and Candover continue discussions
28/11/07	Consortium of Candover, Landsbanki and Eyrir announce intended offer for Stork. Sale of Food Systems to Marel is part of the transaction
14/12/07	Consortium makes recommended public offer for all Stork shares
15/01/08	Shareholders (98%) accept offer by consortium
17/01/08	Consortium declares offer for all outstanding Stork shares unconditional
22/01/08	Settlement of Offer for Stork completed

Investments, Divestments and Reorganisations

04/01/07	Technical Services acquires Turbo Service GmbH
08/01/07	Stork and TAT unable to reach agreement on joint ventures with Piedmont and Limco as announced earlier
19/01/07	Food Systems completes acquisition of Nijal
13/02/07	Technical Services completes acquisition of Turbo Service GmbH
12/03/07	Power Services intends to acquire SFTS and NES
16/03/07	Fokker Services intends to acquire Aerotron Airpower (USA)
26/03/07	Fokker Services completes acquisition of Aerotron Airpower (USA)
07/05/07	Stork abandons planned acquisition of SFTS and NES
09/07/07	Industry Services intends to acquire interest in MASA, Colombia
25/07/07	Agreement in principle for sale of majority interest in Stork Prints to Bencis
31/10/07	Food & Dairy Systems details measures to restore profitability
31/10/07	Industry Services acquires Exmont and Istimewa
01/11/07	Fokker Elmo starts new manufacturing facility in Izmir, Turkey
13/11/07	Sale of majority interest in Stork Prints to Bencis concluded

Enterprise Chamber

05/01/07	C&P request a judicial investigation into the affairs of Stork as well as suspension of facilities of Stork Foundation (Stichting Stork)
17/01/07	Enterprise Chamber prohibits voting on proposals from C&P
26/01/07	Enterprise Chamber designates additional Stork Supervisory Board members and investigators
13/11/07	Investigation report published. Stork has major reservations and rejects conclusions

Contracts

11/01/07	Stork Fokker AESP wins contract for Boeing 747-8 inboard flaps
09/10/07	Stork Aerospace receives significant order for structural components for leading aircraft manufacturer

Investor Relations / Corporate Governance

31/01/07	Exceptional net result for 2006; difficult year for Aerospace Industries, good performance by other activities
05/03/07	C. (Cees) den Hartog appointed as advisor to Stork
26/04/07	Result for first quarter 2007 slightly higher than first quarter 2006
14/05/07	Stork withdrawal of purchased and cumulative preference shares is final
25/07/07	Second quarter 2007 heavily influenced by major provision for NH90 helicopter
27/08/07	Extraordinary General Meeting of Shareholders
24/10/07	Growth in turnover and orders received in third quarter, result lags behind
04/01/08	Extraordinary General Meeting of Shareholders

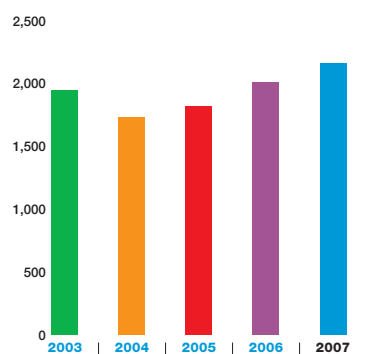
Key data

(in € million, unless stated otherwise)

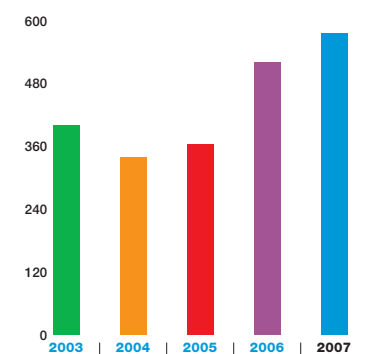
	2007	2006	2005	2004	2003*
Income statement					
Net turnover	2,163	2,009	1,818	1,729	1,946
Result before appreciation (EBITDA)	149	210	173	152	136
Result after depreciation (EBIT)	74	150	129	105	87
Result before tax (EBT)	64	148	130	98	81
Net result	67	150	93	74	74
Orders received	2,241	2,083	1,899	1,806	1,829
Balance sheet					
Total assets	1,553	1,387	1,344	1,270	1,161
Liquidity	(42)	(21)	211	239	218
Capital employed	577	522	365	340	400
Equity	494	466	544	450	433
Long-term debts	38	30	29	24	154
Cash flow					
Cash flow from ordinary operations	168	99	155	138	121
Cash flow from operational activities	158	60	138	118	115
Cash flow from investment activities	(141)	(55)	(29)	(1)	(1)
Cash flow from financing activities	(36)	(235)	(140)	(95)	(14)
Movements in liquidity	(21)	(232)	(28)	21	96
Number of employees at 31 December	14,856	12,714	12,848	12,463	13,181

* 2003 figures based on Dutch GAAP

Net turnover
(in € million)



Capital employed
(in € million)



Key data

(in € million, unless stated otherwise)

	2007	2006	2005	2004	2003*
Financial value creation					
Result after nominal tax rate (NOPAT)	59	114	79	56	4
Average cost of capital (WACC) in %	8	8	8	8	8
Capital charge	59	(59)	(61)	(64)	(74)
Economic Profit	–	55	18	(8)	(70)
Figures per share (in € per share)					
Net result	2.21	4.76	2.92	2.31	2.28
Dividend	– ¹	1.10	1.10	0.90	0.65
Payout percentage	–	22 ²	38	39	29 ²
Equity	16.26	15.42	17.07	14.12	13.37
Stock exchange price at year-end	48.10	39.78 ³	36.09	25.35	15.70
Highest price	48.60	49.10	42.74	25.50	16.50
Lowest price	36.58	35.71	25.13	13.86	4.40
Number of shares issued (x 1,000)	30,404	30,237	31,882	31,832	32,413
Ratios (%)					
Net result/net turnover	3.1	7.4	5.1	4.3	3.8
Net result/average equity	14.0	29.6	18.8	17.3	18.2
Interest coverage ratio	6.1	37.5	53.3	11.1	9.7
EBIT/average capital employed	13.4	33.8	36.6	28.3	20.7
Equity/balance sheet total	31.8	33.6	40.5	35.4	37.4

¹ Proposal

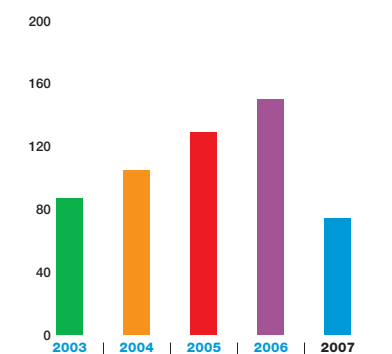
² Before normalisation

³ After capital reduction

* 2003 figures based on Dutch GAAP

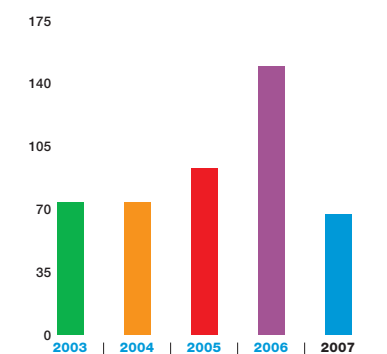
Result after depreciation (EBIT)

(in € million)

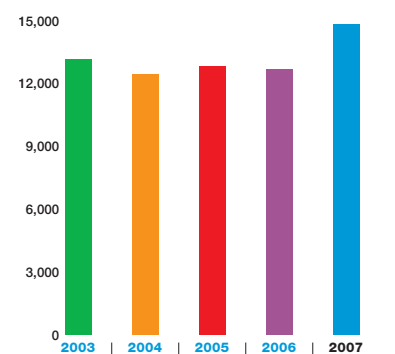


Net result

(in € million)



Number of employees at year-end



Report by the Supervisory Board

General

Alongside its regular tasks, the Supervisory Board of Stork also spent a considerable amount of time in 2007 on the investigation into a possible public-to-private transaction, discussions with large shareholders and developments in relation to the procedure initiated by Centaurus and Paulson before the Enterprise Chamber of the Amsterdam Court of Appeal. The Supervisory Board is pleased that the public-to-private transaction has finally been able to take place in a way that is highly acceptable to all the parties involved in the circumstances, and that the procedure before the Enterprise Chamber has been completed.

The completion of the sale of Stork Food Systems can be expected in the near future. The related activities led to a large number of meetings of the Supervisory Board, some of them held together with the Board of Management and others held separately. In addition there were two Extraordinary General Meetings of Shareholders and a number of discussions with Candover, LME, Centaurus and Paulson, as well as with other stakeholders in the public-to-private transaction.

The Supervisory Board was extended by three extra members during 2007. On 17 January 2007 the Enterprise Chamber ordered an investigation into the policy and affairs of Stork, and three extra supervisory directors were appointed for the duration of that investigation: Mr. D.G. Eustace, Mr. C.J.A. van Lede and Mr. W. Kok. In departure from the articles of association of Stork, these Supervisory Board members had the exclusive right to determine the agendas of ordinary and extraordinary general meetings of shareholders, and also had a deciding vote in the Supervisory Board on matters relating to the strategy of Stork and matters on which Stork and Centaurus and Paulson are divided, to be determined by these members. The customary procedure for appointment and the role of the General Meeting of Shareholders therein was not applicable to the appointment of these three Supervisory Board members.

In relation to these Supervisory Board members, the Enterprise Chamber announced that they would not be accountable on the grounds of their position to the shareholders and other Stork bodies. The Supervisory Board helped the new members to settle in as quickly as possible to enable them to perform their tasks within the Board. The extra Supervisory Board members spent a great deal of time and attention on Stork, especially on conducting the dialogue with Centaurus and Paulson, as well as in the various discussions about the public-to-private transaction.

The Supervisory Board, and in particular its Chairman, monitored the various negotiations held by the Board of Management with the different parties in detail, and where necessary took part in those negotiations itself to avoid any possible conflict of interest of the Board of Management.

At shareholders meetings the Supervisory Board gave explanations of the events in relation to these matters. The Supervisory Board acted with care, devoting a great deal of time and attention to these developments, both in and outside meetings.

In carrying out its duties and in its contacts with all those involved, the Supervisory Board at all times focused on the interests of the company and its related businesses, and in doing so constantly gave careful attention to the interests of all stakeholders of Stork. In relation to its role in these matters, the Supervisory Board again retained its own legal and financial advisors, independent from the Board of Management, in 2007.

Financial statements 2007

The financial statements for 2007 prepared by the Board of Management have been audited by the external auditor KPMG Accountants N.V. Their report appears on page 96.

The Audit Committee and the Supervisory Board discussed the financial statements with the Board of Management in the presence of KPMG and subsequently signed them. The financial statements have not been signed by the Supervisory Board. The reasons for this are as follows. The Supervisory Board members were only recently appointed. In view of the very short period between their appointment and the date on which the financial statements were prepared, they have not been in a position to form an opinion about the financial statements, which further relate to a financial year during which they were not in office.

We present these financial statements to you for consideration and approval at the General Meeting of Shareholders on 7 March 2008.

Composition of the Supervisory Board

At the General Meeting of Shareholders on 2 March 2007, Mr. Den Hartog retired as a member of the Supervisory Board. Mr. Den Hartog was nominated for reappointment by the General Meeting of Shareholders, although this appointment was rejected by the AGM. Mr. Den Hartog acted for the remainder of the financial year as advisor to the company. The Supervisory Board and the Board of Management are very grateful to Mr. Den Hartog for the important contribution which he has made to Stork during his long period as a member of the Supervisory Board.

The chairmanship was again fulfilled in 2007 by Mr. Kalf, and Mr. Van der Velden acted as Vice Chairman. As stated above, Mr. Den Hartog retired at the AGM on 2 March 2007, and the Enterprise Chamber designated three extra supervisory directors for the duration of the investigation: Mr. D.G. Eustace, Mr. C.J.A. van Lede and Mr. W. Kok. After these changes, the Supervisory Board continued to comply with the requirement for its members to be independent within the meaning of the Tabaksblat Code (best practice III.2.1).

In relation to the public offer made by London Acquisition B.V. for all ordinary shares in Stork N.V., all members of the Supervisory Board agreed to stand down from the date on which the offer price was paid by London Acquisition B.V. From the same date Mr. Eustace, Mr. Kok and Mr. Van Lede would be discharged from their tasks by the Enterprise Chamber. This has since taken place, and the Supervisory Board now consists of the following members: Mr. J.H. Schraven (Chairman), Mr. M.S. Gumienny (Vice Chairman), Mr. E.J.F.C.H. Ernst and Mr. P.F. Hartman. Mr. Schraven and Mr. Hartman are independent within the meaning of best practice provision II.2.1. of the Tabaksblat Code. Mr. Hartman was further recommended by the Central Works Council of Stork. Mr. Gumienny and Mr. Ernst are both from Candover. At the time of finalising this annual report, the composition of the Supervisory Board did not comply with best practice provision III 2.1. of the Tabaksblat Code. The Supervisory Board intends after the offer is declared unconditional to nominate Mr. C.J. van den Driest as a member of the Supervisory Board. Mr. C.J. van den Driest is nominated on the recommendation of the Central Works Council of Stork and is independent within the meaning of the Tabaksblat Code (best practice III.2.2). In addition, Landsbanki and Eyrir Invest jointly have the right to request the Supervisory Board to make an as yet undesignated nomination to the Supervisory Board.

Consultation with the Central Works Council

Members of the Supervisory Board were present at six of the twelve consultative meetings of the Central Works Council. There were frequent discussions between the chairman and members of the Supervisory Board with the Central Works Council in relation to the public to private transaction.

Consultation with the Board of Management

In 2007 the Supervisory Board of Stork met on 37 occasions, of which 31 occasions were with the Board of Management, three occasions were for some time without the Board of Management, and on three occasions separate meetings were held without the Board of Management. The three supervisory directors appointed by the Enterprise Chamber regularly held separate discussions.

Of the joint meetings, six were in accordance with the regular schedule, while the rest were extra meetings in relation to the investigation into a possible public-to-private transaction and in relation to the Enterprise Chamber procedure and the investigation ordered by the Enterprise Chamber into the strategy and the affairs of Stork.

The large number of extra meetings meant that not all Supervisory Board members were always able to be present in person. This was in most cases solved by participation by telephone, or otherwise by exchanging information before and after the meetings. As a result no member of the Supervisory Board was frequently absent.

In addition, regular meetings were held between individual members of the Supervisory Board and of the Board of Management, whereby particularly the Chairman and the Vice Chairman of the Supervisory Board maintained intensive contact with the CEO and the CFO. Significant parts of the regular meetings in January, April, July and October were devoted to the financial results of Stork, with the findings of the Audit Committee (which usually meets on the preceding day) playing an important role on each of these occasions.

In relation to the financial statements for 2006, the dividend proposal, the Management Letter of the external auditor, the Letter of Representation, the Declaration on risk management and the 2006 annual report were discussed at the January meeting, as were the preparations for the General Meeting of Shareholders. In addition, the objectives of the working safety policy in 2007 (reducing the number of accidents leading to absence from work) were agreed upon, and the basic principles of the share and SARs plan for 2007 were reconfirmed with a few small changes. The SARs (share appreciation rights) replace the share options which were formerly granted.

The Operational Plan and the Investment Plan for 2007 were discussed and approved in the December meeting, as was the 2006 Remuneration Report, which is referred to in the last part of this report. The changed profile of the Supervisory Board was also discussed and provisionally approved at this meeting.

The Board regularly discussed its composition during the year in relation to the retirement of its Chairman in 2008 on reaching the statutory age limit. The Board of Management usually makes reference to potential and current major projects at each meeting. The same applies to various acquisitions arising in relation to the implementation of the strategy. For example in 2007 the acquisition of MASA was discussed. In addition, the complex course of affairs at Aerospace was repeatedly discussed.

Assessment of functioning

In a meeting held without the presence of the Board of Management in December, the Supervisory Board assessed its own functioning and that of the individual members. The result of this assessment was positive, and among the aspects assessed were the expertise and independence of the members, regular attendance at meetings, availability for extra consultation outside the meetings and teamwork between the members, as well as the other requirements stated in the profile of the Supervisory Board. The functioning of the Board of Management and of its individual members was also assessed.

Terms of Reference and Profile

The profile of the Supervisory Board of Stork N.V. was confirmed in 2007 for a period of two years and discussed with the General Meeting of Shareholders on 2 March 2007. A new profile was discussed at the Extraordinary Meeting of Shareholders on 4 January 2008, and this has since taken effect as part of a newly confirmed Terms of Reference of the Supervisory Board.

Audit Committee

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

- The composition of the quarterly results and the annual result.
- The findings of the external auditor as a result of the audit, the management letter and the follow-up to the recommendations contained therein.
- The internal control framework, including the functioning and the findings of the internal operational audits
- Risk Management in the broadest sense.
- The dividend policy.
- The financing of the company.

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

General

Stork can once again look back on a turbulent year, which is one of the reasons why the strategic objectives were not fully achieved. However the order book at € 1,176 million is better filled than at the end of 2006 (€ 1,062 million). The year 2007 also saw hard work on the further improvement of the operational processes under the World Class Performance programme (WCP). This programme is now showing clear results.

Towards the end of 2007 the discussions with shareholders resulted in a solution which is acceptable to all parties. A price of € 48.40 per share including dividend has been offered to the shareholders. A delisting of Stork N.V. will follow on February 20, 2008, after which Stork will cease to exist as a listed company.

Management can now again devote their full attention to the implementation of the strategy and operational management as formulated earlier for the core activities Aerospace and Technical Services. In addition, the WCP programme will ensure further improvement of operational performance.

Financial results for 2007

In the financial year 2007 the net result declined to € 67 million (2006: € 150 million). The EBIT (before specials: sale proceeds Prints, advisors' costs) at € 74 million was 51% lower than in 2006 (€ 150 million).

As expected Aerospace Industries lagged behind strongly compared with 2006 because of the delays in important programmes (A380, NH90) as announced earlier, as well as additional provisions for the NH90 programme. The wiring activities of Fokker Elmo again performed well. The results at Aerospace Services were moderate, mainly because of start-up problems on projects of Aircraft Conversions & Completions.

A strong contribution to the excellent result of Technical Services was made by Industry Specialists, which was able to show particularly good results due partly to the continuing favourable market conditions. The results of Industry Services were in general good, although they were held back by the shortage of technical personnel in the Benelux.

At Food Systems the poultry processing and convenience food activities again performed well, while the Food & Dairy activities showed a loss.

The costs of the holding company were higher as a result of various merger and acquisition processes, but particularly because of the continuing work of advisors in relation to the offer by London Acquisition B.V.

The sale of 60% of Stork Prints to the investment company Bencis was concluded on 13 November 2007. This has strengthened the focus within Stork. Stork Prints has been the most important cornerstone of Stork for decades. Under the new shareholder structure it will be able to consolidate its position in the textile market and further strengthen its graphics specialities.

Good progress was made in 2007 in strengthening the focus in the core activities by means of acquisitions and divestments. Total turnover grew by 8 % to € 2.2 billion (2006: € 2.0 billion). Orders received were also 8 % higher than in 2006.

Strategy

From 2002 the management of Stork has been directed strongly towards profit improvement, value creation and strengthening the focus in the core activities. In the past two years the pace of this (growth) scenario has been held back somewhat, particularly as a result of the discussions about the future and composition of the company. Outside the spotlight of a stock exchange listing, the strengthening and further growth of our business operations can now again be accelerated, based on the support of the new shareholder. In this process Stork will continue to build on the strong base that has been built in the preceding years. Value creation will take place on the one hand through autonomous growth and selective acquisitions, and on the other hand by ensuring that the companies perform as well and as efficiently as possible ('operational excellence') to achieve optimal returns on turnover and invested capital. The WCP programme aimed at continuous improvement of the operational performance plays an important role in this.

After the delisting, Stork Food Systems will be sold to Marel of Iceland, and Stork will concentrate on further growth of the Aerospace and Technical Services divisions. This means the company now has a very clear focus. Aerospace and Technical Services have leading market and technology positions and a strong starting point for both autonomous and acquired growth. Both benefit from a 'triple A' customer base and an excellent track record in the field of technological innovation and the development of advanced service concepts. This will enable them to play an active role in the market consolidation, and thereby to exceed the market growth rates. The goal is for our companies to be among the world's best in 2010, in terms of both growth and results.

Business in the divisions

Stork Aerospace

Activities

Stork Aerospace develops and produces complex lightweight structures and electrical systems for the aviation and aerospace industries and supplies integrated services and products to aircraft owners and operators. These activities are carried out by the Strategic Units Aerospace Industries and Aerospace Services, with a total of approximately 3,600 employees in 2007. Stork expects the market to grow at an annual rate of 3 to 6% (CAGR) in the coming years. Stork Aerospace is expected to exceed the market growth, aiming at a Return on Sales of 10% when the various new aircraft programmes get into full swing.

Development of results in 2007

Over the entire year, the result within Aerospace Industries remained very negative due to delays with the Airbus A380 and the problems surrounding the NH90 military transport helicopter, for which a provision of € 35 million had to be taken in June. In October, a major order was received for the design and construction of structural parts for a leading aircraft manufacturer. Stork expects annual turnover of US € 60 million for this programme.

Aerospace Services completed a disappointing year, mainly due to losses within the Aircraft Conversions & Completions division. The Component Maintenance Services division performed as expected.

Aerospace Industries

Market developments

The aviation industry is showing structural growth. Travel is increasing, and the numbers of new commercial and business aircraft are increasing as well, also in the Far East. The market is expected to be strongly influenced by China and India, in particular. At present 40% of the market growth is achieved in those regions.

A process of consolidation is taking place in the aviation industry. Aircraft manufacturers want to reduce their supplier numbers, which creates opportunities for a specialist function such as that fulfilled by Stork. Developments for defence customers in many cases later find their way into products for commercial programmes. Airbus and Boeing want to continue working with a limited number of suppliers (including Stork), because there remains a need for direct contact between the primary manufacturer and a number of suppliers. These develop and supply essential, technically high-grade components which are vital to ensure an advanced but also affordable end-product. In that process, the production of components is partly transferred to countries which demand that parts of aircraft are produced locally as compensation for purchase (offset agreements). For example Airbus carries out part of the final assembly of the A320 in China, and other companies are expected to follow.

The major delay in the Airbus A380 programme has had a major impact not only on the parent company EADS, but also on large numbers of companies that depend on Airbus for part of their turnover. This also applies to Stork Aerospace. However Airbus successfully made the first commercial flight with the aircraft for its customer Singapore Airlines at the end of 2007.

Also subject to significant delays is the NH90 programme, the largest helicopter programme ever launched in Europe.

The many variants and different customer requirement packages are having a strong impact on the development and final assembly processes. This programme is handled by NH Industries, a consortium consisting of Agusta (Italy, 32%), Eurocopter (France/Germany, 62.5%) and Stork Aerospace (5.5%).

Stork Aerospace Industries is participating in three of the four major new aircraft programmes worldwide (NH90, A380 and F-35 Lightning II (JSF)) It also became clearer in 2007 which steps Airbus will take in response to the 787, the successful new Boeing. The next challenge is participation on the right terms in the new Airbus A350 programme.

Objectives and strategy

Stork Aerospace Industries intends to continue its growth, both autonomously and through acquisitions, so that it will remain an important player for its major customers in the coming decades. It has a strong customer base and a balanced portfolio of commercial and defence programmes. Aerospace Industries is partner to virtually all the leading aircraft integrators. It specialises in engineering and the development and production of complex components and electrical systems, in many cases using advanced materials and computer systems. These areas of expertise are combined with its own facilities, partners, other external parties and good supply chain management.

Aerospace is implementing its strategy primarily through autonomous growth in three main directions:

1. *Advanced technology*

Here the emphasis is on innovation. Stork Aerospace invests approximately 11% of its turnover in Research & Development, for example the development of advanced composite and hybrid materials. A large part of the development costs is directly related to participation in new aircraft programmes. The use of composites offers weight savings, in particular. A promising recent development is the application of composites in load-bearing components of aircraft landing gear.

2. *Customer and programme focus*

The focus is on tailor-made work for specific customer programmes. The key factors are the needs and strategy of the customer, and how Stork Aerospace can best respond to them. This means more than just solutions in the field of materials and technology. Customers also want work to be carried out in the locations where they have commercial interests. In addition, it is of great importance that system suppliers such as Aerospace are prepared to make long term investments in development programmes.

3. *Cost management*

Internally the emphasis is on efficiency, effectiveness and cycle times. A lot of attention is given to supply chain management (SCM). This aims to reduce overall costs by organising the supply chain in a way that ensures availability of the best technological solutions with the shortest possible cycle times at competitive cost levels.

In acquisitions, the key criteria are that candidates:

- are complementary to the product range and the customer base;
- supplement the existing programmes or introduce technology and knowledge to broaden the specialist role of Aerospace;
- are able to mitigate dollar/euro currency risks;
- enable an attractive cost level to be achieved.

Progress in 2007

Aerospace Industries is migrating to the production phase of aircraft programmes, in which the productivity and margins must be improved further. A streamlining programme was initiated in 2006 to increase competitive strength and profitability and to simplify the organisation. This led to further measures in 2007, resulting partly from further delays in the production schedules of the A380 and NH90 programmes. In addition, an extra provision of € 35 million was taken for the NH90 programme in 2007 in connection with the redesign of the tail section and other components (to allow more demanding specifications to be met) and risks relating to qualification and penalties.

The supply chain was further improved in 2007. This means that as well as strengthening its specialised role, Aerospace Industries is also focusing on better access to low labour cost countries and countries which are regarded as strategic for customers. Fokker Elmo, the wiring activity, is already applying this model highly successfully in China, and will also do so in Turkey in the near future. In this context Stork Aerospace has been invited by Airbus to join a Suppliers' Council to work on improvement of the supply chain. This council consists of nine strategic suppliers to Airbus, and confirms the leading position of Stork Aerospace.

During 2007 Aerospace achieved a number of commercial successes. At the beginning of January Stork Fokker AESP entered into an important agreement with Boeing Commercial Airplanes for the design, development and production of the first series of inboard flaps for the 747-8 programme and management of the supply chain. This two-year contract covers the

design and production of all tooling and the flaps for the first series of aircraft.

In the middle of the third quarter Stork won a significant order for the design and production of structural components for a leading aircraft manufacturer. Depending on the sales success of the aircraft, the order will involve a turnover of approximately US\$ 600 million. The order requires a non-recurring investment of around US\$ 56 million. The first revenues are expected within five years of the start of the design phase. An annual turnover for Stork of US\$ 60 million is expected.

Fokker Elmo signed a contract on 1 November for the building of a new facility in Izmir (Turkey). The factory will produce aircraft and engine wiring systems for the aircraft programmes of major Fokker Elmo customers such as Boeing, EADS/Airbus and Lockheed Martin. The facility is expected to be fully operational in the third quarter of 2008. It will have 300 to 500 employees within five years. Stork is making an investment of US\$ 12 million. Boeing, EADS and Lockheed Martin were closely involved and supportive from the start of this project.

Fokker Elmo is a top international specialist in electrical interconnection systems for aircraft and aircraft engines. The company is on the way to taking second place in the world rankings in its field. The Izmir factory is the third location for Fokker Elmo, which already has its own facilities in the Netherlands and China (Lang Fang). The production facility in China is performing particularly well, and was further expanded for the third time in 2007.

Aerospace Services

Market developments

Further concentration is taking place in the form of partnerships, acquisitions and mergers. Concepts aimed at providing the customer with a total, end-to-end service such as the Abacus programme are making excellent progress in Europe, and are also finding increasing acceptance in the USA. Abacus offers aircraft operators an availability guarantee through access to a service pool of critical components which regularly need to be calibrated, overhauled or repaired. These repairs are also carried out under the responsibility of Aerospace Services at its European and US locations. The costs are linked to the number of flying hours ('power by the hour'), which creates a more reliable and better predictable maintenance process, especially for smaller operators.

Due partly to the 'FUTURE Horizons' programme, the modern Fokker fleet (Fokker 50, Fokker 70 and Fokker 100) will remain in operation during the coming years with leading airlines. This results in a stable flow of orders for Aerospace Services.

The older Fokker fleet (Fokker F27 and F28) has now found its way to roles in cargo traffic or developing countries. Due to the age of these aircraft, their numbers will decline in the coming years.

In the field of Completions, demand for complex modifications to private jets will continue undiminished in the coming years.

Aerospace Services expects to see a structural undercapacity in this market in the years to come.

Objectives and strategy

The growth of Aerospace Services is focused worldwide on component maintenance and providing logistics and engineering services for Fokker and other aircraft types. The aims that Aerospace Services has set itself include building a strong base in the US market in the coming three years.

The following four activities are core elements of the strategy:

1. Development of the component maintenance and logistics programmes that increase the availability of aircraft.

The Abacus programme is one example of these. The first steps in rolling out this programme for other aircraft types than Fokker have been taken. As well as that, the basis is being laid in the USA for the growth of similar programmes and further logistics services by acquisitions of component companies.

2. The Fokker platform. The numbers of Fokker aircraft in service will decline over time. The fleet lifetime is being extended by continuously working on improvement of reliability and reduction of operating costs. Around 720 Fokker aircraft are still in operation worldwide.
3. The Aircraft Completions & Conversions (AC&C) programme. Complex aircraft modifications are carried out in this programme. For example commercial aircraft are converted for patrol and surveillance tasks, and standard commercial aircraft are converted into luxury private jets.
4. Continuation of the maintenance and modification activities for defence aircraft. The strategy is aimed at extending the helicopter activities and further intensifying the partnerships with air forces.

As potential acquisition candidates, Aerospace Services is looking primarily for companies with a clear market position in at least one specific field of component maintenance, such as avionics, hydraulics, pneumatics, landing gear etc. The intention is that after acquisition by Aerospace Services, these companies will further broaden and strengthen their activities, with the emphasis on the USA, while at the same time acting as part of the overall Abacus concept. Also under consideration are companies with a strong customer base in logistics services to airlines and governments.

Progress in 2007

The Component & Material Services unit had a reasonably good year, after an excellent 2006. The Aircraft Services unit, which includes the Airframe MRO (maintenance, repair and overhaul) activities, showed unsatisfactory results due particularly to start-up problems with Aircraft Conversion & Completion projects. The Technical Services unit also suffered from the fact that the results of the Aircraft Conversion & Completion activities lagged behind strongly.

Aerospace Services completed the acquisition of Aerotron Airpower in the first quarter of 2007. This is part of the strategy to extend the position in the growing US market, and follows the acquisition of Airinc in 2006. That year also saw the first contract with an airline for component support for non-Fokker aircraft. This was the first important step with the Abacus programme on the non-Fokker market. The acquisition in 2007 will enable Aerospace Services to further broaden its capabilities and customer base on the US market using the same concept.

Stork Technical Services

Activities

Stork Technical Services is a knowledge-intensive, professional supplier of integrated technical services and components for modification and maintenance of installations and machines in the industrial market. The basic principle is ensuring maximum availability of installations/machines at transparent (lowest possible) costs per unit of product through the entire lifecycle of the installation/machine. The group consists of the Strategic Units Industry Services and Industry Specialists, with approximately 9,300 employees in 2007.

In addition, it provides material and component testing services in Europe and the USA in its own network of laboratories.

Stork expects the total market to grow at an average annual rate of 3 to 4% (CAGR). The overall maintenance market is growing by an average of 1 to 2% per year, while in the market for integrated maintenance management growth is more than 10%. Stork Technical Services aims to be among the top players in the relevant benchmark, with a Return on Sales of 6 to 7%.

Development of results in 2007

The market for Industry Services was once again positive. As a result both turnover and the order book were well up.

In the second half of the financial year, the acquisitions of Mecánicos Asociados SA (MASA, Colombia), Exmont Engineering (Slovakia) and Istimewa Elektro (NL) were concluded.

In the fourth quarter, Industry Specialists achieved excellent results partly due to favourable market conditions and acquisitions (including Turbo Service GmbH). As a consequence, 2007 was a very good year.

The Materials Technology activities were strengthened through the acquisition of Sheffield Testing (UK) and Mannings Southport Limited (UK).

Objectives and strategy

Stork Technical Services aims to take a leading position by offering specialised services in a number of selected markets.

Conditions for achieving this position are:

- close customer relationships;
- in-depth knowledge of customers' processes and installations;
- excellent operational performance;
- technical expertise in specific areas.

There is a constant focus on delivering added value through an optimal total cost of ownership approach: the lowest possible costs per unit of product through the lifecycle of an installation or machine. The growth strategy of Stork Technical Services targets the attractive markets for oil & gas, energy generation, chemicals and related specialised services. The emphasis in the activities of Stork Industry Services lies in Europe and the Caribbean region. With its specialised technical expertise, Industry Specialists is represented worldwide. Together, the two units have a good starting point for steady further international expansion. As well as autonomous growth, acquisitions are being made to build on existing positions.

Industry Services

Market developments

The trend for companies to make increasing use of external technical services activities, especially maintenance specialists, is continuing. This enables those companies to concentrate on their core activities.

The chemical and oil & gas industries are developing positively. Services are increasingly being outsourced, and there is a strong demand for professional maintenance as well as shutdown and integrity management.

Demand for maintenance and modification is growing, particularly because of the longer technical lifetime of installations.

Major investments are currently being made in the oil & gas industry in South America and the Middle East.

Strategy

The strategy is focused on further growth of the maintenance, modification and turnaround activities in the chemical, oil & gas and energy-generation industries. The emphasis is on the Benelux, America and the Middle East. Growth is achieved both autonomously and through acquisitions. Autonomous growth involves:

- further broadening of the range of services as a technical service provider. This means strengthening the project, contract, maintenance and integrity management skills as well as specific areas of expertise;
- providing the full range of technical service expertise from locations close to the customer;
- broadening the customer base by providing specialised capabilities.

In acquisitions, the following criteria are applied:

- delivering added value to customers;
- customers in an international network;
- long-term customer relationships/contracts;
- focus on maintenance, modification and expertise in the field of project and maintenance management.

The growth strategy also includes alliances forming part of (multi-year) maintenance, renovation and modification projects.

The ambitions of the customer are central in the execution of the strategy. In the chemical, oil & gas and power generation industries it is important to achieve the highest possible availability of the installations. Together with the customer, Industry Services defines how this can best be achieved with the aim of increasing the efficiency of the customer's installations.

In the energy market, Industry Services works closely together in this area with Industry Specialists. A priority in the successful implementation of the strategy is the combination of planning and action, in which consultancy is an inseparable part of the ability to execute projects.

Progress in 2007

Industry Services continues to develop positively, although there is room for further improvement of profitability. Much attention was devoted in 2007 to the integration of the companies acquired earlier. This includes strengthening the focus by a clear commercial positioning within the strategic unit as a basis for further growth. In line with this strategy, Stork Asset Management Solutions with around 500 professionals was formed from existing activities and a number of recently acquired companies. In a knowledge- and expertise-driven environment, they focus on optimising the efficiency and effectiveness of customers' production facilities. Asset Management Solutions offers an integrated approach from consultancy right through to project management of the implementation, globally and in all industries.

Koster, which was acquired in 2006, now holds a clear market position as an industrial automation specialist.

A controlling interest was acquired in 2007 in the MASA Group (Mecanicos Asociados A.S.). With 1,600 employees and an annual turnover of approximately US\$ 36 million, MASA is the largest provider of services in the field of operate, maintenance

and asset management in Colombia. MASA offers integrated solutions for the supply and operation of gas-fired power stations. This acquisition offers new opportunities for further expansion in the Latin American region, and is in line with the strategy of Industry Services: further internationalisation of specific competences. Stork has had a presence in the Caribbean region for many years.

At the end of September Industry Services received a five-year contract as part of a consortium for integrated maintenance of the new Euromax container terminal on the Maasvlakte (Port of Rotterdam). The contract has a value of € 10 million per year. The terminal is expected to handle the first seagoing vessels in mid-2008.

In the fourth quarter Stork acquired a 70% interest in Exmont Engineering in Bratislava, Slovakia. Exmont specialises in industrial projects and has more than 200 qualified employees. The company is market leader in the oil-processing industry in Slovakia, and also has a high level of activities in other EU countries including Germany, Sweden and Belgium. Exmont has a good reputation for its expertise in (prefab) piping and in handling shutdowns, and as well as that the company is experienced in the building of storage tanks. This gives Stork access to skilled technicians who can be deployed flexibly; personnel who are increasingly difficult to recruit in the Netherlands.

Stork also acquired Istimewa Elektro in Vlissingen (Netherlands) at the end of October. Istimewa holds a strong position in offshore, industry and automation of infrastructure such as dams, locks and bridges. The annual turnover of Istimewa is around € 20 million, and the company has approximately 130 employees. This acquisition makes Industry Services, with a turnover of approximately € 100 million in Electrical Engineering and Instrumentation (E&I), one of the top four players in the Netherlands.

At the end of 2007 the NAM decided to restart oil production in Schoonebeek. This will involve drilling around 70 wells, spread across 18 new production locations. The NAM intends to award all engineering, procurement and construction works to the Schoonebeek Redevelopment Team consortium, which consists of Stork Industry Services together with Jacobs Nederland B.V., Visser & Smit Hanab B.V. and Yokogawa Europe B.V.

Retaining employees and recruiting new employees have become even more important for the further growth of Stork Industry Services. This is a major challenge in a market in which increasing calls are being made on a group of technicians which is becoming smaller every year.

Industry Specialists

Market developments

Industry Specialists achieves a major part of its turnover in the global petrochemical, gas, oil and energy market and manufacturing industry, particularly in the Benelux. The developments in these markets are strongly positive.

Strategy

Within the strategy, special attention is given to:

- expansion into new geographical markets;
- achieving economies of scale;
- increasing cross-selling and commercial effectiveness;
- strengthening contract and project management capacity.

The strategy is further aimed at selective expansion and strengthening of focus. For this purpose the knowledge and expertise are clustered in four disciplines: Power Services, Thermal & Inspection Services, Materials Technology and Sales & Rental Services.

Growth will to a large extent be autonomous, together with acquisitions. The following criteria are applied to acquisition candidates:

- strengthening the product portfolio, particularly in the innovation area;
- presence in a growth market;
- increasing the cross-selling capacity;
- a margin development in line with the top part of the benchmark.

Progress in 2007

Industry Specialists again experienced favourable market conditions in 2007, with a high production volume and a good product mix. Customers in the oil & gas, chemicals, energy generation and aviation markets maintained their investment level. All groups responded well to the market conditions. Operational costs and project execution were also well managed.

A great deal of attention was given in 2007 to the integration of the acquisitions in earlier years, such as Materials Technology in the USA where the focus has been further strengthened. Increasing the installed base through selective acquisitions and cross selling is one of the main attention points.

International expansion has taken place to strengthen the geographical presence.

The Power Services activities have been strengthened by the acquisition at the beginning of 2007 of Turbo Service GmbH in Germany. This company is a good complement for the range of services for turbines and generators provided by Stork Power Services, the largest Industry Specialists unit. This acquisition has significantly strengthened the position on the international energy market.

The interest of 50% in Materials Technology Testing Holding (MTT) was extended to 100%. MTT has 60 employees and an annual turnover of € 9 million, with branches in Germany, Scotland and the Netherlands.

Sales & Rental Services (2rent) opened its first branch in France (Dunkirk).

Safety, Health, Environment and Quality

The policy of further increasing (working) safety within Stork was again pursued vigorously in 2007. Efforts are focused on achieving a relative improvement of the number of accidents leading to absence from work by at least 10%. Efforts are being made to increase safety awareness among employees through targeted thematic actions, and by providing information and training.

The company's working safety policy is being implemented on the basis of the Deming cycle. This system consists of a yearly cycle based on a predetermined plan, measuring the results and then adjusting the plan. As well as this structural approach, targeted safety audits were again carried out within the operational units in 2007. Finally, attention was also given to communicating knowledge and experience in the field of safety within the company, with the emphasis on the workforce. This also involves employees holding each other accountable for unsafe behaviour. The approach has resulted in a further reduction in the number of accidents causing absence from work, in relation to the total hours worked, by 32% compared with 2006.

The positioning of safety awareness as a fixed core value within the company is being strongly promoted by the Board of Management, for example by issuing safety guidelines which are mandatory throughout the company. An important element of this is the continuous development of safety awareness within the company. Stork deeply regrets that despite all efforts one fatal accident occurred in 2007. The responsible management and the authorities concerned have carried out an investigation into this accident, and the official conclusion was that there was no breach of the applicable working conditions legislation.

HRM policy

Executing the strategy of creating value on the pillar of Operational Excellence, much effort was put into the World Class Performance (WCP) programme in 2007. The contribution of HRM to this programme is aimed at extra attention for leadership, within which change management skills are of great importance. Targeted investments were made in the Change Acceleration Programme (CAP), which helps to accelerate the speed of improvement. Selected employees have now been specifically trained and are working actively on the WCP programme.

After extensive investigation, a better insight has been gained into the composition of the workforce in each strategic unit in 2007 and into the available capacity and competences. The conclusions have led to greater efforts being made in the recruitment of young people, also from India and Eastern Europe, and in their retention. One of the ways in which this is being done is by an increasing presence of Stork in activities in the world of (technical) universities and colleges, as well as by initiatives to increase the interest of young people in technology. More attention is also being given to continuous training of older employees.

Risk management

The Stork internal risk management system is based on the COSO framework. The significant risks to which Stork is exposed are identified and assessed at Strategic Unit level, and are then evaluated and discussed at corporate level.

For more information we refer to page 36 of this report.

Summary

The Board of Management believes in relation to the financial reporting risks that the risk management and monitoring process provides a reasonable degree of certainty, and that the financial reporting is free of material misstatements. Policy remains focused on the constant assessment and improvement of the risk management system, with the aim of as far as possible optimising and where necessary improving the reliability and effectiveness of these processes. These processes and their monitoring are regularly discussed by the Board of Management with the Audit Committee and the Supervisory Board.

Outlook for 2008

As a result of the agreement that has been reached with our (large) shareholders and the delisting of Stork, the Board of Management can now once again focus its attention on achieving further successful and sustainable growth of the company. Clear ambitions in this area have been formulated in the new structure.

In 2008 Stork will vigorously pursue the further development of the Aerospace and Technical Services divisions by both autonomous and acquired growth. In addition, much energy and attention will be devoted to structural further improvement of profitability. One of the ways in which this will be done is through the WCP programme to strengthen the activities by improvement of the operational processes. The organisation will also be better structured to respond adequately to the dollar market.

The reporting and management processes will be restructured in the first half of 2008 in line with the new shareholder and financing structure.

The results of Aerospace Industries will improve through the effects of the restructuring and cost-saving measures implemented in 2007.

At Aerospace Services, turnover growth in Europe and also increasingly in the USA is expected, with a correspondingly positive effect on the development of results.

The positive market developments are continuing at Technical Services. Both Industry Services and Industry Specialists expect to benefit as a result, partly through the effects of the acquired companies. At Industry Services in particular there is room for further profitability improvement. A great deal of attention is being given to the recruitment and retention of good personnel to facilitate further growth.

Sj. S. Vollebregt (Chairman and CEO)

J.C.M. Schönfeld (Vice Chairman and CFO)

H.E.H. Bouland (COO)

The Code Tabaksblat

As already stated in earlier annual reports, the Corporate Governance of Stork is well aligned with the principles and best practices of the Code. Stork therefore endorses all the principles of the Code Tabaksblat (the Code), and explains below why it nevertheless deviates from a small number of best practice provisions. The General Meeting of Shareholders approved these deviations at its meeting of 10 March 2006.

These deviations are:

1. On making new appointments Stork will comply with the best practice provisions in relation to the term of office (II.1.1), duration of the share plan (II.2.3) and severance pay for the Board of Management (II.2.7), but has not revised the existing conditions of employment of the three members of the Board of Management.

More details of the remuneration are given in the Remuneration Report which can be found on the website www.stork.com and in the Report by the Supervisory Board, in which the most important aspects of this report are summarised. Changes have been made as necessary to the Articles of Association of Stork (March 2005 version) in relation to these aspects.

2. In view of the great importance that Stork places on an appropriate composition of the Supervisory Board, it has decided not to set up a separate Selection and Appointment Committee. These tasks will be performed by the Supervisory Board as a whole. For this purpose Terms of Reference of the Selection and Appointment Committee have been drawn up in accordance with the recommendations of the Code (principle III.5), and these will be taken into account in carrying out and exercising the tasks and powers as described therein.

3. Stork has updated its rules for the holding of and transactions in securities (formerly Regulations Regarding Inside Information) – which apply to all Stork employees – in relation to the recent change in the Netherlands Supervision of Securities Trading Act. This includes provisions relating to the holding of and transactions in securities other than those issued by Stork by members of the Supervisory Board and Board of Management.

Under these provisions, changes in holdings of securities must be notified to an independent third party (in this case a notary), to ensure maximum protection of privacy. In this way Stork is acting within the spirit of the Code, although in a literal sense it is deviating from best practices III.7.3 and II.2.6, which call for notification to the compliance officer or the Chairman of the Supervisory Board. The updated Regulations are available on the Stork website. In deviation from the above, Mr. J. Aalberts, former member of the Supervisory Board, has stated that he does not intend to conform to this duty of notification, because in his view the applicable legislation and regulations already provide sufficient assurances against market abuse, as well as for reasons of protection of privacy.

4. The Supervisory Board complied in 2007 with the requirement for its members to be independent within the meaning of the Code (best practice III.2.1), but now does not do so. As stated elsewhere in this report, a new Supervisory Board has taken office with effect from 22 January 2008 as a result of the successful public offer for all ordinary shares in Stork N.V. by London Acquisition B.V. The listing of Stork shares on the Euronext Amsterdam exchange is expected to be ended in the near future, so that the non compliance with this provision is expected to be for only a short period.

Mr. C. van Lede has stated that he did not comply with the provisions of article III.3.4 of the Dutch Corporate Governance Code because as a result of his appointment at Stork he temporarily held more than the number of Supervisory Board memberships referred to in the Code.* In view of the fact that he was appointed by the Enterprise Chamber and his appointment was only of a temporary nature, Stork did not consider this to be a deviation from the Code.

Remuneration Report

The information about the remuneration of the Board of Management (and also partly that of the higher management) is included in the new Remuneration Report, which has been drawn up to replace the 2006 Remuneration Report, and can be found on the Stork website under the heading of Corporate Governance.

The committee met on two occasions in 2007, and regular discussions were also held by telephone. The remuneration policy for the Board of Management remained essentially unchanged in 2007, especially with regard to the remuneration principles,

* A maximum of 5 at Dutch listed companies.

the composition of the remuneration package, the bonus, the share and SARs plan, the pension scheme, other secondary conditions of employment and the severance pay scheme. These points are described in detail in the Remuneration Report as already referred to.

In February 2007 the committee developed proposals for the implementation – within the framework of the applicable policy – of the remuneration of the Board of Management, and was advised of the remuneration of the Stork directors. The basic salaries of the members of the Board of Management were increased by 5% from 1 April 2007. This increase was awarded after a market survey among the relevant target group showed that such an increase was in accordance with current market practice. Clear quantitative performance criteria were once again applied to the bonus of the Board of Management members in 2007. 60% of the bonus was paid because of the extent to which the performance criteria were achieved.

The financial result was below expectations, and the other targets were also not achieved or achieved only partially. The bonus (as in 2006) is limited to a maximum of 35% (for the Chairman 50%) of the fixed salary. Effectively this means that the bonus that was actually paid was 60% of 50% or 60% of 35%.

The share/option plan was changed in 2007 into a plan for shares and SARs (Share Appreciation Rights). A total of 4,750 shares and 47,500 SARs were awarded to the Chairman of the Board of Management, while the other two members each received 1,350 shares and 23,750 SARs. From 2006 shares are counted as part of the fixed salary. The number of shares awarded was reduced somewhat in 2007 to maintain the result of the number and price of the shares at the same level.

The number of shares to be awarded is determined each year, subject to the maximum of 40% of the (cash) salary, also depending on the share price development and performance. Whether the specified performance criteria have been met is assessed by the external auditor as part of the auditing of the financial statements. Reference is made to the notes to the consolidated financial statements for the exact amounts of the remuneration of the Board of Management members in 2007. Finally, the Remuneration Committee has advised the Supervisory Board in relation to the remuneration aspects of the public offer made on 14 December 2007 for all issued shares in Stork N.V. by London Acquisition B.V.

The following basic principles were chosen:

- a. There will be no transaction bonus;
- b. All accumulated rights under the share, share option and SAR plans will be respected;
- c. Shares which are not yet freely transferable will become transferable when the offer is declared unconditional. Share, share option and SAR plans which are not yet exercisable will be fully liquidated on the transaction date, subject to the completion of the transaction.

The remuneration policy for higher management is determined annually by the Board of Management. The basic principles of the remuneration and the remuneration package are in outline the same as those for the Board of Management itself, while the bonus scheme and the share and option plan are based on identical principles. For higher management too, the principle followed is that the variable components are strongly dependent on measurable targets such as the achievement of the strategic and management agendas and targets for net results and growth, outperformance of the 'Midkap' share index and the Economic Profit achieved.

A market survey was carried out in mid-2007 to determine the remuneration of the directors in the market of our competitors. Based on this survey it was found that the fixed salaries are at a competitive level, but that the variable remuneration is lagging behind the market median. This will be taken into consideration in determining the increases in the remuneration in 2008.

Information on members of the Board of Management

Sj.S. Vollebregt (1954)

Nationality: Dutch

Chairman of the Board of Management and Chief Executive Officer since 2002

Supervisory Board memberships: None

Other supervisory positions: None

J.C.M. Schönfeld (1949)

Nationality: Dutch

Chief Financial Officer and Vice Chairman of the Board of Management since 2001

Supervisory Board memberships: None

Other supervisory positions: member adviesraad

Uitgevende Instellingen Euronext

Amsterdam, Board member Vereniging

Effecten Uitgevende Ondernemingen,

member Financial Reporting Committee

AFM (Netherlands Authority for the Financial

Markets), Curator Postgraduate Controllers

programme Vrije Universiteit Amsterdam,

member Supervisory Board Stichting

Sanquin Bloedvoorziening (Sanquin Blood

Supply Foundation)

H.E.H. Bouland (1949)

Nationality: Dutch

Member of the Board of Management and Chief Operations Officer since 1998

Supervisory Board memberships: None

Other supervisory positions: Stichting Techniek

and Marketing, Stichting Netherlands

Institute for Metals Research, Raad van

Advies Universiteitsfonds Delft, Vereniging

FME CWM

Information on members of the Supervisory Board

The composition of the preset Supervisory Board has changed relative to that in the financial year 2007. For information on the former members, reference is made to www.stork.com.

Mr. C.J. van den Driest will be nominated by the Supervisory Board for appointment during the next general meeting of shareholders to be held on 7 March 2008.

Profile of the Supervisory Board

The profile of the Supervisory Board can be found on www.stork.com.

The Supervisory Board has the statutory task of supervising the strategy and policy of the Board of Management and the general activities of the company and its related business. It advises the Board of Management. In the execution of their task, the members of the Supervisory Board are guided by the interests of the company and its related business.

The responsibilities, tasks and powers of the Supervisory Board are further detailed in the Terms of Reference of the Supervisory Board of Stork N.V., which can be found on the website of Stork N.V. Individuals to be put forward for appointment must in the terms of the law be 'suitable' to fulfil their tasks, and the Supervisory Board must further have an 'appropriate' composition.

To meet these requirements, the Supervisory Board must as a whole be able adequately to perform the following tasks:

1. composition of the Board of Management, assessment of its functioning and determination of the remuneration of its members;
2. assessment of the strategy of the company and of the policy in general;
3. assessment of and supervision of the continuity of the company;
4. assessment of (the development of) the financial position of the company, as well as of the financing of the company and the risks to which it is exposed;
5. assessment of the organisation and the management of the company;
6. assessment of the social policy of the company;
7. monitoring of the image towards relevant external target groups.

The tasks described above do not reflect an order of importance. Each individual member of the Supervisory Board must be regarded as being able to make a significant contribution to the fulfilment of the above tasks.

As already stated, the Supervisory Board must have an appropriate composition. This means, among other requirements, that the Board in total must satisfy the following criteria:

1. a spread of specific expertise in relation to one or more aspects of company policy;
2. a spread of social experience;
3. an awareness of developments in the community at large.

For Stork the above means that the Supervisory Board must have a composition such that it possesses insight into or familiarity with an enterprise characterised by:

- a spread across different market areas: aircraft manufacturing, technical services;
- a variation in the size of the companies in the above activities with the corresponding individual characteristics;
- a spread in customer categories: from regional to global;
- a spread in areas of operation, with branches in dozens of countries;
- activities which in part are in areas involving a high level of political interest, both national and international;
- complex issues in the field of human capital and interpersonal relationships;
- a decentral management model with delegated responsibilities.

This means that the following competences must be present within the Supervisory Board: commercial/marketing/entrepreneurial, financial-economic, research/science/technology, process industry, aircraft manufacturing, politics/government and international and management experience.

The composition of the Supervisory Board must at all times comply with the requirement of the Dutch Corporate Governance Code that all its members are independent within the meaning of the Code, with the exception of no more than one person.

As well as the legal requirements and the necessary broadly based expertise, the Board must also consist of people who are able to work together well.

In addition to a social spread, a spread in age is also required to ensure continuity of the experience gained within the Board. Finally, it is important that the board includes members who are involved in the commercial world or other activities, as well as those who can draw on wide social experience but who have relatively more time available. Supervisory Board members are expected in principle to be able to attend all meetings of the Supervisory Board.

The articles of association state that the Supervisory Board must consist of at least four members. Supervisory Board members retire not later than when they have been members for four years after their last appointment to the board. Supervisory Board members will not be eligible for (re-)appointment if they have already served for three terms of four years on the Supervisory Board.

The Remuneration Committee has a delegated responsibility on behalf of the Supervisory Board to prepare proposals for the remuneration structure or the remuneration of the members of the Board of Management, to be confirmed by the Supervisory Board.

The tasks of the Audit Committee include assessing the financial reporting process of the company, the audit process, the internal auditing function and the work of the auditor, and advising the Supervisory Board of its findings.

The Supervisory Board as a whole is responsible for the selection and appointment of members of the Board of Management. However the Supervisory Board is also empowered to set up a separate Selection and Appointment Committee. Terms of Reference for the procedures to be followed in the selection and appointment policy can also be found on the website of Stork N.V.

This profile has been discussed with the Central Works Council and was discussed in the General Meeting of Shareholders held on 4 January 2008, after which it is valid for a period of two years.

Consultation with the Central Works Council

The Central Works Council met in six regular consultative meetings and six extra meetings in 2007. The extra meetings were held in relation to the offer by Candover in June, which the Central Works Council reviewed, the withdrawal of the offer in September and the new offer by Candover in November, which the Central Works Council was again asked to review.

The following subjects were discussed in the regular meetings:

- Profile of the Supervisory Board
- Annual and quarterly results
- Spearhead areas in 2007 for the Board of Management
- Management agendas
- The judgment of the Enterprise Chamber on 17 January 2007 and its consequences
- The AGM on 2 March and the EGM on 27 August 2007
- The request to review the intended resolution to transfer HiTecs to the Strategic Unit Industry Services
- The request to review the intended sale of Stork Prints
- The World Class Performance programme
- The Harrewijn Act, relating to two new articles in the Works Councils Act about remuneration relationships within the company
- The request to review the intended acquisition by Candover and LE, and the related sale of Stork Food Systems to Marel
- Innovation
- Generation management
- Health care insurance, the 'levensloopregeling' (unpaid leave scheme) and pensions
- Sick leave and safety policy
- Extending the contract with ArboNed

Subject to certain conditions, the Central Works Council responded positively to both the transfer of HiTecs and the sale of Stork Prints. In relation to the intended acquisition by Candover and LE and the related sale of Stork Food Systems to Marel, the Central Works Council advised, subject to certain conditions, that this intention be implemented.

Almost all meetings were attended by the Chairman of the Board of Management and the director of Corporate HRM. Seven meetings were attended by a delegation from the Supervisory Board.

Composition of the Central Works Council

The composition of the council was changed during the year by the departure of Jean Pierre van Reijmersdal as a result of the sale of Stork Prints. The council now has the following composition:

Jan Plat (Chairman)	(Industry Services)
Ben Eikens (secretary)	(Head office)
Guus Janssen (Vice Chairman)	(Aerospace Industries)
Bert Boersma	(Aerospace Industries)
Joop Dumee	(Industry Specialists)
Gerard Goedkoop	(Industry Specialists)
Herman Marcus	(Industry Services)
Cor Roelofs	(Food Systems)
Jan Straatman	(Food Systems)
Jacob van de Velde	(Fokker Services)

Financial Statements 2007

Stork N.V.

Consolidated income statement

(in € x 1,000)

	2007			2006		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Net turnover ³⁶	1,999,378	163,535	2,162,913	1,726,661	282,423	2,009,084
Cost of sales	(1,532,413)	(102,400)	(1,634,813)	(1,266,573)	(194,563)	(1,461,136)
Gross operating income	466,965	61,135	528,100	460,088	87,860	547,948
Sales costs	(121,516)	(19,749)	(141,265)	(110,181)	(27,853)	(138,034)
General administrative expenses ⁵⁰	(283,773)	(19,971)	(303,744)	(267,172)	(33,565)	(300,737)
Research & development expenses ⁵¹	(22,176)	(4,208)	(26,384)	(18,993)	(5,042)	(24,035)
Other operating income ⁵²	(1,088)	226	(862)	932	(634)	298
	(428,553)	(43,702)	(472,255)	(395,414)	(67,094)	(462,508)
Operational result	38,412	17,433	55,845	64,674	20,766	85,440
Financial income ⁵³	2,732	961	3,693	1,789	1,339	3,128
Financial expenses ⁵⁴	(16,250)	(796)	(17,046)	(8,353)	(1,249)	(9,602)
Share of profit of associates	3,917	–	3,917	2,798	105	2,903
Result before tax	28,811	17,598	46,409	60,908	20,961	81,869
Income tax expense ⁵⁵	7,189	(4,084)	3,105	6,301	(4,261)	2,040
Result after tax	36,000	13,514	49,514	67,209	16,700	83,909
Book profit from discontinued operations after tax ³⁸	–	18,065	18,065	–	65,966	65,966
Result from ordinary operations after tax	36,000	31,579	67,579	67,209	82,666	149,875
Attributable to						
Equity holders of the company (net result)	35,988	31,238	67,226	67,209	82,445	149,654
Minority interest	12	341	353	–	221	221
Weighted average number of issued shares (x 1,000)			30,379			31,414
Weighted average number of issued shares after dilution (x 1,000)			30,758			31,948
Basic earnings per share ⁷⁰	1.18	1.03	2.21	2.14	2.62	4.76
Diluted earnings per share ⁷¹	1.17	1.02	2.19	2.10	2.58	4.68

Consolidated statement of recognised income and expense

(in € x 1,000)

	2007	2006
Equity at the end of the preceding period	468,594	546,550
Foreign exchange translation difference	(5,738)	(6,520)
Effective part of changes in fair value of financial instruments	(444)	15,400
Net result recognised directly in equity	(6,182)	8,880
Result for the period	67,226	149,654
Total recognised income and expense for the period	61,044	158,534
Purchase of own shares	(4,323)	(76,643)
Capital reduction	–	(127,829)
Dividends	(33,628)	(35,148)
Share and option plans	4,741	4,879
Other movements	290	(1,658)
Movements in minority interest	(2,383)	(91)
Equity at the end of the period	494,335	468,594
Net result recognised directly in equity	(6,182)	8,880
Result for the period	67,579	149,875
Total result for the period	61,397	158,755
Total result attributable to:		
Equity holders of the company	61,044	158,534
Minority interest	353	221
	61,397	158,755

Consolidated balance sheet

(in € x 1,000)

	2007	2006
Non-current assets		
Property, plant and equipment ⁵⁶	295,806	259,329
Goodwill ⁵⁷	130,280	52,219
Other intangible fixed assets ⁵⁷	126,197	115,607
Investments in associates ⁵⁸	34,239	15,845
Long-term receivables from associates ⁵⁸	117	117
Deferred tax assets ⁷⁴	14,075	1,305
	600,714	444,422
Current assets		
Financial instruments ⁵⁹	74,981	59,833
Inventories ⁶⁰	225,803	208,841
Due from customers ⁶¹	139,601	110,639
Trade and other receivables ⁶²	437,780	356,021
Current tax assets	–	1,555
Cash and cash equivalents ⁶³	74,055	93,175
Assets classified as held for sale ⁴¹	–	112,186
	952,220	942,250
Assets	1,552,934	1,386,672
Equity		
Share capital ⁶⁵	31,251	33,020
Share premium ⁶⁵	53,438	56,463
Statutory reserve ⁶⁶	132,213	135,303
Other reserve ⁶⁷	277,427	241,419
Total equity attributable to equity holders of the company ⁶⁴	494,329	466,205
Minority interest ⁷³	6	2,389
	494,335	468,594
Non-current liabilities		
Long-term debts ⁷⁵	37,701	30,012
Employee benefits ⁷⁸	19,390	13,402
Provisions ⁷⁷	43,647	37,803
Deferred tax liability ⁷⁴	38,273	33,024
	139,011	114,241
Current liabilities		
Due to customers ⁶¹	291,965	202,271
Trade and other payables ⁷⁶	462,424	384,506
Preference shares ⁶⁵	–	7,558
Current tax payable	7,154	–
Bank overdraft ⁶³	116,493	114,440
Current liabilities for long-term debt ⁷⁵	2,826	1,075
Provisions ⁷⁷	38,726	34,946
Liabilities classified as held for sale ⁴²	–	59,041
	919,588	803,837
Liabilities	1,552,934	1,386,672

Consolidated cash flow statement

(in € x 1,000)

	2007	2006
Operational result	55,845	85,440
Adjustments for		
Depreciation of property, plant and equipment	51,046	45,126
Amortisation of intangible fixed assets	23,738	14,937
Result from divestments of property, plant and equipment	79	(2,725)
Changes in provisions	949	(9,962)
Cash flow from ordinary operations before movements in working capital	131,657	132,816
Movements in inventories	(6,126)	(22,172)
Movements in receivables	(80,667)	(36,710)
Movements in debts	122,792	25,437
	35,999	(33,445)
Cash flow from operational activities	167,656	99,371
Income tax paid	1,650	(16,800)
Interest paid	(12,704)	(4,079)
Finance costs	(528)	(1,158)
Financial instruments	1,755	(17,647)
Cash flow from ordinary operations	157,829	59,687
Interest received	3,693	3,128
Dividend received	3,084	2,740
Proceeds from sale of property, plant and equipment	3,436	8,869
Proceeds from sale of subsidiaries	67,963	76,028
Investment participation Prints (40%)	(19,898)	–
Investments in property, plant and equipment	(66,050)	(49,624)
Investments in other intangible fixed assets	(26,099)	(26,175)
Acquisition of subsidiaries	(107,256)	(70,211)
Cash flow from investment activities	(141,127)	(55,245)
Dividends paid	(33,628)	(35,148)
Reduction of capital	–	(127,829)
Purchase of own shares	–	(70,000)
Repayments of long-term debts	(1,600)	(1,031)
Receipts from long-term debts	1,779	3,463
Exercise of option rights	1,938	2,308
Purchase of own shares for option plan	(4,323)	(6,643)
Cash flow from financing activities	(35,834)	(234,880)
Net cash flow	(19,132)	(230,438)
Exchange rate and translation differences on cash	(2,041)	(1,799)
Movements in liquidity	(21,173)	(232,237)
Liquidity at 1 January	(21,265)	210,972
Liquidity at 31 December	(42,438)	(21,265)
Bank overdraft	116,493	114,440
Cash and cash equivalents	74,055	93,175

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Explanatory notes to consolidated financial statements

(in € x 1,000)

1 Consolidation principles

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

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

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

A jointly controlled activity is a joint venture in which each participant uses its own assets for the joint activities. The consolidated financial statements include the assets controlled by Stork and the obligations which Stork enters into in carrying out the joint activity, as well as the costs incurred by Stork and the share of the income earned by Stork in the joint activity.

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

2 Significant accounting policies

3 General

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union and with Title 9 Book 2 of the Netherlands Civil Code.

The financial statements are presented in euros, rounded to the nearest thousand. The financial statements are prepared on cost basis, except for financial instruments which are stated at fair value. Assets held for sale are stated at the lower of carrying amount or fair value minus the costs of sale.

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

4 Risk management

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

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

Control measures

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

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

These procedures and policy rules have where necessary been worked out further in the Strategic Units into procedures at operating company level.

Where risks cannot be eliminated or prevented, the measures are focused on management of the risks.

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

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

Control framework

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

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

Information and communication

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

Monitoring

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

Units and the operating companies. Estimates of the possible financial consequences of the reported risks also form part of these reviews. The Board of Management believes that the systematic reporting of the significant risks forms an important aspect of demonstrating the effectiveness of the internal risk management system.

Evaluation

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

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

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

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

This assessment includes:

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

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

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

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

Important risks

Currency risks

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

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

Currency risks relate primarily to the US dollar. In this respect, Stork also recognises the longer-term economic risk of a threat to its competitive position in dollar-based markets. For this reason Stork takes measures aimed at reducing sensitivity to the value of the dollar. Particularly in the Aerospace activities, Stork has high long-term currency liabilities (see note 81 for more information about currency management).

Innovation and technology development risks

Stork is exposed to these risks in particular in the Aerospace and Food Systems activities. Stork distinguishes a number of risks in this area. If a product is supplied with customer specifications that differ substantially from the standard, this can involve a risk. This is already taken into account in the tender stage and in the acceptance of the order. However this risk applies to only a small proportion of the activities. In most cases Stork supplies well tested and proven products and services. Agreements must be made with customers for the development of new products and services. In addition, the in-house technological developments are carried out within the framework of an approach which has been prepared in detail, including predefined milestones for go/no go decisions. This also reduces the risks relating to whether the development is a match for market demand. The aircraft industry has its own specific characteristics relating to development financing. In the civil aviation market it is customary in the case of orders for new programmes for suppliers to finance the costs of their own new developments, as well as the non-recurring costs for production preparation. Investments in new design and production programmes for the aircraft industry (non-recurring costs) must be capitalised and are charged to the result in accordance with the delivery schedule.

The innovation policy also involves specific risks inherent in investing in the development of new technologies that not only have to meet operational requirements, but also have to gain a position in the market if value creation is to be achieved. Innovation policy therefore requires specific and constant attention and supervision if it is ultimately to result in successful new products.

Project and programme risks

The Board of Management takes an active role in tenders for major projects, especially in Aerospace and Technical Services. These tenders require the explicit approval of the Board of Management. Systematic risk analysis leads to risk-limitation measures in the tender stage, and is intended to avoid tendering for projects with an unacceptably high risk profile.

Project control

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

Market

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

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

Liquidity risks

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

Raw materials

Prices of raw materials have increased strongly in recent years. For Stork Aerospace this applies to materials such as aluminium and titanium. As well as cost effects, there are also uncertainties in relation to the timely availability of these materials. Price effects are mitigated and deliveries assured as far as possible by means of future contracts.

Safety and the environment

In view of the nature of the processes and the close relationship of safe working conditions with care for the environment, Stork considers it desirable to take an integrated approach to quality, working conditions and the environment. A special attention area is the safety of personnel, both those of Stork and those of third parties, with the emphasis on prevention of personal injury and damage to the environment. Unfortunately there was 1 fatal accident in 2007.

Structural attention is given to safety. Improvement initiatives have been taken based on the systematic reporting of accidents. This led in 2006 to a reduction of approximately 20% in the number of accidents resulting in absence from work, with a further reduction of 32% taking place in 2007.

Credit and interest risks are covered in notes 81-85.

Estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires management to reach judgments and make assumptions that influence the application of accounting policies and the recognised values of assets and liabilities, and of income and expenses. For the estimates and assumptions we refer to note 92. The actual outcomes may differ from these estimates. The estimates and underlying assumptions are constantly assessed. Revised estimates are recognised in the period in which they are revised, and in future periods which are influenced by them.

5 Accounting policies

The accounting policies described below have been consistently applied to all periods presented in this consolidated financial statement.

The accounting policies are applied consistently by the group entities.

6 Foreign currencies

Transactions in foreign currencies

Transactions in foreign currencies are translated into euro at the exchange rates applying at the date of the transaction. Monetary and non-monetary assets and liabilities in foreign currency are translated into euro at the exchange rates applying on the balance sheet date. Non-monetary items, which are valued at historic cost, are translated at the cost on the transaction date. Exchange rate differences are recognised in the income statement.

Translation of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into euro at the exchange rates applying on the balance sheet date. The turnover and expenses from foreign operations are translated into euro at an exchange rate approximating the exchange rate on the transaction date. Income and costs from foreign activities subject to hyper inflation are translated into euro at the exchange rate applying on the balance sheet. This situation did not present itself in 2006 and 2007. Exchange rate translation differences are recognised directly in the translation reserve.

Net investments in foreign activities

Exchange rate differences resulting from the translation of net investments in foreign activities, and or with hedging transactions related hereto, are recognised in the translation reserve. On disposal these amounts are released into the income statement. For all foreign operations, exchange rate differences arising before 1 January 2004, the date of transition to IFRS, are presented in equity. The most important exchange rates used in relation to the euro are:

	2007	2006
Income statement		
Average exchange rates during the year		
US dollar	1.37	1.25
Canadian dollar	1.47	1.43
Pound sterling	0.68	0.68
China Renminbi Yuan	10.41	10.02
	2007	2006
Balance sheet		
Exchange rates at year-end		
US dollar	1.45	1.32
Canadian dollar	1.42	1.52
Pound sterling	0.73	0.67
China Renminbi Yuan	10.58	10.30

7 Derivative financial instruments

Hedging

Stork uses derivative financial instruments to hedge currency risks arising from operational and financing activities.

In accordance with treasury policy, Stork holds no derivatives for trading purposes and nor does it issue these.

Derivative financial instruments are shown at fair value when they are initially recognised. The fair value of currency forward exchange contracts is the listed market price on the balance sheet date, i.e. the present value of the forward price. The fair value of currency options is the listed market price on the balance sheet date. The profit or loss arising on remeasurement at fair value is recognised directly to the income statement as exchange rate difference, except where cash flow hedge accounting is applied.

Cash flow hedge accounting

Stork applies hedge accounting for currency risks arising from the Aerospace programmes. Financial instruments are used specifically to hedge the highly probable cash flows in US dollars expected from the Aerospace programmes.

The effective parts of gains or loss on these financial instruments are recognised in the cash flow hedge reserve in equity.

At the moment when the turnover or the cost of sales of the hedged cash flow is realised, the related cumulative gain or loss on the financial instrument is transferred from cash flow hedge reserve to turnover (incoming US dollar cash flows) or the cost of sales (outgoing US dollar cash flows). The ineffective part of the cash flow hedge is recognised immediately in the income statement. On balance, the turnover and the cost of sales of Stork are presented at the exchange rates hedged by the use of financial instruments.

When a financial instrument expires or is sold, the cumulative gain or loss remains in equity when the hedged transaction is still expected to occur. This gain or loss is recognised in accordance with the above principle when the transaction takes place.

If the cash flow is no longer expected to occur, the cumulative unrealised gain or loss, which is deferred in equity, is immediately recognised in the income statement.

8 Income statement

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

9 Net turnover

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

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

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

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

10 Cost of sales

This is the direct cost of producing the goods and services sold. It also includes movements in the provisions with the exception of provisions recognised under general administrative expenses.

11 Research and development costs

Costs comprise research costs and non-capitalised development costs as well as depreciation of capitalised development costs, and are offset by received subsidies, if applicable.

12 Financial income and expenses

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

13 Income tax

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

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

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

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

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

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

14 Earnings per share

The earnings per ordinary share are calculated as the net profit payable to holders of ordinary shares divided by the weighted average number of shares as issued over the period concerned. The diluted earnings per ordinary share are calculated as profit divided by the weighted average number of shares as issued, including the number of ordinary shares that would be issued on exercise of granted stock options (only if such conversion or exercise would lead to dilution).

15 Balance sheet

16 Property, plant and equipment

Valuation is at cost less cumulative depreciation and impairment losses. Depreciation is linear and calculated at fixed percentages, based on the expected useful life of the asset and taking into account any residual value. The costs of assets produced in-house comprise material costs, direct labour costs, a first estimate where relevant of the dismantling and disposal costs of the asset and the restoration costs of the site on which the asset is located, and the directly identifiable indirect production costs.

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

The estimated useful life for each asset category is:

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

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

17 Intangible fixed assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures and represents the difference between the costs of acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any cumulative impairment losses. Goodwill is allocated to cash flow-generating units, and is no longer amortised from 1 January 2004. Instead, the applicability of any impairment is tested annually. For associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

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

Development costs

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

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

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

Other intangible fixed assets from acquisitions

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

Other intangible fixed assets

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

Amortisation

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

The estimated useful life is as follows:

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

18 Financial fixed assets

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

19 Deferred tax assets

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

20 Inventories

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

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

21 Work in progress

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

22 Trade and other receivables

Non-discounted receivables with a term longer than one year are valued at present value. The discount rate applied at 31 December 2007 was 5.2% (2006: 4.5%). The costs of discounted trade bills are deducted from this item, to the extent that there is a recourse risk. Provision for doubtful debtors is made as considered necessary. The provision is allocated to receivables for which there is a significant chance that they will not be paid.

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

23 Cash and cash equivalents

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

24 Impairments

A new assessment is made on each balance sheet date of whether there are any indications for impairments in the carrying amount of assets, excluding inventories and deferred tax assets. If any such indications exist, an estimate is made of the recoverable amount of the asset. For goodwill, assets with an indefinite economic life and intangible fixed assets that are not yet ready for use, the recoverable amount at the balance sheet date is estimated.

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

Impairment losses recognised to cash-generating units are first deducted from the carrying amount of goodwill (if applicable) attributable to cash-generating units (or groups of units), and subsequently deducted pro rata from the carrying amount of the other assets of the unit (or group of units).

The recoverable amount of an asset or cash-generating unit equals the higher of either the fair value minus sales costs or its value in use. When determining the fair value, the cash value of projected future cash flows is calculated using a discount base of 9.02%.

An assessment was made on 1 January 2004, the transition date to IFRS, of whether there were any indications for impairments of goodwill and intangible fixed assets with an indefinite economic life, even if there were no indications for any impairment.

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

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

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

25 Share capital

Repurchase of share capital

On repurchase of share capital that is allocated to equity, the amount paid, including the directly attributable costs and after deduction of any fiscal affects, is recognised to equity. Repurchased shares are classified as treasury shares in Stork N.V. and presented as a deduction from total equity. If repurchased shares are subsequently sold or reissued, the received amount is recognised to equity and any surplus or shortfall from the transaction is transferred to the retained income reserve.

Dividend

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

Preference shares

Under IAS 32 cumulative preference shares B with mandatory dividend must be considered as loan capital. Article 28 of the Articles of Association of Stork N.V. which were applicable in 2007 stipulates that Stork is obliged to distribute dividend. On the basis of this, the issued cumulative preference shares B are normally not recognised on the balance sheet as equity but as current liabilities. Dividend on these preference shares is recognised under financial expenses.

26 Interest-bearing debts

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

27 Provisions

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

28 Employee benefits

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

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

The most important plan in this regard is administered by Stichting Pensioenfonds Stork (Stork Pension Fund Foundation). The pension commitments of Dutch Stork operating companies (so-called average salary schemes) are managed by Stichting Pensioenfonds Stork. The coverage ratio is determined annually, based on actuarial calculations and guidelines issued by De Nederlandsche Bank. Taking into account the outcome of this determination, the pension contributions are determined and if possible the conditional indexation is effected. Of the contributions as determined annually, 58% are payable by the company and 42% by the employee. At end-December 2007 the expected coverage ratio was 124% (2006: 126%).

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

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

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

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

The calculation is performed by qualified actuaries.

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

Stork also reimburses specific healthcare and life-insurance costs for some of the employees receiving pension benefits in the USA. During the working period of these employees, Stork forms provisions for the payment of these benefits on reaching pensionable age.

29 Share-based payment transactions

The share option plan allows employees to acquire Stork shares. The fair value of the options granted is recognised as an employee expense, with a corresponding increase in equity. The fair value is determined at grant date, and is spread over the period until the time at which the employees gain unconditional rights to the options. The amount recognised as an expense is adjusted for the actual number of share options that become unconditional.

The fair value of the amount payable to the employee in Share Appreciation Rights (SARs) to be paid in cash is recognised as an expense, with a corresponding entry in the form of a liability over the period until the time at which the employees gain unconditional rights to payment. The value of the liability is reassessed at each balance sheet date and at settlement date. Any changes in the fair value of the obligation are recognised as employee expenses in the income statement.

The fair value of the options and SARs is determined by means of a general accepted valuation model, taking into account the conditions under which the options were granted.

30 Other assets and liabilities

Other assets and liabilities are stated at amortised cost.

31 Cash flow statement

The cash flow statement is drawn up by the indirect method, in which the movements in cash are determined on the basis of the operational result as presented in the consolidated income statement including discontinued operational activities. Transactions which have not yet led to cash flow are not taken into account in the cash flow statement. Asset/liability transactions are presented as acquisitions and divestments. Resulting cash flows as presented in the consolidated cash flow statement do not correspond to the movements stated in the consolidated balance sheet.

32 Segmentation

The income statement and a number of entries in the balance sheet are shown per Strategic Unit. In addition, the net turnover and assets are reported on a geographical basis.

The primary basis for segmentation, the Strategic Units, is based on the managerial structure and the internal reporting structure of Stork N.V. Comparable figures are adjusted in the event of organisational changes. Information presented according to geographical segmentation is based on the geographical location of the assets.

The prices for transactions between segments are determined on an objective, at arm's length basis.

The following assets and liabilities are disclosed per Strategic Unit: assets, investments in intangible fixed assets and property, plant and equipment, depreciation, amortisation, valuation of associates and liabilities. Liabilities does not include bank debts, loans and debts to subsidiaries other than trading transactions and (deferred) tax assets and liabilities.

33 Discontinued operations

A discontinued operational activity is a component of the Stork activities representing a separate major line of business or a geographical area, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation takes place on divestment or, if earlier, when the operational activity meets the criteria for classification as held for sale (IFRS 5). A disposed group can also meet these criteria. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

34 New standards and interpretations not yet applied

A number of new standards, amendments to standards and interpretations were not yet effective in 2006 and have accordingly not been applied to the consolidated financial statements.

- IFRS 8 'Operating segments' introduces the management approach to segment reporting. Under IFRS 8, the use of which will be mandatory for the financial statements of the group in 2009, segment information must be reported on the basis of the internal reports which are used regularly by the Chief Operating Decision Maker to assess the development of each segment and to allocate resources. IFRS 8 is expected to have no influence on the consolidated financial statements.
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions mandates that a share-based payment arrangement under which an entity receives goods or services in exchange for rights granted on its equity instruments is presented as a share-based payment arrangement to be settled in shares, regardless of the way in which the equity instruments were acquired. Use of IFRIC 11 with retrospective effect will become mandatory in 2008 for the financial statements of the group. IFRIC 11 is expected to have no influence on the consolidated financial statements.
- IFRIC 12 Service Concession Arrangements provides guidelines for specific valuation and recognition aspects in the reporting of concession arrangements in public-private partnerships. IFRIC 12, which will become mandatory in 2008 for the financial statements of the group, is expected to have no influence on the consolidated financial statements.
- IFRIC 13 Customer Loyalty Programmes deals with the recognition of Customer Loyalty Programmes which entities use or otherwise participate in. The interpretation covers the reporting of programmes in which customers can redeem loyalty points for free or discounted goods or services. IFRIC 13, which will become mandatory in 2009 for the financial statements of the group, is expected to have no influence on the consolidated financial statements.
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when repayments or lower future pension premiums for Defined Benefit pension schemes are to be regarded as available, and deals with the impact of minimum funding requirements on assets of this kind. It further states when a minimum funding requirement can lead to the recognition of a liability. IFRIC 14 will become mandatory in 2008 for the financial statements of the group, and is expected to have no influence on the consolidated financial statements.
- The revised version of IAS 23 Borrowing costs eliminates the existing option of recognising borrowing costs immediately as expenses or capitalising these costs. Under the revised regulations an entity is required to capitalise the borrowing costs which are directly attributable to the acquisition, construction or production of an eligible asset as part of the costs of that asset. The revised version of IAS 23 will become mandatory in 2009 for the financial statements of the group, and will represent a change in accounting policies. In compliance with the transitional provisions the group will apply the revised IAS 23 to eligible assets for which the capitalisation of the borrowing costs starts on or after the date on which the revised version of IAS 23 takes effect.

35 Segmented information per Strategic Unit

(in € x million)

	Aerospace				Technical Services				Food Systems	
	Aerospace Industries		Aerospace Services		Industry Services		Industry Specialists			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Net turnover										
• net turnover to third parties	303.0	318.4	250.0	230.1	643.7	523.1	434.3	330.0	368.4	325.6
• transactions with other segments	–	–	–	–	6.9	9.7	4.4	5.6	0.4	0.7
Total net turnover	303.0	318.4	250.0	230.1	650.6	532.8	438.7	335.6	368.8	326.3
Cost of sales	(300.0)	(278.8)	(191.1)	(159.0)	(513.5)	(415.7)	(290.7)	(215.6)	(250.6)	(214.5)
Gross operating income	3.0	39.6	58.9	71.1	137.1	117.1	148.0	120.0	118.2	111.8
Sales costs	(9.8)	(12.4)	(14.0)	(14.8)	(25.0)	(18.0)	(26.7)	(23.8)	(46.1)	(41.1)
General administrative expenses	(31.5)	(43.8)	(29.1)	(25.8)	(85.6)	(76.1)	(70.8)	(62.1)	(36.0)	(29.8)
Research & development expenses	(1.2)	(2.0)	(1.1)	(1.1)	(0.3)	–	(0.3)	(0.4)	(19.3)	(15.5)
Other operating income	–	–	(0.3)	(0.1)	–	–	(0.2)	(0.2)	(0.6)	(0.1)
Operational result	(39.5)	(18.6)	14.4	29.3	26.2	23.0	50.0	33.5	16.2	25.3
Financial income										
Financial expenses										
Share of profit of associates	0.6	0.5			1.5	1.5	1.1	0.6		
Result before tax										
Income tax expense										
Result after tax										
Book profit from discontinued operations after tax										
Result from ordinary operations after tax										
Minority interest										
Net result										
Assets	434.2	441.5	169.8	165.8	343.0	234.4	287.2	207.2	255.1	252.1
Investments in intangible fixed assets and property, plant and equipment	33.0	29.6	4.2	3.4	10.3	13.8	35.7	20.1	15.8	32.4
Depreciation	12.0	11.2	2.9	2.7	6.1	4.4	18.1	13.1	7.1	5.8
Amortisation	16.0	10.6	0.9	0.3	0.2	–	2.1	0.2	4.5	3.6
Valuation of associates	5.7	5.6	–	–	4.1	4.4	–	1.4	–	–
Liabilities	265.4	226.2	82.3	70.0	236.2	167.9	128.8	86.4	128.1	119.1

Holdings and other activities		Discontinued operations		Eliminations		Consolidations		
2007	2006	2007	2006	2007	2006	2007	2006	
–	–	163.5	281.9	–	–	2,162.9	2,009.1	Net turnover
–	–	–	0.5	(11.7)	(16.5)	–	–	• net turnover to third parties
–	–	163.5	282.4	(11.7)	(16.5)	2,162.9	2,009.1	• transactions with other segments
1.8	0.5	(102.4)	(194.5)	11.7	16.5	(1,634.8)	(1,461.1)	Total net turnover
1.8	0.5	61.1	87.9	–	–	528.1	548.0	Cost of sales
								Gross operating income
–	–	(19.7)	(27.9)			(141.3)	(138.0)	Sales costs
(30.7)	(29.6)	(20.0)	(33.6)			(303.7)	(300.8)	General administrative expenses
–	–	(4.2)	(5.0)			(26.4)	(24.0)	Research & development expenses
–	1.3	0.2	(0.6)			(0.9)	0.3	Other operating income
(28.9)	(27.8)	17.4	20.8	–	–	55.8	85.5	Operational result
								Financial income
						3.7	3.1	Financial expenses
						(17.0)	(9.6)	Share of profit of associates
0.7	0.2	–	0.1			3.9	2.9	Result before tax
						46.4	81.9	Income tax expense
								Result after tax
								Book profit from discontinued operations after tax
								Result from ordinary operations after tax
								Minority interest
								Net result
–	–	–	149.8	63.6	(64.1)	1,552.9	1,386.7	Assets
54.1	15.3	4.9	6.9	–	–	158.0	121.5	Investments in intrangible fixed assets and property, plant and equipment
0.9	1.6	4.3	6.7	–	–	51.4	45.5	Depreciation
–	–	–	0.2	–	–	23.7	14.9	Amortisation
24.6	4.6	–	–	–	–	34.4	16.0	Valuation of associates
57.6	36.5	–	–	(33.2)	(26.8)	865.2	679.3	Liabilities

36 Net turnover

Analysis of Stork net turnover:

	2007	2006
Turnover from sale of goods to third parties	160,612	188,930
Turnover from sale of services to third parties	1,339,205	1,184,080
Turnover from construction contracts	663,096	636,074
	2,162,913	2,009,084

37 Geographical segments

	Net turnover		Assets		Investments in intangible fixed assets and property, plant and equipment	
	2007	2006	2007	2006	2007	2006
Netherlands	1,436,227	1,464,992	1,035,625	1,060,270	77,267	81,020
Other European countries	297,454	153,253	225,628	110,233	57,593	3,698
North America	310,711	293,279	205,298	172,750	8,856	32,129
South America	60,954	48,264	61,094	20,758	11,970	1,288
Asia	45,320	40,625	20,356	18,372	2,038	2,505
Australia	12,247	8,671	4,933	4,289	277	252
Total	2,162,913	2,009,084	1,552,934	1,386,672	158,001	120,892

38 Discontinued operations

Stork sold a 60% interest in Stork Prints to Bencis, a separate business segment, on 13 November 2007. The majority interest was sold for € 62.9 million in cash. In addition, € 16.0 million was received for the real estate. The total book profit on the sale transaction of Prints was € 15.1 million. DCI Meettechniek (50%) in the Technical Services division was also sold, realising a book profit of € 3.0 million.

At end-2006 the Prints division was classified as held for sale. Under IFRS rules this division is also classified as a discontinued operation. The turnover of Prints for the first 10 months of 2007 was € 163.5 million (2006: € 192.8 million). The operational result was € 17.4 million (2006: € 18.2 million).

In the comparative figures for 2006 the discontinued operations consist not only of the Prints division but also of Stork WorkSphere, Stork Bronswerk Inc. and the activities of Stork Bouwtechniek.

39 Effects of the disposal of individual assets and liabilities

(in € x million)

	2007	2006
Property, plant and equipment	(29.2)	(1.4)
Goodwill	(1.5)	–
Associates	(0.3)	(0.2)
Inventories	(37.2)	(0.7)
Trade and other receivables	(40.5)	(61.4)
Cash and cash equivalents	(12.1)	(5.5)
Provisions	16.2	4.3
Trade and other payables	40.4	59.2
Balance of identifiable assets and liabilities	(64.2)	(5.7)
Received consideration, paid in cash	82.2	80.5
Disposed cash and cash equivalents	(12.1)	(5.5)
Inflow of cash (net)	70.1	75.0

The above liabilities and assets disposed of in 2007 related primarily to the divestment of Stork Prints.

40 Cash flow of discontinued operations

The cash flow in 2007 of the discontinued operations was approximately € 21 million from operations and approximately € 42 million from investment activities, compared with € 2 million and € 77 million, respectively, in the same period in 2006. The cash flow from financing activities is of a primarily intercompany nature and has therefore not been taken into consideration.

41 Assets classified as held for sale

The Prints division was presented as held for sale in 2006 as a result of the decision by the management of Stork to dispose of this activity in line with the strategy of strengthening the focus of the organisation. The sale of a 60% interest in Prints was concluded in 2007.

(in € x million)

	2007	2006
Group of assets to be disposed of, held for sale:		
Property, plant and equipment	–	29.5
Goodwill	–	1.5
Deferred tax assets	–	2.8
Inventories	–	39.0
Due from customers	–	0.7
Trade and other receivables	–	38.7
	–	112.2

42 Liabilities classified as held for sale

(in € x million)

	2007	2006
Group of liabilities to be disposed of, held for sale:		
Provisions	–	16.3
Employee benefits	–	2.2
Long-term debts	–	0.8
Due to customers	–	1.5
Trade and other payables	–	38.2
	–	59.0

43 Acquisition of subsidiaries

Stork finalised the following share purchase and asset/liabilities transactions in 2007. Unless otherwise stated Stork acquired 100% of the shares/voting rights.

Nijal Technologie Alimentaire

Stork Food Systems acquired Nijal Technologie Alimentaire on 19 January 2007 (the name has since been changed to Stork Food Systems France SAS). The company produces machines for meat processing which are complementary to those of Stork Food Systems. It achieved a turnover of € 7 million in financial year 2005/06 with 30 employees.

Reda GmbH

Stork Industry Services concluded the acquisition of Reda GmbH on 1 February 2007. The transaction was recognised in the first half-year. Reda GmbH specialises in the overhaul of shut-off valves, especially in power stations. The company has about 40 employees and an annual turnover of approximately € 5 million.

Turbo Service GmbH

Stork Industry Specialists concluded the acquisition of Turbo Service GmbH on 13 February 2007. Turbo Service GmbH is one of the largest independent service providers for power station turbines and generators in Europe. It has about 400 highly specialised employees and an annual turnover of approximately € 55 million.

Aerotron AirPower Inc.

Aerospace concluded the acquisition of Aerotron Airpower Inc. on 16 March 2007. Aerotron specialises in MRO (maintenance, repair and overhaul) of complex pneumatic, hydraulic, fuel-system and electromechanical components in a wide range of aircraft types including Airbus, Boeing, Bombardier and Embraer. Aerotron has an annual turnover of approximately € 21 million and 95 employees.

East West Technology Inc.

Stork Industry Specialists acquired East West Technology Inc. on 31 March 2007. East West Technology Inc. has an annual turnover of approximately € 5 million.

GTO Gloeitechniek B.V.

Stork Industry Specialists concluded the acquisition of GTO Gloeitechniek B.V. on 1 August 2007. GTO Gloeitechniek B.V. is a technical service provider specialising in heat treatment. It has 7 employees and an annual turnover of approximately € 1 million.

Mecánicos Asociados S.A. (MASA)

The acquisition of MASA by Stork Industry Services is taking place in two phases. A 'Share Purchase Agreement' was signed on 9 July 2007. In the first phase, Stork acquired 1 share on 1 August 2007. However the results are fully included in the consolidation because Stork already obtained a controlling interest on 1 August by holding more than half of the voting rights in the Executive Board of MASA. The second phase of the acquisition will be concluded in 2008, in which Stork will acquire 70% of the shares in MASA and the acquisition price will be paid. MASA is the largest provider of 'operate, maintenance and asset management' services in Colombia. It has 1,600 employees and an annual turnover of € 43 million.

MTT Holding B.V.

Stork Industry Specialists extended the 50% interest in MTT Holding B.V. to 100% on 1 August 2007. MTT Holding B.V. comprises three units with activities including materials testing and product evaluations. It has more than 60 employees and an annual turnover of approximately € 10 million.

Exmont Engineering

Stork Industry Services concluded the acquisition of 70% of the shares in Exmont Engineering on 30 November 2007. Exmont Engineering is based in Bratislava, Slovakia, and specialises in industrial installation works. Exmont has about 200 employees and achieved a turnover of € 15 million in 2007.

Sheffield Testing Laboratories Ltd.

Stork Industry Specialists concluded the acquisition of Sheffield Testing Laboratories Ltd. on 1 October 2007. Sheffield Testing Laboratories Ltd. is based in Sheffield, United Kingdom, and provides equipment-, mechanical-, corrosion- and calibration testing for industrial customers. Sheffield Testing Laboratories Ltd. has approximately 37 employees and achieved a turnover of € 2 million in 2007.

Istimewa Elektro B.V.

Stork Industry Services concluded the acquisition of Istimewa Elektro on 31 October 2007. Istimewa Elektro is based in Vlissingen, Netherlands, and has a strong position in offshore, industry and infrastructure. The company has about 130 employees and achieved a turnover of € 18 million in 2007.

Mannings Southport Ltd.

Stork Industry Specialists concluded the acquisition of Mannings Southport Ltd. on 10 November 2007. Mannings is based in Southport, United Kingdom, and designs, builds and installs a wide range of electrical, gas- and oil-fired equipment, offers equipment rental services and develops processes. The company also renovates, modernises, maintains and supplies components for the above equipment. In addition, Mannings provides on-site technical support. It has about 70 employees and achieved a turnover of € 11 million in 2007.

Purchase price

Stork paid an acquisition price of € 48.9 million for the Turbo Service GmbH transaction. This price includes goodwill, including acquisition costs, of € 37.7 million.

The purchase price for the activities acquired in 2007 besides Turbo Service GmbH amounts to a total of € 75.0 million. This price includes goodwill, including acquisition costs and earn out schemes, to an amount of € 43.7 million.

From the date of the acquisitions to 31 December 2007, the contribution of these acquisitions to the consolidated EBIT for the financial year amounted to € 11 million with a turnover of € 121 million. If the acquisitions had occurred on 1 January 2007, the contributions to Stork N.V.'s EBIT and turnover would have amounted to € 14 million and € 193 million, respectively.

Balance of assets and liabilities of Turbo Service GmbH on acquisition date

(in € x million)	Recognised value	Fair value adjustment	Carrying amount
Property, plant and equipment	5.9	3.2	2.7
Intangible fixed assets	7.6	7.6	–
Inventories	1.2	–	1.2
Deferred tax asset	(3.8)	(3.8)	–
Trade and other receivables	15.2	–	15.2
Cash and cash equivalents	2.8	–	2.8
Provisions	(11.5)	(0.3)	(11.2)
Trade and other payables	(6.2)	(0.6)	(5.6)
Net identifiable assets and liabilities	11.2	6.1	5.1
Goodwill	37.7		
Purchase price	48.9		
Cash acquired	(2.8)		
Net outflow of cash	46.1		

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

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

(in € x million)	Recognised value	Fair value adjustment	Carrying amount
Property, plant and equipment	23.8	3.4	20.4
Other financial fixed assets	2.9	2.1	0.8
Inventories	12.7	0.4	12.3
Trade and other receivables	30.2	2.1	28.1
Cash and cash equivalents	1.1	–	1.1
Provisions	(0.9)	(0.6)	(0.3)
Deferred tax liability	(2.0)	(1.6)	(0.4)
Trade and other payables	(34.7)	0.6	(35.3)
Balance of identifiable assets and liabilities	33.1	6.4	26.7
Transfer from associates	(1.9)		
Goodwill	43.7		
Purchase price	74.9		
Cash acquired	(1.1)		
Net outflow of cash	61.2		
Recognised as liability	12.6		

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

44 Salaries and social insurance contributions

Analysis of total salaries and social insurance contributions:

	2007	2006
Salaries	556,792	523,601
Social insurance contributions	78,168	71,731
Pension premiums and other post-retirement payments	54,087	52,368
Costs of share-based payments	2,332	2,126
	691,379	649,826
Of which in the Netherlands	477,867	489,389

Pension premiums and other post-retirement payments are recognised in the income statement as follows: costs of sales: € 31.9 million (2006: € 31.0 million), sales costs € 7.4 million (2006: € 6.5 million), general administrative expenses € 12.7 million (2006: € 13.0 million) and research & development costs € 2.1 million (2006: € 1.9 million).

45 Personnel

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

	2007	2006
Aerospace	3,569	3,432
Technical Services	7,157	5,649
Food Systems	2,807	1,544
Holdings and other activities	114	118
Discontinued activities	–	1,993
	13,647	12,736

46 Remuneration of Board of Management

	2007	2006
Sj.S. Vollebregt		
Salaries	519	493
Profit sharing and bonus payments*	156	150
Post-employment benefits**	153	154
	828	797
Expenses related to shares and option schemes	488	531
Share Appreciation Rights	147	–
	1,463	1,328

* Granted for financial year (not yet formally confirmed for 2007).

** Pension expenses etc.

	2007	2006
J.C.M. Schönfeld		
Salaries	408	388
Profit sharing and bonus payments*	86	82
Post-employment benefits**	151	128
	645	598
Expenses related to shares and option schemes	132	158
Share Appreciation Rights	74	–
	851	756
H.E.H. Bouland		
Salaries	408	388
Profit sharing and bonus payments*	86	82
Post-employment benefits**	173	141
	667	611
Expenses related to shares and option schemes	132	158
Share Appreciation Rights	74	–
	873	769
Former directors		
Post-employment benefits**	306	558
	306	558
Total		
Salaries	1,335	1,269
Profit sharing and bonus payments*	328	314
Post-employment benefits**	783	981
	2,446	2,564
Expenses related to shares and option schemes	752	847
Share Appreciation Rights	295	–
	3,493	3,411

* Granted for financial year (not yet formally confirmed for 2007).

** Pension expenses etc.

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

47 Stork shares held by members of the Board of Management

(in no. of shares)

	2007	2006
Sj.S. Vollebregt	154,946	46,326
J.C.M. Schönfeld	57,748	11,296
H.E.H. Bouland	13,958	12,608
Total	226,652	70,230

48 Remuneration of Supervisory Board

The fixed individual remunerations paid to the members of the Supervisory Board are as follows.

	2007	2006
J. Aalberts	27	27
S.D. de Bree	–	12
C.J. van den Driest	27	22
C. den Hartog	7	27
P.J. Kalff	47	45
A. van der Velden	39	36
D.G. Eustace	75	–
C.J.A. van Lede	75	–
W. Kok	75	–
Total	372	169

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

49 Stork shares held by members of the Supervisory Board

As at 31 December 2007, C.J. van den Driest held 1,000 ordinary shares. None of the other Supervisory Board members held any ordinary shares of Stork N.V.

50 General administrative expenses

General administrative expenses consist primarily of (indirect) personnel expenses, depreciation and administrative expenses. In addition, the contribution to the provision for doubtful debts and release of provisions for general administrative expenses incurred are included in this.

51 Research & development costs

As stated in the accounting principles, these costs comprise research costs and non-capitalised development costs as well as depreciation of capitalised development costs, and are offset against received subsidies. In the 2007 financial statements, € 0.7 million (2006: € 5.9 million) of ESF-3 subsidy is recognised, € 1.3 million (2006: € 2.4 million) of WBSO subsidy and € 1.0 million (2006: € 1.8 million) concerning other subsidies.

52 Other operating income

	2007	2006
Licensing income and costs	(624)	(242)
Book profit on disposed property, plant and equipment	–	1,324
Impairments	(238)	(672)
Other	–	(112)
	(862)	298

53 Financial income

	2007	2006
Interest received from banks	2,139	1,661
Other interest income	1,554	1,467
	3,693	3,128

54 Financial expenses

	2007	2006
Interest paid on long-term liabilities	(1,365)	(1,160)
Interest paid to banks	(9,430)	(2,179)
Other interest expenses	(1,909)	(740)
Commitment fees	(528)	(1,158)
Exchange-rate differences	(3,814)	(4,365)
	(17,046)	(9,602)

55 Income tax expense**Recognised in the income statement**

(in € x million)

	2007	2006
Income tax payable for financial year	(11.6)	8.5
Corrections for previous years	1.5	1.1
	(10.1)	9.6
Deferred income tax		
Origination and reversal of temporary differences	3.5	(15.1)
Benefits of tax losses recognised	(6.1)	(1.6)
Reduction in tax rate	1.2	3.3
Income due to capitalised tax loss carry-forward	14.6	5.8
	13.2	(7.6)
Total income tax expense in the income statement	3.1	2.0
Allocation of income tax expenses		
Income tax on result of subsidiaries	(6.5)	(9.2)
Income tax on result of Stork N.V.	9.6	11.2
	3.1	2.0

Besides the Dutch tax laws, the activities of Stork are subject to various tax regimes in other countries, with different legal tax rates which are partly the reason for the difference between the weighted average tax rate and the legal corporation tax rate in the Netherlands of 25.5% (2006: 29.6%). Normally speaking, Stork would have a tax burden of 30.6% of the result before tax. The financial statements recognise an effective tax expense of 4.8% of the result before tax. The difference can mainly be attributed to the valuation of tax loss carry-forward not recognised earlier.

Reconciliation of effective tax rate

	2007		2006	
Result before tax		60.6		147.8
Weighted average legal corporation tax rate	(30.6%)	(18.8)	(30.4%)	(44.9)
Result free of tax/non-deductible costs	8.1%	4.2	18.8%	27.8
Effect of tax losses utilised	9.2%	6.0	1.2%	1.7
Non-capitalised tax losses in 2007	(0.2%)	(0.1)	(0.1%)	(0.2)
Capitalised tax loss carry-forward	14.1%	9.1	8.8%	13.1
Change in corporation tax rate	1.9%	1.2	2.3%	3.4
Corrections for previous years	2.3%	1.5	0.7%	1.1
Effective tax rate	4.8%	3.1	1.3%	2.0

Deferred tax recognised directly in equity

	2007	2006
In relation to share and option plan	1.0	0.9
In relation to cash flow hedge reserve	0.2	(3.3)
	1.2	(2.4)

56 Property, plant and equipment

	Land and buildings	Machines and equipment	Other productive assets	Under construction	Not used in the production process	Total
Historic costs	264,255	342,342	169,840	12,263	274	788,974
Depreciation and impairment losses	(121,023)	(245,625)	(141,306)	–	(165)	(508,119)
Carrying amount as at 31-12-2005	143,232	96,717	28,534	12,263	109	280,855
Carrying amount as at 01-01-2006	143,232	96,717	28,534	12,263	109	280,855
Investments through business combinations	7,444	6,810	1,066	139	–	15,459
Other investments	8,684	21,464	7,224	12,252	–	49,624
Disposals	(753)	(4,998)	(393)	–	–	(6,144)
Deconsolidation	(100)	(191)	(1,185)	–	–	(1,476)
Depreciation	(9,632)	(24,386)	(11,100)	–	(8)	(45,126)
Exchange-rate differences	(1,534)	(2,243)	(507)	(180)	–	(4,464)
Restated as assets held for sale	(12,722)	(11,589)	(2,688)	(2,464)	–	(29,463)
Other movements	146	(193)	113	(2)	–	64
Completed property, plant and equipment	1,020	2,974	4,640	(8,634)	–	–
Carrying amount as at 31-12-2006	135,785	84,365	25,704	13,374	101	259,329
Historic costs	249,889	292,611	142,396	13,374	274	698,544
Depreciation and impairment losses	(114,104)	(208,246)	(116,692)	–	(173)	(439,215)
Carrying amount as at 31-12-2006	135,785	84,365	25,704	13,374	101	259,329

	Land and buildings	Machines and equipment	Other productive assets	Under construction	Not used in the production process	Total
Carrying amount as at 01-01-2007	135,785	84,365	25,704	13,374	101	259,329
Investments through business combinations	7,728	13,534	8,278	128	–	29,668
Other investments	5,146	30,861	9,280	20,763	–	66,050
Disposals	(1,560)	(1,783)	(172)	–	–	(3,515)
Deconsolidation	(1,519)	(288)	526	(105)	–	(1,386)
Depreciation	(9,712)	(28,981)	(12,345)	–	(8)	(51,046)
Exchange-rate differences	(1,113)	(1,865)	75	(143)	–	(3,046)
Restated as assets held for sale	–	–	–	–	–	–
Other movements	(436)	511	(79)	(244)	–	(248)
Completed property, plant and equipment	3,237	6,679	759	(10,675)	–	–
Carrying amount as at 31-12-2007	137,556	103,033	32,026	23,098	93	295,806
Historic costs	252,617	327,011	159,763	23,098	274	762,763
Depreciation and impairment losses	(115,061)	(223,978)	(127,737)	–	(181)	(466,957)
Carrying amount as at 31-12-2007	137,556	103,033	32,026	23,098	93	295,806

The company owns 117 hectares of land. Assets not used in production consist primarily of other fixed assets rented to third parties.

No land and buildings were pledged as securities to specified lenders for bank loans at 31 December 2006 and 2007.

57 Intangible fixed assets

	Goodwill	Development costs	Other, resulting from acquisition	Other	Total
Historic costs	7,347	81,405	–	800	89,552
Amortisation and impairment losses	–	(6,516)	–	–	(6,516)
Carrying amount as at 31-12-2005	7,347	74,889	–	800	83,036
Additions through business combinations	51,436	3,202	26,029	–	80,667
Other additions, developed internally	–	26,245	–	(70)	26,175
Amortisation	–	(13,010)	(1,724)	(203)	(14,937)
Impairment loss	(150)	(522)	–	–	(672)
Restated as assets held for sale	(1,506)	(20)	–	–	(1,526)
Exchange-rate differences	(4,908)	(9)	–	–	(4,917)
Carrying amount as at 31-12-2006	52,219	90,775	24,305	527	167,826
Historic costs	52,219	110,301	26,029	730	189,279
Amortisation and impairment losses	–	(19,526)	(1,724)	(203)	(21,453)
Carrying amount as at 31-12-2006	52,219	90,775	24,305	527	167,826

	Goodwill	Development costs	Other, resulting from acquisition	Other	Total
Carrying amount as at 01-01-2007	52,219	90,775	24,305	527	167,826
Additions through business combinations	82,518	450	10,100	–	93,068
Other additions, developed internally	–	26,099	–	–	26,099
Amortisation	–	(19,826)	(3,912)	–	(23,738)
Impairment loss	–	(369)	–	–	(369)
Restated as assets held for sale	–	–	–	–	–
Exchange-rate differences	(4,457)	(1,952)	–	–	(6,409)
Carrying amount as at 31-12-2007	130,280	95,177	30,493	527	256,477
Historic costs	130,280	134,529	36,129	730	301,668
Amortisation and impairment losses	–	(39,352)	(5,636)	(203)	(45,191)
Carrying amount as at 31-12-2007	130,280	95,177	30,493	527	256,477

The additions through business combinations of other intangible fixed assets resulting from acquisitions relates primarily to the acquisition of the customer portfolio and brand name of Turbo Service GmbH.

In accordance with IFRS 3.62 an amount of € 1.0 million is shown as a correction in the item Additions through business combinations in relation to Goodwill.

Amortisation

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

	2007	2006
Cost of sales	(16,231)	(10,425)
Sales costs	–	(1,724)
General administrative expenses	(5,017)	(748)
Research & development costs	(2,490)	(2,040)
	(23,738)	(14,937)

Assessment for impairments of cash generating units containing goodwill.

The following units contain significant goodwill items:

	2007	2006
Aerospace	24,082	11,558
Technical Services	89,249	24,523
Food Systems	16,949	16,138
Discontinued activities	–	1,506
	130,280	53,725

The recoverable amount of cash flow generating units that contain goodwill is equal to the operating value, or the fair value less disposal costs. In measuring the carrying amount, the cash value of the estimated future cash flows are measured using a discount rate of 9.02% (2006: 8.26%).

The assessment for impairments within Aerospace relates to the units SP Aerospace, acquired in 2004, Air Inc, acquired in 2006, and Aerotron Inc., acquired in 2007.

For the assessment of SP Aerospace, the future cash flows for one specific production programme are projected over the coming 15 years. This period, as well as the income, costs and risks used, is the same as those included in the Business Case. For the delivery of the products, the future incomes are based on the realised sales and prospects. Future incomes from maintenance are based on experience with other comparable projects and tenders made, and mainly relate to spare parts supplies that will start on a regular basis from 2021 and therefore no growth rate is applied for this. The outcome of the realisable value is higher than the carrying amount of the goodwill component to such an extent that it is not reasonable to expect that this will become lower than the carrying amount as a result of significant changes in the assumptions.

The assessment of Air Inc and Aerotron Inc. shows that no impairment is necessary. Based on a growth rate of 3% and a cash flow projection over the coming 5 years, the calculated realisable value is higher than the current carrying amount. Calculation of the cash flow projection mainly uses historical data as well as available market information.

The goodwill for Food Systems relates to the acquisition of Townsend Inc. and Nijal. The assessment of Townsend Inc. does not lead to an impairment. The cash flow projection for the first 5 years is based on historical figures, market expectation and the business plan for QX equipment. For the period after 5 years, a growth rate in line with inflation is used. Based on the cash flow of the business plan and the predicted future cash flow, no impairment is necessary.

The goodwill for Technical Services mainly relates to the entities acquired by Industry Services and Industry Specialists in 2007. The impairment tests have been performed for all acquired activities and do not lead to any impairment. Cash flow projections for the coming 5 years have been performed for all activities based on historical figures and market values. A growth rate of 2% is assumed for the cash flows after the first 5 years. A substantial part of the goodwill for Industry Specialists was realised with the acquisition of Turbo Service GmbH.

58 Associates

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

	Associates	Loans	Total
Carrying amount as at 01-01-2007	15,845	117	15,962
Share of profit of associates	3,917	–	3,917
Impairments	4	–	4
Dividends received	(3,084)	–	(3,084)
(Des)investments	17,557	–	17,557
Movements in loans	–	–	–
Other movements	–	–	–
Carrying amount as at 31-12-2007	34,239	117	34,356

The table below shows the summarised financial data of the significant associates, based on the latest available information. The figures for 2006 are based on figures at the end of December. The 2007 figures are based on November/December 2007, with the exception of S.A.B.C.A., which publishes its results half-yearly.

(in € x million)

2007	Assets	Liabilities	Turnover	Profits/ Loss (-)
Stork Prints Group B.V.	86.8	42.9	199.2	18.5
Friday Eurotech Holding	n.a.	n.a.	30.3	1.0
Jamjoom Wescon Co. Ltd.	4.7	0.7	5.7	1.4
S.A.B.C.A.	222.8	170.0	63.4	5.8
SPM B.V.	26.8	14.9	24.3	1.5
APP Beheer B.V.	6.4	3.8	3.2	0.0

2006	Assets	Liabilities	Turnover	Profits/ Loss (-)
Friday Eurotech Holding	7.0	3.7	29.1	1.2
Jamjoom Wescon Co. Ltd.	5.2	0.7	5.9	1.6
Materials Testing Technology B.V.	6.4	3.0	11.9	1.7
S.A.B.C.A.	232.8	184.6	127.6	6.6
SPM B.V.	20.7	11.0	21.3	0.4
APP Beheer B.V.	6.9	4.7	3.9	0.2

If due to applicable facts and circumstances valuation on the basis of the equity method is not considered correct, the valuation of associates is adjusted.

59 Financial instruments

Financial instruments are recognised at fair value. For further information about financial instruments, reference is made to note 86.

60 Inventories

	2007	2006
Raw materials and consumables	51,560	47,358
Semi-finished products	99,336	98,061
Trading inventories and finished products	74,907	63,422
	225,803	208,841
Restated as assets and liabilities held for sale	–	39,036
	225,803	247,877

61 Work in progress

	2007	2006
Due from customers, recognised under current assets	139,601	110,639
Payable to customers, recognised under current liabilities	(291,965)	(202,271)
	(152,364)	(91,632)
Restated as assets and liabilities held for sale	–	(810)
	(152,364)	(92,442)
Direct costs of current projects	742,721	541,776
Profits minus losses taken on these projects	299,920	125,220
Billed on current projects	(1,081,982)	(702,789)
	(39,341)	(35,793)
Provisions for foreseeable losses on current projects	(113,023)	(55,839)
	(152,364)	(91,632)
Restated as assets and liabilities held for sale	–	(810)
	(152,364)	(92,442)

The comparative figures for 2006 for 'Result minus losses taken on these projects' and 'Billed on current projects' have been adjusted. The adjustment has no influence on either the presented balance of work in progress or the amounts shown in the consolidated income statement. The part of the balance shown under current assets as at 31 December 2006 and 2007 as due from customers includes nothing to be concluded after a period of > 1 year.

The provision for loss orders regarding major Aerospace programmes is calculated at actual exchange rates. If this causes a loss and cash flow hedge accounting is applied, an equivalent part of the cash flow hedge reserve will be released to compensate for this loss.

62 Trade and other receivables

	2007	2006
Debtors (medium term)	4,423	5,026
Debtors (current)	376,990	316,468
Prepaid costs	44,205	25,630
Other receivables	12,162	8,897
	437,780	356,021
Restated as assets held for sale	–	38,619
	437,780	394,640

Debtors (medium term)	2007	2006
Trade receivables	4,423	5,174
Discounted trade bills	–	(148)
	4,423	5,026

Debtors (current)	2007	2006
Trade receivables	347,517	277,193
Receivables from associates	29,473	39,275
	376,990	316,468

Trade receivables by age	2007	2006
Not yet due	151,755	179,953
Due 0 – 30 days	88,116	44,536
Due 31 – 120 days	70,379	17,216
Due 121 – 365 days	19,649	7,281
More than a year	26,552	44,005
Provisions	(8,934)	(15,798)
	347,517	277,193

Trade receivables by currency	2007	2006
EUR	239,685	214,296
USD	55,399	44,892
GBP	12,143	3,445
CAD	27,925	14,841
Other	21,299	15,517
Provisions	(8,934)	(15,798)
	347,517	277,193

Trade receivables are presented after deduction of impairment losses and provisions made. The contribution to the provision for doubtful debtors is shown in the income statement under general administrative expenses. The losses connected with the bankruptcy of customers during 2006 and 2007 were limited.

Receivables from foreign entities are recognised in the local currencies and are related to production in the same foreign currencies. For euro entities that have receivables in foreign currencies, these are 100% hedged in accordance with Stork guidelines. For further information on currency management, please refer to note 81.

63 Cash and cash equivalents

	2007	2006
Cash, bank	73,194	90,764
Deposits	861	2,411
	74,055	93,175
Bank overdraft	(116,493)	(114,440)
	(116,493)	(114,440)
	(42,438)	(21,265)

64 Equity

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

	Ordinary share capital	Share premium	Statutory reserve		Other reserve		Total	Minority interest	Total equity	
			Reserve for Translation reserve	Reserve for development costs	Cash flow hedge reserve	Reserve for own shares	Retained earnings			
Balance as at										
1 January 2006	165,098	56,463	7,109	74,889	28,520	(17,315)	229,306	544,070	2,480	546,550
Total result			(6,520)		15,400		149,654	158,534	221	158,755
Reduction of nominal value	(132,078)						4,249	(127,829)	–	(127,829)
Purchase of own shares						(76,643)		(76,643)	–	(76,643)
Share options exercised by employees						4,879		4,879	–	4,879
Capitalised development costs				15,905			(15,905)	–	–	–
Dividend							(35,148)	(35,148)	–	(35,148)
Other movements							(1,658)	(1,658)	(312)	(1,970)
Balance as at 31 December 2006	33,020	56,463	589	90,794	43,920	(89,079)	330,498	466,205	2,389	468,594
Balance as at 1 January 2007	33,020	56,463	589	90,794	43,920	(89,079)	330,498	466,205	2,389	468,594
Total result			(5,738)		(444)		67,226	61,044	353	61,397
Reduction of nominal value	(1,769)	(3,025)				471		(4,323)	–	(4,323)
Share options exercised by employees						4,741		4,741	–	4,741
Capitalised development costs				3,092			(3,092)	–	–	–
Dividend							(33,628)	(33,628)	–	(33,628)
Other movements							290	290	(2,736)	(2,446)
Balance as at 31 December 2007	31,251	53,438	(5,149)	93,886	43,476	(83,867)	361,294	494,329	6	494,335

65 Share capital and share premium

The authorised share capital consists of:

50,000,000 ordinary shares of nominal value € 1.–	50,000
25,000,000 preference shares A of nominal value € 1.–	25,000
75,000,000 preference shares B of nominal value € 1.–	75,000
	<hr/>
	150,000

Ordinary shares

Position as at 1 January 2007: 33,019,744 ordinary shares	33,020
Withdrawn: 1,769,246 ordinary shares	(1,769)
	<hr/>
Issued share capital as at 31 December 2007	31,251

The number of ordinary shares paid up at 31 December 2006 was 30,236,518. For the granting of options and shares in 2007, 103,952 shares were purchased to cover the 2007 option/share plan. Due to the exercising of option rights, 253,222 shares were delivered to option holders during the year. In addition, 17,750 shares were transferred in the context of the 2007 option/share plan. This brought the number of paid up shares at year-end 2007 to 30,403,538.

Preference shares B

Position as at 1 January 2007	7,558
Withdrawn: preference shares B 30,233,170	(30,233)
Not paid up	22,675
	<hr/>
Balance as at 31 December 2007	–

On 19 December 2006, the Stork Foundation decided to exercise its granted option rights to take up B preference shares in Stork.

The Foundation as holder of these shares received a dividend based on the Euribor one-month rate plus 2.75%, currently resulting in 6.25%. The dividend is exclusively paid on a proportional basis with effect from the moment of contribution on the amount paid by the Foundation, which is € 7.5 million.

As stated in the accounting principles, the preference shares are presented under borrowed capital.

The Enterprise Chamber of the Amsterdam Court of Appeal, in a ruling given on 17 January 2007, ordered that the issued cumulative preference shares B in Stork must be withdrawn. This order has since been carried out and the procedure was completed on 11 May 2007.

Number of issued shares

Ordinary shares of nominal value € 1.–	30,403,538	100%
Preference shares A of nominal value € 1.–	–	
Preference shares B of nominal value € 1.–	–	
	<hr/>	
	30,403,538	100%

Share premium

Balance as at 1 January 2007	56,463
Share premium withdrawn ordinary shares	(3,025)
	<hr/>
Balance as at 31 December 2007	53,438

66 Statutory reserve

Reserve for development costs

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

Translation reserve

The translation reserve comprises all differences in foreign currency arising as a result of the translation of the financial statements of subsidiaries outside the euro region. Revaluations of this translation risk are booked to equity. The accumulation of the cumulative figure was started on 1 January 2004.

Cash flow hedge reserve

Stork applies cash flow hedge accounting for a large proportion of the currency and raw material future contracts concluded with banks. The currency future contracts are primarily euro/US dollar future contracts relating to the Aerospace group. The cash flow hedge reserve comprises the effective part of the changes in value of the financial instruments for which cash flow hedge accounting is applied. In addition, the cash flow hedge reserve is reduced by a correction made for hedged Aerospace programmes that would become wholly or partly loss-making on the basis of calculations at the current exchange rate, as described in note 61. The cash flow hedge reserve is also reduced by the inclusion of a deferred tax position.

67 Other reserve

Reserve for own shares

The reserve for own shares comprises the cost price of the shares in Stork N.V. held by Stork. At 31 December 2007 Stork held 846,990 (2006: 2,783,256) shares in Stork N.V.

68 Dividend

As a result of the offer for all shares in Stork by London Acquisition B.V. being declared unconditional on 17 January 2008, the Board of Management proposed after the balance sheet date to make no dividend payment for 2007 (2006: € 1.10 per ordinary share).

The dividend for 2006 intended for the preference shares B is of restricted scope and is taken to the balance sheet and income statement for 2006 on the basis of IAS 32 and IAS 39.

69 Earnings per share

70 Basic earnings per share

The calculation of the basic earnings per share at 31 December 2007 is based on a profit attributable to shareholders of € 67.2 million (2006: € 149.7 million) and a weighted average number during 2007 of ordinary shares issued of 30,379,466 (2006: 31,413,675), calculated as follows:

Weighted average number of ordinary shares

(in no. of shares)

	2007	2006
Ordinary shares issued at 1 January	30,236,518	31,881,781
Effect of purchase of own shares and exercising of option rights	142,948	(468,106)
Weighted average number of ordinary shares	30,379,466	31,413,675

71 Diluted earnings per share

The calculation of the diluted earnings per share at 31 December 2007 is based on earnings attributable to shareholders of € 67.2 million (2006: € 149.7 million) and a weighted average number during 2007 of ordinary shares issued of 30,758,152 (2006: 31,947,872), calculated as follows:

Earnings attributable to holders of ordinary shares (diluted)	2007	2006
Earnings attributable to holders of ordinary shares	67,226	149,654
Effect after taxes leading to dilution	-	-
Earnings attributable to holders of ordinary shares (diluted)	67,226	149,654

Weighted average number of ordinary shares (diluted)

(in no. of shares)

	2007	2006
Weighted average number of ordinary shares	30,379,466	31,413,675
Effect of share options on issue	378,686	534,197
Earnings attributable to holders of ordinary shares (diluted)	30,758,152	31,947,872

72 Earnings per share of continuing and discontinued operations

The earnings per share of continuing and discontinued operations for 2007 is calculated using the same figures as those used to calculate the earnings per share, except that the calculation of the earnings for the financial year is based on the earnings relating to continuing operations of € 36.0 million (2006: € 67.2 million) and the earnings relating to discontinued operations of € 31.2 million (2006: € 82.5 million).

73 Minority interest

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

74 Deferred tax position

	2006 movements recognised via						Balance as at 31 December 2007
	Balance as at 31 December 2006	Acquisitions	Discontinued activities	Income statement	Equity	Exchange rate differences	
Property, plant and equipment	(1,766)	(3,122)	384	(8,791)	–	51	(13,244)
Intangible fixed assets	(17,052)	(2,980)	22	2,334	–	(392)	(18,068)
Inventories	228	2,737	(515)	(719)	–	163	1,894
Receivables	(12,755)	(1,713)	(356)	1,341	–	(3)	(13,486)
Debts	1,446	(125)	(200)	489	–	72	1,682
Share-based payments	1,763	–	–	(1,379)	1,007	–	1,391
Provisions:							
• employee benefits	(2,769)	823	(1,099)	1,558	–	41	(1,446)
• restructuring	1,238	–	(145)	3,938	–	–	5,031
• guarantees	2,589	–	(1,185)	1,362	–	10	2,776
• others	6,032	(1,420)	126	510	–	–	5,248
Fiscal value of tax losses carried forward	7,116	–	(716)	12,505	–	–	18,905
Cash flow hedge reserve	(15,033)	–	–	–	152	–	(14,881)
Deferred tax assets (+) / liabilities (-)	(28,963)	(5,800)	(3,684)	13,148	1,159	(58)	(24,198)

This deferred tax position is shown in the consolidated balance sheet for each unit that is individually liable for taxation (independent legal entity or fiscal unit). This leads to the following analysis:

	Assets 2007	Liabilities 2007	Balance 2007	Assets 2006	Liabilities 2006	Balance 2006
Property, plant and equipment	549	(13,793)	(13,244)	805	(2,571)	(1,766)
Intangible fixed assets	1,343	(19,411)	(18,068)	1,615	(18,667)	(17,052)
Inventories	4,039	(2,145)	1,894	2,029	(1,801)	228
Receivables	237	(13,723)	(13,486)	117	(12,872)	(12,755)
Debts	2,699	(1,017)	1,682	1,981	(535)	1,446
Share-based payments	1,391	–	1,391	1,763	–	1,763
Provisions:						
• employee benefits	1,681	(3,127)	(1,446)	1,899	(4,668)	(2,769)
• restructuring	5,031	–	5,031	1,238	–	1,238
• guarantees	2,776	–	2,776	2,589	–	2,589
• others	5,256	(8)	5,248	6,299	(267)	6,032
Fiscal value of tax losses carried forward	19,507	(602)	18,905	7,613	(497)	7,116
Cash flow hedge reserve	–	(14,881)	(14,881)	–	(15,033)	(15,033)
Net tax assets (+) / liabilities (-)	44,509	(68,707)	(24,198)	27,948	(56,911)	(28,963)
Balance of tax assets and liabilities	(30,434)	30,434	–	(23,837)	23,837	–
Net tax assets (+) / liabilities (-)	14,075	(38,273)	(24,198)	4,111	(33,074)	(28,963)

Based on the greatly improved profit expectations of the legal entities concerned it was decided in 2007 to value available tax losses eligible for carry-forward which had formerly not been capitalised. As a result there is a strong reduction in the amount of the losses not shown in the balance sheet, which is compensated by an asset item in the deferred tax position.

The deferred tax assets in relation to tax losses eligible for carry-forward are € 18,905. Of this, € 5,372 is expected to be realised by the release of temporary differences. The remainder is expected to be realised through future tax profits.

Off-balance sheet deferred tax positions

	2007	2006
Temporary differences eligible for carry-forward	2,007	1,419
Tax losses not recognised		
Duration unlimited	11,065	54,203
Duration > 10 years	127	1,350
Duration 5 > 10 years	7,764	29,832
Duration 1 > 4 years	4,852	438
Duration < 1 year	–	–
	23,808	85,823

75 Long-term debts

	Repayment in 2008	Debt 31-12-2007	Debt 31-12-2006
Long-term loans			
• 5.1% loans provided by the Nederlands Instituut voor Vliegtuigontwikkeling en Ruimtevaart	1,075	29,449	25,802
• Loans to MASA (average interest rate 12.4%)	1,645	7,889	
• Other loans	106	3,189	5,285
	2,826	40,527	31,087
Repayments due in 2008 (or 2007)		(2,826)	(1,075)
		37,701	30,012
Of which with a remaining term of more than 5 years		–	–

The loans provided by the Nederlands Instituut voor Vliegtuigontwikkeling en Ruimtevaart have no fixed term. These are not directly callable and have a fixed interest rate.

76 Trade and other payables

	2007	2006
Trade creditors	192,468	157,781
Amounts due to associates	350	473
Other taxes and social insurance contributions	20,390	17,857
Pensions	7,323	12,176
Prepayments received	14,080	9,663
Other debts	227,813	186,556
	462,424	384,506
Restated as liabilities held for sale	–	38,174
	462,424	422,680

77 Provisions

	Balance at 31-12-2006	Addition charged to income statement	Release amount credited to income statement	Movements*	Unwind of discount	Restated as held for sale	Balance at 31-12-2007
Reorganisation provision	18,348	14,131	(3,978)	(6,194)	–	–	22,307
Environmental provision	1,185	–	(84)	(361)	–	–	740
Guarantees	22,120	8,156	(8,899)	465	76	–	21,918
Liabilities relating to employees	17,385	454	(2,068)	(458)	887	–	16,200
Claims, disputes and other contractual obligations	13,711	9,507	(2,265)	255	–	–	21,208
	72,749	32,248	(17,294)	(6,293)	963	–	82,373
Of which short-term	34,946						38,726
Provisions with a remaining term longer than 5 years	19,071						19,557

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

Reorganisation provision

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

Environmental provision

The estimated costs are related to environmentally beneficial measures and reducing noise nuisance as well as other factors, and are based on research reports. A detailed plan with a specification of the costs is available in relation to the provision. The provision is expected to be used within 1 to 3 years.

Guarantees

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

Liabilities relating to employees

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

Claims, disputes and other contractual obligations

The claims, disputes and other contractual obligations consists of sums for which it may be assumed that a judgment for compensation will be issued by an independent party. The provisions shown are based on best estimates, made on the basis of the available information, and will largely expire within a maximum period of 4 years.

78 Employee benefits

(in € x million)

The liability as at 31 December 2007 is given below.

	The Netherlands		Other countries		Total	
	2007	2006	2007	2006	2007	2006
Defined Benefit obligation	(2,109.5)	(2,029.8)	(35.7)	(32.7)	(2,145.2)	(2,062.5)
Plan assets	2,216.9	2,071.8	23.3	24.6	2,240.2	2,096.4
Net position	107.4	42.0	(12.4)	(8.1)	95.0	33.9
Unrecognised transitional value	–	–	–	–	–	–
Unrecognised actuarial gains and losses	(120.5)	(101.2)	(1.1)	(0.6)	(121.6)	(101.8)
Unvested past service costs	61.9	74.5	–	–	61.9	74.5
The effect of limiting the asset*	(52.9)	(20.4)	–	–	(52.9)	(20.4)
Subtotal – balance liability	(4.1)	(5.1)	(13.5)	(8.7)	(17.6)	(13.8)
Other liabilities relating to pensions	(1.4)	(1.6)	(0.4)	(0.3)	(1.8)	(1.9)
Pension liabilities	(5.5)	(6.7)	(13.9)	(9.0)	(19.4)	(15.7)

A summary of the changes in Defined Benefit obligation and plan assets for 2006 and 2007 is given below.

Defined Benefit obligation

	The Netherlands		Other countries		Total	
	2007	2006	2007	2006	2007	2006
Balance as at start of financial year	2,029.8	2,195.1	32.7	31.9	2,062.5	2,227.0
Service costs	29.3	39.1	0.7	1.2	30.0	40.3
Interest costs	91.5	84.9	2.0	1.5	93.5	86.4
Plan participants contributions	26.6	29.9	0.1	0.1	26.7	30.0
Actuarial gains and losses	102.9	(179.0)	(1.6)	0.4	101.3	(178.6)
Benefits paid	(94.6)	(81.3)	(1.5)	(1.9)	(96.1)	(83.2)
Business combination	–	–	7.3	–	7.3	–
Significant curtailment**	(76.0)	(58.9)	(1.7)	–	(77.7)	(58.9)
Changes in exchange rates	–	–	(2.3)	(0.5)	(2.3)	(0.5)
Balance as at financial year-end	2,109.5	2,029.8	35.7	32.7	2,145.2	2,062.5

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

** The amount mentioned in the 'significant curtailment' line relates to the divestment of Stork Prints (2006: Stork WorkSphere).

Plan assets

	The Netherlands		Other countries		Total	
	2007	2006	2007	2006	2007	2006
Balance as at start of financial year	2,071.8	2,017.3	24.6	23.3	2,096.4	2,040.6
Expected returns on plan assets	121.7	122.1	1.5	1.5	123.2	123.6
Employer's contribution	35.7	30.8	1.1	1.1	36.8	31.9
Plan participants contributions	26.6	29.9	0.1	0.1	26.7	30.0
Actuarial gains and losses	106.4	(4.6)	(0.6)	0.6	105.8	(4.0)
Benefits paid	(94.6)	(81.3)	(1.5)	(1.9)	(96.1)	(83.2)
Business combination	–	–	–	–	–	–
Significant curtailment**	(50.7)	(42.4)	–	–	(50.7)	(42.4)
Changes in exchange rates	–	–	(1.9)	(0.1)	(1.9)	(0.1)
Balance as at financial year-end	2,216.9	2,071.8	23.3	24.6	2,240.2	2,096.4

The net period pension costs of the above pension plans for 2007 and 2006 are as follows:

	The Netherlands		Other countries		Total	
	2007	2006	2007	2006	2007	2006
Service costs	29.3	39.1	0.7	1.2	30.0	40.3
Interest costs	91.5	84.9	2.0	1.5	93.5	86.4
Expected returns on plan assets	(121.7)	(122.1)	(1.5)	(1.5)	(123.2)	(123.6)
Amortised actuarial gains and losses	(0.2)	–	–	–	(0.2)	–
Amortised past service costs	5.9	5.9	–	–	5.9	5.9
Significant curtailment**	(22.9)	1.8	–	–	(22.9)	1.8
The effect of limiting the asset*	52.9	20.4	–	–	52.9	20.4
Pension expense	34.8	30.0	1.2	1.2	36.0	31.2

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

** The amount mentioned in the 'significant curtailment' line relates to the divestment of Stork Prints (2006: Stork WorkSphere).

As a result of the 'Wet VPL' (Early Retirement, Pre-pension and Career-break Savings Act), it has been decided to convert the existing early retirement and pension plans into a new pension plan with effect from 1 January 2006. To achieve an equivalent situation in relation to the projected pension, a conditional award of supplementary pension entitlements for past service will be made, among other measures. The awarding of pension entitlements is conditional on the continuation of employment with Stork until retirement date or 15 years calculated from 1 January 2006. Within IAS 19, this is considered as conditional past service costs. To the extent that this component can be compensated under the new fiscal principles, it is regarded as 'unvested' and will be included annually in the pension costs in the coming years starting from 2006 during the vesting period (approximately 13.5 years). To the extent that the difference in increase of the obligations between the present and new plans is not unvested, this is included in the pension costs for 2006 as vested past service cost.

The other pension plans are mainly based on a Defined Contribution plan. The costs of this plan were € 18.1 million in 2007 (2006: € 20.6 million).

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

The pension contribution expected to be paid by Stork for 2008 is € 53 million (2007: € 56 million).

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

	The Netherlands		Other countries		Total	
	2007	2006	2007	2006	2007	2006
Pension obligation as at 31 December:						
Discount rate used	5.1	4.6	5.7	5.3	5.1	4.6
Expected return on plan assets	5.9	5.9	6.8	6.7	5.9	5.9
Future salary increases	3.0	3.0	3.3	3.3	3.0	3.0
Future pension increases	2.0	2.0	2.3	2.4	2.0	2.0

The mortality table used for the Netherlands is based on the Prognosis table 2005-2050 of the Actuariel Genootschap (2006: GBM/GBV 1995-2000).

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

The return on plan assets for 2007 is estimated at 0.1% negative (2006: 6.7%).

The plan assets consist primarily of fixed-interest securities, listed shares and related instruments, as well as property.

The allocation of the investments per asset category for the pension plans in the Netherlands at 31 December 2007 and 2006 is as follows:

	Percentage allocation of investment as at 31-12	
	2007	2006
Shares and related instruments	36	39
Fixed-interest securities	41	42
Property	15	14
Other	8	5
Total	100	100

Historical summary

	2007	2006	2005
Cash value of the obligations related to Defined Benefit plans	(2,145.2)	(2,062.5)	(2,227.0)
Fair value of the plan assets	2,240.2	2,096.4	2,040.6
Net obligations	95.0	33.9	(186.4)
Experience adjustments incurred on obligations of the plan	134.0	(27.1)	116.3
Experience adjustments incurred on plan assets	105.8	(4.0)	245.4

79 Treasury activities

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

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

80 Cash management

Stork centralises its liquidity management in the Netherlands, Belgium and the USA. The bank accounts of operating companies have for this purpose been placed with a limited number of banks in cash pool arrangements. Stork maintains direct credit facilities (cash, guarantees, forex) of more than € 2 million at 12 financial institutions. In 2007 Stork was active on a daily basis in the money market to conclude daily cash contracts, deposits and cash loans. The maximum credit facility per operating company is determined centrally.

81 Currency management

General

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

Aerospace currency management

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

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

Expected US-dollar cash flow (in million)

2008	2009	2010	2011	2012	> 2012
192	168	133	89	90	371

Of the total expected cash flow of contracts entered into for the period 2008-2032, amounting to € 1,043 million, 79% was hedged at the end of 2007 (2006: 64%). The policy is aimed at ultimately, step-by-step, hedging 100% of the expected (highly probable) cash flows. At the end of 2007, Stork hedged 100% of the expected cash flows up to the end of 2010.

The currency risks are managed and hedged on a portfolio basis. The external hedging of currency risk in 2007 made virtually exclusive use of forward exchange contracts. For this purpose Stork has substantial credit facilities with five banks for forward exchange contract transactions with terms from 5 to 15 years.

Cash flow hedge accounting is applied for the revaluation of the financial instruments. For this purpose, each month effectiveness is calculated. In 2007, an ineffectiveness of € 2.6 million (2006: € 0.5 million) is recognised. Recognition of an ineffectiveness of between 80% and 100% is in accordance with policy and the hedge documentation. The ineffectiveness is recognised under exchange rate differences.

Movement in cash flow hedge reserve

	2007	2006
Starting balance	43,920	27,728
Increase through effective hedge	32,780	49,267
Recycling to income statement	(16,487)	(19,474)
Ineffectiveness	(2,634)	(500)
Contribution to cash flow hedge provision	(14,255)	(9,449)
Movement in cash flow hedge deferred tax position	152	(3,652)
Ending balance	43,476	43,920

Stork N.V. currency management for other activities

The Stork N.V. currency policy for other activities includes the procedures, regulations and authorisations relating to other currency risks. All results of this policy are recognised directly in the income statement. Currency risks at the start of contracts under which the sales volume will generate a certain cash flow are centrally hedged. Operating companies have no open foreign currency positions in relation to these contracts. Through a coherent infrastructure and strict procedures Stork strives to minimise the effect of exchange-rate fluctuations. Currency exposures during the proposal phase are mainly hedged by exchange rate clauses. Proposals with a high chance of success can be hedged with currency options. Use was made in 2007 of forward exchange contracts and cash transactions for external hedging of currency risks.

Hedging

The financial instruments entered into with banks are entered into directly by Stork. As at 31 December 2007, a total of € 888 million in contracts (2006: € 758 million) were centrally hedged for operating companies in relation to export contracts and € 209 million (2006: € 210 million) in relation to import contracts. As at year-end 2007, Stork had a derivatives portfolio consisting only of forward exchange contracts. The average term of the derivatives portfolio is 2 years and 5 months (in 2006: 1 year and 9 months). Currency risks relating to future revenues for which no commercial contracts have been concluded are in principle not hedged. The currency risk on the net investment in foreign activities is where possible and relevant minimised by financing in local currencies. Residual amounts are not hedged. The interest-bearing intercompany funding of the American activities was 100% hedged as at the end of 2007.

Sensitivity analysis

A decrease of 10% in the spot rate of the US dollar and related currencies in relation to the euro would have had a negative effect on Stork's 2007 result before taxes by an expected approximate 1% (2006: 2%). This calculation takes account of the forward exchange contracts concluded with banks.

82 Multicurrency revolving credit facility

Starting from 27 April 2004 Stork has access for a period of 5 years to a credit facility of € 300 million. This has been made available by a syndicate of five Dutch banks. At the end of 2007, € 110 million was taken up from this facility. The facility includes covenants concerning the debt, debt/ebitda and ebitda/interest ratios. These covenants have been complied with.

83 Interest management

Interest management for cash flows arising out of movements in various balance sheet components was limited in 2007 to daily cash management. Since Stork has no long-term loans from banks (apart from a small number of specific loans), there is no interest risk. No positions in interest rate derivatives were entered into in 2007.

84 Credit risks

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

Stork has insured a significant part of the outstanding debtors balance by means of turnover policies and single-transaction policies. Stork makes use of Letters of Credit as instruments for obtaining security for payment. Stork receives prepayments from customers to finance work in progress in relation to projects and long-term contracts (see note 61 Work in progress).

85 Commodities

No future contracts on commodities or other derivatives were entered into in 2007. Stork will make only limited use of these instruments. The future contracts entered into in 2005 were settled in full in 2006.

86 Financial instruments

(in € x million)

Fair value

	31-12-2007		31-12-2006	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	438	438	356	356
Cash and cash equivalents	74	74	93	93
Forward exchange contracts				
Aerospace Industries	696	696	555	555
Other	170	170	158	158
Commodity future contracts	–	–	–	–
Trade and other payables	(463)	(463)	(385)	(385)
Bank overdrafts	(116)	(116)	(114)	(114)
	799	799	663	663

The interest rate used in calculating the fair value of derivatives as at 31 December 2007 was based on market rates. These are shown below.

	2007	2006
Derivatives		
Euro interest rate	3.6% – 4.1%	3.6% – 4.3%
US dollar interest rate	4.4% – 5.4%	5.1% – 5.3%

87 Contingent liabilities

Guarantees issued

At 31 December 2007 guarantees issued to third parties totalled € 165.8 million (2006: € 132.1 million).

Rabobank has issued a down-payment guarantee for the Boxer project, for which a credit facility has been made available.

This guarantee may rise to a maximum amount of € 92 million in 2013.

Contingencies

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

88 Associated parties

Relationships between related parties exist between Stork and its subsidiaries, associates and joint ventures (see note 58), the Stork Pension Fund and the directors and higher management of the company.

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

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

89 Assets on order

Investment commitments relating to assets on order are € 10.6 million (2006: € 7.3 million).

90 Non-current commitments

Commitments relating to rental and operational leasing contracts are € 59.6 million (2006: € 61.6 million).

(in € x million)

	2007	2006
Shorter than 1 year	14.6	11.5
Between 1 and 5 years	27.0	28.1
Longer than 5 years	18.0	22.0

Financial leasing commitments are € 1.9 million (in 2006: € 3.3 million).

91 Legal and constructive obligations

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

This relates to the following joint ventures:

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

92 Estimates and judgments by management

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

Primary sources of uncertainties in estimates

Note 24 contains information about the assumptions and the corresponding risk factors relating to impairment of goodwill and intangible fixed assets resulting from acquisitions. Note 7 gives an analysis of the financial instruments, as well as of the risks relating to changes in currency values.

Achievability of development costs

The most important part of development costs consists of non-recurring costs for aircraft programmes within Aerospace. The achievement of the carrying amount of this item is assessed periodically on the basis of expected cash flows based on market estimates of quantities sold. These estimates are made with an appropriate degree of prudence. The carrying amount of development costs is included in note 57.

Assumptions concerning pensions

Note 78 contains information concerning the valuation of pension obligations. Stork assumes expected longer-term returns on invested assets as applied by the Dutch central bank (DNB), taking into account the asset mix of the Stork Pension Fund. It should be noted that this percentage is lower than the average returns achieved over the past three years. If the expected returns were to decline, this would have a negative effect on the unrecognised actuarial results of Stork. The pension charge for 2009 would also be influenced in that case. A decline in the long-term market interest rate and with it the applied discount rate would mean an increase in the obligations and as a result also in the actuarial results which have not yet been recognised. Both these factors lead to a risk that the actuarial results not yet recognised would exceed the specified bandwidth in 2008. In that case the part exceeding the bandwidth would be included in the pension charge as of 2009.

Assumptions concerning the valuation of the deferred tax position

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

Company income statement of Stork N.V.

(in € x 1,000)

	2007	2006
Income from subsidiaries after taxes	79,089	121,415
Other results after tax	(11,863)	28,239
Net result	67,226	149,654

Company balance sheet of Stork N.V.

(in € x 1,000)

After appropriation of profit

	2007	2006
Non-current assets		
Property, plant and equipment ⁹⁵	4,482	4,698
Goodwill ⁹⁶	11,569	9,292
Financial fixed assets ⁹⁷	796,755	829,763
	812,806	843,753
Current assets		
Financial instruments	74,981	59,833
Current tax asset	6,040	1,436
Trade and other receivables ⁹⁸	34,618	18,659
	115,639	79,928
Assets	928,445	923,681
Equity ⁹⁹		
Share capital ¹⁰⁰	31,251	33,020
Share premium reserve ¹⁰¹	53,438	56,463
Statutory reserve ¹⁰²	132,213	135,303
Other reserve ¹⁰³	277,427	241,419
Equity	494,329	466,205
Provisions ¹⁰⁹	51,063	49,083
Current liabilities		
Trade and other payables ¹¹⁰	383,053	408,393
	383,053	408,393
Liabilities	928,445	923,681

Notes to the separate financial statements

93 General

The separate financial statements are part of the 2007 financial statements of Stork N.V. For the separate income statement of Stork N.V., use is made of the exemption pursuant to Section 2:402 of Book 2 of the Netherlands Civil Code.

94 Principles for valuation and determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its separate financial statements, Stork N.V. makes use of the option provided in Section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result for the separate financial statements of Stork N.V. are the same as those for the consolidated financial statements. In this context, investments in companies in which significant control is exercised are measured according to the net asset value method. The consolidated financial statements are prepared according to the standards set by the International Accounting Standards Board (IASB) and accepted by the European Union and with Title 9 Book 2 of the Netherlands Civil Code. For a description of these accounting principles, reference is made to the accounting principles with the consolidated financial statements.

The share in the result of enterprises in which the company has holdings comprises the share of Stork N.V. in the result of these participating interests. Results on transactions in which transfer of assets and liabilities has occurred between Stork N.V. and its participating interests, and mutually between participating interests with each other, are not recognised insofar as these can be considered as not realised.

95 Property, plant and equipment

	Land and buildings	Other productive assets	Total
Historic cost	4,714	4,904	9,618
Depreciation and impairment costs	(286)	(3,988)	(4,274)
Carrying amount as at 31-12-2005	4,428	916	5,344
Carrying amount as at 01-01-2006	4,428	916	5,344
Other investments	–	26	26
Disposals	–	–	–
Depreciation	(204)	(468)	(672)
Carrying amount as at 31-12-2006	4,224	474	4,698
Historic cost	4,714	4,929	9,643
Depreciation and impairment losses	(490)	(4,455)	(4,945)
Carrying amount as at 31-12-2006	4,224	474	4,698
Carrying amount as at 01-01-2007	4,224	474	4,698
Other investments	–	325	325
Disposals	–	–	–
Depreciation	(184)	(357)	(541)
Carrying amount as at 31-12-2007	4,040	442	4,482
Historic cost	4,714	5,255	9,969
Depreciation and impairment losses	(674)	(4,813)	(5,487)
Carrying amount as at 31-12-2007	4,040	442	4,482

96 Goodwill

Approximately € 2.1 million in goodwill was paid in 2007. This goodwill relates to the acquisition of GTO Gloeitechniek, Istimewa Elektro and Sheffield Testing Laboratories, of which Stork N.V. is the legal shareholder.

97 Financial fixed assets

	Interest in group companies	Associates	Loans to group companies	Total
Carrying amount as at 01-01-2007	538,991	4,095	286,677	829,763
Result of subsidiaries	78,385	704	–	79,089
Dividends received	(164,808)	(512)	–	(165,320)
Exchange-rate differences	(6,205)	–	467	(5,738)
Movements in loans	–	–	–	–
Other movements	38,966	20,040	(45)	58,961
Carrying amount as at 31-12-2007	485,329	24,327	287,099	796,755

Stork N.V. is at the head of the group and has capital interests in the group companies presented on page 100. The other movements concern recapitalisation of the subsidiaries.

98 Trade and other receivables

	2007	2006
Debtors (current)	615	477
Debtors subsidiaries	2,383	3,819
Receivables from associates	10	48
Other receivables	31,610	14,315
	34,618	18,659

99 Equity

The equity in the Stork N.V. separate financial statements is reconciled with the equity in the consolidated financial statements. For details of the movements in equity, reference is made to note 64.

100 Share capital

The authorised share capital comprises:

50,000,000 ordinary shares of € 1.–	50,000
25,000,000 preference shares A of € 1.–	25,000
75,000,000 preference shares B of € 1.–	75,000
	150,000

Ordinary shares

Balance as at 1 January 2007: 33,019,744 ordinary shares	33,020
Ordinary shares withdrawn 1,769,246	(1,769)
Balance as at 31 December 2007	31,251

Preference shares B

Balance as at 1 January 2007	7,558
New share issue: preference shares B 30,233,170	(30,233)
Not paid-up	22,675
Balance as at 31 December 2007	–

101 Share premium reserve

Balance as at 1 January 2007	56,463
Share premium on shares withdrawn	(3,025)
Balance as at 31 December 2007	53,438

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

102 Statutory reserve

Balance as at 1 January 2007	135,303
Movement in capitalised development costs	3,092
Movement in cash flow hedge reserve	(444)
Exchange rate difference in valuation of participating interests	(5,738)
Balance as at 31 December 2007	132,213

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

103 Other reserve

Balance as at 1 January 2007	241,419
Result for 2007	67,226
Cash dividend 2006	(33,628)
Purchase of own shares	471
Share and option plans	4,741
Movement in capitalised development costs	(3,092)
Other movements	290
Balance as at 31 December 2007	277,427

A proposal will be made to the Annual General Meeting to pay no dividend over the result after tax for 2007. The full amount will be added to other reserves.

104 Option rights

The option rights granted before 2004 give entitlement to one ordinary share in Stork N.V. of € 1 nominal value, have a term of 5 years and can be exercised directly. Option rights that are not exercised within 5 years will lapse. Option rights also lapse if the holder for any reason ceases to be employed by Stork N.V. or one of its majority interests, except as a result of retirement, early retirement or death. Option rights granted as of 2004 are conditional. For the 2005 and 2006 option series, the number of options that can be exercised is set according to the performance of Stork compared with Midkap securities, expressed in Total Shareholders Return (price gain/loss and dividend paid for the period concerned) over the coming 3 years.

If Stork is in the bottom six in this ranking, no options will be exercisable. For each place higher than the sixth place from the bottom, the number of option rights increases by 4%. If Stork reaches a position in the top three of this ranking, 100% of the options will always be exercisable. The 2007 option series is 50% dependent on this ranking and 50% dependent on the achieved WACC. The assessment date for the 2007 option series is 14 March 2009.

The exercise price was set at the closing price of the Stork share on 14 March 2007 (after correction for the € 4.00 capital reduction: € 42.62). From 14 March 2009, the option holder has the right for a period of 4 years to exercise the number of options that are unconditional on that date. Share options granted to members of the Board of Management and directors are as shown in the table below.

In 2007, 103,952 (2006: 145,030) shares in Stork N.V. were purchased at an average price of € 41.90 to cover the granted share options. The policy of the company is to cover granted share options to the extent that the share price exceeds the exercise price. In 2007, 17,750 (2006: 19,365) shares were repurchased to provide to the holders of the options granted. The fair value of these shares at the time of granting (€ 0.7 million) is accounted for under salaries in the 2006 income statement, with addition of the same amount to the other reserves. Their holders may not transfer these shares for a period of 5 years. In addition, in 2007, 253,222 (2006: 249,405) purchased shares in Stork N.V. were transferred as a result of exercised options.

At the end of 2007, the company held 846,990 (2006: 2,783,256) shares in Stork N.V.

105 Policy for granting of share options

The Board of Management decides on the granting of share options to directors. The Supervisory Board decides on the granting of options to the Board of Management.

106 Total option rights and shares

The weighted average exercise prices and the numbers of issued options are as follows:

Term	Number granted	Weighted average exercise price	Position from 2006	Granted 2007	Exercised 2007	Lapsed 2007	Position 2007 year-end
2002/2007	442,268	12,26	104,743	–	104,743	–	–
2003/2008	347,965	5,01	155,050	–	122,458	–	32,592
2004/2011	327,464	13,03	313,251	–	26,021	46,992	240,238
2005/2012 (conditional)	368,466	27,03	338,398	–	–	10,394	328,004
2006/2013 (conditional)	390,880	42,62	373,933	–	–	10,945	362,988
2006/2013	51,935	42,62	51,935	–	–	–	51,935
2007/2014 (SARs-conditional)		37,23	–	353,000	–	3,500	349,500
	1,928,978		1,337,310	353,000	253,222	71,831	1,365,257
Shares granted under option plan							
2002	–	–	10,300	–	–	–	10,300
2003	–	–	67,341	–	–	–	67,341
2004	–	–	36,442	–	–	–	36,442
2005	–	–	29,596	–	–	–	29,596
2006	–	–	19,365	–	–	–	19,365
2007	–	–	–	17,750	–	–	17,750
			163,044	17,750	–	–	180,794

107 Option rights and shares held by members of the Board of Management

The list below shows the numbers of existing and exercisable options, listed by year of issue and exercise price.

Term	Number granted	Weighted average exercise price	Position from 2006	Granted 2007	Exercised 2007	Lapsed 2007	Position 2007 year-end
Sj.S. Vollebregt							
2002/2007	51,935	5.90	51,935	–	51,935	–	–
2003/2008	51,935	4.82	51,935	–	51,935	–	–
2004/2011	51,935	12.91	51,935	–	–	7,790	44,145
2005/2012 (conditional)	51,935	27.03	51,935	–	–	–	51,935
2006/2013 (conditional)	51,935	42.62	51,935	–	–	–	51,935
2006/2013	51,935	42.62	51,935	–	–	–	51,935
2007/2014 (SAR – conditional)		37.23	–	47,500	–	–	47,500
			311,610	47,500	103,870	7,790	247,450
Shares			46,326	4,750	–	–	51,076
* Exercise price € 39.83							
J.C.M. Schönfeld							
2002/2007	38,268	13.11	38,268	–	38,268	–	–
2003/2008	25,968	4.82	25,968	–	25,968	–	–
2004/2011	25,968	12.91	25,968	–	–	3,895	22,073
2005/2012 (conditional)	25,968	27.03	25,968	–	–	–	25,968
2006/2013 (conditional)	25,968	42.62	25,968	–	–	–	25,968
2007/2014 (SAR – conditional)		37.23	–	23,750	–	–	23,750
			142,140	23,750	64,236	3,895	97,759
Shares			11,296	1,350	–	–	12,646
* Exercise price € 40.72							
H.E.H. Bouland							
2003/2008	25,968	4.82	25,968	–	25,968	–	–
2004/2011	25,968	12.91	25,968	–	–	3,895	22,073
2005/2012 (conditional)	25,968	27.03	25,968	–	–	–	25,968
2006/2013 (conditional)	25,968	42.62	25,968	–	–	–	25,968
2007/2014 (SAR – conditional)		37.23	–	23,750	–	–	23,750
			103,872	23,750	25,968	3,895	97,759
Shares			12,608	1,350	–	–	13,958
* Exercise price € 39.83							
Total options			557,622	–	194,074	15,580	347,968
Total SARs			–	95,000	–	–	95,000
Total shares			70,230	7,450	–	–	77,680

108 Fair value of share options and assumptions

	2007	2006
Fair value on valuation date	14.87	9.32
Share price at time of granting – Board of Management	18.36	
Share price on date of awarding	37.23	46.60
Exercise price	48.10	46.60
Expected volatility	25.9%	24.2%
Expected volatility – Board of Management	27.7%	24.2%
Term of the option	2.8	4.5
Term of the option – Board of Management	6.3	4.5
Expected dividend	2.2%	2.4%
Risk-free interest rate	5.0%	3.5%

The conditions under which the options are granted, as described in note 104 Other reserve, do not take into account the actual value determination on the date of granting of the services provided.

109 Provisions

	Balance 01-01-2007	Addition charged to the income statement	Release credited to the income statement	Deduction for the intended purpose	Unwind of discount	Balance 31-12-2007
Deferred tax liabilities	32,005	–	–	652	–	32,657
Reorganisation liabilities	2,816	4,035	946	(352)	–	5,553
Claims, disputes and other contractual obligations	7,649	1,095	1,322	(634)	54	6,842
Pension liabilities	6,613	581	973	(210)	–	6,011
	49,083	5,711	3,241	(544)	54	51,063
Of which short-term	10,953					7,806
Of which with a remaining term longer than 5 years	1,167					1,078

110 Trade and other payables

	2007	2006
Due to customers*	31,136	16,881
Bank overdraft	301,455	357,697
Trade creditors	6,141	3,703
Group company creditors	354	861
Other taxes and social security contributions	4,943	4,196
Prepayments received	11,530	4,022
Preference shares	–	7,558
Other liabilities	27,494	13,475
	383,055	408,393

* This item relates to the provision for loss orders for major aircraft programmes, which would be loss-making only on the basis of calculation at fair value. Since cash flow hedge accounting is applied at corporate level by Stork N.V., the related provision is therefore recognised in the Company income statement of Stork N.V. The background to cash flow hedge accounting is explained in note 7 to the consolidated financial statements.

111 Financial instruments

For an explanation concerning financial instruments, reference is made to notes 79 to 86.

112 Employee costs and benefits

For the employee costs, reference is made to note 46 in which the remuneration of the Board of Management is set out.

The employees of Stork N.V. have the same Defined Benefit pension plan as described in the consolidated financial statements. In view of the fact that the attribution of the liabilities and investments of the Stork Pension Fund Foundation to such a small population relative to the total number of participants in the Stork Pension Fund Foundation would lead to a high degree of inaccuracy, the contributions paid to the Stork Pension Fund Foundation are regarded as a pension cost.

113 Liabilities not shown on the balance sheet

Individual liability and guarantees

At 31 December 2007, guarantees issued to third parties totalled € 94.4 million (2006: € 79.3 million).

For the Dutch operating companies listed on page 100, notices of liability have been filed for liabilities resulting from legal actions.

Fiscal entity

Stork N.V. and its subsidiaries form a fiscal entity for corporation tax purposes. According to the standard conditions, each of the companies is liable for tax payable of all the companies included in the legal entity.

114 Events after the balance sheet date

As stated in the press release issued on 17 January 2008, the offer by London Acquisition B.V. for all issued Stork shares was declared unconditional on that date. This means that a total of approximately 98% of the issued and outstanding share capital of Stork is held by London Acquisition B.V. Remaining Stork shares could be tendered during a post-acceptance period ending on 1 February 2008.

The intention of London Acquisition B.V. to end the stock exchange listing of Stork at Euronext Amsterdam as quickly as possible has now been confirmed by NYSE Euronext. The ordinary shares issued by Stork N.V. will no longer be listed on the Euronext exchange from 20 February 2008.

At the Extraordinary General Meeting of Shareholders (EGM) held on 4 January 2008, shareholders approved the sale of the Stork Food Systems division to Marel Food Systems hf, subject to the offer being declared unconditional. The agreed sale price is € 415 million (on a so-called cash and debt-free basis). The expected book profit is approximately € 260 million.

Shareholders also approved the amendment of the Articles of Association of Stork N.V. and the appointment of the members of the Supervisory Board at the EGM on 4 January 2008, subject to the offer being declared unconditional. From the settlement date of 22 January 2008 the Supervisory Board therefore consists of Mr. J.H. Schraven (Chairman), Mr. M.S. Gumienny (Vice Chairman), Mr. E.J.F.H.C. Ernst and Mr. P.F. Hartman. Mr. P.J. Kalf, Mr. A. van der Velden, Mr. J. Aalberts and Mr. C.J. van den Driest have agreed to retire from the Supervisory Board with effect from the same date.

Solely as a result of the offer being declared unconditional, all existing option rights and the 'Stock Appreciation Rights' (SARs) held by members of the Board of Management and other Stork employees will be settled in cash to the extent that these are unconditional. The conditional option rights and SARs will be converted into conditional rights to future cash settlement. The additional costs involved in this are approximately € 17 million.

In December 2007 the Central Works Council of Stork already issued its advice in accordance with article 35 and 25 para. 1 of the 'Wet op de Ondernemingsraden' (Works Councils Act), and advised agreement to the offer by London Acquisition in combination with the sale of Stork Food Systems to Marel.

As a result of one or more legal mergers or as a result of other measures implemented by London Acquisition B.V. and Stork, the part of the balance sheet total of Stork or its legal successor consisting of external financing may increase substantially relative to the situation at 31 December 2007.

For further information, reference is made to the Offer Memorandum and the Shareholders Circular, which are available on the Stork website (www.stork.com). The Stork website in no way forms part of the Offer Memorandum or the Shareholders Circular. Copies of the Offer Memorandum and the Shareholders Circular are furthermore available free of charge from the head office of Stork, the Information Agent and the Settlement Agent.

On 24 January 2008 the Enterprise Chamber of the Amsterdam Court of Appeal established that the investigation into the affairs of Stork has ended and as a result the related rulings by the Enterprise Chamber have lapsed. This means among other things that the three extra members of the Supervisory Board of Stork designated by the Enterprise Chamber on 26 January 2007 – Mr. D.G. Eustace, Mr. C.J.A. van Lede and Mr. W. Kok – are no longer in function with effect from 24 January 2008.

All the events after the balance sheet date referred to above provide no further information about the actual situation at the balance sheet date and have therefore not led to any adjustment of the balance sheet total as at 31 December 2007 or of the result for the financial year 2007.

Naarden, 18 February 2008

Board of Management

Sj.S. Vollebregt (Chairman)

J.C.M. Schönfeld (Vice Chairman)

H.E.H. Bouland

The financial statements have not been signed by the Supervisory Board members Mr. J.H. Schraven (Chairman), Mr. M.S. Gumienny (Vice Chairman), Mr. E.J.F.H.C. Ernst and Mr. P.F. Hartman. The reasons for this are as follows. The Supervisory Board members only recently took office, on 22 January 2008. In view of the very short period between their appointment and the date on which the financial statements were prepared, they have not been in a position to form an opinion about the financial statements, which further relate to a financial year during which they were not in office.

We hereby present you with these financial statements for your assessment and confirmation at the General Meeting of Shareholders on 7 March 2008.

Figures for recent years

(in € million, unless otherwise stated)

Consolidated income statement

	Figures based on IFRS					
	2007	2006	2005	2004	2003	2002
Net turnover	2,162.9	2,009.1	1,817.9	1,728.9	1,946.0	2,079.0
Operational result	55.8	85.5	128.7	105.6	92.7	(55.2)
Financial income and expenses	(13.3)	(6.5)	(0.3)	(7.3)	(6.5)	(10.7)
Result before tax	42.5	79.0	128.4	98.3	86.2	(65.9)
Income tax expense	3.1	2.0	(36.5)	(24.0)	(6.3)	27.1
Share of profit of associates	3.9	2.9	1.6	0.3	(4.9)	(2.3)
Result after tax	49.5	83.9	93.5	74.6	75.0	(41.1)
Book profit from discontinued operations after tax	18.1	66.0				
Minority interest	(0.4)	(0.2)	(0.2)	(0.3)	(0.8)	(0.8)
Net result	67.2	149.7	93.3	74.3	74.2	(41.9)
Number of employees at year-end	14,856	12,714	12,848	12,463	13,181	16,146
Per average no. of employees (in € x 1,000)						
Salaries and social insurance contributions	50.7	51.0	48.7	47.1	42.0	41.6
Added value	105.0	103.7	94.5	88.3	68.2	67.3
Net turnover	158.5	157.7	144.2	135.2	134.5	126.3
Figures per share (in €)						
Net result	2.21	4.76	2.92	2.31	2.28	(1.27)
Cash flow	3.89	6.44	4.30	3.82	3.83	0.60
Dividend	– *	1.10	1.10	0.90	0.65	0.45
Distribution percentage***	–	22	38	39	29	n.a.
Equity	16.26	15.42	17.07	14.12	13.37	11.56
Share price at year-end	48.10	39.78	36.09	25.35	15.70	5.80
Ratios (%)						
Net result/net turnover	3.1	7.4	5.1	4.3	3.8	(2.0)
Interest coverage ratio	6.1	37.5	53.3	11.1	9.7	5.3**
Operating result/capital employed	10.1	19.3	36.5	28.6	22.0	(9.6)
Net result/average equity	14.0	29.6	18.8	17.3	18.2	(10.1)

* Proposal

** Excluding non-recurring income and charges

*** Before normalisation

The results have not been adjusted for changes in valuation principles which have been introduced in recent years.

Figures based
on Dutch GAAP

2001	2000	1999	1998	
2,196.0	2,578.0	2,406.0	2,253.0	Net turnover
(7.0)	88.0	47.5	108.9	Operational result
(10.2)	(1.5)	0.9	(0.5)	Financial income and expenses
(17.2)	86.5	48.4	108.4	Result before tax
6.8	(24.9)	(11.0)	(23.1)	Income tax expense
3.3	2.7	7.4	0.5	Share of profit of associates
(7.1)	64.3	44.8	85.8	Result after tax
				Book profit from discontinued operations after tax
(0.9)	(1.1)	(1.3)	0.1	Minority interest
(8.0)	63.2	43.5	85.9	Net result
16,919	18,939	20,475	19,848	Number of employees at year-end
				Per average no. of employees (in € x 1,000)
41.5	40.8	40.5	38.4	Salaries and social insurance contributions
66.4	64.4	60.1	56.1	Added value
122.5	134.1	115.5	110.9	Net turnover
				Figures per share (in €)
(0.24)	1.91	1.36	2.77	Net result
1.33	3.62	3.07	4.50	Cash flow
0.45	0.85	0.75	1.13	Dividend
n.a.	44	55	41	Distribution percentage***
13.59	15.06	16.31	17.22	Equity
9.07	13.35	14.50	19.47	Share price at year-end
				Ratios (%)
(0.4)	2.5	1.8	3.8	Net result/net turnover
3.6	8.6	9.4	8.6	Interest coverage ratio
(1.1)	15.7	9.5	23.3	Operating result/capital employed
(1.7)	12.4	8.3	16.9	Net result/average equity

Consolidated balance sheet at 31 December

	Figures based on IFRS					
	2007	2006	2005	2004	2003	2002
Property, plant and equipment	295.8	259.3	280.9	280.7	332.1	370.1
Goodwill	130.3	52.2	7.3	6.2		
Other intangible fixed assets	126.2	115.6	75.7	68.8		
Investments in associates	34.4	16.0	17.3	16.5	16.7	26.2
Long-term receivables from associates						
Deferred tax assets	14.1	1.3	7.3	9.9		
Non-current assets	600.8	444.4	388.5	382.1	348.8	396.3
Financial instruments	75.0	59.8	15.3			
Inventories	225.8	208.8	213.1	194.5	200.7	230.9
Work in progress					23.0	(16.4)
Due from customers	139.6	110.6	159.5	121.1		
Trade and other receivables	437.6	356.1	354.9	332.0	369.6	464.2
Current tax assets		1.6				
Securities	–	–	–	–	–	–
Assets classified as held for sale	–	112.2				
Cash and cash equivalents	74.1	93.2	212.4	239.8	218.4	122.7
Current assets	952.1	942.3	955.2	887.4	811.7	801.4
Total assets	1,552.9	1,386.7	1,343.7	1,269.5	1,160.5	1,197.7
Equity	494.3	466.2	544.1	449.7	433.5	381.6
Minority interest	–	2.4	2.5	2.2	4.8	7.4
Long-term debts	37.7	30.0	28.9	23.6	154.0	170.9
Provisions	140.1	119.2	128.5	117.2	117.9	183.1
Due to customers	292.0	202.3	214.1	173.5		
Trade and other payables	469.5	392.1	423.7	399.1	424.4	450.3
Bank overdraft	116.5	114.4	1.4	0.6		
Liabilities classified as held for sale	–	59.0				
Current liabilities for long-term debt	2.8	1.1	0.5	103.6	25.9	4.4
Total liabilities	1,552.9	1,386.7	1,343.7	1,269.5	1,160.5	1,197.7
Ratios (%)						
Revenue/average capital employed	3.9	4.5	5.2	4.7	4.6	3.6
Equity/balance sheet total	0.32	0.34	0.40	0.35	0.37	0.32
Equity/borrowed capital (short-term and long-term)	0.97	1.10	1.19	1.06	0.72	0.61
Current assets/current liabilities	2.0	2.4	2.3	2.2	1.9	1.8

Figures based
on Dutch GAAP

2001	2000	1999	1998	
403.1	324.3	359.4	356.2	Property, plant and equipment
				Goodwill
				Other intangible fixed assets
39.4	46.2	51.5	36.1	Investments in associates
				Long-term receivables from associates
				Deferred tax assets
442.5	370.5	410.9	392.3	Non-current assets
				Financial instruments
306.1	306.4	251.8	217.7	Inventories
31.4	29.6	67.3	(59.1)	Work in progress
				Due from customers
564.9	566.8	531.0	492.5	Trade and other receivables
				Current tax assets
10.5	19.2	26.1	11.3	Securities
				Assets classified as held for sale
–	98.9	112.4	207.3	Cash and cash equivalents
912.9	1,020.9	988.6	869.7	Current assets
1,355.4	1,391.4	1,399.5	1,262.0	Total assets
448.7	497.2	521.2	533.0	Equity
10.4	7.3	5.2	3.7	Minority interest
174.0	193.7	149.9	136.5	Long-term debts
168.9	195.0	238.8	160.4	Provisions
				Due to customers
512.5	496.5	482.0	425.5	Trade and other payables
				Bank overdraft
				Liabilities classified as held for sale
40.9	1.7	2.4	2.9	Current liabilities for long-term debt
1,355.4	1,391.4	1,399.5	1,262.0	Total liabilities
				Ratios (%)
3.4	4.6	4.8	4.8	Revenue/average capital employed
0.33	0.36	0.37	0.42	Equity/balance sheet total
0.62	0.72	0.82	0.94	Equity/borrowed capital (short-term and long-term)
1.8	2.1	2.1	2.0	Current assets/current liabilities

To: General Meeting of Shareholders

Auditors' report

Report on the financial statements

We have audited the accompanying financial statements of Stork N.V., Naarden as set out in pages 29 to 91. 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 2007, income statement, statement of recognised income and expense and 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 2007, the company income statement for the year then ended and the notes.

Management's responsibility

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

Auditors' 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Stork N.V. as at 31 December 2007 and of its result and its cash flow 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 Stork N.V. as at 31 December 2007 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 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 18 February 2008

KPMG ACCOUNTANTS N.V.

A.S. Welling RA

In relation to the public offer made by London Acquisition B.V. on 14 December 2007 for all ordinary shares in Stork N.V., the Stork Foundation, based in Amsterdam, taking into account the fact that acceptance of the offer was recommended unanimously by the Board of Management and Supervisory Board, has undertaken to give up its option right subject to the condition that the public offer is declared unconditional. Consequently the option right is no longer effective from 17 January 2008.

In 2007 the Stork Foundation was granted the right to subscribe for a number of cumulative preference shares B equal to the number of issued cumulative preference shares A and ordinary shares minus one ('the option right'). The decision to exercise that right rested solely with the executive committee of the Stork Foundation. The executive committee of the Stork Foundation would be empowered to exercise the voting rights attaching to any cumulative preference shares B which may be acquired in such a way as to ensure or promote the development, the independence and the continuity of Stork N.V. or the companies associated with it. In the shared judgment of the Board of Management of Stork N.V. and the executive committee of the Stork Foundation, the Foundation is independent of the issuing institution within the meaning of Appendix X of the rules relating to securities ('Fondsenreglement').

The executive committee of the Stork Foundation consists of: A.P. Timmermans (Chairman), G. de Vries Lentsch, A.G. van Leersum and F.J.G.M. Cremers. The executive committee member M.A. van Peski sadly died in 2007.

On 19 December 2006 the Stork Foundation decided to make use of its option right and acquired 30,233,170 cumulative preference shares B. The Enterprise Chamber of the Amsterdam Court of Appeal on 17 January 2007 ordered Stork to withdraw the shares issued as a result of the option, and this order has been carried out.

Provisions of the articles of association regarding profit appropriation (article 26)

1. The company may make distributions to the shareholders and others entitled to share in the profit to the extent that equity exceeds the issued and paid-up part of the capital together with the statutory reserves.
2. Distribution of profit may take place only after confirmation of the financial statements which show that such distribution is authorised.
3. A reserve to be determined by the Board of Management with the approval of the Supervisory Board shall be formed at the expense of the profit.
4. The remaining profit shall be at the disposal of the General Meeting of Shareholders.
5. Resolutions to wholly or partially discontinue the reserves formed in accordance with para. 3 may be passed by the General Meeting of Shareholders.

Proposed profit appropriation

Reference is made to page 70 of this report for the proposed profit appropriation.

List of major consolidated operating companies

(Wholly owned, unless otherwise stated)

Aerospace

Stork Fokker AESP B.V., Papendrecht, Hoogeveen (NL)
Fokker Elmo B.V., Hoogerheide (NL)
Stork SP Aerospace, Geldrop (NL)
Stork PWV B.V., Amsterdam (NL)
Fokker Elmo (Langfang) Electrical Systems Co Ltd. (CN)
Fokker Services B.V., Hoogerheide (NL)
Fokker Services Asia Pte.Ltd., Singapore (SG)
Fokker Services Inc., Atlanta (US)
Fokker Airinc, Fairhope (US)
Aerotron Air Power, LaGrange (US)

Technical Services

Stork Industry Services B.V., De Meern (NL)
Stork Maintenance Management B.V., De Meern (NL)
Stork MEC N.V., Antwerp (BE)
Stork Wescar N.V., Willemstad (AN)
Stork Sutherland Schultz, Cambridge (CA)
iicorr Ltd., Aberdeen (GB)
Stork MSW, Buenos Aires (AR)
Stork Turbo Blading B.V., Sneek (NL)
Stork Turbo Service B.V., Almere (NL)
Stork Turbo Service GmbH, Regensburg, Essen (DE)
Stork H&E Turbo Blading Inc., Ithaca (US)
Stork Gears & Services B.V., Rotterdam (NL)
Stork Trading B.V., Hengelo (NL)
Stork Thermeq B.V., Hengelo (NL)
Stork Materials Technology B.V., Amsterdam (NL)
Stork Cellramic Inc., Milwaukee (US)
Stork Technimet Inc., New Berlin (US)
Stork Materials Testing and Inspection Inc., Huntington Beach (US)
Stork Herron Testing Laboratories Inc., Cleveland (US)
Stork Southwestern Laboratories Inc., Houston (US)
Stork East West Technology, Jupiter (US)
MTT Werkstofflabor GmbH, Herne (DE)
Stork Intermeas N.V., Antwerp (BE)
Stork Twin City Testing Inc., St. Paul (US)
Stork Cooperheat UK Ltd., Skelmersdale (GB)
Stork Special Products B.V., Zwolle (NL)
2rent B.V., Rozenburg (NL)
Interlas B.V., Rozenburg (NL)
HiTecs B.V., Nieuwegein (NL)

Others and holdings

Stork A.G., Zug (CH)
Chemica A.G., Zug (CH)
Stork United Corp., Charlotte (US)
Stork German Holding GmbH, Regensburg (DE)
Stork France Holding SAS, Baud (FR)

Food Systems

Stork PMT B.V., Boxmeer (NL)
Stork Townsend Engineering, Oss (NL) and Des Moines (US)
Stork Gamco Inc., Gainesville (US)
Stork Titan B.V., Boxmeer (NL)
Stork PFP Systems Ltda., Piracicaba (BR)
Stork Food and Dairy Systems B.V., Amsterdam (NL)
Stork Food Systems France SAS, Baud (FR)

Prints (60% interest sold on 13 November 2007)

Stork Prints B.V., Boxmeer (NL)
Stork Digital Imaging B.V., Boxmeer (NL)
Stork Prints Austria A.G., Kufstein (AT)
Stork Prints America Inc., Charlotte (US)
Stork Prints Brasil Ltda, Piracicaba (BR)
Stork IBI Prints (Pvt) Ltd. Pakistan (88%), Karachi (PK)
Stovec Industries Ltd. (51%), Bombay (IN)
Stork Textile Systems Wuxi Co. Ltd, Wuxi (CN)
Stork Prints Japan K.K., Osaka (JP)
P.T. Stork Prints Indonesia (95%), Bekasi (ID)
Stork Veco B.V., Eerbeek (NL)

Use has been made of the exemption provided by Section 2:403, Part IX, Book of the Netherlands Civil Code with respect to the Dutch operating companies, with the exception of Stork PWV B.V.

Glossary of terms

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

Cash flow The sum of net profit and depreciation.

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

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

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

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

Cumulative preference share Share that gives the holder the right to a fixed percentage of dividend and retains that right, even if the company issues no dividend in a particular year. The investor can call the dividend in the following year or the year after that.

Cumulative preference share A Shares that can be issued if Stork requires capital, for example to make major investments.

Cumulative preference share B See page 100 'The Stork Foundation'.

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

Dividend The part of the profit that is distributed to shareholders.

EBIT Earnings Before Interest and Taxes. Operational result, including exchange-rate differences, income from associates and minority interests.

Economic Profit See page 5.

Equity The share capital (number of shares issued multiplied by the nominal value) of a company plus all reserves.

IFRS International Financial Reporting Standards. Also referred to as IAS (International Accounting Standards). From 2005 all companies listed on the stock exchange in the European Union must comply with these new accounting rules.

Interest coverage ratio EBIT plus interest received, divided by interest paid.

Interest-bearing debts Long-term debts plus banks.

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

Net liabilities Interest-bearing debts minus liquid assets.

Non-recurring costs One-time investments in new specific design and production programmes.

NOPAT Net Operating Profit After Tax (corrected operational result after tax).

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

Released provision Reduction of a provision which is credited to the income statement.

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

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

Return on Sales The EBIT for the current year divided by the net turnover.

Share capital The total nominal value of the shares of a company. Calculated by multiplying the number of shares by the nominal value per share.

Solvency The extent to which a company is able to meet its financial obligations. This is calculated as the ratio of equity to the balance sheet total.

Total capital The total of equity and total liabilities.

Turnover The total turnover of the company after deduction of any discounts granted to customers.

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

Working capital Current assets (excluding cash, securities and deferred tax claims) minus provisions and current liabilities (excluding banks).

Colophon

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